

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**March 21, 2007**  
**Executive Summary**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR AN**  
**EXEMPT FACILITY PROJECT**

*Prepared by Walter Akiyama.*

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**Applicant:** California Pollution Control Financing Authority

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**Allocation Amount Requested:** \$25,905,000

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**Project Name:** California Waste Solutions, Inc.

**Project Address, City, County, Zip Code:**

Site A. – 1005 Timothy Drive, San Jose, Santa Clara, 95133-1043

Site B. – 1655 Berryessa Road, San Jose, Santa Clara, 95133

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**Project Sponsor Information:**

**Name:** California Waste Solutions, Inc.  
**Project Address:** 1005 Timothy Drive  
**City, County, Zip Code:** San Jose, CA 95133  
**Principals:** David Duong, Linda Duong and Victor Duong  
  
**Contact:** Long Tran  
**Phone:** (408) 292-0830

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**Project User Information:**

**Name:** Same as Project Sponsor  
**Address:** Same as Project Sponsor  
**Contact:** Same as Project Sponsor  
**Phone:** Same as Project Sponsor

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**Project Financing Information:**

**Bond Counsel:** Law Offices of Leslie M. Lava  
**Underwriter:** Westhoff, Cone & Holmstedt  
**Credit Enhancement Provider:** East West Bank  
**Private Placement Purchaser:** Not applicable

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**Description of Proposed Project:**

Site A. - According to the application, the City of San Jose has contracted with the Project Sponsor to collect, sort and process residential recyclables within a portion of the City of San Jose (Districts A & C). At present, the recyclables are collected by Norcal Waste Systems and delivered to the Project Sponsor for processing. Under the new contract, the Project Sponsor will be responsible for collection of the recyclables. The Project Sponsor anticipates expansion of its collection activities to include commercial recyclables within the San Jose metropolitan area. The proposed Project consists of the acquisition of new trucks, bins, containers and carts. New sort line equipment will be added to its Timothy Street, San Jose address and possibly its 10<sup>th</sup> Street and Wood Street addresses in Oakland.

Site B. - In addition, the Project Sponsor may need to acquire an additional site within the City of San Jose for truck storage and maintenance as well as additional material processing.

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**First Tier Business (Yes/No):** Yes

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**Legal Questionnaire:** CPCFA staff has reviewed the responses on the Legal Status Questionnaire. It is the conclusion of CPCFA staff and Legal Counsel that the issues disclosed do not preclude CPCFA or this Committee from approving this request.

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**Recommendation:** Staff recommends that the Committee approve \$25,905,000 in tax-exempt bond allocation.

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**March 21, 2007**  
**STAFF REPORT**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR AN**  
**EXEMPT FACILITY PROJECT**

**APPLICANT:** California Pollution Control Financing Authority

**ALLOCATION AMOUNT REQUESTED:** \$25,905,000

**PROJECT NAME:** California Waste Solutions, Inc.

**Project Address, City, County, Zip Code:**

Site A.1. – 1005 Timothy Drive, San Jose, Santa Clara, 95133-1043
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Site A.2. – 1655 Berryessa Road, San Jose, Santa Clara, 95133
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**PROJECT SPONSOR INFORMATION:**

**Name:** California Waste Solutions, Inc.  
**Project Address:** 1005 Timothy Drive  
**City, County, Zip Code:** San Jose, CA 95113  
**Principals:** David Duong, Linda Duong and Victor Duong  
**Contact:** Long Tran  
**Phone:** (408) 292-0830

**PROJECT USER INFORMATION:**

**Name:** Same as Project Sponsor  
**Address:** Same as Project Sponsor  
**Contact:** Same as Project Sponsor  
**Phone:** Same as Project Sponsor

**PROJECT FINANCING INFORMATION:**

**Bond Counsel:** Law Offices of Leslie M. Lava  
**Underwriter:** Westhoff, Cone & Holmstedt  
**Credit Enhancement Provider:** East West Bank  
**Private Placement Purchaser:** Not applicable

**TEFRA Hearing:** February 16, 2007

**MINIMUM REQUIREMENTS:**

- *Applicant must demonstrate that there will be more public benefits if the project is financed with tax-exempt bond financing than with any other means of financing:* According to the application, tax-exempt financing will save \$1,165,725 annually in interest cost.
- *California Environmental Quality Act (CEQA) review process must have commenced at the time of Application and appeal period must have expired prior to allocation. In addition, Applicant must provide applicable discretionary use permits and approvals:* According to the application, the proposed Project will be primarily an equipment only financing project and no discretionary permits and or approvals are required. The Project Sponsor may

purchase land and building, which are zoned for appropriate use, to use for truck storage and maintenance as well as possible future recycling operations.

- **Submittal of Credit Enhancement:**  
East West Bank

**EVALUATION CRITERIA:**

- **First Tier Business (yes or no):** Yes
- **Regulatory mandate:** According to the application, the Project Sponsor has certified that the proposed project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with AB 939.
- **Description of project, renovation or new construction, the number of square feet to be constructed/renovated:**  
Site A. - According to the application, the City of San Jose has contracted with the Project Sponsor to collect, sort and process residential recyclables within a portion of the City of San Jose (Districts A & C). At present, the recyclables are collected by Norcal Waste Systems and delivered to the Project Sponsor for processing. Under the new contract, the Project Sponsor will be responsible for collection of the recyclables. The Project Sponsor anticipates expansion of its collection activities to include commercial recyclables within the San Jose metropolitan area. The proposed Project consists of the acquisition of new trucks, bins, containers and carts. New sort line equipment will be added to its Timothy Street, San Jose address and possibly its 10<sup>th</sup> Street and Wood Street addresses in Oakland.  
  
Site B. - In addition, the Project Sponsor may need to acquire an additional site within the City of San Jose for truck storage and maintenance as well as additional material processing.

- **Project Sponsor's principal activity:** According to the application, the Project Sponsor's principal activity is the collection, recycling and disposal of solid waste.

- **Estimated total development cost:** \$26,155,000

- **Sources of Funds:**

Tax-Exempt Bond Proceeds	\$25,905,000
Other Sources	<u>\$ 250,000</u>
Total Sources	\$26,155,000

- **Uses of Funds:**

Acquisition of land	\$ 6,000,000
Site Preparation & Improvements	\$ 450,000
New Equipment Purchase & Installation	\$17,699,097
Capitalized Interest	\$ 777,150
Cost of Issuance (including discount)	\$ 765,931
Letter of Credit	\$ 460,047
Contingencies	<u>\$ 2,775</u>
	\$26,155,000

- ***Environmental impact:***

- 1) **Air Quality:** According to the application, the new collection vehicles will be new CARB compliant diesel trucks. Increased capacity of the collection vehicles will result in less truck travel.
- 2) **Water Quality:** According to the application, the proposed Project will operate on a concrete surface. This prevents any seepage of undesirable materials into the ground water.
- 3) **Energy Efficiency:** According to the application; the recycling of various commodities may reduce the energy requirement required for raw material processing. The CARB compliant vehicles will be more fuel efficient.
- 4) **Recycling of Commodities:** According to the application, the proposed Project will recycle glass, aluminum and other marketable materials and greenwaste. The proposed Project will assist in meeting the Source Reduction and Recycling Element of the City of San Jose.
- 5) **Safety and Compliance:** According to the application, the Project Sponsor is in compliance with all the state and federal environmental regulations regarding the operation of the proposed facility and its existing facilities that it currently operates.
- 6) **Consumer Cost Savings or Efficiencies:** According to the application, the proposed Project will not directly result in a reduction of consumer rates, however, the Project was selected as the result of a competitive bidding process and tax-exempt financing was contemplated by the Project Sponsor in order to minimize its cost of capital.

- ***Leveraging:*** The estimated total project cost is \$26,155,000 of which \$250,000 is equity, and \$25,905,000 will be new issue tax-exempt bond debt. The amount of tax-exempt bond debt represents 99% of the total project cost.

- ***Local government support:*** Letters of support have been received from the Honorable Chuck Reed, Mayor, City of San Jose and the Honorable Larry Reid, Council Member, City of Oakland.

**COMMENTS:**

1. According to the application, the Project Sponsor is a First Tier Business and the proposed Project is in direct response to a Regulatory Mandate (AB 939).
2. According to the application, the Project Sponsor has a total of \$19,055,000 in outstanding tax-exempt bonds that was issued in California in 2002 and 2004.
3. CPCFA staff has reviewed the responses on the Legal Status Questionnaire. It is the conclusion of CPCFA staff and Legal Counsel that the issues disclosed do not preclude CPCFA or this Committee from approving this request.

**RECOMMENDATION:**

Staff recommends that the Committee approve \$25,905,000 in tax-exempt bond allocation.

Prepared by Walter Akiyama.