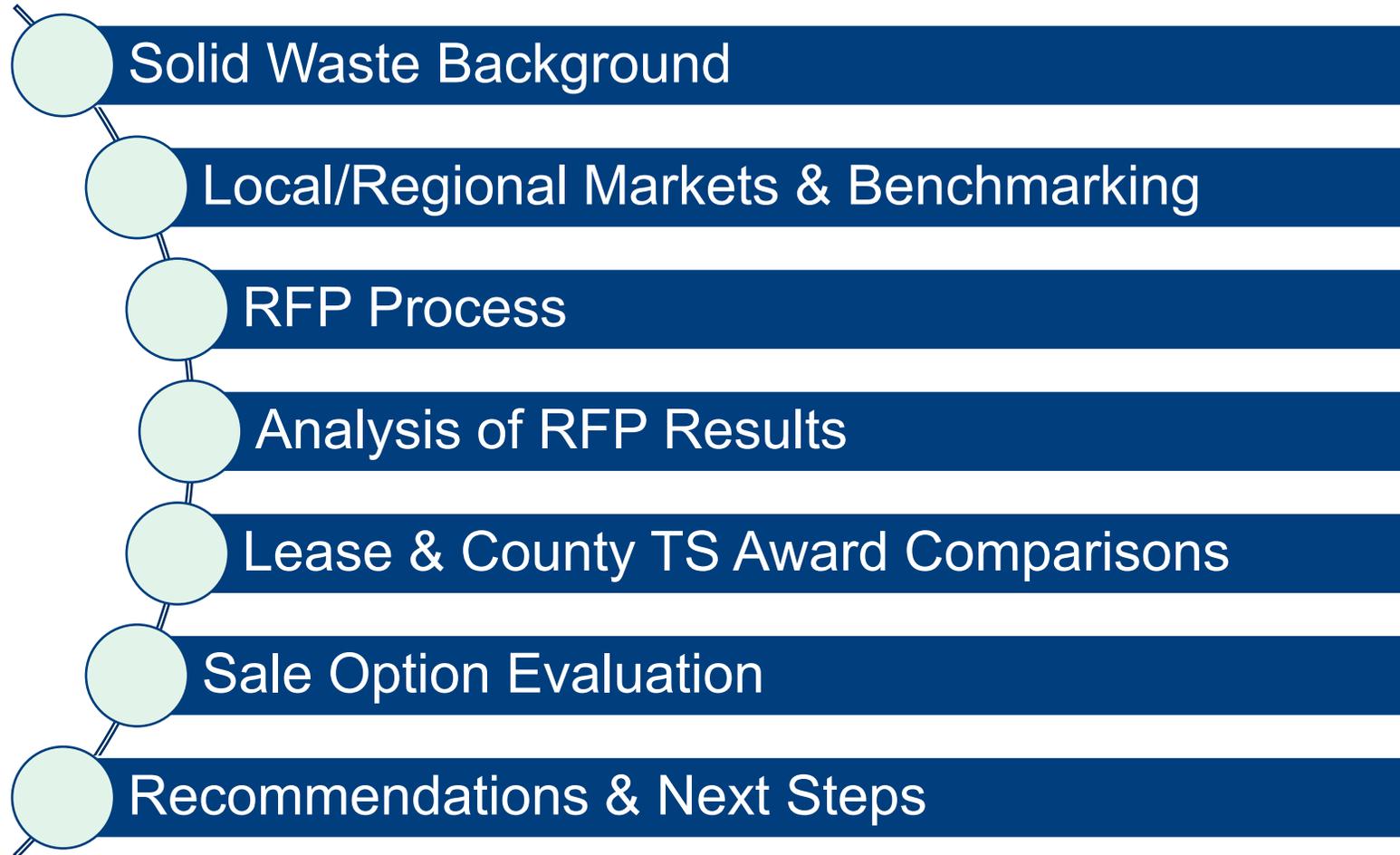


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# CITY OF FAYETTEVILLE TRANSFER STATION LEASE/OPERATION RFP RESULTS

26 June 2025

# Agenda & Acronyms



## ACRONYMS

C&D	Construction & Demolition
HH	Household
LF	Landfill
MSW	Municipal Solid Waste
PDC	Practical Daily Capacity
RFP	Request for Proposals
TPD	Tons per Day
TPY	Tons per Year
TS	Transfer Station
YW	Yard Waste



# Solid Waste Background

## Each City HH pays two Solid Waste Fees:

- a) *To City*: \$275/yr for municipal solid waste (MSW) collection, processing & recycling
- b) *To County*: \$130/yr-HH (\$9.3M) for disposal and citizen drop-off services



- City owns the Transfer Station at 533 Winslow St. on 9-ac parcel, plus permit, building, scales, misc.
- Since 2010, the City has leased to a private firm
- Originally Waste Industries, now GFL
- GFL paid City \$266k in lease payments in 2024
- Lease agreement expires 14 September 2025
- Most large NC cities have TSs, but they vary in their owner/operator arrangement
- The City uses TS as a backup to disposal at County LF

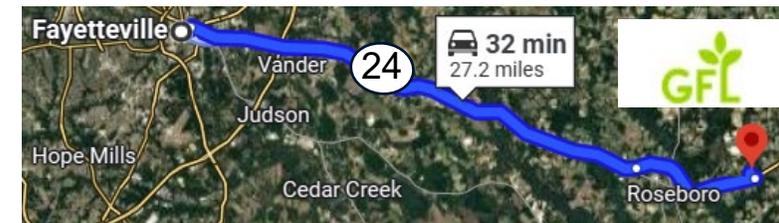
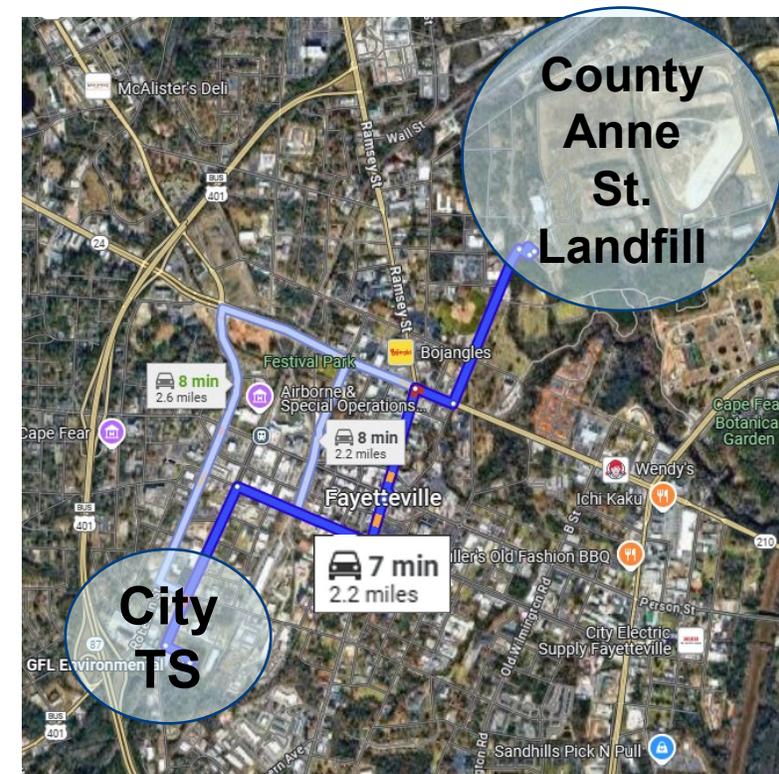


- Capacity (TPD):
  - 1500 Permitted (would need infrastructure changes to achieve)
  - ~950 Practical / Operating
- **Lease expiration prompted RFP process**

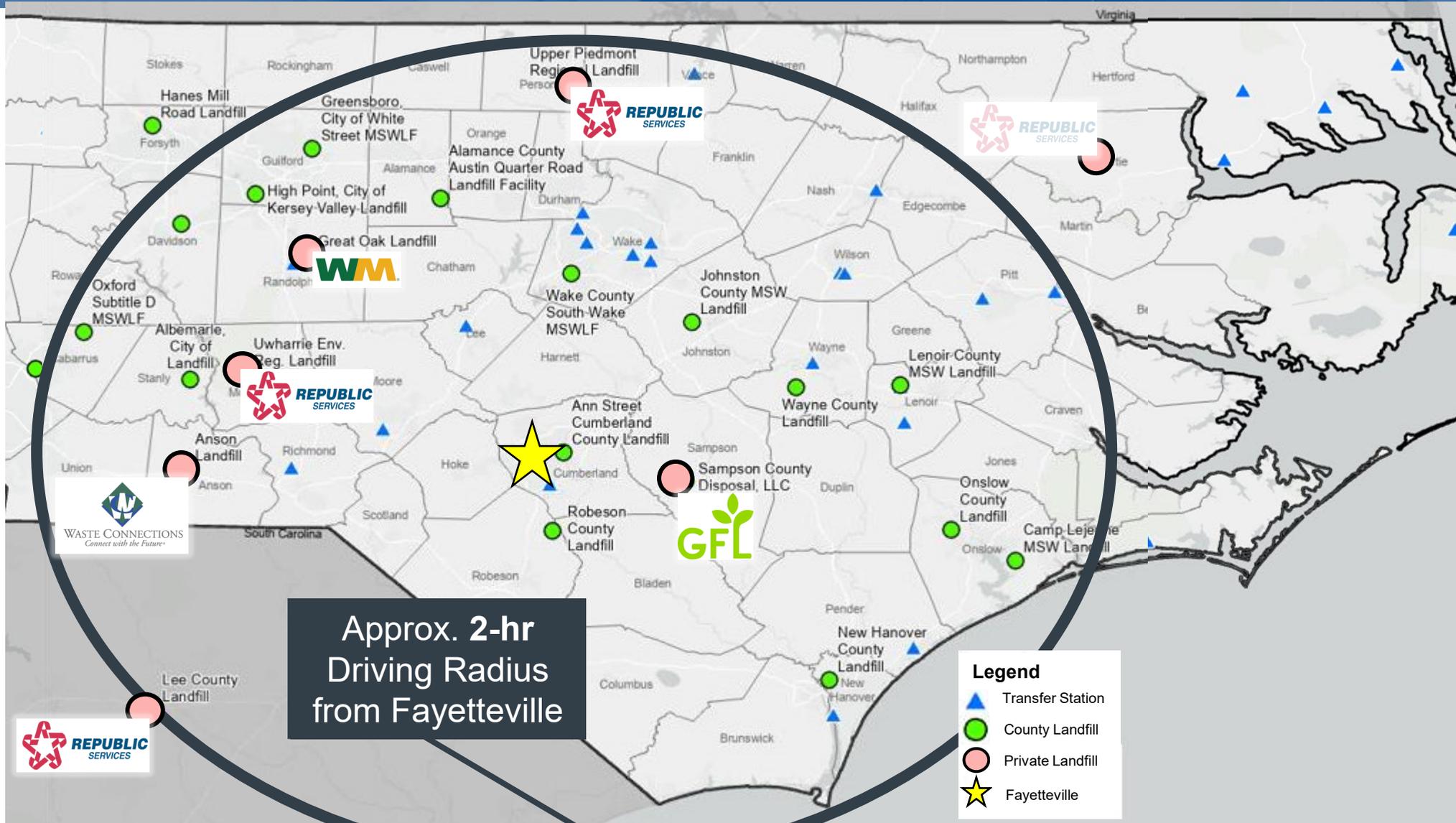


# Local Waste Market and Relationships

- **GFL & WM**, two national companies, have a combined 80% market share for commercial/residential collection
- **City's TS** is only one in the market (for now), GFL's charges SWS/others ~\$70/ton, and uses Sampson County LF for final disposal
- **County's Anne St. LF** is the only local landfill. It is short on remaining capacity but has potential for expansion. The City's SWS use of LF is primarily covered by the annual fee HH pays to the County.
- **GFL's Sampson County LF** is next closest (map below), remaining life: 15-30 yrs, Disposal fee: ~\$25 - \$45/ton
- **The County is planning a TS** at Anne St. LF to extend the remaining life.
  - County TS project likely to take up to 12 months & \$5M+ to complete.
  - County has completed multiple vendor RFPs for construction (TBD), hauling, and disposal (GFL). It appears County intends to self-operate TS
- County annual solid fee paid by City HHs has increased by 132% from FY2022-24 (\$56 - 130 per HH).
- This fee now equates to a cost of approximately \$130 per ton for use of County LF, which is significantly above the latest market disposal price indicators.



# Regional Waste Markets, Relationships and Infrastructure



Approx. 2-hr  
Driving Radius  
from Fayetteville

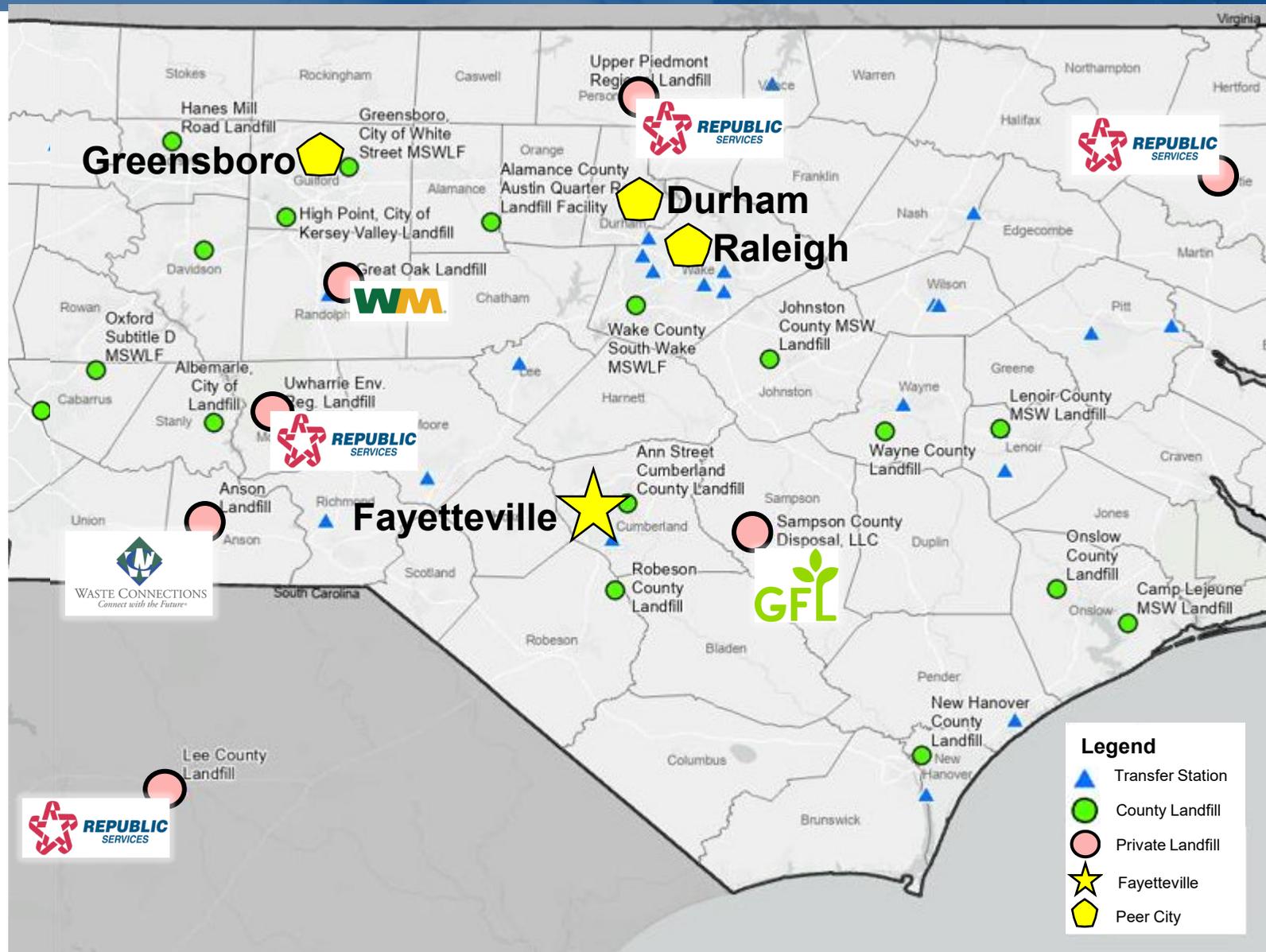


# Regional Waste Markets, Relationships and Infrastructure

## Top 6 Cities

- **Fayetteville:** TS on City-owned land, operated by GFL/Hilco. City owns contract, transfers MSW to Sampson County LF
- **Raleigh:** TS on City-owned land, operated by GFL/Hilco. The county manages the contract, transfers MSW to South Wake LF (County-owned).
- **Durham:** TS on City-owned land, operated by GFL/Hilco. City owns contract, transfers MSW to Sampson County LF
- **Greensboro:** TS operated by City, hauling by Hilco; transfers MSW to WM Great Oak LF
- **Winston-Salem:** No TS; Landfill is joint commission; City-County own/operate
- **Charlotte:** MSW goes to various landfills just east. It is in the process of developing its own TS system
- **Wilmington:** No TS; Landfill is county-owned/operated

# Benchmarking Peer Cities



## Peer City Host Benefits

**Durham** most similar arrangement to Fayetteville:

\$5.81/ton goes to City. But City pays—

- ~\$900/month for TS construction,
- \$1,750/month to wash TS
- \$125K fuel surcharges in 2025 so far
- Pays gate rate \$60/ton to dispose

### Raleigh:

- County manages contract, and pays City an annual lump sum ~4-5% of annual tipping revenue
- County owns the landfill where the MSW is transferred
- City paid for the previous tipping floor
- Pays gate rate

### Greensboro:

- City charges \$48/ton tipping fee
- Using Hilco to haul to WM Great Oak LF. City is largest customer.
- Republic and GFL have TSs in City

# Benchmarking Peer Cities

## Peer City Host Benefits

- **Fayetteville TS (175K TPY/600 TPD):** owns but contracts operations; GFL subcontracts Hilco to haul MSW to Sampson LF. Fayetteville's portion is ~4,000 tpy.
  - Currently pays ~\$70/ton to dispose (gate rate is \$85/ton)
- **Durham (150K TPY/500 TPD):** owns but contracts operations; GFL subcontracts Hilco to haul MSW to Sampson LF. Durham's portion is 55,000 - 60,000 tpy.
  - Pays \$54.19/ton to dispose (gate rate minus benefit)
  - \$5.81/ton benefit to the city per ton transferred on all tonnage
  - Pays Monthly: \$900 for TS construction, \$1,750 for floor wash, \$14K fuel surcharges (FY25 avg)
- **Raleigh (350K TPY/1100 TPD):** owns land but County manages contract with GFL; GFL subcontracts Hilco to haul MSW to South Wake County Landfill, which is owned by County but operated by GFL
  - Pays \$49/ton to dispose (same as gate rate), most of city waste goes to TS
  - 4-5% annual portion of annual TS tipping revenue benefit from the County, but is responsible for some costs, including environmental compliance and tipping floor resurfacing
  - County owns landfill, but unlike Fayetteville, LF is ~45-minute drive from TS
- **Greensboro (230K TPY/750 TPD):** owns and operates its TS, but subcontracts Hilco to haul MSW to WM's Great Oak Landfill about 35 miles away near Asheboro. Contracts with WM directly to pay landfill tipping fees.
  - Pays \$49/ton to haul and dispose (same as gate rate – internal transfer)
  - Is single largest customer at Great Oak LF ~40% of landfilled waste there is from TS

# Cumberland County TS RFP Responses



Transfer Pricing	MSW Transport Proposed Pricing*	MSW Disposal Proposed Pricing*
No bid	<b>\$20.00/ton</b>	<b>\$25.00/ton</b>
No bid	No bid	<b>\$24.00/ton</b>
No bid	No bid	<b>\$23.00/ton</b>
No bid	No bid	<b>\$30.00/ton</b>

\*2023 Dollars



# RFP Process Lease (Operation of TS)

## PHASE 1



## PHASE 2



# Analysis of RFP Results



Request for Revised Offers		
Volume-Based Offer / Annual Expected	Annual Fixed Lease Offer	Tipping Fee for City Waste (\$/ton)
<b>\$357,200</b> (\$2.00/ton @ 179K tons)	<b>\$329,000</b>	<b>\$48</b>
<b>\$256,598</b> (\$78K annual payment + \$1.00/ton @ 179K tons)		<b>\$69</b>

- Both respondents are high-quality and experienced national firms that own regional landfills
- SWS interviews with both firms provided insights for the City
- GFL's revised offer will result in a 24-34% higher future lease payment to the City
- GFL's \$48/ton tip fee offer is a 31% decrease from the current contracted rate with GFL. The \$46/ton (effective) tip fee is also ~15% lower than Durham's fee under its current 20-year operational agreement.
- This \$48/ton fee is very favorable compared to the ~ \$130/ton equivalent paid to the County for disposal at Anne St LF.
- The RFP process was successful,
- GFL proposed a superior pricing structure for the City



# Historic Contract Fee Structure



Metric	2022	2023	2024
Tons Managed	195,443	200,146	178,598
Annual Rent	\$64,839	\$69,313	\$73,749
Base Host Fee x ton (up until @ 115K tons)	\$0.80	\$0.83	\$0.86
Addl. Host Fee x ton (for all tons above @ 115K)	\$1.38	\$1.43	\$1.47
<b>Total Fee</b>	<b>\$268,180</b> (\$64,839 + \$0.80*115,000 + \$1.38*80,443)	<b>\$286,068</b> (\$69,313 + \$0.83*115,000 + \$1.43*85,146)	<b>\$265,927</b> (\$73,749 + \$0.86*115,000 + \$1.47*63,598)



# Comparison with City of Durham Transfer Station Contract

## City of Durham

*most similar arrangement identified*

\$5.81/ton goes to City.

	TS tip fee	\$60.00 per ton gross paid by city
<b>Paid by City:</b>	Hilco charges	\$ 8.81 per ton for loading
		\$ 25.74 per ton for hauling
	GFL LF tip fee	\$ 17.64 per ton for disposal
	Other external charges	\$ 2.00 per ton tax
	=	\$ 54.19

**\$ 5.81 per ton net payment to city**

City pays additional costs—

- ~\$900/month for TS construction and \$1750/month for TS power washing
- \$125K fuel surcharges (FY25 so far) = ~\$14,000/month
- City pays gate rate net of benefit **\$54.19/ton** to dispose of own waste (no internal \$ transfer). Its waste is > 1/3 of total transferred waste volume.

\$5.28/ton effectively goes to City when adjusting for the above costs

- City pays other fixed costs (scalehouse construction/operations, paving, etc.)

## City of Fayetteville

*revised GFL results indicated by RFP process*

\$2.00/ton net payment currently proposal to City. However, City pays—

- \$0 for TS construction, repairs or capital improvements,
- \$0/month to wash TS
- no fuel surcharges

The proposed tipping rate for the City to dispose, less the \$2/ton benefit and assuming the \$2/ton NC excise tax is paid by GFL) results in an effective rate of **\$46/ton**, >\$8 per ton lower than Durham's rate.



# Transfer Facility Lease Comparison

	<b>A</b> Fayetteville 2024	<b>B</b> Fayetteville ** PDC	<b>C</b> Durham	<b>D</b> Raleigh
1 Practical Daily Capacity	626	950	500	1,100 TPD
2 Practical Annual Capacity	179,000	271,700	150,000	350,000 TPY
3 Effective Gate Rate (Est)	\$ 70.00	\$ 70.00	\$ 60.00	\$ 49.00 Per Ton
4 Annual Revenue *	\$ 12,530,000	\$ 19,019,000	\$ 9,000,000	\$ 17,150,000
5 Lease as Pct of Revenue	NA	NA	NA	4.5%
6 Lease per ton	\$ 2.00	\$ 2.25	\$ 5.28	\$ 2.21 implied Per Ton
7 Lease Amount	\$ 358,000	\$ 611,325	\$ 792,000	\$ 771,750
8 Value of Transfer Station	\$ 18,000,000	\$ 18,000,000	\$ 25,000,000	\$ 32,000,000 Est
Square ft under roof	12,000	12,000	15,000	25,600
Cost per Square Ft	\$ 1,500	\$ 1,500	\$ 1,667	\$ 1,250
9 Implied "Capitalized" Rate	2.0%	3.4%	3.2%	2.4%
10 Percent of Annual Revenue	2.9%	3.2%	8.8%	4.5%

## Table Key and Notes

**Green** = calc/implied

**Blue** = estimate

\* Revenue covers GFL's cost to run TS, lease, Hilco to haul to LF, and the LF disposal fee

\*\* PDC = Practical Daily Capacity, est. based on historical max. throughput operations at City TS

Line 9 "Capitalized" rate = Line 7 / 8

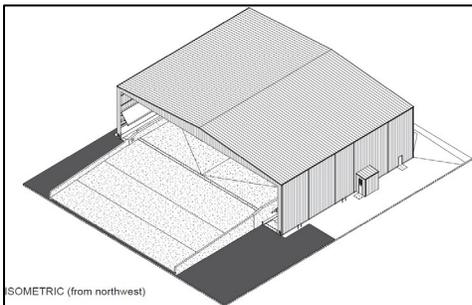
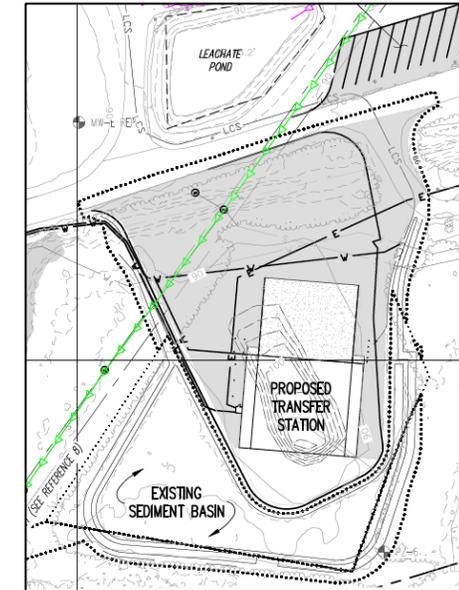
- The underlying value of the transfer station facility needs to be considered when comparing leases
- Line 9 Columns "A" & "B": Fayetteville's implied "capitalized rate" ( 2.0 - 3.4%) improves with volume and is within range of Durham and Raleigh Columns "C" & "D"
- Line 10 Column "C" Durham's 8.8% percent of revenue is high (but cap rate (3.2%) is in line with City's (Col "B"))

# Comparison with Cumberland County TS Award



Transfer Pricing	MSW Transport Proposed Pricing*	MSW Disposal Proposed Pricing*
No bid	\$20.00/ton	\$25.00/ton

- County received \$45/ton (\$20 + \$25/ton) bid from GFL for transport and disposal
- Unlike the City, the County will run operations (loading, scales, construction, etc.)
- The < \$3/ton delta between GFL's \$48 proposed tip fee for City compared to County's \$45, is approx. cost per ton of running TS building/loading operations
- County will construct 750 TPD / 18K sq. ft. floor/building w/ scales and water line
- Recent award to O'Connor Company for \$5.5M (\$4.7M w/o scales and water line)



	BIDDER	BASE BID Transfer Station	Add 1 Pit Scales	Add 2 Waterline Installations	TOTAL
1.	O'Connor Company	\$4,618,860 <sup>1</sup>	\$185,685	\$658,799	\$5,463,344
2.	M&E Contracting	\$5,272,928	\$183,000	\$553,069	\$6,008,997
3.	Shook Construction Co.	\$5,804,918	\$198,336	\$881,105	\$6,884,359



Operations: 2023 \$\$

Construction: 2025 \$\$

SOMETRIC (from northwest)

# Recommendations and Next Steps – County

1) Have discussions with the County to address their intent, interests and fees based on latest market indications.

## Considerations for County Discussions

Discuss if redirecting City tons to the TS is favorable to the County's plans to extend the life of their LF

If the County redirected tons to the City's TS in the short term would the County benefit by deferring the construction of the \$5M plus County TS

Address the fact that the County solid waste fee has resulted in a much higher than market disposal price for City Citizens. Negotiate reduced solid waste management fee for City citizens or a refund to the City to cover transfer costs



# TS Sale Option Evaluation



Offer
\$18M
\$840K

- Both parties made purchase offers, but they are divergent
- **WM's** offer reflects a real estate value only, does not suggest a strong interest, and as such does not warrant further consideration
- **GFL's** offer reflects the combined economics of their profit at the Sampson County LF, logistic benefits to their collection operations, and their intention to grow their market share
- The \$18M offer appears to be within the (lower end) of the reasonable range on a cost basis, for land, improvements, and permits compared to conceptual cost estimates reviewed across the US (we did not conduct a fair market value analysis).
- GFL's offer is a significant premium in comparison to their lease offer, it represents 50 years of projected annual lease payments \$18M /\$357k
- GFL's offer was superior to WM's and suggests GFL more highly values owning over just effectively controlling the TS under a lease
- Offering GFL a longer-term contract may result in higher negotiated lease benefits to City



# Recommendations and Next Steps – GFL

- 1) Initiate final negotiations with GFL for a new TS lease.
- 2) Evaluate opportunities to leverage new lower tip rate to increase utilization of TS, based on results of County conversations and additional volumes that may be available (i.e. Zero Waste volume estimated to be ~7.3K tons).

## Considerations for GFL Negotiations

GFL may offer a higher lease for an extended lease-term (e.g. 15 years instead of 7)

Request a lease provision that enables the City to deliver, at its option, all City and/or City-contractor related waste volumes to the TS after a short notice period to GFL

Ask for hybrid model pricing with a flat annual rate *plus* per-ton structure, or

request a minimum tonnage or payment guarantee under the per-ton model (*put or pay* model).

Example: minimum of 100K outside (non-City) tons or contractor pays what would have been the per ton revenue to City

