

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**BOND FINANCING PROGRAM**  
**Meeting Date: March 20, 2007**  
**Executive Summary**  
*Request for Initial Resolution*

Prepared by: *Michael Smith*

<b>Applicant:</b> Northern Recycling & Waste Services, LLC and/or its Affiliates	<b>Amount Requested:</b> \$10,315,000
<b>Project</b> American Canyon (Napa County) &	<b>Application No.:</b> 796(SB)
<b>Location:</b> Paradise (Butte County), CA	<b>Initial Resolution No.:</b> 07-04

**Type of Business:** Northern Recycling & Waste Services, LLC and/or its Affiliates (the “Company” or “Northern”) provides waste collection services. The Company was formed to service new contracts in the City of Napa and the City of Paradise.

**Project Description:** The Company was recently awarded two contracts. The Napa-Vallejo Waste Management Authority (JPA) contracted with the Company to equip, maintain, and operate the JPA’s existing transfer station (TS) in American Canyon. The Company also contracted with the City of Paradise. The Company anticipates the purchase of a site from which to operate, and waste collection vehicles and containers. The site yet to be determined will most likely include existing buildings requiring renovation and facilities to house its collection vehicle fleet.

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

**Waste Diversion.** The Company’s contract with the JPA requires the Company to guarantee a 25% reduction in the volume of material transferred to the landfill during the first year. The Company represents that this will result in additional recyclables being removed from the waste stream.

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

**Air Quality.** The Company anticipates that the increase in waste diversion in Napa will reduce the number of transfer trailer trips to the landfill, which in turn reduces fossil fuel consumption and the attendant air pollution as well as vehicle traffic.

**Energy Efficiency.** The proposed purchase of new, more fuel-efficient vehicles, which will be CARB compliant, is designed to reduce refined oil consumption and the resulting air pollution.

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

**Financing Details:** The Company anticipates a negotiated tax-exempt, weekly reset, 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 that is rated at least “A-” by Fitch Rating Agency or equivalent. The target date for financing is May or June 2007.

**Financing Team:**

**Underwriter:** Westhoff, Cone & Holmstedt  
**Bond Counsel:** Law Offices of Leslie M. Lava  
**Financial Advisor:** Andrew 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. 07-04 for Northern Recycling & Waste Services, LLC and/or its Affiliates for an amount not to exceed \$10,315,000.

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

**NORTHERN RECYCLING &  
WASTE SERVICES, LLC and/or its  
Affiliates**

**Bond Amount: \$10,315,000**

American Canyon (Napa County) and  
Paradise (Butte County), CA

Application No. 796(SB)

March 20, 2007

**STAFF SUMMARY – CPCFA**

**Prepared by:** *Michael Smith*

**ISSUE:**

Northern Recycling & Waste Services, LLC and/or its Affiliates (the “Company” or “Northern”) requests approval of Initial Resolution No. 07-04 for an amount not to exceed \$10,315,000 to finance site improvements and equipment purchases.

**BORROWER:**

Northern Recycling & Waste Services, LLC (the “Company” or “Northern”) provides waste collection services. The Company was formed to service new contracts in the City of Napa and the City of Paradise. The Company was organized in March 2006 in California. The Company has a majority common ownership of Napa Recycling & Waste Services, LLC. The Company is owned by several companies as listed below.

The principal stockholders of the Company are as follows:

<b>Owners</b>	<b>Stockholders &amp; Percentages</b>	<b>% Ownership Of Company</b>
<b>Recovery Products &amp; Services Inc.</b>		25%
	Greg Kelley 50%	
	Bill Bacigalupi 50%	
<b>Garaventa Enterprises, Inc.</b>		25%
	Mary Garaventa 100%	
<b>Pestoni Paradise City, LLC</b>		25%
	Robert L. Pestoni 50%	
	Linda Sereni 50%	
<b>Garbarino Northern Recycling &amp; Waste Services, LLC</b>		25%
	Joseph J. Garbarino Jr. 50%	
	Joseph Garbarino Sr. 50%	
	<b>Total:</b>	100%

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

- Garaventa Enterprises
- Marin Sanitary Services
- South Lake Refuse Company

**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 financings for the related business owned by the Company’s partners or affiliates are shown below. All required principal and interest payments have been made in a timely manner.

<b>Description</b>	<b>Date of Bond Issue</b>	<b>Original Amount</b>	<b>Amount Outstanding As of 3/01/07</b>
Napa Recycling & Waste Services, LLC	04/13/05	\$21,030,000	\$20,620,000
Garaventa Enterprises, Inc.	10/04/00	3,100,000	975,000
Garaventa Enterprises, Inc.	10/17/06	18,940,000	18,940,000
Marin Sanitary Service	01/12/94	\$1,810,000	\$0
Marin Sanitary Service	05/10/06	13,845,000	13,845,000
South Lake Refuse & Recycling, LLC	10/22/02	<u>6,750,000</u>	<u>4,450,000</u>
<b>TOTALS:</b>		<b><u>\$63,665,000</u></b>	<b><u>\$58,830,000</u></b>

**PROJECT INFORMATION:**

The Company was recently awarded two contracts.

The Napa-Vallejo Waste Management Authority (JPA) contracted with the Company to equip, maintain, and operate the JPA’s existing transfer station (TS) in American Canyon. The JPA consists of the Cities of Vallejo, Napa and American Canyon and the County of Napa. The Company is responsible for operating the TS and acquiring additional equipment necessary to continue its operation. The equipment includes rolling stock and Construction and Demolition (C&D) processing equipment for the implementation of a new program designed to capture this portion of the waste stream for recycling.

The Company also contracted with the City of Paradise. The Company anticipates the purchase of a site from which to operate, and waste collection vehicles and containers. The site yet to be determined will most likely include existing buildings requiring renovation and facilities to house its collection vehicle fleet. The recyclables collected will be consolidated into transfer trailers and transported to the applicant’s Affiliate, Napa Recycling and Waste Services MRF in Napa for processing.

The anticipated Project and issuance costs are listed below:

<b>Project Component</b>	<b>Paradise</b>	<b>Napa</b>	<b>Total</b>
Collection Vehicles, Transfer Trailers & Utility Vehicles	\$3,490,000	\$ 550,000	\$ 4,040,000
Containers	2,145,000		2,145,000
Loaders, Grinders & Office Equipment	165,000	1,537,000	1,702,000
C & D Sorting Line		1,200,000	1,200,000
Buildings	500,000		500,000
Land	200,000		200,000
Building Renovation	125,000		125,000
Bond issuance expenses			206,300
Letter of Credit Fee			192,613
Contingency			4,087
<b>Total:</b>	<b><u>\$6,625,000</u></b>	<b><u>\$3,287,000</u></b>	<b><u>\$10,315,000</u></b>

*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 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 source out 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 Company’s contract with the JPA requires the Company to guarantee a 25% reduction in the volume of material transferred to the landfill during the first year. The Company represents that this will result in additional recyclables being removed from the waste stream.

The Company’s contract with the City of Paradise involves implementing the first universally available recycling program in Paradise. The Company will be making a three-cart, single stream service available to all residents. In addition, the Company has agreed to assist the City of Paradise and Butte County with their green waste programs. The Company will permit and operate a City owned vegetative drop off site and assist the County with the design and implementation of a green waste processing facility at the County-owned landfill. The City of Paradise has received a second notice from the Integrated Waste Management Board that its diversion rate is insufficient. This current project funding request by the Company is intended to facilitate meeting the IWMB diversion rate requirements.

**POLLUTION CONTROL:**

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

**Air Quality.** The Company anticipates that the increase in waste diversion in Napa will reduce the number of transfer trailer trips to the landfill, which in turn reduces fossil fuel consumption and the attendant air pollution as well as vehicle traffic.

**Energy Efficiency.** The proposed purchase of new, more fuel-efficient vehicles, which will be CARB compliant, is designed to reduce refined oil consumption and the resulting air pollution when contrasted with the older fleet trucks.

**PERMITTING & ENVIRONMENTAL APPROVALS:**

The Napa-Vallejo Waste Management Authority Transfer Station that the Company will continue to operate is fully permitted. The collection and transfer of waste in the City of Paradise does not require permits. The Company will provide the Authority with copies of all required discretionary permits, if applicable, prior to requesting approval for Final Resolution.

**ANTICIPATED TIMELINE:**

The Company anticipates purchasing the land and building in spring 2007 and building renovation to begin in June 2007. Completion is anticipated by December 2007. Equipment purchases began in March 2007 and are anticipated to be complete by September 2007.

**FINANCING DETAILS:**

The Company anticipates a negotiated tax-exempt, weekly reset, 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 that is rated at least “A-” by Fitch Rating Agency or equivalent. The target date for financing is May or June 2007.

**FINANCING TEAM:**

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

**RECOMMENDATION:**

Staff recommends approval of Initial Resolution No. 07-04 for an amount not to exceed \$10,315,000 for Northern Recycling & Waste Services, LLC.

RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO  
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR  
NORTHERN RECYCLING & WASTE SERVICES LLC AND/OR ITS AFFILIATES

March 20, 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, Northern Recycling & Waste Services LLC, a California limited liability company (“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) (“Company”), which are expected to be comprised of the acquisition of land and buildings, the renovation of buildings and the acquisition of office equipment and solid waste, processing, transporting and recycling related vehicles and equipment and other equipment functionally related thereto (“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 \$10,315,000 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 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. An Affiliate shall also be a “participating party” as defined in the Act.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$10,315,000 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 or Deputy 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.

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 March 20, 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.

**EXHIBIT A**

**NUMBER:** 07-04

**LOCATIONS:**

- (1) 920 American Way  
Paradise, CA 95969
- (2) 889 Devlin Road  
American Canyon, CA 94589

**TYPE:** Solid Waste Disposal/Resource Recovery

**AMOUNT:** Up to \$10,315,000