



**California Pollution Control
Financing Authority**

TAX-EXEMPT BOND FINANCING PROGRAM

**2015 ANNUAL REPORT TO THE
CALIFORNIA STATE LEGISLATURE**

March 2016

About the California Pollution Control Financing Authority:

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

- A driving force of public and private partnerships.
- A leader in offering customized risk mitigation tools.
- At the forefront of projects that protect and restore the environment.

The California Pollution Control Financing Authority (CPCFA) provides California businesses with a reasonable method of financing pollution control facilities and fosters compliance with government imposed environmental standards and requirements. Over the last forty years CPCFA has evolved to meet California's needs as follows:

- For solid waste, recycling, water and wastewater projects through its Tax-Exempt Bond Program.
- For small businesses through the California Capital Access Program and other financing initiatives.
- With the reuse and redevelopment of brownfields through the California Recycle Underutilized Sites Program.

During the 2015 Calendar Year, the CPCFA board members were:

John Chiang, Chair
State Treasurer

Betty T. Yee
State Controller

Michael Cohen
Director of Finance

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Pollution Control Tax-Exempt Bond Financing Program 2015 Annual Report

PROGRAM SUMMARY

The Pollution Control 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.

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 staff has chosen two projects from the 2015 calendar year which highlight the environmental benefits being achieved in the State of California using tax-exempt financing.

PROJECT HIGHLIGHTS –

Blue Line Transfer, Inc. Issued Tax-Exempt Private Activity Notes worth \$22,270,000 (\$11,945,000 in new money allocation and refunding in the amount of \$10,775,000) to finance the acquisition of solid waste processing equipment.

Blue Line Transfer, Inc. (“Blue Line”) is a family-owned company that has been providing solid waste and recycling services since 1914 to residents and businesses in South San Francisco, Millbrae, Brisbane and the San Francisco International Airport. Blue Line has common ownership with South San Francisco Scavenger Company (SSFSC). SSFSC is the franchise collection company and Blue Line currently operates the Materials Recovery Facility and the anaerobic digester facility.



CPCFA issued tax-exempt notes in February of 2015, for a total amount of \$22,720,000. The transaction was comprised of a new volume cap allocation of \$11,945,000 that was



used to finance the construction of an anaerobic digester to process food scraps, a Compressed Natural Gas fueling station and construction improvements to the existing facilities. Blue Line also purchased rolling stock and installed equipment to be used for the collection, processing and transfer of recyclables and solid waste materials.



Additionally, Blue Line refunded two Solid Waste Disposal Revenue Bonds (Series 1999A and 2001A) previously issued by CPCFA in the amount of \$10,775,000. Bond refunding is an important debt management tool to assist businesses in achieving interest cost savings.

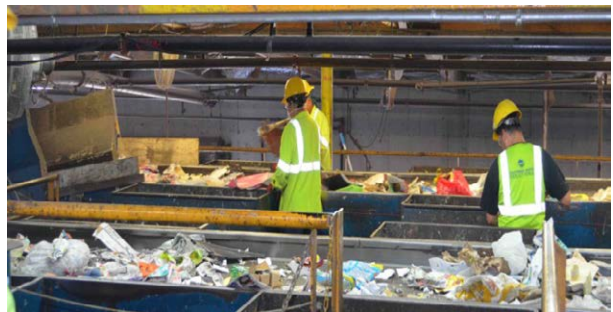
Since Blue Line is a small business, it was eligible for assistance from the Small Business Assistance Fund. Blue Line received \$45,840 to offset certain costs of issuance.

California Waste Solutions, Inc. Issued Tax-Exempt Revenue Notes worth \$40,000,000 (\$20,955,000 in new money allocation and refunding in the amount of \$19,045,000) to finance the acquisition of waste collection and processing equipment for use at waste processing sites.

California Waste Solutions, Inc. (“CWS”) was incorporated on January 27, 1992 in California and is owned by the Duong family. CWS provides residential solid waste collection, including the collection and processing of recyclables in areas throughout Alameda and Santa Clara Counties. CWS holds real property interests in an affiliate, Duong Family Investments, LLC. It conducts the marketing and sale of its recyclables through America Recycling Solutions, Inc. Additionally, CWS provides solid waste disposal services in Vietnam as Vietnam Waste Solutions.



CPCFA issued tax-exempt notes on July 1, 2015 for a total amount of \$40,000,000 to finance the acquisition of waste collection and processing equipment for use at its waste processing sites in Alameda and Santa Clara Counties. The notes were also used to refund the 2002 and 2007 series of Solid Waste Disposal Revenue Bonds previously issued by CPCFA.



CWS was awarded a new franchise agreement with the City of Oakland to collect and process recyclables. Additionally, CWS upgraded and replaced waste collection and processing equipment associated with its City of San Jose contract. To support the contracts with the Cities of San Jose and Oakland, CWS used the new tax-exempt volume cap allocation proceeds to purchase waste-related equipment, including Compressed Natural Gas fueled trucks, carts, containers, tractors, forklifts, sort-lines, a fueling station, and office computers and administrative equipment for the Materials Recovery Facility.

REPORT OF 2015 ACTIVITIES

This report of activities for the California Pollution Control Tax-Exempt Bond Financing Program is submitted pursuant to Health and Safety Code Section 44538 for the calendar year ending December 31, 2015.

1. APPLICATIONS RECEIVED

Authority staff received five new applications for a total dollar amount of \$60,520,000. (See [Table 1](#))

2. INITIAL RESOLUTIONS ADOPTED

The Authority took initial action on three applications for a total dollar amount of \$41,640,000. (See [Table 2](#))

3. FINAL RESOLUTIONS ADOPTED

The Authority took final action to approve the sale of bonds on six applications for a total dollar amount of \$365,295,000. (See [Table 3](#))

4. BONDS SOLD

The Authority sold four bond issues for a total of \$329,150,000 in tax-exempt bonds. (See [Table 4](#))

5. PROJECTED NEEDS AND REQUIREMENTS FOR 2016

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, 2015.

The Authority's cash balance for fiscal year 2014/2015 decreased by \$2,526,087. The Authority's ending balance for fiscal year 2014/2015 is \$26,989,283. (See [Table 5](#))

Table 1

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

APPLICATIONS RECEIVED IN 2015

APPL. NO.	DATE RECEIVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
879	06/19/15	Aemerge, LLC	SWD*	\$22,475,000
880	07/17/15	Verdure Technologies, Inc., Biorem Energy, LLC	SWD	\$12,830,000
881	10/23/15	Recycling Industries, Inc. **	SWD	\$2,300,000
882	11/15/15	Upper Valley Disposal Service***	SWD	\$6,335,000
883	12/16/15	Alameda County Industries, LLC****	SWD	\$16,580,000
		TOTAL:		<u>\$60,520,000</u>

* Solid Waste Disposal

** Application withdrawn by financing team.

*** January 19, 2016 Board approved applicant's request to change the name of the applicant from Upper Valley Disposal Service to its parent company Whitehall Corporation.

**** Heard at January 19, 2016 Board Meeting.

Table 2

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

INITIAL RESOLUTIONS (IR) ADOPTED IN 2015

IR NO.	DATE APPROVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
15-01	07/21/15	Aemerge, LLC	SWD*	\$22,475,000
15-02	08/18/15	Verdure Technologies Inc.; Biorem Energy, LLC	SWD	\$12,830,000
15-04	12/15/15	Upper Valley Disposal Service**	SWD	\$6,335,000
		TOTAL:		<u>\$41,640,000</u>

*Solid Waste Disposal

**January 19, 2016 Board approved applicant's request to change the name of the applicant from Upper Valley Disposal Service to its parent company Whitehall Corporation.

Note: IR No. 15-03 was not heard by the CPCFA Board.

Table 3

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

FINAL RESOLUTIONS (FR) ADOPTED IN 2015

FR NO.	DATE APPROVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
541	01/20/15	Blue Line Transfer, Inc.	SWD*	\$22,720,000
542	06/16/15	California Waste Solutions, Inc.	SWD	\$40,000,000
543	05/19/15	Waste Management, Inc.	SWD	\$140,430,000
545	10/20/15	Waste Management, Inc.	SWD	\$126,000,000
546	12/15/15	Aemerge, LLC	SWD	\$30,000,000
548	11/17/15	Eco-Modity, LLC	SWD	\$6,145,000
			TOTAL:	<u>\$365,295,000</u>

*Solid Waste Disposal

Note: FR No. 544 and 547 were not heard by the CPCFA Board.

Table 4**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY****BONDS SOLD IN 2015**

CLOSING DATE	BOND NAME	PROJECT TYPE	AMOUNT OF ISSUE	BEGINNING INTEREST RATE	MODE
02/04/15	Blue Line Transfer, Inc.	SWD*	\$22,720,000 \$11,945,000 new money \$10,775,000 refunding	1.17	weekly
07/01/15	California Waste Solutions, Inc.	SWD	\$ 40,000,000 \$20,955,000 new money \$19,045,000 refunding	2.06	monthly
07/01/15	Waste Management, Inc.	SWD	\$140,430,000 \$1,995,000 new money \$138,435,000 refunding	3.375 (Series 2015 A-1) 3.625 (Series 2015 A-2) 4.3 (Series 2015 A-3)	fixed
10/10/15	Waste Management, Inc.	SWD	\$126,000,000 \$2,500,000 new money \$123,500,000 refunding	3.00 (Series 2015 B-1) 3.125 (Series 2015 B-2)	fixed
	TOTAL:		<u>\$ 329,150,000</u>		

*Solid Waste Disposal

Note: All bond sales negotiated.

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

**ANALYSIS OF CHANGE IN CASH BALANCE
FISCAL YEAR ENDED JUNE 30, 2015**

CASH BALANCE	JULY 1, 2014	\$29,515,371
ADDITIONS:		
	REVENUE/OPERATING REVENUE	\$11,493,692
DEDUCTIONS:		
	OPERATING EXPENDITURES	\$14,019,780
CASH BALANCE	JUNE 30, 2015	<u>\$26,989,283</u>

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