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PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2019

NEW ISSUE – BOOK ENTRY ONLY

**Ratings: Moody's: “__”
Standard & Poor's: “__”
See “RATINGS” herein.**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, 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 2019A Bonds and the Series 2019B Bonds (together, the “Series 2019 Bonds”) is excluded from gross income for federal income tax purposes, except for interest on any Series 2019 Bond for any period during which the Series 2019 Bond is held by a “substantial user” of any facilities financed with the proceeds of the Series 2019 Bonds or a “related person” as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Series 2019A Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax, and interest on the Series 2019B Bonds is a specific item of tax preference for purposes of the federal individual alternative minimum tax. In the further opinion of Bond Counsel, interest on the Series 2019 Bonds is, under existing law, exempt from State of California personal income tax. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2019 Bonds. See “TAX MATTERS” herein.

\$ _____*
**South Bayside Waste Management Authority
Solid Waste Enterprise Refunding Revenue Bonds
(Shoreway Environmental Center)
Series 2019A (Non-AMT)**

\$ _____*
**South Bayside Waste Management Authority
Solid Waste Enterprise Revenue Bonds
(Shoreway Environmental Center)
Series 2019B (AMT)**

Dated: Date of Issuance

Due: September 1, as shown on inside cover

The South Bayside Waste Management Authority (the “Authority”) \$ _____ Solid Waste Enterprise Refunding Revenue Bonds (Shoreway Environmental Center), Series 2019A (Non-AMT) (the “Series 2019A Bonds”) and \$ _____ Solid Waste Enterprise Revenue Bonds (Shoreway Environmental Center), Series 2019B (AMT) (the “Series 2019B Bonds” and, together with the Series 2019A Bonds, the “Series 2019 Bonds”) are being issued pursuant to, and are secured under an Indenture of Trust dated as of June 1, 2019 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Series 2019A Bonds are being issued to (i) refund in full the Authority’s Solid Waste Enterprise Revenue Bonds (Shoreway Environmental Center), Series 2009A; (ii) fund a deposit to the Reserve Fund; and (iii) pay costs of issuance of the Series 2019A Bonds. The Series 2019B Bonds are being issued to (i) pay certain costs incurred by the Authority in connection with the construction of various improvements and acquisition and installation of certain associated equipment (the “2019 Project”) to the Authority’s solid waste materials recovery facility and transfer station located in the City of San Carlos, California; (ii) fund a deposit to the Reserve Fund; and (iii) pay costs of issuance of the Series 2019B Bonds. See “PLAN OF FINANCE.” The Authority is a joint exercise of powers authority, created pursuant to a Second Amended and Restated Joint Exercise of Powers Agreement, dated as of June 19, 2013 (the “Authority Agreement”) among the Cities of Belmont, Burlingame, East Palo Alto, Foster City, Menlo Park, Redwood City, San Carlos, San Mateo, the Towns of Atherton, Hillsborough, the West Bay Sanitary District and the County of San Mateo (each a “Member”).

The principal, premium, if any, and interest due on the Series 2019 Bonds are payable solely from amounts pledged therefor, including certain revenues of the Authority, pursuant to the Indenture. The revenues of the Authority so pledged consist primarily of the Net Revenues (as defined herein) of the Authority’s solid waste management system (the “Enterprise”), which generally consist of the tipping fees and recyclable materials sales revenues received by or imposed by the Authority in connection with the operation of the Enterprise and the provision of solid waste processing and disposal services, less the Maintenance and Operation Costs (as defined herein) of the Enterprise. Subject to satisfaction of the conditions set forth in the Indenture, the Authority may issue additional obligations which are payable on a parity with the Series 2019 Bonds (“Parity Obligations”). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Additional Parity Obligations.”

THE OBLIGATION OF THE AUTHORITY TO MAKE THE DEBT SERVICE PAYMENTS TO THE SERIES 2019 BONDS IS A SPECIAL OBLIGATION OF THE AUTHORITY PAYABLE SOLELY FROM THE MONEYS LEGALLY AVAILABLE AND PLEDGED THEREFOR UNDER THE INDENTURE, DOES NOT CONSTITUTE A DEBT OF THE AUTHORITY, ITS MEMBERS OR OF THE STATE OF

* Preliminary; subject to change.

CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY FOR WHICH THE AUTHORITY OR ANY MEMBER IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, ANY FORM OF TAXATION. THE BONDS DO NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY OR ITS MEMBERS.

Interest on the Series 2019 Bonds is payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2020. The Series 2019 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name or a nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issuable in the principal amount of \$5,000 and any integral multiple thereof.

The Series 2019 Bonds are subject to optional, mandatory and extraordinary 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 2019 Bonds.

The Series 2019 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, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, Los Angeles, California and for the Authority by its Counsel, Aaronson Dickerson Cohn & Lanzone. It is anticipated that the Series 2019 Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about June __, 2019.

Dated: June __, 2019

Raymond James

\$ _____ *

**South Bayside Waste Management Authority
Solid Waste Enterprise Refunding Revenue Bonds
(Shoreway Environmental Center)
Series 2019A (Non-AMT)**

Maturity Schedule

\$ _____ * Serial Series 2019A Bonds

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>CUSIP</u> [†]
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\$ _____ . ____ Term Series 2019B Bonds due September 1, ____ — Yield: ____% CUSIP[†]

\$ _____ . ____ Term Series 2019B Bonds due September 1 __, ____ — Yield: ____% CUSIP[†]

* Preliminary; subject to change.

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\$ _____ *

**South Bayside Waste Management Authority
Solid Waste Enterprise Refunding Revenue Bonds
(Shoreway Environmental Center)
Series 2019B (AMT)**

Maturity Schedule
\$ _____ * **Serial Series 2019B Bonds**

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>CUSIP</u> [†]
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* Preliminary; subject to change.

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**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
BOARD OF DIRECTORS**

Town of Atherton	William Widmer, Mayor
City of Belmont	Davina Hurt, Mayor
City of Burlingame	Michael Brownrigg, Council Member
City of East Palo Alto	Ruben Abrica, Council Member
City of Foster City	Herb Perez, Vice Mayor
Town of Hillsborough	Jess Benton, Board Chair, Council Member
City of Menlo Park	Catherine Carlton, Council Member
City of Redwood City	Alicia Aguirre, Board Vice Chair, Council Member
City of San Carlos	Adam Rak, Council Member
City of San Mateo	Richard Bonilla, Council Member
County of San Mateo	Carole Groom, President of the Board of Supervisors
West Bay Sanitary District	Fran Dehn, President

AUTHORITY STAFF

Joseph La Mariana, Executive Director
John Mangini, Senior Finance Manager
Hilary Gans, Senior Facilities and Contracts Manager

SPECIAL SERVICES

BOND COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation

MUNICIPAL ADVISOR

KNN Public Finance LLC

AUTHORITY COUNSEL

Aaronson Dickerson Cohn & Lanzone

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2019 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the Members or the Underwriter.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2019 Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain of the information set forth herein has been obtained from official sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Enterprise since the date hereof. This Official Statement is submitted with respect to the sale of the Series 2019 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2019 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2019 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2019 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in the following information constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the Authority's forecasts in any way. Except as set forth in the Continuing Disclosure Agreement, a form of which is attached as Appendix D, the Authority does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

The Series 2019 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act. The Series 2019 Bonds have not been registered or qualified under the securities laws of any state.

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\$ _____ *

**South Bayside Waste Management Authority
Solid Waste Enterprise Refunding Revenue Bonds
(Shoreway Environmental Center)
Series 2019A (Non-AMT)**

\$ _____ *

**South Bayside Waste Management Authority
Solid Waste Enterprise Revenue Bonds
(Shoreway Environmental Center)
Series 2019B (AMT)**

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Series 2019 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.

General Description

This Official Statement, including the cover and the Appendices attached hereto (the “Official Statement”), provides certain information concerning the sale and delivery of the South Bayside Waste Management Authority (the “Authority”) \$ _____ * Solid Waste Enterprise Refunding Revenue Bonds (Shoreway Environmental Center), Series 2019A (Non-AMT) (the “Series 2019A Bonds”) and the \$ _____ * Solid Waste Enterprise Revenue Bonds (Shoreway Environmental Center), Series 2019B (AMT) (the “Series 2019B Bonds” and, together with the Series 2019A Bonds, the “Series 2019 Bonds”). The Series 2019 Bonds will be issued pursuant to an Indenture of Trust dated as of June 1, 2019 (the “Indenture”) between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “Trustee”).

The Series 2019A Bonds are being issued to (i) refund in full the Authority’s Solid Waste Enterprise Revenue Bonds (Shoreway Environmental Center), Series 2009A (the “Refunded Bonds”); (ii) fund a deposit to the Reserve Fund; and (iii) pay costs of issuance of the Series 2019A Bonds. The Series 2019B Bonds are being issued to (i) pay certain costs incurred by the Authority in connection with the construction of various improvements and the acquisition and installation of certain associated equipment (the “2019 Project”) to the Authority’s solid waste materials recovery facility and transfer station located in the City of San Carlos, California; (ii) fund a deposit to the Reserve Fund; and (iii) pay costs of issuance of the Series 2019B Bonds. See “PLAN OF FINANCE.”

The Series 2019 Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2019 Bonds is payable semiannually on March 1 and September 1 of each year (each an “Interest Payment Date”), commencing on March 1, 2020, computed at the respective rates of interest set forth on the cover page of this Official Statement. The Series 2019 Bonds will be issuable in denominations of \$5,000 or any integral multiple thereof.

The Authority

The Authority is a joint exercise of powers authority created pursuant to Section 6500 et seq. of the California Government Code and a Second Amended and Restated Joint Exercise of Powers Agreement (the “Authority Agreement”), dated as of June 19, 2013 among the Cities of Belmont, Burlingame, East Palo Alto, Foster City, Menlo Park, Redwood City, San Carlos, San Mateo, the towns of Atherton, Hillsborough, the West Bay Sanitary District and the County of San Mateo (collectively, the “Members”). The Authority has been in existence since 1999. Pursuant to the Authority Agreement, the purpose of the Authority is to provide for the joint ownership, financing, administration, and operation of regional solid waste management facilities,

* Preliminary; subject to change.

and for the joint planning, adoption, financing, administration, management, review, monitoring, enforcement and reporting of solid waste, recyclable material and plant material collection activities. Pursuant to its terms, the Authority Agreement may not be terminated while the Series 2019 Bonds are outstanding. See “THE SYSTEM - The Authority” herein.

Security and Sources of Payment for the Series 2019 Bonds

The Authority’s obligation to make payments of principal and interest on the Series 2019 Bonds is a special obligation of the Authority payable solely from amounts pledged therefor, including certain revenues of the Authority under the Indenture and will be on a parity with additional Parity Obligations (as hereinafter defined) of the Authority issued or executed under the Indenture subject to the application of such revenues as permitted by the Indenture. The revenues of the Authority so pledged consist primarily of the Net Revenues of the Authority’s solid waste management system (the “Enterprise”), which generally are tipping fees and recyclable materials sale revenues received by or imposed by the Authority in connection with the operation of the Enterprise or the provision of solid waste processing and disposal services in any Fiscal Year, less the Maintenance and Operation Costs (as herein defined) of the Enterprise for such Fiscal Year. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2019 Bonds” herein.

Book Entry System

The Series 2019 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of a nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series 2019 Bonds. Individual purchases of the Series 2019 Bonds will be made in book-entry form only. Purchasers of the Series 2019 Bonds will not receive certificates representing their ownership interests in the Series 2019 Bonds purchased. The Series 2019 Bonds will be issuable in the principal amount of \$5,000 and any integral multiple thereof. Principal and interest payments on the Series 2019 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 2019 Bonds. See “THE SERIES 2019 BONDS - General” and Appendix E - “BOOK- ENTRY SYSTEM.”

Redemption

The Series 2019 Bonds are subject to optional, mandatory and extraordinary redemption prior to their stated maturities. See “THE SERIES 2019 Bonds - Redemption.”

Reserve Fund

A fund (the “Reserve Fund”) will be held under the Indenture in order to secure the payment of principal of and interest on the Series 2019 Bonds in an amount equal to the Reserve Requirement, which, as of the date of issuance of the Series 2019 Bonds is \$ _____. The Reserve Requirement will be satisfied through the use of a portion of the proceeds of the Series 2019 Bonds. The Indenture provides that, in replacement of moneys then on deposit in the Reserve Fund, the Authority, without the consent of the Owners, may deliver to the Trustee a surety bond or insurance policy issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company’s insurance policies) are rated, at the time of delivery, in one of the two the highest rating category of Moody’s or S&P (without regard to qualifier), in an amount, together with moneys on deposit in the Reserve Fund equal to the Reserve Requirement. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS - Reserve Fund” herein.

Additional Parity Obligations

The Indenture provides that the Authority may at any time issue or execute additional Parity Obligations payable from the Net Revenues and secured by a lien and charge upon the Net Revenues equal to

and on a parity with the lien and charge securing the Series 2019 Bonds theretofore issued under the Indenture, subject to the satisfaction of certain conditions specified in the Indenture. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS - Additional Parity Obligations” herein. The Indenture also provides that the Authority may at any time execute or issue contracts, bonds or other indebtedness of the Authority payable from the Revenue Fund on a subordinated basis to the payment of the Debt Service Payments (“Subordinate Obligations”).

Rate Covenant

Pursuant to the Indenture, the Authority is required, at all times while any of the Series 2019 Bonds remain Outstanding, to fix, prescribe and collect rates, fees and charges, and collect such other revenues in connection with the Enterprise which, when added to the Additional Revenues, will yield Revenues in each Calendar Year at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts due in each Calendar Year in the order below set forth:

- (1) All current Maintenance and Operation Costs.
- (2) The interest on and principal of the Bonds and any Parity Obligations as they become due and payable.
- (3) All payments required for compliance with the terms hereof, including restoration of the Reserve Fund to an amount equal to the Reserve Requirement, and of any documents providing for the issuance of Parity Obligations pursuant to Article II hereof.
- (4) All payments to meet any other obligations of the Authority which are charges, liens or encumbrances upon, or payable from, the Revenues.

In addition to the foregoing requirements, the Indenture provides that the Authority will, at all times while any of the Bonds remain Outstanding, fix, prescribe and collect rates, fees and charges in connection with the Enterprise for each Calendar Year so as to yield Net Revenues during such Calendar Year equal to at least 1.40 times the Debt Service in such Calendar Year plus scheduled principal and interest payments on or with respect to any Parity Obligations. For purposes of this calculation, Revenues may include any amounts appropriated to the Revenue Fund by the Authority from the Rate Stabilization Fund in accordance with the Indenture.

“Additional Revenues” means amounts not already counted as Revenues under the Indenture which are on deposit in the Revenue Fund or other funds of the Authority (including the Rate Stabilization Fund) and which are legally available for payment of Debt Service. As of the date of issuance of the Series 2019 Bonds, \$ _____ is on deposit in the Rate Stabilization Fund.

See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – Rate Covenant” herein.

Limited Liability

THE OBLIGATION OF THE AUTHORITY TO MAKE THE DEBT SERVICE PAYMENTS TO THE SERIES 2019 BONDS IS A SPECIAL OBLIGATION OF THE AUTHORITY PAYABLE SOLELY FROM THE MONEYS LEGALLY AVAILABLE AND PLEDGED THEREFOR UNDER THE INDENTURE, DOES NOT CONSTITUTE A DEBT OF THE AUTHORITY, ITS MEMBERS OR OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY FOR WHICH THE AUTHORITY OR ANY MEMBER IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, ANY FORM OF

TAXATION. THE BONDS DO NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY OR ITS MEMBERS.

Continuing Disclosure

The Authority has covenanted to provide certain financial information and operating data relating to the Authority and to provide notices of the occurrence of certain enumerated events. See “CONTINUING DISCLOSURE” herein and APPENDIX D - “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Miscellaneous

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Indenture. See Appendix B - “SUMMARY OF THE 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.

PLAN OF FINANCE

The Series 2019A Bonds are being issued to (i) refund the Refunded Bonds; (ii) fund a deposit to the Reserve Fund; and (iii) pay costs of issuance of the Series 2019A Bonds. The Series 2019B Bonds are being issued to (i) pay the costs of the 2019 Project; (ii) fund a deposit to the Reserve Fund; and (iii) pay costs of issuance of the Series 2019B Bonds.

Refunding

Concurrently with the issuance and delivery of the Series 2019A Bonds, the Authority shall utilize a portion of the proceeds thereof, together with other available funds of the Authority, to purchase certain direct obligations of the United States of America the maturing principal and interest with respect to which, together with other available moneys, will satisfy the debt service payment obligations with respect to the Refunded Bonds until their redemption date. These direct obligations shall be deposited in an escrow account held by the Trustee, as escrow agent for the Refunded Bonds (the “Escrow Agent”), under an escrow agreement, dated as of June 1, 2019 (the “Escrow Agreement”), that will require the Escrow Agent to apply the principal of, and interest on such obligations, together with other moneys held by the Escrow Agent, to the payment of interest on the Refunded Bonds when due and redemption of the Refunded Bonds on the redemption date of September 1, 2019 at the redemption price equal to 100% of the principal amount to be redeemed plus interest accrued thereon.

Upon such irrevocable deposit with the Escrow Agent the Refunded Bonds will be defeased and will no longer be entitled to the pledge of and charge and lien upon the revenues pursuant to the indenture under which the Refunded Bonds were issued. Amounts held by the Escrow Agent pursuant to the Escrow Agreement will not be available for payment of debt service on the Series 2019 Bonds.

In connection with the defeasance of the Refunded Bonds, Causey Demgen & Moore P.C., independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the amounts deposited pursuant to the Escrow Agreement to pay the principal of, and interest on, the Refunded Bonds on their payment and redemption date. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

The following table contains certain information related to the Refunded Bonds.

**South Bayside Waste Management Authority
Solid Waste Enterprise Refunding Revenue Bonds
(Shoreway Environmental Center)
Series 2009A**

Maturity Date (September 1)	Principal Amount	Interest Rate	CUSIP ^{††} Number
2019	\$ 1,495,000	5.00%	83646AAH6
2024	8,710,000	5.25	83646AAJ2
2029	11,470,000	6.25	83646AAK9
2036	23,010,000	6.00	83646AAL7

The 2019 Project

The 2019 Project generally consists of construction of various improvements and acquisition and installation of certain associated equipment to the Shoreway Environmental Center, as more particularly described below. As described in “THE ENTERPRISE – Projected Operating Results,” the Authority anticipates that implementation of the 2019 Project will result in significant savings in labor costs (due to increased used of robotic and other mechanical sorting equipment), as well as increases in recovered materials revenues (due to increased quality and quantity of recovered materials).

The total cost of the 2019 Project, which will be funded from a portion of the proceeds of the 2019B Bonds and other available funds of the Authority, is projected to be approximately \$20 million, consisting of the following components:

<u>2019 Project Component</u>	<u>Cost (millions)</u>
Materials Recovery Facility Equipment Improvements	\$15.58
Organics-to-Energy Pilot Project	2.25
Other Capital Improvements	2.17
Total	<u>\$20.00</u>

Materials Recovery Facility Equipment Improvements

Optical Sorting Machine: This component of the 2019 Project consists of an optical sort system to be used for high-speed separation of contamination out of mixed paper to capture more commodity revenues. The Authority projects that optical sorting will (i) capture additional cardboard and containers and (ii) result in the recovery of higher quality paper materials that are expected to be sold at higher prices than currently achieved.

Robotic Residue Sorting Equipment/Quality Control System: This component of the 2019 Project consists of a robotic sorting system that utilizes advanced recognition and artificial intelligence technology to identify and sort a wide variety of materials. The Authority believes that applying this robotic system to residue generated by the Materials Recovery Facility will result in a reduction in sort labor expense and the capture of recyclable materials which are currently disposed. Additionally, this robotic sorting system will be installed at the end of all fiber sort lines to identify, record, and report the fiber composition and quality. This information can be used in connection with the installation of the optical sort system to be implemented in the additional sort system improvements described below to maximize the ability of the Materials Recovery

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Facility to meet the fiber commodity quality standard for high grade paper and increase the marketability of the recovered materials.

Enhanced Glass Cleanup System: The component of the 2019 Project is designed to remove contaminants through a combination of magnets, screening and air. The Authority anticipates that the enhanced glass cleanup system will increase the quality of the glass recovered by reducing contamination with shredded paper, batteries, and small metals and plastic contaminants. In addition, the system is expected to remove batteries and to reduce exposure to fires caused by batteries. See “THE ENTERPRISE - 2016 Fire at the Shoreway Environmental Center.”

Sort System Upgrades: This component of the 2019 Project consists of additional high speed optical sorting technology to remove contamination and meet new paper quality standards. Six-optical sorters will be installed to replace manual sorting by Authority employees in order to increase the quality of materials recovered and recover additional recyclables. The Authority anticipates that this will result in increased revenues and a reduction in labor costs.

Organics-to-Energy Pilot Project

This component of the 2019 Project consists of the acquisition and installation of equipment that will process approximately 75 tons of organics materials per day (the “Organics-to-Energy Pilot Project). The Authority is undertaking this small-scale pilot project to determine the efficacy and cost-effectiveness of the processing equipment and materials disposal arrangements and to determine whether or not to proceed with the full scale O2E Project described in “THE ENTERPRISE – Future Capital Improvements.” In addition to \$2.25 million of the proceeds of the Series 2019 Bonds to pay the costs of the Organics-to-Energy Pilot Project, the Authority intends to use \$3 million of grant moneys received from the California Department of Resources Recycling and Recovery.

The organic materials to be processed include approximately 50 tons per day of source-separated organic materials delivered from commercial establishments and approximately 25 tons of solid waste material. The solid waste material is first fed into a bag opening machine and then sent to separate machinery where the material is subjected to high compression to extract the organic material. Plastic and grit are removed from the extracted material, and water is added to make a slurry. The slurry will then be pumped to storage tanks prior to being transported to third parties for organics digestion.

The Authority has entered into memoranda of understanding (“MOUs”) with East Bay Municipal Utilities District and Silicon Valley Clean Water relating to the Organics-to-Energy Pilot Project. East Bay Municipal Utilities District and Silicon Valley Clean Water both operate wastewater treatments facilities which utilize organic materials for the generation of electricity. The MOUs generally provide that the parties will consider development of potential agreements pursuant to which the Authority will deliver the organic slurry to either or both of the East Bay Municipal Utilities District and Silicon Valley Clean Water facilities for processing. Pursuant to the MOUs the parties will determine the appropriate allocations of costs and benefits of the potential agreements. In the event that the Authority ultimately does not enter into definitive agreements for the delivery of the organic slurry, the Authority anticipates it would dispose of the organic slurry at Ox Mountain Landfill or an alternate disposal site, without material increases in its current cost for the disposal of the organic materials which will be processed through the Organics-to-Energy Pilot Project.

Other Capital Projects

Approximately \$2.17 million of the proceeds of the Series 2019 Bonds will be used to pay the initial costs of a compressed natural gas fueling station (the “CNG Fueling Station”). The CNG Fueling Station is more particularly described in “THE ENTERPRISE – Future Capital Improvements.”

2019 Project Schedule

The Authority anticipates issuing purchase orders for the Single Optical Sorting Equipment, Robotic Sorting Equipment, and Enhanced Glass Cleanup System in September 2019. Manufacturing of those components of the 2019 Project is expected to be completed by April 2020, with installation (including acceptance testing) at the Shoreway Environmental Center by September 2020. The Authority expects to issue the purchase order for the Sort System Upgrades two to three months after installation of the other components described above (so as to allow the Authority to make adjustments to the final Sort System Upgrade configuration after taking into account initial performance of the prior components). Manufacturing and installation of the Sort System Upgrades is expected to be completed 9 to 12 months after the purchase order (in July to September 2021). Installation of the Organics-to-Energy Pilot Project is scheduled to commence in May 2019, and is expected to be completed by April 2020.

The estimated costs of, and the projected schedule for, the 2019 Project are subject to a number of uncertainties. The ability of the Authority to complete the 2019 Project may be adversely affected by various factors. See “CERTAIN RISK FACTORS – Construction Risk.”

The Indenture permits the Authority to change the specifications of the 2019 Project (so long as such change does not substantially alter the nature of the Project), and to designate an alternate project (“Alternate Project”).

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are set forth below:

	Series 2019A Bonds	Series 2019B Bonds
Estimated Sources of Funds:		
Par Amount		
Net Original Issue Premium		
Available Amounts from Refunded Bonds		
Total Sources		
Estimated Uses of Funds:		
2019 Project Fund		
Escrow Account		
Reserve Fund		
Costs of Issuance ⁽¹⁾		
Total Uses		

⁽¹⁾ Includes rating agency, legal, municipal advisor, verification agent and trustee fees, underwriter’s discount and printing costs and other costs of issuance incurred in connection with the issuance of the Series 2019 Bonds.

THE SERIES 2019 BONDS

General

The Series 2019 Bonds shall be dated the date of issuance, 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 March 1 and September 1 in each year, commencing on March 1, 2020) and shall mature and become payable on March 1 in each of the years in the principal amounts set forth on the cover page hereof. The Series 2019 Bonds shall be issued as fully registered bonds in denominations of five thousand dollars (\$5,000) or any integral multiple thereof. The Series 2019 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of a nominee of The Depository Trust Company, New York, New York

("DTC"), which will act as securities depository for the Series 2019 Bonds. See "Book-Entry System" below and Appendix E— "BOOK-ENTRY SYSTEM."

Redemption

Optional Redemption. The Series 2019 Bonds maturing on or before September 1, 20__ are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 20__ are subject to optional redemption on any date on or after September 1, 20__, in whole or in part, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest to the redemption date, without premium.

Mandatory Redemption. The Series 2019A Bonds maturing September 1, 20__ shall be subject to mandatory sinking fund redemption in part, by lot, commencing on September 1, 20__, from mandatory sinking fund payments set aside in the Payment Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in the aggregate respective principal amounts and on the dates set forth below:

<u>Redemption Date</u> <u>(September 1)</u>	<u>Redemption</u> <u>Amount</u>
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(Maturity)

If some but not all of such Series 2019 Bonds subject to mandatory redemption have been redeemed pursuant to optional redemption, the total amount of all related future sinking fund payments shall be reduced by the aggregate principal amount of such Series 2019 Bonds subject to mandatory so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Authority (notice of which determination which shall include a revised sinking fund schedule shall be given by the Authority to the Trustee).

Extraordinary Optional Redemption. The Series 2019 Bonds are subject to redemption, in whole or in part on any date, from the Net Proceeds of insurance or condemnation with respect to the Enterprise, which Net Proceeds are deposited in the Payment Fund and credited towards the prepayment of the Debt Service Payments, at a redemption price equal to the principal amount of the Series 2019 Bonds to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Purchase in Lieu of Redemption. In lieu, or partially in lieu, of redemption, moneys of the Authority may be used to purchase Outstanding Series 2019 Bonds in accordance with the Indenture. Purchases of Outstanding Series 2019 Bonds may be made by the Authority prior to the selection of Series 2019 Bonds for redemption by the Trustee, at public or private sale as and when and at such prices as the Authority may in its discretion determine but only at prices (including brokerage or other expenses) of not more than par plus applicable accrued interest and redemption premiums, and any accrued interest payable upon the purchase of Series 2019 Bonds may be paid from the amount in the Payment Fund for payment of interest on the following Interest Payment Date.

Selection of 2019 Bonds for Redemption. In the event that part, but not all, of the Series 2019 Bonds are to be redeemed (except for mandatory sinking fund redemption), the Bonds to be redeemed shall be selected by the Trustee among maturities as designated in writing by the Authority and by lot within a maturity; provided, however, that, as shall be set forth in a Certificate of the Authority, the Bonds may be redeemed by any maturity or maturities selected by the Authority, and by lot within a maturity. For the purpose of the selection described in this Section, all Bonds registered in the name of the same Owner shall be

aggregated and treated as a single Bond held by such Owner. Notwithstanding any of the foregoing, in any such partial redemption the Trustee shall call the Bonds in integral multiples of \$5,000.

Notice of Redemption. When redemption is authorized or required pursuant to the Indenture, the Trustee shall give notice (the "Redemption Notice"), at the expense of the Authority, of the redemption of the Series 2019 Bonds. Such Redemption Notice shall specify: (a) the Series 2019 Bonds or designated portions thereof (in the case of redemption of the Series 2019 Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of any paying agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Series 2019 Bonds to be redeemed, (f) if less than all the Series 2019 Bonds of a maturity are to be redeemed, the certificate numbers of the Series 2019 Bonds to be redeemed and, in the case of any 2019 Bond to be redeemed in part only, the amount of such 2019 Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each 2019 Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each 2019 Bond or portion thereof being redeemed the redemption price, together with interest accrued to the redemption date, and that from and after such date interest with respect thereto shall cease to accrue and be payable. Such notice in respect of optional or extraordinary casualty redemption shall not be provided unless there has been deposited with the Trustee funds sufficient to pay such redemption price (except in the case of redemption resulting from the issuance of refunding obligations).

Subject to the provisions stated above, the Trustee shall take the following actions with respect to such Redemption Notice:

(a) (i) At least thirty (30) but not more than forty-five (45) days prior to the redemption date or (ii) immediately upon receipt of Net Proceeds from insurance or condemnation awards which are to be used to redeem Bonds, the Trustee shall cause Redemption Notices to be given to the respective Owners of 2019 Bonds designated for redemption by first class mail, postage redeemed, at their addresses appearing on the Bond Register maintained by the Trustee.

(b) At least thirty (30) days prior to the redemption date, such Redemption Notice shall be given to each of the Securities Depositories.

Neither failure to receive any Redemption Notice nor any defect in such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of such Bonds. Each check or other payment method used by the Trustee for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

The Authority shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Series 2019 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Purchase in Lieu of Redemption. In lieu, or partially in lieu, of such call and redemption, moneys of the Authority may be used to purchase Outstanding Bonds in the manner hereinafter provided. Purchases of Outstanding Bonds may be made by the Authority prior to the selection of Bonds for redemption by the Trustee, at public or private sale as and when and at such prices as the Authority may in its discretion determine but only at prices (including brokerage or other expenses) of not more than par plus applicable accrued interest and redemption premiums, and any accrued interest payable upon the purchase of Bonds may be paid from the amount in the Payment Fund for payment of interest on the following Interest Payment Date.

Book-Entry System

DTC will act as securities depository for the Series 2019 Bonds, and the Series 2019 Bonds will be registered in the name of Cede & Co. (DTC's nominee). One fully-registered certificate will be issued for each maturity of the Series 2019 Bonds in the aggregate principal amount of such maturity and will be deposited with DTC. So long as Cede & Co. is the registered owner of the Series 2019 Bonds, references herein to the Owners of the Series 2019 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners.

The Authority cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the Series 2019 Bonds received by DTC or its nominee as the registered Owner, or any prepayment or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement.

See Appendix E for a further description of DTC and its book-entry system. The information presented therein is based solely on information provided by DTC.

DEBT SERVICE SCHEDULE

Following is the debt service schedule with respect to the Series 2019A Bonds, and the Series 2019B Bonds:

<u>Year Ending December 31</u>	<u>2019A Bonds Principal</u>	<u>2019A Bonds Interest</u>	<u>2019B Bonds Principal</u>	<u>2019B Bonds Interest</u>	<u>Total Debt Service</u>
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Totals:

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS

Generally

The Authority's obligation under the Indenture to make payments of principal and interest on the Series 2019 Bonds is a special obligation of the Authority payable solely from amounts pledged therefor, including certain revenues of the Authority under the Indenture and will be on a parity with additional Parity Obligations (as hereinafter defined) of the Authority issued or executed under the Indenture subject to the application of such revenues as permitted by the Indenture. The revenues of the Authority so pledged consist primarily of the Net Revenues of the Enterprise. The Net Revenues consist of Revenues of the Authority in any Calendar Year, less the Maintenance and Operation Costs of the Enterprise for such Calendar Year.

"Revenues" means all gross income and revenue received or receivable by the Authority from the ownership or operation of the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges received by the Authority for the Enterprise and the other services of the Enterprise, revenues from sale of commodities and all proceeds of insurance covering business interruption loss relating to the Enterprise and all other income and revenue howsoever derived by the Authority from the ownership or operation of the Enterprise or arising from the Enterprise, amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to the Indenture, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Indenture, but excluding any (i) amounts transferred from the Revenue Fund to the Rate Stabilization Fund pursuant to the Indenture, (ii) any specific charges levied for the express purpose of reimbursing others for all or a portion of the cost of the acquisition or construction of specific facilities, (iii) grants which are designated by the grantor for a specific purpose and are therefore not available for other purposes, or (iv) customers' deposits or any other deposits subject to refund until such deposits have become the property of the Authority, which shall not constitute Revenues.

"Maintenance and Operation Costs" of the Enterprise means all reasonable and necessary costs paid or incurred by the Authority for maintaining and operating the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including payments due under or pursuant to the Operation Agreement, disposal costs, all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and including all administrative costs of the Authority that are charged directly or apportioned to the operation of the Enterprise, such as salaries and wages of employees (including any payments related to retirement or post-retirement benefits then-currently payable), overhead, taxes (if any) and insurance premiums, and including all other reasonable necessary costs of the Authority or charges required to be paid by it to comply with the terms hereof or of any Supplemental Indenture, such as compensation, reimbursement and indemnification of the Trustee and fees and expenses of Independent Consultants; but excluding in all cases (i) Debt Service on the Bonds, Parity Obligations and Subordinate Obligations, (ii) the fee payable to the City of San Carlos pursuant to the Authority Agreement, (iii) capital improvements to the Enterprise, (iv) depreciation, replacement and obsolescence charges or reserves therefor, and (v) amortization of intangibles or other bookkeeping entries of a similar nature.

"Parity Obligations" means all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the Authority, payable from and secured by a pledge of and lien upon any of the Net Revenues incurred on a parity with the payment of the Debt Service Payments pursuant to the Indenture. See "Additional Parity Obligations" below.

Indenture of Trust

The Indenture authorizes the execution of and secures the payment of the Series 2019 Bonds. The Indenture contains various covenants and agreements of the Authority relating to financial and operational aspects of the Enterprise, including covenants relating to the provision of solid waste management services by

the Authority and the setting and collection of rates and charges at specified levels. See “Rate Covenant” below. The Indenture also contains covenants relating to the following matters, among others: the establishment of accounts and payment priorities for Maintenance and Operation Costs and other expenses of the Enterprise; the preparation of an annual budget and reconciliation thereof; the maintenance of specified reserves; the prudent operation and maintenance of the Enterprise; compliance with laws; and adherence to insurance requirements.

The Indenture provides that the Authority may, subject to the terms of the Indenture (including, with certain exceptions, certain financial tests), issue one or more series of additional Parity Obligations, as necessary or desirable to discharge the Authority’s purposes in connection with solid waste management and any amount payable in accordance with such additional Parity Obligations would be payable on a parity with the Series 2019 Bonds. See “Additional Parity Obligations” below.

Net Revenues; Flow of Funds

Pursuant to the Indenture, the Authority pledges the Net Revenues to the punctual payment of the Debt Service Payments and such Net Revenues shall not be used for any other purpose while any of the Series 2019 Bonds remain outstanding, except as provided in the Indenture (including payments with respect to Parity Obligations). The pledge of the Net Revenues pursuant to the Indenture shall constitute a first lien on the Net Revenues for the payment of the Debt Service Payments and payments with respect to Parity Obligations, and payments in accordance with the terms of the Indenture.

Pursuant to the provisions of the Indenture, the Authority is required to deposit all Revenues into the Revenue Fund upon receipt. The Revenue Fund is held by the Authority. The Indenture provides that all Revenues in each of such accounts shall be held in trust and will be accounted for and held in trust for the benefit of Bond Owners and for payments with respect to Parity Obligations in the Revenue Fund and shall be applied, used and withdrawn only for the purposes authorized in the Indenture at the specified times and in the following order of priority:

(1) Maintenance and Operation Costs. The Authority shall pay all Maintenance and Operation Costs of the Enterprise (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs of the Enterprise, the payment of which is not then immediately required) from the Revenue Fund as they become due and payable.

(2) Debt Service Funds. Debt Service Payments and all other payments relating to principal and interest on or with respect to Parity Obligations, shall be paid in accordance with the terms of the Indenture and of such Parity Obligations, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

On or before the third to last Business Day of each month which precedes an interest payment date with respect to the Series 2019 Bonds or any Parity Obligations, the Authority shall transfer from the Revenue Fund for deposit with the Trustee in the Debt Service Account (with respect to the Series 2019 Bonds) or any debt service account established with respect to any Parity Obligations, an amount of Revenues equal to the amount of interest becoming due and payable on the Outstanding Series 2019 Bonds or Parity Obligations on the Interest Payment Date without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference. No deposit need be made into the Debt Service Account if the amount contained therein is at least equal to the interest to become due on the Series 2019 Bonds on the next Interest Payment Date.

On or before the third to last Business Day of each month which precedes a principal payment date with respect to the Series 2019 Bonds or any Parity Obligations, the Authority shall transfer from the Revenue Fund for deposit with the Trustee in the Debt Service Account (with respect to the Series 2019 Bonds) or debt service account established with respect to Parity Obligations, an amount of Revenues equal to the aggregate

amount of principal becoming due and payable on the Series 2019 Bonds or Parity Obligations on the next principal payment date without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference. No deposit need be made into the Debt Service Account if the amount contained therein is at least equal to the principal to become due on all Series 2019 Bonds on the next principal payment date.

(3) Reserve Funds. Payments required pursuant to the Indenture, or with respect to Parity Obligations, to replenish debt service reserve funds established for Parity Obligations shall be made in accordance with the terms of the Indenture and such Parity Obligations, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference. On or before the last Business Day of each month, the Authority shall transfer from the Revenue Fund for deposit with the Trustee in the Series 2019 Reserve Fund such amount of Revenues as shall be required to restore the Series 2019 Reserve Fund to an amount equal to the Reserve Requirement in twelve equal monthly installments.

General Expenditures; Surplus. All Revenues not required to be withdrawn pursuant to the provisions of (1) through (3) above shall be used for expenditure for any lawful purpose of the Authority, including but not limited to payment of Maintenance and Operation Costs of the Enterprise, payment of any rebate requirement or payment of any Subordinate Obligation, or for deposit into a Rate Stabilization Fund or other reserve funds.

Rate Covenant

Pursuant to the Indenture, the Authority is required, at all times while any of the Bonds remain Outstanding, to fix, prescribe and collect rates, fees and charges, and collect such other revenues in connection with the Enterprise which, when added to the Additional Revenues, will yield Revenues in each Calendar Year at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts due in each Calendar Year in the order below set forth:

- (1) All current Maintenance and Operation Costs.
- (2) The interest on and principal of the Bonds and any Parity Obligations as they become due and payable.
- (3) All payments required for compliance with the terms hereof, including restoration of the Series 2019 Reserve Fund to an amount equal to the Reserve Requirement, and of any documents providing for the issuance of Parity Obligations pursuant to the Indenture.
- (4) All payments to meet any other obligations of the Authority which are charges, liens or encumbrances upon, or payable from, the Revenues.

In addition to the foregoing requirements, the Indenture provides that the Authority will, at all times while any of the Bonds remain Outstanding, fix, prescribe and collect rates, fees and charges in connection with the Enterprise for each Calendar Year so as to yield Net Revenues during such Calendar Year equal to at least 1.40 times the Debt Service in such Calendar Year plus scheduled principal and interest payments on or with respect to any Parity Obligations. For purposes of this calculation, Revenues may include any amounts appropriated to the Revenue Fund by the Authority from the Rate Stabilization Fund in accordance with the Indenture.

The Authority may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of the Indenture.

If the Authority violates the covenants described above, such violation shall not, in and of itself, be a default under the Indenture and shall not give rise to a declaration of an Event of Default if (i) the Revenues do not decrease below 1.00 times annual principal and interest with respect to the Series 2019 Bonds, Parity Obligations, amounts sufficient to maintain the Series 2019 Reserve Fund at the Reserve Requirement, and Maintenance and Operation Costs of the Enterprise, and (ii) within 120 days after the date such violation is discovered, the Authority hires an Independent Consultant to review the revenues and expenses of the Enterprise and abides by such consultant's recommendations to revise the schedule of rates, fees and charges and to revise any Maintenance and Operation Costs of the Enterprise insofar as practicable and to take such other actions as are necessary so as to produce Net Revenues to cure such violation for future compliance; provided, however, that if the Authority does not cure such violation within twelve (12) months succeeding the date such violation is discovered, an Event of Default shall be deemed to have occurred under the Indenture.

Rate Stabilization Fund

The Indenture provides that the Authority will maintain a fund, or establish through journal entries or other accounting conventions relating to existing funds of the Authority, in either case to be known as the "Rate Stabilization Fund." From time to time the Authority may deposit or designate in the Rate Stabilization Fund from Revenues such amounts as the Authority shall determine, provided that deposits for each Calendar Year may be made until (but not after) 150 days following the end of such Calendar Year. The Authority may withdraw amounts from the Rate Stabilization Fund for transfer to the Revenue Fund for inclusion in Revenues for any Calendar Year, such withdrawals to be made until (but not after) 150 days after the end of such Calendar Year. All interest or other earnings on deposits or designations in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Revenues. Amounts withdrawn from the Rate Stabilization Fund will be added to Revenues for the purpose of determining Revenues and amounts deposited in the Rate Stabilization Fund will be subtracted from Revenues for the purpose of determining Revenues; provided, however, that amounts on deposit in the Rate Stabilization Fund as of the date of issuance of the Series 2019 Bonds shall not be deducted from Revenues for purposes of determining Revenues under the Indenture for Calendar Year 2019.

Additional Parity Obligations

The Indenture provides that, so long as any Series 2019 Bonds are Outstanding, the Authority shall not issue or incur any obligations payable from Net Revenues senior or superior to the Debt Service Payments and interest thereon. The Authority may issue or incur any such Parity Obligations subject to the following specific conditions:

- (1) No Event of Default shall have occurred and be continuing (unless the express purpose of the Parity Obligations is to cure such Event of Default);
- (2) The Net Revenues for twelve consecutive months out of the eighteen months preceding the date of the issuance of the Parity Obligations, as shown in a written certificate of the Authority on file with the Trustee; plus
 - (i) An allowance for Net Revenues for such twelve month period from any additions, betterments or improvements to the Enterprise which have been made from any source but which, during all or any part of such period, were not in service, in an amount equal to one hundred per cent (100%) of the amount by which the Net Revenues would have been increased if such addition, betterment or improvement had been in service during the whole of such twelve month period, as shown by a written certificate of the Authority on file with the Trustee; and
 - (ii) An allowance for increased Net Revenues arising from any increase in the rates, fees and charges for the Enterprise which became effective prior to the date of the

issuance of such additional Series of Bonds or Parity Obligations but which, during all or any part of such twelve month period, was not in effect, in an amount equal to one hundred per cent (100%) of the amount by which the Net Revenues would have been increased if such increase in rates, fees and charges had been in effect during the whole of such period, as shown by a written certificate of the Authority on file with the Trustee,

shall have produced a sum equal to at least 1.40 times the highest amount of principal and interest payable during any Calendar Year on all then Outstanding Series 2019 Bonds and any Parity Obligations; provided, that in the event all or any portion of the Parity Obligations is to be issued for the purpose of refunding any Series 2019 Bonds or Parity Obligations then Outstanding, interest and principal payments on the Series 2019 Bonds or Parity Obligations to be so refunded from the proceeds of such Parity Obligations being issued shall be excluded from the foregoing computation of the highest amount of principal and interest payable during any Calendar Year.

(3) With respect to any additional Parity Obligation, the Authority may, in its sole discretion (but is not required to), establish a reserve fund in an amount not to exceed the limits set forth in the Indenture.

The provisions of subsection (2) described above shall not apply to any Parity Obligations issued for the purpose of refunding or prepaying the principal of and interest and premium (if any) on any Outstanding Series 2019 Bonds or on any outstanding Parity Obligations, if at the time of the incurring of such Parity Obligations, the Authority certifies in writing that the annual debt service with respect to such Parity Obligations will not exceed, in any Calendar Year, the annual debt service on the Outstanding Series 2019 Bonds or Parity Obligations to be refunded, as applicable.

Subordinate Obligations

The Indenture provides that the Authority may at any time execute or issue Subordinate Obligations contracts, bonds or other indebtedness of the Authority payable from the Revenue Fund on a subordinated basis to the payment of the Debt Service Payments.

Series 2019 Reserve Fund

The Indenture establishes a Series 2019 Reserve Fund held by the Trustee for the payment of the Series 2019 Bonds which is required to be initially funded with proceeds of the Series 2019 Bonds at the Reserve Requirement. The Series 2019 Reserve Fund shall initially be funded, and shall continuously be funded, in an amount equal to the Reserve Requirement. The Trustee shall hold the Series 2019 Reserve Fund in trust and shall apply moneys in the Series 2019 Reserve Fund in accordance with the following provisions.

Amounts on deposit in the Series 2019 Reserve shall only be used for the payment of debt service with respect to the Series 2019 Bonds, and are not available for the payment of any other Parity Obligation

If, two (2) Business Days prior to any Interest Payment Date, the money in the Payment Fund does not equal the amount required to be paid to the Series 2019 Bond Owners on such date, the Trustee shall transfer from the Series 2019 Reserve Fund to the Payment Fund the amount of such insufficiency; provided, if the Series 2019 Reserve Fund is funded with a surety bond, insurance policy or other comparable credit facility as described below, the Trustee shall take such action as is necessary to make a claim under the surety bond or insurance policy, respectively, so that the amount of such insufficiency is paid or available to the Trustee on such Interest Payment Date under the terms of such instrument.

If, following valuation or calculation thereof, the amount available and contained in the Series 2019 Reserve Fund (valued as provided in Indenture) exceeds the Reserve Requirement and if the Trustee does not

have actual knowledge of an Event of Default hereunder, the Trustee shall withdraw the amount of such excess from the Series 2019 Reserve Fund. The Trustee shall deposit such amount in the Debt Service Account. For purposes of determining the amount on deposit in the Series 2019 Reserve Fund, the Trustee shall make a valuation of the Series 2019 Reserve Fund as of June 30 of each year. Except for such withdrawals, all money in the Series 2019 Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making the payments of principal and interest on the Bonds in the event that amounts on deposit in the Payment Fund are insufficient for such purposes.

If amounts on deposit in the Series 2019 Reserve Fund shall, at any time, be less than the applicable Reserve Requirement, such deficiency shall be made up by the Authority from the first available Net Revenues after required payment of Debt Service Payments over a twelve (12) month period, in twelve (12) substantially equal payments, as provided in the Indenture, and the Series 2019 Reserve Fund shall be valued monthly until amounts on deposit therein equal the Reserve Requirement.

In lieu of making the Series 2019 Reserve Fund deposits in compliance with the Indenture, or in replacement of moneys then on deposit in the Series 2019 Reserve Fund, the Authority may, without the consent of the Owners, and with an opinion of nationally recognized bond counsel that such delivery complies with the provisions hereof, deliver to the Trustee a surety bond or an insurance policy securing an amount, together with moneys on deposit in the Series 2019 Reserve Fund, equal to the Reserve Requirement. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated, at the time of delivery, in one of the two the highest rating category of Moody's or S&P (without regard to qualifier). Such surety bond or insurance policy shall have a term of no less than the final maturity of the Bonds.

The Trustee shall, on a pro rata basis with respect to the portion of the Series 2019 Reserve Fund held in the form of surety bonds and insurance policies (calculated by reference to the maximum amounts of such surety bonds and insurance policies and the amount of the initial deposit of such cash), draw under each surety bond or insurance policy, in a timely manner and pursuant to the terms of such surety bond or insurance policy to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed as required herein.

Following the replacement of moneys then on deposit in the Reserve Fund by a surety bond or insurance policy as provided herein, any moneys on deposit in the Reserve Fund in excess of the Reserve Requirement shall be transferred by the Trustee to the Payment Fund or the Project Fund, at the written direction of the Authority, to be credited as provided herein.

Limited Liability

THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL AND INTEREST ON THE SERIES 2019 BONDS IS A LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY FROM THE AMOUNTS PLEDGED THEREFOR AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY FOR WHICH THE AUTHORITY OR THE MEMBERS ARE OBLIGATED TO LEVY OR PLEDGE OR HAVE LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2019 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.

THE ENTERPRISE

The Authority

The Authority was originally formed in 1999, among the Cities of Belmont, Burlingame, East Palo Alto, Foster City, Menlo Park, Redwood City, San Carlos, San Mateo, the towns of Atherton, Hillsborough, the West Bay Sanitary District and the County of San Mateo pursuant to Articles 1 through 4, commencing with Section 6500 of Chapter 5, Division 7, Title 1 of the California Government Code. The Authority is the successor entity to the South Bayside Transfer Station Authority (“SBTSA”), a joint exercise of powers authority among the same agencies to generally provide an adequate flow of municipal solid waste to the San Carlos Transfer Station. Pursuant to the Authority Agreement, the purpose of the Authority is to provide for the joint ownership, financing, administration, and operation of regional solid waste management facilities, and for the joint planning, adoption, financing, administration, management, review, monitoring, enforcement and reporting of solid waste, recyclable material and plant material collection activities. Pursuant to its terms, the Authority Agreement may not be terminated while any Series 2019 Bonds are outstanding.

Pursuant to the Authority Agreement, the Authority is authorized to, among other things, enter into agreements to operate solid waste, recyclable material and plant material transfer, transport and processing facilities; plan, design and implement programs that address transfer, processing and diversion requirements; enter into franchise agreements for the use of the transfer station; require Members to direct all of their solid waste, recyclable materials and plant materials to the system for processing and transfer. As a requirement of membership in the Authority, each Member must at all times (i) have the authority to grant solid waste collections franchises; (ii) agree to commit to direct the flow of solid waste, recycling and plant material generated within the respective jurisdiction to those facilities specified in the Authority Agreement, so long as the Series 2019 Bonds remain outstanding; and (iii) have the authority to set rates sufficient to provide for the financing and operations of the Enterprise. Pursuant to the Authority Agreement, the Authority can require Members to deliver waste, plant material and recyclable materials collected through their respective franchisees to the Enterprise. The Authority Agreement provides for the payment of an annual fee to the City San Carlos, as the host city for the Shoreway Environmental Center. The fee paid to the City of San Carlos is generally equal to 5% of the gate fee revenues received by the Authority. In the Fiscal Year 2018-19 adopted budget the amount was approximately \$2.3 million. The Indenture provides that the fee payable to the City of San Carlos is paid after required deposits of principal and interest with respect to the Series 2019 Bonds and any other outstanding Parity Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Net Revenues; Flow of Funds.”

The Authority Agreement provides that a Member may not withdraw from the Authority unless and until that Member achieves the following:

- a. The liquidation in full of the Member’s proportion of any and all existing debts, obligations, and liabilities incurred, earned, or expected to be earned by the date of withdrawal, as determined by the Board.
- b. The provision to the Authority of a written notice of intent to withdraw from the Authority at least six (6) months prior to the end of the current Rate Year, specifying the date on which the Member intends to withdraw.
- c. The approval of such withdrawal by a 4/5 affirmative vote of Equity Members. (All of the current Members of the Authority are Equity Members.)

As described below in “Waste Collection Practices of the Members; Exclusive Franchise Arrangements” the Town of Atherton has publicly indicated it may consider withdrawing from the Authority in 2020, depending on the results of a solid waste collection contractor procurement process it intends to undertake.

Organization and Management

The Authority is governed by a twelve member governing board, consisting of one Director for each Member. The current Chair of the Board is the representative from the Town of Hillsborough. The Authority has eight employees, including an Executive Director. The Authority has entered into arrangements with consulting and other firms to provide support services to the Authority. On July 1, 2019, the City of Redwood City will take over certain support services previously provided by the City of San Carlos.

Service Area

Economy in the Authority Service Area. The service area of the Authority consists of the geographical area of the Members. Major employers in the Authority service area include those in county government, financial services, education, health care, electronics and food services. A map of the Authority service area is on the following page. See Table 1 for population information concerning the Members of the Authority.

[INSERT SERVICE AREA MAP]

Population in the Authority Service Area. The following table contains population information concerning the Members of the Authority:

**TABLE 1
POPULATION INFORMATION RELATING TO
THE AUTHORITY MEMBERS**

<u>Member</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City of San Mateo	100,403	101,608	103,006	103,465	104,490
City of Redwood City	82,775	84,204	86,079	86,271	86,380
County Unincorporated Area ⁽¹⁾	64,539	64,925	65,282	65,450	65,828
City of Menlo Park	32,667	32,902	32,976	34,789	35,268
City of Foster City	32,736	32,954	33,087	33,287	33,490
City Burlingame	29,817	29,992	30,182	30,207	30,294
City of San Carlos	29,425	29,489	29,534	29,681	29,897
City of Belmont	26,940	27,184	27,371	27,343	27,388
City of East Palo Alto	29,928	30,450	30,604	30,718	30,917
Town of Hillsborough	11,159	11,186	11,216	11,389	11,543
Town of Atherton	7,007	7,041	7,074	7,100	7,135
Total SBWMA	447,396	451,935	456,411	459,700	462,630
Annual Growth Rate					

⁽¹⁾ Not all the unincorporated area in the County of San Mateo is served by SBWMA.
Source: The Authority

Waste Collection Practices of the Members; Exclusive Franchise Arrangements

The Authority does not provide collection services to the Members. As required by the Authority Agreement, each of the Members currently has an exclusive franchise arrangement (each, an “Exclusive Franchise”) between such Member and Recology San Mateo County (“Recology”). Pursuant to each Exclusive Franchise, Recology is obligated to (i) provide waste collection services for residential, commercial, and industrial customers in the Authority service area; (ii) pay the Member a franchise fee calculated on the basis of gross revenues generated by Recology in each respective jurisdiction; (iii) meet required diversion program levels in order to comply with the Members’ State mandated requirements relating to recycling and waste diversion. The Exclusive Franchises generally do not encompass the collection and disposal of certain limited types of materials, including self-hauled waste and yard waste disposed by landscapers, certain construction and demolition debris and hazardous waste.

Generally, Recology directly bills residences and commercial establishments to which Recology provides solid waste collection services, and Recology is responsible for collection of such amounts. Recology is also responsible for the payment of tipping fees for the use of the Shoreway Environmental Center, which Recology pays directly to the Authority.

In 2019 the Authority entered into negotiations with Recology on behalf of the Members to determine the terms of a potential extension of the Exclusive Franchises. (Prior to any extension, the Exclusive Franchises each would have expired December 31, 2020.) As of the date of this Official Statement, [ten] of the twelve Members of the Authority have entered into extensions to the Exclusive Franchise through December 31, 2034.] The extended Exclusive Franchises general provide for an increase in fees charged to Members of approximately 8% in 2021 (the first year of the extended term), with subsequent increases generally based on inflation indices.

The County of San Mateo has indicated that it intends to consider approval of the extension of its Exclusive Franchise in June 2019. As described above, pursuant to the Authority Agreement each Member is required to enter into an exclusive solid waste collection arrangement.

The Town of Atherton has elected to engage a consultant to assist the Town of Atherton in undertaking a competitive process for a solid waste collection contractor. In addition, the Town of Atherton has indicated that, depending on the results of the competitive process, it may choose a solid waste collection contractor other than Recology, and may also consider withdrawing from the Authority (subject to satisfaction of the requirements of withdrawal set forth in the Authority Agreement, as described above in “The Authority”). In 2018, materials delivered pursuant to the Town of Atherton Exclusive Franchise represented approximately 3.2% of the total waste delivered pursuant to all of the Members’ Exclusive Franchises.

Components of the Enterprise

The Enterprise currently consists of the 16-acre Shoreway Environmental Center located at 225 and 333 Shoreway Road, in San Carlos, California, which includes a transfer station, materials recovery facility, administration building, operation and maintenance facilities, a diesel fueling station, employee parking and pavement areas, and related equipment. The Enterprise also has various contractual arrangements made by the Authority for the acceptance and processing of materials, the sale of recovered materials, and the disposal of solid waste which is not recycled.

Transfer Station. The transfer station (“Transfer Station”) provides a central location to which Recology’s collection vehicles deliver solid waste and organic materials for transfer. Solid waste remaining after processing at the Shoreway Environmental Center is delivered (using long-haul transport vehicles) for disposal at the Ox Mountain Landfill. Organic materials are delivered to third parties for composting processing. (A portion of the organics materials will be processed through the Organics-to-Energy Pilot Project to be funded from a portion of the proceeds of the Series 2019 Bonds, and additional amounts may be processed through the full scale organics-to-energy project in the event that Authority determines to implement it.)

The permitted capacity of the Transfer Station is 3,000 tons per day. For the year ended December 31, 2018, the Authority estimates that the Transfer Station accepted approximately 1,100 tons per day of solid waste and approximately 460 tons per day of organic materials. The Transfer Station accepts all non-hazardous solid waste material produced by residential, commercial, municipal, industrial and/or agricultural activities that would be acceptable in a Class II disposal site, excluding sludge from wastewater treatment plants.

The Transfer Station is operated by South Bay Recycling (the “South Bay Recycling”) pursuant to an Agreement for Operation of the Shoreway Environmental Center, dated June 30, 2009 (the “Operations Agreement”) between the Authority and South Bay Recycling. Pursuant to the Operations Agreement, South Bay Recycling is obligated to operate and maintain the Transfer Station and the Materials Recovery Facility accept solid waste delivered to the Transfer Station and transfer and dispose of such waste, all in accordance with applicable law. Pursuant to the Operations Agreement, the Authority will pay South Bay Recycling fees for providing such operations services, which may be adjusted upward or downward (within specified limits) to reflect actual throughput and waste diversion at the Transfer Station and Materials Recovery Facility.

Processing fees payable to South Bay Recycling include a transfer station fee, Materials Recovery Facility fee, and transportation fees per ton per mile driven for the five key material types (solid waste, inerts, C&D debris, plant materials, and organics). Other significant provisions of the Operations Agreement include: a profit-sharing component regarding recycling, pursuant to which South Bay Recycling is entitled to 25% of recovered material revenues in excess of \$5.5 million. The Operations Agreement provides for escalation of various components of the fees payable to South Bay Recycling based on changes in labor costs, diesel fuel and electricity costs and depreciation. Base operating and maintenance costs escalate annually in accordance

with a formula that takes into account 80% of the local consumer price index, among other factors. The Operations Agreement also provides that South Bay Recycling will be reimbursed for a number of pass through costs incurred by South Bay Recycling. The Operations Agreement expires December 31, 2020. The Operations Agreement provides for three additional one year extensions, at the option of the Authority. The Authority's budget for Fiscal Year 2018-19 projects that the cost to the Authority pursuant to the Operations Agreement will be approximately \$20.5 million. Amounts payable to South Bay Recycling pursuant to the Operation Agreement constitute Maintenance and Operations Costs of the Enterprise.

The Authority imposes a per ton tipping fee on persons delivering solid waste to the Enterprise (including Recology in its role as franchise hauler for each of the Members). The tipping fee is currently \$121 per ton for solid waste, and \$126 per ton for plant materials. Pursuant to the Operations Agreement, South Bay Recycling will collect tipping fees from self haulers on behalf of the Authority and deposit such amounts on a monthly basis in an account established by the Authority. Pursuant to the Exclusive Franchises, Recology pays tipping fees with respect to waste collected pursuant to the Exclusive Franchise directly to the Authority, rather than the facility operator. Tipping fees collected at the Shoreway Environmental Center will constitute the most significant portion of overall revenues of the Authority, and were approximately \$32.3 million in 2018 (or approximately 63% of total revenues).

The Projected Operating Results contained herein include increases to tipping fees of 2.4%, 2.4%, and 2.5%, respectively, for 2020, 2021, and 2022 (with similar increases in future years). Such increases must be approved by the Board of the Authority.

The materials recovery facility ("Materials Recovery Facility") building is adjacent to the Transfer Station and occupies a 70,000 square foot industrial building. The Materials Recovery Facility provides a central processing facility for recyclable material collected from the buy-back, residential curbside and commercial recycling programs of the Members. The Materials Recovery Facility is currently operated by South Bay Recycling and currently handles an average of approximately 275 tons of recyclable materials per day (or approximately 70,000 tons per year). A portion of the proceeds of the Series 2019 Bonds will be used to pay the cost of various improvements to the Materials Recovery Facility.

Pursuant to the Operations Agreement, South Bay Recycling is responsible for sales of recovered recyclable materials. Revenues from the sale of recyclable materials in Calendar Year 2018 were approximately \$7.2 million (or approximately 14% of total Revenues). The market price of recyclable materials has been subjected to wide cyclical fluctuations in the past. In the last few years, prices of recycled materials have declined significantly. See "Historical Financial Results" and "RISK FACTORS – Fluctuation in Revenues from the Sale of Recyclable Materials." Certain of the improvements to the Materials Recovery Facility to be funded with a portion of the proceeds of the Series 2019 Bonds are expected to increase the amount of materials recovered, as well as the marketability of recovered materials.

South Bay Recycling is also responsible for delivery to the Ox Mountain Landfill of solid waste for disposal. Tipping fees payable to BFI for such solid waste is paid directly by the Authority to BFI.

Disposal Services - Ox Mountain Landfill. Pursuant to an agreement (the "Landfill Agreement") between the Authority and Browning-Ferris Industries of California, Inc. ("BFI"), the Authority utilizes the Ox Mountain Landfill for the disposal of solid waste delivered to the Enterprise. The Ox Mountain Landfill is owned and operated by BFI. The Ox Mountain Landfill is the only landfill currently operating in San Mateo County and is the principal disposal site for waste generated in the County. The Landfill Agreement specifies a per-ton tipping fee for the disposal of solid waste at the Ox Mountain Landfill, which is currently approximately \$42 per ton.

South Bay Recycling delivers waste collected at the Transfer Station (and not otherwise processed or disposed pursuant to the Authority's other arrangements described below) to the Ox Mountain Landfill. The Authority pays the disposal fee for waste delivered by the Members pursuant to the Exclusive Franchises. The

Authority's budget for Fiscal Year 2018-19 projects that the cost to the Authority the Landfill Agreement will be approximately \$9.0 million. Amounts payable to BFI pursuant to the Landfill Agreement constitute Maintenance and Operations Costs of the Enterprise.

In May 2019, the Authority entered into an extension of the Landfill Agreement following a competitive procurement for landfill disposal services. The extended term of the Landfill Agreement is through December 31, 2029. The extended Landfill Agreement provides for a tipping fee of \$ ___ in [Fiscal Year 2019-2020], which will escalate annually [[DESCRIBE ESCALATION RATE GENERALLY]]. [[In the extended Landfill Agreement, BFI represents that Ox Mountain Landfill has sufficient capacity for the disposal of Authority solid waste during the term of the Landfill Agreement and that it will maintain such capacity for the term of the Landfill Agreement.]]

The Authority has covenanted in the Indenture to continue to provide capacity for the disposal of a sufficient amount of solid waste so as to enable the Authority to meet the Rate Covenant. However, there can be no assurance that, in the event that the Ox Mountain Landfill was not available for any reason, the use of alternative disposal sites would not significantly increase the Enterprise's costs of transportation and disposal of waste. See "RISK FACTORS – Disposal Capacity" herein.

Other Contractual Arrangements. The Authority has entered into other contractual arrangements, for the processing and/or disposal of materials delivered to the Shoreway Environmental Center. Amounts payable by the Authority pursuant to these arrangements constitute Maintenance and Operations Costs of the Enterprise. These arrangements include the following:

C&D Debris Processing. Construction and demolition ("C&D") debris recovered at the Shoreway Environmental Center is delivered to a facility operated by Zanker Road Resource Management Ltd. ("Zanker"), where the C&D debris is processed for reuse or disposal. The Authority's budget for Fiscal Year 2018-19 projects that the cost to the Authority under such contracts will be approximately \$3.8 million. The contract with Zanker for C&D processing expires January 31, 2020, subject to extension for two additional one year periods unless terminated by either party. Amounts payable to Zanker constitute Maintenance and Operations Costs of the Enterprise.

Organics Processing Contracts. The Authority currently has two organics processing contracts, one with BFI (which provides for processing at a BFI facility 25 miles from the Shoreway Environmental Center) and Recology (which provides for processing at a Recology facility 73 miles away from the Shoreway Environmental Center). The BFI composting contract requires the Authority to deliver between 47,500-50,000 tons per year (at specified contamination standards) until December 31, 2022 at a cost of approximately \$4 million per year. The Recology composting contract requires the Authority to deliver at least 55,000 tons per year until December 31, 2020 at a cost of approximately \$3 million per year. Amounts payable by the Authority pursuant to these organics processing arrangements constitute Maintenance and Operations Costs of the Enterprise. The Authority anticipates that organics processed pursuant to these agreements will decline over the next several years as the Authority implements the Organics-to-Energy Pilot Project and, if implemented, the O2E Project.

Future Capital Improvements

In order to plan effectively for future requirements of the Enterprise, the Authority has developed a five-year capital plan which contains various projects and facility upgrades (the "Capital Plan"). The Capital Plan budget for calendar years 2019 through 2023 is approximately \$36.6 million, which includes the 2019 Project to be funded with the Series 2019B Bonds. See "PLAN OF FINANCE – The 2019 Project."

The projects within the Capital Plan (in addition to the 2019 Project) primarily consist of the Full Scale Organics to Energy Project (the "Full Scale O2E Project") and the installation of a new Compressed

Natural Gas (“CNG”) Fueling System at the Shoreway Environmental Center, as more particularly described below.

Full Scale O2E Project: The Authority anticipates proceeding with the Full Scale O2E Project (at a currently projected cost of approximately \$10 million) in 2020 in the event that the Organics-to-Waste Pilot Project is successfully implemented. A significant additional long term goal of the Full Scale O2E Project is to produce compressed natural gas (“CNG”) to be utilized by Recology for new collection vehicles which Recology is expected to begin to implement in 2023.

CNG Fueling System: In connection with new CNG collection vehicles to be purchased by Recology through 2023, the Capital Plan includes infrastructure enhancements and the installation of a new CNG fueling system at Shoreway Environmental Center to change the fuel used to run the collection fleet from biodiesel to CNG. This project is currently expected to cost approximately \$6.5 million (of which approximately \$2.17 is expected to be paid from a portion of the Series 2019B Bonds). This project also involves the closeout of the existing underground storage tank (“UST”) system and the addition of one new above ground storage tank (“AST”) for diesel for South Bay Recycling transfer trailers. Costs incurred through the closeout of old diesel system, installation of a new AST diesel system for South Bay Recycling and installation of the new CNG system is expected over a three year period from Calendar Year 2021 to Calendar Year 2023 prior to the purchase and delivery of new CNG connection vehicles by Recology. The Authority estimates that the project will reduce greenhouse gas emission by approximately 20-23% and will eliminate future potential groundwater contamination at Shoreway Environmental Center from fueling operations.

The table below contains projected capital improvement costs as well as funding sources.

TABLE 2
5-YEAR CAPITAL PLAN BUDGET
(CALENDAR YEAR)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>TOTAL</u>
CIP Project Category						
MRF Equipment Improvements	\$3,664,972	\$7,789,972	\$4,125,000	-	-	\$15,579,944
Organics 2 Energy Pilot	2,250,000	-	-	-	-	2,250,000
Organics 2 Energy Full Project	-	5,000,000	5,000,000	-	-	10,000,000
UST Removal	-	-	1,500,000	-	-	1,500,000
New Fueling System	-	-	-	2,500,000	2,500,000	5,000,000
Other Capital Improvements	475,000	765,000	365,000	365,000	265,000	2,235,000
Total CIP Project Costs	\$6,389,972	\$13,554,972	\$10,990,000	\$2,865,000	\$2,865,000	\$36,564,944
Funding Source						
Series 2019 Bonds	\$5,914,972	\$7,789,972	\$6,295,056	-	-	\$20,000,000
Capital Reserves/Grants	475,000	5,765,000	4,694,944	2,865,000	2,765,000	16,564,944
Total Funding Sources	\$6,389,972	\$13,554,972	\$10,990,000	\$2,865,000	\$2,765,000	\$36,564,944

Source: The Authority.

Although the Indenture provides that the Authority may issue or incur additional Parity Obligations (subject to satisfaction of the conditions set forth therein), the Capital Plan does not contemplate the execution of any additional Parity Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS – Additional Parity Obligations” and APPENDIX B — “SUMMARY OF THE INDENTURE.”

Historical Waste Deliveries to Transfer Station and Materials Recovery Facility

Solid waste generated in the jurisdictions of the Members has been delivered to the Transfer Station since the 1980’s. Such waste generally can be divided into three distinct categories: (i) waste delivered pursuant to solid waste franchise agreements between the individual Members and their franchise hauler (“Franchise Tons”) (which, as described herein, must be delivered to the Enterprise by the franchise hauler as a contractual obligation of the hauler pursuant to the franchise agreement; see “Waste Collection Practices of the Members” herein); (ii) waste which is not contractually obligated to be delivered to the Enterprise, but which is collected by Recology outside the Members’ jurisdictions (“Non-Franchise Tons”); and (iii) waste which is not contractually obligated to be delivered to the Enterprise, but which is delivered by the general public (“General Public Tons”). Although the Authority believes that Non-Franchise Tons and General Public tons will continue to be delivered to the Enterprise because of the convenience and economic competitiveness of the Enterprise, haulers of Non-Franchise Tons and General Public tons are not legally or contractually obligated to utilize the Enterprise. See “–Competition” and “RISK FACTORS – Competition” herein. The following table shows historical waste deliveries to the Enterprise.

The following tables show historical volumes of materials received at the Transfer Station and Exclusive Franchise materials generation by Member.

**TABLE 3
HISTORICAL WASTE VOLUMES RECEIVED
AT THE TRANSFER STATION**

Calendar <u>Year</u>	Franchise <u>Tons</u> ^(a)	Non- Franchise <u>Tons</u> ^(b)	General Public <u>Tons</u>	<u>Other</u> ^(c)	Total <u>Tons In</u>
2011	341,923	76	47,076	7,200	396,275
2012	349,907	1,026	57,593	7,744	416,270
2013	345,903	84	67,421	7,832	421,239
2014	346,590	0	56,856	13,171	416,617
2015	349,307	3,542	69,010	14,221	436,080
2016	361,843	7,267	73,304	8,779	451,193
2017	368,992	14,869	76,601	11,231	471,693
2018	368,417	17,384	68,936	13,563	468,300

(a) Solid waste, plant materials and recycling received from the SBWMA service area.
 (b) Recology San Mateo County solid waste and plant materials collected from non-franchise areas, primarily.
 (c) Other diversion including cardboard, metals, aggregates, tires, e-waste, carpet and MRF residue brought to the Transfer Station.

Source: Authority.

TABLE 4
FRANCHISE WASTE GENERATION BY MEMBER
(Calendar Year 2018)

<u>Member</u>	<u>Disposed (tons)(a)</u>	<u>Diverted (tons)(b)</u>	<u>(%)</u>	<u>Total Generated (tons)</u>	<u>% of Total Tons</u>
Town of Atherton	2,187	9,777	81.72%	11,964	3.2%
City of Belmont	7,813	9,376	54.54%	17,189	4.7%
City of Burlingame	24,990	16,880	40.32%	41,870	11.4%
City of East Palo Alto	11,724	7,306	38.39%	19,030	5.2%
City of Foster City	10,177	10,667	51.17%	20,843	5.7%
Town of Hillsborough	2,594	7,431	74.13%	10,025	2.7%
City of Menlo Park	17,414	26,837	60.65%	44,251	12.0%
City of Redwood City	37,891	32,666	46.30%	70,558	19.2%
City of San Carlos	12,711	14,381	53.08%	27,092	7.4%
City of San Mateo	42,107	36,213	46.24%	78,320	21.3%
North Fair Oaks	5,970	4,668	43.88%	10,638	2.9%
West Bay Sanitary District	1,566	3,867	71.18%	5,432	1.5%
Other Unincorporated	4,044	7,156	63.90%	11,200	3.0%
SBWMA Total	181,188	187,225	50.82%	368,413	100%

(a) Includes residential and commercial solid waste delivered to the Transfer Station.

(b) Includes residential and commercial collected recycling brought to the Materials Recovery Facility and organics materials brought to the Transfer Station.

Source: Authority

Competition

The Authority believes that the tipping fees charged by the Authority are, and will continue to be competitive with other transfer stations or waste disposal sites which potentially could be utilized by self-haulers and haulers of non-franchise waste 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 Enterprise were utilized by such waste haulers. The following table contains a comparison of the disposal cost at certain currently available alternate sites with the currently applicable disposal costs at the Enterprise. These estimates are based on the current tipping fees charged at the closest available transfer stations and disposal facilities in the adjacent counties, as well as the imputed additional transportation cost, based on the distance of such facilities from the Shoreway Environmental Center. For most of the competing facilities, the costs reflected are based on the “posted” tipping fee, or tipping fee available to the general public at the competing facilities. There can be no assurances that negotiated tipping fees would not be lower than the amounts specified in the table.

Although the Authority Agreement requires that Members provide for collection of waste and other materials pursuant to exclusive franchise agreements, haulers of approximately 21% of the materials projected to be delivered to the Authority are not contractually or otherwise obligated to utilize the Enterprise. In addition, residences and commercial establishments within the jurisdiction of the Members are generally permitted to self-haul their solid waste and other materials to disposal or processing locations of their choosing. Although the Authority believes that the Enterprise will continue to charge economically competitive tipping fees throughout the term of the Series 2019 Bonds, factors outside of the control of the Authority could affect the relation of the tipping fees applicable at the Enterprise to those generally prevailing at potentially available alternate transfer and disposal locations, and facilities outside of the Enterprise (including, any future alternate transfer stations that might be located in the Authority service area) could represent a more cost effective disposal location for haulers of non-franchise waste (including self-haul waste) generated in the Authority Service Area. The existence of a more cost effective disposal location for haulers of non-franchise waste generated in the Enterprise could have a material adverse impact on the ability of the

Authority to generate Net Revenues in the levels required by the Indenture and to pay Debt Service with respect to the Series 2019 Bonds. See “CERTAIN RISK FACTORS – Competition” herein.

TABLE 5
ANALYSIS OF COST AT COMPETITIVE FACILITIES

Facility	Location	Estimated Current Operations (tpd)	Estimated Available Capacity (tpd)	Permitted Capacity (tpd)	Estimated Round Trip Mileage (1)	Estimated Round Trip Cost Per Load (2)	Public Gate Solid Waste Tipping Fee Per Yard (3)	Solid Waste Disposal Total Estimated Cost Per Trip (4)
Current Transfer Facility								
Shoreway Environmental Center	San Carlos	1,155	1,845	3,000	0	N/A	\$44.00	\$76.56
Alternative Transfer Facilities								
Blue Line MRF and Transfer Station	South SF	800	400	2,400	31.4	\$18.21	\$29.36	\$69.29
Davis Street TS and Resource Recovery	San Leandro	N/A*	N/A	9,600	50.2	\$29.12	\$35.43	\$90.76
Fremont Recycling and TS	Fremont	N/A	N/A	2,400	41.9	\$24.30	\$31.16	\$78.53
SF Solid Waste Transfer and Recycling Center	San Francisco	N/A	N/A	5,000	38.2	\$22.16	53.89	\$115.92
Berkeley Solid Waste Transfer Station	Berkeley	420	140	560	68.7	\$39.85	\$29.00	\$90.31
San Bruno Transfer Station	San Bruno	N/A	N/A	768	27.8	\$16.12	N/A	N/A
Sunnyvale MRF and Transfer Station (5)	Sunnyvale	925	575	1,500	39.4	\$22.85	\$20.00	\$57.65
Alternative Disposal Facilities								
Newby Island Landfill	Milpitas	N/A	N/A	4,000	50.1	\$29.06	\$54.00	\$123.02
Ox Mountain Landfill	Half Moon Bay	N/A	N/A	3,598	30.4	\$17.63	\$34.00	\$76.79
Altamont Landfill and Resource Recovery	Livermore	N/A	N/A	11,150	94.4	\$54.75	\$28.49	\$104.33
Guadalupe Sanitary Landfill	San Jose	1,000	2,650	3,650	67.0	\$38.86	\$38.00	\$104.98
Kirby Canyon	San Jose	N/A	N/A	2,600	76.0	\$44.08	\$25.22	\$87.97
Vasco Road Sanitary Landfill	Livermore	N/A	N/A	2,518	93.7	\$54.35	\$38.00	\$120.47
Zanker Road Sanitary Landfill	San Jose	1,700	900	2,600	45.2	\$26.22	\$33.00	\$83.64

(Notes on following page.)

Notes:

* N/A as used throughout the table refers to information which is not currently available to or otherwise known to the Authority.

- (1) Based on mileage from Shoreway Environmental Center. Assumes population evenly dispersed throughout area.
- (2) Assumes 2019 IRS estimated operating cost per mile (\$.580). No additional cost for wait and tip time, assumes wait and tip time at each facility is equal.
- (3) When only per ton tipping fees were available they were converted to per yard using 570 pounds per cubic yard.
- (4) Per trip cost equals round trip mileage cost plus the per cubic yard disposal rate times the average yard per load of 1.74 yards.
- (5) Sunnyvale MRF and Transfer Station currently only accept materials generated in the cities of Sunnyvale, Mountain View and Palo Alto.

2016 Fire at the Shoreway Environmental Center

On September 7, 2016, a four-alarm fire at the Shoreway Environmental Center caused considerable damage to the Materials Recovery Facility sorting equipment. As a result of the damage caused by the fire, the Authority ceased materials processing operations for the remainder of the 2016 Calendar Year and through most of January 2017. During that time, the Authority made alternate contractual arrangements for the processing of materials at alternate facilities owned by private parties.

Prior to the fire the Authority had procured a casualty insurance policy and, pursuant to the insurance policy, the Authority was reimbursed by the insurer for lost revenues during the period the Material Recovery Facility was inoperable as well as costs of repairs to the Materials Recovery Facility. Total insurance proceeds received by the Authority were approximately \$8.8 million, consisting of \$1.3 million attributable to lost revenues from the sale of recovered materials and \$7.5 million attributable to repair and replacements costs. In accordance with the indenture pursuant to which the Series 2009 Bonds were issued, the \$1.3 million attributable to lost revenues were considered “Revenues” for purposes of satisfying the Rate Covenant. See Table 7 in “Historical Financial Results.”

While the cause of the fire was initially inconclusive, it was later determined that the fire was likely caused by a rechargeable lithium-ion battery that was wrongly included in a recycling cart. Since the fire, the Authority has added significant new fire suppression equipment within the building, provided enhanced safety training for employees, made significant changes in designed household battery collection and handling programs and conducted extensive public outreach and education efforts to encourage residential households to dispose of batteries safely and responsibly in the Authority service area. The Authority expects that portions of the 2019 Project will enhance the separation of batteries from the waste stream delivered to the Shoreway Environmental Center.

Financial and Management Aspects of the Enterprise

In accordance with the Indenture, all revenues of the Enterprise are deposited in the Revenue Fund for application in accordance with the Indenture. The Indenture contains detailed provisions relating to the financial and operational aspects of the Enterprise. See Appendix B — “SUMMARY OF THE INDENTURE.”

Reserve Policy

In 2018, the Authority adopted a revised Reserve Policy (the “Reserve Policy”) and established a Capital Reserve to more closely plan for future capital needs. The Reserve Policy establishes the priority for funding each reserve and how funds in each reserve could be spent. The Reserve Policy may be amended from time to time at the discretion of the Board of the Authority. Following is a description of the various funds described in the Reserve Policy.

- **Rate Stabilization Reserve.** The Rate Stabilization Fund is established and maintained pursuant to the Indenture, and is intended to help minimize Authority tip fee increases resulting from significant short-term revenue shortfalls due to commodity price decreases or other reasons. The Indenture does not contain a specific requirement with respect to the amount to be maintained in the Rate Stabilization Account, but the Reserve Policy contemplates that the Rate Stabilization Fund will not exceed 10% of annual Maintenance and Operation Costs. On the date of issuance of the Series 2019 Bonds, \$ _____ will be on deposit in the Rate Stabilization Fund.
- **Emergency Reserve.** The Emergency Reserve is established to fund emergency capital repairs and reconstruct the Shoreway Environmental Center buildings and infrastructure that may be damaged by natural disasters, acts of war or terrorism, or other community emergency scenarios that are not covered by existing insurance policies. The Reserve Policy contemplates that the Emergency Reserve will not exceed 10% of annual Maintenance and Operation Costs.

- **Equipment Replacement Reserve.** The Equipment Replacement Reserve is established to replace processing equipment at the Shoreway Environmental Center based on a 12 year replacement schedule as recommended by the manufacturer.
- **Capital Project Reserve.** The Capital Project Reserve is established to fund future capital projects that need to be funded over a term longer than one year and cannot be absorbed by one budget period, in amounts established by the Board annually as part of the update of the Authority’s capital plan.
- **Undesignated Reserve.** The Undesignated Reserve will be used to hold excess funds after the above reserves are fully funded.

The following table shows the amounts for each reserve as set forth in the Authority’s Fiscal Year 2018-19 Budget. Funding of reserves in any particular amount is not contractually or legally required. In addition, amounts in any of the reserves may be used for any lawful purpose of the Authority at the discretion of the Board of the Authority.

**TABLE 6
AUTHORITY RESERVES
FISCAL YEAR 2018-19 ADOPTED BUDGET [UPDATE TO 2019-20 WHEN AVAILABLE]**

Reserve	Amounts
Rate Stabilization Reserve	\$ 4,938,136
Emergency Reserve	4,895,300
Equipment Replacement Reserve	1,397,514
Capital Project Reserve	957,415
Total Reserves	\$ 12,188,365

Source: The Authority.

Historical Financial Results

The following table contains historical financial results for the Enterprise, shown on a calendar year basis. The Authority’s fiscal year is from July 1 to June 30. The Indenture provides that, for purposes of the Series 2019 Bonds, compliance with the rate covenant contained in the Indenture and certain other matters will be determined on a calendar year basis.

The table below provides historical revenues, expenses, and debt service coverage as calculated pursuant to the rate covenant contained in the indenture pursuant to which the Series 2009 Bonds were issued (the “2009 Indenture”). As described in “2016 Fire at the Shoreway Environmental Center,” \$1.3 million of casualty insurance proceeds were considered “Revenues” for purposes of satisfying the Rate Covenant in calendar year 2016 in accordance with the indenture pursuant to which the 2009 Bonds were issued, and other insurance proceeds, as well as all of the costs of repair, were excluded from “Revenues” and “Maintenance and Operations Costs”. (In the Authority’s audited financial statements for Fiscal Year 2016-17, consistent with generally accepted accounting practices, additional insurance proceeds of approximately \$7.5 million related to the Shoreway Environmental Center fire were characterized as revenues and fire facility repair and replacement costs of \$4.5 million were characterized as expenses.) As described in the footnotes to Table 7, this resulted in a revision to previously released financial reporting.

TABLE 7
SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
HISTORICAL REVENUES, EXPENSES AND DEBT SERVICE COVERAGE
(Calendar Year)

	2015	2016	2017	2018
Revenues				
Tip Fee Revenues	\$33,101,404	\$35,983,650	\$41,853,590	\$43,858,039
Sales of Recyclable Materials ⁽¹⁾	8,401,049	6,830,497	8,488,810	7,179,516
Interest Income	75,228	123,952	160,924	387,779
Other Revenue ⁽²⁾	1,206,329	2,291,633	121,296	14,992
Transfer from/(to) Rate Stabilization Fund ⁽³⁾	920,000	-	-	-
Total Revenues	\$43,704,010	\$45,229,732	\$50,624,620	\$51,440,326
Operating Expenses				
Shoreway Operations	\$26,299,803	\$27,776,638	\$30,117,033	\$32,894,060
MSW Disposal	8,428,172	8,834,974	8,721,880	8,690,448
Authority Program Administration	2,468,412	2,160,652	2,346,164	2,954,676
Total Operating Expenses	\$37,196,387	\$38,772,264	\$41,185,077	\$44,539,184
 Total Net Revenues	 \$6,507,623	 \$6,457,468	 \$9,439,543	 \$6,901,142
 Debt Service	 \$4,110,546	 \$4,103,446	 \$4,104,175	 \$4,096,833
 Debt Service Coverage ⁽⁴⁾	 1.58x	 1.57x	 2.30x	 1.68x
 Ending Unreserved Fund Balance	 \$13,819,913	 \$13,532,497	 \$15,520,391	 \$15,848,248

⁽¹⁾ The decrease in Revenues from the Sales of Recyclable Materials from Calendar Year 2015 to Calendar Year 2016 is largely attributable to the fire at the Shoreway Environmental Center in September 2016 which caused considerable damage and halted intake of commodities for a four month period. See “ – 2016 Fire at the Shoreway Environmental Center.”

⁽²⁾ Includes revenues from Household Hazardous Waste, Host Fees, and other miscellaneous revenues. The Authority discontinued its Household Hazardous Waste program in 2017. The increase in Calendar Year 2016 reflects insurance proceeds of \$1.3 million related to business interruption claims as a result of the fire at the Shoreway Environmental Center. See “ – 2016 Fire at the Shoreway Environmental Center.”

⁽³⁾ [CONFIRM] The Authority transferred \$920,000 from the Rate Stabilization Fund to the Revenue Fund in 2015 to address a reduction in revenues from the sale of recovered materials in Calendar 2015 (as compared to 2014).

⁽⁴⁾ [CONFIRM] Debt service coverage figures for 2016, 2017, and 2018 have been revised from levels previously reported by the Authority to reflect a revised accounting treatment of insurance revenues and losses associated with the fire at the Shoreway Environmental Center. In particular, Revenues in 2016 were reduced by approximately \$ _____ to reflect only the \$1.3 million portion of insurance proceeds attributable to business interruption insurance. Other related adjustments were reflected in 2017 and 2018.

Source: The Authority.

Projected Operating Results

The following table contains a projection of the revenues and overall financial results (the “Projected Operating Results”) of the Enterprise prepared by the Authority for the period from Calendar Year 2019 through the end of Calendar Year 2023 (the “Projection Period”). Significant assumptions utilized by the Authority in the preparation of the Projected Operating Results include the following:

Waste Generation. The Projected Operating Results assume that total material volumes delivered to the Shoreway Environmental Center will increase by 0.2% annually each year during the Projection Period.

Tipping Fees. The Projected Operating Results assume that the tipping fees for materials delivered to the Shoreway Environmental Center by solid waste haulers (including the Members' Exclusive Franchise collection contractors) will increase approximately 2.5% annually. The tipping fee for materials delivered by members of the public (i.e., self-haul) will increase 6.4% annually.

Recovered Materials Revenues. The Projected Operating Results assume that revenues from Recovered Materials will increase by ___% annually. [IF INCREASES ARE DIFFERENT EACH YEAR (I.E., BIG INCREASE AFTER NEW EQUIPMENT IS INSTALLED, THEN THAT SHOULD BE DESCRIBED.)]

Maintenance and Operation Costs: Shoreway Environmental Center. [[DO THE PROJECTED PERCENTAGE INCREASES REFLECT THE REDUCTION IN COSTS, OR ARE THE PERCENTAGES BASED ON THE REDUCED COST NUMBERS?]] The Projected Operating Results assume that Maintenance and Operations Costs relating to the operation of the Shoreway Environmental Center will increase 3.0% in Calendar Year 2020, and 2.5% each year thereafter. In addition, the Projected Operating Results assume that the Materials Recovery Facility equipment improvements to be installed as part of the 2019 Project will result in cost savings (due to reduced labor) of approximately \$102,000 beginning in Calendar Year 2020, increasing to approximately \$692,000 by Calendar Years 2022 and 2023.

Maintenance and Operation Costs: Processing Agreements. [WHICH LINE ITEM IS THIS IN?] The Projected Operating Results assume that Maintenance and Operations Costs specifically relating to the processing of C&D and organic materials at the processing facilities utilized by the Authority for such materials will increase by ___% annually (which is the estimated increase resulting from the application of the CPI-based escalation formula in the agreement).

Maintenance and Operation Costs: Landfill Disposal at Ox Mountain: The Projected Operating Results assume that Maintenance and Operations Costs specifically relating to landfill disposal at Ox Mountain will increase by 30% in Calendar Year 2020 (the first year of the contract extension described in “_ Components of the Enterprise”), and ___% each year thereafter (which is the estimated increase resulting from the application of the CPI-based escalation formula in the agreement).

Maintenance and Operation Costs: Authority Administrative Expense. The Projected Operating Results assume that Authority Administrative Expenses will increase by 3.6% annually.

The Projected Operating Results also assume there will be no significant new regulatory requirements imposed on the Authority.

While the Authority believes these assumptions to be reasonable, actual future conditions may vary significantly from actual conditions due to unanticipated events and circumstances, and such variances may result in material and adverse impacts on the Authority's financial conditions. See “CERTAIN RISK FACTORS.”

TABLE 8
SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE
(Calendar Year)

	2019	2020	2021	2022	2023
Operating Revenue					
Tip Fee Revenue	\$48,945,467	\$50,633,000	\$52,338,601	\$54,360,020	\$56,671,523
Sales of Recyclable Materials	5,995,336	6,546,110	7,845,872	8,639,978	8,687,424
Interest Income	266,036	328,538	381,241	357,768	320,546
Other Revenue	-	-	-	-	-
Transfer from Rate Stabilization Fund	-	-	-	-	-
Total Operating Revenue	\$55,206,839	\$57,507,649	\$60,565,713	\$63,357,766	\$65,579,493
Operating Expenses					
Shoreway Operations	\$33,648,888	\$34,451,305	\$36,456,286	\$36,887,430	\$38,089,329
MSW Disposal	9,083,761	11,949,243	12,371,442	12,810,046	13,265,773
Authority Program Administration	3,131,956	3,257,234	3,354,951	3,438,825	3,524,796
Total Operating Expenses	\$45,864,604	\$49,657,783	\$52,182,679	\$53,136,301	\$54,879,898
Total Net Revenues	\$9,342,235	\$7,849,866	\$8,383,034	\$10,221,465	\$10,799,596
Debt Service	\$4,124,500	\$4,142,483	\$4,139,000	\$4,138,250	\$4,139,000
Debt Service Coverage	2.27x	1.89x	2.03x	2.47x	2.61x
Ending Unreserved Fund Balance					

Sensitivity Analyses. The Authority conducted various pro forma sensitivity analyses on the assumed revenues and expenditures included in the Projected Operating Results shown in Table 8. The pro forma sensitivity analyses are provided to evaluate how changes to specific assumptions set forth in Table 8 impact projected debt service coverage levels from Calendar Year 2019 through 2023 (the “Projection Period”) assuming all other values set forth in Table 8 remain constant.

The pro forma sensitivity analyses reflect changes to the specific assumptions, and debt service coverage, described below:

Reduced Revenues From the Sale of Recovered Materials. The first pro forma sensitivity analysis assumes that revenues from the sale of recovered materials in future years remain at the levels assumed for Calendar Year 2019 (and do not increase as assumed in Table 8). The impact of this adjustment results in projected debt service coverage ratios that are lower over the projection period by 0.12x to 0.61x as compared to the Projected Operating Results set forth in Table 8. Under this pro forma sensitivity analysis, the lowest projected debt service coverage ratio of 1.60x occurs in Calendar Year 2020 and the debt service coverage ratio in the final projection year of 2023 would be 2.0x.

Reduced Revenues From the Sale of Recovered Materials and Increased Labor Costs. The second pro forma sensitivity analysis assumes that (i) revenues from the sale of recovered materials in future years remain at the levels assumed for Calendar Year 2019 (and do not increase as assumed in Table 8) and (ii) the 2019 Project and the other capital improvement described herein only achieve 50% of the operational efficiencies which are assumed in Table 8. The Projected Operating Results in Table 8 assume that the MRF Equipment Improvements will generate operational efficiencies of approximately \$102,000 beginning in Calendar Year 2020 and increase to approximately \$692,000 by Calendar Years 2022 and 2023; thus, the sensitivity analysis

only factors in half of such efficiencies, which results in higher labor costs. The impact of this adjustment results in projected debt service coverage ratios that are lower by 0.13x to 0.70x as compared to the Projected Operating Results set forth in Table 8. Under this pro forma sensitivity analysis, the lowest projected debt service coverage ratio of 1.53x occurs in Calendar Year 2020 and the debt service coverage ratio in the final projection year of 2023 would be 1.91x.

Pro Forma Reductions in Revenues from the Sale of Recovered Materials That Maintain Required Debt Service Coverage Without Rate or Other Adjustments. The third pro forma sensitivity analysis assumes that revenues from the sale of recovered materials decline such that (without any adjustment to the tipping fees charged at the Shoreway Environmental Center) debt service coverage ratios exactly equal 1.40x, which is the required level pursuant to the rate covenant set forth in the Indenture. This pro forma sensitivity analysis indicates that revenues from the sale of recovered materials could decline 36% in Calendar Year 2020, 37% in Calendar Year 2021, 57% in Calendar Year 2022, and 64% in Calendar Year 2023, and the debt service coverage ratio in each year would be at the required 1.40x in each year during the Projection Period without any adjustment to tipping fees charged at the Shoreway Environmental Center.

REGULATION

The Enterprise is subject to a variety of regulations, certain of which are described below. The Authority believes it is currently in material compliance with all applicable regulations and permit requirements.

California Integrated Waste Management Act of 1989

Among other requirements, the State Integrated Waste Management Act of 1989, California Public Resources Code Section 40000 et. seq. (“CIWMA”), which became effective on January 1, 1990, directs all California cities and counties to implement source reduction, recycling and composting options in order to reduce the amount of solid waste that must be disposed of by transformation (through waste-to-waste energy projects or other processes) and landfill disposal. As a result of CIWMA, solid waste management has been changed to an integrated solid waste management approach in which source reduction and recycling play an integral role in the waste management strategy.

Under CIWMA, each city and county (a “local agency”) in the State were mandated to achieve a 25% diversion in solid waste disposed of in landfills or by incineration through waste reduction or recycling by January 1, 1995, and a 50% reduction by the year 2000 and thereafter. Furthermore, under AB 341, the State’s diversion goal will increase to 75% by 2020. Local agencies are responsible for these goals whether or not they control disposal of waste generated within their jurisdiction. Local agencies may face monetary fines of up to \$10,000 per day if the California Department of Water Resources Recycling and Recovery (“CalRecycle”) deems local plans to be inadequate or if localities fail to satisfactorily implement plans to achieve the 25% and 50% reduction goals. [[The Authority provides recycling or diversion within the Authority service area. The Authority believes that ten of the twelve Member have met State diversion levels. Two others, San Carlos and Foster City, are expected to come into compliance by the next reporting period. No assurances can be made as to the actual level of diversion, or as to whether Member’s diversion efforts will result in compliance with the CIWMA.]]

Solid Waste Disposal Regulations

The Enterprise is regulated by local, state and federal law. The California Integrated Waste Management Board has primary oversight and regulatory responsibilities of the Enterprise and has designated the County of San Mateo Environmental Health Department as the local enforcement agency (“LEA”). The LEA makes regular inspections at the Materials Recovery Facility and the Transfer Station to ensure that they are in compliance with regulatory requirements as set forth by the Environmental Protection Agency and the State of California.

Since its enactment in 1976, the federal Resource and Conservation Recovery Act (“RCRA”) included authority for the United States Environmental Protection Agency (“USEPA”) to control the disposal of solid waste (“Subtitle D”), as well as the management of hazardous waste (“Subtitle C”). California’s regulatory program enforces the federal RCRA provisions.

California Senate Bill 1383

Senate Bill No. 1383 (“SB 1383”) enacted in September 2016, establishes targets to achieve a 50% reduction in the level of the statewide disposal of organic waste from the 2014 level by 2020 and a 75% reduction by 2025. SB 1383 grants CalRecycle the regulatory authority required to achieve the organic waste disposal reduction targets and establishes an additional target that not less than 20% of currently disposed edible food is recovered for human consumption by 2025. CalRecycle is currently developing a regulatory approach that divides implementation responsibilities across the waste sector and includes requirements for generators, industry, local governments, and other entities.

SB 1383 codifies the California Air Resources Board’s Short-Lived Climate Pollutant Reduction Strategy, established pursuant to Senate Bill No. 605 to achieve reductions in the statewide emissions of short-lived climate pollutants. SB 1383 requires a 40% reduction in methane, a 40% reduction on hydrofluorocarbon gases and a 50% reduction in anthropogenic black carbon by 2030 relative to 2013 baseline levels.

Air and Water Quality Regulations

Solid waste management facilities are closely monitored to protect air and water quality. Under the Porter-Cologne Water Quality Control Act (California Water Code Section 3000 *et. seq*) (“Porter-Cologne”), the Authority is required to report waste discharges that could affect water quality. Porter-Cologne is administered and enforced by the State Water Resources Control Board and Regional Water Quality Control Board (the “Regional Board”). The Enterprise is regulated by the California San Francisco Bay Regional Water Quality Control Board.

Pursuant to Porter-Cologne, the Regional Board issues waste discharge requirements (“WDRs”) containing terms and conditions of permitted discharges for the landfills. The WDRs typically mandate a regular self-monitoring program to detect pollutants. In the event of a violation of a WDR, the Regional Board may issue either a cease and desist order or a cleanup and abatement order that mandate deadlines for remedial action. A landfill operator’s failure to comply with a Regional Board order or reporting requirements may result in administrative or judicial civil liabilities ranging up to \$27,500 a day.

Porter-Cologne also instituted the Solid Waste Assessment Testing program which requires an analysis of surface and groundwater under and near waste management facilities. If contamination outside of the landfill occurs, operators of the facility must notify the State Department of Health Services and CalRecycle. These agencies will impose remedial action upon the facility.

The California Clean Air Act and the Lewis-Presley Air Quality Management Act authorize the adoption of rules and regulations for air quality permits and govern the enforcement of those permits and rules. These Acts are both administered and enforced by the Bay Unified Air Quality Management District. Various rules apply to landfill operations, including rules which relate to methane gas monitoring and migration, as well as rules which relate to specific equipment and machinery, above ground fuel tanks and fugitive dust emissions. The Authority conducts periodic inspections of the Enterprise and, in a fashion similar to the Regional Board’s, may impose civil liabilities for permit violations.

CERTAIN RISK FACTORS

The following factors, which represent certain major risk factors, should be considered along with all other information in this Official Statement by potential investors in evaluating the Series 2019 Bonds. There

can be no assurance made that other major risk factors do not currently exist or will not become evident at any future time.

Certain Factors Affecting Solid Waste Disposal Facilities Generally

In the solid waste service industry there are often unforeseeable risks and potentially substantial cost exposures associated with the establishment, ownership and operation of solid waste sanitary landfill sites and other types of waste processing and disposal facilities. These risk factors include, but are not limited to: (i) the challenges of obtaining permits to expand or establish new sites and facilities and public and private opposition to the location, expansion and operation of these facilities, (ii) increasing political activities at all levels that seek to restrict the operation of disposal facilities as well as the movement of waste for disposal, (iii) substantial regulatory compliance expenditures, fines or other sanctions and civil damage liabilities, (iv) demonstrating financial responsibility and conforming to prescribed or changing standards and methods of operation, (v) judicial and administrative proceedings regarding alleged possible adverse environmental and health effects of landfills or treatment and disposal facilities, and (vi) legislation that requires additional waste recycling, minimizing and incineration.

Rate Covenant Not a Guarantee; Failure to Meet Projections

The ability of the Authority to make debt service payments with respect to the Series 2019 Bonds depends on the ability of the Enterprise to generate Net Revenues in the levels required by the Indenture. Although, as more particularly described herein, the Authority expects that sufficient revenues will be generated through the imposition and collection of tipping fees, contract payments and other Revenues described herein (including revenues from the sale of recyclable materials), there is no assurance that such imposition of tipping fees or other Revenues will result in the generation of Net Revenues in the amounts required by the Indenture. As a result, the Authority may be unable to comply with the covenants under the Indenture regarding generation of revenues and the Authority's covenant does not constitute a guarantee that sufficient Net Revenues will be available to make debt service payments on the Series 2019 Bonds. In addition, the Authority's financial projections are based on a number of assumptions, including timely receipt of various payments from its private contractors (including franchise haulers, facility operators and landfill operators) under contracts with the Authority. Changes in circumstances, including but not limited to failure of the private contractors to make these payments in a timely manner (for any reason, including but not limited to the bankruptcy of such private contractors or the existence of a contract dispute between the private contractors and the Authority or its Members) could have a material adverse impact on the ability of the Authority to make debt service payments with respect to the Series 2019 Bonds.

Competition

Generally, the ability of the Authority to generate Net Revenues in the amounts contemplated by the Indenture depends on the continuing delivery to the Enterprise of solid waste generated in the Authority in the amounts anticipated by the Authority. Substantially all of the solid waste generated in the Authority service area has for many years been disposed at the facilities which now comprise the Enterprise. In addition, each Member of the Authority has entered into the Authority Agreement pursuant to which each Member is obligated to cause the delivery of solid waste to the Enterprise. However, a number of alternative transfer or disposal sites outside the Enterprise currently exist, and additional alternative transfer sites (which potentially could be located in the Authority service area) or disposal sites may become available from time to time in the future. See "THE SYSTEM – Competition" herein. If competing transfer or disposal sites in the future represent a more economical or convenient alternative for collectors and/or generators of a significant amount of waste generated in the Authority service area and such collectors or generators elect not to utilize the Enterprise, the use of alternative transfer or disposal sites outside of the Enterprise by such waste collectors and/or generators could have a material adverse impact on the ability of the Authority to generate Net Revenues in the amounts required by the Indenture and to pay Debt Service on the Series 2019 Bonds.

Disposal Capacity

The Authority believes that its rights to utilize the Ox Mountain Landfill pursuant to the Landfill Agreement, provides it with sufficient capacity for the disposal of all waste generated by the Members through 2030, which is earlier than the maturity of the Series 2019 Bonds in 2043. The Authority has covenanted in the Indenture to provide for or cause the provision of sufficient capacity for the disposal of solid waste generated in the Authority Service Area so as to enable the Authority to comply with the Rate Covenant contained in the Indenture. The Indenture provides that the Authority may provide such capacity by making available disposal facilities owned and operated by the Authority, or by making contractual arrangements for the use of disposal facilities (either inside or outside the geographical boundaries of the political subdivisions comprising the membership of the Authority) owned or operated by persons other than the Authority. However, in the event that the Ox Mountain Landfill were not available for the disposal of solid waste delivered to the Enterprise, there can be no assurances that the use of alternative disposal sites would not significantly increase the Enterprise's Costs of transportation and disposal of the waste and materially adversely affect the ability of the Authority to generate Net Revenues in the amounts required by the Indenture and to pay Debt Service on the Series 2019 Bonds.

Fluctuation in Revenues from the Sale of Recyclable Materials

Revenues from the sale of recyclable materials by the Authority declined significantly as a result of a change in import policy by countries that have traditionally imported large quantities of recyclable materials. The projected operating results anticipate the receipt by the Authority of significant revenues in each year from the sale of recyclable materials delivered to the Enterprise. Such revenues are anticipated to be approximately \$6.4 million in 2019 (or approximately 11.7% of the total revenues of the Enterprise). Those revenues are based on the currently prevailing market price paid by purchasers of recyclable materials. Market prices for such materials have historically fluctuated significantly from time to time, and there can be no assurance that market prices will not significantly decrease in the future, with the result that the Authority will not realize revenues from the sale of such materials at the projected levels.

Construction Risk

As described herein, the Authority is undertaking a significant capital improvement program with respect to the Enterprise. The Authority has entered into and will enter into agreements for the construction of such capital improvements. See "THE 2019 PROJECT." The Authority anticipates that such contracts will be subject to adjustment for a variety of circumstances, including higher than anticipated costs of labor and materials or subcontractor bids, changes in scope, unforeseen site conditions and force majeure events. The estimated costs of, and the projected schedule for, the Project are subject to a number of uncertainties. The ability of the Authority to complete the Project may be adversely affected by various factors including but not limited to: (1) estimating errors, (2) design and engineering errors, (3) changes to the scope of the 2019 Project, (4) delays in contract awards, (5) material and/or labor shortages, (6) unforeseen site conditions, (7) adverse weather conditions and other force majeure events, (8) contractor defaults, (9) labor disputes, (10) unanticipated levels of inflation and (11) environmental issues. No assurance can be made that the 2019 Project will not cost more than the current budget for the Project. Any schedule delays or cost increases could result in the need to issue additional indebtedness and may result in increased costs, thereby making Enterprise less economically competitive. There can be no assurances that significant increases in costs over the amounts projected by the Authority will not materially adversely affect the financial condition or operations of the Enterprise.

Risk of Nonperformance or Bankruptcy by Major Authority Contractors

The Authority intends to meet many of its obligations under the Indenture by contracting with various private sector service providers. In particular, the Authority currently contracts with South Bay Recycling to operate and maintain the Transfer Station and Materials Recovery Facility. In addition, the

Authority provides disposal capacity for solid waste delivered to the Enterprise through a Landfill Agreement with the operator of the Ox Mountain Landfill. In addition to the Authority's use of contractors, each of the Members has entered into separate solid waste collection franchise agreements, pursuant to which the Members' solid waste is required to be delivered to the 2019 Project. The Authority has agreed in the Indenture to enforce its rights under agreements relating to the Enterprise (including the Operations Agreement). In the event that any of the Authority's or Member's contractors fails to meet its obligations under the various agreements, it would be subject to damages and, if the nonperformance was material and continued for an extended period of time, termination. There can be no assurances that the private contractors will provide services in accordance with their contractual commitments. The extended failure of any of the private contractors to meet their obligations under contracts with the Authority or the Members could materially adversely affect the ability of the Authority to generate Revenues in the amounts required pursuant to the Indenture.

In the event of the bankruptcy of a major contractor of the Authority, the automatic stay provisions of the United States Bankruptcy Code (the "Bankruptcy Code") could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by such contractor to the Authority or any action to enforce any obligation of the contractor to the Authority. With the authorization of the bankruptcy court, the contractor may be able to repudiate some or all of its agreements with the Authority (including, in the case of the operator of the Transfer Station and Materials Recovery Facility) the obligation to pay to the Authority tipping fees which the contractor has collected, and to stop performing its obligations (including payment obligations) under such agreements. Such a repudiation could also excuse the other parties to such agreements from performing any of their obligations. The contractor may be able, without the consent and over the objection of the Authority, the Trustee, and the holders of the Series 2019 Bonds, to alter the terms, including the payment terms, of its agreements with the Authority, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, the contractor may be able to assign its rights and obligations under any of its agreements with the Authority to another entity, despite any contractual provisions prohibiting such an assignment.

Projections

The Projected Operating Results are not necessarily indicative of future performance. In addition, certain assumptions with respect to future business and financing decisions of the Authority are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2019 Bonds are cautioned not to place undue reliance upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues may be materially less than expected and consequently, the ability of the Authority to make timely payment of the principal of and interest on the Series 2019 Bonds may be materially adversely affected.

Neither the Authority's independent auditors, nor any other independent accountants have compiled, examined or performed any procedures with respect to the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenue forecast.

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 transfer or disposal facilities owned or 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 (or sites at which waste delivered by or on behalf of the Authority was disposed) could be significant. Such claims are payable from assets of the Enterprise 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 Indenture to establish such tipping fees as are necessary to enable the Authority to make all payments required to be made pursuant to 2019 Bonds, including Debt Service with respect to the Series 2019 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 Indenture and to pay Debt Service with respect to the Series 2019A Bonds.

Hazardous Waste

Although the Authority has implemented a hazardous waste inspection program at the Project to monitor the waste stream and prevent the inadvertent or intended disposal of hazardous wastes, hazardous waste may be delivered to and inadvertently accepted at the Project. In the event that hazardous waste is discovered at any facility within the Enterprise, the Authority, as owner of such facilities, would have primary financial responsibility for the cleanup of such hazardous waste under various state and federal laws, including the Comprehensive Environmental Responsibility Compensation and Liability Act (i.e., “Superfund”). In addition, if any site to which the Authority has delivered waste becomes the subject of regulatory action (including any such action brought pursuant to the Superfund statutes or related statutes), the Authority could be required to contribute significant amounts towards remediation activities at such site. The Authority’s financial and operating projections do not provide for expenditure of these costs. If the Authority incurs significant unanticipated costs pursuant to these state or federal laws, such circumstance could have a material adverse impact of the ability of the Authority to pay Debt Service with respect to the Series 2019 Bonds.

Earthquake or Other Natural Disasters

The occurrence of an earthquake or other natural disaster which resulted in the temporary or permanent closure of major components of the Enterprise (or facilities used by the Authority pursuant to contractual arrangements) or resulted in significantly increased costs could materially adversely affect the ability of the Authority to operate the Enterprise or to generate Net Revenues at the levels required by the Indenture.

Sea Level Rise; Climate Change

The Authority, its Members, residents and businesses within the Authority service and Member jurisdictions may be particularly vulnerable to material adverse impacts associated with sea level rise due to their close proximity to San Francisco Bay. The Authority is unable to predict whether sea level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the financial condition of the Authority, its Members or the local economy in general.

Cybersecurity

The Authority relies on technology to conduct its operations and faces multiple cybersecurity threats, including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other networks and systems. Cybersecurity incidents could result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain access for the purposes of misappropriating assets or information or causing operational disruption and damage. **[[To mitigate the risk of business operations impact and damage from cybersecurity incidents or cyber-attacks, the Authority invests in**

cybersecurity and operational safeguards, which are periodically tested.]] However, no assurance can be given by the Authority that such measures will ensure against cybersecurity threats and attacks. Cybersecurity breaches could damage computing and other networks and systems used in the operation of the Enterprise and could damage the Authority's finances and operations. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the Authority to material litigation and other legal risks which could cause the Authority to incur material costs related to such legal claims or proceedings.

Certain Limitations on the Ability of the Member to Impose Taxes, Fees and Charges

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added articles XIIC and XIID to the California Constitution, which contain a number of interrelated provisions affecting the ability of local governments, including the Members, to levy and collect both existing and future taxes, assessments, fees, and charges.

Section 3 of article XIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees, and charges, regardless of the date such taxes, assessments, fees, or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees, and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of article XIIC to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments, or fees and charges imposed prior to November 6, 1996.

"Fees" and "charges" are not expressly defined in article XIIC or in the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with articles XIIC and XIID (the "Omnibus Act"). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virgil* (the "*Bighorn Decision*") that charges for ongoing water delivery are property-related fees and charges within the meaning of article XIID and are also fees or charges within the meaning of section 3 of article XIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to section 3 of article XIIC.

In the *Bighorn Decision*, the Supreme Court stated that nothing in section 3 of article XIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the *Bighorn Decision* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contracts clause of the United States Constitution. Additionally, the Omnibus Act provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after the effective date of Proposition 218, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters within any Member jurisdiction will not, in the future, approve an initiative that reduces or repeals local taxes, assessments, fees, or charges.

Article XIID defines a “fee” or “charge” as any levy other than an ad valorem tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A “**property-related service**” is defined as “a public service having a direct relationship to a property ownership.” In the *Bighorn* Decision, the California Supreme Court held that a public water agency’s charges for ongoing water delivery are fees and charges within the meaning of article XIID. Article XIID requires that any public agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, article XIID also includes a number of limitations applicable to existing fees and charges, including provisions to the effect that (1) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (2) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (3) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (4) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

On November 2, 2010, voters in the State approved Proposition 26, which amended article XIIC of the State Constitution by expanding the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax; that the amount is no more than necessary to cover the reasonable costs of the governmental activity; and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Each Member is responsible for determining whether the notice and protest provisions of Proposition 218 apply to the charges imposed with respect to collection waste collection services provided by Member’s hauler and, if such notice and protest provisions do apply, such Member is responsible for compliance therewith and with any other applicable provisions. The Authority is not aware of any pending challenge to any of the Members’ solid waste collection fees and charges.

The Authority has covenanted in the Indenture to prescribe and collect rates, fees and charges for the use of the Enterprise at specified levels. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Rate Covenant” herein. The ability of the Authority to collect such fees depends in part on the ability of the Members to establish rates, fees and charges for solid waste collection service provided to collection customers within their respective jurisdictions. In the event that proposed increased service charges cannot be imposed by one or more of the Members as a result of a majority protest, such circumstances may adversely affect the ability of the Enterprise to generate revenues in the amounts required by the Indenture, and to pay principal and interest with respect to the Series 2019 Bonds.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel to the Authority (“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 2019 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2019 Bond for any period during which such Series 2019 Bond is held by a “substantial user” of any facilities financed with the proceeds of the Series 2019 Bonds or by a “related person” as such terms are used in Section 147(a) of the Code. Interest on the Series 2009A Bonds is not an item of tax preference and interest on the Series 2019B Bonds is an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion that interest on the Series 2019 Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Series 2019 Bond (the first price at which a substantial amount of the Series 2019 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Series 2019 Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a beneficial owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a beneficial owner will increase the beneficial owner’s basis in the applicable Series 2019 Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the beneficial owner of the Series 2019 Bond is excluded from gross income of such beneficial owner for federal income tax purposes except for any period during which the Series 2019 Bond is held by a “substantial user” of any facilities financed with the proceeds of the Series 2019 Bonds or a “related person” within the meaning of Section 147(a) of the Code, is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals with respect to the Series 2019B Bonds but not Series 2019A Bonds, and is exempt from State of California personal income tax.

The amount by which a beneficial owner’s original basis for determining loss on sale or exchange in the applicable Series 2019 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the beneficial owner’s basis in the applicable Series 2019 Bond (and the amount of Series 2019 interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a beneficial owner realizing a taxable gain when a Series 2019 Bond is sold by the beneficial owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2019 Bond to the beneficial owner. Purchasers of the Series 2019 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel’s opinion as to the exclusion from gross income of interest on the Series 2019 Bonds is based upon certain representations of fact and certifications made by the Authority, and others and is subject to the condition that the Authority complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Series 2019 Bonds, to assure that interest on the Series 2019 Bonds will not become included in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest on the Series 2019 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2019 Bonds. The Authority has covenanted to comply with all such requirements.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2019 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2019 Bonds might be affected as a result of such an audit of the Series 2019 Bonds (or by an audit of other similar bonds). No assurance can be given that, in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2019 Bonds to

the extent that it adversely affects the exclusion from gross income of interest on the Series 2019 Bonds or their market value.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the Closing Date. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Series 2019 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest on the Series 2019 Bonds for federal income tax purposes with respect to any Series 2009 Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes provided the Authority continue to comply with certain requirements of the Code, the ownership of the Series 2019 Bonds and the accrual or receipt of interest with respect to the Series 2019 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series 2019 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2019 Bonds.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2019 BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE SERIES 2019 BONDS OR THE MARKET VALUE OF THE SERIES 2019 BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2019 BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2019 BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE SERIES 2019 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES 2019 BONDS.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery by the Authority of the Series 2019 Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the Authority. The proposed form of the opinion of Bond Counsel is set forth in Appendix C to this Official Statement. Certain legal matters will be passed upon for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, and for the Authority by its counsel, Aaronson Dickerson Cohn & Lanzone, California.

LITIGATION

To the best knowledge of the Authority there is no action, suit or proceeding known to be pending or threatened restraining or enjoining the execution or delivery of the Series 2019 Bonds, the Indenture or any other document relating to the Series 2019 Bonds, or in any way contesting or affecting the validity of the foregoing.

RATINGS

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Services ("Moody's") have assigned the Series 2019 Bonds ratings of "___" and "___" respectively. Such ratings reflect only the view of such organizations and an explanation of the significance of such ratings may be obtained only from the respective rating agency. There is no assurance that such ratings will continue for any given period of time or that any or all of such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of either or both such ratings may have an adverse effect on the market price of the Series 2019 Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C., the Verification Agent, will verify, from the information provided to them, the mathematical accuracy of the computations contained in the provided schedules to determine that the amounts to be held in the Escrow Funds, will be sufficient to pay the principal and redemption price of and interest on the Refunded Bonds on September 1, 2019.

FINANCIAL STATEMENTS

The audited financial statements of the Authority set forth in Appendix A in the Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018 have been examined by Maze Associates, independent certified public accountants, for the periods indicated and to the extent set forth in their report thereon and should be read in their entirety. Maze Associates has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Maze Associates with respect to any event subsequent to the date of its report, which is October 19, 2018. The audited financial statements of the Authority are prepared on the basis of the Authority's fiscal year, which ends June 30. As described herein, compliance with the Rate Covenant and other aspects of the Indenture are determined on a calendar year basis.

UNDERWRITING

The Series 2019 Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2019 Bonds at a purchase price of \$_____ (representing the principal amount of the Series 2019 Bonds, plus an original issue premium of \$_____ less an underwriter's discount of \$_____). The purchase contract relating to the Series 2019 Bonds provides that the Underwriter will purchase all of the Series 2019 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell the Series 2019 Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriter.

MUNICIPAL ADVISOR

KNN Public Finance LLC has served as Municipal Advisor to the Authority. The fee of the financial advisor is contingent upon the successful sale and delivery of the Series 2019 Bonds.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of Owners and beneficial owners of the Series 2019 Bonds to provide certain financial information and operating data relating to the Authority by not later than

May 1st of each year (the “Annual Report”), commencing with the Annual Report for Fiscal Year 2018-19, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of events will be filed by the Authority with the Municipal Securities Information Repository through its EMMA system. The specific information to be contained in the Annual Report and the events which may require notice are included in APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). In the last five years, the Authority’s annual audit for Fiscal Year 2016-17 was filed 30 days late, and the Authority did not file a notice of late filing in connection with such delay.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the Series 2019 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

SOUTH BAYSIDE WASTE MANAGEMENT
AUTHORITY

By: _____
Executive Director

APPENDIX A
AUDITED FINANCIAL REPORT FOR THE AUTHORITY FOR THE FISCAL YEAR ENDING
JUNE 30, 2018

APPENDIX B
SUMMARY OF THE INDENTURE

APPENDIX C
PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

APPENDIX D
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX E

BOOK ENTRY SYSTEM

The information in this Appendix concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book entry system has been obtained from DTC and neither the Authority nor the Underwriter take any responsibility for the completeness or accuracy thereof. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The information in this section regarding DTC and its book-entry system has been obtained from DTC’s website, for use in securities offering documents, and the Authority and the Underwriter take no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2019 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2019 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2018 Bond documents. For example, Beneficial Owners of Series 2019 Bonds may wish to ascertain that the nominee holding the Series 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Series 2019 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2019 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2019 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2019 Bonds will be printed and delivered to DTC.

The information in this Appendix E concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Underwriter believe to be reliable, but the Authority and the Underwriter do not take any responsibility for the accuracy thereof.

