

Solid Waste Advisory Meeting
Wednesday, August 29, 2012
Meeting Minutes (Draft)

Attending: Councilors: Keith Nyhan (Chair), Councilors Michael DelloIacono, and Jan McClure; Committee Members: Arthur Aznine, Terry Clarkson, Melanie Dorion, and Mike Russell

Staff: General Services Director Chip Chesley; Deputy City Manager-Finance Brian LeBrun, and General Services Solid Waste Manager Pat Winn.

Absent: Councilors: Liz Blanchard, and Allen Bennett; Committee Member: Greg Banks

Secretary: Cheri Forrest

Prior to the convening of the meeting Keith brought up the subject of future membership in the committee. He put forward a request for confirmation of continued membership and a request for any new member suggestions that the committee may have.

Keith convened the meeting at 4:30. It was determined that there was a quorum in attendance.

Agenda Item #1 Update on Co-op (See attached presentation)

Chip's opening statements: In summary, the Coop originally executed a twenty year agreement with Wheelabrator that expired in 2009. Prior to the original agreement's expiration, the Co-op and Wheelabrator executed a five year extension that would expire in 2014 with a provision that the parties could execute mutually acceptable second five year extension through 2019. At the time of the original agreement, the Co-op secured a very attractive thirty year rate order that compels the electric utility to purchase the power from the Wheelabrator facility at a rate substantially higher than market. The Co-op has been negotiating with Wheelabrator regarding extending the agreement; however, the Co-op has advised that they have not been able to reach a price that staff feels comfortable to bring to the Joint Board for consideration. These factors are creating the need for us to consider what our next steps, and to begin the planning stages now in order to be in a position in 2014 to address the community's solid waste disposal needs. Chip reviewed the Co-op's current budget with the committee and noted that Co-op is presently using significant reserves to subsidize the tip fee it charges its member communities. Chip reminded the committee that Allenstown will be leaving the Co-op in 2014 since they believe they can find a more attractive tip fee. Hopkinton and Webster have also left the Co-op.

Keith asked what are the factors that contribute to the deficit?

Chip noted that there are three basic components that compose the tip fee:

1. The contract with Wheelabrator for the disposal of solid waste,

2. The cost to operate the ash landfill in Franklin
3. The administrative, legal and engineering costs associated with operating the Co-op.

Of the three components, the contract with Wheelabrator is the largest. The true tip fee is \$77.80/ton. With the current market reported by the Co-op's engineer and staff to be in the mid sixty dollar a ton range, Chip reported that they have recommended through utilizing undesignated reserves to set the tip fee the Co-op charges its member communities at \$66.80/ton. When the present five year extension was negotiated Chip reported that the Co-op's staff and engineer advised that the tip fee Wheelabrator charged was competitive; however, the significant downturn in the economy has reduced the demand for solid waste disposal services causing tip fees to drop in the market.

Mike DelloIacono noted that the current practice is not a sustainable model. Terry Clarkson and Chip agreed.

Keith asks what are the drivers for Wheelabrator's rate?

- * What will Wheelabrator want for their tipping fee?
- * What will the end of the "rate order" do to the fee?
- * What does the Coop want to do going forward?
- * What are our options? To negotiate with Wheelabrator, Make a new transfer station, to go out on the open market, other ???.

Chip noted that Wheelabrator would look to maximize the price they could realize from the Co-op that is based in part, what the Co-op members may be able to secure from other vendors. The current contract expires in 2014. Disposal fees are currently somewhat lower due to the current economic conditions. Chip noted that Concord collects solid waste from all of our residential properties and unlike other towns in the Co-op does not currently have a transfer station with sufficient capacity to aggregate the community's waste and transport it a distance to an alternate disposal site. Other communities such as Allenstown and Hopkinton have transfer stations that can aggregate their respective community's solid waste needs and transport solid waste to more remote solid waste disposal sites.

Keith asks what is the relation between the landfill and incinerator? He understands that the Coop has the landfill and its value may be a bargaining chip in negotiations with Wheelabrator?

Chip noted that the Co-op's staff and engineer believe the Co-op's landfill might be of value. Its actual value will be reflected in the tip fee proposed by Wheelabrator.

Keith noted that Wheelabrator is a private company and will need to be competitive within market.

Chip agreed and the demand for solid waste disposal will drive the tip fees available at disposal sites. He noted in New Hampshire, disposal costs drop as you move north and further away from the metropolitan Boston area.

Keith states that on the surface it appears that Wheelabrator is highly inefficient and we have to subsidize.

Chip responds that may not be the situation. Five years ago, the market was stronger, and the Co-op's solid waste volumes were trending upwards. Since then, the economy has turned downwards and that has resulted in a significant drop in the Co-op's solid waste volumes.

Terry inquired how did the undesignated reserve get created?

Chip explained that these are funds that have accumulated over the years from surplus operating funds.

Keith noted there is only a half hour left in the meeting. To move this discussion forward, he noted that the Coop and the City needs to start making plans for the future.

Chip noted that if the City were to consider a new Transfer Station as an alternative, the planning of all options should begin soon. He noted that starting the planning process now does not commit the City to construct a transfer station, but rather preserves that option.

Keith agreed and noted that the City can decide in 18 months go out to market. In looking at the planning flow chart, it appears from now through April 2013 is the time to consider this option.

Chip noted that the decision to construct a transfer station must be made by January 2014.

Keith opined if it is worth paying consultants to evaluate and analyze options such as Wheelabrator, the Open Market and Transfer Station.

Chip noted that we need to keep in mind that the original model the Co-op enjoyed with Wheelabrator is coming to a close. Where in the past the Co-op communities, including Concord, have enjoyed the stability of a twenty year contract for solid waste disposal, we are likely looking at 5 year terms.

Keith replied that his immediate reaction is to be reluctant to spend money on consultants.

Brian stated that unfortunately it is a necessary evil.

Jan asked how many years out can a consultant project?

Keith asks if anyone has any objections to pursuing the contracting a consultant?

Mike Russell stated it is money well spent.

The consensus of the committee was to move forward.

Prior to moving on to the next item on the agenda, Keith noted there remains the committee business of adopting the minutes from the last meeting. Keith asks if everyone has reviewed the minutes from the last meeting? Mike Russell made a motion to accept the minutes as presented; seconded by Mike D. The motion carried.

Agenda Item 2: PAYT – Purple Bag Cost

Keith started the discussion noting that revenue from PAAYT covers approximately 90% of cost of program.

At 5:15, Mike D. excused himself from the meeting to attend a school function.

Chip presented the slides with the PAYT info (see attached).

Jan asks if this piece includes recycling?

Keith answers her that recycling is a part of the PAYT program but not a cost benefit to the program in the sense that the contractor collects the recycling at no cost and they keep the proceeds from it.

Chip suggested that one option to correct this deficit is to adjust the price of the smaller bags. He presented slides illustrating the comparisons between Concord and other New Hampshire communities.

Jan stated that bags are essentially a tax. We need to look at other options to reduce cost, rather than raising the cost of the bags.

Keith requested that Staff compile a report outlining in more detail the reasons for deficit, in addition to the cost of the bags. The report needs to include backup to present any changes to program to City Council. He suggested staff put together a list of options.

Chip inquired if bi-weekly pick up of trash and weekly recycling (or vice versa) would be considered another option?

Jan and Keith stated it would be appropriate to include this as an option and to also consider dual body trucks impact on the program.

Mike R. stated it might be appropriate to look at the impact to the tax rate if the program were scrapped completely. He noted that this is an extreme option and very unlikely, but it would provide a contrast if needed to present to council.

Jan, Keith and Terry asked again to evaluate the cost advantage from the use of dual body trucks.

Keith makes motion that in conclusion of the meeting, the committee would ask staff to put together data on how these options will impact both the city and taxpayer.

5:30 Meeting adjourned.