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**To:** Patrick Carter, Executive Director, Sonoma County Waste Management Agency

**From:** Richard Tagore-Erwin, Garth Schultz, Rosemarie Radford, R3 Consulting Group, Inc.

**Date:** July 12, 2016

**Subject:** Sonoma County Waste Management Agency Alternatives and Next Steps

## Executive Summary

The Sonoma County Waste Management Agency (SCWMA) is a Joint Powers Authority (JPA) comprised of 10 Member Agencies. The current JPA Agreement (JPA Agreement) expires in February 2017. If the JPA Agreement is not extended or renewed, the following would likely occur:

- Costs associated with Household Hazardous Waste (HHW) disposal would increase, as a result of making alternative arrangements for continuing HHW programs for each Member Agency;
- Member Agencies would pay tens of thousands of dollars in up-front cost to gather information for State required solid waste reporting and planning, as well as thousands annually for reporting to the State;
- Member Agencies would be required to maintain levels of outreach equivalent to those currently provided by SCWMA, which could be achieved by increasing outreach and education efforts on the part of the Member Agencies, or their franchised haulers; and
- Member Agencies would need to arrange for the transfer, transport and composting of organic waste, which is complicated and potentially risky matter that could result in increased cost due to eliminated economies of scale.

If SCWMA stays intact, a number of core issues regarding its services and structure will need to be resolved. Foremost among these is the SCWMA compost program. This program is provided for via contracts for compost facility processing capacity and contracts for out-haul of organic waste from County-owned transfer stations to the composting facilities. These contracts are currently set to expire at the same time as the JPA Agreement, in 2017. After that date, unless current contracts are extended or new contracts secured, SCWMA and its Member Agencies will not have guarantees for diversion of their organic waste via composting.

This report proposes a prioritized series of key next steps that will allow SCWMA to address each core issue cost-effectively, therefore maximizing the best interests of its Member Agencies and rate-payers. These key next steps are summarized below, are listed in order of descending priority, and are further detailed in the final pages of this report:

1. Extend the JPA Agreement by a minimum of one year to allow time to gather and analyze information and conduct procurement processes for compost facility capacity and out-haul of organic waste;
2. Make decisions regarding the future of the compost program:
  - Clarify and affirm the various contractual relationships involved in the compost program, which are varied, complicated, and inclusive of the SCWMA, the Member Agencies, the County, Republic Services, the Ratto Group, and the franchised haulers;
  - Conduct a procurement process for compost processing facility capacity beyond February 2017, covering composting of all SCWMA organic waste; and
  - Conduct a procurement process for out-haul services from transfer stations to selected compost facilities.
3. Make decisions about future provision of SCWMA services (other than the compost program, which is addressed above); and
4. Make decisions about SCWMA future organization and structure, including membership and voting requirements and Member Agency withdrawal, resulting in a restated JPA Agreement with a new term.

## Background

### Introduction

SCWMA was formed in 1992 in response to the Integrated Waste Management Act of 1989 (AB 939). SCWMA is comprised of 10 local governments (Member Agencies) which are subject to the terms of the JPA Agreement.

The term of the current JPA Agreement expires in February 2017, after which the JPA Agreement could be extended or a new JPA agreement might be signed. If the SCWMA Board and the Member Agencies do not take action to extend the JPA Agreement or execute a new JPA agreement prior to February 2017, the SCWMA would become defunct and would be dissolved.

If the JPA Agreement expires in February 2017 without extension or replacement (or if any individual Member Agencies decide not to continue with SCWMA) the services currently performed by SCWMA – and the costs of performing those services – will become the responsibility the Member Agencies, individually. These services include:

- The HHW Program;
- Planning and State Reporting;
- Education and Outreach Program; and
- Organic Waste Composting Program.

In anticipation of the upcoming expiration of the current JPA Agreement, the Member Agencies are in the position of considering:

- Whether or not to extend or replace the JPA Agreement;

- What the implications of not extending or replacing the JPA Agreement are, including:
  - Current SCWMA responsibilities that would fall to the Member Agencies; and
  - The estimated costs of fulfilling those responsibilities.
- The implications of changes in Member Agency participation, including;
  - Current SCWMA responsibilities that would fall to withdrawing Member Agencies;
  - The estimated costs to the withdrawing Members Agencies to fulfill those responsibilities; and
  - Changes in responsibilities, cost, and cost-effectiveness of the SCWMA upon withdrawal of one or more Member Agencies.
- What the terms of an extended or new agreement should be, including:
  - How the SCWMA and the Board should be staffed and organized;
  - Voting requirements and seating of Board members;
  - Terms of withdrawal for Member Agencies after a new agreement is signed; and
  - Overall term length of the extended or new agreement.

This report provides context with which Member Agencies can evaluate options moving forward.

## Committed Cities Tonnage

All Member Agencies except Petaluma (collectively “Committed Cities,” including Cloverdale, Cotati, Healdsburg, Rohnert Park, Santa Rosa, Sebastopol, Sonoma, and Windsor) have committed their franchised waste (except for source-separated organic waste) to the Central Landfill under the Master Operations Agreement. Such commitments of franchised waste are often referred to as “flow control”. The Central Landfill is operated by Republic Services through the 25-year term of the Master Operations Agreement, which lasts until 2038.

The Central Disposal Site and Former Landfills Settlement Agreement (Settlement Agreement) is intended to settle potential liabilities that Committed Cities might have for disposal of their solid waste at County landfills. Per the terms of the Settlement Agreement between Committed Cities and the County, Committed Cities were released from liability for the Central Landfill and closed County landfills in exchange for the payments for solid waste material disposed in-County as described below. The terms of the specific agreements differ depending upon Member Agency, with some agreements specifically excluding compostable organic waste from flow control commitments.

Member Agencies individually establish the methodology to recover disposal fees through customer rates with their franchised hauler. The disposal fees for Committed Cities tonnage are:

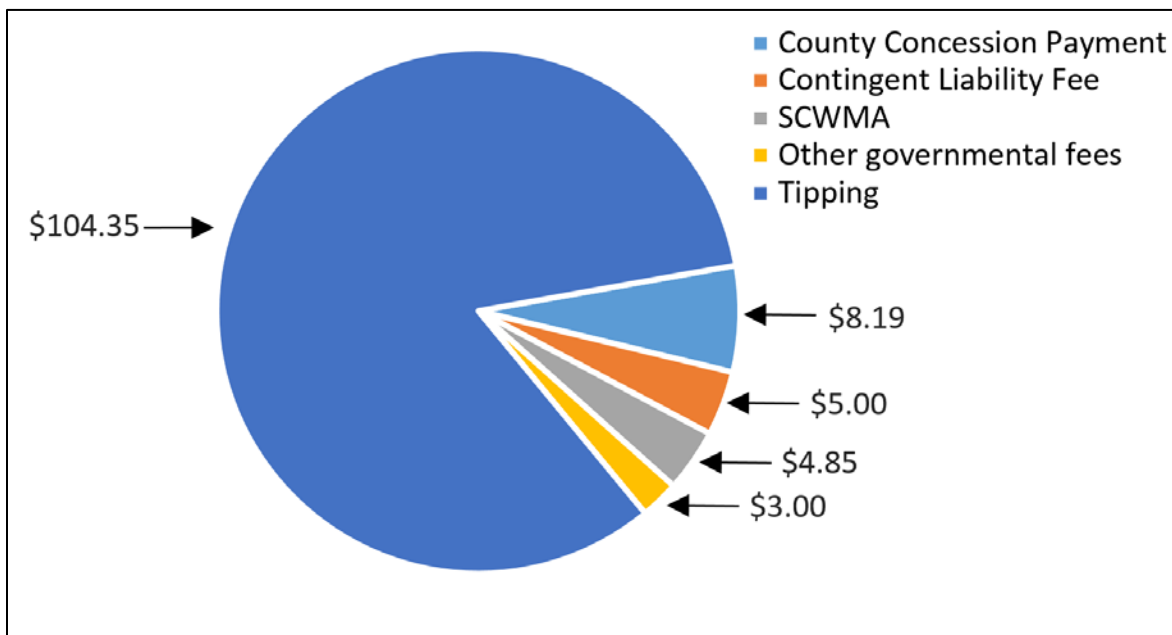
- **County Concession Payment** (\$9.25/ton in 2015, and reduced to \$8.19/ton in 2016, not accounting for Consumer Price Index increases) which is paid to the County as a pass-through from the landfill gate fee. The payment goes into a fund to cover County administrative costs for managing the landfill/transfers station system, as well as closed landfill “mitigation.”
- **Committed Cities Contingent Liability Fee on Committed City Waste** (\$5.00/ton in 2015, assuming no change in 2016, not accounting for Consumer Price Index increases) which is paid to

the County as a pass-through from the gate fee. The fee held by the County is to be used to cover contingent liabilities and associated costs for County landfills.

- **SCWMA Program Fee** (\$4.85/ton in 2016) which is paid to the County as a pass-through from the landfill gate fee. The County in turn pays the SCWMA this fee for SCWMA-operated programs.
- **Other Governmental Fees** (\$3.00/ton in 2015, assuming no change in 2016, not accounting for Consumer Price Index increases) which is paid to the County as a pass-through from the gate fee. These fees are comprised of the State Board of Equalization fee, the Sonoma Local Enforcement Agency fee, Regional Water Board fees, and Bay Area Air Quality Air District fee.
- **Landfill Operating Fee** (\$104.35/ton in 2015, assumed no change in 2016, not accounting for Consumer Price Index increases) which is paid to Republic under the Master Operations Agreement from the gate fee, and funds the operations of the Central Landfill. This fee may vary according to the material disposed and the individual agreements between Republic and Member Agencies. The fee used in this report is the initial gate rate approved by the County for Committed City Waste.

These disposal fees are represented in Figure 1, below.

**Figure 1:**  
**2016 Committed Cities Disposal Fees**



In the case of Petaluma, the City's solid waste is disposed at the Redwood Landfill in Marin County through its franchised hauler. The City did not agree to the Settlement Agreement, and the County fees do not apply to Petaluma's waste disposal. The SCWMA Program fee still applies, and is paid directly to the SCWMA by the City.

## Current SCWMA Services

### Household Hazardous Waste (HHW) Program

The SCWMA operates a Toxics Collection Facility at the Central Disposal Site through a contract with Clean Harbors Environmental Services, and conducts weekly Community Toxic Collection Events and monthly Community E-Waste Collection Events. Additionally, SCWMA partners with two used oil collection locations and offers a “Toxic Rover” on-call pickup program. Member Agency residents and businesses dispose of HHW materials through these services at no additional cost (the costs are covered via monthly customer rates), with the exception of the Toxic Rover service that has a fee of \$50 per pickup (free for seniors over 80 and housebound residents). In FY 2014-15, over 23,000 residents/businesses participated in SCWMA’s HHW programs by using the Toxics Collection Facility and related programs.

Participation in the SCWMA HHW program varies among Member Agencies, with Member Agencies that are more distant from the Toxics Collection Facility demonstrating lower overall participation in the program. Funding for this program is provided by the per-ton fee on garbage and recycling: as a result, Member Agencies that are located closer to the Toxics Collection Facility receive greater value from the HHW program, because their residents use it at higher frequency. Coverdale, Windsor, and unincorporated Sonoma County demonstrated the lowest participation rates in 2013.

### State Reporting and Solid Waste Planning

SCWMA currently completes all required planning and reporting documents for submission to the California Department of Resources Recycling and Recovery (CalRecycle) on behalf of all of the Member Agencies. This includes:

- Electronic Annual Reports (EAR) to CalRecycle;
- HHW Program Reports (HHW Annual Report and E-Waste Annual Report); and
- Maintaining and updating the SCWMA Source Reduction and Recycling Element (SRRE), Household Hazardous Waste Element (HHWE), Nondisposal Facility Element (NDFE) and Regional Agency Integrated Waste Management Plan.

These efforts are performed by SCWMA on behalf of the Member Agencies as a centralized AB 939 reporting and planning entity. Reports and planning documents produced via SCWMA’s efforts are representative of the SCWMA as a whole, and include efforts undertaken by each of the Member Agencies and (if applicable) their franchised solid waste haulers.

### Education and Outreach

Education and outreach programs provided by SCWMA include:

- Organizing and coordinating County-wide education efforts;
- Publishing an annual “Recycling Guide”;
- Maintaining SCWMA’s website at [www.recyclenow.org](http://www.recyclenow.org);
- Answering questions via the “Eco-desk” telephone and email address;

- Attending and staffing booths at local events such as fairs, symposiums, farmers' markets and conferences;
- Home composting education by UC Cooperative Extension;
- Used motor oil and filter recycling education;
- Spanish language outreach (all Agency education programs have English and Spanish language components); and
- Mandatory Commercial Recycling Outreach program required by State laws AB 341 and AB 1826, including a database listing the commercial entities in Sonoma County subject to State recycling requirements and the identification and evaluation of diversion for Sonoma County organic waste generators.

These outreach and education services are in addition to the outreach and education services provided Member Agencies and/or their franchised haulers, if applicable. The level of outreach and education provided by Member Agencies and their franchised haulers can vary significantly. Additionally, the quality of outreach and education services provided by franchised haulers will depend upon the specificity of the franchise agreement regarding requirements for outreach and education, and performance standards for those services. Franchise agreement contract management on the part of the Member Agencies is also an important element that can dictate the quality of services offered by franchised haulers, notwithstanding requirements in their respective franchise agreements.

## Organics Transfer, Transport and Compost Processing Services

All Member Agencies except the City of Petaluma are currently participating in the SCWMA composting program, under which residential and commercial organic wastes (including green waste and residential food waste) are made into compost soil amendment products. Prior to October 2015, the SCWMA composting program was operated at the Central Composting Site, which received and processed all SCWMA organic wastes, and subsequently provided a percentage of finished compost products to SCWMA Member Agencies at no additional cost.

### Short Term Organics Processing Agreements

The Central Composting Site (which was at the same location as the Republic-operated Central Landfill) was closed as part of the settlement of a Clean Water Act lawsuit in October 2015. In response to that closure, SCWMA negotiated organics waste processing contracts with several compost facilities<sup>1</sup> to receive and process SCWMA organic waste on a short-term basis, consistent with the February 2017 expiration of the JPA Agreement. SCWMA cannot not legally engage in contracts beyond the expiration of the current JPA Agreement, which limits its ability to engage in more cost-effective longer-duration contract terms and pricing arrangements. If longer-term contracts are put in place, they may result in lower per-ton tipping fees.

As the contracts expire at the end of the JPA Agreement's term, new contracts will need to be procured, either by Member Agencies or by SCWMA (as described in the "Implications of Not Extending or Replacing the JPA Agreement" section on page 16). The tonnage fees may change at that time (approximately 7 months from this writing). Additionally, the contract with the City of Napa Compost Facility can be

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<sup>1</sup> Napa Compost Facility, Redwood Landfill, and Cold Creek Compost.

terminated upon 30 days' notice (the other agreements do not have the same 30-day cancellation clauses). If this occurs, approximately 9,500 tons of organic waste currently being transported to that facility will need to be delivered to another facility. This may result in increased cost if the facilities within reasonable distance of the transfer stations do not have sufficient capacity to accept and compost that additional tonnage.

## Flow of Organic Waste

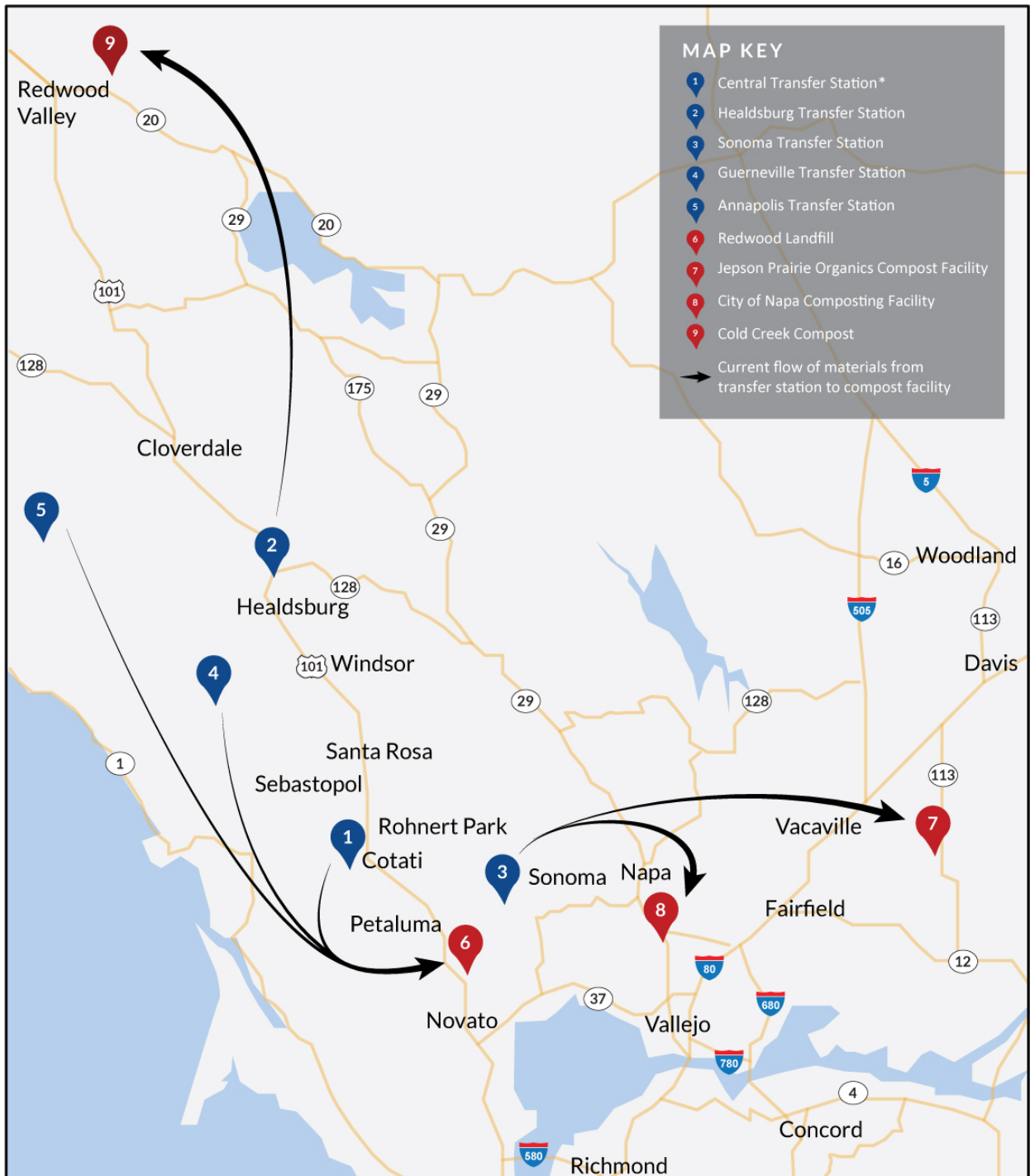
Member Agencies which previously had their organic waste delivered directly to the Central Composting Site (including Cotati, Rohnert Park, Santa Rosa, Sebastopol, and parts of Sonoma County) continue to have their franchised haulers deliver organic waste to the Central Composting Site (now referred to as the Central Transfer Station). The Member Agencies which previously had their organic waste delivered to the Annapolis, Guerneville, Healdsburg, or Sonoma Transfer Stations (including Cloverdale, Healdsburg, Sonoma City, Windsor, and the remaining portions of Sonoma County) continue to deliver their organic waste to the same locations. For all of the above, delivered organic waste are transferred to the SCWMA contracted hauler (Ratto Group), which transports those materials to the approved compost facilities. The City of Petaluma direct-hauls organic waste to Redwood Landfill.

Table 1 and Figure 2 below and on the following page detail the current locations and flow of SCWMA organic waste through transfer stations and to compost processing facilities. In Table 1, the Member Agencies are listed, followed by the transfer station that each Member Agency utilizes, and the organics facility that the compost is transported to. Figure 2 displays the locations of these compost facilities and transfer stations with transfer stations color coded blue, and compost facilities color coded red.

<b>Table 1: SCWMA Organics Transfer Station and Compost Processing Facilities</b>		
<b>Member Agency</b>	<b>Transfer Station Used</b>	<b>Destination Compost Facility</b>
<b>Cotati, Rohnert Park, Santa Rosa, Sebastopol, parts of Sonoma County</b>	Central Transfer Station	Redwood Landfill (Green and Wood Waste)
<b>Cloverdale, Healdsburg, Windsor, parts of Sonoma County</b>	Healdsburg Transfer Station	Cold Creek Compost (Green and Wood Waste)
<b>Sonoma City, parts of Sonoma County</b>	Sonoma Transfer Station	Jepson Prairie Organics Compost Facility (Green Waste) and City of Napa Composting Facility (Green and Wood Waste)
<b>Parts of Sonoma County</b>	Guerneville Transfer Station	Redwood Landfill (Green and Wood Waste)
<b>Parts of Sonoma County</b>	Annapolis Transfer Station	Redwood Landfill (Green and Wood Waste)
<b>Petaluma</b>	Direct-haul	Redwood Landfill (Green and Wood Waste)



**Figure 2:**  
**Map of Current SCWMA Organic Waste Transfer and Compost Processing Facility Locations**



\* Central Transfer Station is on the same site as the former Central Compost Site.



## **Composting Program Fees**

### Fees to Member Agencies

Fees applicable to the SCWMA composting program are described below. Member Agencies do not directly pay these fees; instead, the fees are passed on to the rate-payers through the tipping fee charged at the transfer stations. The tipping fee is set by SCWMA and does not differ depending upon which transfer station is used. The fees for the Composting program include:

- **County Fees** (inclusive of the County Concession Payment and Committed Cities Contingent Liability Fee on Committed City Waste described in the prior section) are applied at \$13.19 per ton (in 2016).

It is important to note that the terms of the waste delivery agreement for each Member Agency can differ. In the case of Rohnert Park, for example, source-separated green and wood waste material is explicitly exempt from the flow-control agreements and therefore potentially exempt from County fees, if not routed through a County facility.

- **SCWMA Fees** are applied at the rate of \$4.85 per ton.
- **Tipping Fees** applied at a SCWMA-set rate of \$58/ton.

These fees are projected to be collected on an estimated 78,000 tons in 2016.

### Cost to SCWMA

While the tipping fee paid for each transfer station does not differ, the costs to SCWMA do differ depending upon which transfer station is used, and to which destination facility SCWMA organic waste are directed.

The tipping of \$58/ton noted above represents the approximate “blended” cost for SCWMA to pay for the transport and tipping of material to destination compost facilities, although the actual costs differ depending on the amount of tonnage delivered to the various facilities. The costs to SCWMA are as follows:

- **Transport Fees** are applied based on distance traveled, per the terms of the transportation contract with the Ratto Group. Rates listed below are based on transportation from the nearest County transfer station:
  - Redwood Landfill \$7.42/ton;
  - Cold Creek Compost \$22.16/ton;
  - City of Napa \$13.70/ton;
  - Jepson Prairie Organics \$26.47/ton;
- **Composting fees** are based on contracted facility rates:<sup>2</sup>
  - Redwood Landfill \$44.50/ton;
  - Cold Creek Compost \$32.00/ton;
  - City of Napa \$44.00/ton; and

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<sup>2</sup> Tonnage fees are based on the contracts between SCWMA and each of the facilities.

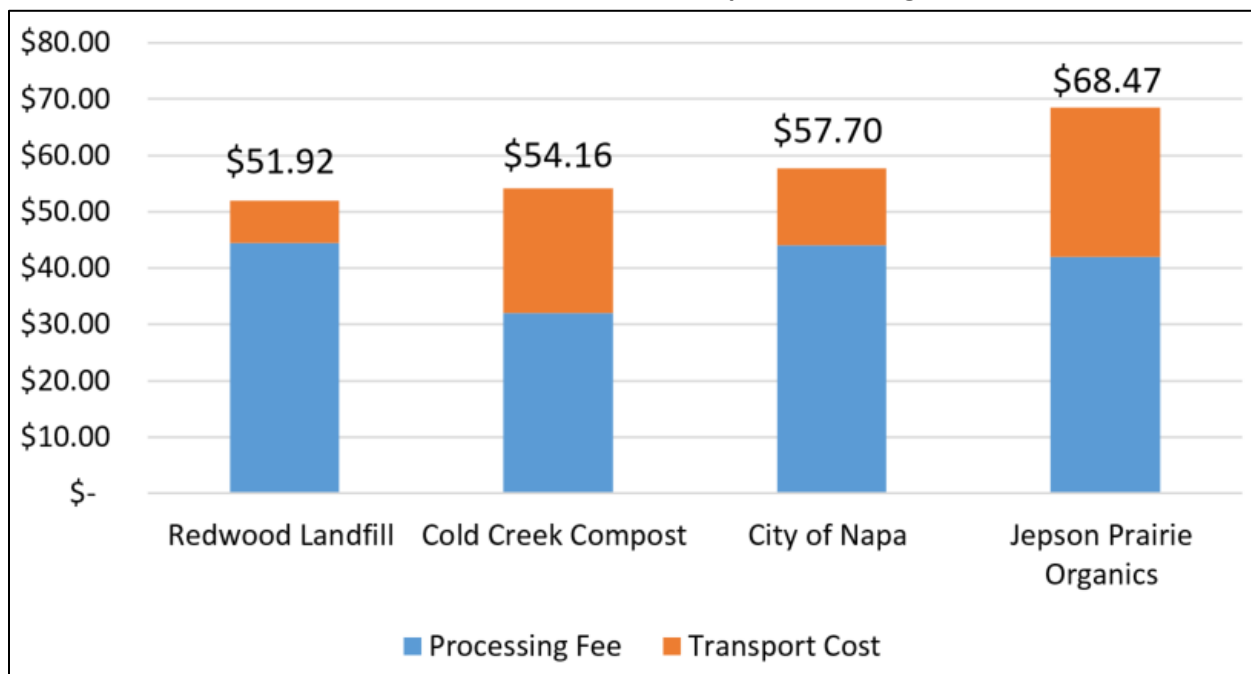
- Jepson Prairie Organics \$42.00/ton.

Total projected tonnage in 2016 is as follows:<sup>3</sup>

- Redwood Landfill approximately 44,000 tons total (excluding Petaluma);
- Cold Creek Compost approximately 18,000 tons total;
- City of Napa approximately 9,500 tons total; and
- Jepson Prairie Organics approximately 6,500 tons total.

The per-ton costs to SCWMA of composting organic waste by facility are displayed in Figure 3, below.<sup>4</sup>

**Figure 3:**  
**Per-Ton Cost to SCWMA of Compost Processing**



Over the fiscal year, these costs per ton can be applied to total tonnage to represent the total costs to SCWMA of compost processing.

In Figure 4, on the following page, the per-ton rates listed above have been multiplied by the projected tonnage for FY 2016-2017. Figure 4 also extrapolates the total projected costs to Member Agency rate-payers. The cost to rate-payers is higher than SCWMA's costs because they include SCWMA fees and County fees.

Figure 4 also displays the costs of compost processing prior to the closure of the Central Compost Facility, using 2016 tonnage for comparison purposes. This cost is not meant to represent "actual" costs of

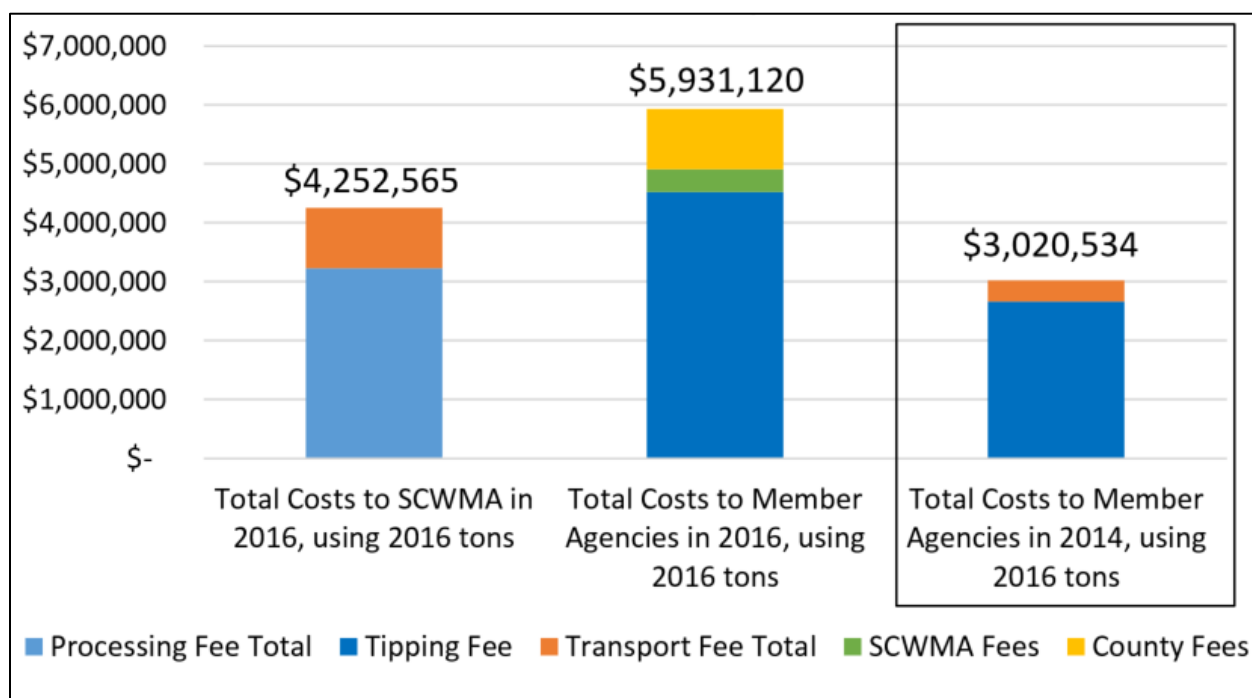
<sup>3</sup> Tonnage figures are for Fiscal Year 2016/2017 based on the SCWMA Budget.

<sup>4</sup> This figure excludes Petaluma, whose franchise hauler direct-hauls organic waste (as well as garbage) to Redwood Landfill.

compost processing in that period, and it does not include any applicable governmental fees (SCWMA fees were not applied to organic waste prior to the closure of the Central Compost Site). This cost estimate utilizes the \$34.10/ton compost processing cost, and applies the \$11.28/ton transportation cost to 41% of the tons (the proportion of tons routed through the transfer facilities in 2014).

This comparison demonstrates the relative magnitude of the increase in compost processing costs borne by SCWMA, and passed down to rate-payers, between 2014 and 2016. These increases in cost are due to higher tipping fees for alternative compost facilities, higher transport costs associated with moving organic waste out-of-County, and the change in fees associated with the Settlement Agreement.

**Figure 4:**  
**Compost Processing Costs**



## Key Considerations Regarding Expiration of the JPA Agreement

### Terms of Extending or Replacing the JPA Agreement

There are many considerations relating to extending or replacing the JPA Agreement, including but not limited to:

- What services the SCWMA should provide to participating Member Agencies;
- Whether all Member Agencies must participate in all SCWMA programs;
- What the voting requirements and membership of Board members should be;

- How the SCWMA should be staffed;
- What implications the withdrawal of Member Agencies would have after a new JPA agreement is signed; and
- Overall term length of the extended or new JPA Agreement.

The SCWMA is not alone in considering these issues, and in Northern California there are a variety of approaches and models for how JPAs similar to the SCWMA are organized and structured. This section provides a comparison of other JPAs in the region, detailing their main programmatic areas in relation to SCWMA's.

### Northern California JPAs and Programmatic Overlap with SCWMA

Table 2, below and on the following page, offers a summary of Northern California JPAs with details provided in comparison to SCWMA's main program areas. All JPAs in this table have "one vote per member," except West Contra Costa, which gives no votes to the Contra Costa County member, and three to the City of Richmond.

Table 2: JPA Summaries							
JPA Name / Member Agencies	Unanimous Vote Required	Planning and Reporting	Public Education / Outreach	HHW Program Management	Offers Grants	Facility Ownership and Operation	Management of Franchise Agreements
<b>Sonoma County Waste Management Agency</b> <b>10 member agencies</b> One board member per jurisdiction, an elected official or appointee	Program expansions  Capital expenditures above \$50K  Annual budgets	AB 939 Reporting  Solid waste planning	Yes	Contract for HHW	No	Past facility ownership  Composting and organics program management	No
<b>Del Norte Solid Waste Management Authority</b> <b>2 member agencies</b> 2 Board of Supervisors 2 City Council 1 Public member	Authorize audits	AB 939 reporting  Solid waste planning	Yes	Contract for operation of HHW program	No	Owens one large and two rural transfer stations; operated by contractors  Facility administration	Rate setting and approval
<b>Humboldt Waste Management Authority</b> <b>6 member agencies</b> One board member per jurisdiction, elected officials only	None	No	Yes	Yes	No	Operate 1 landfill, 2 transfer stations, 1 HHW program, and 1 composting program	Rate setting and approval  Enter into disposal agreements

Table 2: JPA Summaries							
JPA Name / Member Agencies	Unanimous Vote Required	Planning and Reporting	Public Education / Outreach	HHW Program Management	Offers Grants	Facility Ownership and Operation	Management of Franchise Agreements
<b>South Bayside Waste Management Authority</b> <b>12 member agencies</b> One board member per jurisdiction, elected officials only	None	No	Yes	Yes	No	Owens a transfer station and MRF	Rate setting and approval  Negotiates franchise agreements for member agencies
<b>Central Contra Costa Solid Waste Authority</b> <b>6 member agencies</b> 2 per jurisdiction, elected officials only	None	AB 939 Reporting	Yes	No	No	No	Administers franchise agreements for member agencies  Rate setting and approval
<b>Marin County Hazardous and Solid Waste Management Joint Powers Authority</b> <b>11 member agencies</b> One board member per jurisdiction, all City or Town Managers or equivalent	None	AB 939 Reporting  Solid waste planning	Yes	Yes	Yes	HHW facility management, contract for operation  Contract for composting /organics program operation	No
<b>Alameda County Waste Management Authority</b> <b>17 member agencies</b> One board member per jurisdiction, elected officials only	None	No	Yes  Market development  Technical assistance	No	Yes	No	No
<b>West Contra Costa Integrated Waste Management Authority</b> <b>7 member agencies</b> One board member per jurisdiction, elected officials only	None	AB 939 Reporting	Yes	Yes	Yes	No	Post- collection agreement management

### **SCWMA Board Membership**

The SCWMA Board includes one appointed or elected official for each Member Agency, with one vote each. Most JPAs in Northern California specify that the Board contain only elected officials, with two JPAs (South Bayside Waste Management Authority and Central Contra Costa Solid Waste Authority) recently changing to Boards comprised only of elected officials.

Some JPAs employ alternative Board membership requirements, such as the Marin County Hazardous and Solid Waste Management JPA, whose Board is comprised exclusively of City or Town Managers (or their equivalents). SCWMA is distinct in Northern California for having a Board comprised both of elected officials and Member Agency staff.

### **SCWMA Voting Requirements**

Per the JPA Agreement, a majority vote is required for all actions except those listed below, which require a unanimous vote:

1. Major program expansions for anything beyond yard and wood waste, household hazardous waste, and public education.
2. Capital expenditures greater than \$50,000.
3. Adoption of annual budgets.

Of the seven JPAs surveyed other than SCWMA (listed in Table 2, above), only Del Norte Solid Waste Management Authority (DNSWMA) requires a unanimous vote for any items. For DNSWMA, the unanimous vote is only required to approve annual audits.

### **Terms of Withdrawal**

Withdrawal clauses for other Northern California JPAs surveyed, by and large, depend upon whether these JPAs have entered into flow-control agreements related to facilities. For example, the West Contra Costa Integrated Waste Management Authority (RecycleMore) required withdrawing Member Agencies to pay their part for the recycling facility otherwise funded by tipping fees, while the facility was still being paid off (it is now fully funded). JPAs without such facilities require adequate notice and intent to withdraw.

### **JPA Highlight: RecycleMore**

Of the JPAs in the region, RecycleMore has most recently grappled with the same kinds of considerations that SCWMA is now facing. RecycleMore was established as a JPA in 1993 with the intention to provide funding for an Integrated Resource Recovery Facility (IRRF). RecycleMore's programmatic service areas include:

- Education and outreach to residents, businesses, schools, and member agencies;
- Development and implementation of policies and programs to increase diversion, primarily with businesses, multi-family dwellings and schools;
- Implementation of HHW programs, including a central drop-off facility, several satellite collection facilities, and a mobile collection program for seniors and the disabled; and
- Management of the Post-Collection Agreement with Republic Services providing transfer, transport and diversion/disposal services for garbage, organics, recycling and C&D for all member agencies.

### Ongoing Strategic Planning

The “IRRF Agreement,” which committed member agency waste via flow control and facilitated funding of the bond debt payments for the IRRF, expired on December 31, 2013. In 2012, in anticipation of the expiration of that agreement, RecycleMore began an ongoing strategic planning process which has included consideration of:

- Potential changes to withdrawal requirements, potentially making withdrawal from the JPA easier and subject either to a simple majority or a member agencies discretion (the specific direction on this topic is not known at this time);
- Voting rules and membership; and
- Potential re-affirmation of commitment to membership status by member agencies for some minimal duration to ensure ongoing consistency of RecycleMore funding and service areas.

This process is expected to culminate in a complete revision and restatement of the JPA agreement sometime in late 2016 or early 2017, nearly five years since the strategic planning process began.

### Member Agency Withdrawal

Unlike SCWMA, RecycleMore’s JPA agreement has no expiration date, with ongoing membership of member agencies being the *default in perpetuity* until such time as a member agency moves to withdraw its membership from the JPA.

As such, all member agencies remain as members unless they specifically request withdrawal. Per the current (original) RecycleMore JPA agreement, withdrawal is subject to the approval of the majority of Board members representing a majority of the member agencies, but not including the withdrawing agency. These voting requirements are more stringent than are required for most other RecycleMore Board actions, which require a simple majority of Board votes. Additionally, the JPA agreement currently requires that the withdrawing agency pay the cost of administering any required revisions to the JPA’s SRRE, HHWE, NDFE and other CalRecycle reporting requirements (in addition to establishing new versions of those documents for the now stand-alone member agency).

### Board Voting Rules and Membership

The RecycleMore Board currently has seven voting members: three for the City of Richmond, which is the largest member agency, and one for each for the cities of El Cerrito, San Pablo, Pinole and Hercules. Board seats are filled by publicly elected city council members designated by each member agency’s city council. Contra Costa County is a non-voting member (but recipient of RecycleMore services) that has been seeking a voting status on the RecycleMore Board for some time. The Board has recently been considering the topic of voting rules and number of Board members per Member Agency.

## Implications of Not Extending or Replacing the JPA Agreement and Changes in Member Agency Participation

The main costs and benefits to SCWMA Member Agencies were previously estimated by R3 in our 2014 Report to the SCWMA titled “Evaluation of Current Activities and Service Delivery Options.” That report detailed the then-current costs of services provided to the Member Agencies, and estimated what the costs to each Member Agency would be if that Member Agency were to withdraw from SCWMA and independently provide those services. These costs and benefits have not significantly changed, except in



the case of the composting program, which is discussed separately in the following pages. Table 3 below provides an estimate of the costs for these three program areas that would be borne by each Member Agency if SCWMA were no longer to provide those services.

<b>Table 3: 2014 Annual Estimates for Independently Providing for SCWMA Services, by Member Agency</b>				
<b>Member Agency</b>	<b>Program Area</b>	<b>SCWMA Cost</b>	<b>Individually Provided</b>	<b>Additional Cost of No SCWMA</b>
<b>Cloverdale</b>	HHW	\$14,650	\$26,520	\$11,870
	Planning & Reporting	\$2,810	\$5,000-\$15,000	\$2,190 - \$12,190
	Education & Outreach	\$12,817	Unknown	Unknown
<b>Cotati</b>	HHW	\$53,494	\$96,840	\$43,345
	Planning & Reporting	\$2,810	\$5,000-\$15,000	\$2,190 - \$12,190
	Education & Outreach	\$3,825	Unknown	Unknown
<b>Healdsburg</b>	HHW	\$30,028	\$54,360	\$24,331
	Planning & Reporting	\$2,810	\$5,000-\$15,000	\$2,190 - \$12,190
	Education & Outreach	\$14,135	Unknown	Unknown
<b>Petaluma</b>	HHW	\$359,084	\$650,040	\$290,955
	Planning & Reporting	\$2,810	\$5,000-\$15,000	\$2,190 - \$12,190
	Education & Outreach	\$37,877	Unknown	Unknown
<b>Rohnert Park</b>	HHW	\$132,908	\$240,600	\$107,691
	Planning & Reporting	\$ 2,810	\$5,000-\$15,000	\$2,190 - \$12,190
	Education & Outreach	\$29,710	Unknown	Unknown
<b>Santa Rosa</b>	HHW	\$513,204	\$929,040	\$415,835
	Planning & Reporting	\$ 2,810	\$5,000-\$15,000	\$2,190 - \$12,190
	Education & Outreach	\$152,021	Unknown	Unknown
<b>Sebastopol</b>	HHW	\$58,466	\$105,840	\$47,373
	Planning & Reporting	\$ 2,810	\$5,000-\$15,000	\$2,190 - \$12,190
	Education & Outreach	\$29,188	Unknown	Unknown
<b>Sonoma</b>	HHW	\$189,717	\$343,440	\$153,722
	Planning & Reporting	\$ 2,810	\$5,000-\$15,000	\$2,190 - \$12,190
	Education & Outreach	\$22,939	Unknown	Unknown
<b>Sonoma County</b>	HHW	\$189,717	\$343,440	\$153,722
	Planning & Reporting	\$ 2,810	\$5,000-\$15,000	\$2,190 - \$12,190
	Education & Outreach	\$22,939	Unknown	Unknown
<b>Windsor</b>	HHW	\$49,848	\$90,240	\$40,391
	Planning & Reporting	\$ 2,810	\$5,000-\$15,000	\$2,190 - \$12,190
	Education & Outreach	\$13,439	Unknown	Unknown
<b>Total County Wide</b>	HHW	\$1,593,038	\$2,883,840	\$1,290,793
	Planning & Reporting	\$28,100	\$50,000-\$150,000	\$21,900-\$121,90
	Education & Outreach	\$337,593	Unknown	Unknown

Our findings indicate that, for HHW, planning and reporting, and outreach and education service areas alone, the cost per Member Agency would be significantly greater if each Member Agency were to independently provide and pay for those services.

The cost estimates and options associated with each of these programs are discussed in the following pages.

### **Household Hazardous Waste (HHW) Program**

Alternatives means of providing HHW programs for Member Agencies include:

- The franchised hauler for each Member Agency, or another contractor, could provide HHW services as part of the franchise agreement or another agreement.
- Member Agencies could contract with an existing HHW program such as Novato Sanitary District or Marin County JPA. Novato Sanitary District program manager did not express interest in working with the City of Petaluma when asked in 2015. Marin County JPA agreement does not allow for additional contracts outside of the JPA.
- Member Agencies could establish and operate their own facilities, or create partnerships outside of SCWMA to establish and operate a separate facility. Costs for such a facility would need to be explored on a case-by-case basis.
- Member Agencies could contract with an HHW service provider (e.g., Stericycle, Clean Harbors, Curbside Inc.) to provide on-call or periodic collection events.<sup>5</sup> This option will not maintain current levels of service, and is likely to be significantly more costly to Member Agencies.
- SCWMA could establish a satellite collection facility in the northern area of the County. This would allow the Member Agencies with lower participation to receive more value for the HHW collection services, but could require a significant capital investment and additional revenue to offset additional ongoing disposal costs.

In Table 3, “SCWMA Cost” for HHW is estimated using the actual HHW program costs allocated to each Member Agency for FY 2012-2013. “Independent Cost” for HHW is calculated based on program participants in 2013 and a per-participant estimated cost of \$120.

### **CalRecycle Reporting and Solid Waste Planning**

- According to CalRecycle, if any Member Agency were to withdraw from SCWMA, the current regional SCWMA SRRE, HHWE and NDFE would no longer apply to any withdrawing Agency. Each withdrawing Agency would have to develop and submit a new SRRE, HHWE and NDFE to CalRecycle for approval. Additionally, SCWMA may also need to submit a revised SRRE, HHWE and NDFE to CalRecycle for approval. The costs for developing and submitting these documents are estimated to range from \$35,000 - \$135,000 per Member Agency, depending on Member Agency size and how each Member Agency chooses to fulfill the obligations currently provided by SCWMA.
- Additionally, each withdrawing Member Agency would need to complete and submit plans for compliance with Mandatory Commercial Recycling (AB 341) and Mandatory Commercial Organics Recycling (AB 1826), which is currently done on behalf of the Member Agencies by SCWMA. The

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<sup>5</sup> Stericycle (based in San Jose) reported that there would be a base charge of \$450 per pickup plus disposal and that their service is geared toward commercial generators. Planning level budget information for on-call and periodic collection events was not received from Clean Harbors and Curbside Inc.

estimated cost per Member Agency to complete and document these plans is approximately \$5,000.

- Furthermore, each withdrawing Member Agency might need to re-do its Base Year Study which is the measure of compliance with AB 939 / SB 1016 requiring achievement of the State mandate of 50% diversion. This is an important consideration, as it is possible that, depending on timing and other conditions, redoing the Base Year Study could result in a “higher bar” for achieving compliance with the 50% diversion requirement, creating the possibility of future non-compliance for certain member agencies. The estimated costs of redoing the Base Year Study per Member Agency are \$20,000 - \$40,000, depending upon Member Agency size.
- Finally, if SCWMA were to dissolve, each Member Agency would be required to fulfill all of the above reporting and planning functions individually, at a higher cost. Additionally, each Member Agency would be required to submit its own Electronic Annual Report (EAR) to CalRecycle, at a cost of approximately \$5,000 - \$15,000, depending on Member Agency size and program complexity.
- In total, one-time costs of SCWMA dissolution or Member Agency withdrawal amount to approximately \$60,000 - \$180,000 per Member Agency. Ongoing costs of Reporting and Planning per Member Agency would total approximately \$5,000 - \$15,000, annually.

In Table 3, “SCWMA Cost” for Planning and Reporting is allocated equally between each Member Agency. “Independent Cost” for Planning and Reporting is the estimated cost to submit the EAR every year.

### **Outreach and Education**

Although many Member Agency franchise agreements already provide for education and outreach services, SCWMA provides regional consistency in education and outreach efforts. If SCWMA were to no longer provide outreach and education services, Member Agencies would be required by State law to demonstrate the maintenance of outreach and education efforts.

In Table 3, “SCWMA Value” for Outreach and Education is allocated according based on proportion of total Recycling Guide, Eco-Desk, web, and events services in each Member Agency. The cost of replacing these programs would need to be assessed on an individual basis, and might be lower for Santa Rosa and Petaluma, as current staffing levels are higher for those Member Agencies, and may be able to absorb these functions.

### **Organics Transfer, Transport and Compost Processing Services**

There are several options for the SCWMA composting program moving forward. The main potential options identified by R3 are detailed below.

It should be noted that costs for these options are dependent on a variety of factors that are currently unresolved, and as such a cost comparison between the various options cannot be estimated at this time. Estimates could start to be established once Member Agencies have made specific decisions regarding extension or replacement of the JPA Agreement, which Member Agencies wish to continue to participate in the SCWMA composting program, and once SCWMA has eliminated the least desirable options of those listed below.

### Option 1: SCWMA No Longer Provides Organics Composting Services

If SCWMA no longer provided organics composting services, Member Agencies would be entirely responsible for arranging for compost processing service for their franchised organic waste. The County is not currently responsible, and all organic waste has so far been directed at the discretion of SCWMA.

Franchise agreements with haulers do not currently accommodate organics transfer, transport and processing services, so they would need to be amended in order to provide these services. Overall Member Agency costs for organic waste composting might go up or down, depending upon the terms of the negotiated contracts. Additionally, Member Agencies will be in the position of requiring contracts for limited capacity for composting organic waste, potentially simultaneously and on short notice. Alternatives available to Member Agencies would include the following two options.

#### Direct-haul

Direct-haul organic waste to composting facilities using route trucks. Costs could be lower if a longer-term agreements with guaranteed flow was established with compost facilities. This option would likely involve changing routing or adding new routes, which may significantly increase rates and greenhouse gas emissions related to transport. The costs to each Member Agency for direct-haul would need to be determined based on contractual tipping fees and franchised hauler data regarding routes and additional vehicles.

With the short time horizon available to Member Agencies for arranging and securing alternative compost programs, it may be challenging to secure appropriate and cost-effective arrangements for directly hauling organic waste to facilities, especially since Member Agencies will effectively only have one or two facility choices, each with limited organics waste composting capacity.

Figure 5 on the next page details options for compost facility options in the SCWMA area.

#### Use of existing Sonoma County transfer system

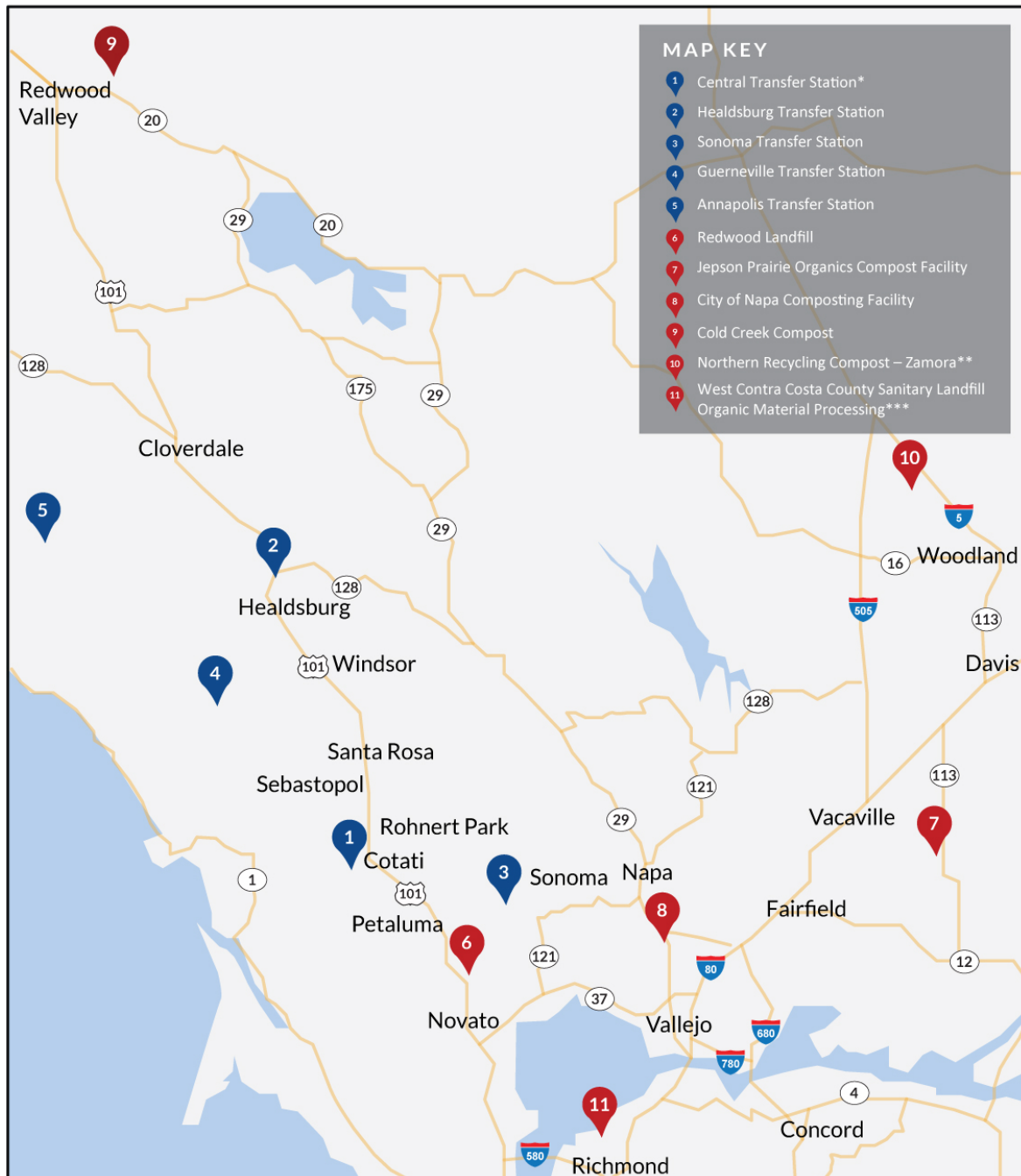
If SCWMA no longer arranged for organic waste transport, Member Agencies could negotiate contracts with compost facilities and transfer stations, and transportation could be arranged with a third party. Alternatively, gate fees might be negotiated directly with the transfer stations, who would then arrange the transfer of the material without Member Agency involvement. Longer-term agreements could secure better rates, but this option would depend upon willingness on the part of transfer stations to accept organic waste tonnage.

The current transfer stations are owned by the County, operated by Republic Services, who subcontracts that responsibility to the Ratto Group. Therefore, it is likely that the County would need to be involved in any future contracts that involve transfer stations, and it is not clear at this time whether and how Republic and/or the Ratto Group would be involved in such negotiations.

Figure 5, next page, is a map of the transfer stations and compost processing facilities in the SCWMA area, with transfer stations color coded blue and compost facilities color coded red.

The options of compost facilities available to Member Agencies will likely not change, which means that tipping fees and transport costs will remain high. Again, with the short time horizon available to Member Agencies for arranging and securing alternative compost programs, it may be challenging to secure appropriate and cost-effective arrangements for organic waste composting.

**Figure 5:**  
**Map of Available Organic Waste Transfer and Compost Processing Facility Locations**



\* Central Transfer Station is on the same site as the former Central Compost Site.

\*\* This site is not currently being used by SCWMA, and may not be available in the future, as it may be up for sale.

\*\*\* This site is not currently being used by SCWMA, and is included for reference purposes only.

The transport agreement currently in place with Ratto Group covers the use of the two facilities not currently in use. While this specific agreement would no longer apply in the absence of SCWMA, we can use the transport costs associated with these facilities to approximate the transport costs to the facilities not currently in use. These transport costs are directly related to the distance to travel for each of these facilities, and are a reasonable basis of comparison:

- West Contra Costa County Sanitary Landfill Organic Material Processing, transport from Sonoma Transfer Station at \$13.70/ton, and transport from the Central Transfer Station at \$14.28/ton; and
- Northern Recycling Compost – Zamora, transport from Sonoma Transfer Station at \$30.38/ton and transport from the Central Transfer Station at \$36.82/ton.

These can be compared with the costs per ton of the current transfer stations and compost facilities:

- Redwood Landfill, transport from Annapolis and Guerneville Transfer Stations at \$14.60/ton, and Central Transfer Station at \$7.42/ton;
- Cold Creek Compost, transport from Healdsburg Transfer Station at \$22.16/ton (cost not available for Central Transfer Station);
- City of Napa, transport from Sonoma Transfer Station at \$13.70/ton, and from Central Transfer Station at \$19.30/ton; and
- Jepson Prairie Organics, transport from Sonoma Transfer Station at \$26.47/ton, and from Central Transfer Station at \$25.12/ton.

## Option 2: SCWMA Secures Contract for Organics Composting Services In-County

### SCWMA-Owned Compost Facility

SCWMA may establish a compost facility and contract the operations of the facility. Financing for the new facility would be passed through to rate payers, and the risks related to facility ownership would be borne by SCWMA and the Member Agencies. These risks may involve:

- Legislative risk, as the operating requirements for a facility might change if new environmental legislation is passed;
- Unforeseen environmental impacts that might change the operating costs of the facility;
- Changes in the market for the finished product that might impact the overall facility financing;
- Changes in the incoming tonnage that might result in lower revenue to cover fixed costs;
- Changes in gate fees over the long term, as a SCWMA-owned facility would pass down any increases in cost to rate-payers, whereas a privately owned facility would be “locked in” to the contractual cost; and
- Liability for facility failure, as a privately owned facility would shut down if it failed, while a facility owned by SCWMA would be contractually obligated to continue operating until paid off.

### Contractor-Owned Compost Facility

SCWMA could seek to secure a contract with an organics processing provider to provide organic waste composting services within the County. In exchange for flow commitments and the profits associated with a set per-ton rate for composting organic waste, the contractor would assume the risks associated with

the facility (listed above). In both scenarios, if the facility were to shut down, organic waste will need to be sent elsewhere.

The cost per ton for composting organic waste would likely be lower if more Member Agencies choose to participate. The overall cost of organics composting services to Member Agencies could go down as a result of having longer term agreements for services, as well as the elimination of costs for transfer and transport of organic waste to more distant composting facilities.

Some Member Agencies will likely continue to use current transfer stations, and costs associated with the County landfill settlement would therefore continue be applied to those cities. For Member Agencies choosing to self-haul to a new facility, franchised hauler routes may change, which could affect collection costs.

### Option 3: SCWMA Secures Long-Term Contracts for Out-Hauling to Organics Processing Facilities

If the JPA Agreement were to be extended or renewed, SCWMA could continue to provide for organics composting as it currently is doing, but with longer term agreements. Member Agencies would use the same transfer stations currently utilized, and organic waste would be hauled out to composting facilities. A competitive RFP process for transportation of organic waste from transfer stations, and longer term agreements with compost facilities, could also result in lower costs.

### **Summary of Organics Composting Options**

These program options described above are summarized in Table 4.

<b>Table 4: Summary of Composting Facility Issues</b>					
	<b>Member Agencies direct-haul</b>	<b>Member Agencies use transfer system</b>	<b>SCWMA-owned facility</b>	<b>Contractor-owned facility</b>	<b>SCWMA-facilitated out-hauling</b>
<b>Routing changes necessary?</b>	Yes	Not necessary	If direct haul is more cost-effective, depending upon facility locations	If direct haul is more cost-effective, depending upon facility locations	If direct haul is more cost-effective, depending upon facility locations
<b>Greenhouse gas emissions change?</b>	Higher due to long travel times	Same	May increase or decrease due to travel time, depending on location	May increase or decrease due to travel time, depending on location	Same
<b>Flow control agreements necessary?</b>	Not necessary	Not necessary	Yes	Yes	Yes
<b>"Put-or-Pay" included in contracts?</b>	No	No	Maybe	Maybe	Maybe



<b>Table 4:  Summary of Composting Facility Issues</b>					
	<b>Member Agencies direct-haul</b>	<b>Member Agencies use transfer system</b>	<b>SCWMA-owned facility</b>	<b>Contractor-owned facility</b>	<b>SCWMA-facilitated out-hauling</b>
<b>Financing method?</b>	Not necessary	Not necessary	Financed through bonds or contractor	Through flow control; financed by contractor	Not necessary
<b>Who contracts with compost facility(ies)?</b>	Member Agency	Member Agency	SCWMA	SCWMA	SCWMA
<b>Who contracts for use of transfer station?</b>	N/A	Member Agency	SCWMA	SCWMA	SCWMA
<b>Who contracts for transport of materials?</b>	N/A	Member Agency	SCWMA	SCWMA	SCWMA
<b>Member Agencies have facility failure liability?</b>	No	No	Yes	No	No
<b>Member Agencies have compost site liability?</b>	No	No	Yes	No	No
<b>Is there long-term cost control?</b>	Yes, through contracted rates	Yes, through contracted rates	No; facility failure may pass down costs	Yes, through contracted rates	Yes, through contracted rates
<b>Will customer rates change?</b>	Yes	Yes	Yes	Yes	Yes
<b>County fees apply to organic waste?</b>	Maybe	Yes	Maybe	Maybe	May not apply to direct-haul tons

## Key Next Steps

As noted throughout this report, SCWMA is facing a number of core issues regarding its services, structure, and future that should be resolved if SCWMA is going to remain as an ongoing resource for its Member Agencies. Resolving these issues will take time, and certain issues – most notably the future of the compost program – will have real and immediate financial impacts for SCWMA, its Member Agencies, and rate-payers if care is not taken in their resolution.

This section outlines key next steps, in order of priority, which SCWMA may wish to take to ensure the timely and effective resolution of these issues.

## 1 Extend the JPA Agreement

The February 2017 expiration of the JPA Agreement may not facilitate cost-effective contracts for organic waste composting services, and therefore may not be in the best interests of the Member Agencies and rate-payers. Current contracts for composting services are short-term and tied to the expiration of the JPA Agreement; it is likely that longer-term agreements would result in more favorable terms for pricing and capacity. Extending the JPA Agreement for a minimum of one year would provide the minimum additional time needed to obtain actionable cost and facility data to better inform future composting program needs. A longer-term extension of the JPA Agreement could allow for longer-term organic waste composting contracts, with more cost-effective terms and protections.

## 2 Make Decisions about the Compost Program

The compost program is the most complicated of the core issues that SCWMA currently faces, with the most capacity for risk, and the most uncertainty with respect to cost impacts to rate-payers. This step involves clarifying and affirming the relationships of the various agreements between all parties involved in the composting program, and conducting procurement processes for both compost processing facility capacity as well as out-haul services from the County transfer stations to the selected compost facilities.

### 2a Clarify and Affirm Contractual Relationships

As noted in this report, there are a significant number of contractual relationships pertaining to the compost program that involve SCWMA, the Member Agencies, the County, Republic Services, the Ratto Group, and the compost processing facilities. Due to the number and complexity of these contractual relationships, there remains significant uncertainty for a variety of questions, including but not limited to:

- Whether (and which) Member Agencies can have their franchised haulers direct haul their organic waste to compost processing facilities;
- Whether SCWMA could arrange for new contract(s) to out-haul organic waste from the County transfer stations; and
- Whether and how individual Member Agencies could arrange for the transfer, out-haul, and processing of organic waste.

These questions should be investigated and resolved prior to SCWMA making decisions about the future of its compost program.

### 2b Conduct Procurement Process for Compost Processing Facility Capacity

In order to evaluate and make decisions regarding continued provision of its composting program, SCWMA should conduct a competitive procurement process for organic waste processing capacity at one or more composting facilities. This procurement process would be the first step towards securing more favorable pricing and other terms for the processing of SCWMA organic waste, and could result in one or more contracts for those services. There are several questions that would need to be answered before or during that procurement process, potentially including but not limited to:

- Whether composting capacity would be for in-County or out-of-County facilities, or both;
- Whether the resultant agreement(s) would allow for Member Agencies to direct haul organic waste to the composting facilities, and under what terms;

- Whether the resultant agreement(s) would allow for Member Agency franchised haulers to use existing transfer stations, and under what terms; and
- Whether the SCWMA would seek to have compost facilities also provide for transportation/out-haul of organic materials from transfer stations to the compost facilities.

Upon conclusion of the procurement process, SCWMA would likely be in the position to decide whether to continue providing an organic waste composting program (in which case SCWMA would likely contract with one or more of the respondents) or *not to continue* with the program. If SCWMA were decide not to continue with the program, responsibility for compost facility capacity would fall to the Member Agencies.

## **2c Conduct Procurement Process for Out-Haul Services to Selected Compost Facilities**

In addition to conducting a procurement process for compost facility capacity, SCWMA could also seek to arrange for out-hauling services from County transfer stations on behalf of the Member Agencies. Conducted in tandem with 2b, above, this procurement process could provide new options for out-haul of SCWMA organic waste. Upon conclusion of out-haul procurement process, SCWMA would likely be in the position to decide whether to provide out-haul services for organic waste on behalf of the Member Agencies, if SCWMA continues to provide for compost facility capacity. If SCWMA were to decide not to provide out-haul services for organic waste, responsibility for the transfer, transport, and composting of organic waste would fall to the Member Agencies, similar to 2b, above.

## **3 Make Decisions about SCWMA Services**

Once SCWMA has had made specific decisions about the future of the compost program as noted above, it would be in a better position to make specific decisions about whether or not to continue providing other SCWMA services, including the HHW program, reporting and planning, and outreach and education services. Ultimately, whether or not SCWMA continues to provide for these services is largely a question of cost, and not necessarily of means. These services can be performed by the Member Agencies or some other centralized entity, with relatively known costs, whereas the compost program has a high level of uncertainty on both the costs of the program and the best means of providing it.

## **4 Make Decisions about SCWMA Organization and Structure**

Finally, once SCWMA has made decisions regarding each of the above, it would be in a position to resolve core issues related to its organization and structure. Key questions for this topic area are highlighted in this report, and include membership and voting requirements, and Member Agency withdrawal. Once SCWMA has resolved these key issues, it would be in a position to consider a restatement of the JPA Agreement that would address each of these issues, define the core services provided by SCWMA on behalf of its Member Agencies and rate-payers, and define a revised term of the JPA Agreement.