AGENDA DATE: November 22, 2016

TO: Mayor and Councilmembers

FROM: Environmental Services Division, Finance Department

SUBJECT: Potential Twenty-Two Year Commitment Of City Solid Waste To The Tajiguas Resource Recovery Project

RECOMMENDATION:

That Council receive a report on the status of the Tajiguas Resource Recovery Project and the potential commitment of solid waste to the Project.

EXECUTIVE SUMMARY:

For several years, staff from the City of Santa Barbara (City) have worked in concert with staff from the County of Santa Barbara (County), and the Cities of Goleta, Buellton and Solvang to solicit proposals and negotiate terms for a Resource Recovery Project (RRP or Project) that would substantially increase diversion of trash from landfill disposal and would provide a long-term waste management solution for the South Coast.

On July 12, 2016, the County Board of Supervisors approved a Waste Services Contract (WSC) with MSB Investors, LLC (MSB) to design, build, and operate the RRP, to be located at Tajiguas Landfill. The Project would consist of a material recovery facility to sort recyclables and organic materials from the trash, and an anaerobic digester to convert the organics to biogas that would be used to generate electricity.

The RRP would be financed by the County. To ensure repayment of the debt and to ensure that the County fulfills its financial obligations to MSB, each jurisdiction, including the City, would satisfy its proportional share of the project costs through the guarantee of a minimum delivery of waste and revenue to the Project. This formal commitment of waste and revenue would be formalized through the execution of a Materials Delivery Commitment and Processing Services Agreement (MDCPSA) with the County.

For the past several months, City staff have negotiated terms of such an agreement with the County. Throughout the negotiations, staff met routinely with an ad hoc subcommittee of the Council that was established on June 28, 2016.
During these meetings, staff presented a variety of information on the Project including: its risks and associated mitigations to those risks; the extent to which the RRP achieves the goals that were previously adopted for the Project and the extent to which alternative means and methods would achieve the same goals; the breadth and scope of technical, financial and contractual due diligence performed by staff; the financing and contractual arrangements between all parties; and, the impact to City ratepayers resulting from the tipping fees to be charged by the project.

The RRP would result in a gross tipping fee of approximately $120 for each ton of waste and recyclables delivered to the facility. However, staff anticipates that a tipping fee of only $110 would be built into trash and recycling rates. This reduction is the result of an annual refund of accumulated debt coverage surplus funds to be distributed to the City at the end of each fiscal year. For comparison, the tipping fee to simply dispose of trash without any additional sorting or recovery of recyclables is currently $87 per ton. The original 2009 Request for Proposals established a ceiling of $100 per ton.

The new tipping fee would be implemented in two phases spanning Fiscal Year (FY) 2018 and FY 2019. In FY 2018, the tipping fee for all waste streams would increase to $99 to build a rate stabilization fund that would be used in subsequent years to minimize impacts to ratepayers from revenue volatility in the recyclable commodity markets. In FY 2019, the tipping fee would again increase from $99 to $120 per ton. City ratepayers' solid waste utility bills would increase by approximately 10.6 percent in FY 2018 and by an estimated additional four percent in FY 2019.

The RRP would provide a long-term waste management solution by: 1) significantly increasing the region’s waste diversion rate, thus substantially extending the life of Tajiguas Landfill; 2) supporting City efforts to comply with present and future waste diversion and greenhouse gas reduction mandates; 3) providing a stable tipping with known annual adjustments; and, 4) generating renewable energy (equivalent to the demand of approximately 1,000 homes).

In November of 2016, the Ad Hoc Committee referred the MDCPSA to the full Council for consideration at its December 6, 2016 meeting, at which time an ordinance will be introduced to approve the MDCPSA between the City and the County. The Council will also make findings on the Final Subsequent Environmental Impact Report (Final SEIR) for the Project, which the Santa Barbara County Board of Supervisors certified on July 12, 2016.

**DISCUSSION:**

**Background**

For several years, staff from the County and the Cities of Santa Barbara, Goleta, Buellton, and Solvang (Public Participants), have worked together to explore the development of a Resource Recovery Project at the Tajiguas Landfill.
In 2008, the City and other Public Participants adopted a set of goals to guide the selection of technologies and strategies that would ultimately be considered including:

- Increasing diversion of solid waste from landfill disposal to increase the life of Tajiguas Landfill
- Providing a long-term disposal plan with stable tipping fees
- Producing renewable energy and,
- Reducing the long-term impacts of landfilling

Following a formal procurement process which began in 2009, the Public Participants selected a project proposal, submitted by Mustang Renewable Power Ventures, now known as MSB Investors, LLC (MSB), comprised of the following components:

1. Materials Recovery Facility (MRF) – this facility would sort trash that is currently received at Tajiguas Landfill into three streams:
   - Recyclables – that would be separated, baled, and sold for reuse,
   - Organics – that would be recovered for processing in the Anaerobic Digestion Facility; and,
   - Residual – non-recoverable materials left over from the MRF and Anaerobic Digestion Facility that would ultimately be landfilled

2. Anaerobic Digestion Facility (ADF) – this facility would convert organics recovered from the MSW into compostable material and biogas. The compost would be marketed as a soil amendment or used for reclamation projects. The biogas would be combusted to generate electricity.

A detailed description of the history of the Project, the procurement process, proposed technologies, and business terms that would be negotiated with the preferred vendor were presented to the City Council on January 10, 2012. The Council Agenda Report is available at https://goo.gl/3GQBE7.

On July 12, 2016, the County Board of Supervisors approved a WSC with MSB to design, build, and operate the RRP. The RRP design, along with the performance guarantees placed on the vendor, would achieve the following results and would therefore achieve the goals of the RRP as outlined above:

- Diversion: The RRP would divert a minimum of 64.8 percent of waste by weight (based upon current waste composition assumptions and waste commitments by jurisdictions). As a result, the City’s diversion rate of franchised solid waste that is collected by MarBorg would increase from 39 percent to approximately 75 percent.
• Reduce the Environmental Impacts of Landfilling: Diversion of organics from landfill disposal prevents the release of methane to the environment. Moreover, recovery of recyclables for re-manufacture into new products results in fewer environmental impacts, including fewer greenhouse gas emissions, when compared to products made from virgin materials.

• Generation of Renewable Power: The anaerobic digester, after providing for the power needs of the RRP, is expected to generate one net megawatt of electricity.

• Stable Tipping Fees: The tipping fees that City ratepayers would pay throughout the twenty-two year term would be firmly established at the outset of the contract and adjusted in response to known and well understood variables such as the consumer price index, etc.

While not one of the originally adopted goals, it should be noted that that the RRP would ensure the City’s compliance with present and future environmental mandates related to the diversion of recyclables and organics from landfill disposal and the reduction of greenhouse gas emissions.

Documents related to the Board of Supervisors action are available at: http://bit.ly/2fQKo2X. Information on the key terms of the WSC that staff presented to Council in June of 2016 is available at: http://bit.ly/2fYp8aN.

Material Delivery and Processing Service Agreement

As stated above, the County executed a contract with MSB to design, build, and operate the RRP. Each Public Participant, including the City, has negotiated a separate MDCPSA with the County. To assist staff during negotiations, Council appointed an RRP Ad Hoc Committee (Committee) at its June 28, 2016 meeting. Staff met seven times with the Committee between July and November 2016 to discuss the following topics:

• The risks and associated mitigations to those risks related to:
  o Performance and casualty events (e.g. earthquakes, fire, etc.)
  o The technology to be used with the RRP
  o Loss of recyclable commodity revenue in response to global market forces as well as the upside revenue potential available to the City through revenue sharing with the vendor
  o Changes in law, and,
  o Marketing of compost derived from digestate produced by the anaerobic digester
Alternatives to the RRP, including technology, facilities, and other diversion initiatives, and the extent to which these alternatives would achieve the goals for the RRP

Project financing, vendor compensation, and the creation of various reserves to ensure the ability of the City (and the other Public Participants) to meet their obligations to the bonds while minimizing the impact to ratepayers from revenue volatility

The impact to City ratepayers from the negotiated RRP tipping fees, and,

Due diligence on the accuracy of the bond financing model and other County costs (e.g. regulatory compliance, closure of Tajiguas, and post closure maintenance) that would be embedded in the RRP tipping fee

Staff from the City and County recently finalized language to the MDCPSA that would govern the City’s commitment of waste to the RRP. The following is a summary of the key terms of the agreement:

**Contract Term:** Twenty-two years (Two-year construction period and twenty-year operation period)

**County Responsibilities:** Finance the RRP, operate the scale house, dispose of residual waste and administer the WSC with MSB, ensure that MSB meets various performance standards including:

- Material throughput: the RRP would be capable of processing material to its rated capacity at all times
- Diversion: The RRP would divert a minimum of 64.8 percent of waste by weight as outlined above
- Electrical Output Guarantee: power output per ton of digested organic material
- Recyclable Sales Guarantee: the vendor would fetch commodity prices at market that are consistent with industry standards

**City Minimum Annual Revenue (Tonnage) Commitment:** The purpose of the MDCPSA is to underpin the County’s debt financing obligation and to provide a portion of the vendor’s compensation for processing the City’s waste. As such, the MDCPSA requires each Public Participant to guarantee a fixed revenue amount to the County each year for the twenty-year debt financing term.

The City represents approximately 40 percent (75,297 tons) of the anticipated flow of materials to the RRP. The City’s proportional share of the financing and operational costs totals $9.03 million annually (adjusted in future years by CPI). For ease of administration, this fixed annual payment is divided by the City’s tonnage commitment of 75,297 tons of trash and commingled recyclables for a tipping fee of $120 per ton. Under this “put or pay” arrangement, should the City fail to actually deliver this minimum volume, it would be required to make a residual payment to the County to satisfy its annual revenue obligation.
It is important to note that the City’s financial obligation to the RRP would be satisfied exclusively through solid waste rates charged to City customers for waste collected by its franchised waste hauler (MarBorg) as further described in the Budget/Financial Information section below. No General Fund monies would be used or placed at risk by executing the MDCPSA with the County.

- **Revenue Sharing:** In the case that revenues generated by the sale of recyclable commodities, compost, and electricity production exceed pro-forma revenues, then the City, along with the other Public Participants, would receive up to 75 percent of the excess revenues.

**Council Consideration of the MDCPSA**

Based upon the terms outlined above; staff’s level of due diligence on all aspects of the project; the residual risk profile of the project in relation to various risk mitigations; and, the fulfillment of the adopted goals by the RRP, the Committee directed staff to bring the MDPSA to the full Council for consideration.

Staff will introduce an ordinance to adopt the MDCPSA at the Council’s December 6, 2016 meeting. Staff will also request that Council make findings on the Final SEIR for the Project that the County Board of Supervisors certified on July 12, 2016. The ordinance would then be brought to the Council for formal adoption at its December 13, 2016 meeting and would take effect thirty days after adoption.

**BUDGET/FINANCIAL INFORMATION:**

The RRP would result in a tipping fee of approximately $120 per ton for each ton delivered to the facility. At the end of each fiscal year, the City will receive a refund from the County of surplus funds generated for the purpose of demonstrating debt coverage related to the bonds. Staff estimates this surplus to represent approximately $10 per ton. Therefore, an “effective” tipping fee of approximately $110 per ton would be used to set rates for City trash and recycling customers. For comparison, the tipping fee to simply dispose of trash at Tajiguas Landfill without any additional sorting or recovery of recyclables is currently $87 per ton. The original 2009 Request for Proposals set a tipping fee of $100 per ton.

Based upon guidance from the County’s bond counsel to demonstrate the financial capacity of the County to repay the bonds, the MDCPSA contemplates a “ramp up” of the RRP tipping fee in Fiscal Years 2018 and 2019. In FY 2018, the tipping fee on trash, commingled recycling, and foodscraps would increase to $99 per ton. This artificial “ramp up” rate would be used to create a rate stabilization fund to minimize impacts to ratepayers from revenue volatility associated with the recyclable material commodity markets. Monthly trash and recycling bills paid by City ratepayers would increase by approximately 10.6 percent as a result. In FY 2019, when the RRP would be
operational, the tipping fee would again increase from $99 to approximately $120. Monthly trash and recycling bills would increase an estimated additional four percent.

**SUSTAINABILITY IMPACT:**

The RRP would significantly increase the City’s waste diversion rate and would strongly position the City to comply with all current and future State waste diversion mandates. This increase in South Coast diversion would approximately double the number of years before Tajiguas Landfill reaches its permitted capacity, thus meeting the State mandate to maintain at least 15 years of disposal capacity.

In addition, the project would generate renewable energy (equivalent to the demand of approximately 1,000 homes) and would reduce greenhouse gas emissions (equivalent to removing approximately 22,000 vehicles) when compared to current landfill disposal, in direct support of the City’s efforts to comply with various State mandates to reduce greenhouse gas emissions.

**PREPARED BY:** Matthew R. Fore, Senior Assistant to the City Administrator

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator’s Office
CITY TRASH AND RECYCLING

POTENTIAL COMMITMENT OF CITY WASTE TO TRRP

November 22, 2016
Presentation Outline

1. Background
2. Materials Delivery Commitment and Processing Services Agreement
3. Summary of Information Shared With RRP Ad Hoc Committee
4. Tipping Fee and Customer Rates
5. Next Steps
Background - What is the Project?

• Material Recovery Facility (MRF) to process mixed and source separated material (30% recovered for sale)
• Anaerobic Digester (AD) to process organics from MRF and source separated material (30% processed for beneficial reuse)
• Remaining material landfilled (40%)
TRASH → MATERIALS RECOVERY FACILITY → LANDFILL

30% Organics → DIGESTATE/COMPOST

30% → GREEN ENERGY

40% → RECYCLING MARKET
Background - Impetus for RRP

1. Landfill capacity
   - Tajiguas is running out of permitted airspace

2. State mandates for diversion of organics and commingled recyclables

3. Unknown/uncertain future costs and liabilities
Background - Goals of the RRP

1. Increase Diversion
2. Long-Term Disposal Plan with Stable Tipping Fees
3. Production of Renewable Energy
4. Reduce Environmental Impacts of Landfilling
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Material Delivery Agreement

City of SB

Material Delivery Agreement

County of Santa Barbara (Issues Debt and Owns Facilities)

Waste Services Contract

Vendor (MSB)

- Construction Contractor
- Equipment Vendors
- MRF Operator
- AD Operator
Material Delivery Agreement (cont’d)

- Term: 22 years
  - Two-Year Construction Period
  - 20-Year Facility Operation (consistent with term of debt)
- No General Fund Obligation
- Parties: Cities and County
Material Delivery Agreement - County Obligations

- Finance (through bonds) and own the RRP
- Secure contractual commitments from the cities to commit waste and recyclables to the RRP
- Contract with Vendor (MSB) to design, build and operate the facility via the WSC
Material Delivery Agreement - County Obligations (cont’d)

• Manage contract with Vendor to ensure that the vendor:
  ▪ Meets all performance standards
  ▪ Markets commodities recovered by the Facility
    o Commingled recyclables
    o Compostable Materials from AD Facility
    o Secure Power Purchase Agreement for Biogas generated by AD Facility
Material Delivery Agreement - City Obligations

- Guarantee Minimum Annual Payment to County for City’s proportional share of RRP costs
- Annual payment expressed through a tipping fee applied to minimum tonnage pledge
Material Delivery Agreement - City Obligations (cont’d)

• City’s financial commitment would be built into City trash and recycling rates

• “Put or Pay” Arrangement
  - Similar (not exact) to commitments to CCWA for State Water Project
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Summary Of Information Shared With the Ad Hoc Committee

Staff met with the Ad Hoc Committee 7 times to present information related to:

1. Risk Profile of the RRP
2. Alternatives to the RRP
3. Project Financing
4. Vendor Compensation
5. Estimated Tipping Fees and Impacts to Ratepayer Utility Bills
PERFORMANCE AND CASUALTY RISK
Risk Profile - Performance and Casualty Risk

County will use three types of **bonds** to limit Project Risk:

- Construction Bonds
- Payment Bonds
- Performance Bonds
  - Construction phase; and
  - Operation phase
County will use five types of insurance coverage to limit Project Risk:

• Property Insurance
• Earthquake Insurance
• Errors and Omissions Insurance
• Boiler and Machinery Insurance
• Pollution Insurance
Risk Profile - Bonds and Insurance
Summary & Conclusions

1. Construction bonds and payment bonds: meet City standard
2. Performance Bonds: meet City standard
3. Insurance: coverage limits and terms are acceptable to City
4. Conclusion: City risk is no greater than those presented by other City Capital Construction Projects
RECYCLABLE COMMODITY RISK
Recyclable Commodity Risk - Recyclable Commodity Revenue

- Significant portion of annual cost to operate the RRP would be covered by commodity revenues
- Commodity markets are very volatile, but over the long term have generated net revenues
- City will share in downside risk and upside potential; downside mitigated
Recyclable Commodity Risk - Recyclable Commodity Revenue (cont’d)

• Existing vs. New Risk: the City already assumes this risk on recyclables in blue containers
  ▪ “Blue Bin” recyclables represent approximately 40% of recyclable revenues for RRP
  ▪ Blue bin and mixed waste recyclables represent approximately 82% of total RRP revenues in Year 1

• Real risk is one of volatility and proportion
Risk Profile - Summary and Conclusions

1. Staff have mitigated risks posed by volatile commodities through the use of:
   - Conservative Revenue Assumptions
   - Generous revenue sharing that benefits Public Participants
Risk Profile - Summary and Conclusions (cont’d)

2. Initial reserve of $3M to be established by all jurisdictions to protect County’s reserves from large recycling revenue declines

3. City will maintain its own reserve to mitigate impacts to ratepayers from revenue losses

4. If all recycling commodities lose all value, the maximum rate increase is 17% to all customers (SFR, MUR, Comm.)
RISK PROFILE
MARKETING OF COMPOST
Risk Profile - Compost/Digestate

**Digestate**: Residual mix of organic matter and inerts (e.g. glass, plastic, rocks) that remains after digestion by the AD Facility.

**Compost**: Digestate that has been further broken down by bacteria.
Risk Profile - Compost/Digestate (cont’d)

- Risk that digestate-derived compost will not be marketable due to:
  - Presence of inerts (plastics, glass); or
  - Stigma surrounding marginal feedstocks

- Stricter regulations for land-applied digestate/compost
  - May require additional equipment and cost to meet regulations
Risk Profile - Relationship between AD and Digestate Quality

• The type of AD technology used has no bearing on the quality of the digestate

• Quality of the incoming feedstock (source-separated vs. mixed) influences cleanliness of digestate (not the AD technology used)
  ▪ Clean in/clean out

• Post-compost screening removes inert materials (glass, plastic, rocks)
  ▪ This is the key to marketability
Cutting Edge Screening
Screened Material

1 inch

1/8\textsuperscript{th} inch

Post AgBag: 1-inch screen
Compost Risk - Conclusions

1. City staff have verified that screening technology removes inert contaminants to an acceptable level
   - RRP vendor has procured same cutting edge technology

2. City staff have verified that markets for digested compost can be developed and do exist

3. AD subcontractor has experience in developing markets from marginal feedstocks

4. Vendor is financially incentivized to divert the composted digestate and faces financial penalties for burial
ALTERNATIVES TO THE RRP
Alternatives to the RRP

Staff evaluated several alternatives to the RRP including:

- Enhanced Recycling Programs to try to meet the goals and objectives for the RRP
- Alternative Technologies - “wet” anaerobic digestion
## Alternatives to RRP - Curbside Diversion Today

<table>
<thead>
<tr>
<th>Total Trash</th>
<th>53,400</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount Diverted:</strong></td>
<td></td>
</tr>
<tr>
<td>Commingled Recycling</td>
<td>16,921</td>
</tr>
<tr>
<td>Greenwaste</td>
<td>13,606</td>
</tr>
<tr>
<td>Foodscraps</td>
<td>3,207</td>
</tr>
</tbody>
</table>

Citywide Franchise Waste Diversion Rate: **39%**
# Alternatives to RRP - Curbside

## Diversion Needed

<table>
<thead>
<tr>
<th>Sector</th>
<th>Tons Generated (trash, recyclables and greenwaste)</th>
<th>Diversion Rate (2015)</th>
<th>Add’l Tons to Reach 65% Diversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family</td>
<td>28,286</td>
<td>57%</td>
<td>2,347</td>
</tr>
<tr>
<td>Multi-Unit</td>
<td>17,858</td>
<td>24%</td>
<td>7,262</td>
</tr>
<tr>
<td>Business</td>
<td>40,990</td>
<td>33%</td>
<td>13,044</td>
</tr>
<tr>
<td>Citywide</td>
<td>87,134</td>
<td>39%</td>
<td>22,653</td>
</tr>
</tbody>
</table>
Alternatives to RRP - Curbside Diversion

• In lieu of the MRF, City would rely on customers to sort our remaining trash into:
  - Recyclables
  - Organics
  - Trash
Alternatives to RRP - Curbside Diversion (cont’d)

- Curbside sorting would likely require:
  - Mandatory Diversion Ordinance for all Sectors
  - Addition of “trash cops” to monitor containers for contamination
  - Enforcement: levy of fines and penalties
  - Additional Rate Incentives to promote diversion (to the extent allowable by law)
Alternatives to RRP - Curbside Diversion Results and Conclusions

1. Would not achieve 65% diversion: would sort only a fraction of the available recyclables from the trash when compared to the MRF
2. Would not materially extend the life of the landfill
3. Would not reduce Environmental Impacts of Landfilling
Alternatives to RRP - Wet Digestion

• “Dry Fermentation” – RRP Approach
• “Wet Digestion” - Material is ground into a pulp and mixed with water to make a “slurry” that is fed into digestion tank
  - Similar to CR&R Facility in Perris, CA
Alternatives to RRP - Wet Digestion

Why Dry Fermentation is Preferred for RRP:

- Dry Fermentation can handle contaminant load (glass, plastics) found in mixed waste
  - Requires much less maintenance
  - No grinder pump means fewer moving parts
- Significant volume of the AD capacity constructed in Europe since the mid 1990’s has been dry fermentation
Presentation Outline

1. Background

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3. Summary of Information Shared With RRP Ad Hoc Committee

4. Tipping Fee and Customer Rates

5. Next Steps
Tipping Fee and Customer Rates - Financial Model

- Revenues from the sale of recyclable commodities and electricity cover all but $2.89M of the annual cost to operate the facility.

- This shortfall is paid to vendor in the RRP tipping fee to fully cover operating costs:
  - $12.54M (cost) - $9.65M (revenues) = $2.89M
  - $2.89M / 190,000 tons: $15.15 per ton paid to MSB

- Vendor’s profit comes from quality performance in commodity recovery and gas generation.
Components of $118 per ton tip fee include:

- Vendor Fee: $15.15
- Debt Service: $44.67
- Debt Service Coverage: $26.63
- Disposal & County Costs: $31.55

County Costs include Closure/postclosure, regulatory reqs., etc.
Tipping Fee and Customer Rates

• Base tipping fee would be set for the life of the contract term and would only be adjusted for:
  • Annual CPI
  • Commodity Revenues less than pro-forma
  • Changes in Law
  • Uncontrollable Circumstances
Tipping Fee and Customer Rates - Debt Coverage Surplus

• In a “normal” year, City will receive a dividend payment for its portion of the debt coverage surplus

• When setting trash and recycling rates, we will account for this surplus by lowering the RRP tipping fee by up to $10/ton
  - RRP Tipping Fee: $120 ton (1st operational year)
  - RRP Tip Fee net of debt coverage surplus: $110 per ton
# Tipping Fee and Customer Rates

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>$44.67</td>
</tr>
<tr>
<td>Debt Coverage</td>
<td>$26.63</td>
</tr>
<tr>
<td>Vendor Compensation</td>
<td>$15.15</td>
</tr>
<tr>
<td>Disposal &amp; County Costs</td>
<td>$31.55</td>
</tr>
<tr>
<td>Subtotal Tip Fee</td>
<td>$118.00</td>
</tr>
<tr>
<td>Debt Coverage Surplus</td>
<td>(-$10.00)</td>
</tr>
<tr>
<td>Final Tip Fee</td>
<td>$108.00</td>
</tr>
</tbody>
</table>

*Current Tipping Fee to (only) dispose of trash is $87/ton*
Tipping Fee and Customer Rates (cont’d)

- Two year Ramp Up
- FY 18: $99 per ton to build up reserves
  - 10% customer rate increase
- FY 19: Estimated $110 per ton (Net of $10/ton estimated dividend)
  - Additional 4% customer rate increase
  - City will maintain reserves to cover the revenue losses that affect dividend payment
# Tipping Fee and Customer Rates (cont’d)

<table>
<thead>
<tr>
<th>SERVICE LEVEL</th>
<th>Current Rates</th>
<th>Proposed RRP ($110)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Single Family Residential Service</td>
<td>$36.25</td>
<td>41.54</td>
<td>14.6%</td>
</tr>
<tr>
<td>Multi-Unit Residential (Cart/Can Service)</td>
<td>$249.84</td>
<td>$286.32</td>
<td>14.6%</td>
</tr>
<tr>
<td>Multi-Unit Residential (Sm/Med Dumpster Service)</td>
<td>$365.99</td>
<td>$419.42</td>
<td>14.6%</td>
</tr>
</tbody>
</table>
## Tipping Fee and Customer Rates

<table>
<thead>
<tr>
<th>BUSINESS SERVICE LEVEL</th>
<th>Current Rates</th>
<th>Proposed RRP</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business (Cart/Can Service)</td>
<td>$353.76</td>
<td>$405.42</td>
<td>14.6%</td>
</tr>
<tr>
<td>Business Dumpster Service (4 yard trash 2x/week, 4 yard recycle 2x/week)</td>
<td>$1,050.68</td>
<td>$1,204.08</td>
<td>14.6%</td>
</tr>
</tbody>
</table>
BASIS FOR STAFF SUPPORT OF RRP
RRP Meets the Goals of the Project

1. Increase Diversion
   - Minimum 60% (expected to reach 65%)
   - Increase site life of Tajiguas Landfill by 12 years
   - Comply with current and future diversion mandates

2. Long-Term Disposal Plan with Stable Tipping Fees
   - Public Participants would own processing facilities – lifespan of 40 years
   - $120 ($110) per ton tipping fee with known CPI adjustments
RRP Meets the Goals of the Project (cont’d)

3. Production of Renewable Energy: one net megawatt of electricity

4. Reduce Environmental Impacts of Landfilling:
   - Diversion of organics from landfill disposal prevents the release of methane to the environment
   - Increased recovery of recyclables results in fewer GHG emissions when compared to products made from virgin materials

5. These goals could not be achieved through traditional curbside programs
Presentation Outline

1. Background
2. Materials Delivery Commitment and Processing Agreement
3. Summary of Information Shared With RRP Ad Hoc Committee
4. Anticipated Tipping Fee and Customer Rate Impact
5. Next Steps
Next Steps

- **December 6, 2016:** City Council to consider:
  - Execution of MDCPSA with County; and,
  - Make Findings on Final SEIR
- **December 12, 2016:** Adopt ordinance to execute MDCPSA with County
- **January/February 2017:** County to secure financing and issue debt
- **February 2017:** County to issue Notice to Proceed to MSB
Next Steps (cont’d)

• **July 1, 2017:** Begin phasing in of rate increases to minimize larger impact to rates and build up rate stabilization reserves

• **February 2017 - February 2019:** Construction and acceptance testing of RRP

• **Spring 2019:** RRP to commence waste processing
QUESTIONS