

# CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

## Public Benefit Analysis Exempt Facility Project Pool 2006 Summary

Each year, the California Debt Limit Allocation Committee (Committee) reserves a portion of its tax-exempt private activity bond authority for the Exempt Facility Project Pool. These tax-exempt bonds are used to finance primarily solid waste disposal and waste recycling facilities. There are four categories that the Committee uses to prioritize its allocation to exempt facility projects: 1) First Tier Business<sup>1</sup> under Regulatory Mandate<sup>2</sup>, 2) Non-First Tier Projects under Regulatory Mandate, 3) Businesses, other than First Tier Businesses, Under Regulatory Mandate, 4) All other Applications for Exempt Facilities. The tax-exempt bonds provide low cost financing, in the form of below market interest rates, to project owners. The interest rate savings enable project owners to maintain lower customer rates or minimize customer rate increases, while at the same time assisting the communities served by the projects meet their mandated requirements to protect and enhance the environment. These projects also benefit the communities by creating new jobs. Under the leadership of State Treasurer Philip Angelides, the Committee has redirected the award of allocation to smaller companies in order to assist their communities meet their environmental mandates.

In 2006, the Committee awarded \$288,030,000 in allocation, representing 9.9% of the total \$2.890 billion state ceiling. The allocation was awarded in five allocation rounds to the California Pollution Control Financing Authority (CPCFA), for a total of 13 exempt facility projects and to the California Statewide Communities Development Authority (CSCDA), for one exempt facility project with sites located throughout California. The allocation was distributed between three categories: 1) 61.8%, or \$178,030,000, of the allocation was allocated to First Tier Projects Under Regulatory Mandate, 2) 27.8%, or \$80,000,000, of the allocation was allocated to First Tier Projects Not Under Regulatory Mandate, and 3) 10.4%, or \$30,000,000, of the allocation was allocated to Non-First Tier Projects Under Regulatory Mandate. The 2006 allocations financed 11 First Tier Projects under Regulatory Mandate, 1 First Tier Project not under Regulatory Mandate, and 1 Non-First Tier Project under Regulatory Mandate. All of the projects are solid waste disposal and/or recycling facilities, which include the construction of new facilities or the expansion of existing facilities, re-refining of contaminated oil, process municipal sewage sludge (“biosolids”) into renewable fuel and the purchase of more efficient and cleaner fuel burning equipment. In addition, over 159 full time jobs are expected to be created as a result of these allocations.

### **2006 Total Benefit of Exempt Facility Project Pool**

<b>Allocation Amount</b>	<b>First Tier Projects Under Regulatory Mandate</b>	<b>First Tier Projects Not Under Regulatory Mandate</b>	<b>Non-first Tier Projects Under Regulatory Mandate</b>	<b>Total Exempt Facility Projects</b>
\$288,030,000	61.8% or \$178,030,000 (11 Projects)	27.8% or \$80,000,000 (1 Project)	10.4% or \$30,000,000 (1 Project)	13

<sup>1</sup> “First Tier Business” means (1) a business that (a) is primarily engaged in the collection, recycling, transportation, and/or disposal of solid waste, (b) is a privately-held or employee-owned entity whose ownership interests are not available to members of the public, and (c) has fewer than 3,000 employees (together with affiliates), based on the average employees per pay period during the most recent twelve (12) months before submittal of an Application; or (2) a business which is not primarily engaged in the collection, recycling, transportation, and/or disposal of solid waste that is classified as a small business under regulations of the California Pollution Control Financing Authority (CPCFA) (Title 4, California Code of Regulations, Sections 8001-8083).

<sup>2</sup> “Regulatory Mandate” means a local, state or federal government mandate such as the California Public Resources Code, Section 40000 et seq. (“AB 939”), a local public health department notice and order, a Regional Water Quality Control Board issued cease and desist order, or similar directive.

**2006 Summary Benefit By Project**

<b>First Tier Projects Under Regulatory Mandate</b>	<b>Allocation Amount</b>	<b>Description of Project and Benefit</b>
Peña's Disposal, Inc.	\$5,390,000	According to the application, the Company provides solid waste collection, hauling and disposal, and recycling. The proposed Project involves the construction of a new 61,000 square foot solid waste Materials Recycling Facility on a 20 acre site of its existing corporate yard. The Project will increase space for green waste processing, create a transfer facility for municipal solid waste, increase the sorting area for recyclables, construct offices, pave much of the acreage, increase the vehicle maintenance capacity and construct a runoff waste water holding pond on adjacent acreage. A portion of the new building will be made available to local residents as a drop off point for recyclables. The annual tonnage to be transferred and recycled is expected to be approximately 92,928 and 88,572 tons respectively. In addition, equipment to be purchased will include loaders, forklifts, balers, carts and bins. According to the application, the Project will create approximately 15 full time jobs, as well as 25 temporary jobs during construction and assist the Project Sponsor's clients in the Central Valley comply with AB 939.
Marin Sanitary Service, Inc.	\$13,845,000	According to the application, the proposed Project involves the purchase of new diesel split body automated collection vehicles (CA Air Resources Board compliant), sort lines, conveyors, loaders, caterpillar tractors, screens and forklifts, transfer tractors and trailers, and other various related equipment. The sort lines and related equipment will be utilized for processing recyclables in the Marin Recycling facility. Some building modifications will be necessary to accommodate the new processing equipment. The proposed Project will enable the Project Sponsor to continue diverting greater than 60% of the public and commercial waste collected, processed and generated at the material recycling facility. Tax-exempt financing will save the rate payer approximately \$1,000,000 over 10 years and mitigate potential rate increases. The proposed project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with AB 939.
CR & R, Inc. and/or its affiliates	\$19,600,000	According to the application, the proposed Project involves the upgrade and improvements to its materials recovery facility and various recycling operations located within the Counties of Orange, Los Angeles, Riverside and San Bernardino 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. The proposed Project will create approximately 20 full time jobs. The proposed Project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with State AB 939.

**2006 Summary Benefit By Project**

First Tier Projects Under Regulatory Mandate	Allocation Amount	Description of Project and Benefit
Garaventa Enterprises, Inc.	\$18,940,000	According to the application, the Project Sponsor intends to add to its existing material recovery facility (MRF) to accommodate future single stream recyclables processing. The proposed Project involves the construction of an 88,000 square foot building in which will be housed a sort line and the customary attendant equipment. The Project Sponsor will purchase an additional parcel in the vicinity of its material recovery facility to house the fleet and vehicle maintenance operation which is currently on the MRF site. Improvements to the new corporate yard, however, are not the subject of this financing. The Project Sponsor intends to replace older collection vehicles and provide for expanding service areas by purchasing automated collection vehicles and carts. These purchases are part of a continued effort by the Sponsor to automate its service area along with other programs. 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.
Rainbow Disposal Company, Inc.	\$26,725,000	According to the application, the proposed Project consists of the purchase of a fleet of new waste collection vehicles and carts with which to initiate a new automated three cart service in the Cities of Huntington Beach and Fountain Valley. Also, the proposed Project will make improvements to its existing material recycling facility and transfer station in the City of Huntington Beach. Those improvements include the reconfiguration of the existing MRF sorting lines and the construction of both a maintenance shop and fueling station for its new compressed natural gas powered fleet. In addition, the proposed Project also serves portions of the Cities of Newport Beach, Costa Mesa, Irvine, Westminster, Sunset Beach and the unincorporated areas of Orange County. 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.
Mid Valley Disposal, Inc.	\$5,800,000 (awarded in Round 4)  \$1,320,000 (supplemental allocation awarded in Round 5)	According to the application, the proposed Project consists of the purchase of a 10 acre site in the City of Kerman on which it intends to construct two buildings which will house a MRF, a maintenance shop and related equipment. This facility will provide a central location from which the Project Sponsor will collect and process waste from collection areas in Fresno County and the Cities of Mendota, San Joaquin, Coalinga, Huron, Avenal and Home Gardens. It is possible that any waste collection related equipment could be housed from time to time at one of the applicant's two corporate yards in the Cities of Coalinga and Avenal. 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.
Garden city Sanitation, Inc.	\$22,445,000	According to the application, the Project Sponsor was recently awarded a new franchise agreement with the City of San Jose for the collection and disposal of the City's residential waste in Districts A & C. The proposed Project involves the acquisition of land (3.37 acres) and buildings (19,700 sq. ft. and 30,600 sq. ft.) that will allow for administration, truck maintenance, washing and storage. The proposed Project will purchase collection vehicles, drop boxes, bins, and carts to support the solid waste collection effort. 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.

**2006 Summary Benefit By Project**

<b>First Tier Projects Under Regulatory Mandate</b>	<b>Allocation Amount</b>	<b>Description of Project and Benefit</b>
Valley Vista Services, Inc.	\$7,960,000	According to the application, the proposed Project involves the purchase of new natural gas fueled collection vehicles, barrels, carts, bins, and loaders. The Project will operate from its 13 acre site in the City of Industry at which it stores and maintains its fleet. The Project collects both residential and commercial waste from the Cities of El Monte, Diamond Bar, La Puente, Industry, Pasadena, Pomona, Vernon, Hacienda Heights, Monterey Park, Los Angeles, Walnut and Claremont and various portions of the unincorporated area of Los Angeles County. The Project is designed to increase recycling throughput from the company's existing client base and to accommodate an ever increasing volume. According to the application, the Project will create approximately 18 full time jobs. 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.
Evergreen Oil, Inc. and/or its affiliates	\$8,450,000	According to the application, Evergreen Oil, Inc. is a collector and processor of solid and hazardous waste substances, which, if left untreated cannot be disposed of in most conventional landfills. The company collects used oil, used oil filters, oily wastewater, waste anti-freeze and the remnants of sumps and clarifiers from more than 6,500 customers in the metropolitan bay area. Evergreen recycles approximately 75% of the incoming volume by re-refining the contaminated oil. The solids are transported to offsite landfills for ultimate disposal. The re-refined product is then sold for automotive and industrial lubrication applications. Part of Evergreen Oil, Inc.'s process includes the aggregation, treatment and transportation to disposal sites of solid wastes, which are contained within the processed substances. The Project consists of the expansion of the company's 7-acre operating site. The expansion will be financed and constructed in two phases. According to the application, the request for tax-exempt bond authority is for Phase I, which will include a rail car loading station, a wastewater treatment plant, drum storage and consolidation pads, lab upgrades, bobtail tanks, a loading/unloading area with a drum pumping system, and oily storm/wash water collection systems. It is expected that the project will include the construction of foundations upon which much of the equipment will be based. Associated technical equipment includes heaters, separators, compressors, pumps, filters, piping, fittings, insulation, a vacuum system, and related instrumentation. The balance of the project costs, Phase II, is anticipated to be funded from the sale of taxable bonds or a conventional loan. The re-refining process uses much less energy than the refining of virgin crude oil. Re-refined oil takes about 1/3 the energy of refining crude oil. The proposed Project will create approximately 11 full-time jobs. The proposed Project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with State AB 939 and Federal (U.S. Resource Conservation and Recovery Act) Regulatory Mandates regarding the processing of hazardous waste.
Burrtec Waste & Recycling Services, Inc. and/or its affiliates	\$25,155,000	According to the application, the proposed Project involves the purchase of 70 new collection vehicles to replace the company's outdated existing fleet; the acquisition of land and buildings; and the installation of solid waste collection and recycling equipment including carts and bins for both residential and commercial collection to convert from the current manual collected refuse and source separated recycling programs to automated collection systems at all of its waste hauling operations in the six county area it serves, San Diego, San Bernardino, Los Angeles, Riverside, Orange and Imperial. The new collection vehicles will be either CA Air Resources Board compliant low emission or alternative fuel powered. The proposed Project is in direct response to the Project Sponsor's efforts to help the municipal governments who they serve comply with State AB 939.

**2006 Summary Benefit By Project**

First Tier Projects Under Regulatory Mandate	Allocation Amount	Description of Project and Benefit
<p>Arakelian Enterprises, Inc., dba Athens Services, Inc.</p>	<p>\$22,400,000</p>	<p>According to the application, Arakelian Enterprises, Inc. dba Athens Services, Inc. has provided solid waste collection and disposal services in portions of Los Angeles and Riverside Counties for more than 47 years. Specifically, the company provides residential and commercial solid waste, collection, hauling and disposal services to 16 communities in the San Gabriel Valley pursuant to long-term exclusive franchise agreements and to approximately 15 additional communities pursuant to non-exclusive contracts, licenses or permits. The local governmental entities served by the Borrower pursuant to franchise agreements are the Cities of Azusa, Covina, Glendora, Montebello, Monterey Park, San Gabriel, San Marino, South El Monte, South Pasadena, Temple City, West Hollywood, Monrovia, Sierra Madre, Irwindale and West Covina in Los Angeles County and the City of Riverside in Riverside County.</p> <p>Pursuant to the many waste hauling and processing arrangements referred to above, the company proposes to finance a combination of ongoing and current capital requirements. The capital needs anticipated can best be described as continuing capital costs for equipment replacement and additions to companywide operations such as trucks and containers as well as long term capital investment such as the expansion and improvement of its material recovery facility (MRF) and various corporate yard locations.</p> <p>The company's MRF will be expanded to create operating efficiencies and improve throughput and material recovery necessitating an additional 100,000 square foot building expansion, various processing equipment, paving, fencing, and customary site improvements. In the process, the company's current maintenance facility will be consumed by the MRF expansion and must be relocated on nearby parcels. Also, the company anticipates having to implement traffic mitigation measures in the project vicinity as a condition of its permit.</p> <p>The recycling of commodities and green waste will be enhanced through the implementation of the project. The equipment obtained through this financing is designed to provide for the diversion of approximately 150,000 additional tons per year of recyclable material. The proposed Project will create approximately 15 full-time jobs. 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.</p>

**2006 Summary Benefit By Project**

<b>First Tier Project Not Under Regulatory Mandate</b>	<b>Allocation Amount</b>	<b>Description of Project and Benefits</b>
<p>EnerTech Environmental California, LLC</p>	<p>\$80,000,000</p>	<p>According to the application, the proposed Project involves the construction of a facility on approximately 6.2 acres adjacent to the City of Rialto’s Waste Water Treatment Plant that will process municipal sewage sludge (“biosolids”) generated by the City of Rialto Waste Water Treatment Plant and municipalities of the southern California region into a high-grade fuel known as renewable E-fuel. The Project will include three structures which would include the main process structure which would house most of the process equipment including pumps, heat exchangers, centrifuges, and process heater. The second structure would be the location of the administration building and laboratory. The third structure would be a maintenance building for the facility. This facility will provide a long-term solution to the problems of biosolids waste disposal encountered by municipalities in the southern California region while simultaneously creating a renewable energy source that serves as a replacement for fossil fuel.</p> <p>The proposed Project will have a design capacity to process approximately 625 wet tons per day of biosolids (on approximately 25% solids content) and will produce approximately 100 tons per day of renewable E-fuel pellets. This renewable E-fuel would be transported and utilized off-site to various cement kiln operators or other industrial users in the area. E-fuel is a renewable fuel and would partially replace fossil fuels currently being used at these plants.</p> <p>The Project Sponsor is contracting with HDR Design Build, Inc. to design and construct the biosolids facility that will use the Project Sponsor’s patented SlurryCarb Process to convert waste to energy. Similarly, the Project Sponsor has entered into an operations and maintenance agreement with North American Energy Services (NAES) to assist the Project Sponsor regarding the operations of the regional facility pursuant to a long-term contract with the Project Sponsor. The Project Sponsor will oversee the daily operations of NAES, and the Project Sponsor will have ultimate responsibility and obligation to ensure that the proposed Project meets all operating requirements and complies in all material respects with the terms of the bond financing. All permits, contracts, leases, etc. will be in the name of the Project Sponsor and not in the name of the operator. According to the application, the Project will create approximately 15-20 full time jobs.</p>

**2006 Summary Benefit By Project**

Non-First Tier Projects Under Regulatory Mandate	Allocation Amount	Description of Project and Benefits
Republic Services, Inc.	\$30,000,000	<p>According to the application, the Company provides solid waste collection, hauling and disposal, and recycling. The proposed Project involves the following:</p> <ul style="list-style-type: none"> <li>• <u>Vasco Road Landfill (Alameda County)</u> – The Project Sponsor acquired the permitted landfill from another waste hauling firm in January 2000. The landfill covers approximately 320 acres in Livermore. Allocation will fund the development of a new landfill cell and the purchase of trucks and equipment.</li> <li>• <u>West County Landfill (Contra Costa County)</u> – This facility was part of an acquisition in May 2001. The site services the disposal requirements in Alameda and Contra Costa Counties and requires funding for cell construction and closure expenditures. In addition, the Company operates a methane gas-to-energy project at this facility.</li> <li>• <u>Richmond Sanitary Services (Contra Costa County)</u> – This facility has ongoing requirements for vehicles, containers and related equipment. The location provides residential, commercial, recycling and industrial collection services throughout Alameda, Contra Costa, and Solano Counties.</li> <li>• <u>Gardena Transfer Station Improvements (Los Angeles County)</u> – This facility is a 36,600 square feet building that houses the tipping and loading areas of the Gardena transfer station operation. The request for tax-exempt allocation would finance new equipment and building improvements only.</li> <li>• <u>Bel Art Transfer Station and Long Beach Material Recovery Facility (MRF) (Los Angeles County)</u>– 1) The improvement and upgrading of a 22,800 sq.ft. MRF and existing 43,800 sq.ft. transfer station to handle the current permitted capacity; and 2) the purchase of new hauling trucks.</li> <li>• <u>Chiquita Canyon Landfill Cell Construction (Los Angeles County)</u> – The expansion of the existing landfill by developing additional permitted landfill cells on a 592-acre site. The Project includes the cost of engineering and technical work and digging out, lining the new cell and related equipment.</li> <li>• <u>Avalon MRF (Los Angeles County)</u>– Maintain and improve existing MRF. The City of Avalon previously incinerated its waste stream before land filling. The Air Quality Management District ordered the City to cease the incineration of its waste, and the possibility of landfill expansion is severely restricted by local laws. The proposed Project will increase recycling and diversion of Avalon’s waste and assist the City with its AB939 compliance.</li> <li>• <u>Orange County Trucks (Orange County)</u> - Systematically replace a significant portion of the existing Orange County commercial, residential and roll-off truck fleet. The Project Sponsor’s operating subsidiary, Taomina Industries, has the largest non-municipal liquefied natural gas (LNG) power fleet in the nation. The Project Sponsor has invested in a 6,000 gallon LNG fueling station at its Anaheim facility and plans to further expand fueling capabilities. The new vehicles will have engines that can be converted to clean burning LNG in the future.</li> </ul>

		<ul style="list-style-type: none"> <li>• <u>Orange County Transfer Station and MRF Refurbishment (Orange County)</u> – Ongoing investment is required for the modernization at existing facilities and equipment.</li> <li>• <u>City of Colton Materials Recovery Facility (San Bernardino County)</u> – Maintain and improve a 23,000 sq. ft. state-of-the-art MRF in Colton. The MRF will provide recycling and diversion programs for the City of Colton.</li> <li>• <u>Potrero Hills Landfill and Solano Garbage Company (Solano County)</u> – This facility was also acquired in May 2001 and it is anticipated that the facility will service most of the residents’ disposal requirements within 3 years. Funding is required for cell construction and the ongoing installation of methane gas, leachate, and water monitoring systems as well as related equipment.</li> <li>• <u>Oxnard Transfer Station/Rubbish Control (Ventura County)</u> – Improvements to existing MRF and equipment to support increased AB 939 diversion efforts within the County.</li> </ul> <p>According to the application, the proposed Project will divert over 40,000 tons per year from landfills in the targeted regions and generate over 6,000 tons of salable recyclable materials as well as creating 50 to 60 full time positions. The Project Sponsor’s waste disposal and recycling operations assist the cities and counties in meeting the AB939 mandate.</p>
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