

June 24, 2013

To: Resource Recovery Project Budget Committee:
Commissioner Janice Rettman
Commissioner Autumn Lehrke
Commissioner Blake Huffman

From: Joint Staff Committee
Zack Hansen, Ramsey County Public Health
Judy Hunter, Washington County Health and Environment
Sue Kuss, Ramsey County Finance

RE: 2014- 2015 Project Budget

Introduction

A draft of the 2014 – 2015 Ramsey and Washington County Resource Recovery Project (Project) budget is attached for your review prior to the June 27, 2013 Budget Committee meeting. Prior to 2012 the Project had been approving two-year budgets. The 2012 budget was approved for one year, because the Processing Agreement with RRT expired at the end of 2012 and, processing expenses were unknown at the time the budget was considered for approval. The 2013 budget is also a one-year budget. The 2014 – 2015 budget is proposed for two years, in order to align with the term of the current Processing Agreement with RRT.

The process for consideration of the budget is as follows:

Committee review and action	June 27, 2013
Project Board Action	July 25, 2013
Budget submitted to County Boards for approval	August – September 2013

2014-2015 Budget Structure

The Budget is organized into five Programs, so that work being performed can be more closely linked to specific activities. The five categories are:

- **Project Management** - This Program includes expenses associated with managing the Resource Recovery Project and the Processing Agreement with RRT.
- **Non-Residential Recycling and Organic Waste Management** - This Program includes funding for the variety of activities that the Project initiated in 2011, following a year-long policy evaluation of organic waste management. The work includes education, consultation and technical assistance; evaluation and

recommendations to address collection efficiencies; evaluation of a starter-grants program; and funding for food rescue. Added to the work in 2013 has been a coordinated effort to promote recycling by non-residential generators. A narrative summary of the Project's work on non-residential recycling and organics is included as Attachment 1 entitled "Non-Residential Organic Waste and Recycling Work Narrative."

- **General Outreach** - This Program includes outreach and education activities targeted at waste generators in the two Counties.
- **Policy Evaluation** - This Program is a one-time program, starting in 2013 and continuing through 2014, which is a result of the policy discussions and development of the 2013-2015 Processing Agreement. The 2014 work is summarized in a narrative summary in Attachment 2, entitled "2014 Policy Evaluations." There is not budget proposed for this work in 2015, because that work is dependent on policy decisions the Board will make in 2015. As was approved for 2013, staff are recommending that funding for this one-time work use Resource Recovery Project Fund Balance as a source of revenue.
- **Resource Recovery** - This Program provides funding for hauler rebates for delivering waste to the processing facility in Newport.

General Comments About the 2014 - 2015 Budget

Expenses relate to policy decisions made by the Project Board that reach back to 2011 and 2012:

- Work continues on the ***East Metro Non-Residential Recycling and Organics*** project (which started in late 2011), with activities related to outreach and promotion, consultation and technical assistance, evaluation of methods to improve transportation, economics, and consideration of starter grants.
- The 2013 – 2015 Processing Agreement, approved by the County Boards on September 18, 2012, includes a ***hauler rebate*** (\$28 per ton) with a cap on total County costs (\$8.4 million), but ***no longer includes a processing payment to RRT.***
- In considering the 2013 – 2015 Processing Agreement, the Project Board requested an ***evaluation of alternative waste processing technologies*** that could be considered by the Counties in the future.
- The 2013 – 2015 Processing Agreement also contains revised terms for the Counties' option to purchase the Facility. The 2014 - 2015 budget contains funds for the ***policy evaluation related to the future of processing.*** It should be noted that the work plan and budget for this work has some uncertainty attached, as specific work in 2015 relies on work performed in 2013, and decisions made in late 2014 or early 2015. Because of this, and because it is one-time work, staff recommend that the Project continue to use Project Fund Balance as a revenue source for this work.

2014 - 2015 BUDGET SUMMARIES

EXPENSES

The 2014 - 2015 recommended budget is included as separate document; it includes the overall budget and two spreadsheets that show detail for the East Metro Organics and

Recycling program, and the Policy Evaluation work. . The overall 2014 budget is 2.1%, or \$226,000, greater than the 2013 budget, with the increase a result almost entirely because of the additional study of waste processing alternatives, and work related to policy evaluation, including potential purchase of the Facility. Despite the increase, on the revenue side, the County contributions are almost the same as 2013, because of the recommended use of Fund Balance for the Policy Evaluation.

Overall the 2015 budget is 5.5% less than the 2013 budget, because at this time no funds are budgeted for the Policy Evaluation work. County contributions are about the same in 2015 as 2014.

Expenses

	2012 Actual	2013 Approved	2014 Staff Recommends	Change from 2013	2015 Staff Recommends	Change from 2013
Project Management	\$ 461,898	\$ 362,926	\$ 342,546	(\$ 20,380)	\$ 345,774	(\$ 17,152)
Organic Waste Management	\$ 503,260	\$ 964,000	\$1,030,000	\$ 66,000	\$ 1,030,000	\$ 66,000
General Outreach	\$ 230,274	\$ 362,500	\$ 306,500	(\$ 56,000)	\$ 306,500	(\$ 56,000)
Policy Evaluation	\$ 107,153	\$ 589,000	\$ 805,000	\$ 216,000	\$ 0 ²	(\$589,000)
Resource Recovery	\$7,239,655	\$8,400,000 ¹	\$8,400,000	\$ 0	\$ 8,400,000	\$ 0
Total	\$8,542,240	\$10,678,426	\$10,884,046	\$ 226,000	\$10,082,274	(\$596,152)

Notes:

- ¹ The Resource Recovery funding in 2012 is for hauler rebates. *There is no longer a processing payment made directly to RRT.* The Ramsey County portion (73%) is \$6,132,000, the Washington County portion (27%) is \$2,268,000.
- ² Funds are not included for Policy Evaluation in 2015 because the specific work cannot be identified until policy decisions about the future of processing are made by the Project Board and County Boards. A budget amendment would be made in 2014 to include the necessary funds in this category for 2015.

REVENUE

Revenue for the Project comes from these sources:

- Contributions from Ramsey (73%) and Washington (27%) Counties
- Interest income on Resource Recovery Fund Balance
- Insurance dividends from MCIT
- Use of Resource Recovery Fund Balance for one-time expenses associated with the Policy Evaluation Program. As of December 31, 2012, the Resource Recovery Fund Balance contains \$5,776,210; using \$805,000 for the Policy Evaluation in 2014 will leave sufficient funds for cash flow management at the Project.

Revenues

	2012 Actual	2013 Approved	2014 Staff Recommendation	2015 Staff Recommendation
Ramsey County	\$ 6,219,621	\$ 7,354,331	\$ 7,354,054	\$ 7,356,045
Washington County	\$ 2,300,621	\$ 2,720,095	\$ 2,719,992	\$ 2,720,729
Interest	\$ 3,554	\$ 5,000	\$ 5,000	\$ 5,000
Dividends	\$ 18,657	\$ 0	\$ 0	\$ 0
Fund Balance	\$ 0	\$ 589,000	\$ 805,000	\$ 0
Total	\$8,542,240	\$10,678,426	\$10,884,046	\$10,082,274

ACTION REQUESTED

Staff recommend that the Budget Committee discuss and recommend the proposed 2014 - 2015 Resource Recovery Project Budget to the Ramsey and Washington County Resource Recovery Project Board.

2014 – 2015 Resource Recovery Project Budget Non-Residential Organic Waste and Recycling Work Outline

Background

During 2011 the Project Board spent a significant amount of time considering policy and strategic direction for managing organic waste in the East Metro area. At meetings in January, April, June and September the Board decided on a vision and milestones for commercial organic waste management, gathered information from the public and private sectors about how to increase further organic waste recovery, provided strategic direction to staff, and authorized a number of contracts and expenditures to set things in motion. Because business decisions on organic waste frequently include discussion of recycling of traditional materials (paper, cardboard, glass, metal) in 2013 the Project expanded outreach activities to include resources that support non-residential recycling.

Vision and Milestones

In April 2011, the Project Board adopted a Vision for Organic Waste Management, as well as milestones looking to year 2020. The vision is:

By 2020, the Waste Management system will value and manage organic waste as a resource, and incentives will be in place to manage organic waste higher on the hierarchy. Comprehensive organic waste management services will be readily available and be offered by the private sector. Architects and developers will design and build for multiple stream collection. Generators and haulers will work together to tailor organics collection services, and pricing will be an incentive for separate management of organic waste. There will be multiple opportunities for organic waste, and end markets for products derived from organic waste will be thriving

2014 Work Plan

A. Education, Consultation and Technical Assistance

1. ***Continue to develop and fine-tune a list of potential commercial generators of organic waste and recyclables for outreach efforts.*** Maintaining an accurate database of businesses is key to targeted outreach. Most of this work can be done in-house with the respective County GIS staff, but it may be necessary to secure an intern or temporary employee to help with data entry and database management. This database will also help in recycling outreach efforts.
2. ***Maintain, Expand and Improve the East-Metro Non-Residential Organics and Recycling Website.*** The Project has launched the website BizRecycling at the URL www.lesstrash.com. This is an essential element for the Counties' efforts to increase recycling and organic management for non-residential generators. The website is targeted at local businesses in Ramsey and Washington Counties, with resources tailored to meet their needs.

In 2014 - 2015 the following steps are expected, and the recommendation is to continue to contract with Risdall, the site developer, to continue work on the site.

- a. Maintain the site, including updating content;
- b. Expand the site to include more tools targeted at specific sectors, based on content developed during 2013;
- c. Continue to expand the site to include broader and deeper information about non-residential recycling;
- d. Pursue more case studies and best-practice resources that can help businesses make sound economic decisions about waste management.
- e. Expand the site to include resources for businesses on hazardous waste management, and pollution prevention.

3. ***Contract for consulting and technical assistance services for 2014-2015.*** Staff recommends that the Project continue to provide consulting services to high volume generators of organic waste, and expand to targeted commercial organics generators. In the past two years we have learned that outreach on organics leads to interest in recycling, and so the work of the Project seeks to combine consultation on organic waste management and recycling. To do that, staff recommend that Minnesota Waste Wise and JL Taitt and Associates continue to be retained. MnTAP has been a valuable partner in developed elements of the organic waste program, but the type of service they provide doesn't appear to be the best fit moving forward into 2014.

For 2014 staff recommends the following:

- a. ***JL Taitt and Associates*** to provide technical assistance and consultation services for institutional generators, such as school districts, hospitals and nursing homes, alternative care facilities, and colleges and universities.
- b. ***Minnesota Waste Wise*** is a member-supported 501(c)(3) affiliated with the Minnesota Chamber of Commerce, that delivers strategic environmental consulting to help businesses save money through waste reduction, resource conservation and energy efficiency. The Project retained Waste Wise in 2012 for direct consultation for businesses on organic waste. Staff propose to redirect a portion of the funds that had been allocated to MnTAP to Waste Wise to expand their reach. Further, Ramsey County has had separate contracts for several years with Waste Wise for recycling advice, and staff recommend that work be rolled into the Project Contract, eliminating the need for a separate Ramsey County Contract.

B. Outreach

This work has two overall objectives. First, to raise awareness about organic waste management and recycling options among businesses and institutions, and second, to market the organic waste management services available from the Project and Counties to assist large volume generators of organic waste.

1. **Marketing:** Continue to use the services of Risdall (beyond the website assistance) to provide marketing expertise to assist in devising methods to directly reach non-residential generators, including targeted organic waste generators. Risdall will continue to assist in devising methods to best reach targeted audiences and to assist in developing the strategies to market those services.
2. **Outreach materials:** Materials are needed for use by staff, consultants, and others to promote organic waste and recycling services. In 2013 a graphic design firm, Lure Design, was hired following a competitive procurement process. In 2014 – 2015 funds are allocated for continued graphic design services for development, as well as production, of materials with a consistent branded theme. The design services are used for development of direct mail items, brochures and promotional materials, technical assistance materials used by staff and consultants, as well as the look of electronic ads.
3. **Broad Outreach Campaign:** Implement a broad outreach campaign to raise awareness among all potential non-residential generators about recycling and organic waste management.
4. **Targeted Campaign:** Target high volume organic waste generators for additional specific messages and availability of technical assistance.
5. **Evaluate:** level of awareness among generators using survey tools, focus groups, and feedback gathered by consultants.

C. Financial Interventions and Securing Capacity

1. Securing Capacity

At its September 2011 meeting, the Resource Recovery Project Board adopted Resolution 2011-RR-03, which provided authorization to proceed with a number of activities related to organic waste. One element of the resolution said:

“Authorize staff to further discuss organic waste transfer capacity with transfer station operators, and, if appropriate, develop, issue, and evaluate either a request for proposals (RFP) or request for expressions of interest (RFI), with a report back to the Project Board in early 2012.”

In December 2011, working with Foth, the Project issued a "Request for Expressions of Interest," (RFEI) and distributed it broadly. The purpose of the RFEI was to assist the Resource Recovery Project in determining how best to pursue provision of transfer station capacity to receive and transport commercial and residential *organic* wastes collected in the two counties to organics processing facilities located inside or outside the two counties. The RFEI provided background information, and asked a number of general questions to solicit input from potential service providers. Five responses were received, as well as several inquiries and requests to "stay informed." Because of time constraints that resulted from the protracted negotiations with RRT in 2012 as well as staffing changes in the Counties, this work was put "on hold."

During 2013, the Project has been evaluating options to increase the separate management of organic waste. In 2013, the Project's engineering consultant re-contacted the responders to the RFEI, as well as other members of the industry, to 1) determine whether there had been changes in the market and 2) their reaction to different options for County involvement in transportation economics. That work is being completed in June 2013, and will be presented to the Project Board in July. Funding is included in the 2014-2015 budget to provide for some level of intervention, depending on the Board's decision.

2. Targeted Grants Program

Using financial grants targeted for specific purposes has been successful in other parts of the U.S. and Canada to increase recycling and organics management. The Project Board authorized staff to design a targeted 'Starter Grants' program for commercial businesses, with the grant design and proposed costs for a grants program being presented to the Project Board. Work on this activity was postponed from 2012 to 2013, and a report will be presented in July or September 2013.

2014 – 2015 Resource Recovery Project Budget Policy Evaluations Work Outline

Two policy evaluations are taking place in 2013, an analysis of waste processing technologies other than production of refuse-derived-fuel (RDF), and evaluation of the potential purchase of the Facility in Newport. Both evaluations follow from the development and approval of the 2013 – 2015 Processing Agreement, and contribute to the analysis of how the Counties should continue processing waste after 2015.

2013 categories of work:

1. Technology Options Analysis –

- A general scan of existing and emerging technologies for processing waste.
- A detailed analysis of those technologies most likely to fit the East Metro area.
- A comparative analysis to examine the technical, policy, legal, permitting, siting, reliability and financial issues and compare the technologies evaluated in the previous task with landfilling and RDF production.

2. Evaluation: Future of Processing and Potential Purchase of the Resource

Recovery Facility - This evaluation is an outgrowth of the Option to Purchase provisions in the 2013 – 2015 Processing Agreement, and consists of two parts: establish a purchase price by December 31, 2013 and policy analysis leading to a decision point in 2015 about the future of waste processing.

- **Establishing a Purchase Price**
- **Identifying the Overarching Policy Issues**
- **Technical Status of the RRT Facility**
- **Policy Issues Related to County Purchase of Facility, such as ownership, governance, planning requirements, waste assurance**
- **General financial analysis**
- **General overview of Operational issues**

The work in 2013 leads to a decision point 1 - (Likely in early 2014): *Should the Counties proceed to further evaluate purchase of the facility, gather more information, and conduct analysis sufficient to make a decision?*

2014-2015 Categories of Work

In 2014 there will be a need for more detailed Phase 2 work, with the specifics depending on the decision made. For purposes of the 2014 – 2015 budget, the following is an outline of work in various categories.

Phase 2: Detailed analysis and more specific analyses (2014)

The work in this phase is dependent on the work performed in the first phase. This phase is intended to gather the *detailed* information needed to make a decision regarding the future of processing, and whether to purchase the Facility. With regard to Facility purchase, this would be the “due-diligence” phase. The following categories are likely to be included.

- **Transaction Issues – Due diligence**
 - Financial and legal issues associated with acquisition of the Facility, such as legal review of contracts and assignments, deed and easement issues, permitting, purchasing protocols, etc.
 - More detailed engineering examination of the facility and assets that would be acquired.
- **Policy Issues** – Based on the preliminary work from 2013, more advanced policy development focused on the decision made in 2013. This would include specific legal, financial and policy analysis, definition of options, and development of implementation materials for the categories of:
 - Facility Ownership
 - Governance structure
 - Outlining necessary Master Plan amendments
 - Framing decisions on waste assurance contracts or ordinances
- **Financial issues – Detailed work based on the direction selected by the County Board, to further develop specific information for**
 - Financing facility purchase;
 - Projecting operating costs;
 - Options to finance operating costs
 - Capital analysis and facility maintenance/improvement costs
- **Facility Operational Issues -Building on 2013 work, identifies specific projections for**
 - A scope of operations
 - Labor – Framing the specific alternatives available to the Counties for the facility
 - Continued detailed work on operating agreements

Decision point: *Should the Counties exercise their option to purchase the facility?*