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May 19, 2014

VIA EMAIL

Les Girard
Chief Assistant County Counsel
County of Monterey
168 W. Alisal Street, 3rd Floor
Salinas, California 93901
girardlj@co.monterey.ca.us

RE: Equipment Lease/Purchase Agreement between Salinas Valley Solid Waste Authority and Capital One Public Funding, LLC for Acquisition of Landfill Operations Equipment.

Dear Les:

Attached please find a draft copy of a proposed Equipment Lease / Purchase Agreement between the Salinas Valley Solid Waste Authority and Capital One Public Financing, LLC. The purpose of this agreement is to allow the Authority to purchase landfill operations equipment so the Authority may take over operation of the Johnson Canyon Landfill when the current landfill operations agreement with Recology expires December 31, 2014. The Authority Board unanimously approved the Authority staff taking over operations of the Johnson Canyon landfill starting January 1, 2015, at the Authority's meeting on February 20, 2014.

As you recall, the Authority Board passed a resolution last December committing to the County that the Authority would not increase its rates until July 1, 2015, absent exigent circumstances. One of the means by which the Authority plans to honor this commitment to the County is through the savings the Authority will realize by taking over operations of the Johnson Canyon Landfill-- compared with the operations costs that would result from continuation of private contractor landfill operations. The Authority estimates savings of \$476,000 per year, using a conservative estimate of the Authority's own costs of operation. (See the attached SVSWA staff report from February 20, 2014)

The Authority did in fact realize substantial savings when it took over operation of the Sun Street Transfer Station from Recology in 2008.

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Therefore, the attached Equipment Lease / Purchase Agreement will enable the Authority to honor its commitment to the County by enabling Authority personnel to take over landfill operations using the equipment that will be procured through this Agreement.

The Authority through its bond underwriters has negotiated very favorable taxable financing terms for this Agreement. The effective APR under this Agreement would be 3.08% per year, which compares favorably with other financing options available to the Authority. (See the attached letter from Stifel, Nicolaus & Co..)

In discussing the proposed Agreement with Kurt Yeager of the Stradling firm, Kurt advised me to look at the Marks-Roos Bond Pooling Act. From my review, it appears this Act will apply to the Agreement. I enclose a Word file of the relevant Government Code provisions constituting the Act for your ease of review.

Assuming the Act applies, the County Board of Supervisors will need to hold a public hearing, following five days public notice in a newspaper of general circulation, as part of their regular agenda to approve the Authority entering into this Agreement and must make a finding of "Significant Public Benefits." Government Code section 6586 says that for purposes of the Act, "Significant Public Benefits" means any of the following benefits to the citizens of the local agency:

- (a) Demonstrable savings in effective interest rate, bond preparation, bond underwriting, or bond issuance costs.
- (b) Significant reductions in effective user charges levied by a local agency.
- (c) Employment benefits from undertaking the project in a timely fashion.
- (d) More efficient delivery of local agency services to residential and commercial development.

In our opinion, the Agreement will result in demonstrable interest rate savings to the Authority for acquisition of the landfill operations equipment, will enable the Authority to honor its commitment to hold user charges at their current levels through July 1, 2015, and will result in the most cost efficient delivery of services to residential and commercial development.

If the Board does not approve the financing and make the requisite public benefit finding, the Authority will proceed to acquire the equipment through individual equipment leasing, which our consultant believes will be significantly more expensive.

I am therefore writing to request the County Board of Supervisors hold a public hearing to approve the Authority's Lease / Purchase Agreement with Capital One and to make a finding of significant public benefits in accordance with Government Code section 6586. Since the hearing only requires five days advance public notice (which the Authority will publish), we ask

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that this matter be agendized for public hearing before the Board of Supervisors at the earliest possible time.

Perhaps after you have reviewed this letter we can discuss the logistics of the public hearing and any questions you may have. Also, please feel free to discuss the forgoing with Kurt Yeager at the Straddling firm.

Very Truly Yours,

Thomas M. Bruen

Cc: Patrick Mathews
Roberto Moreno
Kurt Yeager, Esq.

TMB:jlm