LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

2015 Municipal Service Review and Sphere of Influence Study:

Monterey Regional Waste Management District

Adopted by the Commission on February 23, 2015

[This page left blank intentionally.]

Table of Contents

District At-A-Glance..... 5

Executive Summary and Recommendations..... 6

How This Report is Organized.....10

District History.....10

District Boundaries and Sphere of Influence 12

Population and Growth.....14

Facilities, Services, and Programs.....15

Governance / Transparency and Accountability.....20

Finances.....21

Future Challenges and Opportunities.....23

Municipal Service Review Determinations.....25

Sphere of Influence Determinations.....26

Sources and Acknowledgements.....27

List of Figures and Tables

Figure 1: Map of District Boundaries and Sphere of Influence.....9

Figure 2: Map of Monterey Regional Waste Management District and Salinas Valley Solid Waste Authority.....13

Figure 3: District Landfill and Recycling Facilities.....16

Table 1: Income Budget Summary..... 21

Table 2: Assets, Liabilities, and Net Position..... 22

Appendix

Appendix A: Monterey Regional Waste Management District 2014-2015 Strategic Plan..... 28

[This page left blank intentionally.]

2015 Municipal Service Review and Sphere of Influence Study for the Monterey Regional Waste Management District

Monterey Regional Waste Management District – At A Glance	
Formation Date	1951, initially as the Monterey Peninsula Garbage and Refuse Disposal District
Legal Authority	Health and Safety Code, Sections 4100-4165
Board of Directors	The nine-member board includes a representative from each of the municipalities within the District boundaries, one to represent unincorporated Monterey County within the District, and a director-at-large. Board members are appointed to four-year terms.
District Area	The District encompasses 760 square miles, including the Cities of Carmel-by-the-Sea, Del Rey Oaks, Marina, Monterey, Pacific Grove, Sand City, and Seaside and the unincorporated areas of Big Sur, Carmel, Carmel Highlands, Carmel Valley, Castroville, Corral De Tierra, Laguna Seca, Moss Landing, Pebble Beach, San Benancio, and Toro Park.
Sphere of Influence	405 square miles beyond current District boundaries
Population	Approximately 149,400
Agency Powers	Responsible for the solid waste management, processing, and disposal of garbage and refuse (includes recycling). District may also operate and maintain garbage and refuse disposal sites and generate power.
Budget (FY 2014-15)	$19,974,000 (operating and non-operating expenses, including long-term debt reduction); $7,306,000 capital outlay for equipment and facility improvements
Vision Statement	"Turning Waste into Resources"
Mission Statement	"Turning Waste into Resources in the Most Cost-Effective and Environmentally Sound Manner to Benefit the Community"
General Manager	William Merry, P.E., B.C.E.E., General Manager
Contact Information	14201 Del Monte Boulevard, Marina, CA 93933-1670, (831) 384-5313
Web site	www.mrwmd.org

Background and Purpose

This Municipal Service Review and Sphere of Influence Study provides information about the services and boundaries of the Monterey Regional Waste Management District. The report is for use by the Local Agency Formation Commission in conducting a statutorily required review and update process. The Cortese-Knox-Hertzberg Act requires that the Commission conduct periodic reviews and updates of Spheres of Influence of all cities and districts in Monterey County (Government Code section 56425). State law also requires that, prior to updating an adopted Sphere, LAFCO shall conduct a review of municipal services (Government Code section 56430). In addition, this report informs the general public about the nature, accomplishments and challenges of an entrepreneurial, successfully managed agency of regional importance.

District Boundaries and Sphere of Influence

From its 1951 origins as the Monterey Peninsula Garbage and Refuse Disposal District, the Monterey Regional Waste Management District's boundaries have expanded through annexations to its current 760-square-mile area. The annexed territory covers most of the western side of Monterey County. Another 405 square miles beyond the District's current boundaries are designated as the District's Sphere of Influence, including North Monterey County, the Greater Salinas Area and a portion of the Big Sur Area. Please see Figure 1 for a map of the current District boundaries and Sphere of Influence. No changes are proposed or recommended at this time.

Established by LAFCO in 1982, the District's Sphere of Influence designation was based in part on the County of Monterey's 1981 Solid Waste Management Plan. The plan envisioned developing the Monterey Peninsula (Marina) landfill site into a regional facility that serves North Monterey County and the Greater Salinas Area, as well as the District's then-existing boundaries. This regional vision was based in part on the potential for a single, consolidated facility to develop and implement economies of scale in resource recovery and energy conversion. The landfill facility's size, proximity to waste generation centers, and other advantages were also identified in the Commission's 1982 action.

In establishing the District's Sphere of Influence, LAFCO recognized that evolution of the Monterey Peninsula (Marina) landfill into a single, consolidated facility to serve all or most of the District's Sphere would be a long-term process. Since 1982, some of the initial actions identified as likely steps toward the MRWMD landfill's eventual consolidation into a single facility for North County have occurred, including closure of the Crazy Horse Canyon and Lewis Road facilities. Other actions are underway and are continuing to evolve, such as the District's continuing development of large-scale, state-of-the-art waste reduction/diversion facilities and services at its Marina facility.

Other strengths originally identified in support of a consolidated Marina landfill facility—such as size and proximity to primary population centers, and thus waste-generation areas—remain relevant today. Substantial portions of the original Sphere of Influence have been annexed to the Monterey Regional Waste Management District in 1982 and 1996. Additional annexations and/or contracts to provide service may reasonably be anticipated in the future.

The District's rate of annexation into its northerly Sphere of Influence area may have been slowed by the 1997 formation of the Salinas Valley Solid Waste Authority, a Joint Powers Authority that currently provides solid waste services in northern and eastern Monterey County. The Solid Waste Authority is a voluntary-participation entity whose formation and service area are not subject to LAFCO regulation, but which is subject to Municipal Service Reviews and other informational studies by LAFCO. The Authority's self-designated service area includes areas of North Monterey County and the Greater Salinas Area – areas that are within the District's Sphere of Influence. As a result, formation of the Authority and its service area in 1997 resulted in an overlap with the District's Sphere of Influence.

Figure 2 illustrates the overlap of the Authority's service area (1997) with the District's Sphere of Influence (1982). LAFCO identified this overlap issue in Municipal Service Reviews prepared for the Monterey

Regional Waste Management District (2007) and the Salinas Valley Solid Waste Authority (2006). The issue was also raised in an April 2014 letter from the Solid Waste Authority to the LAFCO Executive Officer. The Authority questions whether the District's 1982 North County Sphere of Influence is still appropriate, given that the Authority now has existing operations and future plans in the same area.

While the District and LAFCO respect the activities of the Authority, and no annexations are proposed at this time, the overlap does not negate the long-term vision of the County's 1981 Solid Waste Management Plan and LAFCO's 1982 Sphere of Influence action, and the significant investments that the District has made—and is making—to develop and deploy regional facilities, services and programs. Future service changes and needs may be identified that will necessitate annexation or contract services in the District's Sphere of Influence. For example, the County of Monterey in 2012 issued a notice of withdrawal from the Authority, and then in 2013 rescinded that notice and decided to remain a conditional member of the Authority. A County condition of continued membership is a requirement for the Authority to participate in an independent study of countywide waste management and opportunities for greater efficiency. That study is now underway. If the County (or other member) withdraws from the voluntary Authority, the Monterey Regional Waste Management District is capable of providing vital solid waste service to affected residents in the 1982 Sphere of Influence area, potentially at a cost equal to or lower than current service costs. Accordingly, it is important to maintain the current Sphere to facilitate possible future provision of services to that area whether by contract or annexation, if requested by the citizens of the area.

District Facilities, Services, Capacity and Other Highlights

The Monterey Regional Waste Management District provides comprehensive, state-of-the-art waste management services. The facility is located two miles northeast of Marina, in the Monterey Regional Environmental Park shared with the Monterey Regional Water Pollution Control Agency. In addition to a landfill with enormous capacity, this site features several important waste-reduction and waste-diversion facilities that implement the District's stated vision of "*Turning Waste into Resources.*" These include an indoor materials recovery facility to divert recyclable and reusable materials from the waste stream; systems that use landfill gas to generate electricity, and an innovative, anaerobic digestion food scrap composting project. The District also provides green waste processing and composting, household hazardous waste collection, reusable materials resale and public outreach programs in support of its mission.

Landfill and waste-reduction and diversion components of the District's operations have adequate capacity to meet existing and likely future service needs within existing boundaries and in areas within the District's Sphere of Influence, in the event of annexations or new contracts for service. The District estimates its landfill to have a remaining site life of approximately 150 years. The estimated site life has been increasing in recent years, rather than decreasing, as the District has been implementing waste-reduction technologies and site improvements.

The District partners with the Monterey Regional Water Pollution Control Agency (MRWPCA). Both utilize methane as a biogas fuel to produce electricity. The MRWPCA's gas-generated electrical power is used to process wastewater into a valuable source of irrigation water. The District and the MRWPCA are in discussion about other opportunities for collaboration in the shared utilization of biogas and processing of food scraps. In addition, the District and the MRWPCA actively engage with the community through facility tours, public workshops, and outreach to schools. Both Boards have adopted "shared services" agreements.

The nine-member Board of Directors of the Monterey Regional Waste Management District broadly represents its constituent communities. The District recently obtained a certification for excellence in meeting the highest standards of accountability, transparency and ethics. The Board and staff are committed to delivery of high quality services in a cost-efficient manner. The District's finances are stable and responsibly managed. It consistently operates in the black and its net assets are stable. The District has accumulated substantial cash reserves to cover operational emergencies and long-term capital improvements. The District is currently debt free, but has indicated that it plans to borrow funds in 2015 to finance planned capital improvements.

The District has the capability to address likely future challenges and state waste reduction mandates. Of the challenges identified and discussed in this study, the most salient is the issue of long-term sustainability of the District's revenue model – revenues rely heavily on landfill tipping fees, while the District's leadership in waste reduction and diversion is achieving the desired result of reducing landfill deposits. The District is exploring alternatives to the current revenue model. In the meantime, District finances remain stable and healthy.

With its past and present investments in comprehensive, state-of-the-art facilities such as the materials recovery facility, the Monterey Regional Waste Management District has the potential to develop a collaborative service delivery arrangement with the Salinas Valley Solid Waste Authority. The District and the Authority are currently participating in a comprehensive independent countywide study of solid waste streams and processes. That study may identify additional opportunities for shared facilities between the two waste management agencies.

Recommendations

Based on determinations presented on pages 25 through 27 of this Municipal Service Review and Sphere of Influence Study, the Executive Officer recommends that the Commission conduct a public hearing and adopt a resolution: (1) finding this study exempt under California Environmental Quality Act Guidelines; (2) approving this study, (3) adopting the MSR and Sphere determinations contained in this report, and (4) affirming the Monterey Regional Waste Management District's currently adopted Sphere of Influence.

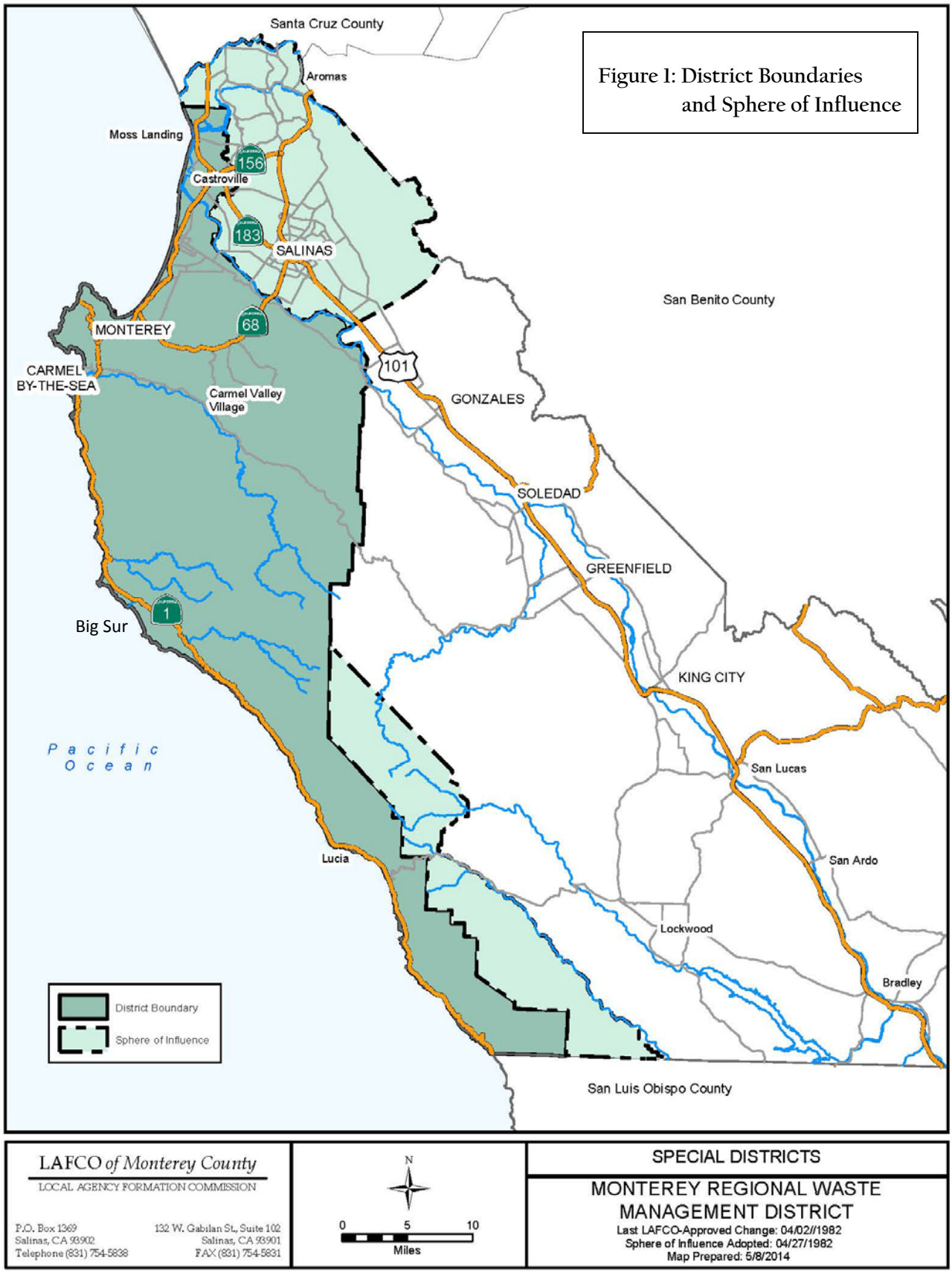


Figure 1: District Boundaries and Sphere of Influence
Santa Cruz County
Aromas
Moss Landing
156
Castroville
183
SALINAS
San Benito County
MONTEREY
68
101
CARMEL BY-THE-SEA
Carmel Valley Village
GONZALES
SOLEDAD
GREENFIELD
1
Big Sur
KING CITY
Pacific Ocean
San Lucas
San Ardo
Lucia
Lockwood
Bradley
District Boundary
Sphere of Influence
San Luis Obispo County
LAFCO of Monterey County
LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369
Salinas, CA 93902
Telephone (831) 754-5838
132 W. Gabilan St., Suite 102
Salinas, CA 93901
FAX (831) 754-5831
N
0 5 10
Miles
SPECIAL DISTRICTS
MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT
Last LAFCO-Approved Change: 04/02//1982
Sphere of Influence Adopted: 04/27/1982
Map Prepared: 5/8/2014

How this Report Is Organized

This report presents a brief history of the District. It discusses the status of the District's boundaries and Sphere of Influence, and describes the District's facilities, services, needs and plans for expansion. It reviews the District's governance, community partnerships and finances. The report examines future challenges facing the District. It concludes with recommended determinations as required by the Cortese-Knox-Hertzberg Act, and with acknowledgements and source references.

District History

The Monterey Regional Waste Management District formed as the Monterey Peninsula Garbage and Refuse Disposal District in 1951. It formed after City leaders from Pacific Grove, Monterey, and Carmel united to petition the Monterey County Board of Supervisors to find a solution to the routine dumping and burning of waste on nearby coastal sand dunes. The District initially served a 75-square-mile area. The Monterey Peninsula Garbage and Refuse Disposal District purchased 570 acres north of Marina in 1966 as the site for the new Monterey Peninsula Landfill and received its first load of waste in 1965. The District changed its name to the Monterey Regional Waste Management District in 1987.

Summary of Past LAFCO Actions

The following is a summary of past LAFCO actions related to the District's boundaries and Sphere of Influence.

1976: First LAFCO record of annexation of new territory (Marina Area).

1982: LAFCO establishes a Sphere of Influence for the District (Note: the District's Sphere has not changed since 1982).

1982: Annexation of North County and South County service areas, consistent with the District's adopted Sphere of Influence.

1996: Annexation of two separate areas near Castroville, consistent with the District's adopted Sphere of Influence. (No further boundary changes have occurred since 1996.)

2007: Adoption of LAFCO's original Municipal Services Review for the District. The 2007 Review included, on page 149, a brief discussion of the District's Sphere of Influence, and did not identify any recommended changes to the District's Sphere.

Two of these items—the 1982 Sphere of Influence designation and the 2007 Municipal Services Review—are discussed in more detail below.

District's Sphere of Influence Designation (1982)

A Sphere of Influence is a LAFCO-designated area of territory that is outside a local agency's current boundaries but is planned for the agency's probable future boundaries and service area. LAFCO established the District's Sphere of Influence in March 1982. The District's Sphere of Influence includes the City of Salinas area and other areas in northern Monterey County and the Salinas Valley that are currently served by the Salinas Valley Solid Waste Authority. The District's Sphere also includes a sparsely populated area along the Santa Lucia Mountain Range in the Big Sur region.

In establishing the District's Sphere of Influence in 1982, LAFCO based its decision on the County of Monterey's 1981 Solid Waste Management Plan, which envisioned developing the Marina landfill site into a regional facility serving the greater Salinas area and the rest of North Monterey County as well as the District's then- existing boundaries.

> *"The County's Solid Waste Management Plan discusses development of the Marina site into a regional facility. The plan looked at consolidation of the Salinas, Lewis Road and Fort Ord dump sites into the Marina site. This means the Marina site would service the entire North County Area." (1982 LAFCO Sphere of Influence Study, page 25)*

> *"[T]he County's ultimate waste management goal... is to provide for a consolidated resource recovery and energy conversion program."* (1982 LAFCO Sphere of Influence Study conclusions, page 36)

This regional vision was based in part on the potential for a single, consolidated facility to develop and implement economies of scale in resource recovery and energy conversion. The Marina landfill facility's size, proximity to waste generation centers, and other advantages were also identified in the Commission's 1982 action.

> *"The Marina site was selected as the regional site in the County [1981] Solid Waste Management Plan based on its size, accessibility to area waste generation centers, manageable water pollution problems, accessibility to potential energy markets, acceptable distance from potential materials markets, and favorable economic factors with increased scale of waste input."* (1982 LAFCO Resolution 82-5, page 3)

LAFCO's 1982 designation of the District's Sphere of Influence recognized that consolidation into a single landfill facility for all of North Monterey County would be a long-term process.

> *"[T]he likelihood of a change of disposal site status in North Monterey County and thus a change in the district's service area in the next five years is minimal. Change in the district's service area within five to twenty years will most likely be based on the implementation of resource recovery techniques and further advancements in the field of waste disposal."* (1982 LAFCO Sphere of Influence Study, page 27)

The 1981 Solid Waste Management Plan served as a historical basis for LAFCO's original designation of the District's Sphere of Influence in 1982. The current guiding document for countywide solid waste services and facilities is the Monterey County Integrated Waste Management Plan. The Monterey CIWMP was originally approved in 1997 and is updated with a status report every five years, most recently in September 2012. The CIWMP provides information about countywide demographics, waste quantities, funding sources, administrative responsibilities, waste diversion program implementation status and schedules, disposal capacity, and markets for recyclable materials.

District's 2007 Municipal Service Review and Identification of Boundary Issue with the Salinas Valley Solid Waste Authority

LAFCO's 2007 Municipal Service Review Study discussed the District's services, boundaries, and Sphere of Influence. This Study affirmed the District's infrastructure capacity and capabilities, management efficiencies, and accountability/governance. It identified no deficiencies and recommended maintaining the District's current Sphere of Influence.

The 2007 Study noted that the District's Sphere covers a broader area than the District's service area, and that no annexation proposals were anticipated at that time. It referenced the possibility of the District eventually serving the North Monterey County's waste management needs, particularly upon closure of the Crazy Horse Landfill northeast of Salinas. That landfill closed in 2009.

The 2007 Study also identified that the District's Sphere overlaps with service area of the Salinas Valley Solid Waste Authority, a Joint Powers Authority that serves the Salinas Valley area and northern Monterey County. This overlap, created by the Authority's formation in 1997 without LAFCO regulation or oversight, was identified as an issue. While LAFCO's 2007 Study did not recommend any changes to the District's 1982 Sphere of Influence, it did recommend consulting with the Solid Waste Authority to discuss the overlap issue (2007 Municipal Service Review, page 148). The overlap issue is further discussed in the District Boundaries and Sphere of Influence section, below.

Exercising its authority to study a Joint Powers Authority, LAFCO also prepared a Municipal Service Review for the Salinas Valley Solid Waste Authority in 2006 to understand the nature of the JPA and its relationship to the Monterey Regional Waste Management District. The 2006 study noted that SVSWA was in the process of securing a site for development of long-term capacity expansion, and made several references to future opportunities for sharing resources with the Monterey Regional Waste Management District.

Introduction

LAFCO's designation of the District's Sphere of Influence in 1982 recognized that evolution of the District's Marina landfill into a single, consolidated facility to serve all of the District's Sphere would be a long-term process.

- "*[T]he Salinas-Crazy Horse Canyon landfill and the Lewis Road Disposal sites have many years of remaining life. Consolidation of the dump sites will probably not be considered until their lives have been completely utilized.*" (1982 LAFCO Sphere of Influence Study, page 26)
- "*[T]he likelihood of a change of disposal site status in North Monterey County and thus a change in the district's service area in the next five years is minimal. Change in the district's service area within five to twenty years will most likely be based on the implementation of resource recovery techniques and further advancements in the field of waste disposal.*" (1982 LAFCO Sphere of Influence Study, page 27)

Significant progress has been made, and is ongoing, to implement the actions identified in 1982 as likely steps toward the MRWMD's eventual consolidation into a single facility for the entire District including its Sphere of Influence. For instance, the Crazy Horse Canyon and Lewis Road facilities are now closed. Also, the District is continuing to develop and deploy large-scale, state-of-the-art waste reduction/diversion facilities and services at its Marina Site. For example, District operations now include a materials recovery facility, landfill gas to energy, an anaerobic digester, a comprehensive food scrap compost program, and other systems that are discussed in the Facilities, Services and Programs chapter of this Study. Other strengths identified in 1982 in support of a consolidated Marina facility—such as size and proximity to primary population centers (and thus waste-generation areas) — also remain relevant today.

At this time, the District is not proposing to modify its existing Sphere of Influence or boundaries (Figure 1). It believes it is important to maintain the current Sphere to facilitate possible future provision of services to that area whether by contract or annexation, if requested by the citizens of the area.

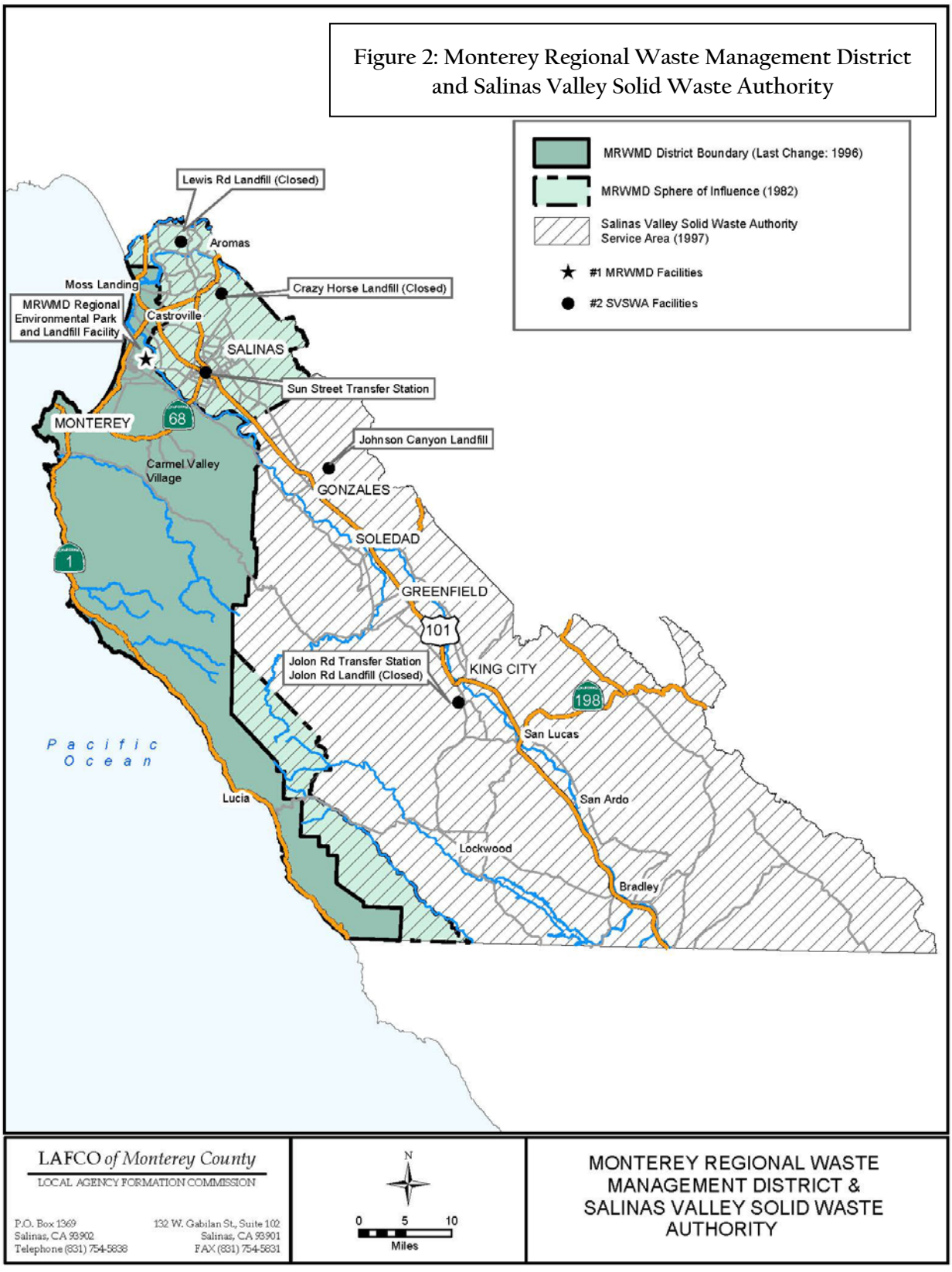
Discussion of Boundary "Overlap" Issue with the Salinas Valley Solid Waste Authority

Creation of the Salinas Valley Solid Waste Authority was not foreseen in 1982. As a Joint Power Authority formed in 1997 outside of the Cortese-Knox-Hertzberg Act and without LAFCO oversight, the Authority's self-determined service area overlaps with a portion of the District's Sphere of Influence. Please see the illustrative map in Figure 2. This overlap created the potential for conflict. It also creates opportunities for cooperation.

In an April 2014 letter from its Board of Directors to the LAFCO Executive Officer, the Salinas Valley Solid Waste Authority questioned whether the District's North County Sphere of Influence is still appropriate, given that the Authority has existing operations and future plans in the same area. As discussed above, the District's Sphere of Influence predated the Solid Waste Authority's formation by 15 years. The present-day overlap in the Authority's service area and the District's Sphere of Influence was the result of formation of the Joint Powers Authority. The overlap does not negate the long-term vision of the County's 1981 Solid Waste Management Plan, and the significant investments that the District has made, and continues to make, to develop and deploy regional facilities, services and programs.

While the District does not intend to annex the Sphere of Influence area at this time, it may initiate the annexation process in the future. Also, future service changes and needs may be identified that will necessitate annexation or contract services in the District's Sphere of Influence. For example, if the County of Monterey (or other member) withdraws from the voluntary Authority, the Monterey Regional Waste Management District is capable of providing vital solid waste services to affected residents. As noted above, the Solid Waste Authority's formation took place outside the LAFCO process, and resulted in the present-day overlap in the Authority's service area and the District's Sphere of Influence. The District respects the Authority's right to currently serve areas that overlap with the District's Sphere of Influence,

Figure 2: Monterey Regional Waste Management District and Salinas Valley Solid Waste Authority



outside of the District boundaries. However, the District also intends to preserve its Sphere of Influence and its options to annex all or part of the area, or to provide contractual service to all or part of the Sphere area.[1] Any future annexation would be subject to the requirement (Cortese-Knox-Hertzberg Act, §56668) to consider any proposed change of organization's impact on other agencies. When an area is being transferred from an agency that is subject to bonded indebtedness to another agency, a LAFCO has the authority, pursuant to §56886(a)(c) and (d), to apportion the obligation and transfer a pro rata portion to the receiving agency. LAFCO could create a zone of benefit over the transferred area within the receiving agency to fund the repayment obligation. Any adverse effect on the Authority's bond obligation could be mitigated through this process as well as through negotiations between the member agencies of a Joint Powers Authority.

The current guiding document for countywide solid waste services and facilities (Monterey County Integrated Waste Management Plan) recognizes the Authority as the current provider of services for areas within the District's Sphere of Influence. Staff has reviewed the September 2012 Five-Year CIWMP Review Report and previous updates. They do not appear to contain any recommendations or other provisions that are fundamentally incompatible with the District retaining its existing Sphere of Influence and its potential to annex—or provide contractual services to—areas within it at a future date.

In 2014, the Monterey Regional Waste Management District and its member jurisdictions, along with the Salinas Valley Solid Waste Authority and its member jurisdictions, engaged an engineering firm to prepare a comprehensive evaluation of the current countywide solid waste management system and potential service improvements and efficiencies. The consultant's preliminary report is expected in 2015 and is further discussed in the Future Opportunities and Challenges section of this Study (below).

POPULATION AND GROWTH

As of 2015, the current population within the District's annexed boundaries is approximately 149,400. The population in the North County portion of the District's Sphere of Influence is 191,000, most of which is within the City of Salinas. The southern portion of the District's Sphere, on the inland side of the coastal mountains of Big Sur, is almost uninhabited, with a population estimated to be fewer than 20 persons outside of current District boundaries.

Population growth rate is one of several variables affecting the longevity of the District landfill and, consequently, its future ability to serve member agencies. Slower-than-expected rates of actual and projected population growth in the District's current boundaries and Sphere of Influence suggest that solid waste volume growth, as a result of population growth, is <u>not</u> currently a significant challenge to the District's outlook.

The District's current site-life estimate of approximately 150 years includes a population growth factor of 1%. According to the Association of Monterey Bay Area Government's (AMBAG), between 2000 and 2010 the countywide population grew by a total of only 3.3% for the entire decade, equating to a 0.1% compound annual growth rate. In June 2014, AMBAG adopted an update to its Regional Growth Forecast. As of 2014, the currently projected 2010-2035 countywide population increase is 19.3% (a 0.7% compound annual growth rate). The currently projected annual growth rate for the seven incorporated cities within the District's current boundaries is somewhat higher: 21.5%, or approximately 0.8% per year.

[1] Provision of contractual services would be subject to LAFCO approval of an out-of-agency service extension, pursuant to the Cortese-Knox-Hertzberg Act (§56133), unless the proposal is exempt under one of the exemptions to §56133. If it is not exempt, then the area to be served must be within the agency's Sphere in order for LAFCO to be able to approve the out-of-agency service extension. Whether a particular contractual agreement would be exempt depends on its terms and whether they come within the limited scope of the §56133 exemption provisions.

FACILITIES, SERVICES, AND PROGRAMS

Facilities

The District's facility is located about two miles northeast of the City of Marina. The site includes a 315-acre sanitary landfill site, a 126-acre buffer area, and 20 acres for the District's resource recovery facilities, administrative offices, board chambers, and maintenance buildings; see Figure 3. The District's facility is located at the Monterey Regional Environmental Park, where the District shares facilities and services with the Monterey Regional Water Pollution Control Agency.

Landfill: The District's landfill has a design capacity of approximately 84 million cubic yards. The remaining landfill waste capacity is approximately 72 million cubic yards, or approximately 86% of the site's capacity remains available. The District estimates its Monterey Peninsula (Marina) landfill to have a projected remaining lifespan of approximately 150 years. With physical site enhancements such as the Module Five landfill cell completed in July 2013, as well as continually increasing diversion rates, the landfill's projected lifespan has steadily increased over the years rather than decreasing. For example, in 1982 its lifespan was estimated to be 40 years. This is the case even after closure of the nearby Crazy Horse Canyon and Lewis Road landfills in the early 2000s, and with the Marina landfill also now receiving additional solid waste streams from outside Monterey County. (The landfill accepts haul loads from Santa Cruz and Santa Clara Counties, in addition to solid waste generated within the District).

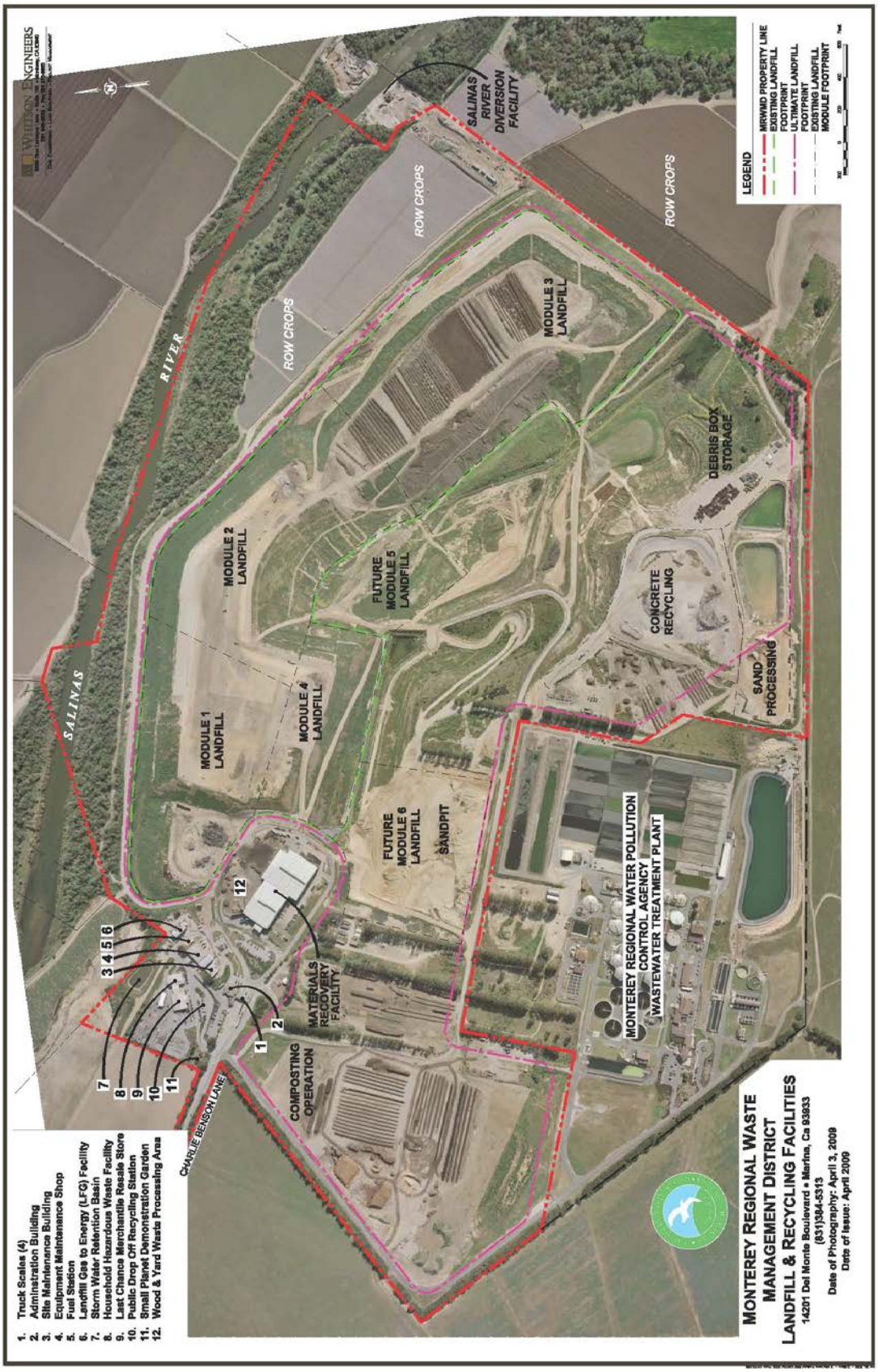
Various factors affect the actual site life of a landfill. As diversion rates rise with the advent of new technologies and legislative requirements, less of the waste stream goes to the landfill, continually increasing its projected lifespan. Other factors are variations in the rate of population growth in the service area, strength of the economy affecting commercial and agricultural waste generation rates, changes in waste generation rates due to fluctuations in source reduction and recycling volumes, and volumes of solid waste accepted from areas beyond Monterey County.

Resource Recovery Facilities: A modern, comprehensive solid waste management facility is much more than a landfill disposal site. In keeping with the District's vision statement, "*Turning Waste into Resources*," the District and its facility employ state-of-the-art waste reduction, diversion, and reuse systems and techniques. The District's primary innovative waste management facilities include:

- **Materials Recovery Facility (MRF)**: This indoor facility, which opened in 1996, is a specialized plant for community waste processing, recycling and reuse. The MRF processes more than 70,000 tons of "dry mixed waste" each year that arrives in debris boxes, dumpsters, pick-up trucks, and trailers. The MRF also receives clean loads of source-separated green waste and wood scraps, the raw materials for making compost and wood chips. The MRF separates commingled reusable/recyclable materials and prepares them for sale to customers.

  The facility's development responded to the 1989 Assembly Bill 939 mandate for California cities and counties to reduce their waste by 50% by the year 2000. As of the end Fiscal Year 2013/14, the District's on-site diversion rate was approximately 29%, with the MRF accounting for approximately 46% of the total diversion achieved by the member agencies of the District. The total diversion achieved by the member agencies of the District as measured by AB 9393 accounting ranged between 65% and 75%. With passage of AB 341 in October 2011, the statewide diversion goal increased to 75% by 2020. To address this new mandate, District staff is preparing for a $21 million improvement project that will enable its facility to recover 75% or more of the mixed waste stream arriving from self-haul, commercial and multi-family sources, in addition to continuing to process the construction/demolition and self-haul loads it now receives, and is projected to enable the District member agencies to be in full compliance with the State's AB 341 diversion goal of 75% by 2020.

Figure 3: District Landfill and Recycling Facilities



(Source: MRWMD)

- **"Landfill Gas to Energy" Facility:** In 1983, the District developed and began operating one of the nation's first landfill gas-to-electric energy plants at its facility. The process of capturing methane ("landfill") gas begins after organic waste deposited into the landfill is digested by anaerobic bacteria. The bacteria produce methane gas, which is recovered via a series of wells placed into the landfill. The wells are connected by a pipe system that creates a vacuum and induces the gas into a compression facility. After further refining, the gas is pumped into internal combustion engines, powering four engine/generators to make electricity.

  The District's four generators now provide approximately five megawatts (MWs) of clean alternative power, meeting all of the District's own power needs and electrical power equivalent to the needs of 4,000 residences. The carbon savings realized from using this amount of landfill gas for power, rather than fossil fuel-generated power, is equivalent to removing emissions from an estimated 33,760 vehicles. The District sells excess power generated from this project to Pacific Gas and Electric (PG&E) and other power purchasers. Revenues from this project have generally exceeded expenses. In the future, the District intends to process methane gas into compressed natural gas (CNG), some of which may be used to fuel some or all of the collection fleet that hauls solid waste to the District facility.

  In July 2014, the District authorized a contract for approximately $4 million in improvements to expand the Landfill Gas project's capabilities from 5 to 8 MWs. District staff are also working with PG&E to upgrade the project's utility connections in preparation for additional Landfill Gas-based power generation.

- **"SmartFerm" Anaerobic Digestion Fermentation System**: In 2013, the District began, on a pilot basis, to operate the first U.S.-based application of SmartFerm anaerobic digestion technology. SmartFerm is a state-of-the-art, trademarked system, comparable in size and appearance to four large shipping containers. The process uses microorganisms in an airtight chamber to harvest the energy value of organic materials (in this case, a 70-30 mix of food scraps and landscape trimmings) over a 21-day cycle, prior to composting. The District obtains food scraps through its Monterey Regional Compost Program, described below.

  The SmartFerm facility can convert up to 5,000 tons of waste per year into "digestate" (the organic material), which is then removed and further composted) and methane gas. The methane gas is then combusted to produce enough electricity to power approximately 25 homes. The electricity produced is supplied to the Monterey Regional Water Pollution Control Agency's regional wastewater treatment plant, providing 10% of the wastewater treatment plant's power needs.

Community Partnerships

The District's **Landfill Gas to Energy Project** and **SmartFerm System** are examples of partnerships with private entities and a local public agency. Each of these projects provides a benefit, in the form of renewable electric energy. The adjacent Monterey Regional Water Pollution Control Agency (MRWPCA) then uses the provided electrical power to process wastewater into an irrigation water source for Castroville-area agriculture.

The District and the MRWPCA have also discussed the possibility of sharing some administrative or other personal services in the future.

The District also partners with other private entities such as Zero Waste Energy, the Keith Day Company, and the Offset Project to develop and carry out District facilities and programs.

In addition, the District actively engages with the community through facility tours, public workshops, and outreach to schools, as discussed in the Public Education subsection, below.

Services and Programs

Diversion of waste from the landfill has long been a priority of the District board. With the advent of commercial recycling and other innovative programs—several of which have received statewide and national recognition—the District is moving forward toward meeting the AB 341 statewide goal of 75% diversion by 2020. The District's services and programs include:

- **"Organics to Energy" - The Monterey Regional Compost Program:** The District offers a regional program that diverts food and other compostable organic "waste" from landfill disposal, turning organics into two resources: energy and compost. Through this program, participating businesses and institutions diligently separate food scraps and certified compostable food items and byproducts from their waste streams. These items are picked up by local haulers, inspected for contamination at the District's Marina site, mixed with mulch, and loaded into an anaerobic digestion unit (see **SmartFerm System** description, above). Inside, biogas (methane) is released and used as fuel to produce electricity. After 21 days, the organic "digestate" is removed and finishes composting for the next 60-90 days in nearby windrows. It is then screened to remove any remaining contaminants and sold to agricultural users such as local vineyards.

  In its first year of operation, this program has diverted 3,325 tons of food scraps and 1,425 tons of green waste, and produced more than 500,000 kilowatt-hours of electricity for use by the MRWPCA's nearby wastewater treatment plant, as well as 4,400 tons of high-quality soil amendment for sale. As of June 2014, 24 large and small food service operations are contributing food scraps to the program. Participants include several major institutions such as the Monterey Bay Aquarium, Community Hospital of the Monterey Peninsula, California State University Monterey Bay, University of California Santa Cruz, and Asilomar Conference Grounds. www.organicstoenergy.org

  Residential food scrap collection is not envisioned in the short term as co-collecting food scraps with green waste would devalue the high grade compost product produced at the MRWMD from green waste. Analysis of residential food scrap programs in other areas has shown that increase in diversion has been negligible following program implementation. Staff recommends that a pilot project be conducted locally in the next 3 years to better evaluate the potential of residential food scrap diversion co-collected with green waste. Finally, the planned MRF Improvements scheduled to be operational by mid-2016 is designed to recover organics from the mixed waste stream.
- **Green Waste (Yard Waste):** Through a contract with the Keith Day Company, the District produces several landscape products for sale to the public including: OMRI (Organic Materials Review Institute) listed organic compost, top soil, potting soil, and wood chips/mulch. The mulch is made using an electric grinder, powered by electricity that the District produces through the landfill gas renewable energy program.
- **Household Hazardous Waste (HHW):** The District receives approximately one million pounds of chemical and solid HHW and electronic waste annually from local residents and small businesses. Sixty percent of the HHW collected, primarily paint, is made available for reuse free of charge to District residents at the Last Chance Mercantile. The facility can receive household batteries, fluorescent bulbs, and "over the counter" medications and medical sharps.
- **Last Chance Mercantile:** This resale store is located in a 7,000-square-foot building and paved two-acre yard at the District's Marina facility. The store offers convenient and free drop-off for reusable goods as an alternative to landfill disposal. The store also receives more than 800 tons of salvaged reusable goods from the materials recovery facility each year. Free ewaste collection is also offered along with a buyback center for California Redemption Value beverage containers. Financing for the building was included as part of the original financing for the Materials Recovery Facility, landfill gas building, and other site improvements. Builders who donate items to Last Chance Mercantile can receive credit toward meeting CalGreen or LEED waste diversion requirements.
- **Public Education:** The District offers tours of the landfill and Materials Recovery Facility by appointment to members of the public and student groups residing or operating in the District's service area. The District's Small Planet School Education Program provides education to thousands of local students, Elementary to postgraduate, on waste reduction, reuse and recycling. The District also offers a variety of free workshops throughout the year to members of the public. Most workshops are focused on green gardening topics, such as home composting. The District sells home composting supplies at the Last Chance Mercantile, the costs of which are subsidized for those living within the District's service area.

District Recognition

The District strives to be at the forefront of innovation in waste reduction and recycling. In 1998, the Solid Waste Association of North America recognized the District with its Best Integrated Solid Waste Management System in North America award. In 2014 alone, the District received the following awards:

- Breathe California Central Coast's 2014 Clean Air Award, Technology Category (May 2014),
- California Resource Recovery Association's Dave Hardy Leadership in Organics Award (August 2014),
- Solid Waste Association of North America's Gold Excellence Award in Composting (August 2014),
- California Special District Association. Innovative Program of the Year Award for a Large District (October 2014),
- Solid Waste Association of North America, California Gold Rush Chapter Outstanding Public Agency Award (October 2014),
- Solid Waste Association of North America, California Gold Rush Chapter Municipal Member of Year - Tim Flanagan (October 2014), and
- Special District Leadership Foundation District Transparency Certificate of Excellence Recipient (September 2014).

The District's 2014 awards were based primarily on the District's innovative SmartFerm and Organics-to-Energy programs described above.

Governance

The District is an independent special district and governed by a nine-member Board of Directors. The Board is comprised of a representative from each of the seven cities within the District boundaries, plus one to represent unincorporated areas of the District, and a director-at-large. Board members are appointed to four-year terms. The Board maintains standing Finance and Personnel Committees, plus a Technical Advisory Committee that meets on an as-needed basis.

Transparency and Accountability

The District conscientiously meets and exceeds compliance with all State requirements for transparency and public accountability. It maintains a comprehensive web site (www.mrwmd.org) with links to current and past meeting agendas, agenda packets, meeting minutes, annual budgets, audited financial statements, and annual reports. Regular Board meetings are typically held on the third Friday of the month at 9:30 AM at the District's offices. District personnel post agendas and agenda packets for upcoming meetings on the District's web site and outside the District Office. Each Board meeting has a time on the agenda reserved for public comments. The Board limits closed session discussions to issues allowed by State law.

In September 2014, the Monterey Regional Waste Management District received the prestigious District Transparency Certificate of Excellence from the Special District Leadership Foundation (an independent non-profit organization formed to promote good governance and best practices among California's special districts through certification, accreditation and other recognition programs). The Certificate of Excellence is intended to promote public transparency in the operations and governance of special districts. The program provides agencies with an opportunity to showcase their achievements in meeting and exceeding minimum legal requirements for governmental transparency.

In order to obtain this certification, the Monterey Regional Waste Management District documented its compliance with current minimum legal requirements related to:

- Current ethics training for all Board members,
- Brown Act compliance,
- Adoption of an expense reimbursement policy,
- Annual disclosure of reimbursements,
- Timely filing of financial transaction reports, including compensation, disclosure, to the State Controller, and
- Conducting of annual audits.

Beyond these minimum requirements, Transparency Certificate recipients have adopted policies about financial reserves, conflicts of interest, ethics, and handling Public Records Act requests. The certificate program also requires an agency's web site to provide specific and detailed current and archival information, and includes other stringent requirements related to outreach and best practices.

Operating Revenues and Expenses

The District's adopted Budget for Fiscal Year 2014-15 includes estimated revenues of $21.1m. Sources of anticipated revenue include tipping fees (81%), landfill gas-to-energy sales (9.5%), other sales[2] (8.6%), and miscellaneous revenues (< 1%).

The District's $19.4m in operating expenses budgeted for Fiscal Year 2014-15 occur within 20 separate accounts. The District's largest operating expenditure categories include Wages (36.0%), Benefits (17.5%), Amortization/ Depreciation (13.3%), and Repairs/Maintenance (9.3%).

The District's adopted 2014-15 budget projects a 12.6% increase in revenues compared to the 2013-14 budgeted amount, with a 3.2% increase in operating expenses. The increased income is primarily a result of increases in various types of solid waste tonnage coming into the District's landfill, along with increased tipping fees.

Non-Operating Revenues and Expenses

Non-operating revenues (such as interest income and leases) and expenses (e.g., revenue bond interest payments) represent a small proportion of the District's budget. The District's increased non-operating expenses in the 2014-15 budget, compared to 2013-14, largely reflect reduction of long-term debt; specifically, a $250,000 revenue bond payment to fund infrastructure improvements.

Net Income

At the end of Fiscal Year 2013-14, the District's actual operating revenues and expenses were each higher than originally budgeted at the beginning of the fiscal year. However, the 17% increase in actual (vs. budgeted) operating revenues was much higher than the corresponding 1.3% increase in operating expenses, resulting in a much higher than expected FY 2013-14 net income.

The adopted FY 2014-15 budget anticipates a year-end $1,511,000 net income that is substantial but is less than the 2013-14 actual amount.

Table 1, below, presents an overview of recent and budgeted District revenues, expenses, and net income.

Table 1
Monterey Regional Waste Management District:
Income Budget Summary
Fiscal Years 2012-13 through 2014-15

	2012-13 (audited)	2013-14 (budgeted)	2013-14 (actual)	2014-15 (budgeted)
Operating Revenues	$20,634,277	$18,745,000	$21,927,743	$21,100,000
Operating Expenses	(18,922,937)	(18,818,000)	(19,070,481)	(19,424,000)
Non-Operating Revenues (Expenses)	(930,765)[3]	95,000	113,878	(165,000)
NET INCOME	**$780,575**	**$22,000**	**$2,971,159**	**$1,511,000**

Source: Monterey Regional Waste Management District

[2] Includes sales of Last Chance Mercantile items, metals, sand, mulch, compost, wood chips, and biomass.
[3] Primarily a result of one-time costs related to voluntary employee separations

Assets, Liabilities and Reserves

The District conducts annual financial audits, as required by law. An audit includes examining supporting evidence, testing account balances, and assessing the accounting principles used as well as overall financial statement presentation. All recent annual audits have resulted in a "clean opinion" being issued by the independent auditors, indicating that no deficiencies were found.

The District has accumulated sufficient cash reserves to cover current needs and long-term capital improvements. The District's adopted FY 2014-15 budget includes $7.3m in capital outlay for purchase of equipment and for facility improvements. A major investment in expanding the landfill gas-to-energy facility accounts for most of the anticipated FY 2014-15 capital outlay. After the current fiscal year, lesser capital outlays, averaging $2.3m per year, are anticipated through FY 2018-19.

The audit for the FY 2013/14 (the most recent period for which final audited figures are available) indicated that the District had over $34.6m in net assets as of the fiscal year's end. The largest category of the District's assets is its capital assets, which is the value of the District's buildings, equipment, and infrastructure after deducting accumulated depreciation and debt still owed on these assets.

Total assets increased by approximately 3.9% between 2012 and 2014, largely due to increased operations income. In 2013, bond principal payments of $1.4m were made, fully paying off a 1998 $15.6m recycling facilities bond. The slight decrease in net assets resulting from bond repayment has been more than offset by a corresponding substantial (33.7%) decrease in total liabilities, resulting in an increase in the District's total net position, as shown in Table 2, below.

The District's total net position (difference between assets and liabilities) has made steady increases through FY 2013/14, an indicator of the District's good overall fiscal health. The District has also proven itself to be a reliable borrower as reflected in its Standard and Poor's bond rating, which improved in 2010 from A to AA-. The District paid off its debt early in 2014 and currently is debt-free.

An overview of assets, liabilities, and total net position is presented in Table 2, below.

Table 2
Monterey Regional Waste Management District:
Assets, Liabilities, and Net Position
Fiscal Years 2010-11 through 2012-13

	As of June 30, 2011	As of June 30, 2012	As of June 30, 2013	As of June 30, 2014
ASSETS				
Current Assets[4]	$10,770,000	$10,448,000	$8,940,000	$11,767,000
Total Assets	39,192,000	38,530,000	37,378,000	40,024,000
LIABILITIES				
Current Liabilities[5]	2,747,000	3,214,000	1,235,000	659,000
Total Liabilities	8,535,000	7,584,000	5,651,000	5,326,000
TOTAL NET POSITION[6]	**$30,657,000**	**$30,946,000**	**$31,727,000**	**$34,698,000**

Source: Monterey Regional Waste Management District annual audited financial reports

[4] Cash, cash equivalents, accounts receivable, etc.
[5] Accounts payable, payroll obligations, current portions of revenue bonds payable and capital lease obligations, etc.
[6] Total assets, less total liabilities

Revenue Model Sustainability

As noted above, the majority of the District's revenue comes from landfill disposal (tipping) fees. Disposal revenue is generated from in-District franchise and self-haul waste and also from long-term contracts for out-of-District waste. Revenue derived from contract waste is used for rate stabilization and to offset the cost of implementing new technologies to divert waste and extend landfill site life. The District has become a leader in implementing progressive waste-reduction techniques and meeting State waste diversion mandates, as discussed in the Facilities, Services, and Programs section, above.

However, as diversion rates increase and less waste goes to the landfill, there is an attendant decrease in tipping-fee revenue. The District is aware that the existing revenue model, which is based largely on landfill tipping fees, could incentivize a reliance on accepting waste from outside the service area, and has the potential to discourage investment in technologies and programs to reduce the waste stream. The District is concerned about the potential long-term impact of this revenue model and is exploring "alternative" revenue models to allow it to maintain and expand its diversion programs without jeopardizing revenue sources. As discussed in the Finances section, above, District income and assets have been consistently stable and healthy.

The District's staff and Board of Directors have adopted a Strategic Plan aimed at developing actionable and measurable goals, strategies, initiatives, and programs, to include the "Pillars of Sustainability" (see Appendix A), to guide the District's future decision making. Development of non-tonnage based revenue was one of six Strategic Plan goals identified in the District's March 14, 2014 Board packet.

Improving Energy Recovery

Identifying and implementing a conversion technology to extract more energy from waste at a reasonable cost and reduce the amount of residue going to the landfill is a challenge highlighted by District staff. In recent national publications and awards, General Manager William Merry has been quoted on the District's successful operation of the anaerobic digestion process described on page 17 of this report. The District hopes that the anaerobic digestion process will provide a pathway to increasing waste-to-energy conversion in an economically feasible way.

District's Relationship to Salinas Valley Solid Waste Authority

The District Boundaries and Sphere of Influence section of this report discusses the two-agency solid waste management system—including an overlap between the SVSWA's service area and the District's Sphere of Influence—that currently exists within Monterey County. The existing arrangement represents an opportunity for resource sharing between the two agencies. Two potential near-term opportunities for greater efficiency are outlined below.

Opportunity for Shared Services

As with the District, the SVSWA has legal mandates and strategic goals to divert reusable and recyclable materials away from the landfill. Within the SVSWA's service area, solid waste is currently collected at transfer stations and then hauled to the Johnson Canyon Landfill, northeast of Gonzales and approximately 20 miles south of Salinas, for disposal. In recent years, the SVSWA has studied options for relocating its existing Sun Street transfer station's operations to a new site. One likely component of the new site would be a materials recovery facility with functions similar to the Waste Management District's facility, described on page 15, above. Relocation options that the SVSWA has studied include sites on Work Street in the Alisal area of Salinas, Hitchcock Road (off Davis Road, southwest of Salinas), and Madison Lane in the unincorporated Boronda neighborhood.

As part of SVSWA's forthcoming environmental review of the proposed relocation of operations, LAFCO encourages the SVSWA to consider the option to contract with the Monterey Regional Waste Management District to provide materials recovery services at the District's Marina facility. This option

could potentially be a cost-effective alternative. The District's material recovery facility is a significant, existing capital asset for the region, and is currently undergoing a major capacity expansion. The proximity and capacity of the District's existing material recovery facility to North Monterey County, the City of Salinas and portions of the Salinas Valley represent a potential opportunity for the two agencies to enter into a collaborative service delivery arrangement, reaching outside their traditional boundaries to deliver quality services in a cost-efficient and effective manner.

2014-2015 Countywide Solid Waste Management Study

In 2010, citing concerns with "inefficiency" of the existing two-agency solid waste management arrangement (i.e., the Monterey Regional Waste Management District and the Salinas Valley Solid Waste Authority), and other concerns, the County of Monterey directed its staff to evaluate the feasibility of redirecting some or all of the waste generated in unincorporated areas to the Monterey Peninsula (Marina) landfill. County staff recommended that, in order to do this, the County would have to withdraw from the SVSWA joint powers agreement.

In 2012, the County submitted a formal notice of intent to withdraw from the Authority. However, in December 2013, the Board of Supervisors rescinded the Notice of Intent and decided to conditionally remain a member of the Authority. The Board's resolution included a condition that the Authority participate in, and help pay for, an independent study examining the most efficient way to handle waste management countywide. The County, the Authority, the District, the incorporated cities in Monterey County, and the Pebble Beach Community Services District entered into an agreement to participate in and fund the study.

The District and its member jurisdictions, along with the County of Monterey and other members of the Salinas Valley Solid Waste Authority, issued a Request for Proposals, conducted interviews, and retained a consultant in April 2014 to carry out a comprehensive evaluation of the current countywide solid waste management system and potential service improvements. The study, which commenced work in April 2014, will "explore alternatives for creating a system for collaborative approach to solid waste management throughout the County, one that can be more responsive to the needs of all Monterey County communities." The study will evaluate both agencies' current service areas, waste-flow control restrictions, the ways in which waste is transported, and the two agencies' differing fee structures.

The report will identify opportunities for providing greater efficiency and provide actionable recommendations for consideration by the decision-making bodies. However, it should be noted that in their 2013 agreement to fund and participate in this study, the District and the Authority specifically set forth that "the objective of this analysis is not to merge the two existing solid waste agencies." This limitation does not extend to the responsibility of LAFCO, under the provisions of the Cortese-Knox-Hertzberg Act, to study the services and boundaries of the two agencies, and to encourage more regional collaboration—a process that may or may not lead to eventual boundary changes or other reorganization.

Long-Term Fire Protection Services

Solid waste management facilities have needs for fire protection and emergency services related to hazardous materials management, fires caused by hot ashes or other items received in solid waste delivery loads, and other occasional eventualities. The District's Monterey Regional Environmental Park facility is located outside of any fire protection agency's current jurisdictional boundaries or Sphere of Influence, with contractual services currently provided by the City of Marina Fire Department.

The District's facility is located outside, but adjacent to, the North County Fire Protection District's boundaries. The Monterey County Regional Fire Protection District is also in the vicinity. As part of LAFCO's 2012 study of all special districts providing fire protection and emergency services, the Commission designated the Waste Management District facility's site as part of a Future Study Area for the North Monterey County Fire Protection District. LAFCO of Monterey County's adopted Policies and Procedures define a Future Study Area as "territory outside of an adopted Sphere of Influence that may warrant inclusion in the Sphere in future years. Further study would have to be completed prior to inclusion."

The Monterey Regional Environmental Park (including Monterey Regional Waste Management District and Monterey Regional Water Pollution Control Agency facilities) is a 2.5-mile driving distance north of the City of Marina's city limits. The Environmental Park has received fire services from the City of Marina Fire Department by contract since approximately the 1980s. With these long-standing agreements, the City provides fire protection and emergency medical services outside of its boundaries and Sphere of Influence, and the MRWMD and MRWPCA reimburse the City on a "cost recovery for call for service" basis. Through these agreements, the Environmental Park's immediate fire protection and emergency medical services needs are being met. However, annexing the MRWMD and MRWPCA facilities into the North County Fire Protection District would provide a more comprehensive, long-term solution for addressing future fire protection and EMS needs. LAFCO staff is continuing to coordinate with the agencies to work toward this site's annexation into the North County Fire Protection District.

MUNICIPAL SERVICE REVIEW DETERMINATIONS

Based on the recommended determinations in this section, and on the information elsewhere in this report, the Executive Officer recommends that the Commission adopt the District's 2015 Municipal Service Review.

1. Growth and Population Projections for the Affected Area

As discussed in the Population and Growth section of this report, actual recent past and projected future population growth within the District is lower than the 1% growth rate that the District uses in calculating landfill site life. Slower-than-expected population growth within the District's boundaries and Sphere of Influence suggests that population growth-related solid waste volumes are not currently a significant challenge to the District's outlook or its Sphere.

2. The Location and Characteristics of Any Disadvantaged Unincorporated Communities Within or Contiguous to the Sphere of Influence

State law defines Disadvantaged Unincorporated Communities as communities with an annual median household income that is less than 80% of the statewide annual median household income. Census block group data indicate that numerous areas within and adjacent to the District's existing Sphere have incomes below 80% of the statewide median income. These areas are currently being served by either the District or by the Salinas Valley Solid Waste Authority. There are no identified Disadvantaged Unincorporated Communities within or continuous to the District's Sphere that are unserved or underserved with regard to solid waste management.

3. Present and Planned Capacity of Public Facilities, Adequacy of Public Services, and Infrastructure Needs or Deficiencies (Including Needs or Deficiencies Related to Sewers, Municipal and Industrial Water, and Structural Fire Protection in any Disadvantaged, Unincorporated Communities within or Contiguous to the Sphere of Influence)

The District has established itself as a capable provider of solid waste management services. The District's landfill has an estimated remaining lifespan of 150 years. The District has also implemented a variety of facilities and services to reduce waste and meet statewide diversion goals, as discussed in the Facilities and Services section of this report.

4. Financial Ability of Agency to Provide Services

As waste volume generation rates decrease over time due to increased efficiency of waste diversion and recycling, the District has expressed concerns about the potential long-term impact of tonnage-based revenue models. The District is exploring ways to develop non-tonnage based revenue to maintain its fiscal health while also maintaining and expanding its diversion programs. The District has a demonstrated ability to fund comprehensive waste management facilities and services to its constituent communities. The District's finances are stable, with ample reserves and a gradually increasing total net position. The

Finances Section of this report outlines the District's current financial status and assets. Current and previous-year District budgets and audited financial statements are available on the District's web site.

5. Status of, and Opportunities for, Shared Facilities

The District has a long-standing and productive partnership with the neighboring Monterey Regional Water Pollution Control Agency, as described in the Facilities and Services section of this report. The electricity produced by the District's anaerobic digester is sold to the MRWPCA, which provides 10% of the power used by the wastewater treatment plant. In addition, the District accepts biosolids produced at the regional wastewater treatment facility, which it uses to produce compost, as landfill vegetative cover or is landfilled.

As discussed in this report's Future Challenges section, the Salinas Valley Solid Waste Authority has studied options for relocating its existing Sun Street transfer station's operations and developing a materials recovery facility (MRF) with functions similar to the Waste Management District's facility. A potentially cost-effective alternative would be for the District to provide materials recovery services to the SVSWA, by contractual agreement, at the District's Marina facility. The District and the Salinas Valley Solid Waste Authority are currently participating in a comprehensive independent study to analyze the solid waste management system in Monterey County. This study may identify additional opportunities for shared facilities between the two waste management agencies.

6. Accountability for Community Service Needs, Including Government Structure and Operational Efficiencies

The District's nine-member appointed Board of Directors represents a broad range of the District's constituent communities. The District maintains an informative web site that is regularly updated with meeting information, agendas, and agenda packet materials. The District meets State law requirements for transparency, accountability, and ethics, as outlined in the Governance and Community Involvement Section of this report. The District has obtained certification for transparency in special district governance.

7. Any Other Matter Related to Effective or Efficient Service Delivery, as Required by Commission Policy

LAFCO has reviewed its local policies and notes no additional pertinent matters.

SPHERE OF INFLUENCE DETERMINATIONS

Based on the recommended determinations in this section, and on the preceding information in this report, the Executive Officer recommends that the Commission affirm the currently adopted Sphere of Influence of the Monterey Regional Waste Management District.

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

The District's boundaries encompass the cities of Carmel-by-the-Sea, Del Rey Oaks, Marina, Monterey, Pacific Grove, Sand City, and Seaside and the unincorporated areas of Big Sur, Carmel, Carmel Highlands, Carmel Valley, Castroville, Corral De Tierra, Laguna Seca, Moss Landing, Pebble Beach, San Benancio, and Toro Park. Present and planned land uses in these areas are primarily urban land uses with moderate population growth projected in the range of less than 1% per year. Beyond its current boundaries, the District's Sphere of Influence includes both developed areas and important productive farmlands in the Salinas Valley and nearby areas of North Monterey County, as well as significant open-space lands in the Big Sur Area and elsewhere. Affirmation of the District's existing Sphere of Influence will not impact the physical and economic integrity of these agricultural and open-space lands.

2. The Present and Probable Need for Public Facilities and Services in the Area

The District has landfill site capacity for an estimated 150 years. The District provides comprehensive, state-of-the-art facilities and services at its Monterey Regional Environmental Park to meet and exceed statewide waste-reduction/diversion mandates. Customers within the District's current boundaries do not have any known, unmet needs for additional solid waste management facilities or services. However, solid waste within the District's northern Sphere of Influence, currently served by Salinas Valley Solid Waste Authority, is transported up to 35 miles one-way to the Johnson Canyon Landfill, as discussed in this report's Potential Future Challenges section, above. The District and the Authority are currently participating in a study to seek a more efficient and sustainable long-term solution to the region's waste management needs. For areas of the District's Sphere, the study could recommend consideration of contracting to handle waste materials at District facilities to reduce cost and environmental impacts.

3. The present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide

The District provides comprehensive and reliable solid waste services to its constituent communities, as described in this report. The District has ample facilities—in terms of both landfill capacity and innovative, state-of-the art waste reduction/diversion facilities—to expand services to not-yet-annexed areas within its Sphere of Influence, if needed. Such expansion could occur via future annexation proposals, subject to LAFCO approval, or by contract. The District also provides a range of services and programs related to reducing and diverting waste streams and implementing the District's vision of "turning waste into resources."

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They are Relevant to the Agency

The District's existing Sphere of Influence encompasses Salinas and northern Monterey County, as well as the greater Monterey Peninsula and other areas already within District boundaries. With this broad geographical expanse, the District includes a wide distribution of income levels, including areas with high concentrations of lower-income households. However, these areas are currently being served by either the District or by the Salinas Valley Solid Waste Authority (which operates in areas of the County outside District boundaries, including the District's Sphere of Influence). There are no identified communities, within or contiguous to the District's Sphere, that are unserved or underserved with regard to solid waste management.

5. Functions and Classes of Service (56425(i))

The District provides the following functions and classes of service: Function: Solid Waste Management; Classes of Service: Solid waste processing and disposal; recycling; energy recovery and power generation.

SOURCES & ACKNOWLEDGEMENTS

The information in this study was primarily developed in coordination with staff from the Monterey Regional Waste Management District. District representatives met with LAFCO staff to discuss District services, operations, and concerns. LAFCO also reviewed numerous written resources such as audits, budgets, Board agenda packets, and annual reports. These documents, and others, are available at the District's web site, www.mrwmd.org. Finally, the LAFCO Executive Officer consulted with the General Manager of the Salinas Valley Solid Waste Authority on matters pertinent to both agencies.

APPENDIX A

Monterey Regional Waste Management District 2014-2015 Strategic Plan

Vision and Mission: *Our mission is to **Turn Waste Into Resources** in the most cost effective and environmentally sound manner to benefit the community.*

Goals: 1. Safety
2. Waste diversion
3. Regional refuse tonnage
4. Cost/ton diverted
5. Community outreach
6. Non-tonnage based revenue

Strategic Initiatives: (Pillars of Sustainability)

People: *An engaged and talent workforce allows us to pursue the District's mission.*

1. Utilize an intentional and mindful process in the recruitment, development, and growth of our people.
2. Build a high performance, safety-oriented culture.
3. Promote the health and well being of our employees.

Finance: *Strike a balance between community needs, cost containment, and environmental protection.*

1. Develop a sustainable revenue structure that provides funding for the programs and services we provide to the community.
2. Follow and update the District's alternative funding options.
3. Pursue strategic partnerships that allow for increased efficiencies and revenues, decreased costs, and enhanced environmental benefits.

Environment: *The District's environmental stewardship promotes a sustainable community.*

1. Implement the member agency franchise agreements with trash haulers.
2. Construct the MRF improvement project to increase diversion.
3. Promote the beneficial use of biogas.
4. Maximize opportunities to become a carbon-neutral energy producer.

Community: *Align District services and programs to be responsive to the unique needs of our community.*

1. Ensure the effectiveness of the District's programs and services.
2. Strengthen the District's identity in the community.
3. Build upon our coordinated education and outreach programs between District and community partners.

Innovation: *Early adopters of programs and processes that best serve the needs of the District and the community it serves.*

1. Stay abreast of industry trends through involvement and education, and broaden strategic partnerships.
2. Develop a comprehensive and innovative plan to maximize use of technology internally and externally.