



**California Pollution Control
Financing Authority**

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

**2017 ANNUAL REPORT TO THE
CALIFORNIA STATE LEGISLATURE**

March 2018

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 businesses 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 2017 Calendar Year, the CPCFA board members were:

John Chiang, Chair
State Treasurer

Betty T. Yee
State Controller

Michael Cohen
Director of Finance

Table of Contents

- 1. Program Summary Tax-Exempt Bond Program 1
 - a. Report of 2017 Activities 2
 - b. Project Highlights 3-6
 - c. Applications Received in 2017 (Table 1) 7
 - d. Initial Resolutions (IR) Adopted in 2017 (Table 2) 8
 - e. Final Resolutions (FR) Adopted in 2017 (Table 3) 9
 - f. Bonds Sold in 2017 (Table 4) 10
 - g. Change in Cash Balance (Table 5) 11
- 2. Program Summary Rate Reduction Bond Program 12

Pollution Control Tax-Exempt Bond Financing Program 2017 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 that provide qualified borrowers with lower interest borrowing costs than conventional financing. CPCFA was established in 1973, and from 1973-2017 the Program has issued more than \$16 Billion for 734 projects.

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 has chosen three projects from the 2017 calendar year to highlight the environmental benefits being achieved in the State of California through tax-exempt financing.

REPORT OF 2017 ACTIVITIES

This report of activities for the California Pollution Control Financing Authority (the "Authority") Tax-Exempt Bond Financing Program is submitted pursuant to Health and Safety Code Section 44538 for the calendar year ending December 31, 2017.

1. APPLICATIONS RECEIVED

The Authority staff received 20 new applications for a total dollar amount of \$562,555,000. (See [Table 1](#))

2. INITIAL RESOLUTIONS ADOPTED

The Authority took initial action on 19 applications for a total dollar amount of \$460,010,000. (See [Table 2](#))

3. FINAL RESOLUTIONS ADOPTED

The Authority took final action to approve the sale of bonds on 20 applications for a total dollar amount of \$660,750,000. (See [Table 3](#))

4. BONDS SOLD

The Authority sold 20 bond issues for a total of \$653,615,000 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, 2017.

The Authority's cash balance for fiscal year 2016/2017 decreased by \$674,043.43. The Authority's ending balance for fiscal year 2016/2017 is \$23,503,934.72. (See [Table 5](#))

Featured Transactions

CalAg, LLC Issued Tax Exempt Private Activity Bonds worth \$228,165,000 to finance a facility to utilize waste rice straw to manufacture medium density fiberboard.

CalAg, LLC was organized on January 16, 1997 and is a small business which will use its patented method (U.S. Patent 6,596,209) to manufacture medium density fiberboard (MDF) from rice straw—a waste product from the farming and harvesting of rice. According to the Company, its patented method of producing rice straw-based MDF results in an engineered composite panel which meets or exceeds all American National Standards Institute (ANSI) standards for wood-based MDF. CPCFA issued a tax-exempt bond on June 14, 2017 for a total amount of \$228,165,000 to finance a facility to utilize waste rice straw to manufacture MDF. CalAg, LLC paid CPCFA \$451,330 in administrative fees.

CalAg, LLC has determined that the 2017 Bonds are “Green Bonds” based on a report from the Technical Advisor entitled, “Independent Consultant’s Report Confirming that the CalPlant I Project Is Consistent with the Green Bond Principles and California’s Environmental Objectives” (the “Environmental Report of the Technical Advisor”).



The project is located on 273 acres outside the town of Willows in Glenn County and is expected to recycle approximately 275,000

tons of rice straw annually into MDF. The site is expected to accommodate the storage of approximately 325,000 large rice straw bales (in sizes 3’x4’x8’ and/or 4’x4’x8’) at any one time. The location is within the Sacramento Valley region where the overwhelming majority of rice is grown in California (approximately 550,000 acres each year). CalAg, LLC purchased the plant site in April 2008.



The plant will be contractually guaranteed to produce approximately 112 million square feet (MMsf $\frac{3}{4}$ ” basis) of MDF per year; it has been designed to be capable of producing 140 MMsf $\frac{3}{4}$ ” once in full operation. In addition to rice straw, which the Company expects to obtain from Sacramento Valley rice producers, a formaldehyde-free polymeric Methylene Diphenyl Diisocyanate (pMDI) resin binder will be used to manufacture the MDF. CalAg, LLC estimates a reduction of 57,000 tons of methane per year and reduction in use of 17.8 billion gallons of water per year.



CalAg, LLC broke ground in August of 2017 and the project is anticipated to be completed by April of 2019.

ABEC Holdco I LLC dba ABEC #2 LLC, ABEC #3 LLC and ABEC #4 LLC Issued Tax Exempt Private Activity Notes worth \$6,145,000 to finance the acquisition and construction of three anaerobic dairy digesters.

ABEC Holdco I, LLC dba ABEC #2 LLC, ABEC #3 LLC and ABEC #4 LLC collectively issued \$6,145,000 in tax exempt notes. ABEC #2 LLC, ABEC #3 LLC, and ABEC #4 LLC are all special purpose entities owned by California Bioenergy, which was organized in California in 2006. ABEC Holdco I, LLC is a small business with approximately three employees, and as such each project was eligible for assistance from the Small Business Assistance Fund (SBAF). ABEC Holdco I, LLC received \$473,696 collectively to offset certain costs of issuance.



ABEC #2 LLC has entered into a “Lease and Feed Stock Supply Agreement” with West-Star Dairy, a California General Partnership and owner of West-Star North Dairy. The lease allows ABEC #2 LLC to build, own and operate an anaerobic digester facility on the West-Star North Dairy to utilize the biogas for renewable electricity generation and export excess electricity (after internal use in the digester) to Pacific Gas & Electric Company (PG&E). The lease requires West-Star North Dairy to supply its manure to the anaerobic digester and to receive back and dispose of the processed manure effluent from the digester.

Note proceeds in the amount of \$1,929,000 are being used to build a Covered Lagoon Digester and one-megawatt generation system located at West-Star North Dairy in Buttonwillow, CA. The biogas produced will be stored under an inflatable cover located over lagoons and converted into renewable electricity that will be exported and sold to PG&E. In the future, the biogas may be upgraded to bio-methane and used as a fuel or for pipeline injection.



ABEC #3, LLC entered into a “Lease and Feed Stock Supply Agreement” with Lakeview Farms and Lakeview Farms Dairy, each a California General Partnership. The lease allows ABEC #3, LLC to build, own and operate an anaerobic digester facility on the Lakeview Farms and Lakeview Farms Dairy and to utilize the biogas for renewable electricity generation and to export excess electricity (after internal use in the digester) to PG&E. Each engine will be equipped with a selective catalytic reduction system for emissions control and will power a 1,000 kW electrical generator. The lease requires Lakeview Farms and Lakeview Farms Dairy to supply its manure to the anaerobic digester and to receive back and dispose of the processed manure effluent from the digester.

ABEC #3, LLC entered into a design/build contract on August 25, 2016 for the construction of the Lakeview Dairy Digester, which is a double-cell covered lagoon digester. Note proceeds in the amount of \$1,345,540 were issued for reimbursement of qualifying costs incurred under the contract by the ABEC

#3 LLC within the time period required by the Internal Revenue Service (which is 60 days prior to the date the CPCFA Initial Resolution was passed or September 20, 2016).



ABEC #4 LLC entered into the “Lease and Feed Stock Supply Agreement” with Carlos Echeverria & Sons (CE&S) Dairy Biogas, a California General Partnership and owner of CE&S Dairy. The lease allows ABEC #4 LLC to build, own and operate an anaerobic digester facility on the CE&S Dairy to utilize the biogas for renewable electricity generation and export excess electricity (after internal use in the digester) to Pacific PG&E. The lease requires CE&S Dairy to supply its manure to the anaerobic digester and to receive back and dispose of the processed manure effluent from the digester.

ABEC #4 LLC will utilize note proceeds in the amount of \$2,843,000 to build a Covered Lagoon Digester and one-megawatt generation system located at CE&S Dairy Biogas. The biogas produced will be stored under an inflatable cover located over lagoons and converted into renewable electricity that will be exported and sold to PG&E. In the future, the biogas may be upgraded to bio-methane and used as a fuel or for pipeline injection.

CPCFA Bond Program Record of Achievement

Financing Approved

1973-2017:

- More than \$16 Billion issued
- 734 Projects

2017:

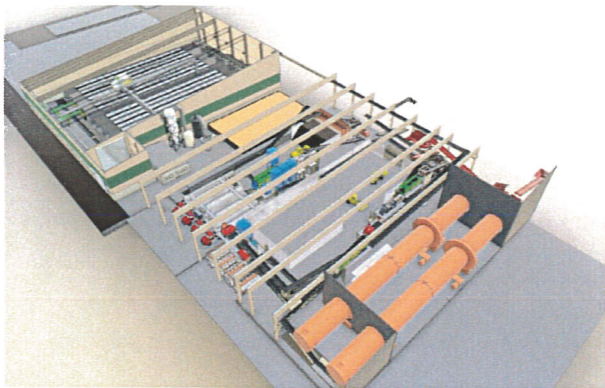
- More than \$650 Million issued
- 20 Projects

CPCFA tax-exempt bonds have helped California:

- Achieve a recycling rate of over 50%
- Clean our air and water
- Increase renewable energy use
- Maintain state-of-the-art waste collection and disposal systems
- Keep harmful materials out of our environment
- Create renewable and sustainable sources of energy through biomass conversion
- Divert organic waste from the landfill
- Reduce methane emissions

Zero Waste Energy @ Davis Street, an Urbaser Project LLC Issued Tax Exempt Private Activity Notes worth \$31,030,000 to finance the equipping of a new organic materials enclosed composting facility.

Zero Waste Energy @ Davis Street, an Urbaser Project LLC (“Urbaser”) is a large business that is headquartered out of Pleasant Hill, California. The Company’s LLC was organized in Delaware on July 18, 2017 for the purpose of processing organic waste material into compost. CPCFA issued tax-exempt notes on December 29, 2017 for a total amount of \$31,030,000 to finance the equipping of a new organic materials enclosed composting facility. Urbaser paid \$57,060 in administrative fees and \$161,700 in SBAF to CPCFA.



Note proceeds will be used to finance the construction of an organic materials enclosed composting facility (“the Facility”). The Facility is being constructed on property owned by Waste Management of Alameda County (WMAC). Urbaser has entered into a processing agreement with WMAC which will allow the Company to acquire, install and operate the composting facility on the property owned by WMAC.

The Facility will help WMAC meet its organic materials processing and landfill diversion

obligations under its long term mixed material processing and organics collection services contract with the City of Oakland. The proposed facility will be constructed and operated adjacent to WMAC’s new organics material recovery facility (OMRF). Materials processed by the OMRF will be transferred via a conveyor belt to the Urbaser facility. The Facility is projected to process approximately 79,000 tons per year of recovered organics from the OMRF and 12,000 tons per year of collected organics. The facility is expected to produce 39,000 tons of marketable compost and 4,670 tons per year of recovered recycled materials such as metals, wood and plastics. The project is expected to be completed by the first quarter of 2019.

Table 1**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY****APPLICATIONS RECEIVED IN 2017**

APPL. NO.	DATE RECEIVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
901	01/12/17	Organic Energy Solutions, Inc.	SWD	\$34,000,000
902	01/12/17	Bay Counties Waste Services, Inc.	SWD	\$23,290,000
903	02/06/17	CES Kimberlina, Inc.	SWD	\$14,500,000
904	03/01/17	Aemerge, LLC	SWD	\$12,350,000
905	03/17/17	Garden City Sanitation, Inc.	SWD	\$55,495,000
906	03/17/17	Confluence Energy LLC	SWD	\$5,500,000
907	03/17/17	Mottra Corporation	SWD	\$6,125,000
908	03/17/17	Best Way Disposal Co., Inc.	SWD	\$21,430,000
909	05/22/17	Potential Industries, Inc.	SWD	\$7,145,000
910	06/09/17	Caglia Environmental LLC	SWD	\$9,655,000
911	06/16/17	Sioneer Stockton, LLC	SWD	\$9,800,000
912	06/16/17	Alameda County Industries, LLC	SWD	\$12,205,000
913	08/18/17	Renewable Sonoma, LLC	SWD	\$29,630,000
914	09/14/17	Sonoma County Resource Recovery, LLC	SWD	\$7,000,000
915	09/14/17	Napa Recycling & Waste Services LLC	SWD	\$47,475,000
916	09/15/17	Eslinger Biodiesel, Inc.*	SWD	\$31,750,000
917	09/14/17	Republic Services, Inc.	SWD	\$100,000,000
918	11/13/17	Zero Waste Energy @ Davis Street, An Urbaser Project, LLC	SWD	\$33,450,000
919	11/13/17	California Waste Recovery Systems, LLC	SWD	\$29,755,000
920	11/13/17	Greenwaste Recovery, Inc. and Zanker Road Resource Management, Ltd.	SWD	\$72,000,000
		TOTAL:		\$562,555,000

(SWD) Solid Waste Disposal

*Application withdrawn by financing team.

Table 2**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY****INITIAL RESOLUTIONS (IR) ADOPTED IN 2017**

IR NO.	DATE APPROVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
17-01	02/21/17	Organic Energy Solutions, Inc.	SWD	\$34,000,000
17-02	02/21/17	Bay Counties Waste Services, Inc.	SWD	\$7,750,000
17-03	03/21/17	CES Kimberlina, Inc.	SWD	\$14,500,000
17-04	04/18/17	Aemerge, LLC	SWD	\$12,350,000
17-05	04/18/17	Confluence Energy, LLC	SWD	\$6,500,000
17-06	04/18/17	Mottra Corporation	SWD	\$6,125,000
17-07	04/18/17	Best Way Disposal Co., Inc.	SWD	\$7,655,000
17-08	04/18/17	Garden City Sanitation, Inc.	SWD	\$24,675,000
17-09	06/20/17	Potential Industries, Inc.	SWD	\$7,145,000
17-10	07/18/17	Caglia Environmental LLC	SWD	\$5,105,000
17-11	07/18/17	Sioneer Stockton, LLC	SWD	\$9,800,000
17-12	07/18/17	Alameda County Industries, LLC	SWD	\$12,205,000
17-13	09/19/17	Renewable Sonoma LLC	SWD	\$29,630,000
17-14	10/17/17	Sonoma County Resource Recovery, LLC	SWD	\$7,000,000
17-15	10/17/17	Napa Recycling & Waste Services LLC	SWD	\$47,475,000
17-16	11/14/17	Republic Services, Inc.	SWD	\$100,000,000
17-17	12/12/17	Zero Waste Energy @ Davis Street, An Urbaser Project, LLC	SWD	\$33,450,000
17-18	12/12/17	California Waste Recovery Systems, LLC	SWD	\$22,645,000
17-19	12/12/17	Greenwaste Recovery, Inc./ Zanker Road Resource Management, Ltd.	SWD	\$72,000,000
		TOTAL:		\$460,010,000

(SWD) Solid Waste Disposal

Table 3

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

FINAL RESOLUTIONS (FR) ADOPTED IN 2017

FR NO.	DATE APPROVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
00511	05/16/17	CalAg, LLC	SWD	\$235,000,000
00562	04/18/17	Recycling Industries, Inc.	SWD	\$8,025,000
00563	10/17/17	ABEC #2, LLC	SWD	\$1,929,000
00564	09/19/17	ABEC #3, LLC	SWD	\$1,373,000
00565	10/17/17	ABEC #4, LLC	SWD	\$2,843,000
00566	05/16/17	Bay Counties Waste Services, Inc.	SWD	\$23,290,000
00567	06/20/17	Zerep Management Corporation	SWD	\$32,925,000
00569	07/18/17	Aemerge, LLC	SWD	\$12,350,000
00570	07/18/17	Best Way Disposal Co., Inc.	SWD	\$21,430,000
00571	09/19/17	Alameda County Industries, LLC	SWD	\$12,205,000
00572	09/19/17	Potential Industries, Inc.	SWD	\$5,105,000
00573	10/17/17	Caglia Environmental LLC	SWD	\$9,655,000
00574	10/17/17	Garden City Sanitation, Inc.	SWD	\$60,000,000
00578	11/14/17	Republic Services, Inc.	SWD	\$100,000,000
00579	12/12/17	Zero Waste Energy @ Davis Street, An Urbaser Project, LLC	SWD	\$31,030,000
00580	12/12/17	California Waste Recovery Systems, LLC	SWD	\$17,265,000
00581	12/12/17	Greenwaste Recovery, Inc./ Zanker Road Resource Management, Ltd.	SWD	\$38,000,000
00582	12/12/17	Napa Recycling & Waste Services LLC	SWD	\$35,200,000
00583	12/12/17	Mottra Corporation	SWD	\$6,125,000
00584	12/12/17	Sonoma County Resource Recovery, LLC	SWD	\$7,000,000
		TOTAL:		\$660,750,000

(SWD) Solid Waste Disposal

Table 4

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

BONDS SOLD IN 2017

CLOSING DATE	BOND NAME	PROJECT TYPE	AMOUNT OF ISSUE	BEGINNING INTEREST RATE	MODE
05/03/17	Recycling Industries, Inc.	SWD	\$7,725,000 \$2,350,000 new money \$5,375,000 refunding	1.82	Monthly
06/07/17	Bay Counties Waste Services, Inc.	SWD	\$23,290,000 \$7,750,000 new money \$15,540,000 refunding	1.84	Monthly
06/14/17	CalAg, LLC	SWD	\$228,165,000	7.00	Term
07/05/17	Zerep Management Corporation	SWD	\$32,925,000 \$32,925,000 refunding	4.38	Monthly
08/02/17	Best Way Disposal Co., Inc.	SWD	\$21,430,000 \$7,655,000 new money \$13,775,000 refunding	1.91	Monthly
08/23/17	Aemerge Redpak Services Southern California, LLC	SWD	\$12,350,000	8.00	Fixed
10/04/17	Alameda County Industries, Inc.	SWD	\$12,205,000	1.77	Monthly
10/11/17	Potential Industries, Inc.	SWD	\$5,105,000	2.55	Term
11/01/17	Caglia Environmental LLC	SWD	\$9,655,000 \$5,105,000 new money \$4,550,000 refunding	1.79	Weekly
11/01/17	Garden City Sanitation, Inc.	SWD	\$60,000,000 \$29,180,000 new money \$30,820,000 refunding	1.08	Weekly
11/21/17	Republic Services, Inc.	SWD	\$100,000,000	1.30	Fixed
12/14/17	ABEC #2, LLC	SWD	\$1,929,000	5.27	Fixed
12/14/17	ABEC #3, LLC	SWD	\$1,373,000	5.27	Fixed
12/14/17	ABEC #4, LLC	SWD	\$2,843,000	5.27	Fixed
12/19/17	Napa Recycling & Waste Services, LLC	SWD	\$35,200,000	1.88	Weekly
12/20/17	Mottra Corporation	SWD	\$6,125,000	2.10	Monthly
12/22/17	Sonoma County Resource Recovery, LLC	SWD	\$7,000,000	2.69	Monthly
12/27/17	California Waste Recovery Systems, LLC	SWD	\$17,265,000 \$10,155,000 new money \$7,110,000 refunding	2.63	Monthly
12/28/17	Greenwaste Recovery, Inc/Zanker Road Resource Management, Ltd	SWD	\$38,000,000	1.97	Monthly
12/29/17	Zero Waste Energy @ Davis Street an Urbaser Project	SWD	\$31,030,000	3.12	Monthly
	TOTAL:		\$653,615,000		

(SWD) Solid Waste Disposal

Note: All bond sales terms are negotiated.

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

*** ANALYSIS OF CHANGE IN CASH BALANCE
FISCAL YEAR ENDED JUNE 30, 2017**

CASH BALANCE	JULY 1, 2016	<u>\$24,177,978.15</u>
ADDITIONS:		
	REVENUE/OPERATING REVENUE	\$1,479,304.51
DEDUCTIONS:		
	OPERATING EXPENDITURES	\$2,153,347.94
CASH BALANCE	JUNE 30, 2017	<u>\$23,503,934.72</u>

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

* This analysis will be validated in the pending 2016-17 Bond Program audit due June 30, 2018.

Pollution Control AB 850 – Rate Reduction Bond Financing Program 2017 Annual Report

PROGRAM SUMMARY

The California Pollution Control Financing Authority (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 pursuant to AB 850 but anticipates an application in 2018.