



County of Monterey

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

Board Report

File #: 14-562, **Version:** 1

- a. Conduct a public hearing pursuant to California Government Code Section 6584 et seq to approve and authorize the Salinas Valley Solid Waste Authority (SVSWA) to enter into an Equipment Lease/Purchase Financing Agreement with Capital One Public Funding, to provide for the purchase of new/used landfill equipment in an amount not to exceed \$3,670,000;
- b. Adopt a Resolution finding that the SVSWA's proposed Equipment Lease/Purchase Financing Agreement for the purchase of new/used landfill equipment will result in significant public benefits pursuant to California Government Code Section 6586.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Conduct a public hearing pursuant to California Government Code Section 6584 et seq to approve and authorize the Salinas Valley Solid Waste Authority (SVSWA) to enter into an Equipment Lease/Purchase Financing Agreement with Capital One Public Funding, to provide for the purchase of new/used landfill equipment in an amount not to exceed \$3,670,000;
- b. Adopt a Resolution finding that the SVSWA's proposed Equipment Lease/Purchase Financing Agreement for the purchase of new/used landfill equipment will result in significant public benefits pursuant to California Government Code Section 6586.

SUMMARY:

In 1996, the City of Salinas, the City of Gonzales, the City of Greenfield, the City of King, the City of Soledad, and the County of Monterey created the Salinas Valley Solid Waste Authority, a Joint Powers Agency (JPA) to provide for efficient and cost-effective solid waste management services, including acquiring and managing the landfill assets of each jurisdiction to ensure longer-term landfill capacity for the region and the implementation of diversion programs to ensure compliance with Assembly Bill 939 (AB 939, enacted in 1989) known as the Integrated Waste Management Act. AB 939 was passed in 1989 because of the increase in waste stream and the decrease in landfill capacity. AB 939 mandates a reduction of waste being disposed and established an integrated framework for program implementation, solid waste planning, and solid waste facility and landfill compliance.

As part of its effort to increase efficiency and reduce costs, the Salinas Valley Solid Waste Authority (SVSWA) has concluded that taking over the operation of the Johnson Canyon Landfill will be more cost-effective. Therefore, SVSWA has decided to discontinue outsourcing the operation of the Johnson Canyon Landfill. SVSWA estimates a savings of \$476,000 per year by taking over the operation of the Johnson Canyon Landfill, compared to the proposals received from landfill operators. The current agreement with Recology Waste Solutions (formerly known as Norcal Waste Systems) for the operation of the Johnson Canyon Landfill is set to expire on December 31, 2014. Pursuant to California Government Code Section 6586, the Director of Health recommends that the Board conduct a public hearing to approve and authorize SVSWA to enter into an Equipment Lease/Purchase Financing Agreement with Capital One Public Funding and adopt a Resolution finding that the SVSWA's proposed Equipment Lease/Purchase Financing Agreement for the purchase of new/used landfill equipment will result in significant public benefits.

DISCUSSION:

Currently, the SVSWA has an agreement with Recology Waste Solutions for the operation of the Johnson Canyon Landfill. This agreement is set to expire on December 31, 2014. In October of 2013, the SVSWA released a Request for Proposals (RFP) for operation of the Johnson Canyon Landfill and received proposals from Recology Waste Solutions (the current contractor) and Waste Connections. At its February 20, 2014 Board Meeting, the SVSWA Board unanimously approved the SVSWA's staff's proposal to assume responsibility for the operation of the Johnson Canyon Landfill starting January 1, 2015. SVSWA estimates a savings of \$476,000 per year from assuming responsibility for the operation of the Johnson Canyon Landfill, compared to the proposals received from the two (2) landfill operators.

In preparation to assume responsibility for the operation of the Johnson Canyon Landfill, on March 20, 2014, the SVSWA authorized the purchase of \$3,617,692 in landfill equipment (hereafter, "capital improvements" or "project") for the Johnson Canyon Landfill contingent upon County Board of Supervisors' (hereafter sometimes referred to as "local agency") approval. On May 15, 2014, the SVSWA Board authorized and directed its General Manager/CAO to execute the Equipment Lease/Purchase Agreement with Capital One Public Funding in an amount not to exceed \$3,670,000.

In December of 2013, the SVSWA Board adopted a resolution committing to the County that it would not increase its rates until July 1, 2015, absent exigent circumstances. According to the SVSWA staff, the projected \$476,000 annual savings from assuming responsibility for operation of the Johnson Canyon Landfill will allow the SVSWA to honor its commitment to the County.

Financing the equipment the SVSWA intends to acquire is subject to The Marks-Roos Local Bond Pooling Act of 1985 (California Government Code Section 6584 et seq) which requires that a public hearing be conducted before the local agency where the equipment will be located. Because the equipment will be located at the Johnson Canyon Landfill, the Board of Supervisors is required to; (1) conduct a public hearing and (2) approve the financing of said capital improvements and (3) find that the proposed financing for the subject project will result in "significant public benefits" (Government Code Section 6586.5 (a)(2)).

California Government Code Section 6586 defines "significant public benefits" as any of the following benefits to citizens of the local agency:

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

Should the Board not approve the financing and make the requisite public benefit finding, the SVSWA will proceed to acquire the equipment through individual equipment leasing, the cost of which SVSWA's consultant projects will be significantly more expensive.

OTHER AGENCY INVOLVEMENT:

The SVSWA Board of Directors has approved the proposed financing, subject to the Monterey County Board of Supervisors' approval, and supports this action. All attachments are on file with the Clerk of the Board. Attachment A: Proposed Resolution on file with the Clerk of the Board; Attachment B: SVSWA Resolution No. 2014-10 dated March 20, 2014 on file with the Clerk of the Board; Attachment C: STIFEL Letter dated May 8, 2014 on file with the Clerk of the Board; Attachment D: SVSWA Resolution No. 2014-18 dated May 15, 2014

on file with the Clerk of the Board; Attachment E: SVSWA letter requesting public notice dated May 16, 2014 on file with the Clerk of the Board; Attachment F: Taxable Equipment Lease Purchase Agreement on file with the Clerk of the Board; Attachment G: Notice of Public Hearing on file with the Clerk of the Board

FINANCING:

There is no General Fund Contribution resulting from this Board action.

Prepared by: Teresa Rios, Management Analyst, 8979

Approved by: Ray Bullick, Director of Health, 4526

Attachments:

Attachment A: Proposed Resolution on file with the Clerk of the Board

Attachment B: SVSWA Resolution No. 2014-10 dated March 20, 2014 on file with the Clerk of the Board

Attachment C: STIFEL Letter dated May 8, 2014 on file with the Clerk of the Board

Attachment D: SVSWA Resolution No. 2014-18 dated May 15, 2014 on file with the Clerk of the Board

Attachment E: SVSWA letter requesting public notice dated May 16, 2014 on file with the Clerk of the Board

Attachment F: Taxable Equipment Lease Purchase Agreement on file with the Clerk of the Board

Attachment G: Notice of Public Hearing on file with the Clerk of the Board