Project: The Company was recently awarded a contract to operate the Sunnyvale SMaRT Station. Under the seven year operating agreement, the Company will operate the city-owned material recovery facility (MRF) and transfer station. Solid waste collected within the cities of Sunnyvale, Palo Alto, and Mountain View is delivered and processed at this facility. To meet the expectations of this contract, the Company must acquire additional equipment, such as tractors, loaders, forklifts, containers, and maintenance vehicles to enhance the existing operation (the “Project”).

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

Waste Diversion. The Sunnyvale SMaRT Station under present operations is experiencing a diversion rate of approximately 18-20%. The Company hopes to increase the diversion rate at the SMaRT station to approximately 25%.

Pollution Control: The Company represents the Project will generate the following pollution control benefits described below.

Improved Air Quality. The Company anticipates that new rolling stock, tractors, forklifts, and maintenance vehicles will reduce emissions of hydrocarbons, carbon monoxide, nitrogen oxides, and other particulate matter into the air in keeping with California clean air goals and those of the Bay Area Air Quality Management District. In addition, the Company represents that all new mechanized equipment will be California Air Resources Board (CARB) compliant.

Improved Water Quality. The reduction of particulate matter in the air will reduce contamination in water run-off.

Energy Efficiency. The new tractors, forklifts, and maintenance vehicles to be purchased will be more fuel efficient and, therefore, reduce the consumption of fossil fuels.

Permits: No permits are required as this is an equipment only deal.

Financing Details: The Company anticipates a negotiated, tax-exempt, weekly reset variable rate bond issue with a term not to exceed 15 years for the qualifying portion of the project. The
Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit that is rated at least “A-” by Fitch Rating Agency or equivalent. The target date for financing is July 2007.

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

**Legal Questionnaire:** The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

**Staff Recommendation:** Staff recommends approval of Initial Resolution No. 07-05 for Bay Counties Waste Services, Inc. and/or its affiliates for an amount not to exceed $5,310,000.

*Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.*
ISSUE:
Bay Counties Waste Services, Inc., and/or its Affiliates (the “Company”) requests approval of Initial Resolution No. 07-05 for an amount not to exceed $5,310,000 to purchase equipment to enhance operations.


BORROWER:
Bay Counties Waste Services, Inc., and/or its Affiliates (the “Company”) provides refuse collection and disposal services within the cities of Sunnyvale, Palo Alto, and Mountain View. The Company was awarded a contract to operate the Sunnyvale SMaRT Station, an existing material recovery facility (MRF) and transfer station, owned by the City of Sunnyvale. Bay Counties Waste Services, Inc. is affiliated with the following Companies:

- Alameda County Industries
- Mission Trail Waste Systems
- Santa Clara Valley Industries

Some of the owners of the Company own some interests in other Bay Area solid waste enterprises, including the companies listed below, but the Company represents that there is no common majority ownership or control of those entities:

- Pleasanton Garbage Service
- South San Francisco Scavenger Company

The principal stockholders of Bay Counties Waste Services, Inc. are as follows:
- Robert J. Molinaro .......... 24.2%
- Anthony Macchiano ........... 10.6%
- William Dobert ............... 9.1%
- Brian Storti ..................... 6.1%
- Doug Button .................... 5.0%
- Jerry Nabhan ................... 5.0%
- Paul Formosa ................... 5.0%
- Ron Fornesi .................... 5.0%
- John Rossi ...................... 5.0%
Legal Questionnaire. The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Prior Actions and Financings. Prior CPCFA financing for the related businesses owned by the Company’s partners or affiliates are shown below. All required principal and interest payments have been made in a timely manner.

<table>
<thead>
<tr>
<th>Description</th>
<th>Date of Bond Issue</th>
<th>Original Amount</th>
<th>Amount Outstanding as of 3/16/2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission Trail Waste Systems, Inc. 2001A</td>
<td>5/17/2001</td>
<td>$3,500,000</td>
<td>$2,090,000</td>
</tr>
<tr>
<td>Santa Clara Valley Industries, LLC. 1998A</td>
<td>3/04/1998</td>
<td>$8,495,000</td>
<td>$2,825,000</td>
</tr>
<tr>
<td>Alameda County Industries 2000A</td>
<td>5/24/2000</td>
<td>$10,310,000</td>
<td>$6,035,000</td>
</tr>
<tr>
<td>Mission Trail Waste Systems, Inc. 2002A</td>
<td>10/02/2002</td>
<td>$7,555,000</td>
<td>$5,080,000</td>
</tr>
<tr>
<td>Specialty Solid Waste &amp; Recycling 2001A</td>
<td>5/17/2001</td>
<td>$10,920,000</td>
<td>$2,505,000</td>
</tr>
<tr>
<td><strong>TOTALS:</strong></td>
<td></td>
<td><strong>$60,850,000</strong></td>
<td><strong>$18,535,000</strong></td>
</tr>
</tbody>
</table>

PROJECT INFORMATION:
The Company was recently awarded a contract to operate the Sunnyvale SMaRT Station. Under the seven year operating agreement, the Company will operate the city-owned material recovery facility (MRF) and transfer station. Solid waste collected within the cities of Sunnyvale, Palo Alto, and Mountain View is delivered and processed at this facility. The Company anticipates that new equipment, such as tractors, containers, loaders, forklifts, and maintenance vehicles, (the “Project”) is needed to replace, supplement, and augment the equipment that is presently used at the facility to collect, process, and transfer solid waste.

The anticipated Project and issuance costs are listed below:

<table>
<thead>
<tr>
<th>Project Component</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tractors/Transfer Trailers, Rolling Stock</td>
<td>$2,633,000</td>
</tr>
<tr>
<td>Transfer/MRF Operations, Equipment/Loaders</td>
<td>1,862,300</td>
</tr>
<tr>
<td>Containers</td>
<td>329,400</td>
</tr>
<tr>
<td>Transfer Operations Maintenance Equipment</td>
<td>94,000</td>
</tr>
<tr>
<td>Description</td>
<td>Amount</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Administrative Support</td>
<td>81,300</td>
</tr>
<tr>
<td>Bond Issuance Expenses</td>
<td>106,200</td>
</tr>
<tr>
<td>Capitalized Interest</td>
<td>106,200</td>
</tr>
<tr>
<td>Letter of Credit Fee</td>
<td>94,921</td>
</tr>
<tr>
<td>Contingency Fee</td>
<td>2,679</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>$5,310,000</strong></td>
</tr>
</tbody>
</table>

*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 to 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 of multiple sources of financing for a given project.*

**PUBLIC BENEFITS:**

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

**Waste Diversion.** The Sunnyvale SMaRT Station currently has a diversion rate of approximately 18-20%. Through the Project, the Company anticipates an increase in the diversion rate to 25%.

**POLLUTION CONTROL:**

The Company represents the Project will generate the following pollution control benefits:

**Air Quality.** The Company anticipates that the new rolling stock, tractors, forklifts, and maintenance vehicles will reduce emissions of hydrocarbons, carbon monoxide, nitrogen oxides and other particulate matter into the air in keeping with California clean air goals and that of the Bay Area Air Quality Management District. In addition, the Company represents that all new mechanized equipment will be California Air Resources Board (CARB) compliant.

**Water Quality.** The reduction of particulate matter in the air will reduce contamination in water run-off.

**Energy Efficiency.** The new tractors, forklifts, and maintenance vehicles to be purchased will be more fuel efficient and, therefore, will reduce the consumption of fossil fuels.
PERMITTING & ENVIRONMENTAL APPROVALS:
No permits are required as this is an equipment only deal.

ANTICIPATED TIMELINE:

FINANCING DETAILS:
The Company anticipates the issuance of a negotiated, tax-exempt, weekly-reset variable rate bond issue with a term not to exceed 15 years for the qualifying portion of the project. The Company plans to secure the bonds with a direct pay Letter of Credit that is rated at least “A-” or better by Fitch rating agency. The target date for financing is July 2007.

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

RECOMMENDATION:
Staff recommends approval of Initial Resolution No. 07-05 for an amount not to exceed $5,310,000 for Bay Counties Waste Services, Inc.
RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL EQUIPMENT FOR
BAY COUNTIES WASTE SERVICES, INC., DOING BUSINESS AS
BAY COUNTIES SMART, AND/OR ITS AFFILIATES

April 24, 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, Bay Counties Waste Services, Inc., doing business as BAY COUNTIES SMART, a California corporation ("Applicant"), has requested that the Authority assist in financing solid waste disposal/recycling equipment to be owned and operated by the Applicant and/or its Affiliates (as hereinafter defined) ("Company"), which are expected to be comprised of the acquisition of solid waste, processing, transporting, and recycling related vehicles and equipment and other equipment functionally related thereto ("Equipment"), and have presented an estimate of the maximum cost of such Equipment as shown in Exhibit "A" attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal/recycling facilities and/or equipment 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 Equipment 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 Equipment; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Equipment prior to the issuance of indebtedness for the purpose of financing costs associated with the Equipment 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 $5,310,000 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 Equipment; 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 Equipment 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 meets the definition of “Participating Party” in the Act and 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.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to $5,310,000 principal amount of bonds of the Authority for the Equipment, including for the purpose of reimbursing to the Company costs incurred for the Equipment 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 Equipment. 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 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 Equipment, 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 April 24, 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.
<table>
<thead>
<tr>
<th><strong>NUMBER:</strong></th>
<th>07-05</th>
</tr>
</thead>
</table>
| **LOCATION:** | 301 Carl Road  
Sunnyvale, California 94089 |
| **TYPE:**     | Solid Waste Disposal/Resource Recovery |
| **AMOUNT:**   | Up to $5,310,000 |