

MINUTES

**California Pollution Control Financing Authority
801 Capitol Mall, Room 150
Sacramento, California
September 15, 2020**

1. CALL TO ORDER & ROLL CALL

Fiona Ma, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:30 a.m.

Members Present: Fiona Ma, CPA, State Treasurer
Members on the phone: Jacqueline Wong-Hernandez for Betty T. Yee, State Controller
Gayle Miller for Keely Martin Bosler, Director of Finance

Staff Present: Nancee Robles, Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Treasurer Ma asked if there were any questions or comments from the Board or public concerning the meeting minutes from the meeting held July 21, 2020. There were none.

Ms. Miller moved approval of the minutes; there was a second.

The item was passed by the following vote:

Gayle Miller for the Director of Finance	Aye
Jacqueline Wong-Hernandez for the State Controller	Abstained
Fiona Ma, CPA, State Treasurer	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Executive Director, Nancee Robles, began her report by providing the Board Members with the CalCAP (California Capital Access Program) Small Business Program update that the emergency regulations approved by the Board in July had been approved by the Office of Administrative Law and that the permanent rulemaking is underway. She shared that CalCAP held a Lender Roundtable on August 13, 2020 to update Lenders on CalCAP processes, including news that the online application portal is complete and open to all participating lenders. Ms. Robles also reported that she used her delegated authority to expand the supplemental contribution to loans made in disaster areas related to the Creek, El Dorado, and the Valley fires.

During Ms. Robles' Bond Program update she reported that since the July Board meeting she used her delegated authority to do the following: approve an Initial Resolution (IR) for Blue Line Transfer, Inc. for \$8 million; approve an IR for CalPlant I, LLC for \$53 million; approve

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an amendment to an existing IR for Renewable Sonoma, LLC extending the timeline due to COVID-19 related delays; approve an IR for Central Valley RNG for \$91,795,000; and approve Atlas Disposal Industries' fourth and final draw for an issue that closed on October 1, 2018 for \$1,435,000.

Ms. Robles reported that CPCFA received a default notification regarding the Recycling Industries issuance. CPCFA was the conduit issuer for a bond issuance for the company in November 2011, which was later refunded in 2017 with new money added. The total amount issued to Recycling Industries was \$7,725,000 and the outstanding debt remaining as of the December 2019 trustee audit was \$6,675,000. CPCFA is awaiting additional updates on the status of this financing.

Ms. Robles updated the Board that she used her delegated authority to approve an amendment to the Regulatory Agreement for The Carson Reclamation Authority, a California Recycle Underutilized Sites Program (CALReUSE) grantee, to correct the description of the manager's unit from a 2-bedroom unit to a 3-bedroom unit.

During Ms. Robles' update on outreach activities, she said staff would be participating in a Virtual One-Stop Truck Event on September 24, 2020 hosted by the California Air Resources Board (CARB) to promote CalCAP's Heavy Duty Truck Program.

Ms. Robles then moved on to personnel matters. She introduced CPCFA's two newest staff members, Kris Shirey and Genevieve Sanders, who are both Office Technicians on our Admin team.

Treasurer Ma asked if there were any questions from the Board or public. There were none.

4. BUSINESS ITEMS

A. REQUEST TO APPROVE FINAL RESOLUTION AUTHORIZING THE ISSUANCE OF SOLID WASTE DISPOSAL REVENUE GREEN BONDS AND THE EXECUTION AND DELIVERY OF AMENDMENTS IN CONNECTION WITH EXISTING SOLID WASTE DISPOSAL REVENUE GREEN BONDS RELATING TO FINANCING FOR SOLID WASTE DISPOSAL FACILITIES, AND REQUEST TO APPROVE A RESOLUTION FOR THE DEDICATION OF VOLUME CAP ALLOCATION

Presented by: Alison French-Tubo

Ms. French-Tubo introduced herself and informed the Board that the applicant, the applicant's counsel, bond counsel, and the underwriters were participating in the meeting via phone. Ms. French-Tubo began her report by informing the Board that CalPlant I, LLC was requesting approval of two resolutions. First was a Final Resolution to: issue senior solid waste disposal revenue bonds in an amount not to exceed \$53,000,000; amend its existing solid waste disposal revenue bonds; and acknowledge that the applicant had self-certified that this is a Green Bond transaction based on an independent consultant's report using guidelines consistent with the Internal Capital Market Association Green Bond

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Principles. The second resolution was for the dedication of Volume Cap Allocation carried forward from 2018.

Background provided by Ms. French-Tubo included that CalPlant received an IR from CPCFA approximately 20 years ago and eventually issued \$228,165,000 of senior tax-exempt green bonds in 2017. A second issuance in 2019 for \$73,685,000 were subordinate tax-exempt green bonds. Together, those are referred to as the Prior Bonds.

Ms. French-Tubo reported that the expected environmental benefits for the project located in Glenn County include air quality and water conservation.

Ms. French-Tubo explained that CalPlant proposes to finance costs of commissioning and startup with this issuance. Additionally the amendments to the existing solid waste revenue bonds included in the resolution would allow the new issuance to be an additional senior issuance. CalPlant self-certified that the issuance met Green Bond Principles, just like the previous two issuances. The allocation resolution dedicates tax-exempt allocation previously transferred to CPCFA from the California Debt Limit Allocation Committee.

Ms. French-Tubo said that CalPlant represents that due to delays in the project, they were unable to make payments on the Prior Bonds but were able to make arrangements for forbearance which are documented in the Electronic Municipal Market Access (EMMA). CalPlant also reported that they proceeded with constructing the physical facility and installing and commissioning equipment, including programming and testing; however they have experienced delays to the commissioning schedule. The delays were caused by the Covid-19 related international travel ban, which required key contractor personnel to return to Germany for several months, as well as a fire on August 16, 2020 that burned part of the stocked rice straw.

Other challenges disclosed by CalPlant include a payment dispute with a contractor, a mechanic's lien and a potential issue with an insurer.

Ms. French-Tubo completed her report by informing the Board that despite the challenges the project faced, staff recommended approval of Resolution No. 20-01-601 for CalPlant I, LLC and/or its affiliates for an amount not to exceed \$53,000,000 and approval of Resolution No. 19-073-04 to dedicate Volume Cap Allocation. She then asked the applicant and representatives on the phone to speak about their request and to answer questions from the Board.

Ms. Wong-Hernandez asked about the insurance issue and the mechanic's lien.

Mr. Uhland of CalPlant I, LLC addressed the question from Ms. Wong-Hernandez. He spoke to the many challenges to getting the facility up and running and that they expect to be producing the Medium Density Fiberboard in October 2020. He also clarified the impact of the travel ban that affected specialists working on the project. In response to Ms. Wong-Hernandez's insurance question, Mr. Uhland explained that they had a good policy with

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The Hartford Insurance Company and that they expect to hear back regarding the fire damage claim by October 1, 2020. The Hartford has visited the site regularly. He also shared that they are currently working on a solution to the mechanic's lien issue.

In response to Ms. Wong-Hernandez's question about the recent change in staff summary revising the project construction from 100% complete to substantially complete, Ms. French-Tubo responded that the change was due to clarification of some minor electrical work.

Ms. Gayle Miller's made a request to hear from Bond Counsel regarding the plan to get this bond issuance to a successful completion.

Mr. Devin Brennan from Orrick, Herrington & Sutcliffe, responded by explaining he has been working on this deal for quite some time and described to the Board the plan to sell the Bonds. He stated that the Underwriters are preparing a Limited Offering Memorandum and shared that the offering will go to qualified institutional buyers and investors. Mr. Brennan said they expect some of the purchasers to be the same as the current bondholders.

Ms. Wong-Hernandez asked Mr. Brennan to provide more details regarding the mechanic's lien and its disclosure over the last 24 hours. Mr. Brennan responded that the Indenture provides for permitted liens that happen during the ordinary course of business and that it is common to have this sort of contested issues.

Treasurer Ma asked Mr. Uhland to come back on the line to address Ms. Miller's question and to provide an update from fall 2019, when she had visited the CalPlant site about a year ago.

Mr. Uhland explained that the staff summary edit was a technicality and, that while the plant machines are currently functional, they are still working on automation, making refinements and awaiting fire and prevention system approvals. He indicated in the August 16, 2020 fire CalPlant lost 50,000 of 350,000 tons of the baled rice straw located on site. He informed the Board that CalPlant has ample [feedstock] supply for production in 2021 and 2022.

Ms. Miller thanked Mr. Uhland and asked about the strategy for the selling the bonds. Mr. Uhland responded that they had been in continuous communication with current bondholders who have continued to support and believe in the project. Mr. Uhland shared that he expects they will not need any new investors for this deal and that Citibank and Stifel are actively working to sell the Bonds to current bondholders.

Ms. Wong-Hernandez thanked Ms. Miller for posing the question and Mr. Uhland for the information.

Treasurer Ma asked if there were any questions or comments from the Board or public. There were none.

The item was passed by the following vote:

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Jacqueline Wong-Hernandez for the State Controller	Aye
Gayle Miller for the Director of Finance	Aye
Fiona Ma, CPA, State Treasurer	Aye

5. PUBLIC COMMENT

Treasurer Ma asked if there were any questions or comments from the Board or public. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 11:06 a.m.

Respectfully submitted,

(Originally signed by)

Nancee Robles
Executive Director