

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 18, 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: \$100,000,000

Project Information:

Name: Recology, Inc. Project
Project Address: Various Addresses
Project City, County, Zip Code: Various Cities, Various Counties 94111

Project Sponsor Information:

Name: Recology, Inc.
Address: 50 California Street, 24th Floor
San Francisco, CA 94111
Principals: Michael J. Sangiacomo, Mark J. Arsenault, Julie Bertani-Kiser,
Cary Chen, Mark Lomele, Dennis Wu, Deborah Alvarez-
Rodriguez, Larry Colton, Michael Day and Sylvia Kwan
Contact: Mark Lomele, Chief Financial Officer
Phone: (415) 875-1174

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Bank of America Merrill Lynch
Credit Enhancement Provider: Bank of America, N.A.
Bond Rating: Standard & Poor's A+/A-1
TEFRA Hearing Date & Adoption Date: March 15, 2018

Project Sponsor's Principal Activity:

According to the Applicant, they are actively participating in waste collection, recycling and disposal throughout California.

First Tier Business (Yes/No): Yes

Regulatory Mandate (Yes/No): Yes

Details of Transaction:

Sources of Funds:

Tax-Exempt Bond Proceeds	\$	100,000,000
Other Sources	\$	31,170,163
Total Sources	\$	131,170,163

Uses of Funds:

Site Acquisition and Land Improvements	\$	17,824,181
Vehicles	\$	61,270,448
Containers	\$	19,996,067
New Buildings Construction	\$	24,857,510
New Equipment Purchase & Installation	\$	7,221,957
Total Uses	\$	131,170,163

Description of Proposed Project:

Recology expects to refinance from bond proceeds the purchase of approximately 12.03 acres of land across two parcels in Santa Rosa, CA. The parcels were acquired as part of the acquisition of The Ratto Group that closed on or about January 3, 2018. The portion of the Project that is construction/renovation related is located at 501 Tunnel Ave. in San Francisco. A significant portion of the Project costs are being directed toward the acquisition of new, state-of-the-art, solid waste disposal/recycling collection vehicles in the Counties of San Francisco and Sonoma. A smaller portion of the Project costs will be directed toward the acquisition of a) new, solid waste disposal/recycling containers and b) new machinery and equipment, all of which will be acquired to better service the newly acquired solid waste disposal and recycling operations (formerly known as The Ratto Group) in Sonoma County.

Environmental Impact:

- 1) Air Quality:
Transfer Stations and Manufacturing Recycling Facilities (“MRFs”) – improving capacity and efficiency in many locations will reduce air pollution by reducing the length of truck routes and the number of trucks on the road due to the centralization of transfer stations within the service areas. Leachate and Methane Gas Recovery Systems – Recology, Inc. will continue to address the challenge of gas seepage from landfills located within the State of California.
- 2) Water Quality:
None indicated.
- 3) Energy Efficiency:
The construction and/or expansion of transfer stations and MRFs will improve energy efficiency by reducing the length of the truck routes and the number of trucks on the road due to the centralization of transfer stations and MRFs within the service areas.
- 4) Recycling of Commodities:
None indicated.
- 5) Safety and Compliance:
Recology is in compliance with all state and federal regulations.
- 6) Consumer Costs Savings and Efficiencies:
None indicated.

Local Government Support:

According to the Application from California Pollution Control Financing Authority (CPCFA), the Project Sponsor enjoys a strong and rich relationship with each of the California political jurisdictions where Recology operates and provides solid waste collection and disposal services. To that end, the Project Sponsor seeks to be an active member of the community and a strong corporate participant in the State of California through employment opportunities, recycling programs, community education and other neighborhood-oriented programming. The Project Sponsor enjoys the support of each government entity where Recology is currently located.

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 \$100,000,000 in tax exempt bond allocation.