

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM**

Meeting Date: April 23, 2008

Executive Summary

Request for Initial Resolution

Prepared by: *Doreen Carle*

Applicant: Upper Valley Disposal Service, Inc. and/or its Affiliates	Amount Requested: \$4,235,000
Project: St Helena & Calistoga (Napa County)	Application No.: 00810 (SB)
Location: Clear Lake & Lower Lake (Lake County)	Initial Resolution No.: 08-04

Type of Business: Upper Valley Disposal Service, Inc. and/or its Affiliates (the “Company”) provide refuse and disposal services in Lake and Napa Counties.

Project Description: The Company plans to rehabilitate and improve its St. Helena Material Recovery Facility (MRF), including the addition of a wash rack and metal canopy. The Company intends to install a Construction and Demolition (C&D) debris recycling operation at its Calistoga landfill. Additionally, the Company plans to replace older collection vehicles with CARB-compliant vehicles, and to purchase additional containers, bins and carts for use in its waste collection services.

Pollution Control and/or Waste Diversion: The Company represents that the Project will generate the pollution control benefits described below.

Waste Diversion. The Company anticipates that this project will increase its diversion rate by facilitating the recycling of additional wood, gypsum, metals and related construction and demolition debris.

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

Air Quality. The use of new CARB-compliant diesel collection vehicles will reduce emissions compared to the vehicles currently in use.

Energy Efficiency. The new vehicles are anticipated to be more fuel efficient than the vehicles currently in use, which will therefore reduce future fossil fuel consumption.

Recycling of Commodities. The C&D operation to be installed at the landfill will increase the Company’s ability to recycle debris collected.

Permits: The Company will provide the Authority with copies of all required discretionary permits prior to requesting Final Resolution approval.

Financing Details: The Company anticipates the issuance of negotiated tax-exempt, weekly reset, variable rate bonds with a term not to exceed 30 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 June 2008.

Financing Team:

Underwriter: Westhoff, Cone & Holmstedt
Bond Counsel: Law Offices of Leslie M. Lava
Financial Advisor: Andrew S. Rose
Issuer’s Counsel: Office of the Attorney General

Legal Questionnaire: 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. 08-04 for Upper Valley Disposal Service, Inc. and/or its Affiliates for an amount not to exceed \$4,235,000.

Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.

**UPPER VALLEY DISPOSAL
SERVICE, INC. and/or its
AFFILIATES**

Bond Amount: \$4,235,000

St. Helena & Calistoga (Napa County)

Clear Lake & Lower Lake (Lake County)

Application No. 00810 (SB)

April 23, 2008

STAFF SUMMARY – CPCFA

Prepared by: *Doreen Carle*

ISSUE:

Upper Valley Disposal Service, Inc. and/or its Affiliates (the “Company”) requests approval of Initial Resolution No. 08-04 for an amount not to exceed \$4,235,000 to finance construction, and to purchase vehicles and equipment.

CDLAC Allocation. The Company anticipates applying for CDLAC allocation in May 2008.

BORROWER:

The Company incorporated in Napa on July 19, 1991 as a refuse and disposal corporation.

The principal stockholders of the Company are as follows:

Marvin Pestoni.....	50%
Bob Pestoni.....	50%
Total:.....	100%

The following companies are related to Upper Valley Disposal Service through common ownership: Clover Flat Landfill, Inc.; Pestoni Brothers, LLC; Pestoni Leasing; Pestoni Ranch; Quackenbush Mountain Resource and Recovery Compost Facility, LLC; Rutherford Grove Winery; South Lake Refuse & Recycling, LLC; Upper Valley Recycling; Vista Corporation; and Whitehall Corporation.

Legal Questionnaire. 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.

Description	Date of Bond Issue	Original Amount	Amount Outstanding as of April 23, 2008
South Lake Refuse & Recycling, LLC	October 2002	<u>\$6,750,000</u>	<u>\$3,800,000</u>
TOTALS:		<u>\$6,750,000</u>	<u>\$3,800,000</u>

PROJECT INFORMATION:

The Company plans to rehabilitate and improve its St. Helena MRF, including the addition of a wash rack and metal canopy. The Company intends to install a C&D debris recycling operation at its Calistoga landfill. Additionally, the Company plans to replace older collection vehicles with CARB-compliant vehicles, and to purchase additional containers, bins and carts for use in its waste collection services.

The anticipated Project and issuance costs are listed below:

Metal canopy on MRF building.....	\$ 291,000
Collection vehicles & containers	1,000,000
Wash rack.....	83,000
C&D processing equipment.....	2,700,000
Bond issuance expenses.....	<u>161,000</u>
Total:	<u>\$4,235,000</u>

POLLUTION CONTROL AND/OR WASTE DIVERSION:

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

Waste Diversion. The Company anticipates that this project will increase its diversion rate by facilitating the recycling of additional wood, gypsum, metals and related construction and demolition debris.

ENVIRONMENTAL BENEFITS:

The Company represents that the Project is designed to generate the environmental benefits described below.

Air Quality. The use of new CARB-compliant diesel collection vehicles will reduce emissions compared to the vehicles currently in use.

Energy Efficiency. The new vehicles are anticipated to be more fuel efficient than the vehicles currently in use which will reduce future fossil fuel consumption.

Recycling of Commodities. The C&D operation to be installed at the landfill will increase the Company's ability to recycle debris collected.

PERMITTING & ENVIRONMENTAL APPROVALS:

The Company will provide copies of all necessary permits prior to seeking Final Resolution approval.

ANTICIPATED TIMELINE:

The Company began equipment purchases in February 2008 and anticipates completion by August 2010. The improvements to the MRF were started in March 2008 with planned completion in May 2008. The C&D installation at the landfill has not yet commenced.

FINANCING DETAILS:

The Company anticipates the issuance of negotiated tax-exempt, weekly reset, variable rate bonds with a term not to exceed 30 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 June 2008.

FINANCING TEAM:

Underwriter: Westhoff, Cone & Holmstedt
Bond Counsel: Law Offices of Leslie M. Lava
Financial Advisor: Andrew S. Rose
Issuer’s Counsel: Office of the Attorney General

RECOMMENDATION:

Staff recommends approval of Initial Resolution No. 08-04 for an amount not to exceed \$4,235,000 for Upper Valley Disposal Services, Inc. and/or its Affiliates.

Initial Resolution No. 08-04
Application No. 810 (SB)

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL/RECYCLING FACILITIES FOR
UPPER VALLEY DISPOSAL SERVICE, INC. AND/OR ITS AFFILIATES**

April 23, 2008

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, Upper Valley Disposal Service, Inc., a California corporation (“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) (collectively, “Company”), which are expected to be comprised of improvements to an existing materials recovery facility, the acquisition and installation of construction and demolition processing equipment, the acquisition of equipment, rolling stock and vehicles for the collection, processing and transfer of solid waste and other equipment functionally related thereto and the acquisition of drop boxes, bins, carts and containers (collectively, “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 \$4,235,000 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 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 \$4,235,000 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 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.

Agenda Item – 4.B.1.

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 23, 2011 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

NUMBER: 08-04

LOCATIONS: 1285 Whitehall Lane,
St. Helena, California 94574

4830 Silverado Trail
Calistoga, California 94515

15970 Kugelman Street
Lower Lake, California 95457

16520 Davis Street
Clear Lake, California 95422

TYPE: Solid Waste Disposal/Resource Recovery

AMOUNT: Up to \$4,235,000