

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**BOND FINANCING PROGRAM**  
**Meeting Date: December 16, 2009**  
*Request for Initial Resolution*

Prepared by: *Doreen Smith*

<b>Applicant:</b> Pacific Coast Recycling, Inc. and/or its Affiliates	<b>Amount Requested:</b> \$7,130,000
<b>Project</b>	<b>Application No.:</b> 00829(SB)
<b>Location:</b> Counties of Santa Clara and Merced	<b>Initial Resolution No.:</b> 09-13

**Summary.** Pacific Coast Recycling, Inc. and/or its Affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$7,130,000 to finance construction of a new building, site improvements and the acquisition of equipment. The Company anticipates that the project will provide waste diversion and environmental benefits.

**Borrower.** The Company is a small business and was incorporated in California in May 1996. It receives and recycles construction and demolition debris (C&D) and various other recyclable materials such as, but not limited to, wood waste, plastic bottles, carpet and padding, and metal items at its locations in Gilroy and Dos Palos. The Company is owned 100 percent by Carl Salinas.

**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.** None.

**Project Description.** The Company plans to reorganize its existing Gilroy facility to allow for additional volume capacity, and establish a new second site in Gilroy which will receive and recycle metal only. The project will include construction and renovation of buildings and related site improvements to house offices and waste processing equipment, the acquisition of equipment, rolling stock and vehicles for the collection, processing and transfer of solid waste and other related equipment and the acquisition of drop boxes, bins, carts and containers.

The anticipated Project and issuance costs are listed below:

Construction of New Building	\$2,000,000
Acquisition of New Equipment	4,170,000
Rolling Stock	600,000
Bond Issuance Expenses	142,600
Letter of Credit Fee	213,282
Contingency	<u>4,118</u>
<b>Total:</b>	<b><u>\$7,130,000</u></b>

**Anticipated Timeline.** The Company anticipates beginning construction and equipment purchases in February 2010 and completing the project in June 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 project will maximize recycling opportunities for the Company and, therefore, will minimize the amount of material sent to landfills.

**Air Quality.** The emissions from the new collection vehicles will be lower than the vehicles currently in use.

**Energy Efficiency.** The new collection vehicles will be more energy efficient and will reduce the Company's use of fossil fuel.

**Recycling of Commodities.** The Company will recycle all solid waste delivered to the plant including, but not limited to, paper, cardboard, commingled recyclable waste, glass, aluminum, plastic and other marketable materials.

**Other Benefits.** The implementation of this project will create 10 new full-time jobs.

**Permits.** The Company will provide the Authority with copies of all required discretionary permits prior to requesting approval for Final Resolution.

**Volume Cap Allocation.** The Company anticipates applying to the Authority for volume cap allocation during the second quarter of 2010.

**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 at least "A-" by Fitch Rating Agency or equivalent. The target date for financing is the second quarter of 2010.

**Financing Team.**

**Underwriter:** Westhoff, Cone and Holmstedt  
**Bond Counsel:** Law Offices of Leslie M. Lava  
**Financial Advisor:** Andrew S. Rose  
**Issuer's Counsel:** Office of the Attorney General

**Staff Recommendation.** Staff recommends approval of Initial Resolution No. 09-13 for Pacific Coast Recycling and/or its Affiliates for an amount not to exceed \$7,130,000.

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

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO  
FINANCE SOLID WASTE DISPOSAL/RECYCLING FACILITIES FOR  
PACIFIC COAST RECYCLING, INC., AND/OR ITS AFFILIATES**

December 16, 2009

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, Pacific Coast Recycling, Inc., a California corporation (“Applicant”), has requested that the Authority assist in financing solid waste disposal/recycling facilities to be owned and operated by the Applicant and/or its Affiliates (as hereinafter defined) (collectively, “Company”), which are expected to be comprised of the construction and renovation of buildings to house offices and waste processing equipment, the acquisition of equipment, rolling stock and vehicles for the collection, processing and transfer of solid waste and other equipment functionally related thereto and the acquisition of drop boxes, bins, carts and containers (collectively, “Facilities”), and have presented an estimate of the maximum cost of such Facilities as shown in Exhibit “A” attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal/recycling facilities 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 Facilities 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 Facilities; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Facilities prior to the issuance of indebtedness for the purpose of financing costs associated with the Facilities 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 \$7,130,000 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 Facilities; 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 Facilities 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 meets the definition of “participating party” in the Act and 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.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$7,130,000 principal amount of bonds of the Authority for the Facilities; including for the purpose of reimbursing to the Company costs incurred for the Facilities 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 Facilities. 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 any 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 proceeds thereof to the Company; (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.

Section 5. The Executive Director of the Authority is hereby directed 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 Facilities, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and 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, subject to Section 6, this Resolution shall cease to

**Agenda Item 4.C.1.**

be effective on December 16, 2012 unless prior thereto the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution, which it will do only after receiving a specific request for such action from the Company, accompanied by an explanation of the reason why the project has not proceeded prior to the date of the letter.

**EXHIBIT A**

**NUMBER:** 00829 (SB)

**LOCATIONS:**

- (1) 5895 Obata Way  
Gilroy, California 95020
- (2) 320 and 340 Obata Court  
Gilroy, California 95020
- (3) 2857 W. Almond Avenue  
Dos Palos, California 93620

**TYPE:** Solid Waste Disposal/Resource Recovery

**AMOUNT:** Up to \$7,130,000