



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 9/17/2024

To: Board of Supervisors

Department or Agency Name(s): Sonoma County Public Infrastructure

Staff Name and Phone Number: Johannes J. Hoevertsz, 707-565-2550

Vote Requirement: Majority

Supervisorial District(s): Countywide

Title:

Financial Model Enhancement and Value Optimization for Central Disposal Site (CDS)

Recommended Action:

Authorize the Chair to execute a Professional Services Agreement with KPMG LLP for development and ongoing support of a site-wide financial model for the Central Disposal Site and related facilities for a period of two years from September 17, 2024 to September 17, 2026 for a total contract amount not-to-exceed \$210,000.

Executive Summary:

Sonoma County Public Infrastructure (SPI) staff is recommending the approval of an agreement with KPMG LLP to review, enhance, and provide ongoing support for a comprehensive financial model for the Central Disposal Site (CDS). This agreement, with a two-year term and a total not-to-exceed amount of \$210,000, aims to optimize the financial and commercial considerations of the CDS.

In September 2023, the Board of Supervisors accepted SPI's recommendation to evaluate options for expanding the use of the existing CDS to meet its capacity needs and extend the site's useful life. To support this initiative, the County has engaged advisors, including Geosyntec, who have developed an initial financial model.

Staff is now recommending additional professional services from KPMG as a single source waiver request provider approved by the Purchasing Agent. The financial and commercial services from KPMG are necessary to ensure the optimization of the County's financial interests and secure the best possible terms in our agreements with Republic Services. KPMG will support the County in three key areas: Financial Model Review (initially developed by another consultant, Geosyntec), Master Operating Agreement (MOA) Assessment, and Project Management and Support.

Discussion:

On September 12, 2023, the Board of Supervisors accepted SPI's recommendation to evaluate options for expanding the existing Central Disposal Site (CDS) to meet capacity needs and extend the site's useful life (Project #L06928). The CDS currently operates under a Public-Private Partnership arrangement between the County and Republic Services. This agreement will need to be amended to accommodate the development,

implementation, and operation of the expanded CDS site. To support these efforts, the County has engaged advisors, including Geosyntec, to assist in preparing for negotiations with Republic Services. Geosyntec has developed an initial financial model incorporating key inputs and considerations.

The County is now seeking additional industry-specific professional services to complement its existing team, focusing on financial and commercial considerations to provide comprehensive accounting, finance, and infrastructure expertise. The Central Disposal Site expansion and related agreements represent a significant long-term project that will deliver substantial financial and operational benefits to the County and its ratepayers. Given the complexities involved, even minor adjustments in negotiations with Republic Services could yield considerable financial improvements. Engaging KPMG's specialized expertise is a strategic decision that will help ensure the County maximizes the value of these negotiations and secures the best possible terms for the project. The anticipated benefits of KPMG's involvement are expected to far exceed the cost of their services, making this investment in expert support highly advantageous for the County. SPI consulted with two industry-leading firms in solid waste finance and infrastructure to assess their capabilities in providing the specialized financial modeling and consulting services required for the CDS project.

Following a thorough evaluation by an outside legal consultant and County Staff, KPMG LLP (KPMG) was identified as uniquely qualified due to their extensive experience and specialized knowledge in landfill financial modeling. Their expertise in similar projects includes acting as financial advisors for waste management projects with the Region of Durham and Region of York, where they provided guidance on procurement strategies and ensured the defensibility and fairness of evaluation processes. Additionally, KPMG has supported clients such as the North London Waste Authority in developing comprehensive procurement strategies that address market challenges and optimize long-term financial outcomes. As required by the Sonoma county Code 2-8 a single source waiver was approved by the Purchasing Agent. Staff recommends this approach as being in the County's best interest to avoid unnecessary delays and leverages KPMG LLP's specialized expertise, ultimately benefiting the County's operational and financial efficiency.

KPMG is uniquely qualified to perform the comprehensive financial modeling and related accounting and financial services necessary for the development and ongoing support of a site-wide financial model for the CDS and related facilities.

KPMG will provide support in three critical areas:

1. **Financial Model Review:** Review and enhance the financial model developed by Geosyntec. Provide ongoing support to refine the model, ensuring it accurately reflects the financial aspects of the project.
2. **Master Operating Agreement (MOA) Assessment:** Support the County in evaluating and updating the existing MOA with Republic Services. KPMG's expertise will help identify and implement necessary changes to the agreement to support the expanded CDS operations.
3. **Project Management and Support:** Assist the County with ongoing project management activities throughout the negotiation process. This includes participating in regular meetings, presenting findings, providing updates and contributing to overall project success in enhancing the financial model and assistance in the negotiations with Republic Services.

SPI recommends awarding the proposed agreement for the review, operational enhancement, and

ongoing support of a site-wide financial model for the Central Disposal Site to KPMG LLP.

Strategic Plan:

N/A

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

09/12/2023: Board accepted the findings and recommendations of the 2022 Solid Waste Regional Capacity Study; designated the West Canyon as the preferred site for potential future landfill expansion, adopted a Resolution authorizing negotiations with Republic Services on sole source basis, and directed staff to engage with strategic partners/stakeholders in education and outreach relative to the findings and recommendations of the 2022 Solid Waste Regional Capacity Study.

FISCAL SUMMARY

Expenditures	FY24-25 Adopted	FY25-26 Projected	FY26-27 Projected
Budgeted Expenses	\$150,000	\$60,000	
Additional Appropriation Requested			
Total Expenditures	\$150,000	\$60,000	
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other	\$150,000	\$60,000	
Use of Fund Balance			
General Fund Contingencies			
Total Sources	\$150,000	\$60,000	

Narrative Explanation of Fiscal Impacts:

Total estimated value of work to be completed is \$210,000. Appropriations in the amount of \$150,000 for this work are included in the Fiscal Year 2024-25 Integrated Waste Adopted Budget (41123-34050300), and \$60,000 will be included in the Fiscal Year 2025-26 Integrated Waste Recommended Budget.

Funding for the Landfill Expansion Project expenses are funded through the Former Rural Landfill and Former Urban Landfill Funds, sourced by Refuse Franchise Fees and the collection of Concession Fees on each ton of

Agenda Date: 9/17/2024

Municipal Solid Waste and Organic Waste that is received at one of five County-owned Solid Waste Facilities.

Narrative Explanation of Staffing Impacts (If Required):

None.

Attachments:

KPMG Agreement

Related Items "On File" with the Clerk of the Board:

Master Operations Agreement

Single Source Waiver