

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Approval Date: September 22, 2020

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

Prepared by: *Andrea Gonzalez*

Applicant:	Garden City Sanitation, Inc. and/or its affiliates	Amount Requested:	\$42,500,000
Project Location:	City of Santa Clara (Santa Clara County); City of Livermore (Alameda County)	Application No.:	938(SB)
		Initial Resolution No.:	20-06

Summary. Garden City Sanitation, Inc. and/or its affiliates (“Garden City” or the “Company”) request approval of an Initial 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 solid waste disposal and recycling facilities (together, the “Project”) to support the Company’s waste collection and disposal activities.

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

The principal stockholders of Garden City 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 Questionnaire. The 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. Garden City 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 Company will also be financing the acquisition of containers, 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.

Volume Cap Allocation. The Company anticipates applying to the California Debt Limit Allocation Committee for volume cap allocation in the fourth quarter of 2020.

Financing Details. The Company anticipates the issuance of negotiated tax-exempt notes.

Financing Team.

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

Staff Recommendation. Staff recommends approval of Initial Resolution No. 20-06 for Garden City Sanitation, Inc. and/or its affiliates for an amount not to exceed \$42,500,000.

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 NOTES
TO FINANCE OR REFINANCE
SOLID WASTE DISPOSAL AND RECYCLING FACILITIES AND EQUIPMENT
FOR GARDEN CITY SANITATION, INC. AND/OR ITS AFFILIATES**

September 22, 2020

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 or refinancing the cost of certain solid waste disposal and recycling facilities and equipment located in Santa Clara County and Alameda County, California (“Project”); and

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

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Project prior to the issuance of indebtedness for the purpose of financing costs associated with the Project 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 \$42,500,000 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 Project; 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 Project 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 \$42,500,000 principal amount of notes of the Authority for the Project; including for the purpose of reimbursing to the Company costs incurred for the Project 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 Project. 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 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.

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: 20-06

PROJECT LOCATION(S): 1080, 1088 and 1090 Walsh Avenue, Santa Clara, CA 95050
1015 Martin Avenue, Santa Clara, CA 95050
7000 and 7050 National Drive, Livermore, CA 94550
Carts, pails, bins and/or containers to be located with customers in incorporated and unincorporated Alameda County and/or Santa Clara County

PROJECT DESCRIPTION: (i) 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, pails, bins and containers and other equipment functionally related thereto; and (ii) construction of improvements to solid waste disposal and recycling facilities, including improvements to fueling stations and to buildings.

TYPE: Solid Waste Disposal and Recycling

AMOUNT: \$42,500,000