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NEW JERSEY DEPARTMENT OF THE TREASURY

LOCAL GOVERNMENT BUDGET REVIEW

POLLUTION CONTROL FINANCING AUTHORITY OF CAMDEN COUNTY

CHRISTINE TODD WHITMAN
Governor

ROLAND MACHOLD
Acting State Treasurer

JANE M. KENNY
Commissioner
Department of Community Affairs

ROBERT C. SHINN, JR.
Commissioner
Department of Environmental Protection

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OPPORTUNITIES FOR CHANGE

Solid Waste Partnership Program
The Report of the Pollution Control Financing Authority of Camden County (PCFACC) Budget Review Team

There is no doubt the cost of operating a Solid Waste Disposal System - and the rates that support them - have been steadily rising over the last decade. Now, with the legal challenges to the control of waste disposal, a special review program has been initiated to deal with the outstanding debt issued to finance solid waste systems in accordance with the Solid Waste Management Act and the Solid Waste Utility Control Act. As part of the Solid Waste Partnership Agreement Program, there is state budget language to "subsidize county or county authority debt service payments for environmental investments incurred as of June 30, 1997…in accordance with criteria and program guidelines established by the Commissioners of DEP, DCA and the State Treasurer… Expenditure of such funds are conditioned upon the State Treasurer having conducted or contracted for an operational audit of such county or county authority, and such county or county authority having implemented the audit recommendations to the satisfaction of the State Treasurer."

This review recommends steps to be taken over the short term, but long term implications will be considered in ongoing discussions with all entities involved in final determination of the Solid Waste Partnership Program conditions.

This review and report was completed in response to the Pollution Control Financing Authority of Camden County (PCFACC) choosing to participate in this special review program. This is the first step in the process of the State assisting Authorities in the era of deregulation of solid waste. The PCFACC will now need to evaluate its options based on these findings and recommendations and fully participate in ongoing discussions with its professional staffs, consultants, facility operator, the County and the State in order to develop a final partnership agreement. If aspects of the alternatives provided need to be changed, they will become part of the dialogue between the entities involved. This Partnership Agreement Contract will ultimately be between the Department of Treasury, the Department of Community Affairs (DCA), and the Department of Environmental Protection (DEP), the County of Camden and the County Authority designated as the implementing agency for solid waste in Camden County.

To summarize the report, the State recommends the forgiveness of $20,893,333 in zero interest state loans as the State's partial contribution to Camden County. The State supports the authority's refinancing and restructuring plan through the Environmental Infrastructure Trust, upon passage of legislation, and to an equal distribution of the annual debt service subsidy necessary to ensure a market competitive rate, between the County of Camden, Foster Wheeler and the State of New Jersey. Through implementation of the recommendations highlighted within this report, it is established that the initial $94/ton tipping fee can be effectively reduced to a competitive rate of approximately $50/ton.

This report provides a starting point for ongoing discussions between the PCFACC, its professional staffs, consultants, facility operator, the County and the State in order to develop a final partnership agreement.

INTRODUCTION

On May 1, 1997, the United States Court of Appeals for the Third Circuit affirmed a District Court Ruling that a principal element of the State of New Jersey's waste flow control regulations, specifically N.J.A.C. 7:26-6.5, are unconstitutional as they discriminate against some operators of waste disposal facilities. The Third Circuit also eliminated the two year transition period, necessitating that each county must now reevaluate its solid waste strategy in light of the new timeline directed by the Court. On November 10, 1997, the United States Supreme Court denied the State's petition for certiorari such that the Third Circuit's decision is final. In order to provide an orderly transition to waste disposal options, each of the State's 21 Counties and the Hackensack Meadlowlands Development Commission needs to develop and implement plans that address their own specific long-term solid waste disposal needs.

The federal court decisions have had an immediate pricing impact on disposal rates in the region. Public and private landfills, along with the five Resource Recovery Facilities (RRF) in the State, have seen a drop in the solid waste tipping fees charged or collected, in an attempt to become market competitive and sustain their current share of solid waste. This reduction in the tipping fee is having an impact in the various counties on the ability to continue to provide environmentally sound solid waste disposal services at the lowest possible cost. Long term planning for solid waste disposal services is vital to satisfy the dual obligations to dispose of solid waste in an environmentally responsible manner and to minimize solid waste disposal costs. The economic impact may require some of the various Counties to unbundle the rates for solid waste disposal through the assessment of an Environmental Investment Charge for the full and timely recovery of debt service costs incurred to finance the establishment of the various County systems in accordance with State law and the policies of the Department of Environmental Protection. The overall costs to provide solid waste disposal will be reduced and the tipping fees to be charged for use of the facilities will be competitive in the marketplace.

It is obvious that the regional market will undergo significant transformation as deregulation of waste flow becomes a reality. It is also obvious that tipping fees must be established to become market competitive, and that special revenue sources will be required until the county or county authorities can implement the necessary plans to become market competitive in the long term while meeting all their operations and debt service requirements. A major focus of the first Local Government Budget Review Program utility report was the opportunity to identify new sources of revenue as well as cost reductions, the focus of these Partnership Agreement Program utility reviews is short term viability, the ability to meet debt obligations in a deregulated market, and the ability of the county or county authority to implement long term operational plans. The efforts to reduce the cost of solid waste disposal have focused on the renegotiation of existing agreements and the possible retirement and/or restructuring of outstanding obligations. Obviously, the county or county authority must maintain competitive tipping fees and maximize all other income potential to mitigate unanticipated market changes.

BACKGROUND

Camden County is located in the southwestern part of New Jersey and covers about 222 square miles which includes 37 municipalities, consisting of two cities, twenty seven boroughs and eight townships. The population, using 1990 census figures, was 502,824.

The Pollution Control Financing Authority of Camden County was created by resolution of the Board of Chosen Freeholders of the County of Camden in 1974. The Board of Chosen Freeholders of Camden County subsequently adopted a resolution to designate the PCFACC as the lead agency to implement the solid Waste Management Plan (SWMP) for Camden County. The county currently has two disposal methods:

1. The Pennsauken Sanitary Landfill, which is owned and operated by the PCFACC and is located in Pennsauken Township; and
2. The South Camden Resource Recovery Facility (CRRF), located in the City of Camden.

The Landfill is currently disposing of Construction & Demolition (C&D) waste, along with any bypass waste not disposed of at the CRRF. A portion of the ash residue generated at the CRRF is now being beneficially reused as cover at a landfill in the State of Delaware. The PCFACC has also contracted to send ash residue to the Gloucester County landfill in Harrison Township. The South Camden Resource Recovery Facility is a 1,050 ton per day mass burn waste to energy facility, producing in excess of 21 megawatts of electricity, located in the City of Camden which is owned and operated by Camden County Energy Recovery Associates, L.P. (CCERA), a private for-profit entity. The entity designed, constructed, owns, operates and maintains the CRRF. The service contract between the Authority and CCERA runs until July 1, 2011; or the date of payment in full of all Bonds under the Bond Resolution.

Half of the Municipal Solid Waste generated in Camden County is collected by, or under contracts with, the 37 municipal governments within the County which is predominantly residential. The other half is commercial and institutional wastes and the collection is handled directly by the generators. This half includes some light industrial waste and any of the multi-family residential waste and small business waste not collected by the towns.

The PCFACC is experiencing financial difficulty because of the loss of its ability to control and enforce the flow of solid waste generated within Camden County. The PCFACC is attempting to procure all components of the system in a non-discriminatory fashion and is in the process of negotiating with the apparent lowest qualified proposer for solid waste disposal services.

Tonnages currently received by the solid waste system in Camden County amount to approximately 415,000 tons annually. Based upon a financial analysis provided by the PCFACC, the authority would restructure its existing Series 1991 A, B, D & D bonds ($164,390,000) through the state environmental infrastructure trust, should legislation permitting debt restructuring of solid waste facilities occur, which would reduce the existing debt service cost per system ton from $55 to $29. Assumptions concerning this restructuring include a final maturity extended ten years beyond the PCFACC bonds (to 2020), and utilization of existing debt service reserve funds in the amount of $12.3 million. LGBR notes that if this restructuring does not occur prior to the December 1, 1999 debt service payment due, the reserve fund ($12.3

million) will be depleted, and the PCFACC will be unable to make this debt service payment without an additional subsidy of approximately $2.8 million after using all debt service reserves on hand.

The debt restructuring is not the final solution. The tipping fee, based upon 415,000 tons annually, would still be non-competitive at $71 per ton. PCFACC officials assume a current market tipping fee of $48 is competitive. The differential of $23 per ton (or $9.5 million) needs to be addressed outside the competitive tip fee.

Recommendation:

It is clear that the PCFACC has made a considerable effort to address its multiple financial difficulties in the past year. Authority officials are encouraged to continue its efforts. In partnership with the Camden County Board of Chosen Freeholders, Foster Wheeler, and elected and appointed officials in Camden County, the authority should continue to work towards stabilizing the solid waste system in the county. The State supports the authority's refinancing and restructuring plan through the Environmental Infrastructure Trust upon the passage of State legislation with respect to its existing debt service in order to fix the lowest possible debt service component of the authority's rate. Any State subsidy pursuant to this Program is strictly conditioned upon the county and county authority agreement to implement, and taking of steps necessary to implement, the recommendations of this audit to the satisfaction of the State Treasurer.

TIPPING FEE ANALYSIS

As in our previous utility reviews (UCUA and PCFAWC), we use a benchmark to measure progress toward the stated goal of reducing the tipping fee to a competitive level. For the PCFACC, the benchmark is that for every $415,000 in cost reductions, cost reallocations, and new revenues achieved, the tipping fee can be reduced approximately $1.00. After deregulation, the facility operator dropped the tipping fee at the resource recovery facility from $94/ton to $50/ton in order to become market competitive. While this strategy generates sufficient revenue (along with landfill revenue) to satisfy the funding of the county-backed bonds issued through the Improvement Authority, the service fee to Foster Wheeler, the operating costs of the PCFACC, and a portion of the debt, there is a shortfall of funding of debt service accounts under current conditions. This is further addressed in the Long Term Debt section of the report.

Based upon information provided by the Financial Advisor for the PCFACC, and data provided by various County Officials and State Departments, we are presenting a Tipping Fee Analysis which incorporates our review recommendations, actual tonnage numbers, a restructuring of debt, and a re-negotiation of Solid Waste Disposal Tipping Fees which result in a market competitive system tipping fee starting from $49.94/ton in 1998. Based upon current market rates, we are suggesting an imposed system tipping fee of $55/ton in 1998. This would generate an approximate $2.35 million surplus in 1998. Our Analysis assumes, as a State contribution, the forgiveness of zero interest State Loans to the PCFACC in the amount of approximately $20.9 million.

This Analysis provides a starting point for ongoing discussions between the PCFACC, its professional staffs, consultants, facility operator, the County and the State in order to develop a final partnership agreement.

REPROCUREMENT BIDS - SOLID WASTE DISPOSAL

As part of the Solid Waste Management Plan strategy for the disposal of solid waste generated within Camden County, the County directed the PCFACC to contract for disposal capacity while complying with local public contracts laws and in a manner that does not discriminate against interstate commerce. The Authority, in complying with this direction, is requesting bids and proposals from area disposal firms to establish a county wide disposal system that will combine the best disposal prices with a fee charged to municipalities to provide enough revenue to fund the solid waste operations and debt service costs.

On 9/16/97, the Authority issued Bid Specifications for the Provision of Solid Waste Disposal Services within Camden County. These specifications were amended on 9/25 (First Addendum and Second Addendum). The Authority is seeking to procure one contract for disposal services for Municipal Solid Waste and a second contract for disposal of Construction and Demolition Waste. Bidders may submit a Transportation and Disposal Bid, a Disposal Only Bid, or both. Required amounts are up to 450,000 tons/year for MSW and up to 50,000 tons/year for C&D Waste. The Second Addendum calls for allowance of bids between 35,000 - 450,000 tons/year of MSW and 25,000 - 50,000 tons/year of C&D Waste.

The method of disposal may include the use of landfill facilities, resource recovery facilities, recycling facilities and/or any other type of facility approved for disposal of solid waste under applicable law, (any and all federal, state or local statutes, laws, ordinances, rules, regulations, court decisions, directives, etc.) inside or outside the State of New Jersey.

According to PCFACC officials, the bids received are still being discussed and negotiated. It should be noted that these bids are not inclusive of debt service payments or other costs associated with operating the solid waste disposal system except for disposal at the resource recovery facility.

Recommendation:

It is recommended that the Authority and the lowest qualified proposer finalize negotiations to contract for disposal capacity for solid waste generated within Camden County. It is further recommended that the two entities engage in negotiations to resolve the current lawsuit regarding the facility service contract in an expeditious manner. State participation in the long term solution to Camden County's debt service problems will be contingent upon a settlement of all legal issues concerning solid waste in Camden County.

TRANSFER OF SOLID WASTE DISPOSAL OPERATIONS

Camden County has three active Authorities who could finance and operate a solid waste system - a Pollution Control Financing Authority, a Municipal Utilities Authority and an Improvement Authority. While the PCFACC mission includes the financing and operation of a Solid Waste System, the Improvement Authority has a much broader mission in that it may finance and operate a solid waste system as well as providing for the construction of public buildings, transportation facilities, recreation/entertainment centers, low and moderate income housing, redevelopment projects, etc. In Gloucester County, the Improvement Authority financed and operates the Authority's landfill along with providing private financing for the waste to energy facility in the County. In Mercer County, the Improvement Authority financed and operates the Authority's transfer station and has contracted for the ultimate disposal of the solid waste to an out of state landfill. In Atlantic County, the Utilities Authority administers the solid waste system, the wastewater treatment system and the recycling function, and solid waste collection services.

The Camden County Improvement Authority, in conjunction with the PCFACC, has issued several series of bonds to finance the infrastructure required to implement Camden County's solid waste management system. The Improvement Authority issued $22,390,000 of County Guaranteed Solid Waste Disposal Revenue Bonds (Landfill Project 1988) to finance the acquisition of certain landfill disposal rights in the Commonwealth of Pennsylvania.. The Authority Landfill Bonds were refunded by the issuance of $17,310,000 of County Guaranteed Solid Waste Disposal Refunding Revenue Bonds (Landfill Project 1993).

An option available to the County Board of Freeholders is to transfer the operations and administration of the solid waste system to the Camden County Improvement Authority (CCIA) or the Camden County Municipal Utilities Authority (CCMUA). This transfer of operations and administration could eliminate a duplication of administration, further saving overall solid waste costs. By transferring the administration of solid waste operations to the CCIA or the CCMUA, a layer of unnecessary administration is eliminated. An analysis of this option, along with a proposed organizational chart, produces a possible cost savings of $274,032 in administrative salaries and benefits alone.

The Review Team met with the Executive Director of the CCIA to explore potential avenues of consolidation and possible refinancing of the PCFACC debt. These discussions seem to offer Camden County some flexibility in meeting their unique solid waste debt service problems. LGBR believes that the Improvement Authority could present a real alternative to PCFACC debt and operational control. The complete solid waste disposal system in Camden County (the landfill and incinerator operation) could be appraised for real value at current market rates. Following the appraisal, the CCIA could offer to purchase the Resource Recovery Facility at a market clearing price, placing it under CCIA control. The Team notes that while CCERA owns and operates the RRF at present, Camden County owns the ground the RRF occupies. Legal issues regarding the transfer/refunding of debt outstanding would need to be reviewed by respective bond counsels, but these issues appear to be surmountable, and should not detract from the overall goal of providing the best solid waste disposal services at the best possible price.

This proposal offers the County the opportunity to refinance the outstanding debt over an extended period of time with low interest rates. This may not totally eliminate a surcharge to meet all operating and debt service requirements, but the amount should be substantially lower should this proposal occur. In addition to the debt reduction plan, the Improvement Authority would offer non-discriminatory bids on the operation of the entire system.

Recommendation:

It is recommended that the Camden County Board of Freeholders provide the state with a cost/benefit analysis, by an independent consultant, of the continued operation of the PCFACC to provide solid waste management services to Camden County. The cost/benefit analysis should contain a recommendation regarding whether the authority should continue in the solid waste management plan. It is also recommended that the Camden County Board of Freeholders investigate a recent proposal suggested through the Executive Director of the CCIA as described above. Upon review of both the cost/benefit analysis and the Executive Director's proposal, the County Board of Freeholders shall submit its findings to the State Treasurer with a recommendation.

Cost Savings through Consolidation: $274,032 (salaries/benefits only)

PROFESSIONAL AGREEMENTS

While the Team understands the additional litigation occurring as a result of the Atlantic Coast decisions in many of the solid waste districts, and because State Statute permits the Board of Commissioners to appoint certain professionals without the need to publicly advertise for competitive bids, the Authority should demonstrate prudence in the spending of dollars on professional fees and costs. In Camden County, the fees for General Counsel and Special Counsel alone exceed $987,800 as of January 1997 through the end of December, 1997. That averages to approximately $82,300 in legal costs monthly. It is reasonable to expect that the amounts expended in professional services can be reduced significantly in future budgets once the transition period ends.

The 1997 Authority budget shows an operating appropriation for general counsel in the amount of $250,000, with an expended amount of $530,125 as of the end of December, 1997. The Authority amended budget shows an appropriation of $475,000 as of the end of December, 1997. The amount expended for general counsel as of December 31, 1997 exceeds the original budget appropriation by 112%, or $280,125.

A Professional Services Agreement exists to provide special counsel (bond counsel) for bond rating negotiations and regulatory matters. Compensation for these services is at hourly rates not to exceed $125 per hour, plus out of pocket expenses. Total fees are not to exceed $30,000 for calendar year 1997. The Authority's 1997 amended budget shows an appropriation of $39,000, with $55,467 expended as of the end of December, 1997. This amount exceeds the original budget appropriation for bond counsel by 142%, or $16,467.

There are two Professional Services Agreements for special counsel. One is an agreement for the services of special counsel regarding regulatory matters concerning operation of PCFA, rates for the system, compliance with an administrative consent order regarding ground water contamination, and litigation to recover remediation costs in connection with ACO compliance. Hourly rates are not to exceed $125 per hour plus out of pocket expenses. There is a not to exceed amount of $200,000 for the term of this agreement.

The other is an agreement for special counsel for landfill litigation for the PCFACC. The term of this agreement is January 1 - December 31, 1997. Hourly rates are not to exceed $110 per hour plus out of packet expenses. The total not-to-exceed figure for this agreement is $75,000.

The 1997 amended Authority budget for special counsel has an appropriation of $500,000, of which $457,710 has been expended as of December 1997. The Team notes that the Authority is looking to resolve the landfill litigation as quickly as possible, but questions the need for two separate firms to jointly handle one litigation matter.

There is a Professional Services Agreement to provide consultant services to the PCFACC relative to various issues and related concerns in connection with relevant aspects of solid waste management. These are professional engineering services as requested by the PCFACC. The dates of the agreement are January 1 - December 31, 1997. The consultant fees shall not exceed $515,000 for calendar year 1997.

There is another Professional Services Agreement to provide consultant services to the PCFACC relative to various issues and related concerns in connection with relevant aspects of solid waste management (engineering services). The dates of the agreement are January 1 - December 31, 1997. The agreement contains a not to exceed amount of $850,000 for calendar year 1997.

LGBR notes that the Authority hires two consulting engineers at a total operating appropriation of $1,375,000 in the Authority budget for 1997. The amount expended as of September, 1997, is $744,654. In November, the budget was amended to reflect $1,125,000 in this appropriation, with a total expenditure as of the end of December, 1997 of $1,111,898.
The Team questions the need for two separate engineering firms to handle the professional engineering services for the Authority.

A Professional Services Agreement exists to provide financial advisory services relative to financial operations and related financial concerns for the PCFACC. There was no not to exceed figure provided in the agreement provided to the team. However, the Authority budgeted $25,000 for 1997, and has expended $48,130 to date to the Financial Advisor as of September 1997. In November, the amended budget reflects a $60,000 appropriation with an expenditure as of December, 1997 of $68,825.

The total amount expended on professional services, according to the PCFACC actual budget for the year 1997, was $2,274,365, approximately 5% of the total operating budget, or $4.89 on the tip fee. In comparison, salaries and benefits totaled $1,776,821, or $3.82 on the tip fee.

Recommendations:

While LGBR makes no reference as to the quality of the work being performed by the Authority's professionals, it is imperative that major expenditures such as the above be monitored closely and executed in precise compliance with statutory regulations and professional norms. The amounts expended for professional services during 1997, amounting to nearly $5 of the tip fee.

The Review Team notes the amount of litigation occurring through 1994 - 1997, most notably the start of the ACO adjudication process regarding the remediation of groundwater contamination of the Pennsauken landfill. It is recommended that the Authority anticipate the high costs for legal to be incurred during the original budget process to avoid amendments to the adopted budget and assure sufficient revenues are being collected to cover all operating and debt service costs. It is also anticipated that once the legal issues are resolved, the amount appropriated for all professional fees can be reduced significantly.

LEASE AGREEMENT - PENNSAUKEN SANITARY LANDFILL

The Pennsauken Sanitary Landfill was originally owned and operated by Pennsauken Township to protect the township for future solid waste disposal purposes. In 1984, the Pennsauken Solid Waste Management Authority (PSWMA) assumed the operations of the landfill, and in 1991, turned over the landfill to the PCFACC in exchange for a lease-purchase agreement that is outlined below.

In 1990, the PSWMA and the PCFACC entered into an Operations Transfer Agreement dated October 9, 1990 and subsequently entered into an Amended and Restated Operations Transfer Agreement dated October 11, 1991. This agreement calls for the transfer to the PCFACC all rights, titles and interests of the PSWMA under the Lease. This includes escrow accounts committed to closure and post closure maintenance of the landfill; an Administrative Consent Order dated December 8, 1988 concerning the investigation and potential remediation of groundwater contamination in and around the lands leased by the PSWMA from the Township; and certain permits issued by the NJDEP. This Agreement is a 12 year agreement that was signed on 12/16/91 and will expire on 12/16/03.

Pennsauken Township received a $5 million payment, for PCFACC to assume all outstanding indebtedness of PSWMA. In December of 1990, $2.5 million was paid to the Township as a good faith deposit, and was funded through a Bond Anticipation Note. The PCFACC paid another $2.5 million at the closing of the transaction on 12/16/91. According to the Administrator, this money was put into the Township surplus funds and used to offset property taxes.

The PCFACC also agreed to pay $6,296,275 in debt service on the PSWMA outstanding bonds no later than November 29, 1991. The $6.2 million was funded through the issuance of 1991 Series "D" bonds.

The Lease Agreement calls for quarterly payments made on February 1, May 1, August 1 and November 1:

A. Rent Payments:

Year 1	12/1/90 – 11/20/91	$1,125,000
Year 2	12/1/91 – 11/30/92	$1,050,000
Year 3	12/1/92 – 11/30/93	$1,095,000
Year 4	12/1/93 – 11/30/94	$1,000,000
Year 5	12/1/94 – 11/30/95	$900,000
Year 6	12/1/95 – 11/30/96	$500,000
Year 7	12/1/96 – 11/30/97	$250,000
Year 8	12/1/97 – 11/30/98	$225,000
Subsequent Years		$225,000

B. Added Rent

In addition to the Rent paid above, the PCFA agreed to pay the Township added rent in an amount determined by multiplying $1,210,000 by a fraction, the numerator of which equals the amount of tipping fee per ton that the Township is required to pay for disposal of municipal solid waste, and the denominator of which is $55. This additional rent is due in equal quarterly installments. In no event shall the Township receive less than $1,210,000 per year, nor more than $2,500,000 per year.

C. Added Rent

In addition, the PCFA pays to the Township the sum of $1,000,000 per year payable in equal quarterly installments in January, April, July and October, beginning January 1, 1993 and continuing for 10 years. On January 1, 2003, the PCFA will pay the Township the sum of $2,000,000.

There is also a Host Community Agreement that doesn't take effect until the thirteenth anniversary date of the agreement. This agreement calculates a Host Community Benefit on a per ton basis. In return for the total remuneration of the above, the PSWMA notified Ogden Martin of Pennsauken, Inc. that its agreement with the PSWMA to design, build and operate a resource recovery facility at the Pennsauken Sanitary Landfill was terminated.

Pennsauken Township anticipated $3,311,148.09 in revenue from the lease agreement in 1997. Rent A amounted to $242,928.09, Rent C amounted to $1,000,000, and Rent B was projected to be $2,068,220, based on a rate of $94.01 per ton.

According to Pennsauken officials, the PCFA has approached them regarding the termination of the lease agreement. The total payment due is an estimated amount of $12,000,000. Pennsauken officials cited this revenue as significant in keeping their tax rate stable.

Recommendation:

We recommend that the PCFACC investigate the feasibility and cost savings achieved if the balance of the lease payments and added rent to Pennsauken Township ($12 million) were to be advanced funded through the issuance of long term debt. It is perceived, with the current financial markets, that a significant present value savings could be achieved if this financing structure were to be completed when combined with the proposed refunding of the Authority's outstanding bonds. This scenario is presented in the debt service portion of the tipping fee analysis in this report.

HOST COMMUNITY AGREEMENT - CAMDEN CITY

A host community agreement was entered into by the PCFACC and the City of Camden to offset the impact the RRF facility has on the city as the host community to the 1,050 ton per day waste to energy facility. The annual payments are made to the City by Foster Wheeler as a pass-through cost. Initially, the PCFACC purchased the 18 acre track of land from the City for $1.7 million to compensate the City for all lost development rights and water diversion rights. In addition to the purchase amount, annual payments are also made to the City pursuant to the agreement. The facility is subject to annual property taxes payable by Foster Wheeler, an amount that is approximately $550,000 annually (improvements only).

In addition to property taxes, the City receives an annual surcharge based on the amount of solid waste that flows through the facility. Public Law 1985, Chapter 38 requires a payment to the host municipality of a minimum of $1 per ton for all waste accepted for disposal. Camden, however, receives a $900,000 surcharge as a result of an expected 292,000 annual tons, or approximately $3.08 per ton (this surcharge is due and payable on all waste delivered in excess of 250,000 tons annually). If the facility is expanded to a fourth unit, the agreement calls for an additional $3 per ton for all waste delivered in excess of 350,000 tons per year. There is an additional payment in which the City receives additional money by subtracting the annual property taxes from $1.2 million. This was included in the amendment to the original agreement. In 1998, the City received $1.6 million in host community benefit fees.

Recommendation:

It is recommended, as is stated in other reports, that the PCFACC should undertake all efforts to reduce this payment through negotiations with the City of Camden or transfer this payment to the County or another third party. Reallocating the host community fee from the PCFACC to the County or other third party could result in an approximate $3.18 reduction in the tipping fee.

REMEDIATION OF GROUNDWATER CONTAMINATION-PENNSAUKEN SANITARY LANDFILL

The PCFACC entered into an agreement with the Pennsauken Solid Waste Management Authority on October 9, 1990, with a Restated Operations Transfer Agreement signed on October 11, 1991. This document has the PCFACC inheriting the Administrative Consent Order dated December 8, 1988 concerning groundwater contamination discovered at Cell A of the Pennsauken Sanitary Landfill.

At some point during private ownership of "Wards Sand & Gravel", it was alleged certain private corporations were permitted access to the landfill despite environmental regulations controlling the dumping of hazardous wastes. Subsequent testing of groundwater in and around the landfill confirmed the presence of contaminants. During ownership of the landfill by Pennsauken Township, an administrative consent order was issued to remediate the situation. According to the New Jersey Department of Environmental Protection, the PCFA must set aside enough funds to plan for long term remediation and eventual landfill closure.

Current estimates on closing the landfill through capping, including remediation and long term closure, are in the $166 million area. Of that amount, DEP requires $54 million to be set aside for remediation and closure. Using that figure, the DEP estimates that the PCFA is currently $38 million short in meeting this demand.

In addition to these concerns, the PCFA has contracted with engineering consultants to monitor early readings from groundwater already being remediated on site. We are informed by DEP Engineers that the initial results are not positive and give some cause for higher remediation costs than were originally anticipated. At present, the PCFA does not qualify for "superfund" monies under current criteria, which means that costs associated with the landfill closure and remediation must be anticipated and accounted for in the PCFA Landfill Closure Plan. This picture remains extremely clouded due to legal obligations, recent court rulings, and monetary obligations.

The current litigation process involving the remediation is extremely slow. The PCFA awaits court rulings involving the former owner, Wards, its insurance carrier, potential illegal dumpers, and others interested in the outcome of this litigation. At present, despite best efforts by the PCFA legal counsel and the DEP, the court process is still in the discovery stage.

Recommendation:

Our Review Team addressed this matter since it could impact on a long term solution to current debt negotiations. The PCFACC is pursuing recapturing of present and future costs of remediation through the courts. Based on these findings and the lack of court action, closure funds probably should remain intact based on a "worse case" scenario. Although both the Authority and DEP are aggressively pursuing a positive outcome in this case, there are no guarantees.

TIPPING FEE

The Department of Environmental Protection must approve and/or review the components of and formula for calculation of the System Tipping Fee. During the period of January 1, 1995 to August 31, the rate was $90.77. The rate was increased to $94.01 on September 1, 1995 and stayed there until November 17, 1997 when the Facility Operator dropped the rate to $50.00 to be market competitive.

The Pennsauken Sanitary Landfill is regulated by the Department of Environmental Protection. The Landfill is subject to certain landfill taxes charged to those delivering waste for disposal. These taxes are remitted to the State of New Jersey. The DEP has jurisdiction over both the closed and operating landfill sections and the closure and postclosure maintenance plan. The Department of Environmental Protection approves the Tipping Fee of the Landfill, which was $49.00 per ton for construction and demolition debris, and $94.01 for all other material.

Given the nature of the market at this time, and the final results of the bidding process conducted by the PCFA, these tipping fees are expected to change. The $94.01 charged by the Authority for all waste delivered to the landfill other than C&D waste is not a competitive rate.

The System Tip Fee includes a $1.80 per ton charge placed in the ACO escrow account for future costs associated with the remediation of the Pennsauken Sanitary Landfill for tonnage delivered to the landfill.

AUTHORITY ACCOUNT BALANCES - AS OF NOVEMBER 1, 1999

The following is an account status of the PCFACC as of November 1, 1999:* The Authority has 22 revenue and expenditure accounts it maintains to meet various obligations of the Authority.

Revenue Fund	0	Swept to Bond Trust
Principal Account	0	Bond Trust
Interest Account	454,292	Interest Trust
1991 A-C DSR Interest	0	Split w/Facility Operator
1991 D Project Account	19,891	Landfill Capital Costs
Facility Operating Fund	0	Trust Account
General Operating Fund	0	Authority Monthly Expense
Operating Reserve Fund	0	6 weeks Operating-Bond Resolution Requirement
General Restricted Reserve	0	15% DSR
General Reserve Unrestricted	0	Trust Account-Excess Revenues
Self Insurance Fund	1,235,098	Inherited from PSWMA
General Custody Fund	432,055	Bond Proceeds-RRF
Resource Recovery Improvement Fund	5,508,638	Surplus Revenues
BPU Escrow I	6,176,208	Mandated Escrow-Closure
ACO Escrow	1,601,492	Mandated DEP Escrow $1.80/ton
Project Fund	2,714	Landfill Construction
BPU Escrow II	22,317,094	Mandated DEP Escrow $4.70/ton
427 DSEO1 Escrow	662,911	Mandated DEP Escrow $1.00/ton
427A Escrow	261,543	DEP Escrow-Inactive
427D Escrow	4,355,520	Inactive
427AEO1 Escrow	506,238	DEP Escrow $1/ton
Operating Checking	4,603,412	Monthly Expenses

*Source: PCFACC

Current revenues are supporting operations of Foster Wheeler and the PCFACC only. The Authority has drawn $6,066,378 from debt service reserves to meet debt payment obligations for June,1999, and anticipates using $12,288,863 from debt service reserves for the December 1, 1999 debt service payment. However, the Authority still faces a shortfall of approximately $2.8 million for the December 1, 1999 payment, and has requested assistance from the State of New Jersey to cover the projected shortfall.

PCFA BUDGET

PCFACC BUDGET TO ACTUAL – 1997
January to December*

REVENUES	1997 Amended Budget	1997 Actual Budget	1998 Actual Budget
CCERA Tipping	26,361,950	28,054,244	15,412,251
CCERA Electrical Revenue	8,900,000	8,357,141	9,406,834
CCERA Quality Control	120,000	120,000	120,000
TOTAL CCERA	35,381,950	36,531,385	24,939,085
Landfill Fees	13,183,000	14,508,115	5,487,231
Interest on Investments	1,400,000	1,495,800	1,412,208
Other Revenues	1,012,200	1,067,278	1,046,907
TOTAL REVENUES	50,977,150	53,602,578	32,885,431
Operating Appropriations:			
Salaries & Benefits	1,806,000	1,776,821	1,783,907
Professional Services	2,254,000	2,274,365	1,603,447
Lease Payment	3,311,148	3,311,148	2,616,812
Other Adm. Expenses	2,366,624	2,209,502	1,467,383
Facility Operating Expense	18,687,588	19,887,588	21,787,588
Landfill Expense	736,000	710,486	294,136
Debt Service	18,138,082	18,138,082	16,562,154
TOTAL EXPENSES	47,299,442	48,307,992	46,115,427
Operating/Gen Reserve	3,677,708	4,952,675	(13,229,996)
Expense plus Reserve	50,977,150	53,260,667	32,885,431

*Source - PCFACC

Revenues were based on $94.01/ton at 365,000 tons/year equals $34,313,650. Revenues based on the new tipping fee of $50/ton at 365,000 tons/year equals $18,250,000, a decrease of $16,063,650. The original budget for 1997 projected $35,908,950 in user charge revenues, and $11,000,000 in electrical revenue at the Resource Recovery Facility only. The actual revenue collected to date (as of 11/97) is $25,694,260 in user fees and $7,785,000 in electrical revenue. This reflects down time of the incinerator during capital improvements in 1997. Because of bypass revenue, the landfill revenues rose to $12,999,200 from an estimated budget of $5,227,339. This is considered to be a one time occurrence.

The Team notes that an operating and general reserves (surplus revenues) were funded at $4,952,675 which exceeded the Authority's projection by $1,274,967.

For comparison purposes, the chart below lists operating revenues for 1997 and 1998, as per the authority's audit:

Revenues	1998	1997
Waste Quality Assurance Program	$ 120,000	$ 120,000
CRRF Tipping Fees	$14,631,144	$30,613,474
Electric Revenues	$ 9,406,834	$ 8,354,141
Landfill Tipping Fees	$ 5,653,649	$11,928,255
Dirt Sales	$ 41,605	$ 74,235
Interest Income	$ 425,153	$ 229,209
Total Combined Operating Revenues	**$30,279,385**	**$51,319,314**

LONG TERM DEBT SERVICE

The debt service remaining as of December 31, 1999 is as follows:

Series 1991A	30,000,000
Series 1991B	78,200,000
Series 1991C	17,505,000
Series 1991D	26,455,000
TOTAL DEBT SERVICE	152,160,000
Landfill Debt	26,455,000
Resource Recovery Facility Debt	125,707,000

*Source: PCFACC

The debt service remaining of $152,160,000 does not include $20,893,333 in 1992A and 1993A State Loans. Pursuant to Local Finance Notice AUTH 97-4, the PCFACC had requested a deferral of repayments of these loans, and these loans were later forgiven through legislative action and subsequent voter referendum in November, 1998. An additional $7,850,000 is debt issued by the Camden County Improvement Authority and backed by the Board of Chosen Freeholders. This debt was defeased in the fall of 1998. The remaining debt service, $152,160,000, are revenue bonds. This is the amount that is considered "stranded", since these debt service accounts are not being fully funded under the current tipping fee of $50 per ton.

The Authority issued Solid Waste Disposal and Resource Recovery System Revenue Bonds - Series 1991 A-D, dated December 1, 1991 on December 16, 1991 in the amount of $189.49 million. They are limited obligations of the Authority and are uninsured. They are subject to optional, mandatory and extraordinary optional redemption prior to their scheduled maturity.

The 1991 A-B bonds, in the amount of $108.2 million, were issued to provide funds to refinance the Authority's Solid Waste Resource Recovery Bonds, Series 1985 and Series 1986. $30 million remains outstanding on the 1991A bonds as of December 31, 1997, and $78.2 million remains outstanding on the 1991B bonds as of December 31, 1997.

The 1991 C bonds, in the amount of $25.3 million, were issued to reimburse the CCERA for the acquisition, construction and equipping of the Resource Recovery Facility, to fund a debt service reserve for the A,B,C bonds, to pay certain capitalized interest on the 1991C bonds, and to pay the costs of issuance of the A,B,C bonds. The county provided the facility owner with a $15 million equity buydown. In return, the company agreed to reduce its annual operating fee by $2.52 million for a term of 19.5 years beginning in 1992. This provides a guaranteed tipping fee reduction benefit with a present value rate of return in excess of 19%.

The 1991 D bonds, in the amount of $55.99 million, were issued to make payments in connection with the Landfill acquisition, to fund a debt service reserve for the 1991 D bonds, to pay certain costs related to the Pennsauken Sanitary Landfill and to pay the costs of issuance of the 1991 D bonds. In 1993, $16.63 million of these bonds were in-substance defeased, through a loan agreement for $19.1 million with the State of New Jersey.

The 1998 debt service, minus the state loan deferral, was $16,562,154. The 1999 debt service jumps to $27,018,449. The 2000 debt service is $24,757,924. The 2001 debt service drops to $22,658,063.

The 1991 A, B & C Bonds refunded the prior bonds but, based on a determination by Counsel and the Financial Advisor to the Authority, a special extraordinary call feature exists on the bonds that allows for a call and the full defeasance of the outstanding bonds, should a change in law occur. It would appear that the Atlantic Coast Case would support this call feature, but timing on the call must be in a prudent time frame to meet the criteria. The 1991D bonds were an initial offering in 1991 and it appears a refunding could be completed, pursuant to current law.

Recommendation:

Based on the Authority's current debt service schedule, a major debt increase occurs in 1999, and it is recommended that the Authority must immediately engage in the process of refunding the Series 1991 A, B, C & D bonds. The Authority's Commissioners should request a formal determination on the ability to refund the Series 1991 Bonds from legal Counsel and a restructuring analysis must be completed for terms, current rates and structure of the proposed refunding Bonds. Once this documentation is received, the Authority should immediately adopt the necessary resolutions to invoke the refunding process.

The term on the Series 1991 A, B, C, D bonds was for payments to continue to the year 2010. The original length of the term on the Series 1991 bonds was tied to the estimated useful life of the Facilities. It has been presented, based on Engineer's estimates, that the life of the Facilities will extend beyond the year 2010 and could be in existence in the year 2015 to the year 2020.

Recommendation:

It is recommended that official statements be obtained by the Authority Engineer on all facilities funded by the Series 1991 bonds and the useful life be recalculated, based on present and future use. This recalculated useful life basis for all capital assets should be adopted by the Authority and be the basis for the new term on the refunded bonds as

indicated above. Authority officials have advised us that engineering certification has been obtained that allows useful life to be calculated to 2018.

The Authority currently has outstanding a Series 1992A and a Series 1992A zero percent State Loan. The repayment of these loans was to go into a State fund that would support the construction of future facilities. Since it appears that future construction will be limited or completed by private investors, the balance in this fund will not be utilized for its original intent. Further, in November of 1997, the Authority formally requested the State of New Jersey to defer the repayment of loans for a period of two years. It is noted that these state loans are now forgiven pursuant to voter referendum in November, 1998.

The Authority is currently the issuer of the obligations utilized for the construction of the Resource Recovery Facility but is not the owner of the Facility. **It is recommended that the Authority adopt proper documentation to allow the Authority Officials to approach the Facility Operator and attempt to renegotiate the current operating contract.** In this re-negotiation, the Authority should attempt to reduce a portion of the Authority's capital costs of the Facility and pass it on to the Operator for a possible extension of the contract to match the term of the proposed Refunding Bonds. If a reduction in the overall debt service was achieved by this re-negotiation, further debt service savings would result along with a reduction in the tipping fee.

Recommendations:

The PCFACC has proposed a debt restructuring plan using state Environmental Infrastructure Trust financing. The PCFACC chooses to restructure through the EIT because current financial market conditions are not favorable to solid waste debt restructuring and the refunding bonds will trade on state credit (Aa1/AA+) plus 20 basis points. The PCFACC will use the extraordinary optional redemption provided in the Series 1991 A-D bond covenants. The analysis extends the maturity of the refunding bonds an additional 10 years, to 2020. The plan also includes financing of a one time payout for the Pennsauken Lease payment of $12 million financed over 20 years, and the utilization of $12.3 million in debt service reserves to downsize principal.

RECYCLING

Countywide recycling activities occur independently of the Authority and prior to waste being delivered to the System. In accordance with the New Jersey Recycling Act of 1981, the County adopted a mandatory recycling program. Municipalities are encouraged to continue to meet their recycling goals.

PENNSAUKEN SANITARY LANDFILL OPERATION

The Pennsauken Landfill operates 5 days a week, eight hours a day, and five hours on Saturday. The landfill portion of the operation consists of three sites: the "A" site consisting of an unlined landfill operated prior to Pennsauken's acquisition of the site, the "D" site consisting of a clay lined 28 acre area operated by the PCFACC, and the "E" site consisting of a permitted 40 acres of double lined landfill of which some of the cells have been constructed. This site will eventually consist of ten cells.

Based on current disposal plans, engineers have estimated remaining useful landfill life at approximately twenty years with an estimated capacity of 3.7 million cubic yards of remaining air space. This does not include additional capacity obtainable through vertical expansions.

The Landfill Operation currently employs 15 people: one supervisor, two clerical, two scale attendants, seven equipment operators, one mechanic, one mechanic’s helper and one laborer. The supervisor reports to a Deputy Executive Director. The Review Team questions the need for two high salaried supervisors directly involved with the landfill operation. It would appear that one supervisor could effectively handle the task.

The Review Team also questions the need for seven equipment operators. Given the historical quantity of the workload at the landfill, it would appear that two compactor operators and two front end loader operators could effectively compact and cover all incoming waste on a daily basis.

The Authority currently has approximately 20 acres developed for Type 13 waste, eight acres for Type 10 or 13 combined, and 18 acres that are undeveloped.

Recommendations:

It is recommended that the Authority delay any plans for the future development of the remaining 18 acres until such time as the flow of waste has stabilized and the litigation over the alleged contamination by the former owners is resolved.

The Review Team notes that several new trucks were obtained within the past year. While we do not dispute the need for acquiring these vehicles, we are recommending that no additional capital purchases be made until such time as the waste and resulting cash flow be sufficient to support any future capital purchase.

It is also recommended that the Authority, in conjunction with the South Jersey Port Corporation and the New Jersey Economic Development Agency, explore new markets for the providing of electricity, heat and/or steam in the redevelopment of the former New York Shipyard located at the facility’s back door.

The Authority should periodically evaluate private sector costs in operating its Landfill. The Authority should develop requests for proposals for the operation of the landfill to determine the best service for the best price, with the possibility of outsourcing its operation if it determined that a cost savings could be achieved.

ADMINISTRATION

The personnel picture at the PCFACC will be addressed in several portions followed by recommendations in each area. The landfill has had an extended history in Pennsauken for several years having developed through private ownership into municipal direction and finally under the PCFACC. With the abolition of flow control, we have carefully looked at the development of staffing patterns as they currently exist. This review specifically however will address internal administrative decisions designed to lower costs at the personnel level. Most of these recommendations will address specific positions rather than individuals although names may be used infrequently to clarify jobs or classifications.

The recommendations will be divided into several areas such as: administrative personnel, union positions, non-union personnel policy, union agreements, and security. Currently it appears that the Authority employs 36 individuals in both full and part time pay status. Salaries come to approximately $1.2 million with benefits of medical, drugs, and vision bringing costs to approximately $1.4 million. These numbers including benefits are averaged since health and personnel costs changed slightly as individuals terminated during the year.

It should be pointed out here that the landfill operation has reduced staff significantly since the takeover by the Authority. However Authority administrative costs have risen since the establishment of the Pollution Control Finance Authority. The added burden of the incinerator and additional NJDEP regulations have caused some of this activity, but there appears to be room for change in the face of deregulation and severe debt problems. In addition to this activity, deregulation has affected enforcement in a major way by eliminating much of the " on-road" activity. Registration activity seems to be unaffected by this change but its significance has changed. At this time, the Authority has yet to address these changes but it appears the State of New Jersey will not pursue regulatory charges and fines post November 10, 1997 for flow violations.

The Landfill at Pennsauken continues to meet demand with "C and D" delivery and has maintained a five and half day operation. Municipal solid waste that the incinerator can not process due to a variety of reasons goes to the Landfill for disposal. This activity was unusually heavy during the past year due to some extended maintenance at the Foster Wheeler facility. Capacity still appears to be in the 10 year area as long as the waste disposed in the landfill is "C and D" waste and bypass waste from the facility. This prefaces our remarks regarding the entire Authority operation; actual comments regarding staffing will follow in the segments already outlined. (It should be pointed out here that the only table of organization presented involved the administrative area; a new suggested table will presented in this scenario.)

Administrative Area - Non-Union personnel

The current staffing pattern reflects an Executive Director and three Deputy Executive Directors. In addition, the Authority has chosen to appoint a Comptroller at approximately the same level. Just beneath this staff, we find an Enforcement Supervisor, a Landfill Operations Manager, as well as an Assistant Comptroller.

It would appear the PCFA has garnered a great deal of institutional history from the Deputy Director of the Landfill and has used the Resource Recovery Deputy Director to aid in negotiations with Foster Wheeler as well as oversee contractual operations at the resource recovery plant. However, the Resource Recovery Deputy Director has no staff; he does monitor the facility as originally intended, but actual negotiations appear to be in the hands of counsel. With the acquisition of an experienced Director in the solid waste area, it would appear the Deputy Director of the Resource Recovery Facility could be merged with a new more fully involved Deputy Director fully responsible for all administrative activities and operations directly beneath the Executive Director eliminating the need for a specialist and potential duplicative costs in the negotiation era where legalities require intensive review. This report does not suggest the individual to fill such a position but it will reflect the loss of the salary formerly assigned to the Deputy Director of the Resource Recovery plant.

Recommendation:

We recommend the elimination of the position of Deputy Director, Resource Recovery for a savings of $56,892, inclusive of medical coverage.

Currently the Landfill area is managed by both a Deputy Director and Operations Manager. Since the Deputy Director of the Landfill sometimes fills in for the Director, it is suggested that this position be merged with that of the Deputy Director to provide the Authority with real administrative back-up in the face of absence by the Director. From an operational perspective, the new singular Deputy Director would retain administrative oversight of the landfill, but daily operations would be maintained through the Landfill Operations Manager.

Recommendation:

We recommend the elimination of the position of Deputy Director, Landfill at a cost savings of $85,737 including medical benefits. The merged position of Deputy Director should be established in relationship to the Director and should fall somewhere in between the Deputy Director's salaries as currently established. As an enhancement to costs we will set an arbitrary figure of $75,000 to cover the establishment of the new position and as an offset to the savings currently discussed. In this scenario, the County would save approximately $10,000 following the creation of the new position.

Currently the Authority also employs a Deputy Director of Enforcement. During flow control and regulation, this position may have held a priority position, but under current guidelines appears to have lost its degree of significance. The Authority also employs an Enforcement Supervisor under the Deputy Director. In addition, the PCFACC retains an additional four enforcement officers to insure quality control at the Landfill and the incinerator. It would appear that at least three of these individuals are not necessary in the face of deregulation. The one remaining position exists at the incinerator.

It is suggested that any need for enforcement be obtained through an interlocal service agreement with the Camden County Health Department, while the position at the incinerator be renegotiated and eventually provided by Foster Wheeler.

Recommendation:

We recommend the reduction of the enforcement area administratively by eliminating the position of Deputy Director, and three of the four Enforcement Officers at a total savings of $209,436. The PCFACC has also employed an Enforcement Supervisor at a cost of $44,419 per year. With the abolition of flow control, the need for close supervision also becomes moot. Therefore, we recommend this position also be phased out for a total savings of $253,855. This retains one Enforcement Officer and leaves all remaining

enforcement either with this individual or with an interlocal service agreement with the County. Should flow control be recognized by the NJDEP in Camden County, the Review Team would recommend revisiting the issue. However, we believe the Camden County Health Department has qualified individuals within the sanitary inspection area that could accomplish this task.

As evidenced by the newly suggested table of organization, the remainder of the administrative staff inclusive of the Comptroller and Assistant Comptroller would be retained in their current positions.

Administrative Support Staff

The Authority currently employs a part time secretary to the Board. While this practice may present a tradition and offer some background to each meeting; it seems that the necessity for this administrative function may be non-existent. It would appear that most meetings at present are extremely short and often prepared by in-house staff. At any length, the meetings could be covered electronically or by in house staff.

Recommendation:

We recommend the termination of services of Secretary to the Board at a cost savings of $9,099 including benefits.

The financial area of the Authority currently has a financial consultant, a Comptroller, an Assistant Comptroller, clerical support at the landfill, and two account clerks in the main PCFA office. Currently the Authority enjoys the privilege of both an Accounts Receivable Clerk and an Accounts Payable Clerk. They are additionally supported by computer availability. While these services are duplicitous, they could be reallocated into both the Assistant Comptroller and one of the remaining account clerks. This luxury of clerical support cannot be supported in the face of electronic capabilities and financial constraints.

Recommendation:

We recommend the elimination of one of the accounting clerks position at a savings of $26,672. The remaining account clerk should be able to maintain a degree of efficient control over what few clerical operations remain.

Clerical support at the Landfill consists of a landfill secretary and two clerical support staff who maintain clerical records and retain some control over fees. Since the Deputy Director's position at the landfill has been eliminated, it could be argued that the Operations Manager does not need a full time secretary. In addition, the two clerical support individuals could be rolled into one position with computer added skills reducing the need for additional clerical support. The landfill however remains a busy operation.

Recommendation:

We recommend the elimination of one of the clerical support operations position at a savings of $28,407. Reduce the salary paid to the secretary to approximately $30,000

including medical benefits with a savings of $6,696 for this singular position. (This represents some compatibility with the secretary assigned to the Director.)

The Authority has maintained a relationship with an engineering firm to monitor testing. The Authority has also hired an individual within the Authority to do testing as well; however it has been established that this individual is not a licensed engineer thus forcing the Authority to obtain consulting engineers to sign off on all tests. The Authority argues this individual has saved the agency money due to advanced notification and the ability to monitor situations in house. While this process may have some validity, it begs the question on consulting costs or lack of engineering degree.

Recommendation:

We recommend elimination of the position of unlicensed engineer at a savings of $44,699, using consulting engineers only to perform this function.

The non-union administrative support staff consist of a recycling laborer and security. Security will be discussed later in this report. The recycling laborer was retained under landfill operations and will be discussed at a later time in this report.

Union Personnel

Currently the Authority has utilized the skills of a mechanic on site. In addition, the mechanic has a helper. While this position certainly may indeed be helpful, it may also be a luxury that the financially burdened Authority cannot afford.

Recommendation:

We recommend terminating the Mechanic's Helper position at a savings of $37,541 per year.

The union also represents a Laborer and possibly a part time security person. This report maintains both the recycling laborer and landfill laborer; however it is suggested that the two laborer positions be reviewed for future negotiation for possible consolidation or use with custodial or building maintenance.

Recommendation:

We recommend termination of the part time security position at a current savings of $3,038 in salary only.

Security

Currently the Authority employs a full time security guard with the exception of Sunday when a security company is contracted.

Recommendation:

We recommend terminating the security position at a savings of $27,629. Prepare or extend the current contract of the private contractor or develop an electronic monitoring system to eliminate recurring costs. The savings of approximately $27,000 will not be calculated since additional cost will need to be included; however long term savings should be significant.

Landfill - Union

The Landfill is staffed with 7 equipment operators. During this past year, a significant "by-pass" operation was undertaken during incinerator down time. This does not appear to be a concern at this point. In addition, the remaining cells are being filled with "C&D" materials requiring compactors and front end loaders. In reality, the landfill is of a rather small size and relative short term life compared with other scenarios. Staffing in the landfill suggests that the 7 operators could be narrowed to 4 without significant damage to the operation and the continued rotation on Saturday. In so doing, we have suggested a mix of terminations with one Heavy Equipment Operator and 2 Operators, thus reflecting those salary levels; the union contract could affect these separations and the exact figures represented. The final savings figure will continue to represent the overtime savings of 7 operators on Saturday morning should the PCFA decide not to pursue the personnel reduction.

Recommendation:

The Team recommendations, through a reduction-in-force, to scale the 7 Operators down to 4 with a total savings of $118,021 inclusive of medical benefits.

Contractual Issues

Via negotiation with the union and in compliance with landfill opening times, the PCFA agreed to open the landfill Monday through Friday and one half day on Saturday. This practice has made the landfill accessible and available almost on a daily basis. However the PCFA agreed to pay time and half on Saturday morning to keep the land fill open. Upon discussion, it was learned that little effort went into trying to end this every other week provision. In effect, no effort was made to overlap schedules and end routine overtime.

Recommendation:

The Team recommends that the Authority end overtime scheduling through negotiations of the workweek and save approximately $28,583 in overtime each year.

The current contract offers employees salary increases of 4%. This rate currently is higher than inflation and suggests negotiations should be tied to current inflation rates. The current rate is too high even affording a backward look into past rates.

Recommendation:

We recommend the Authority tie rate increases into inflation rate.

The Authority has identified an employee participation program connected to sick leave which states…"an incentive program based primarily on performance rather than length of service." However, following an in depth review and discussion, we were never shown an evaluative tool to quantitatively observe performance, but rather found numerous issues surrounding sick leave as the only factor affecting performance. This program establishes monetary reimbursement of some $450 to $1,050 for sick leave when used in days of less than six a year without two or more disciplinary actions. At minimum rates, this would cost the PCFA an additional $6,300 yearly should everyone in the union have at least five years of service.

Recommendation:

The Team recommends that the Authority tighten this provision around documented standards of performance. Eliminate unaccounted for sick time. Finally, tie incentive to having no disciplinary actions per year. As an example, the one obvious misuse of a piece of heavy equipment could still insure this payment.

The PCFA provides for a 50% buy out of all accumulated sick leave at the time of retirement.

Recommendation:

We recommend that the Authority cap all retirement benefits for sick leave at $15,000 or eliminate totally since buyouts already exist for performance in addition to annual individual sick day buy outs.

Personnel Policy - Non-Union

Overtime as described in the personnel manual excludes most management level employees; however the time set for payment of this benefit to all other non-union employees is seven and one/half hours. It would appear the PCFA could establish 8 hours as the time frame.

Recommendation:

We recommend a change from 7.5 hours to 8.0 hours for overtime payments.

In general the personnel policy established reflects some excellent standards for its employees. There may be room for some language changes as they affect Family Leave but in general the Personnel Policy manual is well developed with the exception of performance reviews.

Recommendation:

We recommend the establishment of performance reviews setting standards and maintaining a quality work force for the future.

Total Savings and Positions Eliminated:

Savings were documented to equal $613,503 in mostly salaries and medical benefits which included medical, dental, and prescriptions.(Some of this total was absorbed through salary reductions and cost containment) The reorganized department would consist of 16 fewer employees or 20 total employees as compared to 36 presently.

Cost Savings in administrative reductions: $613,503