

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY (CPCFA)
BOND FINANCING PROGRAM
Approval Date: September 30, 2024

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

Prepared by: Morgan Matz

Applicant:	Kochergen Farms Composting, Inc., and/or its affiliates
Project Locations:	Cities of Fresno (Fresno County) and Kettleman City (Kings County)
New Money Amount Requested:	\$5,200,000
Application No.:	967 (SB)
Initial Resolution No.:	24-07

Summary. Kochergen Farms Composting, Inc., and/or its affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$5,200,000 in tax-exempt notes. The Company will use the note proceeds for the purchase of land and construction of a new solid waste processing and transfer station located in Fresno, as well as the construction and installation of various groundwater protection measures at the Company’s existing composting facility located in Kettleman City (the “Project”).

Borrower. The Company, organized in California on July 16, 2001, provides organic waste collection, composting, grease trap cleaning, and cooking oil collection services as well as compost delivery services. The Company employs approximately 90 employees, qualifying as a small business.

The Company lists its owner, Mike J. Kochergen, as its sole key official.

Legal Questionnaire. CPCFA staff has reviewed the Company’s responses to the questions contained in the Legal Status Questionnaire (Attachment A) portion of the application. The Borrower stated that they have recently been assessed penalties by the Internal Revenue Service (IRS) in relation to late deposits of payroll taxes. Staff requested more information regarding those penalties and the Company provided a statement clarifying that due to hardships caused by the COVID-19 pandemic, the Company was late delivering payroll tax payments, which triggered an audit resulting in the aforementioned penalties. However, the Company stated that it is cooperating fully with the IRS and there is no pending litigation that is expected to impact the Borrower’s financial viability.

Project Description. The note proceeds will be used for the purchase of land and construction of a new solid waste processing and transfer station located at 2962 South Cedar Avenue in Fresno, CA. Proceeds will also be used for the construction and installation of groundwater protection measures at the Company’s existing composting facility located at 33915 Avenal Cutoff Road in Kettleman City, CA, including detention

ponds, drainage ditches, and monitoring wells, as well as any equipment needed to complete the Project.

Volume Cap Allocation. The Company anticipates applying via CPCFA to the California Debt Limit Allocation Committee for a volume cap allocation in the second quarter of 2025.

Financing Details. The Company anticipates the issuance of negotiated tax-exempt notes. This transaction is anticipated to be a direct bank purchase. The target date for financing is anticipated to be before the end of the second quarter of 2025.

Financing Team.

Note Counsel:	Law Offices of Leslie M. Lava
Issuer's Counsel:	Office of the Attorney General
Municipal Advisor to Borrower:	Piper Sandler & Co.

Staff Recommendation. Staff recommends the approval of Initial Resolution No. 24-07 for Kochergen Farms Composting, Inc. for an amount not to exceed \$5,200,000. Pursuant to CPCFA Resolution 23-01-001, Resolution of the California Pollution Control Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings, an initial resolution may be approved by the CPCFA Executive Director and then reported to the CPCFA Board at the next meeting.

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

Any information related to the Company, including any data or analysis related to the Company's financial condition or ability to repay the financing, described in this staff report is based on information provided by the Company and was prepared solely for CPCFA and to satisfy certain provisions of Health and Safety Code section 44500 et seq. Prospective investors should not rely on information in this staff report and must read the entire Preliminary Official Statement, if applicable, to obtain information essential to the making of an informed investment decision.

**RESOLUTION OF OFFICIAL INTENT TO ISSUE NOTES TO
FINANCE SOLID WASTE DISPOSAL FACILITIES AND EQUIPMENT
FOR KOCHERGEN FARMS COMPOSTING, INC. AND/OR ITS AFFILIATES**

September 30, 2024

WHEREAS, the California Pollution Control Financing Authority (“Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act (Division 27 (commencing with Section 44500) of the Health and Safety Code) (“Act”) to issue bonds or notes for the purpose of financing or refinancing certain solid waste disposal facilities and equipment; and

WHEREAS, Kochergen Farms Composting, Inc., a California corporation, and/or its affiliates (collectively, the “Company”), have requested that the Authority assist in the financing or refinancing of the acquisition of land and the construction of a solid waste disposal facility thereon, the construction of site improvements at an existing solid waste disposal facility, and the acquisition and installation, if any, of equipment for the collection, processing, transfer and recycling of solid waste (collectively, the “Project”), and have presented an estimate of the maximum cost of the Project, as shown in Exhibit A; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal facilities and equipment that will serve the public of the State of California; and

WHEREAS, the Company requires satisfactory assurances from the Authority that the proceeds of the sale of notes of the Authority shall be made available to finance 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 Initial Resolution the Authority reasonably expects that debt obligations in an amount not expected to exceed \$5,200,000 shall be issued and that certain of the proceeds of those debt obligations shall be used to reimburse the Company for its prior expenditures associated with 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 the 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 Initial Resolution, an “Affiliate” of the Company 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 Company, 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 \$5,200,000 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 shall 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, consistent with the Act, 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 of any local agency is pledged to the payment of the principal, premium, if any, or 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 of those notes, and mutually acceptable terms and conditions of the loan of the proceeds of those notes 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) to the extent required, an allocation shall have been received from the California Debt Limit Allocation Committee for any portion of the notes that are to be sold as exempt from federal income tax.

Section 5. The Executive Director of the Authority is authorized under Resolution 23-01-001 to indicate the willingness of the Authority to proceed with and effect this financing in order to assist the Company by defraying the cost of the Project, subject to due compliance with all requirements of the law, the obtaining of all necessary consents and approvals, and meeting all other requirements of the Authority.

Section 6. It is intended that this Initial 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 Initial Resolution ceases to be effective for other purposes.

Section 7. This Initial Resolution shall take effect immediately upon its approval and remain in full force and effect. Subject to Section 6, this Initial Resolution shall cease to be effective three years after the approval date unless prior to that repeal date the Authority or Executive Director specifically adopts a further resolution extending the effective date of this Initial Resolution, which they will consider only after receiving a specific request for that 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: 24-07

LOCATIONS: 2962 S. Cedar Avenue, Fresno, CA 93725

33915 Avenal Cutoff Road, Kettleman City, CA 93239

TYPE: Solid Waste Disposal

AMOUNT: \$5,200,000