# AGENDA COVER MEMO

Memorandum Date: 8/14/24

Order Date: 8/20/24

| | |
|---|---|
| TO: | Board of County Commissioners |
| DEPARTMENT: | Public Works |
| PRESENTED BY: | Dan Hurley, Public Works Director<br>Greg Homes, Financial Services Manager |
| AGENDA ITEM TITLE: | ORDER / In the Matter of Authorizing Financing for the CleanLane Resource Recovery Facility in a Principal Amount Not to Exceed $35,000,000. |

## I. MOTION

Move approval of Order authorizing financing for the CleanLane Resource Recovery Facility in a principal amount not to exceed $35,000,000; and authorizing the County Administrator, the County Treasurer, or their designee, to negotiate, execute and deliver the financing agreements.

## II. AGENDA ITEM SUMMARY

The County is authorized by Oregon Revised Statutes Section 271.390 to enter into financing agreements to finance or refinance real or personal property which the Board of County Commissioners determines is needed. This item formally authorizes issuing $35M in new debt for the construction of the CleanLane Resource Recovery Facility.

## III. BACKGROUND/IMPLICATIONS OF ACTION

### A. Board Action and Other History

On December 5, 2023, the Board of County Commissioners approved the Construction and Operation of an Integrated Materials & Energy Recovery Facility (IMERF) and authorized increases to Solid Waste Disposal Fees for FY24/25 and FY25/26 to begin funding the facility (BO 23-12-05-07). A history of Board actions leading up to this approval can be found in the December 5, 2023, Board Packet.

On June 20, 2024, the Finance & Audit Committee reviewed the Order authorizing financing for the CleanLane Resource Recovery Facility in a principal amount not to exceed $35,000,000 and recommended approval by the Board of Commissioners.

B. Policy Issues

Per 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."* The CleanLane Resource Recovery Facility will serve the interests of Lane County residents by reducing the volume of solid waste requiring disposal by over 80,000 tons per year, by increasing recycling and recovery of materials, and by extending the life of the Short Mountain Landfill by more than 20 years.

The County is authorized by ORS 287A.105 to incur bonded indebtedness within the meaning of Section 10, Article XI of the Oregon Constitution in an amount not to exceed one percent of the real market value of the taxable property in the County, in the form of a financing agreement, and to commit the County's full faith and credit and taxing power pursuant to ORS 287A.315 to pay the amounts due under the financing agreement. This item is consistent with the debt management policy in Lane Manual 4.030 which states that long-term debt obligations shall be issued only upon authorization of the Board of County Commissioners.

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

The contract to be executed with BHS PROJECTS @ LANE COUNTY LLC (BHS), a subsidiary of Bulk Handling Systems, will require the County to develop the site and construct a suitable building to house the sorting equipment. BHS will be responsible for constructing a portion of the building that will house the anaerobic digester and other ancillary equipment associated with the production of renewable natural gas (RNG). Lane County's portion of the construction is estimated at $35 million.

The contract will require the County to ensure a minimum of 120,000 tons of waste is delivered to the facility annually or risk financial penalties. County staff have negotiated a scaled processing fee for the waste ranging from $69 to $99/ton based on a range of 225,000 to 120,000 tons entering the facility.

BHS will 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 Waste Management Division has purchased a 26-acre property in Goshen to site the facility. The sale price was $1,500,000. An estimated $1M of additional investment is anticipated to mitigate wetlands to be impacted by the facility.

On December 5, 2023, the Board of Commissioners approved adjustments to fees for solid waste services including an 8% increase for construction and future operation of the facility plus a 3% inflationary adjustment in fiscal year 2024-25 and fiscal year 2025-26. Fee increases will likely be needed in the following two fiscal years (currently estimated at 6%), however the County is seeking grant opportunities and funding assistance from the State to reduce fee increases in future years. The initial FY24/25 increase will generate approximately $2.2M in new annual revenue.

Additional revenues will include an annual host fee of $1,000,000 for housing the recycling operations, an estimated annual recycling revenue share of $250,000, and an estimated annual RNG revenue share of $200,000. The County will also receive an estimated $2.4 million annually in payments for disposal of discards from the processing facility. These new revenues will be used to repay the financing debt and the continued operations of the facility. The annual bond repayment is estimated at approximately $2.4M to $2.9M.

E. Health Implications

There are no significant health implications identified with this action.

F. Analysis

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 tipping fee increases described above will provide sustainable funding for the 25-year term of the facility for debt repayment and continued operations of the facility.

The proposed financing aligns with Administrative Procedures Manual (APM), Chapter 2, Section 21, V, C, 2 which identifies the general objectives for debt procedures. The County is authorized by ORS 287A.105 to incur bonded indebtedness within the meaning of Section 10, Article XI of the Oregon Constitution in an amount not to exceed one percent of the real market value of the taxable property in the County, in the form of a financing agreement, and to commit the County's full faith and credit and taxing power pursuant to ORS 287A.315 to pay the amounts due under the financing agreement.

G. Alternatives/Options

1. Authorize $35 million in new debt issuance for construction of the CleanLane Resource Recovery Facility.

2. Do not authorize new debt issuance and discuss other financing arrangements for construction of the Facility.

## IV. RECOMMENDATION

The Division recommends approval of the order authorizing new debt issuance for funding construction of the CleanLane Resource Recovery Facility.

## V. TIMING/IMPLEMENTATION

Per the Order, the County Administrator, the County Treasurer, or the designee of either of those officials will negotiate, execute and deliver the Financing Agreements to secure funding needed prior to construction needs. The project is anticipated to begin construction by December 2024.

## VI. FOLLOW-UP

The Waste Management Division will provide regular updates on the CleanLane project to the Board and will include information related to repayment of debt financing.

## VII. ATTACHMENTS

Board Order

Bond Summary

**BEFORE THE BOARD OF COMMISSIONERS OF LANE COUNTY, OREGON**

| | |
|---|---|
| ORDER NO: 24-08-20-10 | IN THE MATTER OF AUTHORIZING FINANCING FOR THE CLEANLANE RESOURCE RECOVERY FACILITY IN A PRINCIPAL AMOUNT NOT TO EXCEED $35,000,000. |

**WHEREAS**, Lane County (the "County") is authorized by Oregon Revised Statutes ("ORS") Section 271.390 to enter into financing agreements to finance or refinance real or personal property which the Board of County Commissioners (the "Board") determines is needed, and to authorize certificates of participation in the right to receive the payments due from the County under those financing agreements, so long as the estimated weighted average life of a financing agreement does not exceed the estimated dollar weighted average life of the real or personal property to be financed or refinanced by such agreement; and

**WHEREAS**, the County is authorized by ORS 287A.105 to incur bonded indebtedness within the meaning of Section 10, Article XI of the Oregon Constitution in an amount not to exceed one percent of the real market value of the taxable property in the County, in the form of a financing agreement, and to commit the County's full faith and credit and taxing power pursuant to ORS 287A.315 to pay the amounts due under the financing agreement; and

**WHEREAS**, it is desirable to obtain financing to provide a building and other improvements to support a solid waste facility (the "Project") in an aggregate principal amount of not more than $35,000,000; and

**WHEREAS**, the Project constitutes real or personal property and pursuant to ORS 271.390 the Board hereby determines the Project is needed; and

**WHEREAS**, the County will retain ownership of the Project for at least the life of the borrowing and the Project serves the public purpose of reducing the quantity of solid waste requiring disposal in the County' s landfill, improving recycling systems, and reducing greenhouse gas emissions; and

**IT IS HEREBY ORDERED** that the County is authorized to finance the Project under the authority of ORS Sections 271.390, 287A.105 and 287A.315 and other applicable provisions of ORS Chapter 287A, by entering into one or more financing agreements (the "Financing Agreements") in an aggregate principal amount of not more than $35,000,000. The Financing Agreements may be issued in the form of draw down borrowings or other structures. The County may use proceeds of the Financing Agreements to reimburse itself for expenses related to the Project is has already incurred and to pay costs of issuing the Financing Agreements and related Obligations;

**IT IS FURTHER ORDERED** that the County Administrator, the County Treasurer, or the designee of either of those officials (each of whom is referred to herein as a "County Official") are hereby authorized on behalf of the County and without further action by the Board, to:

1. Negotiate, execute and deliver the Financing Agreements which obligate the County to repay the financed amounts, with interest.

2. Subject to the limitations of this Order, the Financing Agreements may be in such form and contain such terms as the County Official may approve.

3. Negotiate, execute and deliver one or more escrow agreements or similar documents (the "Escrow Agreements") which provide for the issuance of one or more series of "certificates of participation" or "full faith and credit obligations" (the "Obligations") which represent ownership interests in the financing payments due from the County under the Financing Agreements. Subject to the limitations of this Order, the Escrow Agreements and

each series of Obligations may be in such form and contain such terms as the County Official may approve.

4. Determine whether the interest payable on each Financing Agreement will be includable in gross income or excludable from gross income under the Internal Revenue Code of 1986, as amended (the "Code") and covenant for the benefit of the owners of tax-exempt obligations to comply with all provisions of the Code which are required for the interest component of financing payments payable under the related Financing Agreements to be excluded from gross income for federal income tax purposes.

5. Designate the Financing Agreements and Obligations as "qualified tax-exempt obligations" under Section 265(b) of the Code, if applicable.

6. Deem final and authorize the distribution of a preliminary official statement for each series of Obligations, authorize the preparation and distribution of a final official statement or other disclosure document for each series of Obligations, and enter into agreements to provide continuing disclosure for owners of each series of Obligations.

7. Apply for and purchase ratings, municipal bond insurance, or other forms of credit enhancements for the Financing Agreements and Obligations, and enter into related agreements.

8. Enter into additional covenants for the benefit of the purchasers or credit enhancement providers of the Financing Agreements and Obligations which the County Official determines are desirable to sell the Financing Agreements and Obligations on favorable terms.

9. Engage the services of escrow agents, paying agents and any other professionals whose services are desirable for the financings and enter into agreements with those service providers.

10. Subject to this Order, determine the final principal amount, interest rates, prepayment rights and other terms of each Financing Agreement and each series of Obligations.

11. Solicit competitive bids for the purchase of each series of the Obligations and award their sale to the bidder offering the most favorable terms to the County, select one or more underwriters, negotiate the terms of the sale of each series of Obligations, and sell that series to those underwriters; or select one or more commercial banks, negotiate the terms of the sale of each Financing Agreement and sell each Financing Agreement to those commercial banks.

12. Execute and deliver any other certificates or documents and take any other actions which the County Official determines are desirable to issue, sell, and deliver the Financing Agreements and the Obligations in accordance with this Order.

**IT IS FURTHER ORDERED** that the Financing Agreements shall constitute "limited tax bonded indebtedness" as defined in ORS 287A.105 and the obligation of the County to make financing payments under the Financing Agreements is unconditional. Pursuant to ORS 287A.315, the County Official may pledge the County's full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, and may agree to pay the Financing Agreements from any and all of the County's legally available funds, including the proceeds of the Financing Agreements.

**IT IS FURTHER ORDERED** that this Order shall take effect immediately upon its adoption.

**DATED** this 20th day of August, 2024

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Laurie Trieger, Chair
Lane County Board of Commissioners

# BOND SUMMARY STATISTICS

**Lane County, Oregon**
**Full Faith and Credit Obligations (Recycling Facility), Series 2024**
**Current Taxable Market Rates (8-13-24) plus 50bp of Cushion**
**20 year Level Debt Service Amortization**
**$35 Million Project, Estimated 1% Total COI**

| | |
|---|---|
| Dated Date | 12/01/2024 |
| Delivery Date | 12/01/2024 |
| Last Maturity | 12/01/2044 |
| Arbitrage Yield | 5.471894% |
| True Interest Cost (TIC) | 5.531784% |
| Net Interest Cost (NIC) | 5.539080% |
| All-In TIC | 5.592123% |
| Average Coupon | 5.498023% |
| Average Life (years) | 12.178 |
| Weighted Average Maturity (years) | 12.178 |
| Duration of Issue (years) | 8.591 |
| Par Amount | 35,355,000.00 |
| Bond Proceeds | 35,355,000.00 |
| Total Interest | 23,672,286.00 |
| Net Interest | 23,849,061.00 |
| Total Debt Service | 59,027,286.00 |
| Maximum Annual Debt Service | 2,953,738.00 |
| Average Annual Debt Service | 2,951,364.30 |

| *Bond Component* | *Par Value* | *Price* | *Average Coupon* | *Average Life* | *PV of 1 bp change* |
|---|---|---|---|---|---|
| Serial Bonds (Taxable) | 22,820,000.00 | 100.000 | 5.28392891% | 8.920 | 15,423.05 |
| Term Bond 2044 (Taxable) | 12,535,000.00 | 100.000 | 5.69000000% | 18.110 | 14,916.65 |
| | 35,355,000.00 | | | 12.178 | 30,339.70 |

| | TIC | All-In TIC | Arbitrage Yield |
|---|---|---|---|
| Par Value | 35,355,000.00 | 35,355,000.00 | 35,355,000.00 |
| + Accrued Interest | | | |
| + Premium (Discount) | | | |
| - Underwriter's Discount | (176,775.00) | (176,775.00) | |
| - Cost of Issuance Expense | | (176,775.00) | |
| - Other Amounts | | | |
| Target Value | 35,178,225.00 | 35,001,450.00 | 35,355,000.00 |
| Target Date | 12/01/2024 | 12/01/2024 | 12/01/2024 |
| Yield | 5.531784% | 5.592123% | 5.471894% |

Note: Preliminary, subject to change.

# BOND PRICING

**Lane County, Oregon**
**Full Faith and Credit Obligations (Recycling Facility), Series 2024**
**Current Taxable Market Rates (8-13-24) plus 50bp of Cushion**
**20 year Level Debt Service Amortization**
**$35 Million Project, Estimated 1% Total COI**

| *Bond Component* | *Maturity Date* | *Amount* | *Rate* | *Yield* | *Price* |
|---|---|---|---|---|---|
| Serial Bonds (Taxable): | | | | | |
| | 12/01/2025 | 1,055,000 | 5.210% | 5.210% | 100.000 |
| | 12/01/2026 | 1,110,000 | 5.060% | 5.060% | 100.000 |
| | 12/01/2027 | 1,165,000 | 4.820% | 4.820% | 100.000 |
| | 12/01/2028 | 1,220,000 | 4.850% | 4.850% | 100.000 |
| | 12/01/2029 | 1,280,000 | 4.900% | 4.900% | 100.000 |
| | 12/01/2030 | 1,340,000 | 4.950% | 4.950% | 100.000 |
| | 12/01/2031 | 1,410,000 | 5.000% | 5.000% | 100.000 |
| | 12/01/2032 | 1,480,000 | 5.100% | 5.100% | 100.000 |
| | 12/01/2033 | 1,555,000 | 5.200% | 5.200% | 100.000 |
| | 12/01/2034 | 1,635,000 | 5.250% | 5.250% | 100.000 |
| | 12/01/2035 | 1,720,000 | 5.300% | 5.300% | 100.000 |
| | 12/01/2036 | 1,810,000 | 5.350% | 5.350% | 100.000 |
| | 12/01/2037 | 1,910,000 | 5.400% | 5.400% | 100.000 |
| | 12/01/2038 | 2,010,000 | 5.450% | 5.450% | 100.000 |
| | 12/01/2039 | 2,120,000 | 5.500% | 5.500% | 100.000 |
| | | 22,820,000 | | | |
| Term Bond 2044 (Taxable): | | | | | |
| | 12/01/2040 | 2,240,000 | 5.690% | 5.690% | 100.000 |
| | 12/01/2041 | 2,365,000 | 5.690% | 5.690% | 100.000 |
| | 12/01/2042 | 2,500,000 | 5.690% | 5.690% | 100.000 |
| | 12/01/2043 | 2,640,000 | 5.690% | 5.690% | 100.000 |
| | 12/01/2044 | 2,790,000 | 5.690% | 5.690% | 100.000 |
| | | 12,535,000 | | | |
| | | 35,355,000 | | | |

| | | |
|---|---|---|
| Dated Date | 12/01/2024 | |
| Delivery Date | 12/01/2024 | |
| First Coupon | 06/01/2025 | |
| Par Amount | 35,355,000.00 | |
| Original Issue Discount | | |
| Production | 35,355,000.00 | 100.000000% |
| Underwriter's Discount | (176,775.00) | (0.500000%) |
| Purchase Price | 35,178,225.00 | 99.500000% |
| Accrued Interest | | |
| Net Proceeds | 35,178,225.00 | |

Note: Preliminary, subject to change.

# SOURCES AND USES OF FUNDS

**Lane County, Oregon**
**Full Faith and Credit Obligations (Recycling Facility), Series 2024**
**Current Taxable Market Rates (8-13-24) plus 50bp of Cushion**
**20 year Level Debt Service Amortization**
**$35 Million Project, Estimated 1% Total COI**

| | |
|---|---|
| Dated Date | 12/01/2024 |
| Delivery Date | 12/01/2024 |

| ***Sources:*** | |
|---|---|
| Bond Proceeds: | |
| Par Amount | 35,355,000.00 |
| | 35,355,000.00 |

| ***Uses:*** | | |
|---|---|---|
| Project Fund Deposits: | | |
| Project Fund | | 35,000,000.00 |
| Delivery Date Expenses: | | |
| Cost of Issuance | 176,775.00 | |
| Underwriter's Discount | 176,775.00 | |
| | | 353,550.00 |
| Other Uses of Funds: | | |
| Additional Proceeds | | 1,450.00 |
| | | 35,355,000.00 |

Note: Preliminary, subject to change.

# BOND DEBT SERVICE

**Lane County, Oregon**
**Full Faith and Credit Obligations (Recycling Facility), Series 2024**
**Current Taxable Market Rates (8-13-24) plus 50bp of Cushion**
**20 year Level Debt Service Amortization**
**$35 Million Project, Estimated 1% Total COI**

| *Period Ending* | *Principal* | *Coupon* | *Interest* | *Debt Service* | *Annual Debt Service* |
|---|---|---|---|---|---|
| 06/01/2025 | | | 949,351.75 | 949,351.75 | |
| 12/01/2025 | 1,055,000 | 5.210% | 949,351.75 | 2,004,351.75 | 2,953,703.50 |
| 06/01/2026 | | | 921,869.00 | 921,869.00 | |
| 12/01/2026 | 1,110,000 | 5.060% | 921,869.00 | 2,031,869.00 | 2,953,738.00 |
| 06/01/2027 | | | 893,786.00 | 893,786.00 | |
| 12/01/2027 | 1,165,000 | 4.820% | 893,786.00 | 2,058,786.00 | 2,952,572.00 |
| 06/01/2028 | | | 865,709.50 | 865,709.50 | |
| 12/01/2028 | 1,220,000 | 4.850% | 865,709.50 | 2,085,709.50 | 2,951,419.00 |
| 06/01/2029 | | | 836,124.50 | 836,124.50 | |
| 12/01/2029 | 1,280,000 | 4.900% | 836,124.50 | 2,116,124.50 | 2,952,249.00 |
| 06/01/2030 | | | 804,764.50 | 804,764.50 | |
| 12/01/2030 | 1,340,000 | 4.950% | 804,764.50 | 2,144,764.50 | 2,949,529.00 |
| 06/01/2031 | | | 771,599.50 | 771,599.50 | |
| 12/01/2031 | 1,410,000 | 5.000% | 771,599.50 | 2,181,599.50 | 2,953,199.00 |
| 06/01/2032 | | | 736,349.50 | 736,349.50 | |
| 12/01/2032 | 1,480,000 | 5.100% | 736,349.50 | 2,216,349.50 | 2,952,699.00 |
| 06/01/2033 | | | 698,609.50 | 698,609.50 | |
| 12/01/2033 | 1,555,000 | 5.200% | 698,609.50 | 2,253,609.50 | 2,952,219.00 |
| 06/01/2034 | | | 658,179.50 | 658,179.50 | |
| 12/01/2034 | 1,635,000 | 5.250% | 658,179.50 | 2,293,179.50 | 2,951,359.00 |
| 06/01/2035 | | | 615,260.75 | 615,260.75 | |
| 12/01/2035 | 1,720,000 | 5.300% | 615,260.75 | 2,335,260.75 | 2,950,521.50 |
| 06/01/2036 | | | 569,680.75 | 569,680.75 | |
| 12/01/2036 | 1,810,000 | 5.350% | 569,680.75 | 2,379,680.75 | 2,949,361.50 |
| 06/01/2037 | | | 521,263.25 | 521,263.25 | |
| 12/01/2037 | 1,910,000 | 5.400% | 521,263.25 | 2,431,263.25 | 2,952,526.50 |
| 06/01/2038 | | | 469,693.25 | 469,693.25 | |
| 12/01/2038 | 2,010,000 | 5.450% | 469,693.25 | 2,479,693.25 | 2,949,386.50 |
| 06/01/2039 | | | 414,920.75 | 414,920.75 | |
| 12/01/2039 | 2,120,000 | 5.500% | 414,920.75 | 2,534,920.75 | 2,949,841.50 |
| 06/01/2040 | | | 356,620.75 | 356,620.75 | |
| 12/01/2040 | 2,240,000 | 5.690% | 356,620.75 | 2,596,620.75 | 2,953,241.50 |
| 06/01/2041 | | | 292,892.75 | 292,892.75 | |
| 12/01/2041 | 2,365,000 | 5.690% | 292,892.75 | 2,657,892.75 | 2,950,785.50 |
| 06/01/2042 | | | 225,608.50 | 225,608.50 | |
| 12/01/2042 | 2,500,000 | 5.690% | 225,608.50 | 2,725,608.50 | 2,951,217.00 |
| 06/01/2043 | | | 154,483.50 | 154,483.50 | |
| 12/01/2043 | 2,640,000 | 5.690% | 154,483.50 | 2,794,483.50 | 2,948,967.00 |
| 06/01/2044 | | | 79,375.50 | 79,375.50 | |
| 12/01/2044 | 2,790,000 | 5.690% | 79,375.50 | 2,869,375.50 | 2,948,751.00 |
| | 35,355,000 | | 23,672,286.00 | 59,027,286.00 | 59,027,286.00 |

Note: Preliminary, subject to change.