

MEMORANDUM

TO: Board of Commissioners

FROM: John Crumpton, County Manager

RE: Solid Waste Franchise – Preliminary
Host Agreement

DATE: March 14, 2007

Yesterday was a very busy day for our discussions with Waste Management and our Attorneys on finalizing the Preliminary Solid Waste Franchise and Host Agreement for the Proposed Regional Landfill in Scotland County. Most of the issues in both documents have been resolved or are close to being resolved. However, the State's Environmental Review Committee yesterday recommended significant changes to the solid waste landfill construction guidelines that will have a major impact on the cost of constructing and operating an MSW Landfill. Due to these proposed changes, Waste Management cannot commit to the Host Agreement. Without the Host Agreement, the County is not guaranteed the Revenue we seek from this Project. The Host Agreement is tied to the Preliminary Franchise, so without the agreement issuing the Franchise makes no sense. Therefore, this project will be placed on indefinite hold.

The rules are still subject to passage by the State House and Senate. However, with the endorsement of the Governor, Dexter Mathews – Section Chief for the Solid Waste Department and the pressure being applied by special interest groups, it is likely that the Rules will pass with very little change. These rules will not only have an impact on the Landfill Project, but also our current agreement with Republic at the Uwharrie Landfill and all MSW landfills across the State. Construction costs across the State will increase by up to \$200,000 an acre with the new Double Liner and monitoring system. Operational costs will also increase due to the increased monitoring required in the rules. The small MSW landfills that operate in some Counties across the State will not be able to absorb these costs and will either have to become regional landfills or close. Many of these Landfills are currently under-funded for the anticipated closure and post closure expenses. There are also significant changes proposed for C & D Landfills, which could

have a significant impact on our Landfill. The State has not taken the costs of these changes into consideration or the technical need for these changes.

If and when these changes apply to Republic's Landfill in Montgomery County, our contract with them will allow them to ask for a significant price increase to cover these additional expenses. A change in State or Federal law provision is in the contract. Our only option to keep our costs down will be to seek a disposal location in South Carolina once our contract ends with Republic – 6 years from now.

Everyone who has followed the State actions on this issue for the past year felt that there would be changes to the franchise rules and permitting rules. There was also discussion the State would try to enact a per ton tax on disposal tons, which is proposed in the legislation. However, everyone I have spoken with is shocked at the extent of the changes. The State did not have a capacity problem, nor an environmental problem with the new Subtitle D Landfills. They will now have a serious capacity problem in future years along with a significant cost issue for the citizens of the State if the legislation is passed as is currently written.

What this all means for Scotland County is that the Landfill project with Waste Management will be placed on hold pending the action by the State Legislature. If passed, the legislation will end the project. The County will have no other means to raise the anticipated \$3 to \$4 million dollars a year this Host Agreement would have provided the County. The County will now be entirely dependent on the State Legislature to provide Property Tax relief for our citizens. Without Medicaid relief, this County will continue to have the highest tax rate in the State due to a lack of property value growth and population growth in this County. The biggest ramification however is the impact that these changes will have on our current solid waste operations and the increase in costs we will have to pass onto our citizens. This was very much unexpected. If the rules pass we will start feeling the effects in the next 2 to 3 years.

Under the Chairman's signature we are notifying Waste Management in writing of the decision to cancel the Public Hearing set for April 2nd. We are also notifying them that their application for a preliminary franchise is being held with no action being taken until such time that the project may once again become feasible. At the April 2nd meeting we will need to discuss the option on the Jordan Property and ramifications that these developments have on the purchase of the property. At some point we will need to notify Mr. Jordan of our intentions.

If anyone has any questions, I will be glad to discuss them with you.

CC: Keith Johnson
Ed Johnston
Local Press
NCACC
Local State Delegation