BOARD OF SUPERVISORS
AGENDA LETTER

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:

Department Name:	Public Works
Department No.:	
For Agenda Of:	July 12, 2016
Placement:	Departmental
Estimated Tme:	2 hours
Continued Item:	Yes
If Yes, date from:	Continued from June 21, 2016
Vote Required:	Majority

TO: Board of Supervisors

FROM: Department Director(s): Scott D. McGolpin, P.E. Director, ext. 3010
Contact Info: Mark Schleich, P.E. Deputy Director ext. 3605

SUBJECT: **Consider Recommendations Regarding the Tajiguas Resource Recovery Project Third Supervisorial District**

County Counsel Concurrence
As to form: Yes

Auditor-Controller Concurrence
As to form: Yes

Other Concurrence: **Risk Management**
As to form: Yes

Treasurer
As to form: Yes

Recommended Actions:

That the Board of Supervisors:

a) Make the required CEQA findings for approval of the proposed project (including the optional element) as specified in Attachment B of this Board Letter;
b) Certify the Final Subsequent Environmental Impact Report 12EIR-00000-00002 (Attachment A) as modified by the Revision Letter and Errata dated May 27, 2016 for the Tajiguas Resource Recovery Project (Attachment F) and adopt the mitigation measures, with their corresponding monitoring requirements, as the Mitigation Monitoring and Reporting Program (Attachment G) for this project;
c) Receive the Debt Advisory Committee's recommendation concerning the potential use of public financing for this project;
d) Approve the Contract between the County of Santa Barbara and MSB Investors, LLC for Development and Operation of the Tajiguas Resource Recovery Project (including the optional element) (Attachment H); and
e) Direct the Public Works Department to:
    i) Negotiate proposed Material Delivery Agreements with the participating jurisdictions;
    ii) Work with the Treasurer Tax Collector, Auditor- Controller, County Counsel, and County Executive Office to pursue public financing to construct the facility;
    iii) Seek grant funding, if available;
    iv) Obtain local, state and federal permits to the extent required by law;

v) Relocate existing operations facilities at the Tajiguas Landfill as identified in the project description to accommodate construction of the project; and
vi) Return to the Board for final approval of items (i) and (ii).

Summary Text:

This item is on the agenda in order to consider recommendations regarding the Tajiguas Resource Recovery Project (**TRRP**). Since approval of the Tajiguas Landfill Expansion Project in 2002, Resource Recovery and Waste Management Division (RRWMD) staff has been researching potential alternatives to landfilling. This effort has included development of a request for proposals, a proposal review process, a comprehensive public outreach effort that has included over 140 presentations to stakeholders over the past five years, preparation of a Draft and Final Subsequent Environmental Impact Report and Revision Letter and Errata, review of the TRRP before the Planning Commission for General Plan conformity, and technical and financial reviews.

The outcome of this research, public dialogue, and environmental review is the proposed recommended actions presented in this Board Letter to approve the TRRP. The TRRP would modify operation of the existing Tajiguas Landfill to include the construction and operation of state of the art resource recovery facilities, including a Materials Recovery Facility (MRF) and Anaerobic Digestion Facility (AD Facility), to further recover recyclable material from our community's waste, provide an alternative to burying organic waste, generate green energy, and significantly reduce greenhouse gas emissions. The proposed TRRP would also assist the County and the cities of Santa Barbara, Goleta, Buellton and Solvang in meeting a number of state initiatives and laws pertaining to increased recyclables and organics collection and processing requirements, and greenhouse gas emission reduction requirements (the TRRP is a key measure identified in the County's and City of Santa Barbara's Climate Action Plans). With the additional diversion provided by the proposed TRRP, the permitted landfill disposal capacity (which would not be expanded as a part of the project) would be reached in approximately year 2036, extending the landfill life by approximately 10 years.

At your Board's April 5, 2016 hearing, staff was directed to return on July 12, 2016 for Board simultaneous consideration of the following:

i) Certifying the Final Subsequent Environmental Impact Report;
ii) Receiving the Debt Advisory Committee's recommendation concerning the potential use of public financing for the TRRP, and
iii) Approving a Waste Service Agreement with the vendor to design, build and operate the TRRP based on the conceptually approved Deal Points, subject to compliance with CEQA.

This Board Letter addresses each of the above-mentioned issues and is divided into 4 sections: Project Background; CEQA Analysis; Public Financing; and Waste Service Agreement.

Project Background:

Introduction

The RRWMD is responsible for the management of solid waste resources in Santa Barbara County. RRWMD's mission is to protect the public health and safety by providing County residents with cost

effective, innovative, and environmentally sound solutions for waste management. RRWMD provides an integrated waste management system consisting of: recycling programs for curbside commingled recyclables and green-waste collection, food waste collection from businesses, backyard composting for residents, programs for residential and small business hazardous waste collection, sharps and pharmaceutical collection, electronic waste collection and recycling, education activities, the operation of four recycling and transfer stations, the operation of one household hazardous waste collection center, the operation of the Tajiguas Landfill, and management of ten closed landfills. In addition, the RRWMD is responsible for administering the franchise agreements for the collection of solid waste materials from residents and businesses in the unincorporated areas of the County by private solid waste collection firms, as well as the enforcement of local solid waste management ordinances.

The Tajiguas Landfill has been in operation since 1967. Landfill construction and operation pre-dates the Coastal Act and CEQA. An expansion of the landfill (Tajiguas Landfill Expansion Project) was approved in 2002. Minor changes to the Tajiguas Landfill Expansion Project were approved in 2006 (elimination of the Southeast Corner Modification and the reconfiguration of the North Slope borrow/stockpile area), and a reconfiguration of the waste footprint associated with the Expansion Project (Tajiguas Landfill Reconfiguration and Baron Ranch Restoration Project) was approved in 2009, with each project being first analyzed pursuant to the requirements of the CEQA.

The southern portion of the Tajiguas Landfill property (approximately one-third) is within the coastal zone and the remainder is within the inland area and has a Waste Disposal Overlay in the Comprehensive Plan recognizing the landfill as a regional solid waste disposal facility. The proposed TRRP facilities would be within the inland area of the landfill property. On January 6, 2016, the proposed TRRP was heard by the County Planning Commission. Pursuant to Government Code Section 65402a, the project was determined to be in conformity with the County's Comprehensive Plan (see Attachment C).

Project Overview

The County has modified landfill operations in the past to respond to updated requirements for solid waste disposal and to incorporate advancements in technology. The TRRP would further modify current waste management operations at the Tajiguas Landfill by the addition of a MRF and Dry Fermentation AD Facility.

The MRF processing area would be comprised of an approximate 56,500 square foot (sf) facility (66,500 sf if commingled source separated recyclables (CSSR) [optional element] are included) that would sort municipal solid waste (MSW) into three streams:

- Recyclables (i.e., glass, metal, paper, plastic, wood) - recovered and processed for sale;
- Organics – recovered for processing in the AD Facility; and
- Residue – materials left over after all recyclables and organics are recovered that would be disposed of at the existing landfill.

The AD Facility would be housed within an approximate 63,600 sf building, and associated energy facility and percolate storage tanks that would convert all organics recovered from the MSW and source separated organic waste (SSOW) into:

- Bio-gas (primarily composed of methane and CO2) – that would be used to power two (2) 1,573 horsepower onsite combined heat and power (CHP) engines driving electric power generators that would generate approximately 1+ net megawatts (MW) of renewable power continuously. The Energy Facility would be located on the south side of the AD Facility; and

- Digestate - that can then be cured into compost and/or soil amendments. The curing would require an approximately 5 acre area. The compost and/or soil amendments would be marketed for agricultural or landscape use or used for reclamation projects.

The MRF, AD Facility, and composting area would be located on existing disturbed areas of the landfill property outside of the coastal zone.

The MRF would have a design capacity of up to 800 tons/day of MSW or up to approximately 250,000 tons/per year (up to 311 operating days per year). Up to 90,000 tons/year (290 tons/day) of recyclable material would be recovered and sold for reuse. The AD facility would have a design capacity of up to 73,600 tons/year made up of organics recovered from the MRF and/or brought to the TRRP site as SSOW.

Up to 100,000 tons/year (320 tons/day) of residue from the MRF and residue from the AD Facility which is not suitable for composting would be landfilled. Residue ineligible for disposal in the landfill (i.e., hazardous waste or e-waste), would be transported to an appropriate recycling or disposal facility.

As an optional element (which is recommended for approval as a part of the project), the TRRP could also process up to 130 tons/day of CSSR or 40,000 tons/year that is currently sent to Ventura County for processing. With the inclusion of this optional element, the total maximum processing capacity of the MRF would be approximately 290,000 tons/year (250,000 tons/year MSW + 40,000 tons/year CSSR). Processing of CSSR would increase the production of marketable recyclables by up to 36,000 tons/year (126,000 tons/year overall), producing up to an additional 4,000 tons/year (13 tons/day) of residue which would be disposed of in the landfill.

Based on current waste disposal rates, the Tajiguas Landfill may reach its permitted disposal capacity (23.3 million cubic yards) in approximately year 2026. With the additional diversion provided by the operation of the TRRP, the permitted disposal capacity (which would not be modified as a part of the TRRP) would be expected to be reached in approximately year 2036, extending the landfill life by approximately 10 years.

In consideration of the project location along the Gaviota Coast, the TRRP description/design has been well thought out and includes numerous features/measures to reduce the TRRP's impact on the environment. Those features/measures are listed in Attachment D, Project Design Measures.

Project Benefits

Implementation of the TRRP would provide a host of benefits to the region in addition to assisting the South Coast, and Santa Ynez and Cuyama Valleys and the Cities of Santa Barbara, Goleta, Solvang and Buellton in meeting many state mandates associated with solid waste management. Project benefits include:

1. The TRRP would provide a long-term (20-year) waste management plan;
2. The TRRP provides a cost-effective solution (proposed rates are comparable to projected landfill, and recyclables and organics processing costs, and less than projected costs of exporting waste to other landfills and processing facilities not located on the South Coast);
3. The TRRP supports the region's recycling goals by providing the infrastructure necessary to support existing and future waste management programs (MRF for recyclables, AD Facility for organics);
4. The TRRP assists the region in meeting CalRecycle's 15-year disposal capacity and organics processing infrastructure requirements;

5. Implementation of the TRRP would increase the region's diversion rate from 73 percent to approximately 85 percent without any changes to current programs (meets AB 341 goal of 75 percent in 2020);
6. As compared to landfilling, recycling activities associated with the TRRP are expected to eliminate greenhouse gas levels equivalent to annual emissions from approximately 13,270 vehicles/year and the reduction in landfilling of organic materials would result in a decrease of nearly one million metric tons of carbon dioxide equivalent (CO_2e) during the first 50 years following project implementation (annual equivalent of 4,217 vehicles/year). In addition, the TRRP is a significant component of several of the South Coast jurisdictions' Climate Action Plans which demonstrate how each community will comply with greenhouse reduction requirements; and
7. The TRRP would generate a net of approximately 1 megawatt of renewable energy and is eligible for renewable energy credits.

In response to these potential benefits provided by the proposed TRRP, letters of support have been submitted to the RRWMD from the Director of CalRecycle, and Assembly member Das Williams (Attachment I).

The following section describes the comprehensive environmental analysis of the TRRP that has been conducted in compliance with the California Environmental Quality Act (CEQA).

CEQA Analysis

Pursuant to the requirements of CEQA, a Subsequent EIR was prepared to evaluate the proposed TRRP. A chronology and summary of the public noticing and public hearing process is provided in Attachment E. The TRRP impacts identified in the Subsequent EIR and main comments received on the Draft Subsequent EIR are summarized below. All comment letters, e-mails and oral comments received during the public comment period (August 11, 2014 to October 9, 2014) are presented with written responses in Section 9.0 of the Final Subsequent EIR (Attachment A). The Proposed Final Subsequent EIR was released on December 15, 2015.

Since publication of the Proposed Final Subsequent EIR, a few changes to the TRRP description and some minor corrections and additions have been made that are proposed to be incorporated into the Final Subsequent EIR when it is certified. The changes and corrections are included in the Revision Letter and Errata included as Attachment F. The Revision Letter and Errata were made available to the public on June 21, 2016.

Project Impacts

As noted previously, and listed in Attachment D, the TRRP description/design includes numerous features/measures to reduce the TRRP's impact on the environment. Based on the Subsequent EIR analysis, the proposed TRRP is not anticipated to result in any project-specific significant and unavoidable (Class I) impacts. The only significant (Class I) impacts identified in association with the TRRP were extension of operational air quality and biological resources impacts associated with continued landfilling activities due to extending the life of the Tajiguas Landfill. Therefore, to approve the TRRP, the Board of Supervisors will need to adopt findings and a statement of overriding considerations pursuant to CEQA (Attachment B).

The proposed TRRP would result in potentially significant but mitigable (Class II) impacts to: visual resources, biological resources, hazards and hazardous materials and increased fire, geologic impacts,

expansive soils and differential settlement, cultural resources; land use conflicts; and ground and surface water quality and construction and operational storm water quality impacts. Beneficial (Class IV) impacts associated with the TRRP include the reduction in greenhouse gas emissions associated with diversion of the organic waste and enhanced recycling, and reduced airborne litter at the landfill due to the tipping and sorting of the waste indoors.

Mitigation measures identified in the Subsequent EIR, included in the attached Mitigation Monitoring and Reporting Program (Attachment G) and adopted as a part of the TRRP approval would reduce these project-specific impacts, such that the residual impacts would be less than significant. The TRRP would also contribute to cumulative visual, biological, hazards and hazardous material, cultural resource and surface water quality impacts, but with the mitigations identified in the Subsequent EIR and included in the Mitigation Monitoring and Reporting Program, the TRRP's contribution would not be considerable. Extension of the landfill life would also result in the continuation of a number of Class II impacts (hazards, nuisances, and cultural resources) associated with the landfill operations. Mitigation measures identified in 01-EIR-05 prepared for the Tajiguas Landfill Expansion Project would continue to be implemented to reduce these impacts to less than significant levels.

Project Alternatives

As requested by the Board of Supervisors and the public, and as required by CEQA, Section 5.0 of the Subsequent EIR includes a detailed analysis of alternatives to the proposed TRRP. In summary, the following seven alternatives were analyzed in detail in the Subsequent EIR:

A. No Project Alternative

B. Urban Area MRF Alternative 1 (MarBorg MRF)

C. Urban Area MRF Alternative 2 (South Coast Recycling and Transfer Station MRF)

D. Off-site Aerobic Composting

E. No Project Alternative (Scenario 1) - Tajiguas Landfill Expansion

F. No Project Alternative (Scenario 2) - Waste Export to the Simi Valley Landfill and Recycling Center

G. No Project Alternative (Scenario 3) - Waste Export to the Santa Maria Integrated Waste Management Facility

A screening analysis (see Subsequent EIR Volume 2 Appendix Q) was completed to identify possible alternative locations for the MRF and/or AD Facility. A total of seven alternative urban locations and four rural locations were initially identified. Based on the results of this screening analysis, two urban locations were identified as possible alternative locations for the MRF; the MarBorg 620 Quinientos Street property in the City of Santa Barbara (Subsequent EIR Alternative B) and the South Coast Recycling and Transfer Station (SCRTS) north of Calle Real near Turnpike Road (Subsequent EIR Alternative C). The remaining sites were not determined to be a feasible location for the MRF or AD Facility.

To evaluate alternative technologies for processing the MSW, in April 2008, a feasibility report (ARI, April 4, 2008) was completed and subsequently a RFP was released on October 20, 2009 to solicit proposals for the development of the proposed project. The proposals received consisted essentially of two broad technology categories: Anaerobic Digestion (included in the proposed TRRP) and Gasification (thermal-based technology). There are not many examples of large scale thermal-based facilities, particularly using MSW in the United States, and in California current regulations pose significant hurdles associated with the permitting of thermal technologies. Therefore, at this time, from a

regulatory and permitting perspective, a thermal-based technology alternative was not considered to be feasible and was not analyzed in detail.

Regarding alternative technologies for processing the organic fraction of the MSW, the use of aerobic composting at the existing Engel & Gray Facility in Santa Maria (Subsequent EIR Alternative D) was analyzed as an alternative to anaerobic digestion. While a variety of different aerobic composting techniques (e.g., static pile, in-vessel, etc.) exist, traditional aerobic windrow composting conducted at the Engel & Gray Facility is the most common and was analyzed.

The County of Santa Barbara is required to provide waste disposal services to its constituents and one of the supporting objectives for the TRRP is to ensure adequate long-term MSW disposal capacity for the communities currently served by the Tajiguas Landfill. State CEQA Guidelines requires an analysis of the "no project alternative" and what would reasonably be expected to occur in the foreseeable future if the TRRP were not approved. " Therefore, Alternatives E, Tajiguas Landfill Expansion, Alternative F, Waste Export to the Simi Valley Landfill and Recycling Center and Alternative G ,Waste Export to the Santa Maria Integrated Waste Management Facility are a likely consequence of not approving the TRRP.

CEQA (Guidelines Section 15126.6(e) (2)) requires identification of the "environmentally superior" alternative among the alternatives analyzed. Alternative C (SCRTS MRF) was identified as "environmentally superior" as compared to all of the other alternatives studied. However the proposed project at the Tajiguas Landfill, with implementation of the mitigation measures identified in the Subsequent EIR, is superior to all of the Alternatives, including Alternative C, because: 1) a significantly larger population would be impacted surrounding the Alternative C SCRTS MRF; 2) impacts would occur both at SCRTS and Tajiguas under Alternative C; 3) no significant unavoidable impacts were identified with the proposed TRRP (except for extension of landfill life impacts which would also occur under Alternative C); and 4) significant but mitigable impacts would not be avoided or substantially reduced under Alternative C. Therefore, the TRRP, as proposed at the Tajiguas Landfill, is recommended for approval (including the optional element of processing CSSR).

Public Comments

Comments Regarding the Adequacy and Reliability of the Proposed AD Technology and Digestate Quality

As a part of the CEQA review, the Gaviota Coast Conservancy raised concerns regarding the reliability of the proposed AD Facility and the quality of the digestate/compost. The Community Environmental Council as a part of their comments of the Draft Subsequent EIR, and in comments following publication of the Final Subsequent EIR, also raised concerns regarding the proposed AD technology and compost quality. Failure of the proposed AD Facility is not considered a reasonable foreseeable event and was not considered in the Draft Subsequent EIR. AD facilities have been used to process a variety of organic materials including human and animal waste, food waste, and vegetation. Processing of organic materials from municipal solid waste using AD is not an untested technology. AD processing of organics recovered from municipal solid waste is widely used in Europe with over 200 plants operating in 17 countries. Based on a partial list of AD projects available on the CalRecycle website, there are 12 operational AD projects in California, one in commissioning, one in construction and nine in the permitting phase. If the proposed TRRP needs to be modified in the future due to AD failure or for any other unforeseen reasons, additional CEQA review would be required.

With respect to quality of the digestate, the MRF would include a series of trommel screens, anti-wrapping screens, magnets, eddy current separators, air separation, vibratory separation and optical

sorting devices to remove metals, plastics, glass and other inert contaminants from the organic fraction of the MSW to be delivered for processing via two in-vessel anaerobic digestion (AD) cycles and thereafter 6 weeks of turned aerobic composting of the digestate for moisture evaporation, compost stability and maturity. Following the 6 weeks of aerobic composting/maturation, the compost would then be screened for inert contaminant removal with a 2" screen, a 3/8" screen and a densimetric table which removes higher density glass and stones in the 1/8"-3/8" size fraction. An identical post-aerobic composting screening protocol of MSW based compost has been implemented effectively by Z-best Compost, in Gilroy, CA since 2001. Additionally, the proposed project, similar to Z-best, intends to sample and test all of its compost and soil amendment products using the US Composting Council Seal of Testing Assurance protocols for nutrient value, contaminant levels and pathogen reduction.

The above described pre-AD and post-aerobic composting contaminant screening protocols anticipated to be implemented by the proposed project is anticipated to meet and exceed CalRecycle's proposed physical contaminant limits. It is anticipated that a maximum of 25,760 tons per year of finished compost product would be produced after the AD and composting processes are complete. Similar to other organic processors, based on the characteristics of the finished product, suitable markets/uses would be identified. However, should the soil amendment not meet standards, in the worst case scenario, the substandard material could be temporarily buried in the landfill or applied as soil amendment to the closed portion of the landfill until such problems could be solved. This scenario would be similar to existing waste disposal practices and would not result in any additional or more severe impacts than disclosed in the Subsequent EIR.

Enhanced Source Separation as an Project Alternative

In addition to the alternatives identified above, members of the public suggested analysis of enhanced recycling/source separation programs, waste reduction/prevention programs, and/or packaging laws or product stewardship laws.

The communities currently served by the Tajiguas Landfill have a diversion rate above 70 percent. This high rate, even by State standards, was accomplished through existing and ongoing comprehensive recycling and education programs. In reviewing results from communities with long standing residential and commercial organics collection programs, there continue to be members of the community that refuse to participate in a collection program (or participate to a limited degree) so the opportunity to recover that material is lost as soon as the material is disposed. County staff was unable to find data that enumerated specifically what percentage of total organics generated by a community was captured by residential and commercial organics collection programs in California. Alameda County's StopWaste.org reports that despite universal access to curbside organics collection for residents at least a third of organics are still ending up in the trash can (Spencer 2014; and http://www.stopwaste.org/sites/default/files/Documents/acwcs-2008r.pdf).

Because of the continued disposal of the targeted material, many communities are now supplementing their source-separated collection programs with facilities capable of sorting mixed waste to have the capability to further process this discarded material. Examples include the City of San Francisco and San Jose who also have aggressive Zero Waste goals. Considering the breadth of successful programs that have been developed by the participating jurisdictions since the passage of AB 939 in 1989, it is not expected that there are any new programs that can approach the expected diversion rate of the proposed TRRP. The proposed facilities would further sort material that continues to be thrown in the trash can after the County's extensive recycling and education programs. Therefore, the implementation of enhanced recycling/source separation programs and/or waste reduction/prevention programs, while valuable, were not considered a feasible alternative to the proposed TRRP. In addition, enhanced source

separation would still require the use of either composting or anaerobic digestion facilities for processing the recovered organics.

Public Concerns Regarding Alternative C (Materials Recovery Facility at the SCRTS)

Many comments from the neighbors surrounding the SCRTS were in support of the project in general, or specifically at the Tajiguas Landfill. However, there were a significant number of public comments opposing any project components at SCRTS due to what the public has identified will be impacts related to traffic, noise, air quality, pollution, fire hazards, visual and land use compatibility issues associated with the MRF at this location. Many of the comments also made note of the separate policy statement (dated September 15, 1998) issued by the Board of Supervisors as a part of the Tajiguas Landfill Expansion Project CEQA review. The Board of Supervisor policy statement stated that expansion of the SCRTS was an infeasible alternative as it related to the Tajiguas Landfill Expansion Project and directed that it not be studied in the Tajiguas Landfill Expansion Project EIR (01-EIR-05). The Tajiguas Landfill Expansion Project was approved in 2002 and the EIR for the expansion did not consider expansion of the SCRTS as an alternative. With respect to the TRRP, the prior policy statement was discussed in the Subsequent EIR. In deciding whether to approve the TRRP with all facilities at the Tajiguas Landfill, as proposed, or an alternative location for the MRF, the Board may consider this prior policy statement as well as the substantial number of public comments received in opposition to Alternative C.

With respect to the public's concerns regarding traffic, noise, air quality, pollution, fire hazards, visual impacts and land use compatibility, these issue areas were studied in depth in the Subsequent EIR (at a project level), and based on the technical analyses, and comparison to federal, state and local standards and thresholds of significance, these impacts were determined to be significant but mitigable or adverse but less than significant both under project specific and cumulative conditions. While the impacts are not significant and unavoidable, the Subsequent EIR notes that due to the more densely populated residential area surrounding the SCRTS, these impacts would affect a larger number of people than the proposed project at the Tajiguas Landfill. In addition, some additional site specific impacts (e.g., biological, hazardous materials, cultural resources) would occur because construction activities would impact resources at both sites under Alternative C.

Extension of the Life of the Tajiguas Landfill and Industrialization of the Gaviota Coast

The Gaviota Coast Conservancy and Surfrider were concerned about the continued presence of the Tajiguas Landfill along the rural Gaviota Coast, the extension of the landfill life (with and without the TRRP), and believe construction and operation of the TRRP will represent a further industrialization of the Gaviota Coast. The Gaviota Coast Conservancy was also concerned about visual impacts.

With respect to industrialization of the Gaviota Coast, the proposed TRRP would continue waste management activities at the landfill, which have occurred continuously since 1967. The TRRP would not significantly increase traffic on U.S. Highway 101. The amount of structural development onsite would increase (existing operations trailers would be replaced by buildings housing the MRF and AD facility); however, due to the canyon setting of the landfill, there would be limited visibility of the site from U.S. Highway 101, which is the main public viewing location. Mitigation measures were identified in the Subsequent EIR to screen and soften the views from U.S. Highway 101 including implementation of a landscaping plan and use of earth tone colors to visually blend the structures in with the surrounding landscape. The TRRP also includes design measures to reduce impacts to the night sky, such as dark sky compliant exterior lighting and retractable blinds on the building skylights. In addition, other lighting around the landfill site would continue to be limited in compliance with existing visual and biological mitigation measures.

The impacts of extending the life of the landfill are disclosed in the Subsequent EIR. The extension of life impacts are primarily associated with air quality emissions due to continued landfill equipment operations and biological impacts associated with delayed final closure and continued human activity at the site. While these impacts would continue for a longer duration of time (approximately 10 years), because of the reduced volume of residual waste requiring disposal, the daily impacts would be less than described in the Tajiguas Landfill Expansion EIR (01-EIR-05). However, the impacts would remain significant and unavoidable until final landfill closure occurs. It should be noted that areas of the landfill have reached or will soon reached permitted levels and those areas (including the front face of the landfill visible from U.S. Highway 101) will be closed and the slopes revegetated beginning Fall 2016.

The next section will discuss staff and the Debt Advisory Committee's efforts related to evaluating the County publicly financing the TRRP.

Public Financing

Based on negotiations for an agreement to design, build, own, operate and transfer the TRRP with the proposed vendor, the results yielded a higher than expected cost for private financing. In July 2015, your Board directed staff to consider publicly financing the facility to potentially reduce TRRP costs by 30%. On April 5, 2016, the Debt Advisory Committee (DAC) provided your Board with a recommendation to hire a Financial Advisor and to create an Advisory Group staffed by employees from the Auditor-Controller's, Treasurer-Tax Collector's, County Counsel's, Public Works', and CEO's offices to review and provide feedback to the work of the Financial Advisor. On April 19, 2016 your Board approved a contract with KNN Public Finance to provide Financial Advisory services related to publicly financing the proposed project. The Advisory Group has met multiple times to consider advice and provide input into the analysis performed by the Financial Advisor. The Financial Advisor presented the preliminary plan for public financing to the DAC on June 24, 2016 and the DAC is recommending that the Board approve the preliminary plan to use Solid Waste Revenue Certificates of Participation (COPs) to finance the project.

Solid Waste Revenue COPs align the debt obligation with revenues generated from the project. There is no obligation of the County's General Fund to pay the debt service. The Enterprise Fund for the Resource Recovery & Waste Management Division of the Public Works Department would be responsible for the funding through:

- 22-year delivery commitment agreements for material processing and disposal services with the users of the facility to coincide with the terms of the funding, and
- Establishment of Rate Stabilization and Debt Service Reserve Funds

The estimated amount of the project financing required is $122,030,000 to be used for the TRRP project, closure costs and land purchases. Staff would return to your Board later this Fall to present the financing package for final approval.

Waste Service Agreement

Background

In 2009, staff prepared and released a Request for Proposal for a Waste Conversion Facility capable of diverting 60% of the material that was being buried at the Tajiguas Landfill generated by the cities of Buellton, Goleta, Santa Barbara, Solvang and the Southern, Santa Ynez and New Cuyama unincorporated areas. An advisory group evaluated the various proposals and interviewed the different proponents. A Subgroup of staff from the participating jurisdictions also conducted a comprehensive public outreach campaign to receive input from the public to identify project goals, consider different types of proposed technologies, and ultimately share the specifications of the selected project. To date, over 140 presentations have been made to area agencies, stakeholder groups, non-profits, and governmental bodies.

In 2012, the project proposed by Mustang Renewable Power Ventures LLC, now referred to as MSB Investors LLC, and was selected as the most advantageous proposal for our county. Participating jurisdictions approved resolutions indicating their continued interest in the project and the 2012 year ended with the adoption by all participating jurisdictions of a Project Term Sheet with the selected vendor. At that time, your Board directed staff to fund the preparation of the Final Subsequent Environmental Impact Report for the Tajiguas Resource Recovery Project (TRRP) as discussed above. As described in the Public Financing section above, in July 2015, your Board directed staff to consider publicly financing the facility to potentially reduce TRRP costs by 30%.

In April 2016, staff returned to your Board with the results of studies to evaluate the financial and technical feasibility of the TRRP, the financial impact of public financing on the County Public Works Department as well as the overall cost to the ratepayer, and a negotiated set of Deal Points with the selected vendor. At that time, your Board instructed staff to develop and negotiate a full Waste Service Agreement with the contractor as well as approving a contract with a consultant to assist with these efforts. In addition, staff was directed to return with recommendations from the DAC related to public financing for the TRRP.

Attached for Board consideration is a proposed Contract between the County of Santa Barbara and MSB Investors, LLC for Development and Operation of the Tajiguas Resource Recovery Project (Waste Service Agreement) (Attachment H). The term of the Waste Service Agreement is 12 years including 2 years for construction and 10 years of operation. It is expected that the facility will be operational for at least 20 years. This means a procurement effort will need to be conducted to operate the facility for the final 10 years.

Project Cost

The cost to construct the facility including the MRF, AD Facility and composting area is $110,530,000 including obtaining permits and entitlements, design and engineering, and constructing and equipping the facilities. Fifty percent of a development fee will be paid monthly on a prorated basis during the construction period and the remaining 50% will be paid following the demonstration of compliance with the facilities' Start Up and Acceptance tests. Operational costs for the first year are expected to be approximately $13,000,000 and revenues from the sale of recyclables, energy, and compost are expected to be approximately $12,000,000 offsetting most of the operational costs. The contracted amount the County will pay MSB Investors to operate the facility after construction is $5.60 per ton.

Costs associated with other components of the proposed TRRP include debt service, disposal of the residual waste into the landfill, facility maintenance, closure costs and environmental compliance. Under the terms of the proposed Waste Services Agreement, the County will provide the site for the facility and disposal services for the disposal of material that cannot be recovered by the MRF or the AD Facility. The County will operate the scale house at the entrance to the facility and landfill to provide necessary data collection and management. The County will also continue to provide environmental compliance services and operations for all of the existing solid waste management facilities. Lastly, the County will seek public financing for the TRRP as described above. The table below illustrates the anticipated total cost to the ratepayer for the TRRP listed by cost component.

Cost Component	Per Ton Cost
Operations	$5.60
Disposal	$17.50
Debt Service	$56.83
Facility Environmental Compliance, Closure, and Other Facility Costs	$25.07
Total	$105.00

Contractor Performance Guarantees

The Waste Service Agreement includes several specific performance guarantees including:

- Material Throughput Guarantee requiring the facility to be able to process up to a maximum annual capacity
- Diversion Guarantee requiring the facility to divert 64.8% of the material processed including mixed municipal waste and source separated recyclables and organics
- Others guarantee including minimum electric output, net electric generation, environmental performance, vehicle turnaround, and recyclables sales.

Liquidated damages may be assessed if these guarantees are not met and a Compliance Plan must be developed to address the lack of performance.

Bonds, Warranties, and Insurance

A comprehensive package of protection has been compiled including bonds for construction ($97,500,000) and performance ($12,000,000), equipment warranties, and a variety of insurance policies (Builders Risk, Commercial, Professional & General Liability, Property/Hazard, and Pollution Legal Liability) to protect the Contractor and the County during the construction and operational periods and the County as the owner of the facility will procure Property Insurance when the TRRP is operational.

Other Project Risk

Staff has evaluated other potential risks posed to the County and the public participants related to the construction of the TRRP. These risks would fall into the categories of technological risk and financial risk. As discussed at the April 5, 2016 Board hearing, when the RFP was issued for this project, a wide array of technologies was considered. Some of the proposed technologies were limited in their commercial application and considered to be difficult to permit under the existing regulatory framework.

The risk profile for the selected project is considered low as the technologies and specific vendors proposed to be used at the facility are proven and well respected in their industry. The MRF provider has equipment in over 500 facilities worldwide and the AD Facility provider has 19 facilities in operation and 8 in development.

Public comments related to the TRRP include questions regarding the quality of the organic material after it has been processed at the composting facility. As described in the CEQA portion of this Board Letter, the contractor has proposed an extensive processing and screening process to remove contaminants from the digested and composted organic material in order to meet the state's composting regulations. It is important to note that less than 10% of the total amount of material to be processed would result as a soil amendment and the financial proforma for the project has assumed no value for this material. As such, the contractor is confident with the ability to find a beneficial use for this product without the pressure to receive funding for its end use. In addition, the contractor will be assessed a liquidated damage if the required diversion guarantee (including beneficial use of the soil amendment) is not achieved, thereby creating an incentive to meet the performance specifications.

A variety of mechanisms have been put in place to abate financial risk related to the TRRP. As described in the Public Financing section of this Board Letter, agreements will be negotiated with each of the participating jurisdictions that will commit them to use the TRRP for 20 years and reserve funds will be established to buffer the RRWMD from any change in anticipated revenues to cover the debt service requirements. Under the Waste Service Agreement, the County (and by extension, the participating jurisdictions) will be responsible for maintaining a recycling revenue floor. Staff has attenuated this risk by using very conservative revenue assumptions in the TRRP's financial proforma. If the revenues exceed the baseline projection, the County (and the participating jurisdictions) will receive 75% of the excess revenue, and the contractor will receive 25% of the excess revenue. These revenues can be used to reduce the cost for service to the ratepayer or restore any reserves. In addition, a Rate Stability Fund will be established to cover if the revenues fall below the baseline revenue threshold.

Cost of Meeting New State Waste Requirements

Since the initiation of this project, several new state regulations have become effective requiring the diversion of organics from landfills. These regulations can be met through the separate collection of organics or the sorting of organics from mixed waste. On the South Coast, there is currently no facility capable of sorting or processing organics other than green waste. It is anticipated that expanding the separate collection of other organics and transporting these materials for processing will increase costs for waste management in the future. As these regulations are relatively new, there are not many communities to use as a measure of this additional cost.

As reported in the waste periodical Biocycle, in Perris, California, the waste collection company servicing the area estimated last year that the cost to add food collection and processing infrastructure for that material would be an additional $2.00 - $2.50 per month to a residential ratepayer. In this situation, the TRRP diversion requirement of 65% would not be met (less than a third of the organics recovered from the mixed waste sorting would be recovered from a source separation program) therefore reducing the active life of the landfill (by approximately 5-6 years). With the earlier closure of the landfill, there will be additional costs to transport and bury the remaining waste at an alternative landfill in the future. These unknown additional costs can be compared to the estimated increase of approximately $5.00 per month to the ratepayer from FY 16/17 rates as a result of this proposed TRRP.

Next Steps

The approval of the proposed Waste Service Agreement and the certification of the Final Subsequent EIR are the first steps in the project approval process. Imbedded in the proposed Agreement are several Conditions Precedent that must occur before the Agreement becomes effective including: (a) completion of the CEQA review process, (b) negotiation and approval of the Materials Delivery Agreements with each of the cities proposing to use the facility, and (c) securing public financing that meets County approval. If any of these Conditions are not met or waived by your Board, the Agreement will not become effective.

In addition, in the event the lender selected to provide public financing requires significant revisions to the attached Waste Services Agreement with the Contractor or the Material Delivery Agreements with the participating cities, we will return to your Board to consider any such revisions.

If your Board certifies the Final Subsequent EIR for the proposed project and approves the attached Waste Service Agreement, staff will pursue the following:

i) Negotiate proposed Material Delivery Agreements with the participating jurisdictions;

ii) Work with the Treasurer Tax Collector, Auditor-Controller, County Counsel, and County Executive Office to pursue public financing to construct the facility;

iii) Seek grant funding, if available;

iv) Obtain local, state and federal permits to the extent required by law;

v) Relocate existing operations facilities at the Tajiguas Landfill as identified in the project description to accommodate construction of the TRRP; and

vi) Return to the Board in the Fall for final approval of items (i) and (ii).

Recommendations

In summary, staff recommends that the Board approve the Recommended Actions listed above. The approval of this TRRP will allow the County to continue to provide safe, cost effective and environmentally sound waste disposal services; improve recycling and materials recovery, extend the life of the landfill (thereby avoiding/postponing impacts and capital costs associated with a new or expanded landfill or costs and impacts of sending waste to more distant landfills), meet existing and future state waste management/recycling regulations, significantly reduce greenhouse gas emissions, and produce green energy.

Performance Measure:

Performance guarantees are included in the attached Waste Service Agreement.

Fiscal and Facilities Impacts:

Certification of the Final Subsequent Environmental Impact Report and approval of the Waste Service Agreement will not commit the Board to expenditure of funds until all of the Conditions Precedent included in the Waste Service Agreement are either met or waived by your Board. Staff will return to your Board in the Fall with a package of detailed information related to securing public financing subject to your Board's approval.

Special Instructions:

Please send a copy of the signed contract (Attachment H) to the Resource Recovery & Waste Management Division of the Public Works Department, Attn: Leslie Wells.

Clerk of the Board to provide a minute order for the item for pick up by July 14, 2016.

Attachments:

Attachment A: Proposed Final Subsequent EIR (12EIR-00000-00002)
Attachment B: CEQA Findings and Statement of Overriding Considerations
Attachment C: Planning Commission General Plan Conformity Report
Attachment D: Project Design Measures
Attachment E: Public Review and Meeting Chronology
Attachment F: Final Subsequent EIR Revision Letter and Errata
Attachment G: Mitigation Monitoring and Reporting Program
Attachment H: Contract between the County of Santa Barbara and MSB Investors, LLC for Development and Operation of the Resource Recovery Project
Attachment I: Letters of Support

Authored by:

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