

Creation of the New Haven Solid Waste and Recycling Authority

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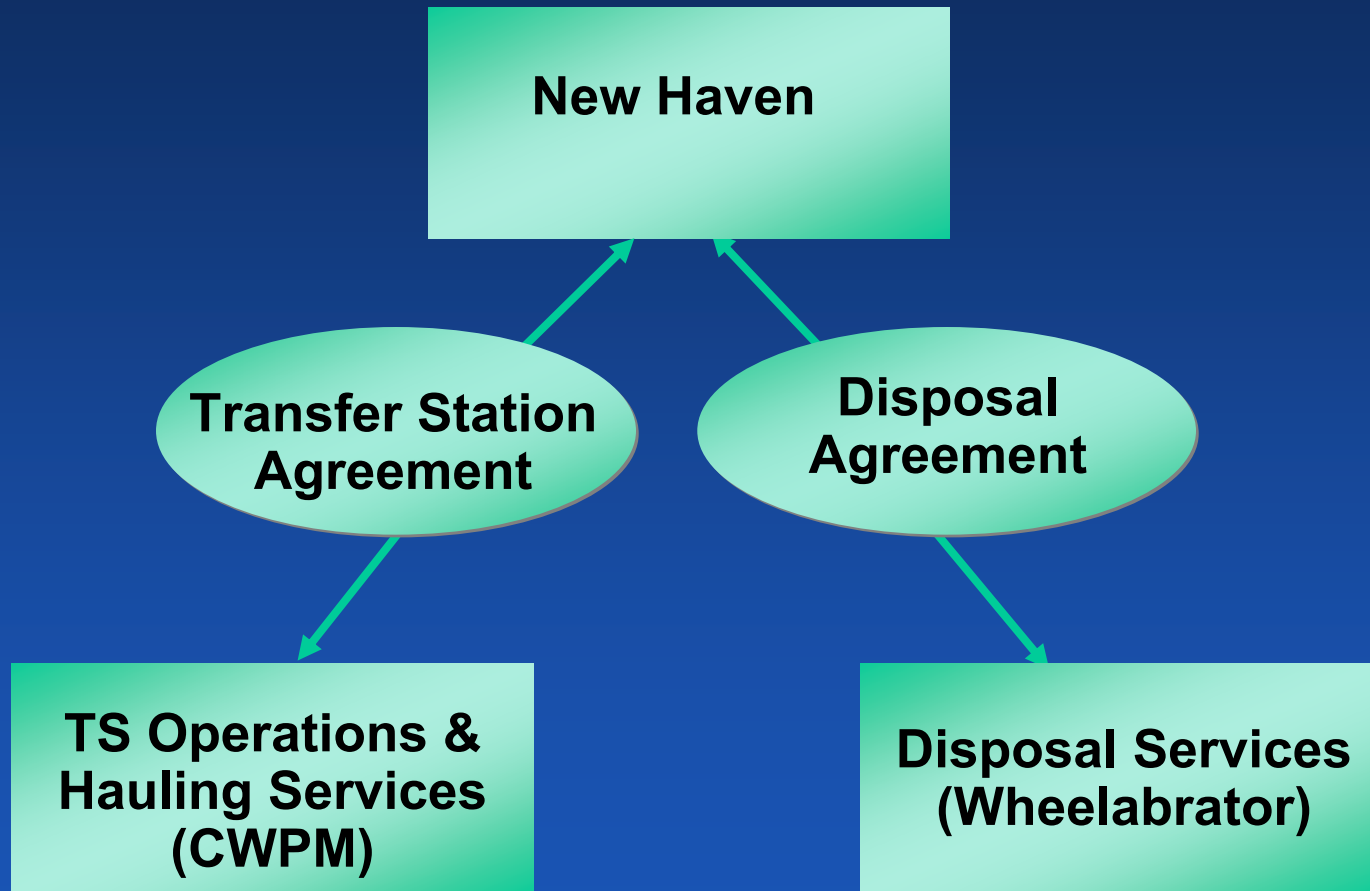
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OVERVIEW

Current Solid Waste Operations

- The City provides solid waste collection and disposal services to all residential establishments consisting of 6 or less units
- The City utilizes in-house staff for collection
- Waste is brought to the City's Transfer Station then hauled to either a recycling facility or in-state waste-to-energy facility for processing and/or disposal
- The City contracts out transfer station operations and disposal services

Current Solid Waste Management System



CITY CHALLENGES/ OPPORTUNITIES

City Challenges/Opportunities

- **BUDGET OVERUNS:** The Transfer Station has 3 consecutive and significant budget overruns in the past 3 fiscal years.
- **EXISTING DEBT:** There is \$4.9M in outstanding debt associated with the solid waste operations.
- **CAPITAL IMPROVEMENTS REQUIREMENTS:** The projected capital improvement requirements for the next 5 years total \$5.6M.
- **LONG-TERM CONTRACTS:** Long-Term Contracts expire on December 31, 2008.
- **WASTE FLOW CONTROL:** In April 2007, the Supreme Court ruled that a public entity can mandate flow control to a publicly-owned disposal facility (Oneida-Herkimer Case).

City Challenges/Opportunities (cont.)

- **POTENTIAL FUTURE LOWER RATES:** The contracted capacity of the Bridgeport facility is expiring and the debt on the facility will be paid off, thereby potentially offering significantly lower rates (i.e., CRRA agreement with Wheelabrator and Bridgeport Project Communities also expire on Dec 31, 2008).
- **INCREASED RECYCLING:** Recycling markets are strong and can provide a revenue stream vs. current disposal costs.
- **POTENTIAL RAIL HAUL:** City Transfer Station located in close proximity to a CSX rail line.
- **MARKET INTEREST:** Opportunities for rail and disposal at out-of-state facilities significantly increases service providers and opportunities.
- **ENVIRONMENTAL ASSESSMENT:** Phase One completed without significant issues.



NEW HAVEN TRANSFER STATION

New Haven Transfer Station

- A new permit has been secured for operation of the facility which results in increased recycling and waste management capacity
- The income potential associated with the new permit is estimated to add to the value of the site
- We have determined that there is the potential to bring a rail spur to the site which will enhance its value
- A similar operation (Volume Reduction Facility) recently sold in Norwalk for ~ \$8M
- There is an estimated \$400,000 liability on the property for the demolition, disposal and site restoration of the existing incinerator building
- Estimated gross market value of the permitted Transfer Station = ~\$6M

INDEPENDENT AUTHORITY ALTERNATIVE

Recommendations

As a result of a strategic planning process, undertaken with our Environmental Consultant, we are recommending creation of a New Haven Solid Waste and Recycling Authority (the Authority):

- The City creates the Authority under existing State of Connecticut Statutes
- The Authority leases the New Haven Transfer Station from the City
- Transfer Station operating liabilities and responsibilities are transferred from the City to the Authority
- The Authority would bill the City for services provided to City residents and would bill commercial establishments directly for services provided to commercial establishments
- Refuse collection responsibilities will remain with the City providing for a seamless transition to residents

Proposed Governance

Under this structure, the Authority would perform the following functions:



- Lease and operate the Transfer Station
- Operate under a governance system established by the City
- Issue its own revenue bonds to finance required facilities and all improvements
- Levy assessments and solid waste user charges
- Provide the City with voting representation in its governance
- Assume future liabilities from the City including impact on bonding capacity
- Pay the City an upfront lease payment for the long-term (20 year) lease of its assets and annual lease payments to reimburse existing facility debt
- Stabilize/reduce cost of solid waste disposal services

Comparison of Governance and Other Factors

Factor	Current Structure	Independent Authority
Power to Own and Operate a the Solid Waste System	X	X
Debt or Financial Responsibility Not Carried by the City		X
Environmental Liability Not Responsibility of the City *		X*
Eligible for State Grants/Loans	X	X
Exempt from Federal and State Taxes	X	X
Eligible for Tax-Exempt Financing	X	X
Authority to Control Waste Flow	X	X
City Voting in Governance	X	X

Assumptions

The financial analysis of the Authority alternative is based on the following assumptions:

- The City will appoint a Board to govern the Authority and implement waste flow control
- The Authority will be managed initially by an interim director who will administer and manage operations, enforce solid waste rules and regulations, and coordinate staff support to the Board of Directors
- A single new contract is executed for Transfer Station operation, haul and disposal, replacing the current dual contracts
- A new agreement is executed for recyclable materials

Assumptions (continued)

- City and Authority will establish an accounting system and incur some increased cost associated with auditing, billing and administration.
- The Authority will rely on City inter-departmental contracted services, including engineering, legal and others for support services vs. hiring additional staff.
- The Authority will lease the City's Transfer Station for \$6M and will assume City's future debt and repay existing debt.
- The Authority will fund operating reserves and finance at least two years of capital improvements. The financial analysis assumes an initial bond issuance of ~\$10M.

Financial Comparison

Factor	Current Structure	Proposed Authority
Estimated 20-yr NPV	\$198 M	\$186 M
Estimated Annual HH Savings *	-	\$18 / HH
Estimated 20-yr NPV Ratepayer Savings	-	\$12 M
Asset Payment to City	-	\$8.8 M
Total Savings to City and Ratepayers	-	\$20.8 M
Debt on City Books	\$10.5 M	\$2.1 M

Potential Savings

Projected rate payer savings = ~\$12M over 20 years

Item	Annual Savings
Waste Flow Control	\$0.2 M
Recycling Revenues	\$0.2 M
Reduced Disposal Quantities	\$0.2 M
Re-procurement of Agreements	\$1 M
Subtotal Savings	\$1.6 M
Administrative Costs	\$0.5 M
Lease Payment Debt Service	\$0.6 M
Net Savings	\$0.5 M

New Haven Benefits

- Reduced cost to taxpayers
- Ability to create and implement efficiency and cost savings programs independent of possible budgetary constraints imposed by the City
- The debt of the Authority is not included as debt of the City, and therefore is not counted against the City's debt limit
- Lease option provides same financial benefits, is easier to implement, and provides flexibility and opportunity to take back the facility should conditions change
- Improved environmental performance through increased recycling, capital investment, demolition of old incinerator and rail haul opportunities
- Seamless transition for residents since many of the changes refer to financial management and contract operations

IMPLEMENTATION

Creation of Independent Authority (CGS Chapter 103b)

- **Step 1** – Submit Ordinance creating the New Haven Solid Waste and Recycling Authority and Ordinance providing Waste Flow Control Authority to Board of Alderman for review (submitted on December 17, 2007)
- **Step 2** – Ordinance creating the Authority enacted by BOA pursuant to Article IX, Section 41 of the City Charter (anticipate approval by March 2008).
- **Step 3** – Authority holds initial meeting and elects officers, adopts bylaws, adopts ordinances, approves any agreements to be entered into.
- **Step 4** – Authority issues Request for Proposals to replace existing contracts expiring on December 31, 2008.
- **Step 5** – City and Authority complete Permit Transfer Form seeking approval of transfer of environmental permits. (Need at least 30 days lead time)
- **Step 6** – City and Authority undertake public relations program to explain changes to customers.
- **Step 7** – Close financing, Authority takes over operations.