

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**BOND FINANCING PROGRAM**  
**Meeting Date: July 28, 2010**  
*Request for Amendment to Initial Resolution*

Prepared by: *Doreen Smith*

<b>Applicant:</b>	Arakelian Enterprises, Inc. dba Athens Services	<b>Amount Requested:</b>	\$100,000,000
<b>Project</b>		<b>Application No.:</b>	00757
<b>Location:</b>	Los Angeles County	<b>Initial Resolution No.:</b>	04-15
		<b>Prior Actions:</b>	IR 04-15 Approved 10/26/04 and Amended 07/23/08

**Summary.** Arakelian Enterprises, Inc. dba Athens Services (the “Company”) requests approval of an amendment to Initial Resolution No. 04-15, as reinstated and amended on July 23, 2008, for an amount not to exceed \$100,000,000 to finance the expansion and improvement of its material recovery facilities in the City of Industry, Los Angeles and Victorville, the purchase and development of corporate yard sites in the City of Industry, Irwindale and Commerce, equipment replacement, and the acquisition of trucks and containers.

The Initial Resolution was approved on October 26, 2004 and reinstated and amended on July 23, 2008. At this time, the Company requests to increase the requested bond amount due to an increase in the size of the project.

**Borrower.** The Company was incorporated on February 28, 1991 in California. The Company provides residential and commercial solid waste collection, hauling and disposal services in portions of Los Angeles and Riverside Counties.

The principal stockholders of the Company are as follows:

Ron Arakelian Jr.	47%
Michael Arakelian	50%
Various	3%
<b>Total:</b>	<b><u>100%</u></b>

**Legal Questionnaire.** The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

**Prior Actions and Financings.** Prior financings are listed below.

Description	Date of Bond Issue	Original Amount	Amount Outstanding as of July 28, 2010
Athens Disposal Company, Inc.	11/17/95	\$25,000,000	\$7,500,000
Athens Disposal Company, Inc.	08/31/99	13,500,000	6,220,000
Athens Services	05/10/01	15,780,000	9,240,000
Athens Services	07/27/06	<u>22,400,000</u>	<u>20,565,000</u>
<b>TOTALS:</b>		<b><u>\$76,680,000</u></b>	<b><u>\$43,525,000</u></b>

**Current Request.** The Company proposes to finance a combination of ongoing and current capital requirements. The ongoing and current capital requirements are: (1) continuing capital costs for equipment replacement and additions of trucks and containers; (2) the expansion and improvement of its material recovery facilities in the City of Industry, Los Angeles and Victorville, and (3) the purchase and development of its corporate yard sites in the City of Industry, Irwindale and Commerce.

A comparison of Amended IR project and issuance costs approved on July 23, 2008 and the current anticipated costs are listed below:

	<u>Amended IR</u> <u>Approved 07/23/08</u>	<u>Current Request</u>
Acquisition of Land	\$10,400,000	\$21,900,000
Acquisition of Existing Buildings	3,700,000	13,400,000
Rehabilitation of Existing Buildings	1,800,000	13,200,000
Site Preparation and Improvements	1,800,000	0
Construction of New Buildings	6,000,000	9,700,000
Acquisition and Installation of New Equipment	7,500,000	39,394,000
Rolling Stock	15,000,000	0
Bond Issuance Expenses	1,740,000	2,000,000
Letter of Credit	0	405,918
Equipment Contingency	<u>0</u>	<u>82</u>
<b>Total:</b>	<b><u>\$47,940,000</u></b>	<b><u>\$100,000,000</u></b>

**Anticipated Timeline.** Construction and renovation began in January 2005 and is scheduled to be completed by December 2011. Equipment purchases commenced in March 2009 and will be completed by December 2011. Land was purchased in October 2005, May 2008, October 2009 and additional land will be purchased in September 2010.

**Pollution Control and/or Environmental Benefits.** The Company represents the Project will generate the pollution control and environmental benefits described below.

**Waste Diversion.** The MRF expansion will increase throughput which will allow increased diversion from landfills in compliance with AB 939.

**Air Quality.** The Company intends to purchase new California Air Resources Board (CARB) compliant collection vehicles which are designed to reduce fossil fuel consumption as well as the emissions associated with older trucks.

The MRF improvements are largely designed to reduce dust and odor emissions.

**Water Quality.** The facility operates on a concrete surface, not on exposed ground areas. This prevents any seepage of undesirable materials into the ground water. The facility is not in close proximity to environmentally sensitive wetland and coastal areas that could be affected by pollution.

**Energy Efficiency.** The truck units purchased in conjunction with this project are designed to significantly increase fuel efficiencies over previous older models currently in use. As a result of using newer automated collection vehicles, the Company has been able to reduce the number of collection vehicles and the number of collection trips necessary to cover its service area, and fuel and maintenance costs have decreased.

**Permits.** The Company has provided the Authority with copies of all required discretionary permits.

**Volume Cap Allocation.** The Company applied for consideration of volume cap allocation at the Authority's August 25, 2010 meeting.

**Financing Details.** The Company anticipates issuance of negotiated tax-exempt, weekly reset, variable rate bonds with a term not to exceed 30 years for the qualifying portion of the project. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit that is rated AA/F1 or at least "A-" by Fitch Rating Agency or equivalent. The target date for financing is September 2010.

**Financing Team.**

**Underwriter:** Westhoff, Cone & Holmstedt  
**Bond Counsel:** Orrick, Herrington & Sutcliffe  
**Financial Advisor:** Andrew S. Rose  
**Issuer's Counsel:** Office of the Attorney General

**Staff Recommendation.** Staff recommends approval of Initial Resolution No. 04-15 for Arakelian Enterprises, Inc. dba Athens Services for an amount not to exceed \$100,000,000.

*Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.*

**AMENDMENT AND RESTATEMENT OF  
RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO  
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR  
ARAKELIAN ENTERPRISES, INC D/B/A ATHENS SERVICES  
AND/OR ITS AFFILIATES**

July 28, 2010

WHEREAS, the California Pollution Control Financing Authority ("Authority"), a public instrumentality, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act ("Act") to issue bonds for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products, including resource recovery and energy conversion facilities; and

WHEREAS, Arakelian Enterprises, Inc., a California corporation, doing business as Athens Services (the "Applicant"), and/or its affiliates (collectively, the "Company") has submitted an application (the "Application") requesting that the Authority assist in financing the expansion and improvement of its material recovery facilities in the City of Industry, Los Angeles and Victorville, the purchase and development of corporate yard sites in the City of Industry, Irwindale and Commerce, equipment replacement, and the acquisition of trucks and containers, as more fully described in the Application (collectively, the "Project") to be owned and operated by the Company, and have presented an estimate of the maximum cost of such Project as shown in Exhibit "A" attached hereto; and

WHEREAS, the Authority adopted its initial resolution 04-15 on October 26, 2004, expressing its intent to issue up to \$35,150,000 of bonds for the Company (the "Original Resolution"); and

WHEREAS, the Original Resolution was reinstated (following its expiration) and amended on July 23, 2008, with a revised amount of \$47,940,000 (the "Revised Resolution"); and

WHEREAS, the Company has submitted an amended application to the Authority, requesting that the Revised Resolution be amended to reflect increased costs, and the addition of new sites; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal facilities and equipment which will serve the public of the State; and

WHEREAS, the Authority deems it necessary and advisable to further the purposes of the Act that the Project be acquired at the earliest practicable date, but the Company requires satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority will be made available to finance such Project; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Project prior to the issuance of indebtedness for the purpose of financing costs associated with the Project on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this resolution the Authority reasonably expects that debt obligations in an amount not expected to exceed \$100,000,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Company for its prior expenditures for the Project; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority as follows:

Section 1. The Authority finds and determines that the foregoing recitals are true and correct. For purposes of this Resolution, an "Affiliate" of the Applicant means any person or entity which controls, is controlled by, or is under common control with, the Applicant, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise. An Affiliate shall also be a "participating party" as defined in the Act.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$100,000,000 principal amount of bonds of the Authority for the Project; including for the purpose of reimbursing to the Company costs incurred for the Project prior to the issuance of the bonds.

Section 3. The bonds will be payable solely from the revenues to be received by the Authority pursuant to a loan agreement or other agreements to be entered into between the Authority and the Company in connection with the Project. Each bond shall contain a statement to the following effect:

"Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond."

Section 4. The bonds shall be issued subject to the conditions that (i) the Authority and the Company shall have first agreed to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan of the bond proceeds to finance the Project; (ii) all requisite governmental approvals shall have first been obtained; (iii) a Final Resolution shall have been received from the Authority; and (iv) an allocation shall have been received from the California Debt Limit Allocation Committee for any portion of the bonds which are to be sold as exempt from federal income tax.

Section 5. The Executive Director of the Authority is hereby authorized to indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Company by defraying the cost of the Project, subject to due compliance with all requirements of

the law and the obtaining of all necessary consents and approvals and to meeting all other requirements of the Authority.

Section 6. It is intended that this Resolution shall constitute "some other similar official action" towards the issuance of bonds within the meaning of Section 1.103-8(a)(5) of the Treasury Regulations and "official intent" within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as amended. It is also intended that this statement of "official action" or "official intent" by the Authority shall continue in full force and effect even if this Resolution ceases to be effective for other purposes.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, this Resolution shall cease to be effective on July 28, 2013 unless the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution. The Authority will consider such extension upon receiving a specific request for such action from the Company, accompanied by any additional information requested by the Authority to supplement the Company's application, and an explanation of the status of the Project. To the extent consistent with federal tax law, this Resolution replaces the Original Resolution and the Revised Resolution and shall relate back to October 26, 2004 with respect to locations 1-6 in Exhibit A, and to July 23, 2008 with respect to location 7.

**EXHIBIT A**

**NUMBER:** 04-15

- LOCATION:**
1. 14048 Valley Blvd., City of Industry, Los Angeles County and adjacent parcels at 14037-14131 Proctor Avenue, City of Industry 91746
  2. 15019 and 15045 Salt Lake Avenue, City of Industry, Los Angeles County 91746
  3. 127 Van Norman Ave., Montebello, Los Angeles County 90640
  4. 900 South Maple Ave., Montebello, Los Angeles County 90640
  5. 113 S. 5th Street, City of Industry, Los Angeles County 91746
  6. 687 Iowa Ave., Riverside, Riverside County 92507
  7. 5355 North Vincent Avenue, Irwindale, Los Angeles County 91706
  8. 12221 Lopez Canyon, Sylmar , Los Angeles County 91342
  9. 20055 Shay Road, Victorville, San Bernardino County 93494
  10. 11121 Pendleton Street, Los Angeles, Los Angeles County 91352
  11. 6100 Garfield Avenue, City of Commerce, Los Angeles County 90040
  12. 11266 Peoria Street, Los Angeles, Los Angeles, 91352

- Trucks and other equipment may be located at all sites indicated above.
- Carts, containers and bins will be located at customers' sites in Los Angeles, San Bernardino and Riverside Counties.

**TYPE:** Solid Waste Disposal

**AMOUNT:** Up to \$100,000,000