# CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

Public Benefit Analysis
Exempt Facility Project Pool
March 26, 2008 Allocation

Exempt Facility Bonds are tax-exempt private activity bonds that are issued by state and local governmental agencies to finance primarily solid waste disposal and waste recycling facilities. The tax-exempt bonds provide facility owners with low cost financing in the form of lower interest rate than a conventional loan. The interest rate savings enable the project owners to maintain lower customer rates or minimize customer rate increases, while at the same time assisting the communities they serve to meet their mandated requirements to protect and enhance the environment. Exempt facility projects also benefit the communities by creating new jobs.

The California Debt Limit Allocation Committee ("Committee") is responsible for administering California's annual tax-exempt private activity bond program, known as "the annual State ceiling". For calendar year 2008, California's State ceiling is $3.107 billion. Each year the Committee divides the annual State ceiling among several bond programs, known as "Program Pools", including the Exempt Facility Project Pool. For calendar year 2008, the Committee reserved $430 million, or 13.8%, of the State ceiling for the Exempt Facility Project Pool. There are four categories that the Committee uses to prioritize its allocation to exempt facility projects: 1) First Tier Business[1] under Regulatory Mandate[2], 2) Non-first Tier Projects under Regulatory Mandate, 3) Businesses, other than First Tier Businesses, Under Regulatory Mandate, and 4) All other Applications for Exempt Facilities.

The Committee awarded a total of $58,890,000 for exempt facilities on March 26, 2008. This represents 13.7% of the $430 million Exempt Facility Project Pool and 1.9% of the 2008 $3.107 billion State ceiling. The March 26, 2008 allocation was awarded to the California Pollution Control Financing Authority for five exempt facility projects located in California. Four projects are First Tier Project under Regulatory Mandate, and one project is a Non-first Tier Project not under Regulatory Mandate These projects are solid waste disposal and/or recycling facility, which include the construction of new facility or the expansion of existing facility, and the purchase of more efficient and cleaner fuel burning equipment.

**<u>March 26, 2008 Allocation Benefit of Exempt Facility Program</u>**

| Allocation Amount Round 2 | First Tier Project Under Regulatory Mandate | First Tier Project Not Under Regulatory Mandate | Non-First Tier Project Under Regulatory Mandate | Non-First Tier Project Not Under Regulatory Mandate | Total Exempt Facility Projects |
|---|---|---|---|---|---|
| $58,890,000 | 4 | 0 | 0 | 1 | 5 |

[1] "First Tier Business" means (1) a business that (a) is primarily engaged in the collection, recycling, transportation, and/or disposal of solid waste, (b) is a privately-held or employee-owned entity whose ownership interests are not available to members of the public, and (c) has fewer than 3,000 employees (together with affiliates), based on the average employees per pay period during the most recent twelve (12) months before submittal of an Application; or (2) a business which is not primarily engaged in the collection, recycling, transportation, and/or disposal of solid waste that is classified as a small business under regulations of the California Pollution Control Financing Authority (CPCFA) (Title 4, California Code of Regulations, Sections 8001-8083).

[2] "Regulatory Mandate" means a local, state or federal government mandate such as the California Public Resources Code, Section 40000 et seq. ("AB 939"), a local public health department notice and order, a Regional Water Quality Control Board issued cease and desist order, or similar directive.

**March 26, 2008 Allocation**
**Public Benefit Analysis**

| First Tier Project Under Regulatory Mandate | Allocation Amount | Description of Project and Benefits |
|---|---|---|
| Solid Waste of Willits, Inc. | $4,195,000 | According to the application, the Project Sponsor intends to construct and equip a material recovery facility, a diesel fueling station and pave and fence its property at Site A. Site B is a County of Mendocino owned and run transfer station which the Project Sponsor intends to manage and improve for the County of Mendocino. In addition, the Project Sponsor intends to purchase additional waste collection vehicles to augment its fleet. The proposed project is designed to further serve the Project Sponsor's customers in various areas of unincorporated Mendocino County, the Brooktrails Township Community Services District and the City of Willits. |
| Yulupa Investments, LLC | $7,830,000 | According to the application, the Project Sponsor is purchasing the Ratto Group's Ukiah transfer station at Site A and also from the Ratto Group a corporate yard in Lakeport at Site D both of which will be improved. The Project Sponsor is also purchasing a site in Lake County at Site B as expansion spaces for its existing corporate yard and various equipment to be used at it Ukiah corporate yard site at Site C&D. |
| Garaventa Enterprises, Inc. | $17,150,000 | According to the application, the Project Sponsor intends to add to its existing material recovery facility (MRF) so as to accommodate future single stream recyclables processing. This project will require the construction of an 88,000 square foot building in which will be housed a sort line and the customary attendant equipment. The Project Sponsor also intends to replace older collection vehicles and provide for ever expanding service areas by purchasing automated collection vehicles and carts. These purchases are part of a continued effort by the Project Sponsor to automate its service area, which along with other programs modifications, should increase recycling and create route efficiencies. The vehicles will be housed at either the Project Sponsor's Concord corporate yard, its Pittsburg MRF or its Pittsburg corporate yard in the future: 4050 Mallard Avenue, Concord, 94520 and 1300 Loveridge Road & 1151 Loveridge Road, Pittsburg 94565, respectively. The collection vehicles and carts may be used throughout the Project Sponsor's service area. |
| South Tahoe Refuse Co. | $16,615,000 | According to the application, the Project Sponsor's project consists of the renovation of new buildings containing approximately 32,000 square feet, staging areas and the purchase of equipment to be used therein. Primarily from its headquarters location in South Lake Tahoe, the Company and its affiliates collect and process solid waste for recycling and disposal in the South Lake Tahoe, Placerville and Douglas County, Nevada areas. It currently has offices, a corporate yard and a MRF at its headquarters. The goal of the project is to increase recycling to the level required by California AB 939 by removing organic materials from the current waste stream and targeting additional materials that are not being recycled. According to the application, this additional diversion will be achieved by adding the new Resource Recovery Facility dedicated to organic waste. This additional diversion will in turn increase the storage area in the Material Recovery Facility, allowing for additional separation and storage of other recyclable materials. According to the application, total storage area will almost double from 36,134 square feet to 68,692 square feet. Additionally, a residential green waste collection route will be added which will capture that waste stream as well as increasing sorting efficiency on the Materials Recovery Facility line. Recovered organic materials will be sent to a regional composting facility under an existing contract, and may also be utilized for local re-vegetation and energy generation projects, as these markets evolve. The Company currently collects solid waste from California residents and commercial customers alike in the City of South Lake Tahoe, unincorporated east slope areas of El Dorado County and in numerous rural communities in the unincorporated west slope area of El Dorado County, including Coloma, Cool, Georgetown and Lotus. |

| Non-First Tier Projects Under Regulatory Mandate | Allocation Amount | Description of Project and Benefits |
|---|---|---|
| Air Products Manufacturing Corporation | $13,100,000 | According to the application, the bond issue for the Martinez hydrogen facility qualifies for tax-exempt financing as an asset related and subordinated to the clean fuels operations performed in the Royal Dutch Shell PLC (Shell) refinery in Martinez, California. The hydrogen produced by the facility is an essential ingredient in the recycling of solid wastes generated in the refining operations. In the facility, the hydrogenator reactor uses catalysts to treat olefins and organic sulfur in the feed gas stream. Two desulfurizer reactors remove hydrogen sulfide. The purified feed gas is mixed with superheated steam and sent to the reformer, which is basically a large furnace with catalyst beds. The reformer breaks the feed gas down into the mixture of hydrogen, carbon oxides, unreacted methane, steam and nitrogen. The reformed gas is cooled by generating steam in the process gas boiler. Purge gas from the steam is used to fuel the reformer and the hydrogen is sent to the PSA unit for final purification. The PSA unit removes nearly all constituents of the gas except hydrogen. The purified hydrogen is compressed for delivery to the refineries at pressure levels ranges from 450 psig to 2000 psig.<br>In conclusion, the Martinez hydrogen plant produces 88 MMSCFD of high purity hydrogen and 300,000 lbs/hr of superheated steam for export to Royal Dutch Shell PLC using feed gas streams coming from the refinery. |