



SANTA BARBARA COUNTY

**Resource Recovery &
Waste Management Division**

Innovative Environmental Solutions

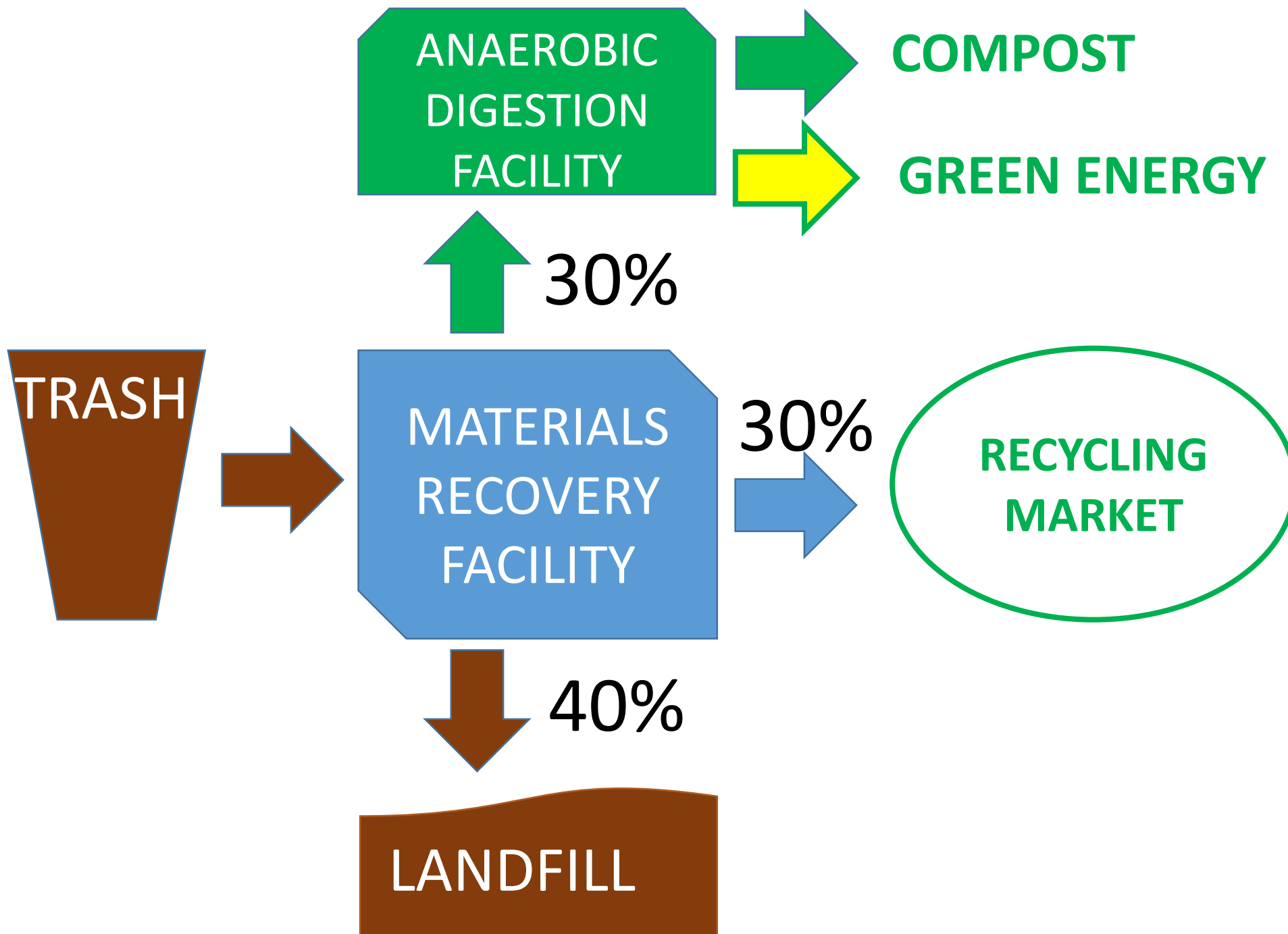
Tajiguas Resource Recovery Project

June 7, 2016 Update

Resource Recovery Project

- Material Recovery Facility (MRF) to process mixed and source separated material (30% recovered for sale)
- Anaerobic Digester (AD) to process organics from MRF and source separated material (30% processed for beneficial reuse)
- Remaining material landfilled (40%)





July 2015 Board Direction

In July 2015, the BOS directed staff to:

- Evaluate alternative means of financing including:
 - A hybrid using private financing for AD and public financing for MRF
 - Publicly financing the entire project
- Present findings to County's Debt Advisory Committee
- Return to the Board with results of review

Financial and Performance Review

- Full financial and technical audits of both MRF and ADF by third party experts during summer of 2015
 - D. Edwards Inc. reviewed MRF
 - HDR Engineering reviewed AD facility
- Overall outcome:
 - Cost of project is in line with industry standard
 - Technical plans are reasonable and achievable

Risk Assessment

Technology Risk

- Original RFP included all types of technologies (Pyrolysis, Plasma Arc Gasification, etc.)
- Selected more proven low risk technologies
- MRF – Van Dyke Recycling Systems used in over 500 facilities
- AD – Bekon has 19 facilities in operation and 8 in development

Risk Assessment

Technology Risk

- Compost Risk (From AD)
 - Represents less than 10% of total material to be processed (16k tons) – not a major economic risk
 - Financial penalty to vendor for any material that does not meet state specifications
 - Post processing (trommels, screens, etc.) expected to be effective in removing contamination

Risk Assessment

Performance Risk

- Construction & performance bonds
- Vendor warranties
- Insurance policies
- Liquidated damages
- Protocol for Compliance Plan and vendor to pay first threshold of costs

Risk Assessment

Financial Risk

- 20-year Service Agreements with Cities
- Change in Recyclables Value
 - Risk exists with current system
 - Made conservative assumption (used last 12 months vs 10 years) but there is potential for values to decrease in the future
- Rate stabilization fund will be created to minimize impacts of unanticipated costs on rate payers
- \$9 million in reserves included for last year of financing
- Change in interest rate prior to actual financing

Public Financing Review

Hybrid approach:

- Cost-effective only if an Investment Tax Credit is used which requires fair market purchase of facility at end of term
- Project was procured using public/private partnership law (Govt. Code 5956 et seq.) which requires transfer of the facility at the end of the term for free
- Not feasible due to conflicting requirements

Public Financing Review

- Hired HF&H Consulting to prepare project model using public financing
- Included impact of project on the overall RR&WMD and the cost of its regulatory obligations
- Exercise produced 2 results:
 - Demonstrated that publicly financing would save ratepayers at least 30%
 - Provided a starting point for a tip fee that the jurisdictions would be willing to pay for design, construction, and operation services

Business Terms & Price

- With Mustang no longer owning the project, needed to determine if still valuable to maintain the same team of vendors
 - Detailed project designs
 - Strong team with proven technologies
 - Significant progress with permitting agencies
- Contract for design, construction, and operational services
- If can agree on basic business terms and price

Business Terms & Price

- Using framework of original RFP, presented business terms and proposed price willing to pay for services
- Held 3 negotiation sessions with vendor and 7 internal meetings with our regional partners since July BOS hearing
- Overall outcome:
 - Agreed upon outline of business terms
 - Agreed upon project proformas

Business Terms & Price

- Proposed tip fee of \$5.60/ton for services
- Low tip fee because operational costs are largely offset by sales of commodities (recyclables and energy)
- Components of total tip fee include:
 - Operations (\$5.60/ton)
 - Disposal of remaining waste (\$10/ton)
 - Debt service (\$59.40/ton)
 - Divisional costs (\$30/ton): closure/postclosure, regulatory reqs, etc.
- Total tip fee of \$105/ton, equal to \$5/month increase to ratepayer

Estimated Tip Fees

Tip Fee Components	Objective in RFP	Privately Financed Cost	Publicly Financed Cost
Facility Cost	\$100 per ton	\$121 per ton	\$75 per ton
Additional Cost	\$22.41 per ton	\$25 per ton	\$30 per ton
Total Cost	\$122.41 per ton	\$146 per ton	\$105 per ton

Debt Advisory Committee

- Received preliminary analysis of publicly financing the project
- Recommended hiring Financial Advisor
- April 2016 BOS hired KNN to further evaluate the feasibility of the project, review options for public financing, and if directed, prepare the documents necessary for public financing
- June 2016 meeting scheduled to receive results of the Financial Advisor analysis

New Requirements

Since initiating procurement, project is **more** important for region to meet new state mandates:

- AB 32: Greenhouse Gas Reduction
 - Focus on waste management in CARB's Scoping Plan
 - Project is major component of locally adopted Climate Action Plans



New Requirements

AB 32 has led to:

- AB 341: mandatory recovery of business recyclables and 75% diversion goal
- AB 1826: mandatory recovery of business organics
- AB 876: requires plan for 15 years of organic processing infrastructure



Anaerobic Digestion is Increasingly Common

- CalRecycle AD Strategic Initiative
- 11 ADFs currently processing waste
- 2 being built/undergoing commissioning
- 7 going through permitting*

*This does not include our own proposed project



Next Steps

- Negotiate full Waste Service Contract with proposed vendor
- Board Hearing on July 12, 2016 to:
 - Certify Final Subsequent EIR,
 - Receive initial results from Financial Advisor, and
- Approval of negotiated Waste Service Contract
 - Conditions Precedent before contract becomes effective
 - Approval of Material Delivery and Service Agreements with partner cities
 - County financing

Next Steps

- Negotiation with City staff on Material Delivery Agreements and bring to City Council in September for approval of CEQA findings and Material Delivery Agreement
- If directed, Board of Supervisors meeting in October to approve Material Delivery Agreements and release of funding package
- Apply for grant application to CalRecycle's Cap & Trade Organics Grant Program to offset cost of AD, if available