



Memorandum

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Reviewed by Wmm Date 2-12-09
General Manager

DATE: February 11, 2009
TO: General Manager
FROM: Senior Engineer
SUBJECT: Renewal of Sludge Disposal Agreement with the South County Regional Wastewater Authority (Gilroy-Morgan Hill)

RECOMMENDATION: That the Board of Directors authorize the execution of an Amendment to Agreement for Disposal of Wastes by and Between Monterey Regional Waste Management District and the South County Regional Wastewater Authority. This agreement will authorize the District to accept the Gilroy-Morgan Hill sludge for an additional two-year period, to February 20, 2011.

BACKGROUND

In May 1996, the Board of Directors approved an "Agreement for Disposal of Wastes" with the South County Regional Wastewater Authority's (SCRWA). This Agreement allowed the District to accept dewatered sewage sludge ("biosolids") from the wastewater treatment plant serving the cities of Gilroy and Morgan Hill. Hauling of the Gilroy-Morgan Hill sludge to the Monterey Peninsula Landfill (MPL) began in June 1996. The original agreement was redrafted on May 15, 1998, and has been amended three times since then. The last amendment to the Agreement was approved on May 15, 2003 and extended the Agreement through May 14, 2007. Although the Agreement has technically expired, the District has continued to accept approximately 15,000 tons of sludge per year from SCRWA. This sludge has been composted along with approximately 22,000 tons of sludge received from the Monterey Regional Water Pollution Control Agency (MRWPCA). Attached is a table showing the annual deliveries of sludge from SCRWA, MRWPCA, City of Scotts Valley, and California Utility Services. Carmel Area Wastewater District discontinued delivering sludge to the District in April 1997.

REQUEST BY SCRWA TO EXTEND AGREEMENT FOR TWO YEARS

Attached is a letter from SCRWA, dated January 21, 2009, requesting that the District renew the existing Agreement for an additional two year period. SCRWA is also requesting that the District continue to divert the sludge for beneficial use so that the City of Gilroy can continue to accrue AB 939 diversion credits.

Provision E.15.a, of the Waste Discharge Requirements (WDRs) Order No. R3-2006-0017 for the MPL states that the landfill disposal of sludge, with a moisture content in excess of 50%, is only permitted in landfill modules that are equipped with a composite liner and leachate collection and removal system. In accordance with the District's fill sequence plan for the landfill, the landfill operation is currently being conducted in Modules 1 and 2. Since these two landfill modules are unlined, the District currently cannot dispose of sludge in the landfill.

The landfill disposal operations will remain in the unlined Modules 1 and 2 until the interim peak elevation of 165 feet above mean sea level is reached. This extends their service life and delays the construction of expensive future module liners. This strategy also brings the outside slopes of these unlined modules to final grade and allows for the application of a final cover sooner rather than later. Implementation of this accelerated fill and final cover approach for the unlined Modules 1 and 2 provides greater groundwater protection, and is a condition placed by the California Regional Water Quality Control Board in granting approval of the sliver fill operation in the unlined cells. After Modules 1 and 2 are brought up to their interim peak elevations, the landfill operations will move to lined Module 3, where the landfill disposal of sludge is permitted to take place. Module 3 is also the area of the landfill that is permitted for the composting of sludge.

Our plan is to commence the landfill disposal of the sludge over the lined Module 3 as soon as the planned interim peak elevations for Modules 1 and 2 are established. It is anticipated that the filling operation in Modules 1 and 2 will be complete in mid- to late-2010. In this interim period, the District proposes to continue the current sludge diversion and stabilization process by mixing the sludge with ground yard waste, with the end product being used on-site for erosion control. Therefore, we do not plan to dispose of sludge in the landfill until mid- to late-2010. Until then, Monterey County and the City of Gilroy will continue to accrue waste diversion credit for this operation. The current tip fee for handling the sludge, as of January 1, 2009, is \$30 per ton.

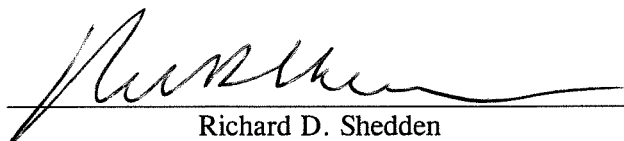
AMENDMENT TO AGREEMENT

Attached is a draft "Fourth Amendment to Agreement for Disposal of Wastes" which will extend the term of the existing Agreement to February 20, 2011. This Amendment includes the recently approved increase in the posted disposal fee from \$25 to \$30 per ton, subject to an annual adjustment for inflation on January 1, 2010. Although the District intends to divert the sludge from landfill disposal over the next one and a half to two years, this is a "Disposal Agreement" and does not require the District to divert any of the Gilroy-Morgan Hill sludge. Should the District decide to commence with the landfill disposal of sludge prior to February 20, 2011, a six-month advance notice will be given to SCRWA.

RECOMMENDATION

It is clearly in the best interests of the District to continue handling the Gilroy-Morgan Hill sludge, as it will provide revenues in the amount of nearly \$1,000,000 over the next two-year period. The majority, if not all, of this sludge can be diverted from landfill disposal through the on-site sludge composting project.

It is therefore recommended that the Board of Directors authorize the General Manager to execute an Amendment to the Agreement for Disposal of Wastes by and Between Monterey Regional Waste Management District and the South County Regional Wastewater Authority. This amendment will authorize the District to accept the Gilroy-Morgan Hill sludge for an additional two-year period, through February 20, 2011. District Counsel has reviewed and approved the subject Amendment to Agreement.



Richard D. Shedden
Senior Engineer

Monterey Regional Waste Management District

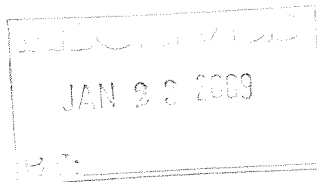
Dewatered Sludge - 2002 thru 2008 Tonnage

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year Totals |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| 2002 | | | | | | | | | | | | | |
| Cal. Utility Services/Scotts Valle | 43 | 8 | 128 | 23 | 8 | 32 | 92 | 42 | 46 | 20 | 57 | 37 | 536 |
| Carmel Area Waste Water Dist | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 138 | 138 |
| MRWPCA | 1,469 | 1,237 | 2,289 | 1,462 | 1,145 | 2,568 | 2,582 | 1,817 | 2,157 | 3,115 | 3,359 | 1,641 | 24,840 |
| SCRWA | 1,353 | 1,190 | 1,271 | 1,244 | 1,315 | 1,099 | 1,234 | 1,209 | 1,134 | 1,283 | 1,138 | 1,345 | 14,816 |
| Totals | 2,865 | 2,435 | 3,688 | 2,729 | 2,468 | 3,699 | 3,907 | 3,069 | 3,337 | 4,418 | 4,554 | 3,160 | 40,330 |
| 2003 | | | | | | | | | | | | | |
| California Utility Services | 28 | 17 | 34 | 31 | 26 | 47 | 40 | 10 | 19 | 5 | 18 | 15 | 289 |
| Carmel Area Waste Water Dist | 21 | 167 | 46 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 234 |
| City of Scotts Valley | 0 | 0 | 0 | 0 | 0 | 0 | 185 | 150 | 167 | 181 | 155 | 181 | 1,018 |
| MRWPCA | 1,117 | 284 | 1,694 | 1,755 | 1,703 | 4,594 | 4,652 | 2,113 | 2,811 | 311 | 0 | 58 | 21,091 |
| SCRWA | 1,384 | 1,113 | 1,246 | 1,229 | 1,237 | 1,272 | 1,306 | 1,115 | 1,191 | 1,218 | 1,145 | 1,216 | 14,673 |
| Totals | 2,550 | 1,581 | 3,020 | 3,015 | 2,966 | 5,913 | 6,183 | 3,387 | 4,187 | 1,715 | 1,318 | 1,470 | 37,305 |
| 2004 | | | | | | | | | | | | | |
| California Utility Services | 29 | 22 | 47 | 34 | 11 | 0 | 4 | 26 | 13 | 13 | 26 | 27 | 252 |
| City of Scotts Valley | 173 | 134 | 224 | 195 | 153 | 161 | 168 | 173 | 158 | 175 | 161 | 194 | 2,070 |
| MRWPCA | 97 | 591 | 2,860 | 3,625 | 3,665 | 3,211 | 1,933 | 1,825 | 1,923 | 2,020 | 2,266 | 1,861 | 25,877 |
| SCRWA | 1,059 | 1,100 | 1,291 | 1,135 | 1,152 | 1,218 | 990 | 1,172 | 927 | 1,074 | 1,217 | 1,163 | 13,497 |
| Totals | 1,359 | 1,846 | 4,422 | 4,990 | 4,980 | 4,589 | 3,096 | 3,195 | 3,021 | 3,283 | 3,670 | 3,245 | 41,696 |
| 2005 | | | | | | | | | | | | | |
| California Utility Services | 10 | 41 | 5 | 39 | 5 | 0 | 19 | 14 | 62 | 27 | 74 | 35 | 331 |
| City of Scotts Valley | 200 | 180 | 242 | 182 | 188 | 194 | 138 | 175 | 185 | 159 | 187 | 190 | 2,220 |
| MRWPCA | 1,907 | 1,953 | 2,89 | 3,625 | 508 | 2,692 | 1,451 | 3,625 | 927 | 3,054 | 1,915 | 693 | 19,012 |
| SCRWA | 1,235 | 1,073 | 1,177 | 1,110 | 1,207 | 1,236 | 1,236 | 1,254 | 1,110 | 1,125 | 1,327 | 1,404 | 14,494 |
| Sunnyslope County Water Dist | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,222 | 2,462 | 0 | 0 | 4,684 |
| Totals | 3,352 | 3,247 | 1,712 | 1,331 | 1,908 | 4,122 | 2,845 | 5,068 | 4,506 | 6,827 | 3,503 | 2,321 | 40,741 |
| 2006 | | | | | | | | | | | | | |
| California Utility Services | 39 | 36 | 0 | 16 | 36 | 34 | 43 | 17 | 33 | 39 | 31 | 28 | 350 |
| City of Scotts Valley | 217 | 192 | 223 | 178 | 222 | 197 | 171 | 197 | 189 | 192 | 199 | 197 | 2,375 |
| MRWPCA | 0 | 79 | 1,476 | 1,936 | 3,226 | 882 | 1,677 | 1,287 | 1,886 | 2,506 | 2,834 | 1,925 | 19,714 |
| SCRWA | 1,304 | 1,086 | 1,307 | 1,284 | 1,336 | 1,274 | 1,120 | 1,189 | 1,135 | 1,286 | 1,144 | 1,208 | 14,674 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,033 | 0 | 4 | 1,037 |
| Totals | 1,559 | 1,393 | 3,006 | 3,414 | 4,820 | 2,387 | 3,012 | 2,691 | 3,243 | 5,055 | 4,208 | 3,362 | 38,150 |
| 2007 | | | | | | | | | | | | | |
| California Utility Services | 40 | 34 | 8 | 36 | 26 | 35 | 31 | 22 | 17 | 11 | 86 | 40 | 387 |
| City of Scotts Valley | 212 | 172 | 227 | 192 | 213 | 190 | 191 | 198 | 173 | 218 | 194 | 197 | 2,377 |
| MRWPCA | 2,398 | 2,206 | 2,110 | 0 | 0 | 0 | 1,431 | 3,212 | 3,375 | 2,843 | 2,225 | 1,520 | 21,320 |
| SCRWA | 1,333 | 1,408 | 1,389 | 1,463 | 1,448 | 1,404 | 1,349 | 1,239 | 1,255 | 1,326 | 1,231 | 1,427 | 16,272 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 3,984 | 3,820 | 3,735 | 1,691 | 1,687 | 1,629 | 3,002 | 4,671 | 4,820 | 4,399 | 3,735 | 3,184 | 40,357 |
| 2008 | | | | | | | | | | | | | |
| California Utility Services | 39 | 44 | 24 | 38 | 15 | 47 | 42 | 25 | 21 | 71 | 50 | 11 | 428 |
| City of Scotts Valley | 217 | 222 | 180 | 210 | 208 | 207 | 198 | 164 | 181 | 180 | 151 | 201 | 2,320 |
| MRWPCA | 2,447 | 466 | 0 | 1,863 | 4,055 | 2,808 | 1,689 | 1,900 | 2,521 | 1,982 | 1,638 | 1,708 | 23,076 |
| SCRWA | 1,718 | 1,311 | 1,287 | 1,347 | 1,287 | 1,121 | 1,326 | 1,164 | 1,084 | 1,260 | 1,044 | 1,396 | 15,345 |
| Other | 0 | 0 | 8 | 0 | 0 | 0 | 0 | 3 | 335 | 117 | 9 | 8 | 480 |
| Totals | 4,421 | 2,044 | 1,499 | 3,458 | 5,564 | 4,183 | 3,255 | 3,256 | 4,142 | 3,610 | 2,893 | 3,324 | 41,648 |



**SOUTH COUNTY REGIONAL
WASTEWATER AUTHORITY**

1500 Southside Drive
Gilroy, California 95020-7042
Telephone (408) 848-0480
Facsimile (408) 842-0873
scrwaemail@ci.gilroy.ca.us



January 21, 2009

Mr. Richard Shedden, P.E.
Senior Engineer
Monterey Regional Waste Management District (MRWMD)
14201 Del Monte Blvd.
Marina, CA 93933-1670

RE: Request to Renew Agreement for Disposal of Wastes

Dear Rick,

On behalf of the South County Regional Wastewater Authority (SCRWA), I would like to request MRWMD to renew the above referenced Agreement for disposal of municipal wastewater treatment byproducts at the Monterey Peninsula Sanitary Landfill in Marina, for a two (2) year term. Similar to the previous agreements, the transported waste includes sludge, grit, screenings, and scum. Your posted tipping fee of \$30 per ton for the sludge, effective January 1, 2009, is hereby accepted with the understanding that rate is subject to an annual adjustment for inflation.

The byproduct from the SCRWA facility is credited to the City of Gilroy's disposal and recycling values, and the City needs to continue with sludge for diversion and beneficial use. It has been an important part of the City achieving AB939 compliance.

I appreciate you preparing the agreement, and welcome the opportunity to review and comment on the draft version. Please contact me at 408-846-8842 if there are any questions regarding this request.

Sincerely,

A handwritten signature in black ink is located below the word "Sincerely,". The signature is cursive and appears to read "Saeid Vaziry".

Saeid Vaziry, P.E.
Senior Managing Engineer

cc: Tom Haglund, SCRWA Manager
Rick Smelser, City Engineer
Project File

**FOURTH AMENDMENT TO AGREEMENT FOR DISPOSAL OF WASTES BY AND
BETWEEN MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT AND THE
SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY**

This Amendment ("Fourth Amendment to Agreement") by and between the Monterey Regional Waste Management District ("OPERATOR") and the South County Regional Wastewater Authority ("SCRWA") is effective as of February 20, 2009.

RECITALS

A. In April 1998, SCRWA and OPERATOR entered into a certain Agreement for Disposal of Wastes by and between Monterey Regional Waste Management District and South County Regional Wastewater Authority ("Disposal Agreement") to permit SCRWA to dispose of non-hazardous wastes at OPERATOR's Monterey Peninsula Sanitary Landfill facility ("Landfill") for the term of May 15, 1998, through May 14, 2001. The Disposal Agreement terminated an agreement between the parties for waste disposal that had been in effect since May 15, 1996.

B. In May 2001, SCRWA and OPERATOR executed the First Amendment to Agreement for Disposal of Wastes by and between Monterey Regional Waste Management District and the South County Regional Wastewater Authority ("First Amendment to Agreement") to continue in force the terms of the Disposal Agreement through May 14, 2002; and in or about July 2002, SCRWA and OPERATOR executed the Second Amendment to Agreement for Disposal of Wastes by and between Monterey Regional Waste Management District and the South County Regional Wastewater Authority ("Second Amendment to Agreement") to continue in force the terms of the Disposal Agreement through May 14, 2003; and in May 2003, SCRWA and OPERATOR executed the Third Amendment to Agreement for Disposal of Wastes by and between Monterey Regional Waste Management District and the South County Regional Wastewater Authority ("Third Amendment to Agreement") to continue in force the terms of the Disposal Agreement through May 14, 2007. Since May 14, 2007, OPERATOR has continued to accept Acceptable Waste from SCRWA, and OPERATOR and SCRWA have since that date continued to operate under the terms of the Disposal Agreement, as amended by the First, Second, and Third Amendments described in this Recital.

C. OPERATOR and SCRWA desire to agree, as part of this Fourth Amendment, that the Disposal Agreement, as amended by the First, Second, and Third Amendments, is and has been in full force and effect since May 14, 2007, and shall remain in effect as extended hereinbelow.

D. It is the desire of SCRWA and the OPERATOR to increase the Disposal Rate from Twenty Five Dollars (\$25) per ton of Biosolids and Residuals delivered to the Landfill to Thirty Dollars (\$30) per ton.

E. It further is the desire of SCRWA and the OPERATOR to extend the Disposal Agreement until February 20, 2011, upon the terms and conditions stated in the Disposal Agreement and First, Second and Third Amendments to Agreement, as those terms and conditions are amended herein.

NOW, THEREFORE, in consideration of the foregoing, and the mutual promises and covenants contained herein, the parties agree as follows:

1. The first paragraph of Section 2.2 of the Disposal Agreement and First, Second and Third Amendments are amended as follows:

Term of Agreement. SCRWA's right to deliver materials under this Agreement shall commence on May 15, 1998, and shall continue until February 20, 2011, unless earlier terminated as set forth below. One hundred twenty (120) days prior to

the date the Disposal Agreement would expire, OPERATOR and SCRWA shall commence negotiations for a new Disposal Agreement. In the event OPERATOR and SCRWA cannot agree on the terms of a new Disposal Agreement, SCRWA shall not have the right to extend the term of this Disposal Agreement, and the Disposal Agreement shall expire. OPERATOR and SCRWA acknowledge and agree that this Disposal Agreement, as amended by the First, Second, and Third Amendments, has been continuously, i.e., without interruption, in full force and effect since May 15, 1998, including the period May 15, 2007, through the date of execution of this Fourth Amendment.

2. Section 3.1 of the Disposal Agreement is amended to read:

Disposal Rate. Commencing January 1, 2009, SCRWA agrees to pay a total of Thirty Dollars (\$30.00) per ton of Biosolids and Residuals delivered to the Landfill ("Disposal Rate"), which amount includes federal, state or local taxes, surcharges, mitigations, and other fees. After December 31, 2009, this Disposal Agreement shall require SCRWA to pay the then prevailing rate for the disposal of biosolids (sewage sludge) as shown on OPERATOR's "Disposal Fee Schedule" in effect at that time.

3. Although OPERATOR desires to implement a sludge management operation which includes the beneficial use of some or all of the sludge it receives over the next one and a half to two years, this is a "Disposal Agreement" and OPERATOR is not obligated to divert any of the SCRWA's sludge from landfill disposal under the terms of this Disposal Agreement. Should OPERATOR decide to commence with the landfill disposal of sludge prior to February 20, 2011, a six-month advance notice shall be given to SCRWA.

4. This Fourth Amendment to Agreement constitutes the entire agreement between the parties with reference to the subject matter hereof, and all previous negotiations and understandings between the parties are merged into this Fourth Amendment to Agreement.

5. All terms of the Disposal Agreement and First, Second and Third Amendments which are not in conflict with the provisions of this Fourth Amendment to Agreement shall remain unchanged and in full force and effect. In the case of conflict in the terms of the Disposal Agreement and First, Second and Third Amendments and this Fourth Amendment to Agreement, the provisions of this Fourth Amendment to Agreement shall control.

IN WITNESS WHEREOF, the parties hereto have executed this Fourth Amendment to Agreement to be effective on the date first above written.

Dated: February _____, 2009

Dated: February _____, 2009

MONTEREY REGIONAL WASTE
MANAGEMENT DISTRICT

SOUTH COUNTY REGIONAL
WASTEWATER AUTHORITY

William M. Merry, General Manager

Tom Haglund, SCRWA Manager

Approved as to form: Approved as to form:

Rob Wellington, Attorney for District

Linda Callon, Attorney for SCRWA