2012 MONTEREY COUNTY CIVIL GRAND JURY

INTERIM FINAL REPORT NO. 5

SALINAS VALLEY SOLID WASTE AUTHORITY

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SUMMARY

The 2012 Monterey County Civil Grand Jury (CGJ) decided to investigate the Salinas Valley Solid Waste Authority (SVSWA) based upon numerous news articles reporting improper public meetings and negative consumer reactions to rate increases on both residential and commercial customers. Also the opposition of the city of Gonzales residents towards SVSWA's proposal of a waste-to-energy plant near Gonzales at the Johnson Canyon Landfill caught our attention. Finally, the CGJ was advised of the possibility of social justice issues regarding the Sun Street Transfer Station (SSTS) in the city of Salinas.

The CGJ found that the financial stability of this agency is questionable. We believe it would be in the best interest of all the citizens of the County if only one waste authority served the entire County. This revised structure would allow for the elimination of duplicate management, would optimize the existing landfill infrastructure and would create a reasonable pathway to eliminate the significant unsightly, and perhaps, unsafe, transferring of residential trash in central Salinas.

Furthermore, we believe one agency would be in a better position to make long range strategic decisions about new trash processing technologies than having competing agencies trying to optimize these decisions.

BACKGROUND

The SVSWA, a Joint Powers Agency, was formed in 1997 to manage the four operating landfills in the Salinas Valley. Three of the landfills were owned by Monterey County, (Lewis Road, Jolon Road, and Johnson Canyon), and one was owned by the City of Salinas (Crazy Horse Canyon). These landfills served the northern and eastern unincorporated Monterey County and the cities of Gonzales, Greenfield, King, Soledad, and Salinas.

The SVSWA's Board of Directors has nine members composed of three members from the Salinas City Council, two members from the Monterey County Board of Supervisors, and one member from each of the city councils of Gonzales, Greenfield, King, and Soledad.

The remaining portion of Monterey County not served by SVSWA is managed by the Monterey Regional Waste Management District (MRWMD). They operate a significant landfill outside the city of Marina.

All four landfills owned by the SVSWA needed improvements to meet new State and Federal regulations. The Authority needed $39.8 million dollars in bonds to improve environmental controls, meet new federal standards for landfill design, expand landfill capacity, and close three of the four landfills. The closings of the three landfills require a long term annual expense of

$3.1 million per year. This money covers the annual liability to monitor the status of the three landfills with regard to possible pollution of the environment outside of the sites. This monitoring is mandated by State and Federal regulations and the typical landfill is required to do this monitoring for at least 30 years after it is officially closed. Also, a certain amount of funding is required each year to cover the possibility of remedial action if the monitoring reveals problems.

The SVSWA established the Conversion Technology Commission (CTC) in 2005. There are four members on the CTC, one council member from each of the city councils of Gonzales, Salinas, Greenfield, and Soledad. The CTC was set up to investigate viable non-combustion technologies and focus on selecting a company that would be responsible for environmental analysis, financing, designing, constructing, and operating the facility.

The CTC spent the next seven (7) years studying and visiting facilities in the State of California, other locations in the US and Canada, and Asia. The CTC spent approximately $1.5 million to learn about these new conversion technologies that were intended to replace landfills. The CTC eventually focused on gasification and how it can convert trash to a fuel known as "syngas" that can be used to generate electricity.

In 2005, SVSWA purchased six acres of property on Sun St., in the heart of Salinas for $3.73 million and spent another $650 thousand on site improvements. This site was set up due to the pending closure of the Crazy Horse Canyon landfill because it was running out of capacity. With no other convenient landfill for Salinas residents to drop off waste, other than traveling some eighteen miles to Johnson Canyon landfill, there is a need for a drop off location in Salinas. It is important that citizens living in a densely populated urban area are provided a convenient location to drop off waste that they must handle themselves.

In order to offer the residential waste pick-up contractor for greater Salinas, a re-handling site to consolidate its residential waste pick-ups, the SVSWA allows all residential waste to come to the SSTS and be dumped on the ground. This waste is then reloaded into larger vehicles for the eighteen mile drive to Johnson Canyon. This limits the number of trips for large vehicles going from the Salinas area to Johnson Canyon each working day.

The SSTS is also a hazardous waste drop-off site, a material recovery center, and operates a recyclables area.

This site is scheduled to become part of a new city of Salinas redevelopment project. Therefore, the SVSWA is now looking at a new transfer site to replace SSTS located not far away on Work Street in Salinas.

INVESTIGATIVE METHODOLOGY

The 2012 CGJ interviewed numerous persons familiar with SVSWA. Those interviewed were three members of the nine member Board, two Mayors, a County Health Department Official, and the General Managers of SVSWA and MRWMD. Two members of the CGJ attended SVSWA's public meeting on a proposed rate increase. Various documents reviewed included 2002-12 minutes of meetings, and the 2011-15 budgets of SVSWA. Also examined were past minutes, 2012-13 budget, and the 2010-11 Annual Report of MRWMD.

Site visits were included in the investigation. The CGJ visited SVSWA's SSTS and Johnson Canyon Landfill (JCL) along with the new proposed waste transfer site that is intended to replace SSTS. We visited the MRWMD to get a perspective of how other waste facilities operate.

The CGJ referenced a number of articles through web sites including, but not limited to, sites on SVSWA, MRWMD and Plasco Energy Group.

The CGJ reviewed many newspaper articles on SVSWA, including the Salinas Californian, the Monterey Herald, and the Monterey County Weekly. These articles covered SVSWA's rate increase proposal, the protests of Gonzales residents on the Plasco waste-to-energy project proposed for Johnson Canyon Landfill, and public information meetings explaining reasons for rate hikes.

FACTS RELEVANT TO THE INVESTIGATION

In 1997, the SVSWA formed contract agreement No. A-07261. In the Agreement, it stated on line No. 19 – Term and Withdrawal: (a) A Party to the Agreement may not withdraw from the Authority for a period of 15 years after the execution of this Agreement.

In 2002 the SVSWA issued $39.8 million in bonds to raise money for unexpected expenses arising from closures of landfills and environmental obligations.

In 2005, the SVSWA set a goal of 75% diversion by 2015 based on California state law (AB-939) 50% yearly rate.

In 2007, SVSWA took over the operations of SSTS.

SSTS is limited to receiving 400 tons of waste at the site on a daily basis. All waste generated daily by the pick-up contractors above the 400 ton limit is diverted to a waste re-handling site operated by Waste Management, a public company, at its site on Madison Lane in Salinas.

In 2005, SVSWA formed the CTC to explore non-combustion technologies. The four member Commission visited both aerobic and anaerobic composting facilities materials recovery facilities, the UC Davis Bio digester, ATG Autoclave units in Shakopee, Min., CR3 Autoclave demo in Reno NV, Crow's Landing Covanta's Plant, gasification plants in California and Japan, and a plasma arc gasification facility in Canada.

The CTC, after years of research, conferences, and discussion narrowed their choices for a non-combustion based technology diversion program to two top vendors, Plasco and Urbaser S.A.

In 2010, the CTC, recommended to SVSWA that Plasco Energy of Ottawa, Canada be the desired bidder. The SVSWA approved Plasco over other gasification vendors largely because of the Ottawa's-based company's lower price point, attributed to the higher rates Plasco could get with Renewable Portfolio Standard (RPS) certification. This pre-certification was granted to Plasco in 2010. In 2011, the SVSWA held numerous public meetings and used media advertising for the proposed Plasco project at the Johnson Canyon landfill. The SVSWA concentrated their public outreach programs in Gonzales. The meetings were designed to educate the citizens of Gonzales about SVSWA's goals of a future without landfills by using this new conversion technology. There was a negative reaction to this new technology by the residents of Gonzales. At this time a bay area environmental group, GreenAction for Health and Environmental Justice, became involved in the process.

In June 2012 Cal Recycle reversed its' position and withdrew its' RPS certification of Plasco's technology. Without the RPS certification, Plasco is unable to sell its power at a premium. Without that premium, the project is not economically viable. In October, 2012 Plasco advised the SVSWA that they were withdrawing their proposal for the Johnson Canyon site.

A review of comparable rates charged to residential customers served by the SVSWA and the MRWMD reveal that on average the SVSWA customers are paying higher rates than the MRWMD customers.

In 2012 the SVSWA proposed a rate increase to its customers. Several meetings were held in Salinas and Gonzales on this subject. Much negativity and distrust was evident from the citizens of these communities. This was mostly due to a lack of proper rate information available to both the commercial and residential customers. Separately, in a meeting in Gonzales, there was a shortage of Spanish headsets for the mostly Spanish speaking audience.

The Environmental Health Bureau (EHB) of the Monterey County Health Department staff attends SVSWA meetings each month to be appraised of pending or proposed rate increases or operational changes to determine impacts to county residents within the SVSWA jurisdiction.

It has been noted that there have been many times where a posted (online) agenda item (report to the SVSWA board) creates concern with the EHB staff as the agendized item has no report posted on the SVSWA website. This does not provide the EHB staff the opportunity to know in advance what will be presented or discussed. The EHB, (county), being a member of the SVSWA is concerned by this lack of communication at these SVSWA meetings. The EHB has regulatory responsibilities to respond or comment on items that may impact county residents in the unincorporated areas of the county.

An example of the above occurred on the February 16, 2012 SVSWA's meeting. The agenda regarding the SSTS and a proposed replacement transfer station (Work St.) and a new operation (Autoclave) were unknown to EHB until they attended the meeting. The EHB was not provided any prior information or included in any design or operational discussion which would affect existing or future permits.

The EHB is the Local Enforcement Agency under Cal Recycle of the State of California for all solid waste facilities in Monterey County. The EHB also is the contract administrator for the Unified Franchise Agreement for solid waste hauling services for the unincorporated areas of Monterey County.

The continued budget deficit has caused the SVSWA to use all of its discretionary funds and the use of the Recology South Valley revenues for operations. These funds were meant for the development of landfill capacity. Recology South Valley refers to contractual revenues earned by the SVSWA for handling waste from outside of their service area. This waste is generated in Santa Clara County.

Adding to the recent budget deficits are the reduction in tipping fee revenues. Because of more effective recycling efforts, waste going into the landfill is declining. A tipping fee is what is charged to dump a load of waste delivered to the landfill. For the five years ended June 30, 2011, SVSWA saw a 27% decrease in landfilled waste tonnage.

In 2010-2011, the third largest revenue source for SVSWA was 26,379 tons of waste from Waste Managements' (WM) Madison Lane Transfer Station. Included in this total were 2614 tons of waste received from self-haulers, these are self-haul customers that choose to go to Madison Lane as opposed to Sun St. or Johnson Canyon Landfill.

The leading cause of SVSWA's budgetary problems is the result of its legacy liabilities bond debt which amount to 25% of the budget annually. The 2011-12 budget contains $2,872,519 in legacy liabilities. Legacy liabilities are comprised of post closure maintenance for the three closed landfills (Jolon Road, Lewis Road, and Crazy Horse Canyon) and include debt service (principal and interest) on 54% of the 2002 revenue bonds. That portion of the bonds was spent on corrective action, unfunded repairs, installation of environmental control systems, and unfunded closure costs for the 3 landfills. The 2002 Revenue Bonds will not be paid in full until 2031.

In a letter dated July 13, 2012, Monterey County voted to give SVSWA a one year notice of its intent to withdraw from SVSWA. If the County follows through on this withdrawal it will remove from the control of the SVSWA all customers from the unincorporated areas of the County that are in the present geography of the SVSWA. This will add to the reduction on the volume of trash potentially flowing into Johnson Canyon. Monterey County has been concerned with the direction of SVSWA's finances and the collection and disposal of waste within its jurisdictional boundaries.

Monterey County's two remaining waste facilities are Johnson Canyon landfill, Gonzales and Monterey Regional Waste Management District, Marina. SVSWA's Johnson Canyon landfill has approximately 35 years of landfill life remaining. The MRWMD's is estimated to have 150 years of landfill life remaining. The SVSWA's jurisdiction area covers a population of approximately 284,000; whereas, the MRWMD covers a population of approximately 170,000.

FINDINGS

F1. Because of the SVSWA's debt, it is regularly challenged to balance its annual budget. Raising rates to cover their operating costs have been very difficult to accomplish and will continue to be problematic as waste volumes continue to decline.

F2. From its investigation of both landfills in Monterey County, SVSWA and MRWMD, the CGJ has found that both are on target towards goal of 75% waste diversion by 2020 as per AB341. The reduction of landfill tonnage and the decrease in revenues has forced SVSWA and MRWMD to look at other sources to gain lost income.

F3. Because of Cal Recycle's reversal of the Plasco RPS certification, SVSWA is unable to proceed with its goal of waste-to-energy conversion.

F4. The CGJ found on several occasions SVSWA failed to notify or give proper notice to County EHB of upcoming meetings. The EHB plays an important role in SVSWA's monthly county meetings. The SVSWA's lack of notifying the County's EHB and LEA of meeting agenda prior to meeting could affect the future permit process.

F5. The CGJ has found that Waste Management's Madison Lane Transfer Station accepts solid waste from self-haul customers. These are self-haul customers that prefer to go to this site rather than the SSTS or Johnson Canyon landfill.

F6. The SVSWA's need to use the Recology South Valley revenues to balance its budget has put a strain on future funds for landfill capacity.

F7. The CGJ feels that SVSWA's financial decision making policies affect the well-being of many businesses in its jurisdiction. The SVSWA is not looking out for the citizens of the Salinas Valley and north east Monterey County.

F8. The County's notice to withdraw from the SVSWA will put a financial burden on the remaining members of the SVSWA.

RECOMMENDATIONS

R1. The SVSWA should give proper notice of topics of presentation to County EHB on public meetings so that the public receives correct answers on County questions.

R2. The CGJ recommends that the staff of both SVSWA and MRWMD continue to work on the common area of interest and benefit to address waste in Monterey County to the betterment of its citizens. It is the CGJ's recommendation that a consolidation of the two agencies should occur.

R3. The CGJ recommends shutting down the residential waste re-handling process at SSTS. The CGJ further recommends that SVSWA cease in its desire to replace the SSTS with a site on Work Street. The CGJ feels the Work Street location is not feasible for this site as it is similar to SSTS. The location has two motels, a car lot, agriculture warehouses, and offices within a 1/4-1/2 mile radius. Work Street is also a heavily traveled route to Hwy. 101 north and south exits.

R4. The CGJ recommends that SVSWA cease its funding for research and analysis of any type of conversion technology.

R5. The CGJ recommends that the City of Salinas and unincorporated NE Monterey County utilize the Madison Lane Transfer Station site as a self-haul and Materials Recovery Center.

R6. The CGJ recommends that SVSWA and the City of Salinas work closely with its citizens and businesses by creating an advisory committee to address issues of the recommended closures of SSTS and the utilizing of a facility already in place, Madison Lane Transfer Station.

RESPONSE REQUIRED

Monterey County Board of Supervisors

Findings: F5.,F7.,F8.

Recommendations: R1., R2.,R5.

City of Salinas City Council

Findings: F5.

Recommendations: R3.,R5.,R6.

Salinas Valley Solid Waste Authority Board of Directors

Findings: F1.,F2.,F3.,F4.,F5.,F6.,F7.,F8.

Recommendations: R1.,R2.,R3.,R4.,R5.,R6.

Monterey Regional Waste Management Board of Directors

Findings: F2.

Recommendations: R2.

BIBLIOGRAPHY

Salinas Valley Solid Waste Authority Budget 2012-2013

Salinas Sun St. Transfer Station Annual Report – March 15, 2012

Monterey Regional Waste Management District Annual Report Ending June 2010-2011

Joint Powers Agreement No. A-07261

Minutes of Board of Directors SVSWA reviewed 2002-2012

Newspaper Articles – Salinas Californian, Monterey Herald, Monterey County Weekly

WEB SITES

www.svswa.org

www.svswa.org/johnson_canyon_landfill.cfm

www.mrwmd.org

www.mrwmd.org/last_chance-mercantile.htm

www.co.monterey.ca.us/health/environmentalhealth

www.covantaenergy.com

www.calrecycle.ca.gov

www.zerowasteenergy.com

www.plascoenergygroup.com

www.recoveredenergy.com/seeaplant.html

APPENDIX A

SVSWA Revenue Bonds, Series 2002 Debt Service Schedule

APPENDIX B

SVSWA Service Area

APPENDIX C

Jolon Road Tons Landfilled by Origin

APPENDIX D

SVSWA Service Area Waste Delivery Tons Landfilled

APPENDIX E

SVSWA Service Area Landfilled Tonnage Waste Origin

APPENDIX A

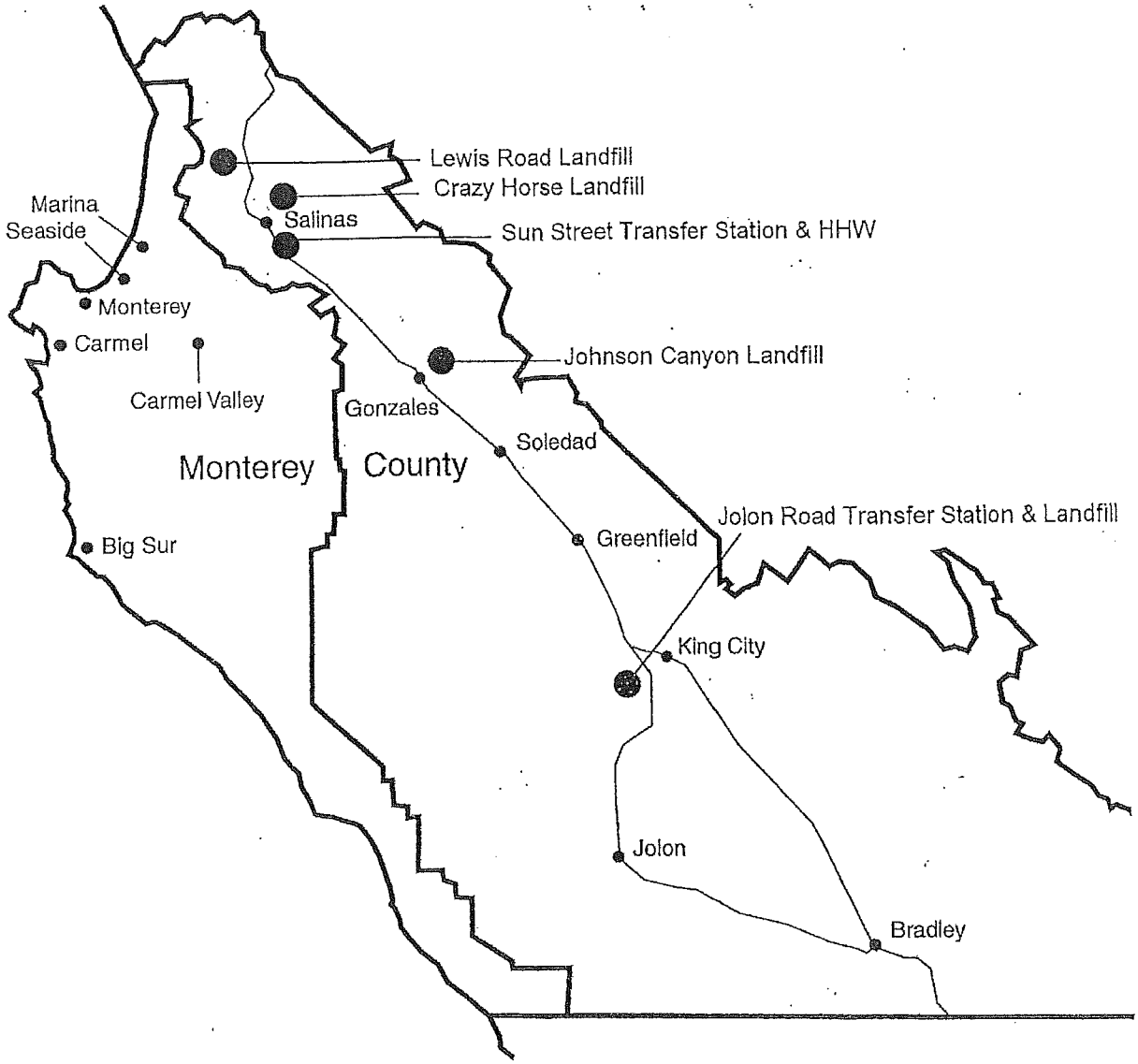
SALINAS VALLEY SOLID WASTE AUTHORITY
Revenue Bonds, Series 2002
$39,845,000 Issued May 2, 2002
Debt Service Schedule

Date	Principal	Interest	Total
08/01/2011	$ 940,000.00	$ 917,264.38	$ 1,857,264.38
02/01/2012		897,289.38	897,289.38
08/01/2012	985,000	897,289.38	1,882,289.38
02/01/2013		872,664.38	872,664.38
08/01/2013	1,035,000	872,664.38	1,907,664.38
02/01/2014		848,859.38	848,859.38
08/01/2014	1,085,000	848,859.38	1,933,859.38
02/01/2015		818,343.75	818,343.75
08/01/2015	1,150,000	818,343.75	1,968,343.75
02/01/2016		786,000.00	786,000.00
08/01/2016	1,215,000	786,000.00	2,001,000.00
02/01/2017		751,828.13	751,828.13
08/01/2017	1,285,000	751,828.13	2,036,828.13
02/01/2018		715,687.50	715,687.50
08/01/2018	1,360,000	715,687.50	2,075,687.50
02/01/2019		677,437.50	677,437.50
08/01/2019	1,435,000	677,437.50	2,112,437.50
02/01/2020		640,665.63	640,665.63
08/01/2020	1,510,000	640,665.63	2,150,665.63
02/01/2021		601,971.88	601,971.88
08/01/2021	1,590,000	601,971.88	2,191,971.88
02/01/2022		561,228.13	561,228.13
08/01/2022	1,675,000	561,228.13	2,236,228.13
02/01/2023		518,306.25	518,306.25
08/01/2023	1,765,000	518,306.25	2,283,306.25
02/01/2024		471,975.00	471,975.00
08/01/2024	1,860,000	471,975.00	2,331,975.00
02/01/2025		423,150.00	423,150.00
08/01/2025	1,955,000	423,150.00	2,378,150.00
02/01/2026		371,831.25	371,831.25
08/01/2026	2,060,000	371,831.25	2,431,831.25
02/01/2027		317,756.25	317,756.25
08/01/2027	2,175,000	317,756.25	2,492,756.25
02/01/2028		260,662.50	260,662.50
08/01/2028	2,290,000	260,662.50	2,550,662.50
02/01/2029		200,550.00	200,550.00
08/01/2029	2,415,000	200,550.00	2,615,550.00
02/01/2030		137,156.25	137,156.25
08/01/2030	2,545,000	137,156.25	2,682,156.25
02/01/2031		70,350.00	70,350.00
08/01/2031	2,680,000.00	70,350.00	2,750,350.00
	-	-	-
Totals	$ 35,010,000.00	$ 22,804,690.63	$ 57,814,690.63

Fiscal Year Ended	Fiscal Year Total
06/30/2012	$ 2,754,553.75
06/30/2013	2,754,953.75
06/30/2014	2,756,523.75
06/30/2015	2,752,203.13
06/30/2016	2,754,343.75
06/30/2017	2,752,828.13
06/30/2018	2,752,515.63
06/30/2019	2,753,125.00
06/30/2020	2,753,103.13
06/30/2021	2,752,637.50
06/30/2022	2,753,200.00
06/30/2023	2,754,534.38
06/30/2024	2,755,281.25
06/30/2025	2,755,125.00
06/30/2026	2,749,981.25
06/30/2027	2,749,587.50
06/30/2028	2,753,418.75
06/30/2029	2,751,212.50
06/30/2030	2,752,706.25
06/30/2031	2,752,506.25
06/30/2032	2,750,350.00
	$ 57,814,690.63

APPENDIX B

Authority Service Area



Salinas Valley Solid Waste Authority

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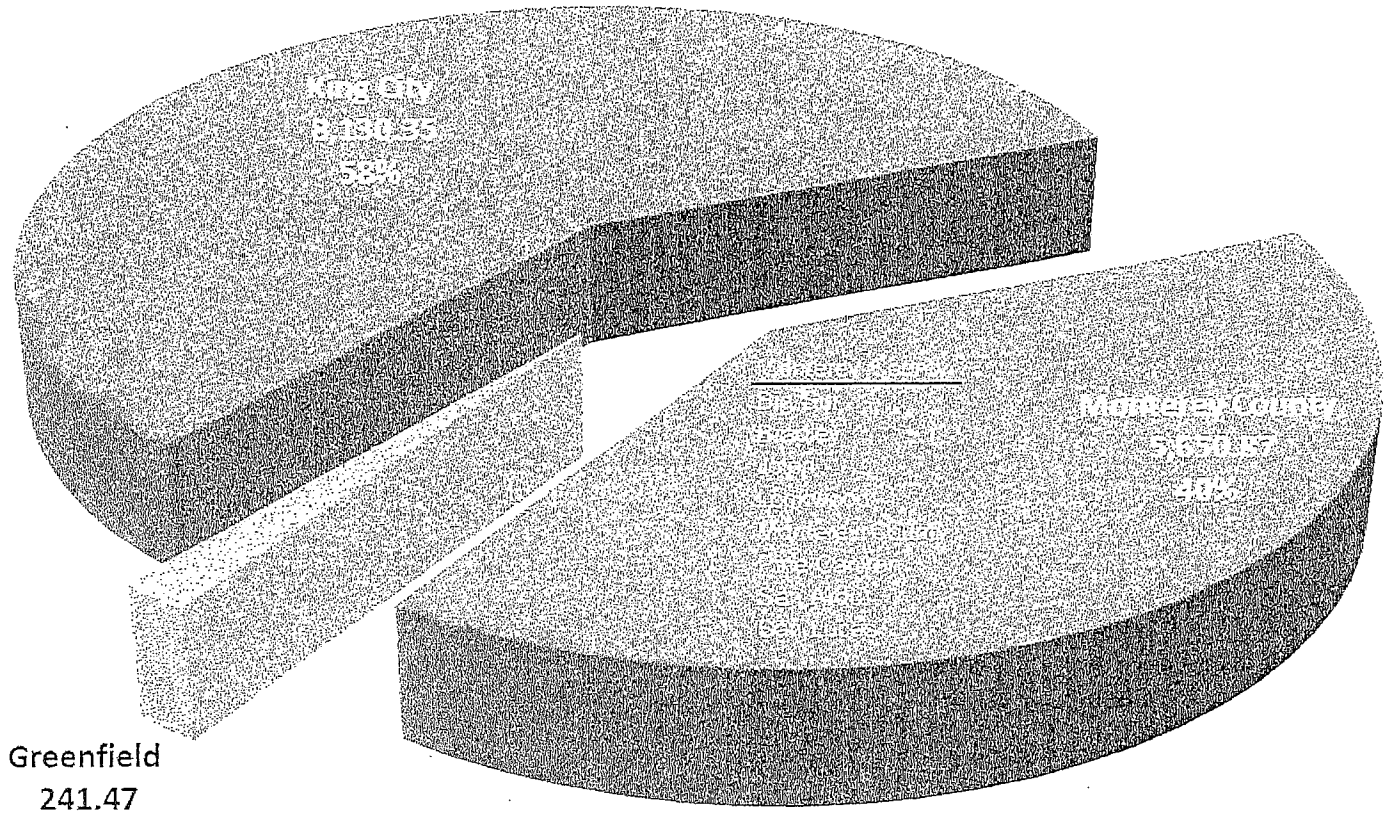
Salinas, CA 93901

(831) 775-3000

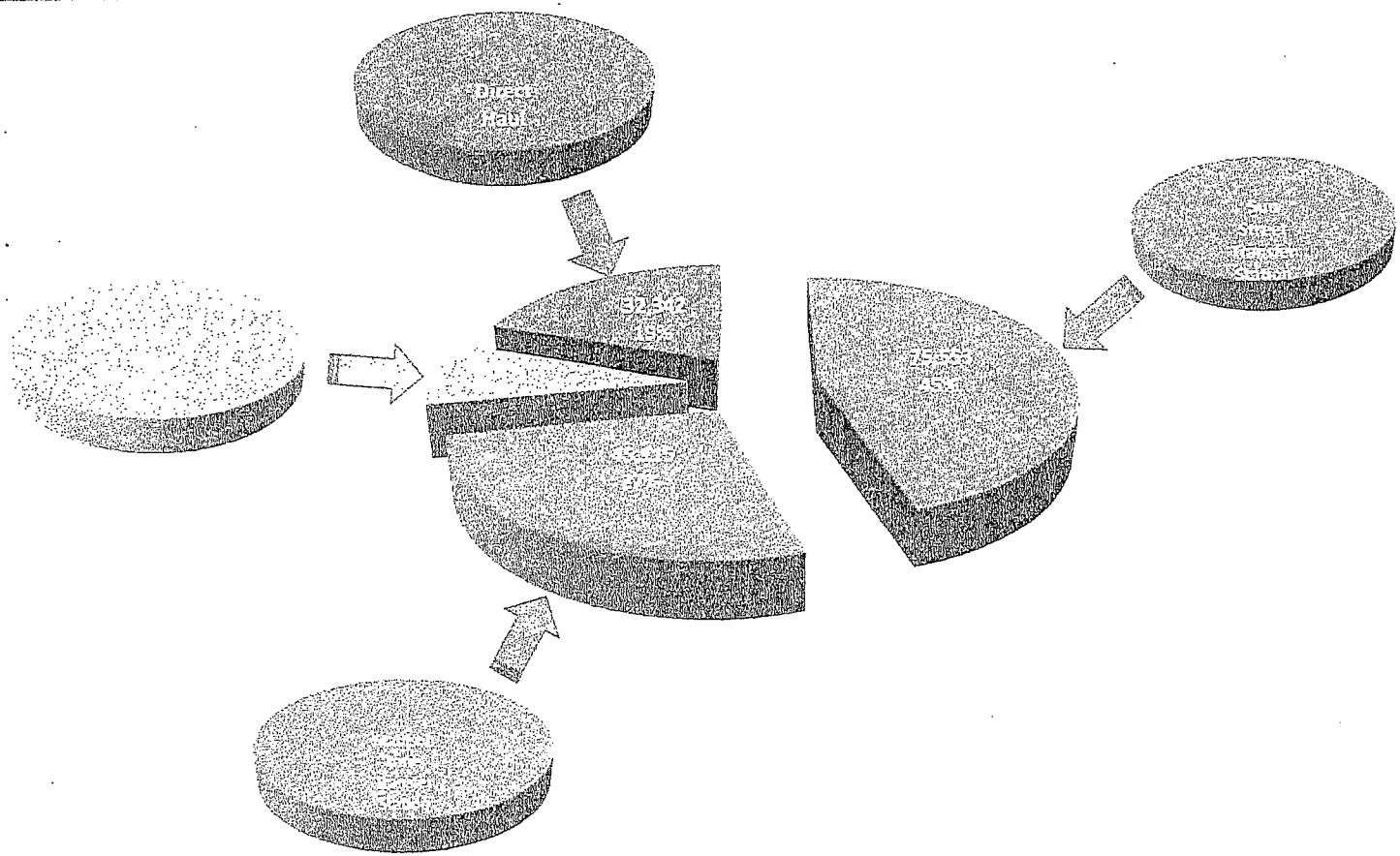
www.svswa.org

Jolon Road Tons Landfilled by Origin
14,023 tons



APPENDIX C

Authority Service Area Waste Delivery
167,033 Tons Landfilled



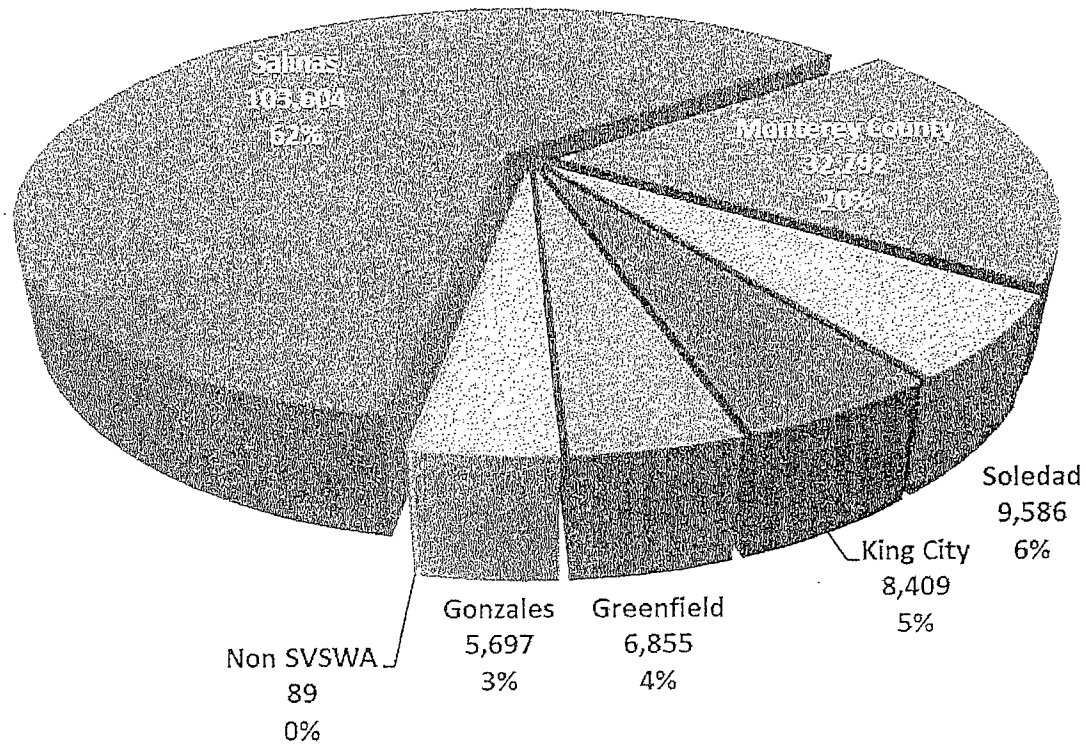
Promoting a Future Without Landfills

Board of Directors Meeting
August 16, 2012

SALINAS VALLEY
SOLID WASTE AUTHORITY

APPENDIX D

Authority Service Area Landfilled Tonnage Waste Origin - 167,033 Tons



APPENDIX E