

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

*Request to Approve Amendment of Initial
Resolution Reflecting Official Intent to Issue Revenue Bonds*

Prepared by: *Kris Luoma*

Applicant:	Recology, Inc.	Amount Requested:	\$100,000,000
Project		Application No.:	874
Location:	City and County of San Francisco; Dixon and Vacaville (Solano County); San Jose (Santa Clara County); Brisbane, Redwood City, San Carlos and South San Francisco (San Mateo County) Petaluma and Santa Rosa (Sonoma County) Novato (Marin County)	Initial Resolution No.:	14-02
		Prior Action:	IR Approved 5/20/2014

Summary. Recology, Inc. and/or its Affiliates (the “Company”) requests approval of an amendment to Initial Resolution No. 14-02 which includes an extension from May 20, 2017 to April 18, 2020, 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>
Total:	<u>100%</u>

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, constructing, installing and developing an anaerobic digester and related facilities, including equipment, in Solano County, and processing and recycling facilities, including equipment, in Sonoma, Marin, San Francisco, Santa Clara and Solano Counties, and acquiring real property for a processing facility in San Mateo County.

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation no later than the first quarter of 2018.

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 an amendment 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.

**Initial Resolution No. 14-02
Application No. 874**

**AMENDMENT OF
RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR
RECOLOGY 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 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, at the request of Recology Inc., a California corporation, and/or its affiliates (collectively, the “Company”), the Authority adopted its Initial Resolution No. 14-02 on May 20, 2014 (the “Initial Resolution”) in the amount of not to exceed \$100,000,000 to assist in financing the acquisition of land, and the acquisition and/or construction of solid waste disposal facilities, vehicles, rolling stock and equipment described as the “Project” in the Initial Resolution; and

WHEREAS, the Company has submitted an amendment to its application to the Authority and has requested the Authority to amend the Initial Resolution to extend its effective date and reflect several new project sites;

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 Company means any person or entity which controls, is controlled by, or is under common control with, the Company, 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. Section 7 of the Initial Resolution is hereby modified to provide that, subject to Section 6, the Initial Resolution shall cease to be effective on April 18, 2020 unless the Authority specifically adopts a further resolution extending the effective date of the Initial Resolution.

Section 3. Exhibit A to the Initial Resolution is replaced by the attached Exhibit A.

Section 4. Except as set forth in Sections 2 and 3, all of the provisions of the Initial Resolution shall remain in full force and effect and are hereby ratified and confirmed. This Amendment shall take effect upon its adoption.

EXHIBIT A

NUMBER: 874

LOCATION: City & County of San Francisco

County of Marin City of Novato

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

County of Sonoma City of Petaluma
City of Santa Rosa

TYPE: Solid Waste Disposal

AMOUNT: Up to \$100,000,000