

Memorandum

To: City of Fayetteville, North Carolina

From: Geosyntec Consultants of NC, P.C.

Subject: Memorandum of Findings
Transfer Station Scenario Analysis

On behalf of the City of Fayetteville, North Carolina (City), Geosyntec Consultants of NC, P.C. (Geosyntec) analyzing potential ownership and operational scenarios for the City's transfer station located at 533 Winslow Street (Transfer Station).

Executive Summary

The City owns a transfer station, which a private contractor operates under a multi-year Agreement that expires on September 14, 2025. The Fayetteville disposal and transfer market is in transition, which has created uncertainties that may impact the value of the transfer station. The local landfill, Cumberland County's Ann Street Landfill, has limited remaining airspace and is pursuing contingencies. In addition to expansion plans for the landfill, the County has issued an RFP for a transfer station to be built at the landfill to extend its life. Separately, the County issued an RFP for operations of the new transfer station, hauling, and disposal of transferred waste. Although there is currently only one transfer station in Fayetteville (the City's) and the County-owned landfill, there may be two transfer stations and the landfill, or possibly only the two transfer stations.

The City engaged Geosyntec to provide analysis and recommendations to inform their pending decision on what to do next and how to maximize the value of the transfer station to the City because of the contract expiration. Geosyntec conducted a multiple-scenario analysis, which included a site visit. Analyzed scenarios were performed as part of two tasks as follows:

- **Scenario 1: Status Quo** - Renew the contract with no changes and exercise the extension of five (5) years as stated in the lease agreement.
- **Scenario 2: Status Quo, City Directs Waste to Transfer Station** - Renew the contract with the existing vendor with concessions given to the City vehicles to dump at or at a reduced rate.
- **Scenario 3: Fixed Lease, City Directs Waste to Transfer Station** Renew the contract with the existing vendor with concessions given to the City vehicles to dump at or at a reduced rate.
- Instead of Scenarios 4 and 5, the modeling effort was reallocated to Scenario 6 to add sub-scenarios.
- **Scenario 6: City Performs Transfer Station Operations:** City operation of the Transfer Station for all aspects of the facility including loading, hauling, and disposal as well as ownership of all

infrastructure and equipment. Sub-scenarios of Scenario 6 were also explored using multiple alternative disposal facilities and others for three waste quantity categories: low tonnage, expected tonnage, and high tonnage.

Table 1 presents the modeling results for the four scenarios. A higher Net Position relative to the baseline scenario is generally preferable, although it does not capture the likelihood of the modeled assumptions and uncertainties. Scenarios other than Scenario 1 have comparably higher uncertainties than the status quo Agreement and have increased associated risks.

Table 1 – Summary of Model Results

	FY2025			
	Scenario 1*	Scenario 2*	Scenario 3*	Scenario 6**
Disposal Location for City Waste:	Ann Street Landfill	City TS	City TS	Sampson Landfill (GFL)
Expenses in MM USD				
City Tipping Expense	\$0.0	\$3.4	\$3.4	\$2.5
Operation + Hauling Expenses	\$0.0	\$0.0	\$0.0	\$1.4
Total Expenses	\$0.0	\$3.4	\$3.4	\$3.9
Revenues in MM USD				
Total Tip Fee/Rent Income to City from TS	\$0.3	\$0.7	\$0.6	\$0.8
Avoided Disposal Cost at Ann St. Landfill	\$0.0	\$3.3	\$3.3	\$3.3
Total Revenues	\$0.3	\$4.0	\$3.9	\$4.1
Net Position (Rev-Exps) in MM USD				
Scenario Net Position	\$0.3	\$0.6	\$0.5	\$0.2
Relative to Status Quo				

*Tonnage quantities for Scenarios 1, 2, and 3 are based on a 5-year average.

**Scenario 6 hauling costs vary based on the contracted disposal location. The tonnage and City revenue for Scenario 6 will depend upon which sub-scenario is selected; the value shown assumes 20,000 tons per year of waste from outside sources tipped at \$40 per ton. The future Ann Street Landfill closure status and County transfer station permitted waste capacity may affect availability.

Recommendations are as follows:

1. Scenarios 2 and 3 were modeled to result in a slightly higher Net Position for the City than the status quo but require new Agreement terms. For the City to realize a greater share of the financial benefit of the Transfer Station, it would need to negotiate with GFL and/or go out for an RFP to solicit market pricing and terms. Given the future uncertainties and dynamic market conditions for Scenarios 2, 3, and 6, Geosyntec recommends issuing an RFP to solicit current market pricing.
2. Changes to the status quo result in financial risks to the City due to uncertainties about future pricing, tonnages, and area facilities competing for waste quantities. To guard against these risks, Geosyntec recommends the City pursue a hybrid of Scenario 1 and Scenario 3 (“Scenario 1A”). The City negotiates a fixed-price lease agreement with the contractor but does not commit City waste to its Transfer Station.

City Transfer Station Background

The City of Fayetteville Transfer Station is owned by the City but leased to a contracted operator, GFL Environmental (GFL), through a long-term Construction, Operation, and Lease Agreement (Agreement). Over 175,000 tons of waste are transferred annually to the Sampson County Landfill (Sampson Landfill), approximately 30 miles east of the city. Both Owner and Operator/Lessee are on the state solid waste permit (2609-TRANSFER), which does not expire until 2054. According to the transfer station's Completion Certificate, the completion date mutually agreed upon by the parties (the City and Waste Industries, which was acquired by GFL in 2018) was September 14, 2010.

The 15-year initial Agreement term expires September 14, 2025, and the City must either renew the Agreement with GFL or identify alternative arrangements for managing the material received at the transfer station. GFL performs all transfer activities, including trailer loading, long-haul waste transportation via tractor-trailers (through a subcontractor), and disposal at the Sampson Landfill. Despite its name, the Sampson Landfill is owned and operated by GFL and is the closest private municipal solid waste landfill to Fayetteville.

Ann Street Landfill Background

Waste from the City's Public Service Department Solid Waste collection program is not taken to the City of Fayetteville Transfer Station. Instead, it is hauled directly to the Ann Street Landfill, which is owned by Cumberland County (County) and located in the city limits. The City is not charged for general waste disposal but does pay to dispose of certain material streams, such as bulky material and brush.

Projections based on current waste disposal rates indicate the Ann Street Landfill will be out of airspace in 2030 if additional cells are not permitted and constructed. Because of this, Cumberland County is building its own transfer station at the landfill to extend the landfill's lifespan. The County issued a transfer operations RFP in January 2023 to solicit proposals for loading, hauling, and disposal for a future transfer station and a separate design-build RFP for the development of the facility. The initial contract for the operation of the Ann Street transfer station is for five years, transferring 50% of the Ann Street Landfill waste stream, and may be renewed.

Four waste management companies responded to the operations RFP: Republic Services, Waste Management, Waste Connections, and GFL. Though all companies offered disposal services, GFL was the only company that offered hauling services in response to the RFP. No companies offered loading services in response to the RFP, and GFL was awarded the contract at the 19 June 2023 meeting of the Cumberland County Board of Commissioners. The pad for the new transfer station has been graded at the Ann Street Landfill site, but it is unclear if the facility has been permitted or designed.

In addition, the county is excavating the old closed "baleful" landfill at the Ann Street site for future expansion of the active landfill. The removed old waste was previously disposed of on-site but is now being hauled to the Regional Landfill for disposal.

Task 1 Scenarios

Under Task 1, Geosyntec requested background data from the City and developed a financial model for transfer station operation. Additional information was gathered from the NCDEQ Laserfiche database and other sources. The initial three scenarios analyzed are described below. Model results are presented in **Table 1**.

Scenario 1 – Baseline/Status Quo

For the baseline scenario, we assumed that the Agreement would be renewed with no changes for a five-year extension. Historical waste tonnages and payments to the City from GFL were modeled and projected using CPI data.

Net Result: In Scenario 1, the sum of the fixed rental fee, incremental host, and additional tonnage fee is the total Transfer Station revenue from the City's perspective. No City tipping expenses were assumed because all the City's waste collected by the Public Services Department is taken to the County Landfill. The City was modeled as having no costs related to the contractor's transfer operations. The net position for the scenario equals revenues minus costs, which equals revenues. This net position for Scenario 1 is a baseline to which other scenarios are compared.

Scenario 2 – Status Quo, Except City Disposes at Transfer Station

In Scenario 2, the City is assumed to dispose of waste collected by its Public Services Department at the Transfer Station instead of the Ann Street Landfill as part of a new contract or revised Agreement with the contractor. This would increase the amount of waste handled by GFL at the Transfer Station by about 80,000 tons per year, from 179,000 tpy to 259,000 tpy. The increased tonnage was used to calculate the City's host revenue increase because of increased economies of scale.

Net Result: The increased payments and an assumed transfer of \$40 per ton from the County to the City (the avoided disposal costs at the Ann Street Landfill) are the revenue components from the City's perspective. City tipping fees charged by the Transfer Station contractor at \$40 per ton were assumed at the Transfer Station as the only cost. The net position for Scenario 2 is host revenue minus tipping costs plus the avoided disposal costs at the Ann Street Landfill.

Scenario 3 – Lease Agreement with Operator, City Disposes at Transfer Station

Scenario 3 assumes the same waste quantity increase arrangement with City waste as in Scenario 2. However, in Scenario 3, the contractor pays the City an all-in lease fee to operate the Transfer Station instead of the current rental fee plus host fees as a fixed annual payment.

Net Result: The all-in lease fee and the \$40 per ton transfer payment from the County to the City are the revenue components from the City's perspective. The same tipping expenses from Scenario 2 were the only cost. The net position for Scenario 3 is the all-in lease fee minus tipping costs plus the avoided disposal costs at the Ann Street Landfill.

Task 2

Site Visit

As part of Task 2, Geosyntec personnel conducted a site renaissance at the Transfer Station. They made initial observations, took photos, noted equipment and the number of employees at the facility, and interviewed site personnel. Generally, the facility was clean and had recent repairs to the push walls and the building shell. In addition, there appeared to be site improvements, including stormwater pond upgrades and the addition of a cleared graded space east of the scale house. New scale house scales had been installed relatively recently, and there was no gap space beneath them where litter could potentially accumulate.

Additionally, it was noted that key efficiency improvements were installed at the facility, including an automatic ticket generator, two-way scales, an intercom system, jersey barriers for dump lane delineation, and in-line tunnel scales displaying the weight of the trailers as they are loaded. It was also observed that no heister was visible within the premise and that the tunnel was nearly full depth and drive-through, both positive aspects for loading efficiency. Geosyntec observed that the facility has a small informal parking lot for the employees and that only a few spaces were occupied during the visit. There were observed to be up to four queuing and dump lanes in use.

Comingled recycling was observed to be dumped at the facility in addition to waste. Besides tractors and trailers either in queue or parked along the facility's east side, one front loader and one skid steer were the only pieces of heavy equipment noted. There appeared to be one operator, one spotter, and one employee operating the scales, and three subcontractor personnel were on site as part of the hauling operations. The facility general manager is also typically on site but was on leave during the visit. The tractor-trailer load quantities were observed on the tunnel scales display.

Scenario 6 – City Performs All Services (With Sub-Scenarios)

In Scenario 6, the City is assumed to self-perform all transfer aspects, including facility operations/loading, hauling, and disposal. The City's facility operating costs, tipping revenues, hauling costs, and disposal fees were modeled for this scenario. Facility costs included personnel, equipment, infrastructure, and miscellaneous costs based on waste quantities.

For the hauling component, Geosyntec estimated the hauling and disposal costs for waste delivered to four different landfills: GFL's Sampson County Landfill, Republic Service's Uwharrie Landfill, Waste Connections' Anson County Landfill, and WM's Great Oak Landfill. The combination of variable tonnages and disposal facilities resulted in twelve different sub-scenarios. GFL's Sampson County Landfill was selected as the most viable option based on the travel distances estimated from a Distance to Landfills analysis included in **Attachment A** and the pricing from the Cumberland County transfer RFP.

For quantity estimates, Geosyntec considered three sub-scenarios of annual transferred waste amounts: 80,000 tons (the City's waste only), 100,000 tons (City waste plus 20,000 tons from outside sources), and 190,000 tons (City waste plus 110,000 tons from outside sources, approximately what GFL currently

accepts at the facility). These quantities correspond to the Low, Expected, and High Tonnage sub-scenarios, respectively.

Net Result: The tipping fees the City would charge outside customers and the \$40 per ton transfer payment from the County to the City are the revenue components from the City's perspective. The tonnage sub-scenario assumed was 100,000 tons, 80,000 tons of which is city-collected waste.

Findings and Conclusions

Based on discussions with the City, Geosyntec understands the City is considering issuing an RFP as part of its overall approach to the contracted operation of its Transfer Station. As part of Geosyntec's scope, the City requested that Geosyntec assist in providing key findings and conclusions from the analysis effort, specifically those that may support the issuance of an RFP by the City. They are as follows:

- **Scenario Modeling Results:** The Net Position results present the potential benefit from the City's perspective modeled for each scenario. With the largest Net Positions, Scenarios 2 and 3 were indicated to be the most beneficial scenarios for the City. For the City to potentially realize a greater share of the financial benefit of the Transfer Station, it would need to enter negotiations to revise the terms of its contract with GFL and/or go out for an RFP to solicit new pricing and terms from the market.
- **Enhance Assumptions:** Key assumptions such as costs were made for the analysis, which may change based on competitively solicited market pricing, which can only be obtained through the issuance of an RFP. Actual pricing may differ from that used in the analysis from the results of Cumberland County's transfer RFP, issued nearly two years ago for a facility that has not yet been built and is located across the City.
- **New Opportunities:** Municipalities often issue solicitations as formal opportunities for contractors to propose alternative arrangements that may mutually benefit both the contractor and the issuer. The City could also help more clearly define the rules of engagement for negotiations, whether for the current contractor or a new one. Given that it is already familiar with the Transfer Station and owns the equipment used at the site, GFL may factor certain incumbent advantages into its pricing during negotiations and/or an RFP response.
- **Changing Landscape:** Ultimately, an RFP could uncover new information or help the City identify existing market synergies or risks since the market changes over time. For example, GFL's solid waste division is undergoing a major acquisition. The waste management landscape in Cumberland County is also changing, given the County's recent initiation of the development of a transfer station at the Ann Street Landfill and award of the County transfer station hauling and disposal of transferred waste to GFL. The labor market has also changed since the 2020 pandemic.
- **Updated Contract and Best Practices:** The Agreement with GFL for the 5-year potential Renewal period could integrate additional best practices and updated approaches to municipal transfer station contracting. These could be specific to the City or based on recent experiences throughout

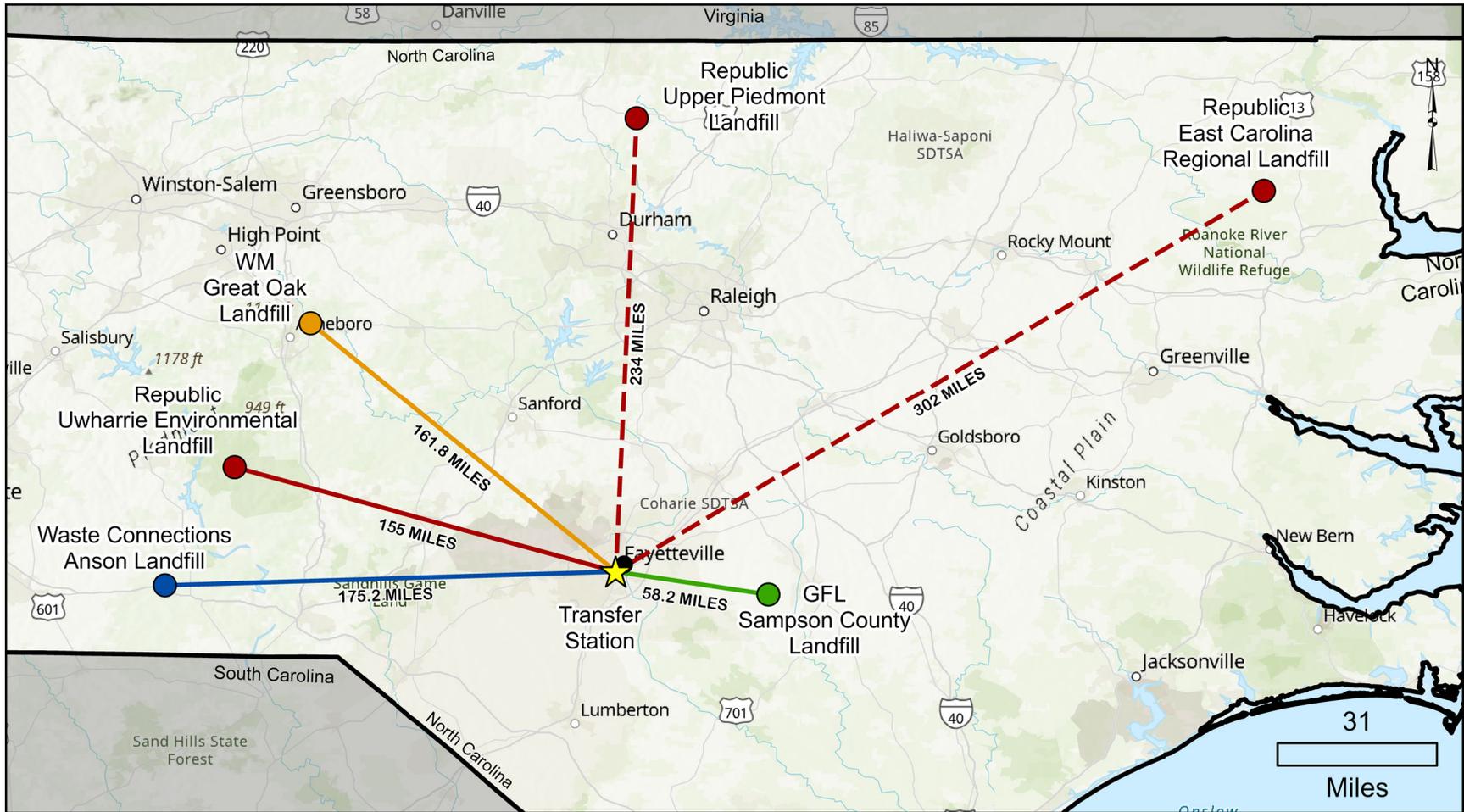
the state and the industry. For example, adding a fuel price escalator/de-escalator can help reduce the risk of long-term fluctuations for equipment and vehicle operations.

- **Hybrid Scenario:** Changes to the status quo result in risk to the City due to uncertainties about future pricing, tonnages, and area facilities competing for waste quantities. The City should pursue a hybrid of Scenario 1 and Scenario 3 (“Scenario 1A”) in which the City negotiates a fixed-price lease agreement with the contractor but does not commit City waste to its Transfer Station. In Scenario 1A, the City retains control of its waste while addressing the future uncertainty of waste outside of City control being sent from the Transfer Station to the new Ann Street transfer station.

Although it can be time-consuming and costly, the benefits of RFP processes generally outweigh their downsides. RFPs have long-term financial consequences, and with changing market, regulatory, technological, legal, environmental, and political factors, they can provide more information and transparency than a closed negotiation.

Consistent with the analysis's findings, industry best practices, our scope of services, and general discussions with the City, Geosyntec concludes that the City would benefit from issuing an RFP to solicit pricing for its Transfer Station operations and using the findings to pursue a fixed-price lease agreement similar to Scenario 1A described above.

ATTACHMENT A



- ★ Transfer Station
- Cumberland County Landfill
- GFL Landfill
- Republic Landfill
- WM Landfill
- Waste Connections Landfill
- Waste Connections
- Waste Management
- GFL
- Republic
- - - Distance to Additional Facilities
- North Carolina

Note: The mileage labeled on the map is the round trip distance from the Transfer Station to the labeled facility.

<h2>Distance to Prospective Landfills</h2>		 Geosyntec consultants <small>engineers scientists innovators</small>
City of Fayetteville Transfer Station Scenario Analysis		
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