



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Public Works
Department No.: 054
For Agenda Of: December 15, 2020
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from: N/A
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Scott D. McGolpin, P.E., Director, (805) 568-3010
Director(s)
Contact Info: Leslie Wells, Deputy Director, (805) 882-3605

SUBJECT: Termination of Landfill Gas Lease and Operating Agreement with NEO Tajiguas, LLC for the Tajiguas Landfill, County Project No. 129903, Third Supervisorial District

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve and ratify the Department of Public Works, Resource Recovery and Waste Management Division's termination of the Landfill Gas Lease and Operating Agreement ("Agreement") with NEO Tajiguas, LLC ("NEOT"), with an effective termination date of October 21, 2020, in exchange for a \$1.85 million payment to NEOT for the contract buyout and equipment left in place in accordance with the Second Amendment to the Agreement approved by the Board on March 17, 2020;
- b) Approve and authorize the Public Works Director, or designee, to execute: (1) the attached Quitclaim Deed; and (2) attached Memorandum of Termination of Landfill Gas Lease and Operating Agreement and Termination of Amended and Restated Sublease upon execution by NEOT; and
- c) Find that the proposed actions do not constitute a "Project" within the meaning of the California Environmental Quality Act pursuant to 15378(b)(4), (b)(5), fiscal activities or organizational or administrative activities of governments that will not result in direct or indirect physical changes to the environment.

Summary Text:

The item is on the Agenda to approve and ratify the Department of Public Works, Resource Recovery and Waste Management Division's (RRWMD) termination of the Landfill Gas Lease and Operating Agreement ("Agreement") with NEO Tajiguas, LLC ("NEOT") as contemplated by the Second Amendment to the Agreement approved by the Board on March 17, 2020. This item also authorizes the Public Works Director, or designee, to execute the documents necessary to record the termination. The Second Amendment to the Agreement gave the County flexibility on terminating NEOT's services with only 30 days' notice in exchange for a payment to NEOT of \$1,850,000. This sum represents the reasonable value of the equipment to be left in place by NEOT (landfill gas collection system, flare facility, and condensate system) and the buy-out of the contract.

In accordance with the Second Amendment, RRWMD has timed the termination of the Agreement to coincide with the upcoming startup of the new ReSource Center at the Tajiguas Landfill, formerly referred to as the Tajiguas Resource Recovery Project (TRRP). As part of the TRRP, the existing Tajiguas Landfill Energy Project engine and flare that was operated by NEOT was to be decommissioned in place and the new ReSource Center engines and flare connected to the existing landfill gas collection system, as studied in the Environmental Impact Report and Addendum for the TRRP, was to begin operation.

Background:

The RRWMD is responsible for the management of solid waste resources in Santa Barbara County including the operation of the Tajiguas Landfill and construction of the ReSource Center. Facilities that support operation of the Tajiguas Landfill include the existing landfill gas (LFG) collection system, comprised of a network of wells and pipelines installed in the buried solid waste which are connected to an engine that converts LFG to energy and a gas-burning flare (Tajiguas Landfill Energy Project). The primary purpose of the LFG collection system is to reduce LFG emissions from buried waste, specifically methane, and minimize air quality and groundwater quality impacts. The ReSource Center includes modifying operation of the existing Tajiguas Landfill to include the construction and operation of a Materials Recovery Facility (MRF), an Anaerobic Digestion Facility (ADF), a Composting Management Unit, and the decommissioning of the existing Tajiguas Landfill Energy Project.

The County and NEOT entered into the Agreement on March 10, 1998 for the development of the existing Tajiguas Landfill Energy Project, the operation of the LFG collection system and utilization of the landfill gas for sale to Southern California Edison. NEOT later subleased the facilities to MM Tajiguas Energy, LLC (MM) on June 30, 1998. The Agreement was amended on August 18, 2009 to update the legal description and add a visual depiction showing the County's Landfill utilities within and near the NEOT lease area. The Agreement was amended a second time on March 17, 2020, to give the County flexibility on timing termination of NEOT's services in exchange for a payment of \$1,850,000 as the reasonable value of the equipment left in place and buy-out of the contract. The Second Amendment also resolved disputes between the County and NEOT related to disposal of LFG well-derived liquids. In addition, the Second Amendment specified the equipment to be left in place by NEOT upon contract termination and addressed NEOT's concern regarding a Power Purchase Agreement that it had with Southern California Edison related to the site.

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The recommended actions will approve and ratify the RRWMD's termination of the Agreement with NEOT and for NEOT to quitclaim any property interests it has related to the Agreement back to the County.

The recommended actions do not constitute a "Project" within the meaning of the California Environmental Quality Act pursuant to 15378(b)(4), (b)(5). The LFG Energy Project was permitted through County Planning and Development (95-CP-046 and 95-CDP-118) and subject to CEQA review. The decommissioning and relocation of the engines and flare was analyzed in the Addendum to the certified Final SEIR (12EIR-00000-00002, SCH #2012041068) dated August 11, 2017 and revised October 26, 2017, and considered by the Board of Supervisors on November 14, 2017. Copies of these documents are available at <https://santabarbara.legistar.com/LegislationDetail.aspx?ID=3208879&GUID=8FD06D70-FE83-4AA1-982A-2CA8EA03B506&Options=ID|Text|&Search=Tajiguas+Resource+Recovery+Project>.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

Costs are budgeted in the RRWMD Enterprise Fund, Engineering Program for fiscal year 20/21. These costs were anticipated and included in the Feasibility Study conducted for the financing for construction of the Tajiguas ReSource Center.

Key Contract Risks: N/A

Special Instructions:

Please forward a certified, stamped Minute Order approving these actions to Jeanette Gonzales-Knight, PE in the Public Works Department, Resource Recovery and Waste Management Division, 130 E. Victoria Street, Suite 100, Santa Barbara, CA 93101.

Attachments:

Attachment A: Quitclaim Deed

Attachment B: Memorandum of Termination of Landfill Gas Lease and Operating Agreement and Termination of Amended and Restated Sublease upon execution by NEOT

Attachment C: Second Amendment to the Landfill Gas Lease and Operating Agreement

Authored by:

Jeanette Gonzales-Knight, PE, Compliance Manager, (805) 882-3627