

**Montgomery-Otsego-Schoharie Solid Waste Management  
Authority  
Finance Committee Meeting**

**Date:** June 3, 2008

**Location:** Howes Cave Administrative Complex

**Members Present**

Meredith McNeil  
Martha Clarvoe  
John Thayer

**Members Absent**

**Others Present**

Gilbert Chichester  
Barbara Corrigan  
Olga Podmajersky  
Edward Wesnofske  
John Mattas  
Phil Skowfoe  
Roger Cohn

**1. Opening -**

Chairman McNeil opened the meeting at 1:03 p.m.

**2. Minutes of Prior Meeting -**

The minutes of the September May 19, 2008 meetings of the Finance Committee were reviewed. John Thayer moved their adoption with Martha Clarvoe seconding the motion. The minutes were unanimously approved.

➤ **Fuel Over Charge Implications -**

Mr. McNeil stated the purpose of the meeting was to relate to the fuel price increases as they relate to the tip fee. He reported that Mr. Wesnofske and Mr. Chichester had met with Richard and Joseph Riccelli in Syracuse on May 28, 2008.

Mr. Wesnofske related to the visit by indicating that the meeting lasted about one and one-half hours. He related that Rich Riccelli had put forth the fact that his company had absorbed the \$1.70 increase in diesel fuel prices since the inception of the Agreement. Mr. Riccelli pointed out that unlike with most such agreements there was no escalation from the beginning. He indicated that they had to recoup the added fuel costs they had absorbed.

Mr. Wesnofske indicated that he raised question about the open ended nature of the Agreement. He expressed a need for some rationale for future adjustments if fuel prices continue to rise. Mr. Riccelli indicated that he had not thought about oil prices going that high and felt it warranted future discussions if fuel prices continued to go up.

It was reported that the concept of MOSA purchasing fuel under state contract and providing it to Riccelli was discussed. Mr. Chichester shared the concern of MOSA's general counsel given guidelines that were distributed from the State. There are legal ambiguities relative to this concept that have been implemented by other Counties. Mr. Wesnofske indicated that this can be revisited if the board felt it appropriate.

Mr. Wesnofske shared that the Riccelli's indicated that they had not come to the Authority seeking a fuel adjustment while MOSA is now looking for an adjustment.

General business issues were also discussed. Mr. Riccelli indicated that there was a lot of risk in responding to customers given the volatile and escalating energy costs. Riccelli's understood that a lot of municipal budgets are very stressed with the increases in energy costs.

Ms. Podmajersky asked who was at the meeting and Mr. Wesnofske explained that it was himself and Mr. Chichester along with Rich and Joseph Riccelli. Ms. Podmajersky asked that a trip report be created and made available to the full board.

Mr. Wesnofske also explained that the Riccelli Enterprises, Inc. organization was impressive. They have modern facilities, upward to 500 employees and 400 motor units. They currently use approximately 15,000 gallons of fuel per day.

Additionally, it was pointed out that the Riccelli's are invested in the ethanol generation process. They have facilities for storing corn as well as the by-products near the ethanol plant in Oswego County.

Mr. Wesnofske indicated that it was clear that Riccelli Enterprises, Inc. wants to keep MOSA's business.

Martha Clarvoe inquired as to the status with discussions with Fulton County.

Mr. Chichester indicated that they had excess space under the terms of their permit when he last spoke with Jeff Bouchard.

Mr. Chichester also indicated that he had had discussions with Mr. Riccelli relative to hauling costs to Fulton County. He further explained that it is not the hauling that is a problem but fact that all MOSA's waste is committed to Casella and Waste Management through the Agreement with Riccelli Enterprises. He thought it would be difficult to negotiate out of these arrangements given that waste is generally down and the landfills are feeling this downturn in waste production.

Mr. Chichester shared the fact that he had researched the possibility of shipping Beneficial Use Materials to Fulton County so as to develop a relationship. However, careful consideration must be given to the trade off between processing such waste and the demand at the Fulton County Landfill.

Mr. McNeil pointed out that in his travels to the Rochester area he sees ongoing recruitment efforts for help.

Mr. Thayer indicated the he does not want to offer tax exempt fuel to Riccelli. He sees no advantage to the Authority.

Mr. Wesnofske commented further with regard to the liability ramifications of allowing Riccelli to become an agent of the Authority.

Martha Clarvoe inquired as to the current pricing on the Department of Energy index. It was pointed out that for the week of June 2 it was \$4.91.

Mr. McNeil pointed out that Olga Podmajersky had commented before to the need to determine to what level the Authority might want to subsidize the increase in fuel costs.

The current situation was reviewed wherein the Authority is absorbing all additional costs for the fuel Over Charge required in the T & D Agreement up to July 1, 2008. After that the plan is to split the added cost (\$6.00) for the first level of increase, i.e. the increase incurred after fuel reaches \$4.50 but remains below \$4.99.

The question posed was what to do when the Department of Energy (DOE) index shows low sulfur diesel for the Central Atlantic Region to be at or above \$5.00.

Barbara Corrigan provided some figures to bring some perspective to the situation at hand. If the price of diesel remains below \$5.00 but above \$4.49, the projected added costs will be \$86,812 for the period beginning on May 12 to and through June 30, 2008. If this scenario continues through the end of 2008, the projected added cost to be incurred will total \$243,636. The full report is attached. For projections between July 1 and December 31, the projected deliveries are used, which are significantly below the GAT.

Ms. Corrigan also reviewed the Capital Budget while emphasizing that the figures are estimates and not based upon bid prices.

The purpose of this review was to provide guidance with regard to the use of the Rate Stabilization Fund. The following assumptions and calculations were highlighted.

- Equipment Replacement will continue as scheduled
- Capital Projects as discussed will be completed
- In 201 use the Building and Grounds Fund, and the Bond Redemption and Improvement Fund.
- The Debt Service Reserve will be used in 2013 for the final debt payment

If these assumptions are followed, the Authority will be left with \$3,185,358 required to complete all capital projects by 2014. In other words, funds would have to be acquired

from other sources, or the use of funds would have to be planned in another way.

John Thayer summarized Ms. Corrigan's presentation by observing that all the funds are spent and there is a deficit of funding if all projects are completed. He indicated that it could be difficult to get funds after 2010.

Meredith McNeil pointed out that there have been many discussions around Mr. Thayer's observations over the years.

Mr. Wesnofske pointed out that many engineers have been involved with the considerations of the item shown in the Capital Budget.

Mr. Wesnofske, in an attempt to frame the issue, indicated that there were some funds in Rate Stabilization that could be used.

Ms. Podmajersky indicated that it is her idea to set some limit on how much Rate Stabilization will be used to subsidize the tip fee.

It was felt that in the time between the committee meeting and the next meeting of the Governing Board, some thought should be given to how much should be used for a fixed period. Once that amount is expended, another meeting should be called to discuss future funding.

Meredith McNeil indicated that he did not want to give notice every 30 days. He thought a review every quarter would be appropriate but understood that the changes imposed by the market might not allow for that. He further thought that phasing in any increases was preferred to large jumps at one time.

Barbara Corrigan pointed out that the discussions thus far were focused on getting through 2008. She wanted everyone to realize that the amount absorbed in 2008 sets the stage for the increase in tip fee for 2009 of \$6 based on the fuel overcharge. Mr. Thayer added in the contracted increase for T&D of \$2.48 for a total 2009 anticipated increase for T&D alone of \$8.48.

### **3. Other Business --**

The attached Notice of Rate Increase, the preparation of which was directed by resolution at the last meeting of the Governing Board, was distributed and reviewed.

### **4. Closing**

Respectfully Submitted,  
Gilbert L. Chichester  
Executive Director

## Montgomery-Otsego-Schoharie Solid Waste Management Authority

### Notice of Rate Increase

June 2, 2008

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- All waste delivered to MOSA Transfer Stations is shipped by truck to distant landfills in Western New York State
- A contract was negotiated with the hauler submitting the lowest proposal in response to a “Request for Proposals” issued by the Authority in 2005.
- The contract allows for a fuel surcharge in the event that for any given week during the contract term, the average weekly retail price per gallon for low sulfur diesel fuel equals or exceeds \$4.50 according to U. S. Department of Energy published sources for the Central Atlantic Region.

Upon reaching this level, a surcharge is added equal to 10% of the Service Fee for every \$0.50 increase in the per gallon cost of fuel.

- The low sulfur diesel fuel price published by the U. S. Department of Energy on May 12<sup>th</sup> exceeded \$4.50 per gallon, which resulted in an increase in the transportation cost equal to \$6.00 per ton or about \$150 per load.
- If, for any week, the reported fuel price reaches \$5.00 per gallon, the Surcharge will be \$12 per ton.
- On May 22, 2008, the Governing Board of the Authority directed that all municipalities and customers served by the Authority be given an explanation of the obligations imposed by the current transportation and disposal agreement and be further noticed of a rate increase.
- MOSA is absorbing the total increase in cost from May 12<sup>th</sup> to July 1<sup>st</sup>.
- **Please take note that effective July 1, 2008 the Official Tipping Fee and the Tipping Fee for Outside Waste shall be increased by \$3.00 per ton, from \$101.50 per ton to \$104.50 per ton.**
- Please take further notice that additional adjustments may be necessary in response to future diesel fuel price fluctuations.

(OVER)

06/02/2008

**Montgomery-Otsego-Schoharie  
Solid Waste Management Authority**

**2008 Rate Schedule --**

**Effective 7/1/08**

<i>Materials and Services</i>	<i>\$ Amount</i>
MOSA Official Fee All Non-Hazardous Waste	\$104.50/Ton
Montgomery County Subsidized Rate	\$85.50/Ton
<u>Otsego County Subsidized Rate (County Contract Required)</u>	\$90.50/Ton
<u>Schoharie County Subsidized Rate (County Contract Required)</u>	\$70.50/Ton
All Non-Hazardous Waste Outside Service Area (Requires approval from MOSA's Main Office in Howes Cave)	\$104.50/Ton
<u>Scaled MSW Minimum Fee</u>	16.00
<u>MOSA MSW Per Bag Fee - Approximately 30 gallon bag/container</u>	4.00/Bag
<u>Freon Removal</u>	<u>20.00/Un</u>
<u>Non-Refrigerant Bulky White Goods</u>	<u>No Cost</u>
Non-Refrigerant Bulky White Goods Mixed with MSW	25.00/Unit + Applicable \$/Ton
Refrigerant Bulky White Goods Mixed with MSW	25.00/Unit
Auto Tires up to 17" – Without Rims (Market Rate + \$0.65)	1.75/Tire
Auto Tires up to 17" – With Rims (Market Rate + \$0.65)	2.50/Tire
Commercial Truck Tires up to 24.5 in. – (Market Rate + \$0.65)	6.25/Tire
Commercial Truck Tires are NOT Accepted with Rims	
All Other Tires Without Rims	.36/Lb.
Tires Mixed with MSW	10.00/Tire + Applicable \$/Ton
<u>Certified Weight Charge</u>	5.00
Returned Check Charge	30.00
Commercial Vehicle Registration (CVR) - Per Vehicle	No Cost
Resident User Card	No Cost
Uncovered Loads	Double Charge
Special Handling Arrangements	At Cost
Placing Trailers at C&D Sites (in addition to applicable County tip fee) (Requires approval from MOSA's Main Office in Howes Cave)	Available Upon Request
Finance Charge on Past Due Unpaid Balances	1.00%/mo.