

OTSEGO COUNTY

Status Report

Strategy Options

March 13, 2009

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OTSEGO MEETING - March 13, 2009

CURRENT CONDITIONS

1. MOSA Operation

- ◆ Outstanding Bonds
- ◆ Closed Landfills – Post-closure Responsibility
- ◆ Transfer and Disposal – Riccelli Contract 12/31/2010
- ◆ HHW
- ◆ Service Agreement
 - ~ To guarantee repayment of bonds
 - ~ GAT – Based on steady and increasing volumes, problem in current economy, conflict with recycling
 - ~ GAT shortfall penalty payment
 - ~ MOSA tip fees are high and contribute to County risk

2. Otsego County

- ◆ Solid waste unit charge
 - ~ \$560,000 per year hauler subsidy
- ◆ County may want more control and may have a different vision of future services than MOSA

3. New transfer and disposal agreement [after 2010] appears feasible.

REALLOCATE MOSA RESERVES & DEFEASE OUTSTANDING MOSA BONDS

1. MOSA has built reserves exceeding \$12 million.
2. Reserves have not been used for any meaningful rate reduction.
3. Defeating outstanding bonds will allow for a tip fee reduction to \$90 per ton.
4. A lower tip fee will allow Otsego County to redirect funds used for hauler subsidy.
5. Defeating outstanding bonds will eliminate the primary need for the GAT provisions of the Service Agreement and will allow Otsego County to examine the future utility of MOSA and decide the best course for the County.
6. Reallocation of the reserves and defeasance of the outstanding bonds will require the consent of MOSA and the other two Counties.

REALLOCATION OF MOSA RESERVES

RESERVES	12/31/08	1/01/10 NEW DEFEASANCE RESERVE FUND	1/01/10 NEW RESERVES	1/01/10 CLOSURE POST-CLOSURE
Rate Stabilization	\$3,086,800			\$3,086,000
Equipment Replacement	\$899,909	\$499,909	\$300,000	\$100,000
Buildings & Grounds	\$536,905		\$150,000	\$386,905
Operating	\$2,632,797	\$2,137,523	\$200,000	\$295,274
BR & IF	\$1,267,000	\$1,267,000		
Debt Service	\$150,068	\$150,068		
	\$1,823,500	\$1,823,500		
Debt & Sinking	\$1,872,000	\$1,872,000		
GAT Windfall	\$800,000	\$650,000		\$150,000
TOTAL	\$13,068,979	\$8,400,000	\$650,000	\$4,018,979

MOSA Solid Waste System Revenue Refunding Bonds, Series 2003 and 1994 EFC Bonds

Cash Defeasance

1-1-10

Escrow Fund Cashflow

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
01/01/2010	-	-	-	0.92	-	0.92
05/15/2010	449,403.00	0.320%	527.95	449,930.95	449,931.25	0.62
07/01/2010	120,659.00	0.380%	23,941.28	144,600.28	144,600.00	0.90
01/01/2011	1,891,052.00	0.520%	33,547.39	1,924,599.39	1,924,600.00	0.29
07/01/2011	85,286.00	0.730%	23,713.92	108,999.92	109,000.00	0.21
01/01/2012	1,930,598.00	0.950%	23,402.63	1,954,000.63	1,954,000.00	0.84
07/01/2012	57,867.00	-	14,232.29	72,099.29	72,100.00	0.13
01/01/2013	1,977,868.00	-	14,232.29	1,992,100.29	1,992,100.00	0.42
07/01/2013	19,468.00	-	14,232.29	33,700.29	33,700.00	0.71
01/01/2014	1,704,467.00	1.670%	14,232.29	1,718,699.29	1,718,700.00	-
Total	\$8,236,668.00	-	\$162,062.33	\$8,398,731.25	\$8,398,731.25	-

Investment Parameters

Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Bond Yield
Cash Deposit	0.92
Cost of Investments Purchased with Bond Proceeds	8,236,668.00
Total Cost of Investments	\$8,236,668.92
Target Cost of Investments at bond yield	\$8,398,731.25
Actual positive or (negative) arbitrage	162,062.33
Yield to Receipt	0.8481251%
Yield for Arbitrage Purposes	-
State and Local Government Series (SLGS) rates for	2/04/2009

MOSA BUDGET IMPACT

EXPENSES	2009 BUDGET	2009 TIP FEE	2010 BUDGET	2010 TIP FEE
Debt Service	\$2,118,092	\$20.71	0	0
Transportation & Disposal	\$6,389,619	\$62.47	\$6,566,568	\$64.20
Environmental Protection	\$242,670	\$2.37	\$242,670	\$2.37
Landfill	\$249,019	\$2.43	0	0
Maintenance	\$590,759	\$5.78	\$531,683	\$5.20
Finance & Administration	\$855,157	\$8.36	\$769,641	\$7.52
Transfer Stations	\$1,170,054	\$11.44	\$1,053,049	\$10.30
TOTAL	\$11,615,370	\$113.56	\$9,163,611	\$89.59
"Revenues & Contributions" (aka all non-tip fee revenue)	\$773,373		\$586,145	
Expenditures Less Revenues	\$10,841,997		\$8,577,466	
2009 GAT	102,283		96,000	
2009 MOSA Rate	\$106		\$89.35	

OTSEGO – STRATEGY A

WITHDRAW FROM MOSA, PROVIDE SERVICE AS A DIRECT, INDEPENDENT COUNTY FUNCTION.

1. Defease MOSA bonds January 1, 2010.
2. Compel MOSA to reduce operating expenses [in addition to the debt service reduction] to meet a target for 2010 of \$80 per ton.
3. Keep the \$28 solid waste unit charge to pay for recycling, Otsego County staff, renovation of the two transfer stations, and later the operation of the transfer stations.
4. Discontinue \$14 per ton hauler subsidy starting in 2010 [use funds for transfer stations renovation].
5. During 2010 negotiate new transfer and disposal agreements with neighboring disposal facilities for a contract start date of January 1, 2011.
6. Evaluate County provision of fuel.
7. On January 1, 2011 the County would start operation of the two transfer stations and would charge a pass through tip fee [estimated at \$55-\$65 per ton], and the County would continue provision of recycling service.
8. Replace MOSA May 1989 Service Agreement. The Agreement was developed to guarantee repayment of MOSA bonds and to pay for a three County regional solid waste management system. Defeasance fully satisfies the priority requirement of the Agreement, repayment of the bonds. Therefore, the new agreement will:
 - a. Provide for satisfaction of closure/post-closure responsibilities for the two closed landfills. Revenues will come from annual interest from a reserve controlled by the NYSDEC plus annual "make up" payments by all three Counties. Under this approach, MOSA would continue to provide this function.
 - b. Provide for the remission by MOSA to Otsego County of ownership and control of the Oneonta and Northern transfer stations.
 - c. The new agreement will NOT include any requirement for Otsego County for any GAT, or for any GAT shortfall penalty payment, or for any payment for MOSA operating expenses beyond the specified closure/post-closure responsibilities. If Montgomery and/or Schoharie elect to continue to use MOSA after 2010 then the new agreement will have to include terms for their financial responsibility for MOSA's operating expenses. If Montgomery and/or Schoharie elect to discontinue using MOSA after 2010 then they will have to make arrangements similar to those being made by Otsego County.
9. During 2011, make the decision whether or not to pursue the development of a local disposal facility.

OTSEGO COSTS
STRATEGY A

	2009	2010	2011
Recycling (WRE)	\$265,000	\$275,000	\$285,000
Tip Fee Subsidy \$14 x 40,000 tpy	\$560,000	0	0
Oneonta TS Rent	\$11,000	0	0
County Overhead	\$164,000	\$169,000	\$173,000
Operate 2 Transfer Stations	0	*	\$400,000
Closure/Post-Closure	In MOSA Tip Fee	\$80,000	\$80,000
TOTAL	\$1,000,000	\$524,000	\$938,000
Unit Charge Revenue	\$1,000,000	\$1,000,000	\$1,000,000
Surplus	0	\$476,000*	\$62,000

* Capital Improvement Plan for Two Transfer Stations

OTSEGO – STRATEGY B

CONTINUE THE USE OF MOSA FOR TRANSFER AND DISPOSAL SERVICE

1. Defeasement of MOSA bonds January 1, 2010.
2. Compel MOSA to reduce operating expenses [in addition to the debt service reduction] to meet a target for 2010 of \$80 per ton.
3. Effective 1/1/2010, reduce the solid waste unit charge from \$28 to \$17 to reflect the reduction in the tip fee from the elimination of debt service.
4. In 2010 discontinue the hauler subsidy payments.
5. Compel MOSA to seek a cooperative agreement or agreements with neighboring public disposal facilities as a means of providing a lower, stable longer term means of disposal. This effort should include an evaluation of the provision of fuel by MOSA as a cost saving measure.
6. Replace the MOSA May 1989 Service Agreement. The Agreement was developed to guarantee repayment of MOSA bonds and to pay for a three County solid waste management system. Defeasance fully satisfies the priority requirement of the Agreement, repayment of the bonds. Therefore the new agreement will:
 - a. Provide for satisfaction of the closure/post-closure responsibilities for the two closed landfills. Revenues will come from annual interest from a new reserve controlled by the NYSDEC plus annual “make up” payments by all three Counties.
 - b. Provide for the continuation of MOSA operation of the Oneonta and Northern transfer stations.
 - c. Provide for the renovation of the Northern transfer station to receive public and private haulers.
 - d. Provide for a new requirement that the prior approval of the Otsego County Board of Representatives will be required for the annual MOSA operating budget, the MOSA rate schedule, and the issuance of bonds or other instruments of borrowing by the MOSA.
 - e. The new agreement will NOT include any requirement for Otsego County for any GAT, or for any GAT shortfall penalty payment. This will be critical in the case that either Montgomery or Schoharie County elect to discontinue the use of MOSA.
7. Otsego County will continue to provide recycling services.
8. Otsego County will work through the MOSA to address the question of the development of a local disposal facility.

OTSEGO COSTS
STRATEGY B

	2009	2010	2011
Recycling (WRE)	\$265,000	\$275,000	\$285,000
Tip Fee Subsidy \$14 x 40,000 tpy	\$560,000	0	0
Oneonta TS Rent	\$11,000	0	0
County Overhead	\$164,000	\$169,000	\$173,000
Closure/Post-Closure	In MOSA Tip Fee	\$80,000	\$80,000
TOTAL	\$1,000,000	\$524,000	\$538,000
Unit Charge Revenue	\$1,000,000	\$600,000	\$600,000
Surplus	0	\$76,000	\$62,000

OTSEGO – STRATEGY C

DISCONTINUE SOLID WASTE MANAGEMENT SERVICES

1. Defease MOSA bonds January 1, 2010.
2. Compel MOSA to reduce operating expenses [in addition to the debt service reduction] to meet a target for 2010 of \$80 per ton.
3. Discontinue recycling service at the expiration of the WRE contract 12/31/09. [The County could consider continuing recycling while discontinuing non-recyclable waste services.]
4. For 2010, reduce the solid waste unit charge from \$28 to \$23 to reflect the reduction in the tip fee from the elimination of debt service.
5. Starting in 2010, discontinue the hauler subsidy payments.
6. Eliminate solid waste unit charge effective 12/31/2010.
7. Replace the MOSA May 1989 Service Agreement. The Agreement was developed to guarantee repayment of MOSA bonds and to pay for a three County solid waste management system. Defeasance fully satisfies the priority requirement of the Agreement, repayment of the bonds. Therefore, the new agreement will:
 - a. Provide for satisfaction of the closure/post closure responsibilities for the two closed landfills. Revenues will come from annual interest from a new reserve controlled by the NYSDEC plus annual “make up” payments by all three Counties.
 - b. Provide for the remission by MOSA of all reserve and other funds and all assets to the three Counties effective 12/31/2010.

OTSEGO COSTS
STRATEGY C

	2009	2010	2011
Recycling (WRE)	\$265,000	0	0
Tip Fee Subsidy \$14 x 40,000 tpy	\$560,000	\$560,000	0
Oneonta TS Rent	\$11,000	0	0
County Overhead	\$164,000	\$169,000	0
Closure/Post-Closure	In MOSA Tip Fee	\$80,000	\$80,000
TOTAL	\$1,000,000	\$809,000	\$80,000
Unit Charge Revenue	\$1,000,000	\$800,000	0
Surplus/Deficit	0	(\$9,000)	(\$80,000)