Executive Summary

Request for Amendment of Final Resolution

Prepared by: Aaron Todd

<table>
<thead>
<tr>
<th>Applicant:</th>
<th>The Ratto Group of Companies, Inc. and/or its Affiliates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Location:</td>
<td>City of Santa Rosa (County of Sonoma)</td>
</tr>
<tr>
<td>Amount Requested:</td>
<td>$42,600,000</td>
</tr>
<tr>
<td>Application No.:</td>
<td>761 (SB)</td>
</tr>
<tr>
<td>Final Resolution No.:</td>
<td>466</td>
</tr>
<tr>
<td>Prior Actions:</td>
<td>IR 02-18 approved 06/24/2002</td>
</tr>
<tr>
<td></td>
<td>IR 04-19 approved 12/14/2004</td>
</tr>
<tr>
<td></td>
<td>IR 04-19 approved 12/12/2006</td>
</tr>
<tr>
<td></td>
<td>FR 466 approved 3/20/2007</td>
</tr>
</tbody>
</table>

Type of Business: The Ratto Group of Companies, Inc. and/or its Affiliates (the “Company”) provides residential waste collection and recycling services.

Background Information:
- Initial Resolution Number 02-18 was approved June 24, 2002 in the amount of $7,585,000.
- Initial Resolution Number 04-19 was approved December 14, 2004 in the amount of $28,625,000.
- Initial Resolution Number 04-19 was amended and approved December 12, 2006 in the amount of $59,600,000.
- Final Resolution Number 466 was approved on March 20, 2007 in the amount of $42,600,000.

Request: The Company now requests approval to amend the Final Resolution to add two new project sites; and eliminate two project components that were previously induced under IR Number 04-19 that was approved by the Board December 12, 2006. The Company’s request also includes a reallocation of funds between the project components that were either previously induced or approved under the original Final Resolution.

- The first site to be added is located at 3400 Standish Avenue, Santa Rosa, California 95407 and is owned by Standish Investment Inc., which in turn is owned by Waste Management Inc. The second site is located at 3284 and 3296 Dutton Avenue, Santa Rosa, California 95407, which is owned by Waste Management of California, Inc.

- The first component to be eliminated is the Lake County Facility located at 230 Soda Road, Lakeport, California in Lake County. The approximate costs for this component were $4,050,000. The second project component to be eliminated is the North Bay Corporation Facility located at 3141 Taylor Drive, Ukiah California 95482. The approximate costs for this component were $2,000,000.

Also, the Company’s request includes a reallocation of funds between the project components that were previously induced and approved under the original Final Resolution (See Attachment A).
In all, the Company’s request is to use $29,050,000 of the December 2006 inducement and to add $13,550,000 for new project components, all of which totals the same bond issuance amount as approved by the Board in March 2007 (namely, a bond issuance in the amount of $42,600,000).

**Project Description:** The current proposed project expands the Company’s current operations with the acquisition, rehabilitation, and equipping of a 10.5-acre parcel containing an existing materials recovery facility (MRF) and related buildings and equipment, to be located at: (a) 3400 Standish Avenue, Santa Rosa, California 95407; and (b) 3284 and 3296 Dutton Avenue, Santa Rosa, California 95407 in addition to the project components previously described to the Board on March 20, 2007. See Attachment A for a comparison of project costs.

**Public Benefits:** The Company represents that the project is designed to generate the public benefits and pollution control benefits as represented in the attached Final Resolution Request. See Attachment B dated March 20, 2007.

**SBAF Assistance:** The Company is a small business eligible for Small Business Assistance Fund (SBAF) assistance in an amount not to exceed $250,000.

**Permits:** The Company represents that it has obtained and provided staff with copies of all discretionary permits required for the Santa Rosa MRF. The other proposed Project components entail the purchase of land and equipment, and the development of corporate yards, which do not require discretionary permits.

**Anticipated Financing Details:** The Company anticipates a public offering of a 7-day variable rate bond issue with a term not to exceed 30 years. The Company plans to secure the bonds with an irrevocable, direct-pay Letter of Credit from Comerica Bank that is rated “A-” or better by Fitch Ratings. The target date for financing is July 3, 2007. A TEFRA hearing was held on February 13, 2007. A second TEFRA hearing was held on June 14, 2007. Neither TEFRA hearing resulted in any comments received in support of or in opposition to this Project.

**Financing Team:**
- **Underwriter:** Westhoff, Cone & Holmstedt
- **Bond Counsel:** Orrick Herrington & Sutcliffe, LLP
- **Financial Advisor:** Andrew S. Rose
- **Issuer’s Counsel:** State Attorney General’s Office

**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 questions concerning the financial viability or legal integrity of this applicant.

**Staff Recommendation:** Staff recommends approval of the request for Amendment of Final Resolution No. 466 in an amount not to exceed $42,600,000 for The Ratto Group of Companies, Inc. and/or its Affiliates.
WHEREAS, the California Pollution Control Financing Authority (the “Authority”) adopted its Final Resolution No. 466 (the “Final Resolution”) on March 20, 2007 authorizing the issuance of up to $42,600,000 of revenue bonds to assist The Ratto Group of Companies, Inc., a Delaware corporation (the "Applicant"), to finance land acquisition and the construction, improvement, renovation, and installation of buildings and facilities, as well as the acquisition of equipment for storage and maintenance of solid waste collection vehicles and related equipment, solid waste vehicles and equipment, and solid waste carts, bins and containers, to serve the Applicant's customers throughout its service territory in Lake County, Mariposa County, Mendocino County, Marin County, and Sonoma County, California (the “Project”), and all as more particularly described in Application No. 761(SB) of the Applicant and in the Term Sheet (the “Term Sheet”) attached to the Final Resolution as Exhibit A; and

WHEREAS, the Applicant now desires to make certain amendments to the Final Resolution in order to modify the Term Sheet to modify the Project to include the acquisition, rehabilitation and equipping of a materials recovery facility located in Sonoma County, California, identified as #2 in the Term Sheet (the "New Project"); and

WHEREAS, the Authority deems it necessary and advisable to further the purposes of the Act to amend the Final Resolution;

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.
Section 2. The Final Resolution is hereby amended by substituting the Term Sheet attached hereto as Exhibit A and made a part hereof, which shall be deemed to supersede the Term Sheet attached to the original Final Resolution.

Section 3. It is the intent of the Authority that the Applicant may use the proceeds of the Bonds to reimburse itself for costs incurred prior to the issuance of the Bonds in connection with the New Project.

Section 4. It is the intent of the Authority that its Initial Resolution 04-19, most recently amended and extended on December 12, 2006, remains in effect in an amount not to exceed $29,185,000.

Section 5. Except as set forth in Section 2, the Final Resolution remains in full force and effect. This resolution shall take effect immediately upon its passage.
EXHIBIT A

TERM SHEET

Name of Issue: California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (The Ratto Group of Companies, Inc. Project) Series 2007A (the “Bonds”)

Maximum Amount of Issue: $42,600,000 (tax-exempt)

Issuer: California Pollution Control Financing Authority (the “Authority”), Sacramento, CA

Applicant: The Ratto Group of Companies, Inc.


Affiliate: "Affiliate" of the Applicant means any person or entity which meets the definition of "Participating Party" under 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.

Trustee: The Bank of New York Trust Company, N.A.

Senior Underwriter or Placement Agent: Westhoff, Cone & Holmstedt

Bond Counsel: Orrick, Herrington & Sutcliffe LLP, San Francisco, CA
Remarketing Agent: Westhoff, Cone & Holmstedt

Project:

(1) Land acquisition and/or construction, improvement, renovation, rehabilitation and/or installation of buildings, facilities and equipment for storage and maintenance of solid waste collection vehicles and related equipment, to be located at: (a) 3555-3565 Standish Avenue, Santa Rosa, California 95407; and/or (b) 309-335 Sutton Place, Santa Rosa, California 95407.

(2) Acquisition, rehabilitation and equipping of a 10.5 acre parcel containing an existing materials recovery facility and related buildings and equipment, to be located at: (a) 3400 Standish Avenue, Santa Rosa, California 95407; and (b) 3284 & 3296 Dutton Avenue, Santa Rosa, California 95407.

(3) Acquisition of trucks and other solid waste vehicles and equipment, which may be located from time to time at the locations listed in item (1) above or at the following additional locations: (a) 7085 Gravenstein Highway, Cotati, California 94931; (b) 7576 Redwood Boulevard, Novato, California 94945; (c) 230 Soda Road, Lakeport, California 95453; (d) 2543 Petaluma Boulevard South, Petaluma, California 94952; (e) 5593 Highway 49 North, Mariposa, California 95338; (f) 3151 Taylor Drive, Ukiah, California 95482; and (g) 3417 Standish Avenue, Santa Rosa, California 95407.

(4) Acquisition of solid waste carts, bins and containers.

Equipment described in (3) and (4) will be used in the Borrower's service area in Lake, Marin, Mendocino, and Sonoma Counties.

Maximum Bond Term: Not to exceed 30 years

Type of Sale: Negotiated sale

Description of Minimum Denominations: $100,000 or any integral multiple of $5,000 in excess thereof while in variable rate mode
<table>
<thead>
<tr>
<th>Financing Structure:</th>
<th>Variable rate demand bonds; convertible to fixed rate pursuant to the Indenture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Interest Rate:</td>
<td>12%</td>
</tr>
<tr>
<td>Letter of Credit:</td>
<td>Provided by Comerica Bank, or another bank approved by the Chairman or the Executive Director that is rated at least “A-”, (or, in the alternative, by Union Bank of California)</td>
</tr>
<tr>
<td>Other Credit Enhancement:</td>
<td>Not applicable</td>
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<tr>
<td>Anticipated Bond Rating:</td>
<td>Minimum &quot;A-&quot;</td>
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<tr>
<td>Type of Financing:</td>
<td>Solid waste disposal revenue bonds</td>
</tr>
<tr>
<td>Prepared by:</td>
<td>Robert Martz, (925) 472-8746</td>
</tr>
</tbody>
</table>
## ATTACHMENT A

Attachment A (Comparison of Project Costs Currently Requested)

<table>
<thead>
<tr>
<th>A. Acquire and Improve Wood Waste Processing Facility in Santa Rosa</th>
<th>December 2006 IR Request</th>
<th>March 2007 FR Approval</th>
<th>June 2007 Revised FR Request</th>
<th>Remaining Induced Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste Collection Carts</td>
<td>725,000</td>
<td>725,000</td>
<td>725,000</td>
<td>725,000</td>
</tr>
<tr>
<td>Vessels, Trailers</td>
<td>1,280,000</td>
<td>1,280,000</td>
<td>1,280,000</td>
<td>1,280,000</td>
</tr>
</tbody>
</table>

| B. Improvements and Equipment Purchase for New Single Stream Collection Recycling Services for Santa Rosa Facility |
|---|---|---|---|---|
| Repaving | 300,000 | 300,000 | 300,000 |
| Waste Collection Carts | 725,000 | 725,000 | 725,000 |
| Vessels, Trailers | 1,280,000 | 1,280,000 | 1,280,000 |

| C. Equipment Purchase for New Single Stream Collection and Recycling Services for Petaluma Facility |
|---|---|---|---|---|
| Waste Collection Carts | 700,000 | 700,000 | 700,000 |
| Building Construction | 2,000,000 | 2,000,000 | 2,000,000 |
| Site Improvements | 300,000 | 300,000 | 300,000 |

| D. Equipment Purchase for Collection and Recycling Services for the Lake County Facility |
|---|---|---|---|---|
| Waste Collection Carts | 500,000 | 500,000 | 500,000 * |
| Left Turn Lane | 300,000 | 300,000 * |
| Improvements | 1,250,000 | 1,250,000 * |
| Vehicles | 2,000,000 | 2,000,000 | 2,000,000 * |

| E. The Ratto Group of Companies 2004 |
|---|---|---|---|---|
| Building, Fueling Station and Truck Wash | 9,883,200 | 5,700,000 | 9,883,200 |
| Land and Existing Buildings | 5,050,000 | 5,050,000 | 3,500,000 |
| Conveyors | 2,501,919 | 2,501,919 | 2,501,919 |
| Sort Lines | 2,000,000 | 2,000,000 |
| Loaders | 600,000 | 600,000 |
| Screens | 400,000 | 400,000 |
| Balers | 500,000 | 500,000 |

| F. Equipment and Carb Compliant Vehicle Purchase |
|---|---|---|---|---|
| Waste Collection Vehicles | 20,000,000 | 20,000,000 | 4,250,000 |
| Containers | 5,000,000 | 5,000,000 |

| G. North Bay Corporation |
|---|---|
| Land | 2,000,000 |

| H. Acquire and Improve MRF in Santa Rosa |
|---|---|---|---|
| Land | 5,000,000 | 5,000,000 |
| Building | 5,000,000 | 5,000,000 |
| Improvements | 1,775,000 | 1,775,000 |
| MRF Equipment | 1,775,000 | 1,775,000 |

| Summary |
|---|---|---|---|---|
| Previous Induced Amount (IR 12/06) | 59,600,000 |
| Projects added (FR Amendment 6/07) | 13,500,000 |
| Projects deleted (FR Amendment 6/07) | (4,050,000) |
| Total Induced | 65,550,000 |

*Note that the Company represents that the amounts induced in December 2006 for project components highlighted D and G above (for a total induced amount of $6,050,000) will not be financed in any future bond issues. Therefore, upon issuance of the $42,600,000 in bonds, the Company may request future financings using up to $23,135,000 of the December 2006 inducement remaining.*
ATTACHMENT B

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: March 20, 2007

Executive Summary

Request for Final Resolution Approval and Assistance from the Small Business Assistance Fund

Prepared by: Deana Carrillo

<table>
<thead>
<tr>
<th>Applicant:</th>
<th>Amount Requested:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Ratto Group of Companies, Inc. and/or its Affiliates</td>
<td>$42,600,000</td>
</tr>
<tr>
<td>Application No.:</td>
<td></td>
</tr>
<tr>
<td>761 (SB)</td>
<td></td>
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</tr>
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<td></td>
</tr>
</tbody>
</table>

Type of Business: The Ratto Group of Companies, Inc. and/or its Affiliates (the “Company”) provide residential waste collection and recycling services.

Project Description: The proposed Project expands the Company’s current operations, and includes the purchase of two parcels of land by Predawn Investment, LLC, and an existing building to house a portion of the Company’s collection fleet. The two parcels of land, each approximately 2.4 acres, are located at 3555-3565 Standish Avenue and 309-335 Sutton Place in Santa Rosa, California and will be leased to the Company by Predawn Investment, LLC. The two sites will act as corporate yards for the Company, and will be used for truck maintenance, washing and parking, container storage, and administrative offices.

The Project also includes the acquisition of waste collection vehicles and waste containers to be located at various customer locations throughout the applicant’s service area or at any of the Company’s operating sites. The applicant’s service area consists of the Cities of Santa Rosa, Rohnert Park, Windsor, Ukiah, Clear Lake, Novato and Mariposa and portions of unincorporated Counties of Mariposa, Marin, Sonoma, Lake and Mendocino.

Public Benefits: The Company represents that the Project will result in the public benefits described below.

Waste Diversion. The Project will assist the communities served in meeting AB 939 requirements.

Ratepayer Benefit. Access to the tax-exempt financing for this Project will enable the Company to prevent certain increases to its operating costs and thereby will prevent certain increases to customer services fees and charges.

Pollution Control: The Company represents that the Project is designed to result in the pollution control benefits noted below.

Air Quality. The new low-emission California Air Resources Board (CARB) compliant trucks will emit less particulate matter and NOx emissions.

Energy Efficiency. The use of split body trucks will allow for more efficient truck routes as these trucks are capable of picking up two types of waste at once. The reduced travel time
ATTACHMENT B

coupled with the improved fuel efficiency of the new trucks will result in approximately 100 to 150 gallon reduction of gasoline and diesel used per year and approximately 1,500 to 2,000 fewer miles traveled.

**SBAF Assistance:** The Company is a small business eligible for Small Business Assistance Fund (SBAF) assistance in an amount not to exceed $250,000.

**Permits:** No discretionary permits or approvals are necessary for the Project being financed. The truck maintenance facilities will operate in compliance with the site’s existing zoning requirements.

**Anticipated Financing Details:** The Company anticipates a public offering of a 7-day variable rate bond issue with a term not to exceed 30 years. The Company plans to secure the bonds with an irrevocable, direct-pay Letter of Credit from Westamerica Bank that is rated “A-” or better by Fitch Ratings.

**Financing Team:**
- **Underwriter:** Westhoff, Cone & Holmstedt
- **Bond Counsel:** Orrick Herrington & Sutcliffe
- **Financial Advisor:** Andrew S. Rose
- **Issuer’s Counsel:** State Attorney General’s Office

**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 questions concerning the financial viability or legal integrity of this applicant. See Attachment A for the complete legal review.

**Staff Recommendation:** Staff recommends approval of (i) Final Resolution No. 466 for an amount not to exceed $42,600,000 and (ii) a SBAF Resolution for an amount not to exceed $250,000 for The Ratto Group of Companies and/or its Affiliates.
The Ratto Group of Companies, Inc. and/or its Affiliates
Bond Amount: $42,600,000
Santa Rosa (Sonoma County), CA
Application No. 761
March 20, 2007

STAFF SUMMARY – CPCFA
Prepared by: Deana Carrillo

ISSUE:
The Ratto Group of Companies, Inc. and/or its Affiliates (the “Company”) requests approval of (i) Final Resolution 466 for an amount not to exceed $42,600,000 to finance vehicle and equipment purchases, land and building acquisition and the renovation of an existing building and (ii) a SBAF Resolution in an amount not to exceed $250,000.

CDLAC Allocation. The Company has applied to the California Debt Limit Allocation Committee for allocation at its scheduled March 21, 2007 meeting.

TEFRA. A TEFRA hearing was held on February 13, 2007. No comments were received in support of or in opposition to the financing.

SBAF. The Company is a small business eligible for SBAF assistance in an amount not to exceed $250,000.

BORROWER:
The Company was incorporated on February 12, 1999 in Delaware and represents that it, along with its Affiliates, employs 350 individuals.

The principal shareholders for the Company are as follows:

- The James Ratto Descendants’ Trust 47.5%
- The Deana Ratto Descendants’ Trust 47.5%
- James and Deana Ratto 5.0%

Total 100.0%

The following are subsidiaries of the Borrower:

- Mariposa County Total Waste Systems, Inc.
- North Bay Corporation
- Novato Disposal Service, Inc.
- Pacific Coast Disposal
- Predawn Investments LLC
- Reward Leasing, Inc.
- Rohnert Park Disposal, Inc.
- Santa Rosa Recycling & Collection, Inc.
- Solid Waste Systems, Inc
- Sunrise Garbage Service, Inc.
- Timber Cove Recycling, Inc.
- Timberline Disposal Services
- Total Waste Systems, Inc.
- Ukiah Valley Transfer, Inc.
ATTACHMENT B

- Unicycler LLC
- West Sonoma County Disposal Service, Inc.
- Unicycle LLC
- West Sonoma County Transfer, Inc.
- Windsor Refuse & Recycling, Inc.

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 questions concerning the financial viability or legal integrity of this applicant. See Attachment A for the complete legal review.

Prior Actions. Initial Resolution No. 02-18 was approved on June 24, 2002 in the amount of $7,585,000; Initial Resolution No. 04-19 was approved on December 14, 2004 in the amount of $28,625,000, amended and approved again on December 12, 2006 in the amount of $59,600,000.

Prior Financings: Prior CPCFA financings for the Company are shown below.

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>ISSUE DATE</th>
<th>AMOUNT ISSUED</th>
<th>AMOUNT OUTSTANDING AS OF MARCH 1, 2007</th>
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<tbody>
<tr>
<td>The Ratto Group of Companies, Inc.</td>
<td>11/14/2001</td>
<td>$9,845,000</td>
<td>$6,845,000</td>
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<tr>
<td>TOTAL:</td>
<td></td>
<td>$9,845,000</td>
<td>$6,845,000</td>
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PROJECT DESCRIPTION:
The proposed Project expands the Companies current operations and includes the purchase of two parcels of land and an existing building to house a portion of its collection fleet. The two parcels of land, each approximately 2.4 acres, are located at 3555-3565 Standish Avenue and 309-335 Sutton Place in Santa Rosa, California and will be leased to the Company by Predawn Investment, LLC. The two sites will act as corporate yards for the Company and will be used for truck maintenance, washing and parking, container storage, and administrative offices.

The land purchase anticipated to be funded by the Bond proceeds described above took place in the first quarter of 2007. It was purchased by one of the Company’s Affiliates, Predawn Investments LLC, equally owned by Steven and Louis Ratto. Upon receipt of the Bond proceeds, an internal fund transfer will take place to reimburse Predawn Investments for the purchase of the land.

The Project also includes the acquisition of waste collection vehicles and waste containers to be located at various customer locations throughout the applicant’s service area or at any of the Company’s operating sites. The applicant’s service area consists of the Cities of Santa Rosa, Rohnert Park, Windsor, Ukiah, Clear Lake, Novato and Mariposa and portions of unincorporated Counties of Mariposa, Marin, Sonoma, Lake and Mendocino.
ATTACHMENT B

Costs associated with the Project include:

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Land</td>
<td>$5,000,000</td>
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<tr>
<td>Buildings</td>
<td>$5,000,000</td>
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<tr>
<td>Building Improvements</td>
<td>$750,000</td>
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<tr>
<td>Collection Vehicles</td>
<td>$23,260,000</td>
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<td>Containers</td>
<td>$6,925,000</td>
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<td>Letter of Credit Fees</td>
<td>$807,895</td>
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<tr>
<td>Bond Issuance Expenses</td>
<td>$852,000</td>
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<tr>
<td>Contingencies</td>
<td>$5,105</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$42,600,000</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, determination by bond counsel that certain costs do not qualify for tax-exempt financing, 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:
The Company represents that the Project will result in the public benefits described below.

Waste Diversion.  The Project will assist the communities served in meeting AB 939 requirements.

Ratepayer Benefit.  Access to the tax-exempt financing for this Project will enable the Company to prevent certain increases to its operating costs and thereby will prevent certain increases to customer services fees and charges.

POLLUTION CONTROL:
The Company represents that the Project is designed to result in the pollution control benefits noted below.

Air Quality.  The new low-emission, California Air Resources Board (CARB) compliant trucks will emit less particulate matter and NOx emissions.

Energy Efficiency.  The use of split body trucks will allow for more efficient truck routes as these trucks are capable of picking up two types of waste at once.  The reduced travel time coupled with the improved fuel efficiency of the new trucks will result in approximately 100 to 150 gallon reduction of gasoline and diesel used per year and approximately 1,500 to 2,000 fewer miles traveled.
ATTACHMENT B

PERMITTING & ENVIRONMENTAL APPROVALS:
No discretionary permits or approvals are necessary for the Project being financed. The truck maintenance facility will operate in compliance with the sites’ existing zoning requirements.

ANTICIPATED TIMELINE:
The Company began equipment purchases in November 2005 and are anticipated to be completed in Spring 2010. The land was purchased in January 2007. Building renovations are anticipated to begin in June 2007 with completion scheduled for June 2008.

FINANCING DETAILS:
The Company anticipates a public offering of a 7-day variable rate bond issue with a term not to exceed 30 years. The Company plans to secure the bonds with an irrevocable, direct-pay Letter of Credit from Westamerica Bank that is rated “A-” or better by Fitch Ratings.

FINANCING TEAM:
Underwriter: Westhoff, Cone & Holmstedt
Bond Counsel: Orrick Herrington & Sutcliffe LLC
Financial Advisor: Andrew S. Rose
Issuer’s Counsel: State Attorney General’s Office

RECOMMENDATION:
Staff recommends approval of (i) Final Resolution No.466 for an amount not to exceed $42,600,000 and (ii) a SBAF Resolution for an amount not to exceed $250,000, for The Ratto Group of Companies, Inc. and/or its Affiliates.
ATTACHMENT B

Attachment A

Legal Review for The Ratto Group of Companies

APPLICANT
The Ratto Group of Companies (“the Company” or “Ratto”), a small company incorporated on February 12, 1999 in Delaware, provides residential waste collection and recycling services in the Cities of Santa Rosa, Rohnert Park, Windsor, Ukiah, Clear Lake, Novato, and Mariposa, and portions of unincorporated Counties of Mariposa, Marin, Sonoma, Lake and Mendocino. The principal shareholders of the Company are James and Deana Ratto and their descendents. The following is a list of affiliates and subsidiaries:

- Mariposa County Total Waste Systems, Inc.
- North Bay Corporation
- Novato Disposal Service, Inc.
- Pacific Coast Disposal
- Reward Leasing, Inc.
- Rohnert Park Disposal, Inc.
- Solid Waste Systems, Inc.
- Sunrise Garbage Service, Inc.
- Timber Cove Recycling, Inc.
- Timberline Disposal Services
- Total Waste Systems, Inc.
- West Sonoma County Disposal Service, Inc.
- West Sonoma County Transfer, Inc.
- Windsor Refuse & Recycling, Inc.

REQUEST
Ratto is requesting approval of a $42,600,000 Final Resolution to finance the (i) purchase of two parcels of land to be used as corporate yards in the City of Santa Rosa and (ii) acquire new waste collection vehicles and containers to be located throughout its service area.

LEGAL DISCLOSURE
The Company did not disclose any legal matters on its latest legal questionnaire.

STAFF FINDINGS IN 2007
For the current 2007 request for a Final Resolution, staff queried the California Integrated Waste Management Board (CIWMB) database to determine whether any violations or enforcement actions have occurred since the approval of the Initial Resolution in 2006. The CIWMB database revealed several violations in 2006 by an affiliate, Timberline Disposal Service, in Lake County. Staff was unsuccessful in contacting the Local Enforcement Agency. However, the violations do not appear to be remarkable or unusual for a solid waste disposal company of this size. Given that no enforcement actions have been filed, we believe the violations at Timberline Disposal Service do not raise serious concerns about the Company’s ongoing financial viability.
STAFF RECOMMENDATION
Staff recommends approving the Company’s request for a Final Resolution at the March 20, 2007 meeting.
ATTACHMENT B

EXHIBIT A

TERM SHEET

Name of Issue: California Pollution Control Financing Authority Variable Rate Demand Solid Waste Disposal Revenue Bonds (The Ratto Group of Companies, Inc. Project), Series 2007A (the “Bonds”)

Maximum Amount of Issue: $42,600,000 (tax-exempt)

Issuer: California Pollution Control Financing Authority (the “Authority”), Sacramento, CA

Applicant: The Ratto Group of Companies, Inc.


Affiliate: “Affiliate” of the Applicant means any person or entity which meets the definition of “Participating Party” under 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.

Trustee: The Bank of New York Trust Company, N.A.
ATTACHMENT B

Senior Underwriter or Placement Agent: Westhoff, Cone & Holmstedt

Bond Counsel: Orrick, Herrington & Sutcliffe LLP, San Francisco, CA

Remarketing Agent: Westhoff, Cone & Holmstedt

Project:
(1) land acquisition and/or construction, improvement, renovation, rehabilitation and/or installation of buildings, facilities and equipment for storage and maintenance of solid waste collection vehicles and related equipment, to be located at: (a) 3555-3565 Standish Avenue, Santa Rosa, California 95407; and/or (b) 309-335 Sutton Place, Santa Rosa, California 95407.

(2) acquisition of trucks and other solid waste vehicles and equipment, which may be located from time to time at the locations listed in item (1) above or at the following additional locations: (a) 7085 Gravenstein Highway, Cotati, California 94931; (b) 7576 Redwood Boulevard, Novato, California 94945; (c) 230 Soda Road, Lakeport, California 95453; (d) 2543 Petaluma Boulevard South, Petaluma, California 94952; (e) 5593 Highway 49 North, Mariposa, California 95338; (f) 3151 Taylor Drive, Ukiah, California 95482; and (g) 3417 Standish Avenue, Santa Rosa, California 95407.

(3) acquisition of solid waste carts, bins and containers.

Equipment described in (2) and (3) will be used in the Borrower’s service area in Lake, Marin, Mendocino and Sonoma Counties.

Maximum Bond Term: Not to exceed 30 years

Type of Sale: Negotiated sale

Description of Minimum Denominations: $100,000 or any integral multiple of $5,000 in excess thereof while in variable rate mode
ATTACHMENT B

Financing Structure: Variable rate demand bonds; convertible to fixed rate pursuant to the Indenture

Maximum Interest Rate: 12%

Letter of Credit: Provided by Westamerica Bank, or another bank approved by the Chairman or the Executive Director that is rated at least “A-”.

Other Credit Enhancement: Not applicable

Anticipated Bond Rating: Minimum “A-“

Type of Financing: Solid waste disposal revenue bonds

Prepared by: Robert Martz (925) 472-8746