

approved on 2/4/15

RHODE ISLAND RESOURCE RECOVERY CORPORATION
BUSINESS MEETING

Wednesday, November 19, 2014

9:30 A.M.

65 Shun Pike

Johnston, RI 02919

In Attendance

Michael Sabitoni, Chair

Jeanne Boyle (Arrived at 9:45A.M.)

Geri-Ann DiPaolo

Lori Ann Pezzullo

Joseph White

Jared Rhodes

Geoffrey Kirkman

Judith Kawa

Charles Lombardi (Arrived at 9:49A.M.)

Absent

Staff Present

Mike OConnell, Executive Director

Brian Card, Director of Operations and Engineering

Sarah Kite-Reeves, Director of Recycling

Rob Lough, Safety Coordinator and Security Officer

Christine Jocelyn, HR Director

Nancy Minson, HR Coordinator

Dean Huff, Chief Financial Officer

Lori Perron, Purchasing Director

Mike McGonagle, Director of IT and Planning

Others Present

Ron Ronzio, Allied Court Reporters

Kelly Carpenter, Senate Fiscal

Craig Dunkley, Waste Zero

Mark Dancy, Waste Zero

Bob Moylan, Waste Zero

Call to Order

Chairman Sabitoni called the meeting to order at 9:30 A.M. Pledge of Allegiance followed by roll call. Commissioners, DiPaolo, Kawa, Pezzullo, Rhodes, and White present.

Agenda Items

1. PAYT Workshop

OConnell gave a presentation to the Board outlining the reasons of why we have a revenue issue, what the options are to resolve it, provided a recommendation of what the next steps should be, and the legal opinion on the Pay-As-You-Throw program.

Resource Recovery has a revenue issue due to municipal prices being below cost. Prices have remained at \$32/ton for 24 consecutive years. Regulatory requirements have also added infrastructure costs as sewer upgrades alone cost \$9/ton of waste. The lower municipal prices have been subsidized by commercial prices and in recent years by insurance proceeds secured by the Corporation. These subsidies are no longer enough. While the 2009 restructuring reduced operating costs over \$20M enabling volume reductions that extended the landfill life by 10 years, the remaining cost structure contains over 50% of fixed costs. This means that revenue losses from further reductions in volume to extend landfill life cannot be offset with cost reductions but must come principally from higher municipal revenues.

Forecasted summary financials show that we will be able to continue to get by for a couple more years. The budget for FY15 is \$45.7M with expenses of \$44.7, which will leave an operating profit of \$1M.

Our cash balance at the end of F15 is \$23.7M. However, as we continue into F16 we forecast a decline of \$10.1M and then further declines in F17, which leaves the Corporation with \$11.3M. In F18, the balance in the bank account is forecasted at \$6M. We need to stay within the bond covenant of \$5.6M and \$5.4M for operating cash for a total of \$11M.

Without municipal pricing increase, program cuts, or volume increases, cash shortages will occur in F18 and a bond default in F19.

We have several options to choose from all have and different impacts. Option A is to remain status quo at \$43/ton. This would result in cash shortages and we will not be able to give any rebates and the landfill will close in 2038. Option B is the Pay As You Throw Program. With this option we have no financial issues, a solid rebate opportunity, and the landfill life could be extended to perhaps 2053. Option C is to raise the municipal fee of \$65/ton, which is the market rate. This option will also result in no financial issues, give us some minimal rebate opportunity, but the landfill will close in 2038. Option D is a Hybrid Plan, which consists of 50% of the Pay As You Throw Program and 50% of the Market Rate. This option also has no financial issues, and the landfill life will extend to 2053, with some potential for rebates.

Resource Recovery's recommendation is to proceed to educate and gather input on the proposed solutions from municipalities, officials, and other stakeholders. Upon completion

of that due diligence, we will recommend an option for the Board to consider and adopt and the staff to execute.

Ursillo researched if Resource Recovery had the ability to currently implement the Pay-As-You-Throw program. It would be very difficult for us to do it currently because last year the General Assembly passed an amendment of the tipping statute, which continues the tipping fee to \$32/ton through the end of our fiscal year. We also have three-year contracts with all municipalities, with the exception of Tiverton, with a rate of \$32/ton that will prohibit us from being able to currently run the PAYT program. These contracts expire on June 30, 2017. Resource Recovery technically has the ability to increase fees through the rule making process governed by the Administrative Procedures Act, although Ursillo stated that in his personal opinion this should be handled through the legislative process as it will be up there anyway.

Authorization was requested to proceed to Phase II with Waste Zero.

Resolution: Be it resolved that the Board of Commissioners authorizes the Executive Director to enter into a contract with Waste Zero to assist RIRRC to assess stakeholder strategies, prepare materials, conduct meeting, and evaluate and document results, for an amount not to exceed \$126,000. Motion to approve made by Commissioner Boyle. Seconded by Commissioner Lombardi. Passed 8-0.

Motion to adjourn made by Commissioner DiPaolo and seconded by Commissioner Lombardi. Passed 8-0.

Adjourned 10:53 A.M.