

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: \$34,615,000

Project Name: CR&R, Inc.

Various locations as in the following table:

	Facility Address	City	County
1.)	11262, 11272, 11292 & 11322 Western Ave.	Stanton, 90680-2912	Orange
2.)	1706 Goetz Road	Perris, 92570-6275	Riverside
3.)	31641 Ortega Highway	San Juan Capistrano, 92675-2039	Orange
4.)	12739 Lakeland Road	Sante Fe Springs, 90670-4632	Los Angeles
5.)	11232 Knott Ave.	Stanton, 90680	Orange
6.)	10960 Boatman Ave.	Stanton, 90680	Orange
7.)	9828 Buckwheat Road	Phelan, 92371-4400	San Bernardino

Project Sponsor Information:

Name: CR&R, Inc. and/or its affiliates
Address: 11292 Western Avenue
Stanton, CA 90680
Principals: Clifford Ronnenberg, Sandra Ronnenberg, David Ronnenberg,
Joyce Amato, David Fahrion, Bob Poteraj, and Paul Relis
Contact: Joyce Amato
Phone: (714) 826-9049

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: Law Offices of Leslie M. Lava
Underwriter: Westhoff, Cone & Holmstedt
Credit Enhancement Provider: Bank of the West
Private Placement Purchaser: Not applicable

Description of Proposed Project: According to the application, the proposed Project involves the upgrade and improvements to its materials recovery facility and various recycling operations located within Orange, Los Angeles, Riverside and San Bernardino Counties to accommodate the growth in their service areas. The Project Sponsor will purchase additional sorting lines, balers, loaders, crushers, a street sweeper and related waste processing equipment, making site improvements to allow for new efficiencies and the acquisition of additional new California Air Resources Board compliant low emission waste collection vehicles and containers system wide.

First Tier Business (Yes/No): Yes

Legal Questionnaire: CPCFA staff has reviewed the responses on the Legal Status Questionnaire. It is the conclusion of CPCFA staff and Legal Counsel that the issues disclosed do not preclude CPCFA or this Committee from approving this request.

Recommendation: Staff recommends that the Committee approve \$34,615,000 in tax-exempt bond allocation.

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March 21, 2007
STAFF REPORT
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TEFRA Hearing: February 16, 2007

- **Description of Proposed Project:** According to the application, the proposed Project involves the upgrade and improvements to its materials recovery facility and various recycling operations located within Orange, Los Angeles, Riverside and San Bernardino Counties to accommodate the growth in their service areas. The Project Sponsor will purchase additional sorting lines, balers, loaders, crushers, a street sweeper and related waste processing equipment, making site improvements to allow for new efficiencies and the acquisition of additional new CA Air Resources Board compliant low emission waste collection vehicles and containers system wide.

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 \$1,200,000 in cash flow savings due to the extended amortization and approximately \$1,000,000 annually in interest cost.
- ***California Environmental Quality Act (CEQA) review process must have commenced at the time of Application and appeal period must have expired prior to allocation. In addition, Applicant must provide applicable discretionary use permits and approvals:*** According to the application, all discretionary permits or approvals have been approved.
- ***Submittal of Credit Enhancement:***
Bank of the West

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 proposed Project involves the upgrade and improvements to its materials recovery facility and various recycling operations located within Orange, Los Angeles, Riverside and San Bernardino Counties to accommodate the growth in their service areas. The Project Sponsor will purchase additional sorting lines, balers, loaders, crushers, a street sweeper and related waste processing equipment, making site improvements to allow for new efficiencies and the acquisition of additional new CA Air Resources Board compliant low emission waste collection vehicles and containers system wide.
- ***Project Sponsor's principal activity:*** According to the application, the Project Sponsor's principal activity is the collection, recycling and disposal of solid waste.

- **Estimated total development cost:** \$34,809,704

- **Sources of Funds:**

Tax-Exempt Bond Proceeds	\$34,615,000
Other Sources	<u>\$ 194,704</u>
Total Sources	\$34,809,704

- **Uses of Funds:**

Site Preparation/Improvements	\$23,345,000
New Equipment	\$ 9,000,000
Rolling Stock	\$ 1,555,000
Cost of Issuance (including discount)	\$ 887,004
Financing Contingency	<u>\$ 22,700</u>
Total Uses	\$34,809,704

- **Environmental impact:**

- 1) Air Quality: According to the application, the purchase of new California Air Resources Board compliant vehicles will result in lower emissions.
- 2) Energy Efficiency: According to the application, the purchase of new California Air Resources Board compliant vehicles is more fuel efficient, thereby saving on fossil fuels.
- 3) Recycling of Commodities: According to the application, the proposed Project will increase recovery of recyclables thereby increase diversion.
- 4) 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.
- 5) Consumer Costs Savings and Efficiencies: According to the application, the proposed Project with tax-exempt financing will directly or indirectly lower costs to ratepayers

- **Leveraging:** The estimated total project cost is \$34,809,704 of which \$194,704 is equity, and \$34,615,000 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 Dave Adams, City Manager, City of San Juan Capistrano.

- **Other public benefits provided by the project:** According to the application, the Project will create approximately 20 full time jobs. The proposed Project will also generate the following tax revenue:

Sales Taxes	\$2,600,000 (one time)
Property taxes	\$340,000 (annually)
Payroll taxes	\$120,000 (annually)
Vehicle Licensing Fee	\$15,000 (annually)

COMMENTS:

1. According to the application, the Project Sponsor is a First Tier Business and the proposed Project is in direct response to a Regulatory Mandate (AB 939).
2. CR&R Incorporated has \$38,405,000 in outstanding tax-exempt debt that was issued in California in 1995, 1997, 2000, 2002 and 2006.
3. CPCFA staff has reviewed the responses on the Legal Status Questionnaire. It is the conclusion of CPCFA staff and Legal Counsel that the issues disclosed do not preclude CPCFA or this Committee from approving this request.

RECOMMENDATION:

Staff recommends that the Committee approve \$34,615,000 in tax-exempt bond allocation.

Prepared by Walter Akiyama.