

Rhode Island State Planning Council
Draft Minutes of Thursday, May 14, 2015 Meeting
William E. Powers Building
Conference Room A
One Capitol Hill, Providence, RI

I. ATTENDANCE

1. Members Present

Mr. Michael DiBiase, Chair	Director, Rhode Island Department of Administration
Mr. Kevin Gallagher, Vice Chair	Governor's Office
Mr. Kevin Flynn, Secretary	Associate Director, Division of Planning
Mr. Robert Azar	Representing Bonnie Nickerson, Director, Providence Department of Planning and Development
Mr. Daniel Beardsley	Executive Director, RI League of Cities and Towns
Ms. Jeanne Boyle	President's Designee, RI League of Cities and Towns
Ms. Meredith Brady	Representing Peter Alviti Director, RI Department of Transportation
Ms. Barbara Cesaro	Representing Marion Gold, Executive Director, RI Office of Energy Resources
Ms. Sharon Conard-Wells	West Elmwood Housing Development Corporation
Mr. Roy Coulombe	Public Member
Mr. Grover Fugate	Executive Director, RI Coastal Resources Management Council
Mr. Terry Gray	Representing Janet Coit Director, RIDEM
Mr. Thomas Mullaney	RI Department of Administration, Budget Office
Mr. L. Vincent Murray	RILOCAT, Government Official Representative
Ms. Ana Novais	Representing Nicole Alexander-Scott, Director RI Department of Health
Ms. Amy Pettine	Representing Mr. Raymond Studley, RIPTA
Mr. Amy Rainone	Representing Ms. Barbara Fields, Executive Director Rhode Island Housing
Mr. John Trevor	Environmental Advocate
Mr. Michael Walker	Representing Stefan Pryor, Secretary of Commerce
Mr. Scott Wolf	Environmental Advocate

2. Members Absent

Ms. Jeanne Cola	Chair, RI Housing Resources Commission
Ms. Ana Cano-Morales	Public Member
Mr. Marcus Mitchell	Small Business Representative
Mr. M. James Riordan	Public Member
Mr. Samuel Shamoon	Governor's Designee

Ms. Janet Raymond DeAngelis Public Member
Mr. Carlos Machado, Ex Officio, Advisory Participant Division Administrator, FHWA

3. Staff – Division of Planning

Mr. Jared Rhodes Chief, Statewide Planning Program
Ms. Nancy Hess Supervising Planner, Statewide Planning
Mr. Paul Gonsalves Senior Planner, Statewide Planning
Ms. Kimberly Crabill Executive Assistant, Statewide Planning

4. Guests

Mr. Michael O’Connell RI Resource Recovery Corp. (RIRRC)
Mr. Michael McGonagle IT Planning, RI Resource Recovery Corp.
Mr. Dean Huff Chief Financial Officer, RI Resource Recovery Corp.
Ms. Laurie Grandchamp RI Department of Environmental Management
Ms. Sarah Kite-Reeves Director of Recycling, RI Resource Recovery Corp.

II. AGENDA ITEMS

1. Call to Order

Mr. Michael DiBiase called the meeting to order on May 14, 2015 at 9:04 a.m. Mr. DiBiase began the meeting by asking the members to introduce themselves.

2. Public Comment on Agenda Items– *for informational purposes*

There were none.

3. Approval of the March 13, 2015 Meeting Minutes – *for action*

Mr. DiBiase asked for a motion to approve the minutes of March 13, 2015. Mr. Kevin Gallagher moved to approve the minutes of March 13, 2015 as submitted. The motion was seconded by Mr. Grover Fugate. There being no discussion, the following members voted aye: Azar, Beardsley, Boyle, Brady, Cesaro, Conard-Wells, Coulombe, Flynn, Fugate, Gallagher, Gray, Mullaney, Murray, Novais, Pettine, Rainone, and Trevor. Chairman DiBiase abstained. There were no nay votes. Members Walker and Wolf were not present at this time.

4. Rhode Island Comprehensive Solid Waste Management Plan Update – *for action*

Next, Mr. DiBiase introduced Ms. Nancy Hess, Supervising Planner at Statewide Planning and Mr. Michael O’Connell of RIRRC who presented on the history and current status of the project as summarized in the meeting materials and attached power point presentation. Instances where Council members engaged in discussion were as follows:

Mr. Trevor asked about the reasoning behind the legislation that prohibited the use of construction and demolition debris as alternate daily cover material. Mr. O'Connell responded that a large part of it appears to have been driven by perceived connections to odor complaints.

Mr. Beardsley asked how many years cell 6 would increase the life of the landfill. Mr. O'Connell responded that the 23 years left on the landfill included the phase 6 cell.

Mr. Wolf asked what the tipping fees are in CT and MA. Mr. O'Connell responded that there are no set statewide fees in those states but that regular market rates are generally around \$65/ton.

Mr. Murray asked Mr. O'Connell to confirm that the recent state construction and demolition debris prohibition increased costs which he subsequently did.

Mr. Murray next asked Mr. O'Connell to confirm that the law was a result of gas collection issues and asked if those issues had been addressed? Mr. O'Connell responded that that was his understanding.

Ms. Rainone asked if the commercial tip fee and the municipal tip fee would be universal? Mr. O'Connell responded that the goal is to have the commercial and municipal fees aligned.

Mr. Walker asked if it would be in the state's best interest to increase commercial rates to the point where we would be driving the material out of state and also asked if the increase would be for all commercial customers. Mr. O'Connell responded that he thought it was and that the increases would be applied to all, recognizing RIRRC's standard practice of providing a high volume discount rate.

In conclusion, Mr. Walker stated that he wanted to renew the concern that Commerce has had in the past about raising the commercial rates to the point that it becomes less competitive and more expensive for businesses to operate in Rhode Island. He further stated that "raising costs to move commercial business out of RI" is not necessarily appropriate wording for a state guide plan element. Mr. O'Connell agreed that the wording could and should be made clearer.

Mr. DiBiase asked if there were any further questions for Mr. O'Connell. There being none, Chairman DiBiase asked for a motion for the approval of the Solid Waste Management Plan. Mr. Trevor made the first motion to approve the plan and Mr. Walker seconded the motion. At this time Mr. DiBiase opened the floor for discussion on the motion.

Ms. Boyle commented that she supported the plan.

Mr. Trevor commented on the tragedy of the historical practice of the general assembly reallocating RIRRC cash balances to the general fund and noted that we probably wouldn't be in this position had that not been a practice.

Mr. Gray commented that RIRRC must be adequately funded in order to effectively support the management of RI's waste streams. It is very important that the operation be sustainable into the future. In addition he pointed out that language found on page 2.8 needed to be revised to reflect the fact that Railside Environmental Services in East Providence is not technically closed yet.

Mr. Beardsley next stated that City and Town officials do understand that something needs to be done to preserve the life of the landfill and sustain an effective and affordable way to preserve that finite resource. However, municipal officials do not agree with some of the plan's recommendations. Mr. Beardsley also stated that it is to the credit of RIRRC and Mr. Mike O'Connell that this process has been as transparent and inclusive as possible. Mr. Beardsley then reviewed the three main options available to the municipalities starting on 7/1/2017. In his opinion option 1 will be a major budget buster for 40% of RI Communities. Mr. Beardsley also stated that the last two options present major political ramifications for at least 66% of the state's communities. He then referenced the correspondence from his Board which was distributed to Council members (see attached) which acknowledges the League's opinion that there is no evidence to support the Corporation's position that their cash flow is negative and unsustainable beyond 2017.

Mr. Beardsley stated that an additional concern is how the issue gets resolved as he personally found the recommendations to be short sighted and not innovative. Mr. Beardsley gave additional background and asked why a phased-in approach that increased the fee \$11/year until July 2017 was not proposed as opposed to a one-time 2017 doubling of the cost. Mr. Beardsley's noted that in his opinion this would be a lot more palatable than a 103% increase in 24 hours.

In addition, Mr. Beardsley stated that he does not feel that the Draft addresses the problems that have been attributed to the landfill being in the situation it is today. For example, he mentioned that some communities have real problems with recycling, and much of their recycling ends up in the landfill because residents are not disposing of their materials correctly. In his opinion, nothing in the plan addresses this type of problem where tens of thousands of recyclables are going into the landfill.

In conclusion, Mr. Beardsley asked if the person who made the motion to accept the plan would amend it to include a one-month delay on the vote.

Mr. Trevor inquired to Mr. Beardsley, what would change in that one-month time frame that would be constructive in terms of moving this in a positive direction? Mr. Beardsley responded, in all frankness, he did not think there is time, nor inclination with those who created the plan to come up with alternate innovative approaches. Mr. Beardsley also noted that he did not commit cities and towns to pay a 33% increase over the next three years and that the reason for the request is that he was not convinced that the corporation's finances are as dire as Mr. O'Connell stated.

Mr. Flynn asked, what was to be gained in the month that could not be achieved in some other way over the next two years between now and the time at which the rate increase is to be implemented? Mr. Beardsley stated that he would be more comfortable with an alternative approach other than voting on a 103% tip fee increase, and may use the time to offer an alternative approach.

Ms. Conrad-Wells asked Mr. Beardsley why he was not asking for time to have the finances of the corporation probed into so that it would give him clarity about the need for raising the fees. Mr. Beardsley responded that if he was successful in accomplishing what he hoped to over the next thirty days his proposed solution would also address that concern.

Mr. Trevor asked Mr. Beardsley if the vote was tabled for thirty days and you were unsuccessful would you then vote to adopt the plan? Mr. Beardsley responded that he would not vote to adopt the plan, but would not ask for any further extensions.

Ms. Boyle asked Mr. Beardsley if he would find it more acceptable if the plan referenced a phase in of the Tip Fee increase. Mr. Beardsley responded that he was not suggesting that. Mr. Beardsley further commented that Ms. Boyle was alluding to the fact that \$65/ton is absolutely necessary and he was not sure that it is.

Mr. Flynn asked Mr. Beardsley if he was confident that RIRRC would provide rebates to the Cities and Towns if the increased TIP Fee produced surplus revenues. Mr. Beardsley answered that he was not, and stated that with all due respect to Mr. O'Connell he could provide numerous past examples of where the state had failed to live up to commitments that it had made to its Cities and Towns. In response, Mr. O'Connell stated that he was not making empty promises and that appropriate procedures would be integrated into the rulemaking.

Mr. DiBiase stated that he did not believe there was any political urgency for anyone to try and resolve this issue with any more certainty than currently contained in the Draft and asked if there were any further discussion on the plan.

In response, Mr. Murray echoed Mr. Beardsley's concerns about the \$65/ton figure and date of applicability being emblazoned in the Solid Waste Management Plan. In addition, he acknowledged that the plan is a policy document but also noted that policy and regulation are all part of the same stream flow.

Ms. Boyle commented that additional language should be added about enforcement and education regarding co-mingling of non-recyclables.

There being no further discussion, Mr. DiBiase called for a vote on the motion to approve the solid waste management plan. All those in favor stated aye which included Gallagher, Flynn, Boyle, Brady, Cesaro, Conard-Wells, Coulombe, Fugate, Gray, Mullaney, Novais, Rainone, Trevor, Wallker, and Wolf. All those opposed stated nay which included Beardsley and Murray. Representative Pettine was not present at this time and as such did not vote. Mr. Azar also was not present at the time. There being no further discussion the plan was approved.

5. **FY 16 Unified Transportation Planning Work Program** - *for discussion*

Given time constraints, Mr. DiBiase introduced Mr. Rhodes and asked that he give a brief overview of the Unified Transportation Planning Work Program process. Mr. Rhodes did so and concluded by committing to sending the full body of his planned presentation to the Council and by asking that they pay particular attention to section III and IV and get back to him as soon as possible with any questions, concerns, or additions that they may have.

6. **Associate Director's Report** – *for discussion*

Mr. Flynn addressed the following items under the Associate Director's report:

- Planning related bills currently before the General Assembly
- His appearance at the 4/9/2015 House Oversight Committee Meeting
- Status of the draft state energy plan
- The passing of former Director Licht's mother

7. **Adjourn**

Mr. DiBiase asked for a motion to adjourn. Council member Gallagher motioned to adjourn. The motion was seconded by Council member Novais. There being no further discussion, the following members voted aye: Beardsley, Boyle, Brady, Cesaro, Conard-Wells, Flynn, Fugate, Gray, Mullaney, Novais, Rainone, Trevor, Walker, Wolf. There were no nay votes or abstentions. Representative Pettine was not present at this time and as such did not vote. Mr. Azar also was not present at the time. The meeting adjourned at 10:40 a.m.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Kevin Flynn".

Kevin Flynn
Secretary



RHODE ISLAND
DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

OFFICE OF THE DIRECTOR
235 Promenade Street, Room 425
Providence, Rhode Island 02908

May 12, 2015

State Planning Council
c/o Jared Rhodes, Secretary
RI Statewide Planning Program
1 Capitol Hill
Providence, Rhode Island 02908

Dear Council Members,

The Rhode Island Department of Environmental Management has reviewed the final draft of the new Rhode Island Comprehensive Management Plan, Element 171 of the State Guide Plan. The Department has actively been involved and worked cooperatively with the Rhode Island Resource Recovery Corporation and members of your staff from Statewide Planning for the last eighteen months preparing the new management plan.

The bulk of the updates to the Plan are focused on how the Rhode Island Resource Recovery Corporation finances its operations. This Department recognizes that RIRRC must be adequately financed in order to effectively support the management of RI's waste management systems, and to maintain compliance at the Central Landfill facility. There are multiple options to achieve adequate and sustainable financing, and this Department does not have any particular preference any specific approach.

As agreed to in the Memorandum of Understanding, the Department is submitting this letter in support of the new management plan that has been jointly drafted by the three agencies.

We look forward to continuing our cooperative working relationship with Statewide Planning as this plan is finalized and adopted by the State Planning Council.

If you have any questions or need further information, please contact me or Terry Gray at 222-2771.

Sincerely,

Janet Coit
Director

cc: Terrence Gray, P.E., Associate Director, RIDEM



RI Solid Waste Management Plan Update and Funding Strategies

Presentation for RI State Planning Council

Michael OConnell

Executive Director,

Rhode Island Resource Recovery Corp.

May 14, 2015

**Recycling.
Make it second nature.**

Solid Waste Comprehensive Plan-2015

- Process began summer 2013
- Organization:
 - Working Group
 - Advisory Group
 - RIRRC Board of Commissioners
- Stakeholder Meetings
- Public Presentations; Public Hearings



Key Findings from Solid Waste Plan

- \$32/ton fixed fee for municipalities is no longer sustainable.
- The Central Landfill will close in 23 years by 2038; additional expansion there or at another RI site is not assumable.
- Need time to evaluate and asses post Central Landfill disposal options; recommendation will be on the table in 2020 plan update.
- This next disposal option will be exponentially more expensive.
- More can be done but we cannot recycle our way out of the need to fix our near term funding issue or replace the Central Landfill.



Three Key Issues/Recommendations from the October 2014 SPC Review of SWMP

#1 What is the optimal post-Central Landfill Disposal System?

Evaluate the following options and put a recommendation on the table in the 2020 Plan update:

- Waste Conversion technologies
 - Construction costs \$450M
 - \$110+/ton for 750k MSW.
- Ship waste out of state
 - Delivered cost/ton \$80; price volatility likely.
- Site another landfill in RI/Expand Johnston Site
 - Another municipality, low probability; Johnston expansion, small/problematic.
- Adopt Zero Waste practices
 - Long term strategy; Requires cultural change; Not a stand-alone option.



Three Key Issues/Recommendations (continued)

#2 What Recycling Programs should be implemented to help extend landfill life?

Some recommendations include:

- Complete a multi-sector waste characterization study.
- Expand Producer Responsibility Programs.
- Use social media to expand public outreach.
- Identify and target programs to address under-performing municipalities and schools.
- Support PAYT initiatives.



Three Key Issues/Recommendations (continued)

#3 How should the system be financially restructured to solve the funding issue?

Implement Mandatory Statewide
PAYT Administered by RIRRC.



Vetting Process Since October 2014

- Held Reviews with:
 - House Finance Chair
 - Senate President
 - Joint Senate Committee
 - Governor's Policy Office
 - Mayors and Town Administrators
 - Sub-Committee with League of Cities and Towns



Vetting Process (cont'd)

- -Monthly Reviews with RIRRC's Board of Commissioners
- Collaborated with Waste Zero on PAYT



High Level Feedback

- -Full Support for recommendations on:
 - New programs to increase landfill life.
 - Process to determine best post-Central Landfill disposal option.
- Mixed and strongly held opinions on solving the funding issue:
 - General understanding on the need for increasing fees.



High Level Feedback (cont'd)

- -Majority of feedback opposed MANDATED PAYT, but not against PAYT per se.
- Perceived desire by elected GA officials to avoid a legislative solution and let RIRRC use its statutory authority to set fees.



Revised Funding Recommendation

- **Original:** Implement Mandatory Statewide PAYT.
- **Revised:**
 - **Increase municipal tip fee to \$65/ton.**
 - **Provide technical support to any municipality choosing to implement local PAYT.**
 - **RIRRC make available statewide PAYT as an opt-in program for municipalities.**



Why a Revenue Issue Now?

1) The **Municipal tip fee of \$32/ton is below operating cost**, below the regional market, unsustainably subsidized by the commercial sector and has remained unchanged for **25 consecutive years**.

The average commercial tip fee, \$54/ton, is also now below operating cost and below the regional market.



Why a Revenue Issue Now? Cont'd

2) The **current cost of landfilling is now \$56/ton.**

- Recent history \$43/ton
 - Stricter Regulatory requirements +\$9/ton
 - \$40M bond in 2013
 - RIGL 23-19-13.6 +\$4/ton
 - Prohibits C&D grindings as cover
 - Loss of revenue and added costs = \$3M per year
- =\$56/ton**



Cash Flow Summary

Cash Revenues:		\$45.7 Million
Less Expenses:		
	Personnel	-14.0
	Utilities	-1.7
	Contractual	-9.6
	Repair and Maintenance	-3.5
	Other Supplies & Expenses	-4.4
	Bad Debt	0.1
	Recycling Profit Share	-1.3
	Closure/Post Closure	<u>-4.0</u>
	Total Operational Expenses	-\$38.6Million
	Recurring Capital Expenses	-7.0
	Annual Debt Service	-4.6
	Total Cash Spending	50.2
	Net Cash Flow	<\$4.5Million>



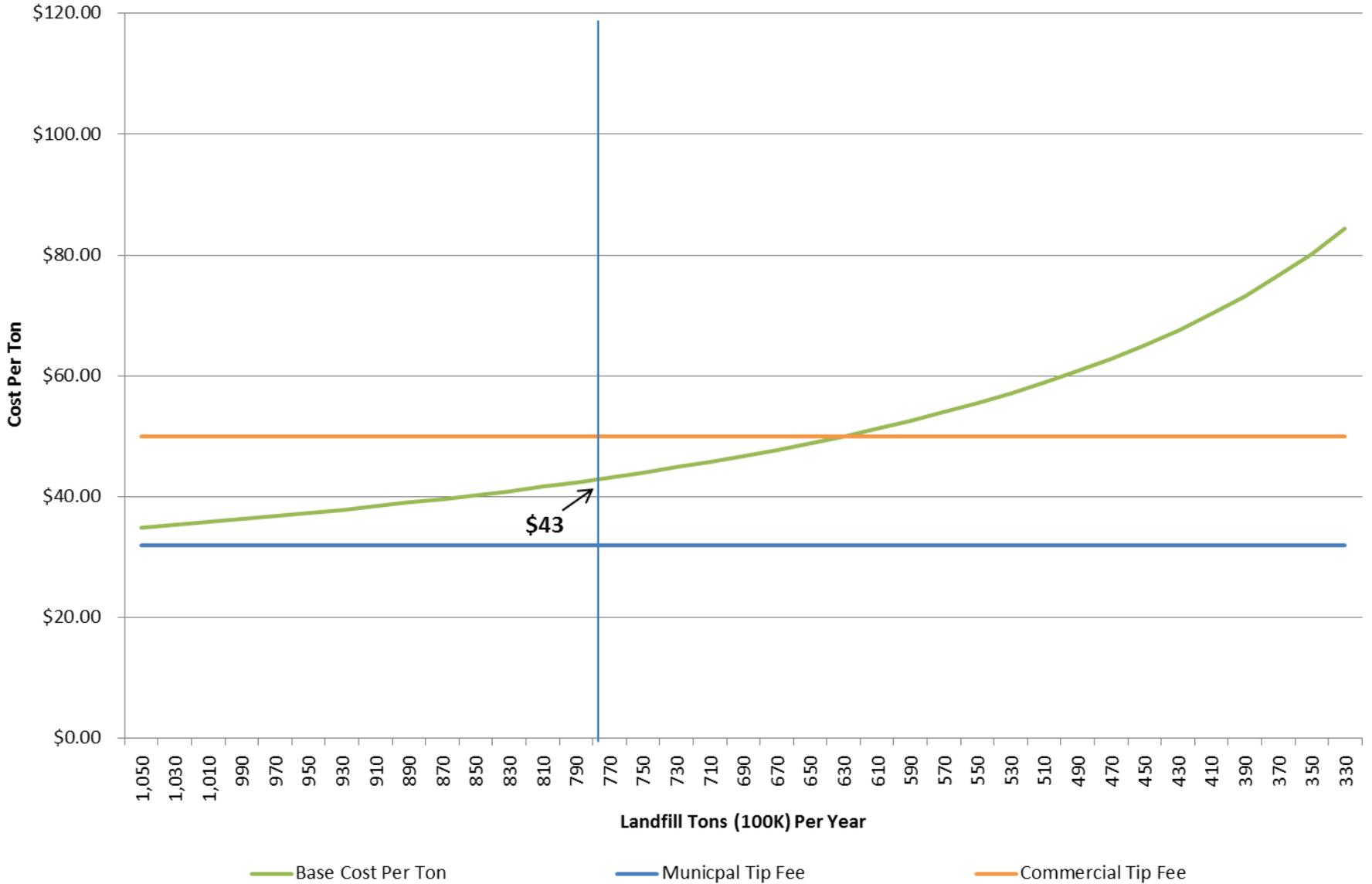
Landfilling Cost/Ton

Cash Spending \$ Millions

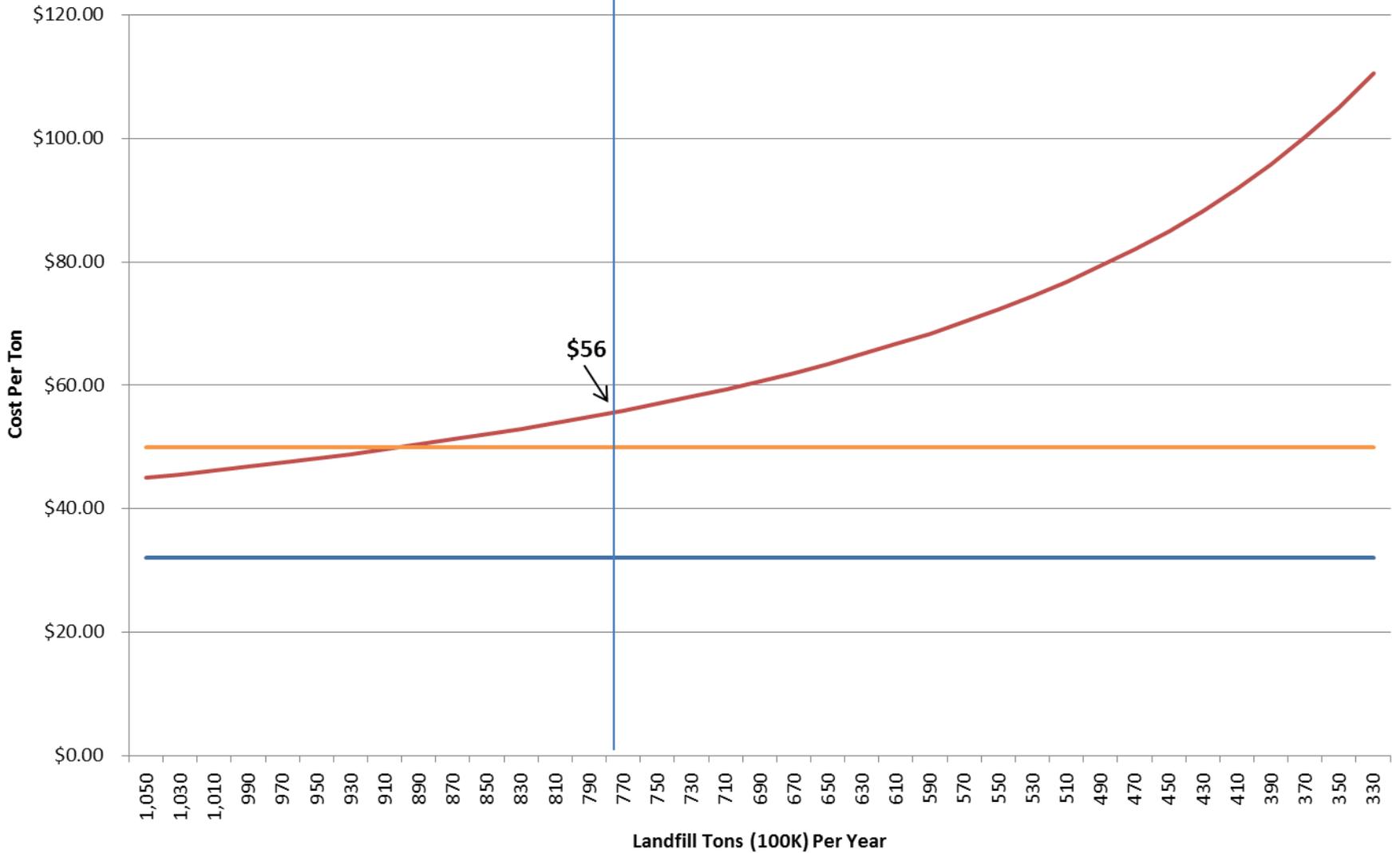
Operating Expenses (F15 Budget ex depreciation)	\$38.6 M
Normalized Capital(F16-F20 Average/Year)	7.0 \$45.6
Plus: Pretreatment Plant On-Line	
Debt Service	4.6
Operating Expense	2.2
	\$52.4 M
Less: MRF & Recycling (F15 Budget)	<10.3>
Net Landfilling Cost	\$42.1 M
Target Tonnage/Year	750,000 tons
Average Cost/Ton	\$56.13



Recent Pricing and Cost Per Ton at Varying Volume Levels



F2016 Pricing and Cost Per Ton at Varying Volume Levels



— Cost w/ New Regulation (includes lost C&D cover revenue)

— Municipal Tip Fee

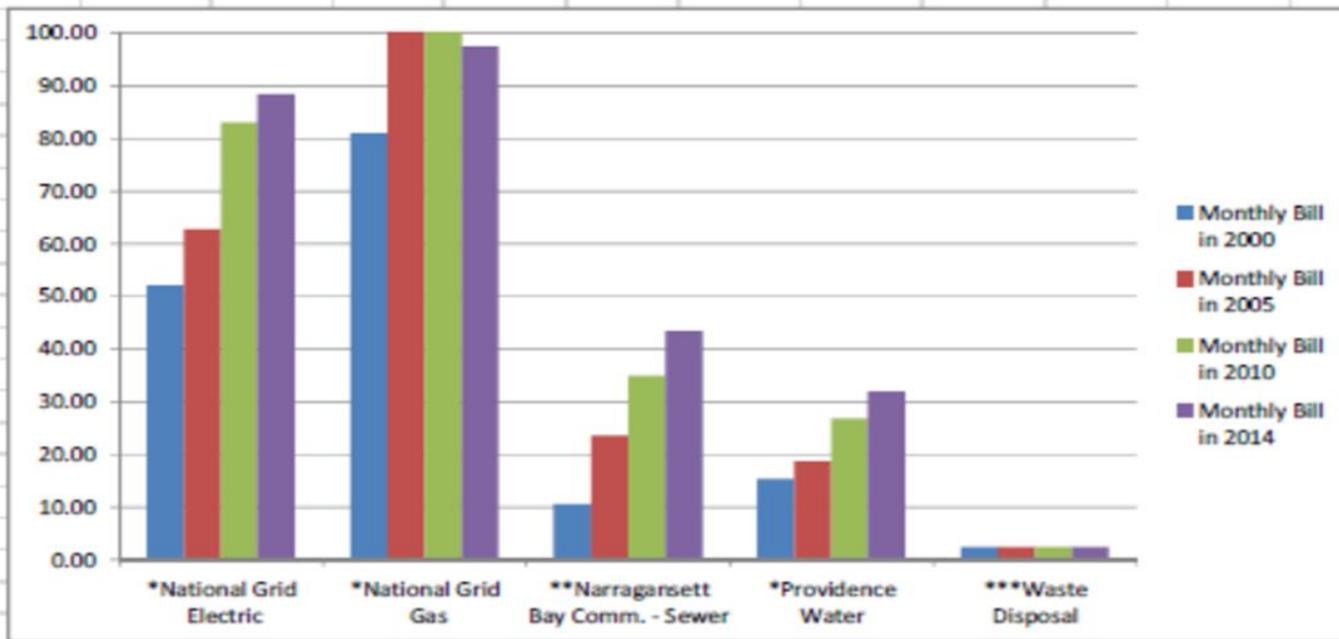
— Commercial Tip Fee

What This Means Per Household Served

Municipality	Per HH/Mo \$32 (FY14)	Per HH/Mo \$65	+Difference
Barrington	\$2.75	\$5.07	\$2.32
Burrillville	\$1.82	\$3.69	\$1.88
Central Falls	\$2.22	\$4.51	\$2.29
Cranston	\$2.19	\$4.45	\$2.26
Providence	\$2.69	\$4.93	\$2.24



Average RI Residential Monthly Utility Expenses



*Electric

*Gas

**Sewer

* Water

***Waste

* Per PUC
 ** Per NBC
 *** Per RIRRC



Why Not just Cut Costs to Hold Pricing?

We can no longer solely cost-cut to hold pricing; revenues must now be raised because over 50% of operating cash expenses of \$38M are fixed:

-Host Community	\$4.0M
-Debt Service	4.6
-Utilities	1.5
-Insurance/Audits	1.0
-Leachate Treatment	1.2
-Envir. Monitoring	0.6
-Closure/Post Closure	2.0
-Repairs/Maintenance	2.5
-Manpower	<u>3.0</u>
Total	\$20.4M



Key Financial Trends (\$ Millions)

	Actual/ Audited F2007	Actual/ Audited F2008	Actual/ Audited F2009	Actual/ Audited F2010	Actual/ Audited F2011	Actual/ Audited F2012	Actual/ Audited F2013	Actual/ Audited F2014	Budgeted 2015
Revenues	\$69.8	\$66.9	\$45.5	\$48.8	\$51.9	\$45.9	46.0	50.3	45.7
Operating Expenses	<u>-66.5</u>	<u>-61.7</u>	<u>-49.5</u>	<u>-43.4</u>	<u>-42.8</u>	<u>-35.6</u>	<u>-40.2</u>	<u>-57.5</u>	<u>44.7</u>
Operating Income	3.3	5.2	<4.0>	5.4	9.1	10.3	5.8	<7.2>	1.0
Transfer to State of Rhode Island	-3.3	-5.0	-7.5	0.0	0.0	-3.5	0.0	0.0	0.0

Normalized is \$43.7M due to a \$13.9M one-time Closure charge for the new Leachate Pre-Treatment Plant expenses. Less significant but positive adjustments also made in F12 & F13 to Closure Trust Fund.



Cash Flow (\$Millions)

	<u>F15B</u>	<u>F16F</u>	<u>F17F</u>	<u>F18F</u>	<u>F19F</u>	<u>F20F</u>
Op Profit	1.0	-1.5	-1.8	-1.9	-2.1	-2.2
Deprec.	6.1	7.3	7.9	8.1	8.4	8.6
Capital	-25.1	-12.0	-4.0	-6.4	-8.7	-3.9
Debt	-4.6	-4.6	-4.6	-4.6	-4.6	-4.6
A/O	<u>-2.4</u>	<u>0.7</u>	<u>0.2</u>	<u>-0.5</u>	<u>1.0</u>	<u>-0.3</u>
Cash Flow	-25.0	-10.1	-2.3	-5.3	-6.0	-2.4
Cash Bal.	23.7	13.6	11.3	6.0	0.0	-2.4

Cash Shortages Bond Default Cash Outages

*Need \$11M cash balance for bond covenant (\$5.6M) and (\$5.4) for operating cash (one month of expenses).



Conclusions

- If no action is taken, as of July 1, 2017 RIRRC will be **financially insolvent.**
- Raising the tip fee and implementing statewide Pay as You Throw, or some hybrid of the two, are the only **realistic solutions.**
- A common sense, fact-based **structural fix** is needed; No more Band-Aids.



APPENDIX

- Mission/Objectives
- Business Trends
- RIRRC Five Year Financial Forecast
- RIRRC Cash Revenues/Expenditures



Current Mission/Objectives

Mission: Provide safe, environmentally compliant, clean, and cost effective solid waste and recycling services for all Rhode Islanders.

Key Objectives:

1. Work collaboratively with stakeholders to increase recycling and diversion to make RI a greener and healthier place to live.
2. Continue to increase the life of the landfill in order to provide long term significantly reduced waste disposal costs versus the market for all municipalities.
3. Remain financially self-sufficient funding all operational and capital requirements from fees.



Key Business Trends

Category	Actual Fiscal 2007	Actual Fiscal 2008	Actual Fiscal 2009	Actual Fiscal 2010	Actual Fiscal 2011	Actual Fiscal 2012	Actual Fiscal 2013	Actual Fiscal 2014
<i>Statistical</i>								
Solid Waste Tons(millions)	1.1	1.0	0.6	0.7	0.7	0.6	0.7	0.9
Average Tip Fee/Ton:								
*Municipal	\$32	\$32	\$32	\$32	\$32	\$32	\$32	\$32
**Commercial	\$52	\$55	\$61	\$53	\$50	\$50	\$50	\$50
Remaining Landfill Life (years)	19	20	29	28	27	26	25	24
*\$32 ton since 1992								
**\$50 ton in 1990								



Summary Financial Projections Through FY 2020

	RIRRC Operating Income <Loss>						
	FY14	FY15	FY16	FY17	FY18	FY19	FY20
	Audited	Budget	Projection	Projection	Projection	Projection	Projection
I. Income							
Tip Fee Revenue	\$35.80	\$31.60	\$31.30	\$31.50	\$31.50	\$31.50	\$31.50
Recycling Revenue	14	13.8	14.8	15.6	16.4	17.4	18.3
Other Revenue	<u>0.5</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>
Operating Revenue	50.3	45.7	46.4	47.4	48.2	49.2	50.1
Personnel Expense	13.1	14	14.9	15.3	15.6	16	16.3
Contractual Services	8.7	9.6	8.4	8.3	8.4	8.5	8.6
Utilities	2.3	1.7	2	2.1	2.1	2.2	2.2
Repairs and Maintenance	2.9	3.5	3.8	3.9	3.9	4	4.1
Other Supplies and Expenses	4	4.4	5.4	5.4	5.5	5.7	5.8
Grants for Recycling	1.7	1.3	1.3	1.3	1.3	1.3	1.3
Bad Debts	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Closure/Post-Closure Expense	18.3	4	4.7	4.9	5.1	5.1	5.3
Depreciation	<u>6.4</u>	<u>6.1</u>	<u>7.3</u>	<u>7.9</u>	<u>8.1</u>	<u>8.4</u>	<u>8.6</u>
Operating Expense	57.5	* 44.7	47.9	49.2	50.1	51.3	52.3
Operating Income <Loss>	(7.2)	1.0	(1.5)	(1.8)	(1.9)	(2.1)	(2.2)

* Less depreciation is \$38.6M

Where the Money Comes From

Commercial SW Fees	19.7 Million
Municipal SW Fees	10.5
Sludges, Special Waste, etc.	1.4
	31.6
MRF Recyclable Sales	12.9
Other Recyclable	.9
	13.8
Misc (rent, e-waste, etc)	.3

Grand Total

\$45.7 Million



Where the Money Goes

Personnel:

Wages and Salaries	\$8.0 Million
Health and Dental	1.2
Pension	1.3
Workers Comp	0.4
Medicare Tax	0.1
Life and Disability Ins.	0.1
Leased Labor	2.9
<hr/>	
Total Personnel	\$14.0 Million



Where the Money Goes (cont'd):

Utilities:

Electricity/Oil	\$0.7 Million
Water	0.1
Sewer	.9
 	<hr/>
Total Utilities	\$1.7 Million



Where the Money Goes (continued)

Contractual Services:

Constr/Oth Contractors	\$1.8 Million
Eco-Depot/Oth HH Waste Remov.	1.9
Environmental Monitoring	0.6
Host Community	4.0
Legal, Insurance, Auditors, PR, etc.	1.3
	<hr/>
Total Contractual Services	\$9.6 Million



Where the Money Goes (continued)

Repairs and Maintenance:

Equipment	\$2.1 Million
Buildings, roads, and scales	0.8
Sewer	0.6
	<hr/>
Total Repairs and Maintenance	\$3.5 Million



Where the Money Goes (continued)

Other Supplies and Expense:

Soils/Gravel	\$1.6 Million
Baling wire, materials, supplies	1.1
Diesel, gas, other fluids	1.3
Miscellaneous	0.4
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Total Other Supplies and Expense	\$4.4 Million
<u>Recycling Profit Share</u>	\$1.3 Million
<u>Closure/Post Closure Fund</u>	\$4.0 Million

Total Operational Expense

\$38.6 Million





Rhode Island League of Cities and Towns

Solid Waste 2038: An RILCT Perspective

Forward: The State Planning Council will consider the adoption of a solid waste management plan entitled “*Solid Waste 2038*” at its meeting on Thursday, May 14. The essential element of the plan for cities and towns is that it requires an increase of the municipal tip fee from \$32 a ton to \$65 a ton effective July 1, 2017. Alternatively, the action plan authorizes local or state administered Pay-As-You-Throw (PAYT) plans to moderate or eliminate municipal cost increases.

Background: The Report is entitled Solid Waste 2038 because that is when it is projected the Central Landfill in Johnston will have to close. The door is not closed on the creation of new cell which would extend its life. The financial condition of the Resource Recovery Corporation (RIRRC) has deteriorated because of:

- A low municipal tip fee which has been set at \$32 a ton for 24 years, and does not cover annual landfill operating costs.
- The economic downturn of 2008 which resulted in a 40% reduction in commercial waste volume.
- Regulatory compliance costs of \$40 million.

Analysis:

- Tip fee: The guide plan proposes a municipal rate of \$65 a ton beginning July 1, 2017 based upon the average rate charged in the region. We cannot dispute this. Current regional rates can be lower on the spot market or higher than \$65 with a long term contract.
- Resource Recovery financial condition: The RIRRC ran an operating loss of \$7.2 million in FY 2014 and there was a net decrease in cash and cash equivalents of \$11.4 million. Proceeds from bond sales and capital expenses are commingled into one fund for financial reporting purposes. Cash equivalents of the RIRRC were over \$65 million on June 30, 2014, although the financial statements record \$63 million as restricted. Reserves for post closure costs are substantial and are based upon “...management’s and outside engineers’ estimates of such costs and the percentage of capacity used to date.” The Solid Waste 2038 plan reports that “**RIRRC’s current cash flow will soon be negative and unsustainable beyond 2017.**” The Guide Plan provides no pro forma projection of revenues, expenses and net cash position to support this projection. There may be other documentation of this projection, but it is not included in the guide plan.

- **Rate Setting:** Assuming confirmation of the deteriorating financial condition of RIRRC, RIGL 23-19-13(k) would be the determining section of law regarding RIRRC authority for raising the municipal tip fee.

(k) If, in any fiscal year, the appropriation for the state subsidy is not made and if the corporation has insufficient other funds to discharge its obligations to holders of its bonds and notes as certified by the state auditor general, the corporation shall be empowered to charge both municipal and non-municipal users whatever fees are necessary to discharge its obligations to holders of its bonds and notes, and the municipal tipping fee set forth in subsection (g) shall not be applicable for the fiscal year.

It should be noted that the current *Solid Waste and Recycling Services Agreements* between RIRRC and municipalities expire on June 30, 2017. We believe 23-19-13(k) would give RIRRC the authority to initiate the process through certification by the Auditor General that a substantially higher tip fee was required.

- **Commercial Waste Revenues:** The Guide Plan discloses that approximately 55% of the waste disposed at the Central Landfill is commercial and 45% municipal. The report speaks to the significant declines in commercial waste that occurred in the 2008 economic downturn. Unfortunately, the guide plan does not provide annual trend information over a period of years, nor does it include forecasted information. This is important information that should be integrated into a pro forma projection of RIRRC's financial condition. The Guide Plan also notes that one solution to extending the useful life of the landfill would be to ban or limit commercial waste. This would in turn increase the required municipal tipping fee above the \$65 municipal rate proposed as the benchmark in the plan.

Summary: There is little dispute that long term access to affordable waste disposal is an issue that needs to be confronted. League staff would summarize the municipal concerns as follows:

- There is a lack of documentation and forecasted financial information on how bad the financial problems of RIRRC are and the relationship of municipal and commercial waste streams to RIRRC's financial condition.
- There is no sensitivity analysis on whether moderated gradual tipping fee increases might be accommodated.
- It is clear that there is statutory authority for RIRRC to increase tip fees if it refuses to extend contracts with cities and towns at the existing tip fee rate beginning July 1, 2017.
- The guide plan provides little documentation on how PAYT would be integrated into the tipping fee structure and whether locally administered plans are really possible.
- A \$65 tipping fee would be a significant budget buster for cities and towns. We need to consider whether an exemption from the tax cap for the increased cost in FY 2018 should be an ingredient to the solution.