

**MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT
REGULAR MEETING MINUTES**

9:30 A.M., Friday
May 16, 2003

Boardroom
Marina Landfill
Marina, CA

MEMBERS PRESENT: Dan Albert, Chair
William Gianelli
Edith Johnsen
Tom Mancini
Sue McCloud
David Pendergrass
Jim Perrine

MEMBERS ABSENT: Jack Barlich, Vice Chair
Gary Bales

STAFF PRESENT: J. David Myers, General Manager
William Merry, District Engineer/Assistant General Manager
Rob Wellington, Legal Counsel
Richard Norton, Administrative Services Manager
Don Prescott, Finance/Information Systems Manager
Heidi Feldman, Public Education Coordinator
Jim Griffith, Site Superintendent
Harry Hunzie, Materials Recovery Facility Manager
Rebecca Aguilar, Administrative Support Supervisor
Julia Partida, Administrative Support Specialist
Suzan Fine, Recycling Attendant/SEIU Shop Steward

OTHERS PRESENT: Bjorn Lundegard, City of Seaside
Kurt Hunter, Salinas Valley Solid Waste Authority

ROLL CALL AND ESTABLISHMENT OF QUORUM

Notice having been duly given and the presence of a quorum established, the May 16, 2003, Regular Meeting of the Monterey Regional Waste Management District Board of Directors was called to order by Chair Albert at 9:30 a.m.

PUBLIC COMMUNICATIONS

Director Johnsen reported that Mayor Jack Barlich, District Board representative for the City of Del Rey Oaks was at Sequoia Hospital in Redwood City. She stated that he was in good care, greatly missed, and could be home as early as the following week.

PRESENTATION OF FIVE YEAR SERVICE AWARD TO MAYOR SUE MCCLOUD

General Manager presented a five-year service award to Mayor Sue McCloud as representative on the District Board for Carmel-by-the-Sea.

General Manager reported to the Board that the Central Coast Recycling Media Coalition had received the bronze Collaborative Excellence award from the Monterey County Overall Economic Development Commission.

CONSENT AGENDA

Following a motion by Director Johnsen and seconded, the Board approved the following actions:

- 1) Approve Minutes of April 18, 2003 Regular Meeting.
- 2) Approve Warrants #40346 - #40557.

ITEMS FOR BOARD CONSIDERATION, DISCUSSION AND ACTION

3) Authorize Hayashi & Wayland Accountancy Corporation to Perform Annual Audit of District and JPA Financial Statements for Fiscal Year 2002-2003

The Board reviewed an audit engagement letter from Hayashi & Wayland to perform the annual audit of District and JPA financial statements for fiscal year 2002-2003 at a cost of \$24,800. General Manager stated that District staff has a good working relationship with Hayashi & Wayland and would like to continue having them perform the audit.

It was moved by Director Mancini, seconded, and *Unanimously Carried To: Authorize Hayashi & Wayland Accountancy to Perform Annual Audit for Fiscal Year 2002-2003 at a Cost of \$24,800.*

4) Adopt Resolution 2003-04 Authorizing Investment of Monies in California Local Agency Investment Fund

The Board reviewed Resolution 2003-04 authorizing District surplus funds to be invested in the California Local Agency Investment Fund (LAIF). Since it has been 25 years since the last resolution was adopted, the State is asking for a new resolution.

It was moved by Director Gianelli, seconded, and *Unanimously Carried To: Adopt Resolution 2003-04 Authorizing Investment of Surplus District Monies in California Local Agency Investment Fund.*

5) Adopt Resolution 2003-05 Authorizing Membership in Special Districts Association of Monterey County and Designating District Representatives

The Board reviewed a resolution (2003-05) authorizing membership in the Special Districts Association of Monterey County and designating District representatives. General Manager stated that the Board had discussed and supported the formation of a Special Districts Association in Monterey County last year, but had taken no formal action. The Board also needed to decide who would be the official representative from the District.

Director Perrine asked what the official representative's duties were and how often the special districts representatives met. General Manager stated that an organizing meeting would be held on July 15th and that there would be at least two meetings per year. Director Perrine stated that he would be willing to represent the District.

It was moved by Director Pendergrass, seconded, and *Unanimously Carried To: Designate Director Jim Perrine as the Official Representative from the District Board to the Special Districts Association of Monterey County.*

It was moved by Director Mancini, seconded, and *Unanimously Carried To: Adopt Resolution 2003-05 Authorizing Membership in Special Districts Association of Monterey County.*

6) Consider Nomination of Special District Representative to LAFCO

The Board reviewed a letter from Mike Armstrong of the Marina Coast Water District explaining that Zad Levy would no longer be able to serve as the alternate special district member on LAFCO. The Board also reviewed the proposed LAFCO budget and work program for fiscal year 2003-2004 prepared by LAFCO Executive Officer, Cathy West.

General Manager stated that the only District Board members that would be eligible to serve as the alternate member on LAFCO would be Directors Bales, Gianelli, and Perrine, since they were not elected officials from the cities or Monterey County.

It was moved by Director Albert, seconded, and *Unanimously Carried To: Submit the Name of Director Jim Perrine as a Candidate for the Alternate Member Position on LAFCO Representing Special Districts.*

7) Authorize Payment to Forensic Analytical for Sampling and Analysis of Fort Ord Lead Contaminated Buildings

The Board reviewed a memorandum from District Engineer with regard to the sampling work conducted by Forensic Analytical. General Manager stated that Forensic Analytical had been doing sampling work for FORA and had recently collected 70 samples from the wooden buildings on the former Fort Ord at the request of the Department of Toxic Substances Control (DTSC). The DTSC asked for additional samplings in order for them to consider the District's request for a disposal variance on the wooden buildings. Under the cost sharing agreement with FORA, the District pays the up front costs which should not exceed the \$25,000 estimated in Forensic Analytical's proposal.

It was moved by Director Perrine, seconded, and *Unanimously Carried To: Authorize Payment to Forensic Analytical for Sampling and Analysis of Fort Ord Lead Contaminated Buildings.*

8) Review Financial Reports and Consider Adoption of Preliminary Budget for Fiscal Year 2003-2004

The Board reviewed the preliminary budget for fiscal year 2003-2004 and a memorandum from Finance/Information Systems Manager. The Board also reviewed a memorandum from Administrative Services Manager regarding personnel expenses for fiscal year 2003-2004.

General Manager stated that at the time of the last rate increase in 1997, he had stated that another increase should not be necessary for at least three to four years. In January 2003, staff had thought that a rate increase could be postponed until July 2004, but after further review and in preparation of the upcoming budget, staff realized that a rate increase would have to take effect as originally planned in January 2004. General Manager reported that the budget process has been difficult. He referred the Board to the Solid Waste Price Index which showed that the average tipping fee for the Pacific region was \$38.96 per ton and \$36.51 for California. The Salinas Valley Solid Waste Authority (SVSWA) will be going to \$45 per ton in July and Santa Cruz County will be going to \$40 per ton. The Board also reviewed a history of the District's rates from 1978 to the present. He stated that even with a January 2004 increase of \$5 per ton there would still be a decline in unrestricted cash reserves from \$5,224,000 to \$3,284,000 by the end of fiscal 2003-2004. This amount was below the 25% of operating expenses (\$3,403,750) established by the Board last year as the desired level of cash reserves. By 2004-2005, the reserves will drop to \$1,873,000 and by 2005-2006 to a negative \$701,300, dropping the bond ratio to unacceptable levels. General Manager reported that staff has looked at ways to reduce capital outlay, but since much of the equipment was purchased when the materials recovery facility was built seven years ago, several pieces need replacement.

Don Prescott, Finance/Information Systems Manager gave the Board a presentation of the preliminary budget. Operating revenue from mixed waste is expected to decrease slightly, but revenue from metal should increase since the District is now receiving \$44 per ton. Power sales have leveled off and there is an expected decrease in interest revenue. Overall, revenues will increase by \$402,000 from the current budget for a total budget revenue projection for 2003-2004 of \$12,820,000. Operating expenses are projected to increase by \$986,000 largely due to employee wages and benefits. Increases included cost of living adjustments, salary study adjustments, step increases, and workers compensation and health insurance premiums bringing overall operating expenses for fiscal year 2003-2004 to \$14,150,000. Projected capital outlay expenses will be largely due to MRF equipment replacement and repair, as well as modifications to the sortline. Other items are improvements to the landfill gas collection system and overhauls to site equipment bringing the total to \$2,645,000. The revenue bond principal payments will total \$944,000, a slight increase from \$905,000 for fiscal year 2002-2003.

Finance/Information Systems Manager referred the Board to the five-year projection summary, which depicted that by the end of fiscal year 2003-2004, the District would have a negative net income of \$1,330,000. Unrestricted cash would be below the desired reserve level and the bond ratio would drop to 0.88. He also referred the Board to projections which included a \$5 per ton rate increase in January 2004 which would bring the net income to negative \$532,000; unrestricted cash to \$5,350,200; and the bond ratio to 1.42.

Director Mancini asked whether the District has considered teaming up with other agencies in order to purchase equipment at a cheaper price to which the General Manager responded that the District has in the past. Director McCloud asked if it would make it easier for the District to project wages and benefits for three years instead of year to year in order to accommodate unforeseen expenses, particularly the workers compensation and health insurance premiums. General Manager stated that many of the expenses are part of the negotiated three-year contracts with the unions.

General Manager distributed several different scenarios, some including an agreement with Norcal for acceptance of South Santa Clara County (SSCC) waste, which was the next agenda item. Scenario A incorporated a \$5 per ton rate increase in January 2004 and every two years thereafter bringing the tonnage rate to \$55 per ton in ten years and cash reserves would still be below the 25%. Scenario B incorporated acceptance of SSCC waste beginning in October 2003 and a \$5 per ton rate increase in January 2006 increasing revenues for a few years. Scenario C incorporated acceptance of SSCC waste in October 2003 and a \$3 per ton rate increase in January 2004 and then another increase in January 2008. Scenario D incorporated acceptance of the SSCC waste, a \$3 rate increase in January 2004 and a \$1 rate increase every year thereafter through 2013 bringing the tonnage rate to \$41 per ton which would still be very competitive with other area landfills. Scenario E is a joint proposal with the SVSWA, which is also interested in accepting the waste from SSCC, and includes \$5 per ton rate increases in January 2004 and July 2005. Acceptance of SSCC waste would not begin until January 2007 after the Crazy Horse Landfill reaches capacity. This would bring the per ton rate to \$40. General Manager recommended that the Board adopt the preliminary budget with an anticipated rate increase effective January 1, 2004, and after discussion of agenda item 9, authorize staff to negotiate a contract to accept the SSCC waste as soon as possible or as a joint venture with the SVSWA. He stated that reaching an agreement with Norcal prior to holding a public hearing would be advantageous so that haulers could incorporate any rate increases when they renegotiate their contracts later this year.

Chair Albert questioned how the haulers would incorporate a \$1 per year increase in their contracts. General Manager responded that the haulers would have to negotiate it in their contracts. He stated that staff always thought it was easier to incorporate a larger increase every several years instead of smaller increases every year, but thought that by doing the smaller increases it would make it easier to negotiate a contract with Norcal.

Director Perrine commented that if Norcal was interested in bringing the waste to the District site, then perhaps a contract could be negotiated that would be advantageous to local jurisdictions. Negotiating an agreement in which Norcal paid a higher rate could eliminate or decrease the amount of a rate increase. He also expressed that other agencies such as CalTrans and the air district should be notified because of the increased traffic on Highways 101 and 156. Director McCloud commented that strategizing or working against the SVSWA or other counties could affect regional efforts. She also inquired about an environmental review (CEQA) for acceptance of SSCC waste because of increased traffic, safety, and air quality issues. General Manager stated that he believed a CEQA process would not be necessary because it would only be 12 additional trucks per day. Director Johnsen stated that although acceptance of the Norcal

waste could potentially only mean a reduction of a few years of site life and increase revenue, coupling it with the budget could expose the District to negative publicity. She recommended that the public have an opportunity to comment on this issue.

Board discussion followed regarding how to best proceed with this issue and it was agreed that discussion should continue under the next agenda item.

Director McCloud questioned whether implementation of salary increases and capital outlays could be delayed, and how the Fort Ord material affected the budget. Finance/Information Systems Manager responded that staff projected that the Fort Ord waste would be accepted at the District site, but any and all projections could change in the future and decrease revenue estimates. Director McCloud also questioned the purchasing of equipment instead of leasing. General Manager stated that on each equipment purchase staff could look at lease options. Director McCloud expressed concern that she did not see any cutbacks in the budget as other jurisdictions and agencies are doing and, therefore, did not feel comfortable approving adoption. General Manager responded that the wages and benefits were negotiated and approved by the Board. Director Pendergrass stated that although he understood Director McCloud's concerns, the Board finance committee had perused the budget and this was only a preliminary budget where adjustments could still be made and presented in the final budget.

It was moved by Director Mancini, seconded, and *Approved by Chair Albert, Directors Gianelli, Johnsen, Mancini, Pendergrass, and Perrine; Opposed by Director McCloud To: Adopt Preliminary Budget for Fiscal Year 2003-2004 and Make Plans for a \$5 Per Ton Rate Increase Effective January 1, 2004.*

Director Mancini departed at 10:50 a.m.

9) Consider Acceptance of Solid Waste from South Santa Clara County

General Manager stated that the District has been accepting out of County waste for several years from Capitola and sludge from the Gilroy/Morgan Hill area. Staff was requesting that the Board authorize negotiations with IntelliWaste Inc., a solid waste management consultant for Norcal Waste Systems, Inc., for acceptance of the SSCC waste. He stated that accepting the waste would be beneficial to the District because it would be for a short term of ten years, would only cost the District less than three years of site life, and the waste would not have to be processed in the MRF. He understood the Board's concerns about additional traffic and the need to notify agencies involved such as CalTrans and the air district, but stated that there had been no CEQA or EIR conducted during the huge Moss Landing Harbor District project that brought in about 100 trucks per day.

Chair Albert stated that he had been on the Board for a long time and always had concerns about the site life. Since he has been on the Board, the site life has been about 100 years and had remained the same because of different recycling programs. If acceptance of the waste would only reduce the site life by about 3 years and increase revenues then it would be beneficial to the District, but the Board was requesting more information in order to make an educated decision.

Director Gianelli stated that the Board should authorize staff to negotiate a draft contract with Norcal for Board approval. Director Perrine stated that the General Manager needed direction from the Board in order to proceed with negotiations with Norcal. He believed that Norcal should mitigate any environmental impacts with additional fees instead of impacting local jurisdictions. Director Pendergrass

agreed with Director Gianelli to include the public once a draft contract had been presented. Director Johnsen stated that she preferred that staff be authorized to explore a contract rather than negotiate one. Chair Albert commented that he disliked the idea of losing an opportunity that could be beneficial to the District.

General Manager stated that the SVSWA needed to decide if they are going to accept SSCC waste for three years until Crazy Horse Landfill is filled to capacity. If at that time, the District's fees are too high, Norcal may decide to take it somewhere else and the District would lose that revenue. It made sense for the District to continue discussions regardless of the SVSWA decision. He stated that the site master plan report that would be presented to the Board in July would have options to increase the site life to 125+ years. The Board needed to consider whether District rates should be increased significantly, services reduced, or waste brought in from outside of the District. He referred the Board to a letter from California Waste Associates on behalf of a waste authority in Tulare County that is looking for a long term agreement of 25 to 30 years to dispose of 200,000 tons of waste after the year 2007. Santa Cruz County is also looking for waste disposal options beyond their 20-year site life, and the SVSWA is looking for a new landfill site when the Johnson Canyon Landfill closes. General Manager stated that there will be an increasing interest in the District site as other sites close and it becomes more difficult to permit new landfills.

It was moved by Director Gianelli, seconded, and *Approved by Chair Albert and Director Gianelli; Opposed by Directors Johnsen, McCloud, Pendergrass, and Perrine To: Authorize District Staff to Negotiate an Agreement With IntelliWaste and Norcal Waste Systems and Bring Back to the Board.*

It was moved by Director Johnsen, seconded, and *Approved by Chair Albert and Directors Johnsen, McCloud, Pendergrass, and Perrine; Opposed by Director Gianelli To: Explore a Contract With IntelliWaste and Norcal Waste Systems, Notify the Proper Agencies, Review and Discuss with the Finance Committee, and Bring Back to the Full Board.*

10) Review and Update Strategic Plan, Including Schedule for Selection of Search Firm

The Board reviewed revisions to the updated Strategic Plan. General Manager stated that the changes consisted of the effective date for the proposed fee increase, future objectives under Section B, and the postponement of a presentation on plans for MRF modifications. He asked the Board to clarify whether they wanted to issue a request for qualifications (RFQ) or a request for proposals (RFP) from search firms under Section B. Legal Counsel stated that by issuing an RFQ and after looking at the qualifications, the Board could decide to hire a firm without requesting proposals.

It was moved by Director Johnsen, seconded, and *Unanimously Carried To: Approve Revisions to the Strategic Plan and Authorize Staff to Prepare a Request for Qualifications.*

STAFF REPORTS

11) Recycling and Operating Reports, Including Quarterly Recycling Report by Jurisdiction

The Board reviewed the Recycling and Operating Reports for April. Overall tonnage was up by more than 1,000 tons over March and also over April 2002. Diversion rates dropped slightly from March.

The Board also reviewed the quarterly Recycling Report by Jurisdiction. Recycling rates for the first quarter in 2003 showed slight increases for Del Rey Oaks, Pacific Grove, and Sand City, but a decline from the City of Seaside because of the demolition of buildings on Fort Ord. General Manager reported that Seaside rates should improve next quarter because demolition material coming from the Seaside portion of Fort Ord should subside. Seaside is also considering a single stream recycling program which should help improve rates.

12) Status of Biosolids Composting Operation

General Manager reported on the status of the biosolids composting operation. The first windrow has been completed and staff should have the test results soon to see if the material is acceptable for use as cover material at the Lewis Road Landfill. The MRWPCA has some concerns about their biosolids going to the Lewis Road Landfill and has requested that the Salinas Valley Solid Waste Authority provide them with some indemnification.

OTHER CORRESPONDENCE

13) Letter from California Special District Association Re: Members Only Section of Website

The Board reviewed a letter from the California Special District Association regarding the Members Only Section on their website which benefits the Board and staff by providing news and information for special districts.

14) Letter from Special District Leadership Foundation Re: William Merry Certification as a Special District Administrator

The Board reviewed a letter from the Special District Leadership Foundation to William Merry informing him that he had successfully passed the Special District Administrator Certification examination demonstrating knowledge and expertise in the areas of special district management and governance.

ADJOURNMENT

There being no further business to come before the Board at this time, the May 16, 2003, Regular Meeting of the Monterey Regional Waste Management District Board of Directors was adjourned to June 20, 2003 by Chair Albert at 11:15 a.m.

RECORDED BY:

AUTHENTICATED BY:

Rebecca G. Aguilar
Administrative Support Supervisor/
Recording Secretary

J. David Myers
General Manager