

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: December 3, 2007
Executive Summary
Request for Initial Resolution

Prepared by: *Deanna Hamelin*

Applicant: Alameda County Industries, LLC and/or its Affiliates	Amount Requested: \$2,065,000
Project: City of San Leandro	Application No.: 804 (SB)
Location: (Alameda County)	Initial Resolution No.: 07-12

Type of Business: Alameda County Industries, LLC and/or its Affiliates (the “Company”), provides refuse collection, recycling, and disposal services to the Cities of San Leandro and Alameda.

Project Description: Bond proceeds will be used to make enhancements to a recycling sort belt and improvements to the sort line, which will increase recycling capacity. In addition, bond proceeds will be used to upgrade communication equipment associated with rolling stock and collection vehicles. The land and buildings were originally financed in May 2000 with CPCFA bond proceeds.

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

Waste Diversion. Improvements to recycling and transfer equipment will increase the amount of waste that is recycled and will thereby assist in diverting or minimizing the amount of material destined for the landfills.

Ratepayer Benefits. The tax-exempt financing of improvements will lower the cost of these enhancements, thereby reducing one of the components that make up the customer rate base.

Other. A new vehicle communication system will assist with driver contact and accountability, thereby increasing refuse collection efficiencies.

Pollution Control: The Company represents that the Project will generate the following pollution control benefits.

Recycling of Commodities. The new sort line belt and other sort line renovations will enhance the present recycling and waste diversion efforts to meet AB 939 diversion requirements.

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 from Wells Fargo Bank that is rated at least “AA-/F1+” by Fitch Rating Agency or equivalent. The target date for financing is the fourth quarter of 2008.

Financing Team:

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

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. 07-12 for Alameda County Industries, LLC and/or its Affiliates for an amount not to exceed \$2,065,000.

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

**ALAMEDA COUNTY INDUSTRIES,
LLC AND/OR ITS AFFILIATES**

Bond Amount: \$2,065,000

City of San Leandro (Alameda County)

Application No. 804 (SB)

December 3, 2007

STAFF SUMMARY – CPCFA

Prepared by: *Deanna Hamelin*

ISSUE:

Alameda County Industries, LLC, and/or its Affiliates (the “Company”), requests approval of Initial Resolution No. 07-12 for an amount not to exceed \$2,065,000 to make enhancements to a recycling sort belt and improvements to the sort line which will increase recycling capacity. In addition, bond proceeds will be used to upgrade communication equipment associated with rolling stock and collection vehicles.

CDLAC Allocation. The Company anticipates applying for CDLAC allocation in the latter part of 2008.

BORROWER:

Alameda County Industries, LLC was organized in Pleasanton, California on July 9, 1999. The Company provides refuse collection, recycling, and disposal services to the cities of San Leandro and Alameda.

The principal stockholders of the Company are as follows:

Lou Pellegrini	27.0833%
Robert Molinaro	13.5873%
Anthony Macchiano	6.7937%
Kent Kenney	6.2500%
William Dobert	4.8000%
Brian Storti	4.0763%
Eric Lauritsen	2.0380%
John Repetto	2.0380%
Michael Achiro	4.1667%
Edward Bortoli	4.1667%
Doug Button	4.1667%
Paul Formosa	4.1667%
Ronald Fornesi	4.1667%
Jerry Nabhan.....	4.1667%
John Rossi.....	4.1667%
Stephanie Uccelli-Menner	4.1667%
Total:.....	100.0000%

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.

Description	Date of Bond Issue	Original Amount	Amount Outstanding as of 11/03/2007
Alameda County Industries 2000A	05/24/2000	\$10,310,000	\$ 5,180,000
Mission Trail Waste Systems, Inc. 2001A	05/17/2001	\$ 3,500,000	\$ 2,090,000
Specialty Solid Waste & Recycling 2001A	05/17/2001	\$10,920,000	\$ 1,425,000
Mission Trail Waste Systems, Inc. 2002A	10/02/2002	\$ 7,555,000	\$ 5,080,000
Garden City Sanitation, Inc.	02/14/2007	\$22,445,000	\$22,445,000
Bay Counties SMaRT	08/15/2007	<u>\$ 5,310,000</u>	<u>\$ 5,310,000</u>
TOTALS:		<u>\$60,040,000</u>	<u>\$41,530,000</u>

PROJECT INFORMATION:

Bond proceeds will be used to make enhancements to a recycling sort belt and improvements to a sort line which will increase recycling capacity. In addition, bond proceeds will be used to upgrade communication equipment associated with rolling stock and collection vehicles. The land and buildings were originally financed in May 2000 with CPCFA bond proceeds.

The anticipated Project and issuance costs are listed below:

Recycling sort line enhancements.....	\$1,700,000
Communication equipment.....	300,000
Bond Issuance Expenses.....	41,300
Letter of Credit Fee.....	23,244
Contingency	456
Total:	<u>\$2,065,000</u>

PUBLIC BENEFITS:

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

Waste Diversion. Improvements to recycling and transfer equipment will increase the amount of waste that is recycled and will thereby assist in diverting or minimizing the amount of material destined for landfills.

Ratepayer Benefits. The tax-exempt financing of improvements will lower the cost of these enhancements, thereby reducing one of the components that make up the customer rate base.

Other. A new vehicle communication system will assist with driver contact and accountability, thereby increasing refuse collection efficiencies.

POLLUTION CONTROL:

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

Recycling of Commodities. New sort line belt and other sort line renovations will enhance the present recycling and waste diversion efforts to meet AB 939 diversion requirements.

PERMITTING & ENVIRONMENTAL APPROVALS:

No permits are required as this is an equipment only deal.

ANTICIPATED TIMELINE:

The Company began the equipment purchases October 2007. Completion is anticipated by October 2009.

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 from Wells Fargo Bank that is rated at least “AA-/F1+” by Fitch Rating Agency or equivalent. The target date for financing is the fourth quarter of 2008.

FINANCING TEAM:

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

RECOMMENDATION:

Staff recommends approval of Initial Resolution No. 07-12 for an amount not to exceed \$2,065,000 for Alameda County Industries, LLC and/or its Affiliates.

Initial Resolution No. 07-12
Application No. 804 (SB)

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR
ALAMEDA COUNTY INDUSTRIES, LLC,
AND/OR ITS AFFILIATES**

December 3, 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, Alameda County Industries, 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 renovation of the sort line and the acquisition of 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 and/or equipment 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 \$2,065,000 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 \$2,065,000 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.

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 December 3, 2010 unless prior thereto the Authority specifically adopts a further resolution

Agenda Item – 4.A.1.

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: 07-12

LOCATION: 610 Aladdin Avenue
San Leandro, California 94578

TYPE: Solid Waste Disposal/Resource Recovery

AMOUNT: Up to \$2,065,000