



**California Pollution Control
Financing Authority**

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

**2016 ANNUAL REPORTS TO THE
CALIFORNIA STATE LEGISLATURE**

March 2017

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 water utility projects through the review of rate reduction bonds approved by joint powers authorities.
- 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 2016 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 2016 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 have chosen two projects from the 2016 calendar year which highlight the environmental benefits being achieved in the State of California using tax-exempt financing.

REPORT OF 2016 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, 2016.

1. APPLICATIONS RECEIVED

Authority staff received 17 new applications for a total dollar amount of \$455,714,000. (See [Table 1](#))

2. INITIAL RESOLUTIONS ADOPTED

The Authority took initial action on 17 applications for a total dollar amount of \$379,077,579. (See [Table 2](#))

3. FINAL RESOLUTIONS ADOPTED

The Authority took final action to approve the sale of bonds on 11 applications for a total dollar amount of \$312,900,000. (See [Table 3](#))

4. BONDS SOLD

The Authority sold 12 bond issues for a total of \$341,150,000 in new tax-exempt and refunding bonds. (See [Table 4](#))

5. PROJECTED NEEDS AND REQUIREMENTS FOR 2017

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, 2016.

The Authority's cash balance for fiscal year 2015/2016 decreased by \$2,554,144. The Authority's ending balance for fiscal year 2015/2016 is \$24,435,139. (See [Table 5](#))

Featured Transactions

Aemerge, LLC, Aemerge RedPak Services Southern California, LLC Issued Tax Exempt Private Activity Bonds worth \$28,250,000 to finance the acquisition of land, upgrades to existing buildings and utilities, as well as the acquisition of ancillary support equipment and systems for a medical waste processing facility.

Aemerge LLC, Aemerge RedPak Services Southern California, LLC (“Aemerge”) is an Indiana based limited liability (LLC) waste management company. The Aemerge project in California is providing medical waste transfer and disposal services. Aemerge is the only facility in California with the necessary permits to treat all types of medical waste as regulated by the California Department of Public Health (CDPH).



It is a small business with approximately 31 employees and is located in the City of Hesperia in San Bernardino County. Aemerge was not eligible for assistance from the Small Business Assistance Fund (SBAF) due to the par amount. CPCFA issued tax- exempt bonds on January 27, 2016 for a total amount of \$28,250,000 to finance the acquisition of land, construction, renovation, installation and the equipping of a medical waste processing facility. The processing facility is using an energy efficient patented technology (“Carbonizer”) for the treatment and elimination of medical waste that cannot, by law, be treated or landfilled in the State of California. The CDPH Medical Waste Treatment Facility and



Transfer Station Permit has already approved the Carbonizer as an alternative technology for the treatment of all types of Biohazardous or medical waste, including pharmaceutical, pathological, trace chemotherapy, human or animal tissue, anatomical parts and animal carcasses. The Mojave Desert Air Quality Management District issued an Air Permit that allows for a custom pyrolysis unit with 12 natural gas fired burners, each rated at 750,000 BTU an hour, capable of processing 34 tons of Hospital/Medical Infectious Waste per day.



The Carbonizer system processes the organic waste in a negative pressure, zero oxygen and high heat environment. The proprietary process creates syngas which is capable of being used for the production of clean energy and for the creation of carbon based co-products. One example is the creation of bio-char, which is a charcoal used as a soil amendment for enhancing crop growth and remediating contaminated soil.



On November 17, 2016, the city of Hesperia celebrated the groundbreaking of Aemerge’s 37,000 square foot facility. The facility is expected to be operational in May or June of 2017.

San Jose Water Company Issued Tax-Exempt Private Activity Notes worth \$70,000,000 to finance the improvements to existing structures and facilities and to the water distribution system.

San Jose Water Company (the “Company”) was incorporated in California in 1866 and is 100% owned by the SJW Group which provides water utilities in the County of Santa Clara and serves over one million people. The Company’s principal business is the production, purchase, storage, purification, distribution and retail sale of water through a water supply system consisting of two surface water treatment plants located in the cities of Los Gatos and Saratoga. The Company maintains 108 active wells, 102 impounding and distribution reservoirs, and over 2,400 miles of transmission and distribution mains located throughout Santa Clara County.



CPCFA issued tax-exempt notes on December 20, 2016 for a total amount of \$70,000,000. Previously, CPCFA issued \$50,000,000 in tax-exempt bonds for the Company for a similar project in 2010. The project funds will be invested to prevent the pollution and contamination of drinking water and to improve



the quality of water by making improvements to the structures and facilities that are integral to the supply of water throughout the water supply system. This includes making upgrades to the treatment plants, wells, reservoirs, tanks, pump stations and other functionally related structures and facilities.



Additionally, the Company will make improvements to the distribution system, including construction of new mains and replacement of existing mains. Lastly, the funds will allow for the acquisition of equipment for the water supply system, located in portions of the Cities of Cupertino and San Jose, the Cities of Campbell, Monte Sereno and Saratoga, the Town of Los Gatos and adjacent unincorporated territories in the County of Santa Clara.

The Company is a small business, but was not eligible for assistance from the Small Business Assistance Fund due to the par amount of the bond issue.

Table 1**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY****APPLICATIONS RECEIVED IN 2016**

APPL. NO.	DATE RECEIVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
884	01/22/16	Poseidon Resources (Channelside) LP	WF*	\$50,000,000
885	02/02/16	Tri-City Economic Development	SWD**	\$5,500,000
886	02/12/16	Kore Infrastructure, LLC***	SWD	\$38,675,000
887	02/12/16	Mottra Corporation, CalMet Services, Inc.	SWD	\$8,250,000
888	03/16/16	UrbanX Renewables Group, Inc.	SWD	\$63,875,000
889	04/13/16	Garaventa Enterprises, Inc.	SWD	\$32,205,000
890	04/18/16	EDCO Disposal Corporation	SWD	\$79,199,000
891	05/16/16	ABEC #2, LLC	SWD	\$4,000,000
892	05/19/16	EDCO Refuse Services, Inc.	SWD	\$65,000,000
893	05/17/16	Mid-Valley Disposal, Inc.	SWD	\$15,690,000
894	05/17/16	Agua Via Ltd.	WF	\$35,000,000
895	08/19/16	ABEC #3, LLC	SWD	\$3,000,000
896	08/19/16	ABEC #4, LLC	SWD	\$4,000,000
897	10/14/16	Zanker Road Resource Management, LTD	SWD	\$10,000,000
898	11/08/16	Amador Valley Industries, LLC	SWD	\$12,655,000
899	11/11/16	Sonoma Compost Company	SWD	\$4,500,000
900	11/15/16	Viridis Fuels, LLC	SWD	\$24,165,000
		TOTAL:		<u>\$455,714,000</u>

* Water Furnishing Facilities

** Solid Waste Disposal

*** Application withdrawn by financing team.

Table 2

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

INITIAL RESOLUTIONS (IR) ADOPTED IN 2016

IR NO.	DATE APPROVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
16-01	01/19/16	Alameda County Industries, LLC	SWD*	\$3,780,000
16-02	02/16/16	Poseidon Resources (Channelside) LP	WF**	\$50,000,000
16-03	03/15/16	Tri-City Economic Development	SWD	\$3,723,579
16-05	03/15/16	Mottra Corporation, CalMet Services, Inc.	SWD	\$8,250,000
16-06	04/19/16	UrbanX Renewables Group, Inc.	SWD	\$63,875,000
16-07	05/17/16	Garaventa Enterprises, Inc.	SWD	\$8,165,000
16-08	05/17/16	EDCO Disposal Corporation	SWD	\$79,199,000
16-09	06/21/16	ABEC #2, LLC	SWD	\$4,000,000
16-10	06/21/16	EDCO Refuse Services, Inc.	SWD	\$56,295,000
16-11	06/21/16	Mid-Valley Disposal, Inc.	SWD	\$11,125,000
16-12	06/21/16	Agua Via Ltd.	WF	\$35,000,000
16-13	09/20/16	ABEC #3, LLC	SWD	\$3,000,000
16-14	09/20/16	ABEC #4, LLC	SWD	\$4,000,000
16-15	11/15/16	Zanker Road Resource Management, LTD	SWD	\$10,000,000
16-16	12/13/16	Amador Valley Industries, LLC	SWD	\$10,000,000
16-17	12/13/16	Sonoma Compost Company	SWD	\$4,500,000
16-18	12/13/16	Viridis Fuels, LLC	SWD	\$24,165,000
		TOTAL:		<u>\$379,077,579</u>

* Solid Waste Disposal

** Water Furnishing Facilities

Note: IR No. 16-04 was not heard by the CPCFA Board.

Table 3**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY****FINAL RESOLUTIONS (FR) ADOPTED IN 2016**

FR NO.	DATE APPROVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
547	08/16/16	Pena Disposal, Inc.	SWD*	\$4,800,000
552	03/15/16	Alameda County Industries, LLC	SWD	\$16,580,000
553	05/17/16	CR&R, Incorporated	SWD	\$61,360,000
554	04/19/16	Tri-City Economic Development	SWD	\$5,250,000
555	04/19/16	Mottra Corporation, CalMet Services, Inc.	SWD	\$8,250,000
556	09/20/16	EDCO Refuse Services, Inc.	SWD	\$65,000,000
557	07/19/16	Mid-Valley Disposal, Inc.	SWD	\$15,690,000
558	09/20/16	BLT Enterprises	SWD	\$23,765,000
559	12/06/16	San Jose Water Company	WF**	\$70,000,000
561	12/13/16	Zanker Road Resource Management, LTD	SWD	\$10,000,000
576	06/21/16	Garaventa Enterprises, Inc.	SWD	\$32,205,000
		TOTAL:		<u>\$312,900,000</u>

*Solid Waste Disposal

** Water Furnishing Facilities

Table 4

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

BONDS SOLD IN 2016

CLOSING DATE	BOND NAME	PROJECT TYPE	AMOUNT OF ISSUE	BEGINNING INTEREST RATE	MODE
01/27/16	Aemerge, LLC	SWD*	\$28,250,000	7.00	fixed
04/06/16	Alameda County Industries, Inc.	SWD	\$16,580,000 \$3,780,000 new money \$12,800,000 refunding	3.35	variable
04/29/16	Tri-city Economic Development Corporation	SWD	\$5,250,000 \$3,786,899 new money \$1,463,101 refunding	2.75	fixed
05/04/16	Mottra Corporation, CalMet Services, Inc.	SWD	\$8,250,000	1.36	weekly
06/01/16	CR&R Incorporated	SWD	\$61,360,000 \$7,145,000 new money \$54,215,000 refunding	1.60	weekly
07/06/16	Garaventa Enterprises, Inc.	SWD	\$32,205,000 \$8,165,000 new money \$24,040,000 refunding	1.48	monthly
08/03/16	Mid-Valley Disposal, Inc.	SWD	\$15,690,000 \$11,125,000 new money \$4,565,000 refunding	1.77	weekly
09/07/16	Pena's Disposal, Inc.	SWD	\$4,800,000 \$2,875,000 new money \$1,925,000 refunding	3.20	weekly
10/05/16	EDCO Refuse Services, Inc.	SWD	\$65,000,000 \$56,295,000 new money \$8,705,000 refunding	1.27	monthly
10/05/16	BLT Enterprises	SWD	\$23,765,000 \$23,765,000 refunding	1.25	variable
12/20/16	San Jose Water Company	WF**	\$70,000,000	4.75	fixed
12/28/16	Zanker Road Resource Management, LTD	SWD	\$10,000,000	0.75	variable
		TOTAL:	<u>\$341,150,000</u>		

* Solid Waste Disposal

** Water Furnishing

Note: All bond sales negotiated.

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

*** ANALYSIS OF CHANGE IN CASH BALANCE
FISCAL YEAR ENDED JUNE 30, 2016**

CASH BALANCE	JULY 1, 2015	\$26,989,284
ADDITIONS:		
	REVENUE/OPERATING REVENUE	\$22,570,376
DEDUCTIONS:		
	OPERATING EXPENDITURES	\$25,124,520
CASH BALANCE	JUNE 30, 2016	<u>\$24,435,139</u>

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

* This analysis will be validated in the pending 2015-16 Bond Program audit due June 30, 2017.

Pollution Control AB 850 – Rate Reduction Bond Financing Program 2016 Annual Report

PROGRAM SUMMARY

CPCFA is responsible to review the issuance of certain rate reduction bonds for water utility projects, approved by joint powers authorities. These issuances allow California water utility businesses access to low-cost financing through rate reduction bonds. Assembly Bill 850 (Nazarian, 2013) authorizes joint power authorities to issue rate reduction bonds to finance publicly owned water utility projects until December 31, 2020. The bonds are to be secured by utility project property and repaid through a separate utility project charge imposed on the utility customers' bills.

While the bonds are issued by the local joint power authorities, AB 850 includes an additional state review process by CPCFA, including:

- The review of each issue of rate reduction bonds and making a determination whether the issue is qualified for issuance under the provisions of the statute (Government Code, section 6588.7(b)(2)(A)-(B)).
- A determination that each project is a qualified utility project, and that its financing is paid from the utility project property and the utility project charge.
- A determination that the rates of the publicly owned utility plus the utility project charge are lower than the rates if the project was financed with revenue bonds.

CPCFA has not received any applications in the 2016 calendar year but is expecting an application to be submitted in second quarter of 2017.