



County of El Dorado

330 Fair Lane, Building A
Placerville, California
530 621-5390
FAX 622-3645
www.edcgov.us/bos/

Legislation Text

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Environmental Management Department recommending the Board consider the request of South Tahoe Refuse to adopt Resolution **050-2007** conditionally extending the Solid Waste Services Franchise Agreement between El Dorado County and South Tahoe Refuse, Inc. (STR) to December 31, 2028 effective April 10, 2007; and authorize Chairman to sign said Agreement. (Cont'd 2/27/07, Item 56, Cont'd 3/6/07, Item 36)

RECOMMENDED ACTION: Continue off calendar.

BUDGET SUMMARY:		
Total Estimated Cost		\$
Funding		
Budgeted	\$	
New Funding	\$	
Savings	\$	
Other	\$	
Total Funding Available	\$	
Change To Net County Cost		\$

Fiscal Impact/Change to Net County Cost: None, no change to Net County Cost.

Background:

Assembly Bill 939, known as the "California Integrated Waste Management Act of 1989", mandates that every city and county in California divert from landfills at least 25% of their municipal solid waste stream by 1995 and 50% by the year 2000, or be potentially liable for \$10,000/day for failing to comply. In 1990, the diversion in South Lake Tahoe was approximately 7%. In 1994, the South Lake Tahoe Basin Waste Management Authority (Authority) was formed to oversee regional cooperation regarding solid waste. The Authority members are El Dorado County, the City of South Lake Tahoe and Douglas County, Nevada. The Authority oversaw the financing and construction of the first local Materials Recovery Facility (MRF) on property owned by South Tahoe Refuse Co., Inc., which opened on March 1, 1995. The existing MRF has increased the diversion rate in the South Tahoe Basin from 7% to 38% in the year 2006. Over the past few years the recycling rates have remained in the 40% range, due mainly to time, space and permit limitations.

In 2001/2002 the Environmental Management Department conducted a Request for Qualifications (RFQ) and Request for Proposal (RFP) process to identify potential vendors to design, permit, and construct all aspects of a mixed solid waste processing facility to achieve 50% diversion or higher on the West and East Slope of El Dorado County. Following a thorough due diligence process, STR

was selected as the preferred vendor on the East Slope.

In March 2002, STR submitted a proposal to construct a phased Resource Recovery Facility (which will be integrated into the operation of the existing MRF). In May 2002, the El Dorado County Board of Supervisors authorized the Environmental Management Department to proceed with negotiations with STR to develop a facility consistent with the proposed Resource Recovery Facility. The project was proposed in two phases:

Phase I: Green waste component of the Resource Recovery Facility and infrastructure for the Ruth Avenue expansion of STR corporation yard. The cost estimate for the Phase I project is \$9,815,501.

Phase II: Municipal solid waste compost and potential refuse derived fuel. The cost estimate of the Phase II project is \$12,840,786.

Reason for Recommendation:

Currently, STR is proposing to build Phase I of the Resource Recovery Facility that includes a 33,700 square foot building that will accept non-organic recyclable materials such as glass and plastic, construction and demolition materials (the Material and Recovery Facility), and organic materials such as pine needles and wood chips (the Resource Recovery Facility, Phase I), as well as structures for truck parking on the adjacent property (Ruth Avenue expansion). The Ruth Avenue truck expansion will allow STR to expand MRF operations, as the MRF is currently being operated in crowded conditions. The new Resource Recovery Facility will increase green waste efficiency and capacity by directing organic materials to a single dedicated operation. Residential curbside collection routes will further increase the recovery of green waste and commercial green waste collection will be available, based upon need.

The open-span building is designed to accommodate unloading by the large end-dump trucks that currently deliver organics to STR. Shredding equipment will be used to reduce the volume of the material and maximize transport capacity for materials bound for regional composting sites. All unloading, processing and loading of export materials will take place inside the new facility, eliminating nuisance dust and noise concerns. Temporary bunkers will provide storage capacity for clean, native organics, currently sought for local erosion and re-vegetation projects. The remainder of the recovered organic materials will be transported to regional composting facilities. A computerized scale system will monitor inbound and outbound loads. Also, a public education area and employee facilities will be provided.

Redirecting organic-content loads to the Resource Recovery Facility on Eloise Street and development of collection and transport truck facilities across Ruth Avenue will significantly improve traffic flows at the MRF, improving public safety and overall MRF recovery operations. The Ruth Avenue truck facility includes ancillary services for these trucks, such as fueling, wash rack, tire shop, container storage and employee parking, eliminating the current congestion as these operations conflict with and impede MRF recovery and recycling activities.

STR projects that the Phase I project will achieve 50% diversion in the South Tahoe Basin. STR has submitted all permit applications for Phase I of the Resource Recovery Facility. Construction of the Resource Recovery Facility is projected to start upon all permit application approval. It is anticipated that Phase II will be implemented upon additional State-mandated diversion requirements, or when

advanced conversion technological systems are established.

On February 9, 2005, the Authority adopted Resolution No. 2005-001 recommending that the full governing bodies of El Dorado County, the City of South Lake Tahoe and Douglas County, Nevada adopt a three (3) year tiered rate increase of 9% per year for customers of South Tahoe Refuse Co., Inc. On March 15, 2005, the El Dorado County Board of Supervisors approved three yearly 9% rate increases for STR, to become effective on April 2005, January 2006 and January 2007. The first 9% increase effective in April 2005 was to compensate STR for independently-audited increases in STR's operating costs. The requested 2006 and 2007 conditional 9% rate increases have two components-3% for projected annual increases in STR's operating costs and 6% to pay for financing and construction of Phase I of the Resource Recovery Facility. Of the 2006 and 2007 rate increases, STR will receive 3% of each 9% increase, and 6% of each increase will be held by the Authority and not passed on to STR until certain milestones are met-that is, the first 6% is payable to STR when all permits for Phase I are obtained and the second 6% is payable to STR when the Resource Recovery is 50% complete. STR is committed to complete the Phase I project within the parameters of the approved three year tiered rate increase.

STR has obtained preliminary approval for tax-exempt bonds from the California Pollution Control Financing Authority "CPCFA". An estimated annual interest rate of 4% was used for the CPCFA bonds, a 1.75% Letter of Credit Fee, and a .25% remarketing fee for a total 6% annual finance fee. Financing for the project is expected to be amortized over a 20-year period, which is the same period of time that the project will be depreciated. As STR owns the MRF and the land on which the Resource Recovery Facility will be built, which are all an integral part of STR's collection yard, STR will own the facility when it is completed. Under the proposed extended Franchise Agreement, STR will not be entitled to any profit on the cost of capital for the Resource Recovery facility.

STR's current franchise agreement contains two five year options which would allow STR to continue serving El Dorado County until December 31, 2014. In November 2005 the Authority recommended that the three governing bodies of El Dorado County, the City of South Lake Tahoe and Douglas County, Nevada approve a new Franchise Agreement for STR which would add an additional 14 years to the agreement extending it to December 31, 2028.

The purpose of this new Solid Waste Services Agreement is to give STR an adequate term so that they may secure financing for the Resource Recovery Facility. The Phase I project cannot proceed without a secured commitment from the governing bodies of the STR franchise areas. This commitment will be satisfied through the execution of the new Solid Waste Services Agreement by all three members of the Authority. This agreement also provides a condition that if the Resource Recovery Facility is not constructed and operating by December 31, 2010 then the term of the agreement reverts back to the original expiration date of December 31, 2014. In addition to the proposed term extension the new agreement has other minor changes such as the acknowledgement of the hazardous waste facility and the required use of low emission vehicles

On October 19, 2006 Douglas County Board of Commissioners approved the new Solid Waste Services Agreement for Douglas County customers of STR. The City of South Lake Tahoe is in process of reviewing the new agreement.

This agreement has been approved by County Counsel and Risk Management.

Action to be taken following Board approval:

Upon execution, forward a copy of the Resolution and Agreement to the Department for distribution.

Contact: Gerri Silva, Interim Director - Environmental Management Department.