



City of Harrisonburg, Virginia

Office of the City Manager
345 South Main Street
Post Office Box 20031
Harrisonburg, VA 22801
(540) 432-7701 / Fax (540) 432-7778

Kurt D. Hodgen
City Manager

MEMORANDUM

TO: Mayor Byrd and City Council Members

FROM: Kurt D. Hodgen, City Manager

DATE: October 21, 2014

RE: Sale of Resource Recovery Facility Property (RRF)

As you know, James Madison University (JMU) has submitted an offer to purchase the referenced property from the City for the amount of \$4.2 million dollars. The City is required by law to hold a public hearing before approving the sale of city-owned property. A summary of what brings us to this point is in order and generally falls into three subject areas, starting with those issues that have brought us to the point of recommending approval of this sale.

1. Lack of trash to keep facility in operation
2. Lack of customers for trash-produced steam
3. No further City need for the property/Deed Provisions

Lack of trash to keep facility in operation. We are no longer burning trash at the RRF and thus it is no longer in the City's interest to continue operations of a very expensive-to-operate facility. We are not burning trash because we are no longer able to acquire enough trash to operate the facility at a level that makes it financially viable. Further, the lack of trash makes it impossible for the City to meet its contractual obligation to JMU to produce a stipulated amount of trash-generated steam on an annual basis. Thus our most significant source of revenue is eliminated.

Notwithstanding the above, were the facility to remain open, we are facing capital outlays in the neighborhood of \$10 million dollars over the next ten years just to keep it functional.

The lack of available trash is due to a number of external forces beyond the control of the City. While in terms of overall volume, there would appear to be enough trash generated in the City and Rockingham County to keep the RRF operating at its optimum capacity of 200 tons per day, there is not enough trash volume to generate the reve-

nues needed to allow both the RRF and the County landfill to cover the costs of their operations while maintain a reasonable tipping fee.

A secondary influence relative to the availability, or lack thereof, of enough local trash to sustain both the RRF and the landfill is the contractual obligation of the County to produce methane gas at its landfill for RMH/Sentara.

Probably the most significant influence on the availability of trash is the “glut” of existing, cheaper landfill space throughout the Commonwealth. It is simply much cheaper to bury trash than to burn it and for better or worse most localities’ financial circumstances essentially force them to go with the cheaper alternative. City staff has solicited potential customers throughout Virginia and have extended their search beyond the Commonwealth in an effort to find more trash to burn at the RRF and have not been successful and the reason is that it is cheaper to bury than to burn.

Lack of a customer for trash-produced steam. Shifting from the issue of lack of enough trash to keep the RRF running, we turn to the impending lack of a customer for our steam. The facility was built, and later expanded with one customer in mind, JMU. JMU’s growth and associated need for heating and cooling capacity in its expanding facilities, coupled with the existing high costs of natural gas made for a good partnership between the City and JMU. The City burned trash to produce steam which in turn produced heating and cooling for JMU at a cost that was cheaper than natural gas. The subsequent discovery of new natural gas resources and technological advances in accessing those sources has resulted in gas prices that make it cheaper for JMU to produce steam for heating and cooling needs via natural gas than by trash-generated steam. While JMU has continued to honor its contract with the City for the purchase of trash-generated steam, they have advised us of their intent to not extend the contract, which expires in 2024. An “alternate” customer for our steam, Harrisonburg Electric Commission, has a generator on site that could utilize trash-produced steam to generate electricity, but as is the case with JMU, alternate sources of energy are available at a much lower cost to them than the cost of trash-generated steam. In addition, for the HEC scenario to be viable, they would need the RRF to be operating at full capacity (200 tpd), which we have previously established above to not be possible, given the lack of enough available trash.

Even if we were able to obtain enough trash to continue the operation of the RRF, the lack of a long-term customer obviously prohibits the City from making the capital investments needed to keep the facility in working order. In addition, the location of the RRF makes it virtually impossible to serve any prospective new customers that might exist without the investment of significant additional funds for extending new steam distribution lines (over and above the \$10 million needed for existing facility capital needs).

No further City need for the property/Deed Provisions. As there will be no further need of the property by the City, staff believes JMU’s purchase offer is fair and should be accepted. The City acquired the property from JMU many years ago and in fact there is a deed provision that states if the City discontinues its use of all or any portion of the lands conveyed, title to the land shall revert back to JMU. Rather than maintaining a presence and/or nominal use of the land, just to keep it from reverting back to JMU, it makes sense to accept their offer.

In closing, it is of course recognized that ceasing trash-burning operations at the RRF and sale of the property to JMU opens up the new issue of how the City intends to dispose of its solid waste. That issue is being addressed separately and a report will be made to Council in the very near future. In the meantime, it is clear that it is not feasible to continue operation of the RRF, and thus maintaining ownership of the facility is of no benefit to the City. As such, the sale of the property on the one hand, and what we are going to do in terms of solid waste management on the other, should rightfully be considered as separate matters.

If you have further questions or need additional information, please let me know.

