



2020

Annual Report to the California State Legislature

Tax-Exempt Bond and Rate Reduction Bond Financing Programs

MARCH 2021



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, among others:

- 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 State 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 the California Pollution Control Financing Authority Act, Health and Safety Code Section 44538. CPCFA consists of:

Fiona Ma, CPA, Chair
State Treasurer

Betty T. Yee
State Controller

Keely Martin Bosler, Director
Department of Finance



Table of Contents

1. Program Summary Tax-Exempt Bond Program	4
• Report of 2020 Activities	5
• 2020 Closings – Project Highlights	6
• Record of Achievement	9
• Applications Received in 2020 (Table 1)	10
• Initial Resolutions (IR) Adopted in 2020 (Table 2)	10
• Final Resolutions (FR) Adopted in 2020 (Table 3)	11
• Bonds Sold in 2020 (Table 4)	11
• Change in Cash Balance (Table 5)	12
2. Program Summary Rate Reduction Bond Program	13



Pollution Control Tax-Exempt Bond Financing Program

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 and notes that provide qualified borrowers with lower interest borrowing costs than conventional financing. CPCFA was established in 1972, and between 1973-2020 the Program has issued more than \$16.6 billion for 751 projects.

In addition, CPCFA maintains a Small Business Assistance Fund (SBAF) to pay for the qualified costs of the issuance of tax-exempt bonds issued on behalf of certain small businesses. The assistance reduces the net cost of financing tax-exempt bonds/notes for small businesses. SBAF can pay for letter of credit fees, transaction fees and other costs associated with the issuance of bonds or notes. The SBAF fund has provided small businesses more than \$22 million since 1973.

CPCFA BONDS SINCE 1973:

- **\$16.6 Billion**
- **751 Projects**



REPORT OF 2020 ACTIVITIES

This report of activities of the CPCFA's Tax-Exempt Bond Financing Program is submitted pursuant to Health and Safety Code Section 44538 for the calendar year ending December 31, 2020.

APPLICATIONS RECEIVED

The Authority received 12 new applications for a total dollar amount of \$716,580,000. (See Table 1)

INITIAL RESOLUTIONS ADOPTED

The Authority took initial action on 10 applications for a total dollar amount of \$580,295,000. (See Table 2)

FINAL RESOLUTIONS ADOPTED

The Authority took final action to approve the sale of bonds/notes on nine applications for a total amount of \$444,785,000. (See Table 3)

BONDS SOLD

The Authority sold eight issues for a total of \$404,785,000 in new money tax-exempt and taxable bonds/notes and refunding bonds/notes. (See Table 4)

PROJECT NEEDS AND REQUIREMENTS FOR 2021

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

ANALYSIS OF CHANGE IN CASH BALANCE FOR FISCAL YEAR ENDED JUNE 30, 2020

The Authority's cash balance for fiscal year 2019/2020 increased by \$105,350.23. The Authority's ending balance for fiscal year 2019/2020 is \$18,273,438.23. (See Table 5)

2020 Project Highlights: Solid Waste Disposal

Blue Line Transfer, Inc.

On November 19, 2020, CPCFA issued \$8 million in tax-exempt notes for Blue Line Transfer, Inc., of South San Francisco to finance the installation of new equipment as well as site improvement construction, including system upgrades and paving at the borrower's material recovery facility (MRF). Proceeds will also be used to acquire equipment for collecting, processing, transferring and recycling solid waste and for landscaping, lighting, paving and fencing improvements at a leased property used by the borrower for solid waste operations.

Blue Line has common ownership with South San Francisco Scavenger Co., Inc., (SSFSC). SSFSC is the franchised waste and refuse collection company and Blue Line operates the MRF and anaerobic digester.

GreenWaste Recovery, Inc., Zanker Road Resource Management, Ltd., and Zero Waste Energy Development Company LLC

On April 1, 2020, GreenWaste Recovery, Inc., Zanker Road Resource Management, Ltd., and Zero Waste Energy Development Company LLC refunded \$142,285,000 in outstanding solid waste tax-exempt notes. The original notes were used to finance improvements to existing MRFs and to acquire solid-waste collection, processing and transfer equipment. The companies provide refuse collection, recycling, and disposal services in Santa Clara, Santa Cruz, Monterey, Sonoma and Sacramento counties.



Mission Trails Waste Systems, Inc.

On December 2, 2020, CPCFA issued \$25 million in tax-exempt notes for Mission Trail Waste Systems, Inc., to finance the acquisition of equipment to support the borrower's waste collection and disposal activities and to construct improvements to their solid waste disposal and recycling facilities, which includes a fueling station and a stormwater system. Note proceeds will also be used to replace the borrower's collection fleet and to upgrade equipment in order to meet new state regulations.

Bond Proceeds Used For:

- Equipment purchase and upgrades
- Site improvements

Mission Trail Waste Systems, Inc., provides collection and disposal services to customers in the city of Santa Clara and the city of Los Altos. Additionally, the borrower's affiliate, Santa Clara Valley Industries, LLC, owns and operates a MRF located in the city of Santa Clara.

2020 Project Highlights: Solid Waste Disposal

Garden City Sanitation, Inc.

On December 9, 2020, CPCFA issued \$42.5 million in tax-exempt notes for Garden City Sanitation, Inc. Note proceeds will be used to finance fuel station and leasehold improvements, as well as to purchase containers and trucks under the borrower's San Jose Franchise Agreement. Garden City Sanitation, Inc., will also use note proceeds to acquire containers and trucks.

Garden City Sanitation, Inc., provides for the collection and disposal of residential and commercial waste in Alameda and Santa Clara counties.

California Waste Solutions Inc.

On December 15, 2020, CPCFA issued a total of \$85 million in tax-exempt notes for California Waste Solutions Inc., comprised of \$21 million to refund previously issued Series 2015 CPCFA notes, as well as a new money portion of \$64 million. Note proceeds were used to purchase equipment, rolling stock, containers and to expand and upgrade the borrower's sort line and San Jose truck fleet in order to comply with new state laws required by Chapter 13.1 (commencing with Section 42652) of the Public Resources Code. California Waste Solutions Inc., will also be acquiring property and making improvements to its existing MRF. California Waste Solutions Inc., collects and processes residential recyclables in the cities of Oakland and San Jose.

CalPlant Project:

- **World's first commercial MDF producer**
- **Using rice straw solid waste to create building products**

CalPlant I, LLC

On October 13, 2020, CPCFA issued \$42 million in tax-exempt bonds for CalPlant I, LLC, and bond proceeds will be used to finance project delays due to COVID-19 and a fire that have resulted in additional costs of at least \$57 million. CalPlant purchased the site in April 2008 and construction of the plant began in November 2017.

CalPlant will be the world's first commercial-scale rice-straw medium density fiberboard (MDF) producer, aiming to add 140 million square-feet to the building products industry. This small business will use California grown rice straw (a solid waste product) as feedstock for a manufacturing process to produce the high quality and competitively priced MDF. Estimates suggest 280,000 tons of post-harvest rice straw waste will be recovered annually.



2020 Project Highlights: Water Furnishings



American Water Capital Corp.

On August 18, 2020, American Water Capital Corp. refunded \$35 million in outstanding Series 2010 tax-exempt bonds. The previously issued bonds were used to finance the following programs:

- Seaside Mains Replacement Project - a small water main replacement program to update older, small diameter, thin-walled steel mains that had begun to experience frequent leaks and breaks in the existing water distribution system.
- Meter Retrofit/Conversion Program - a major multi-year project completed in 2013 to install meters for customers receiving water services through a flat rate, unmetered service.
- Well Rehabilitation Program and the Water Treatment Improvement Program - two long-term projects to rehabilitate and improve more than 100 existing wells located across nine service areas in the Sacramento region on an ongoing systematic basis.

Mission Rock Utilities, Inc.

On November 10, 2020, CPCFA issued \$25 million in taxable Bond Anticipation Notes (BANs) for Mission Rock Utilities, Inc., for construction that is expected to include distribution piping for a Blackwater Recycling System Plant (BRS) and District Energy System Plant (DES), BRS underground tank and structure and DES thermal energy and electrical equipment.

Mission Rock Utilities, Inc., was created in order to develop the thermal energy and black water recycling systems for Mission Rock, a new mixed-use waterfront neighborhood located in downtown San Francisco, comprised of 11 new buildings, eight acres of parks and open space, residential housing of which 40% will be affordable and a unique mix of neighborhood-serving retail.



MISSION ROCK

- Thermal Energy
- Black Water Recycling

CPCFA BOND PROGRAM RECORD OF ACHIEVEMENT

BOND FINANCING FROM 1973-2020:

- More than \$16.6 billion issued
- 751 projects
- SBAF amount given to small businesses over the lifetime of the Program totals more than \$22 million

2020 BOND PROGRAM TOTALS:

- More than \$181 million in new money tax-exempt bonds/notes issued, including \$42 million in green bonds.
- More than \$25 million in taxable Bond Anticipation Notes issued
- More than \$198 million in refunding bonds/notes issued
- 8 financings for a total of \$404 million in activity

GREEN BONDS ISSUED TO DATE:

- More than \$476 million in green bonds issued
- 5 financings supporting 3 projects

CPCFA TAX-EXEMPT AND TAXABLE BONDS HAVE HELPED CALIFORNIA:

- Achieve a recycling rate of more than 50%
- Enjoy cleaner air and water
- Increase renewable energy use
- Maintain state-of-the-art waste collection and disposal systems
- Keep harmful materials out of the environment
- Create renewable and sustainable sources of energy through biomass conversion
- Divert organic waste from landfills
- Reduce methane emissions
- Support innovative and sustainable community development projects

Applications Received in 2020

TABLE 1

APP. NO.	DATE RECEIVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
932	1/27/2020	GREENWASTE RECOVERY, INC., ZANKER ROAD RESOURCE MANAGEMENT, LTD., AND ZERO WASTE ENERGY DEVELOPMENT COMPANY LLC	SWD	\$142,285,000
933	2/13/2020	DG ENERGY	SWD	\$2,000,000
934	4/15/2020	MISSION ROCK UTILITIES, INC.	WF	\$55,000,000
935	7/13/2020	BLUE LINE TRANSFER, INC.	SWD	\$8,000,000
936	7/27/2020	CALPLANT I, LLC	SWD	\$53,000,000
937	8/10/2020	CENTRAL VALLEY RNG LLC	SWD	\$91,795,000
938	8/31/2020	GARDEN CITY SANITATION, INC.	SWD	\$42,500,000
939	8/31/2020	MISSION TRAIL WASTE SYSTEMS, INC.	SWD	\$25,000,000
940	10/1/2020	GARAVENTA ENTERPRISES, INC.	SWD	\$25,000,000
941	10/12/2020	SOCAL BIOMETHANE, LLC	SWD	\$13,000,000
942	10/29/2020	AMADOR VALLEY INDUSTRIES, LLC	SWD	\$9,000,000
943	11/5/2020	VALLEY GREEN FUELS LLC	SWD	\$250,000,000
		TOTAL:		\$716,580,000

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

Initial Resolutions (IR) Adopted in 2020

TABLE 2

APP. NO.	DATE RECEIVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
20-01	3/16/2020	DG ENERGY	SWD	\$2,000,000
20-02	6/19/2020	MISSION ROCK UTILITIES, INC.	WF	\$70,000,000
20-03	7/31/2020	BLUE LINE TRANSFER, INC.	SWD	\$8,000,000
20-04	8/7/2020	CALPLANT I, LLC	SWD	\$53,000,000
20-05	9/9/2020	CENTRAL VALLEY RNG, LLC	SWD	\$91,795,000
20-06	9/22/2020	GARDEN CITY SANITATION, INC.	SWD	\$42,500,000
20-07	9/17/2020	MISSION TRAIL WASTE SYSTEMS, INC.	SWD	\$25,000,000
20-08	11/3/2020	GARAVENTA ENTERPRISES, INC.	SWD	\$25,000,000
20-09	11/20/2020	SOCAL BIOMETHANE, LLC	SWD	\$13,000,000
20-10	12/16/2020	VALLEY GREEN FUELS, LLC	SWD	\$250,000,000
		TOTAL:		\$580,295,000

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

Final Resolutions (FR) Adopted in 2020

TABLE 3

FR NO.	DATE APPROVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
597	3/17/2020	GREENWASTE RECOVERY, INC., ZANKER ROAD RESOURCE MANAGEMENT, LTD., AND ZERO WASTE ENERGY DEVELOPMENT COMPANY LLC	SWD	\$142,285,000
599	7/21/2020	AMERICAN WATER CAPITAL CORP.	WF	\$35,000,000
600	10/20/2020	MISSION ROCK UTILITIES, INC.	WF	\$25,000,000
601	9/15/2020	CALPLANT I, LLC	SWD	\$53,000,000
602	11/17/2020	ORGANIC ENERGY SOLUTIONS, INC.	SWD	\$29,000,000
603	11/17/2020	MISSION TRAIL WASTE SYSTEMS, INC.	SWD	\$25,000,000
604	11/17/2020	BLUE LINE TRANSFER, INC.	SWD	\$8,000,000
605	11/17/2020	GARDEN CITY SANITATION, INC.	SWD	\$42,500,000
607	11/17/2020	CALIFORNIA WASTE SOLUTIONS, INC.	SWD	\$85,000,000
TOTAL:				\$444,785,000

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

Bonds Sold in 2020

TABLE 4

CLOSING DATE	BOND/NOTE NAME	PROJECT TYPE	AMOUNT OF ISSUE	FINANCING TYPE	BEGINNING INTEREST RATE (%)	MODE	SBAF AMOUNT AWARDED TO SB
4/1/2020	GREENWASTE RECOVERY, INC., ZANKER ROAD RESOURCE MANAGMENT, LTD., AND ZERO WASTE ENERGY DEVELOPMENT COMPANY LLC	SWD	\$142,285,000	TE	1.65	Monthly	\$0
8/18/2020	AMERICAN WATER CAPITAL CORP.	WF	\$35,000,000 ^{refunding}	TE	0.6	Weekly	\$0
10/13/2020	CALPLANT I, LLC	SWD	\$42,000,000 ^{new money}	TE	7.5	Term	\$0
11/10/2020	MISSION ROCK UTILITIES, INC.	WF	\$25,000,000 ^{new money}	TX	4	Fixed	\$0
11/19/2020	BLUE LINE TRANSFER, INC.	SWD	\$8,000,000 ^{new money}	TE	0.95	Monthly	\$138,000
12/2/2020	MISSION TRAIL WASTE SYSTEMS, INC.	SWD	\$25,000,000 ^{new money}	TE	1.77	Monthly	\$0
12/9/2020	GARDEN CITY SANITATION, INC.	SWD	\$42,500,000 ^{new money}	TE	1.03	Monthly	\$0
12/15/2020	CALIFORNIA WASTE SOLUTIONS, INC.	SWD	\$85,000,000 ^{\$64,000,000 new money \$21,000,000 refunding}	TE	1.51	Monthly	\$0
TOTAL:			\$404,785,000				\$138,000

(SBAF) Small Business Assistance Fund

(SB) Small Business

(SWD) Solid Waste Disposal

Note: All bond/note sales terms are negotiated.

(WF) Water Furnishing Facilities

(TE) Tax-Exempt

(TX) Taxable

CPCFA Cash Balance

TABLE 5

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

* ANALYSIS OF CHANGE IN CASH BALANCE FISCAL YEAR ENDED JUNE 30, 2020

CASH BALANCE	JULY 1, 2019	<u>\$19,220,724.32</u>
ADDITIONS:		
	REVENUE/OPERATING REVENUE	\$2,294,267.48
DEDUCTIONS:		
	OPERATING EXPENDITURES	\$5,092,922.73
CASH BALANCE	JUNE 30, 2020	<u>\$16,422,069.07</u>

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

*This analysis will be validated in the pending 2019-2020 Bond Program audit due June 30, 2021.

Water and Wastewater Rate Reduction Bond Financing Program

PROGRAM SUMMARY

CPCFA has the 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.

Since the 2019 annual report, Assembly Bill 305 (Chapter 225, Statutes of 2019) took effect January 1, 2020, to expand the definition of a publicly owned utility for these bond issuance 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 repeal date of the program to December 31, 2026, and extended indefinitely the requirement for CPCFA to report to the Legislature on water and wastewater reduction bonds. Furthermore, AB 305 clarified the elements to be reviewed by CPCFA prior to the issuance of those rate reduction bonds and removed the requirement for CPCFA to review the issuances of any rate reduction bonds subject to review by a ratepayer advocate or similar entity of the local government applying for the issuance.

Government Code Section 6588.7(b)(8) requires CPCFA to annually report to the Legislature no later than March 31 on the issuance by JPAs of rate reduction bonds for water and wastewater utility projects. The annual report is required to include all of the following:

- A listing of the applications received.
- A listing of the proposed issuances.
- A report of the interest rates on the bonds, whether the bond sales were pursuant to public bid or were negotiated, and any rating given the bonds by a nationally recognized securities rating organization.
- A specification of proposed issuances qualified but not yet issued.
- A comparison of the interest rates and transactional costs on issuances qualified under this section with interest rates on comparable types of debt issuance occurring at or near the same time as the issuances.

CPCFA has not received any requests to review applications in calendar year 2020 utilizing Water and Wastewater Rate Reduction Bonds.