

TAX-EXEMPT BOND AND
RATE REDUCTION BOND
FINANCING PROGRAMS

ANNUAL REPORT 2022

to the California State Legislature



MARCH 2023

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; and
- A statewide flag bearer in the issuance of green bonds and new technologies for solid waste, wastewater, recycling, and water furnishing infrastructure.

Founded in 1972, the California Pollution Control Financing Authority (“CPCFA” or “Authority”) provides California businesses with financing options for pollution control facilities and small businesses. CPCFA provides these services through various programs meeting a variety of goals, specifically:

- 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; and
- 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 and the Water and Wastewater Rate Reduction Bond Program is prepared pursuant to the California Pollution Control Financing Authority Act, Health and Safety Code Section 44538 and Government Code Section 6588.7(b)(8), respectively.

CPCFA Board consists of:

Fiona Ma, CPA, Chairperson
State Treasurer

Malia Cohen
State Controller

Joe Stephenshaw, Director
Department of Finance

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Pollution Control Tax-Exempt Bond Financing Program

2022 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 and notes that provide qualified borrowers with lower borrowing costs than conventional financing. CPCFA was established in 1972, and between 1973-2022 the Program has issued more than \$16.9 billion for 758 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 has provided small businesses more than \$22.7 million since 1973.

REPORT OF 2022 ACTIVITIES

Pursuant to Health and Safety Code Section 44538 CPCFA submits this report of activities for its Tax-Exempt Bond Financing Program for the calendar year ending December 31, 2022.

1. APPLICATIONS RECEIVED

The Authority received three new applications for a total dollar amount of \$146,625,000. (See [Table 1](#))

2. INITIAL RESOLUTIONS ADOPTED (Applications Accepted for Financing)

The Authority took initial action on three applications for a total dollar amount of \$146,625,000. (See [Table 2](#))

3. BONDS SOLD

The Authority sold two issuances for a total of \$115,595,000 in new money tax-exempt and refunding bonds/notes. (See [Table 3](#))

4. FINAL RESOLUTIONS ADOPTED

The Authority took final action to approve the sale of bonds/notes on two applications for a total dollar amount of \$788,560,000. (See [Table 4](#))

5. PROJECTED NEEDS AND REQUIREMENTS FOR 2023

The Authority's tax-exempt bond program is self-supporting and has sufficient funds to operate for the coming year.

6. ANALYSIS OF CHANGE IN CASH BALANCE FOR FISCAL YEAR ENDED JUNE 30, 2022.

The Authority's cash balance for FY 21-22 decreased by \$760,527.48. The Authority's ending balance for FY 21-22 is \$16,492,226.50. (See [Table 5](#))

2022 Solid Waste Disposal Project Highlights

Arakelian Enterprises Inc., d.b.a. Athens Services

On May 4, 2022, CPCFA issued a total of \$100,000,000 in tax-exempt notes for Arakelian Enterprises, Inc., dba Athens Services. Note proceeds were used for the development of a new transfer station and Materials Recovery Facility (MRF) in the city of Irwindale. In addition, note proceeds may be used for improvements to solid waste collection and processing facilities at other locations in southern California, including the City of Industry, Los Angeles, Pacoima, Sun Valley, Torrance, and Victorville.

Atlas Disposal Industries, LLC

On August 17, 2022, CPCFA issued a total of \$15,595,000 in tax-exempt notes for Atlas Disposal Industries, LLC, comprised of \$9,470,000 to refund previously issued Series 2018 Notes, and a new money portion of \$6,125,000. Note proceeds were used to purchase new solid waste equipment including bins and containers, State Air Resources Board (CARB) compliant waste collection vehicles, construction and expansion of a maintenance and storage building to house waste collection vehicles and containers, and an electric vehicle (EV) charging station to accommodate future EV-powered trucks. Atlas Disposal Industries, LLC, received a subsidy from CPCFA's Small Business Assistance Fund that was used toward the costs of issuance of the notes.



CPCFA Tax-Exempt Bond Program Achievements

1973-2022

**Bond
Financing**

- Issued more than \$16.9 billion
- Financed 758 projects
- Awarded more than \$22.7 million to small businesses through SBAF

2022

**Bond
Financing**

- Issued more than \$106.1 million in new money tax-exempt bonds/notes
- Issued \$9.5 million in refunding bonds/notes
- Financed two projects for more than \$115.5 million

**Green
Bonds
Issued**

- Issued more than \$476 million in green bonds over program lifetime
- Financed five Issuances supporting three projects

**Helping
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

Table 1

APPLICATIONS RECEIVED IN 2022
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

App #	Date Received	Applicant Name	Project Type*	Amount
953	03/08/2022	BELLUNO ORGANICS, LLC	SWD	\$110,000,000
954	03/10/2022	ATLAS DISPOSAL INDUSTRIES, LLC	SWD	\$6,125,000
055	06/30/2022	GARAVENTA ENTERPRISES, INC.	SWD	\$30,500,000
			TOTAL:	\$146,625,000

*(SWD) Solid Waste Disposal

Table 2

INITIAL RESOLUTIONS (IR) ADOPTED IN 2022*
(Applications Accepted for Financing)
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

IR #	Date Approved	Applicant Name	Amount
22-01	04/20/2022	BELLUNO ORGANICS, LLC	\$110,000,000
22-02	04/15/2022	ATLAS DISPOSAL INDUSTRIES, LLC	\$6,125,000
22-03	07/21/2022	GARAVENTA ENTERPRISES, INC.	\$30,500,000
TOTAL:			\$146,625,000

*All project types are Solid Waste Disposal projects.

Table 3

BONDS SOLD IN 2022*
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

Closing Date	Bond/Note Name	New Money	Refunding	Total Par Amount	Initial Interest Rate	Mode	SBAF Amount Awarded
5/4/2022	ARAKELIAN ENTERPRISES, INC. DBA ATHENS SERVICES 2022	\$100,000,000	\$0	\$100,000,000	0.28	TERM	
8/17/2022	ATLAS DISPOSAL INDUSTRIES, LLC 2022	\$6,125,000	\$9,470,000	\$15,595,000	2.26	MONTHLY	\$183,000
TOTALS:		\$106,125,000	\$9,470,000	\$115,595,000			\$183,000

*Notes to table:

- All issuances were negotiated.
- All project types are Solid Waste Disposal projects.
- All financings were tax-exempt.
- (SBAF) Small Business Assistance Fund

Table 4

FINAL RESOLUTIONS (FR) ADOPTED IN 2022*
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

FR #	Date Approved	Applicant Name	Amount
00616	12/13/2022	POSEIDON RESOURCES (CHANNELSIDE) LP	\$772,965,000
00617	07/20/2022	ATLAS DISPOSAL INDUSTRIES, LLC	\$15,595,000
TOTAL:			\$788,560,000

*All project types are Solid Waste Disposal projects.

Note: FR# 00616 was originally adopted on 6/21/2022 in the amount of \$722,965,000, and was sold in 2023.

Table 5

ANALYSIS OF CHANGE IN CASH BALANCE*
FISCAL YEAR ENDED JUNE 30, 2022
 CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

BEGINNING		
CASH BALANCE	JULY 1, 2021	\$17,252,753.98
ADDITIONS:		
	REVENUE/OPERATING REVENUE	\$30,568,209.69
DEDUCTIONS:		
	OPERATING EXPENDITURES	<u>\$31,328,737.17</u>
ENDING		
CASH BALANCE	JUNE 30, 2022	<u>\$16,492,226.50</u>

*Notes to the table:

- This analysis will be validated in the pending 2021-2022 Bond Program audit due June 30, 2023.
- This is the first year the cash balance sheet reflects the balance of the CPCFA Bond Program only. The table does not include all CPCFA programs.

Water and Wastewater Rate Reduction Bond Financing Program

2022 Annual Report

PROGRAM SUMMARY

CPCFA has the responsibility to review the issuance of certain rate reduction bonds to finance and/or refinance certain utility projects that are approved by joint powers authorities (JPAs). This responsibility was initiated with Assembly Bill 850 (Chapter 636, Statutes of 2013) for water utility projects, modified by Assembly Bill 305 (Chapter 225, Statutes of 2019) to include wastewater utility projects, and modified again by Assembly Bill 758 (Chapter 233, Statutes of 2021) to include electrical utility projects. AB 758 took effect January 1, 2022, and extends the repeal date of the program to December 31, 2036, while the requirement for CPCFA to report to the Legislature on utility rate reduction bonds was made indefinite by AB 305.

Rate Reduction Bond financing issuances allow California local agencies, that own and operate these types of utilities, to access low-cost financing through rate reduction bonds. The rate reduction bonds issued by JPAs for local agencies to finance or refinance a utility project are to be secured by utility project property and repaid through a separate utility project charge imposed on the utility ratepayers' bills.

However, issuances of any rate reduction bonds, subject to review by a ratepayer advocate or similar entity of the local government applying for the issuance, are not subject to review by CPCFA.

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 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.

In calendar year 2022, CPCFA did not receive any requests to review applications for Utility Rate Reduction Bonds, nor has it in any previous year.