



**In the Matter of the  
Salinas Valley Solid Waste Authority  
Series 2013 Revenue Bonds and  
the County's Notices of Withdrawal**

**November 5, 2013  
Board of Supervisors**

# Recommendation

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- Receive staff presentation
- Open public hearing
  - IRC Code section 147(f) (TEFRA)
  - Cal. Govt. Code section 6586.5(2) (bond pooling)
- Receive public testimony
- Close hearing
- Consider options



# Intent of presentation

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Full Transparency

Comprehensive Background



# Purpose of hearing

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- County previously filed Notices of Intent to withdraw from the SVSWA and Waste Delivery Agreement**
  - **Growing disparity in rates**
- SVSWA has requested County to rescind the notices and approve a new series of revenue bonds to refinance existing debt**



# Background

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## SVSWA formed in late 1996

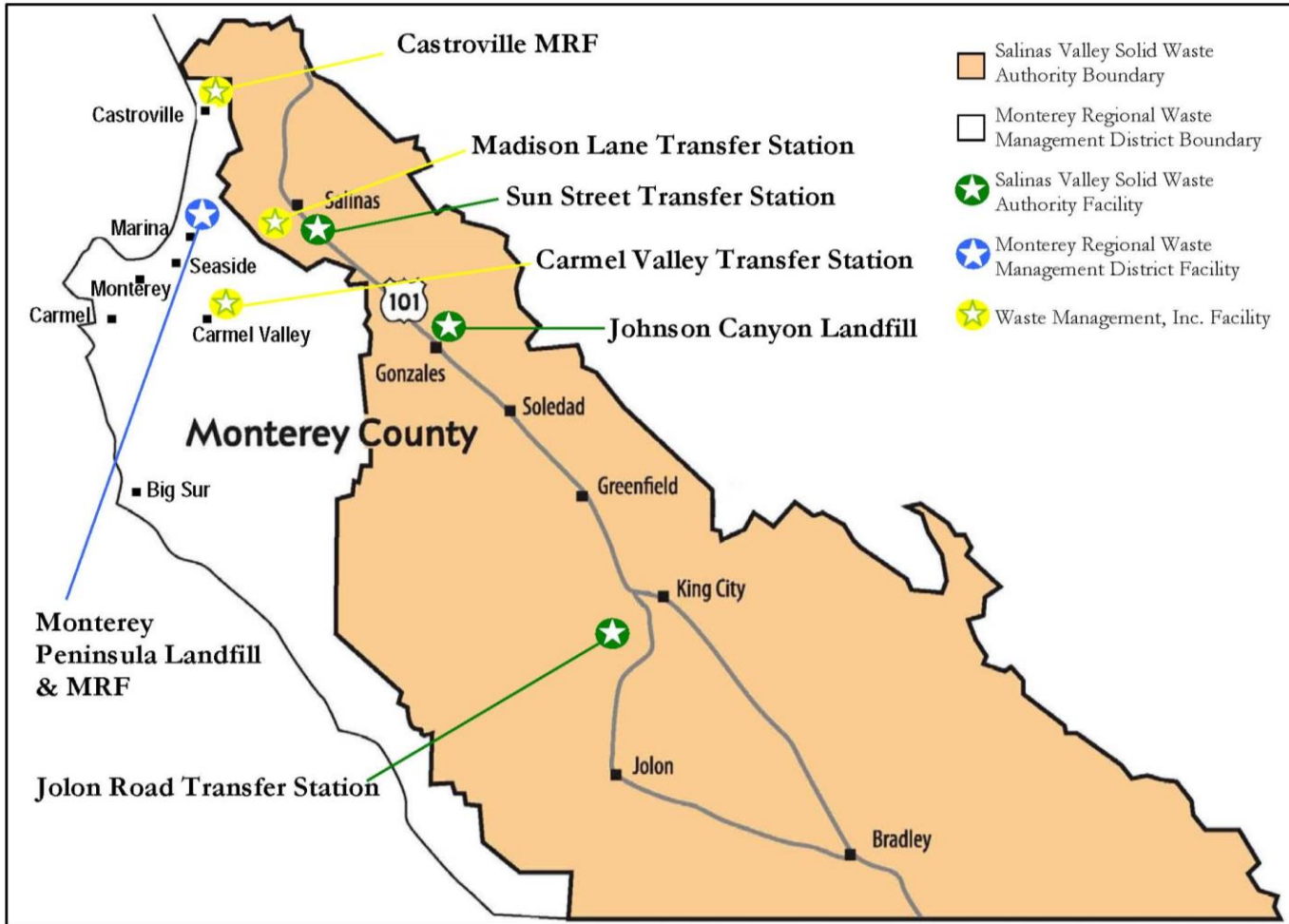
- **County and Cities of Salinas, Soledad, Gonzales, Greenfield and King City**

## 9 member board

- **Salinas – 3**
- **County – 2**
- **Other cities – 1 each (4 total)**
- **5 votes to do business – 1 must be a Salinas vote**



# SVSWA and MRWMD JPA Boundaries



*"Map not to scale \*\*\* Locations are approximate*

*Map partially provided by the Salinas Valley Solid Waste Authority*

# Background (cont.)

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## □ Purpose of SVSWA:

- **Acquire and manage landfill assets of members**
- **Ensure long-term capacity for region**
- **Provide unified and coordinated system including**
  - **Efficient planning and development**
  - **Cost-effective solid waste management services**
- **Demonstrate and facilitate efficient and cost-effective strategies for handling waste**
  - **Source reduction, recycling goals, composting, markets for recycled products, recycling industries**



# Background (cont.)

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## □ 1997 Crazy Horse Installment Purchase Agreement (IPA)

- Purchased Crazy Horse landfill from Salinas
- \$8 million note payable over 30 years (2027) at 7.91% interest
- Approx. \$700,000 per year





# Background (cont.)

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## □ 1997 Waste Delivery Agreements

- Designed to ensure flow control
- Provide sufficient revenue to pay debt service
- Authority covenanted to “exercise all reasonable efforts to minimize the costs” of providing service



# Background

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## □ 1997 bonds

- \$9,060,000
- 30 yr. tax-exempt bonds
- Rates significantly lower than IPA
- Proceeds used to fund various projects



# Background (cont.)

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## □ 1997 bonds (cont.)

- **SVSWA rates predicted to be competitive**
  - SVSWA - \$39/ton going to \$40 (equalized) in 2000
  - MRWMD - \$39/ton
- **Master Indenture**
  - Covenant to insure competitive tipping fees



# Background (cont.)

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## □ 2002 bonds

- **\$39,850,000**
- **Final maturity in 2031 (30 years)**
- **Refund \$8.6 million remaining 1997 bonds**
- **Pay Salinas \$3.4 million on IPA**
- **Fund various capital projects**
- **Covenant for competitive rates**
  - **Projected competitive rates going forward**



# Background (cont.)

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## □ County Notices of Intent

- **Delivered in July of 2012**
- **1-year waiting period over**
  - **County may now make decision on withdrawal**
- **“Adequate provision” for the payment of debt**
  - **Dispute**



# Background (cont.)

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## □ 2013 bonds

- Use of funds

- All proceeds of 2002 bonds spent

- ✓ Refinance 2002 bonds (non-taxable)

- \$32 million balance

- ✓ Refinance Salinas IPA (taxable)

- \$3.3 million payout to Salinas

- Could achieve significant savings over life

- ✓ No commitment on use of savings



# Background (cont.)

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## □ 2013 bonds (cont.)

- Indenture contains competitive rate covenant
- POS discusses effect of non-competitive rates
  - Incentive for members to withdraw
- POS discusses effect of withdrawal
  - Will be met with litigation
  - Could have “material adverse impact” on finances and bonds



# Current status

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## ❑ Waste delivery is dropping

- **Current forecast significantly less than that forecast in 2002**
  - **Only 166,500 tons forecast for FY 2014/15 going forward**
    - ✓ Compare to 276,800 tons forecast in 2002
    - ✓ Impact in future years more significant
  - **Impacts Net Revenues available for debt service**
- **Loss of out-of-County waste**





# Current Status (cont.)

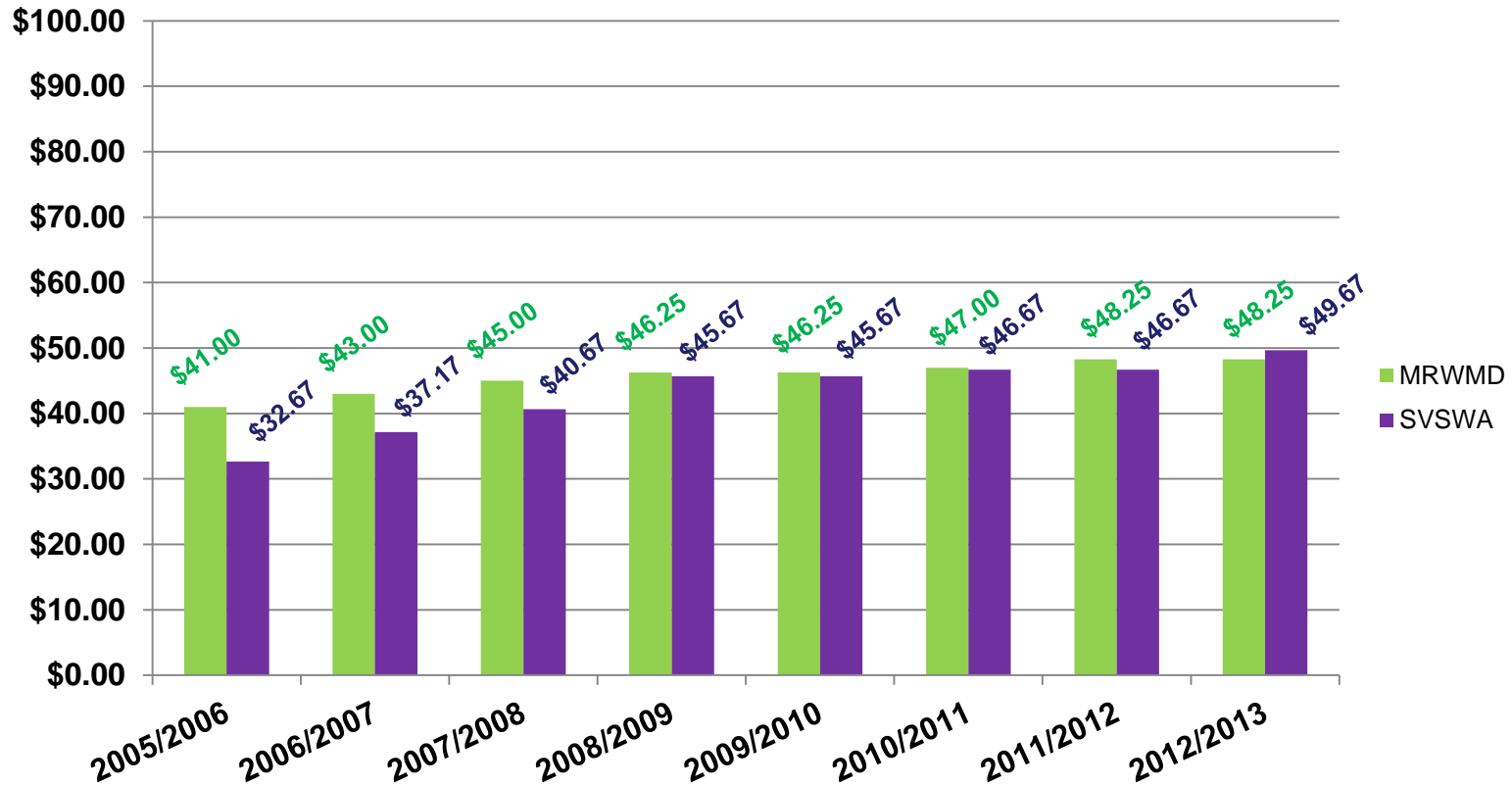
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- ❑ **Projected disparity in rates between SVSWA and MRWMD**
  - **SVSWA rates growing faster than MRWMD**
  - **Base case not including County long term liabilities (closure and post-closure costs approx. \$17/ton)**



# SVSWA and MRWMD Disposal Rate

## History (without \$17.33 <sup>(1)</sup> per ton LTL built into the disposal rate)



1 April 30, 2013 Monterey County Board of Supervisors and SVSWA Board of Directors Joint Meeting, SVSWA PP Presentation slide #9

MRWMD disposal rate changes go into effect on January 1<sup>st</sup>

SVSWA disposal rate changes go into effect on July 1<sup>st</sup>

# SVSWA<sup>(1)</sup> and MRWMD<sup>(2)</sup> Projected Disposal Rate

## Changes (without \$17.33<sup>(3)</sup> per ton LTL built into the disposal rate)



FY13-14: \$12/ton increase

FY14-15: \$1/ton decrease

FY15-16: \$14.07/ ton increase

FY16-17: \$12.00/ ton increase

FY17-18: \$2/ton increase

FY18-19: \$2/ton increase

To fund operations (\$1.7 million). Eliminates use of Recology revenue for operations Rate increase to City of Salinas ONLY. Small decrease to for all other SVSWA member agencies

To fund the operational costs of the Autoclave. Includes CPI

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Projected CPI increase ONLY

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1 February 21, 2013 SVSWA Board meeting Agenda item #10 and March 21, 2013 SVSWA Board Meeting Agenda Item #9, and April 2, 2013 Meeting between SVSWA and EHB staff

2 February 8, 2013 MRWMD Presentation to City Managers of Monterey County

3 \* April 30, 2013 Monterey County Board of Supervisors and SVSWA Board of Directors Joint Meeting, SVSWA PP Presentation slide #9

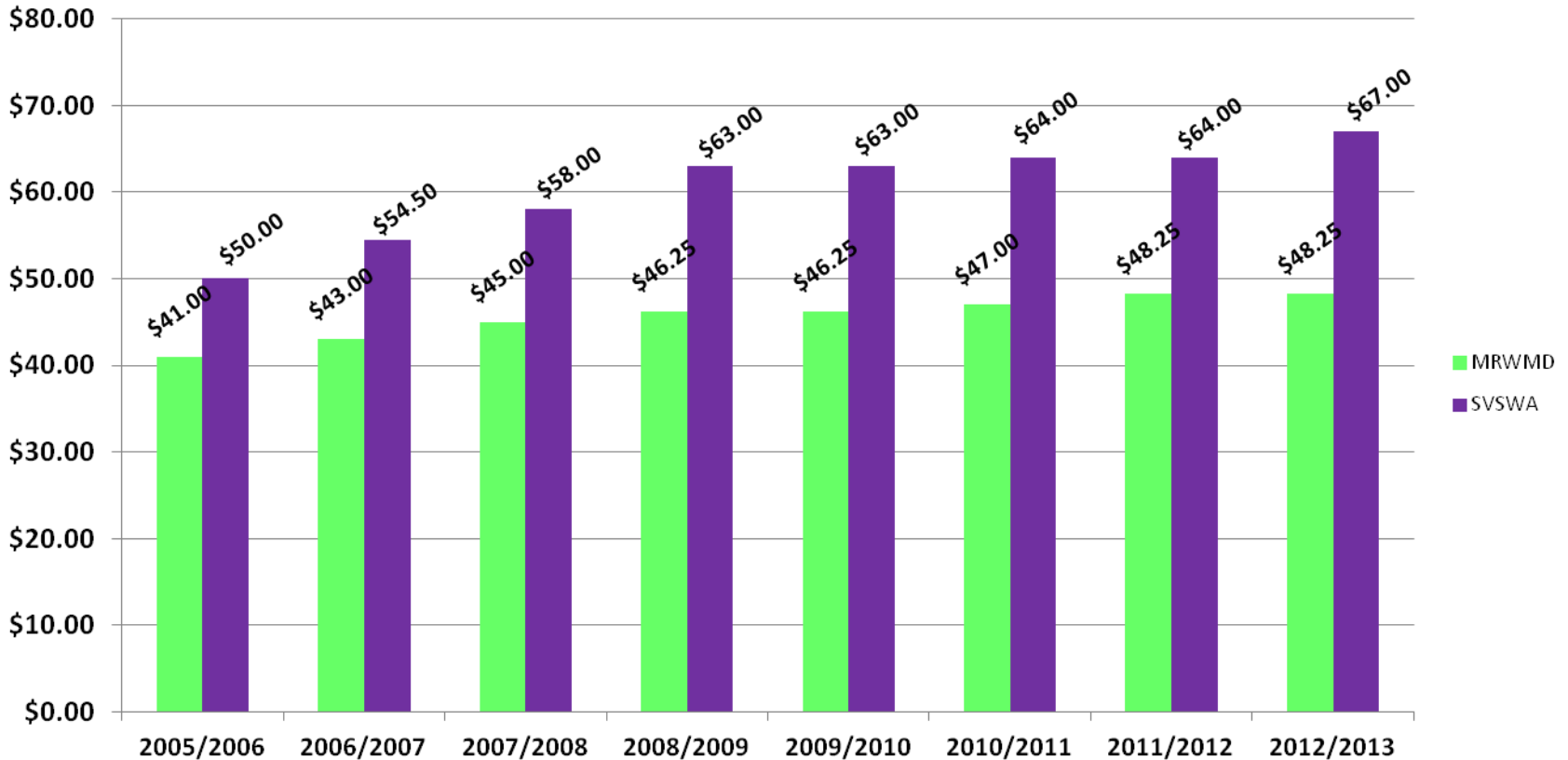
# Current status (cont.)

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- County long term liability for SVSWA facilities should decline if no longer transporting waste to SVSWA facilities**
- Rate disparity even greater when considering long term liability of remaining members of SVSWA and those of MRWMD**



# SVSWA and MRWMD Disposal Rate History

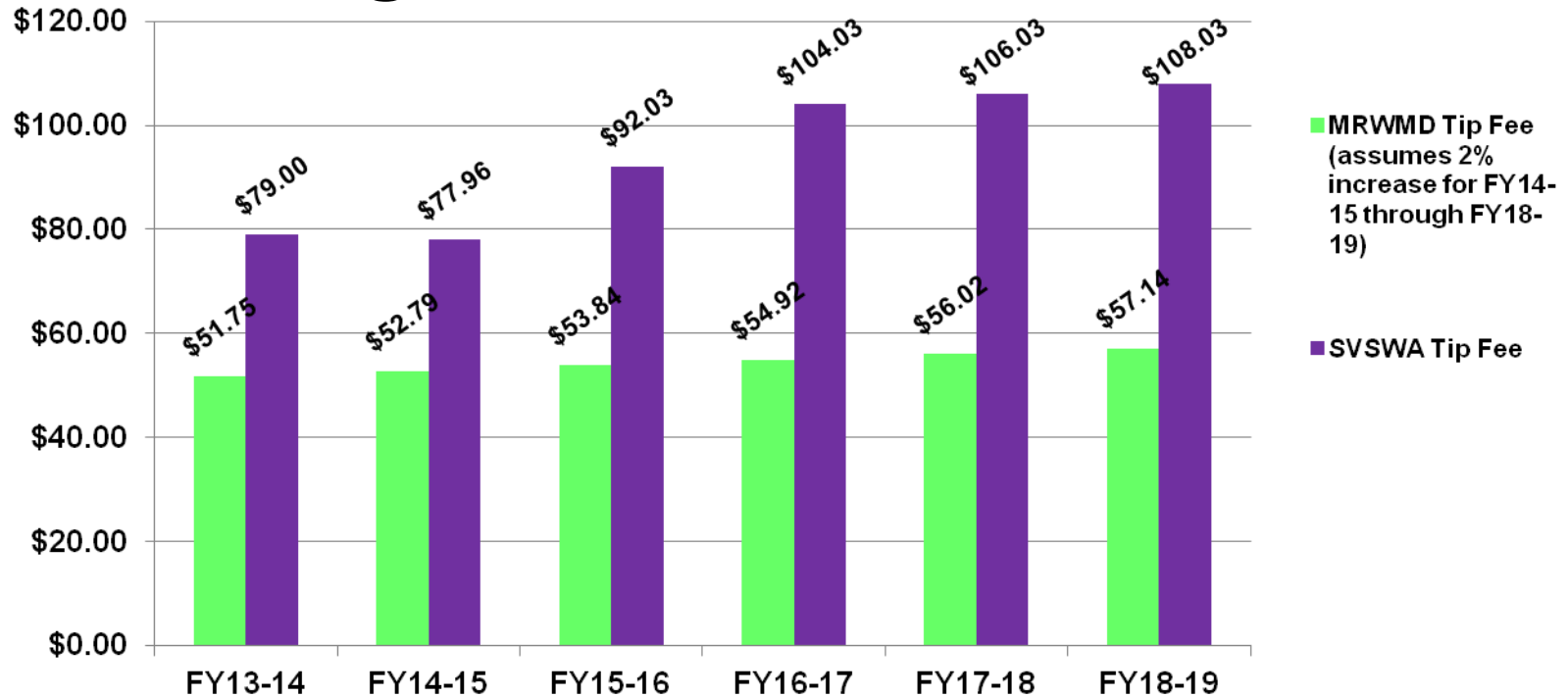


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SVSWA disposal rate changes go into effect on July 1<sup>st</sup>

# SVSWA<sup>(1)</sup> and MRWMD<sup>(2)</sup> Projected Disposal

## Rate Changes



FY13-14: \$12/ton increase

To fund operations (\$1.7 million). Eliminates use of Recology revenue for operations

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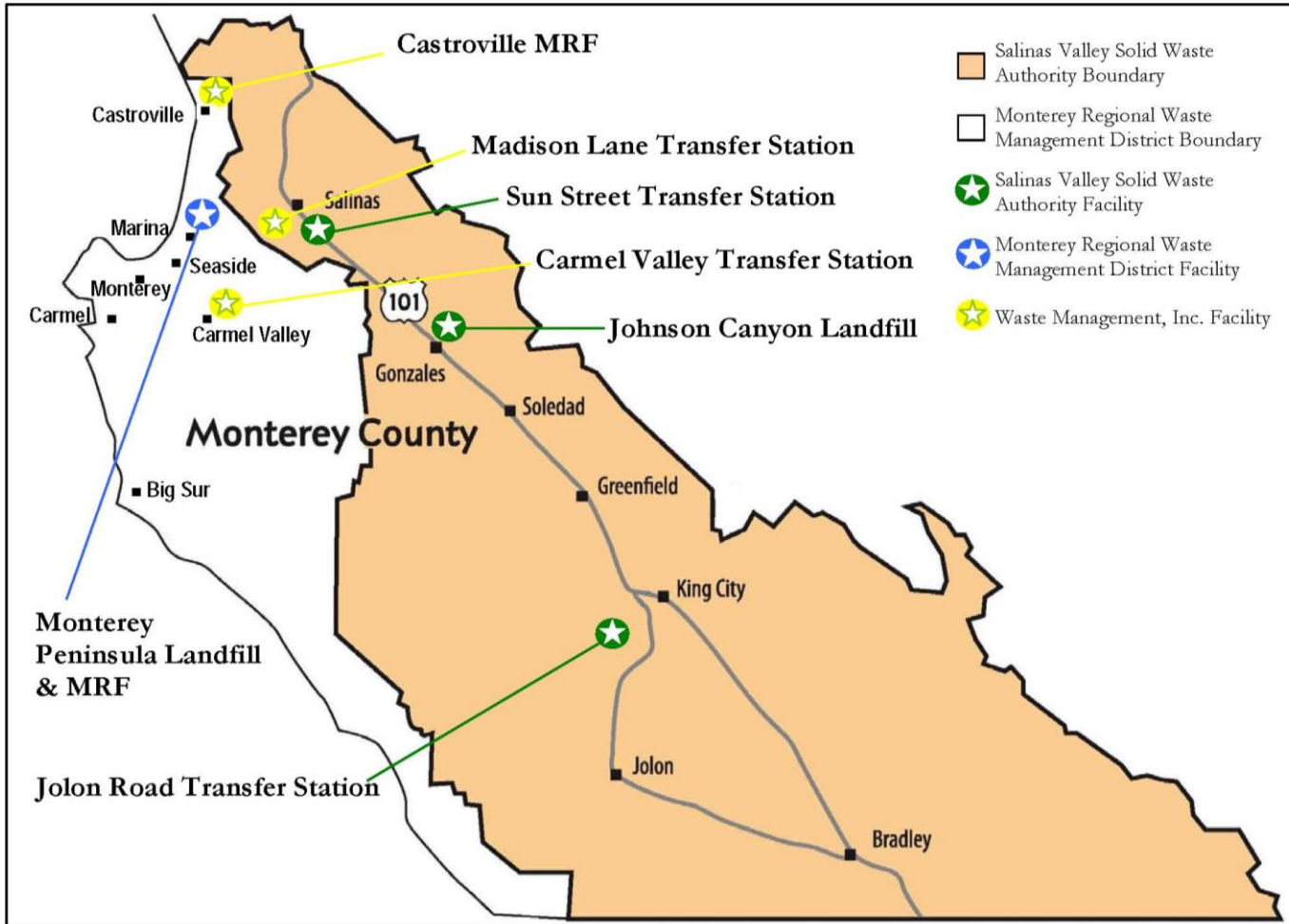
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# SVSWA and MRWMD JPA Boundaries



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# Options

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- SVSWA may not issue bonds without County approval**
- County is under no obligation to approve the issuance of bonds**





# Options (cont.)

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## a ) Rescind Notices of Intent and approve bonds with conditions

- No rate increase or new rate imposition until 6/30/2015 without County representative approval
  - Except for unforeseen exigent circumstances
- Participate and help fund Regional Study
- No Autoclave or other experimental or developmental technology without County representative approval
- May always pursue withdrawal in future



# Options (cont.)

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- b) Rescind Notices of Intent but not approve 2013 bonds.**
  - **County stays a member of SVSWA**
  - **Salinas does not get pay out for IPA**
  - **SVSWA does not get benefit of refinance**
  - **May pursue withdrawal in future**



# Options (cont.)

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- c) Not rescind notices but approve 2013 bonds**
  - **SVSWA may get benefit of refinance and Salinas gets pay out**
  - **County to negotiate with MRWMD for long term rate sufficient to make pay out to SVSWA**
  - **County to negotiate franchise amendment with Waste Management for hauling of waste to Marina**
  - **Would stabilize rates in unincorporated area**



# Options (cont.)

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- d) Not rescind notices and not approve 2013 bonds**
  - **SVSWA does not receive benefit of refinance**
  - **Salinas does not get pay out**
  - **County to negotiate rate with MRWMD and Waste Management**
  - **Would stabilize rates in unincorporated area**



# Conclusion

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- SVSWA formed to provide cost effective waste management solutions for the region**
  
- Growing rate disparity between SVSWA and MRWMD rates**
  - **Created incentive for County to leave**
  
- SVSWA obligations**
  - **Covenant to maintain competitive tipping fees**
  - **Covenant to minimize cost of service**



# Conclusion (cont.)

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## □ Attachment D – Resolution implementing Option a

- Revised

- No increase in rates without County representatives approval unless unforeseen exigent circumstances
- Clarified effected date of rate increase (July 1, 2013)
- No expenditures on autoclave or other experimental or developmental technologies including siting or planning without County representatives approval



# Conclusion (cont.)

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- Attachment E – Resolution for Option b**
- Attachment F – Resolution for Option c**
- Attachment G – Resolution for Option d**



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# QUESTIONS

