



# Rhode Island League of Cities and Towns

## Solid Waste 2038: A 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 21. 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.



## "SOLID WASTE 2038" Projected Costs

Cities/Towns	Estimated 2015 Tons	Estimated FY'15 Cost \$32/ton	Projected FY'17 Cost \$65/ton
Barrington	5,541	\$ 177,305	\$ 360,150
Bristol	9,165	\$ 293,270	\$ 595,704
Burrillville	3,997	\$ 127,905	\$ 259,806
Central Falls	4,273	\$ 136,731	\$ 277,735
Charlestown	545	\$ 17,432	\$ 35,409
Coventry	12,355	\$ 395,369	\$ 803,094
Cranston	23,697	\$ 758,301	\$ 1,540,299
Cumberland	10,909	\$ 349,093	\$ 709,095
East Greenwich	3,824	\$ 122,359	\$ 248,542
East Providence	13,404	\$ 428,914	\$ 871,232
Exeter	1,710	\$ 54,712	\$ 111,134
Foster	1,674	\$ 53,565	\$ 108,805
Glocester	2,596	\$ 83,065	\$ 168,726
Jamestown	2,048	\$ 65,543	\$ 133,135
Johnston	13,455	\$ 430,558	\$ 874,570
Lincoln	6,956	\$ 222,577	\$ 452,109
Little Compton	1,540	\$ 49,267	\$ 100,073
Middletown	2,323	\$ 74,329	\$ 150,981
New Shoreham	2,009	\$ 64,298	\$ 130,605
Newport	7,427	\$ 237,675	\$ 482,777
North Kingstown	5,660	\$ 181,111	\$ 367,882
North Providence	8,857	\$ 283,428	\$ 575,713
North Smithfield	3,049	\$ 97,568	\$ 198,185
Pawtucket	19,574	\$ 626,372	\$ 1,272,318
Portsmouth	3,955	\$ 126,550	\$ 257,056
Providence	56,882	\$ 1,820,237	\$ 3,697,357
Richmond	820	\$ 26,234	\$ 53,288
Scituate	3,420	\$ 109,453	\$ 222,327
Smithfield	5,313	\$ 170,012	\$ 345,337
South Kingstown-Narragansett	8,717	\$ 278,944	\$ 566,606
Tiverton	-	\$ -	\$ -
Warren	4,813	\$ 154,024	\$ 312,861
Warwick	25,109	\$ 803,476	\$ 1,632,060
West Greenwich	1,147	\$ 36,719	\$ 74,586
West Warwick	9,110	\$ 291,505	\$ 592,119
Westerly-Hopkinton	6,045	\$ 193,437	\$ 392,919
Woonsocket	8,605	\$ 275,350	\$ 559,304
<b>TOTAL</b>	<b>300,522</b>	<b>\$ 9,616,689</b>	<b>\$ 19,533,899</b>