

MINUTES OF SPECIAL MEETING

JANUARY 20, 2016

The Special Meeting of the Morris County Municipal Utilities Authority was held on January 20, 2016 at 5:08 p.m. at the Offices of the Morris County Municipal Utilities Authority located at 214A Center Grove Road, Randolph, New Jersey. The necessary notice of this meeting was sent to the paper according to the law.

Chairman Dour called the meeting to order and he read the Notice in accordance with the Open Public Meetings Act.

The purpose of the meeting was to consider the following Agenda item:

- A. Consideration of award of a contract for the marketing of recyclable materials contract to FCR Morris LLC d/b/a "ReCommunity".
- B. Public Comment.
- C. Executive Session.

Formal action may or may not be taken at that time.

Chairman Dour requested a Roll Call.

PRESENT: Mr. William Hudzik, Mr. James Barry, Mr. Frank Druetzler, Ms. Laura Szwak, Mr. Fletcher Platt and Mr. Christopher Dour.

ABSENT: Dr. Arthur Nusbaum and Dr. Dorothea Kominos.

Also present as Glenn Schweizer, Executive Director; Marilyn Regner, Secretary; Larry Gindoff, Solid Waste Coordinator; Kathleen Hourihan, District Recycling Coordinator; and Brent Carney, Esq., Maraziti Falcon LLP.

Also present from the Public from ReCommunity: Bob Anderson and Steve Gray.

Mr. Schweizer introduced Steve Gray and Bob Anderson who are here representing ReCommunity. We work very hard with these people, not only for the operations of the facility, but also in all the contract discussions that we have engaged in this last month or so.

Mr. Schweizer advised the Board that we have the Resolution this evening to award the recycling market agreement. He explained that the Agreement is essentially complete but there are still some minor issues being addressed. Mr. Schweizer gave the Board a summary of the key components of the Agreement.

Mr. Schweizer mentioned that this is a new Recycling Marketing Agreement and the one that we have had was for five years. This Agreement is for the term of three years with 2 one-year extensions. We were not comfortable in a very poor market climate to entertain a straight five-year deal.

The upside to this Agreement is that we have the ability to maintain a recycling facility and market in Morris County which is not necessarily the case with much of the other facilities in the region. There has been a series of closed recycling facilities which has put an extra burden

on the ability of municipalities to recycle and market their materials. We are fortunate to have a facility in Morris County that provides a benefit to the County and so if we can maintain that presence, it is a good deal for us and for the neighboring communities, both in and out of Morris County.

Mr. Schweizer mentioned that part of the realities of the situation are that because of the very poor markets, the old style agreement of working off a good revenue stream is now behind us. So essentially what ReCommunity and many of the other facilities that are still in existence are looking for is the ability to cover their operating costs. So the deal is structured so that they now have an operating fee or a threshold amount that is designed to cover the operations and the maintenance of the facility, so that number is higher than our old agreement. He mentioned for example, the threshold that we have presently is \$78/ton and for the single stream materials and the containers has gone up to \$92/ton. There is still a revenue share component for the MUA which factors into the conversation of what at the end the value of the materials are, but the real benefit to us will not be realized until we are in a favorable market condition.

Mr. Hudzik asked do you ever see the market changing? Mr. Schweizer replied "yes", the recycling market is cyclical. He mentioned that now is one of the worst times to enter into a recycling marketing agreement just because we are near the bottom. He mentioned that this is another reason for the three plus two in terms of the term; if we see the trends changing, then it will give us another opportunity to take another look at how we structure this arrangement.

Ms. Szwak asked how the threshold works. Ms. Hourihan explained how the pricing works. You take all of the materials that get sold which each have a percentage share that they contribute to what is called the average commodity revenue. For example, aluminum is weighted per ton and you take glass which is a negative and you average them, you figure them at their weighted average, you come up with what you call an average commodity revenue. So each month there will be a price that is determined for single stream and what the value of that mix of all those commodities represent for single stream. For example, if that value was \$100/ton and the threshold is at \$92/ton, the difference above that would be \$8 and we would get 55% of the \$8. Before we were at \$78/ton threshold, it was \$13 lower so we had \$13 of more room there to earn revenue, but now we are at a higher threshold so our point at which we start earning revenue has been increased. She added that when the average commodity revenue value is below the \$92/ton, we pay 100% of the difference. So if the average commodity revenue is \$80/ton, we would pay the difference between the \$92/ton and \$80/ton, or we would pay \$12/ton.

Chairman Dour asked the percentage of different commodities or the different plastic and paper, is that determined on a rolling basis? Ms. Hourihan replied that there are going to be composition audits that are going to be done on our material on a periodic basis. So right now when we start the contract, ReCommunity has done a composition audit on the material, which was done back in November, and came up with different percentages that each material was a component of each stream. It is a snapshot in time and we agreed in the contract that there will be at least two audits done per year and we will maintain a four audit rolling average. So when we get to the point when we have four audits done, which will probably take a year and a half, you will add the next audit in and the oldest will go out. Chairman Dour asked if it is done by weight or volume and Ms. Hourihan replied by weight. She added that they will be coming up with a detailed procedure that we are going to mutually agree upon for how the audits will work. But the basic gist of it is that there will be material sampled from our inbound materials and accumulated and ReCommunity will clean out their facility of all the material that is in their bunkers or that is on their sorting line and they will run our material through a clean facility and then they will make bales out of everything that comes out and then weigh all the composition of different material as it comes out of the facility. They are going to do this twice a year at their expense and if we want additional audits done, we can pay to have them done. This is a brand new component of this contract; we have not done this before.

Mr. Druetzler asked if the composition is going to change much and Mr. Anderson of ReCommunity replied that it is hard to say. He mentioned that the Morris County composition to the credit of the MUA team is outstanding compared to what we see in the rest of the State. So where we typically see single stream rates that have residue in excess of 10%, as high as 12% and 15%, the Morris County stream has maintained a residue rate that is something low, 5-7%, and what we have seen is a migration towards the dirtier stream as a single stream system gets

more mature. That being said, the Morris County MUA has been single streaming for almost five years and you haven't seen that migration so as the education is maintained, then we anticipate that you won't see that migration. That is one piece of it and the second piece is that as brands continue to manufacture various types of packaging, they are extracting some of the higher value materials out of the stream. There is a thing called light weighting; for example, a couple years ago when a water bottle was empty, it had some substance to it; today when it is empty it is paper thin. We see a 25% reduction by weight of PET. He mentioned that this is part of the Sustainability movement and it is all good stuff and it is important, but it has an impact on the value of the material.

Mr. Hudzik asked who pays for the stuff being taken to a landfill; do you or does the County pay? Ms. Hourihan explained that they pay for the whole cost and that gets factored into the average commodity revenue number.

Mr. Schweizer mentioned that the threshold in this agreement will increase the greater of two percent or CPI. There is an exception if there is a change-in-law in minimum wage, then that would trigger an uncontrollable circumstance and we have a procedure how that would be handled. The issue for the minimum wage is most of the employees at the Recycling Facility are minimum wage employees and say the minimum wage goes up to \$15/ton, then that is more than a two percent increase in the overall cost of the operation.

Mr. Schweizer mentioned that the monthly invoice now is substantially streamlined for easy review.

There is an early termination right that was included in this Agreement. After 20 months, if the charge to the MUA reaches an amount of \$50/ton for three months, we have the option to attempt to renegotiate the agreement, we can continue the agreement if that is the best deal we can get, or we have the ability to terminate. This is just an opportunity for our towns to get out of the agreement because it becomes so onerous and there might be other options for us to take.

We were able to maintain our Most Favored Nation Status such that if ReCommunity offers any Morris County municipality currently under the program a better deal, then ReCommunity shall offer the same terms to the MUA. This will protect everyone in our system. Mr. Druetzler asked if anyone has a better deal and Mr. Schweizer replied in our system, "No", because this provision will only include towns that are currently or will be added to Morris County's curbside program. He mentioned that there is at least one older deal where a Morris County community has a better deal than we are entering into, but he doesn't know how much longer that deal will survive.

We have been advised that once this agreement is completed that the new line at ReCommunity for the commingled stream will be up in 4 ½-7 months. Mr. Schweizer mentioned that ReCommunity had a major roof collapse at the ReCommunity facility that took out the whole commingled line and it took time to settle things. Upon a successful implementation of this Agreement, then ReCommunity is assured of enough of a stream that they can invest the money necessary to put the new equipment in. The roof is replaced and the building is ready to accept the new equipment. Currently all the commingled containers are transloaded to their facility in Beacon, New York.

Mr. Druetzler asked if ReCommunity owns the building and Mr. Gray of ReCommunity replied that they lease the building. Mr. Druetzler asked why didn't the Landlord fix the building? Mr. Gray replied that under our lease agreement, our insurance was responsible to replace if it is total destruction which it was deemed so our insurance company paid to have the entire building fixed.

Ms. Szwak stated that in the past loads that had moisture issues had not been accepted and asked has that been improved so that doesn't happen? Ms. Hourihan replied that issue has been clarified in the contract that anything with excessive moisture or excessive snow would be rejected if it affects the way the facility operates or it affects the ability to sell the material on the other end. Ms. Hourihan mentioned that we were doing things on our end to try to minimize that. Ms. Hourihan mentioned that the snow-loads only affect open-top containers which are at municipal recycling centers. We are trying to work with the municipalities to get the containers

covered. Mr. Carney said that this Resolution basically is allowing Glenn to make the final call on open issues as to when it is finalized.

Chairman Dour asked the Board for a Motion to adopt the following Resolution:

RESOLUTION NO. 16-02
RESOLUTION AUTHORIZING EXECUTION OF A MARKETING OF SINGLE
STREAM RECYCLABLE MATERIALS CONTRACT BY AND BETWEEN THE
MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY AND
FCR MORRIS, LLC D/B/A "RECOMMUNITY"

WHEREAS, the Morris County Municipal Utilities Authority (the "Authority") provides recyclable materials collection services to several municipalities pursuant to contractual arrangements between the Authority and those municipalities; and

WHEREAS, pursuant to N.J.S.A. 40A:11-5(1)(s), a marketing of recyclable materials contract may be negotiated and awarded by the Authority without public advertising for bids, and the Authority is authorized to instead procure the contract pursuant to a Request for Proposals (RFP); and

WHEREAS, the Authority issued a RFP for the Marketing of Single Stream Recyclables having a submittal date of December 9, 2015; and

WHEREAS, the Authority received Proposals from two proposers by the December 9, 2015 deadline, as follows: (1) FCR Morris, LLC d/b/a "ReCommunity", having a corporate address of 809 West Hill Street, Suita A, Charlotte, North Carolina 28208; and (2) Solid Waste Services, Inc. d/b/a J.P. Mascaro & Sons, having a corporate address of 2650 Audubon Road, Audubon, Pennsylvania 19403; and

WHEREAS, such Proposals were reviewed and evaluated by the Project Team, including: Morris County Municipal Utilities Authority Executive Director, Glenn W. Schweizer; Morris County Municipal Utilities Authority Recycling Coordinator, Kathleen Hourihan; Morris County Municipal Utilities Authority Solid Waste Coordinator, Larry Gindoff; Kenneth G. Gallagher, P.P., AICP, of CHA Consulting, Inc.; and Brent Carney, Esq., of Maraziti Falcon, L.L.P., the Authority's Counsel; and

WHEREAS, following this evaluation in accordance with the RFP and meetings with the two Proposers, the Project Team recommends the designation of FCR Morris, LLC d/b/a ReCommunity as the Most Advantageous Proposer; and

WHEREAS, the Authority subsequently entered into formal negotiations with FCR Morris, LLC d/b/a ReCommunity, in connection with the Marketing of Single Stream Recyclable

Materials Contract which shall have a term of three (3) years and may be mutually extended by the parties not to exceed two one-year extensions.

NOW, THEREFORE, BE IT RESOLVED by the Morris County Municipal Utilities Authority as follows:

1. FCR Morris, LLC d/b/a “ReCommunity” is designated as the Most Advantageous Proposer and the Authority’s Executive Director, Glenn W. Schweizer, is hereby authorized to execute and deliver the Marketing of Single Stream Recyclable Materials Contract by and between the Morris County Municipal Utilities Authority and FCR Morris, LLC d/b/a “ReCommunity” in a form acceptable to the Executive Director, as well as any other documents necessary to effectuate this Marketing of Single Stream Recyclable Materials Contract on behalf of the Authority, which shall have a term of three (3) years and may be mutually extended by the parties not to exceed two one-year extensions.

2. The Marketing of Single Stream Recyclable Materials Contract shall be in substantially the form on file at the Office of the Executive Director of the Authority and as may be negotiated to the satisfaction of the Executive Director, with such amendments, modifications, changes and omissions thereto as the Executive Director may approve as in the best interests of the Authority.

3. A copy of this Resolution shall be forwarded to the MCMUA Treasurer.

4. This Resolution shall take effect immediately.

CERTIFICATION

I hereby certify that the foregoing Resolution was adopted by the Morris County Municipal Utilities Authority at a Special Meeting held on January 20, 2016.

MORRIS COUNTY MUNICIPAL
UTILITIES AUTHORITY

By: _____
Christopher Dour, Chairman

ATTEST:

Marilyn Regner, Secretary

MOTION: Mr. Platt made a Motion to authorize execution of a marketing of single stream recyclable materials contract between the Morris County Municipal Utilities Authority and FCR Morris, LLC d/b/a “Recommunity” and Mr. Barry seconded the Motion.

ROLL CALL: AYES: 6 NAYES: NONE ABSTENTIONS: NONE

PUBLIC PORTION:

There being no comment from the Public, this portion of the meeting was closed.

There being no further business, Chairman Dour asked the Board for a Motion to adjourn the meeting at 5:33 p.m.

MOTION: Mr. Hudzik made a Motion to adjourn the meeting at 5:33, seconded by Mr. Druetzler and carried unanimously.

ROLL CALL: AYES: 6 NAYES: NONE ABSTENTIONS: NONE

Marilyn Regner
Secretary

/mr