

4.13



OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

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SACRAMENTO, CA
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March 25, 1992

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City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: LETTER RECEIVED FROM TOBY JOHNSON, CHAIRMAN OF THE COUNTY BOARD OF SUPERVISORS REGARDING REGIONAL PLANNING FOR SOLID WASTE DISPOSAL AND RESOURCE RECOVERY

LOCATION AND COUNCIL DISTRICT

City

APPROVED
BY THE CITY COUNCIL

MAY 12 1992

SUMMARY

OUTSIDE OF THE
CITY CLERK

This report formally acknowledges receipt of a letter dated March 13, 1992 from Toby Johnson, Chairman of the Sacramento County Board of Supervisors and presents a policy response for the City Council's consideration.

COMMITTEE ACTION

None

STAFF RECOMMENDATIONS

Staff recommends adoption of the attached resolution communicating to the County the importance of continued discussions with Browning-Ferris, Inc. while at the same time acknowledging the importance of Supervisor Johnson's request and taking affirmative action to facilitate discussions with the County by directing:

The City Manager to:

1. continue discussions with the County Board and staff regarding terms and conditions of a possible Regional Joint Powers Authority (JPA) for Solid Waste disposal and Resource Recovery; and

2. invite representatives of the County Executive and County Public Works staffs to immediately join the City's BFI negotiating team in order to gain an in-depth understanding of the major business points of the proposed agreement between the City and BFI.

That the City Council will:

3. refrain from signing an agreement with BFI during the next 120 day period in order to facilitate JPA discussions between the two governmental agencies.

BACKGROUND

Supervisor Toby Johnson recently communicated the attached letter dated March 13 in which he recounts the recent passage of AB 939 (Sher) and correctly notes that the entire focus of Solid Waste Management issues must change in order to comply with this new law. The cost of this change will be significant to both the City and the County, which will in turn result in significant cost increases being passed on to our rate paying citizens. Supervisor Johnson notes that the County Board recently directed County Public works staff to delay hiring of a consultant to design a County Materials Recovery Facility pending communications with the City. The County is also considering major modification plans for its Fruitridge transfer station to accommodate increased recycling activities and to generally upgrade the facility. This facility is in the general vicinity of the City's proposed MRF.

Chairman Johnson indicates that "the City's decision to continue negotiations with BFI while holding discussions with the County on JPA is of concern to the Board." He goes on to recommend that the City postpone negotiations with BFI pending determination of whether a joint powers agreement can be executed.

FINANCIAL CONSIDERATION

Both the City and County have substantial public investments planned in order to properly respond to the mandates of AB 939. MRF facilities can cost up to \$ 40 mil. The City has spent several hundred thousand dollars developing a MRF proposal. In addition, the County is considering an additional \$ 5 mil investment to upgrade its Fruitridge Rd. facility.

The Policy issue raised by the County:

Supervisor Johnson correctly identifies the major policy issue in his letter when he asks the question, will our respective jurisdictions proceed independent of each other on separate, redundant, and often conflicting paths, or will we consolidate our efforts to develop a sound regional approach to meeting mandates at the least cost? He indicates the County Board firmly believes that the latter course of action should be followed. He goes on to suggest that:

1. City negotiations with BFI be suspended pending a determination of whether the City and County can enter into a JPA; and

2. The City and County jointly select and engage a consultant to assist the parties in discussions on a JPA.

Policy analysis by City staff:

Regional cooperation: Chairman Johnson's letter is timely and is appreciated for its clarity of policy development. City staff generally concurs with his assessment that cooperative solutions such as a regional JPA should be pursued. To the extent possible, consolidated disposal and resource recovery solutions make sense. Both agencies are looking at potentially significant rate impacts on ratepayers so avoidance of duplication as well as economies of scale should be considered with an open mind.

Denny Kerton of the County Solid Waste division previously assisted City staff in our MRF RFP evaluation process and his participation was appreciated.

Two meetings have already been held between City and County staff. These meeting were attended by representatives from the City manager's office, City Public Works, the County Executive's office and County Public Works. A skeletal JPA document was developed. This document is attached to Chairman Johnson's letter. Additional work remains to be done and additional meetings should be held. To expedite the discussions, staff suggests the Mayor and Chairman Johnson join in the staff discussions.

Issues unique to the City: There are some policy issues unique to the City that need to be highlighted. First, unlike the County which has years of remaining landfill life, the City's landfill is scheduled for closure sometime in 1993. Stating the obvious, that is next year! So there is a great sense of urgency in the City to develop alternative plans. We do not have unlimited time to study the matter. Once the City's landfill is full, we will immediately begin incurring significantly higher disposal costs because we will be required to long haul our mixed waste. In anticipation of this, the City began it "alternatives to direct haul" evaluation process in 1989. The alternatives process is now culminating in good faith negotiations with a private company, BFI. Both the City and BFI have invested time and money in this process. To suspend these negotiations prematurely would not be acting in good faith. However, what the City could do is conduct concurrent discussions with the County and agree to not sign any agreement with BFI until discussions with the County are complete.

Second, the City staff has been directed to develop other diversion and disposal options to the BFI proposal and each of these alternatives are now before the City Council for consideration. Significant consultant costs and staff time have been expended to develop these options. Included in these options are alternative plans to compost the City's yard waste. Unlike the County, the City source separates its yard waste and can achieve a significant portion of its 1995 AB 939 diversion requirements with a formal yard waste compost program.

Third, it should be point out that the City's negotiating team anticipated the possibility of a Regional Solid Waste Disposal and Resource Recovery JPA and has notified BFI that final contract documents must include a provision that the agreement between the City and BFI must be assignable to a future JPA, if created.

Policy Conclusions:

Staff recommends that the City Council pursue a middle ground policy direction in which you:

1. Continue negotiations with BFI in order to finalize the "business points" of their offer and to preserve your policy options;
2. Invite County staff to sit in on the negotiations with BFI so that the County is well informed;
3. Agree to refrain from entering into an agreement with BFI for at least 120 days and accept Chairman Johnson's offer to conduct joint City/County discussions on a possible regional JPA for solid waste management disposal and resource recovery.

We believe this course of action is only slightly different than what Chairman Johnson suggested but allows the Council to move forward with all of its policy options since time is of the essence from the City's point of view.

The policy alternative is to do exactly what Chairman Johnson suggests. This alternative has not been discussed with BFI.

MBE/WBE

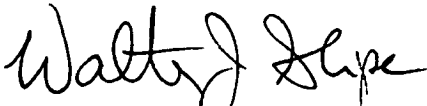
None

Respectfully submitted,



Jack R. Crist
Deputy City Manager

Approved:



Walter J. Slupe
City Manager

Contact for more information:
Jack R. Crist, Deputy City Manager
264-5704

For Council Meeting of April 7, 1992 for City Council information
Continue to evening meeting of April 14, 1992 when staff will present the report to Council for action

RESOLUTION NO. 92-337

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION DIRECTING THE CITY MANAGER TO CONDUCT DISCUSSIONS WITH THE COUNTY REGARDING A REGIONAL SOLID WASTE DISPOSAL AND RESOURCE RECOVERY JPA, INVITING THE COUNTY TO BE A PARTICIPANT IN CITY NEGOTIATIONS WITH BFI AND PLEDGING TO DELAY SIGNING ANY AGREEMENT WITH BFI FOR 120 DAYS

APPROVED
BY THE CITY COUNCIL

MAY 12 1992

OFFICE OF THE
CITY CLERK

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO THAT:

The City Manager is directed to:

1. Continue discussions with the County Board and staff regarding terms and conditions of a possible Regional Joint Powers Authority (JPA) for solid waste disposal and resource recovery; and
2. Invite representatives of the County Executive and County Public Works Director to immediately join the City's BFI negotiating team in order to gain an in-depth understanding of the major business points of the proposed agreement between the City and BFI;

The City Council:

3. Agrees to refrain from signing an agreement with BFI during the next 120 day period in order to facilitate JPA discussions between the two governmental agencies.

MAYOR

Attest:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



**CHAIRMAN
BOARD OF SUPERVISORS
COUNTY OF SACRAMENTO**

700 H STREET, SUITE 2450 • SACRAMENTO, CA 95814

**C. TOBIAS (Toby) JOHNSON
SUPERVISOR, FIFTH DISTRICT
(916) 440-5485
FAX (916) 440-7583**

March 13, 1992

Mayor Anne Rudin and
Members, Sacramento City Council
915 I Street, Room 205
Sacramento, CA 95814

**Subject: REGIONAL PLANNING FOR SOLID WASTE DISPOSAL
AND RESOURCE RECOVERY**

Dear Mayor Rudin and Council Members:

The County Board of Supervisors has directed that I write to you with regard to the above noted subject and urge closer coordination on these matters if not outright consolidation of solid waste activities other than Collection Operations. The following provides a brief background together with a discussion and County proposal.

BACKGROUND:

Passage of "The Integrated Waste Management Act of 1989" authored by Assemblyman Bryon Sher (AB 939), has dramatically changed the focus of solid waste management in California. Today, cities and counties across the state are struggling to develop and implement programs to divert from landfills 25% of the total solid waste stream by 1995 and 50% by the year 2000 as mandated by the Sher legislation. Although solid waste management practices are now moving toward a more environmentally sensitive approach aimed at recovery of resources from the waste stream, this change in direction is not without cost. In the County of Sacramento, it is estimated that various waste diversion programs required to meet state mandates will involve capital costs of almost \$50 million and, by 1995, the operating cost associated with implementation and operation of these programs will exceed \$19 million per year. The City of Sacramento is undoubtedly facing similar cost impacts as it develops and implements its waste diversion programs. These costs are certain to result in significant fee increases to residential and commercial customers for waste collection and disposal services in both jurisdictions.

On February 18, 1992, the Department of Public Works (DPW) submitted to the County Board of Supervisors a brief status report on its progress and plans for implementing programs and facilities included in the County's Source Reduction and Recycling Element which had been approved by the Board on November 26, 1991. Their plans included engaging an engineering consultant to conduct an alternative analysis for development of a Materials Recovery Facility (MRF) for commercial wastes and to evaluate and make recommendations on related matters such as the number of facilities that may be required; public vs private ownership; financing, etc. After careful consideration of this matter, the Board instructed DPW to place a temporary hold on their plans to engage a consultant. The Board directed the Chairman of the Board to send a letter to your Council expressing their concern that there is a critical need for closer coordination between the City and County on solid waste disposal and resource recovery. These concerns are discussed more fully herein.

DISCUSSION:

The City is currently negotiating with Browning-Ferris Industries (BFI) on a long-term contract to design, construct, and operate a City-owned Materials Recovery Facility (MRF) on Elder Creek Road. The cost to construct the facility range from \$35-\$80 million with annual operating costs ranging from \$6-\$12 million depending on the amount of waste diversion. This facility would be open only to City trucks and commercial permittees hauling wastes generated from within the City limits.

The City Council has directed that, concurrent with these negotiations, staff meet with the County to discuss the possibility of establishing a joint powers authority (JPA) between the City and County to develop this project. It is our understanding that these JPA discussions were intended to provide your Council with reasonable policy alternatives to the BFI proposal and save time for the City if contract negotiations were not successful with BFI. To date, two meetings have been held between our staffs and the County has provided City staff with a suggested framework for a JPA, a copy of which is attached for your information. The City's decision to continue negotiations with BFI while holding discussions with the County on a JPA is of concern to the Board. It is our recommendation that negotiations with BFI be postponed pending a determination of whether a joint powers agreement can be executed. If an accord is reached on a JPA, then negotiations should be resumed with representatives of the JPA. Otherwise, the County, as a partner in the JPA, would be faced with a long-term and costly contract with BFI without having had the opportunity of participating in negotiating the contract terms and conditions.

The County has been developing plans for major modifications to its Fruitridge Transfer Station to accommodate increased recycling activities and to generally upgrade the facility including installation of compaction equipment designed to increase transfer-trailer payloads. The Fruitridge facility is open to County trucks, commercial haulers, and the general public including City residents.

These modifications are estimated to cost approximately \$5 million. However, given the close proximity of the Elder Creek facility, the County has placed a hold on its plans pending a determination of whether negotiations with BFI will be successful. It was DPW's judgment, which the Board concurs with, that it would not be sound planning to have two major solid waste facilities located within one mile of one another.

The situation described above clearly points out the critical need for closer coordination between our jurisdictions on solid waste planning matters. Developing solid waste disposal and resource recovery plans on a regional basis has obvious political, economic and operational benefits. From a political perspective, a regional approach to these matters would provide a broader base of public support for decisions made about municipal solid waste (MSW) and a sharing of risks and benefits. It would also facilitate implementation of facilities and programs and permit more effective control of the waste stream which is such an essential element in developing a sound integrated waste management system and effective waste diversion programs.

There is also a potential for benefits to both jurisdictions with regard to economic and operational considerations. Although the City and County each manage large waste streams, it is reasonable to assume that increasing the tonnage of MSW by aggregating solid waste from both jurisdictions would result in economies of scale that would result in lower overall costs. These savings could then be passed on to the community at large. A regional approach could enhance the ability of the City and County to market recyclable materials inasmuch as markets tend to be regional in nature rather than localized in a single jurisdiction.

SUMMARY AND CONCLUSION:

The City and County are poised at a crucial point in time on solid waste management issues and both jurisdictions face a formidable challenge to meet state mandates. Our jurisdictions can either proceed independent of each other on separate, redundant, and often conflicting paths, or we can consolidate our efforts to develop a sound, regional approach to meeting mandates at the least overall cost. The Board firmly believes that the latter course of action should be followed. The Board proposes that the City and County agree to the following course of action:

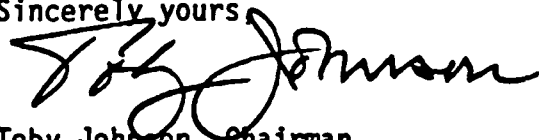
1. City negotiations with BFI be suspended pending a determination of whether the City and County can enter into a JPA; and
2. The City and County jointly select and engage a consultant to assist the parties in discussions for the purpose of executing a joint powers agreement for all solid waste operations except Collections and that such discussions be concluded in a timely manner.

Letter to Mayor and City Council
March 13, 1992
Page 4

Time is of the essence in this matter as both parties must meet the state mandated deadlines for waste diversion or face substantial financial penalties. We look forward to working cooperatively with the City in the interest of developing a sound, integrated solid waste management system which will provide benefits to the entire community.

We would appreciate a prompt response to our proposal.

Sincerely yours



Toby Johnson, Chairman
County Board of Supervisors

TJ:DK:mes
Attachment

cc: Members, Board of Supervisors
Bob Smith
Doug Fraleigh
Warren Harada
Dennis Kerton
Walter Slipe
Reggie Young

**PROPOSED FRAMEWORK FOR
▲
SACRAMENTO AREA SOLID WASTE AUTHORITY**

The following provides a basic framework proposed for a Joint Powers Authority agreement between the City and County of Sacramento for integrated solid waste management purposes designated herein.

Purpose:

To establish a separate public entity known as the Sacramento Area Solid Waste Authority (SASWA) to provide for a coordinated, regional approach to solid waste management planning; establish reliable long-term funding required to carry out the provisions of the agreement; and to facilitate implementation of facilities and programs required to meet the California Integrated Waste Management Act of 1989 i.e. Assembly Bill 939. The Authority shall be responsible for solid waste transfer, disposal, and resource recovery facilities and services but would not be responsible for any collection related activities.

Administrative Structure of JPA:

The Authority shall be a separate entity governed by a Board consisting of representatives from the City and County of Sacramento with provisions for representatives from Folsom, Isleton and Galt if one or more of those jurisdictions subsequently joins the Authority. The Board shall annually adopt a budget which will include provision for reimbursement of each respective member for the costs of personnel, if any, furnished to the Authority by each member.

Representatives: To Be Determined.

Voting: To Be Determined.

Powers:

The Authority would have the power and authorization to do the following:

- To provide for the regulation, acquisition, development, permitting, construction, and the operation or contracting of operation of facilities for: the transfer and disposal of solid waste; the processing of recyclable materials for market; the composting of organic materials; and the recovery of energy from solid waste.
- The Authority shall not have the power to control the collection of solid wastes but shall have authority to direct the movement of solid waste to resource recovery, composting and/or disposal facilities.
- To issue bonds, certificates of participation, incur debts, liabilities or obligations necessary and proper to carry out the provisions of the JPA agreement.

- Operating revenues of the Authority shall be obtained principally from tipping fees. Tipping fees shall be set by the Authority at a level sufficient to provide for all costs of the Authority including but not limited to direct and indirect operating expenses, payment of debt service, and provision for prudent reserves.

Planning Area:

The planning area shall include the incorporated and unincorporated areas of the County of Sacramento except for the communities of Folsom, Isleton, and Galt.

Ownership of Facilities:

- Upon execution of the agreement, the City and County will grant to the Authority title to all existing solid waste transfer, disposal and resource recovery facilities which they may own, together with equipment related thereto. The City/County shall retain title to the land on which such facilities are situated.
- The Authority shall own entirely all future facilities and assets financed with Authority funds including cash, gate fee revenues, proceeds from revenue bond sales, land, all facilities constructed and all equipment necessary for operation of the facilities.

Term:

The agreement shall be effective on the date of execution by the parties and shall continue until and unless terminated as provided in the agreement.

Withdrawal Or Dissolution:

Either party may withdraw from the agreement upon giving one year written notice to the other party. The distribution of assets and discharge of liabilities are as follows: To Be Determined.

DK:hdk
cc: D.M. Fraleigh
W. Harada
R. Young



7.20

4.13

OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
ROOM 101
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SACRAMENTO, CA
95814-2684

April 7, 1992

916-449-5704
FAX 916-449-8618

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Letter Received from Toby Johnson, Chairman, County Board of Supervisors, Regarding Regional Planning for Solid Waste Disposal and Resource Recovery

Attached is a report on Letter Received from Toby Johnson, Chairman, County Board of Supervisors, Regarding Regional Planning for Solid Waste Disposal and Resource Recovery. This report will be heard on ~~April 28~~, 1992.

— May 5 afternoon staff
Respectfully-submitted,

*For Public Review
4/28*

Jack Crist
JACK R. CRIST
Deputy City Manager

CONTACT PERSON:

JACK R. CRIST
Deputy City Manager
264-5740

COUNCIL MEETING:
Public Information: April 7, 1992
Staff Presentation: April 28, 1992

To be heard 5-12-92