Executive Summary

Request for Initial Resolution Approval

Applicant: Solid Wastes of Willits, Inc. and/or its Affiliates

Amount Requested: $2,485,000

Date Requested: March 20, 2007

Application No: 00795 (SB)

Initial Resolution No: 07-03

Location: Willits (Mendocino), CA

Type of Business: Solid Wastes of Willits, Inc and/or its Affiliates (the “Company) provides residential and commercial solid waste refuse collection and disposal services for unincorporated areas of Mendocino County, the Brooktrails Township Community Services District and the City of Willits.

Project Description: In its application for 2007 financing, the Company represents that it intends to improve and equip a material recovery facility (MRF), purchase diesel fueling equipment and pave and fence its property; the Company will also purchase an additional waste collection vehicle to augment its fleet (the “Project”). The Project is designed to further serve the applicant’s customers in unincorporated areas of Mendocino County, the Brooktrails Township Community Services District and the City of Willits.

Public Benefits: The Company represents that the Project is designed to generate the public benefits described below.

Waste Diversion. The Company represents that the MRF will assist the communities served in meeting AB 939 requirements.

Other. The Company represents that the following tax revenues will be generated by the Project annually:

- Secured and Unsecured Property Taxes: $20,000 annually
- Sales Tax: $160,000 (one time)
- Vehicle Licensing Fee: $5,000 annually

The applicant anticipates creating six full time jobs at its new MRF.

Pollution Control: The Company represents that the Project will provide the pollution control benefits described below.

Improved Air Quality. The collection vehicle to be acquired will be California Air Resource Board (“CARB”) compliant and therefore meet the 2007 emissions standards which will further reduce emissions of air pollutants beyond that currently in use.

Improved Water Quality. The proposed facility will be operating on concrete or asphalt paved surfaces and will not operate on exposed ground. This will prevent any seepage of undesirable materials into the ground water. The applicant intends to comply with storm water management regulations.

Improved Energy Efficiency. The new vehicle is anticipated to be more fuel efficient than the one it will replace and will, therefore, reduce the applicant’s use of fossil fuels.


**Recycling of Commodities.** The new MRF will allow for greater space within which to store and recycle construction and demolition debris and allow for sorting and recycling material from community cleanup projects which is currently not consistently MRF processed; therefore, the applicant anticipates increasing the amount of material diverted and recycled from the waste stream in its service area when able to process the material in its new MRF.

**Safe disposal of solid waste that is in compliance with all applicable state and federal environmental regulations regarding solid waste disposal.** Safe disposal of solid waste that is in compliance with all applicable state and federal environmental regulations regarding solid waste disposal will result with the implementation of the Project. The Project will assist the communities with meeting their AB 939 mandates.

**Permits:** The Company submitted copies of a Notice of Determination (NOD) and a Conditional Use Permit (CUP) for the MRF; the CUP will be modified to include the new additional activity.

**Financing Details:** The Company anticipates a public offering of a negotiated variable rate bond issue not to exceed 30 years. The Company plans to secure an A- or better rated Bank Letter of Credit.

**Financing Team:**

- **Underwriter:** Westhoff, Cone & Holmstedt
- **Bond Counsel:** Law Offices of Leslie M. Lava
- **Financial Advisor:** Andrew Rose

**Legal Questionnaire:** Staff has reviewed the Company’s responses to the questions contained in the legal status portion of the application. There was no information disclosed that raises concerns about the financial viability or legal integrity of this applicant.

**Staff Recommendation:** Staff recommends approval of Initial Resolution No. 07-03 for Solid Wastes of Willits, Inc and/or its Affiliates for an amount not to exceed $2,485,000.

*Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.*
STAFF SUMMARY – CPCFA
Prepared by: Aaron C. Todd

ISSUE:
Solid Wastes of Willits Incorporated and/or its Affiliates (the “Company”) requests approval of Initial Resolution No. 07-03 for an amount not to exceed $2,485,000 to finance site improvements and equipment purchases.


BORROWER:
The Company incorporated in California on December 5, 1985, and provides solid waste collection services for unincorporated areas of Mendocino County, the Brooktrails Township Community Services District and the City of Willits. Solid Wastes of Willits, Inc. is affiliated with the following Companies:

- Willits Solid Waste
- Solid Waste Recycling Center
- Willits Solid Waste Transfer & Recycling Center
- Covelo Solid Waste Transfer & Recycling Center
- Mendocino Solid Waste
- Bio-Waste Composting
- Laytonville Solid Waste Transfer and Recycling Center
- Westport Solid Waste Transfer & Recycling Center

The Principal shareholders for Solid Wastes of Willits, Inc. are as follows:

- Gerald W. Ward 44%
- Sandra L. Ward 48%
- Julie P. Martin 8%
- Total 100%

Legal Questionnaire. Staff has reviewed the Company’s responses to the questions contained in the legal status portion of the application. There was no information disclosed that raises concerns about the financial viability or legal integrity of this applicant.
**Prior Actions and Financings.** Prior CPCFA financings for the Company are shown below. All required principal and interest payments have been made in a timely manner.

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>ISSUE DATE</th>
<th>AMOUNT ISSUED</th>
<th>BONDS CURRENTLY HELD BY INVESTORS</th>
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<tr>
<td>Solid Wastes Of Willits, Inc. 2000A</td>
<td>09/20/00</td>
<td>$3,300,000</td>
<td>$2,620,000</td>
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<tr>
<td>Solid Wastes Of Willits, Inc. 2000B (Taxable)</td>
<td>09/20/00</td>
<td>620,000</td>
<td>0</td>
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<td><strong>TOTALS</strong></td>
<td></td>
<td><strong>$3,920,000</strong></td>
<td><strong>$2,620,000</strong></td>
</tr>
</tbody>
</table>

**PROJECT INFORMATION:**
In its application for 2007 financing, the Company represents that it intends to improve and equip a material recovery facility (MRF), purchase diesel fueling equipment and pave and fence its property; the Company will also purchase an additional waste collection vehicle to augment its fleet (the “Project”). The Project is designed to further serve the applicant’s customers in unincorporated areas Mendocino County, the Brooktrails Township Community Services District and the City of Willits. A breakdown of Project costs is as follows:

**MRF** ................................................................................................................ $450,000

350-351 Franklin Avenue, Willits, CA
Facility improvements and equipment purchases.

- MRF Building $200,000
- Paving and Fencing $250,000

**Equipment** ...................................................................................................... $1,900,000

- MRF Equipment $1,600,000
- Truck $200,000
- Fueling Equipment $50,000
- Carts $50,000

**Project Costs** $2,350,000
**Costs of Issuance** 131,192
**Financing Contingency** 3,808
**Total Costs** $2,485,000

*Note: The Project costs reported in the Borrower’s application and shown here in staff’s report are estimated costs. At the time this financing closes, the estimated Project costs will be finalized and stated in the Tax Certificate. Variations from the costs shown in the application and in this report may occur prior to the closing due increased costs of certain components of the Project from original estimates, and other reasons. In addition, such costs may vary after closing due also to increased costs, as well as common design and equipment modifications during construction, differences in equipment due to future changes in law or regulation or for other reasons. However, the Borrower confirms, through submission of a signed application and will confirm through covenants and representations in various bond documents, that all assets purchased with bond proceeds will qualify for tax exempt financing, that they will be used to complete the Project as described, and that 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 out of multiple sources of financing for a given project.*
PUBLIC BENEFITS:

Waste Diversion. The Company represents that the MRF will assist the communities served in meeting AB 939 requirements.

Other. The Company represents that the following tax revenues will be generated by the Project annually:

- Secured and Unsecured Property Taxes $20,000 annually
- Sales Tax $160,000 (one time)
- Vehicle Licensing Fee $5,000 annually

The applicant anticipates creating six full time jobs at its new MRF.

POLLUTION CONTROL:

The Company represents that the Project will provide the pollution control benefits described below.

Improved Air Quality. The collection vehicle to be acquired will be CARB compliant and therefore meet the 2007 emissions standards which will further reduce emissions of air pollutants beyond that currently in use.

Improved Water Quality. The proposed facility will be operating on concrete or asphalt paved surfaces and will not operate on exposed ground. This will prevent any seepage of undesirable materials into the ground water. The applicant intends to comply with storm water management regulations.

Improved Energy Efficiency. The new vehicle is anticipated to be more fuel efficient than the one it will replace and will, therefore, reduce the applicant’s use of fossil fuels.

Recycling of Commodities. The new MRF will allow for greater space within which to store and recycle construction and demolition debris and allow for sorting and recycling material from community cleanup projects which is currently not consistently MRF processed; therefore, the applicant anticipates increasing the amount of material diverted.

PERMITTING & ENVIRONMENTAL APPROVALS:

The Company submitted copies of a Notice of Determination (NOD) and a Conditional Use Permit (CUP) for the MRF; the CUP will be modified to include the new additional activity.

ANTICIPATED TIMELINE:

The Company represents that (1) construction and renovations will begin in June 2007 and are anticipated to be completed by June 2008; and (2) the equipment purchases will begin in June 2007 and are scheduled for completion in June 2008.
FINANCING DETAILS:
The Company anticipates a public offering of a negotiated variable rate bond issue not to exceed 30 years. The Company plans to secure an A- or better rated Bank Letter of Credit.

FINANCING TEAM:

  Bond Counsel: Law Offices of Leslie M. Lava
  Underwriter: Westhoff, Cone & Holmstedt
  Financial Advisor: Andrew S. Rose

RECOMMENDATION:
Staff recommends approval of Initial Resolution No. 07-03 for Solid Wastes of Willits, Inc and/or its Affiliates for an amount not to exceed $2,485,000.
RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR
SOLID WASTES OF WILLITS, INC. AND/OR ITS AFFILIATES

March 20, 2007

WHEREAS, the California Pollution Control Financing Authority (“Authority”), a public instrumentality, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act (“Act”) to issue bonds for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products, including resource recovery and energy conversion facilities; and

WHEREAS, Solid Wastes of Willits, Inc., a California limited liability company (“Applicant”), has requested that the Authority assist in financing solid waste disposal/recycling facilities to be owned and operated by the Applicant and/or its Affiliates (as hereinafter defined) (“Company”), which are expected to be comprised of the construction of a materials recovery facility and fueling station, site improvements and the acquisition of solid waste, processing, transporting and recycling related vehicles and equipment and other equipment functionally related thereto (“Facilities”), and have presented an estimate of the maximum cost of such Facilities as shown in Exhibit “A” attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal/recycling facilities which will serve the public of the State; and

WHEREAS, the Authority deems it necessary and advisable to further the purposes of the Act that the Facilities be acquired at the earliest practicable date, but the Company requires satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority will be made available to finance such Facilities; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Facilities prior to the issuance of indebtedness for the purpose of financing costs associated with the Facilities on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this resolution the Authority reasonably expects that debt obligations in an amount not expected to exceed $2,485,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Company for its prior expenditures for the Facilities; 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 Facilities with 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 Resolution, an “Affiliate” of the Applicant means any person or entity which controls, is controlled by, or is under common control with, the Applicant, 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. An Affiliate shall also be a “participating party” as defined in the Act.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to $2,485,000 principal amount of bonds of the Authority for the Facilities; including for the purpose of reimbursing to the Company costs incurred for the Facilities prior to the issuance of the bonds.

Section 3. The bonds will 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 Facilities. Each bond 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 any local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond.”

Section 4. The bonds shall be issued subject to the conditions that (i) the Authority and the Company shall have first agreed to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan of the proceeds thereof 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) an allocation shall have been received from the California Debt Limit Allocation Committee.

Section 5. The Executive Director or Deputy Executive Director of the Authority is hereby directed to indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Company by defraying the cost of the Facilities, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and meeting all other requirements of the Authority.

Section 6. It is intended that this Resolution shall constitute “some other similar official action” towards the issuance of bonds 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.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, this Resolution shall cease to be effective on March 20, 2010 unless prior thereto the Authority specifically adopts a further resolution...
extending the effective date of this Initial Resolution, which it will do only after receiving a specific request for such action from the Company, accompanied by an explanation of the reason why the project has not proceeded prior to the date of the letter.
EXHIBIT A

LOCATIONS:

(1) 350-351 Franklin Avenue
Willits, CA 95490

(2) 90500 Refuse Road
Covelo, CA 95428

(3) 1825 Brancomb Road
Laytonville, CA 95454

(4) 37551 North Highway 1
Westport, CA 95488

(5) 5801 Eastside Road
Talmage, CA 95481

(6) 555 Fort Bragg Road
Willits, CA 95490

(7) 39992 South Highway 1
Gualala, CA 95445

TYPE: Solid Waste Disposal/Resource Recovery

AMOUNT: Up to $2,485,000