Solid Waste Advisory Committee
Meeting Minutes
22 March 2012

Attending: Councilors Keith Nyhan (Chair), Liz Blanchard, Allen Bennett, and Jan McClure; Mike Russell, Terry Clarkson, Melanie Doiron

Staff: Chip Chesley, Tom Aspell, Brian LeBrun, Bob McManus, Jeff Hoadley, Pat Winn and Karon Devoid

Guests: Mayor Jim Bouley, Bob Hill (Corner Cupboard), Ben Lubersdorf (Concord Monitor), Jim Presher (Director, Co-op), Craig Musselman (CMA Engineers)

Absent: Greg Banks, Arthur Aznive, and Councilor Mike DelloIacono

Keith opened the meeting at approximately 4:35 noting that a quorum was present.

The draft minutes from the December 8, 2011, meeting were distributed, reviewed, and approved by the committee with one typo noted by Terry. Melanie made a motion to accept the minutes as corrected; Mike seconded the motion. The motion carried.

Recognizing Bob Hill, Keith suggested that the committee first take up the second item on the agenda since the first item may take more time to discuss. The committee agreed to hear the item out of order.

2. **Authorized Bags**

Keith advised Mr. Hill the committee would probably not take action on his concerns of merchants paying expenses this evening, but wanted to permit him to present his concern to the committee. Keith noted the committee would be taking up the quality, size and cost of the bags later this year, and is sensitive to other small businesses having the same concerns as well.

Mr. Hill introduced himself and said he had taken over management of the store on October 14, 2011. Customers were requesting he carry the purple PAYT bags at his location. It would have cost him a minimum of $600.00 to purchase a case of each size bag, the minimum order from the City's supplier. He only allows customers to pay cash for the bags, because a purchase made with a debit card costs him 50 cents for each transaction. In order to carry the bags in his store, he purchases them from other locations in the City and buys approximately $100 worth of bags. For a small convenience store, he stated the cost of handling the bags is high. To cover cost the cost of handling the bags, he stated it would be 15%, or 50 cents, per package to break even. He suggested this discount should be offered to the stores and not to pass this cost onto the purchasers.

He stated he either places the bags behind the counter or on top of the counter, to keep an eye on them, which takes up valuable real estate on the counter. He thanked the committee for listening to his concerns and would wait to hear back from the committee.

1. **Single Stream Update**

Keith turned the presentation of the next item to Chip to lead. Chip referred the committee to a report that he had prepared with Brian Lebrun that had been distributed to the committee.

Chip noted he would review the history of the project first, and then turn the presentation to Brian to present the specific financial concerns that have become apparent to staff.

Since the Co-op was unsuccessful in siting a landfill within the Co-op to handle its solid waste, Chip noted that in the 2008/2009 timeframe, the Co-op began to evaluate developing a single stream recycling facility to benefit its communities principally utilizing the reserve funds it had accumulated over time that it had intended to construct a landfill. The general plan was to amortize the project over a fifteen year period. Additionally, the Co-op realized that there wasn't sufficient material within its geographic boundary and would subsequently need to secure additional material from communities outside of the Co-op. By 2010, the Co-op had made progress, purchased the site in Concord off Whitney Road, and had received verbal fifteen year commitments from communities within and outside of the Co-op for 25,000 tons of recyclable material. At that juncture, the Co-op planned to finance about $5 million dollars of the project. It then took the Co-op time to secure the final executed agreements from communities outside of the Co-op. Some of the communities elected not to execute agreements and consequently the Co-op, in 2011, was able to secure written commitments for about 23,800 tons of material from municipal sources. Since that time, the Co-op has been working on the final financing plan for the project. Having purchased the site, completing the design, and secured all of the permits, the cost to complete the project is about $15.6 million, and is proposing to use about $6.4 million from reserves and finance the remaining $9.2 million over a fifteen year period. Financial institutions have advised the Co-op that they would tie the debt pack to the Co-op communities utilizing the facility should the project not succeed. Hence, the risk profile to the City has substantially changed.

Brian reported that the Co-op has done a great job, including the good, bad and ugly of this project, and feels both Jim and Craig have been up front about everything. Since 2009, increase in borrowing for the project has gone from $5.2 million to $9.2 million and overall risk participation has changed significantly. In 2010, Concord had about a 30% stake in the project, with a 25% voting share of the Co-op. Now, with the requirement of the financial institutions to tie the debt back to the participating Co-op municipalities, the City's risk increases to 41.5%. With the increase in project cost since 2010 and the requirement of the financial institutions to tie the debt back to the

participating Co-op communities, the City's risk increases from in 2010 to slightly more than $4million in 2012. With the increase in cost, if project succeeds, all is good. If it doesn't, we carry the burden.

Since the beginning of the project, recycling values have gone up and down. We have seen highs and lows in a very short time. Commodities market is much like the stock market. It's likely to expect this volatility to continue for the next two to three years. While Council supported the project when there were verbal commitments for 25,000 tons, and is aware that there are written commitments for recycling material just shy of 24,000 tons, the facts have changed, cost have increased, and our financial exposure has increased. City staff just felt they needed to bring the project back to SWAC for further consideration.

Liz asked about the reserve funds. Brian responded that the Co-op's 2010-2011 financial report indicated they had assets of $26.3 million. Brian indicated that figure shows in the report.

Mike said he thought $11 million was going to pay for all of the facility costs.

Jim Presher stated if they used all their reserves, they wouldn't have anything left. They wanted to reduce funding from reserves to $6 million because the cost of borrowing money is at an all-time low of 2.8% -2.9%. Jim states it makes sense to borrow more and keep cash in reserve, and to set aside those reserve funds for other expenses that the Co-op may incur.

Liz felt the project is a risk to the community. Why is it our risk?

Craig reminded the committee the Co-op communities participating in the single stream recycling facility had more than 2/3 of the Co-op vote.

Keith inquired about the intended uses of the Co-op's reserve funds.

Craig said designated operating reserve is $9 million; cash flow has had $10-$15 million. Set aside projections for tipping fee. Reserve funds at mid-year dip, Concord would be guaranteed. COOP would bridge the gap for Concord. He noted the best offer on a loan at this time is from Laconia Savings. He advised that the Co-op would need $5 million on ground breaking in April, and another $5 million in August. He further advised that the bond can be paid off in thirty days without penalty, and that the Co-op could bring the loan balance down prior to end of loan.

Brian inquired if the tip fee subsidy is a designated reserve.

Craig indicated $3.9 million of the reserves is set aside to subsidize solid waste tip fees and that amount may free up by the end of the year; reserve strategy would be revisited. Craig noted that the landfill post closure reserves are fixed.

Keith asked if the $3.9 million was an operating subsidy.

Craig said yes it is. The Co-op hopes to have a proposed contract extension with Wheelabrator soon.

Keith asked about the issues driving the operating subsidy.

Craig advised the Co-op was disposing about 150,000 tons of waste when the new contract began negotiations; however, during the last six years, the amount of solid waste disposed by the Co-op has dropped to 90,000 tons. The Co-op has certain fixed costs, such as the landfill, to spread these costs; hence the tip fee has increased.

Mike asked if the $ 3.9 million is required to keep the tip fee stable

Craig said it was for the current contract with Wheelabrator that expires in 2014.

Keith asked if this is an operating inefficiency.

Craig stated yes.

Liz inquired why the single stream facility isn't going to pay taxes,

Craig reported that it is publicly owned, and will pay a PILOT, instead.

Jim Presher advised that one of the reasons the RFAMs supported the project is that they could participate in the ownership of the facility and understand, that at times, recycling is a cost to communities. He noted that the facility would have an annual operating budget and would provide all communities a stabilize cost and/or revenue on annual basis. During a budget year, communities wouldn't lose if market went south or get revenue if market went up. Those variations would need to be addressed during the following budget cycle. Last week, Jim advised that the Co-op signed Epping with 610 tons, so the project is closer to the 25,000 tons. He noted that the foundation of the project is a number of communities have committed their recycling material for 15 years. This is very important to project. He noted some communities won't sign up but will once they see the project starts. The 24,000 tons of recycling material is all from municipal sources. He noted that there is other material out there elsewhere. He feels the 5,000 ton gap will happen in quick order.

Keith referred to page 3 of the staff report prepared by Chip and Brian noting that the report prepared by CMA Engineers for the Co-op states the re-payment of the Co-op's cash investment in the facility, over and above debt service, is not assured and would require that the facility operate with favorable market conditions and tonnage greater than 50,000 tons per year for a substantial portion of the fifteen year period. He noted this statement concerns him.

Craig stated normally you look at what can go wrong, not at all the good that can come of it. Upside, think pertains to expectations. Other communities don't have same advantage as Concord. Concord would enjoy the benefit of the PILOT, and a short haul distance for its collection vehicles. It would take long term tonnage that is not likely to occur over fifteen years in order to pay back all of the funds the Co-op has invested. If one is expecting assurance of pay back, Craig noted that it is certainly not assured. He said he doesn't think it's expected. Co-op is expected to pay back half of the capital. He stated it is not assured will all get paid back.

Jim noted others have said why would you pay back.

Craig noted he thought the comment Keith identified in the report was in Concord's interest.

Keith inquired about the RFAMS ability to exercise option to get out. He noted that they can leave the project should it be necessary to charge communities for their recyclable material. While the agreements indicate the RFAMS are committed to the project for 15 years, he doesn't feel that's true since they have the opportunity to depart. Co-op communities are committed to stay with the project fifteen years regardless.

Craig stated the Coop needs to ensure the costs the facility charge are competitive. If RFAMS get out, they would need to find other places to transfer their recycling, and would cost more.

Liz inquired how the single stream project compare to the City's cost now?

Chip stated the City doesn't pay or receive dollars from recyclables from Bestway.

Jan inquired if an estimate of the market value of the material we recycle could be prepared.

Chip advised an analysis could be prepared based upon historic prices and a general breakdown of the recyclable material.

Tom advised that there are other costs and reminded the committee that communities often stockpile material waiting for market to improve.

Jim Bouley noted that the actual disposal cost or revenues are blended in. Sometimes we win, sometimes we don't.

Jim Presher noted that in some of their analyses the Co-op is making $65 a ton; however, the market has gone the other way. Market does have an impact on it.

Craig stated that the market has come back a little.

Chip noted with our current collection contract, our vendor bears the risk of the market over the five to seven year term of the collection contract, and with the single stream recycling project, the City will assume some of the risk and the yearly change in the marketplace.

Craig noted that the City is paying Bestway to transfer material.

Chip agreed.

Jim reminded that the cost or revnue from the facility is stabilized on an annual basis.

Brian stated it remains a budgetary issue.

Tom explained that we would need to visit this matter each year; we would need to carry reserves to modulate the swings in the market place

Liz questioned if Bestway picks up all her recycling together; throws it all in the same bin. She said her granddaughter watches the truck and sees them throw it all in the same hopper.

Keith noted if Bestway can find a facility to single stream, they may elect to collect single stream from the curb.

Jim Bouley said Bestway isn't single streaming all recyclables. Some residents are still being tagged when it's all mixed together.

Pat advised Bestway is using a trial truck, a split truck, and the recyclables are taken to Belmont.

Jim Bouley reminded the committee the City has single stream. Anyone can bring their recyclables to the transfer station and recycle them there as single stream

Pat noted that the multi-family properties and the Downtown Solid Waste District, both serviced by containers, have single stream recycling.

Jan inquired if figures 6 & 7 of the report prepared by CMA for the Co-op reflect the volatility of market and asked what the colored lines indicated.

Craig advised they did. The white line is paper, blue line is cardboard, red line is mixed and green line is newspaper.

Jan noted that there had been some substantial drops in the market.

Craig advised when the stock market fell, so did recycling market. He pointed to two dips not reflective of the stock market. He noted that there has been much more volatility in the past four years, than in the 12 years previous to this four year period of volatility.

Craig noted over the past 15 years, there has been a general increase. He noted that the market is not predictable.

Melanie opined the purpose of meeting is to look at risks.

Keith stated to the committee we should either recommend go or not to go forward with the single stream project and prepare a report for the April 9th Council meeting with the committee's recommendation. He noted that Concord has done very good job at reducing its solid waste volume and increasing its recycling material. This is all about the financing in the next fifteen years.

Liz said, with the new financial information, she is concerned about moving forward with the project. A big chunk of the money belongs to Concord.

Keith noted we're looking at about $2 million.

Melanie stated that the committee needs to look at options.

Keith noted that we are always looking. This project brings a certain amount of the volatility of the recycling markets to the participants. There are benefits to being an owner. As currently proposed, we have a 41% stake in an investment that is different from what Council previously reviewed. While before there was a greater chance of reward, now there is more risk.

Liz asked why didn't they already build the project?

Craig reported they are ready to go and approve financing on April 13th.

Jim Bouley reported that people felt comfortable before when the project was first reviewed, however, things have changed.

Tom advised the committee that staff is looking to see if it's favorable to the community. Now, there is a greater risk with less people carrying the risk. RFAMs are taking no risk. The tonnage may increase in time. Tom questioned how quickly this will happen. If an RFAM jumps out, there's trouble. We would be subsidizing other communities. He thinks the Co-op made the right decision to have reserves. If the Co-op builds the project and the recycling market drops, the Co-op may not be able to replenish the reserves. The project could work; it is taking a risk. The risk to Concord, with the proposed financing, is now much higher than 2011. The committee should understand this. There is troubling information contained in the Co-op's most recent report.

Jim Presher stated jumping out fifteen years, no matter where RFAMs take material, they'll have to pay someone, and he feels it is a minor chance that an RFAM will leave the project since there won't be a better deal elsewhere. He stated that there are benefits for Concord from the facility. It will be in Concord, Whitney Road will be extended

towards the Concord Monitor and the facility employs about 25-30 people. He also mentioned the Pilot agreement.

At about 5:40, Jan excused herself from the meeting

Mike stated as a taxpayer, he wouldn't take that risk.

Melanie noted that there are other plants. There are benefits to recycling, cost of tipping, sees it going forward

Keith stated he does not feel comfortable and recommends the committee submit a report to Council regarding the project's current financial status as it relates to the City so that Council will have the final say.

Terry noted that the risk has changed. He understands the operational risk. While the operational risk hasn't changed, the financial risk has changed.

Mike made a motion to submit a report to City Council with a recommendation that the committee does not support the project with its financial proposal. Alan seconded the motion. All committee members present voted in support of the motion.

At 5:45, Allen made a motion to adjourn. Mike seconded it. All voted in support of the motion.