



Agenda Item #: 7
Cost Center: Organics Reserve
Staff Contact: Carter
Agenda Date: 6/20/2018
Approved By:

ITEM: Discussion and Possible Action on the Organic Material Processing Services RFP Evaluation

I. RECOMMENDED ACTION / ALTERNATIVES TO RECOMMENDATION

Staff recommends the Board take the following actions: 1) enter into a disposal agreement with Waste Management/Redwood Landfill for a term of three years, 2) enter into a disposal agreement with Cold Creek Compost for a term of three years, 3) direct staff to schedule a public hearing on the proposals received through the SCWMA's Organic Material Processing Services RFP for long term organic material processing for the August 15, 2018 SCWMA meeting.

II. BACKGROUND

The Board entered into an agreement with R3 Consulting Group (R3) at the February 15, 2017 SCWMA meeting to provide technical assistance in an RFP process. Staff prepared an online survey and held two public workshops to receive feedback from the Board and the public on the priorities for the RFP. The following list includes the major milestones for this project to date:

- The RFP was released on May 31, 2017.
- A mandatory pre-proposal conference to provide an overview to potential proposers and to determine the number of interested parties was held on June 28, 2017.
- Addendum #1 to the RFP was released on July 7, 2017, in which staff answered the questions received up to that point. The question period was extended to September 8, 2017 and the proposal due date was extended to October 18, 2017.
- Shortly after the issuance of Addendum #1, the City of Santa Rosa released an RFP for Location of an Organics Processing Facility on City of Santa Rosa Property to allow the City to have a procurement process with a facility operator that may participate in the SCWMA's RFP process.
- Addendum #2 for the SCWMA's RFP was released on July 27, 2017 and contained responses to questions asked of staff up to that date. Addendum #2 also contained an invitation to interested parties to visually inspect incoming green waste at the Healdsburg Transfer Station on August 9, 2017 for the benefit of proposers understanding of the composition of incoming green waste. Six parties attended the inspection.
- Addendum #3 was issued on September 22, 2017, which extended the question period to November 13, 2017 and the proposal due date to January 16, 2018.
- Addendum #4 was issued on November 21, 2017, and answered the remaining questions received up to November 13, 2017.
- 12 proposals were received by staff by the due date of January 16, 2018.
- Two proposals have been withdrawn since January 16, 2018.
- The SCWMA Board of Directors approved the proposal evaluation weighting at the February 21, 2018 SCWMA meeting.

III. DISCUSSION

The SCWMA evaluation team consisting of SCWMA staff (Patrick Carter and Felicia Smith), County staff (Trish Pisenti), Mendocino Solid Waste Management Authority staff (Robert Carlson), and former SCWMA Board Member Bob Cox reviewed each proposal and met several times to achieve consensus to make recommendations to the SCWMA Board of Directors to secure short- and long-term organics (green, wood, agricultural, food waste, and potentially biosolids) processing capacity for materials generated in Sonoma County.

After reviewing the proposals and discussing the pros and cons of each proposal, the evaluation team identified six proposals that most closely matched the intent of this RFP process. Though no proposals were disqualified or eliminated from further consideration, six proposal teams were offered interviews with the evaluation team. These six proposer teams were Cold Creek Compost/Stage Gulch Organics, Hitachi Zosen INOVA, Napa Recycling and Waste Services, Renewable Sonoma, StormFisher Biogas, and Waste Management.

Through the evaluation and interview process, it became apparent to the evaluation team that no single proposer teams could immediately accomplish all of the long-term RFP goals; short term agreements of at least three years will be necessary. As such, staff recommend entering into agreements with Waste Management/Redwood Landfill and Cold Creek Compost to secure organics processing capacity through June 30, 2021, with up to five – one year extension options should additional time be needed to secure the long term processing capacity.

Though existing facilities have proposed to accept Sonoma County's organic waste in part and in whole, the following concerns were raised during the evaluation process:

- The existing facilities adjacent to Sonoma County are limited in their ability to accept food waste, which is expected to be the largest portion of new organic material diverted from landfill disposal and the major emphasis of the implementation of SB 1383 (2016);
- Depending on the location of a new compost facility (or facilities) in Sonoma County, the system greenhouse gas emissions and traffic impacts may be reduced through an in-county facility as opposed to the export;
- A new facility, or multiple facilities, designed around and dependent on Sonoma County's organic material generation is more likely to agree to terms guaranteeing the SCWMA the first right of refusal, giving the SCWMA more leverage and ability to adapt to future changes;
- State legislation (AB 1826 requiring commercial businesses generating 4 cubic yards per week of garbage to participate in an organics diversion program, and SB 1383 requiring a 75% reduction of landfilled organics) is expected to drastically increase the demand for organic material processing capacity. Recognizing this, CalRecycle has stated that dozens of new organics processing facilities will be needed to handle the organic material; and
- Members of the Sonoma County agricultural industry have emphasized the need for additional available soil amendments. Existing facilities did not address new retail locations and additional importation of soil amendments to meet demand, to staff's satisfaction.

Food Waste:

Existing out-of-county disposal providers are limited to accept the current commercial food waste diverted in Sonoma County, and, as mentioned previously there will be extreme pressure from the

State to divert tens of thousands of additional food waste tons in the coming years.

Another outstanding issue that staff has been attempting to resolve is directing flow of commercial food waste to a new facility and incorporating that flow commitment into a potential agreement with a new facility. The advantage to the SCWMA would be reduced per ton disposal costs, as the additional flow would likely put the SCWMA into a higher tonnage commitment tier, thus reducing the offered price. However, the Waste Delivery Agreements between the Cities (except Petaluma) and Republic Services require the Cities' franchised haulers to deliver commercial food waste to Republic-operated facilities according to the Master Operating Agreement between the County of Sonoma and Republic Services. In the section regarding the commercial food waste recycling program, it requires Republic to establish and maintain such a program, but did not foresee a situation where a new compost facility would be constructed in Sonoma County, other than at the Central Disposal Site. While initial discussion with the County Refuse staff have indicated the County is interested in redirecting commercial food waste to a potential new in-county compost facility, Republic has not yet been formally requested to consider redirecting commercial food waste from a Recology-owned and operated compost facility near Richmond, CA to a potential new non-Republic controlled or operated in-county facility. With a site recommendation public, SCWMA staff plans to begin those conversations and hopes to make substantive progress resolving the issue of redirecting commercial food waste by the August 15, 2018 SCWMA Board Meeting.

Pricing:

Depending on whether commercial food waste is included in a flow commitment to a new facility developed through this process, the price could vary substantially. The SCWMA knows from past Waste Characterization Studies that food waste represents tens of thousands of tons currently going to landfill disposal. Pricing given to the SCWMA through this RFP process was done in a number of tiers: 20,000 – 40,000 tons per year, 40,000-60,000 tons per year, 60,000 – 80,000 tons per year, 80,000 – 100,000 tons per year, and 100,000 – 120,000 tons per year. The tiers of material commitment were done for staff to evaluate the feasibility of multiple, smaller facilities, as well as the economy of scale for larger, centralized facilities. The conclusion is that the more material a single facility is designed to receive, the more advantageous the pricing becomes. Large capital costs spread over a large revenue base results in pricing not too dissimilar for current costs. However, it should be noted that all of the proposed new facilities would have greater disposal costs than those proposed by existing, out-of-county facilities. While transportation costs are expected to be lower for delivery to an in-county facility than out-of-county facilities, models to estimate the transportation and disposal costs at a new in-county facility are expected to be greater than using existing, out-of-county facilities.

Conclusion:

Given the above information and the recommendations of the Evaluation Committee, it is staff's conclusion that the SCWMA pursue an agreement with Renewable Sonoma and collaborate with the City of Santa Rosa to locate the facility on City-owned property near the Laguna Subregional Waste Water Treatment Facility. Renewable Sonoma's proposal was the highest ranked on the evaluation criteria, the site is centrally located in Sonoma County, the facility can accept a very wide range of materials, the proposal clearly indicates Renewable Sonoma's understanding of the current market for finished compost in Sonoma County as well as the additional types of organic materials that need to be diverted from landfill disposal, the facility can accommodate the current amount of material generated in Sonoma County and has the ability to accept nearly double the current generation amounts allowing for significant growth potential. The site's co-location

adjacent to the Santa Rosa Laguna facility provides benefits to both the City and Renewable Sonoma in the form of leachate treatment, energy production, waste heat transfer, processing of biosolids, and potential rehabilitation of an existing composting building owned by the City. The location itself is centrally located in Sonoma County, lending itself well for transporting material from the five transfer stations and residual material to the Central Disposal Site.

Regardless of what proposal is chosen, there are risks. In the case of the Renewable Sonoma proposal, staff has attempted to mitigate risk by 1) including a \$10 million performance bond, which would allow the SCWMA access to capital needed to redirect organics in the event of a major default of Renewable Sonoma, 2) thorough insurance and indemnification requirements by both the SCWMA and the City of Santa Rosa to ensure protection, and 3) a thorough vetting of Renewable Sonoma's financial statements by R3 Consulting Group which concluded the project had the necessary capital to permit, design, build, and operate the project proposed. Staff cannot predict what new regulations and legal challenges may come in the future, but staff believes the Renewable Sonoma proposal is in a good position to address these challenges. Staff also believes Renewable Sonoma has put together an excellent team with local and national experience developing organic material processing facilities and a clear understanding of the finished product material market in Sonoma County.

Next Steps:

As multiple parties are involved, and there are a number of decision points still ahead for this process to be successful, staff recommends the following schedule:

- Staff recommends approval of short term agreements with Redwood Landfill and Cold Creek Compost with terms of at least three years at this SCWMA meeting
- Schedule a public hearing at the August 15, 2018 SCWMA Board of Directors meeting to consider public feedback on staff's recommendation of Renewable Sonoma
- Resolve the issue of including commercial food waste in a potential flow commitment resulting from this process
- Publicize the evaluation and encourage public feedback through relevant social media and local print advertising
- Consider a recommendation by staff at the August 15, 2018 SCWMA Board of Directors meeting to issue a Letter of Interest to Renewable Sonoma indicating the Board of Director's intent to enter into an agreement with Renewable Sonoma, if all of the conditions in the letter are met (e.g. securing a lease for the site with the City and permitting of the site)
- Create model staff reports for each SCWMA member jurisdiction to secure the commitment of organic waste flow to the SCWMA and assist member agency staff in the presentation to governing Councils/Board
- Though the SCWMA would not be a party to the lease between the City of Santa Rosa and Renewable Sonoma, SCWMA staff will assist in the lease process as needed or desired by Santa Rosa staff
- Re-evaluate flow commitment amounts to ensure SCWMA can meet its obligations to Renewable Sonoma
- Enter into a disposal agreement with Renewable Sonoma for a term of 20 years with two – five year extensions.

Alternatives Considered but Not Recommended:

1. Staff considered the continued long term hauling of organic material to existing, out-of-county composting facilities as an alternative to recommending a process that would result in new processing facilities built in Sonoma County. While four proposals were received which proposed doing exactly this, staff believes it is in the best, long-term interests of Sonoma County organic waste generators to increase the number of organics processing facilities to meet the expected increase of organic material generated. For the reasons detailed above (including increased legislative requirements, need for additional food composting capacity, possible reduction of trip time with a centralized facility), staff believes there is more strategic value in additional compost facility capacity construction than continuing to use out-of-county capacity long term. Existing facilities proposed limitations on the ability to accept food waste, which is a significant component of material currently going to landfill disposal, whereas staff has been assured that new facilities are including the potential to receive significantly higher levels of food waste as part of their facility plan. Staff must point out that some of the disposal costs per ton received from existing compost facilities are significantly lower than the proposal disposal costs per ton for new compost facilities. While cost is a very important factor, staff believes that a new facility tailored to Sonoma County's organic waste stream, needs, and latest regulatory requirements will provide the best long term benefit to Sonoma County ratepayers.
2. Staff considered recommending multiple agreements which would have had resulted in the construction of multiple facilities, but ultimately rejected this approach. Disposal costs tend to decrease in response to additional material processed (economies of scale), and staff does not believe the strategic benefit of redundant facilities warranted the significant additional costs that would be borne by the ratepayers for in this scenario.
3. Another promising long term solution was provided by Hitachi Zosen Inova. That system would involve an Anaerobic Digestion system at the Laguna Treatment Plant (and the potential synergies between the two systems) as well as a system to aerate the digestate for marketing as finished compost. The system proposed could accept up to 70,000 tons per year of organic green waste, wood waste, and food waste. The costs for this system were \$89/ton. While highly ranked, staff does not recommend this proposal due to the following factors: 1) the system proposed had a cap of 70,000 tons with no proposed expansion capacity, when asked about expansion Hitachi replied that a larger system could be engineered or other sites could be considered and staff concluded those solutions would involve additional cost and 2) staff was not convinced the proposed marketer for the finished product, based in Central California, was experienced with Sonoma County finished compost markets and tolerances for material, and staff was concerned about entering into a long term solution where tons were being diverted but not truly recycled.
4. Redwood Landfill's composting facility has many attractive features as a long term solution. These include, proximity to Sonoma County (just beyond the southern border between Petaluma and Novato), excellent site accessibility, excellent pricing compared to potential new sites, and excellent interactions between SCWMA staff and WM staff. Staff does not recommend the Waste Management solution long term for the following reasons: 1) they cannot accept source separated food waste, a huge component of currently landfilled material which the State and SCWMA have targeted for diversion, 2) a lackluster response during interviews on setting up retail outlets in Sonoma County to market the finished compost which would close the material loop, and 3) the opinion of staff that this process should create new capacity to handle the large influx of organic materials expected to flood the system statewide in the coming years. Staff is confident Redwood Landfill and a new in-county system would be able to fill their respective capacities.

5. Cold Creek Compost and Stage Gulch Organics provided a highly ranked solution. Staff commends the team for its innovative solution condensing so much capacity into such a small footprint, developing a competitive pricing structure, and for its persistence in trying to resolve the issues related to permitting the site. While the site has potential, staff does not recommend the long term solution for the following reasons: 1) while the Stage Gulch Organics site has gone through a number of revisions to ensure compatibility with the County's land use restrictions, it is unclear whether the site will ever be viable as two County supervisors indicated their opposition to the site when the SCWMA was considering it, and neighbors for the site have already sent letters to the SCWMA Board and staff, as well as County officials indicating their opposition to the site and 2) concern with the lack of site controls, as the system would be uncovered and exposed to the weather year around.

IV. FUNDING IMPACT

To date, the SCWMA has paid R3 Consulting Group \$148,500 of the \$148,500 agreement maximum for their assistance in the RFP process.

V. ATTACHMENTS

Summary of Proposals

Financial Analysis of Short Term and Long Term staff recommendations

(Full Proposals, with confidential sections redacted, are available for review at

www.recyclenow.org/reports and at SCWMA offices)

Agreement with Redwood Landfill for Disposal Services

Agreement with Cold Creek Compost for Disposal Services