

REQUEST FOR APPROVAL

To: Mark De Bie, Deputy Director, Waste Permitting, Compliance, and Mitigation Division

From: Steve Santa Croce, Senior Engineer, Engineering Support Branch

Reviewed By: Shelly Bromberg, Legal Office
Steve Levine, Legal Office
Aaron Holt, Budgets Office

Request Date: November 14, 2013

Decision Subject: **LOAN AWARD TO THE CITY OF LOMPOC FOR THE INSTALLATION OF A LANDFILL GAS COLLECTION AND CONTROL SYSTEM AT THE CITY OF LOMPOC SANITARY LANDFILL, FACILITY NO. 42-AA-0017, UNDER THE SOLID WASTE DISPOSAL AND CODISPOSAL SITE CLEANUP PROGRAM (SOLID WASTE DISPOSAL SITE CLEANUP TRUST FUND, FYS 2013/14)**

Action By: November 21, 2013

Summary of Request:

The City of Lompoc (city) requests approval of a \$1 million loan to fund the design and installation of a landfill gas collection system (system) at the City of Lompoc Sanitary Landfill (landfill). The projected costs of the design and installation of the System is \$1.4 million. The city will pay the project costs exceeding the loan amount from its current and future reserves.

Recommendation:

Staff recommends the approval of a \$1 million loan for a term of 10 years at a fixed annual interest rate of 0.249 percent, based on the current Surplus Money Investment Fund (SMIF) interest rate as of September 30, 2013.

Deputy Director Action:

On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby conditionally approve a \$1 million loan for a term of 10 years at a fixed annual interest rate of 0.249 percent to the City of Lompoc for the design and installation of a landfill gas collection system at the City of Lompoc Sanitary Landfill. This approval is subject to:

1. The return by the City of Lompoc of an executed loan agreement satisfactory in form and content to the Deputy Director of the Waste Permitting, Compliance and Mitigation Division within sixty (60) days from the date of this approval, provided that the Deputy

Director, in his discretion, may extend such time for due cause upon the request of the City of Lompoc.

2. All terms and conditions contained in the Loan Agreement and other loan documents to be prepared by CalRecycle Loan Unit staff and such other terms and conditions as duly authorized staff in their sole discretion deem necessary or advisable.

I further direct staff to conduct all acts necessary to fund this loan, including but not limited to the preparation and execution of the Loan Agreement and other documents.



Mark De Bie
Deputy Director
Waste Permitting, Compliance and Mitigation Division

Dated: 11/15/2013

Background:

Program Eligibility:

The Program addresses cleanup of solid waste disposal and codisposal sites where the responsible party either cannot be identified or is unable or unwilling to pay for a timely remediation and where cleanup is needed to protect public health and safety or the environment. Cleanup projects are implemented through Department-managed contracts, grants, and loans. Staff uses adopted regulations and policies in determining site eligibility. Unless otherwise noted, actions proposed for this project are specifically eligible pursuant to the regulations.

Site Prioritization:

The site is rated as an environment priority of A2. Priority A2 is a known condition of confirmed pollution or nuisance from solid waste based on comparison with state minimum standards with significant residential, industrial, park, recreation, or environmentally sensitive areas within one mile of the site.

California Environmental Quality Act (CEQA): The city, as lead agency, has prepared a mitigated negative declaration (MND) for the installation of the gas collection and control system. On March 19, 2013, the Lompoc City Council adopted Resolution 5830(13) approving the MND and Draft Initial Study. Subsequently, the Notice of Determination has been submitted to the State Clearinghouse by the city.

Project Scope:

Site Location/Description:

The City of Lompoc is located in northern Santa Barbara County approximately 9 miles inland, and 55 miles north of Santa Barbara and has a population of approximately 39,500. The city has owned the landfill since the facility began accepting waste in 1961. The landfill is operated by the city's solid waste division, and is expected to continue to accept waste through 2045. During the fiscal year ending June 30, 2012, the landfill accepted approximately 32,000 tons of waste, of which, 22,000 tons, or approximately 70 percent, were collected by the city's solid waste

division. The remaining 30 percent was delivered by refuse haulers, self-haulers, and other waste generators from the greater Lompoc Valley.

Enforcement Actions:

In October 2012, the city was notified by CalRecycle that the landfill had been placed on the Inventory of Solid Waste Facilities Which Violate State Minimum Standards (inventory) for exceeding regulatory methane gas levels at several perimeter gas monitoring probes. All facilities listed on the inventory are required by statute to be under a compliance schedule issued by the County of Santa Barbara Public Health Department, Environmental Health Services Division as the local enforcement agency (LEA). The LEA ensures the diligent progress is being made to correct the violation. The final compliance schedule due date is October 16, 2014. However, if the compliance date is not met, the loan coupled with the final design of the landfill gas collection system (system) would demonstrate a good faith effort to extend the compliance schedule due date. This system is anticipated to mitigate the risk to public health and safety and the environment by handling the expected gas generation flow rate from the entire landfill and to collect gas at an extraction rate to comply with the surface methane emission limits in section 17 CCR § 95465 and component leak standard in section 17 CCR § 95464(b)(1)(B).

Proposed Remediation Project:

The landfill is currently active with over two millions tons of waste-in-place. Additionally, the landfill's calculated heat capacity is 6.9 million Btu/hour, and its surface methane emissions exceed 200 ppm. As a result, the landfill is subject to the California Air Resources Board (CARB) Landfill Methane Capture Rule [Title 17, California Code of Regulations (17 CCR) § 95460 et seq.] and is required to install a landfill gas collection and control system.

The proposed system will use an enclosed flare to incinerate the collected gas. The gas collection system is expected to have a useful life that extends over the remaining active life of the landfill (32 years) and through the post-closure period. Upon installation, the landfill gas collection and control system is projected to recover approximately 253 standard cubic feet per minute (scfm). At its peak in 2045, the system is projected to recover approximately 325 scfm. The system will be designed to accommodate landfill gas flow rates from 80 to 400 scfm at 50 percent methane. Therefore, the landfill gas collection and control system will be adequate to control the full range of landfill gas recovery rates over the active life of the landfill and through the post-closure maintenance period. As a result, the landfill gas collection and control system will significantly mitigate the threat to public health and safety posed by current and future methane emissions from the landfill. The installation of a landfill gas control system is an eligible remedial action pursuant to 14 CCR §18904(b).

Fiscal Impacts:

The Solid Waste Disposal Trust Fund unreserved available cash balance is approximately \$4.2 Million and is capable of funding a loan to the City of Lompoc.

Loan Terms:

This loan mechanism is available to local governments that demonstrate a need to take remedial action to protect public health and safety and/or the environment pursuant to 14 CCR § 18902. The city's solid waste division does not have adequate revenues or reserves to pay for the full cost of the construction of the gas collection system without imposing severe rate increases on the city's ratepayers. The city originally requested a loan, in the principal amount of \$1 million dollars to be repaid over a term of 20 years at a fixed annual percentage interest rate based on the current SMIF rate.

Staff requested reducing the loan period to 10 years due to the relatively low fixed annual interest rate and to receive repayment of the loan funds at a quicker rate so the funds may be used on other projects. The City of Lompoc agrees with the reduced term. Staff also requested an independent Credit Review by the Loan Unit of CalRecycle's Materials Management and Local Assistance Division, which utilized California Infrastructure and Economic Development Bank (I-Bank) staff to assist in evaluating the loan application due to their expertise in analyzing municipal financial statements. This Credit Review recommends the loan based on I-Bank staff's review of the city's financial statements and their understanding of the objectives of the Solid Waste Disposal and Codisposal Site Cleanup Program. Their analysis concluded the borrower has adequate debt service to cover the loan payments.

Support:

Staff has received written support from the County of Santa Barbara Public Health Department, Environmental Health Services Division in extending the compliance schedule at the time this document was submitted for approval.

Opposition:

Staff has not received any written opposition at the time this document was submitted for approval.