



MAR 04 2015

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February 26, 2015 FAX (860) 727-4141

The Honorable Richard Barlow
First Selectman, Town of Canton
4 Market Street
Collinsville, CT 06022-0168

RE: MIRA Fiscal Year 2016 Budget and Tip Fees

Dear First Selectman Barlow: *Dick*

This letter is provided to inform our Connecticut Solid Waste System (CSWS) customer towns of the tipping fees established for fiscal year 2016 (FY2016). These fees are effective July 1, 2015 through June 30, 2016.

I am pleased to inform you that MIRA (the successor to the Connecticut Resources Recovery Authority), under the guidance of the Board of Directors, has held the FY2016 CSWS net cost of operation (the rate base used in establishing tip fees) essentially flat in comparison to the current Fiscal year 2015 budget. This was accomplished by aggressive costs management, prioritizing operating and capital spending, a contract sale of a portion of our power generation at an attractive rate as a hedge against volatile wholesale energy prices, increasing revenue from recycling operations and using the Tip Fee Stabilization Fund established last year.

Having accomplished that, the Board noted the Governor's concurrently proposed FY2016/2017 State of Connecticut Biennial Budget contemplates a \$1.00 increase in the Solid Waste Assessment fee paid by resource recovery facilities, including MIRA's facility in Hartford. This fee, payable to the State of Connecticut, is currently \$1.50 per ton of waste processed in resource recovery facilities, but will, in the proposed Biennial Budget, be assessed at \$2.50/ton and apply to all solid waste.

In anticipation of this fee increase being levied effective July 1 2015, the MIRA Board, on Thursday February 19th, established the FY2016 tipping fee and included the anticipated state assessment fee increase. Accordingly, the FY2016 tipping fee for all tiers and duration terms will increase \$1.00 over the present FY2015 rates. Therefore the fee applicable to the Town of Canton for FY2016, given Canton's contract with MIRA for waste disposal under a Tier 1 Long-Term Municipal Services Agreement (MSA) is \$63 per ton.

Please note that should the Connecticut General Assembly choose NOT to increase the State Solid Waste Assessment, the FY2016 tipping fee will be reduced by \$1.00 and will be unchanged from the present FY2015 fee.

MIRA will continue, for the 23rd consecutive year, the CRRRA practice of accepting and processing recyclables from participating communities at no charge. We have recently issued rebates of \$10/ton for recyclables delivered in FY2014, we anticipate delivering rebate checks for \$10/ton to participating customer towns for all recyclables delivered in FY2015 subsequent

to our annual independent financial audit, and we have budgeted a \$10/ton recycling rebate for FY2016. Presently, the Town of Canton is a participating community for recycling.

The complete table for various town agreements (MSAs) is shown below.

WASTE STREAM	FY 2016 Tipping Fee
Tier 1 Short-Term (per ton) MSW	\$65.00
Tier 1 Long-Term (per ton) MSW	\$63.00
Tier 2 (per ton) MSW	\$67.00
Tier 3 (per ton) MSW	\$63.00
Spot MSW Waste (per ton)	Market
Bulky Waste (per ton)	\$85.00
Mattress/Box Springs Surcharge (per unit)	\$30.00
Recycling; Single or Dual Stream (per ton)	No Charge

(Notice: Tier 1 Short-Term and Tier 2 customers may convert to a Tier 1 Long-Term MSA at any time)

The FY2016 tipping fees are set by the MIRA Board of Directors based upon the estimated Net Cost of Operation in keeping with the terms of the MSA. The FY2016 operating expense budget for CSWS is \$58.8 million. The CSWS operating expense budget funds the entire system: operation of our transfer stations, the transport of waste and recyclables from the transfer stations to the processing facilities in Hartford, the operation, maintenance and repair of the facilities, contractor costs, and transport and disposal of residue. The FY2016 expense budget represents a 2.9% increase in operating costs compared to the FY2015 budget and is consistent with the expectations of our Ten Year Financial Plan developed pursuant to recent legislation. Our additional reserve contributions are focused on fully funding the major maintenance, capital improvement and equipment acquisition program also included in the Ten Year Financial Plan.

A PowerPoint presentation illustrating the Cost of Operation, Non Disposal Fee Revenue, Net Cost of Operation calculation of fees, as defined in the MSA, and additional details of the FY2016 CSWS budget is attached for your information. The detailed budget schedules will be available for viewing on our Website prior to the beginning of the Fiscal Year.

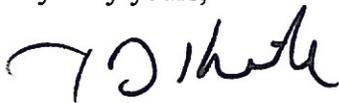
The MSAs require the annual calculation of the Opt-Out Disposal Fee. This calculation establishes a tip fee, which if exceeded, permits our Tier 1 Long-Term and Short-Term customer towns to unilaterally exit their MSAs. For FY2016, the Opt-Out Disposal Fee is \$64.09 for Tier 1 Long-Term Municipalities. The FY2016 disposal fee for Canton is below the applicable Opt-Out Disposal Fee. Please see the attached schedule for a calculation of the Opt-Out Disposal Fee.

Finally, for your information, please know that because the Town of Canton has a Long-Term Tier 1 agreement with MIRA, private waste hauling companies serving commercial and residential subscription accounts in the Town of Canton will also have the advantage of being provided disposal services at the municipal rate, \$63.00 per ton.

Thank you for your patronage of MIRA. We appreciate the opportunity to serve the residents of Canton. We would be pleased to visit Canton and provide an update on MIRA, including but not limited to a review of the FY2016 budget for you or your town council.

Please don't hesitate to contact me or any of the MIRA Directors (Directors contact information is attached) if we can be of any assistance.

Very truly yours,



Thomas D. Kirk
President
tkirk@ctmira.org
860-757-7777

Attachments:

- Budget Power Point
- Opt-Out calculation schedule
- MIRA Directors contact information

MATERIALS INNOVATION AND RECYCLING AUTHORITY



FINAL PROPOSED

Exhibit B

CSWS Division
FY 2016 Budget
Development

February 19, 2015
MIRA Board of
Directors

Note: The Disposal Fees adopted herein include a \$1.00 per ton pass through of the increase in the State's Solid Waste Assessment fee that was included in the Governor's Budget proposed for the FY 2016 - FY 2017 Biennium. MIRA will waive this pass through if the Solid Waste Assessment fee is not increased. If the Solid Waste Assessment fee is increased, all relevant revenue, expenditure and income estimates reflected herein will be adjusted appropriately.

SUMMARY PROPOSED BUDGET

■ Total Operating Revenues -		\$67.3 Million
■ Total Operating Expenses -		\$58.8 Million
■ Operating Income Before Reserve Contributions -		\$8.5 Million
■ Proposed Reserve Contributions		
■ CSWS Debt Service Fund -		\$0.0 Million
■ CSWS General Fund:		\$8.5 Million
■ CSWS Improvement Fund -	\$9.4 Million	
■ CSWS Risk Fund -	\$ 0	
■ CSWS Legal Fund -	\$ 0	
■ CRRA Severance Fund -	\$ 0	
■ CSWS Tip Fee Stabilization Fund -	\$ (0.9 Million)	
■ CSWS General Fund Retained -	\$ 0	
■ Maintain Tip Fee at FY 2015 Level		

SUMMARY PROPOSED BUDGET

■ Cost of Operation -	\$68,202,390
■ Operating Expense Budget - \$58,750,386 (\$1,675,386, 2.9% Increase)	
■ Reserve Contributions - \$9,452,004 (\$948,996, 9.1% Reduction)	
■ Net Increase - \$726,390 / 1.1%	
■ Non Disposal Fee Revenue -	\$43,471,600
■ \$99,400, 0.0% Increase	
■ Includes Member Service Fees (Tier 2) 26,000 Tons @ \$2.00 / Ton	
■ Net Cost of Operation -	\$24,730,790
■ \$1,030,000 / 4.35% Increase from FY 2015	
■ Add: Cost of Service Discounts -	\$ 413,000
■ Tier 1 Long - 204,000 Tons @ \$2.00 / Ton; and	
■ Tier 3 - 2,500 Tons @ \$2.00 / Ton	
■ Deduct: Deficit Funded by Stabilization Fund -	\$ (919,790)

MIRA "shall set the Base Disposal Fee such that the product of the Base Disposal Fee and the Aggregate Tons, shall produce funds estimated as sufficient to pay the estimated Net Cost of Operation"

SUMMARY PROPOSED BUDGET

■ **Total Rate Base -** **\$24,224,000**
 ■ Net Cost of Operation & Cost of Service Discounts

■ **Aggregate Tons -** **378,500**
 ■ Service Discounted (Tier 1 Long & Tier 3) - 206,500
 ■ Gate Rate (Tier 1 Short) - 146,000
 ■ Service Fee (Tier 2) - 26,000
 ■ Total - **378,500**

■ **Uniform Base Disposal Fee -** **\$64.00 / Ton**

Contract	Initial Proposed Disposal Fees	Adopted Disposal Fees <small>(Including Proposed Increase in Solid Waste Assessment)</small>	Base Opt Out Disposal Fees	Total Opt Out <small>(With Additional Opt Out Costs)</small>
Tier 1 Long	\$62.00	\$63.00	\$61.96	\$64.09
Tier 1 Short	\$64.00	\$65.00	\$63.96	\$66.09
Tier 2	\$66.00	\$67.00	n/a	n/a
Tier 3	\$62.00	\$63.00	n/a	n/a

■ **Total Member Disposal Fees -** **\$23,811,000**
\$111,000 / 0.47%
Increase from FY 2015

OPERATING EXPENSE BUDGET

■ Transfer Stations -

\$ 1,700,000

0% Increase from FY 2015

■ Ellington -	\$ 16,000
■ Essex -	\$ 571,000
■ Torrington -	\$ 546,000
■ Watertown -	\$ <u>567,000</u>
■ Total -	\$1,700,000

■ Waste Transportation -

\$13,848,620

0.9% Increase from FY 2015

■ MSW From Essex -	\$ 846,650
■ MSW From Torrington -	\$ 607,570
■ MSW From Watertown -	\$ 1,492,400
■ MSW From Salisbury -	\$ 28,000
■ MSW From RRDD#1 -	\$ 22,000
■ Solid Waste Bypass -	\$ 65,000
■ Ash Disposal -	\$10,725,360
■ Non-Processible -	\$ <u>61,640</u>
■ Total -	\$13,848,620

■ Trash to Energy Facility -

\$32,745,000

5.1% Increase from FY 2015

■ Waste Processing -	\$11,646,000 (\$105,000 / 0.9% Reduction)
■ Power Block -	\$19,904,000 (\$1,708,000 / 9.4% Increase)
■ Facility Contractor -	\$ <u>1,195,000</u> (\$12,000 / 0.1% Reduction)
■ Total -	\$32,745,000 (1,591,000 5.1% Increase)

OPERATING EXPENSE BUDGET

■ Recycling Facility -

\$926,170

3.0% Increase from FY 2015

■ Transport From Essex -	\$ 172,160
■ Transport From Torrington -	\$ 164,640
■ Transport From Watertown -	\$ 129,120
■ Direct O&M Expenses -	\$ 60,250
■ Recycling Rebate -	\$ 400,000
■ Total	\$ 926,170

■ Indirect Expense-

\$9,530,596

0.8% Reduction from FY 2015

■ Authority Budget Allocation-	\$3,271,618
■ MIRA Direct Personnel-	\$1,910,678
■ MIRA Direct Non Personnel -	\$1,534,000
■ Assessment, Fees and Taxes -	\$2,687,000
■ Murphy Road Ops Center -	\$ 127,300
■ Total	\$9,530,596

■ Total Operating Expense Budget -

\$58,750,386

RECOMMENDED RESERVE CONTRIBUTIONS

■ Operating Income Before Reserve Contributions -	\$ 8,532,214
■ CSWS Debt Service Fund -	\$ 0
■ CSWS General Fund:	\$ 8,532,214
■ CSWS Improvement Fund -	\$9,452,004
Total available funding based on current draft budget parameters. Exceeds initial estimated need for Improvement Fund. Work being prioritized.	
■ CSWS Risk Fund -	\$ 0
There will be in excess of \$440,000 in this fund as of 6/30/2015. Based on review with the Risk manager, this is viewed as sufficient in comparison to the deductibles of all insurance policies other than business interruption. No contributions to this fund are recommended for FY 2016.	
■ CSWS Legal Fund -	\$ 0
There will be in excess of \$600,000 in this fund as of 6/30/2015 This is viewed as sufficient in comparison to prior actual CSWS legal expenses No contributions to this fund are recommended for FY 2016.	
■ MIRA Severance Fund -	\$ 0
There will be approximately \$900,000 in this fund as of 6/30/2015. This is viewed as sufficient in comparison to total FY 2016 Personnel Services. No contributions to this fund are recommended for FY 2016.	
■ CSWS Tip Fee Stabilization Fund -	\$ (919,790)
No draw expected based on current draft budget parameters .	
■ CSWS General Fund Retained -	\$ 0
No surplus to retain based on current draft budget parameters	

COST OF OPERATION

(CHANGE FROM FY 2015 BUDGET)

Operating Expenses

■ Increase to PBF Budgets (Net)-	\$1,708,000
■ Increase Ash Disposal -	\$ 272,540
■ Increase MIRA Facility Insurance -	\$ 163,000
■ Increase Direct MIRA Personnel Services-	\$ 112,678
■ Reduced Authority Budget -	(\$ 318,382)
■ Reduced WPF Budget (Net) -	(\$ 105,000)
■ Reduced NAES Insurance -	(\$ 103,000)
■ Other Reductions (Net)-	<u>(\$ 54,450)</u>
■ Net Increase to Operating Expense Budget -	\$1,675,386

Reserve Contributions

■ Reduce Contribution to Severance Reserve -	(\$85,000)
■ Reduce Contribution to Legal Reserve -	(\$100,000)
■ Reduce Contribution to Risk Reserve -	(\$191,000)
■ Reduce Contribution to General Fund Reserve -	(\$500,000)
■ Reduce Contribution to Improvement / Debt Reserve -	<u>(\$72,996)</u>
■ Net Reduction to Reserve Contributions -	(\$948,996)

■ Net Increase in Cost of Operation -

\$726,390

Funded by Increase in use of Tip Fee Stabilization - \$714,790

Funded by Member Disposal Fee - \$111,000

Funded by Non Disposal Fee Revenue - \$(99,400)

NON DISPOSAL FEE REVENUE

<ul style="list-style-type: none"> ▪ Energy Sales - 		\$22,515,059
<ul style="list-style-type: none"> ▪ Capacity Payments & RECs - 	\$ 1,903,000	
<ul style="list-style-type: none"> ▪ Real Time Market - 	\$11,130,235	
<ul style="list-style-type: none"> ▪ Contract Sales - 	<u>\$ 9,481,824</u>	
<ul style="list-style-type: none"> ▪ Total - 	\$22,515,059	\$301,059, 1.4% Increase
<ul style="list-style-type: none"> ▪ Other Recovered Products - 		\$3,062,541
<ul style="list-style-type: none"> ▪ Inbound CSWS Base @ \$8.50 / Ton - 	\$ 399,500	
<ul style="list-style-type: none"> ▪ Inbound FCR Base @ \$7.50 / Ton - 	\$ 105,000	
<ul style="list-style-type: none"> ▪ Revenue Share (Container Sales) - 	\$ 372,180	
<ul style="list-style-type: none"> ▪ Revenue Share (Paper Sales) - 	\$ 165,828	
<ul style="list-style-type: none"> ▪ FRC Residue Disposal / Other - 	\$ 191,808	
<ul style="list-style-type: none"> ▪ Other Recycling / Waste Revenue - 	\$ 73,000	
<ul style="list-style-type: none"> ▪ Metal Sales - 	<u>\$1,755,225</u>	
<ul style="list-style-type: none"> ▪ Total - 	\$3,062,541	\$405,600, 15.3% Increase
<ul style="list-style-type: none"> ▪ Contract Waste - 		\$14,960,000
<ul style="list-style-type: none"> ▪ Hauler Contracts - 	\$9,920,000	
<ul style="list-style-type: none"> ▪ Other Contracts - 	<u>\$5,040,000</u>	
<ul style="list-style-type: none"> ▪ Total - 	\$14,960,000	\$1,122,000, 8.1% Increase
<ul style="list-style-type: none"> ▪ Spot Waste - 		\$2,851,000
		\$1,949,000, 40.6% Reduction
<ul style="list-style-type: none"> ▪ Other (Interest / Service Fees) 		\$ 83,000
		\$21,000, 25% Increase
<ul style="list-style-type: none"> ▪ Total Non Disposal Fee Revenue - 		\$43,471,600

KEY DRIVERS

Trash to Energy Operations:

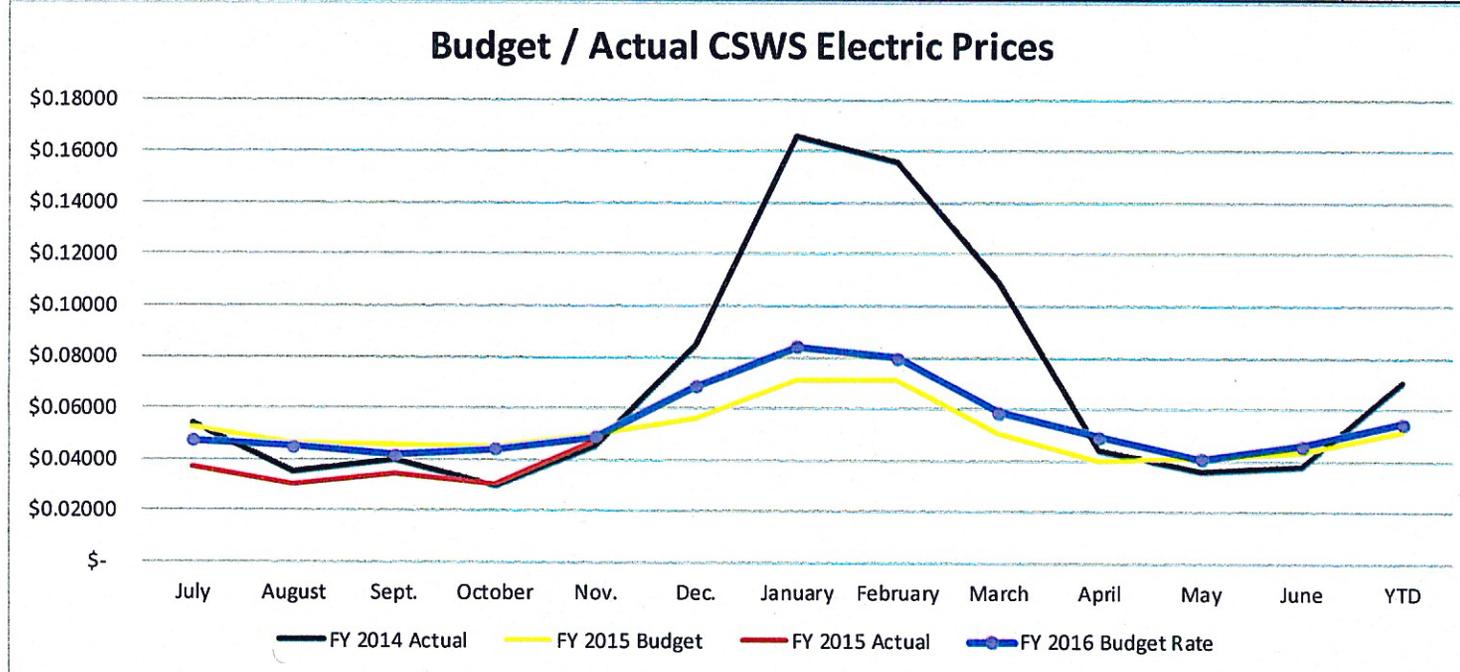
■ Total MSW Deliveries -		710,415
■ "Aggregate Tons" -	378,500	
■ Hauler Contract -	155,000	
■ Other Contract -	100,000	
■ Spot -	76,415	
■ Municipal Bulky -	500	
■ Total -	710,415	
■ Total MSW to RDF Production Rate -		97.5%
■ Total RDF -		693,000
■ RDF to KWH Production Rate -		541 kwh / ton
■ Energy Production -		375,000,000 kwh
■ Contract / Non Contract Energy Price -		\$.0549 / kwh
■ RDF to Ash Production Rate -		25.1%
■ Ash to Disposal -		174,000 tons
■ Ash Disposal Cost Per Ton -		\$61.64

Recycling Operations:

■ CSWS Sourced Recyclables -	47,000 tons
■ FCR Sourced Recyclables -	10,000 tons

CSWS Contract and Non Contract Energy Sales - FY 2016 Budget

FY 2016	Bid Price		Average	Weighted Average Monthly Bid	Budget Production	Contracted 1st 20 MWh	Non Contracted Remainder	Contract Revenue	Non Contract Revenue	Total Budget Revenue
	On-Peak \$/MWh	Off-Peak \$/MWh								
July	53.09261	32.70449	42.898552	0.04264	32,700,000	14,880,000	17,820,000	\$ 805,306	\$ 759,845	\$ 1,565,150
August	46.60782	29.94442	38.276120	0.03804	32,700,000	14,880,000	17,820,000	\$ 805,306	\$ 677,873	\$ 1,483,178
Sept.	37.57877	26.68568	32.132222	0.03194	31,450,000	14,400,000	17,050,000	\$ 779,328	\$ 544,577	\$ 1,323,905
October	39.20330	29.01270	34.107999	0.0339	29,000,000	14,880,000	14,120,000	\$ 805,306	\$ 478,668	\$ 1,283,974
Nov.	52.16954	38.50517	45.337355	0.04506	31,850,000	14,400,000	17,450,000	\$ 779,328	\$ 786,297	\$ 1,565,625
Dec.	90.68607	71.21940	80.952737	0.08046	33,100,000	14,880,000	18,220,000	\$ 805,306	\$ 1,465,981	\$ 2,271,287
January	124.71922	93.85983	109.289527	0.10863	33,500,000	14,880,000	18,620,000	\$ 805,306	\$ 2,022,691	\$ 2,827,996
February	116.38164	86.87262	101.627132	0.10101	29,800,000	13,440,000	16,360,000	\$ 727,373	\$ 1,652,524	\$ 2,379,896
March	73.68333	53.05247	63.367902	0.06299	33,500,000	14,880,000	18,620,000	\$ 805,306	\$ 1,172,874	\$ 1,978,179
April	46.13963	34.70201	40.420819	0.04018	21,650,000	14,400,000	7,250,000	\$ 779,328	\$ 291,305	\$ 1,070,633
May	36.09320	25.67823	30.885717	0.0307	33,500,000	14,880,000	18,620,000	\$ 805,306	\$ 571,634	\$ 1,376,940
June	48.36798	31.21548	39.791731	0.03955	32,250,000	14,400,000	17,850,000	\$ 779,328	\$ 705,968	\$ 1,485,296
Total	63.03845	45.85946	54.448956	54.12	375,000,000	175,200,000	199,800,000	\$ 9,481,824	\$11,130,235	\$20,612,059



Materials Innovation and Recycling Authority
 Connecticut Solid Waste System
 FY 2016 Opt Out Disposal Fees

	<u>Tier 1 Long</u>	<u>Tier 1 Short</u>
Base Opt Out Disposal Fee (Note 1) (Contract Year 4)	\$ 61.96	\$ 63.96
<u>Additional Opt Out Costs (Note 2)</u>		
City of Hartford PILOT	\$ 1,500,000.00	\$ 1,500,000.00
Transfer Station PILOTs	\$ 15,500.00	\$ 15,500.00
Total Additional Opt Out Cost	\$ 1,515,500.00	\$ 1,515,500.00
Acceptable Solid Waste Delivered to CSWS	\$ 710,415.00	\$ 710,415.00
Additional Opt Out Disposal Fee	\$ 2.13	\$ 2.13
Total Opt Out Disposal Fee	<u>\$ 64.09</u>	<u>\$ 66.09</u>

Notes:

- 1 - Reflects the change in the Consumer Price Index for the period December 2013 to December 2014. The index established in the Municipal Service Agreement provided a \$.04 reduction in the Base Opt Out from Contract Year 3.
- 2 - Additional Opt Out Costs are as defined in the Municipal Service Agreement. This excludes the increase in the State's Solid Waste Assessment fee that was included in the Governor's Budget for the FY 2016 - FY 2017 Biennium.

Board of Director Names and Telephone Numbers

Name of Director	Work	Email Address
John E. Adams, Former First Selectman of Granby	860-571-8002	John.adams@tetrattech.com
Richard Barlow, Co- Chairman of the Board and First Selectman of Canton	860-693-7847	rbarlow@townofcantonct.org
Ralph Eno, First Selectman of Lyme	860-434-7733	selectman@townlyme.org
Joel Freedman	860-709-0600	jfreedmanconsulting@gmail.com
James Hayden, First Selectman of East Granby	860-653-2576	jimh@egtownhall.com
Andrew Nunn, CFO of the City of Bridgeport	203-576-3964	Andrew.Nunn@bridgeportct.gov
Scott Shanley, General Manager, Town of Manchester	860-647-3123	sshlanley@manchesterct.gov
Donald Stein, Chairman of the Board and First Selectman of Barkhamsted	860-379-8285	dstein@barkhamsted.us
Stephen Edwards, Public Works Director Town of Westport	203-341-1120	sedwards@westportct.gov
Dr. Robert L. Painter, City of Hartford Representative	860-463-1496	painterbob4250@yahoo.com