



**Report to the Board of Directors**

**ITEM NO. 14**

N/A

Finance and Administration  
Manager/Controller/Treasurer

General Manager/CAO

N/A

General Counsel

**Date:** June 20, 2019

**From:** Robert Cullen, President

**Title:** Minutes and Summary of Meeting between SVR and City of Salinas representatives regarding Compromise Offer related to Notice of Withdrawal

**RECOMMENDATION**

Staff recommends Board accept this report and meeting minutes.

**STRATEGIC PLAN RELATIONSHIP**

Beneficial resolution of this issue directly relates to the Authority's continuing Mission to provide “..cost effective practices..” and its Vision to “..balance rates and services..”

**FISCAL IMPACT**

There is no immediate fiscal impact, however timely resolution is important to maintain low-cost and fiscally sustainable services for all member agencies, and to cost effectively prepare for the upcoming SB 1383 mandates.

**DISCUSSION & ANALYSIS**

Attached are the minutes of the May 29, 2019 meeting between the City of Salinas and the Authority. Highlights of the meeting included:

- The City representatives recognize and acknowledge the need for development of a permanent Public Recycling and Service Center within the City or in close proximity.
- The direction from the group was for the Authority and City to work collaboratively to identify acceptable new public service center locations and work towards an organized transition from the Sun Street location to a new location.
- The City Manager indicated that the current consultant studies related to renegotiating the Republic Services Franchise agreement and considering options for the future of City waste management operations, including withdrawal from the Authority, will continue. No final decision to remain a member of the Authority or continue to withdrawal will be made until after the report is completed. The first draft of the report is not expected until August/September 2019.

## **BACKGROUND**

At the request of the Board of Directors, a meeting was scheduled with senior staff of the Authority and the City of Salinas, the Board's Executive Committee and one additional Salinas representative sitting on the Authority Board of Directors. The meeting occurred on May 29, 2019. The purpose of this meeting was to discuss to Board's compromise offer provided to the City of Salinas on March 8, 2019.

The purpose of the compromise offer was to address the City's desire to relocate the Sun Street Transfer Station outside the future Alisal Market Place development area, the Authority's long standing need for development of a permanent and fully enclosed public recycling and service center for the community, and to secure a rescission of the City's notice of intent to withdraw and eliminate/reduce the public expense of another study.

## **ATTACHMENT(S)**

1. Minutes of May 29, 2019 Meeting

**COPY TO:** Ray Corpus, Salinas City Manager

# Salinas Valley Solid Waste Authority

## City of Salinas

Meeting Notes  
May 29, 2019  
2:30 p.m.

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### Attendees:

#### **City of Salinas**

Christopher A. Callihan, Attorney  
Gloria De La Rosa, Councilmember/SVSWA  
Board Vice President  
Christie Cromeenes, Councilmember/SVSWA  
Board Member  
David Jacobs, Public Works Director  
Jim Sandoval, Asst. Public Works Director  
Ray E. Corpuz, City Manager  
Matt N. Pressey, Finance Director

#### **Salinas Valley Solid Waste Authority**

Roy Santos, General Legal Counsel  
Robert Cullen, President  
Chris Lopez, Alt. Vice President  
Patrick Mathews, General Manager/CAO  
Cesar Zuñiga, Asst. General Manager  
Mandy Brooks, Resource Recovery Manager  
Ray Hendricks, Finance and Administration  
Manager  
Erika J. Trujillo, Clerk of the Board

### Meeting Topics

#### **Introductions**

Mr. Cullen welcomed everyone, introduced himself, and invited a brief introduction of all attendees.

#### **Settlement Offer Business Points to Avoid Salinas Withdrawal as Authority Member**

Mr. Cullen provided a brief history on the reason for the meeting. He indicated the City of Salinas' One-Year Notice of Intention to Withdraw from the Joint Powers Agreement (JPA) with the Salinas Valley Solid Waste Authority (SVSWA), dated December 6, 2018, triggered the development of the settlement offer presented to the City of Salinas (COS) that will be discussed at this meeting. Mr. Cullen explained that the notice created havoc and the offer presented to the COS was approved by the SVSWA Board in the effort to try to balance things and meet the COS and SVSWA's needs. He indicated the Board is understanding of the need to relocate the Sun Street Transfer Station to accommodate the Alisal Market Place project and has been attempting for several years to relocate the transfer station in an effort to meet both the city's and customer's needs. Mr. Cullen invited comments from Mrs. De La Rosa and Mr. Lopez as representatives of the SVSWA Executive Committee.

Mrs. De La Rosa indicated it has been a long process and is glad everyone is in this meeting to be able to listen to the COS needs and wants.

Mr. Lopez expressed his desire to identify a path forward for SVSWA, expressing his concerns about the recurring conversation regarding the move of the Salinas transfer station that has carried over for several years. He stated he would like to identify a long-term solution and a clear understanding of the desire of the COS of maintaining a transfer station within city limits or not.

Mr. Cullen further commented that the SVSWA Board is aware of the current study being conducted by R3 Consultants for the COS related to waste management and the audit of the COS franchise agreement. He expressed the understanding by the SVSWA Board of all the moving pieces related to this study and requested a status update of the study.

Mr. Corpuz indicated that the COS would like clarification on a few points of the settlement offer, timeline, and reason for offering it. He indicated R3 Consultants was hired to conduct a study and provide a report of the good, bad and ugly, related to waste, new organics legislation, and renegotiating the Republic Services franchise agreement. He indicated that the COS Council has deemed the cost to the Salinas rate payer a key criterion for the future decisions to be made. He indicated completing all due diligence of the study is important so that the COS Council can make informed decisions, as well as the renegotiating of the franchise agreement. He stated that the COS Council will seek public comment on the study after completion. Mr. Corpuz also stated that he understands the negative impacts imposed upon SVSWA by the COS Council's action of issuing the notice to withdraw. He indicated the Alisal Vibrancy plan will be presented to the COS Council in June with recommendation and feedback coming from 24 residents not directly involved with special interest groups of the city.

Mr. Sandoval indicated the COS agrees for the need of a local facility for self-haul customers. He indicated the COS will review the findings of the study and the results of the audit of the franchise agreement to assess the waste processing for the COS.

Mr. Cullen expressed his concern with the estimated completion date of August for the study being conducted by the R3 Consultant. Specifically, his concern is that the analysis and discussion of the study at the COS Council level will likely result in a final decision being made too close to the December withdrawal date. The repercussions of that are significant because it does not allow the SVSWA to plan for the future, and has further impacts on employees, bond holders, customers and the residents of Salinas.

Mr. Corpuz indicated he has discussed with the County of Monterey their previous intent to withdraw from the JPA and they had indicated their intent was to withdraw at the end of a fiscal year. He stated this would be considered as an option for the COS, indicating the December deadline is not necessarily the withdraw date.

Mr. Cullen indicated that because there is nothing in writing it is difficult for SVSWA to plan for anything other than a December withdraw date. Therefore, obligations for notices such as employee terminations and bond holders' notices would be given months prior to the December date. That becomes nearly impossible given the question marks surrounding COS' plans. Mr. Cullen requested General Manager/CAO Mathews review and explain the bullet points within the settlement agreement to allow the COS to ask questions.

Mr. Mathews reviewed each of the bullet points in detail within the settlement offer. He explained the dates offered in the settlement offer were based on the time the offer was originally presented to the COS and are subject to adjustments and flexible within reasonable and realistic expectations. The process of relocating the transfer station without interruption of services would require a process such as CEQA, sale of the existing transfer station, moving of the transfer station and other operation factors that must be considered when it comes to adjusting the dates. He indicated that all bullet points in the settlement

offer would be placed in a Memorandum of Understanding format for the entities to execute. He clarified that the services currently being offered to Republic Services are not mandated to be done by SVSWA as they have been provided at the past request of the City of Salinas and Republic Services to improve franchise productivity and reduce traffic.

Mr. Corpuz inquired on the type of transfer station SVSWA is considering.

Mr. Mathews indicated that is open for discussion. With Republic Services purchasing Madison Lane it is unknown at this time if any shared services opportunities are available. He indicated they have expressed interest but there has been no offer or commitment.

Mr. Cullen clarified that SVSWA has no intent in moving what is currently at the Salinas transfer station, an open transfer station, to another location. SVSWA intent has always been to have an enclosed facility. Mr. Cullen inquired if R3 Consultant would be contacting SVSWA for data related to waste flow for their study.

Mr. Sandoval indicated they are working on a questionnaire to contact SVSWA.

Mr. Cullen inquired about the identification of a developer interested in the Alisal Market Place.

Mr. Corpuz indicated they have received general interest on the Alisal Market Place. He indicated that the Alisal Market place is part of a census tract designated as an Opportunity Zone. He indicated the COS has already had two workshops to help identify potential projects in the City identified in Opportunity Zones and has received one proposal. It has been heavily marketing several projects and has brought people out who have expressed interest.

Mr. Mathews inquired about possible sites identified within the COS Opportunity Zones that could be beneficial for SVSWA or appropriate for a transfer station, as repair or replacement of public infrastructure is one objectives of the Opportunity Zone designation.

Mr. Corpuz indicated there might be sites within the COS and opportunities for the SVSWA.

Mr. Corpuz inquired about the commitment of the bond stated within the settlement offer. He stated that the COS is committed to the bonds regardless of whether they withdraw from the agency or stay.

Mr. Mathews clarified the intent is to look for stability as the withdrawal of the COS will cause SVSWA to lose the economy of scale causing financial burdens with annual carrying costs.

Mr. Pressey inquired about the estimated anticipating annual carrying cost.

Mr. Mathews indicated aside from bond obligation there are closure and post-closure care costs, environmental issues that would require an irrevocable letter of commitment in case of unforeseen damages caused at one of the closed landfills and other carrying cost such as the maintenance of property where the transfer station is located if moved prior to it being sold.

Mr. Sandoval inquired about the greenwaste contract with Republic Services and the subsequent effect on the rate increase for the AB939 fees.

Mr. Hendricks indicated there is a shortfall of approximability \$313,0000 due to the contract and continuing subsidy of the low Salinas rate. He stated that if the COS would allow the

rate to be equalized for all the members, the AB939 fee increase would not be added, which would end the South County cities and unincorporated county subsidizing the Salinas rate payers.

Mr. Mathews explained the Organics fees will not be going down because AB 1823 is more rigorous than AB939. To comply with the mandate, it will require more staff and equipment either from the COS or SVSWA.

Mr. Corpuz inquired about the value expected by SVSWA for the Sun Street property if sold.

Mr. Mathews stated the Board had previously requested fair market value, or at least what it was purchased for, which was approximately \$3.8 million. The last appraisal came in at \$4 million in 2014.

Mr. Corpuz expressed his appreciation for the meeting indicating it was very helpful.

Mrs. Cromeenes expressed her gratitude for SVSWA, the work being done to educate the community and youth on organics and recycling. She wanted to reiterate what she has said to the COS staff of a transfer station being needed within the city that handles recycling, waste, and household hazardous waste. She expressed her concern with a facility outside of the city limits as this would potentially cause more litter within the city. Mrs. Cromeenes requested City staff to work collaboratively with SVSWA staff to find viable options for a self-haul facility within the city limits.

Mr. Lopez reiterated wanting a clear direction from the COS on what they want.

Mrs. De La Rosa expressed her understanding from Mr. Corpuz that is to work cooperatively with SVSWA and reiterated the need to have a self-haul facility in the city.

Mr. Mathews expressed his concern related to the organics grant received from CalRecycle for \$1.3 million in which all member agencies committed their organic waste stream. He indicated the facility is almost complete, but that the grant is now at risk with the potential loss of COS' organic waste stream.

Mr. Santos commented that SVSWA settlement offer was presented and no response on an agreement or counteroffer has been received. He would like some terms of offer or a rough estimate of when SVSWA would get a response or counteroffer as SVSWA needs to start preparing for a possible withdraw. Mr. Corpuz did not provide terms but agreed on the urgency to discuss with the COS Council.

Mr. Cullen indicated SVSWA cannot wait much longer for the COS to make a decision on the notice to withdraw before it needs to consider sending notices to employees and bondholders. He requested that COS staff present this item, including the numerous negative impacts, to the COS Council as soon as possible for comment and for them to provide direction to staff on how to proceed.

Mr. Sandoval inquired about a partnership between SVSWA and Republic Services for the self-haul customers to go to the Madison Lane Transfer Station.

Mr. Mathews indicated interest has been expressed from Republic Services, however, there has been nothing concrete presented. He explained there are many factors to take into considerations such as the amount of permitted tonnage needed by Republic Services for

their own operation, extension of permits if tonnage needs to be increased, road improvements previously promised to the Boronda community, amongst other variables.

**Conclusion**

Meeting concluded at 3:40 p.m.