

To: Finance Committee
From: Sarah Reeves, Executive Director
Date: January 5, 2024
RE: Materials Recycling Facilities update

CSWD is in the process of designing a new Materials Recycling Facility (MRF) while also overseeing ongoing production at the 1993 MRF. This memo is to update the Finance Committee on the status of the proposed MRF and on the issues of the current facility, both of which have capital reserve considerations to be discussed.

NEW MRF

In 2022, the CSWD Board of Commissioner approved initiation of the process to present a bond question to the voters of Chittenden County for authorization by voters to borrow money to construct a new Materials Recycling Facility. Voters overwhelmingly approved a \$22,000,000 bond authorization. The project cost was estimated to be \$26,500,000, with the non-bonded portion of the project being funded by CSWD's capital reserve and grant money.

Equipment

The initial estimate was based on an equipment RFP issued in spring 2022 and on a construction estimate from 2021. Due to the length of time between the initial equipment bid and receipt of the first tranche of bond funding (10 months), the equipment pricing increased by \$1,000,000 as the original bid fell outside the price guarantee window. CSWD went back to the three qualified respondents and asked for updated pricing from each. A new bid was awarded, which came in \$800,000 over the 2022 bid. It should be noted that each of the three respondents returned updated bids that were within \$150,000 of each other. CSWD went with the lowest bidder, BHS. The awarded contract totaled \$16,800,000. A deposit of \$5,000,000 has been paid to BHS, per the contract terms.

EQUIPMENT COST CHANGE: +\$800,000

Building Construction

The initial construction estimate was based on a comprehensive, albeit preliminary, list of items needed to construct a 60,000 square foot manufacturing facility. This estimate, from July 2022, put the cost at \$10,365,000, or \$162/sqft (\$170/sqft, adding contingency). CSWD awarded a contract for architectural and engineering services to AES Northeast to design the MRF building

and site. AES is also responsible for producing construction documents for the construction RFP, to be issued in early spring 2024. The initial rough estimate for construction costs is \$14,700,000 for a 72,000 square foot building, or \$171/sqft (\$203/sqft, adding contingency). The larger building footprint is dictated by the size of the processing system, which will occupy approximately 37,000 sqft, instead of the initially conceived 30,000 sqft. The additional square feet are needed to accommodate the glass processing and clean up system indoors to the extent possible, to allow movement throughout the plant and to allow safe access to machinery for maintenance and repair. Squaring-off the building with the processing system resulted in larger than specified bale storage and tip floor space. Because a MRF can never have too much of either, we allowed the estimation to include the excess space.

***CONSTRUCTION ESTIMATE (2022) TO CONSTRUCTION ESTIMATE (2023) COST CHANGE:
+\$4,288,000***

The CSWD staff MRF team is in the process of determining where we can reduce the cost of the construction estimate while at the same time maintaining the facility's flexibility for the future. The largest expense is steel (\$3.8M), with the next largest cost being earthwork (\$2.3M), followed by concrete (\$1.8M). Reducing the size of both the tip floor and the bale storage area will allow a change in the roof structure over the bale storage. This will save steel, concrete, and possibly slightly reduce the costs of fire suppression. Reducing the width of the access road will shave a bit off the cost of the earthwork and accompanying fill and paving expenses. The HVAC budget isn't small, and the consultant for this piece is encouraging us to install a geothermal system instead of propane (propane was included in the estimate). A geothermal system will save CSWD money in the long run but is more costly to install. However, there may be grant funding available and if the grant were to cover the entire cost of geothermal, we would proceed.

The contingency line item (\$2.3M) is very high on this estimate, coming in at 20% of the cost of the project before General Conditions, Permitting, and OH&P. The 2022 estimate carried a contingency of 5%, which staff considered low for this type of project. A contingency of 5-10% is construction industry standard for general construction.

Neither project estimate included the cost to fit-up the Education Center/Community Room. The room will be roughed in during construction, and scheduled for completion in FY27 unless grant funding is, or private sector sponsorships are, secured.

Staff estimates that by using value engineering, we will be able to adjust the estimate down by \$1.5M to \$1.75M. The goal will be to find an additional \$1.5 - \$2M.

Grants, Loans

In 2022, CSWD applied for a federal EPA grant for solid waste infrastructure funding but was not selected. I will be meeting with the EPA on January 16, 2024 for a process debrief to learn how we could have done better.

Also in 2022, CSWD applied for and was awarded a grant from The Recycling Partnership in the amount of \$250,000 for use towards a polypropylene optical sorting unit. TRP has additional grant opportunities that I will be inquiring about in the next few weeks.

The EPA has a new round of grants available for Climate Pollution Reduction, and which would be administered by the state's Climate Office. CSWD has met with representatives from ANR and the Climate Office to understand if MRF funding would be available through this grant. The tenor of the conversation leads us to believe funding would be unlikely, however, other capital projects in planning by CSWD would be eligible thereby freeing up capital reserves for the new MRF project. The Climate Pollution Reduction grant is a "no match needed" grant and would be awarded to the state in July for disbursement over not more than five years.

We've received the first tranche of bond proceeds (\$10M) through the Vt Municipal Bond Bank and have been paying interest-only on the loan. We have not yet applied for the second tranche of \$12M but will do so in the spring. This will allow us to pay the second installment to BHS and to pay the first installment to the selected construction firm.

We have not moved forward with a loan from Closed Loop Partners. The timing of the repayment would hit within the first five years of the new MRF and the last full year of the current MRF and would likely place the District in a negative cash flow position. The sole purpose of a loan from CLP would be to preserve capital reserve funds. The solution to negative cash flow would be to increase the tip fee, however we need to guard against increasing the fee beyond the regional average.

CURRENT MRF

CSWD's Materials Recycling Facility was constructed in 1993 and occupies 3.02 acres of industrial-zoned land on Avenue C in Williston. CSWD has an operator contract with Casella that stipulates that when certain pieces of equipment reach the end of their useful life, Casella will cease responsibility for their replacement and that responsibility will reside with CSWD. CSWD always had responsibility for major capital investments and replacements, but Casella managed the parts inventory and small equipment. This agreement has been in place, through the various iterations of the contract, for nearly 20 years. We are now at the point in the replacement schedule where full responsibility is CSWD's. The end-of-life stipulation in the contract was one of the driving factors in my urgency in bringing the request for a new facility to the Board in 2018.

Due to circumstances within and outside of District control, we will now need to add significantly more capital dollars to the current MRF's budget for the next two years. This fiscal year alone, we've had to expend close to \$100,000 to keep the equipment running, replace crucial chains and belts, and patch and repair the roof. Josh Estey is working on a realistic projection for the capital plan, but we expect the total investment between FY23-26 to be \$500,000. Some items will be used in the new MRF, such as the skid steers, compactors, baler, and a portion of the glass processing system.

The 2016 property revaluation by the Town of Williston assessed the property at \$1,731,180.

Staff has not conducted the "deep dive" into options for how to best make use of the current MRF property when decommissioned but has continued to investigate different pathways. The ultimate decision will likely be part of a District strategic planning process in 2024-2025.