

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 21, 2007
Executive Summary
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR AN
EXEMPT FACILITY PROJECT

Prepared by Walter Akiyama.

Applicant: California Pollution Control Financing Authority

Allocation Amount Requested: \$42,600,000

Project Name: The Ratto Group of Companies

Various locations as in the following table:

	Facility Address	City	County
1.)	3555-3565 Standish Avenue	Santa Rosa, 94507	Sonoma
2.)	309-335 Sutton Place	Santa Rosa, 94507	Sonoma

Project Sponsor Information:

Name: The Ratto Group of Companies
Address: 3417 Standish Avenue
Santa Rosa, CA 95407
Principals: James Salyers and James Ratto
Contact: James Salyers
Phone: (707) 765-9995

Project User Information:

Name: Same as Project Sponsor
Address: Same as Project Sponsor
Contact: Same as Project Sponsor
Phone: Same as Project Sponsor

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Westhoff, Cone & Holmstedt
Credit Enhancement Provider: Westamerica Bank
Private Placement Purchaser: Not applicable

Description of Proposed Project: According to the application, the Project Sponsor intends to purchase land and an existing building at which it will house a portion of its collection fleet and will acquire waste collection vehicles and waste containers. The vehicles may be housed from time to time at any of the Project Sponsor's operating locations and the containers will be located at various customer locations throughout the Project Sponsor's service area. The Project Sponsor's service area consists of the Cities of Santa Rosa, Rohnert Park, Windsor, Ukiah, Clear Lake, Novato, and Mariposa and portions of the unincorporated Counties of Mariposa, Marin, Sonoma, Lake and Mendocino.

First Tier Business (Yes/No): Yes

Legal Questionnaire: No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Recommendation: Staff recommends that the Committee approve \$42,600,000 in tax-exempt bond allocation.

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STAFF REPORT
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TEFRA Hearing: February 13, 2007

MINIMUM REQUIREMENTS:

- *Applicant must demonstrate that there will be more public benefits if the project is financed with tax-exempt bond financing than with any other means of financing:* According to the application, the difference in tax-exempt financing versus conventional financing will save approximately \$700,000 in cash flow and \$1,300,00 annually in interest cost.

- **California Environmental Quality Act (CEQA) review process must have commenced at the time of Application. In addition, Applicant must provide applicable discretionary use permits and approvals:**

According to the application, the Project Sponsor has certified that no discretionary permits are required for the proposed Project.

- **Submittal of Credit Enhancement:**
Westamerica Bank

EVALUATION CRITERIA:

- **First Tier Business (yes or no):** Yes

- **Regulatory mandate:** According to the application, the Project Sponsor has certified that the proposed project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with AB939.

- **Description of project, renovation or new construction, the number of square feet to be constructed/renovated:** According to the application, the Project Sponsor intends to purchase land and an existing building at which it will house a portion of its collection fleet and will acquire waste collection vehicles and waste containers. The vehicles may be housed from time to time at any of the Project Sponsor's operating locations and the containers will be located at various customer locations throughout the Project Sponsor's service area. The Project Sponsor's service area consists of the Cities of Santa Rosa, Rohnert Park, Windsor, Ukiah, Clear Lake, Novato, and Mariposa and portions of the unincorporated Counties of Mariposa, Marin, Sonoma, Lake and Mendocino.

- **Project Sponsor's principal activity:** According to the application, the Project Sponsor's principal activity is the collection, recycling, transportation and disposal of solid waste.

- **Estimated total development cost:** \$42,879,760

- **Sources of Funds:**

Tax-Exempt Bond Proceeds	\$42,600,000
Other Sources	<u>\$ 279,760</u>
Total Sources	\$42,879,760

- **Uses of Funds:**

Acquisition of Land	\$ 5,000,000
Acquisition of Building	\$ 5,000,000
Rehabilitation of Existing Building	\$ 750,000
New Equipment Purchase & Installation	\$ 6,925,000
Rolling Stock	\$23,260,000
Cost of Issuance (including discount)	\$ 1,102,000
Letter of Credit or Bond Insurance Fee	\$ 837,655
Other	<u>\$ 5,105</u>
Total Uses	\$42,879,760

- **Environmental impact:**

- 1) **Air Quality:** According to the application, the proposed Project will replace older collection vehicles with new CARB compliant collection vehicles which will lower greenhouse gas emissions. The new vehicles are significantly quieter than those currently in use and will allow route efficiencies which will reduce the number of vehicles on the road.
- 2) **Energy Efficiency:** According to the application, based on conservative estimates of anticipated traffic, savings in highway mileage will be in the range of 1,500 to 2,000 miles per year for solid waste and debris box vehicles. Depending upon operating speeds and highway conditions, this will translate to an approximate reduction in direct fuel consumption of between 100 and 150 gallons of gasoline and diesel per year
- 3) **Safety and Compliance:** According to the application, the Project Sponsor is in compliance with all the state and federal environmental regulations regarding the operation of the proposed facility and its existing facilities that it currently operates.

- **Leveraging:** The estimated total project cost is \$42,879,760 of which \$279,760 is equity, and \$42,600,000 will be new issue tax-exempt bond debt. The amount of tax-exempt bond debt represents 99% of the total project cost.

- **Local government support:** A letter of support has been received from Beverly B. James, Manager/Engineer, Novato Sanitary District.

- **Other public benefits provided by the project:** According to the application, the Project will generate the following tax revenue:

Vehicle Licensing Fee	\$300,000 (annually)
Sales Taxes	\$2,400,000 (one-time)

COMMENTS:

1. According to the application, the Project Sponsor is a First Tier Business and the proposed Project is in direct response to State (AB 939).
2. According to the application, the proposed Project with the use of tax-exempt bond financing will improve air and water quality and reduce energy use.
3. The Ratto Group of Companies has \$6.8 million in outstanding tax-exempt debt that was issued in California in 2001.
4. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

RECOMMENDATION:

Staff recommends that the Committee approve \$42,600,000 in tax-exempt bond allocation.

Prepared by Walter Akiyama.