

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

*Request to Approve Final Resolution Authorizing the Issuance of Revenue Notes
for New Money Purposes*

Prepared by: Andrea Gonzalez

Applicant:	Garden City Sanitation, Inc., and/or its affiliates	Amount Requested:	\$42,500,000
		Application No.:	938(SB)
Project		Final Resolution No.:	20-01-605
Location:	City of Santa Clara and City of Livermore (Santa Clara and Alameda Counties)	Prior Actions:	IR 20-06 approved on 9/22/20

Summary. Garden City Sanitation, Inc., and/or its affiliates (the “Borrower”) requests approval of a Final Resolution for an amount not to exceed \$42,500,000 to finance or refinance the acquisition and installation, if any, of equipment and the construction of improvements to its solid waste disposal and recycling facilities (together, the “Project”) to support the Borrower’s waste collection and disposal activities.

Borrower. The Borrower provides for the collection and disposal of residential and commercial waste in Alameda County and Santa Clara County. The Borrower has two affiliated companies associated with servicing its Franchise Agreements: Milpitas Sanitation, Inc., and Livermore Sanitation, Inc. Together, these companies employ 191 employees. The Borrower was organized on March 10, 2006, for the purpose of residential solid waste collection.

The principal stockholders of the Borrower are as follows:

Louis Pellegrini	28.45%
Kent Kenney, Trustee	9.14%
Don Arata, Trustee	14.00%
Dave Calegari, Trustee	2.41%
Michael Achiro, Trustee	5.00%
Edward Bortoli, Trustee	5.00%
Doug Button, Trustee	5.00%
Paul Formosa, Trustee	5.00%
Ronald Fornesi, Trustee	5.00%
Vince Fornesi, Trustee	5.00%
Jerry Nabhan, Trustee	5.00%
John Rossi, Trustee	5.00%
Andrew Arata	2.00%
Daniel Arata, Trustee	2.00%
Nicholas Arata, Trustee	2.00%
Total:	<u>100.00%</u>

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 questions concerning the financial viability or legal integrity of this applicant.

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

Fees. The Borrower paid an application fee of \$5,000 and will pay an administrative fee of up to \$80,000 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(l) of Division 11 of Title 4 of the California Code of Regulations as those employing no more than 500 employees, unless the par amount of the bond issue is above \$13,750,000. Garden City is a small business, but it is not eligible for assistance from the Small Business Assistance Fund due to the par amount of the note issue.

Prior Financings. Prior financings through CPCFA are listed below.

Description	Date of Bond Issue	Original Amount	Amount Outstanding as of 11/2/2020
Garden City Sanitation, Inc. Series 2007A	2/14/07	\$22,445,000	\$0
Garden Sanitation, Inc. Series 2009A	12/23/09	33,000,000	0
Garden Sanitation, Inc. Series 2009B	12/23/09	10,000,000	0
Garden Sanitation, Inc. Series 2014	9/24/14	8,905,000	0
Garden Sanitation, Inc. Series 2017	11/1/17	<u>60,000,000</u>	<u>35,320,000</u>
TOTALS:		<u>\$134,350,000</u>	<u>\$35,320,000</u>

Project Description. The Borrower was recently awarded a 15-year extension to its San Jose Franchise Agreement and a 10-year extension to its Livermore Franchise Agreement. Note proceeds will be used to finance fuel station improvements, leasehold improvements, as well as the purchase of containers and trucks under the San Jose Franchise Agreement. The Borrower will also be financing the acquisition of containers and trucks, and making fuel station and leasehold improvements under the Livermore Franchise Agreement. All of the components of the Project are to be located in the City of Santa Clara and the City of Livermore, or with customers within each respective city or county.

Project Costs	To Be Paid from Note Proceeds
Construction of Improvements to Solid Waste Related Facilities	\$1,400,000
Acquisition and Installation of New Equipment	39,760,881
Bond Issuance Expenses	840,100
Contingency	<u>499,019</u>
Total:	<u>\$42,500,000</u>

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 bond documents, that all assets purchased with bond 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 has been initiated, and all proceeds are expected to be expended by December 2023.

California Debt Limit Allocation Committee (CDLAC) Volume Cap Allocation. CPCFA has submitted an application on behalf of the Borrower to be considered for a volume cap allocation in the amount of \$42,500,000 from the CDLAC at its November 18, 2020 meeting.

Local Government. The Borrower received a letter of support from Valerie Osmond, Deputy Director of the Integrated Waste Management, of the City of San Jose.

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 cities of San Jose and Livermore, Garden City is purchasing more compressed natural gas (CNG) fueled collection vehicles, thereby avoiding particulate matter associated with alternative types of vehicles such as diesel fueled."

Water Quality. The Borrower states, "The CNG-fueled vehicles will create less particulate matter as compared to a diesel fueled vehicle which will reduce the particulate pollution that may end up in the ocean and other area creek beds and streams."

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, "In determining the Project Sponsor's proposed rate structure its capital cost considered the use of tax-exempt financing. The

**Agenda Item 4.C.2.
Resolution No. 20-01-605**

Project will enhance the Company’s operating efficiencies which will provide greater flexibility as far as future rate structures.”

Permitting and Environmental Approvals. The Borrower has provided a signed letter from its Chief Financial Officer, Kent Kenney, articulating that the Project is consistent with its existing zoning and permit requirements and that it does not require a new review under the California Environmental Quality Act (Division 13 (commencing with Section 21000 of the Public Resources Code) process and any additional discretionary permits.

Financing Details. The Borrower anticipates a direct bank purchase of negotiated tax-exempt notes with MUFG Union Bank, N.A., which is a Qualified Institutional Buyer (QIB) as defined in SEC Rule 144A under the Securities Act of 1933, in minimum denominations of \$250,000 or any integral multiple of \$5,000 in excess thereof. The target date for financing is December 9, 2020.

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 \$42,500,000 will be deemed issued at closing and will receive the full amount of volume cap allocation dedicated to the notes. This structure will provide significant cost savings to the Borrower.

Financing Team.

Municipal Advisor to the Borrower: Westhoff, Cone & Holmsted
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. 20-01-605 in an amount not to exceed \$42,500,000 for Garden City Sanitation, Inc., and/or its affiliates.

Attachment A



INTEGRATED WASTE MANAGEMENT

September 8, 2020

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

RE: California Dept Limit Allocation Committee, Exempt Facility Approvals Garden City Sanitation, Inc. Project

Dear Mr. Larry Flood:

Garden City Sanitation, Inc. (Garden City) has submitted an environmental project to the California Debt Limit Allocation Committee (CDLAC), for which approval will be considered.

The City of San José recently extended our Agreement with Garden City for garbage collection service provided to approximately 167,000 customers every week. To fulfill requirements of the Agreement, Garden City will acquire new collection vehicles and other equipment. 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 designate part of the State's allocation for "private activity" bonds, as defined by the Federal government to the Project. We and Garden City agree that the implementation of this project is a cost-effective addition to our overall program.

Implementation of Garden City's compressed natural gas (CNG) collection vehicle fleet aligns with our Climate Smart San José plan to reduce greenhouse gas emissions. CNG also conserves resources, reduces fuel costs, and improves air quality. Please consider approving the Garden City project.

Sincerely,

Valerie Osmond
Deputy Director

**Final Resolution No. 20-01-605
Application No. 938(SB)**

**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 GARDEN CITY SANITATION, INC. AND/OR ITS AFFILIATES**

November 17, 2020

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) has received the application of Garden City Sanitation, Inc. (the “Borrower”) for financial assistance to finance or refinance (A) (i) the acquisition and installation, if any, of solid waste equipment to be located: (1) at 1080, 1088 and/or 1090 Walsh Avenue, Santa Clara, California 95050 (“Walsh Avenue”); (2) at 1015 Martin Avenue, Santa Clara, California 95050 (“Martin Avenue”); and/or (3) with customers in incorporated and unincorporated Santa Clara County, California; and (ii) the construction of improvements to solid waste disposal and recycling facilities to be located: (1) at Walsh Avenue; and/or (2) at Martin Avenue; and (B) (i) the acquisition and installation, if any, of solid waste equipment to be located at 7000 and/or 7050 National Drive, Livermore, California 94550 (“National Drive”) and/or with customers in incorporated and unincorporated Alameda County, California; and (ii) the construction of improvements to solid waste disposal and recycling facilities to be located at National Drive, 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 \$42,500,000 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 the 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 (Garden City Sanitation, 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 \$42,500,000, 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

Agenda Item 4.C.2.
Resolution No. 20-01-605

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 that 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 \$42,500,000 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.

**Agenda Item 4.C.2.
Resolution No. 20-01-605**

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

Name of Issue:	California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Notes (Garden City Sanitation, Inc. Project) Series 2020 (the “Notes”)
Maximum Amount of Issue:	\$42,500,000 (tax-exempt)
Issuer:	California Pollution Control Financing Authority (the “Authority”) Sacramento, CA
Borrower:	Garden City Sanitation, Inc. Santa Clara, CA
Purchaser:	MUFG Union Bank, N.A. Ontario, CA
Note Counsel:	Leslie M. Lava, Esq. Tiburon, CA
Trustee:	The Bank of New York Mellon Trust Company, N.A. Los Angeles, CA
Underwriter:	Not applicable
Remarketing Agent:	Not applicable
Project:	Finance or refinance (A) (i) the acquisition and installation, if any, of solid waste equipment to be located: (1) at 1080, 1088 and/or 1090 Walsh Avenue, Santa Clara, California 95050 (“Walsh Avenue”); (2) at 1015 Martin Avenue, Santa Clara, California 95050 (“Martin Avenue”); and/or (3) with customers in incorporated and unincorporated Santa Clara County, California; and (ii) the construction of improvements to solid waste disposal and recycling facilities to be located: (1) at Walsh Avenue; and/or (2) at Martin

**Agenda Item 4.C.2.
Resolution No. 20-01-605**

Avenue; and (B) (i) the acquisition and installation, if any, of solid waste equipment to be located at 7000 and/or 7050 National Drive, Livermore, California 94550 (“National Drive”) and/or with customers in incorporated and unincorporated Alameda County, California; and (ii) the construction of improvements to solid waste disposal and recycling facilities to be located at National Drive.

Maximum Note Term:	Not to exceed 26 years
Type of Sale:	Negotiated sale; direct purchase by Purchaser
Description of Minimum Denominations:	\$250,000 or any integral multiple of \$5,000 in excess thereof during index interest rate period (initial period)
Financing Structure:	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
Maximum Interest Rate:	Lesser of 12% or the maximum rate permitted by law
Letter of Credit:	Not applicable
Other Credit Enhancement:	Not applicable
Anticipated Note Rating:	Unrated
Type of Financing:	Solid waste disposal revenue notes

**Agenda Item 4.C.2.
Resolution No. 20-01-605**

Prepared by:

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