

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
 Public Benefit Analysis
 Exempt Facility Project Pool
 March 15, 2006 Allocation

Exempt Facility Bonds are tax-exempt private activity bonds that are issued by state and local governmental agencies to finance primarily solid waste disposal and waste recycling facilities. The tax-exempt bonds provide facility owners with low cost financing in the form of lower interest rate than a conventional loan. The interest rate savings enable the project owners to maintain lower customer rates or minimize customer rate increases, while at the same time assisting the communities they serve to meet their mandated requirements to protect and enhance the environment. Exempt facility 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 to meet their environmental mandates.

The California Debt Limit Allocation Committee (“Committee”) is responsible for administering California’s annual tax-exempt private activity bond program, known as “the annual State ceiling”. For calendar year 2006, California’s State ceiling is \$2.891 billion. Each year the Committee divides the annual State ceiling among several bond programs, known as “Program Pools”, including the Exempt Facility Project Pool. For calendar year 2006, the Committee reserved \$421 million, or 14.5%, of the State ceiling for the Exempt Facility Project Pool. The \$421 million of bond authority will be allocated in six allocation rounds during calendar year 2006. There are four categories that the Committee uses to prioritize its allocation to exempt facility projects: 1) First Tier Business¹ under Regulatory Mandate², 2) Non-first Tier Projects under Regulatory Mandate, 3) Businesses, other than First Tier Businesses, Under Regulatory Mandate, and 4) All other Applications for Exempt Facilities.

The Committee awarded a total of \$134,460,000 for exempt facilities on March 15, 2006. This represents 32% of the \$421 million Exempt Facility Project Pool and 4.7% of the 2006 \$2.891 billion State ceiling. The entire March 15, 2006 allocation was awarded to a single issuer, the California Pollution Control Financing Authority, for two exempt facility projects located in California. Of the two projects, one is a First Tier Project under Regulatory Mandate and one is a Non-First Tier Project under Regulatory Mandate. The projects are solid waste disposal and/or recycling facilities, which includes the construction of new facility or the expansion of existing facility, and the purchase of more efficient and cleaner fuel burning equipment. In addition, the two projects are expected to create over 65 full time jobs as a result of these allocations.

March 15, 2006 Allocation Benefit of Exempt Facility Program

Allocation Amount Round 2	First Tier Project Under Regulatory Mandate	Non-First Tier Project Under Regulatory Mandate	Total Exempt Facility Projects
\$134,460,000	1	1	2

¹ “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).

² “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.

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First Tier Projects Under Regulatory Mandate	Allocation Amount	Description of Project and Benefits
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.

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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"> • <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. • <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. • <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. • <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. • <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.

		<ul style="list-style-type: none"> • <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. • <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. • <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. • <u>Orange County Transfer Station and MRF Refurbishment (Orange County)</u> – Ongoing investment is required for the modernization at existing facilities and equipment. • <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. • <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 monitory systems as well as related equipment. • <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. <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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