

ATTACHMENT A

ATTACHMENT A – DETAILED DISCUSSION

1. The Salinas Valley Solid Waste Authority

The Salinas Valley Solid Waste Authority (“Authority”) was formed in December 1996 through a joint exercise of powers agreement (“JPA”) between the County of Monterey (“County”), and the cities of Salinas, Gonzales, Greenfield, Soledad and King City (individually, each city may be referred to by its proper name, collectively they are referred to as the “Cities”) (the County and the Cities may also be referred to individually as a “Member” or collectively as the “Members”). The jurisdictional boundaries of the Authority are generally those of the Cities and the unincorporated area outside the jurisdictional boundary of the Monterey Regional Waste Management District (“District”). A map of the Authority’s jurisdiction is enclosed as Exhibit 1.

In light of the California Integrated Waste Management Act of 1989, which required the preparation of a County Integrated Waste Management Plan setting forth goals for waste management and reduction, the Members decided that “it would be to their mutual advantage and benefit to work together and share costs to plan and implement source reduction, recycling, composting, public education, household hazardous waste management, and other solid waste management programs, facilities, landfills, and collection services.”¹ The purposes of the Authority are set forth in the JPA:

- a. To acquire and manage the landfill assets of each Member and ensure long-term landfill capacity for the region;
- b. To provide a unified and coordinated solid waste management system for the Members, including efficient facility and program planning and development and comprehensive and cost-effective solid waste management services;
- c. To demonstrate a commitment to, and facilitation of, the development of the most efficient and cost-effective strategies for source reduction, achieving recycling goals, expanding composting and encouraging the establishment of market for recycled products and recycling industries; and
- d. To exercise all other appropriate powers reasonably necessary to carry out the purposes of the JPA.²

Pursuant to the JPA the Authority is a separate entity from each of its constituent Members, and is run by a separate Board of Directors (“Board”). The Board consists of nine members; three appointed by Salinas, two by the County, and one each by the remaining Members. Each Director is entitled to one vote, and five votes are required to do business; however, at least one of those five votes must be by a Salinas representative. Thus Salinas has

¹ Exhibit 2, JPA, at page 1, Recitals D and E. A variety of sources are cited herein. All cited pages from each specific source are grouped together as numbered Exhibits. For example, the cited pages from the JPA are enclosed as Exhibit 2. The initial citation to each Exhibit shall indicate the specific source; thereafter the citation shall be only to the Exhibit with further identifying information, such as a page, paragraph or section number.

² Exhibit 2 at page 2, paragraph 1.

an effective veto, and exercises significant control or influence over the business of the Board and the activities of the Authority.³

The JPA authorized the Authority to acquire the various solid waste disposal assets of the Members, including, but not limited to, the Crazy Horse Landfill owned by Salinas, and the Johnson Canyon, Jolon Road, and Lewis Road Landfills, owned or controlled by the County. Exhibit A to the JPA set out the terms of acquisition of these assets: the Authority would pay \$8 million to the City of Salinas for the acquisition of the Crazy Horse Landfill, but the County would essentially receive nothing for its transferred assets.⁴

2. The Crazy Horse Landfill Installment Purchase Agreement

In furtherance of the Crazy Horse Landfill purchase, in August of 1997 Salinas and the Authority entered into an Installment Purchase Agreement (“IPA”) in the principal amount of \$8,000,000. The IPA carried an interest rate of 7.91%, and called for level payments of approximately \$700,000 per year over 30 years. The principle and interest components of the payment varied over time, with an interest component starting at approximately \$631,500 in 1998 and ending at approximately \$29,500 in 2027. Interest payments would total

³ Exhibit 3, Official Statement, Salinas Valley Solid Waste Authority Revenue Bonds, Series 1997 (“1997 OS”), page 13. (An “Official Statement” is the equivalent of a prospectus for a corporate bond issuance or stock offering, and sets forth facts upon which potential purchasers of municipal bonds rely when deciding whether to purchase the securities. Pursuant to federal securities regulations, the representations in the OS are required to be materially accurate.) The 1997 OS also states that the County has “significant influence” over the activities of the Authority, but that statement is difficult to justify based upon the structure of the Authority which requires that to do business, one Salinas vote is always required; the County has no equivalent voting advantage (nor does any other Member for that matter). The 1997 OS also noted that, at the time, the day-to-day activities of the Authority were carried out by Salinas staff, and that the Acting Executive Director of the Authority was the Salinas City Manager. Exhibit 3 at page 13. The source of much of the information for the 1997 OS is an accompanying Report on Solid Waste Projects prepared by the Authority’s Consulting Engineer, Brown, Vence & Associates (the “1997 Engineer’s Report”).

⁴ Exhibit 2 at Exhibit A thereto, “City of Salinas Landfill Transfer of Ownership Requirements,” Item 3.3; Salinas Crazy Horse Landfill Preliminary 18 month budget, “Capital Projects,” “Crazy Horse purchase;” Monterey County Landfill Preliminary 18 month budget. Exhibit A to Exhibit 2 also called for the Authority to pay to the County “\$2,500,000.00 or such other amount as is prudent or necessary to allow the authority [sic] to fund certain obligations of the Authority for no more than three years from the date escrow closes on the sale of the landfills to the Authority.” This amount was to be deposited into an escrow account to be used by the Authority for its costs or obligations. Exhibit A to Exhibit 2, County of Monterey Landfill Transfer of Ownership Requirements, Item 5.3 Financing Arrangement. Thus, unlike Salinas, the County did not receive any compensation for the transfer of its assets to the Authority. The 1997 OS states that “due to the unique nature of the parties and transactions, the Authority makes no representations as to whether [these landfills transfers] occurred at arms length or at fair market value.” Exhibit 3 at page 13.

approximately \$13,000,000 for a total payment (including the \$8,000,000 in principal) of approximately \$21,000,000.⁵ The Authority could prepay all or a portion of the balance due with a prepayment premium of 1% of principal if prepaid prior to March of 2003.⁶

3. The Waste Delivery Agreement

In about September of 1997, each Member entered into a Waste Delivery Agreement with the Authority. These agreements obligated the Members to cause all waste collected by them or their franchise haulers to be delivered to the Authority's facilities.⁷ This "flow control" was designed to ensure maximum revenues to the Authority. The Waste Delivery Agreements were an important prerequisite to the issuance of revenue bonds by the Authority in order to raise capital for projects. In the Waste Delivery Agreement the Authority covenanted to provide solid waste disposal services, but also to "exercise all reasonable efforts to minimize the costs incurred [in providing such services]."⁸

4. The Series 1997 Revenue Bonds

At about the same time, in November of 1997, the Authority issued its first series of revenue bonds, the Series 1997 Revenue Bonds ("1997 Bonds") in the principal amount of \$9,060,000 payable over 30 years (final maturity in 2027). The bonds were issued to fund various projects associated with the operation of the solid waste landfill system acquired by the Authority and to be operated by it, including a gas collection and flare system, and landfill liner for the Crazy Horse Landfill, and a partial liner for the Johnson Canyon Landfill.⁹ Also included would be various costs of bond issuance.¹⁰ The bonds were issued in various maturities and ranged in interest rates from a low of 4.40% for a maturity in 1999, to a high of 5.80% for a maturity in 2027. These rates were consistent with the yield for a 30-year high grade municipal bond issued in 1997 (5.50%), being slightly lower than the yield on a 30-year U.S. Treasury bond (6.50%), and significantly lower than a corporate bond (7.26%) issued at the same time.¹¹ The rates on the 1997 Bonds are significantly lower than the rate given to Salinas for the purchase of the Crazy Horse Landfill.

The 1997 OS also included a forecast of waste deliveries to the Authority's system through 2028 on a fiscal year ("FY") basis. For FYs 1998/99, 1999/00, and 2000/01 the forecast was for 202,729 tons, 200,495 tons, and 193,652 tons, respectively. Beginning in FY 2012/13 the forecast called for delivery of approximately 230,000 tons of waste, with that rate increasing through FY 2027/28 with a forecast high of approximately 287,000 tons.¹² The forecast of waste delivery is significant in that repayment of the Series 1997 Revenue Bonds was pledged from the

⁵ Exhibit 4, IPA at pages 1 – 3, and Exhibit C thereto.

⁶ Exhibit 4 at pages 4-5, Section 311

⁷ Exhibit 5, Waste Delivery Agreement, at pages 4 – 5, Section 2.1.

⁸ Exhibit 5 at pages 5 – 6, section 2.2 (a).

⁹ Exhibit 3 at pages 2-3.

¹⁰ Exhibit 3 at page 3.

¹¹ See, Exhibit 6.

¹² Exhibit 3 at page 25.

net revenues of the Authority, which are based on revenues primarily from the delivery of waste (“tipping fees”) minus operating expenses.¹³ In theory, because the repayment of the bonds was fixed over time, the tipping fee charged by the Authority could be inversely proportional to the amount of waste delivered; the more waste delivered the lower the tipping fee.¹⁴

The 1997 OS also discussed competition for waste delivery. At the time, the Authority’s tipping fee was \$39 per ton for waste delivered from all Members except Salinas, for which the tipping fee was \$23.30 per ton until January of 2000. In January of 2000 the Authority’s tipping fees were to be equalized, resulting in an approximate \$40 per ton fee for waste delivered from all Members.¹⁵ The 1997 Engineer’s Report noted that, assuming the \$40 per ton equalized rate, “the Authority landfills will continue to be a more economical alternative than [Monterey Regional Waste Management District’s] Marina Landfill,” for which the tipping fee was approximately \$39 per ton.¹⁶

Citing the 1997 Engineer’s Report, the 1997 OS stated the following with respect to the potential for waste disposal competition: “The Authority believes that the tipping fees charged by the Authority are, and will continue to be competitive with other waste disposal sites which potentially could be utilized by waste haulers in the Authority service area, . . .”¹⁷ The 1997 OS went on to point out that factors outside the control of the Authority could affect the relation between the Authority’s fees and those of its competitors, making the alternative disposal locations more cost effective.¹⁸ The 1997 Engineer’s Report concluded “[t]he competition should not interfere with the Authority’s ability to attract sufficient waste over the term of the bonds.”¹⁹

The 1997 Bonds were accompanied by a Master Indenture (“1997 Master Indenture”) between the Authority and the Trustee (BNY Western Trust Co.) on behalf of the purchasers of

¹³ Exhibit 3 at page iii, “Security and Source of Payment for the Series 1997 Bonds.” This description is an oversimplification. At the time, the Authority did not operate the landfills, and shared a portion of the tipping fee at each with the operator. In the case of the Crazy Horse Landfill, the Authority received a percentage of the tipping fee, characterized as the “Crazy Horse Landfill Surcharge.” The Authority anticipated that the relationship with the operators would change in the future and that it would receive all tipping fee revenue. Exhibit 7, 1997 Engineer’s Report, at pages 5-4 through 5-8.

¹⁴ This assumed, of course, relatively constant operating costs. Covenants associated with the issuance of the 1997 Bonds also required the Authority to maintain net revenues equaling 120% of debt service. This ensured sufficient total revenues at any one time to pay debt service and cover operating costs.

¹⁵ Exhibit 7 at pages 3-13 through 3-16.

¹⁶ Exhibit 7 at pages 3-13 through 3-16.

¹⁷ Exhibit 3 at page 27.

¹⁸ Exhibit 3 at page 30.

¹⁹ Exhibit 7 at page 3-16

the securities.²⁰ The 1997 Master Indenture contained numerous covenants with respect to the 1997 Bonds. One of those covenants was to maintain “competitive” tipping fees: “The Authority will, to the extent permitted by law, use its best efforts and take whatever actions are within the scope of its powers to insure that the tipping fees charged by the Authority for the disposal of solid waste remain competitive with the tipping fees charged by other operations similar to [the Authority in the Authority’s vicinity]; *provided, however*, [this covenant does not affect] the obligation of the Authority to set rates, charges and tipping fees to generate Net Revenues as required by the [1997 Master Indenture]” (emphasis in original).²¹

Considering the statements in the 1997 OS and the 1997 Engineer’s Report, the import of this covenant is readily apparent; while required to maintain a certain level of Net Revenues, the Authority is required to maintain competitive tipping fees in order that other disposal facilities in the area do not become an attractive option for the Members, which would present a risk that the gross revenues (and thus Net Revenues) available to the Authority would be reduced.

5. The Series 2002 Revenue Bonds

In 2002, the Authority issued a second series of revenue bonds (“2002 Bonds”) in the principal amount of \$39,845,000 payable over 30 years (final maturity in 2031). The bonds were issued to refund the remaining balance on the 1997 Bonds (approximately \$8,000,000), pre-pay to Salinas a portion of the IPA (approximately \$3,422,000), and, along with other revenues available to the Authority, fund various projects associated with the operation of the Crazy Horse, Johnson Canyon, Lewis Road and Jolon Road Landfills, and acquire a transfer station located in Salinas.²² Also included would be various costs associated with planning for long term disposal capacity, and costs of bond issuance.²³ The bonds were issued in various maturities and ranged in coupon rates from a low of 3.70% for a maturity in 2008, to a high of 5.625% for maturities in 2015 – 2018. The bonds were sold with varying premiums and discounts with yields ranging from 3.25% to 5.48%.²⁴

The 2002 OS also included a summary of historical waste deliveries to Authority facilities since the issuance of the 1997 Bonds and an updated forecast of waste deliveries to the Authority’s system through FY 2031/32. For FYs 1998/99, 1999/00, and 2000/01, the historical data was better than the forecast in the 1997 OS.²⁵ The updated forecast showed significant increases in anticipated tonnage over the forecast in the 1997 OS. Beginning in FY 2012/13 the

²⁰ An indenture is essentially a contract between the issuer of securities and the trustee (on behalf of the purchasers) through which the issuer makes certain promises (covenants) in order to provide security to the purchasers that the debt service will be paid.

²¹ Exhibit 8, 1997 Master Indenture, at page 33, Section 4.16.

²² Exhibit 9, 2002 OS, at page 21-22. A detailed list of the projects was included at Exhibit A to the Tax Certificate for the Series 2002 Revenue Bonds, which is attached hereto as Exhibit 10.

²³ Exhibit 9 at pages 6, 23.

²⁴ Exhibit 9 at Cover.

²⁵ Compare Exhibit 9 at page 33, Table 1 with Exhibit 3 at page 25, Table 5.

updated forecast called for delivery of approximately 269,000 tons of waste, with that rate increasing through FY 2031/32 with a forecast high of approximately 357,000 tons.²⁶

As did the 1997 OS, the 2002 OS discussed competition for waste delivery. In 2002 the Authority's tipping fee had increased to \$43 per ton for waste delivered from all Members.²⁷ The 2002 Engineer's Report noted that the District's tipping fee remained at approximately \$39 per ton, a lower fee than the Authority's.²⁸ Nevertheless, the 2002 Engineer's Report opined that, for a variety of reasons, the District's lower tipping fee would not cause the Members to redirect waste to the Marina Landfill. One of those reasons was that the Member doing so would be responsible for certain costs "including repaying its pro rata share of its Authority debt."²⁹ Similar to the 1997 Engineer's Report, the 2002 Engineer's Report concluded "[t]he competition should not interfere with the Authority's ability to attract sufficient waste over the term of the Bonds."³⁰

The 2002 OS, similar to the 1997 OS, stated the following with respect to the potential for competition for waste disposal: "The Authority believes that the tipping fees charged by the Authority are, and will continue to be competitive with other waste disposal sites which potentially could be utilized by waste haulers in the Authority service area, . . ."³¹ Also similar to the 1997 OS, the 2002 OS went on to point out that factors outside the control of the Authority could affect the relation between the Authority's fees and those of its competitors, making the alternative disposal locations more cost effective.³²

The 2002 Bonds utilized the same Master Indenture as the 1997 Bonds, supplemented by a Second Supplemental Indenture executed in 2002 ("2002 Supplemental Indenture"). Thus the same covenants applicable to the 1997 Bonds, including the covenant to maintain "competitive" tipping fees, were applicable to the 2002 Bonds.³³

The pre-payment to the City of Salinas of a portion of the IPA (which included a 1% pre-payment penalty) left a principle balance due of approximately \$4,168,000. Pursuant to the IPA, a new debt service schedule was created that reduced the level annual payments to approximately \$385,000 through 2027. Not including the September 2002 pre-payment totals, the revised total of interest payable to Salinas was approximately \$5,459,000, for a total of remaining principal and interest of approximately \$9,627,000.³⁴

²⁶ Compare Exhibit 9 at page 34, Table 2 with Exhibit 3 at page 25, Table 5.

²⁷ Exhibit 11, 2002 Consulting Engineer's Report (Brown, Vence & Associates) ("2002 Engineer's Report") at page 3-16.

²⁸ Exhibit 11 at page 3-19, Table 3-6.

²⁹ Exhibit 11 at page 3-16 – 3-17.

³⁰ Exhibit 11 at page 3-17.

³¹ Exhibit 9 at page 36.

³² Exhibit 9 at pages 36-38.

³³ Exhibit 12, 2002 Second Supplemental Indenture, at page 1, Recitals, and page 8, section 2.06 (a); Exhibit 8 at page 33, Section 4.16.

³⁴ Exhibit 13, Revised IPA Payment Schedule.

6. The County's Notices of Intent to Withdraw

Each of the JPA and Waste Delivery Agreements contain similar provisions regarding the ability of Members to withdraw from each. The JPA states:

- (a) A [Member] may not withdraw from the Authority for a period of 15 years after the execution of the Agreement. After the 15-year initial period, a [Member] may withdraw by a majority vote of the governing body thereof giving to the other [Members] one year's written notice of such intention to withdraw, so long as all revenue bonds or other forms of indebtedness issues pursuant hereto, and the interest thereon, shall have been paid or adequate provision for such payment shall have been made in accordance with the resolution (or indenture) adopted by the Authority Board pursuant to the law authorizing [the debt]. The [Member] withdrawing from the [JPA] will retain its fair share of financial liability for closure and post-closure and site remediation costs based on the tons of material it has contributed to the Authority's solid waste system and as determined by the Authority in its sole discretion and such determination of the Authority shall be binding on the [Members]. The [Member] withdrawing shall be afforded the same rights and ability to use Authority facilities and service as any other governmental jurisdiction which is not a [Member].
- (b) Upon receipt of a [Member's] one year [Notice of Intention], the [remaining Members] shall meet and prepare appropriate amendments to this Agreement to reflect the changed membership status. Such amendment shall become effective upon the effective date of the [Member's] withdrawal.³⁵

The initial 15-year period referenced in the JPA expired on or about January of 2012.

The Waste Delivery Agreement provides:

- (a) The County may not withdraw from this Agreement so long as it remains a [Member].
- (b) Should the County cease to be a [Member], the County may withdraw from this Agreement by a majority vote of the governing body thereof giving to the Authority one year's written notice of such intention to withdraw, so long as all revenue bonds or other forms of indebtedness issues pursuant hereto, and the interest thereon, shall have been paid or adequate provision for such payment shall have been made in accordance with the resolution (or indenture) adopted by the Authority governing board pursuant to the law authorizing [the debt].³⁶

³⁵ Exhibit 2 at page 10, paragraph 19.

³⁶ Exhibit 5 at page 6, Section 3.1 (a) and (b)

Pursuant to these provisions, the County delivered to the Authority and the Members in July of 2012 Notices of Intent to withdraw first from the Authority and then from the Waste Delivery Agreement. The one year notice period for each passed on July 13 and 16, 2013, respectively, and the County is may now make a decision with respect to actual withdrawal.

The County believes that a reasonable interpretation of these provisions is that it may withdraw without payment of any kind to the Authority for debt service. The purpose of the one year advance notice is for the remaining Members to address how the indebtedness is to be paid, which could be from issuing refunding bonds based on the new circumstances, reducing costs, or raising fees, thus the obligation to meet and prepare amendments to the JPA. Notwithstanding this interpretation, the County is prepared to commit to pay to the Authority, in either a lump sum or in annual installments, its proportionate share of current indebtedness, and also continue to pay its share of other long term liabilities (e.g., closure and post-closure costs). This payment could be accomplished in several ways, but likely would come from a special fund created to receive from its franchise waste hauler the difference between established residential and commercial rates and a tipping fee to be negotiated with the District. This special fund would be sufficient to pay either on an annual basis, or potentially be capitalized to make a one-time payment. The County's payment(s), along with the continued collection of tipping fees from waste delivered from the remaining Members, would be sufficient to pay current debt service. Thus, in the County's opinion, adequate provision will be made for the continued payment of the Authority's indebtedness.

We understand that the Authority disputes that the County currently has the ability to withdraw, and may not do so unless all current indebtedness is paid off in full.

7. The Series 2013 Revenue Bonds

Beginning in about 2012, the Authority began looking in earnest at refinancing the 2002 Bonds and paying off the balance due on the IPA. Ostensibly, the Authority looked to take advantage of lower interest rates to achieve savings. A staff report from the August 16, 2012, Authority agenda item no. 12, "Refinancing of 2002 Revenue Bonds," noted that, provided the Authority maintained an A+ Standard and Poor's rating, the 2002 Bonds could be refinanced at an interest rate of 3.75%, achieving annual savings of \$210,000 over 19 years, or \$2,800,000 if "taken up front." It was also noted that paying off the IPA at a similar interest rate could save an additional \$60,000 per year.³⁷

A further report was received by the Authority Board in May of 2013. At that time expected interest rates had fallen to 3.46%, resulting in annual savings of \$288,000 over the remaining life, or \$3,700,000 if "taken up front." It appears from the discussion that the Authority does not intend to use the savings to lower tipping fees, but rather would use the savings, either on an annual "pay-as-you-go" basis or "taken up front," for other capital projects.³⁸

³⁷ Exhibit 14, August 16, 2012, Authority meeting agenda report and Meeting Highlights.

³⁸ Exhibit 15, May 16, 2013, Authority meeting agenda report, "Next Steps for Refinancing of 2002 Revenue Bonds and Installment Purchase Agreement."

The Authority has prepared a draft of an Official Statement for the proposed refinance, called a “Preliminary Official Statement” or “POS” (“2013 POS”). The 2013 POS is for a proposed issuance of revenue bonds in a preliminary principal amount of \$35,090,000 (“2013 Bonds”). The 2013 Bonds would be issued in 2 series, one for which the interest is tax-exempt and one for which the interest is taxable. The taxable series would serve to pay off the IPA, and provide Salinas with a lump sum payment of approximately \$3,225,000.³⁹

The 2013 Bonds will also be accompanied by a Master Indenture (“2013 Master Indenture”) between the Authority and a new Trustee (Bank of New York Mellon Trust Company N.A.). The draft 2013 Master Indenture contains the “competitive tipping fee” covenant identical to that in the 1997 Master Indenture (that also applied to the 2002 Bonds): “The Authority will, to the extent permitted by law, use its best efforts and take whatever actions are within the scope of its powers to insure that the tipping fees charged by the Authority for the disposal of solid waste remain competitive with the tipping fees charged by other operations similar to [the Authority in the Authority’s vicinity]; *provided, however*, [this covenant does not affect] the obligation of the Authority to set rates, charges and tipping fees to generate Net Revenues as required by the [2013 Master Indenture]” (emphasis in original).⁴⁰

The 2013 POS discusses historical and projected waste deliveries. The historical data shows that deliveries to Authority facilities from within the service area were significantly less than projected in the 2002 OS.⁴¹ In order to obtain more tonnage, the Authority in FY 2003/04 began receiving out of County waste (the “South Valley” waste). Even with this additional tonnage, the Authority was falling short of projections beginning in FY 2009/10.⁴² The South Valley waste is to cease being delivered during calendar year 2014, and projected deliveries through 2021 are only 166,500 tons, almost one-half that projected back in 2002.⁴³

The 2013 POS also discusses competition and the County’s Notices of Intent. For the first time, it was acknowledged that “if a major price differential between Authority and non-Authority landfills were to develop, it is conceivable that one or more Members may consider other, more cost-effective disposal options. The competing alternative would likely need to be a significant savings for a jurisdiction to consider withdrawing from the Authority and breaching its contractual obligations or complying with prepay obligations.” Nevertheless, the 2013 POS concludes that the Authority will continue to be competitive.⁴⁴

³⁹ Exhibit 16, 2013 POS, at “Series 2013 Preliminary Maturity Schedule” and page 1, “Purpose.”

⁴⁰ Exhibit 17, Draft 2013 Master Indenture, at page 33, Section 4.16.

⁴¹ Exhibit 16 at page 24, Table 1. For example, in 2002 it was projected that the Authority would receive in FY 2006/07 245,721 tons of waste, but the historical data shows a delivery of only 222,906 tons. For FY 2012/13 it was forecast that 268,682 would be delivered, but only 166,500 was delivered. Compare, Exhibit 9 at page 34, Table 2 with Exhibit 16 at page 24, Table 1.

⁴² Compare Exhibit 9 at page 34, Table 2 with Exhibit 16 at page 24, Table 1.

⁴³ Compare Exhibit 9 at page 34, Table 2 with Exhibit 16 at page 24, Table 2.

⁴⁴ Exhibit 16 at page 26, “Competition.”

With respect to the County's potential withdrawal, the 2013 POS noted that the County had delivered the Notices of Intent, and that, as a result of discussions, "the Authority agreed to not spend any of the savings from the bond refunding until a comprehensive solid waste management study is conducted" to assess the most effective and cost efficient manner of waste disposal in the County.⁴⁵ The 2013 POS also noted that "[t]he actual withdrawal of a Member would likely be subject of litigation and could have a material adverse impact on the finances and operations of the Authority and a negative impact on the ratings of any Authority bonds and the market price of such bonds (including the Series 2013 Bonds)."⁴⁶

8. Options

As discussed in the main Board Report and shown on Attachments B and C thereto, since about FY 2005/06 the Authority's tipping fee net of long term liability costs (closure and post-closure) ("Net Fee") has grown such that by the FY ending June 30, 2013, the Authority's Net Fee is slightly more than the District's; the differential being \$1.42. Beginning in January of 2014, however, the disparity grows significantly. At that time the Authority's Net Fee for the unincorporated area will rise to \$61.67 per ton, and the difference will rise to \$9.92. In FY 2018/19, when the Authority's Net Fee is projected to rise to \$90.70 per ton (Net Fee plus AB 939 cost), the disparity will be \$33.56.⁴⁷ Staff believes it is possible to negotiate a long term agreement with the Monterey Regional Waste Management District ("District") for disposal of all solid waste from the unincorporated County that will create even a greater differential in the tipping fees, and that it is possible to reach agreement with the County's franchise hauler, Waste Management, Inc., to transport such waste at no additional cost due to efficiencies that can be implemented in hauling patterns. Using such arrangements, the County should be able to, as the 2002 Engineer's Report noted, pay its pro rata share of the Authority's debt and provide for its long term liability obligations, all while stabilizing rates for customers in the unincorporated County and not subjecting them to the projected steep rise in the Authority's tipping fees.

Staff believes there are discretionary projects within the Authority's Strategic Plan, and discretionary items in the Authority's operational budget, the deletion of which could result in lower tipping fees more competitive with those of the District. The projected savings from the bond refinance could also be used to lower operational costs rather than invest in additional capital projects. While these are business decisions of the Authority, current circumstances have made the potential discussed in the 2013 POS, about more cost effective disposal options being presented, come true.

Accordingly, the County has a number of options with respect to the request of the Authority to rescind its Notices of Intent and approve the 2013 Bonds. As listed in the main

⁴⁵ Exhibit 16 at page 35, "Withdrawal of Members."

⁴⁶ Exhibit 16 at page 35, "Withdrawal of Members."

⁴⁷ Please note, as mentioned the Authority's Net Fee does not include \$17.33 of long term liabilities that are built into the published Tipping Fee (Slide 9 from Authority's presentation to Board of Supervisors, April 30, 2013). If these amounts are included, the disparity between the Authority's fees and the District's are even greater.

body of the Board Report these are:

- a) Rescind the Notices of Intent and approve the 2013 Bonds with conditions;
- b) Rescind the Notices of Intent but not approve the 2013 Bonds;
- c) Not rescind the Notices of Intent but approve the 2013 Bonds, and instruct staff to return in December of 2013, with a date certain for withdrawal from the Authority and other necessary actions; or
- d) Not rescind the Notices of Intent, not approve the 2013 Bonds, and instruct staff to return in December of 2013, with a date certain for withdrawal from the Authority and other necessary actions.

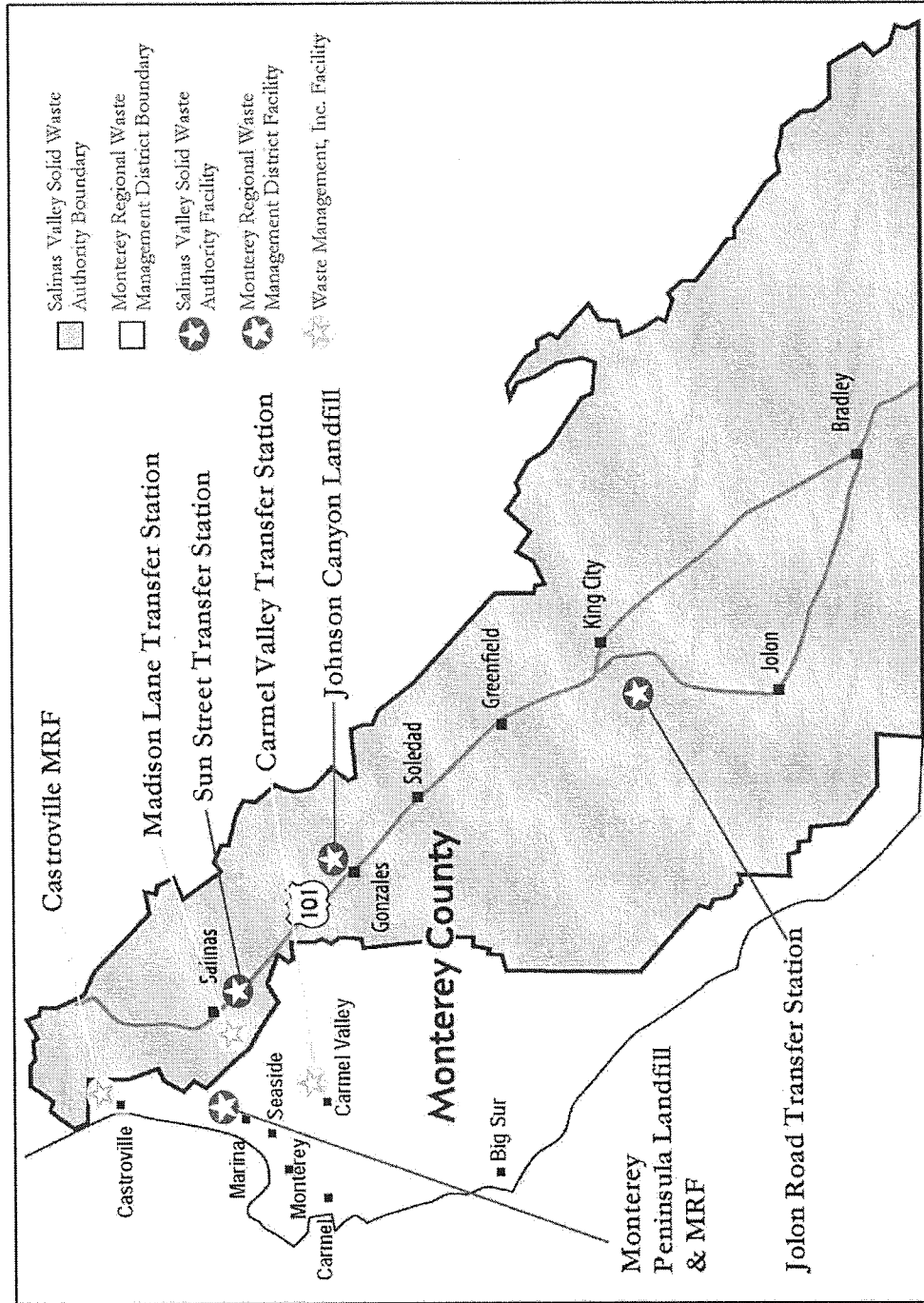
With respect to Option a), the County could condition approval on a variety of conditions; acceptance of those conditions would be up to the Authority Board. The draft Resolution enclosed with the Board Report as Attachment D has three conditions: 1) that the Authority not raise rates following the implementation of a previously approved increase in the unincorporated area on January 1, 2014, for a period of 18 months (unless the County's 2 representatives to the Authority approve); 2) that the Authority participate in and fund a fair share of the Regional Study mentioned in the 2013 POS; and 3) that the Authority not invest in an autoclave or other experimental/developmental waste disposal technologies (also unless the County's 2 representatives approve). Staff believes these conditions will stabilize rates until the results of the Regional Study are received and considered.

Because the County is under no duty to approve the 2013 Bonds, it may, as described in Option b), rescind the Notices of Intent, but not approve the 2013 Bonds. If the County desires to withdraw from the Authority but still permit it to take advantage of potential interest rate savings, the County could follow Option c). Staff would need to return to the Board for approval of a long term agreement with the District, as well as the funding mechanism to allow it to meet any prepayment obligations. The County could benefit from the refinance in that the prepayment amounts would be lower considering interest rate savings. The Board would announce a date in the future at which time it will withdraw, after all preparations have been made.

Finally, under Option d), the County could pursue withdrawal but not approve the 2013 Bonds.

EXHIBIT 1
to
ATTACHMENT A

SVSWA and MRWMD JPA Boundaries



Map partially provided by the Salinas Valley Solid Waste Authority

Map not to scale. Locations are approximate

EXHIBIT 1
To
ATTACHMENT A

EXHIBIT 2
to
ATTACHMENT A

Agreement No. A-07261

JOINT POWERS AGREEMENT BETWEEN THE CITY OF SALINAS,
THE CITY OF GONZALES, THE CITY OF GREENFIELD, THE CITY OF KING, THE
CITY OF SOLEDAD, AND THE COUNTY OF MONTEREY CREATING
THE SALINAS VALLEY SOLID WASTE AUTHORITY

This Agreement is made and entered into by and between the following public entities:

- (a) CITY OF SALINAS ("Salinas"), a municipal corporation;
- (b) CITY OF GONZALES ("Gonzales"), a municipal corporation;
- (c) CITY OF GREENFIELD ("Greenfield"), a municipal corporation;
- (d) CITY OF KING ("King"), a municipal corporation;
- (e) CITY OF SOLEDAD ("Soledad"), a municipal corporation; and
- (f) COUNTY OF MONTEREY ("County"), a political subdivision of the State of California.

RECITALS:

A. Each of the Parties to this Agreement is a local government entity functioning within the Salinas Valley, in Monterey County, California.

B. Pursuant to Title 1, Division 7, Chapter 5, Article 1 (Section 6500, *et seq.*) of the Government Code of the State of California, commonly known as the Joint Exercise of Powers Act (the "JPA Act"), two or more public agencies may, by Agreement, jointly exercise any power in common to the contracting Parties.

C. Each of the Parties to this Agreement has the power, in addition to other powers which are common to each of them, to undertake and perform: solid waste planning and program management, including collection services and siting; the development, construction, and operation of solid waste facilities, including materials recovery facilities for the recovery of recyclable and compostable materials; and the transfer and disposal of solid waste generated within each of the Parties' jurisdictional boundaries.

D. The California Integrated Waste Management Act of 1989 (the "Act") requires the preparation of the County Integrated Waste Management Plan which includes: Source Reduction and Recycling Elements and Household Hazardous Waste Elements prepared by each jurisdiction; a Countywide Integration Summary; and a Countywide Siting Element.

E. The Parties find that it would be to their mutual advantage and benefit to work together and share costs to plan and implement source reduction, recycling, composting, public education, household hazardous waste management, and other solid waste management programs, facilities, landfills, and collection services.

F. It is the desire of the Parties to use any power that they have in common which is reasonably necessary and appropriate to aid in the accomplishment of these goals.

AGREEMENT

NOW, THEREFORE, based upon the mutual promises contained in this Agreement, the Parties agree as follows:

1. PURPOSE: The purpose of this Agreement is to establish a joint powers authority to be known as the SALINAS VALLEY SOLID WASTE AUTHORITY for the purpose of:

- (a) acquiring and managing the landfill assets of each jurisdiction and ensuring long-term landfill capacity for the region;
- (b) providing a unified and coordinated solid waste management system for the Cities and the County, including efficient facility and program planning and development and comprehensive and cost-effective solid waste management services;
- (c) demonstrating a commitment to, and facilitation of, the development of the most efficient and cost-effective strategies for source reduction, achieving recycling goals, expanding composting and encouraging the establishment of markets for recycled products and recycling industries; and
- (d) exercising all other appropriate powers reasonably necessary to carry out the purpose of this Agreement.

2. ESTABLISHMENT OF THE AUTHORITY: There is hereby established pursuant to the JPA Act an Authority which shall be a public entity separate from the Parties to this Agreement. The name of said Authority shall be the SALINAS VALLEY SOLID WASTE AUTHORITY (the "Authority"). The boundaries of the Authority shall be coextensive with the boundaries of the cities of Salinas, Gonzales, Greenfield, King, and Soledad, and the unincorporated areas of Monterey County (excluding those portions of the unincorporated areas that are within the boundaries of the Monterey Regional Waste Management District).

3. MEMBERSHIP OF THE GOVERNING BOARD: The Authority shall be governed by a nine member Board of Directors (the "Authority Board") composed of three (3) members of the Salinas City Council, two (2) members of the Monterey County Board of Supervisors and one (1) member from each of the city councils of Gonzales, Greenfield, King, and Soledad. Each of the members appointed from the Monterey County Board of Supervisors shall be supervisors whose districts are at least in part within the service boundaries of the Authority.

④ VOTES: Each Party to this Agreement shall appoint its respective representative or representatives to serve as a member or members on Authority Board. Each member shall have one (1) vote. Five (5) votes shall be required for any action of the Authority Board and one (1) of the five (5) votes must be from a representative from Salinas.

5. QUORUM: Five (5) members of the Authority Board shall constitute a quorum for the transaction of business, except that less than a quorum may vote to adjourn a meeting.

6. TERMS OF OFFICE: The term of office of each member of the Authority Board shall be one year and shall not exceed the term of the elective office which the member holds.

7. ALTERNATES: Each Party may, in addition to their respective regular appointments, appoint one or more elected officials who will serve as alternate appointees and members of the Authority Board and each such alternate appointee and member shall be empowered to cast votes in the absence of a regular appointee and member or in the event of a disqualification to vote because of conflict of interest. Each alternate appointed shall be a member of the governing body of the Party making such appointment.

8. OFFICERS OF THE AUTHORITY BOARD: At its first meeting and thereafter at the first meeting of each calendar year, the Board of Directors shall elect a President, Vice-President, and such other officers as the Authority Board shall find appropriate, to serve the Authority Board for a term of one year unless sooner terminated at the pleasure of the Authority Board. In the event the officer so elected ceases to be a Director, the resulting vacancy shall be filled at the next regular meeting of the Authority Board held following the occurrence of the vacancy. In the absence or inability of the President to act, the Vice-President shall act as President. The President, or in the absence of the President, the Vice-President, shall preside at and conduct all Authority Board meetings.

9. CHIEF ADMINISTRATIVE OFFICER: The Authority Board shall select a chief administrative officer to serve at its pleasure. The chief administrative officer shall be responsible to the Authority Board for the proper and efficient administration of the Authority as is or hereafter may be placed in the chief administrative officer's charge, or under the chief administrative officer's jurisdiction or control, pursuant to the provision of this Agreement, or of any ordinance, resolution, or order of the Authority Board. The chief executive officer shall file an annual bond in an amount specified by the Authority Board. In addition to the other powers and duties provided, the chief administrative officer shall have the power to:

- (a) Plan, organize, and direct all Authority activities under the policy direction of the Authority Board;
- (b) Enforce strict compliance with the approved annual budget and approve only expenditures authorized in the approved budget;

- (c) Hire and manage such staff as necessary to carry out the provisions of this Agreement;
- (d) Make recommendations to and requests of the governing board concerning all of the matters which are to be performed, done, or carried out by the Authority Board; and
- (e) Have charge of, handle, or have access to any property of the Authority, and shall make an inventory of all Authority property.
- (f) Make all books and records of the Authority in the Chief Administrative Officer's hands open to inspection at all reasonable times by members of the Authority Board or their representatives.

10. ADDITIONAL OFFICERS OF THE AUTHORITY:

- (a) Treasurer. The Authority Board shall select a Treasurer to serve at its pleasure. The Treasurer of the Authority shall be the depositor and have custody of all the money of the Authority from whatever source and shall comply strictly with the provisions of the statutes relating to the Treasurer's duties as provided by the JPA Act and shall file an annual bond in an amount specified by the Authority Board. The Treasurer shall ensure that all available cash on hand is at all times fully invested in a cash management program and investment portfolio pertaining thereto and ensure that sufficient liquidity is maintained to meet the Authority's cash disbursement needs.
- (b) Controller. The Authority Board shall appoint a Controller of the Authority to serve at its pleasure. The Controller shall advise the Authority Board in connection with any accounting, budgetary, monetary, or other financial matters relating to the Authority. The Controller shall file an annual bond in an amount specified by the Authority Board. The duties and responsibilities of the Controller include, but are not limited to, those duties set forth in the JPA Act and shall include the following:
 - (1) Establish with Authority Board approval of the annual budget format, accounts, and documentation pertaining to the budget and which most nearly reflect the objectives of the Authority;
 - (2) Establish and maintain the particular funds and accounts as required by generally accepted accounting practices applicable to public entities and which most accurately and appropriately record and report the operations of the Authority as represented by the annual budget document;
 - (3) Enforce strict compliance with the approved annual budget and approve only expenditures authorized in the approved budget;

(4) Make all books and records of the Authority in the Controller's hands open to inspection at all reasonable times by the members of the Authority Board or their representatives.

(c) Clerk. The Authority Board shall appoint a Clerk to serve at the pleasure of the Authority. The Clerk, at the discretion of the Authority Board, may be the Chief Administrative Officer or the Chief Administrative Officer's designee. The Clerk shall give notice of meetings of the Authority Board in accordance with the provisions of the Ralph M. Brown Act; keep minutes of the open meetings of the Authority Board; and otherwise retain, record, and maintain the official records, files; and documents of the Authority Board.

(d) Legal Counsel. The Authority Board shall appoint Authority Counsel to serve at the pleasure of the Authority Board. The Authority Board may appoint additional counsel to assist Authority Counsel or provide special services as may be required by the Authority Board. Authority Counsel shall attend meetings of the Authority Board as required to advise the Authority Board in connection with any legal matters relating to the Authority.

11. MEETINGS: The Authority Board shall provide for regular meetings and special meetings in accordance with the Ralph M. Brown Act, Chapter 9, Part 1, Division 2, Title 5, of the Government Code beginning with section 54950, or in accordance with such other regulations as the Authority Board may hereafter provide. The Authority Board may provide for meeting allowances for members or alternates in attendance at meetings. The Authority Board may adopt, from time to time, such rules and regulations, including by-laws, as the Authority Board may deem necessary or appropriate.

12. POWERS AND FUNCTIONS: The Authority shall have any and all powers authorized by law to any of the Parties hereto, and separately to the Authority herein created, relating, but not limited, to the:

(a) Acquisition, assumption, siting, licensing, construction, financing, disposition, condemnation, use, operation and maintenance of solid waste management facilities, transfer stations, landfills, transformation facilities, materials recovery facilities, composting facilities, and household hazardous waste facilities;

(b) Closure planning and construction, post-closure monitoring and maintenance, remediation, and demonstration of closure, post-closure and remediation financial assurance for Authority landfills;

(c) Provision of comprehensive solid waste management services, including, but not limited to, collection, transfer, disposal, source reduction, recycling, composting, and household hazardous waste programs;

- (d) Preparation of and implementation of solid waste management plans that meet all the requirements of the applicable regulatory agencies, including responsibility for setting diversion goals and paying fines;
- (e) Provision of public education and market development programs in support of the diversion programs;
- (f) Establishment of rates, fees, charges, or surcharges for collection, transfer, landfill, and materials recovery facilities, and special local fees and collection permittee fees. Rates, fees, charges, and surcharges shall be collected by direct billing at Authority facilities or by such other methods as the Authority Board may deem appropriate;
- (g) Granting of franchises, concessions, permits, licenses, and other rights and entitlements to, and entering into leases and contracts with, any person, firm, or corporation, or agency of any state and/or federal government;
- (h) Exercise of the power of eminent domain;
- (i) Applying for and receiving any available state and/or federal grants;
- (j) Issuing revenue bonds or other obligations as the Authority Board may deem appropriate and which are not debts, liabilities, or obligations of the Parties;
- (k) Review, comment, recommend, and take such action regarding mandatory collection ordinances and land use restrictions as described in Sections 17 and 18 of this Agreement.
- (l) Adopt by-laws.

Such powers shall include the common powers specified in this Agreement and may be exercised in the manner and according to the method provided in this Agreement. All powers common to the Parties are specified as powers of the Authority. The Authority Board is hereby authorized to do all acts necessary for the exercise of such powers, including, but not limited to, any or all of the following: to make and enter into contracts and franchises; to issue permits; to employ agents and employees; to lease, acquire, construct, provide for maintenance and operation, or maintain and operate, any buildings, works or improvements, to acquire hold or dispose of property wherever located; to incur debts, liabilities, or obligations; to receive gifts, contributions, and donations of property, funds, services and other forms of assistance from persons, firms, corporations and any governmental entity; and to sue and be sued in its own name; to sell off assets and accrue revenues; generally to do any and all things necessary or convenient to provide reasonable options for the management of solid waste collection, transfer, disposal and diversion activities.

Without limiting the foregoing generality, the Authority may:

- (m) Acquire and dispose of all kinds of property and utilize the power of eminent domain;
- (n) Issue, or cause to be issued, bonded and other indebtedness, and pledge any property or revenue as security to the extent permitted by law under Article 2, Chapter 5, Division 7, Title 1 (commencing with section 6540) of the Government Code or otherwise including, but not limited to, bonds or other evidences of indebtedness of a nonprofit corporation issued on behalf of the Authority or any of its Parties;
- (o) Obtain in its own name all necessary permits and licenses, opinions, and rulings;
- (p) Exercise flow control, to the extent permitted by law under Title 7, Division 30, Chapter 1, Article 2, (commencing with section 40059) of the Public Resources Code, to deliver or cause to be delivered all of the solid waste collected within and by or under contract to or under permit with the cities of Salinas, Gonzales, Greenfield, King and Soledad, County or Authority, to the landfills, transfer stations, materials recovery facilities, or any other solid waste facilities as directed by the Authority Board. The Authority Board shall exercise flow control such that no Party to this Agreement or franchised or permitted collector shall suffer undue economic hardship where any such Party or collector operates resource recovery facilities in conjunction with its collection operation;
- (q) Perform such services on behalf of the Parties as the Parties, either jointly or severally, may request.

13. ASSUMPTION OF PROGRAM RESPONSIBILITIES: The Authority agrees to acquire ownership of and assume exclusive responsibility for managing landfill assets and convenience stations of the Parties, including the Crazy Horse Canyon Landfill, the Johnson Canyon Landfill, the Jolon Road Solid Waste Facility, the Lewis Road Landfill, the San Ardo County Convenience Station, and the Bradley County Convenience Station. The exclusive responsibility for managing landfill assets and convenience stations includes, but is not limited to, the establishment of rates, fees, charges, and surcharges for the use of such facilities, and ongoing and potential liability for site remediation for each landfill asset and convenience station. Each of the Parties owning such landfill assets and convenience facilities agrees to sell such assets and facilities to the Authority and to take such actions as may be necessary or convenient to ensure that the Authority Board has the authority to establish rates, fees, charges, surcharges pursuant to any agreement, license, permit, franchise, ordinance, or resolution as provided pursuant to this Agreement. Acquisition, sale, and purchase of such assets will be consistent with the terms generally described in Exhibit "A" to this Agreement. It is anticipated that a portion or all of the costs of conveyance will be financed through the issuance of debt subject to the powers of this Authority as described in this Agreement. Upon execution of this Agreement, or as soon thereafter as practical, the Parties and the Authority Board shall open an escrow, consistent with the terms described in Exhibit "A", for the transfer of the described assets and facilities. The Parties and the

Authority Board shall diligently pursue, perform, and complete all of the terms and conditions of escrow in order to ensure that escrow closes in a timely manner. Except for the failure of the Authority Board to arrange or otherwise acquire necessary financing to finance the acquisition of the assets and facilities, such assets and facilities shall be conveyed to the Authority. Upon conveyance of the above assets, the Authority will be solely responsible for the processing of all necessary or desirable permits, licenses, rulings, or any other entitlements, including, but not limited to appropriate environmental assessments, related to the operation of the conveyed landfill assets and convenience stations. The Authority will not assume responsibility for the following programs unless assigned by a Party to this Agreement and agreed to by the Authority Board governing board: collection, preparation of annual reports or integrated waste management plans, liability for fines for a jurisdiction's failure to meet its diversion goals, regional diversion projects, public education, household hazardous waste programs, small quantity generator programs, or billing. In the event the Authority Board assumes such responsibility, the Authority shall only be responsible for obligations or liabilities that arise or occur after the Authority Board agrees to such assignment. The Authority will not assume liability for remediation of landfill sites closed or abandoned prior to the execution of this agreement. Upon the request of a Party to this Agreement, however, the Authority will provide a funding mechanism and project management for site remediation for closed or abandoned landfill sites which were closed or abandoned prior to the execution of this Agreement.

14. BUDGETS: Within 90 days after the first meeting of the governing board, and thereafter prior to the commencement of each fiscal year (defined as July 1 through June 30), the governing board shall adopt a Budget for the Authority for the ensuing fiscal year. The tentative first-year budget is included in Exhibit "B".

15. EQUALIZATION OF RATES: The Authority Board shall establish a schedule of uniform and equalized rates that will not differentiate between geographical or jurisdictional areas within the boundaries of the Authority when the earlier of the following events occurs: (a) On the third annual anniversary of the effective date of this Agreement, or (b) the later of the dates on which the State Integrated Waste Management Board approves a facility permit and the Regional Water Quality Control Board approves a discharge permit that allows the Authority Board to create, construct, expand, or make such other improvement of landfill facilities which would provide at least an estimated additional twenty (20) years of capacity. For the purposes of this Agreement, the phrase "estimated additional twenty (20) years of capacity" shall mean twenty years of additional capacity necessary to serve the waste stream of the entire Authority, as determined by the Authority Board, and such additional capacity shall be measured in relation to the capacity estimated in the Work Program at one of the landfill sites under the jurisdiction of the Authority on the effective date of this Agreement. Nothing in this paragraph shall prohibit or inhibit the Authority Board from establishing rates based on the nature or content of solid waste nor shall this paragraph prohibit or inhibit the ability of the Authority to establish different rates for residents or businesses who reside outside of the jurisdiction of the Authority. In addition, this paragraph shall not prohibit or inhibit the ability of the Authority to establish or collect a surcharge or other additional fees relating to the payment of an amortized amount necessary to capitalize acquisition costs identified in the Work Program or under the provisions of this Agreement. For the purposes of this Agreement, the term

"Work Program" means the Work Program prepared by Brown, Vence and Associates and submitted to, and considered by, the Parties concurrently with this Agreement and the term "rates" includes fees, charges, and surcharges.

16. **LIMITATION OF LIABILITY:** The debts, liabilities, or obligations of the Authority do not constitute debts, liabilities, or obligations of the Parties and the Authority shall hold the Parties harmless and shall indemnify the Parties from any claim of loss that may arise as a result of the Authority's ownership or maintenance of the landfill assets and convenience stations described in this Agreement or the Authority's performance of any of its duties or powers described in this Agreement.

17. **MANDATORY COLLECTION:** The Parties shall maintain mandatory solid waste collection requirements in a form and manner at least as strict and inclusive as the requirements in effect on the effective date of this Agreement. The Parties agree that no ordinance or regulation effecting mandatory solid waste collection within their respective jurisdictions, and which is at least as strict and inclusive as regulations in effect on the date of this Agreement, shall be adopted unless the Authority receives thirty (30) days written notice. Each ordinance or regulation which is less strict and less inclusive than that which is in effect at the time the ordinance or regulation is proposed shall not become effective until such ordinance or regulation is approved by the Authority Board. The determination of whether a proposed ordinance or regulation is more or less strict or inclusive pursuant to this provision of this Agreement shall be made by the Authority Board and such decision shall be final and binding on the Parties.

18. **LAND USE RESTRICTIONS:** The Parties acknowledge that landfill facilities may be incompatible with other uses of land on property in the vicinity of each landfill facility. In order to minimize incompatible land uses and conflicts in uses that may arise between a landfill facility and other uses in the vicinity of a landfill facility, the Parties agree that each Party shall adopt and implement certain land use restrictions governing property in the vicinity of each landfill asset. The agreement to adopt and maintain such land use restrictions shall be deemed consistent with and in furtherance of the provisions of Section 1 of this Agreement. Each Party that has jurisdiction of land within two thousand, five hundred feet (2,500') of a landfill shall adopt and maintain appropriate zoning ordinance restrictions that (1) prohibits the issuance of a building permit or any other entitlement for use for any residential building or structure within two thousand, five hundred feet (2,500') of an active landfill. and (2) requires conditional use permit review and approval for any commercial, office, or industrial use to be constructed or developed within two thousand, five hundred feet (2,500') of any landfill and for any residential building or structure within two thousand, five hundred feet (2,500') of any closed landfill. For the purpose of this Agreement, the term "closed landfill" shall mean any landfill facility which is no longer used for on-site disposal of solid waste and does not include a transfer station. Any conditional use permit reviewed pursuant to this Section 18 of the Agreement shall not be approved until the application has been reviewed and considered by the Authority Board. Any conditions of approval recommended by the Authority Board shall be incorporated as conditions of approval of the conditional use permit, unless the governing board of the affected Party unanimously votes to modify or delete any such conditions.

of approval. In the event the Authority Board recommends denial of the conditional use permit, the governing board of the affected Party shall deny the conditional use permit unless the governing board by a unanimous vote approves the conditional use permit. The provisions of this Section 18 of the Agreement and any attendant zoning restrictions shall not apply to buildings or uses existing on the date of this Agreement, nor shall such provisions apply to any replacement, remodel, or expansion of any building existing on the date of this Agreement. In the event a Party fails to adopt the land use restrictions contained in this Section 18 of the Agreement in a timely manner, the Party shall hold the Authority harmless and shall indemnify the Authority for any and all damages the Authority may suffer as a result of any claim or lawsuit initiated by an owner or occupant of property within two thousand, five hundred feet (2,500') of the landfill facility for damages to the property, or for loss of use of such property, due to the operations of the Authority at the landfill facility or the use of the landfill facility for landfill operations.

19. TERM AND WITHDRAWAL: This Agreement shall be effective when signed by each Party and shall continue for so long as may be necessary to carry out the purpose of this Agreement or until terminated by mutual consent of the governing bodies of all Parties, whichever is earlier; provided, however, that:

(a) A Party to this Agreement may not withdraw from the Authority for a period of 15 years after the execution of this Agreement. After the 15-year initial period, a Party hereto may withdraw from this Agreement by a majority vote of the governing body thereof giving to the other Parties one year's written notice of such intention to withdraw, so long as all revenue bonds or other forms of indebtedness issues pursuant hereto, and the interest thereon, shall have been paid or adequate provision for such payment shall have been made in accordance with the resolution (or indenture) adopted by the Authority Board pursuant to the law authorizing the issuance thereof or the approval of the debt. The Party withdrawing from the Agreement will retain its fair share of financial liability for closure and post-closure and site remediation costs based on the tons of material it has contributed to the Authority's solid waste system and as determined by the Authority in its sole discretion and such determination of the Authority shall be binding on the Parties. The Party withdrawing shall be afforded the same rights and ability to use Authority facilities and services as any other governmental jurisdiction which is not a member of the Authority.

(b) Upon receipt of a Party's one year notice of intention to withdraw, the members who will be remaining in the Authority shall meet and prepare appropriate amendments to this Agreement to reflect the changed membership status. Such amendments shall become effective upon the effective date of the Party's withdrawal.

(c) This Agreement cannot be amended in any way to the detriment of the holders of any revenue bonds or other forms of indebtedness which are outstanding in accordance

with any resolution (or indenture) adopted by the Authority board pursuant to the law authorizing issuance thereof.

20. TERMINATION OF THE AUTHORITY: This Agreement shall remain in effect until terminated by mutual consent of all of the governing bodies of all Parties to this Agreement. The resolution to terminate must be passed by a majority vote of each governing board of each of the Parties to this Agreement.

21. DISPOSITION OF AUTHORITY ASSETS AND LIABILITIES UPON TERMINATION:

- (a) In the event of termination of the Authority where there is a successor public entity which will carry on the activities of the Authority and assume its assets, liabilities, obligations, and funds, including any interest earned on deposits, remaining upon termination of the Authority and after payment of all obligations, the assets and liabilities of the Authority shall be transferred to the successor public entity.
- (b) If there is no successor public entity which would carry on any of the activities of the Authority or assume any of its assets, liabilities, obligations, and funds, including any interest earned on deposits, remaining upon termination of the Authority and after payment of all obligations, the assets and liabilities shall be returned in proportion to the contribution of each Party during the term of this Agreement. If bonds are issued or large capital projects, such as closure construction are initiated during the term of this agreement, then in no event shall the exercise of the powers herein granted be terminated until all bonds so issued and the interest thereon shall have been paid or provision of such payment shall have been made.
- (c) If there is a successor public entity which would undertake some of the functions of the Authority and assume some of its assets, liabilities, obligations, and funds, including any interest earned on deposits, remaining upon termination of the Authority and after payment of all obligations, the assets and liabilities shall be allocated by the governing board between the successor public entity and the Parties.

In the event the Authority is terminated under circumstances falling within (b) or (c) above, all decisions of the governing board with regard to determinations of assets or liabilities to be transferred to the Parties or any successor shall be final.

22. AMENDMENTS: This Agreement may be amended by the affirmative vote of the governing bodies of each of the Parties.

23. RESTRICTIONS ON AUTHORITY: For the purposes of satisfying the requirements of Government Code Section 6509, the restrictions on the power of the City of Salinas shall be applicable to the Authority.

24. DEFINITIONS: For purposes of the furtherance of this Agreement, unless the context otherwise requires, the definitions in the Act, under Title 7 of the Public Resources Codes, Division 30, Part 1, Chapter 2, beginning with section 40100, govern the construction of this Agreement.

25. COUNTERPARTS: This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall be deemed to constitute one and the same instrument.

26. EFFECTIVE DATE: This Agreement shall be deemed effective and in full force and effect on January 1, 1997.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date evidenced below:

ATTEST: Ann Camel
CITY CLERK CITY OF SALINAS

APPROVED AS TO FORM:

1/15/97 Walt Gomer
Asst. CITY ATTORNEY

BY: Alvaro D. Loh
MAYOR

DATE: 1-14-97

ATTEST: Carla Dew
CITY CLERK CITY OF GONZALES

APPROVED AS TO FORM:

1/21/97 [Signature]
1/15/97 Walt Gomer
Asst. CITY ATTORNEY

BY: Elisabet Williams
MAYOR

DATE: 12/19/96

ATTEST: Ann F. [Signature]
CITY CLERK CITY OF GREENFIELD

APPROVED AS TO FORM:

12/27/96 David Foley
CITY ATTORNEY

BY: Leonard [Signature]
MAYOR

DATE: 12/19/96

ATTEST: *Ernie Medina*
12/27/96 CITY CLERK

CITY OF KING

APPROVED AS TO FORM:

BY: *John L. Myers*
MAYOR

12/27/96 *Edward J. Kelly*
CITY ATTORNEY

DATE: 12/19/96

ATTEST: *Bue*
CITY CLERK

CITY OF SOLEDAD

APPROVED AS TO FORM:

BY: *Salvador M. Barreto*
MAYOR

1-9-97 *[Signature]*
CITY ATTORNEY

DATE: 1/10/97

ATTEST: _____
CLERK OF THE BOARD
OF SUPERVISORS

COUNTY OF MONTEREY

APPROVED AS TO FORM:

BY: *Edith Johnson*
CHAIR OF THE BOARD
OF SUPERVISORS

COUNTY COUNSEL

DATE: 12/3/96

11/26/96
A:ASYSWAJPA

CITY OF SALINAS

LANDFILL TRANSFER OF OWNERSHIP REQUIREMENTS

1 SITE DESCRIPTION

- Item 1.1: Address: 350 Crazy Horse Canyon Road
- Item 1.2: Parcel Number: Monterey County Assessor Parcel Numbers 125-271-39 & 125-271-58
- Item 1.3: Site Map: See attached

2 CRAZY HORSE LANDFILL FUND BALANCES AS OF JANUARY 1, 1997

- Item 2.1: Total Enterprise Fund to be transferred to the Authority: \$6,674,047
- Item 2.2: Includes Closure Fund to be maintained by the Authority: \$1,982,558
- Item 2.3: Includes Article 5 Fund to be maintained by the Authority: \$2,000,000

3 TERMS TO TRANSFER OF OWNERSHIP

- Item 3.1: Closure Fund and Article 5 Fund to be paid in full and transferred to Authority.
- Item 3.2: Remaining balance of the Enterprise fund to be transferred to the Authority.
- Item 3.3: Salinas is to receive a one-time payment of \$8,000,000 from the Authority for purchase of the Crazy Horse Landfill.

4. CRAZY HORSE METHANE FACILITY

- Item 4.1: Property and Operation to Remain with the City of Salinas

EXHIBIT 2
to
ATTACHMENT A

COUNTY OF MONTEREY

LANDFILL TRANSFER OF OWNERSHIP REQUIREMENTS

- 1 **SITE DESCRIPTIONS** *(See attached site maps)*
 - Item 1.1: Johnson Canyon Road Landfill - Address, Assessor's Parcel Number, Site Map
 - Item 1.2: Jolon Road Landfill - Address, Assessor's Parcel Number, Site Map
 - Item 1.3: Lewis Road Landfill - Address, Assessor's Parcel Number, Site Map

- 2 **OWNERSHIP** *(Copies of Deeds and Leases available at Monterey County Public Works)*
 - Item 2.1: Johnson Canyon Road Landfill - Monterey County
 - Item 2.2: Jolon Road Landfill - Lease Monterey County
 - Item 2.3: Lewis Road Landfill - Monterey County

- 3 **LANDFILL ENTERPRISE FUND BALANCES AS OF NOVEMBER 20, 1996** *(See attached November 20, 1996 memorandum)*
 - Item 3.1: Johnson Canyon Road Enterprise Fund
 - Item 3.2: Jolon Road Enterprise Fund
 - Item 3.3: Lewis Road Enterprise Fund

- 4 **LANDFILL BASE CAPACITIES** *(See attached May 3, 1996 memorandum)*
 - Item 4.1: Johnson Canyon Road Landfill
 - Item 4.2: Jolon Road Landfill
 - Item 4.3: Lewis Road Landfill

- 5 **TERMS FOR TRANSFER OF OWNERSHIP**
 - Item 5.1: Closure Fund Transfers to Authority
 - Item 5.2: Lease Agreement and Deeds Transferred
 - Item 5.3: Financing Arrangement

EXHIBIT 2
to
ATTACHMENT A

FINANCING ARRANGEMENT

The County agrees to sell its landfill facilities to the Authority for \$2,500,000.00 or such other amount as is prudent or necessary to allow the authority to fund certain obligations of the Authority for no more than three years from the date escrow closes on the sale of the landfills to the Authority. All amounts paid to the County as payment for the purchase of the landfill facilities shall be deposited in an appropriate trust account, approved by the County and the Authority, and all funds therein shall be used solely to pay such obligations or costs of the Authority as the Authority Board may direct.

EXHIBIT 2
to
ATTACHMENT A

Account No. 1
Preliminary 18-Month Budget

Salinas Crazy Horse Landfill

	Jan-Jun 97	FY 97/98
All Funds - January 1997	6,674,047	
Reserve for closure	(1,982,558)	
Reserve for Article 5	(2,000,000)	
Fund balance	<u>2,691,489</u>	<u>1,329,158</u>
Revenues		
Bond proceeds	9,972,000	
Landfill surcharge	1,500,000	3,000,000
Investment earnings	125,000	250,000
Total revenue	<u>11,597,000</u>	<u>3,250,000</u>
Operating Expenses		
Personnel services	(97,100)	(194,200)
Contract services	(288,600)	(577,200)
Taxes and fees	(160,800)	(321,600)
Cover fill	(115,000)	(230,000)
Household hazardous waste	(25,000)	(50,000)
Other operating	(17,150)	(34,300)
Total operating expenses	<u>(703,650)</u>	<u>(1,407,300)</u>
Transfers		
Bond reserve fund	(997,200)	
Closure fund	(150,000)	(300,000)
JPA Administration	(320,000)	(640,000)
JPA special studies	(425,455)	
Total transfers	<u>(1,892,655)</u>	<u>(940,000)</u>
Debt Service	<u>(448,950)</u>	<u>(897,800)</u>
Income before capital projects	<u>8,551,745</u>	<u>4,800</u>
Capital Projects		
Crazy Horse purchase	(8,000,000)	
Cost of bond issuance	(549,345)	
Misc engineering/permits	(3,859)	
Gas collection system	(329,140)	
Well demolition/construction	(158,412)	
East slope liner	(527,811)	
Liner phase 2	(312,209)	
Gas flare	(33,500)	(560,000)
Liner phase 3		
Total capital projects	<u>(9,814,078)</u>	<u>(560,000)</u>
Operating fund balance	<u>1,329,158</u>	<u>773,958</u>
Bond reserve fund	997,200	997,200
Closure fund	2,132,558	2,432,558
Article 5 fund	2,000,000	2,000,000
Total funds	<u>6,458,916</u>	<u>6,203,716</u>

Attachment 1 (cont.)
 Preliminary 18-Month Budget

Monterey County Landfills

	Jan-Jun 97	FY 97/98
All Funds - January 1897	1,923,413	
Reserve for Lewis closure	(588,430)	
Reserve for Johnson closure	(448,817)	
Reserve for Johnson closure	(810,186)	
Payment for shortfall	(75,000)	
 Fund balance	 -	 <u>882,565</u>
 Revenues		
Bond proceeds	3,148,000	
Tippling fee surcharge	769,500	1,539,000
Investment earnings	50,000	50,000
 Total revenue	 <u>3,967,500</u>	 <u>1,589,000</u>
 Operating Expenses		
Personal services	(164,819)	(100,000)
Professional services	(145,000)	(430,000)
State fees/permits	(57,000)	(120,000)
Storm water analysis	(1,500)	(5,000)
Johnson case	(12,400)	(12,500)
Transfer stations operations	(30,106)	(80,000)
Contingency	(22,510)	(50,000)
 Total operating expenses	 <u>(433,435)</u>	 <u>(797,500)</u>
 Transfers		
Bond reserve fund	(314,800)	
Closure fund	(625,000)	(625,000)
JPA Administration	(120,000)	(240,000)
JPA special studies	(159,545)	
 Total transfer	 <u>(1,219,345)</u>	 <u>(885,000)</u>
 Debt Service	 <u>(283,500)</u>	 <u>(283,500)</u>
 Income/deficit before capital projects	 <u>2,031,220</u>	 <u>(357,000)</u>
 Capital Projects		
Cost of bond issuance	(173,655)	
Methane - Lewis	(20,000)	(40,000)
Methane - Johnson	-	(400,000)
Liner - Johnson	(805,000)	-
Monitoring devices	-	(25,000)
Contingency	(160,000)	(50,000)
 Total capital projects	 <u>(1,148,655)</u>	 <u>(515,000)</u>
 Operating fund balance	 882,565	 10,565
Bond reserve fund	314,800	314,800
Closure fund	2,548,413	3,173,413
 Total funds	 <u>3,745,778</u>	 <u>3,498,778</u>

JPA Budget

Financial Statement Budget

	Jan-Jun 97	FY 97/98
All Funds - January 1997	-	57,700
Fund balance	-	57,700
Revenues		
JPA Administration	440,000	880,000
Bond proceeds - special studies	585,000	
Total revenue	<u>1,025,000</u>	<u>880,000</u>
Operating Expenses		
Authority staff	(290,000)	(400,000)
JPA negotiation	(146,000)	
Contract renewal/renegotiation	(50,000)	
Recruiting	(67,500)	
Legal services	(28,800)	(57,600)
Fiscal agent	(5,000)	(10,000)
Human resources	(5,000)	(10,000)
Insurance	(30,000)	(60,000)
Office expenses	(5,000)	(10,000)
Meeting allowance	(5,000)	(10,000)
Contingency	(50,000)	(100,000)
JPA Administration subtotal	(682,300)	(657,600)
Total operating expenses	<u>(682,300)</u>	<u>(657,600)</u>
Income before capital projects	<u>342,700</u>	<u>222,400</u>
Capital Project:		
Landfill systems study and engineers report	(85,000)	
Landfill expansion planning, engineering and permitting	(150,000)	(300,000)
Landfill acquisition, eminent domain	(50,000)	
Total capital projects	<u>(285,000)</u>	<u>(300,000)</u>
Operating fund balance	57,700	(19,900)
Total funds	<u>57,700</u>	<u>(19,900)</u>

EXHIBIT 3
to
ATTACHMENT A

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Series 1997 Bonds is excluded from gross income for federal income tax purposes (except during any period while a Series 1997 Bond is held by a "substantial user" or a "related person," within the meaning of Section 147(a) of the Code, of the property financed by proceeds of the Series 1997 Bonds). In the further opinion of Bond Counsel, interest on the Series 1997 Bonds is exempt from State of California personal income tax and is a specific preference item for purposes of federal individual or corporate alternative minimum taxes. Bond Counsel expresses no opinion regarding other tax consequences relating to the ownership or disposition of the Series 1997 Bonds, or the accrual or receipt of interest on the Series 1997 Bonds. See "TAX MATTERS" herein.

\$9,060,000

**SALINAS VALLEY SOLID WASTE AUTHORITY
Revenue Bonds, Series 1997**

Dated: November 1, 1997

Due: August 1, as shown below

The Series 1997 Bonds are being executed and issued pursuant to, and secured under, a Master Indenture, dated as of November 1, 1997, as supplemented (the "Master Indenture"), by and between the Salinas Valley Solid Waste Authority (the "Authority") and BNY Western Trust Company, as trustee (the "Trustee"), to pay certain costs incurred by the Authority in connection with the acquisition and construction of certain improvements (the "1997 Project") to the Authority's solid waste transfer and disposal system (the "System"), funding a reserve fund for the Series 1997 Bonds and paying of certain other costs, including costs of issuance. See "THE 1997 PROJECT." The Authority is a joint exercise of powers authority, created pursuant to an agreement dated as of January 1, 1997 (the "Authority Agreement") among the County of Monterey, and the Cities of Salinas, Gonzales, Greenfield, Soledad and King City (the "Members"). Pursuant to the Authority Agreement, the Authority was established to, among other things, acquire and manage the landfill assets of each Member, ensure long term landfill capacity for the Authority service area, and provide a unified and coordinated solid waste management for the Members.

The principal, premium, if any, and interest due with respect to the Series 1997 Bonds are payable solely from amounts pledged therefor, including certain revenues of the System, pursuant to the Master Indenture, and will be on a parity with additional Bonds and certain other obligations of the Authority (as described herein) issued or executed under the Master Indenture, subject to the application of such revenues as permitted by the Master Indenture. The revenues of the System so pledged consist primarily of the Net Revenues (as defined herein) of the System, which generally consist of the tipping fees, service charges, user charges and income received by or imposed by the Authority in connection with the operation of the System and the provision of solid waste disposal services, less the Maintenance and Operation Costs (as defined herein) of the System.

THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL AND INTEREST ON THE SERIES 1997 BONDS IS A LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY FROM THE AMOUNTS PLEDGED THEREFOR AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY OR THE MEMBERS FOR WHICH THE AUTHORITY OR THE MEMBERS ARE OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY OR THE MEMBERS HAVE LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 1997 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE MEMBERS, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA, ANY STATUTORY DEBT LIMITATIONS OR OTHERWISE, OR A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY OR THE MEMBERS.

Interest on the Series 1997 Bonds is payable semiannually on February 1 and August 1 of each year, commencing on February 1, 1998. The Series 1997 Bonds will be issued in book-entry form only and, when delivered will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 1997 bonds. Individual purchases of the Series 1997 Bonds will be made in book-entry form only. Purchasers of the Series 1997 Bonds will not receive certificates representing their ownership interests in the Series 1997 Bonds purchased. The Series 1997 Bonds will be issuable in the principal amount of \$5,000 and any integral multiple thereof. Principal and interest payments on the Series 1997 Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 1997 Bonds.

The Series 1997 Bonds are subject to redemption prior to maturity, as described herein.

This cover page contains information for quick reference only and is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "CERTAIN RISK FACTORS" herein for a description of the risks associated with an investment in the Series 1997 Bonds.

Maturity Schedule

\$2,700,000 Serial Bonds

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
1999	\$140,000	4.40%	100.00%	2006	\$190,000	5.10%	100.00%
2000	145,000	4.50	100.00	2007	200,000	5.20	100.00
2001	150,000	4.60	100.00	2008	215,000	5.30	100.00
2002	160,000	4.70	100.00	2009	225,000	5.40	100.00
2003	165,000	4.80	100.00	2010	235,000	5.50	100.00
2004	175,000	4.90	100.00	2011	250,000	5.60	100.00
2005	185,000	5.00	100.00	2012	265,000	5.65	100.00

\$1,935,000 5.75% Term Bonds due August 1, 2018 - Price: 99.750%

\$4,425,000 5.80% Term Bonds due August 1, 2027 - Price: 99.375%

(plus accrued interest)

The Series 1997 Bonds will be offered when, as and if executed and delivered, and received by the Underwriters, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins, Delafield & Wood, Los Angeles, California and for the Authority by Bruen and Gordon, a Professional Corporation, in its capacity as counsel to the Authority. It is anticipated that the Series 1997 Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about November 18, 1997.

Stone & Youngberg LLC

E. J. DE LA ROSA & CO., INC.

Dated: October 30, 1997

**EXHIBIT 3
To
ATTACHMENT A**

SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information in this Official Statement, and the offering of the Series 1997 Bonds to potential investors is made only by means of the entire Official Statement.

Purpose

The Series 1997 Bonds in an aggregate principal amount of \$9,060,000 are being executed and delivered to provide funds to pay certain costs incurred by the Authority in connection with the acquisition and construction of certain improvements (the "1997 Project") to the Authority's solid waste transfer and disposal system (the "System"), funding a reserve fund for the Series 1997 Bonds and paying of certain other costs, including costs of issuance. See "THE 1997 PROJECT". The Series 1997 Bonds will be issued pursuant to a Master Indenture dated as of November 1, 1997, as supplemented by the First Supplemental Indenture, dated as of November 1, 1997 (together, the "Master Indenture") between the Authority and the Trustee.

Security and Source of Payment for the Series 1997 Bonds

The Authority's obligation to make payments of principal and interest with respect to the Series 1997 Bonds is a special obligation of the Authority payable solely from amounts pledged therefor, including certain revenues of the System under the Master Indenture and will be on a parity with additional Bonds, Contracts and Repayment Obligations (as hereinafter defined) of the Authority issued or executed under the Master Indenture subject to the application of such revenues as permitted by the Master Indenture. The revenues of the System so pledged consist primarily of the Net Revenues of the System. The Net Revenues consist generally of tipping fees, contract payments and income received by or imposed by the Authority in connection with the operation of the System or the provision of solid waste disposal services in any Fiscal Year, less the Maintenance and Operation Costs (as herein defined) of the System for such Fiscal Year. The Authority may issue additional Bonds or execute Contracts or Repayment Obligations, the payment of which will be on a parity with the Series 1997 Bonds, on the terms and upon satisfaction of the conditions specified in the Master Indenture. The Series 1997 Bonds will constitute the initial Bonds issued under the Master Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 1997 BONDS" herein.

Pursuant to the Master Indenture, a Reserve Fund will be funded from the proceeds of the sale of the Series 1997 Bonds in the amount of the Reserve Fund Requirement. See APPENDIX C -- "SUMMARY OF MASTER INDENTURE".

Pursuant to the Master Indenture, the Authority has agreed to, at all times while any of the Bonds remain Outstanding, fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such Fiscal Year: (1) all current Maintenance and Operation Costs; (2) the interest on and principal of and Sinking Fund Installments for the Series 1997 Bonds and any additional Bonds, the payments for the Contracts and the Repayment Obligations and the payment of the Subordinate Obligations as they become due and payable; (3) all payments required for compliance with the terms of the Master Indenture, including restoration of the Reserve Fund to an amount equal to the Reserve Fund Requirement, and of any Supplemental Indenture; (4) all payments to meet any other obligations of the Authority which are charges, liens or encumbrances upon, or payable from, the Net Revenues. In addition, pursuant to the Master Indenture, the Authority has also covenanted, at all times while any of the Series 1997 Bonds remain Outstanding, to fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield Net Revenues during such Fiscal Year equal to at least one hundred twenty per cent (120%) of the Annual Debt Service in such Fiscal Year; provided that withdrawals from the Rate Stabilization Fund may be taken into account for purposes of such calculation.

(iii)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, based on existing laws, regulations, rulings and court decisions and assuming, among other things, compliance with certain covenants, interest on the Series 1997 Bonds is excluded from gross income for federal income tax purposes (except during any period while a Series 1997 Bond is held by a "substantial user" or a "related person," within the meaning of Section 147(a) of the Code, of the property financed by proceeds of the Series 1997 Bonds) and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Series 1997 Bonds is a specific preference item for purposes of federal individual or corporate alternative minimum taxes. Bond Counsel expresses no opinion regarding other tax consequences relating to the ownership or disposition of the Series 1997 Bonds, or the accrual or receipt of interest. See "TAX MATTERS" herein.

The descriptions herein of the Master Indenture, the Authority Agreement and any other agreements relating to the Series 1997 Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 1997 Bonds are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. See APPENDIX C - "SUMMARY OF MASTER INDENTURE". Copies of the documents are on file and available for inspection at the principal corporate trust office of the Trustee at BNY Western Trust Company, Attention- California Unit, 700 South Flower Street, Second Floor, Los Angeles, California 90017-4104.

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Master Indenture. See APPENDIX C - "SUMMARY OF MASTER INDENTURE" for definitions of certain words and terms used but not otherwise defined herein.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

THE 1997 PROJECT

Following is a brief description of the major improvements to be funded from the proceeds of the Series 1997 Bonds (excerpted from the Consulting Engineer's Report):

Crazy Horse Landfill Gas Collection System and Flare: This component of the 1997 Project, to be constructed in fiscal year 1997-98, consists of the construction of a perimeter landfill gas control system that will collect gas from the perimeter area of the Crazy Horse Landfill, and pipe it to a new flare that will burn the collected gas. The system will include installation of 30 landfill gas perimeter extraction wells, 13 condensate pump stations, a condensate tank, a secondary containment tank, compressed air and condensate pipe lines, monitoring probes, and a skid-mounted flare at a budgeted cost of \$1,271,000. The project is designed to control migration of gas and satisfy regulatory guidelines.

Crazy Horse Landfill Phase 2 Liner: This component of the 1997 Project consists of a liner system for a portion of the Crazy Horse Landfill that was constructed in early 1997. The Phase 2 liner provided an additional 4.7 acres of refuse disposal area, expanding the Crazy Horse Landfill from 72 acres to approximately 76.7 acres. The construction of the Phase 2 liner provided a liner system that included (from the bottom up) a geocomposite clay liner, 60-mil high-density polyethylene flexible membrane liner, 12-inch drainage layer of pea gravel, 8-ounce geofabric, and 12-inch compacted soil operations layer. In addition, a leachate collection system was installed. The Phase 2 liner system was constructed and completed at the Crazy Horse landfill at a total cost of approximately \$1,300,000, of which the Authority intends to reimburse itself for approximately \$684,000 from the proceeds of the Series 1997 Bonds.

Crazy Horse Landfill Phase 3 Liner: This portion of the 1997 Project consists of the placement of a 5.3-acre liner to complete the footprint of the permitted refuse disposal area for the Crazy Horse Landfill. Preliminary estimated

costs for the Phase 3 liner, including a 20 percent contingency for construction costs, design and engineering construction management, and Authority construction administration costs are approximately \$2,400,000, all of which is expected to be funded from the proceeds of the Series 1997 Bonds. The Phase 3 liner is expected to be constructed by the Authority in the spring of 1998.

Johnson Canyon Road Landfill Module IV Liner: This component of the 1997 Project consists of construction of new 8-acre cell (Module IV) in the permitted landfill refuse area of the Authority's Johnson Canyon Road Landfill. The liner construction will include (from the bottom up) a geocomposite clay liner, 60-mil high-density polyethylene flexible membrane liner, 12-inch drainage layer of pea gravel, 16-ounce geofabric, and 12-inch compacted soil operations layer. The construction will include the liner and leachate collection system. The total cost for this project is estimated to be approximately \$3,000,000, which the Authority intends to fund from the proceeds of the Series 1997 Bonds. Construction bids have been solicited; the Authority received the bids in early September and selected a contractor. In addition, in the Consulting Engineer's Report, the Consulting Engineer has stated that all permits have been identified and can be reasonably obtained.

Other Components of the 1997 Project: In addition to the components described above, the Authority intends to use approximately \$841,000 of the proceeds of the Series 1997 Bonds to pay various costs associated with further expansion of the System, including the preparation of an environmental impact report, preliminary engineering and permitting. These costs are expected to be incurred through fiscal year 1999 - 2000.

The various components of the 1997 Project are more particularly described in the Consulting Engineer's Report contained in Appendix A.

ESTIMATED SOURCES AND USES OF BOND PROCEEDS

The estimated sources and uses of funds with respect to the Series 1997 Bonds (exclusive of accrued interest) are set below:

Estimated Sources of Funds

Proceeds of the Series 1997 Bonds	\$9,060,000.00
Cash Contribution from the Authority	<u>389,710.00</u>
Total Sources	\$9,449,710.00

Estimated Uses of Funds

Acquisition and Construction Fund	\$8,198,601.25
Reserve Fund	648,355.00
Costs of Issuance Fund ⁽¹⁾	380,000.00
Underwriter's Discount	190,260.00
Original Issue Discount	<u>32,493.75</u>
Total Uses	\$9,449,710.00

(1) Includes rating agency, legal, trustee and printing costs.

THE SERIES 1997 BONDS

The Series 1997 Bonds shall be dated as of November 1, 1997, shall bear interest (computed on the basis of a 360-day year consisting of twelve 30-day months) at the rates per annum (payable semiannually on February 1 and

actual future conditions vary from those assumed in the Consulting Engineer's Report, the actual results will vary from those contained in the Consulting Engineer's Report. See Appendix A to this Official Statement.

THE SYSTEM

The Authority; History of the System

The Authority is a joint exercise of powers authority, created pursuant to an agreement dated as of January 1, 1997 (the "Authority Agreement") among the County of Monterey, and the Cities of Salinas, Gonzales, Greenfield, Soledad and King City (the "Members"). Pursuant to the Authority Agreement, the Authority was established to, among other things, acquire and manage the landfill assets of each Member, ensure long term landfill capacity for the Authority service area, and provide a unified and coordinated solid waste management for the Members. Since its formation in January, 1997, the Authority has acquired the landfill and transfer station assets of each of the Members. Although, prior to the formation of the Authority, these facilities were independently owned and operated by the City of Salinas and Monterey County, historically these facilities collectively served as the disposal location for virtually all solid waste generated in the Authority service area. As more particularly described below, and in the Consulting Engineer's Report, the System now consists primarily of the four landfills and two transfer stations.

Organization and Management

The Authority is governed by a nine member governing board, consisting of three members of the Salinas City Council, two members of the Monterey County Board of Supervisors, and one City Council member each from the Cities of Gonzales, Greenfield, King City and Soledad. The day to day operations of the Authority are conducted by the employees of the City of Salinas through interagency agreements between the Authority and the City of Salinas. The Acting Executive Director of the Authority is David Mora, City Manager of the City of Salinas.

Pursuant to the Authority Agreement, the City of Salinas and the County have substantial influence over the activities of the Authority. Pursuant to the Authority Agreement, the affirmative vote of at least one member of the Authority Board who is a member of the Salinas City Council is required to approve Board actions. While the basic items of the transfer of assets from the County and the City of Salinas to the Authority (as described in the Consulting Engineer's Report) were agreed upon by the Members in the Authority Agreement, due to the unique nature of parties and transactions, the Authority makes no representations as to whether such occurred at arms length or at fair market value.

Service Area

The waste shed currently served by the System consists of the Cities of Salinas, Gonzales, Greenfield, Soledad and King City, and the eastern portion of the unincorporated area of the County which is not served by the Monterey Regional Waste Management District, plus small areas outside of the County which export waste into the System from time to time. The Consulting Engineer's Report estimates that the population of the Authority service area is approximately 210,000. A map of the Authority service area is included in the Consulting Engineer's Report in Appendix A.

Economy in the Authority Service Area. Major employers in the Authority service area include those in county government, financial services, education, health care, electronics and food services.

Population in the Authority Service Area. The current population of the Authority service area is approximately 210,000 with almost 55% of the population residing in the City of Salinas.

Projected Waste Deliveries to the System

The following table from the Consulting Engineer's Report shows projected waste deliveries to the System through the year 2028, assuming that current waste delivery practices are unchanged. See the Consulting Engineer's Report for a discussion of all of the assumptions utilized in preparing the projections.

TABLE 5

Projected Waste Deliveries to the System

Fiscal Year	Tons
1997/98	204,855
1998/99	202,729
1999/00	200,495
2000/01	193,652
2001/02	195,034
2002/03	197,959
2003/04	200,929
2004/05	203,943
2005/06	207,002
2006/07	210,107
2007/08	213,259
2008/09	216,457
2009/10	219,704
2010/11	223,000
2011/12	226,345
2012/13	229,740
2013/14	233,186
2014/15	236,684
2015/16	240,234
2016/17	243,838
2017/18	247,495
2018/19	251,208
2019/20	254,976
2020/21	258,800
2021/22	262,682
2022/23	266,623
2023/24	270,622
2024/25	274,681
2025/26	278,802
2026/27	282,984
2027/28	287,228

Source: Consulting Engineer's Report

CITY OF SALINAS
 CRAZY HORSE LANDFILL/GARBAGE SURCHARGE FUND
 FISCAL YEARS 1991-92 THROUGH 1995-96

<u>Fiscal Year</u> <u>ending June 30</u>	<u>Surcharge</u>
1992	\$2,550,193
1993	2,386,946
1994	2,408,254
1995	3,116,041
1996	2,848,227

Source: City of Salinas Audited Financial Statements

Revenue Summary: The following chart, excerpted from the Consulting Engineer's Report, summarizes projected gross revenues for fiscal year 1997-98.

Projected Gross Revenues for FY 1997/98
 (1997 dollars)

<u>Revenue Source</u>	<u>Amount</u>	<u>Percentage of Total</u>
Tipping fees	\$1,264,000	27.8%
Host fees	\$317,000	7.0%
Landfill Surcharge (Crazy Horse)	\$2,800,000	61.5%
Landfill capacity payments (Lewis Road)	\$54,000	1.2%
<u>Interest on funds</u>	<u>\$115,000</u>	<u>2.5%</u>
Total	\$4,550,000	100.0%

Source: Consulting Engineer's Report

As described above, the significant portion of the total revenues of the Authority are collected initially by the operators of the various facilities within the System. The portion due to the Authority pursuant to the various operating agreements is then remitted to the Authority. In the event that payment by the operators to the Authority of these amounts is significantly delayed for any reason (including, but not limited to, the bankruptcy of any of the operators or the pendency of a contract dispute between any of the operators and the Authority or any Members), such delay could have a material adverse impact on the ability of the Authority to pay Debt Service with respect to the Series 1997 Bonds.

Competition

The Authority believes that the tipping fees charged by the Authority are, and will continue to be competitive with other waste disposal sites which potentially could be utilized by waste haulers in the Authority service area, particularly in light of the additional transportation cost that would be incurred in the event any such alternate disposal sites outside of the System were utilized by such waste haulers. The table below contains a comparison of the disposal cost at certain currently available alternate sites with the currently applicable disposal costs at the System. These estimates have been prepared by the Authority's Consulting Engineer, and are based on the current tipping fees charged at the closest available disposal facilities in the adjacent counties. See the Consulting Engineer's Report for a complete discussion of the assumptions on which the following information was based.

In addition to the potentially available alternate disposal facilities listed above, a large number of other potentially available transfer or disposal facilities outside of the System are currently in operation or in various stages of planning. In addition, two facilities which are currently within the System, the Jolon Road Landfill and the Salinas Transfer Station, are owned by private waste management service providers which also haul the major portion of waste generated in the Authority service area. Although the Authority currently controls these facilities pursuant to leases or other contractual arrangements, if the leases or arrangements are not renewed, the Jolon Road Landfill could represent competition to the System as early as June 2, 2004 and the Salinas Transfer Station could represent competition to the System as early as 2001. (The Salinas Transfer Station and Jolon Road Landfill are owned by subsidiaries of USA Waste, whose subsidiaries collect approximately 70% of the solid waste collected in the Authority service area.) Although the Authority has contractual arrangements with the Members designed to assure delivery of waste generated in the Authority service area to the System, there can be no assurances that such arrangements will not be found unenforceable if challenged. See "Legal Issues Relating to Disposal Site Designation" above. Although the Authority believes that the System will continue to charge economically competitive tipping fees throughout the term of the Series 1997 Bonds, factors outside of the control of the Authority could affect the relation of the tipping fees applicable at the System to those generally prevailing at potentially available alternate disposal locations, and facilities outside of the System (including, transfer stations located in the Authority) could represent a more cost effective disposal location for haulers of County waste. If the Waste Delivery Agreements or the contractual arrangements of the Members to cause waste to be delivered to the System are not enforceable, the existence of a more cost effective disposal location for haulers of waste generated in the System could have a material adverse impact on the ability of the Authority to generate Net Revenues in the levels required by the Master Indenture and to pay Debt Service with respect to the Series 1997 Bonds. See "CERTAIN RISK FACTORS-Competition" herein.

Capital Plan

The 1997 Project. The major portion of the proceeds of the Series 1997 Bonds will be used to pay the costs of the 1997 Project, which consists of various improvements to the system. See "The 1997 Project" herein.

Future Capital Requirements. In order to effectively plan for future County System capacity requirements, the Authority has developed a capital plan which contains various projects and facilities. Projects in the capital plan include landfill liners, costs associated with the expansion of the System, transfer station development and construction and other improvements. The capital plan contemplates that these projects will be financed through a combination of methods, including use of previously funded System reserves, payment from then current revenues of the System (i.e., "pay-as-you-go") and the issuance of additional Bonds, Contracts or Repayment Obligations in accordance with the Master Indenture. The following table from the Consulting Engineer's Report summarizes the currently anticipated future capital requirements of the System.

EXHIBIT 4
to
ATTACHMENT A

014

INSTALLMENT PURCHASE AGREEMENT
(Crazy Horse Landfill Project)

by and between

CITY OF SALINAS, as Seller

and

SALINAS VALLEY SOLID WASTE AUTHORITY, as Purchaser

Dated as of August 1, 1997

505312.322979.0001

EXHIBIT 4
to
ATTACHMENT A

INSTALLMENT PURCHASE AGREEMENT

THIS INSTALLMENT PURCHASE AGREEMENT, made and entered into as of August 1, 1997, by and between the SALINAS VALLEY SOLID WASTE AUTHORITY (herein called the "Authority"), a joint exercise of powers agency, and the CITY OF SALINAS (herein called "City"), a municipal corporation of the State of California:

W I T N E S S E T H:

In consideration of the mutual covenants hereinafter contained and for other valuable consideration, the parties hereto do agree as follows:

ARTICLE I

RECITALS

Section 101. Status and Powers of the City. The City is a municipal corporation organized and existing pursuant to the City Charter and the Constitution and laws of the State of California and is authorized to purchase and sell real and personal property to the Authority and perform the actions and duties of the City more particularly described herein.

Section 102. Status and Powers of Authority. Authority is a joint exercise of powers agency duly organized and existing pursuant to the Constitution and laws of the State of California. Pursuant to the Government Code of the State of California the Authority is authorized to purchase real and personal property for the common benefit and in order to achieve its public purposes.

Section 103. Public Benefit. This Installment Agreement is for the benefit of the public and is in furtherance of the public purposes of the Authority and the City.

ARTICLE II

DEFINITIONS AND GENERAL PROVISIONS

Section 201. Definitions in General. The terms defined in Exhibit "A" attached hereto and by this reference incorporated herein, as used and capitalized herein, shall, for all purposes of this Installment Agreement, have the meanings ascribed to them in said Exhibit "A", unless the context clearly requires some other meaning. In addition, the term "Installment Agreement" as used herein means this Installment Purchase Agreement.

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**EXHIBIT 4
to
ATTACHMENT A**

Section 202. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include cities and associations, including public bodies, as well as natural persons.

The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms, as used in this Installment Agreement, refer to this Installment Agreement.

ARTICLE III

SALE OF PROJECT; PURCHASE PRICE

Section 301. [Reserved.]

Section 302. Sale of the Project. Pursuant to the Joint Powers Agreement and the Transfer Agreement, the Authority is obligated to acquire the project for an acquisition price of \$8,000,000.

Section 303. [Reserved.]

Section 304. Purchase of the Project; Term.

(a) Purchase of the Project. In consideration of the payment of Installment Purchase Payments and any other amounts due and owing hereunder by Authority to City, City hereby grants, conveys, and sells to Authority, effective upon the Delivery Date, the Project, upon the terms and conditions set forth in this Installment Agreement and as contemplated by the Transfer Agreement, and Authority hereby accepts said grant, conveyance, and sale upon said terms and conditions. The Authority represents and warrants that the value of the Project is not less than the principal payment amounts set forth in Exhibit C hereof.

(b) Term of Installment Agreement. The term of this Installment Agreement shall commence upon the date hereof and shall terminate upon the occurrence of either of the following events: (a) the earlier of payment in full of the Installment Purchase Payments and any other amounts due and owing hereunder or under the Trust Indenture by Authority pursuant to the provisions of this Installment Agreement or October 1, 2027; or (b) a default by Authority and termination pursuant to Article VI hereof.

Section 305. Installment Purchase Payments. For the purchase of the Project, Authority shall pay to City, its successors and assigns, Eight Million Dollars (\$8,000,000), together with interest thereon, at the Installment Purchase Payments set forth in Exhibit "C" attached hereto and by this reference incorporated herein.

The Installment Purchase Payments shall be payment for the title to the Project. For each such annual period commencing with the period beginning on March 1, 1998, Authority shall make

Installment Purchase Payments on the Installment Payment Dates during said annual period as more particularly set forth in Exhibit "C". Interest shall be computed at the rate of 7.91% per annum. The first Installment Purchase Payment will be made on or before March 1, 1998. Interest payable on or before March 1, 1998 and thereafter, shall be computed on the then outstanding principal amount from the date of payment of each deposit to the next succeeding Installment Payment Date.

Installment Purchase Payments for each annual payment period during the term of this Installment Agreement, together with amounts payable pursuant to the last paragraph of this Section shall constitute the total amount due for said payment period, and shall be paid by Authority for and in consideration of the sale of the Project to Authority.

Each Installment Purchase Payment shall be due from and payable by Authority on each of the Installment Payment Dates specified in said Exhibit "C".

As additional consideration for the purchase of the Project, Authority agrees to pay such additional amounts due and owing hereunder.

Section 306. Interest Component. A portion of each Installment Purchase Payment is paid as, and represents the payment of a portion of the unpaid purchase price and interest on the unpaid purchase price. The interest component of each Installment Purchase Payment is set forth in Exhibit "C".

Section 307. Payment in Lawful Money; No Set-Off. Each Installment Purchase Payment shall be paid or caused to be paid by Authority in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, to or upon the order of City at the office of the City in Salinas, California, or such other place as City shall designate. The principal amount of any such Installment Purchase Payments accruing hereunder which is not paid on or prior to the applicable Installment Payment Date shall bear simple interest at the rate of 7.9105% per annum from the Installment Payment Date until the same shall be paid. Notwithstanding any dispute between Authority and City, Authority shall make each and all Installment Purchase Payments when due and shall not withhold any Installment Purchase Payments pending the final resolution of such dispute nor shall Authority assert any right of set-off or counter-claim against its obligation to make Installment Purchase Payments as set forth herein.

Section 308. Covenant to Budget and Appropriate. Authority covenants that it will include in its annual budget and appropriate for the following Fiscal Year from Net Revenues the Installment Purchase Payments and other amounts due under the Installment Agreement due on the Installment Payment Dates in such following Fiscal Year. The Installment Purchase Payments and other amounts due under the Installment Agreement are a limited obligation of Authority and payable from, Net Revenues in the Landfill Project Fund of the Authority. Authority will furnish to the City a Certificate stating that Authority has complied with this Section no later than June 1st of each year. The covenants on the part of the Authority herein contained are deemed by the Authority to be duties imposed by law and it shall be the duty of each and every public official of the Authority to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Authority to carry out and perform its covenants and agreements in this Installment Agreement. The Installment Purchase Payments and payments of

other amounts due under the Installment Agreement shall be made unconditionally, without abatement, irrespective of any interference in the use by the Authority of the Project.

Section 309. Liability of Authority Limited to Revenues. NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, THE AUTHORITY SHALL NOT BE REQUIRED TO ADVANCE ANY MONEYS DERIVED FROM ANY SOURCE OF INCOME OTHER THAN THE NET REVENUES, THE LANDFILL PROJECT FUND AND THE OTHER FUNDS PROVIDED HEREIN FOR THE PAYMENT OF THE INSTALLMENT PAYMENTS OR FOR THE PERFORMANCE OF ANY AGREEMENTS OR COVENANTS REQUIRED TO BE PERFORMED BY IT CONTAINED HEREIN. THE AUTHORITY MAY, HOWEVER, ADVANCE MONEYS FOR ANY SUCH PURPOSE SO LONG AS SUCH MONEYS ARE DERIVED FROM A SOURCE LEGALLY AVAILABLE FOR SUCH PURPOSE AND MAY BE LEGALLY USED BY THE AUTHORITY FOR SUCH PURPOSE.

THE OBLIGATION OF THE AUTHORITY TO MAKE THE INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE AUTHORITY PAYABLE SOLELY FROM THE NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE AUTHORITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Section 310. Title. From and after the Delivery Date, title to the Project, and each and every portion thereof, shall vest in Authority, provided, however, that title to the Project and each and every portion thereof remaining in Authority shall be subject to the subsequent payment of Installment Purchase Payments as described in Section 305 hereof, to the remedies of City in the event of default as provided in Article VI hereof, and to Permitted Encumbrances.

Section 311. Prepayment. Subject to the terms and conditions of this Section, City hereby grants an option to Authority to prepay the Installment Purchase Payments in whole or in part on any Installment Purchase Payment Date on one of two bases, as set forth below:

(a) Prepayment at a price equal to the amount of outstanding unpaid principal component set forth under Exhibit C hereof, plus accrued interest to the Installment Payment Date, plus the prepayment premium described below; or

(b) Depositing funds in an escrow meeting the requirements of Section 701 hereof sufficient, together with interest earnings thereon, to pay all Installment Purchase Payments when due through and including September 1, 2007 and to prepay on September 1, 2007, without premium, the amount of principal installments coming due after the September 1, 2007 payment.

Said option shall be exercised by Authority by giving written notice to the City of the exercise of such option at least sixty (60) days prior written notice to the City. Within thirty (30) days of the City's receipt of such notice, the City shall notify the Authority of the option it has selected. Such option shall be exercised in the event of prepayment in whole or in part by depositing within thirty (30) days of the City's return notice cash or investment securities meeting the requirements of Section 701 which together with interest earned thereon will provide an amount sufficient to pay the unpaid principal amount to be prepaid (but not less than \$100,000) together with the interest component to be

paid to the date of prepayment selected by the City, together with a premium of 1% of the outstanding principal amount to be prepaid in the case of prepayment on any Installment Payment Date on or before March 1, 2003, and otherwise without premium.

The Authority shall prepay Installment Purchase Payments in whole or in part on the next Installment Purchase Payment Date at least sixty (60) days following determination by Authority to apply Net Proceeds to such purpose pursuant to Sections 406 and 407 hereof.

In the event of prepayment in part, the partial prepayment shall be applied by City against Installment Purchase Payments pro rata as nearly as practicable, and Authority shall cause to be provided to the City a revised schedule of Installment Purchase Payments reflecting said partial prepayment.

In the event of prepayment of all of the Installment Purchase Payments from the proceeds of refunding certificates or other obligations through the creation and investment of an escrow fund satisfactory to the City in its discretion, the Authority shall be relieved from making further Installment Purchase Payments hereunder, provided, however, the Authority and the City agree that the Authority's obligation to make the Installment Purchase Payments hereunder remains notwithstanding the fact that said Installment Purchase Payments will be made on the Authority's behalf only from funds deposited in an escrow fund pursuant to this Section 311, but such Authority obligation shall be defeased.

Section 312. Pledge of Revenues. All Net Revenues on deposit in the Landfill Project Fund are hereby irrevocably pledged to the payment of the Installment Payments as provided herein and the Net Revenues shall not be used for any other purpose while any of the Installment Payments remain unpaid; provided that out of the Net Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge shall constitute a first and exclusive lien on Net Revenues, the Landfill Project Fund and other funds and accounts created hereunder for the payment of the Installment Purchase Payments in accordance with the terms hereof. The Authority anticipates and the City acknowledges that the Authority expects to enter into obligations to finance the expected capital needs of the Authority which will constitute Senior Lien Debt for purposes of this Agreement. The City acknowledges that the pledge of Revenues to repayment of the Authority obligations and certain other City rights hereunder will be subordinate to such Senior Lien Debt (or any other Senior Lien Debt), and further agrees to execute any further documents or agreements to confirm or further assure the Authority, the Owners of Senior Lien Debt or others of the subordinate nature of the City's rights hereunder relative to such Senior Lien Debt upon the reasonable written request of the Authority.

Section 313. Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained herein, the Authority agrees and covenants that all Revenues shall be received by the Authority in trust hereunder and shall be deposited when and as received in a special fund of the Authority designated as the "Landfill Project Fund", and which fund the Authority agrees and covenants to establish, maintain and to hold separate and apart from other funds so long as any obligation hereunder remain unpaid. Moneys in the Landfill Project Fund shall be used and applied by the Authority as provided in this Agreement.

The Authority shall, from the moneys in the Landfill Project Fund, pay all Maintenance and Operating Expenses (including amounts reasonably required to be set aside in adequate contingency reserves for Maintenance and Operating Expenses, the payment of which is not then immediately required) as they become due and payable. Thereafter, all remaining moneys in the Landfill Project

Exhibit C

Salinas Valley Solid Waste Authority
 Installment Purchase Agreement
 Schedule of Installment Purchase Payments

Dated and Delivery Date 9/1/97
 Interest Rate 7.9106%
 Ending Balance 0.00
 Annual Payment 701,243.22

Period Ending Date	Period Beginning Balance	Principal	Interest	Total Payment at Period End	Period Ending Balance
3/1/98	8,000,000.00	34,202.28	316,419.32	350,621.61	7,965,797.71
9/1/98	7,965,797.71	35,555.07	315,066.54	350,621.61	7,930,242.64
3/1/99	7,930,242.64	36,961.36	313,660.25	350,621.61	7,893,281.28
9/1/99	7,893,281.28	38,423.27	312,198.34	350,621.61	7,854,858.00
3/1/00	7,854,858.00	39,943.01	310,678.60	350,621.61	7,814,915.00
9/1/00	7,814,915.00	41,522.85	309,096.76	350,621.61	7,773,392.15
3/1/01	7,773,392.15	43,165.18	307,456.43	350,621.61	7,730,226.97
9/1/01	7,730,226.97	44,872.46	305,749.15	350,621.61	7,685,354.51
3/1/02	7,685,354.51	46,647.28	303,974.33	350,621.61	7,638,707.23
9/1/02	7,638,707.23	48,492.29	302,129.32	350,621.61	7,590,214.94
3/1/03	7,590,214.94	50,410.28	300,211.33	350,621.61	7,539,804.66
9/1/03	7,539,804.66	52,404.13	298,217.48	350,621.61	7,487,400.53
3/1/04	7,487,400.53	54,476.84	296,144.77	350,621.61	7,432,923.70
9/1/04	7,432,923.70	56,631.53	293,990.08	350,621.61	7,376,292.17
3/1/05	7,376,292.17	58,871.44	291,750.17	350,621.61	7,317,420.73
9/1/05	7,317,420.73	61,199.95	289,421.66	350,621.61	7,256,220.78
3/1/06	7,256,220.78	63,620.55	287,001.06	350,621.61	7,192,600.23
9/1/06	7,192,600.23	66,136.90	284,484.71	350,621.61	7,126,463.33
3/1/07	7,126,463.33	68,752.77	281,868.83	350,621.61	7,057,710.55
9/1/07	7,057,710.55	71,472.11	279,149.50	350,621.61	6,986,238.44
3/1/08	6,986,238.44	74,299.01	276,322.60	350,621.61	6,911,939.43
9/1/08	6,911,939.43	77,237.71	273,383.90	350,621.61	6,834,701.72
3/1/09	6,834,701.72	80,292.65	270,328.96	350,621.61	6,754,409.07
9/1/09	6,754,409.07	83,468.42	267,153.19	350,621.61	6,670,940.65
3/1/10	6,670,940.65	86,769.90	263,851.81	350,621.61	6,584,170.85
9/1/10	6,584,170.85	90,201.75	260,419.86	350,621.61	6,493,969.10
3/1/11	6,493,969.10	93,769.45	256,852.16	350,621.61	6,400,199.65
9/1/11	6,400,199.65	97,478.26	253,143.95	350,621.61	6,302,721.40
3/1/12	6,302,721.40	101,333.76	249,287.86	350,621.61	6,201,387.64
9/1/12	6,201,387.64	105,341.75	245,279.86	350,621.61	6,096,046.89
3/1/13	6,096,046.89	109,508.27	241,113.94	350,621.61	5,986,537.61
9/1/13	5,986,537.61	113,839.59	236,782.02	350,621.61	5,872,698.02
3/1/14	5,872,698.02	118,342.22	232,279.99	350,621.61	5,754,355.80
9/1/14	5,754,355.80	123,022.94	227,598.67	350,621.61	5,631,332.86
3/1/15	5,631,332.86	127,888.80	222,732.81	350,621.61	5,503,444.07
9/1/15	5,503,444.07	132,947.11	217,674.50	350,621.61	5,370,496.86

Period Ending Date	Period Beginning Balance	Principal	Interest	Total Payment at Period End	Period Ending Balance
3/1/16	5,370,496.96	138,205.48	212,416.12	350,621.61	5,232,291.48
9/1/16	5,232,291.48	143,671.85	206,949.76	350,621.61	5,088,619.63
3/1/17	5,088,619.63	149,364.41	201,267.20	350,621.61	4,939,265.22
9/1/17	4,939,265.22	155,261.74	195,359.87	350,621.61	4,784,003.48
3/1/18	4,784,003.48	161,402.72	189,218.89	350,621.61	4,622,600.76
9/1/18	4,622,600.76	167,786.59	182,835.02	350,621.61	4,464,814.17
3/1/19	4,464,814.17	174,422.96	176,198.66	350,621.61	4,280,391.22
9/1/19	4,280,391.22	181,321.80	169,299.81	350,621.61	4,099,069.42
3/1/20	4,099,069.42	188,493.51	162,128.09	350,621.61	3,910,575.91
9/1/20	3,910,575.91	195,948.89	154,672.72	350,621.61	3,714,627.02
3/1/21	3,714,627.02	203,699.14	146,922.47	350,621.61	3,510,927.88
9/1/21	3,510,927.88	211,755.93	138,665.68	350,621.61	3,299,171.95
3/1/22	3,299,171.95	220,131.39	130,490.22	350,621.61	3,079,040.55
9/1/22	3,079,040.55	228,838.12	121,783.49	350,621.61	2,850,202.43
3/1/23	2,850,202.43	237,889.22	112,732.39	350,621.61	2,612,313.21
9/1/23	2,612,313.21	247,298.31	103,323.30	350,621.61	2,365,014.90
3/1/24	2,365,014.90	257,079.56	93,542.05	350,621.61	2,107,935.34
9/1/24	2,107,935.34	267,247.68	83,375.93	350,621.61	1,840,687.67
3/1/25	1,840,687.67	277,817.97	72,803.64	350,621.61	1,562,869.70
9/1/25	1,562,869.70	288,606.34	61,815.27	350,621.61	1,274,063.36
3/1/26	1,274,063.36	300,229.33	50,392.28	350,621.61	973,834.03
9/1/26	973,834.03	312,104.12	38,517.49	350,621.61	661,729.81
3/1/27	661,729.81	324,448.59	26,173.02	350,621.61	337,281.32
9/1/27	337,281.32	337,281.32	13,340.29	350,621.61	0.00
Total		8,000,000.00	13,037,296.57	21,037,296.57	

E. J. De La Rosa & Co., Inc.

3/1/97

EXHIBIT 4
to
ATTACHMENT A

EXHIBIT 5
to
ATTACHMENT A

ATTACHMENT B

WASTE DELIVERY AGREEMENT

by and between

MONTEREY COUNTY

and

SALINAS VALLEY SOLID WASTE AUTHORITY

EXHIBIT 5
to
ATTACHMENT A

ARTICLE II
Delivery and Acceptance of Waste

2.1 Delivery of Waste.

(a) Waste Disposal Covenant. Commencing on the Effective Date and throughout the term of this Agreement, the County shall, in accordance with Applicable Law, exercise all legal and contractual power and authority which it may possess from time to time to deliver or cause the delivery of all Controllable Waste to the Disposal System in accordance herewith.

(b) Recycled County Acceptable Waste. The parties hereto acknowledge the responsibility of the County to meet the recycling and landfill diversion goals contained in the Act. Nothing in this Agreement is intended or shall be interpreted to prohibit or impair the ability of the County to meet such responsibilities, or to restrict the right of the residents, businesses or organizations in the County to practice source separation, recycling, composting or other materials recovery activities, or to restrict the right of the County to conduct, sponsor, encourage or require such activities in any form. No reduction in the amount of Controllable Waste generated in the County and delivered to the Disposal System by or on behalf of the County which may result from any such source separation diversion or recycling program shall cause the County any liability hereunder and shall not constitute a breach of this Agreement.

(c) Power to Obligate Waste Disposal and Comply with this Agreement. On or before the Effective Date, (i) any County franchise, contract, lease, permit or other agreement which is lawfully in effect relating to or affecting Controllable Waste shall provide, or shall have been amended to provide, that the County shall have the right without material restriction on and after the Effective Date to direct the delivery of all Controllable Waste to a disposal location selected by the County and otherwise to comply with its obligations under this Agreement with respect to Controllable Waste and Franchise or Permitted Haulers, and (ii) the County shall designate the Disposal System as the disposal location pursuant to such franchise, contract, lease, permit or other agreement. On and after the Effective Date and throughout the Term of this Agreement the County (a) shall not enter into any franchise, contract, lease, agreement or obligation, issue any permit, license or approval which is materially inconsistent with the requirements of the Waste Disposal Covenant, and (b) shall maintain non-exclusive or exclusive franchises or other contractual arrangements over any County Acceptable Waste which, as of the Effective Date, is subject to non-exclusive or exclusive franchise or contractual arrangements. The County agrees that the Authority shall be a third party beneficiary of the obligation of Franchise or Permitted Haulers to deliver Controllable Waste to the Disposal System, and may directly enforce such obligation through any legal means available. The County shall notify in writing each Franchise or Permitted Hauler of the Authority's third party beneficiary rights.

(d) Waste Flow Enforcement. The County, in cooperation with the Authority, shall establish, implement, carry out and enforce a waste flow enforcement program which is sufficient to assure the delivery of all Controllable Waste to the Disposal System pursuant to and

in accordance with the Waste Disposal Covenant for disposal at the times and in the manner provided herein. The waste flow enforcement program shall consist of amending County franchises or permits with Franchise or Permitted Haulers, to the extent required by this Section, and shall include in addition, to the extent necessary and appropriate in the circumstances to assure compliance with the Waste Disposal Covenant, but shall not be limited to: (1) licensing or permitting Franchise or Permitted Haulers, upon the condition of compliance with the Waste Disposal Covenant, and (2) providing for and taking appropriate enforcement action under any such franchise, license or permit, such as but not limited to the suspension, revocation and termination of collection rights and privileges, the imposition of fines or collection of damages, and the exercise of injunctive relief against non-complying Franchise or Permitted Haulers.

(e) Legal Challenges to Franchise System. The County shall use its best efforts to preserve, protect and defend its rights to exercise and comply with the Waste Disposal Covenant against any challenge thereto, legal or otherwise (including any lawsuits against the County or the Authority, whether as plaintiff or defendant), by a Franchise or Permitted Hauler or any other person, based upon breach of contract, violation of law or any other legal theory. At the option of the Authority or at the request of the County, the County may assign its rights and obligations pursuant to this paragraph to the Authority and the Authority shall accept such assignment and the Authority shall defend the County at the Authority's cost and expense and/or indemnify the County for the payment of any costs incurred by the County in defense of any such challenge.

(f) Franchise or Permitted Haulers. The County shall immediately notify the Authority of any changes in the franchise, license or permit with its Franchise or Permitted Haulers which would affect the hauler, the area of collection and transportation, or franchise and permit terms.

(g) Waste Information System. The County shall cooperate with the Authority in collection information and otherwise monitoring Franchise or Permitted Haulers in order to assure compliance with this Agreement. Such information may include, to the extent practicable, data pertaining to Controllable Waste collected, transported, stored, processed and disposed of; Recycled County Acceptable Waste collected, transported, stored, processed and marketed or disposed of; Franchise or Permitted Haulers' franchise, permit or license terms, collection areas, transportation routes and compliance with Applicable Law; and all other information which may reasonably be required by the Authority in connection with this Agreement.

(h) Annexations and Restructuring. It is the intention of the parties that this Agreement and the obligations and rights of the County hereunder, including particularly the Waste Disposal Covenant shall, to the extent permitted by Applicable Law, extend to any territory annexed by the County and shall bind any successor or restructured Governmental Body which shall assume or succeed to the rights of the County under Applicable Law.

2.2 Provision of Disposal Services.

(a) Service Covenant. Commencing on the Effective Date and throughout the term of this Agreement, the Authority shall provide or cause the provision of the service of receiving and disposing of all Controllable Waste at the Disposal System (or other such facilities, including transfer stations, at the Authority may determine to use). The Authority shall do and perform all acts and things which may be necessary or desirable in connection with its covenants in this subsection, including without limitation all planning, development, administration, implementation, construction, operation, maintenance, management, financing and contract work related thereto and undertaken in connection herewith. The Authority shall exercise all reasonable efforts to minimize the costs incurred in complying with the Service Covenant consistent with its responsibilities hereunder and under this Agreement, Applicable Law and prudent solid waste management practice and environmental considerations.

2.3 Charging and Securing Payment of Disposal Fees. The County acknowledges that the Authority shall have the right to charge and collect Disposal Fees for the acceptance and disposal of Controllable Waste delivered to the System. The Disposal Fees shall be calculated and established, and may be modified from time to time at the discretion of the Authority. The Authority shall provide the County thirty (30) days written notice of any proposed Disposal Fee modifications. In addition, the County acknowledges that the Authority shall have the right to establish as part of the operating rules and regulations reasonable measures to secure the payment of all Disposal Fees.

ARTICLE III

Term

3.1 Effective Date and Term. This Agreement shall be effective when signed by each party and shall continue for so long as may be necessary to carry out the purpose of this Agreement or until terminated by mutual consent of the governing bodies of the parties, whichever is earlier; provided, however, that:

(a) The County may not withdraw from this Agreement so long as it remains a member of the Authority.

(b) Should the County cease to be a member of the Authority, the County may withdraw from this Agreement by a majority vote of the governing body thereof giving to the Authority one year's written notice of such intention to withdraw, so long as all revenue bonds or other forms of indebtedness issues pursuant hereto, and the interest thereon, shall have been paid or adequate provision for such payment shall have been made in accordance with the resolution (or indenture) adopted by the Authority governing board pursuant to the law authorizing the issuance thereof or the approval of the debt.

ARTICLE IV

General Provisions

EXHIBIT 6
to
ATTACHMENT A

Tax-Exempt Bonds: A Description of State and Local Government Debt

Year	Yield (%)			Yield Spread (%)		Yield Ratio (%)	
	High-grade Municipal Bonds	10-Year Treasury Bonds	Corporate Bonds	10-Year Treasury Bonds	Corporate Bonds	10-Year Treasury Bonds	Corporate Bonds
1985	9.18	10.62	11.37	1.44	2.19	0.86	0.81
1986	7.38	7.67	9.02	0.29	1.64	0.96	0.82
1987	7.73	8.39	9.38	0.66	1.65	0.92	0.82
1988	7.76	8.85	9.71	1.09	1.95	0.88	0.80
1989	7.24	8.49	9.26	1.25	2.02	0.85	0.78
1990	7.25	8.55	9.32	1.30	2.07	0.85	0.78
1991	6.89	7.86	8.77	0.97	1.88	0.88	0.79
1992	6.41	7.01	8.14	0.60	1.73	0.91	0.79
1993	5.63	5.87	7.22	0.24	1.59	0.96	0.78
1994	6.19	7.09	7.96	0.90	1.77	0.87	0.78
1995	5.95	6.57	7.59	0.62	1.64	0.91	0.78
1996	5.75	6.44	7.37	0.69	1.62	0.89	0.78
1997	5.55	6.35	7.26	0.80	1.71	0.87	0.76
1998	5.12	5.26	6.53	0.14	1.41	0.97	0.78
1999	5.43	5.65	7.04	0.22	1.61	0.96	0.77
2000	5.77	6.03	7.62	0.26	1.85	0.96	0.76
2001	5.19	5.02	7.08	-0.17	1.89	1.03	0.73
2002	5.05	4.61	6.49	-0.44	1.44	1.10	0.78
2003	4.73	4.01	5.67	-0.72	0.94	1.18	0.83
2004	4.63	4.27	5.63	-0.36	1.00	1.08	0.82
2005	4.29	4.29	5.24	0.00	0.95	1.00	0.82
2006	4.42	4.80	5.59	0.38	1.17	0.92	0.79
2007	4.42	4.63	5.56	0.21	1.14	0.95	0.79
2008	4.80	3.66	5.63	-1.14	0.83	1.31	0.85
2009	4.64	3.26	5.31	-1.38	0.67	1.42	0.87
2010	4.16	3.22	4.94	-0.94	0.78	1.29	0.84
2011	4.29	2.78	4.64	-1.51	0.35	1.54	0.92

Source: Council of Economic Advisors, Economic Report of the President, February 2012, Table B-73.

What Does Tax Exemption Cost the Federal Government?

The direct cost to the federal government of this interest exclusion is the individual and corporate income tax revenue forgone. Consider a 35% marginal tax rate corporate investor who purchases a 6.5% tax-exempt bond with principal of \$1,000 that is to be repaid after 20 years. Each year for

Title: 30-Year Treasury Constant Maturity Rate
 Series ID: GS30
 Source: Board of Governors of the Federal Reserve System
 Release: H.15 Selected Interest Rates
 Seasonal Adjustment: Not Seasonally Adjusted
 Frequency: Monthly
 Units: Percent
 Date Range: 1977-02-01 to 2013-09-01
 Last Updated: 2013-10-07 3:41 PM CDT
 Notes: Yields on actively traded non-inflation-indexed issues adjusted to constant maturities. The 30-year Treasury constant maturity series was discontinued on February 18, 2002, and reintroduced on February 9, 2006.
 For further information regarding treasury constant maturity data, please refer to <http://www.federalreserve.gov/releases/h15/current/h15.pdf> and <http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/yieldmethod.aspx>.

DATE	VALUE
1977-02-01	7.75
1977-03-01	7.80
1977-04-01	7.73
1977-05-01	7.80
1977-06-01	7.64
1977-07-01	7.64
1977-08-01	7.68
1977-09-01	7.64
1977-10-01	7.77
1977-11-01	7.85
1977-12-01	7.94
1978-01-01	8.18
1978-02-01	8.25
1978-03-01	8.23
1978-04-01	8.34
1978-05-01	8.43
1978-06-01	8.50
1978-07-01	8.65
1978-08-01	8.47
1978-09-01	8.47
1978-10-01	8.67
1978-11-01	8.75
1978-12-01	8.88
1979-01-01	8.94
1979-02-01	9.00
1979-03-01	9.03
1979-04-01	9.08
1979-05-01	9.19
1979-06-01	8.92
1979-07-01	8.93
1979-08-01	8.98
1979-09-01	9.17
1979-10-01	9.85
1979-11-01	10.30
1979-12-01	10.12
1980-01-01	10.60
1980-02-01	12.13
1980-03-01	12.34
1980-04-01	11.40
1980-05-01	10.36
1980-06-01	9.81
1980-07-01	10.24
1980-08-01	11.00
1980-09-01	11.34
1980-10-01	11.59
1980-11-01	12.37
1980-12-01	12.40
1981-01-01	12.14
1981-02-01	12.80
1981-03-01	12.69
1981-04-01	13.20
1981-05-01	13.60
1981-06-01	12.96
1981-07-01	13.59
1981-08-01	14.17
1981-09-01	14.67
1981-10-01	14.68
1981-11-01	13.35
1981-12-01	13.45
1982-01-01	14.22
1982-02-01	14.22
1982-03-01	13.53
1982-04-01	13.37
1982-05-01	13.24
1982-06-01	13.92

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1996-09-01	7.03
1996-10-01	6.81
1996-11-01	6.48
1996-12-01	6.55
1997-01-01	6.83
1997-02-01	6.69
1997-03-01	6.93
1997-04-01	7.09
1997-05-01	6.94
1997-06-01	6.77
1997-07-01	6.51
1997-08-01	6.58
1997-09-01	6.50
1997-10-01	6.33
1997-11-01	6.11
1997-12-01	5.99
1998-01-01	5.81
1998-02-01	5.89
1998-03-01	5.95
1998-04-01	5.92
1998-05-01	5.93
1998-06-01	5.70
1998-07-01	5.68
1998-08-01	5.54
1998-09-01	5.20
1998-10-01	5.01
1998-11-01	5.25
1998-12-01	5.06
1999-01-01	5.16
1999-02-01	5.37
1999-03-01	5.58
1999-04-01	5.55
1999-05-01	5.81
1999-06-01	6.04
1999-07-01	5.98
1999-08-01	6.07
1999-09-01	6.07
1999-10-01	6.26
1999-11-01	6.15
1999-12-01	6.35
2000-01-01	6.63
2000-02-01	6.23
2000-03-01	6.05
2000-04-01	5.85
2000-05-01	6.15
2000-06-01	5.93
2000-07-01	5.85
2000-08-01	5.72
2000-09-01	5.83
2000-10-01	5.80
2000-11-01	5.78
2000-12-01	5.49
2001-01-01	5.54
2001-02-01	5.45
2001-03-01	5.34
2001-04-01	5.65
2001-05-01	5.78
2001-06-01	5.67
2001-07-01	5.61
2001-08-01	5.48
2001-09-01	5.48
2001-10-01	5.32
2001-11-01	5.12
2001-12-01	5.48
2002-01-01	5.45
2002-02-01	5.40
2002-03-01	.
2002-04-01	.
2002-05-01	.
2002-06-01	.
2002-07-01	.
2002-08-01	.
2002-09-01	.
2002-10-01	.
2002-11-01	.
2002-12-01	.
2003-01-01	.
2003-02-01	.
2003-03-01	.
2003-04-01	.
2003-05-01	.
2003-06-01	.
2003-07-01	.
2003-08-01	.
2003-09-01	.

EXHIBIT 6
to
ATTACHMENT A

EXHIBIT 7
to
ATTACHMENT A



Salinas Valley Solid Waste Authority

**Consulting Engineer's Report on
Solid Waste Projects**

Final Report

October 17, 1997

Prepared for
Salinas Valley Solid Waste Authority
200 Lincoln Avenue
Salinas, CA 93901

Prepared by
Brown, Vence & Associates, Inc.
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San Francisco, CA 94104
(415) 434-0900

EXHIBIT 7
to
ATTACHMENT A

A representative sample of the disposal facilities that could potentially compete with the Authority's facilities is summarized in Table 3-4. The facilities represent landfills that have historically served as regional landfills and/or are currently marketing their capacity in Northern California. These facilities were also selected for their relatively long life span (approximately 10 years or more). In many cases, particularly the smaller facilities, these landfills would require revision of their SWFPs before they could accept one or more of the Authority's waste streams. Estimated costs associated with transporting and disposal of waste at these disposal sites are included in Table 3-4 for comparison purposes. In most cases, any jurisdiction within the Authority choosing to use an alternative landfill would require a transfer station, given the distances involved. The transfer and haul costs estimated in Table 3-4 include an assumed transfer station ownership and operations cost of \$10.00 per ton. The haul cost component was estimated based on the round-trip mileage to the facility from Salinas (the assumed waste centroid), and assuming an average vehicle speed of 50 mph, 0.5 hour vehicle loading/unloading time, \$60 per hour operating cost for the transfer vehicle (industry average figure), and an assumed payload of 22 tons per vehicle. The estimated disposal costs shown in Table 3-4 represents the current gate rate for the listed facilities unless noted otherwise. It is conceivable that one or more of the Authority waste streams could negotiate a disposal rate less than the gate rate; however, the price reduction cannot be reasonably estimated without initiating a negotiation process.

It is important to recognize that projecting future tipping fees for these potentially competing facilities is a speculative proposition. Current solid waste economic pressures in the region are generally forcing tipping fee prices downward as private facilities continue their attempts to garner greater market share. However, the cost of designing, constructing, and operating landfills under the new RCRA Subtitle D regulations plus increasingly stringent closure and postclosure requirements are tending to force long-term tipping fees upward. As a result, it is reasonable to expect some continued short-term fee decreases as facilities jockey for market share and long-term fee increases, at or greater than inflation rates, as facilities cannot indefinitely internalize development and operating cost increases.

As illustrated in Table 3-4, the total tipping fee of these potentially competing facilities, in all cases but one, significantly exceeds the current cost of \$39.00 per ton charged to the Authority communities (except Salinas, which charges a disposal fee \$23.30 per ton until January 2000). The primary reason for this is the cost of waste transfer and hauling that must be factored into the total cost calculation. The one exception is Marina Landfill, which may not necessitate the use of a transfer station, given its proximity to Salinas. Given such, the Marina facility could conceivably be accessed by the Salinas area for approximately \$39 per ton (1997 dollars). As a member of the Authority, however, the City of Salinas disposal fee will remain at \$23.30 per ton

Table 3-4
Potential Competing Disposal Facilities

Facility/Location/Owner	Estimated Transfer and Haul Cost	Distance (round-trip from centroid)	Disposal Fee	Total Estimated Tipping Fee	Comments
Marina Landfill/Monterey Co., CA/ Monterey Regional Waste Management District	\$8.63/ton (direct haul)	26 miles	\$30.00/ton	\$38.63/ton	500 - 1,000 TPD intake. Currently serves as primary disposal facility for district comprising western Monterey County. District has historically expressed interest in Salinas area waste stream.
Salinas Disposal Service Transfer Station to Marina Landfill, Monterey Co. CA	\$13.14	26 miles	\$30.00/ton	\$43.14	500 - 1,000 TPD intake. See above.
Buena Vista Landfill/Santa Cruz Co., CA/Santa Cruz Co.	\$13.98/ton	48 miles	\$36.00/ton	\$49.98/ton	100-500 TPD intake. Facility has historically competed with Lewis Road Landfill for some waste streams.
Paso Robles Landfill/San Luis Obispo Co., CA/City of Paso Robles	\$22.71/ton	208 miles	\$35.85/ton	\$58.56/ton	250 TPD permitted maximum intake. Major facility expansion recently approved.
John Smith Landfill/San Benito Co., CA/San Benito County	\$14.96/ton	66 miles	\$38.00/ton	\$52.96/ton	100 - 500 TPD intake. Facility serves limited out-of-county clients only. County is planning a major landfill expansion. Tipping fee is \$9.50/cu.yd., converted to \$/ton assuming delivered density of 0.25/ton per cu.yd.
Altamont Landfill/Alameda Co., CA/ WMI	\$22.27/ton	200 miles	\$30.00/ton	\$52.27/ton	Up to 11,000 TPD facility primarily serving San Francisco and numerous East Bay communities. 80 million ton expansion recently approved.
Vasco Road Landfill/Alameda Co., CA/BFI	\$22.27/ton	200 miles	\$54.00/ton	\$76.27/ton	> 1,000 TPD intake. Serves as regional facility for numerous East Bay and Central Valley communities. Tipping fee is \$13.50/cu. yd., converted to \$/ton assuming delivered density of 0.25/ton per cu. yd.
Keller Canyon Landfill/Contra Costa Co., CA/BFI	\$24.02/ton	232 miles	negotiated only	unknown	> 1,000 TPD intake. Only accepts waste streams having contracts with the facility.
Kirby Canyon Landfill/Santa Clara Co., CA/WMI	\$17.36/ton	110 miles	\$50.00/ton	\$67.36/ton	> 1,000 TPD intake. Serves numerous South Bay communities.
B&J Landfill/Solano Co., CA/ Norcal	\$25.44/ton	258 miles	\$39.50/ton	\$64.94/ton	Can accept up to 1,200 TPD. Actively being marketed by owner as a regional facility.

until January 2000, at which time the Authority anticipates that all members' rates will be equalized. Assuming the rate equalization at a rate of approximately \$40 or less, the Authority landfills will continue to be a more economical alternative than Marina Landfill.

It is also worth noting that new in-County disposal facilities could be developed to present competition. For example, USA Waste may consider permitting a landfill operation at its Jolon Road Landfill site to compete with the Authority's landfill system because it collect approximately 70 percent of the franchise materials generated within the Authority's service area and owns the Jolon Road Landfill site and Salinas transfer station. However, the high cost and long time typically encountered in siting new landfills in California is a strong deterrent to their development.

The competition should not interfere with the Authority's ability to attract sufficient waste over the term of the Bonds.

5.2.2 Article 5 Fund

State Water Resources Control Board regulations for landfills (Title 23, Chapter 15, Article 5) require that the landfill owner obtain and maintain assurances of financial responsibility for initiating and completing corrective action for all known or reasonably foreseeable releases from the landfill. The financial assurance requirements are developed based on a Correction Action Program and estimated costs of implementing such a corrective action. The WDRs issued by the RWQCB include the Article 5 financial assurance requirements in accordance with 23 CCR 2550.

The City of Salinas has accumulated an Article 5 fund of \$2,000,000 for Crazy Horse Landfill as required by the RWQCB, which is to remain in place for approximately 30 years. These monies will be transferred to the Authority and held in place. The pro forma assumes that these monies will not be used. Interest generated on these funds is being collected and used as revenues to fund the Authority System. The pro forma includes the interest on the Article 5 funds as revenues. At this time, no Article 5 funds have been accumulated for Johnson Canyon Road, Jolon Road, or Lewis Road landfills. The Authority is planning to adopt a resolution that commits System revenues to cover Article 5 costs at the time costs are, if ever, incurred. This is allowed under 27 CCR, Financial Assurance Mechanisms.

5.3 REVENUES

The Authority will generate revenues from several sources including Authority tonnage charge, landfill operator payments, landfill surcharges, landfill capacity sales, and interest on funds. A description of the revenue sources is provided below.

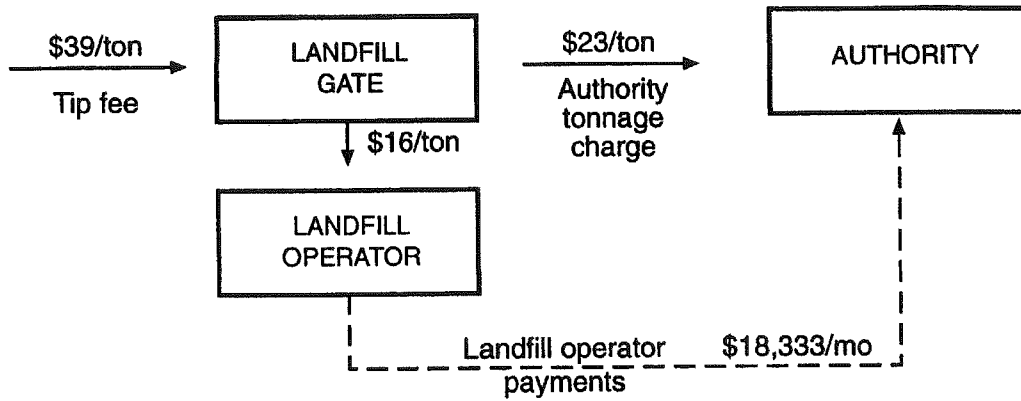
5.3.1 Authority Tonnage Charge

Fees are collected on the refuse received at the Authority's landfills and transfer stations on a per-ton basis. Under the existing operating agreements, the tonnage charge revenues are collected by the facility operator (or collection contractor) and a portion of the revenues are remitted to the Authority. For Johnson Canyon Road and Lewis Road landfills, the operator collects the \$39-per-ton charge, retains \$16 per ton, and remits \$23 per ton to the Authority as tonnage charge revenues. At the Jolon Road transfer station, the operator collects \$39 per ton, retains \$14 per ton for its cost of operations, remits \$6 per ton to Johnson Canyon Road Landfill for disposal costs, and remits \$19 per ton to the Authority. For Crazy Horse Landfill and the Salinas transfer station, the operator collects the tonnage fees and remits to the Authority a landfill surcharge of 22.1 percent of its gross revenues earned on tonnage disposed of at the landfill through June 31, 2001 when the agreement expires. These arrangements are summarized in Figure 5-1.

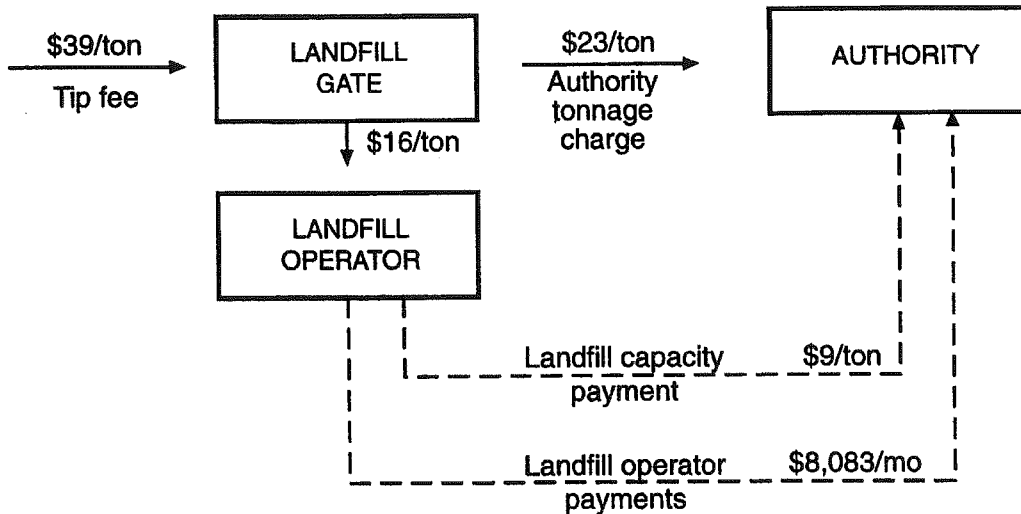
Figure 5-1

Authority Revenues

Johnson Canyon Road Landfill



Lewis Road Landfill



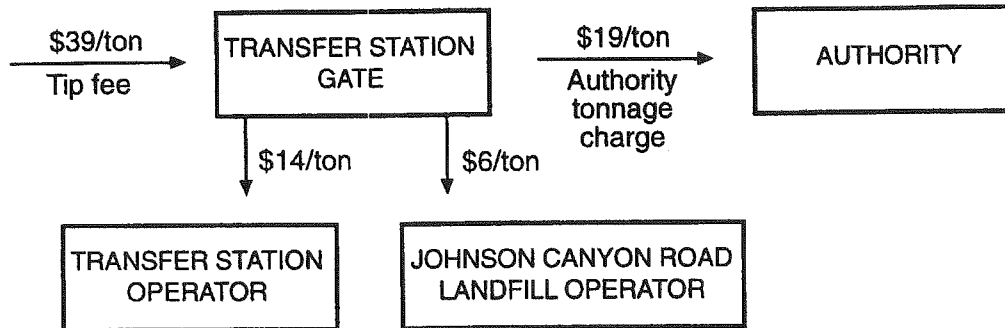
Revenue Source	Amount	Percent of Total
Authority tonnage charge	\$1,264,000	27.8%
Landfill operator payments	\$317,000	7.0%
Landfill surcharge (Crazy Horse)	\$2,800,000	61.5%
Landfill capacity payments (Lewis Road)	\$54,000	1.2%
Interest on funds	\$115,000	2.5%
TOTAL	\$4,550,000	100%

EXHIBIT 7
To
ATTACHMENT A

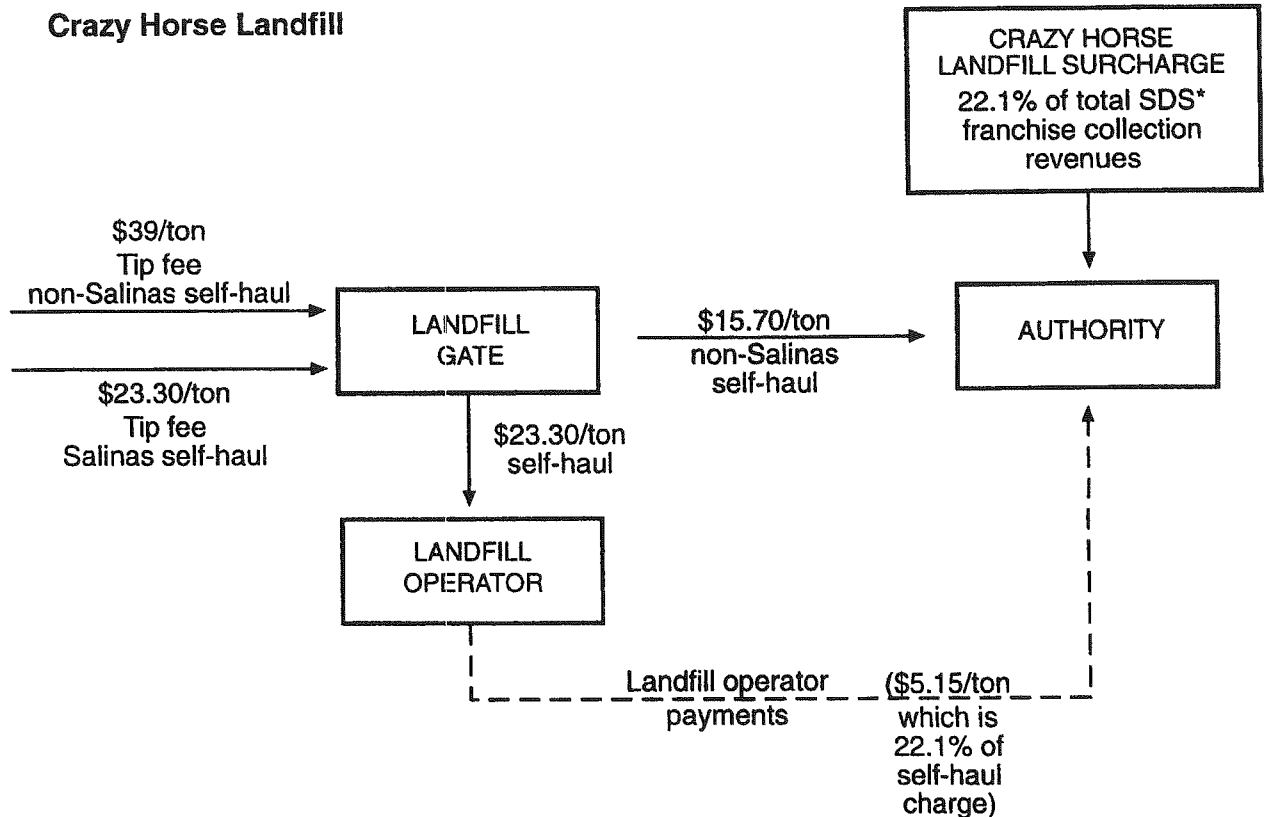
Figure 5-1 (cont.)

Authority Revenues

Jolon Road Transfer Station



Crazy Horse Landfill



*Salinas Disposal Service

As described above and in Section 2.1.3, the tonnage charges for waste disposed of at Authority facilities under existing operating agreements are currently set at \$23.30 per ton for Salinas waste generators and \$39 per ton for all other waste generators. On January 1, 2000, the Authority will establish an equal tipping fee rate for all Authority waste generators. The Authority anticipates that the equalized rate will be \$35.00 per ton on January 1, 2000. The equalized rate will allow for a monthly residential collection rate increase of \$1.25 per can for Salinas residents and a decrease of \$0.40 per can for other Authority residents. From FY 2001/02 through FY 2027/28 the tipping fee is set to maintain a minimum debt service coverage of 1.20 on senior debt, 1.10 on combined debt service and sufficient funds to cover capital costs for the Johnson Canyon Road Landfill liner expansion. Under the existing operating agreements, the facility operator (or collection contractor) collects the tonnage charge revenues, retains a portion of the revenues to cover operating costs, and remits the remaining revenues to the Authority.

When the existing operating contracts expire, the Authority will restructure the revenue collection method so that the Authority receives all tipping fee revenues and pays that landfill or transfer station operating costs from the revenues collected.

In the pro forma, tonnage charge revenues are calculated based on the existing tonnage charge rate structure through December 31, 1999 and thereafter using the equalized tipping fee rates. The annual tonnage charge revenues are calculated as the product of the tonnage fee rate and the anticipated annual waste quantities to be disposed. The Authority's waste quantity projections shown in Table 3-3 are used to estimate the annual tonnage charge revenues over the term of the 1997 Project financing.

5.3.2 Landfill Operator Payments

Landfill operator payments are collected in association with the operations of Johnson Canyon Road and Lewis Road landfills. As described in Section 2.2, the Operating Agreement requires the operator to pay the Authority \$18,333 per month for Johnson Canyon Road Landfill and \$8,083 per month for Lewis Road Landfill through the expiration of the operating contract on October 5, 2000. These payments are in addition to the Authority's share of the tonnage charges collected at these landfills.

5.3.3 Landfill Surcharges

Revenues are also generated through a surcharge levied in the Salinas Disposal Service franchise agreement for Crazy Horse Landfill operations. These surcharges are paid to the Authority in lieu of a share of the tonnage charges collected at Crazy Horse Landfill. As defined by the franchise agreement, Salinas Disposal Service pays the Authority a surcharge equal to 22.1 percent of its gross revenues earned on tonnage disposed of at Crazy Horse Landfill through June 31, 2001

when the agreement expires. The Authority estimates that the surcharge revenues will be \$2,800,000 in FY 1997/98 and 1998/1999, based on historical earnings, and \$3,300,000 in FY 1999/2000 and 2000/01 to reflect anticipated increase in revenues resulting from fee equalization. As described in Section 2, the Authority, the City of Salinas and USA Waste are currently discussing the possibility of reorganizing responsibility for operations of Crazy Horse Landfill, so that the Authority rather than the City would have responsibility for managing the contractor's operation and would directly receive payments from the contractor. Currently the Authority exercises control indirectly through an interagency agreement. Also, the operations would be performed by Rural Dispos-All Service, another USA Waste subsidiary, rather than Salinas Disposal Service. Rather than the landfill surcharge being based on a percentage of total revenues of Salinas Disposal Service, the payment is anticipated to be set at approximately \$2.8 million per year with annual adjustments for population and tonnage variations.

5.3.4 Landfill Capacity Payments

Revenues are generated through sale of landfill capacity at Lewis Road Landfill to jurisdictions outside the Authority. As described in Section 2.2, the Lewis Road Landfill operator pays the Authority \$9 per ton for every ton of waste received from waste generators located outside the Authority's boundaries. The Authority anticipates receiving \$54,000 annually in landfill capacity payments resulting from the receipt of 6,000 tons annually of waste from outside the Authority limits through the first quarter of FY 2000/01. The Lewis Road Landfill operator has guaranteed the Authority that the landfill will receive a minimum of 500 tons per month or 6,000 tons per year of waste generated outside the Authority. This guarantee will be reevaluated at the end of December 1997 according to conditions of the operating agreement. At the time of reevaluation, the guaranteed tonnage level may be adjusted or eliminated.

5.3.5 Interest on Funds

The closure funds, debt service reserve funds, and surplus Authority revenues will generate interest that the Authority will use to cover System expenses. The Authority estimates earning 5 percent interest on its funds.

5.3.6 Total Gross Revenues

The total gross revenues estimated for the Authority for FY 1997/98 are the sum of the Authority tonnage charge, landfill operator payments, landfill surcharge, landfill capacity payments, and interest on funds. The total gross revenues are approximately \$4,550,000 in FY 1997/98. The landfill surcharge accounts for the largest portion of the revenues, approximately 61.5 percent of the total gross revenues. The revenue sources are in Figure 5-1.

EXHIBIT 8
to
ATTACHMENT A

SALINAS VALLEY SOLID WASTE AUTHORITY

and

BNY WESTERN TRUST COMPANY

as Trustee

MASTER INDENTURE

Dated as of November 1, 1997

Relating to the

**SALINAS VALLEY SOLID WASTE AUTHORITY
REVENUE BONDS**

SECTION 4.12. Provision of Solid Waste Services and No Voluntary Withdrawal from System. While any Bonds remain Outstanding, the Authority, to the extent permitted by law, will use its best efforts and take whatever actions are within the scope of its powers at all times to provide solid waste disposal and processing services within the service area of the System and to maintain capacity in the System for disposal of sufficient amounts of solid waste to maintain Net Revenues as required under this Indenture. Except as otherwise permitted by Section 4.04 hereof, the Authority shall not voluntarily withdraw from or abandon the System while any Bonds remain Outstanding. In the event of loss or damage to any material portion of the System or the occurrence of any other event which prevents the Authority from accepting solid waste at the System or any portion thereof, the Authority will use its best efforts and take whatever actions are within its powers to provide the solid waste management services necessary to maintain Net Revenues as required under the Indenture. Such actions shall include making contractual or other arrangements for the use of disposal facilities (either inside or outside of the geographical boundaries of the Authority) owned or operated by entities other than the Authority.

SECTION 4.13. Flow Control. While any Bonds remain Outstanding, the Authority shall, to the extent permitted by law, use its best efforts and take whatever actions are within the scope of its powers to insure that sufficient solid waste is processed and disposed of through the System to generate Net Revenues as required by this Indenture.

SECTION 4.14. Against Competitive Facilities. The Authority will not, to the extent permitted by law, acquire, purchase, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, purchase, maintain or operate any solid waste management system competitive with the System, unless the governing board of the Authority determines by resolution that any such actions with respect to competitive facilities will not materially adversely affect the ability of the Authority to fulfill its obligations under this Indenture.

SECTION 4.15. Prompt Acquisition and Construction of the Projects. The Authority will acquire and construct the Projects with all practicable dispatch, and such acquisition and construction will be made in an expeditious manner and in conformity with the law so as to complete the same as soon as possible.

SECTION 4.16. Competitive Tipping Fees. The Authority will, to the extent permitted by law, use its best efforts and take whatever actions are within the scope of its powers to insure that the tipping fees charged by the Authority for the disposal of solid waste remain competitive with the tipping fees charged by other operations similar to the System in the vicinity of the System; *provided, however,* that in no event shall this covenant be construed to limit or affect the obligation of the Authority to set rates, charges and tipping fees to generate Net Revenues as required by the Indenture.

SECTION 4.17. Payment of Claims. The Authority will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the System or upon the Net Revenues or any part thereof, or upon any funds held by the Trustee, or which might impair the security of the Bonds; *provided,* that nothing herein contained shall require the Authority to make any such payments so long as the Authority in good faith shall contest the

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to
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In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Series 2002 Bonds is excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Series 2002 Bonds is exempt from State of California personal income tax and is a specific preference item for purposes of federal individual or corporate alternative minimum taxes. Bond Counsel expresses no opinion regarding other tax consequences relating to the ownership or disposition of the Series 2002 Bonds, or the accrual or receipt of interest on the Series 2002 Bonds. See "TAX MATTERS" herein.

\$39,845,000**SALINAS VALLEY SOLID WASTE AUTHORITY
REVENUE BONDS, SERIES 2002****Dated: Date of delivery****Due: August 1, as shown below**

The Series 2002 Bonds are being executed and issued pursuant to, and are secured under, a Master Indenture, dated as of November 1, 1997, as supplemented by a First Supplemental Indenture dated as of November 1, 1997, and a Second Supplemental Indenture dated as of May 1, 2002 (collectively the "Master Indenture"), by and between the Salinas Valley Solid Waste Authority (the "Authority") and BNY Western Trust Company, as trustee (the "Trustee"), to (i) pay certain costs incurred by the Authority in connection with the acquisition and construction of certain improvements (the "2002 Project") to the Authority's solid waste transfer and disposal system (the "System"); (ii) refund the Authority's outstanding Revenue Bonds, Series 1997 (the "Prior Bonds"), (iii) prepay a portion of the amount owed by the Authority pursuant to the Installment Purchase Agreement dated as of September 1, 1997, by and between the Authority and the City of Salinas (the "Crazy Horse Purchase Agreement") pursuant to which the Authority purchased the Crazy Horse Landfill from the City of Salinas; (iv) fund a reserve fund for the Series 2002 Bonds; and (v) pay certain other costs, including costs of issuance. See "THE 2002 PROJECT." The Authority is a joint exercise of powers authority, created pursuant to an agreement dated as of January 1, 1997 (the "Authority Agreement") among the County of Monterey, and the Cities of Salinas, Gonzales, Greenfield, King City and Soledad (the "Members"). Pursuant to the Authority Agreement, the Authority was established to, among other things, acquire and manage the landfill assets of each Member, ensure long term landfill capacity for the Authority service area, and provide unified and coordinated solid waste management for the Members.

The principal, premium, if any, and interest due with respect to the Series 2002 Bonds are payable solely from amounts pledged therefor, including certain revenues of the System, pursuant to the Master Indenture, and will be on a parity with additional bonds and certain other obligations of the Authority (as described herein) issued or executed under the Master Indenture, subject to the application of such revenues as permitted by the Master Indenture. The revenues of the System so pledged consist primarily of the Net Revenues (as defined herein) of the System, which generally consist of the tipping fees, service charges, user charges and income received by or imposed by the Authority in connection with the operation of the System and the provision of solid waste disposal services, less the Maintenance and Operation Costs (as defined herein) of the System.

THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL AND INTEREST ON THE SERIES 2002 BONDS IS A LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY FROM THE AMOUNTS PLEDGED THEREFOR AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY OR THE MEMBERS FOR WHICH THE AUTHORITY OR THE MEMBERS ARE OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY OR THE MEMBERS HAVE LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2002 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE MEMBERS, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA, ANY STATUTORY DEBT LIMITATIONS OR OTHERWISE, OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY OR THE MEMBERS.

Interest on the Series 2002 Bonds is payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2002. The Series 2002 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2002 Bonds. Individual purchases of the Series 2002 Bonds will be made in book-entry form only. Purchasers of the Series 2002 Bonds will not receive certificates representing their ownership interests in the Series 2002 Bonds purchased. The Series 2002 Bonds will be issuable in the principal amount of \$5,000 and any integral multiple thereof. Principal and interest payments on the Series 2002 Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 2002 Bonds.

The Series 2002 Bonds are subject to redemption prior to maturity, as described herein.

This cover page contains certain information for quick reference only and is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "CERTAIN RISK FACTORS" herein for a description of certain of the risks associated with an investment in the Series 2002 Bonds.

Payment of principal of and interest on the Series 2002 Bonds when due will be guaranteed under a financial guarantee insurance policy to be issued concurrently with the delivery of the Series 2002 Bonds by Ambac Assurance Corporation (the "Insurer").

Ambac**Maturity Schedule**
\$13,890,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number
2005	\$720,000	5.000%	3.250%	795036AS1	2012	\$ 985,000	5.000%	4.600%	795036AZ5
2006	745,000	5.000	3.500	795036AT9	2013	1,035,000	4.600	4.750	795036BA9
2007	785,000	5.000	3.750	795036AU6	2014	1,085,000	5.625	4.870	795036BB7
2008	825,000	3.700	3.950	795036AV4	2015	1,150,000	5.625	5.020	795036BC5
2009	860,000	5.000	4.200	795036AW2	2016	1,215,000	5.625	5.120	795036BD3
2010	900,000	4.125	4.350	795036AX0	2017	1,285,000	5.625	5.200	795036BE1
2011	940,000	4.250	4.450	795036AY8	2018	1,360,000	5.625	5.270	795036BF8

\$6,210,000 5.125% Term Bonds due August 1, 2022 – Priced to Yield 5.380% CUSIP 795036BG6

\$9,815,000 5.250% Term Bonds due August 1, 2027 – Priced to Yield 5.450% CUSIP 795036BH4

\$9,930,000 5.250% Term Bonds due August 1, 2031 – Priced to Yield 5.480% CUSIP 795036BJ0

The Series 2002 Bonds will be offered when, as and if executed and delivered, and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Hawkins, Delafield & Wood, Sacramento, California and for the Authority by Bruen & Burke, a Professional Corporation, Walnut Creek, California, its general counsel. It is anticipated that the Series 2002 Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about May 29, 2002.

E. J. DE LA ROSA & CO., INC.

Dated: May 15, 2002

EXHIBIT 9
To
ATTACHMENT A

ESTIMATED SOURCES AND USES OF BOND PROCEEDS

The estimated sources and uses of funds with respect to the Series 2002 Bonds (exclusive of accrued interest) are set forth below:

Sources of Funds	
Par Amount of the Series 2002 Bonds	\$39,845,000.00
Cash Contribution from the Authority	2,393,058.34
Prior Bonds Reserve Fund	648,355.00
Total Sources	\$42,886,413.34
Uses of Funds	
Acquisition and Construction Fund	\$21,725,000.00
Crazy Horse Acquisition	
Prepayment Fund	3,790,354.62
Prior Bond Escrow	9,013,095.29
Capitalized Interest ⁽¹⁾	3,037,395.31
Reserve Fund	2,820,700.00
Costs of Issuance Fund ⁽²⁾	1,464,453.17
Underwriter's Discount	637,520.00
Original Issue Discount	397,894.95
Total Uses	\$42,886,413.34

⁽¹⁾ Of this amount \$2,006,385.99 will be deposited in the initial capitalized interest fund and \$1,031,009.32 will be deposited in the capitalized interest account of the project fund subject to requisition by the Authority to pay capitalized interest.

⁽²⁾ Includes administrative, consulting engineer, rating agency, legal, trustee, bond insurance premium and printing costs.

THE SERIES 2002 BONDS

General

The Series 2002 Bonds shall be dated as of May 29, 2002, shall bear interest (computed on the basis of a 360-day year consisting of twelve 30-day months) at the rates per annum (payable semiannually on February 1 and August 1 in each year, commencing on August 1, 2002) and shall mature and become payable on August 1 in each of the years in the principal amounts set forth on the cover page hereof.

The Series 2002 Bonds shall be issued as fully registered bonds in denominations of five thousand dollars (\$5,000) or any integral multiple of five thousand dollars (\$5,000) (not exceeding the principal amount of Series 2002 Bonds maturing at any one time).

Mandatory Redemption. Sinking Fund Installments are established in the Master Indenture for the mandatory redemption and payments of the Series 2002 Term Bonds maturing on August 1, 2022, which payments shall become due during the years ending on the dates and in the amounts set forth in the following schedule (except that if any Series 2002 Term Bonds have been optionally redeemed pursuant to the Master Indenture, the amounts of such Sinking Fund Installments shall be reduced by the principal amount of all such Series 2002 Term Bonds so optionally redeemed as provided therein), namely:

Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

- 1) The Company's Current Report on Form 8-K dated January 23, 2002 and filed on January 25, 2002;
- 2) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and filed on March 26, 2002; and
- 3) The Company's Current Report on Form 8-K dated April 17, 2002 and filed on April 18, 2002.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

THE 2002 PROJECT

Following is a brief description of the major improvements to be funded from the proceeds of the Series 2002 Bonds (excerpted from the Consulting Engineer's Report). See APPENDIX A – "CONSULTING ENGINEER'S REPORT" for a detailed description of the 2002 Project and the source of funding therefor.

Johnson Canyon Road Landfill Improvement Projects: This component of the 2002 Project consists of landscaping, plantings and visual improvements at Johnson Canyon Road Landfill; installation of additional monitoring wells and well devices required by the Regional Water Quality Control Board (the "RWQCB") at Johnson Canyon Road Landfill; the development of Modules V and VI at Johnson Canyon Road Landfill (the two modules will provide approximately eleven acres of lined landfill space); the installation of dedicated groundwater monitoring pumps for each of the groundwater monitoring wells at Johnson Canyon Road Landfill; overhaul the leachate handling system at the Johnson Canyon Road Landfill; improvements to the existing gas extraction and control system at Johnson Canyon Road Landfill and costs related to the required permits for all landfill expansion and system improvements projects for Johnson Canyon Landfill.

Crazy Horse Landfill Improvement Projects: This component of the 2002 Project consists of a variety of improvements to the leachate collection system at the Crazy Horse Landfill; Erosion Control-

Winterization required by RWQCB, including drainage, slope improvements, vegetation and sediment work; installation of additional monitoring wells and well devices to the Groundwater Monitoring System (the monitoring wells and well devices are required by the RWQCB for groundwater investigation and site monitoring); implementation of a Corrective Action Program for groundwater treatment system improvements at Crazy Horse Landfill; installation of a new leachate transfer and storage system and the second phase of the liquids handling system is the installation of storage units and controls; siting of a temporary office at Crazy Horse Landfill; purchase of existing buildings, tanks and equipment from USA Waste; Landfill Gas System Expansion & Flare needed for control of emissions and to prevent groundwater contamination; investigate and remediate a discovered abandoned burn dump on the Crazy Horse Landfill property; abandonment of a groundwater well lying underneath the waste liner of the Crazy Horse Landfill; planning the construction of the final liner area, Module V, for the placement of wastes. The Phase V cell will create new capacity and operations soil at the landfill. It is estimated that the Phase V cell will result in an estimated increase of 131,700 cubic yards of gross landfill capacity or 63,200 tons of refuse capacity.

Acquisition of Salinas Transfer Station/Alternative Project: The Authority has a contract with Waste Management, Inc. (WMI) with an option to purchase the Salinas Transfer Station. The Authority is currently in negotiations with WMI for the purchase of the facility for a purchase price of approximately \$9.5 million (to be funded from the proceeds of the Series 2002 Bonds). The site is already permitted as a transfer station and would continue to be used by the Authority for that purpose upon purchase by the Authority if purchased. An application has been submitted to the CIWMB and Monterey County to increase the daily capacity from 300 tons to 1,000 tons per day.

In the event that negotiations with WMI are unsuccessful or the application to increase daily capacity is unsuccessful, the Authority has indicated it is likely that it would opt to construct its own facility. The Consulting Engineer states in the Consulting Engineer Report that the \$9.5 million anticipated to be used for the purchase of the Salinas Transfer Station, plus approximately \$1.1 million for retrofits included in the budget for the Salinas Transfer Station should be sufficient to cover costs for development and construction of a new facility. Construction of a new transfer station would be subject to receipt of various permits and approvals, and compliance with the California Environment Quality Act, which cannot be assured.

Lewis Road Landfill Improvement Projects: This component of the 2002 Project consists of addition of monitoring wells and well devices at Lewis Road Landfill to be used for investigation and site monitoring by the RWQCB; erosion mitigation improvements for the borrow site at Lewis Road Landfill to provide various improvements for the protection of the excavated surfaces after the closure of the landfill; develop a leachate storage and disposal system at Lewis Road Landfill; relocation of existing high voltage transmission power poles from their current location at Lewis Road Landfill; and certain costs in connection with the approval of the regulatory documents previously submitted to the Monterey County Department of Environmental Health and CIWMB. In addition, modifications to the existing methane control at the Lewis Road Landfill used to prevent gas migration will be included in this portion of the 2002 Project.

Jolon Road Landfill Improvement Projects: This component of the 2002 Project consists of installation of a landfill gas control system at Jolon Road Landfill, including the installation of vertical wells, collection lateral, and a collection header system connecting to the flare; installation of landfill gas perimeter migration detection probes in accordance with the Order from the Monterey County Department of Environmental Health LEA; additional monitoring wells and well devices at Jolon Road Landfill; and overhaul of the sedimentation basin and drainage system for storm water management improvements at Jolon Road Landfill.

Other Components of the 2002 Project: In addition to the components described above, the Authority intends to use a portion of the proceeds of the Series 2002 Bonds to pay for environmental clearance, site characterization, administrative and engineering duties, reporting and reviewing of the EIR and other activities relating to planning for long term disposal capacity.

The various components of the 2002 Project (and the sources of funding therefor) are more particularly described in the Consulting Engineer's Report contained in Appendix A.

CONSULTING ENGINEER'S REPORT

Brown, Vence & Associates, Inc., San Francisco, California ("BVA") has been retained on a non-contingent basis to prepare a Consulting Engineer's Report for inclusion in this Official Statement as Appendix A. BVA has provided technical and other advice relating to solid waste management to the Authority since the Authority's inception in January, 1997, and provided similar advice and consulting services to the County and certain of the Members for a number of years and continues to do so currently. The Consulting Engineer's Report contains a review and analysis of technical, economic and environmental aspects of the System, and other related matters. The information concerning the System in this Official Statement has been excerpted from the Consulting Engineer's Report. The estimates, opinions and conclusions expressed in the Consulting Engineer's Report are based upon certain assumptions, calculations and qualifications set forth therein, and the Consulting Engineer's Report should be read in its entirety. While the Consulting Engineer believes these assumptions to be reasonable for purposes of the Consulting Engineer's Report, the assumptions may vary significantly from actual future conditions due to unanticipated events and circumstances. To the extent that actual future conditions vary from those assumed in the Consulting Engineer's Report, the actual results will vary from those contained in the Consulting Engineer's Report. See APPENDIX A – CONSULTING ENGINEER'S REPORT" to this Official Statement.

THE SYSTEM

Following is a brief description of the existing facilities which comprise the System, as excerpted from the Consulting Engineer's Report. The Consulting Engineer's Report is attached as Appendix A hereto. The Consulting Engineer's Report should be read in its entirety.

The Authority; History of the System

The Authority is a joint exercise of powers authority, created pursuant to an agreement dated as of January 1, 1997 (the "Authority Agreement") among the County of Monterey, and the Cities of Salinas, Gonzales, Greenfield, King City and Soledad (the "Members"). Pursuant to the Authority Agreement, the Authority was established to, among other things, acquire and manage the landfill assets of each Member, ensure long term landfill capacity for the Authority service area, and provide a unified and coordinated solid waste management for the Members. Since its formation in January, 1997, the Authority has acquired the Crazy Horse, Lewis Road and Johnson Canyon landfills and the existing lease for the Jolon Road transfer station assets of each of the Members. Although, prior to the formation of the Authority, these facilities were independently owned and operated by the City of Salinas and Monterey County, historically these facilities collectively served as the disposal location for virtually all solid waste generated in the Authority service area. As more particularly described below, and in the Consulting Engineer's Report, the System now consists primarily of four landfills, Crazy Horse, Johnson Canyon Road, Jolon Road and Lewis Road and the Salinas and Jolon transfer stations.

the enforceability (or constitutionality) of the contractual designation of the System in the various agreements between Members of the Authority and solid waste haulers operating in their jurisdiction, or in the Waste Delivery Agreements, such courts would not find such provisions to be unenforceable. (Because of the uncertainty surrounding the legal issues raised by the Waste Delivery Agreement, counsel to the Authority and the Members have not been asked to deliver opinions as to the enforceability of the Waste Disposal Agreements.) In such event, haulers in the Authority service area would not have any legal or contractual obligation to utilize the System. However, in such event, the Authority believes that solid waste collected by haulers in the Authority service area would continue to be delivered to the System due to the economic competitiveness of the System. In addition, the Consulting Engineer has stated in the Consulting Engineer's Report that, subject to the limitations and assumptions contained in the Consulting Engineer's Report, "Although there are other facilities in Monterey County and other nearby counties that could compete for the waste stream, factors such as tipping fees, hauling costs, operating policies, available capacity and some regulatory considerations currently limits the potential use of these facilities by the Authority Members". However, in the event that the disposal site designation provisions of (i) the Waste Delivery Agreements or (ii) the contractual or other arrangements between individual Members and waste haulers were determined to be not enforceable, and haulers concluded that use of an available competitive disposal location other than the System was less expensive or otherwise more desirable than the System, such circumstances could have a material adverse impact on the ability of the Authority to generate Revenues in the amounts contemplated in the Master Indenture, and to pay debt service with respect to the Series 2002 Bonds. See "CERTAIN RISK FACTORS - Competition" herein.

Historical Waste Deliveries to the System

The following table from the Consulting Engineer's Report contains summaries of the waste deliveries to the four landfills from Fiscal Year 1998-99 through Fiscal Year 200-01.

TABLE 1
HISTORICAL WASTE DISPOSAL INFORMATION

	FY1998/99	FY1999/00	FY2000/01
Crazy Horse Landfill	181,876	183,754	183,770
Lewis Road Landfill	24,988	22,357	14,396
Johnson Canyon Road Landfill	45,064	44,730	48,326
Jolon Road Landfill	Inactive	Inactive	Inactive
Total	251,928	250,841	246,492
Note: Tonnages are inclusive of generators outside of the Authority's area			

Source: Consulting Engineer's Report

Projected Waste Deliveries to the System

The following table from the Consulting Engineer's Report shows projected waste deliveries to the System through Fiscal Year 2031-32, assuming that current waste delivery practices are unchanged. See the Consulting Engineer's Report for a discussion of all of the assumptions utilized in preparing the projections.

**TABLE 2
PROJECTED WASTE DELIVERIES TO THE SYSTEM**

FY	Tons
2001:02	228,093
2002:03	231,515
2003:04	234,987
2004:05	238,512
2005:06	242,090
2006:07	245,721
2007:08	249,407
2008:09	253,148
2009:10	256,945
2010:11	260,800
2011:12	264,712
2012:13	268,682
2013:14	272,713
2014:15	276,803
2015:16	280,955

FY	Tons
2016:17	285,170
2017:18	289,447
2018:19	293,789
2019:20	298,196
2020:21	302,669
2021:22	307,209
2022:23	311,817
2023:24	316,494
2024:25	321,241
2025:26	326,060
2026:27	330,951
2027:28	335,915
2028:29	340,954
2029:30	346,068
2030:31	351,259
2031:32	356,528

Source: Consulting Engineer's Report

Major Sources of Revenues

The Authority generates revenues from several sources including landfill tipping fees, transfer station self-haul tipping fees, green waste tipping fees, the proposed transfer station lease, and investment earnings. A description of each revenue source is provided below. Projected operating results for the Authority are included in the Consulting Engineer's Report.

Billing Methodology Generally. In Greenfield, Gonzales and Soledad, the cities bill their residents and businesses for waste services and then pay the Authority for disposal charges. For all other Members (including the City of Salinas and the unincorporated area of the County served by the System), the Authority bills the individual hauler of waste then the hauler remits the amount due for disposal to the Authority. All funds are deposited into an Authority account.

Landfill Tipping Fee. Landfill tipping fees constitute the largest source of Authority revenue. Fees are collected on the refuse received at the Authority's landfills and transfer stations on a per-ton basis. The current (Fiscal Year 2001-02) tonnage fees collected by the Authority are \$43-per-ton on

refuse at all landfills including Crazy Horse Landfill, Lewis Road Landfill, Jolon Road Landfill and Johnson Canyon Road Landfill. The Authority has a discounted rate schedule for certain recyclable materials.

In the projected operating results contained in the Consulting Engineer's Report, tipping fees are escalated at \$1 per ton each year through the life of the Series 2002 Bonds (Fiscal Year 2001-02 through Fiscal Year 2031-32).

Transfer Station Self-Haul Tipping Fees. The Authority estimates that approximately 17,400 tons will be brought to transfer stations in Fiscal Year 2001-02. For the use of the Salinas Transfer Station, the Authority charges self-haul \$46-per-ton.

Green-Wood Waste Tipping Fees. Green-Wood wastes are accepted at the Authority's landfills and transfer stations. The Authority accepts only clean, separated Green-Wood waste loads. Green-Wood waste loads are charged \$30-per-ton. The Authority uses the Green-Wood wastes as alternative daily cover (ADC) at Crazy Horse and Johnson Canyon Road Landfill. The Authority estimates that 5,000 tons of Green-Wood waste will be received in Fiscal Year 2001-02.

Transfer Station Lease. In the event that the Authority exercises its option to purchase the Salinas Transfer Station, the Authority may lease a portion of the Salinas Transfer Station to BFI to be used as the corporation yard for the City's hauler. In addition to receiving and transferring refuse, the Salinas Transfer Station has a large corporate yard where refuse vehicles and containers are stored and maintained. For this reason, it would be practical for BFI to lease a portion of the transfer station from the Authority. It is assumed that the Authority would not begin leasing the transfer station to BFI until May 2004. The Authority predicts that the lease of the transfer station to the City would contribute at least \$200,000 per year in 2004-05 with an increase of 3% per year and the amount has been included as a revenue in the projected operating results. However, the Authority has not acquired the Salinas Transfer Station as of the date hereof and there can be no assurance that revenues from any such lease will be received in the amounts projected.

Interest on Funds. The Authority estimates earning three and a half percent per year interest on funds from fiscal year 2002-03 through the maturity of the Series 2002 Bonds. For fiscal year 2001-02, the Authority is anticipating receiving about \$800,000 in interest.

Rate Stabilization Fund. Upon closing of the Series 2002 Bonds, the Authority intends to deposit \$2,500,000 in the Rate Stabilization Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002 BONDS - Pledge of Master Indenture, Net Revenue" herein. For fiscal year 2002-03, the Authority anticipates the use of approximately \$500,000 of such funds on deposit in the Rate Stabilization Fund established pursuant to the Master Indenture. In fiscal year 2003-04, the Authority anticipates the use of approximately \$175,000 in the Rate Stabilization Fund in Fiscal Year 2005-06, \$500,000, in Fiscal Year 2006-07, \$600,000, in Fiscal Year 2007-08, \$645,000, and in Fiscal Year 2008-09, \$235,000. The rate covenant contained in the Master Indenture limits the amounts on deposit in the Rate Stabilization Fund that can be used to satisfy certain requirements of the rate covenant. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2002 BONDS - Rate Covenant" herein. For a discussion of certain issues relating to the Authority's compliance with the rate covenant in fiscal year 2001-2002, see "THE SYSTEM -- Financial and Management Aspects of the System; Actual Net Loss in Fiscal Year 2000-01 and Projected Net Loss in Fiscal Year 2001-02; Certain Issues Related to Compliance with Rate Covenant in Fiscal Year 2001-02"

Total Gross Revenues. The total gross revenues estimated for the Authority for Fiscal Year 2001-02 are the sum of the landfill tipping fees, transfer station self-haul fees, green waste fees and interest on funds. The total gross revenues are estimated to be approximately \$10,810,212 in Fiscal Year 2001-02. The landfill tipping fee accounts for the largest portion of the revenues, approximately 83.8 percent of the total gross revenues.

The following chart, excerpted from the Consulting Engineer's Report, shows the projected total gross revenues for Fiscal Year 2001-02.

**TABLE 3
PROJECTED GROSS REVENUES FOR FISCAL YEAR 2001-02**

Revenue Source	FY 2001/02	Percent
Tipping fees	\$9,059,812	83.8%
Self-haul fees	\$800,400	7.4%
Green waste tipping fees	\$150,000	1.4%
Investment Earnings	\$800,000	7.4%
Total Revenues	\$10,810,212	100.0%

Source: Consulting Engineer's Report.

Competition

The Authority believes that the tipping fees charged by the Authority are, and will continue to be competitive with other waste disposal sites which potentially could be utilized by waste haulers in the Authority service area, particularly in light of the additional transportation cost that would be incurred in the event any such alternate disposal sites outside of the System were utilized by such waste haulers. The Consulting Engineer's Report contains a comparison of the disposal cost at certain currently available alternate sites with the currently applicable disposal costs at the System. These estimates have been prepared by the Authority's Consulting Engineer, and are based on the current tipping fees charged at the closest available disposal facilities in the adjacent counties. See the Consulting Engineer's Report for a complete discussion of the assumptions on which the information concerning competing facilities was based.

In addition to the potentially available alternate disposal facilities listed in the Consulting Engineer's Report, a large number of other potentially available transfer or disposal facilities outside of the System are currently in operation or in various stages of planning. In addition, two facilities which are currently within the System, the Jolon Road Landfill and the Salinas Transfer Station, are owned by private waste management service providers which also haul a portion of waste generated in the Authority service area. Although the Authority currently controls these facilities pursuant to leases or other contractual arrangements, if the leases or arrangements are not renewed, the Jolon Road Landfill and the Salinas Transfer Station could represent competition to the System. Although the Authority has contractual arrangements with the Members designed to assure delivery of waste generated in the Authority service area to the System, there can be no assurances that such arrangements will not be found unenforceable if challenged. See "Legal Issues Relating to Disposal Site Designation" above. Although the Authority believes that the System will continue to charge economically competitive tipping fees throughout the term of the Series 2002 Bonds, factors outside of the control of the Authority could affect

the relation of the tipping fees applicable at the System to those generally prevailing at potentially available alternate disposal locations, and facilities outside of the System (including, transfer stations located in the Authority) could represent a more cost effective disposal location for haulers of County waste. If the Waste Delivery Agreements or the contractual arrangements of the Members to cause waste to be delivered to the System are not enforceable, the existence of a more cost effective disposal location for haulers of waste generated in the System could have a material adverse impact on the ability of the Authority to generate Net Revenues in the levels required by the Master Indenture and to pay Debt Service with respect to the Series 2002 Bonds. See "CERTAIN RISK FACTORS – Competition" herein.

Capital Plan

The 2002 Project. The major portion of the proceeds of the Series 2002 Bonds will be used to pay the costs of the 2002 Project, which consists of various improvements to the system. See "The 2002 Project" herein.

Future Capital Requirements. In order to effectively plan for future County System capacity requirements, the Authority has developed a capital plan which contains various projects and facilities. Projects in the capital plan include landfill liners, gas and leachate collection systems and other costs associated with the expansion of the System. The capital plan contemplates that these projects will be financed through a combination of methods, including use of previously funded System reserves, payment from then current revenues of the System (i.e., "pay-as-you-go") and the issuance of additional Bonds, Contracts or Repayment Obligations in accordance with the Master Indenture. The Consulting Engineer's Report summarizes the currently anticipated future capital requirements of the System.

The Consulting Engineer has stated that estimated costs of these capital requirements have been factored into the projected operating results contained in the Consulting Engineer's Report.

Financial and Management Aspects of the System; Actual Net Loss in Fiscal Year 2000-01 and Projected Net Loss in Fiscal Year 2001-02; Certain Issues Related to Compliance with Rate Covenant in Fiscal Year 2001-02

In accordance with the Master Indenture, all revenues of the System are deposited in the Revenue Fund for application in accordance with the Master Indenture. The Master Indenture contains detailed provisions relating to the financial and operational aspects of the System. See APPENDIX C – "SUMMARY OF MASTER INDENTURE." A copy of the Authority's audited financial statements for the period ending June 30, 2001 is attached hereto as Exhibit B.

Net Operating Losses on Financial Statements. As shown on the audited financial reports, for the fiscal year ended June 30, 2001, the Authority reported a net loss of \$3,589,410. The Authority attributes this loss primarily to the fact that governmental accounting standards require current recognition as an expense of depreciation of Crazy Horse Landfill (\$3,016,673), depreciation of Lewis Road Landfill (\$710,879) and postclosure maintenance expenses for all landfills (\$1,120,194). For similar reasons, the Authority anticipates an additional net loss of similar magnitude for fiscal year 2001-2002, and future net losses in subsequent fiscal years until closure of the Crazy Horse Landfill in 2004. Neither depreciation nor recognition of future postclosure expenses (not required to be paid or reserved currently) are required to be taken into account for purposes of setting rates, fees and charges pursuant to the Master Indenture, or for purposes of complying with the Authority's rate covenant contained therein. The Authority does not believe that the actual net loss in fiscal year 2000-2001, or anticipated net loss in fiscal year 2001-2002 or for future fiscal years, will have a material adverse impact on the ability of the Authority to pay debt service with respect to the Series 2002 Bonds. See "APPENDIX B – Audited General Fund

EXHIBIT 10
to
ATTACHMENT A

\$39,845,000
SALINAS VALLEY SOLID WASTE AUTHORITY
REVENUE BONDS, SERIES 2002

TAX CERTIFICATE

The Salinas Valley Solid Waste Authority (the "Issuer"), hereby makes the following representations of facts and expectations and covenants to comply with the requirements of this Tax Certificate in connection with the \$39,845,000 Salinas Valley Solid Waste Authority, Revenue Bonds, Series 2002 (the "Obligations"). These representations and covenants are in furtherance of the covenants contained in Section 4.21 of the Master Indenture, dated as of November 1, 1997 (the "Master Indenture"), entered into by the Issuer and BNY Western Trust Company, as trustee (the "Trustee") as supplemented by the Second Supplemental Indenture of Trust, dated as of May 1, 2002, entered into by the Issuer and the Trustee (the "Issuance Document"), and in part are made pursuant to Section 1.141-2(d)(2) and Section 1.148-2(b)(2) of the Treasury Regulations. Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings set forth in the Issuance Document.

* * *

I. General Matters.

(a) Authority for Issuance. The undersigned and other officers and members of the Issuer are charged with the responsibility of authorizing and requesting the execution and delivery of the Obligations. The Obligations are being executed and delivered pursuant to the Issuance Document.

(b) Sale of Obligations. The Obligations are being delivered to E.J. De La Rosa & Co., Inc. as underwriter (the "Underwriter") on the date hereof.

(c) Purpose of Obligations. The Obligations are being sold and delivered for the purpose of (a) currently refunding the Issuer's \$9,060,000 Salinas Valley Solid Waste Authority Revenue Bonds, Series 1997 (the "Current Refunded Obligations"), issued pursuant to the Master Indenture which financed certain capital costs of the Issuer as described in Exhibit A attached hereto (the "1997 Bond Project"), (b) currently refunding a portion of an installment purchase agreement (the "IPA") which financed the capital costs described in Exhibit A (the "1997 IPA Project"), (c) financing additional capital improvements described in Exhibit A (the "New Money Project;" the New Money Project, 1997 Bond Project and 1997 IPA Project are hereinafter referred to as the "Project") (d) providing for capitalized interest with respect to the Obligations (the "Capitalized Interest"), (e) paying costs of issuance with respect to the Obligations (the "Issuance Costs"), (f) purchasing a municipal bond insurance policy from Ambac Assurance Corporation (the "Credit Enhancer") with respect to the Obligations (the "Credit Enhancement"), and (g) funding a reasonably required reserve with respect to the Obligations.

The Project consists of a solid waste disposal facility within the meaning of Section 142(a)(6) of the Internal Revenue Code of 1986, as amended (the "Code").

(d) Nature of Issue. All the Obligations are being sold and issued at the same time, have been sold pursuant to the same plan of financing, and are reasonably expected to be paid from

EXHIBIT A

<u>Land Limit:</u>	\$ 39,845,000.00	Principal
	(397,894.95)	Original Issue Discount
	<u>(2,820,700.00)</u>	Debt Service Reserve
	36,626,405.05 x .25 = \$9,156,601.00	

Land Possibly Financed:

Madison Lane	\$	2,380,718.00
Crazy Horse		3,790,354.62
Jolon		156,500.00
Land Acquisition		2,000,000.00

<u>Issuance Cost Limit:</u>	\$ 39,845,000.00	Principal
	<u>(397,894.95)</u>	Original Issue Discount
	39,447,105.05 x .02 = \$788,942.10	

Rehabilitation Requirement:

Madison Lane Acquisition
land \$2,380,718.00, building \$5,960,839.00, and fixtures \$802,630.00
\$6,763,469.00 x .15 = \$1,014,520.35

I. OBLIGATION PROCEEDS

A.	Principal Amount	\$	39,845,000.00
	Less - Original Issue Discount		(397,894.95)
	Plus Investment Earnings (no more than)		1,500,000.00
	Less - Reserve Fund		(2,820,700.00)
	Less - Capitalized Interest		<u>(1,031,009.32)</u>
B.	Spendable Proceeds	\$	37,095,395.73

II. ALLOCATION OF OBLIGATION PROCEEDS AND EQUITY

(obligation proceeds will be utilized on only the following costs as selected by the Issuer)

A. Qualified Project Costs (all incurred after date of the official intent adopted with respect to the Project):

Madison Lane Transfer Station Purchase Price	\$	9,144,187.00
(attributable to land, building, and fixtures)		
Refunding 1997 Bonds (financed items described in 1997 Bond Tax Certificate)		8,129,180.29
Refunding Portion Installment Purchase Agreement		3,790,354.62
(financed the portion of the purchase price of Crazy Horse attributable to land)		

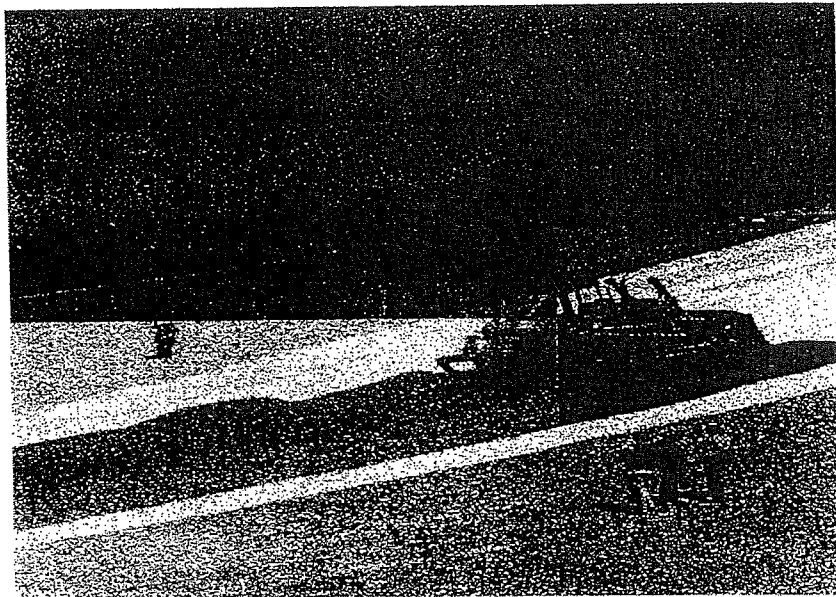
Administration	
Regional Facilities Expansion	661,605.00
Capital Replacement	39,300.00
Scalehouse Networking	38,044.00
Madison Lane Rehab Costs	1,014,520.35
Land Acquisition for Expansion	2,000,000.00
Johnson Canyon	
Species Mitigation and Monitoring	60,600.00
West Berm Landscaping	43,400.00
Groundwater Monitoring	80,200.00
Erosion Control	24,000.00
Liners	3,073,800.00
Water Monitoring Pumps	25,000.00
Leachate Handling Systems	50,000.00
LFG System	50,000.00
Solid Waste Permits	55,000.00
Crazy Horse	
Leachate System Improvements	33,700.00
Erosion Control	131,800.00
Groundwater Monitoring	159,700.00
Groundwater System	232,900.00
Liquids Handling System	283,700.00
Office Trailer	15,000.00
Scalehouse	85,000.00
LFG System Expansion and Flare	790,000.00
Burn Dump Remediation	170,000.00
Well Abandonment	50,000.00
Scalehouse Liner	980,000.00
Groundwater Remediation	2,110,000.00
Closed Area Improvements	150,000.00
Solid Waste Permits	110,500.00
Lewis Road	
Erosion Control	50,000.00
Groundwater Monitoring	101,600.00
Mitigation Impacts	131,400.00
Leachate Storage System	75,000.00
Relocate Power Poles	100,000.00
Sediment Basin	75,000.00
Solid Waste Permits	12,000.00
Gas Flare	28,500.00
Jolon Road	
Erosion Control	6,800.00
Gas Flare	50,000.00
Gas Perimeter Probes	39,900.00
Groundwater Monitoring	45,465.00
Sediment Basin Drainage	361,379.00
Jolon Transfer Station Improvements	1,760,900.00

B. Costs other than Qualified Project Costs

Issuance Costs	\$	788,942.10
Credit Enhancement Fee and other capital costs	\$	<u>1,183,413.15</u>
Total:	\$	1,972,355.25

EXHIBIT 11
to
ATTACHMENT A

Final Report | April 10, 2002



**Consulting Engineer's Report on
Solid Waste Projects**

Salinas Valley Solid Waste Authority

Presented to | Salinas Valley Solid Waste Authority
337 Melody Lane
Salinas, CA 93901

Presented by | Brown, Vence & Associates
65 Battery Street, Suite 200
San Francisco, CA 94111

EXHIBIT 11
To
ATTACHMENT A

Section 3

of 50 mph, 0.5 hour vehicle loading/unloading time, \$65 per hour operating cost for the transfer vehicle (industry average figure), and an assumed payload of 22 tons per vehicle. The estimated disposal costs shown in Table 3-6 represents the current gate rate for the listed facilities unless noted otherwise. It is conceivable that one or more of the Authority waste streams could negotiate a disposal rate less than the gate rate; however, the price reduction cannot be reasonably estimated without initiating a negotiation process.

For the two competing facilities located out of state (ECDC and Roosevelt Regional Landfill), rail haul was assumed to be necessary, with subsequently higher transfer station ownership and operations costs of \$15/ton due to the special requirements for transferring refuse to a rail car. These special cost items include compactors, rail spur, one or more rail container lift trucks (and the fuel and maintenance costs associated with them), one or more transfer trucks to haul rail trucks to haul rails cars from the compactors to the rail spur (and the fuel and maintenance costs associated with them), and rolling stock personnel for the rail container lift truck(s) and transfer truck(s).

As illustrated in Table 3-6, the total tipping fee of these potentially competing facilities, in all cases but two, significantly exceeds the current cost of \$43.00 per ton charged to the Authority communities.

Although both of these landfills appear to be lower in cost and do not require transfer haul, it is unlikely that the Authority member agencies will choose either of these facilities. John Smith Landfill only has a capacity of 500 tons per day and would likely need to modify its permits in order to accept the amount of tonnage disposed of by Authority generators. Special negotiations would also have to take place as the landfill limits waste importation from outside of San Benito County.

Monterey Peninsula Landfill is the most competitive facility due to its lower tipping fee and close proximity to the Authority's jurisdiction. However, it is unlikely that Authority member agencies will move their waste to the Monterey Peninsula Landfill for the following reasons. King City and the surrounding unincorporated Monterey County area's large distance to the landfill make this

option unattractive. At a distance of approximately 68 miles, the cost in transportation to haul outweighs the reduced tipping fee at Monterey Peninsula Landfill. Greenfield, Gonzales and Soledad are also deterred from outside Authority disposal because these cities do not have a transfer station and it is not economically feasible to transport such a lengthy direct haul. In addition, the tipping fees assigned to each of the Authority's landfills and transfer stations include funds above and beyond the cost of solid waste disposal such as household hazardous waste programs, AB939 funds and landfill closure costs. If a Member should decide to haul its tonnage to a non-Authority facility, they would still be responsible for costs associated with being a member of the Authority including repaying its pro rata share of its Authority debt. Adding these costs to the tipping fee at Monterey Peninsula Landfill would greatly exceed the current \$43 per ton Authority tipping rate. Self haulers have the greatest flexibility to remove tonnage from the Authority's jurisdiction, however the high cost of transportation and the time and inconvenience of travel to the Monterey Peninsula Landfill will most likely deter self haulers from the site.

Currently, the Authority is negotiating with USA Waste for the purchase of the Salinas Transfer Station. In the event that negotiations fail, the Authority will construct an alternative transfer station in the Salinas area. Thus, the Salinas Transfer Station, operated by USA Waste could serve as a competitive facility to the Authority. As shown in Table 3-6, this facility appears to be uneconomical as it is less expensive to direct haul to the Monterey Peninsula Landfill.

In summary, although there are other facilities in nearby counties, and out of state that could compete for the waste stream, factors such as tipping fees, hauling costs, operating policies, available capacity and some regulatory considerations currently limits the potential use of these facilities by the Authority's waste generators. Thus, the competition should not interfere with the Authority's ability to attract sufficient waste over the term of the Bonds.



Waste Delivery

Facility	Distance (round-trip from centroid)	Notes	Estimated Transfer and Haul Cost (per ton)	Disposal Fee (per ton)	Total Estimated Cost (per ton)	Comments
Monterey Peninsula Landfill	26 Miles	Direct Haul	\$8.84	\$30.00	\$38.84	500 - 1,000 TPD intake. Currently serves as primary disposal facility for district comprising western Monterey County. District has historically expressed interest in Salinas area waste stream. Closure Date: May 2090
Paso Robles Landfill	208 Miles	Transfer Haul	\$13.22	\$35.85	\$49.07	250 TPD permitted maximum intake. Closure Date: Jan 2034
Potrero Hills Landfill	266 Miles	Transfer Haul	\$28.20	\$39.50	\$67.70	1000-1200 TPD. Actively being marketed by owner as a regional facility.
Roosevelt Regional Landfill	N/a	Rail Haul	\$15.00	\$42.00	\$57.00	>1,000 TPD intake. Disposal Fee = median freight-on-board (FOB) price; includes rail haul price and tipping fee. Excludes transport to railcar. Disposal Fee reflects most recent quote to Sacramento County.
Salinas Transfer Station	0 Miles	Direct Haul	\$0	\$46.83	\$46.83	Disposal fee assumes transfer and disposal to Monterey Peninsula Landfill. Cost is higher than direct haul due to transfer station owning and operating costs.
Vasco Road Landfill	200 Miles	Transfer Haul	\$24.30	\$58.60	\$82.90	1500-1700 TPD intake. Serves as regional facility for numerous East Bay and Central Valley communities. Tipping fee is \$14.65/cu. yd., converted to \$/ton assuming delivered density of 0.25/ton per cu. yd. Closure Date: Jan 2015

Disposal Fee Source: August 2001 Solid Waste Digest, unless otherwise noted



EXHIBIT 12
to
ATTACHMENT A

SALINAS VALLEY SOLID WASTE AUTHORITY

and

BNY WESTERN TRUST COMPANY

as Trustee

SECOND SUPPLEMENTAL INDENTURE

Dated as of May 1, 2002

Relating to the

**SALINAS VALLEY SOLID WASTE AUTHORITY
REVENUE BONDS, SERIES 2002**

SECOND SUPPLEMENTAL INDENTURE

This SECOND SUPPLEMENTAL INDENTURE is made and entered into as of May 1, 2002 (the "Second Supplemental Indenture"), by and between the SALINAS VALLEY SOLID WASTE AUTHORITY, a joint exercise of powers authority, duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and BNY WESTERN TRUST COMPANY, duly organized and existing under and by virtue of the laws of the State of California, as Trustee (the "Trustee");

WITNESSETH:

WHEREAS, the Authority and the Trustee have duly executed and delivered a Master Indenture, dated as of November 1, 1997 (the "Master Indenture"), and a First Supplemental Indenture, dated as of November 1, 1997 (the "First Supplemental Indenture"), each relative to the issuance by the Authority of its Revenue Bonds, and the Authority has issued its Revenue Bonds, Series 1997 (the "Series 1997 Bonds") in the aggregate principal amount of \$9,060,000 under and secured by the Master Indenture; and

WHEREAS, the Authority has determined that it is desirable to refinance the 1997 Bonds and fund additional capital improvements through the issuance of its Revenue Bonds, Series 2002 (the "Series 2002 Bonds"); and

WHEREAS, the Authority has determined that all things necessary to cause the Series 2002 Bonds, when duly authenticated by the Trustee and issued as provided herein, to be legally valid special obligations of the Authority, enforceable in accordance with their terms, and to constitute the Second Supplemental Indenture a valid agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery hereof and the execution and issuance of the Series 2002 Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW THEREFORE, THIS SECOND SUPPLEMENTAL INDENTURE WITNESSETH, that in order to secure the payment of the interest on and principal of and redemption premiums, if any, on all Series 2002 Bonds at any time issued and delivered hereunder according to their tenor, and to secure the observance and performance of all the agreements, conditions, covenants and terms therein and herein set forth, and to declare the conditions and terms upon and subject to which the Series 2002 Bonds are to be issued, and in consideration of the premises and of the mutual agreements and covenants herein contained and of the purchase and acceptance of the Series 2002 Bonds by the respective registered owners thereof from time to time, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby agree and covenant with the Trustee, for the benefit of the respective registered Owners from time to time of the Series 2002 Bonds, as follows:

ARTICLE I DEFINITIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in Section 1.01 of the Master Indenture and in this Section 1.01 shall for all purposes hereof and of the Series 2002 Bonds and of any document herein or therein mentioned have the meanings herein and

Series 2002 Project Fund and the Capitalized Interest Account, as applicable (unless determined by the Authority to be required to be transferred to the Trustee, upon receipt of a Written Request of the Authority, for deposit in the Rebate Fund), subject to the provisions of Section 3.04 of the Master Indenture regarding completion of the Series 2002 Project. Amounts in the Capitalized Interest Account will be deposited to the Interest Fund, upon direction of the Authority pursuant to a Written Request, to pay interest on the Bonds to the extent such amounts comprise costs of the Series 2002 Project properly chargeable to the capital account of the Authority, and are so chargeable pursuant to the Tax Certificate. The Authority covenants and agrees all of such amounts are expected to be so transferred on or before February 1, 2005. Upon completion of the Project, unspent amounts remaining in the Capitalized Interest Account shall be transferred to the Project Fund.

SECTION 2.06. Terms of Series 2002 Bonds Subject to the Master Indenture.

(a) Except as in the Second Supplemental Indenture expressly provided, every term and condition contained in the Master Indenture shall apply to the Second Supplemental Indenture and to the Series 2002 Bonds with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Second Supplemental Indenture.

(b) The 2002 Bond Insurer shall be a Bond Insurer for all purposes of the Master Indenture, and the 2002 Financial Guaranty Insurance Policy shall be a Municipal Bond Insurance Policy for all purposes of the Master Indenture. The 2002 Tax Certificate shall be a Tax Certificate for all purposes of the Indenture, and the 2002 Continuing Disclosure Certificate shall be a Continuing Disclosure Certificate for all purposes of the Indenture.

SECTION 2.07. Security for Series 2002 Bonds. The Series 2002 Bonds shall be Bonds which shall be secured in the manner and to the extent set forth in Article III of the Master Indenture, and in this Second Supplemental Indenture.

SECTION 2.08. Federal Tax Covenants. The Authority will comply fully with the Series 2002 Tax Certificate with respect to the expenditure of Series 2002 Bond Proceeds, and otherwise, and Sections 4.21 and 4.22 of the Master Indenture so as to maintain the exclusion from federal income taxation of interest on the Series 2002 Bonds.

SECTION 2.09. Payment Procedure Pursuant to the Series 2002 Financial Guaranty Insurance Policy. As long as the Series 2002 Financial Guaranty Insurance Policy shall be in full force and effect, the Agency and the Trustee agree to comply with the following provisions:

(a) At least one (1) day prior to each Interest Payment Date, the Trustee will determine whether there will be sufficient moneys in the funds and accounts maintained by the Trustee under the Indenture to pay the principal or interest due on the Series 2002 Bonds on such Interest Payment Date. If the Trustee determines that there will be insufficient moneys in such funds or accounts, the Trustee shall so notify the Series 2002 Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Series 2002 Bonds to which such deficiency is applicable and whether such Series 2002 Bonds will be deficient as to principal or interest, or both. If the Trustee has not so notified the Series 2002 Bond Insurer at least one (1) day prior to an Interest Payment Date, the Series 2002 Bond Insurer will make payments of principal or interest due on the Series 2002 Bonds on or before the first (1st) day next following the date on which the Series 2002 Bond Insurer shall have received notice of nonpayment from the Trustee.

EXHIBIT 13
to
ATTACHMENT A

TABLE 13
SALINAS VALLEY SOLID WASTE AUTHORITY
Revenue Bonds, Series 2002
(Refunding & Capital Improvement Projects)

Installment Purchase Agreement Payment Schedule

Dated and Delivery Date 9/1/1997
 Interest Rate 7.910483%
 Original Annual Payment 701,243.22
 Annual Payment After 9/1/02 Call 385,097.13

IPA PAYMENTS TO MATURITY						
Period Ending Date	Period Beginning Balance	Principal	Interest	Total Payment at Period End	Total Prepayment on 9/1/02 From Tax-Exempt Escrow	Period Ending Balance
5/29/2002						
9/1/2002	7,638,707.23	48,492.29	302,129.32	350,621.61	3,421,946.46	4,168,268.48
3/1/2003	4,168,268.48	27,683.48	164,865.08	192,548.57		4,140,585.00
9/1/2003	4,140,585.00	28,778.43	163,770.14	192,548.57		4,111,806.57
3/1/2004	4,111,806.57	29,916.69	162,631.88	192,548.57		4,081,889.88
9/1/2004	4,081,889.88	31,099.96	161,448.60	192,548.57		4,050,789.92
3/1/2005	4,050,789.92	32,330.04	160,218.52	192,548.57		4,018,459.87
9/1/2005	4,018,459.87	33,608.77	158,939.79	192,548.57		3,984,851.10
3/1/2006	3,984,851.10	34,938.08	157,610.48	192,548.57		3,949,913.02
9/1/2006	3,949,913.02	36,319.97	156,228.60	192,548.57		3,913,593.05
3/1/2007	3,913,593.05	37,756.51	154,792.06	192,548.57		3,875,836.54
9/1/2007	3,875,836.54	39,249.87	153,298.70	192,548.57		3,836,586.67
3/1/2008	3,836,586.67	40,802.30	151,746.27	192,548.57		3,795,784.37
9/1/2008	3,795,784.37	42,416.13	150,132.44	192,548.57		3,753,368.25
3/1/2009	3,753,368.25	44,093.79	148,454.78	192,548.57		3,709,274.46
9/1/2009	3,709,274.46	45,837.80	146,710.76	192,548.57		3,663,436.66
3/1/2010	3,663,436.66	47,650.80	144,897.77	192,548.57		3,615,785.86
9/1/2010	3,615,785.86	49,535.50	143,013.06	192,548.57		3,566,250.35
3/1/2011	3,566,250.35	51,494.75	141,053.81	192,548.57		3,514,755.60
9/1/2011	3,514,755.60	53,531.49	139,017.07	192,548.57		3,461,224.11
3/1/2012	3,461,224.11	55,648.79	136,899.77	192,548.57		3,405,575.31
9/1/2012	3,405,575.31	57,849.84	134,698.73	192,548.57		3,347,725.48
3/1/2013	3,347,725.48	60,137.94	132,410.63	192,548.57		3,287,587.54
9/1/2013	3,287,587.54	62,516.54	130,032.03	192,548.57		3,225,071.00
3/1/2014	3,225,071.00	64,989.22	127,559.35	192,548.57		3,160,081.78
9/1/2014	3,160,081.78	67,559.70	124,988.87	192,548.57		3,092,522.08
3/1/2015	3,092,522.08	70,231.85	122,316.72	192,548.57		3,022,290.23
9/1/2015	3,022,290.23	73,009.69	119,538.88	192,548.57		2,949,280.54
3/1/2016	2,949,280.54	75,897.40	116,651.17	192,548.57		2,873,383.14
9/1/2016	2,873,383.14	78,899.32	113,649.24	192,548.57		2,794,483.82
3/1/2017	2,794,483.82	82,019.98	110,528.58	192,548.57		2,712,463.83
9/1/2017	2,712,463.83	85,264.07	107,284.50	192,548.57		2,627,199.76
3/1/2018	2,627,199.76	88,636.47	103,912.10	192,548.57		2,538,563.29
9/1/2018	2,538,563.29	92,142.26	100,406.31	192,548.57		2,446,421.04
3/1/2019	2,446,421.04	95,786.71	96,761.86	192,548.57		2,350,634.33
9/1/2019	2,350,634.33	99,575.30	92,973.26	192,548.57		2,251,059.03
3/1/2020	2,251,059.03	103,513.75	89,034.82	192,548.57		2,147,545.28
9/1/2020	2,147,545.28	107,607.96	84,940.60	192,548.57		2,039,937.32
3/1/2021	2,039,937.32	111,864.12	80,684.45	192,548.57		1,928,073.20
9/1/2021	1,928,073.20	116,288.61	76,259.95	192,548.57		1,811,784.59
3/1/2022	1,811,784.59	120,888.11	71,660.46	192,548.57		1,690,896.47
9/1/2022	1,690,896.47	125,669.53	66,879.04	192,548.57		1,565,226.95
3/1/2023	1,565,226.95	130,640.06	61,908.51	192,548.57		1,434,586.89
9/1/2023	1,434,586.89	135,807.19	56,741.38	192,548.57		1,298,779.70
3/1/2024	1,298,779.70	141,178.69	51,369.87	192,548.57		1,157,601.01
9/1/2024	1,157,601.01	146,762.65	45,785.92	192,548.57		1,010,838.35
3/1/2025	1,010,838.35	152,567.47	39,981.10	192,548.57		858,270.89
9/1/2025	858,270.89	158,601.88	33,946.69	192,548.57		699,669.01
3/1/2026	699,669.01	164,874.97	27,673.60	192,548.57		534,794.04
9/1/2026	534,794.04	171,396.17	21,152.40	192,548.57		363,397.87
3/1/2027	363,397.87	178,175.30	14,373.26	192,548.57		185,222.57
9/1/2027	185,222.57	185,222.57	7,326.00	192,548.57		(0.00)
Totals		4,216,760.77	5,761,289.15	9,978,049.91		

Summary for Financial Statements - 6/30/11

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	127,506	257,591	385,097
2015	137,792	247,306	385,098
2016	148,907	236,190	385,097
2017	160,919	224,178	385,097
2018	173,901	211,197	385,097
2019-2023	1,103,976	821,509	1,925,485
2024-2028	1,434,587	298,350	1,732,937
	<u>3,287,588</u>	<u>2,296,320</u>	<u>5,583,908</u>
	3,287,588	2,296,321	5,583,909

EXHIBIT 13
To
ATTACHMENT A

EXHIBIT 14
to
ATTACHMENT A

The bonds were issued at an interest rate of 5.25%. The bonds can be refinanced at an interest rate of 3.75% based on the Authority's current A+ rating from Standard and Poor's rating agency. If the Authority's rating should change by the time the bonds are issued the estimated savings would change.

Because this is a major financial transaction staff has looked at all possible options and is looking for direction from the Board on the following items which have Executive Committee recommendations next to them.

Refinance? There will most likely never be a better time to refinance since interest rates are at an all-time low. The bonds were issued at 5.25%. Current rates are at approximately 3.75%. This is a 1.5% decrease in interest rates. This is the right direction and consistent with our Strategic Plan. . The Executive Committee recommends refinancing.

Refinance over what time frame? The Executive Committee recommends refinancing over the remaining life of the current bonds (19 years), thus not extending the length of time during which the Authority will be in debt.

While extending the bond repayment period from 19 to 30 years would provide additional annual savings of \$520,000 over the next 19 years, it would also require additional bond payments of \$2,020,000 from 2032 to 2042. This would also require that the Waste Flow Delivery Agreements continue in place for a longer period of time. Again, the Executive Committee does not recommend extending the bond repayment for a 30 year period.

Include the Crazy Horse Landfill Installment Purchase Agreement (IPA) in the refinancing? The Executive Committee recommends including the Crazy Horse IPA in the refinancing. The IPA is currently at 7.91%. This could be lowered to 3.75% over the remaining life of the IPA, through 2028 (16 years). This would generate an additional \$60,000 in annual savings. This would be another fiscally prudent decision that is consistent with our strategic plan. The only potential drawback to refinancing the IPA, is the fact that while the IPA is currently considered Subordinate Debt to the 2002 Revenue Bonds, by including it the refinancing, it would no longer be considered subordinate debt.

Increase debt service coverage from 115% to 125%? Staff recommends not changing the debt service coverage at this time but waiting to see if a higher debt service coverage ratio could help to secure lower interest rates. The practical implications of 115% coverage are that the Authority has to budget for a \$420,000 surplus each year (2.8% of total budget). A 125% coverage ratio would require a surplus of \$700,000 (4.6% of total budget). Once the Authority is aware of the interest rate differential between the two coverage ratios, a decision can be made.

The Authority needs to start budgeting for surpluses in order to afford future capital costs that are required to meet regulatory obligations. The past couple of years have seen a decrease in the Authority's debt service coverage ratios. If the Authority is not able or willing to commit to budget changes that would lead to higher debt service coverage ratios then the coverage ratio should remain at 115%.

EXHIBIT 14
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Take out additional debt? If the Authority wanted to obtain additional capital for major projects this would be the time to do so. This will most likely be the last time that the Authority will be in a position to borrow for a long time. This decision will need to be made in the near future after a full consideration of the Authority's capital improvement plan.

For example, if the new bonds were structured to maintain annual payments at the new projected level of \$2,545,000 over a 25 year period (6-year payment extension), the Authority can raise an additional \$3.8 million for capital projects. Likewise, structuring annual payments at \$2,545,000 over a 30 year period (11-year payment extension), the Authority can raise an additional \$7.1 million for capital projects.

Alternatively, the Authority could begin to budget for capital projects on a pay-as-you-go basis. This would require that rates be set at a sufficient level to generate the funds needed for capital projects.

Next Steps. In order to move forward with the refinancing Board input is needed on the above-mentioned points. The next step is to appoint an underwriter and bond counsel to work on the refinancing. Their fees are contingent upon the successful execution of the refinancing.

Staff recommends appointing De La Rosa & Co. as underwriter. They were the underwriter of the 1997 and 2002 Revenue Bonds. They are very familiar with the Authority's financing and have assisted anytime an issue has come up concerning the Authority's bond credit rating and market related issues. They have been monitoring the market for the right opportunity to refinance.

Staff recommends appointing Stradling Yocca Carlson & Rauth as bond counsel, They were bond counsel for the 1997 and 2002 Revenue bonds. They are very familiar with the Authority's financing and have assisted anytime an issue has come up concerning the Authority's bond covenants.

If the Board decides to move forward with the Executive Committee's recommendation, staff will bring back agreements for the services of both firms at the next Board meeting along with Estimated Sources and Uses of the new bond issue and further analysis based on direction provided by the Board.

BACKGROUND

The Revenue Bonds, Series 2002 were issued in 2002 for \$39,845,000. The bond proceeds have all been spent. As of August 2, 2012 the outstanding principal on the bond issue will be \$33,085,000.

ATTACHMENT(S)

None

**EXHIBIT 14
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Board of Directors

MEETING HIGHLIGHTS

For use of Board Directors to brief their Council or Board

Thursday August 16, 2012



Gonzales Environmental Leadership Academy 2012

Program coordinators Maury Treleven and Sara Papineau-Brandt, along with Academy participant Alexandro Mendez received recognition for their participation in the environment-focused leadership program through the Gonzales Grows Green, or G³, community initiative.

Frequently Asked Questions – staff will be posting answers to frequently asked questions on the Authority website. The first FAQ presented addresses why Authority rates are higher than those of Monterey Regional Waste Management District.

Tonnage Report for Quarter Ended June – total tons landfilled this quarter decreased by 5.2% over the same quarter in 2011, and decreased 5.8% over the previous year. Total tons diverted in this quarter increased 49% over the same quarter in 2011.

2011 Franchise Haulers Performance Report – Tri-Cities Disposal & Recycling and Republic Services are fulfilling their contract obligations with their respective cities. Staff will continue to assist with outreach efforts and mandatory recycling compliance, which became effective July 1, 2012.

Work Street Materials Recovery Center – two site locations are being discussed: Work Street and Madison Lane. Discussions with the City for land swap/acquisition are in progress as well as the Autoclave project design and description for environmental review. In September, staff will seek Board direction to finalize the scope for the CEQA consultant. The Autoclave project would help the Authority achieve its 75% diversion goal by 2015.

County of Monterey’s Intent to Withdraw from JPA – Vice President Silva and Alternate Vice President Donohue were appointed to meet with County representatives regarding their concerns and reasons for issuing their Notice of Intent to Withdraw. Representatives for the County Board of Supervisors are Lou Calcagno and Simon Salinas.

2002 Revenue Bonds Refinancing – staff was directed to proceed with refinancing the bonds without assuming additional debt or extending the time frame, using two agency composition scenarios – with and without the County of Monterey as a joint powers member. The refinancing is expected to generate annual savings of \$210,000 over 19 years or \$2.8 million if taken up front.

Crazy Horse Landfill Gas Power Project – a revised agreement now includes a change in ownership from Ameresco to SCE Crazy Horse, a new royalty structure, and project size, due to significant PG&E increases and more conservative estimates of gas quality decline by SCE.

Financial Report for Month Ended June 2012

Revenue collected	\$ 15,190,064	(99.7% of Estimated Revenue)
Expenditures for operations	\$ 13,468,595	(89.8% of Operating Budget – many June bills still to be paid)
Expenditures for capital projects	\$ 7,958,274	(53.4% of CIP Budget – many June bills still to be paid)
Cash balance (unrestricted)	\$ 1,969,388	
Cash balance (restricted)	\$ 14,904,357	

REDUCE

REUSE

RECYCLE

“To manage Salinas Valley solid waste as a resource, promoting sustainable, environmentally sound and cost effective practices through an integrated system of waste reduction, reuse, recycling, in

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SalinasValleyRecycles.org
SALINAS VALLEY SOLID WASTE AUTHORITY

Report to the Board of Directors

ITEM NO. 10

Finance Manager/Controller-Treasurer

N/A
General Counsel

General Manager/CAO

Date: May 16, 2013
From: Roberto Moreno, Finance Manager
Title: Next Steps for Refinancing of 2002 Revenue Bonds and Installment Purchase Agreement

RECOMMENDATION

Staff recommends Board accept the report. At the May 1 Executive Committee meeting, staff was directed to provide a request to the County of Monterey to expedite rescission of the Notice to Withdraw from the Joint Powers Agreement and the Waste Delivery Agreement.

STRATEGIC PLAN RELATIONSHIP

The recommended action supports the Board's highest priority Goal to: Develop and Implement a Sustainable Finance Plan.

FISCAL IMPACT

The refinancing of the 2002 Revenue Bonds is expected to generate annual savings of \$288,000 over the remaining life of the bonds for total savings of \$5.4 million. The savings can also be taken upfront as cash generating \$3.7 million that can be used for capital improvements.

DISCUSSION & ANALYSIS

On August 16, 2012 the Board directed staff to proceed with the refinancing of the 2002 revenue bonds without assuming additional debt or extending the time frame. It also authorized including the refinancing of the Crazy Horse Installment Purchase Agreement. Unfortunately, due to the County's Notice of Intent to Withdraw we have not been able to refinance. Now that the County is willing to rescind their Notice of Intent to Withdraw we would like to proceed with the refinancing.

Since refinancing is a one-time opportunity staff would like to obtain the lowest rate possible. To that end we asked our bond underwriter, John Kim with De La Rosa and Co to prepare a memo outlining what steps need to be taken in order to obtain the lowest rate possible. His memo is attached.

As outlined in the memo the Authority needs to take the following steps:

1. Adopt rate increases to maintain a minimum 1.40x debt coverage ratio
2. Obtain a rescission of the County's Notice of Withdrawal
3. Reapprove Waste Delivery Agreements (WDA) with each member agency and execute similar representations and warranties as under the 2002 bond issuance

John Kim will be in attendance at the Board meeting to discuss each of these points with the Board and answer any questions the Board may have.

Adopt rate increases to maintain a minimum 1.40x debt coverage ratio

Approval of the AB939 Fee, will generate \$1.7 million in additional revenue, providing a 1.64x debt coverage ratio for FY 2013-14. This is a very favorable debt coverage ratio while the Recology South Valley (RSV) revenues continue to be received.

If the RSV contract is terminated on December 31, 2014, the debt coverage ratio for FY 2014-15 would be down to about 1.60x. FY 2015-16 would see the full impact of the \$2.3 million RSV revenue loss, bring the debt coverage ratio to 1.49x. At this point staff believes an annual CPI increase in rates along with reduced expenses from the termination of the Recology contract to operate the Johnson Canyon Landfill will be sufficient to maintain a 1.40x coverage ratio going forward.

Approval of a financial policy stating that the Authority will maintain revenues at a level that will provide for 1.40x debt service coverage would help strengthen the Authority's ability to retain an A+ rating.

Obtain a rescission of the County's Notice of Withdrawal

In order to proceed with the refinancing, the County first needs to rescind their Notices of Withdrawal. We are waiting for their Rescission Notices so that the next steps for refinancing can take place.

Prepare and Approve Bond Refinancing documents

Provide for Board and Council consideration all documents required by the bond underwriters to accomplish the refinancing.

BACKGROUND

The Revenue Bonds, Series 2002 were issued in 2002 for \$39,845,000 at an interest rate of 5.25%. The bonds can be refinanced at an interest rate of 3.46% based on the Authority's current A+ rating from Standard and Poor's rating agency. If the Authority's rating should change by the time the bonds are issued the estimated savings would change. As of August 2, 2012, the outstanding principal on the bond issue is \$33,085,000.

The Installment Purchase Agreement (IPA) was executed on August 12, 1997 for the purchase of Crazy Horse Landfill and all its assets at a price of \$8 million. It was partially paid off as part of the 2002 Revenue Bonds. It has an interest rate of 7.91%. As of March 2, 2013 the outstanding principal on the IPA is \$3,287,588. The IPA can also be refinanced at an interest rate of 3.46%.

On August 16, 2012 the Board authorized using De La Rosa & Co as underwriter and Stradling Yocca Carlson & Rauth as bond counsel.

ATTACHMENTS

1. Memo from De La Rosa & Co, Underwriters – Preconditions to refinancing
2. Standard & Poor's Rating Upgrade Report

MEMORANDUM

TO: Salinas Valley Solid Waste Authority

FROM: De La Rosa & Co.

DATE: May 6, 2012

SUBJECT: Factors to Facilitate the Refinancing of the Authority’s 2002 Revenue Bonds

De La Rosa & Co. is providing the information in this document for discussion purposes in anticipation of serving as an underwriter to you. In our capacity as underwriter, we will be acting as a principal in a commercial, arms-length transaction and not as a municipal advisor, financial advisor or fiduciary to you. The information we provide is not intended to be and should not be construed as “advice” within the meaning of the Securities Exchange Act of 1934. We encourage you to consult with your own legal, accounting, tax, financial and other advisors, as applicable, to the extent you deem appropriate. Pursuant to MSRB Interpretive Notice 2012-25 of its Rule G-17, if hired by you as an underwriter, we would be required to seek your written acknowledgement of receipt of certain of these and other disclosures.

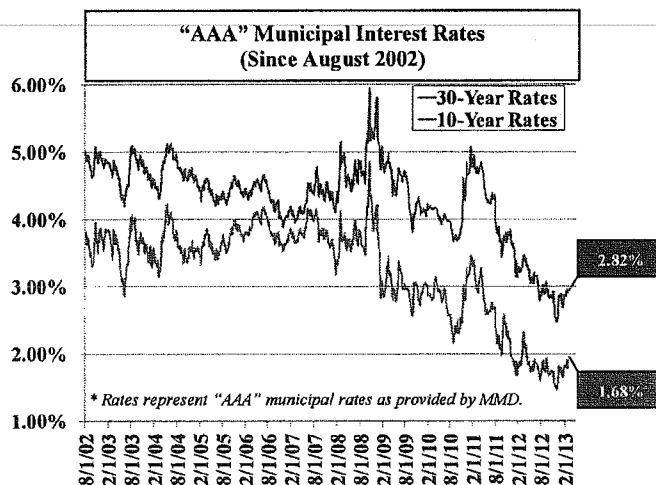
Executive Summary

As noted below, municipal bond interest rates are near historical lows. To make a refinancing of the Authority’s 2002 Revenue Bonds more marketable to investors, the Authority may consider reaffirming its “A+” credit rating with Standard & Poor’s (“S&P”). S&P will evaluate the Authority’s current credit profile relative to its prior review of the Authority in March 2010. The Authority (and its members) may consider taking the following actions to maintain the same credit rating: (1) adopt rate increases to maintain a minimum 1.40x debt coverage ratio and (2) obtain a rescission of the County’s Notice of Withdrawal. As the refinancing progresses, the Authority (and its members) may also consider reapproving waste delivery agreements and executing similar representations & warranties required under the 2002 Bond issuance. Each of these actions would need to be taken prior to requesting an updated credit rating from S&P. The Authority can maximize the potential savings from the bond refinancing by securing the highest rating possible from S&P.

Current Interest Rates & Refinancing Savings

The slow economic recovery and continued global uncertainties have caused municipal interest rates to drop to historically low rates. 10-year and 30-year interest rates in the “AAA” municipal bond index (shown in the chart to the right) have been higher 98% of the time compared to today’s levels. The “AAA” municipal bond index is indicative of overall interest rate conditions for municipal borrowers like the Authority.

Assuming the Authority maintains its “A+” rating, refinancing the 2002 Bonds at today’s rates will produce an estimated \$288,000 in



annual savings (total savings of over \$5.4 million). Alternatively, the Authority has the option to structure the savings upfront which would amount to about \$3.7 million over the next four years.

Authority’s Current Credit Rating

In March 2010, S&P upgraded the Authority’s credit rating from “A-” to “A+”. In their 2010 rating review of the Authority’s finances and operations, S&P noted the following characteristics which led to the rating upgrade: (1) stable and steady waste flow assisted by deliveries from South Santa Clara Valley, (2) good overall financial performance, including good cash reserves and (3) an expectation that the Authority will collect a steady flow of waste into the future leading to adequate debt service coverage.

“With rate increases and an increase in tonnage, revenues were in excess of \$16.4 million and provide coverage of annual debt service of 1.42x in fiscal 2008.”

“The stable outlook reflects Standard & Poor’s expectation that the solid waste enterprise will collect a steady flow of waste, enabling consistently adequate debt service coverage.”

**- Standard & Poor’s Rating Rationale
 March 11, 2010**

If the Authority pursues a rating update, S&P will focus on the Authority’s past/projected financial performance and its current/projected waste flow. Like in 2010, S&P will expect to see “adequate debt service coverage” of at least 1.40x and a “steady flow of waste”. The Authority’s declining waste flow and the Board’s intent to eliminate future waste deliveries from South Santa Clara Valley will put significant pressure on the

Authority’s financial position. These financial pressures can be mitigated if the Authority’s rates are raised to maintain coverage levels of at least 1.40x.

Timely and sufficient rate increases are an important consideration in S&P’s rating process for utilities. Over the past two years, S&P has reviewed or issued 272 ratings for California utility issuers. Over 96% of these ratings have resulted in affirmations or upgrades. There have been 11 downgrades during that period of time. The majority of these downgrades were due to a lack of rate increases, insufficient rate increases and/or growing operating costs.

S&P’s rating process for utilities suggest that the Authority will put itself in best position to maintain its “A+” rating and maximize its savings by adopting rate increases to make up for declining tonnages and to meet its historical financial performance as noted by S&P.

Estimated Savings Will Vary Based on the Authority’s Credit Rating

The Authority can maximize the potential savings from the bond refinancing by securing the highest rating possible from S&P. The table shows the impact of the credit rating on projected savings.

Credit Rating	Interest Rate ¹	Annual Savings (Est.)	Total Savings (Est.)
“A+”	3.46%	\$288,000	\$5.4 million
“A” to “A-”	3.76% - 3.96%	\$217,000 - \$169,000	\$4.1 - \$3.2 million
“BBB+” or lower	4.32% or higher	\$85,000 or lower	\$1.6 million

¹ Based on estimated interest rates in today’s market.

Factors to Facilitate the Refinancing of the 2002 Bonds

Prior to moving forward with the refinancing, the following actions would allow us as underwriters to assist the Authority in maximizing its bond rating and to present the strongest possible credit story to investors prior to the bond sale.

(1) Adopt Rate Increases at a Minimum 1.40x Debt Coverage Level – As discussed earlier in the memo, S&P will evaluate the Authority's current financial position in light of its declining waste stream and intent to eliminate future waste deliveries from Santa Clara Valley. To maintain the 1.40x coverage referenced in S&P's prior review, the Authority would need to adopt rate increases to make up for the future loss of Santa Clara Valley waste deliveries. To maximize the Authority's debt coverage, the Authority should consider rate increases that are: (a) large enough to fully offset the loss of future revenues from Santa Clara Valley waste deliveries, (b) sufficient to maintain a minimum of 1.40x coverage, (c) implemented as quickly as possible to maximize revenue for the Authority in fiscal year 2013-14, and (d) approved by the Authority Board prior to seeking a S&P rating.

(2) County Rescission of Its Notice of Withdrawal – As discussed at the 4/30 joint meeting, the Authority should consider obtaining an effective rescission from the County of its Notice of Withdrawal from the Authority. S&P and bond investors will evaluate the terms of the County's rescission carefully, particularly to judge the stability of the Authority's future waste stream. The County's rescission should be approved in a manner that will not restrict the Authority's ability to carry out its operations to meet its bond covenants.

The Authority and its members should consider taking additional actions later in the refinancing process which are generally required as part of a utility bond financing. These actions include:

Approve Waste Delivery Agreements – As is typical with other solid waste financings, the Authority should consider having each JPA member reaffirm its waste delivery agreements with the Authority. If reaffirmed, the terms of these agreements should be similar to the ones adopted in connection with the 2002 Bonds. In particular, each waste delivery agreement generally would include a provision that would prohibit a member from withdrawing from the Authority until the 10th anniversary after the refunding bonds are issued (i.e. the first date when the refunding bonds can be prepaid at no penalty). The prohibition from withdrawal was 15 years from the formation of the JPA under the 2002 Bonds. The reapproval of the waste delivery agreements generally is accomplished before the Authority requests a new credit rating.

Execution of Similar Warranties and Agreements Required Under the 2002 Bonds - The Authority and its members would be expected to make similar representations and warranties which were provided in connection with the issuance of the 2002 Bonds. These representations are required so that bond counsel can provide unqualified bond and tax-exemption opinions which can be relied upon by bond investors who purchase the refunding bonds. Among other representations, each JPA member will need to deliver legal opinions stating that the adoption of the original JPA agreement, member waste delivery agreements and any other agreements represent legal and binding obligations of each member.

If you have any questions about the information contained in this memorandum, please feel free to contact us.

John Kim (415) 999-4779
John Phan (310) 207-1975

EXHIBIT 16
to
ATTACHMENT A

Salinas Valley Solid Waste Authority - Series 2013 Preliminary Maturity Schedule

Preliminary Amortization			
August 1	2002 Bonds		Total
	Refunding (AMT)	IPA Refunding (Taxable)	
2013	\$ -	\$ -	\$ -
2014	-	335,000	335,000
2015	830,000	340,000	1,170,000
2016	1,200,000	345,000	1,545,000
2017	1,250,000	350,000	1,600,000
2018	1,300,000	360,000	1,660,000
2019	1,360,000	370,000	1,730,000
2020	1,430,000	380,000	1,810,000
2021	1,505,000	390,000	1,895,000
2022	1,585,000	405,000	1,990,000
2023	1,665,000	425,000	2,090,000
2024	2,195,000		2,195,000
2025	2,310,000		2,310,000
2026	2,435,000		2,435,000
2027	2,370,000		2,370,000
2028	2,300,000		2,300,000
2029	2,425,000		2,425,000
2030	2,550,000		2,550,000
2031	2,680,000		2,680,000
	\$ 31,390,000	\$ 3,700,000	\$ 35,090,000

De La Rosa & Co. is providing the information in this document for discussion purposes in anticipation of serving as an underwriter to you. In our capacity as underwriter, we will be acting as a principal in a commercial, arms-length transaction and not as a municipal advisor, financial advisor or fiduciary to you. The information we provide is not intended to be and should not be construed as "advice" within the meaning of the Securities Exchange Act of 1934. We encourage you to consult with your own legal, accounting, tax, financial and other advisors, as applicable, to the extent you deem appropriate. Pursuant to MSRB Interpretive Notice 2012-25 of its Rule G-17, if hired by you as an underwriter, we would be required to seek your written acknowledgement of receipt of certain of these and other disclosures.

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2013
NEW ISSUE - BOOK- ENTRY ONLY

Ratings: _____
See "RATINGS" herein.

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Series 2013A Bonds is excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Series 2013 Bonds is exempt from State of California personal income tax and is a specific preference item for purposes of federal individual or corporate alternative minimum taxes. Bond Counsel expresses no opinion regarding other tax consequences relating to the ownership or disposition of the Series 2013 Bonds, or the accrual or receipt of interest on the Series 2013 Bonds. See "TAX MATTERS" herein. [update?]

\$ _____ *
SALINAS VALLEY SOLID WASTE AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2013

\$ _____
SERIES 2013A (Tax-Exempt)

\$ _____
SERIES 2013B (Taxable)

Dated: Date of Delivery

Due: August 1, as shown on inside cover

The Series 2013 Bonds are being executed and issued pursuant to, and are secured under, a Master Indenture, dated as of [Dated Date], 2013, as supplemented (the "Master Indenture"), by and between the Salinas Valley Solid Waste Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), to (i) refund the Authority's Outstanding Revenue Bonds Series 2002 (the "Prior Bonds"), the proceeds of which were used to finance the acquisition and construction of certain improvements to the Authority's solid waste transfer and disposal system (the "System") as further described herein (the "2002 Project"), (ii) prepay the balance of an Installment Purchase Agreement dated as of September 1, 1997, by and between the Authority and the City of Salinas (the "Crazy Horse Purchase Agreement") pursuant to which the Authority purchased the Crazy Horse Landfill from the City of Salinas; (iii) fund a reserve fund for the Series 2013 Bonds to be held by the Trustee and (iv) pay costs of issuance. See "THE PLAN OF FINANCE." The Authority is a joint exercise of powers authority, created pursuant to an agreement dated as of January 1, 1997 (as amended from time to time, the "Authority Agreement") among the County of Monterey, and the Cities of Salinas, Gonzales, Greenfield, King City and Soledad (the "Members"). Pursuant to the Authority Agreement, the Authority was established to, among other things, acquire and manage the landfill assets of each Member, ensure long term landfill capacity for the Authority service area, and provide a unified and coordinated solid waste management for the Members.

The principal, premium, if any, and interest due with respect to the Series 2013 Bonds are payable solely from amounts pledged therefor, including certain revenues of the System, pursuant to the Master Indenture, and will be on a parity with additional Bonds and certain other obligations of the Authority (as described herein) issued or executed under the Master Indenture, subject to the application of such revenues as permitted by the Master Indenture. The revenues of the System so pledged consist primarily of the Net Revenues (as defined herein) of the System, which generally consist of the tipping fees, service charges, user charges and income received by or imposed by the Authority in connection with the operation of the System and the provision of solid waste disposal services, less the Maintenance and Operation Costs (as defined herein) of the System.

~~THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL AND INTEREST ON THE SERIES 2013 BONDS IS A LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY FROM THE AMOUNTS PLEDGED THEREFOR AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY OR THE MEMBERS FOR WHICH THE AUTHORITY OR THE MEMBERS ARE OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY OR THE MEMBERS HAVE LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2013 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE MEMBERS, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA, ANY STATUTORY DEBT LIMITATIONS OR OTHERWISE, OR A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY OR THE MEMBERS.~~

Interest on the Series 2013 Bonds is payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2014. The Series 2013 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2013 Bonds. Individual purchases of the Series 2013 Bonds will be made in book-entry form only. Purchasers of the Series 2013 Bonds will not receive certificates representing their ownership interests in the Series 2013 Bonds purchased. The Series 2013 Bonds will be issuable in the principal amount of \$5,000 and any integral multiple thereof. Principal and interest payments on the Series 2013 Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Series 2013 Bonds.

The Series 2013A Bonds are subject to redemption prior to maturity, as described herein. The Series 2013B Bonds are not subject to redemption prior to maturity.

* Preliminary, subject to change.

This Preliminary Offering Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Offering Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

[\$[PRINCIPAL AMOUNT]
SALINAS VALLEY SOLID WASTE AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2013

\$ _____
SERIES 2013A (Tax-Exempt)

\$ _____
SERIES 2013B (Taxable)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Series 2013 Bonds being offered and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Master Indenture. See APPENDIX B – “SUMMARY OF MASTER INDENTURE – Definitions.”

Purpose

This Official Statement, including the cover and the Appendices attached hereto (the “Official Statement”), provides certain information concerning the sale and delivery of the Salinas Valley Solid Waste Authority Refunding Revenue Bonds, Series 2013A (Tax-Exempt), in an aggregate principal amount of \$[Principal Amount] (the “Series 2013A Bonds”) and the Salinas Valley Solid Waste Authority Refunding Revenue Bonds, Series 2013B (Taxable), in an aggregate principal amount of \$[Principal Amount] (the “Series 2013B Bonds”) and together with the Series 2013A Bond, the “Series 2013 Bonds”). The Series 2013 Bonds will be issued pursuant to a Master Indenture between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee, dated as of [Dated Date], 2013, supplemented by a First Supplemental Indenture, dated as of [Dated Date], 2013 and a Second Supplement Indenture, dated as of [Dated Date], 2013 (collectively, the “Master Indenture”). The Series 2013 Bonds are being issued to (i) refund the Authority’s Outstanding Revenue Bonds Series 2002 (the “Prior Bonds”), the proceeds of which were used to finance the acquisition and construction of certain improvements to the Authority’s solid waste transfer and disposal system (the “System”) as further described herein (the “2002 Project”), (ii) prepay the balance of an Installment Purchase Agreement dated as of September 1, 1997, by and between the Authority and the City of Salinas (the “Crazy Horse Purchase Agreement”) pursuant to which the Authority purchased the Crazy Horse Landfill from the City of Salinas; (iii) fund a reserve fund for the Series 2013 Bonds to be held by the Trustee and (iv) pay costs of issuance. See “THE PLAN OF FINANCE.”

Security and Source of Payment for the Series 2013 Bonds

The Authority’s obligation to make payments of principal and interest on the Series 2013 Bonds is a special obligation of the Authority payable solely from amounts pledged therefor under the Master Indenture, including certain revenues of the System, and will be on a parity with additional Bonds and other Contracts (as hereinafter defined) of the Authority issued or executed under the Master Indenture

TABLE 1

HISTORICAL WASTE DISPOSAL INFORMATION

<u>Fiscal Year</u>	<u>Service Area</u>	<u>South Valley</u>	<u>Total</u>
2002-03	219,583	-	219,583
2003-04	227,207	23,622	250,829
2004-05	234,709	84,571	319,280
2005-06	235,852	89,536	325,388
2006-07	222,906	85,327	308,233
2007-08	205,534	86,739	292,273
2008-09	187,486	84,322	271,808
2009-10	173,907	79,615	253,522
2010-11	171,082	79,552	250,634
2011-12	166,943	69,215	236,248
2012-13	166,500	70,021	236,521

Source: Authority.

Projected Waste Deliveries to the System

The following table shows the Authority's projected waste deliveries to the System through Fiscal Year 2020-21. The Authority's service area projections assume that landfill tonnage will remain flat. While it appears that the local economy is rebounding as can be seen by an increase in construction and demolition material, that increase is expected to be offset by an increase in recycling due to the implementation of mandatory commercial recycling. Fiscal year 2012-13 basically stayed flat in comparison to fiscal year 2011-12. For fiscal year 2013-14 the Authority's budget is based on 166,500 tons.

The South Valley tonnage projections are based on the contractual amounts in the South Valley Agreement.

**TABLE 2
PROJECTED WASTE DELIVERIES TO THE SYSTEM**

<u>Fiscal Year</u>	<u>Service Area</u>	<u>South Valley*</u>
2013-14	166,500	79,226
2014-15	166,500	-
2015-16	166,500	-
2016-17	166,500	-
2017-18	166,500	-
2019-20	166,500	-
2020-21	166,500	-

* South Valley waste delivered to the System will cease sometime during calendar year 2014. See "South Valley Agreement" above.

Source: Authority.

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**TABLE 3
GROSS REVENUES BY SOURCE
FOR FISCAL YEARS ENDING JUNE 30,**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Tipping Fees - Solid Waste	\$11,654,886	\$11,414,097	\$10,723,504	\$10,708,388	\$11,168,304
Tipping Fees - Surcharge	-	555,997	451,248	493,893	738,669
Tipping Fees - Diverted Materials	932,616	963,645	1,096,359	1,069,755	1,072,891
Tipping Fees - South Valley	2,333,494	2,215,711	2,211,254	2,243,315	2,340,962
Charges for Services	<u>93,000</u>	<u>93,000</u>	<u>117,000</u>	<u>117,916</u>	<u>118,620</u>
	<u>\$15,013,996</u>	<u>\$15,242,450</u>	<u>\$14,599,365</u>	<u>\$14,633,267</u>	<u>\$15,439,446</u>

Source: The Authority.

Competition

The Members of the Authority currently maintain franchise agreements with their respective haulers that give the Members the power to specify the disposal facility to be used by the hauler. The members are obligated through the various agreements to direct their waste to the System. In this regard, the Authority has control over the flow of the waste generated within its region. However, if a major price differential between Authority and non-Authority landfills were to develop, it is conceivable that one or more Members may consider other, more cost-effective disposal options. The competing alternative would likely need to be a significant savings for a jurisdiction to consider withdrawing from the Authority and breaching its contractual obligations or complying with prepay obligations. In this light, the Authority's facilities are, to a limited extent, still subject to competition from other facilities in Monterey County and the region. Self-haulers also have the liberty to use competing facilities. See "CERTAIN RISK FACTORS – Competition" and " – Withdrawal of Members" herein.

The Authority believes that the tipping fee increases proposed by other landfill sites as well as the additional transportation costs and loss of productivity for haulers will allow the Authority to be competitive with other waste disposal sites outside the Authority service area. The nearest disposal facilities are the Monterey Peninsula Landfill located 14 miles west of Salinas outside of Marina and John Smith Landfill located 35 miles northeast of Salinas, outside of Hollister.

Capital Plan

The table below is a summary of the Authority's estimated capital expenditures for the next five Fiscal Years.

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Withdrawal of Members

The Authority Agreement provides that Members may withdraw from the Authority with one year of advance notice 15 years after such member executed the Authority Agreement, so long as any outstanding bonds of the Authority be paid or adequate provision for payment of such bonds has been made. The Authority Agreement also provides that any withdrawing member retain its fair share of financial liability for closure and post-closure remediation costs based on the tons of solid waste landfilled in the System. The Waste Delivery Agreements have similar provisions.

The County delivered a notice of intention to withdraw from the Authority on July 13, 2012, and a notice to withdraw from its Waste Delivery Agreement on July 16, 2012. Such notices were rescinded by the County on [November 5, 2013]. According to the County's notice it issued the notices of intent to withdraw because "Monterey County has been concerned for some time regarding the direction of the Salinas Valley Solid Waste Authority with respect to its finances, and the collection and disposal of waste within its jurisdictional boundaries." Members of the Authority Board and the County Board of Supervisors met to discuss the County's concerns. As a result of those discussions the Authority agreed to not spend any of the savings from the bond refunding until a comprehensive solid waste management study is conducted which will aid all parties involved to analyze what is the most effective and cost efficient manner of handling solid waste in Monterey County.

In accordance with the Authority Agreement and Waste Delivery Agreements the County or other Members could decide to withdraw from the Authority in the future. The actual withdrawal of a Member would likely be the subject of litigation and could have a material adverse impact on the finances and operations of the Authority and a negative impact on the ratings of any Authority bonds and the market price of such bonds (including the Series 2013 Bonds).

Statutory and Regulatory Impact

Laws and regulations governing solid waste management are enacted and promulgated by government agencies on the federal, state and local levels. These laws and regulations address the design, construction, operation, maintenance, closure and post-closure maintenance of various types of facilities; acceptable and prohibited waste types; and inspection, permitting, environmental monitoring and solid waste recycling requirements. Laws and regulations at both the State and federal levels impose retroactive liability, particularly with respect to cleanup activities, relating to any landfill site operated by the Authority, whether or not owned by the Authority. Thus the Authority has potential liability with respect to every landfill ever operated by the Authority. Compliance with these laws and regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs will likely increase. Claims against the Authority with respect to Authority-operated sites and closed sites may be significant. Such claims are payable from assets of the System or from other legally available sources. Although tipping fees are the major source of funding for regulatory costs and the Authority has covenanted in the Master Indenture to establish such tipping fees as are necessary to enable the Authority to make all payments required to be made pursuant to Bonds, Contracts and Repayment Obligations, including debt service with respect to the Series 2013 Bonds, no assurance can be given that the cost of compliance with such laws and regulations will not materially adversely affect the ability of the Authority to generate Net Revenues in the amounts required by the Master Indenture and to pay Debt Service with respect to the Series 2013 Bonds.

Hazardous Waste

Although the Authority has implemented a hazardous waste inspection program at the System to monitor the waste stream and prevent the inadvertent or intended disposal of hazardous wastes, hazardous

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SALINAS VALLEY SOLID WASTE AUTHORITY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

MASTER INDENTURE

Dated as of November 1, 2013

Relating to the

**SALINAS VALLEY SOLID WASTE AUTHORITY
REVENUE BONDS**

solid waste management services necessary to maintain Net Revenues as required under the Indenture. Such actions shall include making contractual or other arrangements for the use of disposal facilities (either inside or outside of the geographical boundaries of the Authority) owned or operated by entities other than the Authority.

SECTION 4.13. Flow Control. While any Bonds remain Outstanding, the Authority shall, to the extent permitted by law, use its best efforts and take whatever actions are within the scope of its powers to insure that sufficient solid waste is processed and disposed of through the System to generate Net Revenues as required by this Indenture.

SECTION 4.14. Against Competitive Facilities. The Authority will not, to the extent permitted by law, acquire, purchase, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, purchase, maintain or operate any solid waste management system competitive with the System, unless the governing board of the Authority determines by resolution that any such actions with respect to competitive facilities will not materially adversely affect the ability of the Authority to fulfill its obligations under this Indenture.

SECTION 4.15. Prompt Acquisition and Construction of the Projects. The Authority will acquire and construct the Projects with all practicable dispatch, and such acquisition and construction will be made in an expeditious manner and in conformity with the law so as to complete the same as soon as possible. Without limiting the generality of the foregoing, prior to the expenditure of any proceeds of any Series of Bonds for any particular components of Projects, the Authority shall assure compliance with all applicable environmental and land use regulations, including without limitation, the California Environmental Quality Act.

SECTION 4.16. Competitive Tipping Fees. The Authority will, to the extent permitted by law, use its best efforts and take whatever actions are within the scope of its powers to insure that the tipping fees charged by the Authority for the disposal of solid waste remain competitive with the tipping fees charged by other operations similar to the System in the vicinity of the System; *provided, however*, that in no event shall this covenant be construed to limit or affect the obligation of the Authority to set rates, charges and tipping fees to generate Net Revenues as required by the Indenture.

SECTION 4.17. Payment of Claims. The Authority will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the System or upon the Net Revenues or any part thereof, or upon any funds held by the Trustee, or which might impair the security of the Bonds; *provided*, that nothing herein contained shall require the Authority to make any such payments so long as the Authority in good faith shall contest the validity of any such claims and such nonpayment will not materially adversely affect the Authority's ability to perform its obligations hereunder.

SECTION 4.18. Books of Record and Accounts; Financial Statements. The Authority will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the System and the Revenue Fund, and upon request will provide information concerning such books of record and accounts to the Trustee or the Owners of not less than five per cent (5%) of the aggregate principal amount of the Bonds then Outstanding or their representatives authorized in writing.