

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 12, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR AN
EXEMPT FACILITY PROJECT

Prepared by: Richard Fischer

Applicant: California Pollution Control Financing Authority

Allocation Amount Requested: \$117,200,000

Project Information:

Name: Rialto BioEnergy Facility, LLC
Project Address: 503 E Santa Ana Avenue
Project City, County, Zip Code: Rialto, San Bernardino 92316

Project Sponsor Information:

Name: Rialto BioEnergy Facility, LLC
Address: 5780 Fleet Street, Suite 310
Carlsbad, CA 92008
Principals: Dr. Andrew Benedek, Arun Sharma and Yaniv Scherson
Contact: Arun Sharma, President
Phone: (760) 438-8870

Project Financing Information:

Bond Counsel: McGuire Woods LLP
Underwriter: Westhoff, Cone & Holmstedt
Credit Enhancement Provider: N/A
Bond Rating: Unrated
TEFRA Hearing Date & Adoption Date: September 13, 2018

Project Sponsor's Principal Activity:

According to the Applicant, accepting organic food waste and biosolids for processing to yield a biogas used for electricity and fertilizer.

First Tier Business (Yes/No): Yes

Regulatory Mandate (Yes/No): No

Comments :

The parent corporation (Anageria Services) has a similar operation in Escondido, California (Escondido BioEnergy Facility) working with biosolids.

Details of Transaction:

Sources of Funds:	
Tax-Exempt Bond Proceeds	\$ 117,200,000
Acquisition of Existing Facility	\$ 2,460,000
Labor Costs prior to Bond Financing	\$ 5,870,000
Equip., Fees, Permits & Interconnection	\$ 13,510,403
Anageria Development Fee	\$ 5,870,000
Inflation Protection	\$ 1,410,000
Total Sources	\$ 146,320,403
Uses of Funds:	
Construction of New Buildings	\$ 62,363,920
New Equipment Purchase & Installation	\$ 41,784,600
Bond Issuance Expenses	\$ 2,292,220
Int. During Construction (24 months @6%)	\$ 14,064,000
Asset Purchase	\$ 2,460,000
Labor	\$ 5,870,000
Project Contingencies	\$ 6,612,813
Development Fee	\$ 5,870,000
Debt Service Reserve Fund	\$ 5,002,850
Total Uses	\$ 146,320,403

Description of Proposed Project:

Rialto BioEnergy Facility (the Project) intends to design and build a facility to accept up to 700 tons per day of organic food waste and 300 tons per day of biosolids and convert those into renewable energy, such as natural gas and fertilizer (through an anaerobic digestion process).

The project is expected to produce approximately 2.5 MW of renewable electrical energy and roughly 500,000 MBTU's of renewable natural gas in addition to fertilizer.

Environmental Impact:

- 1) Air Quality:
By diverting up to 700 tons per day of food waste from landfills, the Project is expected to effectively reduce greenhouse gas emissions by approximately 20,000 metric tons of CO2 per year, which is the equivalent of taking 4,250 cars off the road.
- 2) Water Quality:
The Project should accept up to 300 tons per day of biosolids from wastewater treatment plants, thus improving water quality in the greater Los Angeles region. The proposed anaerobic digestion facility would be operating with the use of tanks and not on exposed ground areas. This would prevent any seepage of undesirable materials into ground water. The Project Sponsor will comply with stormwater management regulations.
- 3) Energy Efficiency:
The Project is expected to create renewable electricity and natural gas. A portion of the energy generated would be used onsite, thereby reducing the demand for energy from local suppliers.
- 4) Recycling of Commodities:
The Project is intended to annually convert up to 255,500 tons of food waste. It would also annually convert up to 109,500 tons of biosolids into approximately 2.5 MW of renewable electricity from methane generated in the process as well as approximately 500,000 MBTU's of renewable natural gas.

5) Safety and Compliance:

Implementation the Project would result in the safe disposal of food waste and biosolids, in compliance with all the applicable State and Federal environmental regulations regarding solid waste disposal. California Integrated Waste Management Act of 1989 (AB 939), AB 32, SB 32, and AB 126 as well as the United States Resource Conservation and Recovery Act (RCRA) which mandates the need to minimize the amount of material landfill, which the Project will achieve.

6) Consumer Costs Savings and Efficiencies:

As part of Waste Management's and Republic Service's numerous franchise agreements in the greater Los Angeles area, they had to develop a food waste recycling program. The Project is in direct response to such requirements, and the tipping fees to be charged will be included as a cost item in the rate structures of Waste Management and Republic Services charges to their customers. The low interest cost anticipated by this financing will keep tipping fees and the costs to the consumer to a minimum.

Local Government Support:

The Project received a Letter of Support from the City of Rialto.

Legal Questionnaire:

No information was disclosed that raised any question regarding the financial viability or legal integrity of the Project Sponsor.

Recommendation:

Staff recommends that the Committee approve \$117,200,000 in tax exempt bond allocation on a carryforward basis.