

Coastal Transfer Station - Views:

Needs:

Ability to transfer coastal solid waste and diversion materials using Self-Haul and Commercial transfer station(s), or by other means.

Introduction and Clarifications:

The consultant's report and the associated discussion at the September 17, 2020 meeting of the Caspar Joint Coordinating Committee (CJCC) failed to consider the implication of the Option Agreements that have been exercised by both the City of Fort Bragg and the County of Mendocino that commit the commercial waste flow of the coastal region to Solid Wastes of Willits, Inc. (SWOW) Willits Transfer Station until 2024 for the City and 2030 for the County.

The only exception for that waste flow commitment to the Willits Transfer Station is if a publicly owned transfer station is permitted, built, and becomes operational in the Fort Bragg coastal area during the terms of the exercised Options. A transfer station owned by another private company is not permitted under the agreements during its terms.

And why is that? It should be understood that SWOW undertook substantial financial risk and committed substantial resources to permit and build the Willits Transfer Station. SWOW used hard earned experience to solve the solid waste disposal problem for the coastal, North County areas, and the City of Willits after local landfills closed by negotiating a very favorable long-term landfill agreement, with a state-of-the-art facility, which runs at SWOW's option through 2030.

Having taken those risks, SWOW was not willing to allow for a privately-owned transfer station competitor to take this solid waste flow. To do so, would violate standard business principals which dictate that SWOW should benefit from the use of its problem-solving experience, assumption of business and financial risk, substantial commitment of resources, and substantial efforts in the development of the Willits Transfer Station, the facility that provided the long-term solution for the transfer of solid waste for coastal area ratepayers after the County and City landfills were closed.

And so, in return for the benefit that the City and County received from SWOW stepping in to provide this transfer capability, future private transfer station development on the coast is limited to SWOW, until the expiration of the City exercised option in 2024, but realistically until the end of the County exercised option term in 2030 since the development of a privately-owned transfer station would not be feasible without County tonnage.

So, what does this mean to the City and County? Simply put, Pudding Creek is not a location that can be considered for use until 2030, well after a solution will be developed.

SWOW was willing in an unselfish manner to cooperate to extend the use of the Willits Transfer Station beyond 2015 with the City and County in their quest to develop a publicly owned coastal transfer station by allowing the County and City to be relieved of their commitment to send all commercial tonnage to the Willits Transfer Station if they were able to build a publicly owned transfer station on the coast during the term of the waste flow Option periods.

That said, time has demonstrated that the development of a publicly owned transfer station is unlikely to be realized for the reason that are detailed below. Wishes unfortunately, will not make it so.

That is not all bad news, because SWOW has solved the coast's disposal and diversion problems in the past, and will be able to increase the efficiency of the transfer and curbside services in an economical way for the benefit of both the City and County ratepayers.

As noted above, it was SWOW, not any other local hauler, who took the financial and business risk, to build the Willits Transfer Station that serves the coastal and North County communities today.

SWOW followed the Willits Transfer Station solution with the construction of Material Recovery Facility (MRF) which provides a local area facility for the processing of coastal, North County and City of Willits single-stream recyclables. A facility that no other local hauler demonstrated an interest in developing in order to allow these communities to meet California's increased diversion requirements.

And again, in 2010 when the County found it hard to operate their small volume transfer stations in an economic way, it turned to SWOW to keep these transfer stations open and preserve the critical services for the communities. In addition, by turning the operation of Caspar over to SWOW, the City of Fort Bragg no longer had to pay the County an operational subsidy, allowing the City to use scarce General Fund resources for the last ten years, and beyond, for other purposes.

SWOW has been the problem solver and is ready and able to do it again.

Another private company has held the City and County curbside franchise rights for decades without ever once having solved one of the coast's long-term disposal or diversion problems. That makes no sense. It is time for a change.

When all is said and done, we believe that **"Compromise Solution B"** below is in the best interest of the ratepayer, is the most flexible and realistic approach in providing a long-term transfer solution.

Whatever has happened in the past is water under the bridge. Now is the time to enlist SWOW's help in doing what it does best, solve the problem. SWOW has solved the problems for the coastal communities before, while other companies did not act. SWOW will solve the problem again.

Along with the introduction above, below we have tried to summarize what we heard at the CJCC meeting on September 17, 2020 and our takeaways.

We are available to talk with Committee Members and Staff at their convenience.

Conflicting Priorities on Self Haul Transfer Station:

Assertion 1: Caspar is too far south of the largest population concentration and does not reduce carbon footprint in order to provide service.

Response: The largest population concentration is in Fort Bragg which has robust curbside and commercial roll-off box services, so maybe the dense City population does not need to drive to Caspar for self-haul service as much as the population living south of Highway 20.

Assertion 2: A transfer station in the general Fort Bragg downtown and scenic trail area, would have a negative effect on the enjoyment of that area, the emerging tourist industry and should not be sited there.

Response: Probably true unless an existing building zoned industrial could be located somewhere out of the that area.

Assertion 3: A self-haul transfer station sited at Waste Management's Pudding Creek yard would: 1.) draw a procession of self-haulers customers from all the way south to Mendocino, driving down Main Street in Fort Bragg, creating a negative effect on the use of the downtown and the scenic trail area, and 2.) would have the same negative carbon footprint as Caspar but in a reverse direction.

Response: Both probably true.

Question:

Question 1: If Caspar, the Fort Bragg downtown and, scenic trail area and Pudding Creek do not work for self-haulers, where do you put it?

Answer: Highway 20.

Problem: No land secured.

Problem: Previously selected no cost land swap site not currently available.

Problem: Previously selected no cost land swap site may attract strong environmental objection and lengthy delays.

Problem: Obtaining another Highway 20 location is too expensive to acquire land, permit, CEQA review, and build, even if land were available. 3,000 self-haul tons is not enough tonnage to spread the cost and arrive at a reasonable gate fee.

Problem: You would still need a transfer station for commercial trucks at another location.

Premises:

Premise 1: 14,000 tons of combined self-haul and commercial coastal tonnage is not enough to spread the cost of acquiring land, permitting, and constructing a combined self-haul and commercial transfer station and arrive at a reasonable debt amortization period and gate fee.

Premise 2: While the coast may experience growth in the coming years that might add solid waste tonnage in the future, solid waste potential growth tonnage is limited by California's increasing diversion requirements, limited water availability on the coast, Coastal Commission regulations and California's high construction

costs. Do not expect large future tonnage increases to solve the problem of paying off the transfer station debt.

Premise 3: There are reasons why a combined self-haul and commercial transfer station (even with free land) has not been built after twenty years of trying: The economics don't work, and the solution has not been properly envisioned.

Premise 4: Do not spend more of Caspar ratepayers' (Caspar \$3 surcharge/rent) money funding this self-haul and commercial study when the facts have long been identified, and any solution is elusive, as proven by the recent consultant report. The facts are available to everyone to work with and the economics are obvious when examined. Using only the \$3 self-haul surcharge is inequitable since the curbside customer is not contributing to the transfer station project costs but would presumably benefit. Use the \$3 fee to bring the Caspar site to an acceptable operating level, and then eliminate the \$3 surcharge to the benefit of the rate payer.

Premise 5: If the City and County cannot develop a publicly owned coastal transfer station then the terms of the Options allow only SWOW to develop a private transfer station on the coast through 2030.

Premise 6: If a public or SWOW transfer station cannot be built in the near term, improve the efficiency of the current system to the extent it can be improved.

Premise 7: Do not shoot the messenger.

Non-Solution and Compromise Solutions:

Non-Solution A:

a. Acquire free land and build a publicly owned combined Self-haul and commercial Transfer Station on Highway 20.

Problem: Economics, even if free land were available which is no certainty, the project cost to permit and develop is too expensive. The payment of Project Cost debt cannot be supported by 14,000 annual tons in a reasonable amortization of debt period. To the detriment of the ratepayer, the resulting gate fee rate would be substantially greater than the current system.

Problem: A lengthy amortization payment period for the debt will not match up with the term of a favorable long-term landfill agreement, leaving the ratepayer vulnerable to a spike in rates when the initial landfill contract term expired.

Problem: Must be publicly developed or developed by SWOW through 2030.

Compromise Solution B: Most affordable efficient and flexible solution. Benefits the ratepayer's long term.

a.) Do not transfer solid waste, single-stream, and mixed organics on the coast.

Run packer trucks directly from SWOW yard/transfer station/MRF in Willits.

Take advantage of SWOW's long-term disposal contract, MRF availability and mixed organic diversion contract while SWOW attempts to find a coastal transfer solution.

b.) Please Note: This is the same proposal that we offered in good faith in response to the City of Fort Bragg curbside RFP in 2006. After our proposal was initially accepted by the City, it was then pushed aside in favor of a hauler who had not taken part in the RFP process. We ask you, where would you have been today in solving the solid waste transfer problem if you had accepted our proposal in 2006? Would you have been better off? Certainly, the curbside proposal that you accepted failed to solve the problem.

c.) Please Note: The SWOW response to the City of Fort Bragg 2006 curbside RFP where SWOW proposed using the packer truck method as stated here in Compromise Solution B, would have been eight-hundred and fifty thousand (\$850,000) dollars less expensive for the ratepayers, in that 2006 RFP's seven-year term, than the next higher proposal that you accepted at that time.

d.) Keep Caspar open for self-haul.

e.) SWOW will explore and find the best long-term coastal solutions for self-haul and commercial transfers.

f.) SWOW's long term landfill disposal contract runs through 2039, which means that a long-term contract with SWOW will assure an economical disposal option for the coast for a long, long time.

g.) Need current franchise extension period(s) as described below.

Plus: Would not violate Option agreements.

Plus: Possibility of coastal transfer station capabilities would not be foreclosed.

Problem: In the short run, no commercial transfer station in the coastal area.

Problem: Lack of consensus among stakeholders on Caspar, requires compromise

Compromise Solution C:

a.) Improve current functions of Caspar for self-haul, no expansion, no commercial route trucks allowed. Caspar enhancement budget to be updated. Enhancements paid for in approximately 30 months. Surcharge eliminated thereafter.

b.) Identify an existing local commercial or industrial zoned building, or buildable parcel, not in the downtown or scenic trail area, to be improved to accommodate efficient commercial route truck transfer to trailers and direct haul to landfill.

c.) Continue to explore other long-term self-haul possibilities.

Plus: Would not violate Option agreements.

Problem: Must be publicly developed or developed by SWOW through 2030.

Compromise Solution D:

Status Quo.

Caspar would remain open to serve self-haulers.

Caspar would not be expanded but improved for efficiency.

Problem: Inefficient in handling commercial tonnage.

Problem: Lack of consensus among stakeholders on Caspar, requires compromise.

Problem: No long-term solution.

Problem: Would not improve terms of City and County curbside contracts to benefit ratepayers.

Problem: No long-term contracts for disposal beyond 2024 for City and 2030 for County. No long-term contract for diversion of City and County single stream material. Currently, Month-to-month.

Compromise Solution E:

a. Develop Pudding Creek as combined self-haul and commercial transfer station.

Problem: Hard to envision combined self-haul and commercial transfer station development because ability to cover costs of permitting, development and the nearby creek requirements is too expensive to develop because of the 14,000-ton constraint on the ability to carry cost of development over reasonable time period at a gate fee that would be acceptable.

Problem: Self-haul procession through City.

Problem: Asserted negative carbon footprint problem in serving self-haulers from as far away as Mendocino. Asserted Caspar problem in reverse.

Problem: No competitive process for both the curbside contract and transfer station development.

Problem: Lack of consensus among stakeholders on Pudding Creek, requires compromise.

Problem: Non-starter, not publicly owned, not SWOW owned through 2030.

Compromise Solution F:

- a. Develop Pudding Creek as a commercial transfer station only.
- b. Caspar would remain open to serve self-haulers.

Problem: Hard to envision commercial transfer station development because ability to cover costs of permitting, development and the nearby creek requirements is too expensive to develop because of the 11,000-ton constraint on the ability to carry cost of development over reasonable time period at a gate fee that would be acceptable.

Problem: No competitive process for both the curbside contract and transfer station development.

Problem: Lack of consensus among stakeholders on Caspar, requires compromise.

Problem: Non-starter, not publicly owned, not SWOW owned through 2030.

A Cautionary Tale:

Some years ago, several African nations had related opportunities. One nation had a surplus of egg production that it wanted to sell to neighboring nations. Those neighbors wanted to buy the surplus eggs.

The problem: transporting the eggs without breaking.

Foreign made egg cartons were not available at an acceptable price.

The obvious answer: Build a local egg carton factory so that the eggs could be transported and sold safely in cartons.

Constraint on solution: The number of eggs produced that would be offered for sale was not a large enough quantity to absorb the cost of building a local egg carton manufacturing facility.

Sound familiar?

The Way forward, Steps to take:

Step 1. Amend Existing City and County Franchise Agreements

Immediately amend both the County and City Franchise curbside contracts to include an 1-year extension beyond the current expiration date of June 30, 2021,

along with a provision in both those franchise agreements that allows the City and County concurrently to extend the franchise agreements, at their option, for two additional 1-year extension periods, thus providing up to a total of three additional years, as needed for a coastal disposal and diversion solution, beyond the current June 30, 2021 expiration date.

Step 2. Create separate Coastal and Inland Valley County Franchise Agreements

Mendocino County has four solid waste refuse collection areas. Refuse Area 4 - South Coast, Refuse Area 3 - Anderson Valley, and Refuse Area 1 - North Coast which are all distinct geographic areas with common issues.

Refuse Area 2 is comprised of two geographically distant areas, the greater coastal area surrounding the City of Fort Bragg and the greater inland area surrounding the City of Ukiah. Neither of these areas have common problems, nor do they share disposal or diversion infrastructure. Having these two distant areas in the same franchise contributes nothing to solving the issues facing coastal ratepayers, but it does further complicate the solution. For that reason, we suggest that these two areas, distant from each other, be split into two County Franchise areas in the same manner as the other County Franchise areas.

To facilitate coastal solutions, County acts to split current Mendocino Franchise contract into two Franchise agreements (coast and inland), effective when the current term of the contract, including any extensions expires.

That allows inland valley service franchise agreement to be freed from coastal complications and for the County to be able to issue a separate RFP tailored to the inland area needs.

Step 3. Three Door Solution Process:

Overview: We do not believe that an RFP should be issued for curbside collection before there is a certainty on transfer station direction, or no transfer station option. For that reason, we believe that **Three Doors** must be opened in the following order in order to: **1.)** find an acceptable solution for self-haul and commercial transfer, **2.)** identify and obtain the most cost effective and efficient disposal and diversion solutions for the long-term that should be embodied in the curbside sole source negotiations with SWOW in order to protect the interests of the Ratepayer, and **3.)** issue a separate RFP for the County Inland Valley Area in order to obtain the best results for that area's ratepayers.

Door One: Publicly Built Transfer Station(s)

- a. City and County must determine whether or not the coastal transfer station is an economically viable solution for the disposal and diversion of either or both self-haulers and commercial material.
- b. City and County must determine, assuming that they judge the project to be viable, if there is the political will to undertake the financing, permitting and building of the project, taking advantage of the SWOW Options publicly owned exception.
- c. City and County must identify a more robust funding source for the project other than the Caspar \$3 surcharge/rent.
- d. City and County must determine if a private sector company is available to operate the publicly owned transfer station.
- e. City and County must determine if they wish government or a private sector company to operate the publicly owned transfer station.
- f. City and County must determine the availability of an economically acceptable long-term disposal contract for solid waste. The current SWOW Option does not carry over to a new publicly owned transfer station.
- g. City and County must determine the availability of an economically acceptable long-term diversion contract for single-stream recyclables.
- h. City and County must determine the availability of an economically acceptable long-term diversion contract for mixed organics.
- i. City and County must finalize viable transfer station(s) design(s).
- j. City and County must advertise and award construction contract and monitor project construction to completion.

Or,

Door One: Private Sector Transfer Solution:

- a. Select the SWOW Compromise Solution B above for implementation.
- b. City and County negotiate concurrently with SWOW on a sole source basis to implement that transfer compromise solution.

Door Two: Negotiate new City and County Curbside Franchise Agreements

- a. City and County negotiate concurrently with SWOW on a sole source basis for the City of Fort Bragg and the County of Mendocino coastal franchise curbside service agreements, to commence at the end of the last extension of the current franchise agreement.

- b. Curbside negotiations should obtain the best long-term solutions for disposal and diversion, to include but not limited to: service standards, cost of service to ratepayer, control of favorable long-term landfill disposal contract, control of favorable long-term mixed organic waste disposal contract, and control of long-term single-stream diversion (MRF) capabilities.
- c. Execute and implement agreed upon transfer station compromise solution and City and County curbside franchise agreements.
- d. Exercise as many additional one-year option extensions for current County and City franchise agreements as needed, to accommodate coastal zone start up time and separate Inland Valley RFP process and startup time.

Door Three: Issue Curbside RFP for new Inland Valley County Franchise

- a. Issue RFP for new County Inland Valleys franchise area detailing preset requirements, go through normal RFP process to completion.
- b. RFP responses should be judged on long-term solutions for disposal and diversion, to include but not limited to: control of transfer infrastructure, service standards, cost of service to ratepayer, control of favorable long-term landfill disposal contract, control of favorable long-term mixed organic waste disposal contract, control of long-term single-stream diversion (MRF) capability, and a local business preference.
- c. Execute Inland Valleys Franchise agreement with company selected.
- d. New franchise agreement will commence on expiration date of last extension of current franchise agreement as determined by time needed to commence operations as stated in Step 1 above.