

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
BOND FINANCING PROGRAM  
Meeting Date: March 12, 2018**

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

Prepared by: *Andrea Gonzalez*

<b>Applicant:</b>	Metropolitan Recycling, LLC, Varner Bros. Inc., Price Disposal, Inc., Superior Sanitation Services, Inc., Varner & Son, Incorporated, Howard's Garbage Services and/or their respective affiliates	<b>Amount Requested:</b>	\$5,500,000
		<b>Application No.:</b>	922(SB)
		<b>Initial Resolution No.:</b>	18-02
<b>Project Location:</b>	City of Bakersfield (Kern County)		

**Summary.** Metropolitan Recycling, LLC, Varner Bros. Inc., Price Disposal, Inc., Superior Sanitation Services, Inc., Varner & Son, Incorporated, Howard's Garbage Services and/or their respective affiliates, (the "Applicants") request approval of an Initial Resolution for an amount not to exceed \$5,500,000 to finance minor facility upgrades and improvements, as well as the acquisition of equipment.

**Borrower.** Metropolitan Recycling, LLC, was organized as an LLC on April 7, 2010, but was formed 15 years ago by five privately owned Bakersfield area refuse collection companies: Price Disposal, Varner & Son, Inc., Howard's Garbage, Superior Sanitation and Varner Brothers, Inc. This collaborative entity was created to respond to the necessity for greater recycling options. Metropolitan Recycling, LLC initially provided small volume sorting of construction and demolition waste including wood, aggregate materials, paper, plastic, dirt, sand and more. The Applicants are small businesses that collectively have 187 employees.

The principal stockholders of the Companies are as follows:

Metropolitan Recycling, LLC

Varner Bros., Inc.	35%
Price Disposal, Inc.	30%
Superior Sanitation Service, Inc.	15%
Varner & Son, Incorporated	15%
Howard's Garbage Service	<u>5%</u>
<b>Total:</b>	<b><u>100%</u></b>

Varner Bros., Inc.

Skeet Varner Family Trust	33.770%
Skeet Varner Marital Trust	24.446%

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Michael Varner Trust	10.44%
Jaime Andrews Trust	10.44%
Jacob Panero Trust	6.97%
Amy Feldman Trust	6.96%
Lisa Mann Trust	<u>6.96%</u>
<b>Total:</b>	<b><u>100.00%</u></b>

### Price Disposal, Inc.

Walt Price	23%
Wanda England	23%
Jay Price	19%
Jon Price	12%
Various (Less than 4%)	<u>23%</u>
<b>Total:</b>	<b><u>100%</u></b>

### Superior Sanitation Service, Inc.

Jack D. Keown and Mary Ann Keown Amended and Restated Trust Agreement dated May 16, 1990	<u>100%</u>
<b>Total:</b>	<b><u>100%</u></b>

### Varner & Son, Incorporated

Vint D. Varner	<u>100%</u>
<b>Total:</b>	<b><u>100%</u></b>

### Howard's Garbage Service

Stephen S. Sewell	50%
Nancy A. Sewell	<u>50%</u>
<b>Total:</b>	<b><u>100%</u></b>

**Legal Questionnaire.** The Staff has reviewed the Applicants 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 these applicants.

**Project Description.** Bond proceeds will be used to the finance minor improvements and upgrades to existing facilities. The Applicants also anticipate the acquisition of equipment such as rolling stock, trucks, carts and other related equipment to be installed at existing facilities located throughout the City of Bakersfield.

**Volume Cap Allocation.** The Applicants anticipate applying for volume cap allocation to the California Debt Limit Allocation Committee at its scheduled May 16, 2018 meeting.

**Financing Details.** The Applicants anticipate the issuance of negotiated tax exempt bonds.

**Financing Team.**

**Bank Purchaser:** Wells Fargo Bank, N.A.

**Bond Counsel:** Kutak Rock LLP

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

**Staff Recommendation.** Staff recommends approval of Initial Resolution No. 18-02 for Metropolitan Recycling LLC, Varner Bros. Inc., Price Disposal, Inc., Superior Sanitation Services, Inc., Varner & Son, Incorporated, Howard's Garbage Services and/or their respective affiliates for an amount not to exceed \$5,500,000.

*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 AND RECYCLING FACILITIES AND  
EQUIPMENT FOR METROPOLITAN RECYCLING LLC, VARNER  
BROS. INC., PRICE DISPOSAL, INC., SUPERIOR SANITATION  
SERVICE, INC., VARNER & SON, INCORPORATED, AND HOWARD'S  
GARBAGE SERVICE AND/OR THEIR RESPECTIVE AFFILIATES**

**March 12, 2018**

**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 solid waste disposal recovery and recycling facilities; and

**WHEREAS**, Metropolitan Recycling LLC, a California limited liability company, Varner Bros. Inc., a California corporation, Price Disposal, Inc., a California corporation, Superior Sanitation Service, Inc., a California corporation, Varner & Son, Incorporated, a California corporation, and Howard’s Garbage Service, a California corporation (each, an “Applicant” and collectively, the “Applicants”), have requested that the Authority assist in financing or refinancing solid waste disposal and recycling facilities and equipment to be owned and operated by the Applicants and/or their respective Affiliates (as hereinafter defined) (collectively, “Company”), which financing or refinancing is expected to be comprised of the construction of improvements to buildings which house solid waste related functions, the construction of site improvements, and/or the acquisition and installation, if any, of equipment for the collection, processing, transfer, sorting and recycling of solid waste and/or resource recovery equipment and other equipment functionally related thereto, including, without limitation, rolling stock, collection and other vehicles, materials recovery equipment, and drop boxes, carts, bins and containers (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 and 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 \$5,500,000 will be

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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 an Applicant and “Affiliates” of the Applicants 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, such Applicant or Applicants, 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 \$5,500,000 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

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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 March 12, 2021 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: 18-02

LOCATIONS: 2601 S. Mt. Vernon, Bakersfield, CA 93307  
1808 Roberts Lane, Bakersfield, CA 93308  
1700 Lisle Street, Bakersfield, CA 93308  
8665 S. Union Avenue, Bakersfield, CA 93307  
9930 Brimhall Road, Bakersfield, CA 93312  
2620 S. Union Avenue, Bakersfield, CA 93307  
4033 Oregon Street, Bakersfield, CA 93306

Drop boxes, bins, carts and/or containers to be located with customers in incorporated and unincorporated Kern County

TYPE: Solid Waste Disposal and Recycling

AMOUNT: Up to \$5,500,000