



ROCHELLE WASTE DISPOSAL

ADMINISTRATIVE OFFICE

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LANDFILL

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OPERATIONS OFFICE

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September 22, 2011

City of Rochelle
Mr. Dave Plyman
City Manager
City of Rochelle
333 Lincoln Highway
Rochelle, IL 61068

Re: Request for Removal of Service Area Restrictions
Rochelle Municipal Landfill No. 2

Dear Mr. Plyman:

Rochelle Waste Disposal and the City of Rochelle recently received from the Illinois EPA the development permit for the horizontal expansion of the landfill that was authorized by the City council's approval of the local siting application in April of 2007. This is the final step allowing for the construction of the landfill expansion and marks the start of the planning process for construction and operation of the "Expanded" landfill. A significant part of the planning for the start of operations in the Expanded landfill is the development of a larger customer base to support the capital cost of the expansion and the increase in the Host Fees associated with the approval of the expansion. A review of our existing and potential customer base has indicated that the condition in the siting approval limiting waste receipts to generators within the service area boundaries defined in the siting application will have a significant impact on our ability to establish a customer base that will support the cost to develop and operate the landfill. Therefore we respectfully request that the City remove the restriction on the service area for the landfill.

An explanation of why we feel that this is a reasonable consideration that will support our successful operation of the landfill facility and be in the best interest of the City are presented in following narrative.

The County of Dekalb recently approved an expansion of Waste Management's landfill along the I-88 corridor. The Dekalb Waste Management Facility creates competition for the local waste streams within the currently defined service area and will have a significant impact on the volume of waste that we can reasonably expect to receive at the Rochelle landfill. The Host Fee structure of the Waste Management facility is less than the Rochelle Landfill further limiting the ability of the landfill to remain competitive within a limited service area. In addition, the Waste Management Dekalb County landfill is also allowed to accept a much greater amount of waste on an annual basis allowing the facility to further lower their cost structure.

Contracts within the waste business typically are for extended periods of time and the opportunity to develop new customers is within a market base that does not have much liquidity. Increasing our service area allows us to solicit a larger customer base and create opportunities that will support the facility operations.

The City has previously recognized the benefits of having a landfill as part of its economic base and has structured agreements with RWD to receive significant revenue from the operation of the landfill. The City has also placed a number of restrictions and operating requirements on the facility to ensure the safety and comfort of the City's residents. Removing the service area restriction will not have any impact on the safety or comfort of the City's residents.

During the interim period between the local siting approval and the approval of the development permit Rochelle Waste Disposal has limited the quantity of waste received at the landfill to ensure that the remaining capacity within original landfill footprint was available to Rochelle and the surrounding area. This was done through a combination of routing certain customers to other landfill facilities and purposely not seeking new customers. This has resulted in a negative financial impact to our operations and limited the amount of Host Fee revenue to the City. Although the Host Fee revenue has been impacted the City has benefitted from this arrangement since it preserved airspace for the residential and governmental/institutional waste that the City is not charged for disposal. This is a benefit that yields an estimated cost savings to the City of over \$250,000 per year during a period when our revenues were not meeting our expenses. Our annual waste receipts during this period were approximately 100,000 tons per year which is 33% of the 300,000 tons per year allowed under the Host Agreement. If the landfill had continued to receive waste at the rate it had during 2007, which was approximately 80% of the annual limit, the landfill would have run out of airspace in the first quarter of 2010. This would have resulted in an additional annual cost to the City of over \$250K and the loss of approximately \$275K to \$300K of Host Fees. Increasing the landfill tonnage from the existing 100,000 tons per year to 300,000

tons per years as allowed under the Host Agreement will increase the annual revenue from approximately \$250,000 per year to approximately \$600,000 per year. The gross annual revenue that the City would receive which includes fixed payments and avoided costs would increase from approximately \$660,000 per year to \$1,200,000 per year.

We understand the value that the landfill provides to the City and the surrounding area and have supported the City's desire to preserve capacity. We would hope that the City respect our efforts to make the landfill an economically viable business and at the same time increase the revenue the City receives from the facility. We would respectfully request that the City remove the service area restriction and thereby allow Rochelle Waste Disposal the opportunity to develop a successful economic enterprise that will provide a greater economic benefit to the City. If you have any questions regarding the above summary, feel free to call.

Sincerely,

Rochelle Waste Disposal, L.L.C.

By



Thomas Hilbert