

MINUTES

**California Alternative Energy and Advanced
Transportation Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
August 21, 2018**

1. CALL TO ORDER AND ROLL CALL

John Chiang, Chairperson, called the California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA” or the “Authority”) meeting to order at 10:35 a.m.

Members Present: John Chiang, State Treasurer
Alan LoFaso for Betty T. Yee, State Controller
Jacqueline Wong-Hernandez for Michael Cohen, Director,
Department of Finance
Kevin Barker for Robert B. Weisenmiller, Chair,
California Energy Commission
Grant Mack for Michael Picker, President, Public Utilities Commission

Staff Present: Deana J. Carrillo, Executive Director

Quorum: The Chairperson declared a quorum.

2. MINUTES

Mr. Chiang asked if there were any questions or comments concerning the July 17, 2018 meeting minutes. There were none.

Mr. Chiang asked if there was a motion.

Ms. Wong-Hernandez moved for approval of the minutes; upon a second from Mr. Mack, the minutes were approved.

The item was passed by the following vote:

John Chiang, State Treasurer	Aye
Alan LoFaso for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Kevin Barker for the California Energy Commission	Abstain
Grant Mack for the Public Utilities Commission	Aye

3. EXECUTIVE DIRECTOR'S REPORT

Ms. Carrillo summarized recent activity under CAEATFA's programs, beginning with the Sales and Use Tax Exclusion ("STE") Program. Ms. Carrillo reported that if all of the applications before the Board are approved, CAEATFA will have awarded approximately 61% of the total exclusion for the year, leaving \$39 million left to award. CAEATFA currently has nine applications under review; if they are all approved, approximately \$26.7 million of the \$100 million cap would remain for 2018. The deadline for applications to be considered for the November Board meeting is Friday, September 14th. Ms. Carrillo added that during the past month, legislative staff and stakeholders reached out for assistance with finding new solutions to help address the industry disruption caused by China's ban on recycling material and its impact to California's landfill diversion and recycling goals. The California Pollution Control Financing Authority ("CPCFA") has taken an active role in exploring solutions for this effort; concurrently, under the STE Program, Staff will begin to explore how to streamline the process for recycling projects to help address demand, and will bring any recommendations to the Board for consideration.

Under the Property Assessed Clean Energy ("PACE") Loss Reserve Program, Ms. Carrillo reported that CAEATFA is undertaking a risk analysis of the PACE Loss Reserve. CAEATFA underwent a procurement process for a vendor under the Small Business Option Request for Bids (CAEATFA06-17), issued May 17th. CAEATFA received six bids, and Blue Sky Consulting Group, LLC ("Blue Sky") was selected.

Under legislative updates and policy efforts, Ms. Carrillo reported that Assembly Bill 1547 (Quirk-Silva) has been approved by the Senate Appropriations Committee and is on the Senate floor for consideration. The bill includes a number of program improvements for CAEATFA, as well as provisions related to CPCFA and the California Industrial Development Financing Advisory Commission.

Ms. Carrillo reported that under her delegated authority, she approved a one-year contract with Blue Sky to carry out a risk analysis of the PACE Loss Reserve in an amount not to exceed \$174,794. The contract was approved by Department of General Services on July 31, 2018 for a one-year term. Staff is working to schedule a meeting to establish a timetable for the effort, which is expected to be completed in 2019. Also under her delegated authority, Ms. Carrillo issued a Request for Proposals in late July for a two-year contract for the annual audit required of CAEATFA's conduit bond program for an amount not to exceed \$45,000. CAEATFA has received three proposals and will undergo a selection process. Ms. Carrillo will report on Staff's progress at next month's Board meeting.

Ms. Carrillo then concluded her report.

Ms. Wong-Hernandez asked how the amount and value of STE awards compare to the awards from the same time last year. Ms. Carrillo replied that she believed last year's exclusion amounts exceeded this year's awards at this time, and she would provide the Board more specifics comparing the number of companies and exclusion amounts at a later date.

4. BUSINESS ITEMS

A. DISCUSSION AND CONSIDERATION OF APPLICATIONS FOR SALES AND USE TAX EXCLUSION

- 1) Eurostampa California, LLC
Presented by Xee Moua, Analyst

Staff introduced Brendan Kinzie, General Manager, Eurostampa California, LLC.

Ms. Moua reported that Eurostampa California, LLC (“Eurostampa” or the “Applicant”), an Advanced Manufacturing Applicant, is requesting a sales and use tax exclusion to relocate, expand, and upgrade its packaging label printing operation located in Napa (the “Project”).

Eurostampa represents that it will utilize an advanced, computer controlled Swiss printing press to help reduce paper, ink, adhesive, foil, and liner usage. According to the Applicant, its process will minimize environmental impacts by using 100% post-consumer waste materials for end products and UV ink instead of traditional water-based ink.

Staff recommends approval of a resolution for Eurostampa California, LLC’s purchase of no more than \$2,852,000 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion of \$238,427.

Ms. Wong-Hernandez moved for approval and there was a second by Mr. Mack.

Mr. Chiang stated there was a motion and a second and asked if there were any other questions or comments from the Board or public.

Mr. Chiang asked about the Eurostampa facility. Mr. Kinzie responded, stating that the facility, currently located in the Meritage Hotel business park in Napa, is 18,000 square feet, but the company is transitioning into an 80,000 square foot facility split between office space and production with polished concrete floors and state-of-the-art equipment. Globally, Eurostampa’s parent company produces approximately 50-60% of the labels worldwide for bottled spirits. The Napa facility was opened around three years ago, and is focused primarily on wine labels. Mr. Kinzie continued by stating that there are high demands from customers for quality, and that the equipment Eurostampa uses is very precise. New equipment at their facilities allows the company to reduce the amount of waste produced and allows for continuous operation of their presses from roll to roll. Mr. Kinzie added that Eurostampa had nine employees in Napa two years ago, that it currently has 41 employees, and anticipates having 86 by the end of 2019.

Mr. Chiang asked what impacts fires, earthquakes, and housing prices have had on Eurostampa. Mr. Kinzie replied, stating that the smoke in the valley caused by recent wildfires caused Eurostampa to have to shut down their facility for one week, with the nearest fire being around one and a half miles away. Mr. Kinzie continued by stating that housing is a larger challenge. The company helps to subsidize the costs of apartments in the area for its employees, as there isn’t an abundance of available, affordable housing. More difficult than that, Mr. Kinzie stated, is finding skilled employees. The workers

Eurostampa employs are in a skilled manufacturing role, and unlike in Europe, where there are a lot of apprenticeship programs, availability of qualified workers is lacking.

Mr. Chiang asked how long it takes to train Eurostampa's equipment operators. Mr. Kinzie replied by stating that it takes around two to three years to train employees for this kind of work.

Mr. Chiang asked if Eurostampa could work with a local community college to create a vocational program. Mr. Kinzie responded by stating that Eurostampa has a meeting scheduled with California State University at Fullerton to see what can be done to fund a program and get new entrants interested in the field. He continued by stating that people think of the printing industry as a dying industry of newspapers and magazines, and that people are surprised with the clean-room-like environments and advanced technology of Eurostampa. He stated that a lead press operator makes a salary of around \$80,000 per year, and company is trying to make people aware that such positions exist.

There were no further comments and Mr. Chiang called for a vote. The item was unanimously approved.

The item was passed by the following vote:

John Chiang for the State Treasurer	Aye
Alan LoFaso for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Kevin Barker for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

2) WIE-AGRON Bioenergy, LLC
Presented by Xee Moua, Analyst

Staff introduced Roxby Hartley, Director of Operations, WIE-AGRON Bioenergy, LLC; and Ethan Hanohano, Business Acceleration Program Manager, The Grant Farm.

Ms. Moua reported that WIE-AGRON Bioenergy, LLC ("WIE-AGRON" or the "Applicant"), an Alternative Source Applicant, is requesting a sales and use tax exclusion to repair, upgrade, and expand its existing biodiesel facility located in Watsonville (the "Project"), where it will produce low-carbon biodiesel from choice white grease.

According to the Applicant, the Project consists of two phases, the first of which involves making necessary repairs and equipment upgrades to the facility, followed by expanding its storage and loading capacity to increase maximum yield and output.

Staff recommends approval of a resolution for WIE-AGRON Bioenergy, LLC's purchase of Qualified Property in an amount not to exceed \$7,685,000, anticipated to result in an approximate sales and use tax exclusion of \$642,466.

Ms. Wong-Hernandez moved for approval and there was a second by Mr. Mack.

Mr. Chiang stated there was a motion and a second and asked if there were any other questions or comments from the Board or public.

Mr. Chiang asked for industry updates as related to WIE-AGRON. Mr. Hartley responded, stating that their biodiesel facility can produce up to 150 million gallons of biodiesel per year; however, they have addressed a number of challenges associated with production over the years. Currently the company is performing a series of tests to try to improve yield and decrease production downtime. One of the issues is that feedstock for biodiesel manufacture is in short supply in California, and the company has to get its supply from Iowa. WIE-AGRON only keeps a few days' supply of feedstock on hand, so if there is any interruption in supply, productivity suffers. They plan to purchase a piece of land neighboring their plant in order to build a new tank farm to help alleviate current supply constraints.

Mr. Chiang asked how often their supply of feedstock has been interrupted. Mr. Hartley responded by stating that in the past the company would have these kinds of supply issues approximately once per month.

Mr. Mack asked if WIE-AGRON participates in the Low Carbon Fuel Standard set forth by the California Air Resources Board and if they generate credits. Mr. Hartley replied by stating that they do take part in the program, and that the company's Corporate Responsibility Index is around 34 or 35.

There were no further comments and Mr. Chiang called for a vote. The item was unanimously approved.

The item was passed by the following vote:

John Chiang, State Treasurer	Aye
Alan LoFaso for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Kevin Barker for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

3) The Almond Company
Presented by Xee Moua, Analyst

Staff introduced Jim Kopshever, Chief Executive Officer and Strategic Executive Advisor, The Almond Company; Alex Tran, Consultant, California Incentives Group; and Leslie McBride, Consultant, California Incentives Group.

Ms. Moua reported that The Almond Company ("Almond Company" or the "Applicant"), an Advanced Manufacturing Applicant, is requesting a sales and use tax exclusion to upgrade and expand its existing almond production operations located in Madera and Chowchilla (the "Project").

Almond Company states that it will be hulling and shelling almonds at a "meat separation rate" of 97 to 98%, which exceeds that of its average competitor in the industry. According to the Applicant, the Project will utilize tools to process and produce whole,

sliced, and blanched products. The equipment will also have the ability to organize the almonds into varying grades and sizes up to 75% faster than the current rate, and extensively distinguish between usable and defective products. Furthermore, Almond Company represents its new processes will minimize maintenance and electricity costs.

Staff recommends approval of a resolution for The Almond Company's purchase of no more than \$3,750,000 in Qualified Property, anticipated to result in an approximate sales and use tax exclusion of \$313,500.

Ms. Wong-Hernandez moved for approval and there was a second by Mr. Mack.

Mr. Chiang stated there was a motion and a second and asked if there were any other questions or comments from the Board or public.

Mr. Kopshever stated that in the past few years, The Almond Company has found itself not just in the farming business, but also in the food processing business. They have therefore become adept at meeting high food safety standards and using more advanced technology, such as computerized sorting machinery, quality control equipment, and have taken on measures to increase efficiency. The new jobs Almond Company is offering will be higher-technologically involved, skilled positions.

Mr. Chiang asked what percentage of almond production takes place in California. Mr. Kopshever replied by stating that California produces approximately 80% of the almonds worldwide. He explained that the climate in California is favorable for almond production – almond trees become dormant in the winter time, and temperatures need to reach a certain level in the summer for optimal growth. He continued by stating that there is also some almond farming in Australia and Spain.

Ms. Wong-Hernandez asked how many people are employed by The Almond Company. Mr. Kopshever replied that The Almond Company is vertically integrated, and with all of its combined parts, it has around 325 employees.

Mr. Barker stated that the California Energy Commission recently received approximately \$60 million for a food processing investment program and asked if Almond Company is participating in the workshops. Ms. McBride responded, stating that Almond Company has been involved in the workshops and finds them valuable.

There were no further comments and Mr. Chiang called for a vote. The item was unanimously approved.

The item was passed by the following vote:

John Chiang, State Treasurer	Aye
Alan LoFaso for the State Controller	Aye
Jacqueline Wong-Hernandez for the Director of Finance	Aye
Kevin Barker for the California Energy Commission	Aye
Grant Mack for the Public Utilities Commission	Aye

5. PUBLIC COMMENT

Mr. Chiang asked if there were any comments from the public and there were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 10:58 a.m.

Respectfully submitted,

Deana J. Carrillo
Executive Director