

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: August 26, 2009
Request for Initial Resolution

Prepared by: *Samantha Russell*

Applicant: Mission Trail Waste Systems, Inc and/or its Affiliates	Amount Requested: \$8,765,000
Project	Application No.: 00823 (SB)
Location: Santa Clara County	Initial Resolution No.: 09-07

Summary. Mission Trail Waste Systems Inc. and/or its Affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$8,765,000 to finance the acquisition of new alternative fuel collection vehicles as required to meet the conditions of the extension of its franchise agreement with the City of Santa Clara.

Borrower. The Company is a waste disposal company located in Santa Clara, CA. The Company’s affiliates include Santa Clara Valley Industries, LLC, Alameda County Industries, Garden City Sanitation, Inc., and Garden City Sanitation including its dba, Livermore Sanitation. The Company was incorporated September 1, 1997.

The principal stockholders of the Company are as follows:

Louie Pellegrini	33.4%
Robert J. Molinaro	16.0%
Anthony Macchiano	7.0%
William Dobert	6.0%
Douglas Button	4.2%
Michael Achiro	4.2%
Edward Bortoli	4.2%
Paul Formosa	4.2%
Ronald Fornesi	4.2%
Vince Fornesi	4.2%
Jerry Nabhan	4.2%
John Rossi	4.0%
Brian Storti	4.0%
Total:	<u>100.0%</u>

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. Prior actions and financings are listed below.

Description	Date of Bond Issue	Original Amount	Amount Outstanding as of 06/30/09
Santa Clara Valley Industries, LLC	03/04/1998	\$8,495,000	\$1,920,000
Alameda County Industries, Inc	05/24/2000	10,310,000	3,330,000
Mission Trail Waste System Inc.	05/17/2001	3,500,000	1,730,000
Mission Trail Waste System Inc.	10/02/2002	7,555,000	3,595,000
Garden City Sanitation, Inc.	02/14/2007	<u>22,445,000</u>	<u>17,515,000</u>
TOTALS:		<u>\$52,305,000</u>	<u>\$28,090,000</u>

Project Description. The Company intends to purchase Compressed Natural Gas (CNG) waste collection trucks as required to meet conditions of the extension of its Franchise Agreement with the City of Santa Clara.

The anticipated Project and issuance costs are listed below:

Waste Collection Vehicles	\$8,200,000
Other Operational Equipment	300,000
Bond Issuance Expenses	<u>265,000</u>
Total:	<u>\$8,765,000</u>

Anticipated Timeline. Equipment purchases began in August 2009 and are scheduled to be completed by December 2011.

Pollution Control and/or Environmental Benefits. The Company represents the Project will generate the pollution control and environmental benefits described below.

Waste Diversion. Implementation of the project will allow the Company to continue to assist in the City’s continued compliance with the California Integrated Waste Management Board Act of 1989 (AB 939) mandates to increase diversion of waste streams going to landfills.

Air Quality. The Company is purchasing new California Air Resources Board (CARB) compliant CNG waste collection trucks. This will reduce particulate matter associated with diesel fuel.

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

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation in the fourth quarter 2009.

Financing Details. The Company anticipates issuance of negotiated tax-exempt, weekly reset, variable rate bonds with a term not to exceed 15 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 December 2009.

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

Staff Recommendation. Staff recommends approval of Initial Resolution No. 09-07 for Mission Trail Waste System, Inc. and/or its Affiliates for an amount not to exceed \$8,765,000.

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

Initial Resolution No. 09-07
Application No. 823(SB)

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL/RECYCLING EQUIPMENT FOR
MISSION TRAIL WASTE SYSTEMS, INC., AND/OR ITS AFFILIATES**

August 26, 2009

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, Mission Trail Waste Systems, Inc., a California corporation (“Applicant”), has requested that the Authority assist in financing solid waste disposal/recycling equipment to be owned and operated by the Applicant and/or its Affiliates (as hereinafter defined) (collectively, “Company”), which are expected to be comprised of the acquisition of rolling stock and vehicles for the collection, processing and transfer of solid waste and other equipment functionally related thereto (collectively, “Equipment”), and has presented an estimate of the maximum cost of such Equipment as shown in Exhibit “A” attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide solid waste disposal/recycling 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 Equipment 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 Equipment; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Equipment prior to the issuance of indebtedness for the purpose of financing costs associated with the Equipment 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 \$8,765,000 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 Equipment; 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 Equipment 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 \$8,765,000 principal amount of bonds of the Authority for the Equipment; including for the purpose of reimbursing to the Company costs incurred for the Equipment 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 Equipment. 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 Equipment, 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. It is also intended that this statement of “official action” or “official intent” by the Authority shall continue in full force and effect even if this Resolution ceases to be effective for other purposes.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, subject to Section 6, this Resolution shall cease to be effective on August 26, 2012 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: 09-07

LOCATIONS: 1060 Richard Avenue
Santa Clara, California 95052

TYPE: Solid Waste Disposal/Resource Recovery

AMOUNT: Up to \$8,765,000