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CITY OF SACRAMENTO

DIVISION OF WASTE REMOVAL

927 TENTH STREET
SUITE 200

SACRAMENTO, CALIF. 95814
TELEPHONE (916) 449-5757

REGINALD YOUNG
SUPERINTENDENT
PAUL SMILANICH
ASSISTANT SUPERINTENDENT

July 15, 1980

APPROVED
BY THE CITY COUNCIL

*referred to
Bud/Fin Comm.*

JUL 22 1980

City Council
Sacramento, California

OFFICE OF THE
CITY CLERK

Honorable Members in Session:

SUBJECT: Solid Waste Disposal Alternatives Capital Cost

SUMMARY

This report informs the City Council that there are currently two viable alternatives to continued City landfill disposal and that both of these alternatives are environmentally acceptable with proper mitigation measures. One alternative is to construct a solid waste transfer station and vegetal waste processing facility at an approximate cost of \$5,000,000. A second alternative is to construct a solid waste balefill and vegetal waste processing facility at an approximate cost of \$8,000,000. Both endeavors could be financed by either a revenue bond or a loan from City funds combined with a revenue bond. City Staff recommends that the City of Sacramento construct a transfer station at the City owned landfill.

BACKGROUND INFORMATION

General

Residential solid waste collected in the City of Sacramento, is currently disposed of in a City owned landfill. The remaining capacity of the landfill will be exhausted in mid-1982.

Disposal Alternatives

The City Staff and its consultants have evaluated several alternatives to the current waste disposal method.

The alternatives evaluated include:

1. Direct haul of the City's waste via collection vehicles to the Sacramento County Disposal site.
2. Construction of a solid waste transfer station at the landfill and the transfer of waste to either Sacramento County's landfill or Yolo County's landfill.

3. Construction of a Baling facility at the City landfill and the transfer of baled waste to Granite's pits for disposal.
4. Construction of a Baling facility at Granite's pits and build the City owned pits up to grade for future use.
5. Construction of a Resource Recovery Facility to convert waste to a salable product.

The direct haul to the County landfill alternative is the most costly option (see attached Exhibit I City of Sacramento Resource Recovery and Waste Disposal Study, Table 6-3). This alternative also has the most adverse environmental impacts (see Exhibit II Draft Environmental Impact Report on Solid Waste Disposal Alternatives, Table 2-4). Thus City Staff recommends that this alternative not be implemented except as a temporary measure if either alternatives are not available at the time of City landfill depletion.

The construction of a Sacramento City transfer station at the City landfill is currently the least costly alternative (see Exhibit I table 6-3). This alternative is also environmentally sound. However, as with direct haul, this alternative introduces a constraint that is new to Sacramento waste disposal i.e. the inability of the City's decision makers to totally control the cost of waste disposal. The staff is currently exploring the possibility of two(2) landfills being the final depository of the City's waste, these landfills are (1) the Sacramento County landfill and (2) the Yolo County landfill. At either of these landfills there will be a fee for deposit of waste. Sacramento County's current disposal fee is \$4.00 per ton and Yolo County's current disposal fee is \$3.75 per ton.

The use of Sacramento County's landfill may involve the formation of a Joint Powers Agreement (JPA) between unincorporated Sacramento County, Folsom, Galt, Isleton and Sacramento City. The JPA could control the waste disposal fees required at the Sacramento County landfill.

The use of Yolo County's landfill may involve an agreement between Yolo County and Sacramento City. As currently perceived this agreement would be a long-term (greater than five years) contractual agreement.

The construction of a Baling facility at the City landfill and transfer of baled waste to Granite's pits is technically feasible and environmentally sound. However, this alternative has the largest capital cost and includes technical redundancy. Thus the staff recommends that this alternative not be implemented.

The construction of a Baling facility at Granite's pits currently requires the second most economical capital investment and is environmentally sound. This alternative could restore 200 acres of City owned (deeded over to City by Granite Construction Company) mined gravel pits to grade for future use as a park site. The pits could be restored in 10 acre increments or as Community Services park planning required. However, this alternative limits resource recovery to front-end only activities i.e. all materials required for waste to energy conversion would have to be extracted before going into the Balers. It would tend to dictate mass burning of unprocessed waste (MSW) as opposed to production of a shredded and processed refuse derived fuel (RDF).

This alternative does provide complete City control of waste disposal cost.

The immediate construction of a Resource Recovery facility is negated by the current lack of potential markets for waste to energy products in the Sacramento area. The construction of a transfer station that can accommodate future waste conversion systems and/or permit the transfer of waste to other locations for processing is believed to be the most prudent course at this time.

A City Council decision as to our future disposal method affects the final on-line date of a disposal facility (see enclosed Figure 1 alternative Waste Disposal Time Lines). Therefore an early decision would enhance the implementation of a new disposal method by our June of 1982 need date.

City staff has also examined an apparent need to provide additional bulk waste disposal services to our citizens. Among the methods considered were (1) opening the transfer station to citizens, (2) cost-effective use of existing county transfer stations, (3) construction of drop-off convenience centers and (4) increasing the capabilities of our current Neighborhood Cleanup Program. It is recommended that we increase the capability of our Neighborhood Cleanup Program.

The use of the transfer station would have many adverse environmental impacts. The use of the County transfer stations would require a large subsidy in City funding that is not necessarily for all citizens.

In a 1974 pilot program, convenience centers were found to be impracticable unless they are located at permanent sites and manned 24 hours. It could be difficult to site enough of these facilities. Thus the use of Revenue Sharing funds to expand the capabilities of the Neighborhood Cleaning Program is recommended.

FINANCIAL DATA

The City Attorney has provided a legal opinion which states that "the City of Sacramento may issue revenue bonds for a waste disposal facility"(See attached Exhibit III).

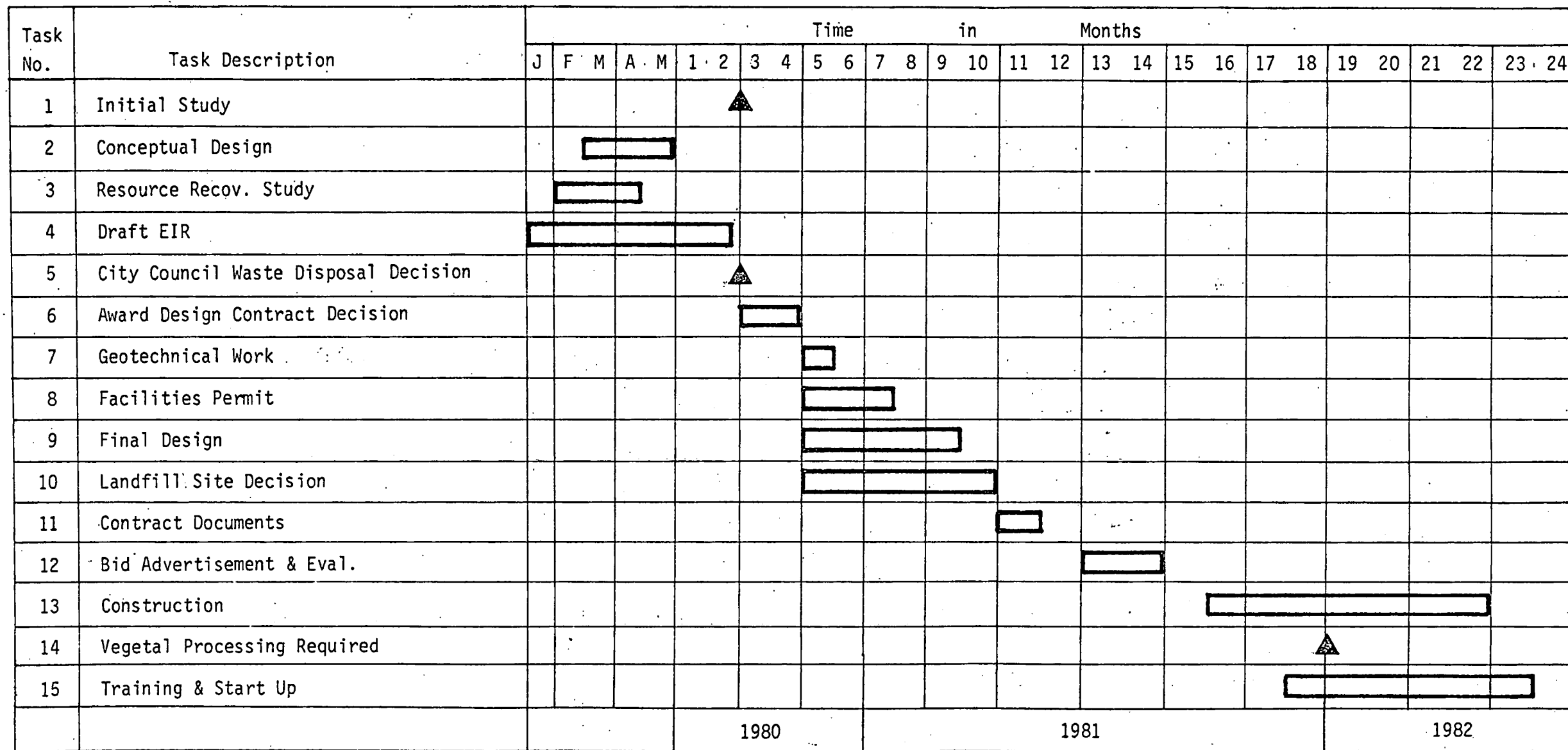
Thus the facility could be financed from (1) a revenue bond issue or (2) by borrowing money from some existing City funds and augmenting these funds with a smaller revenue bond issue.

The ultimate financing requirements would be the cost of the facilities less the \$2,000,000 previously set aside for a transfer station. Thus projected funding needs are:

I Transfer Station

Transfer Station	\$ 3,860,000
Vegetal Waste Processing	720,777
Contingency	419,223
	<u>\$ 5,000,000</u>
Previous Funding	2,000,000
Required Funds	<u>\$ 3,000,000</u>

ALTERNATIVE WASTE DISPOSAL TIME LINES



II Balefill Stations

Balefill	\$ 6,855,500
Vegetal Waste Processing	720,777
Contingency	423,723
	<u>\$ 8,000,000</u>
Previous Funding	2,000,000
Required Funds	<u>\$ 6,000,000</u>

Details of the revenue bonding potential are provided on attached.

Exhibit IV Financing Considerations Solid Waste Disposal Facilities

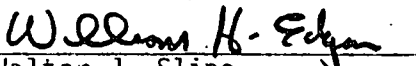
RECOMMENDATION

It is recommended that the City Council authorize:

- (1) The design and construction of a Waste Transfer Station at the Sacramento City Landfill.
- (2) The City Manager to increase the capabilities of the existing Neighborhood Cleanup Program.
- (3) It is recommended that the City Manager be authorized to pursue a source of funding for the transfer station project.

Respectfully submitted,


 Regina J. Young
 Waste Removal Superintendent


 Sr Walter J. Slupe
 City Manager

July 22, 1980
All Districts

- Exhibits I Resource Recovery and Waste Disposal Study
- Exhibits II Draft Environment Impact Report on Solid Waste Disposal Alternative
- Exhibit III Memorandum Legal Opinion Revenue Bonds
- Exhibit IV Financing Considerations Solid Waste Disposal Facilities

EXHIBIT II

CITY OF SACRAMENTO
DRAFT ENVIRONMENTAL IMPACT REPORT
ON
SOLID WASTE DISPOSAL ALTERNATIVES

(To be provided July 25, 1980)



CITY OF SACRAMENTO

Open

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JAMES P. JACKSON
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SAM JACKSON
WILLIAM P. CARNAZZO
SABINA ANN GILBERT
STEPHEN B. NOCITA
DEPUTY CITY ATTORNEYS

April 29, 1980

MEMORANDUM OPINION

TO: REGINALD YOUNG, Waste Removal Division Superintendent
FROM: LELIAND J. SAVAGE, Deputy City Attorney

QUESTION PRESENTED

May the City of Sacramento issue revenue bonds for its waste disposal facility - (Transfer Station/Balefill Station) without obtaining a vote of the people?

SHORT ANSWER

Yes.

ANALYSIS

The Revenue Bond Law of 1941 (Government Code Sections 54300, et. seq.) requires that an election be held to authorize issuing revenue bonds. A simple majority of the voters voting at that election is sufficient to authorize issuing the bonds (Government Code Sections 54380-54434).

The City of Sacramento as a charter city has the authority to adopt a revenue bond procedure which incorporates only a portion of the Revenue Bond Law of 1941 and may eliminate therefrom the requirement for an election to authorize the issuance of revenue bonds payable solely from a special fund. (City of Santa Monica v. Grubb (1966) 245 Cal. App.2d 718, 724, 727) The voters of the City have in fact taken advantage of this power by enacting Section 119 of the City Charter. Section 119 of the City Charter provides:

The city council may issue revenue bonds for any lawful purpose in such manner and upon such terms and conditions as it may fix and establish by the provisions of a procedural ordinance.

Thus, it appears that if the City Council adopts a procedural ordinance for issuing revenue bonds without an election, it is permissible for the City to issue such bonds.

Reginald Young
April 29, 1980
Page Two

JAMES P. JACKSON
City Attorney

Leliand J. Savage
LELIAND J. SAVAGE
Deputy City Attorney

LJS:kn

Cc's: A. Plescia
D. Brenninger
R. Parker
J. Varozza
T. Friery



CITY OF SACRAMENTO

OFFICE OF THE TREASURER

800 - 10TH STREET
SUITE 1

SACRAMENTO, CA 95814
TELEPHONE (916) 449-5318

THOMAS P. FRIERY
TREASURER

DONALD E. SPERLING
ASST. TREASURER

July 17, 1980

TO: William Edgar
Assistant City Manager

FROM: Thomas P. Friery
City Treasurer

SUBJECT: Financing Considerations - Solid Waste Disposal Facilities

SUMMARY

Based on conversations and information supplied by Reggie and Andy, I have coordinated with the City's Financial Advisor to prepare a Table of Financing Considerations as they pertain to a Solid Waste Disposal Facility (See Attachment A and B).

Prior to providing you with a concise analysis of the findings you should be aware that I have been advised to assume Revenue Bonds could be issued by City Council action without a vote of the electorate, although subject to the referendum process. Further, given the uncertainties attendant to passage of Proposition 4, it has been determined that a straight Revenue Bond issued on the Revenues of the Solid Waste Division would be preferable to bond buyers as opposed to a Revenue Lease obligation of the City or a Revenue obligation of a joint powers authority or non-profit corporation. In addition, the perceived interest cost of the former is estimated at 8 3/4% percent in today's market as opposed to 9 1/4% for the later types of Revenue obligations.

Very briefly, assuming straight Revenue Bonds were issued for periods of 25 and 30 years respectively (although principal repayment occurs over a 24 and 29 year life respectively) the following considerations have been developed.

\$ in millions	<u>FINANCING CONSIDERATIONS</u> <u>SOLID WASTE DISPOSAL FACILITIES</u>				Estimated Net	
	Estimated Financing Required		Estimated Gross Debt Service Cost		Revenues from Waste Disposal Required to meet financing covenants Excluding O&M Costs	
<u>Estimated Facility Construction Cost Excluding Financing</u>	<u>24 yrs</u>	<u>29 yrs</u>	<u>24 yrs</u>	<u>29 yrs</u>	<u>24 yrs</u>	<u>29 yrs</u>
\$ 3 Option #1	\$ 3.790	\$ 3.765	\$ 9.192	\$10.469	\$.452	\$.426
\$ 1 Option #2	\$ 1.325	\$ 1.315	\$ 3.216	\$ 3.654	\$.158	\$.149
\$ 6 Option #3	\$ 7.515	\$ 7.470	\$18.216	\$20.764	\$.896	\$.832

William Edgar
July 17, 1980
Page 2

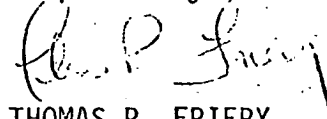
As an initial observation, it should be considered that in every alternative considered, the longer obligation (30 year) provides both lower initial financing requirements and lower annual revenue requirements to meet the financing covenants. However, because of the extended period the bonds are outstanding, the total gross debt service costs are greater.

Further, option number 2 which considers that the City will provide \$4 million of the \$5 million estimated construction costs of the transfer station, thereby only requiring \$1 million of outside financing is obviously the most absolute cost effective alternative. However, the use of the Contingency Fund and Revenue Sharing require other policy considerations than cost alone.

Finally, options numbers 1 and 3 considered constructing a transfer station and bale fill operation at a 1980 estimated construction cost of \$5 million and \$8 million respectively. Both of these options considered \$2 million of the cost of construction would be borne by the City. Furthermore, investment income earned during the construction period \$110,000 and \$220,000 by respective option has not been used in reducing costs estimates. Rather, these amounts may be considered as a hedge against escalation, a reserve to reduce operation costs in the first year and/or a source of operation and maintenance funds.

Not being totally aware of or involved in the policy considerations for the facility I cannot recommend which financing alternative to use. However, I do recommend very strongly that as a result of potential project escalation and the current favorable bond market that we proceed as expeditiously as possible to secure a Revenue Bond Financing.

Respectfully submitted,



THOMAS P. FRIERY
City Treasurer

TPF:kca
Attachments (2)

cc: ✓ Ron Parker, City Engineer
Reginald Young, Refuse Collection Supt.
Andrew Plescia, Sr. Management Analyst

FINANCING CONSIDERATIONS
SOLID WASTE DISPOSAL FACILITIES

ESTIMATED FINANCING REQUIREMENTSTRANSFER STATIONBall Fill

	24 yrs		29 yrs		24 yrs		29 yrs	
	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Construction Cost	\$3,000	\$3,000	\$1,000	\$1,000	\$6,000	\$6,000	\$6,000	\$6,000
Financing Cost	75	75	75	75	100	100	100	100
Capatalized Interest (1 yr 8 3/4%)	332	329	116	115	657	654	654	654
Reserve Account	<u>383</u>	<u>361</u>	<u>134</u>	<u>126</u>	<u>759</u>	<u>716</u>	<u>716</u>	<u>716</u>
Total Estimated Financing	<u>\$3,790</u>	<u>\$3,765</u>	<u>\$1,325</u>	<u>\$1,315</u>	<u>\$7,515</u>	<u>\$7,470</u>	<u>\$7,470</u>	<u>\$7,470</u>
Estimated Gross Debt Service Cost (Includes Principal)	<u>\$9,192</u>	<u>\$10,469</u>	<u>\$3,216</u>	<u>\$3,654</u>	<u>\$18,216</u>	<u>\$20,764</u>	<u>\$20,764</u>	<u>\$20,764</u>
Estimated Gross Revenues Required to meet 1.25 X DEBT SERVICE	\$478.8	\$451.3	\$167.5	\$157.5	\$948.8	\$895.0	\$895.0	\$895.0
Estimated Investment Income From Reserve Accounts (7%)	<u>26.8</u>	<u>25.3</u>	<u>9.4</u>	<u>8.8</u>	<u>53.1</u>	<u>62.7</u>	<u>62.7</u>	<u>62.7</u>
Estimated Net Revenues From Waste Disposal Required to meet covenants excluding O & M costs	<u>\$452.0</u>	<u>\$426.0</u>	<u>\$151.1</u>	<u>\$148.7</u>	<u>\$895.7</u>	<u>\$832.3</u>	<u>\$832.3</u>	<u>\$832.3</u>

- 1) Assumed Cost of Construction \$5 million of which \$2 million will be paid by General Fund.
- 2) Assumed Cost of Construction \$5 million at which \$4 million will be paid by General and other Funds.
- 3) Assumed Cost of Construction \$8 million at which \$2 million will be paid by General Fund.

BLYTH EASTMAN PAINE WEBBER
INCORPORATED
555 CALIFORNIA STREET
SAN FRANCISCO, CALIFORNIA 94104
415-362-8000

July 15, 1980

Mr. Thomas P. Friery
Treasurer
City of Sacramento
800 10th Street Ste. 1
Sacramento, Ca. 95814

Dear Tom:

In connection with the City's examination of alternatives respecting solid waste disposal facilities, you have asked us to compare the financing costs of a \$5.0 million transfer station and an \$8.0 million bale filling operation. In both cases, you have indicated a contribution of \$2.0 million in cash from the City.

As we understand the alternatives, land costs are not involved at either of the sites proposed for the respective facilities and construction could be completed in one year in each case. We further understand that revenue bonds could be issued by City Council action without vote of the electorate although subject to the referendum process. We prefer such revenue bonds to lease obligations that might be issued by a joint powers authority or a non-profit corporation, given the uncertainties attendant to passage of Proposition 4. The revenue collection history and experience of the City with waste disposal should result in a bond issue commanding an investment grade rating and ready market acceptance.

With current borrowing levels, we have used an 8 3/4% rate as being reasonably conservative for the 25- or 30-year maturity period of the proposed bonds. To direct facility costs we have added issuing expenses, funded interest for a period of one year and created a reserve fund equal to maximum annual debt service. Shown below are our calculations as to resulting issue sizes (in thousands):

Transfer Station	<u>24 years</u>	<u>29 years</u>
Construction cost, net of \$2.0 million		
City contribution	\$ 3,000	\$ 3,000
Issuing costs	75	75
Funded interest - 1 yr. @ 8.75%	332	329
Reserve fund	383	361
Issue Size	<u>\$ 3,790</u>	<u>\$ 3,765</u>

Bale Fill		<u>24 years</u>	<u>29 years</u>
Construction cost, net of \$2.0 million			
City contribution		\$ 6,000	\$ 6,000
Issuing costs		100	100
Funded interest - 1 yr. @ 8.75%		657	654
Reserve fund		759	716
Issue Size		<u>\$ 7,515</u>	<u>\$ 7,470</u>

It can be seen that there is only a modest initial cost differential between 25- and 30-year bonds (24 and 29 years, respectively, of principal repayment), but a more substantial increase in total cost over time. Using the transfer station example, a reduction in issue size of \$25,000 is accomplished initially and annual debt service costs are \$22,000 less per year for the larger issue. However, since the payments must be made for five more years, the net total cost is \$1,277,000 greater:

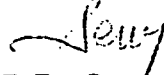
29 years x \$361,000	=	\$ 10,469,000
24 years x 383,000	=	<u>9,192,000</u>
Net difference		\$ 1,277,000

In neither case has investment income on idle construction funds, the interest or reserve funds been taken into account in reducing the issue size. This sum, which is estimated conservatively at \$110,000 for the smaller issue and \$220,000 for the larger, can serve as a contingency for escalation in costs, time delays or change orders. Any balance remaining upon completion of construction can be used for system improvements or to defer rate increases by application to debt retirement.

It is assumed that the usual covenants will be made with bondholders relating to establishment of rates and charges and debt service coverage and it should be noted that investment income from the reserve fund can be counted as revenues during the life of the bonds. The reserve thus serves the dual role of affording additional security to the bondholders and a potential generator of net income to the system.

Please let us know if you have questions, and the need for the facility seemingly indicates a policy decision is necessary in the near future if financing and construction are to be completed in an orderly manner.

Very truly yours,


T.E. Comerford
Managing Director

Tom --

The cost of a \$1.0 million issue would be as follows:

	<u>24 years</u>	<u>29 years</u>
Construction	\$ 1,000	\$ 1,000
Issuing costs	75	75
Interest - 1 year	116	115
Reserve fund	<u>134</u>	<u>126</u>
Total	<u>\$ 1,325</u>	<u>\$ 1,315</u>

TEC/1



CITY OF SACRAMENTO

OFFICE OF THE CITY CLERK
915 I STREET
CITY HALL ROOM 203

SACRAMENTO, CALIFORNIA 95814
TELEPHONE (916) 443-5428

LORRAINE MAGANA
CITY CLERK

MEMORANDUM

TO: BUDGET AND FINANCE COMMITTEE, CHAIRMAN CONNELLY
FROM: LORRAINE MAGANA, CITY CLERK
SUBJECT: REFERRAL OF ITEM 25, AGENDA JULY 22, 1980
DATE: JULY 23, 1980

Pursuant to Council action, the following subject matter is referred to your committee for hearing, report and recommendation:

Solid Waste Disposal Alternatives - Capital Cost.

cc: Councilman Hoerber, Pope, Thompson