

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**BOND FINANCING PROGRAM**  
**Meeting Date: October 20, 2015**  
*Request for Reinstatement, Extension and Amendment to Initial Resolution*

Prepared by: Kris Luoma

<b>Applicant:</b>	California Waste Solutions, Inc. and/or its Affiliates	<b>Amount Requested:</b>	\$29,000,000
<b>Project Location:</b>	San Jose (Santa Clara County) Oakland (Alameda County)	<b>Application No.:</b>	860 (SB)
		<b>Initial Resolution No:</b>	12-06
			IR approved 07/17/12 FR Funded 07/01/15

**Summary.** California Waste Solutions, Inc. and/or its affiliates (the “Company”) requests approval of a reinstatement, extension and amendment to Initial Resolution 12-06 to increase the dollar amount to an amount not to exceed \$29,000,000 to reflect an increase in project costs. The Company plans to finance the expansion and upgrade of its sorting line, purchase additional equipment, acquire two parcels of land, and cover construction costs.

On July 17, 2012, the CPCFA Board approved an IR for an amount not to exceed \$66,000,000. On July 1, 2015 CPCFA issued \$40,000,000 from this inducement leaving a remaining approved amount of \$26,000,000. The Company’s current request is to increase the amount remaining an additional \$3,000,000 (totaling \$29,000,000) to reflect the increase in the scope of the project.

**Borrower.** The Company collects and processes residential recyclables in areas of San Jose and Oakland. The Company was incorporated in 1992 and has approximately 453 employees throughout its operating locations.

The principal stockholders of the Company are as follows:

David Duong	42.00%
Linda Duong	32.50%
Victor Duong	<u>25.50%</u>
<b>Total:</b>	<b><u>100.00%</u></b>

**Legal Questionnaire.** Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. The Company has responded affirmatively to Question 2 regarding allegations of serious harm to employees, the public or the environment.

The Company disclosed that on February 22, 2005, a baler operator employed by the Company at its Oakland facility died after clearing a jam in the baler he was operating. Cal/OSHA conducted an investigation and issued four citations to the Company. All of the citations were appealed and a settlement was approved on February 6, 2008. The case is now closed.

The Company disclosed this information to CPCFA in an application for prior issuance, Application No 00788. Staff’s recommendation at that time was, because there was no indication that this issue threatened the ongoing financial liability of the Company, to approve

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the Initial and then Final Resolution requests. Bonds were issued on June 27, 2007 in the amount of \$25,905,000.

In the current application, the Company disclosed that in September 2007, the United States Environmental Protection Agency (USEPA) commenced three Administrative Actions for violations against it. The violations discovered were for failing to maintain “Best Management Practices” pertaining to “housekeeping,” vehicle washing, drum storage and oil spills. The Company failed to update its storm water pollution protection plan and failed to conduct inspections at all of its facilities. The Company states that it has implemented new procedures to address the issues raised in the Administrative Actions and, without admission of fault, paid the fines in full and there have been no further actions from the USEPA.

**Project Description.** The San Jose City Council recently extended the Company’s Franchise Agreement by 8 years for the collection of recyclables from the City’s residential neighborhoods. This will require the Company to upgrade its sorting and processing line and purchase additional equipment such as rolling stock and storage containers. The objective is to maximize the collection of recyclables and decrease the amount of residential solid waste from landfills. The Company will also purchase additional land from the Union Pacific Railroad Company to park their fleet of vehicles in San Jose.

Additionally, the Company plans to purchase approximately 12 acres in the North Gateway of the Oakland Army Base and use additional, surrounding acreage to relocate its West Oakland operations. If this is approved by the City of Oakland, the relocation will enable the Company to recycle and process more materials, including green and food waste, construction and demolition debris, and e-waste; allowing California Waste Solutions, Inc. to operate more efficiently, supporting Oakland’s long-term zero waste-reduction plans and for the City’s anticipated strategic goals for the development of the Oakland Army Base.

**Volume Cap Allocation.** The Company anticipates the target date of financing based on overall project milestone schedules to be sometime late in the year of 2016.

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

### **Financing Team.**

**Underwriter:** Westhoff, Cone & Holmstedt

**Bond Counsel:** Law Offices of Leslie Lava, Esq.

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

**Staff Recommendation.** Staff recommends approval of a reinstatement, extension and amendment of Initial Resolution No. 12-06 for California Waste Solutions, Inc. and/or its Affiliates for an amount not to exceed \$29,000,000.

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

Initial Resolution No. 12-06  
Application No. 860(SB)

**REINSTATEMENT, EXTENSION AND AMENDMENT OF  
INITIAL RESOLUTION TO ISSUE BONDS  
TO FINANCE SOLID WASTE DISPOSAL/RECYCLING FACILITIES FOR  
CALIFORNIA WASTE SOLUTIONS INC. AND/OR ITS AFFILIATES**

**October 20, 2015**

**WHEREAS**, on July 17, 2012, the California Pollution Control Financing Authority (“Authority”) by its Resolution No. 12-06 (“Original Initial Resolution”) approved the application of California Waste Solutions Inc., a California corporation, and/or its Affiliates (as defined therein) (collectively, “Company”), for financial assistance, in an amount not to exceed \$66,000,000, in defraying the costs of financing the acquisition of certain land, (ii) the construction or improvement of one or more buildings to house recycling facilities, (iii) the construction of site improvements, (iv) the acquisition of rolling stock and drop boxes, bins, carts and containers and/or (v) the acquisition and installation, if any, of equipment for the collection, processing, transfer and recycling of solid waste and other equipment functionally related thereto, as further described in its application for such approval (“Initial Facilities”), and has authorized the issuance of revenue bonds to provide such financial assistance; and

**WHEREAS**, on July 1, 2015, the Authority issued revenue notes in the principal amount of \$40,000,000 to finance a portion of the Initial Facilities; and

**WHEREAS**, the Initial Resolution ceased to be effective on July 15, 2015; and

**WHEREAS**, the Company now desires, and has requested the Authority, to (i) reinstate the Initial Resolution and amend the Initial Resolution to extend the date on which the Initial Resolution ceases to be effective from July 15, 2015 to July 15, 2018; (ii) decrease the maximum principal amount of authorized revenue bonds or revenue notes from \$66,000,000 to \$26,000,000, to reflect the issuance of such revenue notes, and then increase such maximum principal amount to \$29,000,000; and (iii) amend the locations of the Initial Project to include an additional parcel of land (as so amended, “Facilities”); and

**WHEREAS**, the Authority has determined that it is necessary and advisable that the foregoing be approved.

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

**Section 1.** The Authority hereby approves (i) the reinstatement of the Initial Resolution and the change in the date in which the Initial Resolution ceases to be effective to July 15, 2018, and any references in the Initial Resolution to “July 15, 2015” shall be changed to “July 15, 2018; (ii) the change in the maximum principal amount of such authorized revenue bonds or notes to \$29,000,000, and any references in the Initial Resolution to “\$66,000,000”

shall be changed to “\$29,000,000”; and (iii) the amendment of the definition of Facilities in the Initial Resolution as set forth above and any references in the Initial Resolution to “Facilities” shall refer to “Facilities” as defined in this Reinstatement, Extension and Amendment of Initial Resolution.

**Section 2.** The Initial Resolution, as amended by this Reinstatement, Extension and Amendment of Initial Resolution, shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, subject to Section 6 of the Original Initial Resolution, it shall cease to be effective on July 15, 2018 unless prior thereto the Authority specifically adopts a further resolution extending the effective date of the Initial Resolution, as amended by this Reinstatement, Extension and Amendment of 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.

**Section 3.** Except as amended by Sections 1 and 2 hereof and Exhibit A hereto, all provisions and conditions of the Initial Resolution shall remain unchanged and in full force and effect.

**Section 4.** The Executive Director of the Authority is hereby authorized and directed to do any and all ministerial acts in order to communicate this Reinstatement, Extension and Amendment of Initial Resolution to the Company and otherwise to effectuate the purposes of this Reinstatement, Extension and Amendment of Initial Resolution.

**EXHIBIT A**

**NUMBER:** 12-06

**LOCATIONS:** 1158 Berryessa Road, San Jose, CA 95132  
1005 Timothy Drive, San Jose, CA 95113  
1819 and/or 1820 Tenth Street, San Jose, CA 94607  
3300 Wood Street, Oakland, CA 94608  
APN No. 18-507-4-4, Oakland, CA 94607  
APN No. 18-507-8, Oakland, CA 94607  
Portion of APN No. 477-38-014, San Jose, CA  
(approximately 2.622 gross acres, bordered by Seventh and  
Tenth Streets, San Jose, CA)

**TYPE:** Solid Waste Disposal/Recycling

**AMOUNT:** Up to \$29,000,000