

July 13, 2006

TO: Each Member of the Los Angeles County Solid Waste  
Management Committee/Integrated Waste Management Task Force

FROM: Siya Araumi SA  
Staff

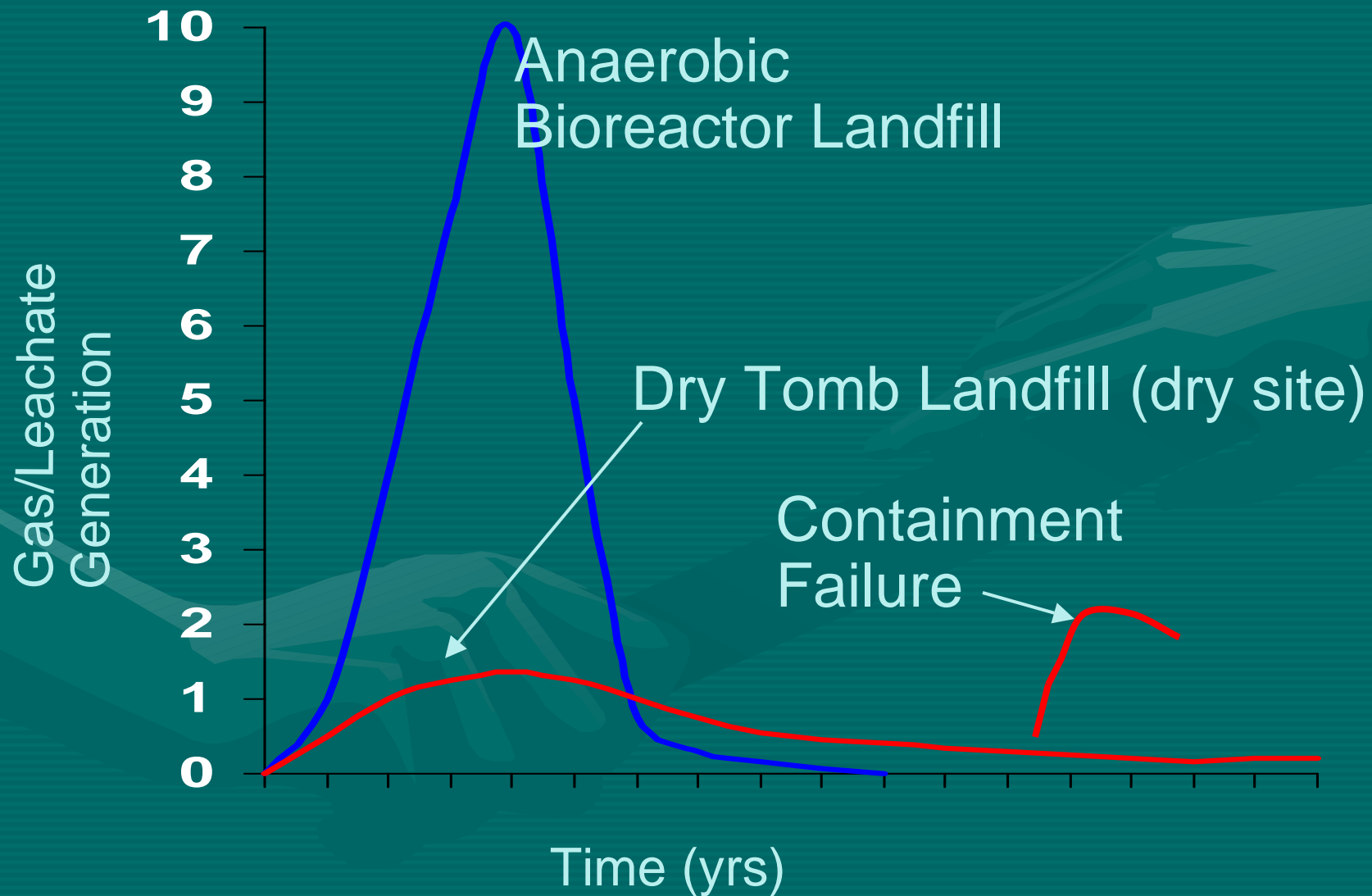
**ITEM 13 OF THE JULY 18, 2006 BOARD AGENDA**

Attached for your review is a hard copy of the Power Point presentation provided by the Board's Staff during a meeting on July 10, 2006, in Sacramento on Item 13 of the July 18, 2006 Board Agenda. As requested, an update on this item will be provided.

If you have any questions, please contact me at (626) 458-4991, Monday through Thursday, 7:00 AM to 5:30 PM.

Enc.

# Landfill Decomposition



# Longer-term Maintenance

- Current requirements are for PCM activities for a minimum of 30 years after closure and until the waste no longer poses a threat.
- FA demonstrations are only required for the first 30 years of PCM.

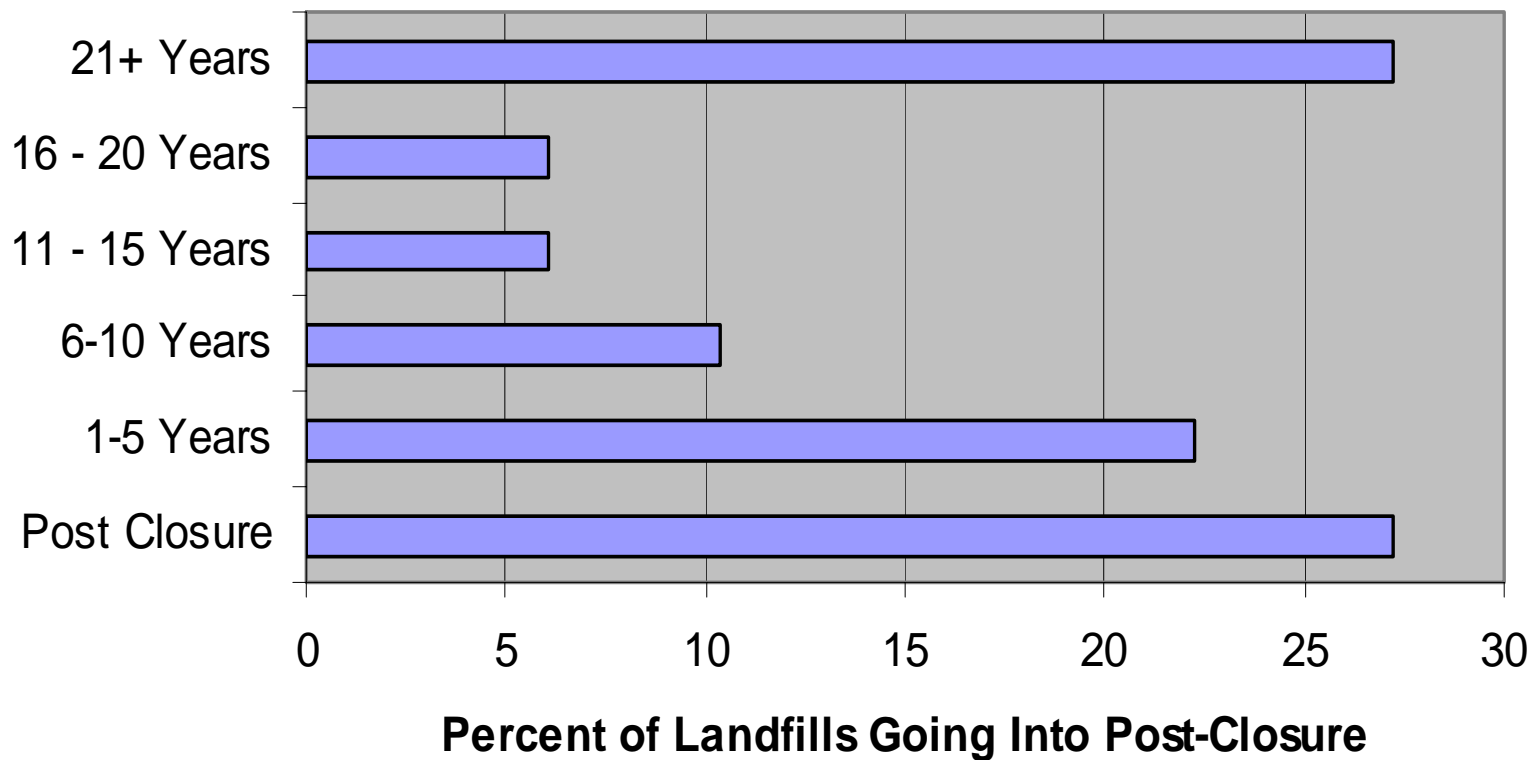
# Longer-term Maintenance

- List of consensus items from working group meetings
  - Operators acknowledge responsibility for closed landfill continues until facility no longer poses a threat;
  - Operators with trust funds, enterprise funds, insurance policies fully expect to access the funds;
  - Recent construction cost inflation and increased competition for contractors has resulted in significant increases in costs, and;
  - Corrective Action costs and PCM Costs are sometimes interchanged resulting in difficult FA demonstration situations.

# Longer-term Maintenance

- 282 solid waste landfill facilities within the State subject to FA requirements
- Longer-term PCM costs were analyzed to determine aggregate potential liability for “normal” PCM.
  - 116 landfills already in PCM
  - By 2021 the first landfill will exhaust its required PCM fund
  - By 2040 all 116 funds will have been exhausted

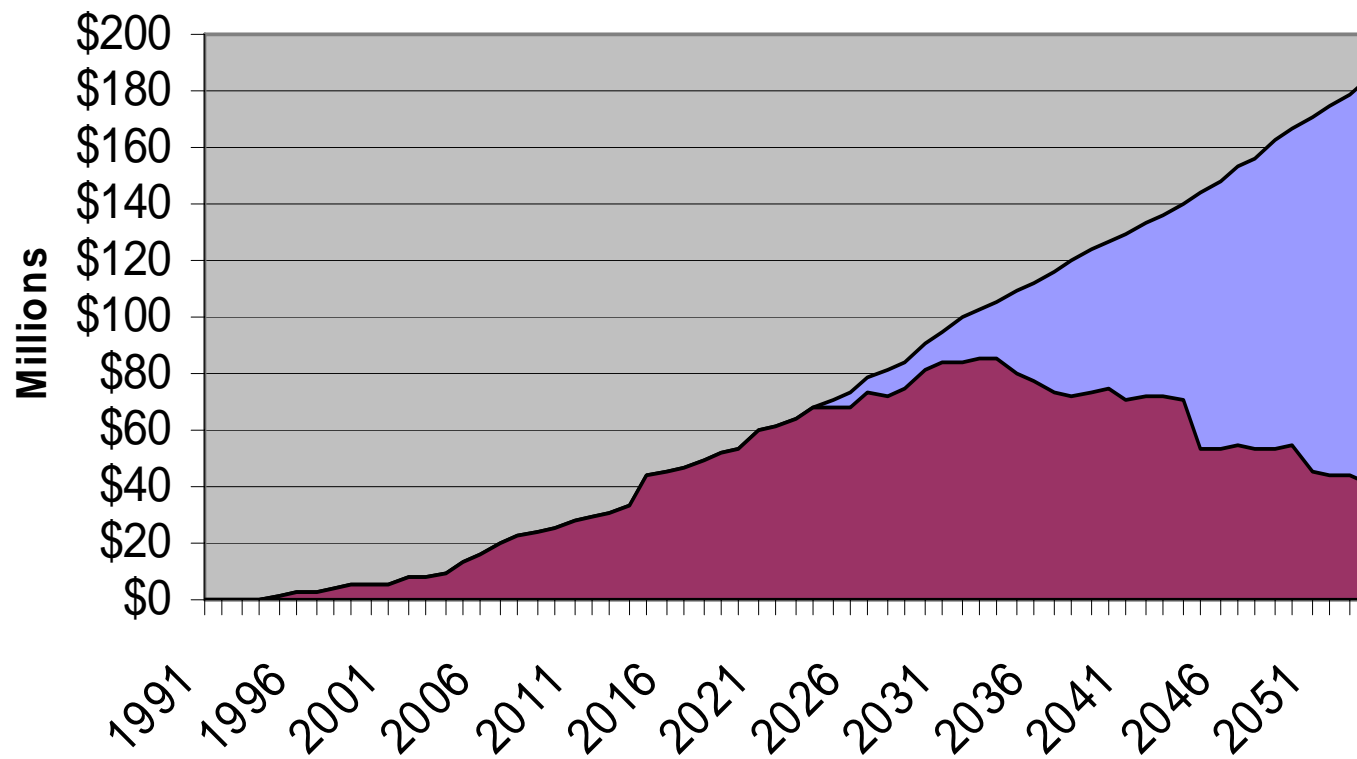
## Distribution of California Landfills Entering Post-Closure Period



# Longer-term Maintenance

- Net Present Value (NPV) of unfunded PCM liability for these 116 sites by 2040 is \$150 million ~ 85% publicly operated sites
- By 2054 the NPV of unfunded PCM costs for all sites in postclosure is more than \$600 million ~ 77% publicly operated sites

## Assured (red) and Unassured (blue) Annual Post-Closure Liabilities (all sites)





# Longer-term Maintenance

- Unfunded costs only represent the regular and expected annual PCM costs
- Unexpected costs - earthquakes, floods or flooding rains not represented
- Also not represented are the longer-term (post 30-year) repair and replacement costs of the landfill environmental control systems in place.
  - These costs expected to outpace current PCM for closed landfills

# Lessons Learned from BKK

- Because of need to expend Board funds and to redesign closure project, several issues arose that, if addressed, could potentially limit probability of similar occurrence
  - Strengthen Board oversight over closure and PCM plans
  - Apply more Board focus and resources to review and approval of final closure projects tied to land use change and redevelopment
  - Consider allowing Solid Waste Disposal and Co-disposal Site (AB 2136) Program use for landfill closure activities

# Lessons Learned from BKK

- Clarify and strengthen existing insurance FA mechanism
- Clarify and strengthen requirements for updating cost estimates, including:
  - better third-party cost estimates to include prevailing wages which would be required if the State implemented closure and PCM
  - consider use of different closure and PCM cost escalators

# Proposed Rulemaking

- Should FA for PCM be extended > 30 years?
- If FA is required for greater than 30 years of PCM, what forms should it take?
- What else should be included in cost estimates for PCM and Corrective Action Plans?

# Proposed Rulemaking

- Should FA for PCM be extended beyond 30 years?
  - Clarify FA requirements are for minimum of 30 years and must be maintained until waste no longer poses a threat.
  - Expand regulations to require preparation and submittal of known or reasonably foreseeable corrective action plans for all landfills
    - specify necessary elements, such as repair or replacement of major environmental control systems.

# Proposed Rulemaking

- Clarify that closure, PCM, and corrective action cost estimates be based on costs State may incur
- Clarify that FA demonstrations for PCM must assure that funds are fully available upon request of Board, regardless of side-agreements
- Address other issues such as need for better inflation factors and contingencies on cost estimates

# Proposed Rulemaking

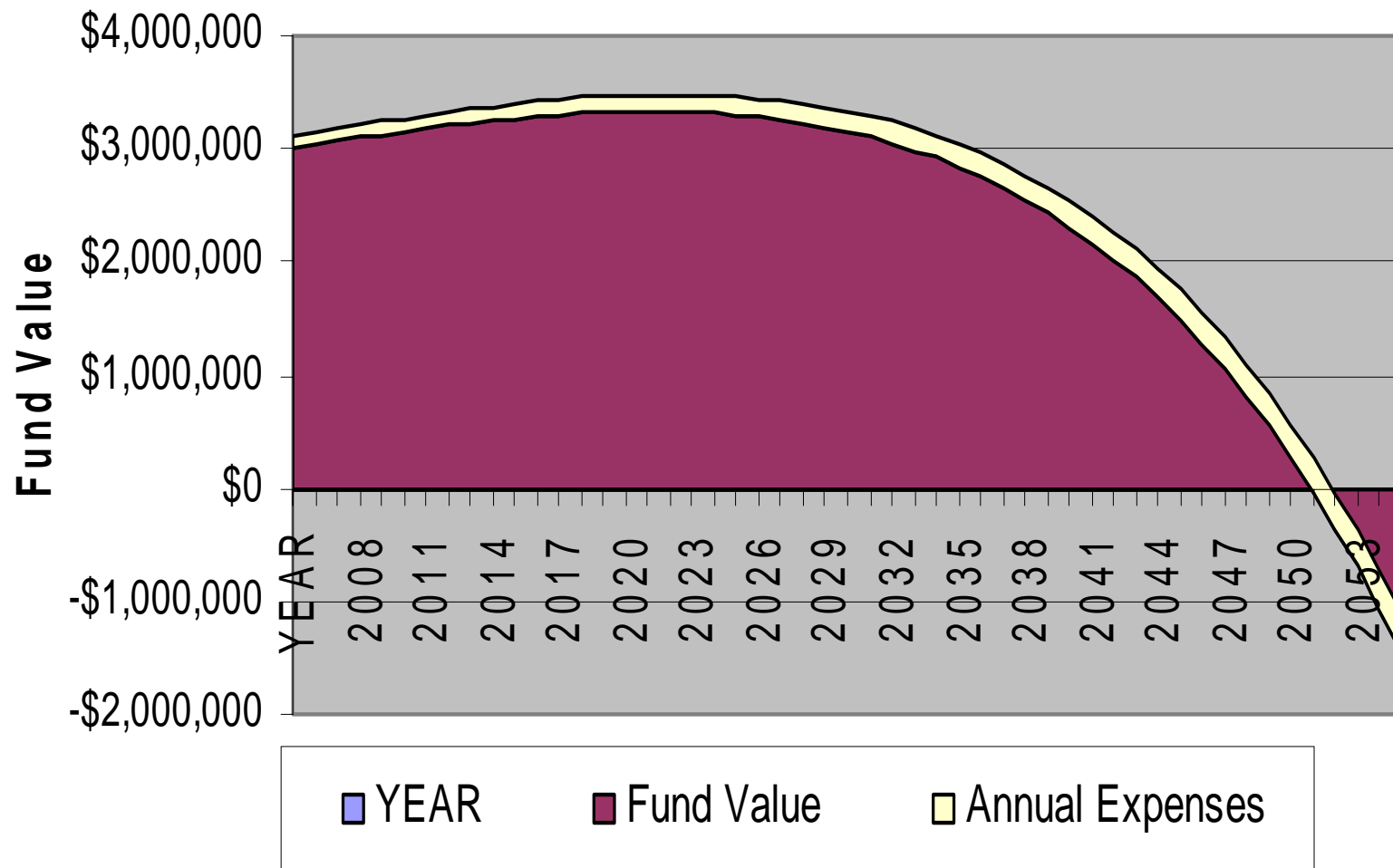
- If FA is required for greater than 30 years of PCM, what forms should it take?
  - Minor modifications to current FA demonstrations like Trust Funds, Enterprise Funds, Pledges of Revenue
  - Minor modifications to Financial Means Tests
  - More extensive changes to Postclosure Maintenance Insurance

# Proposed Rulemaking

- Trust Fund type FA demonstrations
  - Board has earned an average of 4.59% return on the Surplus Money Investment Fund (SMIF) since 1990
  - Calculated inflation rate over the same time-period has been an average of 2.46%
  - These two simple calculations leave an average net earning to the Board of only 2.13%
    - Not sufficient to provide maintenance of the facility well beyond 30 years



## Postclosure Maintenance and Beyond



# Proposed Rulemaking

- Additional potential financial demonstrations are possible
  - Annuities
  - Insurance (Guaranteed Income Contract)
  - Combinations of mechanisms

# Proposed Rulemaking

- Existing mechanisms (such as insurance, trust fund, means test, etc.) need further clarification
- Procedures for payment of premiums and payments from insurance policies need strengthening
- Current cost estimate inflation requirements need to better address current construction cost increases
- Closure and PCM cost estimates should be based on prevailing wage estimates

# Proposed Rulemaking

- PCM cost estimate calculation should be amended to identify complete costs of PCM associated with actual operating facility
- Releases from FA demonstrations during PCM should be based on true expenditures
- PCM cost estimates should include contingency similar to closure cost estimate
- Board should obtain “as built” costs from operators to assist in evaluating adequacy of submitted estimates

# Proposed Study

- Proposed Study of FA Mechanisms for Corrective Actions
  - A statewide requirement that all operators contribute to a pooled fund to provide for the longer-term care and/or corrective actions faced at closed facilities.
  - A statewide requirement that all operators purchase insurance coverage for any costs faced at the closed facility that are not already identified and otherwise insured to the State.