



**California Pollution Control
Financing Authority**

**TAX-EXEMPT BOND AND
RATE REDUCTION BOND
FINANCING PROGRAMS**

**2019 ANNUAL REPORT TO THE
CALIFORNIA STATE LEGISLATURE**

March 2020

About the California Pollution Control Financing Authority:

Mission Statement: As public servants, we are committed to promoting broad and equitable access to private capital through the delivery of diverse financing options to California businesses and environmental industries by being:

- **A driving force of public and private partnerships that create jobs and support vibrant economic development especially in disadvantaged and underserved communities.**
- **A leader in offering innovative and prudent financial risk mitigation tools, embracing new financing technologies.**
- **At the forefront of community-driven projects that restore the environment, protect public health, and promote economic independence and climate resilience.**
- **A statewide flag bearer in the issuance of green bonds and new technologies for solid waste, wastewater, recycling, and water furnishing infrastructure.**

The California Pollution Control Financing Authority (“CPCFA” or “Authority”) provides California businesses with financing options for pollution control facilities and small businesses. CPCFA, founded in 1972, administers programs serving a variety of goals, including:

- Helping businesses construct solid waste, recycling, water and wastewater projects as a conduit issuer of tax-exempt bonds.
- Assisting small businesses in obtaining loans for business start-up and expansion and working capital through the California Capital Access Program (“CalCAP”) and Collateral Support Program.
- Collaborating with the California Air Resources Board (“CARB”) to provide lenders with loan loss reserve accounts to finance new, cleaner-burning heavy-duty diesel trucks and buses.
- Transforming contaminated sites into vibrant housing and infill developments that enhance communities through the California Recycle Underutilized Sites Program (“CALReUSE”).

This annual report to the Legislature describing the Tax-Exempt Bond Financing Program is prepared pursuant to California Pollution Control Financing Authority statute, Health & Safety Code, section 44559.6.

CPCFA consists of:

Fiona Ma, CPA, Chair
State Treasurer

Betty T. Yee
State Controller

Keely Martin Bosler, Director
Department of Finance

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Pollution Control Tax-Exempt Bond Financing Program 2019 Annual Report

PROGRAM SUMMARY

The California Pollution Control Financing Authority (CPCFA) Tax-Exempt Bond Financing Program (the “Program”) stimulates environmental cleanup, economic development, and job growth throughout the State of California. The Program allows California businesses to meet their growth and capital needs by providing access to low-cost financing through private activity tax-exempt bonds that provide qualified borrowers with lower interest borrowing costs than conventional financing. CPCFA was established in 1972, and from 1973-2019 the Program has issued more than \$16.2 Billion for 743 projects.

In addition, CPCFA maintains a Small Business Assistance Fund (SBAF) to pay for qualified costs of issuance of tax-exempt bonds issued on behalf of certain small businesses. The assistance reduces the net cost of financing tax-exempt bonds for small businesses. SBAF can pay for letter of credit fees, transaction fees and other costs associated with the issuance of bonds.

CPCFA has chosen to feature a green bond project from the 2019 calendar year to highlight the environmental benefits being achieved in the State of California through tax-exempt financing.

REPORT OF 2019 ACTIVITIES

This report of activities for the California Pollution Control Financing Authority (the "Authority") Tax-Exempt Bond Financing Program is submitted pursuant to Health and Safety Code Section 44538 for the calendar year ending December 31, 2019.

1. APPLICATIONS RECEIVED

The Authority received five new applications for a total dollar amount of \$1,457,270,000. (See [Table 1](#))

2. INITIAL RESOLUTIONS ADOPTED

The Authority took initial action on four applications for a total dollar amount of \$1,441,000,000. (See [Table 2](#))

3. FINAL RESOLUTIONS ADOPTED

The Authority took final action to approve the sale of bonds on three applications for a total dollar amount of \$344,075,000. (See [Table 3](#))

4. BONDS SOLD

The Authority sold five bond issues for a total of \$ 443,235,000 in new tax-exempt, taxable and refunding bonds. (See [Table 4](#))

5. PROJECTED NEEDS AND REQUIREMENTS FOR 2020

The Authority has sufficient funds to operate its programs for the coming year and has no need for General Fund assistance.

6. ANALYSIS OF CHANGE IN CASH BALANCE FOR FISCAL YEAR ENDED JUNE 30, 2019.

The Authority's cash balance for fiscal year 2018/2019 decreased by \$2,941,037.08.

The Authority's ending balance for fiscal year 2018/2019 is \$18,168,091.81. (See [Table 5](#))

Featured Project:

Rialto Bioenergy Facility, LLC

Tax Exempt Revenue Bonds (Green Bonds) worth \$117,200,000 issued to Rialto Bioenergy Facility, LLC. to develop and build a nonhazardous solid waste treatment and disposal facility.

Rialto Bioenergy Facility, LLC operates waste treatment facilities with advanced anaerobic digestion. CPCFA issued tax-exempt revenue bonds on January 30, 2019 for a total amount of \$117,200,000. Rialto Bioenergy Facility, LLC paid \$229,400 in administrative fees.



The bond proceeds are being used to design and build a facility known as the Rialto Bioenergy Facility to accept up to 700 tons of organic rich solid food waste and convert it into renewable energy and fertilizer through an anaerobic digestion process. The facility will receive up to 300 tons per day of biosolids, which will be dried for beneficial reuse. The project is expected to produce approximately 2.5 megawatts (MW) of renewable electrical energy for export from the amount of methane generated by the process and to generate renewable natural gas for pipeline injection. The electricity is intended to be sold to Southern California Edison and the renewable natural gas is

intended to be sold to Anaheim Public Utilities as well as Southwest Gas.

The Project will be located at 503 E Santa Ana Avenue in Rialto, San Bernardino on a site owned by the City of Rialto. The City of Rialto has leased the site to the Rialto Utility Authority. The Company has entered into a 22-year lease agreement with the Rialto Utility Authority, which includes two 5-year options for extension. Once the project is complete, it will be the largest food waste diversion and energy recovery facility in North America. The Project is anticipated to be completed by the end of 2020.



The Project's Green Bond Principles and State of California environmental goals and policies include greenhouse gas emission reductions, renewable energy, energy efficiency, pollution prevention and control, sustainable water and wastewater management, and other environmental benefits including a reduction in greenhouse gases and recycling of nutrients from waste products that would otherwise be sent to a landfill. The Project also supports the State's environmental policy objectives aimed at regulating organic waste management practices, including Assembly Bill 1826 (Chesbro, 2014), Assembly Bill 1584 (Buchanan, 2014) and Senate Bill 1383 (Lara, 2016).

2019 Closings – Project Highlights

San Diego County Water Authority Financing Agency-Refunding

On February 20, 2019, the San Diego County Water Authority Financing Agency refunded \$183,155,000 in outstanding Series 2012 CPCFA Water Furnishing Revenue Pipeline Bonds. The original 2012 Pipeline bond proceeds were used to finance the costs of the development, design, engineering, acquisition and construction of water furnishing for the distribution of clean water in the County of San Diego, including the costs of the 10-mile pipeline connecting the Claude “Bud” Lewis Desalination Plant with the related facilities and equipment. The plant is a reverse-osmosis desalination plant located in the City of Carlsbad.

Alameda County Industries, Inc.

Alameda County Industries, Inc. is a small business that provides waste collection and disposal services to customers throughout Alameda County. On June 3, 2019, CPCFA issued notes in the total amount of \$54,075,000 comprised of \$32,000,000 in new money and \$22,075,000 in refunding for previous issuances. The note proceeds were used to purchase 40 new, compressed natural gas rolling stock vehicles to facilitate and support the contractual obligations for the new franchise agreement contracts recently awarded to the company.

CalAg, LLC dba CalPlant I, LLC

CalPlant I, LLC is constructing the 30,000 square foot facility to use a patented method licensed to the Company (US Patent 6,596,209) to recycle waste rice straw (a waste product from the farming and harvesting of rice) into medium density fiberboard (MDF) in Willows, Glenn County. CPCFA approved tax-exempt revenue green bonds on July 23, 2019 for a total amount up to \$80,000,000. Ultimately on August 7, 2019, CPCFA issued an amount of \$73,685,000 for the project.

The project site is located on 275 acres in the town of Willows in Glenn County. The Company purchased the plant site in April 2008 and construction of the Plant began November of 2017. The first fiberboard is anticipated to be produced in the second quarter of 2020.

North Fork Community Power, LLC

On December 31, 2019, CPCFA issued tax-exempt and taxable green bonds totaling \$15,120,000 to finance the construction of a forestry residue fueled biomass power plant project located on 10 acres of land in North Fork in Madera County. Bond proceeds will be used to construct the power plant, site improvements, the purchase and installation of gasification equipment, a fuel handling system, a power generator and utility interconnections to be used in the daily operations of the power plant. Once fully operational, the plant will employ 15 direct, full-time employees.

CPCFA Bond Program Record of Achievement

Financing Approved 1973-2019:

- More than \$16 Billion issued
- 743 Projects
- SBAF amount given to Small Businesses over the lifetime of the Program totals more than \$22 Million

2019:

- More than \$233 Million in new money tax-exempt bonds issued
- More than \$4.6 Million in taxable bonds issued
- More than \$205 Million in refunding bonds issued
- 5 Projects

Green Bonds Issued to Date:

- More than \$434 Million in bonds issued
- 4 projects

CPCFA tax-exempt bonds have helped California:

- Achieve a recycling rate of over 50%
- Clean our air and water
- Increase renewable energy use
- Maintain state-of-the-art waste collection and disposal systems
- Keep harmful materials out of our environment
- Create renewable and sustainable sources of energy through biomass conversion
- Divert organic waste from landfills
- Reduce methane emissions

Table 1

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

APPLICATIONS RECEIVED IN 2019

APP. NO.	DATE RECEIVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
927	03/18/19	California Agriboard, LLC dba CalPlant I, LLC	SWD	\$80,000,000
928	08/27/19	Aemetis Advanced Products Riverbank, Inc.	SWD	\$200,000,000
929	09/10/19	California Waste Solutions, Inc.	SWD	\$61,000,000
930	11/07/19	Poseidon Resources (Surfside) LLC	WF	\$1,100,000,000
931	12/04/19	Amador Valley Industries, LLC, Pleasanton Garbage Services, LLC and Recycling and Resource Recovery, LLC dba Pleasanton Garbage Services, Inc.	SWD	\$16,270,000
		TOTAL:		\$1,457,270,000

(SWD) Solid Waste Disposal

(WF) Water Furnishing Facilities

Table 2

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

INITIAL RESOLUTIONS (IR) ADOPTED IN 2019

IR NO.	DATE APPROVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
19-01	03/28/19	California Agriboard, LLC dba CalPlant I, LLC	SWD	\$80,000,000
19-02	10/04/19	Aemetis Advanced Products Riverbank, Inc.	SWD	\$200,000,000
19-03	11/08/19	California Waste Solutions, Inc.	SWD	\$61,000,000
19-04	12/09/19	Poseidon Resources (Surfside) LLC	WF	\$1,100,000,000
		TOTAL:		\$1,441,000,000

(SWD) Solid Waste Disposal
(WF) Water Furnishing Facilities

Table 3

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

FINAL RESOLUTIONS (FR) ADOPTED IN 2019

FR NO.	DATE APPROVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
593	01/19/19	San Diego County Water Authority	WF	\$210,000,000
594	05/21/19	Alameda County Industries, LLC	SWD	\$54,075,000
596	07/23/19	California Agriboard, LLC/CalPlant I, LLC	SWD	\$80,000,000
			TOTAL:	\$344,075,000

(WF) Water Furnishing Facilities

(SWD) Solid Waste Disposal

Table 4

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

BONDS SOLD IN 2019

CLOSING DATE	BOND NAME	PROJECT TYPE	AMOUNT OF ISSUE	BEGINNING INTEREST RATE	MODE	SBAF AMOUNT AWARDED TO SB
01/30/19	Rialto Bioenergy Facility LLC	SWD	\$117,200,000 new money	7.50	Fixed	\$0
02/20/19	SDCWA Desalination Pipeline	WF	\$183,155,000 refunding	5.00	Fixed	\$0
06/03/19	Alameda County Industries, Inc.	SWD	\$54,075,000 \$32,000,000 new money \$22,075,000 refunding	2.91	Monthly	\$0
08/07/19	CalPlant I, LLC	SWD	\$73,685,000 new money	7.50	Fixed	\$0
12/31/19	North Fork Community Power, LLC	SWD	\$15,120,000 new money \$10,430,000 tax-exempt \$4,690,000 taxable	8.50/15	Fixed	\$0
	TOTAL:		\$443,235,000			\$0

(SBAF) Small Business Assistance Fund

(SB) Small Business

(SWD) Solid Waste Disposal

(WF) Water Furnishing Facilities

Note: All bond sales terms are negotiated.

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

*** ANALYSIS OF CHANGE IN CASH BALANCE
FISCAL YEAR ENDED JUNE 30, 2019**

CASH BALANCE	JULY 1, 2018	<u>\$21,109,128.89</u>
ADDITIONS:		
	REVENUE/OPERATING REVENUE	\$629,122.69
DEDUCTIONS:		
	OPERATING EXPENDITURES	\$3,945,505.76
CASH BALANCE	JUNE 30, 2019	<u>\$18,168,091.81</u>

The cash balance represents the total agency, including other programs, not just the bond program.

* This analysis will be validated in the pending 2018-19 Bond Program audit due June 30, 2020.

Water and Wastewater Rate Reduction Bond Financing Program 2019 Annual Report

PROGRAM SUMMARY

The California Pollution Control Financing Authority (CPCFA) has responsibility to review the issuance of certain rate reduction bonds to finance and/or refinance water and wastewater utility projects that are approved by joint powers authorities (JPAs). These issuances allow California local agencies that own and operate water and wastewater utilities to access low-cost financing through rate reduction bonds. The rate reduction bonds issued by JPAs to local agencies to finance or refinance a water or wastewater utility project are to be secured by utility project property and repaid through a separate utility project charge imposed on the utility ratepayers' bills.

Assembly Bill 850 (Nazarian, 2013) authorized joint power authorities to issue rate reduction bonds to finance publicly owned water utility projects until December 31, 2020 and Assembly Bill 305 (Nazarian, 2019) took effect January 1, 2020 to expand the definition of a publicly owned utility for these purposes to include publicly owned wastewater utilities and expand the eligible costs to include refinancings as well as financings.

In addition, AB 305 extended the expiration date of the program until December 31, 2026 and extended the requirement for CPCFA to report to the Legislature on water and wastewater reduction bonds, indefinitely. Furthermore, AB 305 clarified the elements to be reviewed by CPCFA, and removed the requirement for CPCFA to review issuances of rate reduction bonds when the local agency's determinations are subject to review by a ratepayer advocate or similar entity.

CPCFA reviews the issuances of rate reduction bonds to local agencies which are not subject to review by a ratepayer advocate in accordance with Government Code, section 6588.7(b)(A)-(B) and section 6588.7(c), including:

- Qualification as water or wastewater utility project furnishing water service to no less than 25,000 customers or wastewater utility project furnishing wastewater service to no less than 25,000 customers is verified.
- Utility project property and the utility project charge are verified as source of payment for utility project costs and financing costs.
- The rates of the publicly owned utility plus the utility project charge are verified as expected to be lower than the rates if the project was financed by revenue bonds, or other substantial benefits to the public utility are verified if the utility has more than 500,000 retail customers.

To date, CPCFA has not received any applications utilizing Water and Wastewater Rate Reduction Bonds.