



**WORKSHOP  
ON  
POTENTIAL DIVESTITURE OF COUNTY  
SOLID WASTE ASSETS**

**August 5, 2009**

# WORKSHOP OUTLINE

- **Purpose of Workshop**
- **Background**
- **Divestiture Process**
- **Divestiture Goals**
- **Proposed Terms of Purchase and Sale Agreement**
- **Alternatives to Divestiture**
- **Potential Benefits of Divestiture**
- **Next Steps**
- **Presentation by Republic Services**

# PURPOSE OF WORKSHOP

- **To present information to the Board and the public concerning the possible divestiture of the County's solid waste assets**
- **To receive public input on the potential divestiture**
- **No Board action is being requested at today's meeting**

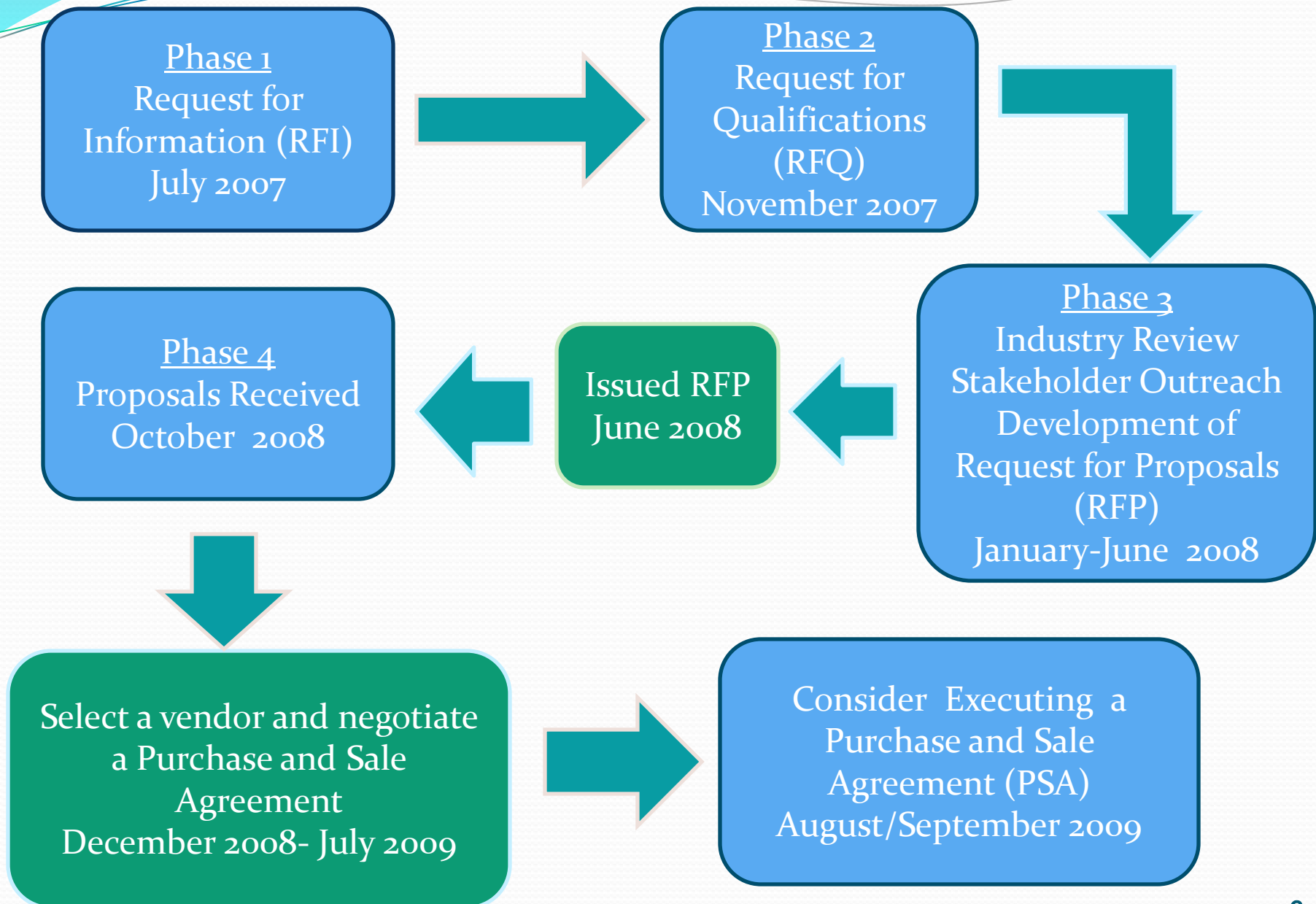
# BACKGROUND

- **Several years ago, constituents of concern were discovered under the lined portion of the Central Landfill**
- **All remedial efforts to address this issue have been completed**
- **No contaminated groundwater has ever left the landfill site and no constituents of concern have ever been present in the perimeter monitoring wells**

# BACKGROUND

- **As a result, the Regional Water Quality Control Board issued new Waste Discharge Requirements prohibiting further landfill liner construction**
- **Board retained Brown, Vence & Associates (BVA) to perform an assessment of long-term waste management alternatives**
- **Based on the BVA report, stakeholder comments, the Board directed staff to pursue long-term out-haul and feasibility of divesting solid waste assets**

# OVERVIEW OF DIVESTITURE PROCESS



# PHASE 1 – RFI

- **July 2007 – RFI released**
- **August 2007 - 8 responses received**
- **RFI demonstrated significant interest by the solid waste industry**
- **Board directed staff to continue process**

# PHASE 2 – RFQ

- **November 2007 – developed preliminary goals, issued RFQ with SOQ evaluation criteria as follows:**
  - **Financial capacity**
  - **Technical and operational capability**
  - **Experience with owning, operating and permitting solid waste facilities**
  - **Approach to divestiture**
- **January 2008 - 8 SOQs were received**
- **4 firms shortlisted - USA Waste (Waste Management), Allied Waste, Waste Connections, and Republic Services**

# **PHASE 3 – INDUSTRY REVIEW AND PUBLIC OUTREACH**

- **Staff met with shortlisted firms to get input into the development of the RFP and the PSA**
- **Public outreach was conducted to vet the Boards goals with the public and gain input to the development of the RFP and PSA**

# OVERVIEW OF DIVESTITURE GOALS

- **Grouped into two categories:**
  - **Primary – address critical financial, environmental, health and safety needs of the County**
  - **Secondary – may have a significant impact on the value of assets or ability to achieve primary goals**
- **Developed with stakeholder input**

# PRIMARY DIVESTITURE GOALS

- **Assure facilities operated in environmentally safe manner**
- **Assure facilities operated in a manner to reduce greenhouse gases and consistent with climate protection initiatives**
- **Support diversion goals consistent with AB939 and Countywide Integrated Waste Management Plan**
- **Reduce or eliminate potential operational and environmental liabilities and closure/post-closure funding obligations**

# **PRIMARY DIVESTITURE GOALS cont'd**

- **Provide for on-going solid waste disposal of the municipal waste stream**
- **Achieve predictable on-going disposal rates consistent with average rates in the Bay Area**
- **Maximize monetary return on assets**
- **Transfer, through divestiture, all of the facilities**

# SECONDARY DIVESTITURE GOALS

- **Achieve in-county landfill**
- **Assist impacted employees to compete for and find employment with new operator**
- **Involvement in tip rate setting process**
- **Preserve capacity at the Central Landfill for Sonoma county generated waste stream**

# PHASE 3 - STAKEHOLDER OUTREACH

- **Outreach Meetings**
  - **Regular AB 939 Local Task Force Meetings**
  - **City Managers Association Meetings**
  - **Special Evening Meeting of the AB 939 Local Task Force – Noticed to a broad list of Stakeholders and Public**
  - **Quarterly Central Landfill Neighborhood Meeting**
  - **Mayors and City Council Members Association**
- **Continued outreach with City Managers, as City support is required for divestiture**

# PHASE 3 - STAKEHOLDER INPUT

- **Cities**
  - **Desire competitive tip fee**
  - **Should address liabilities for Central**
  - **Should address Climate Protection and Diversion Initiatives**
- **Input from Public**
  - **Should not result in importation of waste**
  - **Should support waste diversion goals**
- **Input from Landfill Neighbors**
  - **Landfill should close and out-haul should continue**

# STAKEHOLDER INPUT

- **AB 939 Local Task Force**
  - **Support CoIWMP Goals including Zero Waste**
  - **Prohibit out-of-county waste**
  - **Provide incentive and enforcement of materials banned from landfill disposal**
  - **County retain oversight and control**
  - **Retain current employees and programs**
  - **Continuity of existing diversion programs and operations at all of the facilities**
  - **Proceeds should be used to support zero waste goals and programs**

# PHASE 4 - PROPOSALS

- **June 2008 – issued RFP**
- **October 2008 - 2 proposals were received one from USA Waste (Waste Management) and one from Allied Waste**
- **Allied Waste’s proposal was determined to most closely align with the County’s divestiture goals**
- **Allied Waste was selected as the preferred proposer**
- **Staff was directed to proceed with negotiations with Allied Waste**
- **During negotiations, Allied Waste merged with Republic Services**

# TERMS OF PURCHASE AND SALE AGREEMENT

DIVESTITURE GOAL	PURCHASE AND SALE AGREEMENT
Provide location for long term disposal of the County's waste at reasonable rates	<ul style="list-style-type: none"><li>•\$101.25 – \$112.43/ton fully loaded tip fee rate in 2009. Low includes all cities with Petaluma, high excludes Petaluma</li><li>•20 year term with annual inflation adjustment of 3.2 % - 5%</li><li>•Put-or-pay if committed waste flow falls below 70% of commitment volume</li></ul>
Maximize monetary return for divestiture of solid waste assets	<ul style="list-style-type: none"><li>•Tipping fees include \$9.00/ton royalty (also adjusted annually for inflation) which generates approx. \$2.7 million annual payment as long as facilities are operating</li><li>•\$5-\$10 million for County insurance/residual risk</li><li>•Republic to invest approximately \$9.5 million in facilities, including re-permitting, new equipment, MRF construction and upgrades to Transfer Stations</li><li>• Republic assumes \$40-50 million in closure/post-closure obligations plus any cost overruns</li></ul>

# TERMS OF PURCHASE AND SALE AGREEMENT

DIVESTITURE GOAL	PURCHASE AND SALE AGREEMENT
<p>Transfer, through the Divestiture, all Facilities</p>	<ul style="list-style-type: none"><li>• Republic will buy Central, Sonoma and Annapolis</li><li>• Republic will lease Guerneville and Healdsburg for 75 years</li><li>• Agreement includes minimum operating criteria for first 5 years; after which Republic has the right to close facilities, but must keep at least one facility open that is capable of receiving and handling all committed waste</li><li>• Asset transfer only occurs upon successful close of escrow</li><li>• Escrow closure takes place if certain conditions are met, most significantly that enough Cities commit their waste flow and Central landfill is re-permitted</li><li>• If no close of escrow, approximately 2 year transition period of operations</li></ul>

# TERMS OF PURCHASE AND SALE AGREEMENT

DIVESTITURE GOAL	PURCHASE AND SALE AGREEMENT
<p>Reduce or eliminate exposure for past, current and future operations, closure/post-closure funding obligation, and potential environmental liabilities related to the facilities</p>	<ul style="list-style-type: none"><li>• Republic assumes all <b><i>on-site</i></b> liabilities<ul style="list-style-type: none"><li>• Republic assumes closure and post closure obligations estimated to be \$40 - \$50 million plus cost overruns</li><li>• If there is a change in law during the commitment period, which is not unique to Central, Republic may pass through increased cost of closure/post closure through a tipping fee adjustment</li><li>• Republic assumes liabilities for the transfer station sites</li></ul></li><li>• If no <b><i>off-site</i></b> environmental event for Central Landfill are made within the first 10 years after close of escrow, Republic assumes all off-site liabilities as well</li></ul>

# TERMS OF PURCHASE AND SALE AGREEMENT

## DIVESTITURE GOAL

Cont'd...  
Reduce or eliminate exposure for past, current and future operations, closure/post-closure and environmental liabilities related to the facilities

## PURCHASE AND SALE AGREEMENT

- Should an *off-site* environmental event occur within the first 10 years:
  - Republic assumes liability for the first \$7.5 million spent towards investigation and remediation
  - Republic pays County \$5-\$10 million to use for pollution liability insurance premiums or to be held in escrow fund for County's potential liabilities
  - \$10 million in County Central closure funds shall be held in an escrow fund for Republic to use to cover amount over the first \$7.5 million
  - If remediation costs exceed all layers of funding then County/cities may use royalties or other funds to fund excess liability costs

# TERMS OF PURCHASE AND SALE AGREEMENT

DIVESTITURE GOAL	PURCHASE AND SALE AGREEMENT
<p>Assure Facilities are operated in a manner that reduces greenhouse gas, comply with AB 32, and County climate protection initiatives</p>	<ul style="list-style-type: none"> <li>• Close of escrow is contingent upon Republic re-permitting the Central Landfill prior to close of escrow</li> <li>• In-county disposal is estimated to reduce greenhouse gas emissions when compared to existing out-haul disposal system</li> </ul>
<p>Support diversion consistent with AB939 and the County Integrated Waste Management Plan</p>	<ul style="list-style-type: none"> <li>• Republic to construct a MRF at Central by 2012 to process commercial and Construction/Demolition wastes</li> </ul>
<p>Achieve an in-county Central Landfill</p>	<ul style="list-style-type: none"> <li>• With operation of the MRF there should be in-county disposal capacity for 20 years or more</li> </ul>

# TERMS OF PURCHASE AND SALE AGREEMENT

DIVESTITURE GOAL	PURCHASE AND SALE AGREEMENT
Minimize impact to County employees	<ul style="list-style-type: none"><li>• Republic is required to interview County refuse employees and determine their eligibility for employment with Republic at the facilities</li></ul>
County involvement in tip rate setting process	<ul style="list-style-type: none"><li>• PSA establishes disposal rates for County and committed cities for 20 years</li><li>• PSA specifies how rates may be adjusted for inflation, changes in volume of committed waste, change in law, and force majeure events</li><li>• Republic sets rates for self-haul customers</li></ul>
Preserve capacity at the Central Landfill for the County generated waste stream	<ul style="list-style-type: none"><li>• PSA requires committed capacity to be provided at the Central Landfill as long as it is open</li><li>• If not open, Republic is required to dispose of waste at their other landfills in the Bay Area for the same tip fees</li></ul>

# ANTICIPATED RATE IMPACTS

UNINCORPORATED FRANCHISED RESIDENTIAL WASTE	DIVESTITURE DISPOSAL RATE (2009) \$/ton	EXPECTED AVERAGE CURBSIDE RATE (2009) For 32-gal. can service \$/month	EXISTING AVERAGE CURBSIDE RATE (2009) For 32-gal. can service \$/month	DIFFERENCE \$/month
MAXIMUM NUMBER OF CITIES (710 TPD)	\$101.25	\$25.74	\$25.68	\$0.05
MINIMUM NUMBER OF CITIES (590 TPD)	\$112.43	\$26.55	\$25.68	\$0.87

# ALTERNATIVES TO DIVESTITURE

ALTERNATIVE	PROS	CONS
<p><b>Status Quo – Truck Out-haul (Partial privatization)</b></p>	<ul style="list-style-type: none"> <li>•Easiest to implement because it is existing system</li> <li>•Could meet long term disposal capacity through long-term disposal agreements</li> <li>•County maintains control of County facilities which may provide on-going means to collect funds needed to cover liabilities provided cities continue to use system</li> </ul>	<ul style="list-style-type: none"> <li>•Continues higher level of GHG emissions</li> <li>•County/Cities retain all environmental liabilities for Central and other landfills, including closure and post closure maintenance</li> <li>•If less than all cities use system, rates could increase to as much as \$118.40/ton @ 80% or \$146.40/ton @ 50% of current tonnage</li> <li>•Rates more volatile as County must have full cost recovery and waste flow not secure and may decrease</li> <li>•Little or no impact on diversion</li> <li>•Regulatory Agencies will require immediate closure of Central – County may need to finance closure gap to meet regulatory deadlines</li> </ul>

# ALTERNATIVES TO DIVESTITURE

ALTERNATIVE	PROS	CONS
<b>Truck Outhaul (Full privatization)</b>	<ul style="list-style-type: none"><li>•All the same pros as the first option</li><li>• Plus rates would be lower than with only partial privatization</li></ul>	<ul style="list-style-type: none"><li>•All cons as the first option</li><li>•County employees are displaced</li></ul>

# ALTERNATIVES TO DIVESTITURE

ALTERNATIVE	PROS	CONS
<b>Rail Outhaul</b>	<ul style="list-style-type: none"> <li>•Could meet long term disposal capacity through long-term disposal agreements</li> <li>•County maintains control of County facilities which may provide on-going means to collect funds needed to cover liabilities provided cities continue to use system</li> <li>•Rail haul will reduce local congestion over truck out-haul</li> <li>•GHG impact unknown</li> </ul>	<ul style="list-style-type: none"> <li>•Freight service does not currently exist in Sonoma County</li> <li>•County/Cities retain all environmental liabilities for Central and other landfills, including closure and post closure maintenance</li> <li>•If less than all cities use system, rates could increase to as much as \$120.40/ton @ 80% or \$148.40/ton @ 50% of current tonnage</li> <li>•Rates more volatile as County must have full cost recovery and waste flow not secure and may decrease</li> <li>•Rail haul likely to be more expensive</li> <li>•Little or no impact on diversion</li> </ul>

# ALTERNATIVES TO DIVESTITURE

ALTERNATIVE	PROS	CONS
<p><b>County re-opens the Central Landfill</b></p>	<ul style="list-style-type: none"> <li>•Central re-opened for in-County Disposal</li> <li>•Reduced GHG emissions</li> <li>•Long term disposal capacity 15 years +</li> <li>•Time to collect funds needed for final closure</li> <li>•County maintains control of County facilities which may provide on-going means to collect funds needed to cover liabilities provided cities continue to use system</li> </ul>	<ul style="list-style-type: none"> <li>• County/Cities retain all environmental liabilities for Central and other landfills, including closure and post closure maintenance</li> <li>•Closure, post-Closure and leak liability costs increase with resumption of expansion and disposal at the Central Landfill</li> <li>•County re-opening the Landfill results in highest disposal rates of all alternatives</li> <li>•If less than all cities use system rates could increase to as much as \$142.40/ton @ 80% or \$194.40/ton @ 50% of current tonnage</li> <li>•Would need to secure flow commitments to finance liner construction and economy may make it difficult to get financing</li> <li>•Rates more volatile as County must have full cost recovery and waste flow not secure and may decrease</li> <li>•Little or no impact on diversion</li> </ul>

# ALTERNATIVES TO DIVESTITURE

ALTERNATIVE	PROS	CONS
<p><b>Private Regional MRF/Transfer Station</b></p>	<ul style="list-style-type: none"> <li>•According to North Bay this project will potentially increase system wide diversion approximately 5%-15%</li> <li>•May result in decreased GHG emissions attributed to increased diversion</li> </ul>	<ul style="list-style-type: none"> <li>•Discussions have only been preliminary; no written or binding proposal</li> <li>•County/Cities retain all environmental liabilities for Central and other landfills, including closure and post closure maintenance; the \$10.00/ton rebate proposal to jurisdictions is not enough to cover all liabilities</li> <li>•Requires flow control commitments from the County and all cities for 20 years</li> <li>•Would render County solid waste system infeasible; resulting in transfer station closures and increasing GHG emissions for vehicle miles traveled hauling garbage, potentially negating emissions benefits</li> <li>•Potential for rate escalation is unknown</li> <li>•With only one facility in the County, illegal dumping likely to increase</li> <li>•Residual waste will be out-hauled</li> <li>• County employees displaced</li> </ul>

# FEASIBILITY OF COUNTY RE-OPENING

- **Cost of 106 acres of double liner is at least \$70 Million**
- **Need Cities to participate in securing bond financing of liner**
- **Would require long-term contractual flow commitment from all Cities**
- **Would require back-up disposal capacity in Bay Area landfills should the Central Landfill have an unanticipated closure**

# POTENTIAL ADVANTAGE OF PRIVATIZING

- Provides significant financial capital to fund build-out of Central landfill
- Provides significant expertise in solid waste management, including vast technical resources and experience in landfill permitting
- Allows County/Cities to transfer significant liability and risk
- Provides public-private partnership opportunities
  - Renewable energy
  - Rate stability
  - Increased diversion
  - Conversion technology
- Provides for backup landfill capacity within the greater Bay Area for Sonoma County's waste

# **PUBLIC VS. PRIVATE LANDFILLS IN CALIFORNIA**

- **Based on a California Integrated Waste Board presentation, as of 2006 there were 128 operating landfills in the State of California**
- **Of those landfills 67% or 86 were publicly owned, with many operated through contracts with private firms; 33% or 42 were privately owned landfills**
- **In terms of annual disposal in 2006 the public landfills were receiving about 56% of the waste, the private landfills received 44% of the waste.**
- **In 2000, 73% were publicly owned vs 27% private therefore, the trend is toward private ownership**

# **DIVESTITURE IS THE BEST ALTERNATIVE TO ACHIEVE GOALS**

- **Transfers almost all obligations for closure/post closure and existing and future environmental liabilities associated with the Central Landfill and the Transfer Stations**
- **Provides multiple layers of funding to address the County and Cities' limited residual liabilities**
- **Provides the best opportunity for in-county disposal**
- **Will reduce green house gas by stopping out-haul**
- **Will significantly increase the amount of diversion at the facilities through the construction of a new MRF at Central**
- **Provides lowest cost for in-county landfill option**

# NEXT STEPS

- **August 25, 2009 – Board to consider executing Purchase and Sale Agreement**
- **September through November 2009 – secure City flow commitments and open escrow**
- **Spring 2010 - Republic submits permit application(s) to resume landfill operations at Central**
- **Fall 2011 - Escrow closes (assuming permits have been obtained)**



# **PRESENTATION BY REPUBLIC**