



Board Agenda Item 8

DATE: May 25, 2021

TO: Board of Supervisors

SUBMITTED BY: Jean M. Rousseau, County Administrative Officer

SUBJECT: Conduit Financing for Republic Services, Inc. (Not a County Liability)

RECOMMENDED ACTION(S):

- 1. Conduct a public hearing under the Tax Equity and Fiscal Responsibility Act (“TEFRA”) and the Internal Revenue Code of 1986, as amended (the “Code”), regarding the conduit issuance of tax-exempt solid waste disposal facility bonds (“Bonds”) in a principal amount not to exceed \$703,700,000, to finance and/or refinance the acquisition, construction, installation, rehabilitation, improvement, and/or equipping of solid waste disposal facilities by Republic Services, Inc., and certain affiliates thereof (“Republic Services”) including a principal amount not to exceed \$10,300,000 to finance and/or refinance solid waste disposal facilities located in Fresno County**
- 2. Adopt the resolution approving a plan of finance for the conduit issuance of the Bonds by the California Municipal Financing Authority (“CMFA”) for the benefit of Republic Services which adoption is solely for the purposes of satisfying the requirements of TEFRA and the Code.**

The County has received a request from the CMFA and Republic Services to conduct a public hearing concerning the conduit issuance pursuant to a plan of finance, in an amount not to exceed \$703,700,000 of tax-exempt solid waste disposal facility bonds intended to finance and/or refinance improvements owned by Republic Services and its affiliates in 13 different counties (listed below), including \$10,300,000 to finance or refinance collection and transfer station facilities located in Fresno County. Exhibit “A” includes the letter requesting the hearing. The two facilities located in Fresno County include Allied Waste Services of Fresno located at 5501 N Golden State Blvd in the City of Fresno and BFI Rice Road TS located at 10463 N Rice Road in the unincorporated area. The recommended actions are solely for the purposes of satisfying the requirements of TEFRA and the Code.

The Code requires that prior to the issuance of the Bonds, the applicable elected representatives of a qualifying governmental unit with jurisdiction over the area where the project is located must hold a noticed public hearing and adopt a resolution approving the issuance of the Bonds by the CMFA. Since some of the facilities being financed and/or refinanced are located within the County, Republic Services has requested the County Board of Supervisors conduct a public hearing on the plan of finance and the proposed conduit issuance and consider adoption of an approving resolution in order to satisfy the requirements of the Code. This item is located in Districts 1 and 2.

ALTERNATIVE ACTION(S):

If your Board does not approve the recommended actions, Republic Services would likely not be able to finance its project with the tax-exempt bonds and would have to look to alternative funding mechanisms in

order to complete the desired improvements.

FISCAL IMPACT:

The Bonds to be issued by the CMFA for the Project will be the sole responsibility of Republic Services and the County will have no financial, legal, moral or obligation, liability or responsibility for the Project or the repayment of the Bonds for the financing of the Project. All financing documents with respect to the issuance of the Bonds will contain clear disclaimers that the Bonds are not obligations of the County or the State of California but are to be paid solely from funds provided by the Borrower.

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (“Foundation”), acts as the Board of Directors for the CMFA. Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities. With respect to the County of Fresno, a pro-rated share of 25% of the issuance fee will be granted by the CMFA to the general fund of the County, which may be used for any lawful purpose of the County. It is estimated the County would receive approximately \$5,000 to \$8,000.

DISCUSSION:

Republic Services has requested that the CMFA issue tax-exempt facility bonds for qualified solid waste disposal facility projects in the amount not to exceed \$703,700,00 in 13 counties in California of which \$10,300,000 would be in Fresno County.

The projects to be financed and/or refinanced at such locations (collectively, the “Project”) include: (a) improvements to existing landfill facilities, including construction of new disposal cells and liners within currently permitted acreage; (b) additions and improvements to the leachate collection and treatment system, including leachate trenching; (c) additions and improvements to the methane gas systems; (d) installation of new liners for intermittent and final closure of completed sections of the landfill facilities; (e) site improvements; (f) acquisition of equipment to be used at the landfill facilities; (g) improvements to existing collection (hauling) and transfer station facilities, including but not limited to (i) acquisition of solid waste disposal and recycling trucks and support vehicles, (ii) acquisition of solid waste disposal and recycling containers and related equipment, (iii) acquisition of solid waste sorting and processing and recycling equipment, (iv) site and/or land improvements, (vi) the construction of one or more buildings for supporting operations of the Project, and (v) acquisition of other equipment and assets necessary to support the foregoing improvements and place them into service; and (h) acquisition of other equipment and assets necessary to support the foregoing improvements and to place them into service.

The “plan of finance” is a general plan of the CMFA and Republic Services to monitor capital markets and the capital needs of Republic Services for their facilities and, if market conditions warrant, issue one or more series of Bonds from time to time in an aggregate principal amount not to exceed \$703,700,000 to finance and/or refinance the Project within the three-year period commencing on the date of the issuance of the first series of Bonds.

Proceeds of the bonds for projects within Fresno County will be used to finance and/or refinance improvements to existing collection and transfer station facilities. It is anticipated the projects in Fresno County would include, but not be limited to, the following:

- Acquisition of solid waste disposal and recycling trucks and support vehicles.
- Acquisition of solid waste disposal and recycling containers and related equipment.
- Acquisition of solid waste sorting and processing and recycling equipment.
- Site and/or land improvements.
- The construction of one or more buildings for supporting operations of the project.

- Acquisition of other equipment and assets necessary to support the foregoing improvements and place them into service.
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The other Counties with facilities included in the issuance include Orange, Sacramento, Alameda, Contra Costa, Imperial, Los Angeles, San Diego, San Joaquin, San Mateo, Santa Clara, Solano, and Sonoma.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, applicable elected representatives of a qualifying governmental unit, such as the Board of Supervisors for the County of Fresno, must conduct a public hearing (TEFRA Hearing) providing for members of the community an opportunity to speak in favor of or against the use of tax-exempt bonds for the financing of the Project. Prior to the TEFRA Hearing, reasonable notice must be provided to the members of the community. To satisfy that requirement, notice of the TEFRA Hearing was published in The Business Journal on May 12, 2021. Following the close of the TEFRA Hearing, the applicable elected representative of the governmental unit with jurisdiction over the area where the project is located must approve the issuance of the Bonds. Your Board would provide that approval by adopting the recommended resolution.

CALIFORNIA MUNICIPAL FINANCE AUTHORITY:

The CMFA was created on January 1, 2004, pursuant to a joint exercise of powers agreement to promote economic, cultural and community development, through the financing of economic development and charitable activities throughout California. The CMFA was formed to assist local governments, non-profit organizations, and businesses with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. The CMFA's representatives and its Board of Directors have considerable experience in bond financings.

The Joint Exercise of Powers Agreement provides that the CMFA is a public entity, separate and apart from each member executing such agreement. The debts, liabilities, and obligations of CMFA do not constitute debts, liabilities or obligations of the members executing such agreement.

The County is a member of the CMFA. The Joint Exercise of Powers Agreement expressly provides that any member may withdraw from the CMFA upon written notice to the Board of Directors of the CMFA. In the case of the proposed bond financing for Republic Services, Inc., the County could at any time following the issuance of the Bonds, withdraw from the CMFA by providing written notice to the Board of Directors of the CMFA.

This proposed conduit issuance was reviewed by the County's Debt Advisory Committee on May 21, 2021.

ATTACHMENTS INCLUDED AND/OR ON FILE:

- Exhibit A
- On file with the Clerk-Resolution
- On file with the Clerk-Proof of Publication

CAO ANALYST:

Greg Reinke