



INSIDE THE BUDGET

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Closing Fresh Kills Means Mounting Costs to Dispose of New York City's Garbage

On February 5, 2001, the New York City Department of Sanitation (DOS) will take the final step towards closing the Fresh Kills landfill when it begins to export the 3,300 tons of residential and institutional trash generated daily in Queens—the last remaining waste going to Fresh Kills. The closure of Fresh Kills and export of the city's trash mostly by truck to disposal sites outside the city have driven up DOS's operating expenditures by over 50 percent since fiscal year 1997. The price tag for DOS will be over \$900 million in 2001. Given these increases, it is worth examining the projected costs of the export program.

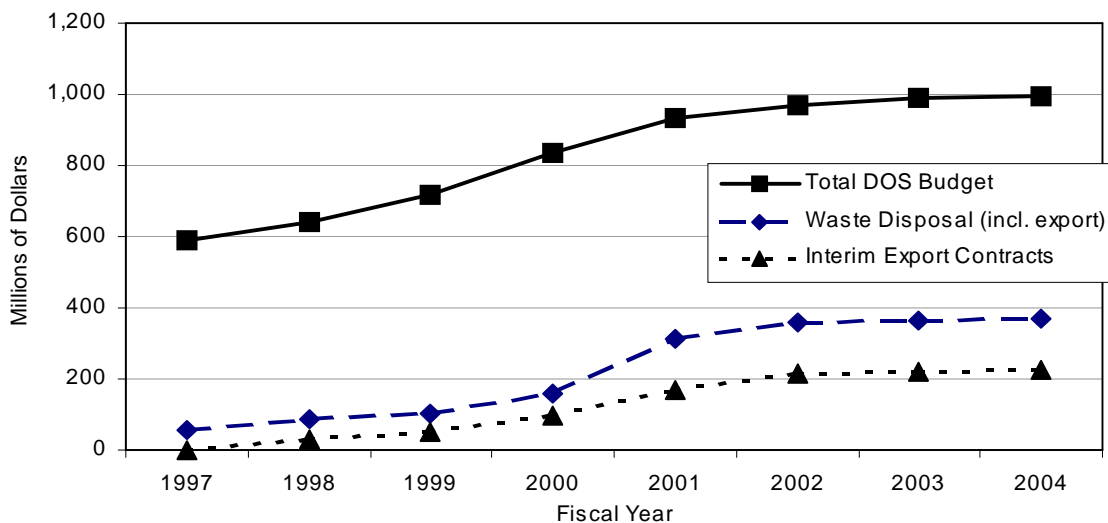
With the export of Queens waste now being phased in over a six-week period, the Fresh Kills landfill is expected to cease accepting waste by April 2001—a full nine months ahead of schedule. Fresh Kills has been in operation since 1948. It has been the only landfill within the city since 1992, and the only disposal site in the city since 1994, when the last remaining incinerator was shut down. Depending on utilization rate and structural design, the landfill could have continued to operate for another 20 to 30 years.

Background

In May 1996, Mayor Giuliani and Governor Pataki announced that Fresh Kills would be closed by December 31, 2001—a decision subsequently ratified in New York State Environmental Conservation Law.

To complete the shutdown of Fresh Kills, the city has proposed a long-term plan comprised of six waste transfer stations, two of which would be city-owned, for containerizing the trash for export by rail or barge to disposal sites outside the five boroughs (see "City Proposes Garbage Export Plan," *Inside the Budget* no. 65, July 17, 2000). For the four privately owned

Export Contracts Under the Interim Plan Will Consume Nearly 25 Percent of DOS's Annual Budget



SOURCES: Independent Budget Office; Department of Sanitation; Comptroller's Annual Financial Report.
NOTE: Figures for 2001 through 2004 are IBO projections.

facilities, the city would enter into 20-year contracts with private vendors. The proposed long-term export plan was approved as part of the city's Solid Waste Management Plan Draft Modification (SWMP Mod) by the City Council and the Mayor at the end of last year. The New York State

Summary of Interim Export Program

Phase	Borough	Number of Contracts	Start Date ^a	Contract Period ^b	Exported Waste ^c (tpd)	Export Fee ^d (\$/ton)
I	Bronx	1	7/97	7/7/97-7/6/02	1,895	\$54.82
II	Brooklyn	2	12/98	9/18/98-9/17/03	2,334	60.03
III	Manhattan and Staten Island	4	12/99	11/8/99-11/7/04	2,798	63.48
IV	Brooklyn	2	9/00	9/1/00-8/31/05	1,073	69.11
V	Queens	7	2/01	2/5/01-2/4/06	3,281	68.22
Total					11,381	\$63.23

SOURCES: Independent Budget Office; Department of Sanitation; Office of Management and Budget.

NOTES: ^aThe export start dates for Phase II and III differ from the contract start dates due to implementation delays. ^b Each contract is for three years with two one-year renewal options. ^cTons per day (tpd) based on 312 collection days per year. ^dWeighted average of individual contracts.

Department of Environmental Conservation is now conducting a formal review of the modified plan and is expected to approve it by this coming spring.

As a stopgap measure until the city implements the proposed long-term export plan, DOS initiated a five-phase interim export program in July 1997 to divert waste from Fresh Kills to disposal sites outside the city. Under the interim export program, trash is collected and hauled by city sanitation trucks to incinerators located in New Jersey and Long Island, or to waste transfer stations located in the city and New Jersey. Once at the transfer stations, the waste is reloaded onto trailer trucks for export by private vendors to incinerators or landfills in Connecticut, Ohio, Pennsylvania, South Carolina, and Virginia. (The current export contracts are summarized in the table above; further detail is available on IBO's Web site, www.ibo.nyc.ny.us.) The only exception to the use of trucks for trash export occurs in the Bronx, where roughly 60 percent of the borough's trash is exported by rail. The export of Queens waste is the fifth and final phase of the interim export program. Under both the proposed long-term plan and the interim program, no borough will handle waste from another borough—a principle referred to as "borough self-sufficiency."

Cost of the Interim Export Program

By April 2001 the interim export program will be fully implemented and DOS will be exporting 11,400 tons per day (tpd) of trash for disposal at an average cost per ton of \$63.23—almost 50 percent more than the \$43 per ton it costs to dispose at Fresh Kills (based

on the 1996 SWMP Modification estimate of \$37 per ton, adjusted for inflation). This export fee includes the cost of transfer, transport, and disposal and is based on a weighted average of contracts that range from a low of \$54.82 per ton in the Bronx to a high of \$81.00 per ton for one of the new contracts in Queens.

The DOS expense budget has grown from \$590.5 million in 1997 to \$838.3 million in 2000, and IBO projects it will reach \$980 million by 2004. The three primary reasons for this increase are:

- The increase in trash disposal costs associated with the export to disposal sites outside the city;
- The increase in collection and relay costs associated with the interim-export program's utilization of out-of-city waste transfer stations and incinerators; and
- The transfer of costs associated with closing Fresh Kills from DOS's capital budget to its expense budget starting in 2000.

The growth in trash disposal costs is the predominant reason for DOS's rising budget. The cost of the interim export contracts has grown from \$29.2 million in 1998 to \$104.6 million in 2000 and is projected to reach \$171.1 million in 2001—rising from 5 percent of the total DOS budget in 1998 to 18 percent in 2001. If the amount of waste exported remains constant, the cost will grow to \$227.5 million in 2002 (the first fiscal year that all of the city's waste will be exported) and \$238.0 million in 2004—23 percent of the DOS operating budget.

Cost of Interim Export Contracts				
<i>Dollars in millions</i>				
Phase	2001	2002	2003 ^b	2004 ^b
I (Bronx)	\$31.2	\$33.0	\$33.9	\$34.8
II (Brooklyn)	41.9	44.4	46.1	47.3
III (Manh., S.I.)	53.0	56.1	57.2	58.3
IV (Brooklyn)	18.3	23.5	24.0	24.5
V (Queens)	<u>26.6</u>	<u>70.4</u>	<u>71.8</u>	<u>73.1</u>
Export Cost	\$171.1	\$227.5	\$233.1	\$238.0
<i>Average Cost per Ton^a</i>	<i>\$63.82</i>	<i>\$64.45</i>	<i>\$66.03</i>	<i>\$67.43</i>
Memo: Export Cost with 25% recycling	\$171.1	\$216.6	\$222.0	\$226.6
SOURCES: Independent Budget Office; Department of Sanitation.				
NOTES: The cost of individual phases may not add up to the total export cost due to rounding. ^a Based on a weighted average for April 2001. ^b Assumes Phase I and II contracts would be reissued upon their expiration and the cost of the new contract would increase at the rate of inflation.				

be largely offset by the cost of recycling the additional material.

Phase-In of the Long-Term Plan

DOS anticipates that the long-term plan could be phased in beginning as early as 2003. The long-term plan would reduce collection costs, primarily because it would not require city sanitation trucks to drive to out-of-town transfer and disposal sites, saving the costs of tolls, permits, fuel, maintenance, and labor. DOS has estimated that in 2002 collection costs would be \$422.5 million under the interim program, while under the proposed long-term program collection costs would be \$338.9 million, a savings of 20 percent.

Impact of Increased Recycling on Export Costs

Increased recycling would decrease the volume of trash the city exports. DOS projects that by 2002 the amount of trash requiring disposal could decrease to 10,841 tpd if the agency meets its goal of recycling 25 percent of the waste collected under the curbside and containerized program (compared with the current recycling rate of about 20 percent). Lowering the exported tonnage through an increased level of recycling (or a combination of recycling and waste prevention) would bring the cost of the interim export contracts down to \$216.6 million for 2002, \$222.0 million for 2003 and \$226.6 million for 2004—a savings of \$10.9 million, \$11.1 million and \$11.4 million, respectively. But these savings in export costs would

In contrast, export costs are projected to be higher under the proposed long-term plan than under the interim plan. DOS has projected that export costs—transfer, transport, and disposal—under the long-term plan will be somewhat over \$300 million annually (in constant 2002 dollars). IBO estimates that the 2002 cost of export under the interim program will be \$227.5 million.

By current estimates, the combined costs of garbage collection and export under the long-term plan will be slightly more than under the interim program. While the exact cost of the long-term program will not be known until it is fully in place, under current plans the city will continue to face an annual bill of \$1 billion to dispose of its refuse.

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