



Date: January 23, 2024

Honorable Mayor and Council Members:

Author and title: Erin Brewster, Sustainability Program Manager

Title: **SB 1383 Recovered Organic Waste Product Procurement**

Jen Callaway, Town Manager

Recommended Action: Approve a budget amendment adding \$5,500 to the Fiscal Year 23/24 Sustainability budget for Professional Services (G/L 101.109.00.61.00) to allow for execution of a compost purchase agreement to meet the state-mandated recovered organic waste product procurement target.

Discussion:

I. Background

The California Legislature adopted Senate Bill 1383 in 2016, initiating a rulemaking process designed to reduce emissions of short-lived climate pollutants (SLCP) such as methane. This process added Title 14, Division 7, Chapter 12: Short-Lived Climate Pollutants to the California Code of Regulations. These regulations establish many new requirements for local jurisdictions with ultimate goal of reducing methane emissions from landfills, including requirements for local governments to procure a certain amount of recovered organic waste products each year. The intent of these procurement targets is to help create a market for newly diverted organic material, as the SLCP regulations required jurisdictions to establish programs to divert all organic material from landfill beginning January 1, 2022.

Procurement targets are set every five years for each jurisdiction in California, based on a per-capita target of 0.08 tons of organic waste per resident per year. The current procurement targets became effective January 1, 2022, and will be revised effective January 1, 2027, based on updated population data. Truckee's annual procurement target is 1,297 tons of organic waste. Assembly Bill 1985, adopted in 2022, gave jurisdictions additional time to meet their full procurement targets. The revised procurement targets are 30% of the full target for calendar year 2023, 65% of the full target in 2024, and 100% in 2025 and future years.

Each jurisdiction must meet its target by either directly procuring eligible recovered organic waste products or by entering into an agreement with a "direct service provider" to procure eligible products on the jurisdiction's behalf. Direct service providers could include vendors with construction contracts for Town projects or any other entity that enters into an agreement to purchase eligible products on the Town's behalf.

The California Department of Resources Recycling and Recovery (CalRecycle) is required to enforce these new regulations and verify that jurisdictions are meeting all SLCP regulations established by SB 1383. As part of this process, CalRecycle must complete jurisdiction compliance evaluations for each jurisdiction in California at least once every four years. These compliance evaluations involve a full review of each jurisdiction's SB 1383 implementation record, including records for procurement of recovered organic waste products. If CalRecycle determines that a jurisdiction is in violation of the SB

1383 regulations, then CalRecycle will begin the enforcement process, which could lead to the imposition of administrative civil penalties.

If a jurisdiction fails to procure the required quantity of recovered organic waste product, CalRecycle may impose the penalties outlined in 14 CCR § 18997.3(d). Based on the percentage of the procurement target that was met, CalRecycle will calculate the percentage of days out of the year that the jurisdiction was in compliance with, and assess a penalty of up to \$10,000 per day for each day the jurisdiction was deemed not in compliance. For example, if a jurisdiction met only 95% of its procurement target, it would be deemed out of compliance for 5% of the year, or a little over 18 days. This could result in a penalty of up to \$180,000.

II. Eligible Recovered Organic Waste Products

Recovered organic waste products subject to these regulations are:

- Compost
- Mulch
- Renewable gas used for fuel for transportation, electricity, or heating applications
- Electricity from biomass conversion

In order to count towards a jurisdiction’s procurement target, the recovered organic waste product must be produced at an eligible California facility, and the organic waste used as feedstock must be sourced from California. Additional quality and safety standards apply to compost and mulch used for land application. The full eligibility requirements for each type of recovered organic waste product are outlined in 14 CCR § 18993.1. Recovered organic waste products produced at facilities outside California or produced using organic material sourced from outside California are categorically ineligible to count towards these procurement targets. These regulations also require feedstock for mulch and biomass fuel to be processed at an eligible transfer station or similar facility before being converted into an eligible recovered organic waste product. Material that is mulched on-site or directly hauled to a biomass generation facility without first being processed at a transfer station meeting the requirements would not be eligible to count towards the procurement targets.

The town’s procurement target of 1,297 tons of organic waste translates into the amounts shown in Table 1 for each of the eligible products. The recovered organic waste product tonnage is intended to represent the tonnage of organic material diverted from landfill disposal, with conversion factors that translate this quantity into the equivalent amount of electricity, transportation fuel, heat, compost, or mulch generated from that organic material. The Town can meet its procurement target by purchasing any combination of eligible products.

Table 1. Town of Truckee procurement target by eligible recovered organic waste product

Recovered Organic Waste Product (ROWP)	Conversion Factors: 1 ton ROWP equals	Quantity Equivalent to 1,297 tons of ROWP	Unit
Renewable Gas in the form of Transportation Fuel	21 DGE	27237.84	DGE
Electricity from Renewable Gas	242 kWh	313883.68	kWh
Heat from Renewable Gas	22 therms	28534.88	therms
Electricity from Biomass Conversion	650 kWh	843076	kWh
Compost (tons)	0.58 tons	752.2832	tons
Compost (cubic yards)	1.45 cubic yards	1880.708	cubic yards
Mulch	1 ton	1297.04	tons

Town staff have explored the feasibility of utilizing each of the eligible recovered organic waste products through both direct purchases and a direct service provider arrangement:

Compost: The Town does not currently use compost at its facilities and does not expect to utilize this product in significant quantities in the future. Food waste collected in Truckee and the surrounding area is processed at Full Circle Soils and Compost in Carson City, Nevada, which is out of state and therefore not an eligible source of compost under the SLCP requirements. Given low demand for compost in Truckee and limited local availability of eligible product, Town staff do not believe direct use of compost will be a viable strategy to meet a significant portion of the procurement target. However, many jurisdictions, including Nevada County, have entered into agreements with third-party agencies to subsidize the use of eligible compost by farmers throughout California. These compost purchase agreements represent a viable and cost-effective way to meet some or all of the recovered organic waste procurement targets through a direct service provider relationship.

Mulch: The Town does purchase a limited quantity of mulch each year for use in landscaping at Town facilities and Town-maintained infrastructure such as roundabouts. Staff are working to procure this mulch from an SB 1383-eligible source whenever feasible. Larger Town-funded construction projects may sometimes offer the opportunity for the Town to procure larger quantities of eligible mulch, and staff are working to include the specifications for eligible mulch into these contracts moving forward. While the Town will likely procure some amount of mulch each year, staff do not anticipate that these purchases will amount to more than 30% of the full procurement target, even in years with multiple large projects, so procurement of mulch will need to be supplemented with other strategies.

Renewable Gas (RNG): Town staff have explored the potential for a special procurement agreement with Southwest gas for eligible RNG. Southwest Gas was unable to identify an eligible source of RNG available in our area. Because Truckee's supply of natural gas comes from outside California (and RNG produced out of state is categorically ineligible), this would require developing a new local source of eligible RNG. Town staff do not anticipate this to be a viable path for Truckee to meet its procurement targets in the near term or long term.

Electricity from Biomass Conversion: There is not eligible biomass electricity currently available for purchase by the Town. Some jurisdictions are considering purchase of "Procurement Compliance Attributes" (PCAs) for biomass electricity generated by a facility elsewhere in the state. These PCAs would count only towards compliance with the SLCP recovered organic waste procurement requirements and would not provide any additional benefits to the Town such as greenhouse gas emissions reduction. The Town and regional partners are currently conducting a feasibility analysis for different biomass facility options, some of which could provide a means for the Town to procure eligible electricity in the future.

III. Proposed Near-Term Procurement Strategy

In 2023, the Town was able to meet its reduced procurement target (30% of the full target) through purchases of eligible mulch for large Town projects. These three projects (Coldstream roundabout erosion control, the Glenshire Drive roundabout and Trout Creek restoration, and the Mobility Hub) included unusually large purchases of mulch that are not representative of typical annual use by the Town. For 2024 and future years, Town staff will evaluate likely purchases of mulch for Town facilities and infrastructure projects and determine what percentage of the annual procurement target may be met through use of mulch.

To meet the remainder of the Town's procurement target over the next few years, staff recommend entering into an agreement with an organization to facilitate purchase of eligible compost by farmers in California. In this type of agreement, Town funds are used to incentivize the purchase of eligible compost by farmers by offering a small subsidy. Participating farmers enter into a direct service provider arrangement with the Town, stating that they are purchasing this product on our behalf. The organization contracted by the Town would work with farmers to ensure enough purchases to meet or exceed our procurement target, facilitate execution of the direct service provider agreements, and collect all documentation required for reporting to CalRecycle. This type of agreement is being utilized

by many jurisdictions in California, including Nevada County, to meet some or all of their annual recovered organic waste procurement targets.

Use of compost by farmers has numerous environmental benefits, including improved soil health and sequestration of carbon dioxide in the soil. While the compost would not likely be used in Truckee due to minimal agricultural operations within Town limits, the carbon sequestration could be quantified and counted towards a Town-wide or regional carbon neutrality goal.

Staff have received price quotes from the two known organizations providing compost procurement agreements to support SB 1383 compliance. The cost of a procurement agreement for the Town's 2024 target will be between \$10,000 and \$11,000. Staff are requesting a budget amendment for half this amount to accommodate purchases made in FY 23/24, with the remaining contract value included in the FY 24/25 budget. Staff believe that entering into a compost procurement agreement is the most feasible and cost-effective pathway to meeting our required procurement targets in the near term. This strategy also minimizes the staff time required to support compliance with this requirement, allowing staff to focus resources on supporting other core services and Council priorities.

In 2024, Town staff do not anticipate using more than a few tons of mulch for use at Town facilities, so recommend executing a contract for compost procurement for the full procurement target to ensure the Town meets its requirements. Given the potentially large fines for noncompliance, Town staff recommend it is prudent to err on the side of potentially purchasing slightly more recovered organic waste products than necessary.

IV. Potential Future Procurement Options

Staff will continue to explore options to procure and use eligible recovered organic waste products locally in Truckee. Potential future options already identified by staff include:

- **Mulch and/or Compost Rebate Program:** Town staff may explore development of a rebate program for residential and/or commercial use of eligible compost or mulch in Truckee. Participation in the rebate program would require signing a direct service provider agreement with the Town to allow us to count the purchases towards our target. Some other California jurisdictions have implemented this type of program to meet the SLCP regulations. Town staff did not recommend pursuing this strategy in the near term due to insufficient staff capacity to support program design and implementation. Additionally, the volume of eligible materials procured through the rebate program would not be guaranteed, therefore the program would not be guaranteed to meet the Town's procurement targets.
- **Biomass Electricity:** Town staff expect to present a feasibility study of biomass generation options to Council in February 2024. Some of the biomass options analyzed would produce electricity and could be used to meet some or all of the Town's procurement target, as long as a portion of the feedstock is sourced from an eligible California facility, and this analysis will be included in the biomass staff report. Any biomass facility would take several years to construct, so these represent longer-term options for the Town's procurement strategy.

Priority:

<input type="checkbox"/>	Enhanced Communication	<input checked="" type="checkbox"/>	Climate and Greenhouse Gas Reduction	<input type="checkbox"/>	Housing
<input type="checkbox"/>	Infrastructure Investment	<input type="checkbox"/>	Emergency and Wildfire Preparedness	<input checked="" type="checkbox"/>	Core Service

Fiscal Impact: Staff are requesting a budget amendment for FY 23/24 to add \$5,500 from the Sustainability Designation to the Sustainability budget for Professional Services (101.109.00.61.00). This will cover approximately 50% of the cost of an agreement for compost procurement for calendar year 2024. The remaining 50% of the cost will be included in the FY24/25 budget. Staff have applied for an SB 1383 Local Assistance grant from CalRecycle, which can be used to purchase eligible recovered

organic waste products. If Truckee is awarded funding through this program, the Town would be able to use grant funding to offset costs for any FY 23/24 and 24/25 purchases of eligible recovered organic waste products made after the grant term begins on April 1, 2024.

The Town's procurement target will increase beginning calendar year 2025, as the target for 2024 is only 65% of the total. Staff estimates that costs for meeting the full SLCP procurement target for 2025 and 2026 will be approximately \$16,000-\$18,000 per year if met solely through a compost purchase agreement. Purchase of mulch for regular Town facility maintenance or construction of new projects may reduce these costs. All jurisdictions will have a revised procurement target beginning in calendar year 2027 based on updated population estimates. Estimated costs for future Fiscal Years will be included in the annual budget request beginning with FY 24-25.

Public Communication: Agenda posting.

Attachments: None.