

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Approval Date: November 16, 2018

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

Prepared by: Solomita Malko

Applicant: Alameda County Industries, Inc. and/or its affiliates	Amount Requested: \$32,000,000
Project Location: City of San Leandro (Alameda and Contra Costa County)	Application No.: 925(SB) Initial Resolution No.: 18-05

Summary. Alameda County Industries, Inc. and/or its affiliates (the “Company” or “ACI”) requests approval of an Initial Resolution for an amount not to exceed \$32,000,000 to finance the acquisition of equipment, including rolling stock and containers for the processing, transfer, and recycling of waste.

Borrower. The Company and certain of its affiliates provide collection and disposal services to customers throughout Alameda County. Additionally, the Company’s affiliate, Alameda County Industries, LLC, owns and operates a Materials Recovery Facility (MRF) in the City of San Leandro. The Company is a small business and was organized in April of 1999.

The Company has approximately 51 employees; and with current affiliates has a total of 186 employees. The Company will be decreasing shifts to only one operating shift and adding equipment which will lower the labor requirement. This will decrease the ACI employee count by 30 full time employees in March 2019.

The Company’s new affiliates have been awarded two new Franchise Agreements in the cities of Castro Valley and San Ramon. Once the Franchise Agreements take effect, ACI will be gaining 79 employees (Castro Valley 32 and San Ramon 47) and together with all of its affiliates will have a total of 317 employees.

Shareholders and operators of the Company also own and operate other companies that provide solid waste collection/recycling/transfer station facilities in the Bay Area. These other companies include Pleasanton Garbage Service, Inc., Amador Valley Industries, LLC, Bay Counties Waste Services, Inc., dba Specialty Solid Waste & Recycling, South San Francisco Scavenger Co., Inc., Mission Trail Waste Systems, Inc., Peninsula Sanitary Service, Garden City Sanitation, Inc., Milpitas Sanitation, Inc. and Livermore Sanitation, Inc.

The principal stockholders of the Company are as follows:

Louis Pellegrini	27.0833%
Robert J. Molinaro, Trustée	15.9567%
Anthony Macchiano and Shirley Macchiano, Trustees	8.2164%
Kent Kenney and Cheryl Kenney, Trustees	6.2500%
Michael Achiro, Trustee	4.1667%
Edward Bortoli and Robin Marie Bortoli, Trustees	4.1667%

Douglas H. Button and MaryAnn L. Button, Trustees	4.1667%
Paul R. Formosa and Julie A. Formosa, Trustees	4.1667%
Ronald Fornesi and Tamara L. Fornesi, Trustees	4.1667%
Jerry P. Nabhan and Julie Ann Nabhan, Trustees	4.1667%
John F. Rossi and Deborah Mei Rossi, Trustees	4.1667%
Stephanie Uccelli-Menner	4.1667%
William J. Dobert and Lynn C. Dobert, Trustees	3.9972%
Various Less than 3%	<u>5.1628%</u>
Total:	<u>100.0000%</u>

Legal Questionnaire. Staff has reviewed the Company'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 this applicant.

Project Description. The Company's new affiliates have been awarded two new Franchise Agreements for the Castro Valley Sanitary District and the City of San Ramon. The project entails the acquisition of new rolling stock (including some transfer trucks) and containers to facilitate ACI's contractual obligations under those Franchise Agreements. All of the components of the project are to be located at 601 and 610 Aladdin Avenue in San Leandro, or with customers within the respective city/county areas.

Financing Details. The Company anticipates the issuance of a direct bank purchase of tax exempt notes. The target date for financing is February of 2019.

Financing Team.

Municipal Advisor to 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 18-05 for Alameda County Industries, LLC and/or its affiliates for an amount not to exceed \$32,000,000.

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 NOTES TO
FINANCE SOLID WASTE RELATED EQUIPMENT
FOR ALAMEDA COUNTY INDUSTRIES, INC. AND/OR ITS AFFILIATES**

November 16, 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 or notes for the purpose of financing the cost of certain solid waste disposal equipment located in Alameda and/or Contra Costa Counties, California (“Equipment”); and

WHEREAS, Alameda County Industries, Inc., a California corporation (“Applicant”), has requested that the Authority assist in financing or refinancing the Equipment for the benefit of the Applicant and/or its affiliates (“Company”), and has presented an estimate of the maximum cost of the Equipment, 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 Equipment 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 or refinance the Equipment; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Equipment prior to the issuance of indebtedness for the purpose of financing costs associated with the Equipment 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 \$32,000,000 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 Equipment; 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 Equipment 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 \$32,000,000 principal amount of notes of the Authority for the Equipment; including for the purpose of reimbursing to the Company costs incurred for the Equipment 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 Equipment. 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 authorized under Authority Resolution No. 18-01-022 to indicate the willingness of the Authority to proceed with and effect such financing or refinancing in order to assist the Company by defraying the cost of the Equipment, 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 approval and remain in full force and effect thereafter; provided that, subject to Section 6, this Resolution shall cease to be effective on the date three years after the approval date unless prior thereto the Authority or Executive Director 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: 18-05

PROJECT LOCATION(S): 601 and 610 Aladdin Avenue, San Leandro, CA 94577 and/or with customers located throughout Alameda and Contra Costa Counties

PROJECT DESCRIPTION: Acquisition and installation, if any, of equipment for the collection, processing, transfer and recycling of solid waste, including solid waste collection vehicles, rolling stock and other vehicles, carts, bins, containers and other equipment functionally related thereto

TYPE: Solid Waste Disposal

AMOUNT: \$32,000,000