



AGENDA COVER MEMO

Memorandum Date: 11/15/23

Order Date: 11/28/23

TO: Board of County Commissioners

DEPARTMENT: Public Works

PRESENTED BY: Dan Hurley, Public Works Director
Jeff Orlandini, Waste Management Division Manager

AGENDA ITEM TITLE: DISCUSSION/ In the Matter of Vetting the Construction of a Mixed Waste Processing Facility and Increasing Fees for Solid Waste Services.

I. MOTION

None. Discussion only.

II. AGENDA ITEM SUMMARY

The Waste Management Division is providing an update on the Strategic Plan objective to “Fully vet the construction of a waste processing facility for the Short Mountain Landfill.” The Division is completing vetting and is proposing a draft contract to construct and operate a processing facility, the purchase of a property in Goshen for siting the facility, and increases to solid waste fees to pay for the infrastructure investment. The proposed facility is an Integrated Material and Energy Facility (IMERF) that would include equipment for mixed waste processing, sorting lines for processing commingled recycling, and an anaerobic digestion facility to produce biogas from diverted organic waste.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

In 2015, the Oregon State Legislature passed legislation updating the Opportunity to Recycle Act. As a part of this process, Lane County was required to provide a materials recovery goal to be achieved for 2025 and beyond. Recovery goals are used to encourage waste reduction, recycling, and diversion of waste from landfills. Lane County selected 63% recovery rate for this voluntary goal. This

goal is listed in ORS 459A.010. Lane County currently achieves an approximate 53% recovery rate.

In July 2019, the Board adopted the updated Solid Waste Management Plan (SWMP) as a Special Purpose Plan of the County's Rural Comprehensive Plan (Ordinance No. PA 1377 & 19-04). The SWMP outlines goals and actions to reduce waste entering the landfill and increase the recovery of recyclable materials.

In February 2020, the Board adopted Order and Resolution 20-02-04-04, establishing a Climate Change Strategy for Lane County that included goals to reduce greenhouse gas emissions from County operations.

In October 2020, the Board approved the Climate Action Plan Phase 1: Operations Recommendations Report (B.O. 20-10-20-08). The plan identified the Short Mountain Landfill as the highest contributor (77%) of greenhouse gas emissions from County operations. The Action Plan recommended construction of an Anaerobic Digestion system at the Short Mountain Landfill as a key action for lowering emissions from the landfill.

In December 2021 Waste Management Division staff presented on past action taken and next steps in advancing materials management in Lane County. A local manufacturing company, Bulk Handling Systems (BHS), presented on waste processing technologies in use in other communities that may be viable in Lane County.

In March 2022 Waste Management Division issued a Request for Proposals for Waste Recovery Facilities to help the Division meet or exceed its 63% recovery goal. After a competitive process, the Division selected BHS to enter into a contract to further explore building a Waste Processing Facility located near Short Mountain Landfill.

In April 2022, the Board added the following objective to the 2022-2024 Strategic Plan: *Fully vet the construction of a waste processing facility for the Short Mountain Landfill.*

In July 2023, the Division identified a potential property in Goshen for the IMERF and entered into a Purchase & Sale Agreement (PSA) pending approval by the Board of County Commissioners.

In September 2023, County staff provided an update to the Board of Commissioners on the vetting status for constructing a waste processing facility including cost estimates from the 30% design plans for the facility.

B. Policy Issues

Oregon Revised Statute (ORS) 459.015 (1) (d): "It is in the best interests of the people of Oregon to extend the useful life of solid waste disposal sites by encouraging waste prevention and the recycling and reuse of materials, and by

requiring solid waste to undergo volume reduction through recycling and reuse measures to the maximum extent feasible before disposal. Implementation of waste prevention and recycling and reuse measures will not only increase the useful life of solid waste disposal sites, but also decrease the potential public health and safety impacts associated with the operation of disposal sites.”

Lane County is the Solid Waste Authority for Lane County. Lane County owns and operates the Short Mountain Landfill as well as 15 transfer stations serving all of Lane County’s residents. Per ORS 459.085, with respect to areas outside of cities, the Board of County commissioners may adopt ordinances to provide for the regulation, licensing or franchising of salvage businesses or the operation of salvage sites where such action is found necessary to implement any part of a solid waste management plan applicable in the county.

C. Board Goals

In December 2019, the Board approved the revised 2018-2021 Lane County Strategic Plan adding the following Key Strategic Initiatives and Key Activity Area under the *Vibrant Communities* priority:

2.b. Protect and enhance our natural and built environments

2.b.2 Pursue programs to reach a 63% waste recovery rate by 2025

In 2022, the Board added the following objective *to the 2022-2024 Strategic Plan*.

2.b.7 Fully vet the construction of a waste processing facility for the Short Mountain Landfill.

D. Financial and/or Resource Considerations

Approval of the Waste Processing Facility would require tipping fee increases in order to maintain current Division levels of service while supporting the new facility operations.

The County is continuing negotiations with BHS to develop an operating agreement. A draft of the primary agreement is included as an attachment. The final agreement will include revenues to Lane County including an annual host fee. The agreement will also include ongoing expenses in receiving the waste byproducts from the sorting facility. The agreement will require a “put or pay” requiring the County to ensure a minimum quantity of waste delivered to the facility or risk financial penalties.

The proposed agreement would require the County to develop the site and construct a suitable building to house the sorting equipment. The 30% design for the facility estimated costs for site preparation and building construction at

approximately \$50 million. A federal tax credit of approximately \$15 million is available to offset the construction cost for the building if construction begins before the end of 2024.

BHS would be responsible for supplying the sorting equipment and operating the facility to meet established performance thresholds. BHS estimates the processing equipment costs to be approximately \$100 million.

The Division has negotiated a Purchase & Sale Agreement (PSA) for a 26-acre property in Goshen to site the facility. The sale price is \$1,500,000 and the agreement is contingent on approval by the Board.

The Division is proposing fee increases in 2024 and 2025 to begin accruing funds for the facility. Fee increases would be needed beyond 2025, however the Division recommends waiting on future increases to account for actual CPI increases and to analyze actual construction costs which may be reduced through tax credits, grant opportunities, and possible funding assistance from the State.

E. Health Implications

Organic material in the landfill decays anaerobically - producing methane, carbon dioxide, and other trace gases. Methane and carbon dioxide are categorized as pollutants due to their warming potential in the atmosphere. Additionally, carbon monoxide and particulates are produced when landfill gas is burned as fuel at the current gas-to-energy facility. The proposed waste processing facility would improve local air quality by reducing the output of gases and particulates from the landfill. The project would improve water quality by reducing the load strength of leachate (landfill wastewater) requiring treatment.

F. Analysis

The Waste Management Division's Solid Waste Management Plan was completed and presented to the Board for adoption in 2019. The plan guides the work of the division, with a large emphasis on waste reduction strategies, modernizing transfer stations, expanding services, and exploring waste diversion technologies and practices. With a main component of this plan being achieving our 63% diversion goal, and with the landfill being recognized as the highest internal contributor to greenhouse gas emissions in the County climate action plan, the Division has focused on a mixed waste processing facility as a means to exceed the diversion goal and reduce greenhouse gas emissions.

To fully vet the construction of a mixed waste processing facility, the project has been evaluated through the Strategic Lenses outlined Board's strategic plan: Stewardship of Resources, Equity, and Collective Impact. Strategic lenses are perspectives from which strategic priorities and goals should be viewed, as well as questions that should be asked before strategies are implemented.

Stewardship of Resources

How will we pay for this?

The Waste Management Division operates out an Enterprise Fund. It is self-supported through user fees, known as tipping fees in the waste industry. The fund does not receive any money from taxes or the General Fund. The Division estimates an increase in tipping fees of 11% per year for four years would be needed in order to maintain current levels of service, account for CPI increases, and cover the costs of operating the new facility. Tipping fee increases are predicted to reduce to 8% in year five, and 5% in year six. These increases include an estimated 3% CPI adjustment that would be proposed regardless of the construction of the facility. It has been estimated that for the typical customer using curbside waste collection, an 11% landfill tip fee increase would result in a monthly curbside increase of 50-60 cents, or a 2.1% overall increase. The impact on commercial customers would vary based on size of container and frequency of pick up. It has been estimated that an 11% landfill tip fee increase would result in a monthly commercial rate increase of 3-5%.

Is what we are proposing sustainable?

The proposed tipping fee increases would provide sustainable funding for the life of the facility. The processing facility is estimated to extend the life of the landfill by 25+ years while producing 1-million diesel gallon equivalent of natural gas per year via anaerobic digestion. Additionally, the facility will house a process line for recyclable materials that will be able to handle all of Lane County's recycling as well as take from neighboring counties, meeting the standards of the Recycling Modernization Act. Siting a processing facility in Lane County will avoid transportation of recyclable materials that are currently trucked to Portland/Vancouver area recovery facilities.

Equity

How does this impact everyone in our community?

The landfill is a resource for all residents to meet our community's long-term needs for safe and responsible solid waste disposal. Extending the life of the landfill is a benefit for everyone and succeeding generations. Likewise, reducing the emissions and the long-term environmental liability of the landfill benefits everyone. Increasing fees also carries an impact. However, a \$2/month increase spread over four years seems reasonable for the multiple benefits to be gained. In addition to the environmental benefits, the proposed facility would enable residents to again recycle plastics that were discontinued from collection in the current system, such as plastic tubs and plastic film.

To help offset the impact to low-income residents, a new discount is proposed at County transfer stations to offer a \$1 off per load discount for customers receiving Supplemental Nutrition Assistance Program (SNAP) benefits by showing their Oregon Trail Card (EBT).

The Division acknowledges that the proposed fee increases would have a larger financial impact to large commercial accounts. The Board may wish to consider additional discounts for non-profits or public institutions. Such action would require coordination with haulers to determine how to separate out these accounts. The County currently offers a 33.3% discount to non-profit organizations that process donated goods for resale or reuse.

Have we sought feedback from key stakeholders?

The Waste Management Division has held regular meetings with the Solid Waste Stakeholder Group which comprises of representatives from cities, waste haulers, and businesses and non-profits connected to the waste and recycling industries. County staff have regularly provided updates and solicited feedback since the inception of this project. Since the last presentation to the Board of Commissioners on September 26, 2023, the Division has held meetings with local waste haulers, the Mayor and City Manager of Springfield, the Springfield City Club, the Springfield City Council, East Lane County City Leaders, West Lane County City Leaders, and EcoSort. The Division has also corresponded with representatives from Cottage Grove Garbage, Sanipac, Royal Refuse, the City of Eugene, and Garten Services.

Collective Impact

Are we including the right partners?

BHS was selected through a competitive process over two other proposals because of the quality of the proposal in achieving desired outcomes and the proven track record of the company. Each of following outcomes were met or exceeded with the proposed solution:

- *Increase diversion of materials from the landfill to achieve a 63% county-wide recovery rate.*
 - The solution will enable the County to achieve over a 70% recovery rate.
- *Significantly reduce greenhouse gas emissions from Short Mountain.*
 - The processing facility is estimated to reduce over 100,000 tons of CO2 equivalent emissions.
- *Create local, sustainable economic development and jobs.*
 - The project will provide approximately 190 construction jobs and 65 ongoing jobs to operate the facility.
 - A third-party economic analysis estimated over \$270 million in economic impacts benefiting Lane County over the life of the project.

- *Construct and operate at an affordable cost to the rate payer.*
 - Annual fee increases will be kept to 50-60 cents per month for an average household using curbside garbage service.
- *Use proven processing systems.*
 - BHS is a worldwide leader in supplying waste processing equipment. The company has constructed numerous waste processing facilities, including several in California that staff have visited to observe the facilities in operation.
- *Achieve the above in a Public-Private Partnership format.*
 - The proposed agreement would partner Lane County as the owner of the facility and the landfill with BHS, as a private firm supplying and operating the equipment. BHS would shoulder approximately 70% of the investment into the facility.

Is this the most effective solution?

- Lane County's recycling rate has plateaued in recent years, with the most recent annual analysis indicating a slight decrease in the recovery rate, despite numerous initiatives and education campaigns. A waste processing facility is the only solution anticipated to enable the County to meet the goals described above. The Division requested proposals and evaluated two other potential solutions. The BHS proposal was evaluated to be the most effective solution.

G. Alternatives/Options

If the waste processing facility does not move forward, the Division will continue to explore other strategies to increase waste diversion and will continue working with EPUD to improve the methane gas capture system at the landfill.

IV. RECOMMENDATION

Staff recommends continuing to negotiate with Bulk Handling Systems to finalize a contract to construct and operate an Integrated Material and Energy Recovery Facility (IMERF) and to return to the Board with proposed agreements and fee increases to support the facility.

V. TIMING/IMPLEMENTATION

If recommended to move forward, the Division will return to the Board on December 5, 2023, with the following items for approval:

1. A contract with Bulk Handling Systems to construct and operate the proposed

facilities.

2. An agreement to purchase a property in Goshen to site the facilities.
3. A Board Order to increase solid waste fees by 11% in 2024 and 2025.

VI. FOLLOW-UP

Follow-up discussions with the Board may be needed to evaluate zoning and land use for the proposed property.

Follow-up also may be needed to discuss a flow control options to mitigate financial risk to the County.

If recommended to move forward, the Division would return in the spring of 2024 to request approval of a \$35-million bond to pay for the construction of the building.

VII. ATTACHMENTS

Draft contract with Bulk Handling Systems