

**RAPPAHANNOCK REGIONAL SOLID WASTE  
MANAGEMENT BOARD**

**SPECIAL MEETING AGENDA**

**STAFFORD COUNTY  
GEORGE L. GORDON GOVERNMENT CENTER  
ABC CONFERENCE ROOM, SECOND FLOOR  
STAFFORD, VIRGINIA**

**March 12, 2015  
9:30 A.M.**

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- A. CALL TO ORDER.**
- B. ROLL CALL TO DETERMINE QUORUM**
- C. APPROVE MINUTES OF PRIOR BOARD MEETINGS (Tab 1)  
February 9, 2015**
- D. PRESENTATIONS BY THE PUBLIC**
- E. PRESENTATIONS BY R-BOARD MEMBERS**
- F. REPORT OF R-BOARD ATTORNEY**
- G. UNFINISHED BUSINESS (Tab 2)**
  - 1. Residential Fees**
    - a. Staff Update on Program Implementation (verbal)**
    - b. Exceptions for Commercially Registered Vehicles – Mr. Cameron**
  - 2. Operational Options**
- H. NEXT REGULAR SCHEDULED MEETING  
March 18, 2015, Board of Supervisors Chambers, George L. Gordon Government Center, 1:30 PM**
- M. ADJOURNMENT**

## MINUTES

### RAPPAHANNOCK REGIONAL SOLID WASTE MANAGEMENT BOARD

February 9, 2015

George L. Gordon Government Center

Board of Supervisors Chambers

**Meeting Convened:** A special meeting of the Rappahannock Regional Solid Waste Management Board (R-Board) was convened at 2:30pm on Monday, February 9, 2015, at the George L. Gordon Government Center in the Board of Supervisors Chambers.

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

Also in attendance were: Bill 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; and Christina Morgan, Julie Williams-Daves, R-Board staff.

Mr. Kelly added a Public Comment period to the agenda and moved the Closed Session to the end of the meeting.

Mr. Romanello motioned, seconded by Mr. Milde, to approve the minutes for January 21, 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:

**Glen Trimmer:** expressed the following points: Civil War Trust is contributing \$150,000 for the Stafford Civil War Park, and suggests those funds could be used by the R-Board. Mr. Trimmer also feels strongly that the Civil War Park needs to be protected, and hopes that future expansion activities at the Landfill will ensure the Park is not impacted.

**Bill Johnson:** Expressed the Following points: Suggested converting the landfill to a transfer station like Belman Road and recycling and reusing more following the Urban Ore model. He would like to see more composting and require restaurants to compost their food waste like other counties. He noted that flow control is unconstitutional. Privatizing the landfill is a poor choice. He expressed concern about corporate track records and the resulting environmental issues, along with increased prices due to lack of competition. Recommended we stop discounting tipping fees to commercial waste companies. He believes that the resident use fees are insane and there should be a separate gate to pay with cash.

**Tim Rudy:** Expressed the Following points: He is not a fan of the fees and feels like the tiered fee system is a nickel and dime proposition. He prefers a flat rate for waste disposal.

**Unfinished Business:** Mr. Dayton, Director and Deputy County Administrator, reported on the following:  
Residential Fee Update

Mr. Dayton summarized the R- Board's decision at their January 21, 2015 meeting and briefly reviewed the staff report, dated January 19, 2015. The R-Board adopted resident user fees consistent with the recommendations provided by the staff. The user fees are scheduled to go into effect on March 2, 2015 for customers using the convince centers at Belman Road and Eskimo Hill. The adopted policy included a tiered structure wherein residents wishing to pay with cash could be charged an escalating fee of up to \$12 depending on the type of waste material brought into the convenience centers. Following the approval of the tiered structure staff has heard concerns that tiered policy will be cumbersome to administer, and potentially aggravate traffic backups at our facilities. Mr. Dayton suggested that the R-Board may wish to rescind the tiered fee provision of the adopted policy, leaving in place a fee structure, which charges residents a maximum of \$4 per visit regardless of the volume of waste materials. The current policy limiting trailers to 8 feet in length and 8 tires per year would still remain in effect.

Mr. Milde agreed to vote for this as an improvement over the last fee structure, but he noted that his vote did not indicate his support for charging for use of the landfill. Mr. Withers agreed to vote affirmatively, although reluctantly, for the motion as a means to work towards more comprehensive solutions to solve the landfill's financial problems. He doesn't see any solution other than subsidizing landfill operations by the City and County. Mr. Milde pointed out the use of the term incineration as being incorrect in reference to previously proposed waste to energy alternatives at the landfill. He stated that the R-Board refused to change their business model in the face of a changing market and that "for profit" private operation is the way to go. Mr. Kelly stated that adjusting the fee schedule and charging residential fees won't get the R-Board where it needs to be. The tiered option was equitable, and most families would only pay \$2 or \$3 per visit. He acknowledged that Pay-As-You-Throw-programs are not a new process. He noted that trash from the small private haulers is needed. Under the current agreement, the City and County need to pay their portions.

On motion of Mr. Romanello, seconded by Mr. Milde, the R-Board voted in favor of RB15-01.

By roll call, the vote for RB15-01 was:

Yea:	(5)	Cameron, Milde, Romanello, Snellings, Withers
Nay	(1)	Kelly
Absent	(0)	

**Resolution RB15-01 reads as follows:**

A RESOLUTION REMOVING TIERED RESIDENT USER FEES

WHEREAS, the R-Board adopted user rates for residents of the County and City bringing their waste to the convenience centers at Belman Road and Eskimo Hill Road at their January 21, 2015, meeting; and

WHEREAS, these rates included increased charges for residents bringing larger quantities of waste and selected waste materials; and

WHEREAS, the R-Board has determined that a policy of tiered rates is not desirable at this time; and

WHEREAS, the R-Board is committed to re-examining the resident fee rates periodically;

NOW, THEREFORE BE IT RESOLVED, by the Rappahannock Regional Solid Waste Management Board on this the 9th day of February, 2015, that the resident user rate schedule be capped at a maximum four dollars (\$4) per visit, provided resident waste loads are within the restrictions for maximum size currently in force; and

BE IT STILL FURTHER RESOLVED that the R-Board will re-examine this rate schedule during each annual budget deliberation.

**New Business:** Mr. Dayton reminded the R-Board with an update on the Cell F-1 filling status, the bid results for Cell F-2 construction, and noted the timing concerns at the January 21, 2015, meeting. Mr. Dayton then provided some long-term operational strategies for the landfill, noting that each of the options could have multiple variations and would need further input from the R-Board, City, and County. He emphasized that the briefing was only an overview of some long-term options identified for further consideration. The available options were summarized as follows:

1. **Continue current operations:** Under this scenario, the R-Board would proceed with construction of Cell F-2 and continue landfill operations with their own staff much in the same manner as in prior years. Every effort would be made to construct and finance Cell F-2 prior to December of 2015 to ensure that we can continue operations without interruption.

He then identified some funding options to secure the \$5,161,449 necessary to construct Cell F-2, including requesting the Stafford County Board of Supervisors and Fredericksburg City Council to issue debt on behalf of the R-Board. Approximately \$2.58 million in debt from each locality would be necessary to fully fund expected costs. Financing for municipal landfill construction is available from the Virginia Resource Authority (VRA) at very low rates. However, authorization to borrow would

have to come following a public hearing at both jurisdictions, and an affirmative vote by both Stafford County Board of Supervisors and the Fredericksburg City Council.

The R-Board could elect to self-fund all, or a portion, of the construction costs for Cell F-2 with the reserve funds. The R-Board would draw on a portion of the nearly \$6 million in investments available to it. However, reliance on the reserve funds would result in a liquid fund balance equal to only a couple of months of operating expenses. Financing a portion of the construction cost would allow for a larger reserve fund balance. He noted that depletion of the reserve fund would shift greater liability for closure, post-closure, and corrective action to the localities. This additional liability could affect their respective bond ratings.

2. Cease landfill operations at Eskimo Hill, the convenience center at Belman Road, and all Litter Crew activities. Revenue would also cease at this point, along with the majority of expenses. The R-Board would be required to complete closure of the filled landfill cells and provide post closure monitoring for the next 30 years. Some level of continuing local government involvement would be necessary to coordinate these activities. The R-Board has approximately \$6 million in investments to fund closure and post-closure, along with equipment and other assets of value which could be disposed. The most recent financial statement places a deficit of \$820,000 to fund the liabilities, although that liability would then be extended over 30 years. If the R-Board chooses to close the landfill, there would be an immediate impact to the residents and business in Fredericksburg and Stafford.
3. Convert the landfill to a transfer station. The R-Board could construct a transfer station and ship waste offsite to a commercial landfill elsewhere in the state. The main landfill at Eskimo hill would be a logical location for a transfer station, although a specific site has yet to be identified. The basic components include a large building for receiving waste, and a loading area for the transfer of waste onto tractor trailers. Existing convenience centers operations could continue unchanged. Operational costs are unknown, and closure and post-closure costs would have to be funded as well. Planning, design and construction for a transfer facility will take over a year to complete, requiring interim measures after Cell F-1 is filled.
4. Solicit proposals from private firms to operate the landfill and the convenience centers, similar to the operation at two area landfills. There are a number of other municipal landfills which operate in this manner. The private firm would also be responsible for the compliance and monitoring of the landfill. Further research would be necessary to clarify details of the relationship and cost of this option.
5. Sell the landfill operation and assets, although it does not own the property on which it sits. This option is complex, given the presence of the law enforcement training facility on site, and the Stafford Civil War Park, the prior closure and post-closure liabilities assumed by each locality, and the status of permits issued for operation. Considerable investigation of this option would be

necessary prior to issuing a solicitation to sell the landfill. The schedule for a transfer is also a concern, requiring interim measures as Cell F-1 would be filled prior to completing a sale.

Discussion then ensued regarding these options. Mr. Cameron asked for clarification on the remaining air space in the CellF-1 due to lower trash volumes. Mr. Dayton confirmed that between September and December 2015 it will be full, with the later date taking into account lower commercial waste volumes. Mr. Milde expressed strong concerns about privatization of the landfill. He stated that we would lose control with a privatized operation. He asked about the Public Private Education Act (PPEA) legislation and the possible application for the landfill. Mr. Hefty informed the R-Board that the legislation was passed in 2002 and included specific language to encourage waste to energy projects at landfills.

Mr. Snellings is concerned that charging residents \$4 a load is not going to make up the deficit, and since Stafford County won't subsidize, the landfill needs to be put on the market and sold. He recommends asking the Board of Supervisors to sell it outright.

Mr. Kelly asked the R-Board members to narrow the options for staff to research in greater depth.

Mr. Withers agreed with Mr. Snellings about there being no good options, but he has concerns about selling. Mr. Cameron stated he is also worried about selling and wondered if a buyer would still provide the same services to the residents. Mr. Kelly asked about the public-private arrangement in King George County. Mr. Kelly asked staff for financial statements from 2003-2014 before the meeting and after looking at them he stated that only 2 years resulted in surplus revenue. From 2009 on there was always a deficit. He questioned how to build the reserves back up if there is not a balanced budget.

Mr. Cameron asked about the transfer station alternative. Mr. Romanello agreed. He characterized the landfill as boutique, and stated it doesn't work in today's market. He suggested that if the landfill were sold, that the sale includes parameters to guarantee a certain level of service for residents.

Mr. Milde disagreed with modeling a public-private arrangement similar to the one in King George. He feels the cost is everyone's responsibility and noted that it is a solid organization.

The R-Board reached a consensus requesting staff to research and report additional information at the next meeting on financing and constructing Cell F-2, constructing a transfer station, and selling the landfill.

#### **Closed Session**

At 3:37p.m., the R-Board went into Closed Session upon a motion by Mr. Withers, and seconded by Mr. Snellings. The R-Board came out of closed session at 4:01pm upon a motion by Roll Call Vote, with nothing to report out. No further action was taken.

**Future Session:** The next meeting will be decided on and dates will be emailed out to all the R-Board members.

**Adjournment:** The meeting was adjourned at 4:03pm by Mr. Kelly.

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Keith C. Dayton, Director & Deputy County Administrator

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Christina Morgan, Acting Clerk

DRAFT



## Rappahannock Regional Solid Waste Management Board

489 Eskimo Hill Road • Stafford, Virginia 22554 • 540-658-5279 • FAX 540-658-4523

TO: R-Board Members

FROM: Keith Dayton  
Deputy County Administrator

DATE: March 9, 2015

SUBJECT: **Landfill Operational Options**

At the February 9, 2015 meeting, staff provided the R-Board with an overview (attached) of several options regarding construction of Cell F-2, and other possibilities related to long term strategies for the landfill. The R-Board directed staff to further examine three options; constructing Cell F-2, converting landfill operations to a transfer station, and selling our landfill operations. Additional information regarding these options is provided below.

### Sell the Landfill

#### General Background

Staff has investigated sale of the landfill in somewhat more detail, although additional direction is necessary to fully analyze this option. Staff has assumed that, at a minimum, the R-Board would sell the land currently involved with past, present, and future landfill operation, along with all assets to include the permitted airspace, equipment, structures, inventory, and the Eskimo Hill convenience center. Land associated with the Civil War Park, public safety training, and adjacent property not designated for future landfill operations, and the Belman convenience center were reserved to the R-Board for eventual dissolution. A graphic identifying the property for possible sale is attached.

We contacted the Virginia Department of Environmental Quality about the possibility of transferring our permits to a new operator. We were told that while transfer is not assured, it is definitely an option that will be considered. It is likely that the experience of the potential operator with the operation of solid waste facilities will be a determining factor in the outcome.

The approximate value of these assets, based on the FY2014 financial statement, along with other preliminary estimates provided by staff, is noted below.

Land	\$ 916,350*
Permitted Airspace	\$ Unknown
Equipment	\$ 5,580,200
Buildings	\$ 1,205,700
Miscellaneous	<u>\$ 1,406,714</u>
<b>Total</b>	<b>\$ 9,108,964</b>

\* Only the 507 acres shown on the attached map is included in the estimated value

While the value above provides a very preliminary estimate of the potential value of landfill assets, actual value would be subject to the constraints and conditions placed upon the buyer, and the market conditions

at the time of the sale. This is particularly true with the value of the permitted airspace. Some of the factors influencing the sales value follow.

#### Possible Sales Conditions

While there are a great many potential conditions that could be placed by the R-Board, County and City upon a prospective buyer, staff has identified some of the more obvious conditions below for consideration.

- Assign the corrective action, closure and post-closure liability to the buyer. The FY2014 combined liability was determined to be just over \$6.8 million.
- Impose limits on tipping fees for commercial and/or residential customers.
- Allow/restrict out of County and City waste.
- Impose a cap on daily and/or annual tonnage delivered to the landfill.
- Restrictions on operating hours.
- Consideration of operations and services not essential to landfill operations (e.g. litter control, community clean up, hazardous waste collections, etc.)
- Limitations on the operation of the Eskimo Hill convenience center.
- Include the Belman Road convenience center into the landfill sale, or stipulate its continued operation.
- Tax liability. Current operations are tax exempt, although a privatized operation would have to absorb a significant tax liability.

#### Sales Process

Should the R-Board desire to pursue sale of the landfill, several steps are required to complete the process as follows:

1. Define the extent of the sale offering, and any conditions associated with the sale.
2. Develop a request for price proposals to solicit proposals from interested buyers. Although other options are available, this process offers more flexibility in evaluation and selection of the offeror deemed to be in the best interest of the R-Board, City, and County.
3. Solicit, receive and evaluate proposals.
4. If it is determined that the R-Board desires to accept an offer, obtain approval from the County and City to proceed with the sale, following a public hearing by both localities.
5. Proceed to closing and transition operation of the landfill to the private party.

The process above describes the minimum necessary to execute a sale of R-Board assets. It is highly likely that additional input from the localities would be necessary to gauge interest in divesting of landfill assets, and to establish the conditions of the sale. Based on the minimum steps listed above, and assuming no extensive delays in reaching consensus on the terms and condition of the sale, it is expected that sale of the landfill will take between one and two years to complete.

It is noted that staff discussed the potential sale of our landfill with one of the largest firms involved in the solid waste industry, and was informed that they were not interested. Although they currently own and operate six landfills in Virginia, they cited the proximity of our facility to a company owned landfill as the principal reason, but also noted the challenging business climate for solid waste operations.

**Convert Landfill Operation to a Transfer Station**

General Background

There are a number of public landfills in Virginia that have converted, or are in the process of converting, to transfer station operations. Some examples include Fauquier, Westmoreland, and Hanover Counties, as well as the City of Richmond. There are also examples of privately constructed and operated transfer stations. Although there can be many reasons for electing to revise operations in this manner, some of the most common include exhausting permitted landfill space, high capital cost for new cell construction, high operational cost, increasing regulatory requirements and compliance costs, resident opposition, increasing competition from private landfills, and lack of local government support.

The basic operational strategy consists of a receiving area where solid waste is deposited on the tipping room floor, then sorted and transferred to over the road tractor trailers for transport to an operational landfill, most typically commercially run. Minimum requirements typically include paved access to the facility, a generally flat area several acres in size, and a metal building to allow all weather operations.

Operational considerations

There are a number of operational variables which must be resolved prior to developing a precise estimate, some of which are listed below:

- 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
- Location for the facility on landfill property

Although lacking sufficient information for a precise estimate, there have been a number of transfer stations constructed recently to use in developing a preliminary estimate of capital and operating costs for such an operation. Based upon like facilities operating in Virginia, staff believes a transfer station could be constructed and operated within the ranges outlined below.

Construction cost                    \$2,500,000                    to            \$5,000,000\*

**\* Inclusive of engineering, site development and permitting costs**

Hauling and disposal costs    \$44                                    to            \$52                                    per ton

Operating costs                    \$700,000                    to            \$900,000                    per year\*

**\* Exclusive of Belman and Eskimo Hill convenience centers, litter control, public outreach, and regulatory compliance costs which are estimated at approximately \$950,000**

Staff has calculated capital and operating costs for current waste amounts of 135,000 tons per year (tpy) at the high end of the range in lieu of adding a contingency factor, resulting in an assumed capital cost of \$5,000,000, operating cost of \$900,000, and transport and disposal cost of \$50 per ton. It is noted that staff was quoted a budget price of \$50 per ton from a firm engaged in transport and disposal services.

The funding strategy developed for transfer station construction retains most of the R-Board's liquid reserves to meet closure/post-closure liabilities, as well as a reasonable operating reserve. Consequently, assuming use of \$1,000,000 in reserve funds usage, leaving \$4,000,000 in capital cost to finance, 5% interest, and a 20 year loan term, debt service coverage would approximate \$320,000 per year. Annual debt service, operations, and transport and disposal costs are summarized below.

Capital Cost (Debt Service)	\$320,000
Operations	\$900,000
Transport and Disposal	<u>\$6,750,000</u>
<b>TOTAL</b>	<b>\$7,970,000</b>

Prorating the above total annual operating and debt service costs against solid waste amounts estimated at 135,000 tpy, staff estimates a total cost of \$59 per ton to dispose of waste using a transfer station. This compares to an estimated cost of \$47 per ton under current operations, inclusive of capital costs. Both values listed above exclude costs associated with operation of the convenience centers, litter control, etc.

It is noted that the transport and disposal costs would be reduced proportionately by restrictions placed on use of the transfer station. For example, the transfer station could be restricted to processing only waste from the convenience centers and the City Public Works collections, and denying access to commercial customers. Using FY2014 year-end waste quantities, we can expect about 30,000 tpy under this operating strategy. This would reduce the capital costs to around \$2,500,000 and operating costs by 11%, and dramatically reduce transport and disposal costs. A summary of the annual debt service, operations, transport and disposal costs for this option are provided below.

Capital Cost (Debt Service)	\$120,000
Operations	\$700,000
Transport and Disposal	<u>\$1,500,000</u>
<b>TOTAL</b>	<b>\$2,320,000</b>

Under this scenario, the cost increases to \$77 per ton due to the reduction in waste volumes. Once again, the costs listed above are exclusive of the convenience center, litter control and regulatory compliance costs estimated at about \$950,000. Furthermore, the entire cost would have to be funded through resident fees and City billings for waste disposal.

Implementation Process

There are a number of steps involved in converting operations to a transfer station, as noted below.

1. Initiate design of the transfer station.
2. Acquire permits for construction and operation of the transfer station from VDEQ.
3. Obtain local government site plan approval.
4. Obtain financing for facility. This may require local government support.
5. Bid and construct facility.

Staff estimates the process above will require approximately three years to complete.

It may also be possible to have the transfer facility financed and constructed by a private party, with the financing and construction costs prorated against the cost per ton for a long term service contract. If it is desired to pursue this option, then the purchasing process follows a request for price proposals rather than a bid. It is expected that the preparation of an RFP, solicitation and evaluation of proposals will add approximately eight months to the process.

## **Construct Cell F-2**

This scenario was described in previous staff reports. The R-Board would proceed with the construction of Cell F-2, and continue landfill operations with their own staff in much the same manner as in prior years. Every effort would be made to finance and complete construction of Cell F-2 prior to December 2015, when Cell F-1 capacity is expected to be exhausted, to ensure we are able to continue operations without interruption.

Staff previously received construction bids, with the lowest bid in the amount of \$5,062,968. The R-Board would also be required to fund wetland mitigation costs of \$98,481, resulting in a total cost for this option of \$5,161,449.

### Financing Options

Financing options to secure the \$5,161,449 necessary to construct Cell F-2 include requesting the County and the City to issue debt on behalf of the R-Board. Financing for municipal landfill construction is available through the Virginia Resources Authority (VRA) at very low rates. Authorization to borrow funding for Cell F-2 would require a public hearing and affirmative vote by both the Stafford County Board of Supervisors and the Fredericksburg City Council, whereupon the bonds would be included in an upcoming VRA bond sale.

The R-Board could elect to self-fund all or a portion of the construction costs for Cell F-2 from the reserve fund. The R-Board would draw on a portion of the nearly \$6 million in investments available to it with the expectation that operating results over the next seven years would improve sufficiently to replenish the reserve fund for closure/post-closure costs, and prepare for Cell F-3 construction. Complete reliance on reserve funds would result in a liquid reserve fund balance equivalent to only a couple of months of operations expenses. Financing a portion of the construction cost will allow for a larger reserve fund balance, although the authorization process outlined above must be followed.

Depletion of the reserve fund would shift a greater liability for closure/post-closure costs to the localities; at least until the reserve funds are replenished. This additional liability could have a negative effect with bond rating agencies. The localities currently assume some level of liability with the local government assurance letters sent to the Virginia Department of Environmental Quality (DEQ) each year.

Staff has consulted with their financial advisor, PFM, regarding options to fund construction of Cell F-2. Their recommendation is included in the attached memorandum from Maria Perrotte, Chief Financial Officer for Stafford County. The recommended approach uses a combination of reserve funds and VRA financing secured by the localities. This allows sufficient reserve funds to complete closure costs incurred to date, along with an operating reserve of 3 months. The recommended strategy results in an annual debt service obligation of slightly more than \$700,000 per year, assuming a 5% interest rate.

The debt service, combined with a currently projected revenue shortfall in FY2015 of an additional \$700,000 due to declining waste streams from commercial customers, results in the need for approximately \$1,400,000 in new revenue to ensure that no additional reductions in the reserve fund are necessary. It may be possible to address this increased revenue requirement by adjustments to three revenue sources as noted in the table below.

March 9, 2015

Increase City Tipping Fee to \$34/ton	\$125,000
Resident Fees Equivalent to \$34/ton	\$750,000
Adjust Commercial Rates Over 1,500 tons/month	<u>\$525,000</u>
<b>TOTAL</b>	<b>\$1,400,000</b>

While precise revenue forecasting has proven challenging in the current competitive market for waste streams, it is reasonable to assume we will have data on resident use patterns to adjust the fee to recover funds at the level indicated above. An increase of \$525,000 from our commercial customers is equivalent to an almost 20% increase over currently projected revenues from this source, but consistent with prior year revenues from commercial clients.

A decision by the R-Board to proceed with construction of Cell F-2 does not preclude moving forward with transitioning to transfer station operations, or selling the landfill in the future. It will, however, allow the R-Board time to fully deliberate on the various options without the pressure of the imminent expiration of Cell F-1 capacity, currently predicted to occur near the end of 2015. If the R-Board decides to proceed with construction of Cell F-2, it will also incur approximately \$1,600,000 in closure cost liability that would be required following closure of the cell in seven years.

It is also worth noting that while the FY2016 R-Board budget has not been completed, R-Board staff expects to minimize any increases in the operating budget to a modest increase in additional personnel costs due to County raises, as well as the part time personnel costs required to assist with the resident fee program. The combined increase is expected to be under \$150,000. The capital budget will also be constrained except for the possible construction of Cell F-2.

The above report provides some additional details on the three options staff was directed to investigate. The information provided herein was gathered by communication with a variety of sources in the solid waste industry. Additional information and analysis is required for the options of selling the landfill and constructing a transfer station if a higher level of accuracy is desired.

KCD:kd

Attachment (as noted)

Route 1 Jefferson Davis Highway

Adjoining County/City Owned Property

Sale Area  
507 Acres +/-

Conservation Easement

Stafford Civil War Park  
41.20 +/- Acres

Future Cells  
65.5 +/- Acres

Public Safety  
Training Facility

Closed Cell  
Area A-E

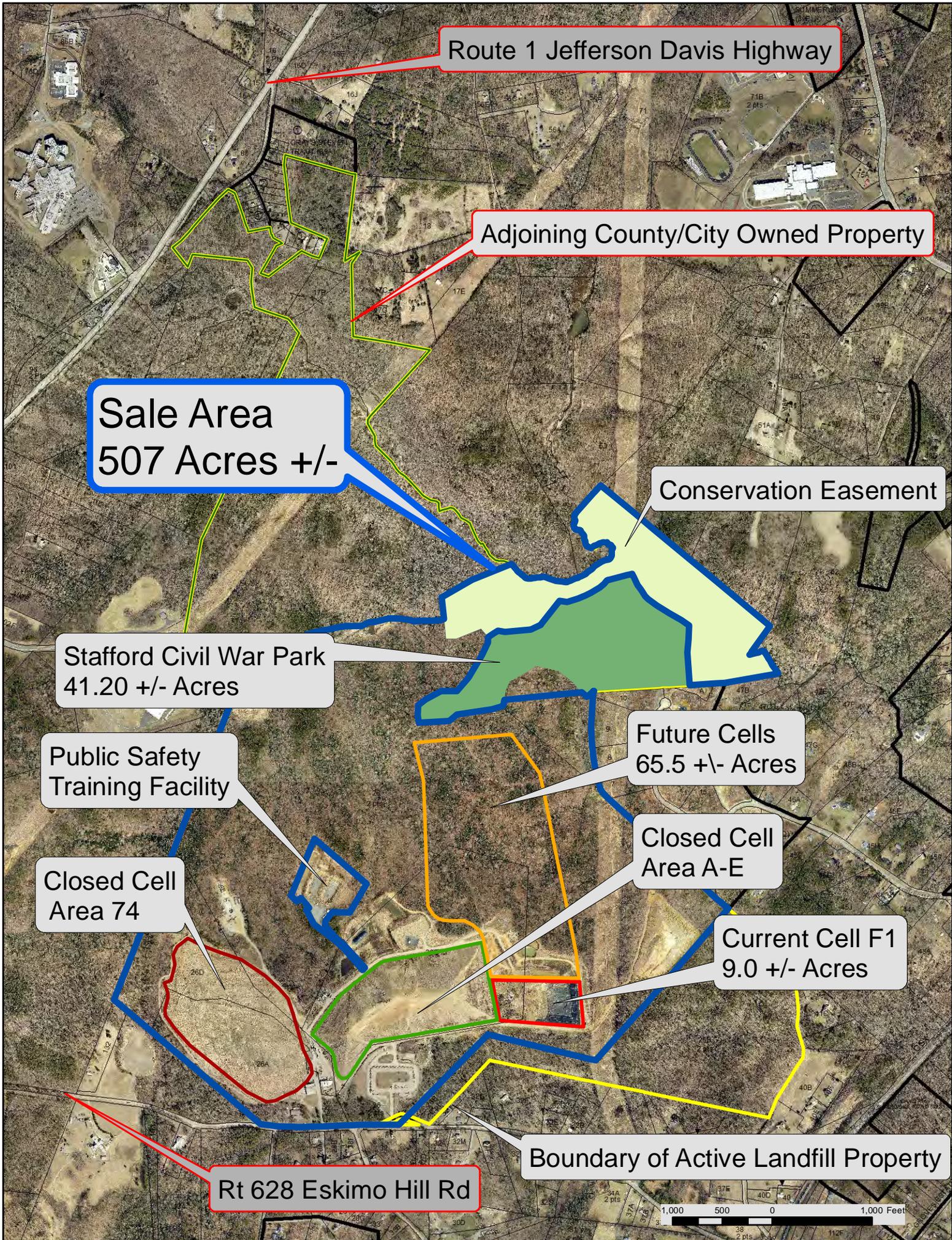
Closed Cell  
Area 74

Current Cell F1  
9.0 +/- Acres

Rt 628 Eskimo Hill Rd

Boundary of Active Landfill Property

1,000 500 0 1,000 Feet



## Board of Supervisors

Gary F. Snellings, Chairman  
Laura A. Sellers, Vice Chairman  
Meg Bohmke  
Jack R. Cavalier  
Paul V. Milde, III  
Cord A. Sterling  
Robert "Bob" Thomas, Jr.

Anthony J. Romanello, ICMA-CM  
County Administrator

To: R-Board  
From: Maria Perrotte, CFO  
Stafford County, Virginia  
Date: March 10, 2015  
Subject: **Cell F-2 Construction Financing Strategy**

The R-Board is considering multiple options for future operations, including the construction of Cell F-2. If, after consideration of the various options, the R-Board elects to construct Cell F-2 at this time, there are also a number of options available for funding the \$5,161,449 necessary for the project.

After consultation with our financial advisors, staff recommends the following financing approach:

From the R Board year-end total available reserve fund balance, set aside the amount necessary to fund the estimated closure costs for previously closed cells, including Cell F-1, and then set aside a liquid reserve equivalent to 90 days of operating costs.

The remaining portion of the reserve fund balance could then safely be applied to the construction of Cell F-2, with the balance of the project costs borrowed in VRA's summer pooled bond sale. Preliminary discussions with VRA indicate their willingness to finance the construction of Cell F-2. We would strive to structure the financing without a direct backstop from the City and County, although some level of financial reassurance is likely. We feel comfortable that the financing will not require a reduction in the County's CIP, although our understanding of the City's funding position is limited.

Assuming a year-end liquid reserve fund balance of \$5,975,000, closure costs of \$3,833,000 and operating reserve of \$1,075,000, there is a reserve fund balance of \$1,067,000 for Cell F-2 construction. The project would then require debt of \$4,094,000. The resulting total annual debt service at 5% interest is estimated at \$716,000 over a 7 year period, with each million in loan proceeds resulting in debt service of about \$175k. It is likely that the actual interest rate will be somewhat lower than the example provided herein. A funding plan which identifies revenues sufficient to cover the debt service would help in keeping the liability off of the localities account.

While other options are available to the R-Board, the strategy provided above reduces the debt burden on the localities while providing for sufficient liquid reserve funds to address unexpected situations.

MJP:kd





## Rappahannock Regional Solid Waste Management Board

489 Eskimo Hill Road • Stafford, Virginia 22554 • 540-658-5279 • FAX 540-658-4523

TO: R-Board Members

FROM: Keith Dayton  
Deputy County Administrator

DATE: February 6, 2015

SUBJECT: **Landfill Operational Options**

At the January 21, 2015 meeting, staff provided the R-Board with an update (attached) on the Cell F-1 filling status, the bid results for Cell F-2, and the wetland mitigation credit costs necessary to begin construction of Cell F-2. The report also briefly noted a couple of options available to the R-Board to allow completion of the new cell construction prior to exhausting capacity in Cell F-1.

In light of recent comments from R-Board members regarding concerns about the long term operation strategy for the landfill, staff thought it might be helpful to provide a summary of options which have been identified to date. Each of these options could have multiple variations for operational strategy and finding, depending upon input received from the R-Board, City, and County. Whereas this effort only provides a general overview of identified options, additional analysis would be required of those options selected for further consideration.

### **CONSTRUCT CELL F-2**

#### **Continue Current Operations**

Under this scenario, the R-Board would proceed with the construction of Cell F-2, and continue landfill operations with their own staff in much the same manner as in prior years. Every effort would be made to finance and complete construction of Cell F-2 prior to December 2015 to ensure we are able to continue operations without interruption.

#### **Funding Options**

Financing options to secure the \$5,161,449 necessary to construct Cell F-2 include requesting the Stafford County Board of Supervisors (County) and the Fredericksburg City Council (City) to issue debt on behalf of the R-Board. Approximately \$2.58 million in debt from each locality would be necessary to fully finance the expected costs, if this debt were divided evenly. Financing for municipal landfill construction is available through the Virginia Resources Authority (VRA) at very low rates. Authorization to borrow funding for Cell F-2 would require a public hearing and affirmative vote by both the Stafford County Board of Supervisors and the Fredericksburg City Council, whereupon the bonds would be included in an upcoming VRA bond sale.

The R-Board could elect to self-fund all or a portion of the construction costs for Cell F-2 from the reserve fund. The R-Board would draw on a portion of the nearly \$6 million in investments available to it with the expectation that operating results over the next seven years would improve sufficiently to replenish the reserve fund for closure/post-closure costs, and prepare for Cell F-3 construction. Complete

reliance on reserve funds would result in a liquid reserve fund balance equivalent to only a couple of months of operations expenses. Financing a portion of the construction cost will allow for a larger reserve fund balance, although the authorization process outlined above must be followed.

Depletion of the reserve fund would shift a greater liability for closure/post-closure costs to the localities; at least until the reserve funds are replenished. This additional liability could have a negative effect with bond rating agencies. The localities currently assume some level of liability with the local government assurance letters sent to the Virginia Department of Environmental Quality (DEQ) each year. An additional level of protection from these liability consequences could be provided by securing a bond from a private firm for closure/post-closure costs. Securing such a bond would require indemnification from both localities.

### **Public Private Education Act (PPEA) Project**

It may be possible to solicit proposals for the construction of Cell F-2 from firms interested in financing and constructing the landfill cell, and then either leasing the completed cell back to the R-Board for operation, or potentially privatizing the operation of the landfill altogether. This process would require preparation of the solicitation, public offering and preparation of responses from interested parties, evaluation of the proposals and selection of one or more parties with which to negotiate an agreement, and then approval by the R-Board and authorization to execute an agreement by both localities. Furthermore, the PPEA legislation related to solid waste facilities is limited to “any solid waste management facility as defined in Section 10.1-1400 that produces electric energy derived from solid waste.” It may be difficult to structure a PPEA solicitation to comply with this stipulation.

The entire process can be expected to take well over a year to complete, with no assurance that an acceptable proposal will be received. While there is insufficient information to speculate upon the terms we might expect to receive, it seems likely that the financing costs of a private party will be higher than the two localities, and a private company entering into such an agreement would structure the agreement to ensure coverage of debt costs, liability and profit. The draft agreement, if one resulted, would have to be approved by both local governing bodies, following a public hearing.

### **ALTERNATIVES TO CONSTRUCTING CELL F-2**

#### **Cease All Operations**

The R-Board could cease landfill, convenience center, and litter control activities altogether. Revenue would cease at this point, along with the majority of expenses. The R-Board would be required to complete closure of the filled landfill cells, estimated at around \$3 million, and provide post-closure monitoring for the next 30 years. In the event that an exceedance is detected during the monitoring period, corrective action measures would be required. After closure activities are completed, most of these continuing expenses would be consultant costs necessary to provide the monitoring, sampling, and reporting services required by our regulatory permits. Some level of continuing local government involvement will be necessary to coordinate these activities.

The R-Board has approximately \$6 million in investments to fund closure and post-closure costs, along with equipment and other assets of value which could be disposed of. Our most recent financial statement indicates a deficit of \$820,000 available to fund these liabilities, although the liability is extended over a 30-year period.

If the R-Board chooses to abandon landfill operations, there will be an immediate impact upon the residents and businesses in Fredericksburg and Stafford. While we can assume that the waste hauling enterprises could locate alternative landfill sites to serve their residential, municipal and commercial customers, the landfill also serves many residents who chose to personally dispose of their waste at one of our convenience centers. These residents represent just over 20% of our waste volume. Even those residents served by commercial waste haulers often must use the landfill to dispose of items which can't be left at the curb. Additionally, there are numerous contractors and other small businesses who rely on the landfill for disposal. The City's Public Works Department, and the County Department of Utilities also rely on the landfill for daily disposal operations.

Other options are identified below which result in a continuation of some waste services, while relieving the R-Board of some of the costs associated with landfill operations.

### **Convert Landfill Operation to a Transfer Station**

If it was decided to cease landfill operations, but continue convenience center operations, the R-Board could construct a transfer station and ship waste offsite to a commercial landfill elsewhere in the state. The main landfill at Eskimo Hill is the logical location for a transfer station, although a specific site has not been identified. Numerous transfer stations have been placed in operation around the state, and many more operate nationwide. The basic components include a large building for inside handling of waste, and a loading area to transfer waste onto tractor trailers for transport. Existing convenience center operations could continue unchanged, with the waste taken to the transfer station building instead of the landfill face.

Capital costs for the building are estimated at around \$800,000, although with engineering, permitting, site development, and utilities costs, this estimate could easily double. Furthermore, the size of the facility is dependent upon whether service is limited to the convenience centers, or expanded to a broader clientele. The R-Board owns no long haul tractor trailers, and would have to purchase these if we wished to service this aspect of the operation. It may be possible to contract out the transportation of waste to the landfill destination. The closure and post-closure expenses described above would have to be funded as well.

Operational costs are also unknown, and influenced by the level of service the R-Board provides. Current staffing levels for the Eskimo Hill and Belman Road convenience centers would remain unchanged, and staff would be required for transport of waste from these locations to the transfer station. Staffing would also be necessary for the transfer station operations and maintenance requirements.

Planning, design and construction for this facility will take well over a year to complete, requiring interim measures for operation after Cell F-1 is filled.

### **Funding Options**

Funding challenges for the capital cost of a transfer station are reduced due to the significantly lower cost when compared to a new cell. It is expected that the investment reserves held by the R-Board are sufficient to fund both the transfer station and closure costs for the filled cells.

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Funding for continuing operational costs represents another challenge, as funding sources could be limited to resident fees and tipping fees from the City. Expansion of the facility to serve existing commercial customers would increase revenue, but also increase logistical and capital investment concerns.

On the expense side, the R-Board would be required to fund operational costs for the convenience centers, transfer station, transport costs to the commercial landfill, and tipping fees at the destination landfill. The sum of these expenses are not known at this time.

### **Privatize Operation of the Landfill**

The R-Board could solicit proposals from private firms to operate the landfill, along with the convenience centers. There are a number of municipal landfills in the state which operate in this manner. In the two localities contacted which operate in this manner, the locality establishes the tipping fee, while the private firm operates the landfill. The private firm is also responsible for compliance monitoring and reporting activities. Further research would be necessary on the details of the contractual relationship and cost of this option, although both landfills contacted have budgets which rely heavily on a local government subsidy.

It is expected that implementation of this option would take well over a year, requiring interim measures for operation after Cell F-1 is filled.

### **Sell the Landfill**

The R-Board could explore the option of selling the landfill, although it does not own the property upon which it operates. Technically, the City and County would have to sell their interest in the property associated with landfill operations. This option is complicated by the prior closure and post-closure liabilities assumed by each locality, the presence of the joint law enforcement training facility, and the Stafford Civil War Park.

A variation of this option would be to sell or lease the permitted air space to a private firm. This would require a public solicitation and evaluation of the responses to determine if any are of interest. Whereas the air space is permitted to the R-Board, DEQ must be contacted to see if transfer of this permit is feasible.

Considerable investigation of this option would be necessary prior to issuing a solicitation, along with extensive evaluation of the responses received before any agreement could be executed. This period would extend well past the time remaining to fill Cell F-1.

The above report lists some identified options available for long term operation of the landfill in very general terms. There may be other options available, and also multiple variations of the options identified above. Detailed analysis is required to provide a better understanding of the capital and operational costs associated with these options, as well as to identify other factors which may affect their feasibility.

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Attachment (as noted)