

MINUTES

RAPPAHANNOCK REGIONAL SOLID WASTE MANAGEMENT BOARD

March 12, 2015 9:30 A.M.

George L. Gordon Government Center

ABC Conference Room

Meeting Convened: A Special meeting of the Rappahannock Regional Solid Waste Management Board (R-Board) was convened at 9:30 A.M. on Thursday March 12, 2015, at the George L. Gordon Government Center, ABC conference Room.

Roll Call: The following members were present: Matthew Kelly, Chairman; Paul V. Milde, III, Vice-Chairman; Beverly R. Cameron; Gary Snellings; Anthony J. Romanello; William C. Withers, Jr.

Also in attendance were: Brendan Hefty, Esq., R-Board Attorney; Robert L. Hundley, Resource International, Ltd., Consulting Engineer; Keith C. Dayton, Director & Deputy County Administrator; Jason Pauley, R-Board Superintendent; Diane Jones, Julie Williams-Daves, and Christina Morgan, R-Board staff;

Mr. Romanello motioned, seconded by Mr. Withers, to approve the minutes for February 9, 2015.

By voice, the vote was:

Yea:	(6)	Milde, Kelly, Cameron, Snellings, Romanello, Withers
Nay:	(0)	
Absent:	(0)	

Presentations by the Public: The following members of the public desired to speak:

Bill Johnson: He stated he did not call the fees insane at the last meeting. He thinks the combined tipping fees and residential gate fees are appropriate. The staff report in the board package defines a transfer station in a very limited way. He is in favor of a facility with the capability to sort trash to retrieve recyclable materials, and sending the commercial haulers elsewhere. He opposes reintroducing the concept of an incinerator.

Wendy Zernick: She owns a small landscaping business and uses a trailer that holds less than ½ ton. Last year going over the scales she had to pay the minimum \$20 per trip for commercial customers and feels the amount is exorbitant. The trailer holds mostly small plant trimmings, mulch, and compostable materials. She does not feel it is fair to pay a commercial rate given the nature of the items she brings to the landfill. In addition, she does not feel safe driving to the commercial side of the landfill.

Presentations by the R-Board Members

Mr. Milde stated that pyrolysis is not incineration and the USEPA classifies it very differently. He used the example of baking a pie versus burning a pie to describe the difference.

Mr. Snellings noted that the incinerator facility in Fairfax is monitored very closely by state and federal regulators. He would like staff to request a tour to see that operation. Mr. Snellings also stressed the need to talk about exceptions for commercially registered vehicles.

Mr. Kelly agreed to take a trip to visit the incinerator in Fairfax and emphasized the need to focus on processes rather than semantics. He wants the R-Board to focus on moving forward on the operational issues, long-term, capital costs, and building back reserves. He is concerned about an apparent lack of urgency. Since 2004 issues with operational costs, competition, and the economy have created a perfect storm. He questioned if the new user fees will get the R-Board in a better financial position. The current agreement between the localities includes the provision that a shortfall of the operations budget will be covered by the localities based on proportional use of the facility. This has not happened and the R-Board has used reserve funds to cover the operational deficit. Mr. Kelly stated that we must understand the reality of the situation and that jurisdictional contributions will be required to make it work. He feels any solution is going to require jurisdictional support. Mr. Kelly recommends that the City discontinue paying any tipping fees until Stafford County pays its share. Mr. Withers stated his support of Mr. Kelly's recommendation. Mr. Milde agreed to the seriousness of the situation and reiterated his disagreement with the resident fees, calling them a disaster, creating lines and illegal dumping.

Report of the R-Board Attorney: Mr. Brendan Hefty attended the meeting in Mr. William Hefty's absence and had nothing to report.

Unfinished Business

Resident Fee Program: Mr. Dayton provided the following summary on the first 10 days of the resident fee program.

The R-Board authorized the resident fee program in January and modified it in early February. The annual passes went on sale on February 4. Sales began very slowly, but accelerated after March 2 when the program began. Staff began a public outreach campaign in late January and intensified it during the month of February. The public outreach includes website postings, leaflets, banners at the convenience centers, and social media. Judging by some residents' comments, staff missed getting the message to many of our customers, but outreach efforts continue. Staff made several adjustments to facilitate the transition to the new program:

- Assigned senior staff and added additional staff at both convenience center locations during the first weekends of the program,
- Adjusted the traffic pattern and waste bins locations at the Belman Road location,
- Allowed cash payment of one-day passes at the Eskimo Hill gatehouse during the initial weekend operations; however, the downside to this was extending the lines entering the facility. Staff has introduced two lanes in-bound and one lane out.

Staff continues to hear dissatisfaction with the program, particularly about the lines and payment options. Staff posted a FAQ on our website this morning, and will share the document with City and County. The most recent data shows collections of \$123,100 from the sale of approximately 1,575 annual passes, 600 coupon books, and nearly 1,400 one-day passes.

Mr. Snellings would like to see the annual pass pro-rated, possibly quarterly through the year. He asked staff to come back with some recommendations. The biggest complaints he is receiving are confusion about obtaining an annual pass, and being redirected to the commercial side, then being stuck in a long traffic line. He wants to find a way to overcome the congestion at the commercial side of the landfill.

Mr. Milde suggested credit card readers on phones or tablets for busy times similar to those he has seen at private fundraising events. He wondered what it would take to eliminate the resident fees and asked about the real cost of the government subsidy. Mr. Milde feels that landfills can be profitable and wants to focus on lowering the commercial tipping fees to increase business and consider developing waste to energy.

Mr. Romanello addressed the rest of the board on behalf of staff saying that the budget will be a topic at the next R-Board meeting.

Mr. Dayton answered Mr. Milde's question about the government subsidy stating that Stafford's portion of last year's operating deficit would have amounted to 68% of \$700,000, or \$478,000. He said that staff will be watching the resident fee closely, but the program is still too new to predict how much revenue it will generate. He noted that commercial landfills typically accept much higher quantities of waste. The King George landfill takes in about ten times what the Eskimo Hill landfill takes in, creating an enhanced economy of scale. The Eskimo Hill landfill was not designed to process that quantity of waste, and the roads leading to the landfill cannot handle that much traffic. Furthermore, attracting additional waste at this time will fill up Cell F-1 that much faster, while we are pushing to get Cell F-2 constructed prior to reaching capacity.

Mr. Romanello expressed his appreciation to staff for working to get the new user fee program up and running. Mr. Kelly agreed with Mr. Romanello and commented that it was very eye opening to be at Belman Road on the weekend. He then asked why brush is not free under the new program, questioning whether yard waste is recyclable. Mr. Dayton explained that while yard waste is recycled, it is different from the single-stream recyclables or scrap metal that are sold for substantial revenue. Yard waste is ground into mulch that is free to the public. He added that tires are another recycled material that is expensive to handle and process. Mr. Snellings then requested that staff determine the cost to grind the yard waste and report to the R-Board at the next meeting. Mr. Pauley noted that the tub grinder is one of the most expensive pieces of equipment at the landfill.

Mr. Kelly asked about traffic and a decrease in the use of Belman Road. Mr. Dayton acknowledged the dramatic decline at Belman but is not sure why as of yet. It could be people have not bought a pass yet. He also speculated that some of the prior use of Belman was from out of county residents. The Eskimo Hill Road location seems not to have had a decline. Staff is also aware of people "gaming" the system and bringing their commercial waste in for free.

There ensued a discussion regarding the resident fee program on littering. Before the user fee program began, staff took a proactive approach to work with the Sheriff's Office on potential dumping. To date there have been three documented cases of illegal dumping, two of which will be cleaned up by the party who dumped the trash. Staff has set up a database to log the dumping reports and is working with

the Sheriff's Office to prosecute and deter repeat offenders. Mr. Milde stated that even one instance of illegal dumping is a problem.

Mr. Kelly asked for clarification on why coupon books are not sold at Belman Road. Mr. Dayton explained that there is no traffic staging area at Belman and the time each transaction takes creates a backup onto the road. In addition, there are no financial controls at that location. Mr. Milde again suggested handheld credit card readers and a deputy presence on busy days to help control traffic on Eskimo Hill Road. Mr. Withers asked about presenting identification for a daily pass and selling passes at the convenience center locations. Mr. Dayton answered that people have not been asked for their identification for a daily pass. Mr. Dayton also explained that in order to help ease traffic backups we began selling passes at the residential gatehouse with the reminder to individuals that they could then go to the scale house or to any other location to get the annual pass or coupon books.

Mr. Kelly noted that considerable time had been spent on the fee system that simplifying and changing it to accommodate exceptions will likely not achieve the desired results. He reminded the R-Board that the focus should be on the reality of the present financial situation and the long term strategy to get the operation back on solid financial ground.

A general discussion regarding exceptions for commercially registered vehicles ensued. Mr. Cameron provided the example that a particular resident was not allowed to purchase a decal since his vehicle is registered under his business name. Mr. Cameron acknowledged that this suggestion could set a precedent, but he would like a better solution. Mr. Withers agreed and proposed exceptions for small amounts of trash in cars rather than work trucks.

Mr. Snellings asked about accepting credit cards and Mr. Milde voiced his support of credit cards. Mr. Dayton expressed that staff, including both treasurer's offices, were concerned about simultaneously implementing the resident fees along with credit card payments. Staff felt that we would have a better chance of successful implementation of credit card payments if we waited until after the initial phase of the resident fee program. Mr. Dayton committed to exploring the credit card payment system in advance of the sale of 2016 passes.

Mr. Kelly then asked staff to come back with recommendations for the R-Board to consider regarding brush disposal and commercial exceptions to the user fee.

Operational Options

The R-Board considered several options for future operations at the landfill at the February 9th meeting. Staff was requested to further examine the options of selling the landfill, converting to a transfer station, and construction of Cell F-2, and provide more detailed information to the R-Board.

Sell the Landfill

Staff has tentatively identified 507 acres which could be sold that include prior, current, and permitted landfill area, along with the associated operations, maintenance and convenience center facilities, and some additional property for potential expansion. The areas included were outlined in blue on the aerial photo included in the board package. Excluded areas are property unlikely to be used for landfill activities, or otherwise undesirable as a landfill site, the public safety training area, and the Stafford Civil War Park. The estimated value of the assets included in the possible sale is about \$9 million. This is an

estimate based on value listed on our financial statements, but leaves out as 12.7 million cubic yards of permitted airspace. The value for this airspace can vary dramatically, and will be heavily influenced by any conditions placed on the sale of landfill assets.

Possible conditions include:

- The assignment of corrective action, closure, and post-closure liability, currently valued at \$6.8 million;
- Restrictions on tipping fees for commercial and/or residential customers;
- Allowing or restricting out of County and City waste;
- Imposing a cap on daily and/or annual tonnage delivered to the landfill;
- Restrictions on operating hours;
- Consideration of services not essential to landfilling trash such as litter control, community clean up, and hazardous waste collections;
- Limitations on the operation of the Eskimo Hill convenience center;
- Status of the Belman Road convenience center; and
- Significant tax liability since current operations are non-taxable.

The sales process would be comprised of the following steps at a minimum:

- Define the extent of the sale offering and any conditions associated with the sale;
- Develop a request for price proposals;
- Solicit, receive and evaluate proposals;
- Obtain approval from the County and City to proceed with the sale, following a public hearing by both localities; and
- Proceed to closing and transition operation of the landfill to the private party.

It is expected that this process would take between one and two years to complete, and would be influenced by how long it took to for the localities to decide on the conditions of the sale.

Convert Operations to a Transfer Station

Use of transfer stations is common practice in Virginia and around the country. Solid waste is delivered to the facility, but received at an enclosed building, loaded into large trailers, and transported to an operating landfill. The option mentioned during the public comment period was actually a “dirty MRF” (material recovery facility), not a transfer station. Material recovery facilities have much higher capital costs for sorting equipment and associated space needs, and the cost estimates provided in the staff report reflect the simpler transfer station facility. Besides the building site, several acres would be required for the facility. The site has not been identified, and the location will influence the final cost.

In addition to detailed engineering, some operational variables must be determined:

- Status of commercial customer use of the transfer station;
- Resident convenience center operations (Eskimo Hill and Belman Road);
- Public versus private operation of the various processes; and
- Location for the facility on landfill property.

Staff calculated a range of estimated capital and operating costs for a transfer station based on information obtained from similar facilities. Assuming the high end of the range, a facility capable of processing 135,000 tons per year has an estimated capital cost of \$5 million and operating costs of

\$900,000. If financed over 20 year period with a 5% interest rate, debt service equals about \$320,000 per year. The other significant costs for this operation are for transport and disposal of the waste. It was noted that there is a range of cost per ton at various facilities in the state, depending upon volume of waste handled, distance to a landfill, and the landfill tipping fee. Based on the evaluation of other localities, staff felt the expected range would be between \$40 and \$55 per ton. Staff was quoted a budget price of \$50 per ton from a firm providing transport and disposal services, and used this value in the analysis. The estimated total cost of disposing of waste using a transfer station would be approximately \$59 per ton, as opposed to the current cost of \$47 per ton under our present landfill operations. A smaller facility limited to only resident waste delivered to our convenience centers, and waste delivered by the City's Department of Public Works, would have an annual estimated operating cost of \$2.3 million, or about \$77 per ton.

Staff noted the following steps would be required to construct a transfer station:

- Design of the transfer station;
- Acquire permits for construction and operation from VDEQ;
- Obtain local government site plan approval;
- Obtain financing for facility, possibly with local government support; and
- Bid and construct the facility.

Staff estimates that it would require a minimum of three years to construct a transfer station.

Construct Cell F-2

This scenario, described in previous staff reports, would cost approximately \$5.2 million, and could be operational before Cell F-1 is filled later this year. If the R-Board desires to construct Cell F-2, staff included a recommended approach which uses a combination of R-Board reserve funds and VRA financing secured by the localities. This strategy, developed by Stafford County's CFO, Maria Perrotte, along with financial advisor PFM, retains reserve funds equivalent to the amount of closure liability to date, plus three months of operating reserve, leaving about \$1 million of reserve funds available to apply towards construction of Cell F-2. This leaves approximately \$4.2 million to be financed by the localities. Conservatively estimating a 5% interest rate, this results in \$700,000 (or less) per year in debt service costs if financed over the 7 year expected life of Cell F-2. This approach requires both City Council and Board of Supervisor authorization for financing. Mr. Dayton explained that to date, revenue has dropped about 13%, but total tonnage has stayed the same. Staff projects a shortfall of about \$700,000 this year added to the estimated \$700,000 in debt service, resulting in the need for about \$1.4 million in new revenue so that there are no additional reductions to the reserve fund.

This same financing strategy could be applied to the construction of a transfer station, although the financing term could be longer, thereby reducing the annual debt service amount.

Possible solutions to create the necessary revenue include increasing the City's tipping fee to \$34 per ton, resulting in \$125,000 in new revenue; setting the resident fees at a rate equivalent to \$34 per ton, resulting in total new revenue of \$750,000; and lowering the commercial rate for waste received over 1,500 tons/month, generating an additional \$525,000 per year. All of these measures combined are estimated to net \$1.4 million in new revenue. It should be noted that the revenue forecasting is challenging given the competitive market for waste streams, and the lack of data on resident fee collections. The increase of \$525,000 from commercial customers is nearly 20% higher than currently projected revenues, but remains consistent with previous years' revenues. Realizing this additional

commercial revenue requires that we receive the majority of waste generated in the City and County, and does not require landfilling of outside waste.

Construction of Cell F-2 means that the R-Board would incur additional closure and post closure costs of approximately \$1,600,000 when this cell is filled. Moving forward with Cell F-2 construction does not preclude selling the landfill or converting to a transfer station at a later date. Staff projects that Cell F-1 will be full by December and constructing Cell F-2 buys another seven years to plan for future options.

Mr. Milde asked staff if the projected deficit of \$700,000 takes into account the user fee revenue that is already at \$123,000 and if the proposed \$34 per ton for residents is an increase to the fee program. Mr. Dayton replied that resident fee collections have not been applied against the projected deficit as there is not yet enough data to accurately project end of year revenue from this source. The original fees were based on traffic flow and estimates of the use of annual passes and discounted coupons, so the actual revenue could fluctuate widely.

Mr. Romanello clarified the proposal provided by Mr. Dayton. He stated that both localities would take on debt for the R-Board, there would be a price reduction for large haulers delivering in excess of 1,500 tons per month, and the City tipping fee and resident fees would each equal \$34 per ton. Mr. Milde noted that there were no good options, but that the Stafford Board of Supervisors would have to decide whether to close the landfill or not.

Mr. Kelly asked about the viability of selling the landfill with the accepted trash limited to R-Board jurisdictions. He speculated that it would be necessary to open the landfill to imported trash to guarantee economic viability. He wondered where other localities take their trash if all landfills are restricted similarly to jurisdictional boundaries. He spoke about the need to increase recycling revenue and stated that selling the landfill does not seem to be an option at this time. He noted that there is going to be a cost to the localities, and that none of these options work without local government support.

Mr. Cameron then made a motion to move forward to fund Cell F-2 construction as described in the staff report. Mr. Milde seconded Mr. Cameron's motion. Mr. Romanello asked Ms. Perrotte to elaborate on the details of the construction funding for Cell F-2. Ms. Perrotte stated that since the R-Board does not have authority to issue debt, there are details to work out between the City, County and the R-Board. There will be public hearings required to issue a bond to keep the debt separate. Mr. Withers asked how funds would be obtained if the R-Board is operating with a \$700,000 deficit. Ms. Perrotte replied that it would be structured so that the first revenue received is applied to debt service. Mr. Withers asked that more information be provided on this topic.

Mr. Kelly reiterated that it is time for a realistic discussion about moving forward with the respective boards. He offered to address the Stafford Board of Supervisors on behalf of the City and the R-Board. He addressed the motion on the table and asked for a vote on moving forward with Cell F-2 construction.

By voice, the vote was:

Yea:	(6)	Milde, Kelly, Cameron, Snellings, Romanello, Withers
Nay:	(0)	
Absent:	(0)	

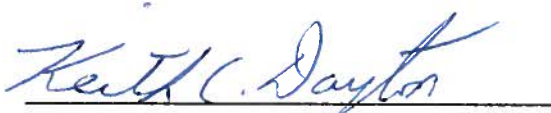
Mr. Dayton asked if the R-Board is ready for staff to approach the respective governments. The consensus was that the timing for the local government consideration of authorizing debt would be decided at the next R-Board meeting.

Mr. Snellings asked for a list of services and costs including litter pick up, shredding mulch, community involvement, satellite locations, and all the other costs that are not specifically landfill operations.

Mr. Dayton suggested that the next meeting be scheduled for Wednesday, April 15 rather than March 18, as the current schedule indicates, to allow staff adequate time to compile the requested information and allow for a better understanding of the fiscal situation three-quarters of the way through the fiscal year.

NEXT REGULAR SCHEDULED MEETING: April 15, 2015 at 1:30 PM at the George L. Gordon Government Center in Stafford County.

Mr. Kelly Adjourned the meeting at 11:20 A.M.



Keith C. Dayton, Director & Deputy County Administrator



Christina Morgan, Clerk