



Memorandum

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

DATE: May 2, 2014
 TO: Board of Directors
 FROM: Finance Committee Chair
 SUBJECT: Summary of Finance Committee Meeting of April 30, 2014

The Finance Committee met on April 30th at 9:30 a.m., at the District administrative offices. Committee members in attendance were Directors Bales and Pendergrass. Vice Chair Laska was unable to attend. District Counsel George Thacher was also present. The purpose of the meeting was to review the Preliminary Budget for FY 2014/15, report on the Landfill Gas (LFG) Facility operations and receive General Manager comments. There was no closed session. Discussion is summarized below and followed the attached agenda.

Preliminary Budget for FY 2014/15

At my direction the Committee asked questions regarding the key estimates used to prepare the Preliminary Budget for FY 2014/15 and the impact on reserves if changes were needed due to union negotiations. The Committee concluded that the Preliminary Budget may be presented to the Board at the May 16th meeting and during the presentation, staff should review the key assumptions regarding the operations, the infrastructure improvement capital spending, and bond financing. The Committee inquired about the position of the Technical Advisory Committee regarding the Materials Recovery Facility (MRF) improvements; and following discussion, staff was directed to be prepared to present the justifications for MRF improvements to the Board, anticipated for the June Board meeting. The attached MRWMD Community Infrastructure development plan (as amended following the meeting) was discussed.


Report on Landfill Gas (LFG) Facility Operations

Staff updated the Committee on the LFG to Energy Facility operations and noted the status of the LFG Blower and Permanent Flare installation, PG&E Interconnection Study, LFG well field improvements, and Draft Report on Requirements to Deliver Power to CalAm's Desalination Plant (prepared by ESI, April 16, 2014). Staff distributed a revised letter from PG&E April 14, 2014 regarding the interconnection study that stated the District will need to provide a financial security of \$24,000 by May 23, 2014 in order for PG&E to commence with the interconnection upgrades to expand the power production. Staff will bring this item to the Board for authorization to have PG&E proceed with the interconnection study by providing the \$24,000 security. The Committee was informed that the LFG well field improvements cost has increased due to the need to design and install additional vertical wells in order to meet the requirements of the Monterey Bay Unified Air Pollution Control District (MBUAPCD) to collect, control and destroy the LFG. The Committee received the feasibility study regarding the sale of electricity to CalAm for the proposed desalination plant, and cautioned that staff should limit activity and costs related to selling power to CalAm's proposed desal plant until after the Environmental Impact Report (EIR) for the project is released in the Fall of 2014.

General Manager Comments

The General Manager provided an update on the status selection of a firm to prepare the Countywide Solid Waste Management Study. Interviews of the four firms are scheduled for May 2nd; work could begin as early as May 15th.

Next Meeting Date: 9:30 a.m. Wednesday, June 4, 2014.



Dennis Allion

Attachments

BOARD OF DIRECTORS
DENNIS ALLION
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LEO LASKA
VICE CHAIR

GARY BALES
SUE MCCLLOUD
DAVID PENDERGRASS
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WILLIAM MERRY, P.E., BCEE
GENERAL MANAGER/
DISTRICT ENGINEER

TIMOTHY S. FLANAGAN
ASST. GENERAL MANAGER

RICHARD SHEDDEN, P.E.
SENIOR ENGINEER

ROBERT WELLINGTON
COUNSEL

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Home of the Best Clean Air

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT FINANCE COMMITTEE MEETING

Wednesday
April 30, 2014
9:30 a.m.

Board Room
MRWMD Offices
14201 Del Monte Blvd., Marina CA

Attending: Committee (Board) Chair Allion; Vice Chair Laska, Directors Bales and Pendergrass
Rob Wellington, Legal Counsel
William Merry, General Manager
Tim Flanagan, Assistant General Manager
Chuck Rees, Finance Manager

OPEN SESSION AGENDA

1. Present Preliminary Budget for FY 2014/15
2. Landfill Gas (LFG) Operations Update
 - a. Utilization of Biogas
 - b. PG&E Interconnection Requirements: Security Deposit \$20,000.
 - c. Present Draft Report on Requirements to Deliver Power to CalAm's Desalinization Plant
3. General Manager Comments
 - a. LAFCO Municipal Services Review.
 - b. Status Report on Countywide Solid Waste Management Study
4. Next Meeting Date: June 4, 2014; 9:30 a.m.

CLOSED SESSION AGENDA

As permitted by Government Code Section 54956 et seq., the Board may adjourn to a Closed or Executive Session to consider specific matters dealing with pending or prospective litigation, real property negotiations, certain personnel matters, or to confer with District's Meyers-Milias-Brown representative.

- 1) Conference with Property Negotiators:

Property:	Landfill Site Space/Capacity
District Negotiators:	William Merry and Tim Flanagan
Negotiating Parties:	Cities of Gilroy/Morgan Hill
Terms:	All Terms and Conditions

MRWMD Community Infrastructure Development Plan

April, 2014

During its 63 year history, the MRWMD has developed an efficient and cost effective family of programs that serve the residents and businesses of the District. What began as a Garbage and Refuse Disposal District established by the County Board of Supervisors in response to the need for sanitary landfill disposal is today an award winning District hosting a publicly owned “integrated solid waste system” that includes:

- Materials Recovery Facility (MRF) for Commercial & Demolition (C&D) and Self-haul Waste Processing and Recycling
- Household Hazardous Waste Collection Facility
- Last Chance Mercantile Reuse Store, Beverage Container Buy-back, and Ewaste Receiving
- Drop-off Recycling Center
- Green Waste Composting
- Anaerobic Digestion (AD) Renewable Energy Production and Food Scrap Composting
- Monterey Peninsula Landfill
- Landfill Gas (LFG) Renewable Energy Production
- Public Education and Outreach
- CalRecycle Compliance for Member Agencies: Electronic Annual Reporting, Annual Grant Submittal

The development of the MRWMD community infrastructure to reduce, reuse and recycle was the result of slow and steady program growth coupled with the 1989 State mandate (AB 939) for cities to reduce waste 50% by the year 2000. Now 25 years after the passage of this landmark legislation, the District is at another critical juncture in its history with new legislative requirements to comply with, and the next generation of programs serving its member agencies to plan for.

The top three regulatory initiatives with the biggest impact on District operations and the services provided to member agencies include:

- AB 341 Jobs and Recycling Act that requires the mandatory expansion of multi-family and business recycling programs, and sets a 75% diversion goal by 2020.
- AB 32 The California Global Warming Solutions Act of 2006 that requires a reduction in greenhouse gas emissions to 1990 levels along with a scoping plan that proposes to achieve “net zero greenhouse gas emissions” from the waste sector in the mid-term (between 2020-2050).
- CalGreen Building code for new construction and remodels requires 50% minimum waste diversion, plus Tier 1 60% and Tier 2 80% “voluntary” diversion targets.

Compliance with these initiatives can't be achieved solely through the franchise collections services the member agencies contract for. The District currently provides essential construction and demolition diversion for self-haul and franchise customers. To ensure that the objectives of AB 341 and AB 32 are achieved, CalRecycle is now focusing on several strategic initiatives including moving “organics out of landfills” and an overall “MRF first” processing hierarchy before waste is placed in a landfill. The planned improvements to the District Materials Recovery Facility will be required to comply with these strategic initiatives.

In 2013, the District Board also adopted a 75% waste reduction goal by 2020. The changing nature of the regulatory landscape, the increase in the State diversion goal, and the opportunity to maximize the value of materials before disposal is reflected in the newly adopted District Mission Statement “To turn waste into Resources in the most cost effective and environmentally sound manner to benefit the community.”

Next Generation of Community Programs: Collection and Processing

1. Model Franchise Agreement for Updated Collection Services. The District retained consulting services to assist seven of the member agencies with the competitive procurement of their franchise collection contracts when current agreements expire in 2015. The new contracts, based on a Model Franchise Agreement developed cooperatively with the member agencies, will usher in expanded collection, public education and reporting requirements. The District will assist with contract management and implementation of the new public education and outreach requirements as requested.
2. Materials Recovery Facility Improvement Project. The District MRF improvements will retrofit aging Construction and Demolition processing infrastructure that has reached the end of its useful life and add new capacity to process commercial mixed waste and single stream recyclables collected by the franchise hauler. These improvements will allow the member agencies to achieve compliance with the provisions of CARB and AB341 while improving operational efficiency and the ability to work more safely. Planned improvements include:
 - a. Replace existing C&D Sort Line to improve diversion by 10% or more.
 - b. Install a new Sort Line to process 80,000 tons/year of Commercial and Multi-Family waste that presently goes directly to the landfill for disposal, and recover 50% or more.
 - c. Include equipment to process single stream “clean” recyclables collected from residential and commercial collection routes and return a share of the net proceeds to the participating member agencies.
 - d. Update and reorient the Wood and Green Waste Processing Line equipment as necessary.

The MRF will serve the needs of District residents and businesses and will ensure full compliance with the mandatory commercial recycling provisions of AB 341 and the anticipated future prohibition on disposing of organics in California landfills. These improvements will serve franchise haulers and self-haul customers and process tonnage from all franchised areas of the District including Monterey County and the City of Monterey. Approximately half of the tonnage received at the District is delivered by non-franchise self-haul customers. The facility will also have capacity to provide diversion service by contract to other communities within Monterey County and the Central Coast. District staff will market surplus capacity in an effort to maximize efficiencies and the opportunity to generate revenue from alternatives to landfill disposal.

3. Expand Beneficial Use of Biogas and Opportunity to Become a Carbon Negative Energy Facility.
 - a. Expand LFG Energy Project from 5 megawatts (2014) to 7 megawatts (by 2016). Renewable power is presently used on-site and the excess is sold to the utility grid. Plans are underway to make power available to customers that could include the regional desalination plant, the Monterey Regional Water Pollution Control Agency (MRWPCA), a Compressed Natural Gas (CNG) fueling station on District property, and/or sold to the utility grid or to the Community Choice Aggregation Program.
 - b. Construct a CNG fueling station in 2015 to supply the collection vehicle fleet to be parked on District property under the new franchise agreements. This fueling station will use the District’s biogas as fuel and pipeline gas as supplemental backup. CNG fuel will be available for the truck fleet providing collection services under the new franchise contracts, and to District, MRWPCA, and regional water project vehicles.
 - c. Expand the 5,000 ton per year AD pilot project when the five year term concludes in 2018. Evaluate the opportunity and feasibility to partner with neighboring MRWPCA to utilize existing and surplus digester capacity in their plant. Evaluate the opportunity to partner with pilot project developer Zero Waste Energy to expand the existing project with new biogas generation directed toward CNG fueling and/or electricity production uses.

Community Service – District Goals

1. Ensure the effectiveness of the District’s programs, services, and publicly-owned infrastructure that serves the community on an ongoing basis and not limited to the 10-15 year duration of franchise collection contracts.
2. Broaden strategic partnerships, stay abreast of industry trends through industry involvement and education.
3. Support regional planning for solid waste facilities.

April 25, 2014

William Merry
General Manager
Monterey Regional Waste Management District
14201 Del Monte Blvd.
P.O. Box 1670
Marina, CA 93933-1670

Subject: Landfill Gas (LFG) Status Report

Dear Mr. Merry,

Presented below is a brief status of the overall LFG program at the Monterey Peninsula Landfill.

1. Blower and Permanent Ground Flare Installation

UPDATE

As presented in last months status report, bids for the supply of the blower and flare equipment were received from John Zink Hamworthy Combustion (Zink), Chicago Bridge & Iron Company (CBI) and Perennial Energy (Perennial). Based on a bid comparison and a value engineering analysis prepared by DEI with the assistance of Energyneering Services, Inc., the Board made the decision to award the contract to Perennial in the amount of \$894,070 including estimated sales tax and shipping costs. Letters were sent out to Perennial for contract award and release of engineering and to the unsuccessful bidders. DEI is working with staff to finalize the contract for execution by the MRWMD. The following are other project activities that are presently being conducted:

- Perennial has started equipment engineering and will be coordinating their design efforts with DEI and Energyneering who will be performing detailed mechanical, piping, electrical and controls engineering
- J. R. Miller and Associates will be performing the civil and structural design based the soils report prepared by Golder and Associates and information received from Perennial and Energyneering
- Following the completion of detailed engineering and bid package preparation, bids for the installation and start-up of the equipment will be performed in late July, 2014.
- It is anticipated that staff will be back to the board for contractor approval in September, 2014.

2. PG&E 3.2 MW Interconnection – Energyneering (ESI) has completed and submitted the necessary applications to PG&E for the interconnection review and study to determine if the transmission line that the electrical generation facility is currently connected to has capacity to handle additional electricity

from the site as additional LFG becomes available and additional engine generators are installed. PG&E has completed their review and a summary of the results are presented below.

UPDATE

- The System Impact Study has been finalized and PG&E is issuing a Generator Interconnect Agreement for review and negotiation with MRWMD
- A Facillites Study will not be required since the interconnect cost have benn well defined at approximately \$120,000
- There will be an approximate \$86,000 one-time cost of ownership fee and an approximate \$26,000 fee for taxes
- Financial security for the project can be satisfied by a Letter of Credit of Guarantee and a posting is required by May23, 2014

3. LFG Well Field Improvements – Staff has been working with Golder to develop a scope of work for the design and installation of additional vertical wells needed to supplement existing horizontal wells in Modules 1 & 2, and for the installation of vertical wells in newly developed portions of Modules 3 & 4. Following the completion of design, staff will issue a RFP for the drilling of wells and installation of LFG collection pipeline to bring these new vertical wells on line. This effort is being coordinated with the installation of the new blower and flare to ensure that there is capacity to manage the additional LFG that is over and above those volumes being delivered to the engines.

UPDATE

Golder has completed their collection system design and has prepared a scope of work, a material take off and an engineers estimate for the installation of the proposed vertical wells and collection system. DEI is performing a review of the design and capital cost estimate and will make recommendations to staff regarding design changes and construction approach in an effort to reduce project costs.

A schedule for the project is presented below. The next critical project activity is to finalize engineering and update the capital cost estimate. The project will then be presented to the board to begin the bid process.

NTP with LFG Collection System Expansion Design and GCCS Conceptual Master Plans	2-11-14
Final Design Basis Memorandum and conceptual GCCS expansion plans	3-21-14
80% draft design drawings and GCCS Conceptual Master Plans	3-28-14
100% final design drawings and GCCS Conceptual Master Plans	4-14-14
Bid Package and Engineer's Cost Estimate	4-28-14

Board approval to go to bid	5-16-14
Call for Construction Bids	5-19-14
Bid Opening	6-6-14
Board approval to award Construction Contract	6-20-14
Commence construction	7-9-14
Complete Construction	8-6-14

4. **Third Party Operator Selection.** – Staff, with the assistance of DEI, has conducted a thorough RFP process for the possible selection of a third party operator to operate and maintain the electrical generation facility. The review focused on prior vendor experience and financial capability, ability to pass on savings to the District for the purchase of parts and outside services, project/operating approach and of course, price. The evaluation was extremely complete and included the entire LFG and management team at the site. As a result of this review, it was determined that Ameresco was best qualified and positioned to support the District with the operation of the facility. Ameresco was also the lowest price for services provided.

The next steps will be to finalize an agreement with Ameresco for presentation to and consideration by the board. If the board approves, staff will work through a detailed plan for the transition of operations to the third party.

UPDATE

A conference call with Ameresco is scheduled for Monday, April 28, 2014 to discuss a final scope of supply for O&M services that will take into account MRWMD LFGTE staffing and any changes that have occurred since the original solicitation for services. DEI is completing a financial review of all options prior to a final recommendation to the Finance Committee and the Board.

5. **“Over-the-Fence” - CalAm Feasibility Study** - Energyneering (ESI) has issued a final feasibility study for the sale of electricity over the fence to CalAm Water Desalination Plant. Basic findings of the report are as follows:

UPDATE

- Equipment and construction costs are approximately \$1,100,000
- The anticipated load for the CalAm facility has not be well defined as of yet but is expected to range from 4.6 MW to 7 MW based on information from CalAm
- MRWMD will have to follow CalAm’s load to avoid exporting power to the grid through CalAm

- An alternative to selling over the fence would be for MRWMD to become an Energy Services Provider (ESP) and well poer over the grid to CalAm. This would eliminate the capital expenditure but would subject the project to wheeling costs and ESP fees

Please give me a call with questions.

Sincerely,

A handwritten signature in black ink, appearing to read "David Edwards", with a long horizontal flourish extending to the right.

David Edwards