

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
BOND FINANCING PROGRAM**

**Meeting Date: May 20, 2014**

***Request for Initial Resolution***

Prepared by: *Andrea Gonzalez*

<b>Applicant:</b>	Recology, Inc.	<b>Amount Requested:</b>	\$100,000,000
		<b>Application No.:</b>	874
<b>Project</b>	City and County of San Francisco;	<b>Initial Resolution No.:</b>	14-02
<b>Location:</b>	Dixon and Vacaville (Solano County); San Jose (Santa Clara County); Brisbane, Redwood City, San Carlos and South San Francisco (San Mateo County)		

**Summary.** Recology, Inc. and/or its Affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$100,000,000 to finance the acquisition of real property, and the acquisition, installation, construction and development of an anaerobic digester, solid waste disposal equipment, collection and street cleaning vehicles, and rolling stock.

**Borrower.** Recology, Inc. (formerly known as NorCal Waste Systems) provides municipal disposal services throughout California. The Company’s various services include waste collection, sorting, transfer, and landfill management. The Company is 100 percent owned by the Recology Employee Stock Ownership Plan (ESOP) and not by any outside investors.

The principal stockholders of the Company are as follows:

Recology Employee Stock Ownership Plan	<u>100%</u>
<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. The Company has disclosed that the Grand Jury of the County of Santa Clara issued an indictment on June 21, 2006 naming NorCal Waste Systems as a co-defendant. This indictment was in connection with a bid for a garbage and recycling contract with the City of San Jose. On June 11, 2007, the judge dismissed the indictment in its entirety and on August 3, 2007, the office of the district attorney announced that it would neither appeal the dismissal nor pursue a new indictment. There is no indication that this issue affects the financial viability of the Company.

**Project Description.** The Company plans on financing the acquisition and installation of collection vehicles, street cleaning vehicles, waste disposal and processing equipment to be located in one or more of its locations. The equipment will be utilized for the handling, sorting, diverting, treating and recycling of waste materials. The Company also anticipates acquiring an anaerobic digester and related facilities in Solano County, as well as the acquisition of real property for a processing facility in San Mateo County.

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**Volume Cap Allocation.** The Company anticipates applying to the Authority for volume cap allocation in July or August of 2014.

**Financing Details.** The Company anticipates the issuance of negotiated tax exempt bonds.

**Financing Team.**

**Underwriter:** Bank of America Merrill Lynch

**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP

**Issuer's Counsel:** Office of the Attorney General

**Staff Recommendation.** Staff recommends approval of Initial Resolution No. 14-02 for Recology, Inc. and/or its Affiliates 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.*

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

**May 20, 2014**

**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 refuse collection and disposal services; and

**WHEREAS**, Recology Inc., a California corporation (the “Applicant”), and/or its affiliates (collectively, the “Company”) has submitted an application (the “Application”) requesting that the Authority assist in financing the acquisition of land, and the acquisition and/or construction of solid waste disposal facilities, vehicles, rolling stock and equipment, 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 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:

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**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, subject to Section 6 above, this Resolution shall cease to be effective on May 20, 2017 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,

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accompanied by any additional information requested by the Authority to supplement the Company's application, and an explanation of the status of the Project.

**EXHIBIT A**

**NUMBER:** 874

**LOCATIONS:**

City & County of San Francisco	
County of Solano	City of Dixon
	City of Vacaville
County of Santa Clara	City of San Jose
County of San Mateo	City of Brisbane
	City of Redwood City
	City of San Carlos
	City of South San Francisco

**TYPE:** Solid Waste Disposal

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