

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
BOND FINANCING PROGRAM  
Meeting Date: April 18, 2017**

*Request to Approve Initial Resolution Reflecting Official Intent to Issue Revenue Notes*

Prepared by: *Dmitri Godamunne*

<b>Applicant:</b>	Garden City Sanitation, Inc. and/or its Affiliates	<b>Amount Requested:</b>	\$24,675,000
<b>Project Location:</b>	City of Santa Clara (Santa Clara County)	<b>Application No.:</b>	905 (SB)
		<b>Initial Resolution No.:</b>	17-08

**Summary.** Garden City Sanitation, Inc. (“Garden City”) and/or its Affiliates (Garden City and/or such Affiliates being referred to herein as the “Company” or the “Applicant”) request approval of an Initial Resolution for an amount not to exceed \$24,675,000 to finance the acquisition of land and equipment to support the Applicant’s waste collection and transfer activities under a new franchise agreement with the City of Milpitas, CA (the “Franchise Agreement”).

**Borrower.** Garden City provides collection and disposal of residential waste throughout Santa Clara County. Garden City expects to have two affiliated companies associated with servicing the Franchise Agreement, Milpitas Sanitation, Inc. and Milpitas Sanitation, LLC. Together it is expected that they will employ 144 employees. Garden City was organized on March 10, 2006 for the purposes of residential solid waste collection.

The principal stockholders of Garden City are as follows:

Lou Pellegrini	28.45%
Don Arata	14.00%
Kent Kenney	9.14%
Edward Bortoli	5.00%
Doug Button	5.00%
Paul Formosa	5.00%
Ronald Fornesi	5.00%
Vince Fornesi	5.00%
Jerry Nabhan	5.00%
John Rossi	5.00%
Michael Achiro	5.00%
Various (less than 3%)	8.41%
<b>Total:</b>	<b><u>100.00%</u></b>

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

**Project Description.** Garden City has been recently awarded a Franchise Agreement with the City of Milpitas, CA for the collection and disposal or processing of the City's residential and commercial waste and recyclable materials. Milpitas Sanitation, Inc. was formed on August 30, 2016 and the Franchise Agreement was subsequently amended to name it as the servicing entity. A new California limited liability company, Milpitas Sanitation, LLC, is expected to be formed in order to purchase real property to provide a site for Milpitas Sanitation, Inc. to fulfill its obligations to the City of Milpitas under the Franchise Agreement. The Applicant will use note proceeds to finance the acquisition of land and equipment to support the Applicant's waste collection and transfer activities. This equipment includes collection vehicles, carts, bins, containers, shop equipment, and fueling equipment. Such equipment will be located on the property to be acquired at 1150 Walsh Avenue in Santa Clara, CA 95050 for the estimated cost of \$8,000,000. The Applicant will contribute approximately \$1,917,000 toward the land acquisition cost and finance the rest using the note proceeds.

**Volume Cap Allocation.** The Company anticipates applying to the Authority for volume cap allocation in the third quarter of 2017.

**Financing Details.** The Company anticipates the issuance of tax exempt notes on a private placement basis.

**Financing Team.**

**Municipal Advisor to the**

**Borrower:** Westhoff, Cone & Holmstedt

**Note Counsel:** Law Offices of Leslie M. Lava

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

**Staff Recommendation.** Staff recommends approval of Initial Resolution No. 17-08 for Garden City Sanitation, Inc. and/or its Affiliates for an amount not to exceed \$24,675,000.

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

**RESOLUTION OF OFFICIAL INTENT TO ISSUE NOTES TO  
FINANCE SOLID WASTE DISPOSAL/RECYCLING FACILITIES AND EQUIPMENT  
FOR GARDEN CITY SANITATION, INC. AND/OR ITS AFFILIATES**

**April 18, 2017**

**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 notes for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products, including solid waste disposal recovery and recycling facilities; and

**WHEREAS**, Garden City Sanitation, Inc., a California corporation (“Applicant”), has requested that the Authority assist in financing or refinancing solid waste disposal/recycling facilities and equipment to be owned and operated by the Applicant and/or its Affiliates (as hereinafter defined) (collectively, “Company”), which financing or refinancing is expected to be comprised of the acquisition of land and the construction of site improvements thereto, and the acquisition and installation, if any, of equipment for the collection, processing, transfer and recycling of solid waste, including, without limitation, rolling stock, collection and other vehicles, carts, bins, containers, shop, fueling and office equipment and other equipment functionally related thereto (collectively, “Facilities”), and has 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 notes 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 \$24,675,000 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 \$24,675,000 principal amount of notes 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 notes.

**Section 3.** The notes 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 note 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 note.”

**Section 4.** The notes shall be issued subject to the conditions that (i) the Authority and the Company shall have first agreed to mutually acceptable terms for the notes 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 notes 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 be effective on April 18, 2020 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 status of the project and any additional information requested by the Authority to supplement the Company's application.

**EXHIBIT A**

**NUMBER:** 17-08

**LOCATION:** 1150 Walsh Avenue  
Santa Clara, California 95050

Carts, bins and/or containers to be located with customers in incorporated and unincorporated Santa Clara County

**TYPE:** Solid Waste Disposal/Recycling

**AMOUNT:** Up to \$24,675,000