



Regular Board Meeting
September 20, 2024

Approve Reserve Policy Revisions and Add Landfill Closure and Post-Closure Reserve Funds

RESERVE POLICY HISTORY

- **Adopted November 2002**
- **Consisted solely as an Operating Reserve**
- **Established an Operating Reserve of 25% of Annual OpEx**

- **Amended February 2009**
- **Reduced Operating Reserve to 20% of Annual OpEx**

- *Note that the Debt Service Coverage (DSC) requirement of 1.25 is an external requirement of the Public Bonds that the District holds and is primary to and separate from the Operating Reserve funds.*

RESERVE POLICY HISTORY

- **Amended June 2022 to consist of three components:**
 - **Operating Reserve**
 - **Capital Equipment Reserve**
 - **Capital Infrastructure Reserve**
- **Defines Priority of Use of Funds**
 - **Operating Reserve funds use is primary and upon Board Approval**
 - **Capital Reserve funds use by Board Approval**
- **Defines Proposed Funding Methodology**
- **Reviewed Annually by Board/Staff in FY Budget process**

DEFINITIONS

- **CLOSURE:** All landfills must eventually be “capped & closed” when filled to capacity or when the disposal operations business is ended.

Two of the main goals of Closure are:

1. Constructing the Final Cap Liner System to isolate the waste mass for the protection of human health and the environment; and
2. Minimizing the need for continual maintenance of the landfill site in accordance with the approved Final Closure Plan.

Primary regulations for California landfills are 40 CFR Part 258 in the federal register and CCR Title 27 in the state register.

- **PARTIAL CLOSURE:** Is the process of constructing the Final Cap Liner System over a portion (subarea) of the landfill during the Operating Period while disposal operations are in-progress (prior to final closure).

DEFINITIONS (continued)

- **POST-CLOSURE:** Post-Closure is the period of time after Closure that the disposal facilities are cared for in accordance with regulatory requirements and the approved Post-Closure Maintenance Plan (min. 30 year requirement).
- The Post-Closure Care Period is to ensure the disposal facilities environmental safety for at least a 30-year period or until the waste mass becomes stabilized (e.g., relatively inert which means there is little or no settlement, gas production or leachate generation).

BACKGROUND

- Circa November 1965 disposal operations began at Monterey Peninsula Landfill. The remaining disposal life of the landfill is estimated to be more than 100 years inclusive of all disposal customers (*Remaining Landfill Life Estimate based on reduced disposal quantities beginning in 2037 following the contract expiration of the GreenWaste Recovery contract for the San Jose municipal service support activities*).
- There is <\$3 million Closure Financial Assurance balance entry on the financial ledger. These funds are restricted for use in the Final Closure event at the end of the disposal capacity of the landfill (e.g., not available for Partial Closure events during landfill disposal operations period).
- There is \$0 Post-Closure Financial Assurance balance entry as ReGen meets the minimum regulatory requirement via a Pledge of Revenue certification. This is a CalRecycle minimum Operating Requirement akin to a requirement for a business to have an insurance policy. By definition, there are not revenues present during the Post-Closure Period thus, owners need a funding mechanism while disposal revenues exist so that sufficient funds are saved by the time disposal operations have ceased.

BACKGROUND (continued)

- To date (2024), ReGen has not adopted a voluntary Funding Account nor a funding mechanism approach to begin funding for either the Closure or the Post-Closure events.
- Industry practice typically defines that the Financial liability for Closure and Post-Closure begins when a landfill “Opens” and ends when a) the last ton of waste is disposed of and the landfill’s Cap Liner System is completed (Closure) and b) 30 years after Closure was accomplished (Post-Closure Care Period).

- **Develop Closure Reserve Policy**

- Approximate Liability of \$60 million (2024 dollar basis; 20% estimate adjustment)

- Annual Contributions to Designated Accounts similar to Capital Reserve Policy

- Flexible Annual Contribution process with annual Board Review (start FY24/25) – Years 0 to 10

- Defined Annual Contribution process with annual Board Review (start FY24/25) – Years 11 onward

- Designated Funds managed in a secure investment account in accordance with Investment Policy

- Before Year 11 – adopt “defined” schedule for reaching 100% funding status (between 50 & 75 years)

- **Develop Post-Closure Reserve Policy**

- Approximate Liability of \$17 million (2024 dollar basis; 20% estimate adjustment)

- Annual Contribution to Designated Account similar to Capital Reserve Policy

- Flexible Annual Contribution process with annual Board Review (start FY24/25) – Years 0 to 10

- Defined Annual Contribution process with annual Board Review (start FY24/25) – Years 11 onward

- Designated Funds managed in a secure investment account in accordance with Investment Policy

- Before Year 11 – adopt “defined” schedule for reaching 100% funding status (between 50 & 75 years)

PROPOSED CLOSURE AND POST-CLOSURE RESERVES PLAN

PHASE A - (YEARS 0 - 10)							
CATEGORY	PERIOD "n" (YEARS)	PRESENT VALUE (2024)	ASSUMED NET INTEREST RATE	CALCULATED ANNUAL CONTRIBUTION AMOUNT	SUGGESTED MINIMUM ANNUAL CONTRIBUTION AMOUNT	CURRENT FINANCIAL ASSURANCE INSTRUMENT ANNUAL FUNDING AMOUNT (Approximated)	APPROXIMATE PERCENT OF COMBINED ANNUAL CONTRIBUTIONS
Closure	60	\$60,000,000	1%	\$1,334,667	\$550,000	\$200,000	56%
Post-Closure		\$17,000,000		\$378,156	\$200,000	\$0	53%
Closure	85	\$60,000,000	1%	\$1,051,199	\$550,000	\$200,000	71%
Post-Closure		\$17,000,000		\$297,840	\$200,000	\$0	67%
PHASE B - (YEARS 11 - 60 Minimum or YEARS 11 - 85 Maximum)							
CATEGORY	PERIOD "n" (YEARS)	ADJUSTED PRESENT VALUE (2034)	ASSUMED NET INTEREST RATE	CALCULATED ANNUAL CONTRIBUTION AMOUNT	DEFINED ANNUAL CONTRIBUTION AMOUNT (Less Financial Assurance Annual Amount)	CURRENT FINANCIAL ASSURANCE INSTRUMENT ANNUAL FUNDING AMOUNT (Approximated)	APPROXIMATE PERCENT OF COMBINED ANNUAL CONTRIBUTIONS
Closure	50	\$54,555,000	1%	\$1,391,847	\$1,191,847	\$200,000	100%
Post-Closure		\$15,020,000		\$383,201	\$383,201	\$0	100%
Closure	75	\$54,555,000	1%	\$1,037,423	\$837,423	\$200,000	100%
Post-Closure		\$15,020,000		\$285,622	\$285,622	\$0	100%



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ReGen Monterey
is the public name of
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