



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

Sept. 1, 2009

WORKSHOP OUTLINE

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

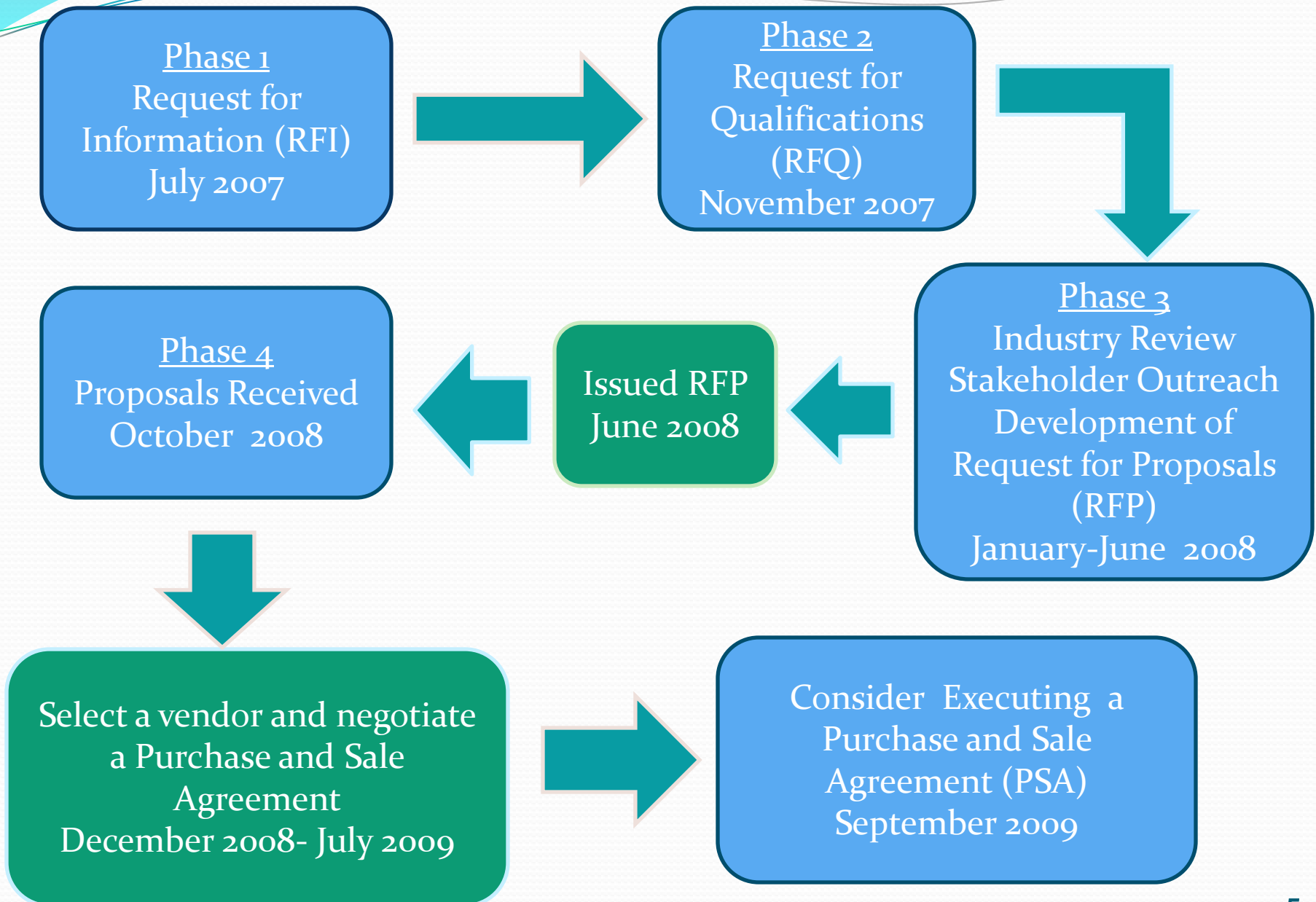
BACKGROUND

- **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



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**

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">•\$95.15 – \$106.33/ton fully loaded tip fee rate in 2009. Low includes all cities with Petaluma, high excludes Petaluma•20 year term with annual inflation adjustment of 3.2 % - 5%•Put-or-pay if committed waste flow falls below 70% of commitment volume
Maximize monetary return for divestiture of solid waste assets	<ul style="list-style-type: none">•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•\$5-\$10 million for insurance/residual risk•Republic to invest approximately \$9.5 million in facilities, including re-permitting, new equipment, MRF construction and upgrades to Transfer Stations• Republic assumes \$40-50 million in closure/post-closure obligations plus any cost overruns

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">• Republic will buy Central, Sonoma and Annapolis• Republic will lease Guerneville and Healdsburg for 75 years• 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• Asset transfer only occurs upon successful close of escrow• Escrow closure takes place if certain conditions are met, most significantly that enough Cities commit their waste flow and Central landfill is re-permitted• If no close of escrow, approximately 2 year transition period of operations

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">• Republic assumes all <i>on-site</i> liabilities<ul style="list-style-type: none">• Republic assumes closure and post closure obligations estimated to be \$40 - \$50 million plus cost overruns• 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• Republic assumes liabilities for the transfer station sites • If no <i>off-site</i> environmental event for Central Landfill are made within the first 10 years after close of escrow, Republic assumes all off-site liabilities as well

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 \$5-\$10 million to use for pollution liability insurance premiums or to be held in escrow fund for 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 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">• Close of escrow is contingent upon Republic re-permitting the Central Landfill prior to close of escrow• In-county disposal is estimated to reduce greenhouse gas emissions when compared to existing out-haul disposal system
<p>Support diversion consistent with AB939 and the County Integrated Waste Management Plan</p>	<ul style="list-style-type: none">• Republic to construct a MRF at Central by 2012 to process commercial and Construction/Demolition wastes
<p>Achieve an in-county Central Landfill</p>	<ul style="list-style-type: none">• With operation of the MRF there should be in-county disposal capacity for 20 years or more

TERMS OF PURCHASE AND SALE AGREEMENT

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

ANTICIPATED RATE IMPACTS

FRANCHISED RESIDENTIAL WASTE	DIVESTITURE DISPOSAL RATE (2009) \$/ton	EXPECTED CURBSIDE RATE (2009) For 32-gal. can service \$/month	EXISTING CURBSIDE RATE (2009) For 32-gal. can service \$/month	DIFFERENCE \$/month
MAXIMUM NUMBER OF CITIES (710 TPD)	\$95.15	\$11.49	\$11.62	<-\$0.13>
MINIMUM NUMBER OF CITIES (590 TPD)	\$106.33	\$11.76	\$11.62	\$0.14

ALTERNATIVES TO DIVESTITURE

ALTERNATIVE	PROS	CONS
<p>Status Quo – Truck Out-haul (Partial privatization)</p>	<ul style="list-style-type: none"> •Easiest to implement because it is existing system •Could meet long term disposal capacity through long-term disposal agreements •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 	<ul style="list-style-type: none"> •Continues higher level of GHG emissions •County/Cities retain all environmental liabilities for Central and other landfills, including closure and post closure maintenance •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 •Rates more volatile as County must have full cost recovery and waste flow not secure and may decrease •Little or no impact on diversion •Regulatory Agencies will require immediate closure of Central – County /Cities may need to finance closure gap to meet regulatory deadlines

ALTERNATIVES TO DIVESTITURE

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

ALTERNATIVES TO DIVESTITURE

ALTERNATIVE	PROS	CONS
Rail Outhaul	<ul style="list-style-type: none"> •Could meet long term disposal capacity through long-term disposal agreements •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 •Rail haul will reduce local congestion over truck out-haul •GHG impact unknown 	<ul style="list-style-type: none"> •Freight service does not currently exist in Sonoma County •County/Cities retain all environmental liabilities for Central and other landfills, including closure and post closure maintenance •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 •Rates more volatile as County must have full cost recovery and waste flow not secure and may decrease •Rail haul likely to be more expensive •Little or no impact on diversion

ALTERNATIVES TO DIVESTITURE

ALTERNATIVE	PROS	CONS
<p>County re-opens the Central Landfill</p>	<ul style="list-style-type: none"> •Central re-opened for in-County Disposal •Reduced GHG emissions •Long term disposal capacity 15 years + •Time to collect funds needed for final closure •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 	<ul style="list-style-type: none"> • County/Cities retain all environmental liabilities for Central and other landfills, including closure and post closure maintenance •Closure, post-Closure and leak liability costs increase with resumption of expansion and disposal at the Central Landfill •County re-opening the Landfill results in highest disposal rates of all alternatives •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 •Would need to secure flow commitments to finance liner construction and economy may make it difficult to get financing •Rates more volatile as County must have full cost recovery and waste flow not secure and may decrease •Little or no impact on diversion

ALTERNATIVES TO DIVESTITURE

ALTERNATIVE	PROS	CONS
<p>Private Regional MRF/Transfer Station</p>	<ul style="list-style-type: none"> •According to North Bay this project will potentially increase system wide diversion approximately 5%-15% •May result in decreased GHG emissions attributed to increased diversion 	<ul style="list-style-type: none"> •Discussions have only been preliminary; no written or binding proposal •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 •Requires flow control commitments from the County and all cities for 20 years •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 •Potential for rate escalation is unknown •Residual waste will be out-hauled • County employees displaced

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

- **September 15, 2009 – Board to consider executing Purchase and Sale Agreement**
- **September through December 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