



SANTA BARBARA COUNTY

Resource Recovery &

Waste Management Division

Innovative Environmental Solutions

Tajiguas Resource Recovery Project

July 2015 Update

Project Background

- In 2002, Board approved expansion of Tajiguas Landfill & directed staff to seek alternatives to landfilling the community's waste products



Project Background

- Common alternatives:
 - **Expansion** of landfill
 - **Exportation** of waste (expansion of existing transfer stations)

- Result in increased:
 - Financial costs
 - Environmental costs



Proposed Project at Tajiguas Landfill

- Material Recovery Facility (MRF) to process mixed and source separated material:
 - 30% of material recovered for sale;
 - 30% recovered to be anaerobically digested
- Anaerobic Digester (AD) to process organics to create:
 - Digestate to be composted into soil amendment
 - Biogas to be converted to electricity
- Remaining 40% to be landfilled



Proposed Project at Tajiguas Landfill

Mustang Renewable Power

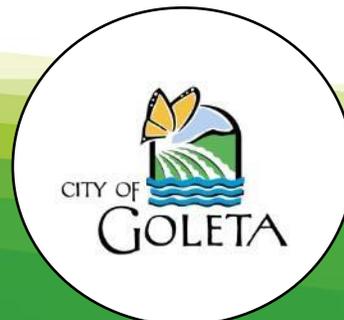
Ventures is selected vendor with the following subcontractors:

- **Diani Building:** primary construction contractor
- **MarBorg Industries:** MRF operator
- **BEKON:** AD technology provider
- **Van Dyk Recycling Solutions:** MRF equipment provider
- **Nursery Products:** AD operator

Regional Effort

In 2007 a regional Subgroup was formed consisting of representatives from:

- City of Buellton
 - City of Goleta
 - City of Santa Barbara
 - City of Solvang
 - Unincorporated County
- Many milestones achieved



Public Involvement

Comprehensive public outreach campaign

- Made 138 presentations to variety of groups
- Maintain Project website
- Released periodic press releases
- Incorporated feedback to guide project



Additional Project Benefits

Since initiating procurement, project is **more** important for region to meet new state mandates that will **increase** future waste management costs:

- AB 32: Greenhouse Gas Reduction
 - Project highlighted in local Climate Action Plans
 - State grants available



Additional Project Benefits

- AB 341: mandatory recovery of business recyclables and 75% diversion goal
- AB 1826: mandatory recovery of business organics
- CCR Title 27 – 15 years of future disposal capacity



CEQA Review Update

- Proposed project at the Tajiguas Landfill
- Draft completed and distributed in August 2014
- Public hearing held in Sept 2014
- Comments reviewed and responses prepared



CEQA Review Update

- Planning Commission requested Final Subsequent EIR be available to public prior to their 65402 conformance review
- After PC hearing, EIR will come to BOS for consideration of certification
- Completion of EIR efforts are parallel to finalizing business terms of project

Updated Proposal

- Recently requested updated proposal including proposed revisions to draft Waste Service Agreement and price per ton
- Held 8 negotiation sessions with vendor and 14 internal Subgroup meetings
- Overall outcome: several criteria associated with risk allocation and cost are not met

Updated Proposal

Key criteria include:

- Privately funded to limit public liability
- End of term, transfer ownership to public sector for \$1 (enhance future negotiation leverage)
- Cost similar to alternative projects (approx \$100/ton)

Updated Proposal

- Performance Guarantee
 - Diversion of 60% of material currently buried
- Single Project Guarantor
- Reduce greenhouse gas emissions and generate clean energy



2 Negotiated Scenarios

- Most criteria met and higher price
- Lower price but several important criteria not met

CRITERIA	\$100 Tip Fee/ Rate Stability	Design, Build, Own, Operate, Transfer	Single Guarantor	Diversion	Reduce GHG & Generate Energy
MOST COMPLIANT PROPOSAL	NO - \$146 Liq. damages & contingency fees; Revenue floor of 35%; Broadened definition of UC & Change in Law	YES	Partially Performance bond package: Contractor Subcontractors	Yes	Yes
LOWEST COST PROPOSAL	NO - \$121 Liq. damages & contingency fees; Revenue floor of 50%; Broadened definition of UC & Change in Law	NO	Partially Performance bond package: Contractor Subcontractors	Yes	Yes

Results of Negotiations

- Many risks proposed to be shifted back to the public participants, Subgroup prepared model of same project with public financing
 - Conferred with other County departments in developing assumptions
- Resulted in 25-30% reduction in cost to ratepayer with slightly more risk than proposal

Results of Negotiations

- Considered options of which entity should seek funding
- County considered preferred option:
 - Owns the property for the preferred project
 - Has a good credit rating
 - Protect General Fund through Revenue Bonds supported by annual financial commitments from other jurisdictions



Results of Negotiations

May 2015 met with City Managers and County Executive Officer to offer options:

- Continue to negotiate with Mustang at \$146/ton
- Exercise our right to terminate this process and begin again
- Evaluate alternative means of financing to reduce cost to ratepayer
 - Hybrid of privately financed AD and publicly financed MRF, and
 - Publicly financed model supplemented with private equity investment

Results of Negotiations

- City Managers and County Executive Officer approved the direction to present the option of evaluating alternative financial mechanisms to the Board of Supervisors and subsequently to City Councils
- Presented informational update to the DAC

Conclusion

- Valuable regional project
- Evaluating ways to decrease the cost
- Public funding with potential grant is a possible solution
- If recommendation is approved:
 - Review ways to limit risk to County
 - Ensure proposed construction and operating costs are accurate
 - Consider most effective organizational structure



Staff Recommendation

Direct staff to:

- Evaluate alternative means of the **Tajiguas Resource Recovery Project** financing including:
 - A hybrid approach using private financing for AD and public financing for MRF, and
 - A publicly financed model supplemented with private equity investment
- Present findings of evaluation to DAC
- Return to BOS in Fall 2015 with results
- Approve resolution authorizing the submittal of a grant application to CalRecycle's Cap & Trade Organics Grant Program to offset cost of AD

Thank you – Questions?



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