

NOTICE & AGENDA



Finance Committee Meeting

May 3, 2023, 9:00 a.m.

In-Person: Bales Board Room

Virtually: <https://us02web.zoom.us/j/82821480146>

Meeting ID: 828 2148 0146

Board Members will be attending this meeting In-Person: Bales Board Room (or otherwise virtually via applicable teleconferencing provisions set forth in the Brown Act). The public may attend this meeting under either option of a hybrid format: In-person, as noted above, or Virtually.

Please see the meeting information notice at the end of this agenda for more details.

Call to Order

Just Cause Notifications and Emergency Circumstance Requests (AB 2449)

Roll Call & Establishment of Quorum

Committee Chair: Leo Laska, Pebble Beach Community Services District

Directors: Kim Shirley, City of Del Rey Oaks
Bill Peake, City of Pacific Grove

Public Communications

Anyone wishing to address the Board on matters not appearing on the agenda may do so now. Please limit comments to a maximum of three (3) minutes. The public may comment on any other matter listed on the agenda at the time the matter is being considered by the Board. For information about submitting public comments in writing in advance of the meeting, please see the Meeting Information section of this agenda.

Discussion/Action

1. Discussion of FY 2023/24 Proposed District Fee Increase and Preliminary Budget.

Recommendation: Support Board Approval

2. Construction Quality Control (CQC) and Construction Quality Assurance (CQA) for Monitoring of Module 7 Landfill Liner Construction.

Recommendation: Support Board Approval

3. Discuss Draft Lease and Feasibility Study Agreement for the Sitos Group and Biochar Pilot Study.

Recommendation: Provide Direction to Staff

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Let's not waste this.



4. Discuss Compost Facility Permit Transfer to District.

Recommendation: Provide Direction to Staff

5. Update on Draft White Paper.

Recommendation: Provide Direction to Staff

6. Discuss Remodel/Improvements to Shop Addition Second Floor.

Recommendation: Provide Direction to Staff

7. Discuss Remodel/Improvements to Administrative Building.

Recommendation: Provide Direction to Staff

General Manager Communications

Discuss Future Agenda Items

Closed Session

As permitted by Government Code Section 54956 et seq., the Board may adjourn to a closed session to consider specific matters dealing with litigation, certain personnel matters, real property negotiations or to confer with the ReGen Monterey's Meyers-Milias-Brown Act representative.

1) Conference with Property Negotiators

Property: Lease Agreement

District Negotiators: Felipe Melchor, Guy Petraborg, Helen Rodriguez, Garth Gregson, Jay Ramos, and Zoe Shoats

Terms Being Negotiated: Price and Terms of Payment

Negotiating Party: Jefferson Farms

2) Conference with Property Negotiators

Property: Lease Agreement

District Negotiators: Felipe Melchor, Guy Petraborg, Helen Rodriguez, Garth Gregson, Jay Ramos, and Zoe Shoats

Terms Being Negotiated: Price and Terms of Payment

Negotiating Party: Waste Connections – Cold Canyon MRF

Return to Open Session

Please note: A report out and announcement concerning the closed session will be provided. Anyone requesting a report out of closed session items may contact the board clerk.

Adjournment

Next Meeting Date: June 7, 2023



MEETING INFORMATION

Virtual & Regular Meeting Notice: The meeting will be held (1) as a regular in-person meeting and (2) virtually via Zoom.

To join the Zoom webinar: Click on this link: <https://us02web.zoom.us/j/82821480146> copy/paste the link into your browser, or type the link into your browser. If your computer does not have audio, you will also need to join the meeting via phone. To participate via phone, please call: 1-669-900-9128; **Meeting ID: 828 2148 0146.**

Public Comments: If you are unable to participate virtually or via telephone, you may also submit your comments by e-mailing the board clerk at IGonzales@ReGenMonterey.org with one of the following subject lines "Public Comment Item #" (insert the item number relevant to your comment) or "Public Comment - Non Agenda Item". Comments must be received by 4 p.m. on the day prior to the scheduled meeting. All submitted comments will be provided to the Board and may be read into the record or compiled as part of the record.

Posting Information

This agenda was posted at the ReGen Monterey administrative offices at 14201 Del Monte Blvd, Salinas, CA, 93908. The agenda, including staff reports and additional information regarding these items, are available on our website at ReGenMonterey.org and our administrative office during regular business hours (additional fee may apply for copying).

This agenda is subject to revision and may be amended prior to the scheduled meeting. If amended, a final agenda will be reposted.

Accessibility

All meetings are open to the public. ReGen Monterey does not discriminate against persons with disabilities and the boardroom is wheelchair accessible. In compliance with the Americans Disabilities Act, if you need special assistance to participate, please contact Board Clerk, Ida Gonzales at 831-384-5313 or email IGonzales@ReGenMonterey.org. Notification 48 hours prior to the meeting will enable us to make reasonable arrangements to ensure accessibility to this meeting. Later requests will be accommodated to the extent feasible. Recordings of meetings can be provided upon request.



**MONTEREY REGIONAL WASTE
MANAGEMENT DISTRICT**

PRELIMINARY BUDGET

FISCAL YEAR 2023/2024

*Presented to the Finance & Personnel Committees
on May 3, 2023*

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Memorandum – Accounting Manager

DATE: May 3, 2023
TO: General Manager
FROM: Accounting Manager
SUBJECT: Preliminary Budget for Fiscal Year 2023/24

RECOMMENDATION: That the Board approve the Preliminary Budget for Fiscal Year 2023/24.

Enclosed for your review is the Preliminary Budget for Fiscal Year (FY) 2023/24.

For FY23/24, staff estimates Revenues to be \$51,150,400. This is an increase of \$2,769,000 (5.7%) compared to the FY22/23 Budget and is due to the following factors:

- \$6,408,000 increase (19.3%) in disposal fees, due to a 5% increase in disposal fees and increase in material volumes originating from within and outside of Monterey County.
- \$4,734,000 decrease (38.1%) in MRF revenues, including commodities sales, processing fees and CRV revenue due to lower commodity prices.
- \$1,080,000 increase (60.0%) in projected power revenue resulting from a recalibration of estimates to align more accurately with recent experiences.

Operating Expenses for FY23/24 are projected to be \$42,133,000. This is an increase of \$5,297,000 (14.4%) from the FY22/23 Budget. Personnel expenses increase by \$2.5M (15.5%). Please see the accompanying memorandum from the HR Manager for details on personnel changes. Non-personnel expenses are projected to increase \$2.7M, or 13.5% compared to the FY22/23 Budget. Fuel costs are projected to increase \$1,200,000 due to fuel prices continuing to be high. Property and liability insurance expense is projected to increase \$350,000 (33.3%). Recycling services are projected to increase \$975,000 (43.8%) due to higher volume of material and higher processing fees.

Non-Operating Expenses for FY23/24 equals \$461,000, which includes interest expense on the 2018 and 2021 Revenue Bonds at \$1,265,000, partially offset by income from leases, investments and other charges equal to \$805,000.

Capital Outlay requests for FY23/23 equals \$22,137, a decrease of over \$550,000 from the FY22/23 Budget. Mobile Equipment requests of \$3,197,000s for the year include the replacement of a 2001 Cat 627G scraper (\$1,200,000), replacement of a 2002 Deere T3 loader (\$350,000) and a shop service truck (\$200,000). Capital Improvement projects include completion of the M1W-AWPF power connection (\$3,500,000), MRWMD-M1W Joint Agency microgrid (\$900,000), Development work on landfill Module 7 (\$4,200,000), Scale house additions and modifications to meet ADA standards (\$1,000,000), modifications to MRF equipment (\$950,000), an above scale to be placed at the MRF (\$600,000), road paving and road improvements (\$2,250,000), compost site improvements (\$1,000,000).

Net Income is projected at \$8,556,000.

Cash provided by operations for FY23/24 is estimated at \$14,076,000 (Net Income less Depreciation and

Amortization and Closure/Post Closure Costs). Unrestricted Cash Reserves are projected to total \$15,281,000, which includes a cash operating expense reserve of \$8,427,000. The District will meet the 20% operating expense reserve in FY23/24 that has been established by the District.

The Bond Debt Service

The debt service Ratio calculated for FY23/24 is 2.93, which is above the Bond Covenant of 1.25.

Garth Gregson – Accounting Manager

Memorandum – Human Resources Manager

DATE: May 3, 2023

TO: General Manager

FROM: Director of Human Resources

SUBJECT: Preliminary FY 2023/24 Employee Compensation & Benefits Budget

RECOMMENDATION: That the Board Approve the Preliminary Employee Compensation & Benefits Expenses included in the FY 2023/24 Budget.

BACKGROUND AND DISCUSSION

Based on a review of current staffing levels, workloads, department effectiveness, projections of tonnage increases and operational changes, staff proposes increasing employee headcount by four (4) positions, or 3.5 FTEs for fiscal year 2023/24. At the regular Board of Directors meeting on March 24, 2023, the Board approved adding two (2) of these positions at this time, rather than wait for the new fiscal year, as the need is immediate.

The approved headcount for FY 2022/23 is 130.7 full-time equivalent (FTE) positions. The headcount for FY 2023/24 is expected to increase to 134.20 FTEs and include the following changes:

1. ENGINEERING & COMPLIANCE DEPARTMENT—Add Sr. Engineer and Incoming Director of Engineering (+ 2.0 FTEs) (Board approved addition of Sr. Engineer on March 24, 2023.)

The scale of project work and operations support activities that is increasingly present at the District as it continues to grow in its breadth of diversion and disposal services to the community exceeds the current capacity of the Engineering & Compliance department. The addition of one more Sr. Engineer will provide the necessary bandwidth to more efficiently process the current workload. Additionally, Staff proposes to hire a successor Director of Engineering to work alongside the present incumbent for period of transition of 12-18 months prior to the incumbent's retirement and to ensure the District has the expertise necessary to move forward the numerous complex projects as described here:

The District's engineers are responsible for managing numerous projects that are in various stages at any given time, small and large-scale and that consume considerable time to oversee and manage properly, and which are in addition to numerous operations support activities provided to the other departments. Ideally, the Director has a limited specific project(s) management workload that allows sufficient time for the District Engineer role, both internally and externally, for support of the GM and leadership team in operations, business development, development of short and long-term goals and objectives consistent with the Strategic Plan and annual business plan in addition to supervision of Engineering staff and their support of the District's operations. Some of the larger-scale projects include the Module 7-Phase 3 Liner Permit/Design/Construction, the CalRecycle ORG 6 Grant for composting operations change (Windrow to CASP method), and the WMD-AWPF Medium Voltage Transmission Voltage line to the M1W drinking water purification facility and the Board's recent approval to modify the project design to establish microgrid

functionality. More importantly, there are planning endeavors that are underway that will yield significant infrastructure projects in the future. Namely, the Joint Feasibility Study with M1W (microgrid expansion and organic-to-energy studies) and the landfill permit modification/master planning {associated with an external stormwater storage facility and related stormwater conveyance/control infrastructure; a 500-year engineered flood control levee for environmental protection and liability reduction purposes; master planning and phased development of leachate/condensate/groundwater collection, storage, transfer, and possibly treatment systems for the entire 315-acre landfill; alignment modification of the north perimeter of the unlined Modules 1 & 2 to install a landfill liner system for environmental protection and liability prevention purposes that in turn provide the solution to the periodic soil slumps on the north slopes; master planning and phased development of the landfill gas (LFG) perimeter header system; possible landfill footprint modification along portions of the southern perimeter of the landfill should that opportunity be achieved by the Joint Feasibility Study endeavors; and new renewable energy opportunities that might be associated with M1W needs and/or the adjacent property owners who have expressed interest for power (CalAM Water Desal Plant, Marina Coast Water District, Dole Storage Facility, and RAMCO).

Additionally, both the District's HHW and Air Compliance programs need significant modernization to improve quality, effectiveness, and efficiency. While this is a specific short-term activity, both programs need new plans that deliver the clarity of all elements of the program to the responsible staff that conduct the compliance activities associated with their operations on a daily basis that are regulated. Developing the new plans will be a managed, collaborative effort of staff and a 3rd party professional service entity with expertise in those two programs. A software platform which incorporates the plan elements and is a resource tool to assist staff on documenting and recording compliance monitoring data, preparing compliance reports, and meeting both compliance requirements and the various regulatory deadlines is also envisioned.

2. LANDFILL OPERATIONS DEPARTMENT – Add Heavy Equipment Operator (+ 1.0 FTE) (Board approved March 24, 2023):

The District entered into an agreement with Waste Connection, Ltd., for an additional 250 tons per day of MSW from out of District, effective April 2022. The increase in tonnage was estimated to generate approximately \$2.15M in additional revenue per year for the duration of the four-year contract. In anticipation of this increase, one additional Heavy Equipment Operator (HEO) was added to last year's budget and while that helped manage the increase in tonnage to some extent, it has proven to be insufficient for the need. Additionally, the recent closure of the Salinas Valley Solid Waste Authority's facility in Salinas, has resulted in an increase in vehicles and tonnage coming to the District. The YTD tonnage is 67K more than last year and while daily vehicle counts of 800+ rarely occurred in the past, it has now become the norm.

Additionally, the team includes eight (8) HEO's and one (1) supervisor and one (1) manager. Most of the department staff are earning the highest annual vacation accrual in accordance with their length of service and collective bargaining agreement. The team's combined paid time off accrual is approximately seven (7) months per year – the impact of which is that the team is often short staffed, either because of scheduled PTO or unexpected absences due to illness or other reasons.

The addition of one HEO will provide flexibility to allow long-time staff to take their much-deserved vacations and allows the staff to better manage the workload.

3. SCALES DEPARTMENT – Add part-time Deputy Weighmaster (+ 0.5 FTE):

The construction of the scale house is underway with expected completion in the Fall 2023. The new scale house will include one additional weighmaster kiosk – an increase from four (4) to five (5) kiosks. The increase is intended to support activities that is increasingly present at the District as it continues to grow in its breadth of diversion and disposal services offered to the community. The Deputy Weighmaster position will be filled only if business needs warrant.

The overall FTE count for FY 2023/24 will increase from 130.7 to 134.2, with the changes discussed above and as shown on the attached organizational chart (Attachment A) and on the graph below:

Full Time Equivalent (FTE)	
DEPT	FY 2023/24
ADMIN	4.00
COMM/PUB ED	4.00
ENG	6.00
FIN/ACCT	5.00
HR	3.00
HHW	5.00
LANDFILL	11.00
LFG	3.00
MAINT SHOP	11.00
MRF MAINT	9.00
MRF OPS	50.00
SAFETY	2.00
SCALES	6.20
SITE OPS	15.00
	134.2

COST OF LIVING ADJUSTMENT (COLA):

The Employee Compensation and Benefits Budget also include cost of living (COLA) pay increases as prescribed by the MOUs:

- Operating Engineers Local 3 Operations Unit: 4.5% (projected, based on MOU)
- Operating Engineers Local 3 Support Unit: 4.0% (projected, based on MOU)
- Operating Engineers Local 3 LSC Unit: TBD% (currently in negotiations)
- Non-affiliated, Non-Exempt Positions: 4.0% (based on past-practice to match OE3 Support Unit)
- Management Unit: 4.5% (projected, based on MOU)
- Non-affiliated, Exempt Positions: 4.5% (based on past-practice to match Management Unit)

The final budget includes a 4.5% COLA pay increase for the General Manager, based on the assumption that the Board will follow past practice of granting the incumbent the same COLA pay increase that is given to all other District managers.

EMPLOYMENT TAXES AND BENEFITS:

Please refer to the Operating Expense Accounts, Section 2. Taxes and Benefits, found on page 13 of this budget document for all other personnel-related expenses that are included in the Employee Total Compensation Budget.

FINANCIAL IMPACT

The financial impact to the District's FY 2023/24 Employee Compensation & Benefits budget is estimated to be a \$2,549,000 increase in personnel costs compared to FY 2022/23 budget.

CONCLUSION

Staff requests the Board approve the Preliminary Employee Compensation and Benefits Expenses in the amount of \$19,003,000 that are included in the FY 2023/24 Budget.

/

Budget Summary

Fiscal 2024 Preliminary Budget Summary ('000)

	F24 Budget	F23 Budget	F23 Est	F22 Actual
<u>Income & Expense Summary</u>				
Operating Revenues	\$ 51,150	\$ 48,381	\$ 46,899	\$ 39,602
Operating Expenses	42,133	36,836	36,701	35,622
Operating Income	9,017	11,545	10,198	3,980
Non-operating Expenses	(461)	(1,588)	(585)	(33)
Net Income	\$ 8,556	\$ 9,957	\$ 9,613	\$ 3,947
<u>Cash Summary</u>				
Beginning Unrestricted Cash	26,118	37,476	37,476	34,209
Cash from Operations				
Net Income (Loss)	8,556	9,957	9,613	3,627
Adjustments to Cash	5,520	4,800	5,195	4,435
Change in Cash from Operations	14,076	14,757	14,808	8,062
Cash from Financing Activities				
Capital Outlay	(22,137)	(22,687)	(8,705)	(11,116)
Bond and Debt Reduction	(2,710)	(2,645)	(2,645)	(1,306)
Interest Paid on Bonds and Capital I	(1,266)	(1,983)	(1,379)	(942)
Changes in assets and liabilities	1,200	1,200	1,200	1,025
Decrease (Increase) Restricted Rese	-	-	-	-
Change in Cash from Financing Activitie	(24,913)	(26,115)	(11,529)	(12,339)
Change in Unrestricted Cash	(10,837)	(11,358)	3,279	(4,277)
Ending Unrestricted Cash	15,281	26,118	40,755	29,932
Designations/Reserves				
Cash Operating Reserve	7,323	6,407	6,301	5,711
Undesignated Cash	7,958	19,711	34,454	24,222
Total Unrestricted/Designated Cash	15,281	26,118	40,755	29,932
Restricted cash as of June 30				
2015 Bond Rate Stabilization Fund/in	2,350	2,350	2,350	2,350
Closure/Post Closure Care Costs	1,500	1,500	1,500	1,500
Environmental Impairment Fund	1,000	1,000	1,000	1,000
TOTAL CASH AS OF JUNE 30	\$ 20,131	\$ 30,968	\$ 45,605	\$ 34,782
Ratio of Net Current Rev. to Debt Servic	2.93	2.59	2.59	4.02

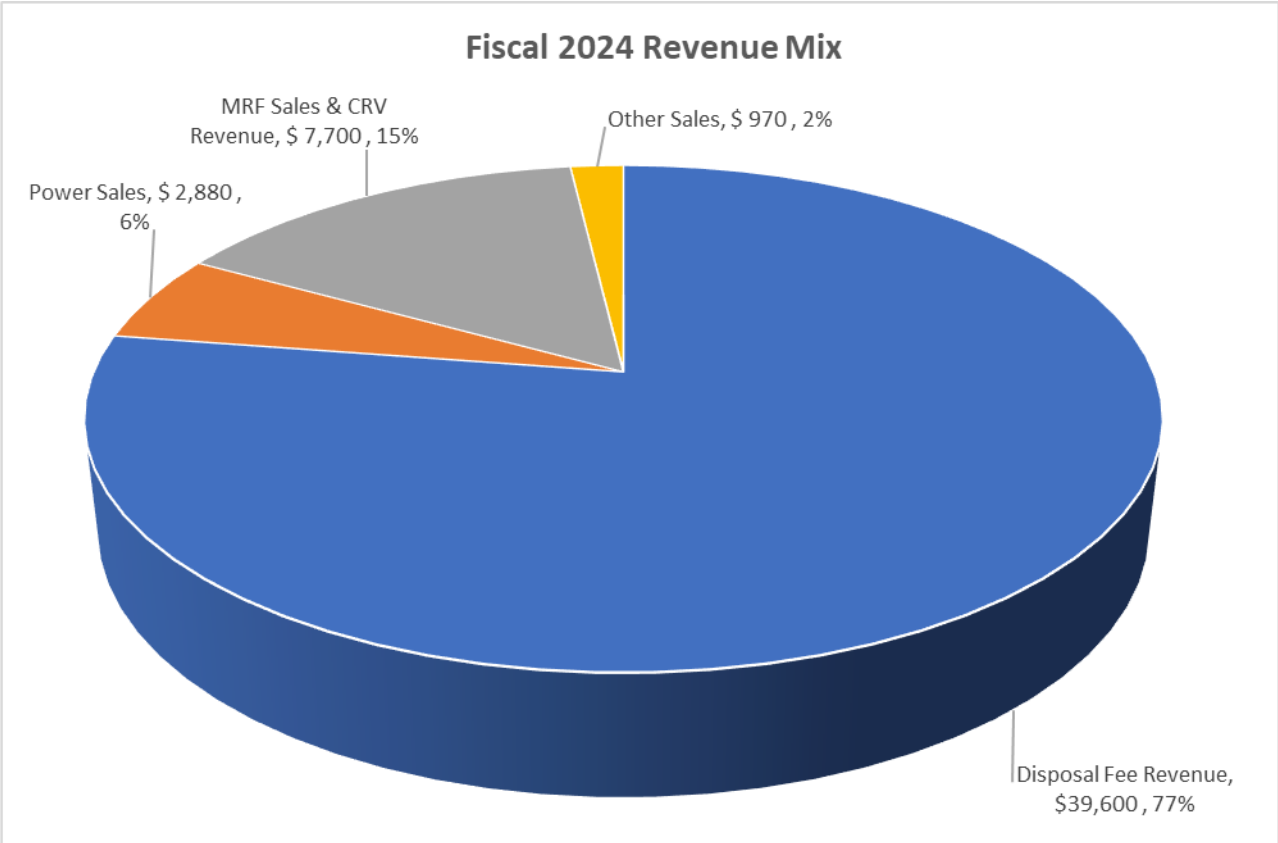
Revenue

Total District revenues are projected to increase by 5.7% compared to the FY22/23 Budget and by about 9.3% from current fiscal year estimates. Several factors have contributed to the increase in FY23/24, including:

- A 5% increase to the District’s standard material disposal rates for all materials, this increase will contribute approximately \$2,100,000 in new revenue.
- An increase to the MRF processing fee for Single Stream Recyclables (SSR), contributing \$154,000 in new revenue.
- Contractual rate increases for existing regional waste customers, including the cities of Capitola, Scotts Valley and Watsonville, and the County of Santa Cruz to \$55 per ton. This will add approximately \$338,000 of revenue.
- An assumption of a modest 2% increase in material volume from all customers.

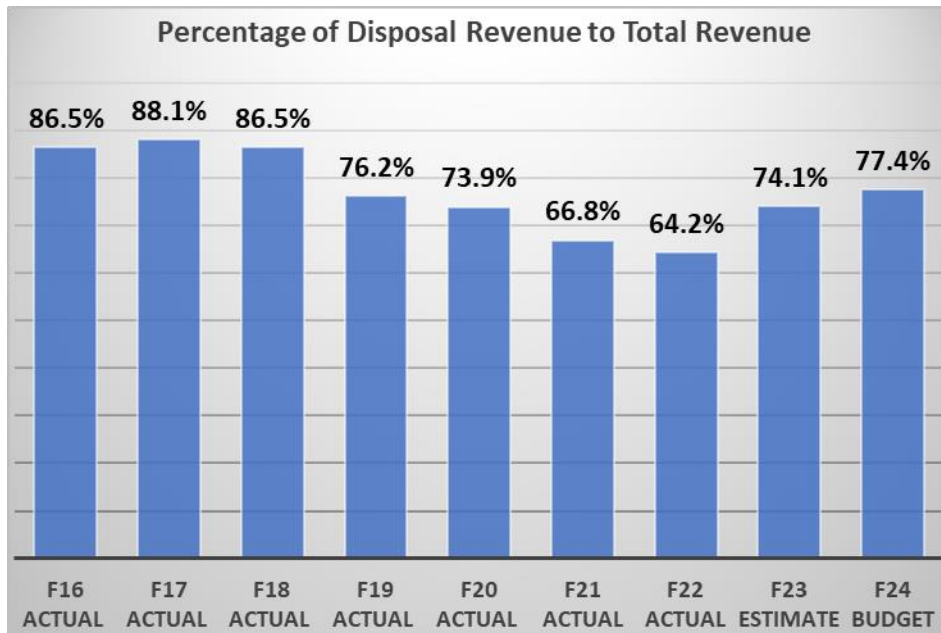
Fiscal 2024 Preliminary Budget

All \$\$ in thousands	F24 Budget	F23 Budget	F23 Est	F22 Actual	F24 vs F23 Budget \$	F24 vs F23 Budget %	F24 vs F23 Estimate \$	F24 vs F23 Estimate %
* Operating Revenues *								
Disposal Fee Revenue	\$ 39,600	\$ 33,192	\$ 34,749	\$ 29,330	\$ 6,408	19.3%	\$ 4,851	14.0%
Other Sales Revenue:								
Power Sales	2,880	1,800	2,846	2,109	1,080	60.0%	34	1.2%
MRF Sales & CRV Revenue	7,700	12,434	8,349	13,231	(4,734)	-38.1%	(649)	-7.8%
Other Sales	970	955	955	991	15	1.6%	15	1.6%
Total Other Sales Revenue	11,550	15,189	12,150	16,331	(3,639)	-24.0%	(600)	-3.7%
* Total Operating Revenues *	\$ 51,150	\$ 48,381	\$ 46,899	\$ 45,661	\$ 2,769	5.7%	\$ 4,251	9.3%



REVENUE ACCOUNTS

The District has been working to reduce dependence on disposal fees as its primary source of revenues. The second largest revenue source after disposal fees is Material Recovery Facility (MRF) revenue followed by revenue from power generation. The percentage of revenue from disposal fees had been declining from Fiscal 2016 to Fiscal 2022 however due to the decline in prices for MRF commodities in Fiscal 2023 the percentage of disposal revenue to total revenue is expected to increase in Fiscal 2024. Below is the percentage of disposal revenue to total revenue from Fiscal 2016 through Fiscal 2024.



1. Disposal Fees

Disposal Fees are projected to increase by 19%, or \$6.4M compared to the FY22/23 budget. Disposal fees make up about 77% of the District's total revenues. In projecting disposal revenue, staff has evaluated material types delivered by each of the District's four the major customer types and developed volume projections based on input from waste haulers and waste processors, and assumptions about the business activities associated with each material type.

The four customer types are: 1) District-based Franchise customers, consisting of residential and commercial customers, whose waste is delivered by GreenWaste Recovery, Monterey Disposal and Waste Management; 2) District-based (mostly) Self-Haul or Commercial customers, made up of private individuals and businesses such as construction and landscaping; 3) Regional customers located in Santa Cruz, Santa Clara and San Benito counties, whose waste is delivered by various hauling companies; and 4) GreenWaste Recovery's (GWR) operations in Santa Clara county, which deliver post-processed waste for landfilling.

Disposal rate changes

Disposal rates for the Regional customers and for GWR's Santa Clara operations will rise according to per-determined price escalation provisions in each contract. For District customers, the Fiscal 2024 revenue projections include a 5% rate increase including the five main material types.

Material Type	Current Rate	New Rate	% Increase	Date of last increase
Solid Waste	\$70.00	\$74.00	5.7%	7/1/2022
Yard Waste	\$45.00	\$47.00	4.4%	7/1/2022
Problem Waste	\$102.00	\$107.00	4.9%	7/1/2022
Biosolids (Sewage Sludge)	\$40.00	\$42.00	5.0%	7/1/2022
Food Waste	\$61.00	\$64.00	4.7%	7/1/2022

Impact of disposal rate increases on District ratepayers

These tip fee increases are estimated to have a 1-2% impact on collection service costs for District Franchise ratepayers. This is because disposal costs make up about one-fifth of the total cost of service for franchise customers. For a household with a 32-gallon waste, 65-gallon recycling and 65-gallon yard waste service, these rate increases will add an average of \$0.29 per month, or approximately \$3.50 per year. Due to other changes in the collection costs that are not related to disposal costs, some Franchise customers will experience other increases in their collection service bills.

For self-haul customers who bring materials directly to the District, costs will increase in proportion to rate changes for the material type delivered. Overall, however, even with these proposed increases, the District will remain one of the lowest cost disposal alternatives in the region.

2. Material Recovery Facility (MRF) Revenue

Total MRF revenue is projected to decrease by 38%, or \$4.7M. MRF revenue is derived from commodity sales, processing fees and CRV rebates. Commodity prices have decreased throughout FY22/23 and the F23/24 budget is not expecting commodity prices to fully recover to the prices in the prior two years. Staff is projecting Single Stream Recyclables (SSR) volume will be comparable to estimated volumes in FY22/23.

Projections for total MRF tons processed are as follows: Franchise Single Stream Recyclables – 14,000 tons; Other Single Stream Recyclables – 49,000 tons; Construction & Demolition processed – 42,000 tons. No MSW will be processed under the current budget assumptions.

3. Commodity sales are the result of the sale of extracted materials that are baled and sent to markets via third party brokers. Commodity sales prices remain volatile due to continued market disruption caused by changing quality and quantity demands from both offshore and domestic buyers. A more stable element of MRF commodity revenues are the California Redemption/Refund Value (CRV) payments assigned to diverted products by CalRecycle. CRV payments represent approximately 40% of total MRF material sales revenue at current projections. Total commodity sales, inclusive of CRV payments, are projected to be \$6.3M.

In FY19/20, the District began charging a **Single Stream Recyclable (SSR) Processing fee** designed to recover the costs of operating recycling services in the MRF. This has become common practice in the industry nationwide. Since almost 80% of the Single Stream Recyclables (SSRs) processed by the District

come through open market contracts, the District strives to set this fee in accordance with prevailing market rates. This fee is projected to result in \$2.5M in revenue.

For FY23/24, the District is raising the processing fee by 5-7% per ton for some regional customers. The intent of the District is to increase the processing fee for all regional customers to \$40 per ton in FY24/25.

The District has conducted a regional rate benchmarking analysis to compare waste system costs and services to those in the greater Tri-County and Bay Area. The analysis has shown that the District's disposal fees remain among the lowest within a 90-mile radius and the District's residential and commercial collection rates are on average the lowest in the broader region.



3. Power Sales

The District operates four engines that burn methane gas pulled from the landfill. In total, this facility has a maximum capacity of 5 megawatts of power. All the District's internal electricity needs – about 1 megawatt - are met by this facility and the surplus power is sold to the grid. The estimated power revenue in FY22/23 is estimated to be more than \$2M however due to the unpredictability of when the engines will be out of service due to engine repairs and maintenance staff is projecting power sales for this budget to be \$2.9M to reflect experience more accurately. Electricity prices are not expected to change from FY22/23. The Monterey One Water electrical connection from their Advance Water Purification Facility to the



District's power plant may be completed during the second half of FY23/24.

4. Household Hazardous Waste & Other Sales

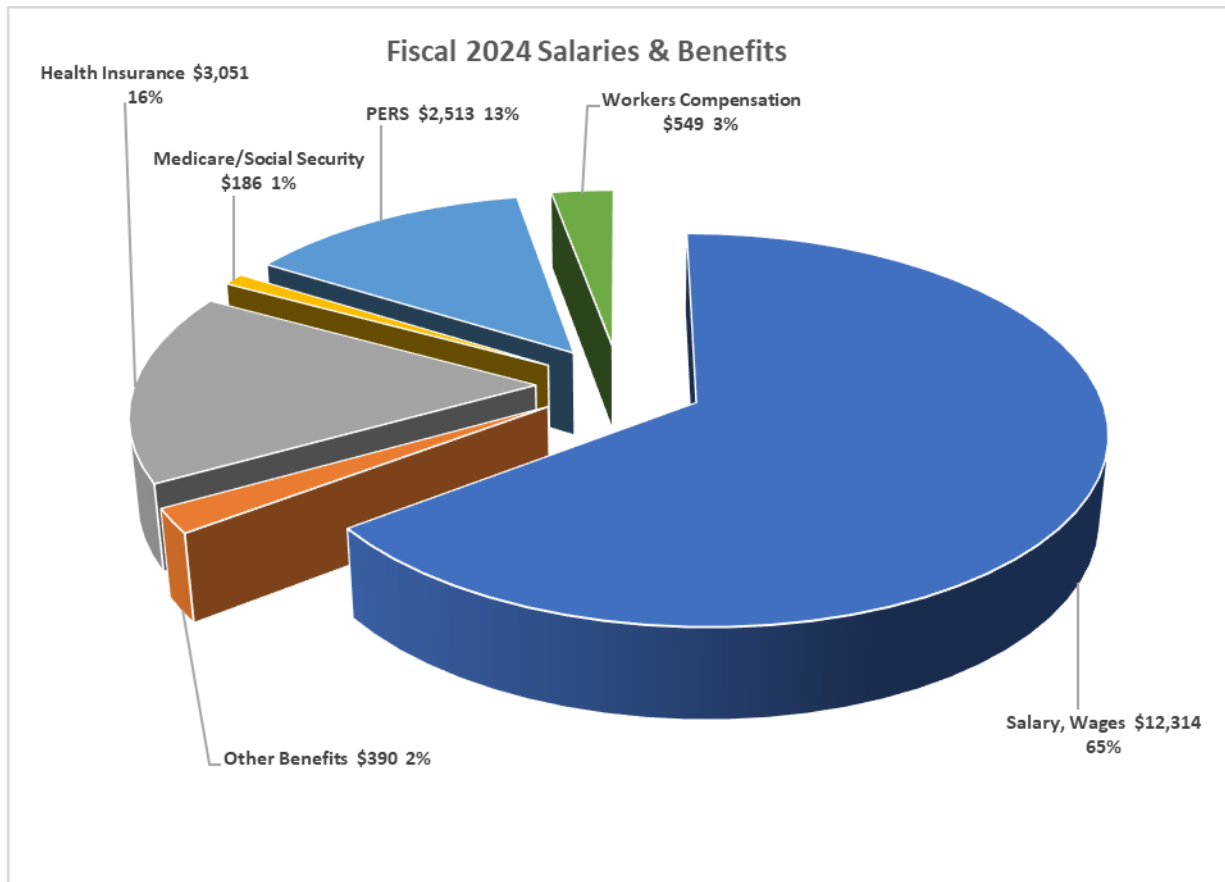
Household Hazardous Waste (HHW) revenues have increased in recent years to approximately \$150,000. No change in HHW drop-offs or costs are expected in FY23/24. Other Sales are not expected to change from FY19/20. These include the sale of sand, CNG for use in the truck yard fueling station and miscellaneous Operational Services - loading fees, push-offs, and certified weights.

Expenses

Fiscal 2024 Preliminary Budget

All \$\$ in thousands	F24 Budget	F23 Budget	F23 Est	F22 Actual	F24 vs F23 Budget \$	F24 vs F23 Budget %	F24 vs F23 Estimate \$	F24 vs F23 Estimate %
* Operating Revenues *								
Disposal Fee Revenue	\$ 39,600	\$ 33,192	\$ 34,749	\$ 29,330	\$ 6,408	19.3%	\$ 4,851	14.0%
Other Sales Revenue:								
Power Sales	2,880	1,800	2,846	2,109	1,080	60.0%	34	1.2%
MRF Sales & CRV Revenue	7,700	12,434	8,349	13,231	(4,734)	-38.1%	(649)	-7.8%
Other Sales	970	955	955	991	15	1.6%	15	1.6%
Total Other Sales Revenue	11,550	15,189	12,150	16,331	(3,639)	-24.0%	(600)	-3.7%
* Total Operating Revenues *	\$ 51,150	\$ 48,381	\$ 46,899	\$ 45,661	\$ 2,769	5.7%	\$ 4,251	9.3%
* Operating Expenses *								
Salary Expenses:								
Salary, Wages	\$12,314	\$10,846	\$11,147	\$10,036	\$1,468	13.5%	\$1,167	10.5%
Other Benefits	390	165	161	164	225	136.4%	229	142.2%
Health Insurance	3,051	2,709	2,424	2,285	342	12.6%	627	25.9%
Medicare/Social Security	186	199	157	146	(13)	-6.5%	29	18.5%
PERS	2,513	2,025	2,076	1,519	488	24.1%	437	21.1%
Workers Compensation	549	510	506	607	39	7.6%	43	8.5%
Total Salary Expenses	19,003	16,454	16,471	14,757	2,549	15.5%	2,532	15.4%
Non-Salary Expenses:								
Amortization & Depreciation	5,100	4,400	4,800	5,310	700	15.9%	300	6.3%
Closure/Post Closure Costs	420	400	395	347	20	5.0%	25	6.3%
Outside Services	769	735	701	725	34	4.6%	68	9.7%
Environmental Services	1,000	900	1,033	749	100	11.1%	(33)	-3.2%
Gasoline, Oil & Fuel	2,400	1,198	1,661	1,465	1,202	100.3%	739	44.5%
Hazardous Waste Disposal	332	405	258	334	(73)	-18.0%	74	28.7%
Insurance	1,400	1,050	1,121	915	350	33.3%	279	24.9%
Office Expense	528	403	475	458	125	31.0%	53	11.2%
Operating Supplies	1,077	1,367	1,098	927	(290)	-21.2%	(21)	-1.9%
Other Expense	86	40	70	32	46	115.0%	16	22.9%
Professional Services	1,064	1,131	1,016	964	(67)	-5.9%	48	4.7%
Public Awareness	418	442	129	83	(24)	-5.4%	289	224.0%
Recycling Services	3,200	2,225	3,036	1,886	975	43.8%	164	5.4%
Repairs & Maintenance	3,467	3,483	2,658	3,372	(16)	-0.5%	809	30.4%
Safety Equip/Supplies/Training	252	355	235	224	(103)	-29.0%	17	7.2%
Taxes & Surcharges	1,189	1,411	1,219	1,408	(222)	-15.7%	(30)	-2.5%
Training/Meetings/Education	244	245	140	86	(1)	-0.4%	104	74.3%
Utilities	184	192	185	168	(8)	-4.2%	(1)	-0.5%
Total Non-Salary Expenses:	23,130	20,382	20,230	19,453	2,748	13.5%	2,900	14.3%
* Total Operating Expenses *	42,133	36,836	36,701	34,210	5,297	14.4%	5,432	14.8%
** Operating Income (Loss) **	9,017	11,545	10,198	11,451	(2,528)	-21.9%	(1,181)	-11.6%
* Nonoperating Revenues (Expenses) *								
Interest Income	475	50	465	121	425	850.0%	10	2.2%
Rents & Leases	325	340	324	324	(15)	-4.4%	1	0.3%
Other Income	5	5	5	303	-	n/a	-	0.0%
Sales of Fixed Assets	-	-	-	161	-	n/a	-	0.0%
Equipment Financing - Interest	(1)	(16)	(39)	(22)	15	-93.8%	38	-97.4%
Revenue Bonds - Interest	(1,265)	(1,967)	(1,340)	(920)	702	-35.7%	75	-5.6%
* Nonoperating Revenues (Expenses) *	(461)	(1,588)	(585)	(33)	1,127	-71.0%	124	-100.6%
*** Change in Net Position ***	\$8,556	\$9,957	\$9,613	\$11,418	(\$1,401)	-14.1%	(\$1,057)	-11.0%

OPERATING EXPENSE ACCOUNTS

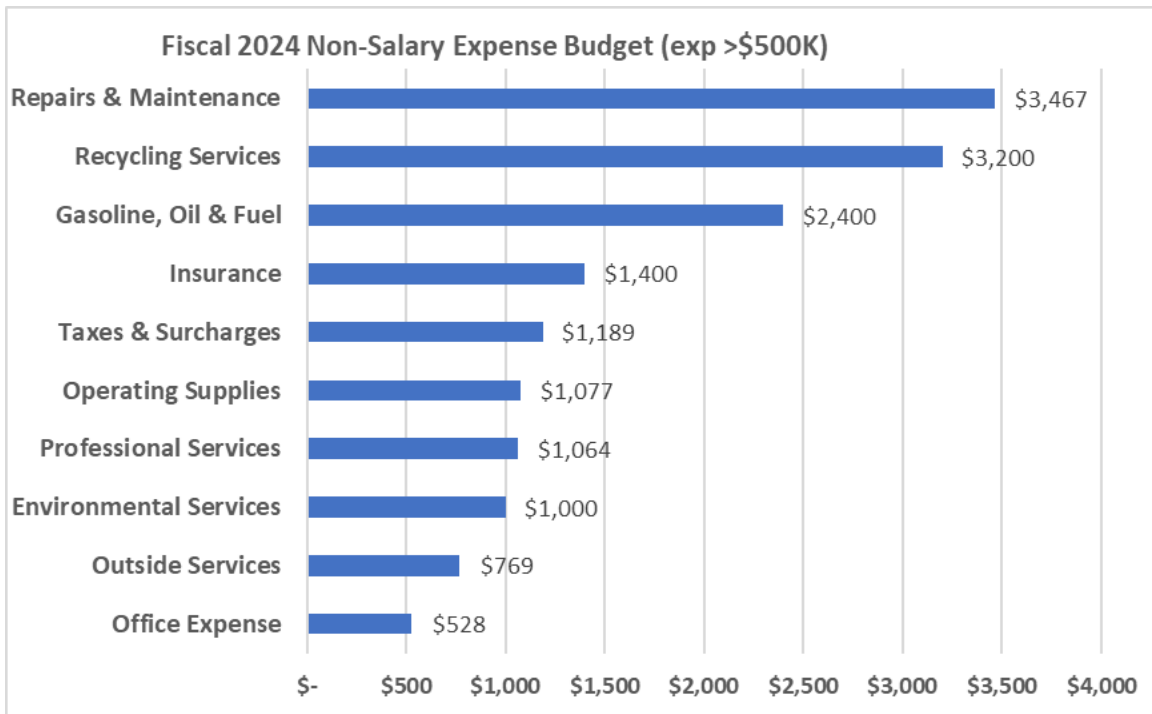


1. Wages

Total Wages increase by 13.5% compared to the FY22/23 budget, from \$10.8M to \$12.3M. Aside from base pay, step increases, and overtime pay, Wage estimates include pay for holiday work, stipends for shift-differential and bilingual skills, and longevity pay. Please refer to the HR Manager's Preliminary Employee Compensation & Benefits Budget for FY 2023/24 memorandum found earlier in this budget document for further information.

2. Taxes & Benefits

Taxes and benefits increase by 8.8%, due mostly to staffing additions and by increases in the underlying rates for healthcare and CalPERS pension obligations. District employees pay 12% of the total cost of health Insurance premiums, which are projected to increase by 15% on January 1, 2023. The District's healthcare premiums have increased over the past three years. The District's annual CalPERS costs are projected to increase 24.1% to \$2.5M. The total pension cost as a percentage of total wages is assumed to equal 20%. Workers' Compensation costs are projected to increase to \$549,000, a 7.5% increase due to a negotiated 3-year cap on the District's experience modifier (EMOD), and no change to rates.



3. Amortization & Depreciation

This Fiscal 2024 expense is a reflection of the District’s capital investment in equipment and facilities. Staff is projecting a 15.9% increase compared to the FY22/23 budget due to capital investments made in the past 12 months and the completion of projects that have in progress in prior years. This is a non-cash expense.

4. Closure/Post-Closure Costs

The Monterey Peninsula Landfill (MPL) Preliminary Closure/Post Closure (C/PC) Plan was approved in October 2011. The current estimate reflects the impact of the MPL C/PC Plan and tonnages of materials being landfilled in recent years. The FY23/24 budget projects a small increase from the previous year.

5. Contractual Services

Contractual services costs increase to \$759,000 from \$735,000, a change of 4.6%. Aside from temporary staffing expenses, other costs under this category include janitorial services, alarm services, bird and other pest control, and portable toilet rental.

6. Environmental Services

Environmental services are professional fees required to monitor and report on the landfill, groundwater, storm water, domestic water system, hazardous materials, air quality and landfill gas migration control and engine exhaust emissions. These expenses total \$1,000,000 in FY23/24, an increase of \$100,000 over the FY22/23 budget. Environmental services are utilized by the Engineering & Compliance department and in support of the Landfill Gas to Energy operations. Engineering and Compliance expenditures include semi-annual groundwater testing (\$36,000); surface methane monitoring (\$300,000). Landfill Gas to Energy compliance expenditures amount to \$500,000 for the year.

7. Fuels & Oils

The Fuels & Oils expense is expected to be \$2.4M which is an increase of \$1.2 million over the FY22/23

budget and \$935,000 higher than the actual FY21/22 fuel costs. Fuel prices have risen steadily over the past couple of years and are expected to remain high in Fiscal 2024. The cost of CNG fuel purchased and sold to GreenWaste Recovery for use in collection vehicles is projected to be \$600,000. This expense will be eliminated once the District's landfill gas conversion project is completed and becomes operational.

8. Hazardous Waste Disposal

Hazardous Waste Disposal expenses have increased significantly in recent years. The District pays third parties to dispose of hazardous waste collected at the District (batteries, florescent lamp tubes and compact fluorescent lamps, etc.). The projected cost for FY23/24 is \$332,000, an 18.0% decrease from the F22/23 budget.



9. Insurance

The District is projecting an increase in insurance costs from \$1.1M to \$1.4M, or 33.3%. based on information provided by the District insurance carrier (SDRMA). Insurance rate increases are the result of higher premiums in the global insurance markets in the past couple of years.

10. Office Expenses

Office Expenses are projected to increase 30.9% (\$125,000) year-over-year to \$528,000. Over \$250,000 of this total is for technology: software and related services for Administration, Accounting, Scales, MRF, Public Education & Communications and the Maintenance Shop; website development and maintenance; support services by third parties, including on-site support. Memberships, subscriptions and conference costs (\$90,000); Office supplies (\$120,000) that includes miscellaneous office costs and copier supplies and upkeep.

11. Operating Supplies

Operating Supplies have decreased by 21.2% (\$290,000) compared to the prior year, from \$1.4M to \$1.1M. The MRF Operating Supplies budget includes \$240,000 for production supplies such as baling wire and the MRF Maintenance budget contains \$75,000 for repair parts, conveyors, screens and tools. The Landfill operations budget contains \$50,000, mostly for landfill site maintenance and the Landfill Gas to Energy facility includes \$50,000 for landfill gas cleanup maintenance. The Scales and the Site departments expenses make up the remainder of this expense category.

12. Professional Services

Professional Services expenses decline by 6.0% (\$67,000) to \$1.1M compared to the FY22/23 budget. Professional Services include expenditures for on-going attorney fees (\$80,000), additional legal and other services related to labor relations (\$80,000); financial service fees for auditors, payroll processing, banking and bond compliance (\$120,000); human resources spending on hiring and recruiting (\$30,000); credit card processing fees for the Scales Operations (\$125,000); Engineering-related services, such as grant administration, power project analyses, AD feasibility study, MRF & biogas enhancement analyses (\$200,000); LFG costs for power sales scheduling; and other related professional services (\$100,000).

13. Public Education & Awareness

Public Awareness expenses have decreased by \$24,000 (5.47%) from last year's budget to \$417,000. Public Awareness expenditures include funds for advertising and publications, other promotion and education activities, compliance with regulatory legislation and participating with District jurisdictions in information sharing activities.

14. Recycling Services

The Recycling Services category includes costs for processing various materials that are not handled by District staff. Recycling Services related to the processing of yard waste, wood waste, food waste and comingled food and green waste. All recycling services for those materials are performed by Keith Day & Co. and make up over 80% of recycling services category. Payments for processing these materials are made on a per-ton basis. Others recycling expenses include MRF-related costs for handling glass, tires and freon (\$350,000).

15. Repairs & Maintenance

Repair & Maintenance expenses are budgeted at \$3.5M and is essentially the same as the F21/22 budget. The major areas of spending are in the Equipment Maintenance Shop (\$1.0M), the Landfill Gas to Energy facility (\$1.2M), and the MRF Maintenance departments (\$450,000). Other costs include maintenance of all District facilities.

16. Safety Equipment, Supplies & Services

Safety Equipment, Supplies & Service expenses are projected to decrease from the FY22/23 budget by \$102,000 to \$252,000. This expense line includes the cost of employee uniforms and safety footwear. Other safety expenses include costs for safety apparel and supplies used by employees in day-to-day operations such as gloves, vests, helmets and other apparel.

17. Taxes, Surcharges, Permits

Significant costs include: State Board of Equalization AB 939 Fee and the Monterey County Health Department fee. Both fees are based on tons landfilled and are estimated at \$1.0M; LAFCO membership (\$50,000); the Monterey Bay Unified Air Pollution Control District fees (\$52,000); Monterey County Water Resources Agency fees (\$50,000); new SWRCB landfill annual permit fee (\$50,000).

18. Training, Education & Meetings

The training budget of \$244,000 is essentially the same as the FY22/23 budget. Training is focused on job certifications and job skills development.

19. Utilities

Utilities expenses are projected to be \$184,000 in FY23/24 and this is \$9,000 (4.6%) lower than the FY22/23 budget. Utilities include miscellaneous electricity usage throughout the site in areas that cannot be served by District-generated power, and supplemental power purchased from PG&E when District power is off-line and telephone and data services.

20. Other Expenses

Other Expenses reflect FY22/23 budget spending levels.

NON-OPERATING REVENUE & EXPENSES

1. Non-Operating Revenues & Expenses

Non-operating Revenue & Expenses include revenues from the truck yard lease and space rental to other entities. Also included is income from returns on cash investments. Expenses are the interest expense associated with the District's 2018 and 2021 Revenue Bonds.



Capital Outlay

District capital expenditures are divided into two categories: Mobile Equipment and Capital Improvements. Mobile Equipment includes dozers, compactors, all vehicles, and trailers used on and off the site, and miscellaneous equipment such as computers, software, and furniture. Mobile Equipment spending is for the replacement of existing equipment and the purchase of new equipment not previously used in operations. Capital Improvements include investments in improving existing infrastructure and the development of new facilities or assets.

FY 2024 BUDGET - CAPITAL SPEND PLAN

All \$\$ in Thousands	21/22 Budget	22/23 Budget	23/24 Proposed	24/25	25/26	26/27	27/28
CAPITAL OUTLAY PLAN							
Mobile Equipment	2,370	5,777	3,197	2,932	2,652	2,450	1,000
Capital Improvements	14,775	16,910	18,940	15,005	10,590	11,675	16,690
TOTAL CAPITAL INVESTMENT	17,145	22,687	22,137	17,937	13,242	14,125	17,690

FY23/24 Capital Outlay Highlights

Mobile Equipment replacement and new purchases:

- Replace LF02 2001 627G T2_Scraper - \$1,200,000
- Replace SI26 2002 744 John Deere T3_Loader - \$350,000
- SH07 Sterling Shop Service Truck - \$200,000

Capital Improvement Projects:

- M1W-AWPF power connection – \$3.5M
- Module 7 development (Landfill) - \$4.2M
- Roadway paving and improvements (Site) - \$2.25M
- Scale and scale house improvements (Scales) - \$1M
- LFG management - \$800,000
- MRF 2.0 Capital Equipment Adds/Replacement - \$850,000
- Above ground scale at the MRF - \$600,000

Capital Outlay – Mobile Equipment

FY 2024 PRELIMINARY BUDGET - MOBILE EQUIPMENT CAPITAL SPEND PLAN

	Dept	21/22 Budget	22/23 Budget	23/24 Budget	24/25	25/26	26/27	27/28
MOBILE EQUIPMENT								
(AD) AD09 2005 Ford Expedition	ADM			80	-			
(LC) LC12 1999 GMC Flatbed - Chassis only	HHW			50	50			
Replace 1999 D6R Dozer - LF06	LFO		610					
Replace 2002 CAT 740 Articulated Haul Truck LF12	LFO		900					
Replace 2001 627G Scraper LF02 with articulating ejector truck	LFO		900					
(LF) LF26 D8T Dozer 2016 (Replacement FY 25/26 \$1,000,000)	LFO	110						
SI79 2006 Chev LF Sup Truck	LFO				30			
Replace LF02 2001 627G T2_Scraper	LFO			1,200				
Replace LF26 D8T T4_Dozer 2016	LFO						1,275	-
Genie Light Tower - Used	LFO			12	12	12		
MRF Bin/Box replacement	MRF	25	25					
MR18 PV500 Pacific Tec 1998 - Liquid vacuum unit - Replace	MRF	65						
Replace 2011 324DL Excavator MR43	MRF	35						
Replace 2012 966K Wheel Loader MR46 (hand down for LF26)	MRF	575	575					
Replace MR44 2008 IHC Semi Truck (MRF) w/CNG unit	MRF	150	240					
Replace MR45 2008 IHC Semi Truck (MRF) w/CNG unit	MRF	150	240					
MR47 Clark C50SL - Replace with electric forklift	MRF		135					
Miscellaneous MRF Equipment purchases/replacements	MRF	20	20					
(MR) MR37 2009 Volvo Roll-Off Truck MR37 with CNG fueled unit	MRF	325	366	-				
(MR) MR38 2009 Volvo Roll-Off Truck MR38 with CNG fueled unit	MRF	325	366	-				
Replace MR54 2014 Tractor with CNG fueled unit	MRF				300			
Replace MR57 2016 Tractor with CNG fueled unit	MRF					315		
Replace LF17 627G 2005 T3_Scraper (Eng Upgrade or Replace)	MRF					1,200		
MRF Bin/Box replacement	MRF			25	25	25	25	
MR49 Caterpillar GPC50N - 2016 Forklift Replace w/electric	MRF			100	-			
(SH) SH07 Sterling Shop Service Truck -	SHO	190		200				
Outer year equipment purchase/replacement contingency 1,000	SHO		1,000	1,000	1,000	1,000	1,000	1,000
SI54 2002 Ford F-150 4x4	SIT				40			
SI81 1998 Chev HEO Truck	SIT			30			-	
Pickup truck for site security	SIT		30					
Replace 2010 Volvo Water Truck SI58	SIT	325	370	-				
Replace SI26 2002 744 John Deere T3 Loader (Used)	SIT			350	-			
Replace SI64 2008 Volvo T3_Water truck	SIT				1,275	-		
Replace SI12 670 John Deere T1_Grader (USED)	SIT				200			
Replace SI66 2008 CAT T3_Backhoe (USED)	SIT					-	150	
Box Scraper - New	SIT	75						
CS56B Vibratory Single Drum Roller (used)				150				
305 Track Mini Excavator (used)						100		
TOTAL		2,370	5,777	3,197	2,932	2,652	2,450	1,000

Capital Outlay – Capital Improvement Projects

FY 2024 BUDGET - CAPITAL IMPROVEMENTS SPEND PLAN

All \$\$ in Thousands	Dept.	21/22 Budget	22/23 Budget	23/24 Budget	24/25	25/26	26/27	27/28
Admin Building	ADM	55	75	125	25	175	2,000	2,000
Truck Yard	ADM	50	25	50	50	350	25	25
HHW Facility	LCM	75	15	50	20	20	20	20
LCM Retail Store	LCM	120	10	150	20	20	20	20
Public Recycling Drop-off	LCM	15	15	60			75	
LFGTE Facility	LFG	75	75	75	75	75	75	75
ENG #1 - Replacement	LFG					75	2,750	
ENG #2 - Replacement	LFG						75	2,750
ENG #3 - Replacement	LFG				75	2,750		
ENG #4 - Replacement	LFG			75	2,750			
Exhaust System - LFGTE Plant ENG #1	LFG			90				
RMC Integration - LFGTE Plant Elec Meters	LFG		30					
RMC Integration - H2S Analyzer Auto System	LFG		150	125				
Blower #302 - Major	LFG			75				
Engine Room Ventilation	LFG			125				
Misc. LFG - CEC Grant	LFG	450		250			250	
M1W - AWPf Power Connection	LFG	500	2,500	3,500	500			
MRWMD-M1W Joint Agency Microgrid & RE	LFG		750	900				
Energy & Organic Waste Proc. Tech. Assess.	LFG	250	250					
Compost site	LFO	2,500						
Compost Site - CASP (ORG 4 Grant)	LFO		500					
Module 7 Development	LFO	8,500	6,500	4,200				
Module 8 Development	LFO			-		250	250	9,000
Leachate Management	LFO	75	200	275	75	200	75	100
LFG Management	LFO	175	800	750	400	150	425	750
LFG Condensate Management	LFO	50	75	175	75	250	75	100
Misc. Landfill	LFO	75	150	175	75	75	100	150
Storm Water Management	LFO	75	75	250	250	250	250	250
SWFP/WDR - Permit Amendment	LFO		150	275	250	225		
Tarp machine	LFO		85					
GPS system	LFO		500					
MRF 2.0 Capital Equipment Adds/Replacement	MRF	50		850	450		150	100
MRF C&D Tip Pad - external	MRF			100	1,750			
MRF Fall Protection Equipment	MRF		80					
MRF 2.5 C&D Concept Design/Evaluation	MRF				250	150		
MRF EQUIP OPT Investment	MRF	75			750	750		
MRF Fire Sprinkler Capital Replacement	MRF		150	175				500
Scales -Above ground at the MRF	SCL			600				
Scales - 3 New Below-Grade Decks	SCL		15	15	15	300	300	300
Scale House Add. + ADA + Restrooms	SCL	350	900	1,000				
Maintenance Shop Building - planning	SHO		50		125	3,000		50
Shop - Air Compressor	SHO			50				
Shop Addition BLDG - 2nd Level Office	SHO		-	75	750			50
Old Shop Building - planning	SHO					125	1,500	50
Wash Pad Facility	SHO			25			10	150
Site Entrance Upgrade	SIT		50					
Paved Roads - Entrance + 4-way Intersection	SIT	1,160	2,150					
Windrow Compost - Permit Transfer	SIT			75				
Windrow Compost - Air Permit	SIT			75				
Compost Site - CASP (ORG 6 Grant)	SIT			1,000	6,000			
Energy & Organic Waste Proc. Tech. Assess.	SIT			250				
Domestic Water Treatment / Meters	SIT			75				
Site Appearance Upgrade - LS design +	SIT			75	175	150	150	150
Paved Roads - Entrance + 4-way Intersection	SIT		150	2,250		150	2,000	
Paved Roads - site	SIT					1,000	1,000	
Misc. Site - ('22/23 stripping)	SIT	50	45	50	50	50	50	50
Misc. Facilities - ('22/23 signage)	SIT	50	45	50	50	50	50	50
Campus Electrification - PG&E NG Termination	SIT		345	400				
TOTAL CAPITAL IMPROVEMENT EXPENSES		14,775	16,910	18,940	15,005	10,590	11,675	16,690

Mobile Equipment Descriptions

The following items describe proposed Mobile Equipment investments by department for FY22/23 through FY 27/28.

Administration

FY23/24: \$80,000 – Replacement of 2005 Ford Expedition.

Landfill Operations

FY23/24: – Replacement of 2001 627G scraper.

Materials Recovery Facility

FY23/24: \$25,000 – MRF bin/boxes.

Total outer year investments: \$1,890,000 – Replace 2011 324D excavator

Equipment Maintenance Shop

FY23/24 investment: \$200,000 - Replacement of 2000 Sterling service truck. The service truck has to be replaced with a 2011 model or newer service truck to avoid enforcement action by CARB.

Total outer year investments: \$4M – For FY23/24 to FY27/28 contingency funds have been set set aside to fund expected, but as-yet unspecified, mobile equipment investments necessary to support all District operations.

Site and Facilities

FY23/24 investment: \$350,000 - Replacement of 2002 John Deere T3 loader (\$350,000), purchase of used pick-up truck for site and LCM security.

Total outer year investments: \$1,665,000 – Outer year investments include replacement of a 2008 water truck, John Deere T1 grader, Cat T3 backhoe, and a small dump truck (1.28M).

Capital Outlay – Capital Improvements

The five-year projection of Capital Improvement Projects presented in the referenced budget table reflects expected investments required to continue existing operations, meet known regulatory obligations, develop five new infrastructure projects, capital improvements to the main entrance road; at the front gate area and at the 4-way intersection before the entrance truck scales. The five significant infrastructure projects include the Landfill Module 7 development; expansion of the landfill gas collection and control system (GCCS) for the abandonment and replacement of old collection wells; the renovation of the scale house inclusive of accessibility features for ADA compliance and replacement of the exterior common area restroom at the Administration Building; permitting-construction of a medium voltage (4160V) electrical transmission line to Monterey One Water's (M1W) Advanced Water Purification Facility (AWPF); and design-permitting-construction of a Covered Aerated Static Pile (CASP) Composting System to replace the standard windrow compost method. The FY23/24 capital improvements plan addresses 1) deferred capital spending on capital maintenance or replacement of aging infrastructure since the 2005 time period following rate increase deferrals and a significant economic recession, 2) delayed and deferred projects since mid-2020 as impacted by the COVID-19 pandemic, and 3) the increase in business activity resulting in higher recycling and disposal volumes; and the recent decision to provide disposal service to the Gilroy and Morgan Hill communities due to capacity restrictions at the John Smith Road Landfill in San Benito County. The doubling of disposal volumes over the past decade causes the increasing rate and frequency of capital improvement projects for the landfill and its environmental control systems.

Debt

The following Debt Schedule describes the use of debt and the principal and interest payments for servicing debt. The Debt Service Coverage Ratios calculate the District's annual ability to meet the debt service covenant that is required of both the 2018 and 2021 Revenue Bonds. The minimum required ratio is 1.25.

All \$\$ in Thousands	Fiscal 2024 Preliminary Budget								
	20/21 Actual	21/22 Actual	22/23 Est	22/23 Budget	23/24 Budget	24/25	25/26	26/27	27/28
DEBT SCHEDULE									
DEBT ISSUANCE									
Refinancing									
Revenue Bond Financing 2021		24,910							
Total Debt Proceeds	-	24,910	-	-	-	-	-	-	-
2018 Revenue Bonds									
Interest Expenses	1,070	1,031	990	990	947	902	854	804	752
Principal	780	820	860	860	905	950	1,000	1,045	1,100
Total 2018 Bond Debt Service	1,850	1,851	1,850	1,850	1,852	1,852	1,854	1,849	1,852
2021 Revenue Bonds									
Interest Expenses	-	-	121	428	415	396	371	343	312
Principal	-	-	1,605	1,785	1,805	1,820	1,845	1,905	1,905
Total 2021 Bond Debt Service	-	-	1,726	2,213	2,220	2,216	2,216	2,248	2,217
Capital Equipment - Interest									
2016/17 Compactor	12	6	-	-	-	-	-	-	-
2017/18 Dozer & Loader	32	24	16	8	-	-	-	-	-
Capital Equipment - Principal									
2016/17 Compactor	236	241	-	-	-	-	-	-	-
2017/18 Dozer & Loader	236	244	252	-	-	-	-	-	-
Total Debt Service									
Total Interest	1,106	1,054	1,119	1,418	1,362	1,298	1,225	1,148	1,064
Total Principal	1,252	1,306	2,717	2,645	2,710	2,770	2,845	2,950	3,005
Total Debt Service	2,358	2,359	3,836	4,063	4,072	4,068	4,070	4,098	4,069
TOTAL NET FROM FINANCING	(2,358)	22,551	(3,836)	(4,063)	(4,072)	(4,068)	(4,070)	(4,098)	(4,069)
DEBT SERVICE RATIOS									
Current Revenue	36,505	45,661	46,899	48,381	51,150	51,718	53,210	54,746	56,328
Less: Operating Expenses	27,921	34,209	36,701	37,861	39,216	40,621	42,079	43,552	45,076
Net Current Revenue	8,584	9,476	10,198	10,520	11,934	11,097	11,131	11,194	11,252
Debt Principal & Interest	2,358	2,359	3,836	4,063	4,072	4,068	4,070	4,098	4,069
Ratio Net Current Rev. to Debt Service	3.64	4.02	2.66	2.59	2.93	2.73	2.73	2.73	2.77

Five-Year Outlook

Fiscal 2024 Preliminary Budget Summary ('000)

	F22 Actual	F23 Budget	F23 Est	F24 Budget	F24/25	F25/26	F26/27	F27/28
Income & Expense Summary								
Operating Revenues	\$ 45,661	\$ 48,381	\$ 46,899	\$ 51,150	\$ 51,718	\$ 53,210	\$ 54,746	\$ 56,328
Operating Expenses	34,209	36,837	36,701	42,131	43,546	45,072	46,653	48,292
Operating Income	11,452	11,544	10,198	9,019	8,172	8,138	8,093	8,037
Non-operating Expenses	132	(1,306)	(993)	(461)	(1,528)	(1,396)	(1,281)	(1,148)
Net Income	\$ 11,584	\$ 10,238	\$ 9,205	\$ 8,558	\$ 6,644	\$ 6,741	\$ 6,812	\$ 6,888
Cash Summary								
Beginning Unrestricted Cash	34,209	27,472	27,472	30,027	17,946	14,182	12,187	7,697
Cash from Operations								
Net Income (Loss)	3,627	9,956	9,608	8,558	6,644	6,741	6,812	6,888
Adjustments to Cash	4,435	4,800	5,195	5,520	5,686	5,856	6,032	6,213
Change in Cash from Operations	8,062	14,756	14,803	14,078	12,329	12,597	12,844	13,101
Cash from Financing Activities								
Capital Outlay	(11,116)	(8,217)	(8,745)	(22,652)	(12,586)	(11,086)	(13,826)	(9,766)
Bond and Debt Reduction	(2,409)	(2,502)	(2,502)	(2,616)	(2,616)	(2,616)	(2,616)	(2,616)
Interest Paid on Bonds and Capital Leases	(2,299)	(2,201)	(2,201)	(2,091)	(2,091)	(2,091)	(2,091)	(2,091)
Changes in assets and liabilities	1,025	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Decrease (Increase) Restricted Reserves	-	-	-	-	-	-	-	-
Change in Cash from Financing Activities	(14,799)	(11,720)	(12,248)	(26,159)	(16,093)	(14,593)	(17,333)	(13,273)
Change in Unrestricted Cash	(6,737)	3,036	2,555	(12,081)	(3,764)	(1,996)	(4,489)	(172)
Ending Unrestricted Cash	27,472	30,508	30,027	17,946	14,182	12,187	7,697	7,526
Designations/Reserves								
Cash Operating Reserve	5,710	6,407	6,301	7,322	7,572	7,843	8,124	8,416
Undesignated Cash	21,762	24,101	23,726	10,624	6,610	4,344	(427)	(890)
Total Unrestricted/Designated Cash	27,472	30,508	30,027	17,946	14,182	12,187	7,697	7,526
Restricted cash as of June 30								
2015 Bond Rate Stabilization Fund/in Trust	2,350	2,350	2,350	2,350	2,350	2,350	2,350	2,350
Closure/Post Closure Care Costs	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Environmental Impairment Fund	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
TOTAL CASH AS OF JUNE 30	\$ 32,322	\$ 35,358	\$ 34,877	\$ 22,796	\$ 19,032	\$ 17,037	\$ 12,547	\$ 12,376
Ratio of Net Current Rev. to Debt Service	4.02	2.59	2.66	2.93	2.73	2.73	2.73	2.77

Expenses by Department

The following pages provide a breakdown of spending and staffing in each of the District's areas of operation. Department expenses make up 85% of total Operating Expenses, the remainder being Amortization & Depreciation and Closure/Post-Closure costs.

Finance & Administration

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
Administration					
SALARIES	\$ 648,169	\$ 576,150	\$ 72,019	\$ 510,786	\$ 137,383
EMPLOYER PAYROLL TAXES	10,937	10,434	504	7,202	3,735
EMPL. BENF.-DEFERRED COMP (457)	15,131	7,471	7,660	9,304	5,828
HEALTH INSURANCE	107,320	106,212	1,108	117,637	(10,317)
EMPL. BENF.-PERS	133,172	110,862	22,310	103,550	29,622
EMPL. BENF.-WORKERS COMP.	8,728	7,917	811	4,320	4,408
AMORT/DEP	5,100,000	4,400,000	700,000	4,800,000	300,000
MEETING SUPPLIES	20,000	10,000	10,000	18,000	2,000
MEMBERSHIPS/CONFERENCES	50,000	17,000	33,000	50,000	-
TRAVEL EXPENSE	8,000	8,000	(0)	6,000	2,000
GOVERNMENTAL FEES	180,000	200,000	(20,000)	160,000	20,000
OFFICE SUPPLIES	60,000	25,000	35,000	85,000	(25,000)
INSURANCE	1,400,000	1,050,000	350,000	1,121,000	279,000
INFO SYS SUPPLIES/SERVICES	130,000	120,000	10,000	130,000	-
OUTSIDE SERVICES	25,000	40,000	(15,000)	26,000	(1,000)
UTILITIES	100,000	120,000	(20,000)	72,000	28,000
EE RECOGNITION/GOODWILL	5,000	2,000	3,000	4,000	1,000
DONATIONS/SPONSORSHIPS	1,000	-	1,000	1,000	-
MEDICAL SERVICES	5,000	10,000	(5,000)	3,000	2,000
TRAINING/EDUCATION	10,000	28,000	(18,000)	20,000	(10,000)
LEGAL FEES	100,000	140,000	(40,000)	55,000	45,000
PROFESSIONAL SERVICES	75,000	125,000	(50,000)	125,000	(50,000)
EQUIPMENT R&M	2,000	2,000	(0)	-	2,000
EQUIPMENT RENTAL	2,000	1,000	1,000	19,000	(17,000)
FACILITIES MAINTENANCE	100,000	100,000	0	132,000	(32,000)
DIESEL & GAS	-	7,500	(7,500)	25,000	(25,000)
OPERATING SUPPLIES	40,000	25,000	15,000	51,000	(11,000)
SAFETY SUPPLIES	15,000	8,000	7,000	21,000	(6,000)
CLOSURE/POST CLOSURE COSTS	420,000	400,000	20,000	395,000	25,000
SALARIES-BOARD	20,000	32,000	(12,000)	15,000	5,000
EMPLOYER PAYROLL TAXES-BOARD	2,000	103	1,897	212	1,789
EMPL. BENF.-WORKERS COMP-BOARD	500	-	500	103	397
TRAVEL EXPENSE-BOARD	2,000	129	1,871	2,000	-
Administration Total	\$ 8,795,959	\$ 7,689,780	\$ 1,106,179	\$ 8,089,114	\$ 706,845

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
Human Resources					
SALARIES	\$ 354,877	\$ 332,387	\$ 22,489	\$ 334,048	\$ 20,829
EMPLOYER PAYROLL TAXES	6,991	4,820	2,171	4,710	2,281
EMPL. BENF.-DEFERRED COMP (457)	77,680	8,329	69,351	4,847	72,832
HEALTH INSURANCE	5,146	72,125	(66,979)	64,378	(59,232)
EMPL. BENF.-PERS	77,703	66,141	11,562	65,519	12,184
EMPL. BENF.-WORKERS COMP.	4,216	3,950	265	3,924	292
MEETING SUPPLIES	2,000	2,000	(0)	-	2,000
MEMBERSHIPS/CONFERENCES	10,000	8,000	2,000	5,000	5,000
TRAVEL EXPENSE	3,000	3,000	-	1,000	2,000
SOCIAL COMMITTEE EXPENSE	13,500	12,500	1,000	10,000	3,500
OFFICE SUPPLIES	6,000	7,200	(1,200)	6,000	-
INFO SYS SUPPLIES/SERVICES	5,000	5,000	(0)	4,000	1,000
OUTSIDE SERVICES	75,000	15,000	60,000	4,000	71,000
EE RECOGNITION/GOODWILL	40,000	20,000	20,000	26,000	14,000
EMPLOYEE WELLNESS	20,000	20,012	(12)	24,000	(4,000)
MEDICAL SERVICES	1,000	1,000	0	200	800
TRAINING/EDUCATION	56,000	56,000	(0)	11,000	45,000
LEGAL FEES	50,000	40,000	10,000	26,000	24,000
PROFESSIONAL SERVICES	100,000	50,000	50,000	7,000	93,000
OPERATING SUPPLIES	1,000	1,000	0	-	1,000
SAFETY SUPPLIES	500	500	(0)	-	500
Human Resources Total	\$ 909,612	\$ 728,965	\$ 180,647	\$ 601,627	\$ 307,986

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
Accounting					
SALARIES	\$ 527,291	\$ 498,038	\$ 29,254	\$ 510,786	\$ 16,505
EMPLOYER PAYROLL TAXES	9,907	46,883	(36,976)	7,202	2,705
EMPL. BENF.-DEFERRED COMP (457)	138,760	8,770	129,990	9,304	129,456
HEALTH INSURANCE	7,646	92,644	(84,998)	117,637	(109,991)
EMPL. BENF.-PERS	115,846	99,464	16,382	103,550	12,295
EMPL. BENF.-WORKERS COMP.	4,117	4,107	10	4,320	(203)
MEMBERSHIPS/CONFERENCES	2,000	500	1,500	250	1,750
TRAVEL EXPENSE	1,000	-	1,000	-	1,000
OFFICE SUPPLIES	10,000	5,000	5,000	12,000	(2,000)
INFO SYS SUPPLIES/SERVICES	30,000	14,000	16,000	47,000	(17,000)
OUTSIDE SERVICES	5,000	7,500	(2,500)	4,000	1,000
EE RECOGNITION/GOODWILL	2,000	1,000	1,000	3,000	(1,000)
MEDICAL SERVICES	200	500	(300)	100	100
TRAINING/EDUCATION	2,000	1,000	1,000	3,000	(1,000)
BANK FEES	30,000	18,000	12,000	30,000	-
PROFESSIONAL SERVICES	60,000	38,000	22,000	9,000	51,000
PAYROLL SERVICES	60,000	49,500	10,500	57,000	3,000
OPERATING SUPPLIES	1,000	1,000	0	-	1,000
Accounting Total	\$ 1,006,766	\$ 885,905	\$ 120,862	\$ 918,149	\$ 88,617

Engineering & Compliance, Safety

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
Engineering					
SALARIES	\$ 982,793	\$ 692,382	\$ 290,411	\$ 641,443	\$ 341,350
EMPLOYER PAYROLL TAXES	14,250	10,040	4,211	9,044	5,206
EMPL. BENF.-DEFERRED COMP (457)	23,285	10,883	12,401	11,620	11,665
HEALTH INSURANCE	137,289	101,662	35,627	62,613	74,676
EMPL. BENF.-PERS	213,368	137,278	76,089	128,400	84,967
EMPL. BENF.-WORKERS COMP.	14,054	3,567	10,487	2,074	11,980
MEETING SUPPLIES	500	500	(0)	500	-
MEMBERSHIPS/CONFERENCES	7,500	7,500	-	3,000	4,500
TRAVEL EXPENSE	8,000	7,500	500	6,000	2,000
GOVERNMENTAL FEES	3,000	2,500	500	3,000	-
OFFICE SUPPLIES	3,500	6,000	(2,500)	2,000	1,500
INFO SYS SUPPLIES/SERVICES	9,000	6,000	3,000	24,000	(15,000)
EE RECOGNITION/GOODWILL	200	150	50	-	200
MEDICAL SERVICES	200	1,000	(800)	200	-
TRAINING/EDUCATION	3,000	2,500	500	4,000	(1,000)
ENVIRONMENTAL SERVICES	250,000	400,000	(150,000)	189,000	61,000
PROFESSIONAL SERVICES	250,000	150,000	100,000	149,000	101,000
OPERATING SUPPLIES	1,000	5,000	(4,000)	-	1,000
Engineering Total	\$ 1,920,938	\$ 1,544,462	\$ 376,476	\$ 1,235,894	\$ 685,044

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
Safety & Risk Management					
SALARIES	\$ 220,922	\$ 196,842	\$ 24,080	\$ 210,433	\$ 10,490
EMPLOYER PAYROLL TAXES	3,203	2,854	349	2,967	236
EMPL. BENF.-DEFERRED COMP (457)	4,015	1,262	2,753	2,940	1,075
HEALTH INSURANCE	35,617	30,081	5,535	31,979	3,638
EMPL. BENF.-PERS	48,339	39,128	9,210	41,917	6,422
EMPL. BENF.-WORKERS COMP.	2,829	975	1,854	1,588	1,241
MEMBERSHIPS/CONFERENCES	9,820	7,000	2,820	6,287	3,533
TRAVEL EXPENSE	6,000	3,500	2,500	7,000	(1,000)
OFFICE SUPPLIES	1,200	150	1,050	2,000	(800)
MEDICAL SERVICES	2,500	5,000	(2,500)	200	2,300
TRAINING/EDUCATION	25,400	21,900	3,500	8,000	17,400
PROFESSIONAL SERVICES-WC SERV	66,126	78,000	(11,874)	61,000	5,126
OPERATING SUPPLIES	57,800	60,000	(2,200)	9,000	48,800
SAFETY SUPPLIES	9,500	8,000	1,500	9,000	500
Safety & Risk Management Total	\$ 493,272	\$ 454,693	\$ 38,579	\$ 394,310	\$ 98,961

Communications & Public Education

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
Public Education					
SALARIES	\$ 462,306	\$ 416,650	\$ 45,656	\$ 407,870	\$ 54,436
EMPLOYER PAYROLL TAXES	6,703	6,041	662	5,751	952
EMPL. BENF.-DEFERRED COMP (457)	4,255	2,817	1,437	3,313	942
HEALTH INSURANCE	90,008	97,940	(7,932)	72,289	17,719
EMPL. BENF.-PERS	101,179	82,946	18,233	87,066	14,113
EMPL. BENF.-WORKERS COMP.	5,925	2,064	3,861	1,523	4,403
MEETING SUPPLIES	500	500	(0)	100	400
MEMBERSHIPS/CONFERENCES	9,000	8,000	1,000	6,382	2,618
TRAVEL EXPENSE	2,000	3,500	(1,500)	-	2,000
OFFICE SUPPLIES	2,500	2,500	0	3,000	(500)
INFO SYS SUPPLIES/SERVICES	60,000	60,000	-	11,000	49,000
EE RECOGNITION/GOODWILL	1,000	600	400	2,000	(1,000)
DONATIONS/SPONSORSHIPS	17,000	-	17,000	15,000	2,000
MEDICAL SERVICES	500	500	(0)	-	500
TRAINING/EDUCATION	3,000	2,000	1,000	4,000	(1,000)
OPERATING SUPPLIES	1,000	1,000	0	-	1,000
SAFETY SUPPLIES	500	500	(0)	-	500
PUBLIC AWARENESS	330,000	350,000	(20,000)	90,000	240,000
PA ADVERTISEMENTS	40,000	40,000	0	22,000	18,000
EVENTS	6,300	6,500	(200)	5,000	1,300
PA PROMOTIONAL ITEMS	30,000	30,000	-	10,000	20,000
PA SCHOOL PROGRAM	10,000	15,000	(5,000)	-	10,000
Public Education Total	\$ 1,183,677	\$ 1,129,059	\$ 54,618	\$ 746,294	\$ 437,383

Materials Recovery Facility (MRF)

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
MRF Operations					
SALARIES	\$ 3,451,042	\$ 3,124,838	\$ 326,204	\$ 3,358,829	\$ 92,213
EMPLOYER PAYROLL TAXES	50,040	45,310	4,730	47,359	2,681
EMPL. BENF.-DEFERRED COMP (457)	43,408	45,938	(2,530)	42,151	1,258
HEALTH INSURANCE	1,187,850	1,060,741	127,109	858,630	329,220
EMPL. BENF.-PERS	705,277	580,651	124,627	607,928	97,349
EMPL. BENF.-WORKERS COMP.	202,991	205,071	(2,079)	209,037	(6,046)
MEMBERSHIPS/CONFERENCES	35,000	30,000	5,000	30,000	5,000
TRAVEL EXPENSE	3,000	3,000	-	1,000	2,000
GOVERNMENTAL FEES	2,400	2,400	-	2,000	400
OFFICE SUPPLIES	3,600	3,600	-	3,000	600
INFO SYS SUPPLIES/SERVICES	20,000	12,500	7,500	2,000	18,000
OUTSIDE SERVICES	250,000	204,000	46,000	275,000	(25,000)
UTILITIES	600	600	-	-	600
EE RECOGNITION/GOODWILL	10,000	5,100	4,900	8,000	2,000
MEDICAL SERVICES	12,000	12,000	-	7,000	5,000
TRAINING/EDUCATION	10,000	15,000	(5,000)	10,000	-
PROFESSIONAL SERVICES	5,000	169,987	(164,987)	5,000	-
EQUIPMENT RENTAL	6,000	6,000	-	3,000	3,000
FACILITIES MAINTENANCE	530,000	525,000	5,000	298,000	232,000
DIESEL & GAS	450,000	262,500	187,500	257,000	193,000
OPERATING SUPPLIES	300,000	341,250	(41,250)	314,000	(14,000)
SAFETY SUPPLIES	100,000	100,000	0	88,000	12,000
HW DISPOSAL	25,000	50,000	(25,000)	-	25,000
CONTRACT RECYCLING	600,000	525,000	75,000	574,000	26,000
MRF Operations Total	\$ 8,003,209	\$ 7,330,485	\$ 672,724	\$ 7,000,934	\$ 1,002,275

MRF Maintenance

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
MRF Maintenance					
SALARIES	\$ 690,236	\$ 635,454	\$ 54,782	\$ 533,899	\$ 156,337
EMPLOYER PAYROLL TAXES	10,008	9,214	794	7,528	2,480
EMPL. BENF.-DEFERRED COMP (457)	2,916	4,373	(1,457)	2,894	22
HEALTH INSURANCE	210,590	202,350	8,240	170,534	40,056
EMPL. BENF.-PERS	140,054	116,996	23,058	115,715	24,340
EMPL. BENF.-WORKERS COMP.	57,586	38,286	19,301	37,609	19,978
MEMBERSHIPS/CONFERENCES	2,000	5,000	(3,000)	-	2,000
TRAVEL EXPENSE	1,000	2,500	(1,500)	-	1,000
MEDICAL SERVICES	1,500	2,700	(1,200)	1,000	500
TRAINING/EDUCATION	10,000	20,000	(10,000)	2,000	8,000
EQUIPMENT R&M	300,000	472,000	(172,000)	165,000	135,000
EQUIPMENT RENTAL-	5,000	25,000	(20,000)	4,000	1,000
FACILITIES MAINTENANCE	20,000	-	20,000	15,000	5,000
OPERATING SUPPLIES	60,000	75,000	(15,000)	43,000	17,000
TOOL EXPENSE	10,000	-	10,000	3,000	7,000
SAFETY SUPPLIES	25,000	25,000	0	19,000	6,000
MRF Maintenance Total	\$ 1,545,892	\$ 1,633,873	\$ (87,981)	\$ 1,120,178	\$ 425,714

Landfill Operations, Site & Facilities, Scales

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
Landfill Operations					
SALARIES	\$ 1,232,524	\$ 922,771	\$ 309,753	\$ 1,086,786	\$ 145,738
EMPLOYER PAYROLL TAXES	17,872	13,380	4,491	15,324	2,548
EMPL. BENF.-DEFERRED COMP (457)	15,366	14,547	819	15,168	198
HEALTH INSURANCE	324,539	215,370	109,168	208,919	115,620
EMPL. BENF.-PERS	254,361	171,544	82,817	182,949	71,412
EMPL. BENF.-WORKERS COMP.	58,071	47,285	10,786	53,311	4,759
MEMBERSHIPS/CONFERENCES	3,000	3,000	-	480	2,520
COUNTY/STATE DISPOSAL FEES	1,000,000	1,200,000	(200,000)	1,050,000	(50,000)
OUTSIDE SERVICES	3,000	3,000	-	-	3,000
EE RECOGNITION/GOODWILL	2,000	2,000	(0)	2,000	-
MEDICAL SERVICES	500	1,000	(500)	1,000	(500)
TRAINING/EDUCATION	5,000	3,000	2,000	-	5,000
PROFESSIONAL SERVICES	50,000	50,000	(0)	259,000	(209,000)
EQUIPMENT RENTAL	75,000	125,000	(50,000)	106,000	(31,000)
FACILITIES MAINTENANCE	5,000	5,000	(0)	9,000	(4,000)
DIESEL & GAS	450,000	200,000	250,000	374,000	76,000
OPERATING SUPPLIES	100,000	200,000	(100,000)	114,000	(14,000)
SAFETY SUPPLIES	1,000	52,000	(51,000)	8,000	(7,000)
PA - ADOPT A HIGHWAY	1,500	-	1,500	2,000	(500)
Landfill Operations Total	\$ 3,598,732	\$ 3,228,898	\$ 369,834	\$ 3,487,937	\$ 110,795

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
Site & Facilities					
SALARIES	\$ 968,440	\$ 946,729	\$ 21,711	\$ 908,193	\$ 60,247
EMPLOYER PAYROLL TAXES	14,042	13,728	315	12,806	1,237
EMPL. BENF.-DEFERRED COMP (457)	14,007	13,214	793	10,808	3,200
HEALTH INSURANCE	334,006	227,582	106,424	203,390	130,616
EMPL. BENF.-PERS	197,947	175,778	22,168	169,669	28,278
EMPL. BENF.-WORKERS COMP.	61,721	61,906	(185)	53,612	8,109
MEETING SUPPLIES	1,000	1,000	0	-	1,000
MEMBERSHIPS/CONFERENCES	3,000	3,000	-	1,000	2,000
TRAVEL EXPENSE	2,000	2,000	-	1,000	1,000
GOVERNMENTAL FEES	-	100	(100)	-	-
OFFICE SUPPLIES	5,000	500	4,500	1,000	4,000
INFO SYS SUPPLIES/SERVICES	1,000	1,500	(500)	-	1,000
OUTSIDE SERVICES	350,000	350,000	(0)	324,000	26,000
UTILITIES	70,000	60,000	10,000	101,000	(31,000)
EE RECOGNITION/GOODWILL	2,000	3,000	(1,000)	2,000	-
MEDICAL SERVICES	1,500	3,000	(1,500)	2,000	(500)
TRAINING/EDUCATION	5,000	3,000	2,000	6,000	(1,000)
PROFESSIONAL SERVICES		5,000	(5,000)	200	(200)
LEACHATE R&M		15,000	(15,000)	-	-
EQUIPMENT RENTAL	45,000	50,000	(5,000)	84,000	(39,000)
FACILITIES MAINTENANCE	60,000	100,000	(40,000)	65,000	(5,000)
DIESEL & GAS	900,000	225,000	675,000	371,000	529,000
CNG FUEL	600,000	480,000	120,000	591,000	9,000
OPERATING SUPPLIES	75,000	150,000	(75,000)	79,000	(4,000)
SAFETY SUPPLIES	15,000	50,000	(35,000)	14,000	1,000
Site & Facilities Total	\$ 3,725,663	\$ 2,941,037	\$ 784,626	\$ 3,000,677	\$ 724,986

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
Scales					
SALARIES	\$ 528,500	\$ 459,100	\$ 69,400	\$ 452,953	\$ 75,546
EMPLOYER PAYROLL TAXES	7,663	6,657	1,006	6,387	1,277
EMPL. BENF.-DEFERRED COMP (457)	8,761	7,720	1,041	8,108	654
HEALTH INSURANCE	134,450	88,799	45,651	119,205	15,245
EMPL. BENF.-PERS	91,824	85,325	6,500	84,820	7,005
EMPL. BENF.-WORKERS COMP.	19,074	15,259	3,815	15,786	3,287
MEMBERSHIPS/CONFERENCES	1,000	2,000	(1,000)	-	1,000
GOVERNMENTAL FEES	4,000	2,500	1,500	4,000	-
OFFICE SUPPLIES	3,000	2,500	500	3,000	-
INFO SYS SUPPLIES/SERVICES	25,000	15,000	10,000	29,000	(4,000)
OUTSIDE SERVICES	5,000	12,000	(7,000)	-	5,000
EE RECOGNITION/GOODWILL	2,500	2,000	500	4,000	(1,500)
MEDICAL SERVICES	1,000	-	1,000	1,000	-
TRAINING/EDUCATION	2,500	2,000	500	1,000	1,500
CREDIT CARD FEES	135,000	125,000	10,000	123,000	12,000
EQUIPMENT R&M	30,000	25,000	5,000	34,000	(4,000)
FACILITIES MAINTENANCE	20,000	15,000	5,000	29,000	(9,000)
OPERATING SUPPLIES	2,000	-	2,000	2,000	-
SAFETY SUPPLIES	3,000	3,500	(500)	3,000	-
Scales Total	\$ 1,024,273	\$ 869,360	\$ 154,913	\$ 920,259	\$ 104,014

Organics Management

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
Organics					
CONTRACT RECYCLING	\$ 2,600,000	\$ 1,700,000	\$ 900,000	\$ 2,462,000	\$ 138,000

Landfill Gas to Energy

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
Landfill Gas					
SALARIES	\$ 488,088	\$ 398,363	\$ 89,724	\$ 485,089	\$ 2,998
EMPLOYER PAYROLL TAXES	7,077	5,776	1,301	6,840	238
EMPL. BENF.-DEFERRED COMP (457)	9,683	9,230	452	9,225	458
HEALTH INSURANCE	68,600	77,716	(9,116)	50,546	18,053
EMPL. BENF.-PERS	73,730	54,359	19,371	60,504	13,226
EMPL. BENF.-WORKERS COMP.	12,607	21,241	(8,634)	20,000	(7,393)
MEMBERSHIPS/CONFERENCES		5,000	(5,000)	350	(350)
TRAVEL EXPENSE	2,000	2,000	(0)	2,000	-
GOVERNMENTAL FEES		4,000	(4,000)	-	-
OFFICE SUPPLIES	1,000	500	500	1,000	-
INFO SYS SUPPLIES/SERVICES	2,000	2,000	(0)	-	2,000
OUTSIDE SERVICES	2,000	2,000	(0)	1,000	1,000
UTILITIES	12,000	12,000	-	11,000	1,000
EE RECOGNITION/GOODWILL	300	300	-	-	300
MEDICAL SERVICES	250	500	(250)	200	50
TRAINING/EDUCATION	10,000	5,000	5,000	5,000	5,000
ENVIRONMENTAL SERVICES	750,000	500,000	250,000	844,000	(94,000)
PROFESSIONAL SERVICES	10,000	20,000	(10,000)	1,000	9,000
POWER SALES SCHEDULING SERVICE	50,000	50,000	(0)	50,000	-
EQUIPMENT RENTAL	25,000	50,000	(25,000)	21,000	4,000
FACILITIES MAINTENANCE	10,000	20,000	(10,000)	6,000	4,000
DIESEL & GAS	-	3,000	(3,000)	15,000	(15,000)
OPERATING SUPPLIES	60,000	100,000	(40,000)	66,000	(6,000)
TOOL EXPENSE	2,000	-	2,000	1,000	1,000
SAFETY SUPPLIES	7,000	11,000	(4,000)	8,000	(1,000)
HW DISPOSAL	7,000	5,000	2,000	7,000	-
LFG GAS FIELD	10,000	25,000	(15,000)	5,000	5,000
LFG GAS SKID	100,000	70,000	30,000	38,000	62,000
R&M LFG CATERPILLAR #1	300,000	275,000	25,000	312,000	(12,000)
R&M LFG JENBACHER #2	300,000	175,000	125,000	134,000	166,000
R&M LFG JENBACHER #3	300,000	175,000	125,000	357,000	(57,000)
R&M LFG JENBACHER #4	200,000	275,000	(75,000)	147,000	53,000
LFG SWITCHGEAR	90,000	50,000	40,000	-	90,000
Landfill Gas Total	\$ 2,910,335	\$ 2,403,987	\$ 506,348	\$ 2,664,755	\$ 245,580



Household Hazardous Waste

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
Household Hazardous Waste					
SALARIES	\$ 435,942	\$ 411,013	\$ 24,930	\$ 449,468	\$ (13,526)
EMPLOYER PAYROLL TAXES	6,321	5,960	362	6,337	(16)
EMPL. BENF.-DEFERRED COMP (457)	12,214	12,217	(4)	11,835	378
HEALTH INSURANCE	108,150	82,328	25,823	80,436	27,714
EMPL. BENF.-PERS	95,802	82,203	13,599	87,008	8,793
EMPL. BENF.-WORKERS COMP.	32,918	33,086	(168)	33,532	(614)
TRAVEL EXPENSE	3,000	-	3,000	3,000	-
OFFICE SUPPLIES	500	500	(0)	1,000	(500)
INFO SYS SUPPLIES/SERVICES		500	(500)	-	-
OUTSIDE SERVICES	1,000	1,000	0	1,000	-
EE RECOGNITION/GOODWILL	600	1,000	(400)	-	600
MEDICAL SERVICES	250	1,000	(750)	-	250
TRAINING/EDUCATION	3,000	3,000	-	3,000	-
PROFESSIONAL SERVICES	2,500	2,500	0	35,000	(32,500)
EQUIPMENT R&M		1,000	(1,000)	-	-
EQUIPMENT RENTAL	1,000	-	1,000	4,000	(3,000)
FACILITIES MAINTENANCE	5,000	30,000	(25,000)	1,000	4,000
DIESEL & GAS	-	1,000	(1,000)	4,000	(4,000)
OPERATING SUPPLIES	10,000	6,000	4,000	9,000	1,000
SAFETY SUPPLIES	20,000	32,000	(12,000)	22,000	(2,000)
HW DISPOSAL	300,000	350,000	(50,000)	251,000	49,000
Household Hazardous Waste Total	\$ 1,038,197	\$ 1,056,306	\$ (18,109)	\$ 1,002,618	\$ 35,580

Last Chance Mercantile

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
Last Chance Mercantile					
HEALTH INSURANCE	\$ -	\$ -	\$ -	\$ 5,665	\$ (5,665)
OUTSIDE SERVICES	50,000	100,000	(50,000)	64,000	(14,000)
FACILITIES MAINTENANCE	10,000	50,000	(40,000)	1,000	9,000
SAFETY SUPPLIES	-	-	-	-	-
Last Chance Mercantile Total	\$ 60,000	\$ 150,000	\$ (90,000)	\$ 70,665	\$ (10,665)

Equipment Maintenance

Account	F24 Budget	F23 Budget	Higher/Lower F23 Budget	F23 Estimate	Higher/Lower F23 Estimate
Maintenance Shop					
SALARIES	\$ 1,302,400	\$ 1,203,150	\$ 99,250	\$ 1,241,528	\$ 60,872
EMPLOYER PAYROLL TAXES	18,885	17,446	1,439	17,506	1,379
EMPL. BENF.-DEFERRED COMP (457)	20,748	18,183	2,565	19,897	850
HEALTH INSURANCE	299,364	252,974	46,389	259,692	39,672
EMPL. BENF.-PERS	264,855	222,402	42,454	237,090	27,765
EMPL. BENF.-WORKERS COMP.	63,372	65,486	(2,114)	65,519	(2,147)
MEMBERSHIPS/CONFERENCES	2,400	2,400	-	1,500	900
TRAVEL EXPENSE	6,000	6,000	-	-	6,000
OFFICE SUPPLIES	3,000	3,000	-	-	3,000
INFO SYS SUPPLIES/SERVICES	12,000	12,000	-	5,000	7,000
OUTSIDE SERVICES	2,500	-	2,500	2,000	500
UTILITIES	1,500	300	1,200	1,000	500
EE RECOGNITION/GOODWILL	2,400	2,400	-	3,000	(600)
MEDICAL SERVICES	1,800	1,800	-	2,000	(200)
TRAINING/EDUCATION	15,000	15,000	-	5,000	10,000
EQUIPMENT R&M	1,000,000	1,000,000	0	862,000	138,000
EQUIPMENT RENTAL	10,000	10,000	0	3,000	7,000
FACILITIES MAINTENANCE	75,000	78,000	(3,000)	48,000	27,000
DIESEL & GAS	-	19,200	(19,200)	24,000	(24,000)
OPERATING SUPPLIES	185,000	135,000	50,000	159,000	26,000
TOOL EXPENSE	2,500	-	2,500	4,000	(1,500)
SAFETY SUPPLIES	27,500	24,000	3,500	25,000	2,500
Maintenance Shop Total	\$ 3,316,223	\$ 3,088,740	\$ 227,483	\$ 2,985,731	\$ 330,492

Glossary

ADC – Alternative daily cover means cover material other than earthen material placed on the surface of the active face of a landfill at the end of each operating day to control vectors, fires, odors, blowing litter, and scavenging.

C&D – Construction and demolition debris typically processed in the MRF.

CIP - Capital improvement projects that are Infrastructure investment projects designed to improve existing District facilities or add material processing and handling capacity.

Cash Operating Reserve – Board policy that establishes a ‘rainy day’ cash reserve target 20% of cash-related operating reserves, calculated as Net Income (Change in Net Position), minus non-cash expenses such as depreciation, amortization and landfill closure and post-closure costs.

Contract Waste – Waste delivered to the District by contract. Generally, this term refers to material that is MRF residue from waste processed in San Jose and alternative daily cover and is delivered under contract with GreenWaste Recovery and Zanker Road Resource Management.

CRV – California Redemption/Refund Value. This refers to California's Beverage Container Recycling Program run by CalRecycle, which provides a cash incentive to recover and recycle beverage containers.

FTE – Full time equivalent. FTE is a way to reflect the budget impact equal to a fully employed and funded position.

HHW – Household hazardous waste refers to leftover household products that can catch fire, react, or explode under certain circumstances, or that are corrosive or toxic. Products, such as paints, cleaners, oils, batteries, and pesticides can contain hazardous ingredients and require special care when disposed of. These materials are handled by the District’s HHW department.

LCM – Last Change Mercantile is the District’s reuse store that is stocked by donations from the public or items recovered by District staff determined to have additional useful life.

LFGTE – Landfill gas to energy facility. This is the District’s collection of engines used to burn recovered landfill gas for the purposes of generating electricity.

Mobile Equipment – The District’s Mobile Equipment includes both the heavy equipment used throughout operations for waste handling (often referred to by staff as the ‘Yellow Iron’) and the truck, cars and other vehicles used throughout the site.

MRF – Materials Recovery Facility used to sort and recover recyclable materials from the waste stream.

MSW – Municipal solid waste. Also known as refuse, garbage or household trash.

Organics – Biodegradable material that comes from either a plant or an animal. Organic materials currently specially managed by the District include food waste, yard waste and other wood waste.

Regional Waste - Waste delivered to the District by contract from communities in the Monterey Bay area. Generally, this term refers to waste delivered from Santa Cruz, Capitola, Watsonville

MEMO



Discussion/Action

Item #: 3

Meeting Date: May 3, 2023

To: Finance Committee
From: Director of Engineering & Compliance, Guy R. Petraborg
Approved by: General Manager, Felipe Melchor

Subject: Discuss Draft Lease and Feasibility Study Agreement for the Sitos Group and Biochar Pilot

Recommendation

Provide direction to Staff.

Background

Windrow composting of yard waste (aka “green waste”) materials and food wastes have been conducted at ReGen’s facility in northwestern Monterey County since about 1985 (~37 years). The Keith Day Company, Inc. (KDCI) has been ReGen’s contracted operator of the windrow composting since about 2009 (~13 years) and is well established as a service provider in the tri-county area of Monterey, San Benito, and Santa Cruz counties. The main product that KDCI produces at the ReGen site is an organic certified compost for agricultural customers. One of those agricultural customers is Monterey Pacific, Inc. (MPI), a Soledad based company whose mission is to provide professional Applied Agricultural Science services for vineyards located in the Central Coast region. MPI has interest in a higher quality compost product that has improved moisture and nutrient retention characteristics and subsequent extended dispersal behavior such as exhibited by some biochar materials. MPI has connected with Mayo Ryan, CEO of the Sitos Group, LLC (Sitos Group), regarding biochar production and has also joined the Sitos Group’s Board of Directors in support of further developing biochar production. Last year they approached KDCI to explore the potential for producing biochar from the feedstock materials, or their derivatives, present at the ReGen facility. Potential biochar feedstocks were initially identified as natural woody materials and “compost overs” which are larger wood chips that are difficult to use as ground cover. With unanimous interest by the three parties (KDCI, MPI, and the Sitos Group) for those feedstocks, they approached ReGen in November 2022 to propose a Pilot Study.

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Let’s not waste this.



This memo summarizes the scope and terms of the Biochar Technology Pilot Study proposed by the Sitos Group presented in the January 2023 Board Meeting. A Draft lease and study agreement is attached to this memo for the Finance Committee's review and comment. The draft agreement is intended to incorporate the terms outlined below and discussed at the January 2023 Board Meeting. A discussion of the draft agreement will occur at the Finance Committee meeting.

Discussion

The Sitos Group was formed in 2021 and consists of the following persons:



Mayo Ryan is the CEO of the Sitos Group and is an experienced farm management, agricultural, and food industry executive with a Master of Business Administration (MBA) focused on Agribusiness and Food from Santa Clara University. The Sitos Group's Central Coast connection is Steve McIntyre of MPI, a long-term customer of organic compost produced at the ReGen facility by KDCI. Collectively the parties have proposed a Biochar Technology Pilot Study at the ReGen Facility. The partnership for the Pilot Study is presented in the next figure below and consists of the Sitos Group as the lead and biochar operator; Applied Gaia as the major equipment supplier; KDCI to assist in feedstock transfer to Sitos Group for biochar production and subsequent blending of biochar with organic compost and delivery to MPI; and MPI's use of the biochar amended compost and associated field studies of those materials.



Natural woody materials and “compost overs” (aka wood chips) available at the ReGen facility are the initial biochar feedstocks of interest. Other organic materials and a relatively dry WWTP biosolid waste are possible materials that may be investigated as part of the Biochar Technology Pilot Study.

The Biochar Pilot Study Partnership

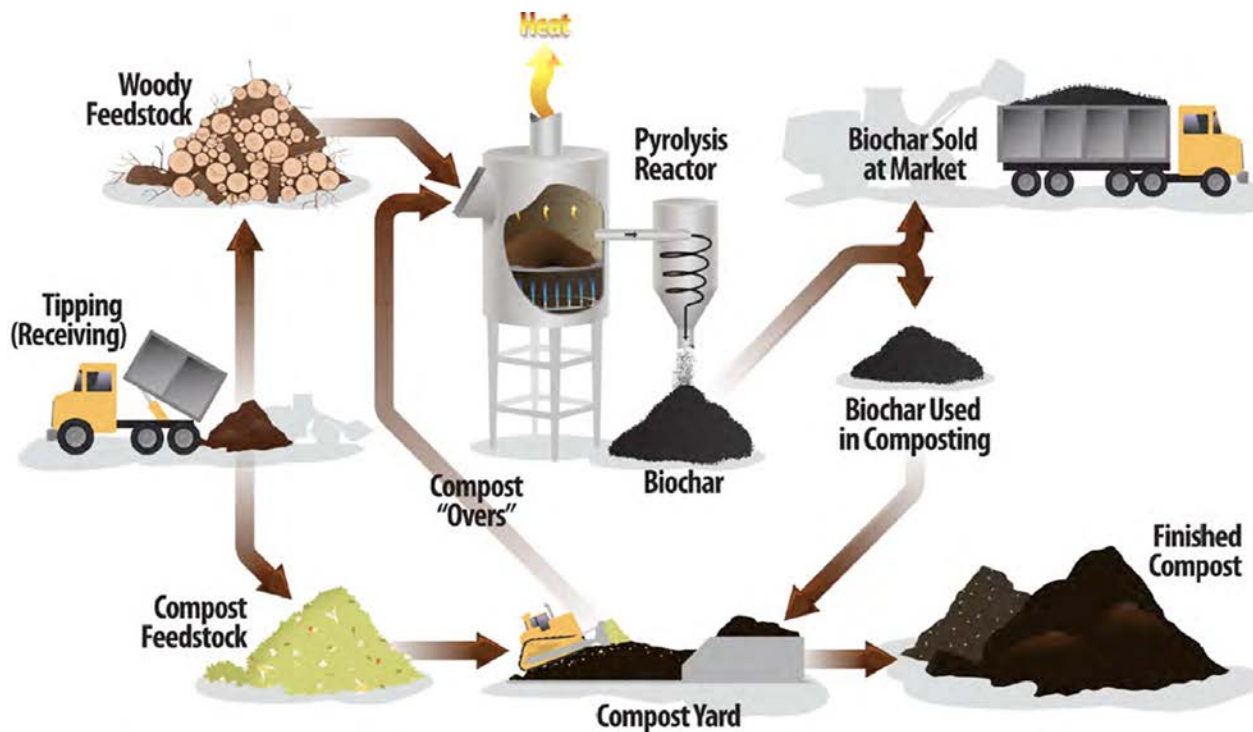


The Pilot Study will be located at the former Old Last Chance Mercantile building slab and in the permit area of the Compost facility area as shown below:





Biochar is produced when plant matter is heated at elevated temperatures such as in nature by forest fires or by man in a controlled process called Pyrolysis. Pyrolysis is an oxygen limited (deficient) process with temperatures between 600 and 1500 degrees Fahrenheit that can transform woody materials or “compost overs” (aka wood chips) into a stabilized “coral like” carbon structure with relatively high surface area and related moisture/nutrient retention capacity characteristics. There are less carbon emissions in the Pyrolysis process as compared to the aerobic decomposition process of composting operations or the anaerobic decomposition process of landfills and digestors. This is known as ‘carbon sequestration’. The process to produce biochar is graphically illustrated below.



The Pyrolysis process does generate significant heat that can have other beneficial uses; such as to generate electricity, used as heat in other treatment processes, and/or for drying of materials biosolids, for example). These beneficial use alternatives are not proposed as part of the Pilot Study. However, the biochar alternative will be studied over the next six months or so as part of the Joint Feasibility Study (JFS) that M1W-ReGen have approved and for which GHD has been contracted for. The JFS will take into consideration these other potential beneficial uses of the Pyrolysis process and options such as a biosolids produced biochar as a concrete industry admixture. The Pilot Study will investigate the carbon content and the carbon stabilization process using the “Puro. Earth” lifecycle assessment for the purpose to define the carbon efficiency of the process and to establish a basis for a Carbon Removal Certification (CORC), a trading market unit of monetary value.



Staff's discussions with the Sitos Group's principals have resulted in the following proposed terms for development of Biochar Technology Pilot Study Contract Agreement:

1. Term of Pilot Study

(Assumed) Board Approval of Terms	1/20/2023
Draft Agreement Finance Committee MTG	3/03/2023
(Assumed) Board Approval of Agreement	3/19/2023
Pilot Study Agreement Start Date	4/01/2023
Equipment Setup & Startup	6/30/23 (initial completed)
Pilot Study Agreement Termination Date	6/30/2024
Optional 1-Year Agreement Extension	6/30/2025

2. Delivery of Organic Waste Materials

ReGen to provide access to Organic Materials in Keith Day Company's possession
Annual Minimum/Maximum (tons) - N/A (not applicable) for Pilot Study
ReGen to arrange for biosolid materials, if available with suitable moisture conditions

3. Responsibilities

The Sitos Group -

Mobilization & Demobilization of equipment (1st pilot machine)
Complete Permitting (Building/Electrical; Authority To Construct, etc.)
Complete the Puro.earth Life-Cycle Assessment
Obtain emissions data for future Permit to Operate (PTO)
Operate up to full production capacity June 2023 through June 2024
Develop SCADA system for multi-machine, multi-plant operations
Provide Pilot Study CapEx Investment (~ \$1.2M)
Manages the Pilot Study, collects data, and reports findings

ReGen –

Provide access to land, utilities (at cost, where applicable)
Provide access to Organic Waste (Biomass) Materials (at 'no cost')

4. Compensation

"TO" the Sitos Group "FROM" ReGen – no compensation expected
"FROM" the Sitos Group "TO" ReGen – 'at cost' for any land/utilities/etc. (reimbursable)

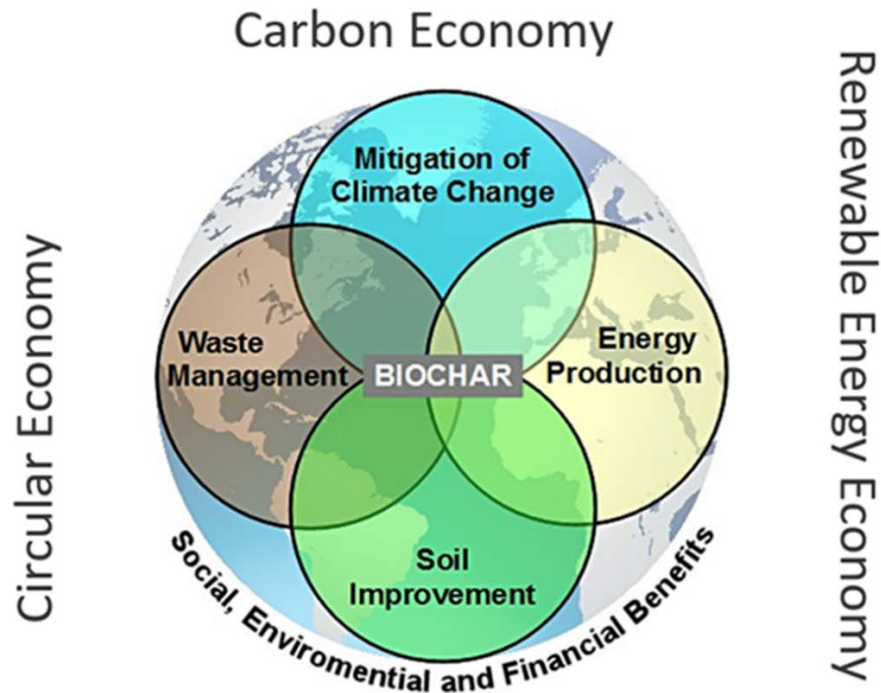
Financial Impact

There is no anticipated financial impact associated with ReGen's hosting of the proposed Biochar Technology Pilot Study with the Sitos Group. ReGen is not anticipating any increased revenue during the Pilot Study period (none are proposed). Additionally, ReGen is not anticipating any increased expenses during the Pilot Study period (ReGen costs for any land, utilities, or other support are proposed as 'reimbursable costs'). There will be ReGen staff support periodically during the Pilot Study that are anticipated to be part of ReGen's support of the Pilot Study and are not proposed to be compensated for during the Pilot Study.



Strategic Plan

The proposed Biochar Technology Pilot Study aligns with ReGen’s Strategic Plan as it is intended to provide a higher beneficial reuse of an organic waste material by transforming that material to a biochar and using the biochar as an admix agent to organic compost produced onsite by the Keith Day Company. The biochar amended organic compost is an upgraded material as an agricultural product of higher quality which is desired by some Monterey County farmers.



Conclusion

Given the potential to i) increase beneficial use of woody feedstock and “compost overs” (aka wood chips), ii) produce a biochar-organic compost mix desired by the local agricultural industry, and iii) create a marketable asset of monetary value associated with carbon sequestration characteristics; staff encourages the Finance Committee to provide guidance to staff to finalize the attached draft agreement for the Sitos Group’s Biochar Pilot Study and subsequent presentation to the Board for their further consideration and approval in May 2023.

cc: Draft – Land Lease and Feasibility Study Agreement
Draft – Exhibit B Insurance Requirements

LAND LEASE AND FEASIBILITY STUDY AGREEMENT
for
Biochar Technology Pilot Study

THIS LAND LEASE and AGREEMENT (the “Agreement” or the “Agreement and Lease”) is made and entered into on May [REDACTED], 2023, by and between the MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT, dba ReGen Monterey, a public entity duly organized pursuant to the provisions of California Health and Safety Code §§4170 *et seq.*, (the “District”), and THE SITOS GROUP, a [REDACTED] (LLC or INC - organizational status) (“Sitos”), as follows:

Recitals

This Agreement is entered into with reference to the following facts and circumstances, which are hereby found and determined by the parties:

- A. The District owns and operates under a Use Permit from the County of Monterey for a Class III sanitary landfill for the disposal of municipal solid waste and other acceptable waste streams. A portion of the permitted 315-acre landfill site has also been set aside for an extensive composting facility, which is operated under a lease from the District by the Keith Day Company, Inc.
- B. Sitos has been involved in developing a new technology to repurpose wood and yard debris (aka “green waste”) materials and biosolids into a stable carbon product called biochar, which has a value when sequestered in a soil amendment or in construction materials. Sitos proposes to set up pyrolysis equipment on a one-to-two-acre District land area that would use woody and green waste feedstock provided by the District from the Keith Day Company facility to convert same to biochar.
- C. The proposed Biochar Technology Pilot Study aligns with the District’s ReGen Strategic Plan as it is intended to provide a higher beneficial reuse of an organic waste material by transforming that material to a biochar and using the biochar as an admix agent to organic compost produced onsite by the Keith Day Company, an upgraded material as an agricultural product of higher quality which will be desired by Monterey County farmers.
- D. The biochar pilot study is proposed to operate for one year, from approximately June 2023 to June 2024, after which time the results of the pilot study would be evaluated by the parties, both separately and together, to determine if they agree that it is practical and worthwhile to continue the pilot study and use of the pyrolysis equipment on the District’s property for a longer term of up to one year and ending on

June 30, 2025.

- E. It is mutually agreed by the parties hereto that this Agreement is entered into upon and subject to the following terms, covenants, conditions and provisions, and Sitos covenants, as a material part of the consideration of this Agreement, to keep, perform and comply with each and all of said terms, covenants, conditions and provisions to be kept, performed and complied with, and this Agreement is made and entered into upon the condition of such performance and compliance.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises hereinafter set forth, District and Sitos agree to the following terms and conditions:

Terms and Conditions

ARTICLE I. PREMISES AND TERM

1.02 Leased Premises. District, for and in consideration of the covenants and conditions herein contained to be kept, performed and observed by Sitos, does hereby lease to Sitos, and Sitos does hereby lease and accept from District, a parcel of real property, hereinafter referred to as the "Premises," consisting of approximately one-to-two (1-2) acres, more or less, of the District's sanitary landfill site near the Salinas River and north of Marina, California, the specific location of which Premises are designated and outlined on the map of the landfill site and the Premises which is attached as **Exhibit A** hereto, and which is incorporated herein and initialed by both parties hereto. The specific acreage of the leased Premises shall be determined by a survey of the property, along with a legal description. Any redesignations or changes in the specific location of the Premises during the term of this Agreement, or any extensions hereof, or any revisions in the total number of acres leased to Sitos, shall be done only within the sole discretion of the District's General Manager, with the approval of the District's Board of Directors, and upon 90 days prior written notice to Sitos.

1.03 Term of Agreement/Lease. The base term of this Agreement and this Lease shall be for one year, commencing on or about on the first day of June 2023, and continuing for thirteen (13) months thereafter, to June 30, 2024. Prior to June 1, 2024, the parties will meet and confer to evaluate the results of the study, at which time the parties may mutually decide to discuss and negotiate a further continuance of this Agreement and Lease for another twelve (12) months ending June 30, 2025, at terms and provisions to be mutually agreed upon in writing by the parties hereto.

ARTICLE 2. LEASE PAYMENTS/RENT

2.01 Rent. During the limited one-year term of this Agreement and Lease, and the twelve (12) month optional extension if mutually agreed to, no rent or lease payments shall be due and payable by Sitos to the District.

2.02 Holding Over. Any holding over of or leaving equipment on the Premises by Sitos

after the expiration of three months following the end of this Agreement and Lease, with the consent of the District, shall be construed to be a tenancy from month-to-month at a monthly rental to be established in writing in the sole discretion of the District. Sitos's occupancy during any period of holding over shall otherwise be on the same terms and conditions herein specified so far as applicable.

ARTICLE 3. UTILITIES AND TAXES

3.01 Sitos to Pay Utilities. Sitos shall pay all charges for water, heat, gas, electricity, telephone service, rubbish removal, portable toilet service and any and all other utility services of any kind and nature whatsoever, supplied to and used on the Premises, or any office trailer located off the Premises, throughout the term of this Agreement and Lease. All utility lines shall be installed underground by a California licensed and registered public works contractor retained by the District for Sitos, at Sitos' expense. With the written permission of District, Sitos shall have the right of first refusal for any excess potable as well as non-potable water resulting from the District's landfill operations, charged at actual cost.

3.02 Sitos to Pay Any Levied Taxes. Sitos is hereby specifically notified that although the District is a public entity not normally subject to property taxes upon its real property, the Premises leased hereby to Sitos and its possessory interest therein may possibly be subject to the payment of property taxes levied thereon, for which Sitos shall be liable.

ARTICLE 4. USE AND OCCUPANCY

4.01 Use of Premises. Sitos shall use the premises solely for the purpose of conducting and carrying on its biochar technology pilot study project, and for other uses normally incident thereto, and for no other purpose without first obtaining the prior written consent of the District. Sitos agrees to utilize woody and yard debris (aka "green waste") material and if available, biosolids, feedstock provided by the District, or by the Keith Day Company, to the extent possible, provided to Sitos at cost or without cost. Sitos may also import feedstock materials. To the extent such imports may interfere with use of District's feedstock materials, District and Sitos agree to discuss and resolve such issues in writing. In no event may any imported feedstock materials be accepted by Sitos without a District tipping fee have been received by the District.

4.02 Maintenance and Restoration. Sitos shall, at its own cost and expense, keep and maintain the Premises and all improvements and facilities on the Premises in good order and repair and in as safe and clean a condition as they were when placed by Sitos on the Premises or received from the District, reasonable wear and tear excepted, and upon termination of this Agreement and Lease, Sitos shall restore the Premises to a reasonably similar condition as existed prior to the entry thereon by Sitos, and shall remove all improvements, personal property and stored feedstock materials therefrom.

4.03 Access to Premises. The District shall provide Sitos with access to said Premises by means of an access road across District's property.

4.04 Tenant Improvements. Sitos shall be financially responsible for the construction of any tenant improvements that may be necessary to its pilot study operations for which Sitos has received the District's consent for said improvements. Improvements to/on District property shall be completed in accordance with applicable local, state, and federal regulations and applicable requirements of California public works provisions.

4.05 Drainage. Drainage from any improvements to or alterations of the Premises shall be engineered by Sitos, with assistance from the District, so that District's remaining lands are not adversely affected and so that surface flows over and above those generated by such land in its present unimproved state are retained and disposed of on site by means of a percolation pond. Sitos shall be responsible for maintaining the working surface grade to avoid the accumulation of standing water caused by creation of low spots.

4.06 Public Health and Safety. Sitos shall supply systems on the Premises for the protection of public health and safety, including without limitation, a fire control program and provisions for vector control. Tenant shall operate the pyrolysis facility so as to minimize potential health and safety problems for employees of both Sitos and District, users of the landfill site and neighboring properties. Sitos shall operate and maintain the pilot study facility in a neat and orderly manner and shall police the area as frequently as necessary to prevent litter from blowing off the premises of the facility.

4.07 Odor Control. Sitos shall conduct the pilot study operation in such a manner as to minimize odors, especially the migration of odors to adjacent properties on and off the landfill disposal site. The feedstock material shall be maintained to the extent possible in an aerobic condition to avoid odors produced by anaerobic conditions. It is specifically acknowledged by District that by its nature, even a well-designed and operated aerobic facility may occasionally generate odors which are perceived by some to be offensive. Sitos shall not be considered in default if offensive odors are generated occasionally, provided the facility is operated according to the provisions of this Agreement and Lease and the requirements of all applicable permits and regulations for the pilot study facility. In the event that offensive odors are generated occasionally which result in complaints and Sitos is operating the facility in accordance with this Agreement and Lease and applicable permits and regulations, Sitos and District shall work together in resolving such complaints.

4.08 Waste and Nuisance Prohibited. Sitos shall not commit or permit the commission by others of any waste spillage or disposal on the Premises, shall not maintain, commit or permit the maintenance or commission of any nuisance as defined in Section 3479 of the California Civil Code on the Premises, and shall not use or permit the use of the Premises for any unlawful purpose.

4.09 Dust Control. To minimize the generation of fugitive dust leaving the Premises, Sitos shall apply water and/or dust mitigation measures to operational emission points of the pilot study facility area as may be necessary to control fugitive dust emissions from the pilot study activities and site.

4.10 Fire Control. Sitos shall design the pilot study facility so that a fire control program can be implemented. The fire control program shall be implemented in accordance with

requirements of the local fire department providing fire protection and suppression services to the District's landfill disposal site, insurance underwriters requirements and all applicable local rules.

4.11 Materials Storage Requirements. Long-term storage of feedstock materials is only acceptable to the extent that satisfactory odor, vector, dust, and fire control measures are employed to eliminate nuisance, health and safety problems. In the event Sitos fails to store materials in an acceptable manner as set forth in this Agreement and Lease, Sitos shall defend and indemnify the District from all liability and expense resulting from such failure, including, without limitation, nuisance claims by neighboring land users and owners.

4.12 Environmental Requirements. Sitos shall ensure that the operations of the pilot study facility are in compliance with all permit conditions that may be issued for the facility, including without limitation, permits issued by the California Integrated Waste Management Board, the California Regional Water Quality Control Board, the Monterey Bay Unified Air Pollution Control District, and the County of Monterey. The District holds the Land Use Permit from Monterey County.

4.13 Educational Opportunities. Upon notice, and with supervision, Sitos may agree to allow for public education opportunities. Such opportunities may be arranged and conducted by either Sitos or the District with the mutual consent of the other party.

4.14 Compliance with Governmental Authorities. Sitos shall comply with and shall observe in its use of the Premises all requirements of all governmental authorities, local, state, and federal, in force now or in the future, affecting the Premises or the pilot study operations of Sitos.

4.15 Inspection by District. Sitos, upon notice, shall permit the District or District's agents, representatives or employees to enter the Premises at all reasonable times for the purpose of inspecting the Premises to determine whether Sitos is complying with the terms of this Agreement and Lease and for the purpose of doing other lawful acts that may be necessary to protect District's interest in the Premises under this Agreement/Lease.

4.16 Liens and Claims. Sitos shall promptly pay when due all amounts payable for labor and materials furnished to Sitos, so as to prevent any lien or other claim under any provision of law from arising against the District or the Premises and shall pay all amounts due under the Unemployment Insurance Act with respect to such labor.

ARTICLE 5. INDEMNITY AND INSURANCE

5.01 a) No Liability of District for Acts of Sitos. The District, its Board of Directors, officers, employees and agents shall not be liable at any time for any loss, damage, injury to the property or person or any person whomsoever, claims, lawsuits, costs, expenses, attorney's fees, court costs or any other cost at any time occasioned by or arising out of any act or omission of Sitos, or any employee or agent of Sitos, or of anyone holding under Sitos or from the occupancy or use of the Premises or any part thereof by or under Sitos, or directly or indirectly from any state or condition of the Premises or any part thereof during the term of this Agreement and Lease.

b) Indemnification of District. Notwithstanding anything to the contrary in this Agreement and Lease, to the full extent permitted by law, Sitos shall defend, protect, indemnify, and hold the District, its Board of Directors, officers, employees and agents, and the Premises, free and harmless from any and all damages, liabilities, claims, suits, actions, proceedings, costs and expenses of whatsoever nature, without limitation or restriction, arising under the terms of this Agreement/Lease or arising out of or in connection with the operation carried on by Sitos on, or the use or occupancy of, the Premises.

5.02 Insurance Requirements. Without limiting the duty of Sitos to indemnify, Sitos shall maintain in effect throughout the initial and any extended term of the Agreement and Lease the insurance coverage set forth in **Exhibit B**, attached hereto and incorporated herein by this reference. Sitos will have the District, its board, officers, employees and agents named as additional insureds or covered parties with respect to claims arising out of the performance of Sitos's operations under this Agreement and Lease, including ongoing and completed operations, and shall further provide that its coverage is primary to any insurance or self-insurance maintained by the District, and that the insurance of an additional insured or covered party shall not be called upon to contribute to a loss covered by the Sitos's primary coverage.

5.03 Certificate of Coverage. A certificate of coverage, certifying the Sitos's coverage, which shall meet all requirements of this Agreement and Lease, shall be provided to the District prior to the execution of this Agreement/Lease. Acceptance of the certificate of coverage shall in no way modify or change the indemnification provisions of this Agreement/Lease, which shall remain in full force and effect. District shall be provided with thirty (30) days' prior written notice of any reduction in coverage or limit, cancellation or intended cancellations.

5.04 Compliance with Insurance Policies. Sitos shall comply with all of the terms and conditions of each insurance policy maintained pursuant to the terms of this Agreement and Lease to the extent necessary to avoid invalidating such insurance policy or impairing the coverage available thereunder.

5.05 Limits. The limits of insurance maintained by the Sitos shall not be construed as limits on its indemnification obligations set forth in this Agreement/ Lease.

ARTICLE 6. DEFAULT AND REMEDIES

6.01 Default. District may, at its option and without limiting District in the exercise of any other right or remedy it may have on account of a default or breach by Sitos, exercise the rights and remedies specified in paragraph 6.02 if:

a) Payment Default. Sitos defaults in the payment of any money agreed to be paid by Sitos to District for rent, if and when required, or to be paid for utilities, improvements, or for any other purpose under this Agreement and Lease, and if such default continues for ten days after written notice to Sitos by District.

b) Other Default: Sitos defaults in the performance of any other of its agreements, conditions or covenants under this Agreement and Lease and such default continues for ten days, plus such period of delay as Sitos may encounter in the performance of its agreements by reason of matters beyond the control of Sitos.

6.02 Remedies. On any breach or default District may exercise any of the following rights after the periods of time stated in paragraph 6.01:

a) Re-entry and Removal and Storage of Property and Repairs. After a 5-day advance written notice from the District to Sitos the District may re-enter and remove all persons and property from the Premises, storing the personal property in a public warehouse or elsewhere at the cost of, for the account of, and at the risk of Sitos.

b) Termination of Agreement/Lease and Damages. Terminate this Agreement and Lease, in which event Sitos agrees to immediately surrender possession of the Premises, and to pay to District, in addition to any other remedy District may have, all damages District may incur by reason of Sitos's defaults, including the cost of recovering the Premises.

6.03 No Waiver of Default. District's failure to take advantage of any default or breach of covenant on the part of Sitos shall not be, or be construed as, a waiver hereof, nor shall any custom or practice which may grow up between the parties in the course of administering this Agreement and Lease be construed to waive or to lessen the right of District to insist upon the performance by Sitos of any term, covenant, or condition hereof, or to exercise any rights given it on account of any such default. A waiver of a particular breach, or default, shall not be deemed to be a waiver of the same or any other subsequent breach or default.

6.04 Remedies Cumulative. The rights, powers, elections, and remedies of the District contained in this Agreement and Lease shall be construed as cumulative and no one of them is or shall be considered exclusive of the other or exclusive of any rights or remedies allowed by law, and the exercise of one or more rights, powers, elections, or remedies shall not impair District's right to exercise any other.

ARTICLE 7. GENERAL PROVISIONS

7.01 Confidentiality and Non-Disclosure. With regard to the biochar technology pilot study provided for by the parties in this Agreement and Lease, it is anticipated that each party on occasion may furnish to the other certain confidential and/or proprietary information and property, and therefor the parties have prepared and agreed upon a separate Mutual Confidentiality and Non-Disclosure Agreement to apply to their activities under this Agreement and Lease, and same is attached as **Exhibit C** hereto and is incorporated herein by this reference thereto.

7.02 Dispute Resolution.

a) Duty to Meet and Confer. If any dispute arises between the parties as to proper interpretation

or application of this Agreement and Lease, the parties shall first meet and confer in a good faith attempt to resolve the matter between themselves. Representatives of each party will personally meet and attempt in good faith to resolve the dispute.

b) Mediation. If their representatives are unable to resolve the dispute within 15 days thereafter, the parties agree to first endeavor to settle the dispute in an amicable manner, using mandatory non-binding mediation under the rules of the Judicial Arbitration and Mediation Service ("JAMS"). The expenses of witnesses for either side shall be paid for the party producing such witnesses. All other expenses of the mediation shall be borne equally by the parties, unless they agree otherwise. Any resultant agreements from mediation shall be documented in writing. All mediation proceedings, results, and documentation shall be inadmissible for any purpose in any legal proceeding (pursuant to California Evidence Codes sections 1115 through 1128), unless otherwise agreed upon in writing by both parties. Mediators shall not be subject to any subpoena or liability, and their actions shall not be subject to discovery. Mediation shall be completed within 30 days after request for the mediation by either party or such additional time as may be mutually agreed upon in writing by both parties.

c) Arbitration. If the dispute is not or cannot be resolved by mediation, the parties may mutually agree (but only as to those issues of the matter not resolved by mediation) to submit their dispute to arbitration. Before commencement of the arbitration, the parties may elect to have the arbitration proceed on an informal basis; however, if the parties are unable so to agree, then the arbitration shall be conducted under the rules of JAMS. The decision of the arbitrator shall be binding, unless within 30 days after issuance of the arbitrator's written decision a party files an action in a court of law. Venue and jurisdiction for any legal proceeding between the parties shall lie in the Superior Court for the County of Monterey.

7.03 Conditions and Covenants. All of the provisions of this Agreement and Lease shall be deemed as running with the land, and construed to be "conditions" as well as "covenants" as though the words specifically expressing or imparting covenants and conditions were used in each separate provision.

7.04 No Waiver of Breach. No failure by either District or Sitos to insist upon the strict performance by the other of any covenant, agreement, term, or condition of this Agreement and Lease or to exercise any right or remedy consequent upon a breach thereof, shall constitute a waiver of any such breach or of such covenant, agreement, term, or condition. No waiver of any breach shall affect or alter this Agreement and Lease, but each and every covenant, condition, agreement, and term of this Agreement/Lease shall continue in full force and effect with respect to any other then existing or subsequent breach.

7.05 Time of Essence. Time is of the essence of this Agreement and Lease, and of each provision hereof.

7.06 Subleasing and Assigning. Sitos shall not encumber, assign or otherwise transfer this Agreement and Lease or any right or interest in this Agreement/Lease, or any right or interest in the Premises, without the express written consent of the District first had and obtained. Neither shall Sitos sublet the Premises or any part thereof or allow any other persons, other than Sitos's agents, employees and customers to occupy or use the premises or any part thereof without the prior written consent of District.

7.07 Insolvency of Sitos. The insolvency of Sitos as evidenced by a receiver being appointed to take possession of all or substantially all of the property of Sitos, the making of a general assignment for the benefit of creditors by Sitos, or the adjudication of Sitos as a bankrupt under the Federal Bankruptcy Act, shall terminate this Agreement and Lease and entitle District to re-enter and regain possession of the Premises.

7.08 Binding on Heirs and Successors. This Agreement and Lease shall be binding on and shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of the parties hereto.

7.09 Entire Agreement. This Agreement and Lease contains the entire agreement of the parties with respect to the matters covered by this Agreement/Lease, and no other agreement, statement or promise made by any party, or to any employee, officer or agent of any party, which is not contained in this Agreement/Lease, shall be binding or valid.

7.10 Partial Invalidity. If any term, covenant, condition, or provision of this Agreement and Lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

7.11 Attorney's Fees. Should either party commence any legal action or proceeding against the other based on this Lease, the prevailing party shall be entitled to an award of attorney's fees.

7.12 Modification. This Agreement and Lease is not subject to modification except in a writing signed by both parties.

7.13 a) Delivery of Notices-Method and Time. All notices, demands, or requests from one party to another may be personally delivered or sent by mail, certified or registered, postage prepaid, to the addresses stated in this section, and shall be deemed to have been given at the time of personal delivery or at the end of the second full day following the date of mailing.

b) Notices to District. All notices, demands, or requests from Sitos to District shall be given to District at the District's offices at 14201 Del Monte Boulevard, Monterey County (Salinas), California, or at Post Office Box 1670, Marina, California, 93933-1670.

c) Notices to Sitos. All notices, demands, or requests from District to Sitos shall be given to Sitos at _____ **[Current address]**.

d) Change of Address. Each party shall have the right, from time-to-time, to designate a different address by notice given in conformity with this section.

7.14 Counterparts. This Agreement and Lease, consisting of ten (10) pages, plus Exhibits A, B and C, has been executed by the parties hereto in two counterparts, each of which shall be deemed to be an original copy.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have executed this Agreement in duplicate on the date first hereinabove stated at District's office at 14201 Del Monte Boulevard, Monterey County (Salinas), California 93908.

MONTEREY REGIONAL WASTE
MANAGEMENT DISTRICT

THE SITOS GROUP, LLC

By _____
Chairman

By _____
Mayo Ryan, CEO

And by _____
General Manager

EXHIBIT A - Map showing location of premises [to be initialed by the parties and attached.]

EXHIBIT B - Insurance Requirements

EXHIBIT C - Mutual Confidentiality and Non-Disclosure Agreement

EXHIBIT B

INSURANCE REQUIREMENTS

Without limiting Sitos's indemnification obligations to District under this Agreement and Lease, Sitos shall provide and maintain for the duration of this Agreement and Lease insurance against claims for injuries to persons or damages to property which may arise from or in connection with the Aitos's operation and use of the leased premises. The cost of such insurance shall be borne by the Sitos.

1. Minimum Scope of Insurance

Coverage shall be at least as broad as:

A. Commercial General Liability, Occurrence form, Insurance Services Office Form CG0001.

B. Automobile Liability covering all owned, non-owned and hired auto, Insurance Services Office Form CA0001.

C. Workers Compensation, as required by State of California and Employer's Liability Insurance.

D. Property Insurance against all risk or special form perils, including Replacement Cost and debris removal coverage for any Improvements, without deduction for depreciation, constructed or erected by Sitos, and the personal property of Sitos, its agents and employees.

E. Pollution Legal Liability and Remediation and/or Errors & Omissions applicable to underground or above ground fuel storage tanks, fueling or refueling operations with a limit no less than \$1,000,000 per claim or occurrence and \$2,000,000 aggregate per policy period of one year. This policy shall be endorsed to cover materials to be transported by Sitos.

2. Minimum Limits of Insurance

Sitos shall maintain limits no less than:

A. Commercial General Liability including Premises, Operations, Products and Completed Operations, Contractual Liability and Independent Contractors: \$1,000,000 per occurrence for bodily injury, personal injury and property damage. The General Aggregate limit shall be \$2,000,000 and shall be a Per Location Aggregate. Fire Damage Limit (Any One Fire) \$300,000 and Medical Expense Limit (Any One Person) \$5,000.

B. Automobile Liability: \$1,000,000 each accident for bodily injury and property damage. Coverage will include contractual liability.

C. Employers Liability: \$1,000,000 each accident for bodily injury or disease. Coverage shall include a waiver of subrogation endorsement in favor of the District.

D. Property: Full replacement cost with no coinsurance penalty provision.

3. Deductibles and Self-Insured Retentions

Any liability deductible or self-insured retention must be declared to and approved by the

District's General Manager or his or her designee. The property insurance deductible shall not exceed \$5,000 per occurrence and shall be borne by Sitos.

4. Other Insurance Provisions

The general liability and automobile liability policies are to contain, or be endorsed to contain the following provisions:

A. Additional Insured Endorsement: Any general liability policy provided by Sitos shall contain an additional insured endorsement applying coverage to the District, the members of the District Board of Directors and the officers, agents and employees of the District, individually and collectively.

B. Primary Insurance Endorsement: For any claims related to this Agreement and Lease, Sitos's insurance coverage shall be primary insurance as respects the District, the members of the Board of Directors of the District and the officers, agents and employees of the District, individually and collectively. Any insurance or self-insurance maintained by the District, the members of the Board of Directors, the District's officers, officials or employees shall be excess of the Tenant's insurance and shall not contribute with it.

C. Notice of Cancellation: Each required insurance policy shall be endorsed to state that coverage shall not be canceled, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the District at the address shown in section of the Agreement/Lease entitled "Notices".

General Provisions

5. Qualifying Insurers

All required policies of insurance shall be issued by companies which have been approved to do business in the State of California by the State Department of Insurance, and which hold a current policy holder's alphabetic and financial size category rating of not less than A- VII according to the current Best's Key Rating guide, or a company of equal financial stability that is approved in writing by District's Risk Manager.

6. Evidence of Insurance

Prior to commencement of this Agreement and Lease Sitos shall furnish the District with certificates of insurance and amendatory endorsements effecting coverage required by this clause. Sitos shall furnish certified copies of the actual insurance policies specified herein, within thirty days after commencement of the Agreement and Lease. Thereafter, copies of renewal certificates and amendatory endorsements shall be furnished to District within thirty days of the expiration of the term of any required policy. Sitos shall permit District at all reasonable times to inspect any policies of insurance of Sitos which Tenant has not delivered to the District. Policies, renewal certificates and amendatory endorsements shall be delivered to the District at the address shown in the section of the Agreement and Lease entitled "Notices."

7. Failure to Obtain or Maintain Insurance;

District's Remedies. Sitos's failure to provide insurance specified or failure to furnish certificates of insurance, amendatory endorsements and certified copies of policies, or failure to make premium payments required by such insurance, shall constitute a material breach of the

Lease, and District may, at its option, terminate the Agreement/Lease for any such default by Sitos.

8. No Limitations of Obligations

The foregoing insurance requirements as to the types and limits of insurance coverage to be maintained by Sitos, and any approval of said insurance by the District are not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by Sitos pursuant to the Agreement and Lease, including, but not limited to, the provisions concerning indemnification.

9. Review of Coverage

District retains the right at any time to review the coverage, form and amount of insurance required herein and may require Sitos to obtain insurance reasonably sufficient in coverage, form and amount to provide adequate protection against the kind and extent of risk which exists at the time a change in insurance is required.

10. Sub-tenants' Insurance

Sitos shall require any District-approved sub-tenant, of all or any portion of the Premises, to provide the insurance coverage described herein prior to its occupancy of the Premises.