

TAX-EXEMPT BOND AND
RATE REDUCTION BOND
FINANCING PROGRAMS

ANNUAL REPORT 2023

to the California State Legislature



MARCH 2024

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”).
- Creating and fostering an on-going partnership with community development financial institutions (CDFIs) to assist in efficiently deploying economic resources to communities in need and establishing an equitable economic recovery through grants administered by the California Investment & Innovation Program (“Cal IIP”).

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 M. Cohen
State Controller

Joe Stephenshaw, Director
Department of Finance

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Pollution Control Tax-Exempt Bond Financing Program

2023 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 climate change mitigation goals, 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. The securities pay for acquisition, construction or installation of qualified pollution control, water furnishing, waste disposal, waste recovery facilities and equipment. CPCFA is actively issuing Green Bonds to environmental projects meeting commonly accepted standards for climate investments. Bonds issued under this division shall, whenever practical, be aligned with generally recognized principles and best practice guidelines for financing climate mitigation, adaptation, or resilience projects. CPCFA was established in 1972, and between 1973-2023 the Program has issued more than \$17.3 billion for 762 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 \$22.8 million since 1973.

REPORT OF 2023 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, 2023.

1. APPLICATIONS RECEIVED

The Authority received five new applications for a total dollar amount of \$241,521,000. (See [Table 1](#))

2. INITIAL RESOLUTIONS ADOPTED (Applications Accepted for Financing)

The Authority took initial action on two applications for a total dollar amount of \$55,516,000. (See [Table 2](#))

3. FINAL RESOLUTIONS ADOPTED

The Authority took final action to approve the sale of bonds/notes on three applications for a total dollar amount of \$236,926,000. (See [Table 3](#))

4. BONDS SOLD

The Authority sold four issuances for a total of \$396,886,000 in new money tax-exempt and refunding bonds/notes. (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. CHANGE IN CASH BALANCE FOR FISCAL YEAR ENDED JUNE 30, 2023

The Authority's cash balance for FY 22-23 increased by \$818,028.93. The Authority's ending balance for FY 22-23 is \$17,310,255.43. (See [Table 5](#))

2023 Project Highlights

Solid Waste Disposal

Republic Services, Inc.

On July 13, CPCFA issued a total of \$144,205,000 in solid waste refunding revenue bonds for Republic Services, Inc. to refinance previously issued Series 2010A bonds. The original bond proceeds were used to make improvements to existing landfill facilities, including construction of new disposal cells and liners, additions and improvements to a leachate collection and treatment system, installation of new liners for intermittent and final closure of completed sections of landfill facilities, and acquisition of equipment.

Tri – City Economic Development Corporation dba Tri-CED Community Recycling

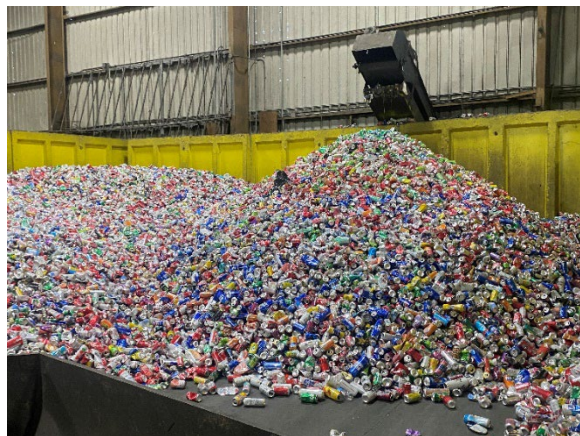
On August 31, CPCFA issued a total of \$11,016,000 in tax-exempt notes to Tri-City Economic Development Corporation, dba Tri-CED Community Recycling. Founded in 1980, Tri-CED is designated as a non-profit 501(c)3 corporation because of its partnerships

with community-based organizations to educate and employ residents of Union City. Tri-CED is unique in that it while it is a recycling facility, it also provides employment primarily to hard-to-employ local residents, such as formerly incarcerated individuals, those in recovery from substance use disorder, and those with former gang affiliations.



Note proceeds will be used to purchase new solid waste disposal equipment and business upgrades including energy-efficient waste collection vehicles powered by compressed natural gas (CNG), an electric pick-up truck, SB1383-compliant recycling carts, SB1383-compliant contamination monitoring software, fleet management software, a truck scale, and improvements to office workstations. Tri-City Economic Development

Corporation received a subsidy from CPCFA's Small Business Assistance Fund that was used toward the costs of issuance for the notes.



Garaventa Enterprises, Inc.

Garaventa Enterprises, Inc., which was founded in 1963 and employs approximately 350 employees, was granted \$30,500,000 in new project money in 2023. Garaventa Enterprises, Inc. is part of a group of companies with common ownership that collect and process municipal solid waste materials and recyclables in the communities of Concord, Pittsburg, and other unincorporated areas of Contra Costa and Solano Counties. New money note proceeds will be used to develop a new, approximately 92,000 square foot building and associated improvements.



Additionally, the project includes the purchase of new equipment to receive and process the food waste that will be added to the new building. To support the new building and associated equipment, a new PG&E interconnection and power island will be installed at the facility which will also support the use of future electric rolling stock.



Water Furnishing Facilities

Poseidon Resources (Channelside) LP

On March 9, 2023, CPCFA issued a total of \$159,960,000 in tax-exempt bonds for Poseidon Resources (Channelside) LP. Bond proceeds were used to finance costs and expenses related to the acquisition, construction, improvement, renovation, rehabilitation, and/or installation of the intake improvements necessary to comply with the California State Water Resources Control Board's Ocean Plan Amendment, which includes requirements to ensure that the construction and operations of seawater desalination facilities take measures to minimize the intake and mortality of all forms of marine life. To meet these requirements, proceeds were used to install 1 mm screens with an approach velocity of 0.5 foot per second in the Agua Hedionda Lagoon to provide raw seawater for the Desalination Plant (as defined below) (the "Permanent Intake System Modifications"). The Permanent Intake System Modifications also included connecting and rerouting the pipeline with the new screens and demolition and removal of Cabrillo

Power I LLC assets that were being used during interim operations of the desalination plant such as tunnels and travelling screens.



Bond proceeds were also used for a portion of the Otay River Estuary Restoration Project involving the creation, restoration, and enhancement of 125.5 acres, of coastal wetlands to benefit native fish, wildlife, and plants species and to provide habitat for migratory seabirds, shorebirds, and salt marsh-dependent species within the South San Diego Bay Unit of the San Diego Bay National Wildlife Refuge. These areas provide seawater for the intake, outflow, production, and treatment of water by the 50-million gallon per day reverse-osmosis seawater desalination plant, known as the Claude "Bud" Lewis Carlsbad Desalination Plant.



CPCFA Tax-Exempt Bond Program Achievements

1973-2023

**Bond
Financing**

- Issued more than \$17.3 billion
- Financed 762 projects
- Awarded more than \$22.8 million to small businesses through SBAF

2023

**Bond
Financing**

- Issued more than \$201.4 million in new money tax-exempt bonds/notes
- Issued \$195.4 million in refunding bonds/notes
- Financed four projects for more than \$396.8 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%
- Have the benefit of 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 2023
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

App #	Date Received	Applicant Name	Project Type*	Amount
956	02/22/2023	TRI-CITY ECONOMIC DEVELOPMENT	SWD	\$11,016,000
957	04/14/2023	REPUBLIC SERVICES, INC.	SWD	\$144,205,000
958	06/06/2023	CALBIOGAS NORTH VISALIA III LLC	SWD	\$2,800,000
959	06/06/2023	CALBIOGAS SOUTH TULARE III LLC	SWD	\$39,000,000
960	10/24/2023	MARBORG CORPORATION	SWD	\$44,500,000
			TOTAL:	\$241,521,000

*(SWD) Solid Waste Disposal

Table 2

INITIAL RESOLUTIONS (IR) ADOPTED IN 2023*
(Applications Accepted for Financing)
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

IR #	Date Approved	Applicant Name	Amount
23-01	04/20/2023	TRI-CITY ECONOMIC DEVELOPMENT CORPORATION	\$11,016,000
23-04	11/28/2023	MARBORG INDUSTRIES	\$44,500,000
TOTAL:			\$55,516,000

*All project types are Solid Waste Disposal projects.

Note: IR No. 23-02 and IR. No. 23-03 were received but not approved in 2023

Table 3

FINAL RESOLUTIONS (FR) ADOPTED IN 2023*
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

FR #	Date Approved	Applicant Name	Amount
00618	06/20/2023	REPUBLIC SERVICES, INC	\$144,205,000
00619	08/15/2023	TRI-CITY ECONOMIC DEVELOPMENT CORPORATION	\$11,016,000
00620	11/14/2023	GARAVENTA ENTERPRISES, INC.	\$81,705,000
TOTAL:			\$236,926,000

*All project types are Solid Waste Disposal projects.

Table 4

BONDS SOLD IN 2023¹
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

Closing Date	Bond/Note Name	Project Type²	New Money	Refunding	Total Par Amount	Initial Interest Rate	Mode	SBAF Amount Awarded
3/09/2023	POSEIDON RESOURCES (CHANNELSIDE) LP SERIES 2023	WFF	\$159,960,000		\$159,960,000	5.00	FIXED	
7/13/2023	REPUBLIC SERVICES, INC. SERIES 2023	SWD		\$144,205,000	\$144,205,000	4.50	TERM	
8/31/2023	TRI-CITY ECONOMIC DEVELOPMENT CORPORATION SERIES 2023	SWD	\$11,016,000		\$11,016,000	3.75	FIXED	\$65,616
11/21/2023	GARAVENTA ENTERPRISES, INC. SERIES 2023	SWD	\$30,500,000	\$51,205,000	\$81,705,000	5.80	FIXED	
TOTALS:			\$201,476,000	\$195,410,000	\$396,886,000			\$65,616

¹All transactions were tax-exempt and negotiated.

²Project Type

(WFF) Water Furnishing Facilities

(SWD) Solid Waste Disposal

(SBAF) Small Business Assistance Fund

Table 5

CHANGE IN CASH BALANCE*
FISCAL YEAR ENDED JUNE 30, 2023
 CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

BEGINNING		
CASH BALANCE	JULY 1, 2022	\$16,492,226.50
ADDITIONS:		
	REVENUE/OPERATING REVENUE	211,124,043.72
DEDUCTIONS:		
	OPERATING EXPENDITURES	<u>210,306,014.79</u>
ENDING		
CASH BALANCE	JUNE 30, 2023	<u>\$17,310,255.43</u>

*Notes to the table:

- The change in cash balance will be validated in the pending 2022-2023 Bond Program audit due June 30, 2024.
- 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

2023 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 2023, CPCFA did not receive any requests to review applications for Utility Rate Reduction Bonds, nor has it in any previous year.