



October 13, 2017

Honorable Judge Joyce D. Hinrichs
Presiding Judge
Superior Court of Humboldt County
825 5th Street
Eureka, CA 95501

Re: Humboldt County Civil Grand Jury Report: The Authority to Manage Our Waste".

Dear Honorable Judge Hinrichs,

The Humboldt Waste Management Authority's Board of Directors respectfully submits the following responses to the Humboldt County Civil Grand Jury's 2016-17 Report titled "*The Authority to Manage Our Waste*", which was released June 26, 2017. California Penal Code 933(c) requires that the identified public agency provide a response within 90 days of receipt. Due to the cancellation of the September 14th Board meeting due to the lack of a quorum, HWMA staff submitted a letter on September 26th to the Grand Jury Foreman requesting a 30-day extension of the required response. The Grand Jury Foreman provided a verbal approval of the request. This report was received, discussed and approved at a regular October meeting of the HWMA Board of Directors, held October 12, 2017.

Response to Findings:

FI. HWMA is caught in the middle of growing pressures to deal with an increasing volume of waste, a shrinking market for recycled materials, and a 30-year commitment to continue monitoring and cleanup of the closed Cummings Road Landfill site.

Partially Disagree

Increasing volume of waste - Disagree

When the Authority was formed in 1999, the annual average volume of received waste was 110,000 tons annually, and the transfer station was designed to accommodate this volume of material. This volume has decreased over the past seventeen years primarily due to diversion activities and the 2008 Recession. Today the Hawthorne Street Transfer Station handles 63,000 tons as in-bound solid waste from franchise and public self-haulers.

The challenge to the Authority is that when the facility was constructed in 2001, its purpose was to receive waste as a singular stream and transfer directly into trailers destined for landfill disposal. It was not designed as a multi-faceted facility that handles, diverts and segregates specific materials. Since 2002, HWMA has implemented multiple diversion programs and activities, and one result is that we find ourselves constrained by space because of necessary processing and storage requirements for the diverted materials - not necessarily due to the solid waste volume.

Humboldt Waste Management Authority

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The Authority has reduced solid wastes going to landfill by successfully developing and implementing programs that handle and segregate discrete types of materials to diverted recoverable materials from landfills. Factors responsible for the volume reduction include 1) implementation of waste diversion legislation (i.e. AB 939, AB 341 and AB 1826), and 2) diversion activities including recycling, green-waste, household hazardous waste and universal waste, carpet and mattress diversion activities from entering the solid waste stream, and 3) Authority employees manually divert an average of 800 tons annually from the solid waste stream. Furthermore, following the 2008 recession, solid waste volumes also declined due to consumers changing their purchasing habits and a reduction in building/remodeling activity.

The Authority waste volumes (including HWMA's Transfer Station, satellite facilities and tonnage direct hauled to landfills) has remained steady at 70,000 tons for several years. We increased the solid waste forecast for FY 2017-18 to 72,000 tons of material, which the Authority's Transfer Station has sufficient capacity to handle.

Shrinking market for recycled materials - Disagree

Domestic and international recycling commodity trends are in a constant shift of ebbs and flows, and it is the nature of the business to experience fluctuating demands and prices. The market is not 'shrinking' so much as there is an increasing demand for higher quality (or 'uncontaminated') materials coupled with fluctuating commodity prices which poses a challenge to the industry as a whole.

Recycling is considered a service that is expected by the public. However the public may not understand that recycling is not a 'free service' as there are costs and resources to provide curbside collection services to a transfer station, facility overhead, labor, equipment for materials processing and transportation to the market; as well as a constantly evolving waste stream, consumption patterns and habits. Throwing garbage or trash into a recycling bin is one of the primary causes of 'contamination' that prohibits the recovery of recyclable materials and causes an undervaluing of that material. Combine this with our geographically isolated proximity, even during times of robust recycling commodity market-values, Humboldt County incurs a significant cost in the transportation of material to market. These transportation costs erode the Authority's 'profitability' from recycling activities.

HWMA, our member agencies, and franchise haulers regularly conduct education and outreach activities because recycling success starts at the bin by the consumer. We need consumers to be mindful about those materials they are placing into their recycling bin, and work with us to minimize contaminants.

30-year commitment to continue monitoring and clean-up of the closed Cummings Road Landfill - Partially Disagree

When HWMA was formed, it purchased the Hawthorne Street Transfer Station and the Cummings Road Landfill from City Garbage of Eureka, now Recology Humboldt. Through the joint powers agreement and purchase, the Authority became responsible for the transfer station maintenance, planning, permitting, monitoring activities and the Cummings Road Landfill. The Authority committed through a "Pledge of Revenue" to ensure necessary funding for the maintenance and 30-year post-closure obligations of the landfill.

In March 2011, the North Coast Regional Water Quality Control Board (NCRWQCB) and CalRecycle approved the Joint Technical Document for landfill closure activities. The Authority secured a contractor and commenced Phase 1 construction in the Summer of 2012, with Phase 2 construction closure activities anticipated to commence in 2013.

However, adjacent to the landfill property is the former 6.1 acre Cummings Road Burn Ash Site straddling HWMA's landfill property and the neighboring property owned by Recology. A common historic practice was to open air burn municipal solid waste and push the residual debris off to the side. In the case of this site, the municipal solid waste generated by City of Eureka residents was open air burned by a private operator between 1933 and 1969 and pushed off nearby ravines, where it accumulated for 36 years, creating a legacy burn ash debris site. The NCRWQCB issued a joint 18-month clean-up and abatement order to HWMA and Recology. Neither party was responsible for creating the legacy waste, but as property owners we were held responsible for collective actions.

The project was completed in October 2014. This long-term solution resulted in creek and redwood forest restoration, fish passage barrier removal, and improved public health and safety. 91,600 cubic yards of collected burn ash debris was placed within the (unclosed) Phase 2 geomembrane lined portions of the Cummings Road Landfill; the landfill's leachate control system ensures any potential metals do not leach into the soil, stream, or groundwater. In June of 2014, Phase 2 construction activities commenced and was completed in October 2015.

Total project costs to close the landfill and clean-up the former Burn Ash Site was approximately \$12 million.

The Cummings Road Landfill was certified closed by the CalRecycle, NCRWQCB and the Humboldt County Local Enforcement Agency in February of 2017. The Authority is now responsible for 30-years of Post-Closure Monitoring. No additional cleanup activities are necessary at the landfill. Costs related to Post-Closure Monitoring are provided for by the Authority having agreed to a Pledge of Revenue with the State of California Department of Resources Recycling and Recovery. Annually, the Authority budgets a portion of its County-Wide Program Fees to cover the estimated \$253,581 in costs required to maintain the Landfill. These costs are born by all solid waste tonnage which originates within the jurisdiction of the Authority's Member Agencies - whether disposed of at one of the Authority's facilities or not - and is used solely to comply with this Pledge of Revenue.

F2. Serious financial issues include a persistent deficit in operations (until 2016-2017), and unclear financial statements regarding HWMA's net worth position.

Partially Disagree.

As detailed in the FY 2015-16 Financial Audit, the Authority has worked to resolve the persistent deficit in operations. The audit will, to some degree, continue to reflect an on-going deficit related to the liabilities associated with the Cummings Road Landfill due to the 30-year obligation of post-closure maintenance and monitoring.

Under the current Executive Directors' leadership, beginning in 2013, HWMA implemented aggressive expenditure controls, solicited and secured competitive contracts, reduced reliance on outside consultants, and restructured long-term bond debt obligations with interest rates

decreased from 4.5% to 1.68%. Authority staff has also recommended several reorganizations that improved operational and staffing efficiencies. Additionally, management has developed internal budget forecasting tools to guide long-term financial planning activities for 3-5 year planning horizons. Collectively these actions have stabilized and incrementally improved the Authority's financial position.

Monthly financial statements are presented each month to the Board of Directors, with a fiscal year audit that is conducted by an independent auditor, reviewed and approved annually by the Board. The Authority's net worth position is identified in Note 6 on page 25 of the audit, as well as on page 8 of Manager's Discussion and Analysis which precedes the audited financial statements. The three components of the Authority's net position (which for-profit entities report as "net equity") are required by the Government Accounting Standards Board (GASB), and are detailed in GASB Statement 63, on pages 6 and 7. For more information, the full language of this statement may be found at <http://gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391>.

F3. HWMA lacks an integrated financial reporting system, and provides inadequate training for personnel who are responsible for the reporting.

Agree

As identified in the FY 2013-14 Financial Audit, the Authority's auditor recommended that the Authority address system software vulnerabilities and upgrade to an integrated financial reporting system. This entailed two significant components 1) the purchase of an upgrade the Authority's 2004 accounting software which was completed in December 2016; and 2) the purchase new scalehouse software capable of tracking of solid waste, recycling and tracking of other diverted materials scheduled to be completed by Fall of 2017. The scalehouse software system can also be integrated with the accounting software. Combined these two programs cost the Authority approximately \$80,000.

F4. A severe shortage of space for operations at the Hawthorne facility limits the Authority's ability to divert recyclables from the waste stream and to deal with food waste.

Partially Disagree

The Hawthorne Street Transfer Station was originally permitted to operate in 1978 within a 15,000 square-foot facility. After HWMA acquired the facility, the Transfer Station was expanded by an additional 31,000 sq. ft to handle member agency and public self-haul solid waste material. Over the past 15 years, the Authority has undertaken a myriad of diversion activities including but not limited to: recycling, CRV Buy-Back, green waste diversion, household hazardous waste, electronic waste, universal wastes (including used oil, fluorescent bulbs, and sharps), tires, carpet and mattress diversion. Additionally, HWMA staff manually diverts about 800 tons annually from the self-haul area of the Tip Floor. Each of these activities requires room to safely operate heavy equipment, process and store the segregated materials and contributes to constricting movements within an increasing shrinking space.

HWMA handles three distinct streams of recyclable materials 1) single stream curbside collected recyclable materials delivered by franchise haulers, 2) source separated recyclable materials delivered to the Eureka Recycling Center; and 3) operation of a California Redemption Value (CRV) Buy-Back Center.

Single-stream curbside material is stored in a bunker on the 'tip floor', loaded into trailers that are transported to a contracted processor for sorting, baling and marketing. The material must be segregated for delivery and loading purposes.

Source-separated and C V material received at the Eureka Recycling Center is processed and baled on site, marketed and transported to specific facilities. These materials also include electronic and other universal wastes, mattresses, appliances and used oil. It should be noted that CRV transactions at the Eureka Recycling Center have quadrupled since 2013 as a result of both CalRecycle regulations and the decline of commodity values that caused a number of private recycling centers to close their doors. Today, the Eureka Recycling Center is the only CRV Buy-Back facility within the Eureka and Arcata area.

From 2007 until 2014, the Authority undertook the planning and implementation of a "Pilot Prpjct for Food Waste Collection", however the pilot project showed the vulnerability of a diversion program being developed without member agencies being willing to commit to the implementation of curbside collection services and associated diversion processing costs. The lack of a food waste diversion project was due to collection and processing costs, not space limitations at the Authority.

FS. On a yearly basis, approximately 70,000 tons of waste is transported to recycling sites and landfills (including Potrero Hills, a 550-mile round trip) by diesel-burning trucks.

Partially isagree

Effective June 26, 2017, 100% of the Authority's solid waste is transported to Dry Creek Landfill (White City, Oregon) for disposal using a local transportation contractor. The Authority's previous contractor, Solid Wastes of Willits, requested early termination on May 30, 2017 from the 10-year service agreement that was entered into June 2, 2014 due to ongoing financial difficulties and an inability to meet contract performance obligations. This change has reduced the hauling distance to 407 miles round trip.

All off-site transportation, of solid waste, recyclable, green-waste and other specialty materials is performed by contractors under an agreement for contracted services. The Authority does not own or maintain a commercial transportation fleet.

F6. HWMA is not operating as a regional entity, foregoing the opportunity for shared resources, economies of scale, and more efficient (and eco-friendly) trucking transportation.

Disagree

The Authority would welcome a more regional approach and comprehensive, inclusive agency membership. Repeated overtures to non-members have been made over the past fifteen years since agency formation, and will continue. A complete membership roster in and of itself, cannot

guarantee efficiencies. The lack of flow control on recyclables within existing Authority framework is one example of divergent approaches and differing viewpoints of our current membership.

As to 'more efficient' trucking, solid waste is placed into trailers with an average weight of 23.5 tons per truck, then hauled direct to Dry Creek Landfill. Trailers are filled to volume and weight capacity. There are no additional eco-friendly economic and environmental advantages by combining tonnage as stated in Finding F6.

F7. HWMA lacks operational disaster planning, and is not developing viable options to deal with forecasted rising groundwater levels.

Partially Disagree

In addition to general emergency response protocols and responses, Authority staff participated with Humboldt County Emergency Services in developing a "Disaster Debris Control Plan" tailored to local conditions to meet federal FEMA and other requirements. As illustrated by the two-week Highway 101 closure in late April 2017 which coincided with intermittent closures of Highway 299, the Authority was able to rapidly secure and re-direct solid waste to an alternate landfill, with no interruption to the public's collection and disposal services. This illustrates just how adaptable the agency is at adjusting to changing conditions and critical needs.

The Board believes the Grand Jury was referring to "Sea Level Rise Projections". The Authority agrees that Sea Level rise presents a host of local and global issues. The HWMA Hawthorne Street Transfer Station may be affected similarly with hundreds of other local businesses situated within the City of Eureka's West Side Industrial Park, the historical fill area west of Broadway and well within both tsunami and tidal affected zones. The Board discussed this topic at their July 2016 meeting. Engineering experts have advised the Authority Board of possible outcomes and cures that may be considered within the next several decades. HWMA will work with our member agencies to evaluate and determine appropriate strategies.

Refer to R6 response.

Response to Recommendations:

R1. The Humboldt County Civil Grand Jury recommends that the HWMA Board must give immediate attention to improved financial accounting and reporting, and must ensure that up-to-date systems are available and maintained by adequately trained staff (F2,F3).

Implemented

As detailed in the response to Finding 3, the FY 2016-17 budget included funding for the purchase and implementation of financial accounting and scalehouse software. Financial accounting software was installed and has been operating since December 2016. The Board approved purchase of new scalehouse software at their July 13th, 2017 meeting.

R2. The Humboldt County Civil Grand Jury recommends that the financial management staff clearly separate accounting for activities involving Hawthorne operations from continuing obligations for the Cummings Road Landfill (F2).

Not Reasonable to Implement

Implementation of this recommendation is not necessary because the annual budgets and line item accounts clearly separate budgeting and accounting activities for Administration, Programs, Tip Floor Operations, Recycling Operations, Hazardous Waste and the Cummings Road Landfill. Furthermore, since adoption of the FY 2014-15 Annual Budget, each year the Board adopts a budget that includes an annual budget summary narrative by division, key accomplishments and objectives for the forthcoming year.

Audits are prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with accepting auditing standards by an independent, licensed certified public accountant, and each annual audit includes a dedicated note which addresses the Cummings Road Landfill.

R3. The Humboldt County Civil Grand Jury recommends that a rolling multi-year forecast for revenues and expenses, including best estimates for planned projects be required annually and used as the basis for facility planning.

Implemented

Staff presents a draft budget to the HWMA Board of Directors in early spring of each year, and incorporated in the presentation is an overview of a rolling 3-5 year budget forecast. This enables the Board to see the proposed budget for the upcoming year, and provide direction so the Authority is positioned to meet foreseeable financial impacts such as annual CPI adjustments, the State of California's tiered minimum wage increase, expiration of long-term debt obligation, and other related impacts. Further, the Board established 'designated reserve accounts' to further stabilize and buffer the Authority's finances in the event of unexpected cost increases related to fuel spikes, governmental pass through fees or other activities.

In November of 2016, the Board approved a seven-year "Capital Improvement Plan (CIP) Fiscal Year 2017-2023". The CIP is a planning and fiscal management tool used to assist in the coordination, timing and financing of capital improvements over a multi-year period. The approved CIP is intended to:

- o Initiate the timely repair and replacement of aging infrastructure and rolling stock.
- o Enable Board and public discussion of Authority infrastructure needs, Board approved priorities and Strategic Plan implementation.
- o Identify the most economical means of financing capital improvements, with the goal of avoiding sharp increases to the Authority's Waste Management Fee ("Tipping Fee").

R4. The Humboldt County Civil Grand Jury recommends that, given its current lack of storage and on-site recycling capability, HWMA staff perform a cost analysis for contracting out its recycling versus acquiring more space for this purpose.

Part Requires Further Analysis, Not Reasonable to Implement Remainder

As described in the Finding 4, there are two areas where recycling activities are held. For curbside collected materials that are stored and transferred into trailers to an out of area process, this recommendation may be appropriate depending on the outcome of the upcoming regional recycling Request For Proposals tentatively scheduled for early 2018.

As to outsourcing Eureka Recycling Center activities, the Authority will not be implementing this. HWMA contracted services for the operation of the Eureka Recycling Center from 2001 until 2009. The Board of Directors directed that the Authority assume operation of the recycling operations which went into effect in 2011, and today HWMA operates the only local California Redemption Value (CRV) Buy-Back Center in Eureka, Arcata and the surrounding communities. Five (5) privately owner-operated CRV Buy-Back centers were unable to financially maintain their operations due to increased regulatory requirements, and a declining value of material commodities. The Eureka Recycling Center also receives public drop-off of materials such as cardboard, scrap metals, non-CRV materials, batteries, used oil, electronics, appliances and e-waste.

RS. The Humboldt County Civil Grand Jury recommends that the HWMA carefully analyze whether operating as a regional authority that includes all of Humboldt County would be more cost effective for ratepayers, while decreasing the environmental impact of current inefficient hauling. Our County Board of Supervisor (BOS) should take an active leadership role in promoting HWMA as a regional authority by encouraging the membership of Fortuna and Trinidad (F1, F6).

HWMA unable to implement

The Joint Power Agreement was written with the objective of the Authority eventually becoming a limited 'regional' authority for solid waste. Limited in the sense that cities maintain the right to enter into their own agreements with franchise curbside collection waste, recycling haulers and diversion activities.

Provisions exist for additional membership to the Authority, however entities are required to give 'flow control' of their solid waste to HWMA. This flow control is necessary to demonstrate committed tonnage volumes to leverage and secure competitive services. All other material such as recyclables or green-waste and other materials are not subject to mandatory 'flow control' unless the entity agrees to voluntarily and formally direct materials to the Authority.

R6. The Humboldt County Civil Grand Jury recommends that the HWMA Board and staff create, prioritize and regularly review an HWMA mid to long-term plan, projecting expected waste volume increases and ensuring adequate facilities for waste management and for recycling. The plan must project and recommend mitigation of the effects of the rising water table, as well as deal with operations following natural disasters (F1, F7).

Implemented

The HWMA Board has approved plans since 2013 that guide strategic planning, and capital improvements for Authority operations, and regularly approves direction to Authority staff for various projects and planning efforts. In May of 2013 HWMA adopted a ten (10) year strategic plan "HWMA 2013-2023 Strategic Plan", that has guided numerous endeavors the Authority has undertaken over the past four years. This plan and implementation progress is updated annually by the HWMA Board of Directors.

As described in the response to R3, in November of 2016 the Board of Directors approved a Capital Improvement Plan which is used to plan and finance capital improvements projects over a multi-year period.

The Board of Directors received a presentation and discussed Humboldt Bay Sea Level Rise Inundation Vulnerability Modeling, Mapping and Adaption Planning and HWMA's Facilities in July 2016. The Authority will incorporate the findings in this study in upcoming master facility planning efforts.

HWMA staff assisted in the coordination and development of the Humboldt County Office of Emergency Services "Debris Management Plan" which addresses debris resulting from incidents such as earthquakes, floods, tsunamis and continuity of vital services such as garbage collection in the event of emergencies.

R7. The Humboldt County Civil Grand Jury recommends that the HWMA obtain support of the Board of Supervisors to conduct a feasibility study for the use of modern incineration methods to deal with solid waste (FS)

Not Reasonable to Implement

The HWMA Board of Directors has existing authority under the joint powers agreement to conduct feasibility studies for Authority projects, and would obtain support of all member agencies including, but not limited to, the Humboldt County Board of Supervisors.

Although the HWMA Board of Directors appreciates this recommendation, all strategies to achieve 1) waste minimization, 2) recycling, 3) diversion and 4) all forms of waste disposal, including landfill, waste-to-energy and incineration, will be explored through a public process.

Sincerely

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Chairperson

Cc: Bernadette Cheyne, Chair of the Humboldt County Civil Grand Jury