

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
BOND FINANCING PROGRAM  
Meeting Date: November 17, 2020**

***Request To Approve Final Resolution Authorizing the Issuance of Tax-Exempt Revenue Notes for New Money Purposes for the Solid Waste Disposal and Recycling Facilities of Mission Trail Waste Systems, Inc., and/or its Affiliates***

*Prepared by: Alison French-Tubo*

<b>Applicant:</b>	Mission Trail Waste Systems, Inc. and/or its affiliates	<b>Amount Requested:</b>	\$25,000,000
		<b>Application No.:</b>	939(SB)
<b>Project</b>	City of Santa Clara and	<b>Final Resolution No.:</b>	20-01-603
<b>Location:</b>	City of Los Altos (Santa Clara County)	<b>Prior Action:</b>	IR 20-07 approved 9/17/20

**Summary.** Mission Trail Waste Systems, Inc., and/or its affiliates (the “Borrower”) requests approval of a Final Resolution for an amount not to exceed \$25,000,000 to finance or refinance the acquisition of equipment to support the Borrower’s waste collection and disposal activities and to construct improvements to solid waste disposal and recycling facilities, including improvements to a fueling station and construction of a stormwater system. Note proceeds will also be used to replace the Borrower’s collection fleet and upgrade equipment to meet new state regulations (collectively, the “Project”).

**Borrower.** The Borrower provides collection and disposal services to customers in the City of Santa Clara and the City of Los Altos. Additionally, the Borrower’s affiliate, Santa Clara Valley Industries, LLC, owns and operates a Materials Recovery Facility (MRF) located in the City of Santa Clara. Together, these companies employ 105 people. Mission Trail Waste Systems, Inc., is a small business and was organized in October of 1986.

The principal stockholders of the Borrower are as follows:

Louis Pellegrini	33.3%
Robert J. Molinaro, Trustee	18.8%
Anthony Macchiano, Trustee	8.5%
William J. Dobert, Trustee	6.0%
Michael Achiro, Trustee	4.2%
Edward Bortoli, Trustee	4.2%
Douglas H. Button, Trustee	4.2%
Paul Formosa, Trustee	4.2%
Ronald Fornesi, Trustee	4.2%
John Rossi, Trustee	4.2%
Stephanie Uccelli-Menner	4.2%
Less than 3% ownership	4.0%
<b>Total:</b>	<b><u>100.0%</u></b>

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**Legal Status Questionnaire.** The staff has reviewed the Borrower’s responses to the questions contained in the Legal Status Questionnaire portion of the Application. No information was disclosed in the Legal Status Questionnaire portion of the Application that raises concerns regarding the financial viability or legal integrity of this applicant to warrant disapproval of the Borrower’s financing request.

**Tax Equity and Fiscal Responsibility Act (TEFRA).** The TEFRA hearing was held on October 9, 2020. There were no comments in support of or in opposition to the project.

**Fees.** The Borrower has paid an application fee of \$5,000 and will pay an administrative fee of \$45,000 at closing.

**Small Business Assistance Fund (SBAF) Eligibility.** The SBAF, established in Section 8041 of Division 11 of Title 4 of the California Code Regulations, is funded by fees collected from large-business borrowers with more than 500 employees to help offset the costs of issuance for small businesses that participate in the program. The SBAF assistance is available on a sliding scale to small-business borrowers, defined in Section 8020(1) of Division 11 of Title 4 of the California Code of Regulations as those who employ no more than 500 employees, unless the par amount of the bond issue is above \$13,750,000. The Borrower is a small business, but it is not eligible for assistance from the Small Business Assistance Fund due to the par amount of the bond issue.

**Prior Financings.** Prior financings of the Borrower and its affiliates are listed below. All have been redeemed.

<b>Description</b>	<b>Date of Bond Issue</b>	<b>Original Amount</b>	<b>Amount Outstanding as of 9/30/20</b>
Mission Trail Waste Systems, Inc.	05/16/2001	\$3,500,000	\$0
Mission Trail Waste Systems, Inc.	10/01/2002	\$7,555,000	\$0
Mission Trail Waste Systems, Inc.	08/11/2010	\$15,700,000	\$0
Santa Clara Valley Industries, LLC	03/04/1998	\$8,495,000	\$0
<b>TOTALS:</b>		<b><u>\$35,250,000</u></b>	<b><u>\$0</u></b>

**Project Description.** The Borrower has been awarded two renewed Franchise Agreements of 15 years for the City of Santa Clara and 10 years for the City of Los Altos. It is anticipated that up to 38 compressed natural gas fueled (CNG) collection vehicles will be purchased for Santa Clara, and up to 18 CNG vehicles for Los Altos. Carts will be purchased for use in both cities. The rest of the Project will consist of upgrades and improvements to the MRF, including vehicles for MRF operations, a fueling station upgrade, processing equipment for food-waste, and stormwater

drainage improvements. All of the components of the Project are to be located at 1060 Richard Avenue in Santa Clara, or with customers within the respective city areas.

Based on the application and preliminary costs of issuance submitted to the Authority, the estimated Project and issuance costs at the time of this staff report are shown below. The actual costs of issuance will be itemized and reported to the Authority at the time of closing.

<b>Project Costs</b>	<b>To Be Paid from Note Proceeds</b>
Collection Vehicles – Santa Clara	\$11,600,000
Collection Vehicles – Los Altos	\$7,400,000
Carts	\$500,000
Trucks – MRF Operation	\$1,000,000
Fueling Station Upgrade	\$1,500,000
Food-Waste Processing Equipment	\$2,000,000
Stormwater Drainage Improvements	\$500,000
Note Issuance Expense	<u>\$500,000</u>
<b>Total</b>	<b><u>\$25,000,000</u></b>

*Note: The Project costs reported in the Borrower’s application and shown here in staff’s report are estimated costs. At the time this financing closes, the estimated Project costs will be finalized and stated in the Tax Certificate. Variations from the costs shown in the application and in this report may occur prior to the closing due to increased costs of certain components of the Project from original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation or for other reasons. However, the Borrower confirms, through submission of a signed application and will confirm through covenants and representations in various note documents, that all assets purchased with note proceeds will qualify for tax-exempt financing, that they will be used to complete the Project as described, and that the average life tests required by federal law and described in the Tax Certificate will continue to be met. Tax-exempt financing may be only one source out of multiple sources of financing for a given project.*

**Anticipated Project Timeline.** The Project is anticipated to be completed within 12 months of closing.

**Local Government.** The Borrower received a letter of support from Dave Staub, Deputy Director of Public Works for the City of Santa Clara (see Attachment A).

**California Debt Limit Allocation Committee (CDLAC) Volume Cap Allocation.** CPCFA has applied on the Borrower’s behalf to CDLAC for an exempt facility allocation in an amount not to exceed \$25,000,000 to be heard at its November 18, 2020 meeting.

**Pollution Control and/or Environmental Benefits.** The Borrower represents the Project will generate the pollution control and environmental benefits described below.

**Air Quality.** The Borrower states, “Air Quality should be enhanced with the full implementation of the proposed Project by virtue of the fact that, as part of its compliance with air quality mandates and commitment to the City of Santa Clara, the Project sponsor is purchasing more CNG-fueled

collection vehicles, thereby avoiding particulate matter associated with alternative types of vehicles, such as diesel-fueled vehicles.”

**Water Quality.** The Borrower states, “The MRF operates on a concrete surface, not on exposed ground areas. This prevents any seepage of undesirable materials into the ground water. The improvements to the stormwater drainage system will mitigate run off that could pollute the bay or other waterways.”

**Recycling of Commodities.** The Borrower states, “The food-waste processing equipment will assist the Company in meeting the requirements of SB 1383 and increase diversion from local landfills.”

**Energy Efficiency.** The Borrower states, “The use of CNG-fueled vehicles helps reduce dependence upon gasoline and diesel fuel.”

**Safety and Compliance.** The Borrower states, “The Project will be compliant with all state and local mandates.”

**Consumer Cost Savings and Efficiencies.** The Borrower states, “Tax-exempt financing was assumed when the Company analyzed its capital costs to determine the proposed residential, commercial and industrial rate structures for the Franchise renewals. Without tax-exempt financing, the annual borrowing costs for this large, but required, capital expenditure would be significantly higher; and since the rates are part of the regulated rate calculations, there would be less flexibility for future rate structures for residential, commercial and industrial consumers and their rates would be higher.”

The Borrower also states, “It is important to note that in addition to the clean air mandates imposed on the Company and others in the industry, the City, like other municipalities, also puts most of the responsibility on service providers like the Company to ensure *their* compliance with the many state environmental mandates imposed on those cities and counties. While continuing capital costs like those outlined for this financing are high, the cities and service providers like the Company rely on tax-exempt financing for at least some mitigation of the rate increases to residents, businesses, and industrial entities that are otherwise required.”

**Permitting and Environmental Approvals.** The Borrower has provided a signed letter from Kent Kenney, Controller of Mission Trail Waste Systems, Inc., articulating that the Project is consistent with its existing zoning requirements. The Borrower represents the Project does not require a new California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) (CEQA) process nor does it require any discretionary permits.

**Financing Details.** The Borrower anticipates a direct bank purchase of negotiated tax-exempt notes by Comerica, which is a Qualified Institutional Buyer (QIB) as defined in SEC Rule 144A under the Securities Act of 1933, \$250,000 or any integral multiple of \$5,000 in excess thereof during index interest rate period (initial period). The target date for closing is December 2, 2020.

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For state law purposes, the notes will be delivered (“drawn down”) incrementally. For federal tax law purposes, since at least \$50,000 of the notes will be delivered on the initial closing date, the entire amount will be deemed issued at closing and will receive the full amount of volume cap allocation dedicated to the notes (\$25,000,000). This structure will provide significant cost savings to the Borrower.

**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  
**Trustee:** The Bank of New York Mellon Trust  
Company, N.A.

**Staff Recommendation.** Staff recommends approval of Final Resolution No. 20-01-603 for an amount not to exceed \$25,000,000 for Mission Trail Waste Systems, Inc., and/or its affiliates.

Attachment A

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Public Works Department

September 8, 2020

Mr. Larry Flood  
Executive Director  
California Debt Limit Allocation Committee  
915 Capitol Mall, Room 311  
Sacramento, CA 95814

RE: California Debt Limit Allocation Committee, Exempt Facility Approvals  
Mission Trail Waste Systems, Inc. Project

Dear Mr. Larry Flood:

I write to you today on behalf of Mission Trail Waste Systems, Inc. relating to their environmental project for which approval will be requested at the next California Debt Limit Allocation Committee ("CDLAC") meeting.

My staff and I have worked with the management of Mission Trail Waste Systems, Inc. over the last few years in their development of the proposed project and they now are ready for final approval of the financing. I understand that in order to receive approval for the issuance of tax exempt bonds, on whose lower interest rates the "project" economics have been based, that CDLAC must grant part of the State's allocation for "private activity" bonds as defined by the federal government to the Project.

We and Mission Trail Waste Systems, Inc. agree that the implementation of this project is a cost effective addition to our overall program, taking into account cost, technology and expected waste diversion.

On behalf of the City of Santa Clara, I would appreciate it if you would approve the Mission Trail Waste Systems, Inc. Project at your next meeting. Thank you.

A handwritten signature in blue ink, appearing to read "Dave Staub".

Dave Staub  
Deputy Director of Public Works

Corporation Yard  
1700 Walsh Avenue  
Santa Clara, CA 95050  
(408) 615-3090  
FAX (408) 988-0237  
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**FINAL RESOLUTION OF THE  
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
AUTHORIZING THE ISSUANCE OF REVENUE NOTES FOR  
NEW MONEY PURPOSES FOR THE  
SOLID WASTE DISPOSAL AND RECYCLING FACILITIES AND EQUIPMENT  
OF MISSION TRAIL WASTE SYSTEMS, INC. AND/OR ITS AFFILIATES**

**November 17, 2020**

**WHEREAS**, the California Pollution Control Financing Authority (the “Authority”) has received the application of Mission Trail Waste Systems, Inc. (the “Borrower”) for financial assistance to finance or refinance (i) the acquisition and installation, if any, of solid waste equipment to be located at 1060 Richard Avenue, Santa Clara, CA 95052 (the “Site”) and/or with customers in incorporated and unincorporated Santa Clara County; and (ii) the construction of improvements to solid waste disposal and recycling facilities to be located at the Site, all as more particularly described in the Term Sheet attached hereto as Exhibit A and incorporated herein (the “Term Sheet”) (collectively, the “Project”); and

**WHEREAS**, the Borrower has requested the Authority to issue its revenue notes from time to time in an amount not to exceed \$25,000,000 to assist in the financing or refinancing of the Project; and

**WHEREAS**, the Borrower has requested that such revenue notes be delivered in installments as described in the hereinafter referred indenture; and

**WHEREAS**, the proceeds of such revenue notes will be loaned to the Borrower under the hereinafter referred loan agreement with the Authority; and

**WHEREAS**, final approval of the terms of such revenue notes and certain documents relating to such revenue notes is now sought; and

**WHEREAS**, the Borrower has provided documentation to the Authority demonstrating that the Project has complied with California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code), or is not a project under that division;

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

**Section 1.** The Project constitutes a “project” and the Borrower is a “participating party” within the meaning of the California Pollution Control Financing Authority Act (Division 27 (commencing with Section 44500) of the Health and Safety Code)(the “Act”).

**Section 2.** Pursuant to the Act, revenue obligations of the Authority, designated as the “California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Notes (Mission Trail Waste Systems, Inc. Project) Series 2020” (the “Notes”), or such alternate designation as may be approved by the Executive Director or the Deputy Executive Director of the Authority, in an aggregate principal amount not to exceed \$25,000,000, are hereby authorized to be issued. The Notes may be issued at one time, or from time to time, in one or more series or sub-series separately or differently identified, and may be issued in a tax-exempt mode, all in accordance with the Indenture (as hereinafter defined) as finally executed. The proceeds of the Notes shall be used to make a loan to the Borrower to finance or refinance the Project (including without limitation, reimbursing the Borrower for qualifying costs incurred for the Project prior to the issuance of the Notes) and to pay certain costs of issuance of the Notes. The Notes may be issued as a single issue for federal tax purposes with delivery of the Notes against proceeds done in periodic installments under a draw down mechanism.

**Section 3.** The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Notes, at one time or from time to time on or before December 31, 2020, by negotiated sale, at such price and at such interest rate or rates as the Treasurer may determine, such determination to be as set forth in the hereinafter referred to Purchase Contract. Delivery of the Notes at such times to be determined by the Authority pursuant to documents approved in Section 4 hereof, is hereby approved.

**Section 4.** The following documents:

- (i) a loan agreement relating to the Notes (the “Loan Agreement”) between the Authority and the Borrower;
- (ii) an indenture relating to the Notes (the “Indenture”) between the Authority and the trustee named in the Term Sheet (the “Trustee”); and
- (iii) a note purchase contract relating to the Notes (the “Purchase Contract”) among the Authority, the Treasurer, as agent for sale, and the bank named in the Term Sheet, as purchaser (the “Purchaser”), and as approved by the Borrower;

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein in substantial conformance with the Term Sheet as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof.

**Section 5.** The Authority understands and agrees that pursuant to the terms of the Loan Agreement, the obligations of the Borrower may, under some circumstances, be carried out or assumed by a successor or assignee entity, or by an Affiliate of the Borrower. For purposes of this Resolution, an “Affiliate” of the Borrower 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 Borrower, 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 6.** The dates, maturity dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of the Notes shall be as provided in the Indenture, as finally executed.

**Section 7.** The Notes shall be executed by the manual or facsimile signature of the Chair or any Deputy to the Chair and the seal of the Authority shall be affixed thereon (or a facsimile reproduced thereon) in the form set forth in and otherwise in accordance with the Indenture. The Notes, when executed, shall be delivered to the Trustee under the Indenture for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Notes by executing the Trustee's certificate of authentication appearing thereon. The Trustee is hereby requested and directed to deliver the Notes, when duly executed and authenticated, to the Purchasers in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Such instructions shall provide for the delivery of the Notes to the Purchasers upon payment of the purchase price thereof.

**Section 8.** The Authority hereby dedicates and confirms its allocation to the Notes of \$25,000,000 of a portion of its private activity bond limit, as previously received, carried forward or to be received from the California Debt Limit Allocation Committee, to finance or refinance certain costs of the Project and to pay certain costs of issuance of the Notes, so as to satisfy the requirements of Section 146(e) of the Internal Revenue Code of 1986, with respect to the Notes.

**Section 9.** Each officer of the Authority, acting alone, is hereby authorized and directed, to do any and all ministerial acts that the officer may deem necessary or advisable in order to consummate the issuance, sale or delivery of the Notes, and otherwise to effectuate the purposes of this Resolution and the Indenture, the Loan Agreement and the Purchase Contract. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation, any certifications, including, a tax certificate.

**Section 10.** The provisions of the resolution of the Authority entitled "Resolution of the California Pollution Control Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings", Resolution No. 19-01-001, adopted by the Authority on January 15, 2019, apply to the documents and actions approved in this Resolution, and the provisions of such resolution are incorporated herein by reference.

**Section 11.** The Authority hereby approves and ratifies each and every action taken by its officers, agents, members and employees prior to the date hereof in furtherance of the purposes of this Resolution.

**Section 12.** This Resolution shall take effect immediately upon its passage. The adoption by the Authority of this final resolution for the Borrower shall not be referred to in any application before any government agency as evidence of the feasibility, practicality or suitability of the Project or in any application for any required permission or authority to construct or operate the Project.

**EXHIBIT A**

TERM SHEET

<b>Name of Issue:</b>	California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Notes (Mission Trail Waste Systems, Inc. Project) Series 2020 (the “Notes”)
<b>Maximum Amount of Issue:</b>	\$25,000,000 (tax-exempt)
<b>Issuer:</b>	California Pollution Control Financing Authority (the “Authority”) Sacramento, CA
<b>Borrower:</b>	Mission Trail Waste Systems, Inc. Santa Clara, CA
<b>Purchaser:</b>	Comerica Bank San Jose, CA
<b>Note Counsel:</b>	Leslie M. Lava, Esq. Tiburon, CA
<b>Trustee:</b>	The Bank of New York Mellon Trust Company, N.A. Los Angeles, CA
<b>Underwriter:</b>	Not applicable
<b>Remarketing Agent:</b>	Not applicable
<b>Project:</b>	Finance or refinance (i) the acquisition and installation, if any, of solid waste equipment to be located at 1060 Richard Avenue, Santa Clara, CA 95052 (the “Site”) and/or with customers in incorporated and unincorporated Santa Clara County; and (ii) the construction of improvements to solid waste disposal and recycling facilities to be located at the Site.
<b>Maximum Note Term:</b>	Not to exceed 26 years

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<b>Type of Sale:</b>	Negotiated sale; direct purchase by Purchaser
<b>Description of Minimum Denominations:</b>	\$250,000 or any integral multiple of \$5,000 in excess thereof during index interest rate period (initial period)
<b>Financing Structure:</b>	Index interest rate notes deliverable in installments using a draw down mechanism, convertible to term interest rate or weekly variable rate with tender option pursuant to the Indenture; transferrable by Purchaser to either an affiliate of the Purchaser or, upon delivery of a letter of representation, a “Qualified Institutional Buyer”, as defined in Rule 144A of the Securities Act of 1933, as amended
<b>Maximum Interest Rate:</b>	Lesser of 12% or the maximum rate permitted by law
<b>Letter of Credit:</b>	Not applicable
<b>Other Credit Enhancement:</b>	Not applicable
<b>Anticipated Note Rating:</b>	Unrated
<b>Type of Financing:</b>	Solid waste disposal revenue notes
<b>Prepared by:</b>	Leslie M. Lava, Esq. Law Offices of Leslie M. Lava (415) 331-6464