

**RESOLUTION AUTHORIZING THE PRESIDENT TO RESOLVE TO
ENTER INTO AN AGREEMENT FOR OPERATION/MAINTENANCE
SERVICES FOR THE CONNECTICUT SOLID WASTE SYSTEM
REGIONAL RECYCLING FACILITY**

WHEREAS: CRRA's Mid Connecticut Project entered into an Agreement with Casella Waste Systems Inc. and FCR, Inc. in August, 2005 for Operation and Maintenance Services for the Mid-Connecticut Regional Recycling Facility and;

WHEREAS: said Agreement has a minimum annual delivery commitment of 70,200 tons and failure to deliver that annual minimum subjected CRRA to significant monetary penalties and;

WHEREAS: several Mid-Connecticut contract towns opted to deliver their recyclables to other, non-CRRA service providers which will prevent CRRA from meeting the annual minimum delivery commitment during Fiscal Year 2014 and;

WHEREAS: said Agreement continues through October 1, 2018 unless CRRA, at its sole and absolute discretion terminates the Agreement after January 1, 2012 with at least six months prior written notice specifying the date of termination and;

WHEREAS: CRRA's Board of Directors voted to authorize the President to terminate the Agreement and the President provided such written notice with a termination date of August 8, 2013 and;

WHEREAS: said Agreement provides that the Contractor be paid a lump sum in unrecovered investment monies in accordance with Contractor's Unrecovered Investment Schedule attached to the Agreement as a result of CRRA's early termination, and;

WHEREAS: The Board of Directors authorized the President to resolve CRRA's Mid Connecticut Project liability for Contractor's unrecovered investment upon the Agreement termination, using the necessary funds not to exceed \$3 million, from the Mid Connecticut Project as presented and discussed at it February 4, 2013 meeting and;

WHEREAS: CRRA management issued a Request For Proposals on May 3, 2013 for combined Operation and Maintenance and Commodity Marketing Services at the CSWS Regional Recycling Facility commencing on August 8, 2013 in addition to request for , solely Operation and Maintenance, solely Commodity Marketing Services or Leasing the facility and;

WHEREAS: CRRA received the most qualified proposal from ReCommunity/FCR, LLC of Charlotte, North Carolina now therefore;

RESOLVED: The Board of Directors authorizes the President to enter into an Agreement with ReCommunity/FCR LLC for the Operation and Maintenance and Commodity Marketing Services at the CSWS Regional Recycling Facility, substantially as presented and discussed at this meeting.

Connecticut Resources Recovery Authority

Contract Summary for Operation/Maintenance and Commodity Marketing Services of Recyclables at Connecticut Solid Waste Systems Recycling Facility Agreement entitled:

Agreement for Operation/Maintenance and Commodity Marketing Services at the Connecticut Solid Waste Systems Recycling Facility Between ReCommunity/FCR LLC d/b/a "ReCommunity Hartford" and CRRA

Presented to the CRRA Board on: June 27, 2013

Vendor/ Contractor(s): ReCommunity/FCR LLC d/b/a "ReCommunity Hartford"

Effective date: August 8, 2013

Contract Type/Subject matter: Agreement for Operation/Maintenance and Commodity Marketing Services at the Connecticut Solid Waste Systems Recycling Facility

Facility (ies) Affected: Connecticut Solid Waste System Recycling Facility

Term: August 8, 2013 through June 30, 2017. CRRA shall have the right, at CRRA's sole and absolute discretion, to terminate this Agreement at any time during the Term with not less than six (6) months prior written notice of its decision to so terminate.

Term Extensions: At CRRA's sole and absolute discretion, CRRA shall have four (4) separate and divisible options to extend the term of this Agreement for the following one year terms: (i) from July 1, 2017 through June 30, 2018; (ii) from July 1, 2018, through June 30, 2019; (iii) from July 1, 2019 through June 30, 2020; and (iv) from July 1, 2020 through June 30, 2021 (with each time period pursuant to (i), (ii), (iii) and (iv) being a "Renewal Term"). CRRA shall exercise any or all of the aforesaid options by written notice to the Contractor provided at least sixty (60) calendar days prior to the end of the Initial Term (by May 1, 2017) or of the then-effective Renewal Term

Contract Dollar Value: \$1.2 to \$1.6 million (approximate depending on recyclable commodity market pricing)

Base Fee Paid to CRRA:

CRRA-sourced tons	\$8.50 per ton
ReComm.-sourced tons	\$7.50 per ton

Commodity revenue split:

CRRA-sourced tons	CRRA 50%
	ReCommunity 50%
ReComm.-sourced tons	CRRA 10%
	ReCommunity 90%

O&M Fee Paid to Recomm: \$62.00 per ton

Scope of Services:

At its sole cost and expense contractor must operate and maintain CSWS Recycling Facility and market recyclable commodities. Contractor is obligated to process all Acceptable Recyclables provided by CRRA. Contractor is responsible for Pre-Commencement Activities that include preparing an Operations and Maintenance Plan and Safety Manual and preparing an equipment plan detailing the RF Recyclables System Equipment deemed necessary by Contractor to perform the Services.

Other Contract Terms:

If for any reason (equipment failure, force majeure, etc.) Contractor must divert CRRA's Acceptable Recyclables to another facility (a "Diversion Facility"); such Diversion Facility(s) must be a currently permitted facility(s) operating in accordance with, and pursuant to, all applicable governmental regulations, statutes and permitting requirements. Prior to its transportation and disposal of any Acceptable Recyclables to a Diversion Facility, Contractor must provide CRRA with written evidence of its authorization to dispose of Acceptable Recyclables at the Diversion Facility(s). At its sole and absolute discretion, CRRA reserves its right to approve or disapprove any such Diversion Facility(s) that Contractor desires to utilize for diversion of the Acceptable Recyclables.

Connecticut Resources Recovery Authority Central Connecticut Waste System

Agreement for Operation/Maintenance Services for the Connecticut Solid Waste System Regional Recycling Facility

June 27, 2013

Executive Summary

On May 3, 2013, CRRA issued a Request for Proposals for the Operation/Maintenance and/or Marketing of Commodities from the Connecticut Solid Waste System Recycling Facility (CSWS RF). Proposers were instructed to submit proposals for the following alternatives:

1. Combined Operation and Maintenance and Commodity Marketing Services at the CSWS RF;
2. Lease of the CSWS RF
3. Operation and Maintenance Services Only at the CSWS RF and;
4. Commodity Marketing Services Only at the CSWS RF

Based on the proposals submitted, Management recommends executing an agreement consistent with the form of the agreement included in the RFP with the current vendor, ReCommunity/FCR, for a term commencing August 8, 2013 until June 30, 2017 with the ability to terminate with six-month's notice.

Discussion

CRRA entered into an agreement with Casella Waste Systems, Inc. /FCR, Inc. to operate and maintain the Mid-CT Regional Recycling Center and market commodities therefrom in August 2005. The Agreement was subsequently amended and currently has a 10-year term that expires on October 1, 2018. FCR, Inc. subsequently split from Casella and reformed as ReCommunity, Inc. /FCR, LLC.

The current agreement has a put-or-pay provision if CRRA annually fails to deliver 70,200 tons of acceptable recyclables. The municipalities that comprised the former Mid-Connecticut Project delivered well in excess of the put-or-pay threshold. However, the decision of several former Mid-Connecticut towns to not sign new MSAs for recycling with CRRA has left the new CT Solid Waste System with recycling deliveries below the put-or-pay threshold by approximately 30,000 tons. Consequently, CRRA's shortfall put-or-pay payment would equal approximately \$2 million per year.

CRRA had the option to terminate the Agreement by giving FCR six months advance written notice. However, if CRRA terminates prior to FCR recovering its capital investment, CRRA must pay FCR a lump sum for any unrecovered investment in accordance with the Unrecovered Investment Schedule that decreases on a sliding scale. The earliest CRRA could terminate would be August of this year. If termination occurs in August the lump sum payment amounts to \$2,916,000.

The Board voted initially at its February 4, 2013 meeting to terminate the current agreement and extinguish the liabilities of the former Mid-CT towns from both the exposure of the shortfall penalty payment and the unrecovered investment payment. CRRA's President sent a termination letter to Casella/FCR on February 7, 2013 with an effective date of August 8, 2013. Subsequently the Board reaffirmed the vote to terminate and pay the unrecovered investment to FCR on March 21, 2013.

Overview of RFP Process

CRRA issued an RFP for Operation And Maintenance Services And Commodity Marketing For The Connecticut Solid Waste System Recycling Facility on May 3rd, 2013. The availability of the RFP was advertised in the following seven Connecticut newspapers beginning on April 14, 2013:

Connecticut Post
Hartford Courant
New Haven Register
New London Day
Waterbury Republican-American
La Voz Hispana
Northeast Minority News.

The RFP was also posted on the CRRA website and the State of Connecticut Department of Administrative Services ("DAS") website.

Fifteen (15) firms submitted notices of interest for the RFP for Operation And Maintenance Services And Commodity Marketing For The Connecticut Solid Waste System Recycling Facility, including:

City Carting, Inc.
CWPM, LLC
Fusion Paperboard CT, L.L.C.
Gottado Contracting/We Care Transportation
GP Harmon Recycling LLC
Murphy Road Recycling
NAES Corporation
Northeast Resource Recovery Association
QP Unlimited LLC
Recommunity
RockTenn Recycling
Sims Municipal Recycling
Sonoco Recycling
Waste Management Recycle America
Willimantic Waste Paper Co, Inc.

One additional firm Ryan Marketing Partners submitted a Notice of Interest but withdrew it when they realized we were talking about commodity marketing/brokering as opposed to public-relations-type marketing

Of those firms, eight (8) attended the pre-proposal site tour on May 10, 2013

CWPM, LLC
Fusion Paperboard CT, L.L.C.
Murphy Road Recycling

NAES Corporation
 Northeast Resource Recovery Association
 Recommunity
 Sims Municipal Recycling
 Sonoco Recycling

Responses to the RFP for Operation and Maintenance Services (O&M) and Commodity Marketing for the Connecticut Solid Waste System Recycling Facility were due by May 23, 2013. At the request of multiple prospective proposers, that deadline was extended to May 30, 2013 via Addendum 2 to the RFP. The President designated Tom Gaffey, Roger Guzowski and Peter Egan the tasks of review and evaluation of submitted proposals. Recommunity/FCR, NAES and Fusion Paper were interviewed. Proposals were evaluated based on compliance with the RFP instructions and completion of required certifications, commodity revenue pricing and per ton payments (rebates to CRRA offered), costs of O&M, additional monthly or annual fees if applicable, and operating experience.

Proposals Received

CRRA received one proposal for combined O&M and Marketing Services, two for O&M only and three for marketing with one of those solely for purchase of all fiber. No proposals for the lease option were received. Two offers to purchase the facility without any pricing were received.

The following proposals per category of alternatives requested were submitted:

	O&M and marketing	O&M only	marketing only
ReCommunity/FCR	CRRA receives \$8.50 ton on all CRRA-sourced tons plus 50% of outgoing revenues less a \$62/ton fee. Contractor agrees to commit 10,000 tons of contractor-sourced tons for which CRRA would receive a \$7.50/ton base plus 10% of the outgoing revenue less a \$62/ton fee.	\$65/ton	End price less \$7/ton
NAES		Fixed monthly fee of \$29,167 with additional annual fees and one-time transition costs. O&M price was not submitted.	
NRRA			End price less \$5/ton. Would require buying annual NRRA membership.
Fusion Paperboard			Offered to buy all cardboard and paper based on market index price.

As noted in the table above, CRRA received two proposals for the O&M only option from ReCommunity/FCR and NAES. While the NAES proposal included a fixed monthly fee, an annual fee and one-time transition costs it did not include certain O&M and labor costs. Based on reports that studied other recycling facilities in the United States concluding average O&M costs on a per ton basis and our knowledge of Connecticut labor rates, our analysis indicated that the NAES proposal was higher than the ReCommunity proposal for the O&M only option.

Executing an agreement with ReCommunity/FCR LLC based on their O&M and Commodity Marketing Services proposal is recommended since it generates the highest net revenue of any proposal option submitted. Moreover, as the incumbent operating vendor, ReCommunity is capable of a seamless transition from the current operating agreement. CRRA will be obligated to deliver all of the acceptable recyclables under contract with Tier 1 municipalities (approximately 42,000 tons). ReCommunity will be obligated to deliver a minimum of 10,000 tons of acceptable recyclables from other sources. While ReCommunity will be obligated to market the recyclable commodities, CRRA retains the right to market recyclables when more favorable pricing is available. CRRA is hopeful that a portion of the paper will be sold to a Connecticut-based mill that responded to the RFP.

Financial Analysis

The adopted CSWS Budget for the Recycling Facility includes \$1,287,000 for Recycling Sales and an equal amount for Total Expenditures. Under current market conditions, the new agreement will generate \$1,646,265. Softening market pricing to 80% of current market conditions reduces revenues to \$1,175,469 which would require concomitant expenditure reductions.