

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: April 16, 2024**

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

Prepared by: Morgan Matz

Applicant:	MarBorg Industries and/or its affiliates
Project Location:	Cities of Santa Barbara and Santa Maria (Santa Barbara County)
New Money Amount Requested:	\$44,500,000
Application No.:	960(SB)
Final Resolution No.:	24-01-621
Prior Actions:	IR approved on 11/28/2023

Summary: MarBorg Industries and/or its affiliates (MarBorg or “Borrower”) requests approval of a Final Resolution (FR) for an amount not to exceed \$44,500,000 in tax-exempt notes. The note proceeds will be used for the construction of a new operations depot, development and expansion of vehicle/equipment yard storage, purchase of collection vehicles powered by compressed natural gas (CNG) as additions to the Borrower’s current fleet, the purchase of bins and containers to be distributed to customers throughout Santa Barbara County, and the purchase, upgrade, and improvement of an existing solid waste recycling and processing facility located at 1850 W. Betteravia Road in Santa Maria (currently owned by Waste Management) (the “Project”).

Borrower: MarBorg Industries, a small business employing approximately 430 employees, was organized in 1974 in California. MarBorg performs residential and commercial solid waste collection, recycling and waste management, construction site services, portable sanitation, and temporary fencing throughout Santa Barbara County. MarBorg Industries, a family-owned corporation, holds its real estate in separate LLCs owned by members of the family. The key officials are:

MarBorg Industries Key Officials	
David Borgatello	35.00%
Mario Borgatello	25.00%
Brian Borgatello	15.00%
Anthony Borgatello	15.00%
Kathy Borgatello Koeper	10.00%
Total:	100.00%

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Legal Status Questionnaire: CPCFA staff has reviewed the Borrower’s responses to the questions contained in the Legal Status Questionnaire portion of the Application. The Borrower stated that it had nothing to disclose regarding any legal, regulatory, or investigative action that would materially impact the financial viability of the project or applicant or that involved fraud, corruption, or health and safety issues.

Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing: The TEFRA hearing was held on March 8, 2024. There were no comments received in support of or in opposition to the Project at the hearing or in writing.

Fees: The Borrower paid an application fee of \$5,000 and will pay an administrative fee of up to \$84,000 ($\$44,500,000 \times .002$) - \$5,000.00) at closing.

Small Business Assistance Fund (SBAF) Eligibility: CPCFA funds the SBAF, established in California Code of Regulations, title 4, section 8041, through fees collected from large business borrowers with more than 500 employees. CPCFA uses the SBAF to assist small business borrowers in offsetting the costs of issuance. The SBAF assistance is available on a sliding scale for new money issuances to small-business borrowers, defined in part, in California Code of Regulations, title 4, section 8020, subdivision (l), as those who employ no more than 500 employees, unless the par amount of the bond issue is above \$13,750,000.

CPCFA staff has determined that the Borrower’s transaction does not meet the requirements for SBAF assistance due to the new money PAR amount of \$44,500,000 exceeding the SBAF maximum allowable PAR of \$13,750,000.

Prior Financings: Previous financings by the Borrower and its affiliates through CPCFA are listed below.

Previous MarBorg Industries Financings			
Description	Date of Bond Issue	Original Amount	Amount Outstanding As of 03/19/2024
MarBorg Industries Project Series 2000A	9/13/2000	\$5,425,000	\$0
MarBorg Industries Project Series 2002	10/23/2002	\$5,215,000	\$0
MarBorg Industries Project Series 2004	5/26/2004	\$7,415,000	\$0
MarBorg Industries Project Series 2006A	3/7/2006	\$6,700,000	\$0
MarBorg Industries Project Series 2009A(R)	12/23/2009	\$11,755,000	\$0
Totals:		<u>\$36,510,000</u>	<u>\$0</u>

Project Description: Note proceeds will be used to purchase compressed natural gas (CNG) and/or other fuel powered waste collection vehicles and/or other equipment, including heavy tractors and processing equipment, used for the collection,

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transportation, processing, or disposal of solid waste vehicles, and SB 1383 compliant bins/containers to be used and distributed throughout Santa Barbara county; upgrade and improve storage and facilities currently owned by the Borrower located at 2 S. Quarantina and 125 Calle Cesar Chavez in Santa Barbara; and purchase, upgrade, and improve an existing solid waste recycling and processing facility located at 1850 W. Betteravia Rd. in Santa Maria.

The anticipated project costs are listed below:

Project and Issuance Costs	To Be Paid from Note Proceeds
Land – 1850 W. Betteravia Rd.	\$9,000,000
Buildings & Improvements – 1850 W. Betteravia Rd.	\$3,500,000
Site Improvements – 2 S. Quarantina	\$1,000,000
Parking Areas – 2 S. Quarantina	\$2,000,000
Buildings – 2 S. Quarantina	\$5,000,000
Site Improvements – 125 Calle Cesar Chavez	\$5,000,000
Rolling Stock	\$15,000,000
Carts & Bins	\$3,000,000
Contingency	\$550,000
Financing Costs	<u>\$450,000</u>
Total:	<u>\$44,500,000</u>

Note: The Project costs reported in the Borrower’s application and shown here in the Authority’s staff report are estimated costs and subject to change; the ultimate amounts and dates can be affected by legal, market, and other factors. At the time this financing closes, the estimated Project costs will be finalized and stated in the Tax Certificate. In addition, those costs may vary after closing due also to increased materials and labor costs, as well as design and equipment modifications during construction, differences in equipment due to future changes in statutes and regulations, or for other reasons. However, the Borrower confirms, through the 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, they will be used to complete the Project as described, and 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 of multiple sources of financing for a given project.

Anticipated Project Timeline: The Project has commenced, and all note proceeds are expected to be expended by the end of 2027.

California Debt Limit Allocation Committee (CDLAC) Volume Cap Allocation: The Authority has applied on the Borrower’s behalf to CDLAC for an exempt facility allocation in an amount not to exceed \$44,500,000 to be considered at its May 15, 2024, meeting.

Local Government: The Borrower received a letter of support from Jeanette Gonzales-Knight, PE, Interim Deputy Director, Santa Barbara County Resource Recovery & Waste Management Division (see Attachment A).

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

- **Air Quality** – The Borrower states, “Part of the proposed Project includes SB 1383 improvements which will help establish the methane emission reduction targets issued by the state. Additionally, the use of CNG as a fuel will eliminate particulate matter as compared to the operation of other fossil fuels.”
- **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.”
- **Energy Efficiency** – The Borrower states, “New [materials recovery facility (MRF)] equipment is more energy efficient with increased material throughput. Additionally, the use of CNG vehicles helps reduce dependence upon other fossil fuels and has a lower carbon footprint.”
- **Recycling of Commodities** – The Borrower states, “Upgrades and improvements to the Project Sponsor’s MRF should increase the amount of material that is recycled and thus increase waste diversion from the landfill.”
- **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, “The lower cost of tax-exempt financing and the increase in operating efficiency of the new MRF equipment will provide greater flexibility as far as future rate structures.”

Permitting and Environmental Approvals: The Borrower represents that the Project neither requires a new California Environmental Quality Act (Public Resources Code Section 2100 et seq.) process nor does it require any additional discretionary permits.

Additionally, the Borrower represents that, through the acquisition of a former Waste Management site (1850 W. Betteravia Rd.), an existing Solid Waste Facilities Permit No. 42-AA-0069 will be transferred to the Borrower by Waste Management; that no improvements to the facility will be made until after the Borrower has taken over all service areas currently served by Waste Management; and that all such improvements will be in accordance with the above-mentioned permit.

Financing Details: The Borrower anticipates a direct bank purchase of negotiated tax-exempt notes with Umpqua Bank, which is a Qualified Institutional Buyer (QIB) as

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defined in Rule 144A under the Securities Act of 1933, in minimum denominations of \$250,000 or any integral multiple of \$0.01 in excess thereof during an index interest rate period (the initial period). The integral multiples of \$0.01 was requested by the financing team and approved by CPCFA. The target date for financing is anticipated to be in May of 2024.

Structurally, the notes will be delivered (“drawn down”) incrementally. For federal tax law purposes, since at least \$250,000 of the notes will be delivered on the initial closing date, the entire \$44,500,000 will be deemed issued at closing. This structure will provide significant cost savings to the Borrower.

Financing Team	
Municipal Advisor to the Borrower:	Piper Sandler & Company
Note Counsel:	Orrick, Herrington & Sutcliffe
Issuer’s Counsel:	Office of the Attorney General
Direct Bank Purchaser:	Umpqua Bank
Trustee:	The Bank of New York Mellon Trust Company, N.A.

Staff Recommendation: Staff recommends the approval of a Final Resolution in a total amount not to exceed \$44,500,000 in new money tax-exempt notes for the MarBorg Industries Project.

Note: Any information related to the borrower, including any data or analysis related to the Borrower’s financial condition or ability to repay the financing, described in this staff report was prepared solely for members of the CPCFA Board and to satisfy certain provisions of Division 27 of the Health and Safety Code, sections 44500 - 44563.

Prospective investors should not rely on information in this staff report and must conduct their own diligence to obtain information essential to the making of an informed investment decision with respect to the financing.

Attachment A

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Scott D. McGolpin, P.E.
Public Works Director

Jeanette Gonzales-Knight, P.E.
Technical Deputy Director, Interim

Martin Wilder, P.E.
Operations Deputy Director, Interim

January 16, 2024

Ms. Ricki Hammett
Deputy Executive Director
California Debt Limit Allocation Committee
915 Capitol Mall, Room 311
Sacramento, CA 95814

**RE: California Debt Limit Allocation Committee, Exempt Facility Approvals
MarBorg Industries Project**

Dear Ms. Hammett:

On behalf of the County of Santa Barbara Public Works Department, I write to you to express support for MarBorg Industries' 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 MarBorg Industries for decades and support the proposed project, which is now 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, the CDLAC must grant part of the State's allocation for "private activity" bonds, as defined by the federal government, to the project.

MarBorg Industries and the County team 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 County of Santa Barbara, I respectfully request your approval of the MarBorg Industries project at your next meeting. Thank you.

Sincerely,

DocuSigned by:

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Jeanette Gonzales-Knight, PE
Interim Deputy Director



**FINAL RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
AUTHORIZING THE ISSUANCE OF REVENUE NOTES
FOR THE SOLID WASTE DISPOSAL FACILITIES AND EQUIPMENT
OF MARBORG INDUSTRIES AND/OR ITS AFFILIATES**

April 16, 2024

WHEREAS, the California Pollution Control Financing Authority (the “Authority”) has received the application of MarBorg Industries, a California corporation, and/or its affiliates (collectively, the “Borrower”) for financial assistance to finance and/or refinance a portion of the costs and expenses related to the acquisition, construction, improvement, installation and/or equipping of maintenance facilities, storage yards, operations facilities, a compressed natural gas fueling station, a transfer and recycling facility, a corporate office, an antifreeze, batteries, oil and paint facility, compressed natural gas and/or other fuel powered waste collection vehicles, and/or other equipment used for the collection, transportation, processing or disposal of solid waste to be located in the Santa Barbara County, California (the “County”), and the acquisition of bins and containers for the handling and disposal of solid waste to be located at the sites of the Borrower’s customers throughout the County (collectively, the “Project”); all as more particularly described in the Term Sheet attached hereto as Exhibit A and incorporated herein (the “Term Sheet”); and

WHEREAS, the Borrower has requested the Authority to issue its revenue notes from time to time in an amount not to exceed \$44,500,000 to assist in the financing or refinancing of the Project; and

WHEREAS, the Authority has applied for an allocation to finance or refinance certain costs of the Project and to pay certain costs of issuance of such revenue notes in the aggregate amount of \$44,500,000 from the California Debt Limit Allocation Committee (“CDLAC”) (the “Allocation”); 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 or will provide prior to the note sale 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 (MarBorg Industries Project) Series 2024” (the “Notes”), or such alternate designation as may be approved by the Executive Director or Deputy Executive Director of the Authority, in an aggregate principal amount not to exceed \$44,500,000, are hereby authorized to be issued, subject to the limitations stated in the Term Sheet. 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 or taxable mode, 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 and/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 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, 2024], 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 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 purchaser 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

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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. Any modification to the Project made prior to the issuance of the Notes shall be reported to the Executive Director of the Authority, and such modification shall be subject to further approval by the Authority.

Section 6. Any material changes to the note sale structure prior to the issuance of the Bonds or Notes are subject to further approval by the Authority.

Section 7. 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 8. 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 each series of the Notes shall be as provided in the Indenture, as finally executed.

Section 9. 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 Purchaser 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 Purchaser upon payment of the purchase price thereof.

Section 10. The Authority hereby dedicates and confirms the Allocation to the Notes of \$44,500,000 from the Allocation to be received from CDLAC, if approved, 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. The Allocation shall automatically revert to CDLAC unless the Authority has executed Notes on behalf of the Borrower within one hundred eighty (180) days of the transfer of the Allocation. The Executive Director of CDLAC may approve an extension of up to ninety (90) days, which approval shall not be unreasonably withheld. This extension will result in a forfeiture of the Project's

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performance deposit to the extent that the performance deposit has not been previously forfeited. The Authority shall return any unused Allocation to CDLAC.

Section 11. 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, delivery or remarketing 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 and one or more tax certificates.

Section 12. 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. 23-01-001, adopted by the Authority on January 17, 2023, (the “Delegation Resolution”) apply to the documents and actions approved in this Resolution, and the provisions of Resolution No. 23-01-001 are incorporated herein by reference. This Section 12 shall be deemed to refer to and incorporate any resolution of a similar nature adopted hereafter by the Authority that replaces or supersedes the Delegation Resolution.

Section 13. The provisions of the Initial Resolution No. 23-04, approved by the Executive Director of the Authority, on behalf of the Authority, on November 28, 2023, pursuant to the Executive Director’s delegation authority, apply to the documents and actions approved in this Resolution, and the provisions of such resolution are incorporated herein by reference.

Section 14. The Certification of Compliance II or equivalent form must be submitted by the Borrower to the Authority by February 1 annually, until the project’s Certificate of Completion has been submitted to the Authority, as provided in the Loan Agreement. These forms may be found at this website location: <http://www.treasurer.ca.gov/cdlac>. Failure to demonstrate compliance may result in the disqualification from future allocations of the State Ceiling on Qualified Private Activity Bonds.

Section 15. The Loan Agreement, Indenture and Purchase Contract expressly provide that CDLAC is a third-party beneficiary of the terms and conditions set forth in CDLAC’s Resolution. Once the Notes are executed and delivered, the terms and conditions set forth in CDLAC’s Resolution shall be enforceable by CDLAC through an action for specific performance or any other available remedy.

Section 16. 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 17. This Resolution shall take effect immediately upon its passage. The adoption by the Authority of this Resolution for the Borrower shall not be referred to in

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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 (MarBorg Industries Project) Series 2024 (the "Notes")
Maximum Amount of Issue:	\$44,500,000 (tax-exempt)
Issuer:	California Pollution Control Financing Authority (the "Authority"), Sacramento, CA
Borrower:	MarBorg Industries, a California corporation, and/or its affiliates
Trustee:	The Bank of New York Mellon Trust Company, N.A.
Underwriter:	Not applicable
Purchaser:	Umpqua Bank
Note Counsel:	Orrick, Herrington & Sutcliffe LLP, San Francisco, CA
Remarketing Agent:	Not applicable
Project:	The Project consists of the financing and/or refinancing of a portion of the costs and expenses related to (1)(a) the acquisition, construction, improvement, and/or installation of a maintenance facility, storage yard, compressed natural gas fueling station, and transfer and recycling facility, with related equipment and infrastructure to be located at 1850 W. Betteravia Road, Santa Maria, CA 93455; (b) the construction and/or improvement of a maintenance facility, operations facility and corporate office, with related equipment and infrastructure, to be located at 2 S. Quarantina Street, Santa Barbara, CA 93103; (c) the construction and/or

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improvement of a maintenance facility and storage yard, with related equipment and infrastructure to be located at 125 Calle Cesar Chavez, Santa Barbara, CA 93103; (d) the acquisition, construction, improvement, and/or installation of a maintenance facility, storage yard and antifreeze, batteries, oil and paint facility, with related equipment and infrastructure to be located at 97 Commerce Drive, Buellton, CA 93427; (e) the acquisition of compressed natural gas and/or other fuel powered waste collection vehicles and/or other equipment, including heavy tractors and processing equipment, used for the collection, transportation, processing or disposal of solid waste throughout Santa Barbara County, California, and to be housed at 1850 W. Betteravia Road, Santa Maria, CA 93455, 71 and 125 Calle Cesar Chavez, Santa Barbara, CA 93103, 25 N., 131 N., 136 N., 2 S, 24 S, 36 S, 104 S and 106 S. Quarantina Street, Santa Barbara, CA 93103, 130 and 132 Nopalitos Street, Santa Barbara, CA 93013, 620 Quinientos Street, Santa Barbara, CA 93013, 725 Cacique Street, Santa Barbara, CA 93103, 14470 Calle Real, Gaviota, CA 93117, 716 E. and 720 E. Yanonali Street, Santa Barbara, CA 93103, 97 Commerce Drive, Buellton, CA 93427, 709, 715, 719 and 721 Union Street, Santa Barbara, CA 93103, and the MarBorg C&D Recycling and Transfer Facility at 119 N. Quarantina Street, Santa Barbara, CA 93103; and (f) the acquisition of bins and containers for the handling and disposal of solid waste to be located at the sites of the Company's customers throughout Santa Barbara County, California, and (2) paying associated costs of the financing.

Maximum Note Term:

Not to exceed 30 years

Type of Sale:

Negotiated sale; private placement

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Description of Minimum Denominations:	Initially \$250,000 and any integral multiple of \$0.01 above that amount
Financing Structure:	Index interest rate notes; convertible to term interest rate, or weekly variable rate with tender option pursuant to the Indenture; transferable by Purchaser to either an affiliate of the Purchaser or, upon delivery of a purchaser letter, a "Qualified Institutional Buyer," as defined in Rule 144A of the Securities Act of 1933, as amended.
Maximum Interest Rate:	12%
Letter of Credit:	Not applicable
Other Credit Enhancement:	Not applicable
Anticipated Note Rating:	Unrated
Type of Financing:	Solid waste disposal revenue notes
Prepared by:	Joel A. Nielsen (925) 472-8746