

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Approval Date: May 8, 2020**

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

Prepared by: *Solomita Malko*

Applicant:	California Waste Solutions, Inc. and/or its affiliates	Amount Requested:	\$169,595,000
Project	Oakland (Alameda County)	Application No.:	929 (SB)
Locations:	San Jose (Santa Clara County)	Initial Resolution No.:	19-03
		Prior Action:	IR approved 11/8/2019

Summary. California Waste Solutions, Inc. and or its affiliates (the “Company” or “Cal Waste”) requests approval of an amendment to Initial Resolution (IR) 19-03 to amend the project description contained therein to include the construction and equipping of new solid waste disposal facilities, including materials recovery facilities, and to increase the dollar amount to an amount not to exceed \$169,595,000. The original IR was approved on November 8, 2019 for an amount not to exceed \$61,000,000.

Current Request. The previous costs related to the San Jose site are still included as part of the project. The current request to increase the IR amount reflects a rise in project costs related to the purchase of land and construction costs to build a new solid waste material recovery facility (MRF) in Oakland. The Company currently operates two of its solid waste facilities at 10th Street and Wood Street in West Oakland. This area is becoming more of a residential area and as a result, the City of Oakland has requested that the Company relocate its operations. The City and the Company have identified a suitable site, which was previously utilized as an Army Base. The property is currently owned by the City of Oakland. The Company anticipates that it will consolidate its operations and move both of its Oakland facilities to this new site. The new solid waste facility will be capable of processing 850 tons per day of mixed materials. Note proceeds will also be used to purchase additional equipment, including rolling stock, containers, expand and upgrade the sort line and truck fleet in order to comply with new requirements.

Borrower. The Company collects and processes residential recyclables in the cities of Oakland and San Jose. Cal Waste was incorporated in 1992 and is a small business with 309 employees throughout its operating locations in Alameda and Santa Clara Counties.

The principal stockholders of the Company are as follows:

David Duong	42.00%
Linda Duong	32.50%
Victor Duong	<u>25.50%</u>
Total:	<u>100.00%</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 responded affirmatively to Question two on the Legal Status Questionnaire (LSQ) portion of the Application relating to Fraud, Corruption or Serious Harm (Health & Safety).

Resolved Legal or Regulatory Actions (summary of Company's response):

1. On April 28, 2016, the California Department of Resources Recycling and Recovery, Division of Recycling (CalRecycle), filed an Accusation (Administrative Complaint) claiming that Cal Waste had allegedly failed to follow proper procedures in handling recyclable materials that were eligible for California Redemption Value ("CRV") payments from CalRecycle. Cal Waste has denied these allegations in their entirety. CalRecycle has conceded during informal discussions and there are no allegations of fraud or intentional misconduct and that most, if not all, of the materials for which CRV was paid to Cal Waste were in fact actually recycled. This claim has now been settled.
2. CalRecycle had a claim against Cal Waste for violations in processing California Redemption value ("CRV") beverage containers at its 1005 Timothy Drive, San Jose and 3300 Wood Street, Oakland facilities. These two locations were not properly licensed to process CRV beverage containers. Cal Waste's 1819 and 1820 Tenth Street, Oakland facilities were the only Cal Waste facilities licensed to process CRV beverage containers. Cal Waste position was that all of its facilities and procedures had been audited on a regular basis for years, but CalRecycle never raised such an issue. The other CalRecycle claim against CWS alleged that Cal Waste did not properly cancel aluminum and plastics because there's insufficient record keeping to show that they were indeed properly cancelled. However, CalWaste explained to CalRecycle that this was due to decades-long industry wide accepted practice where documentation for such matter require anonymity of the overseas/out of state end user. This claim has now been settled.

Pending Legal or Regulatory Actions (summary of Company's response):

1. The City of Oakland filed a lawsuit against California Waste Solutions, Inc. for rates charged for recyclables picked up from multi-unit dwellings. The claims stem from the fees the Company was charging to bring the dwelling(s) recyclable carts to the curbside for collection (Push Rates). The City of Oakland is claiming that the Company was taking advantage of a mistake in the multi-family dwelling rate table published in the recycling contract. California Waste Solutions, Inc. denies these allegations and claims that it is charging the proper rates as authorized by the contract. Cal Waste and the City of Oakland expect to settle the matter but no time frame can be determined at this time.

The information disclosed in the LSQ portion of the application does not appear to threaten the ongoing financial viability of the applicant. Upon submission of Cal Waste's California Debt Limit Allocation Committee (CDLAC) application for Final Resolution (FR) and allocation, CPCFA expects the FR application to include appropriate updates and disclosures regarding the Company's pending legal or regulatory actions with CalRecycle and the City of Oakland.

Project Description. The San Jose City Council has approved the extension of the Company's Franchise Agreement by 15 years, provided that the Company perform upgrades to its sort lines and purchase additional equipment such as rolling stock, carts, forklifts, containers, MRF equipment, and trucks. Cal Waste has funded the purchase of the property it leases at 1120 and 1158 Berryessa Road in San Jose and will refinance the property purchased with Note proceeds when Notes are funded.

Note proceeds will also be used to finance a new solid waste facility in Oakland. Cal Waste and the City of Oakland have identified a site for Cal Waste's new MRF facility and the Company anticipates consolidating its operations and moving both of its facilities currently located at 10th Street and Wood Street in West Oakland to this new site, a former Army Base, which is now owned by the City. The new facility will be capable of processing 850 tons per day of mixed materials in order to assist the City to comply with its requirements under AB939 and AB1383.

The Project locations include: 1120 and 1158 Berryessa Road, San Jose, California 95132; 1005 Timothy Drive, San Jose, California 95113; 1819 and 1820 Tenth Street, Oakland, California 94607; 1211 Embarcadero, Oakland, California 94606; and 3300 Wood Street, Oakland, California 94608; and/or customers located throughout Alameda and Santa Clara Counties.

Volume Cap Allocation. The Company anticipates applying to the Authority and/or CDLAC for volume cap allocation during the fourth quarter of 2020.

Financing Details. The Company anticipates the issuance of a direct bank purchase of tax-exempt notes. The target date for financing is the fourth quarter of 2020.

Financing Team.

Municipal Advisor to the Borrower: Westhoff, Cone & Holmstedt
Note Counsel: Leslie M. Lava, Esq., Law Offices of Leslie M. Lava
Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of an Amendment to Initial Resolution No. 19-03 for California Waste Solutions, Inc. and/or its affiliates for an amount not to exceed \$169,595,000.

Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.

AMENDMENT OF
INITIAL RESOLUTION TO ISSUE NOTES TO FINANCE
SOLID WASTE DISPOSAL FACILITIES AND/OR EQUIPMENT
FOR CALIFORNIA WASTE SOLUTIONS, INC.
AND/OR ITS AFFILIATES

May 8, 2020

WHEREAS, on November 8, 2019, the California Pollution Control Financing Authority ("Authority") by its Resolution No. 19-03 ("Initial Resolution") approved the application of California Waste Solutions, Inc., a California corporation ("Applicant"), for financial assistance, in an amount not to exceed \$61,000,000, in defraying the costs of financing or refinancing solid waste disposal facilities and/or equipment to be owned and operated by the Applicant and/or its affiliates (collectively, "Company"), which financing or refinancing was expected to be comprised of the (i) acquisition of land and/or buildings to house solid waste disposal and recycling operations, including the construction and installation of improvements thereto, (ii) construction of improvements to solid waste disposal facilities, including materials recovery facilities, and (iii) acquisition and installation, if any, of equipment for the collection, processing, transfer and recycling of solid waste, including without limitation, solid waste collection vehicles, rolling stock and other vehicles, a sort line, tractors, forklifts, carts, bins, containers and other equipment functionally related thereto (collectively, "Initial Project"), and authorized the issuance of revenue notes to provide such financial assistance; and

WHEREAS, the Company now desires, and has requested the Authority, to (i) amend the Initial Project to include the construction and equipping of new solid waste disposal facilities, including materials recovery facilities (as amended "Project"); and (ii) authorize additional financial assistance, in an amount not to exceed \$108,595,000, to finance or refinance additional portions of the Project, resulting in an increase in the maximum principal amount of authorized revenue notes from \$61,000,000 to \$169,595,000;

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

Section 1. The Authority hereby approves (i) the amendment of the Initial Project to include the construction and equipping of new solid waste disposal facilities, including materials recovery facilities, and any references herein or in the Initial Resolution to "Project" shall mean the Initial Project, as so amended; and (ii) the change in the maximum principal amount of such authorized revenue notes to \$169,595,000, and any references in the Initial Resolution, including Exhibit A thereto, to "\$61,000,000" shall be changed to "\$169,595,000".

Section 2. Except as amended by Section 1 hereof, all provisions and conditions of the Initial Resolution shall remain unchanged and in full force and effect.

Section 3. The Deputy Executive Director of the Authority has authority under Authority Resolution No. 19-01-001 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 Project, 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.