



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 13-1163, **Version:** 1

In the Matter of the Salinas Valley Solid Waste Authority Revenue Bonds, Series 2013, and the County's Notices of Intent to Withdraw from the Authority and the related Waste Delivery Agreement. (ADDED VIA ADDENDUM)

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Conduct a public hearing pursuant to Internal Revenue Code section 147 (f) and California Government Code section 6586.5, and consider whether to:

- a) Rescind the Notices of Intent to withdraw from the Salinas Valley Solid Waste Authority ("Authority") and the related Waste Delivery Agreement (the "Notices of Intent"), and approve the Authority's proposed Series 2013 Revenue Bonds with conditions;
- b) Rescind the Notices of Intent but not approve the Authority's proposed Series 2013 Revenue Bonds;
- c) Not rescind the Notices of Intent but approve the Authority's proposed Series 2013 Revenue Bonds, and instruct staff to return in December of 2013, with a date certain for withdrawal from the Authority and other necessary actions; or
- d) Not rescind the Notices of Intent, not approve the Series 2013 Revenue Bonds, and instruct staff to return in December of 2013, with a date certain for withdrawal from the Authority and other necessary actions.

SUMMARY:

The County is a member of the Authority, which was formed pursuant to a Joint Powers Agreement ("JPA"), along with the cities in the Salinas Valley, and a party to a related Waste Delivery Agreement that requires all waste collected in the unincorporated area within the Authority's boundaries to be delivered to the Authority's facilities at Johnson Canyon.

In July of 2012 the County delivered to the Authority the Notices of Intent, which are required to be delivered one-year in advance of a withdrawal from the Authority and the Waste Delivery Agreement. A reason for the County's delivery of the Notices of Intent is the growing disparity in the rates charged by the Authority for the disposal of waste at its facilities, and those charged by the Monterey Regional Waste Management District (the "District") for disposal at its landfill in Marina ("Marina Landfill"). Withdrawing from the Authority and the Waste Delivery Agreement, and delivery of waste to the Marina Landfill with its more competitive rates for waste disposal, would result in the stabilization of rates in the unincorporated area.

While a disagreement exists between the County and the Authority with respect to the County's ability to withdraw under present circumstances, the Authority has requested that the County rescind the Notices of Intent and approve the issuance of bonds to refinance the remaining balances on revenue bonds issued in 2002 and on an Installment Purchase Agreement ("IPA") between the Authority and the City of Salinas for the purchase of the Crazy Horse Landfill.

The Board of Supervisors has several options, outlined above, regarding this matter. Irrespective of whether the County withdraws from the Authority and the Waste Delivery Agreement, the Authority cannot issue new

bonds to refinance the 2002 bonds and prepay the IPA without the approval of the County.

DISCUSSION:

The following is a summary only; for a more detailed narrative on the history of the Authority, its finances, and the options for Board consideration please see Attachment A - Detailed Discussion.

The Authority was formed in late 1996 to provide efficient and cost-effective solid waste management services, including acquiring and managing the landfill assets of each member jurisdiction to ensure longer-term landfill capacity for the region, and the implementation of diversion programs to ensure compliance with AB939 requirements.

In 1997, the Authority executed the IPA in the amount of \$8,000,000, and bearing an interest rate of 7.91% per annum, for the acquisition of the Crazy Horse Landfill. Also in 1997, the Authority issued \$9,060,000 in tax-exempt Revenue Bonds. The bond proceeds and other Authority funding sources were used for a variety of projects including development of landfill capacity at the Johnson Canyon Landfill, and lines and a gas collection system and flare at the Crazy Horse Landfill. Prior to the issuance of the 1997 bonds, the County entered into the Waste Delivery Agreement for the purpose of ensuring that all solid waste controlled by the County within the jurisdictional boundaries of the Authority would be delivered to its facilities, thus ensuring a certain level of revenue to the Authority.

In 2002, the Authority and County approved the issuance of \$39,845,000 in new Revenue Bonds. The bond proceeds and funds from other sources were intended to refinance the 1997 bonds, make a partial payment to the City of Salinas on the IPA, invest in various capital projects which included the King City and Salinas Transfer Stations, as well as projects related to the Johnson Canyon, Lewis Road, and Jolon Road landfills.

As mentioned above, the County has been concerned about the growing disparity that exists between the basic tipping fees for waste disposal in the District and Authority (see Attachment B - Authority and District Tipping Fee History). According to the Authority, its rates are higher for two major reasons: 1) a large debt of more than \$37 million which was used to purchase and repair the Crazy Horse Landfill, repair the two old landfills it inherited from the County (Lewis Road and Jolon Road), and develop landfill capacity at the Johnson Canyon Landfill, the main revenue-generating facility the Authority acquired from the County; and, 2) the Authority provides transfer station services that reduce landfill traffic.

Staff believes there are inefficiencies in the way waste is transported within the County due to the arbitrary boundaries and flow control restrictions of the District and Authority. At the same time, the Authority is pursuing a multi-million dollar strategic plan, which includes the relocation of the Sun Street Transfer Station to an alternate location, and the construction of a facility for the operation of a commercial autoclave at a cost of approximately \$12 million. These projects will further impact the tipping fees charged by the Authority (see Attachment C - Authority and District Tipping Fee Projections).

The growing concern regarding the impact that the Authority's projected tipping fee increase would have on solid waste collection rates led the County to explore other options. A feasibility study conducted in 2010 concluded that, in order to re-direct all or some of the waste generated in the eastern portion of the county, the County would need to withdraw from the Authority and the Waste Delivery Agreement.

In July of 2012, the Board of Supervisors delivered to the Authority the Notices of Intent, consistent with the terms of the JPA and Waste Delivery Agreement. The Authority has informed the County of its intent to issue new revenue bonds primarily to refund the 2002 bonds and prepay to the City of Salinas the balance of the IPA,

all at purportedly lower interest rates resulting in savings to the Authority. The Authority has requested that the Board of Supervisors approve the new financing, reaffirm the Waste Delivery Agreement, and rescind its Notices of Intent. Four options for the Board's consideration are listed above. Draft Resolutions to implement each of the respective options are enclosed as Attachments D - G.

OTHER AGENCY INVOLVEMENT:

The County Counsel's office has reviewed the Board Report and associated documents.

FINANCING:

There would be no General Fund Contribution resulting from this Board action; any payment necessary for withdrawal from the Authority and the Waste Delivery Agreement could be financed through a special fund consisting of fees received from the County's franchise waste hauler.

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Attachment A: Detailed discussion
Attachment B: History of Authority and District Tipping Fees
Attachment C: Authority and District Tipping Fee Projections
Attachment D: Draft Resolution and Amendment to Waste Delivery Agreement (option a)
Attachment E: Draft Resolution (option b)
Attachment F: Draft Resolution (option c)
Attachment G: Draft Resolution (option d)