

# The Economic and Fiscal Impact of Waste Management's Hazardous Waste Landfill on Niagara County and the Surrounding Area

**Commissioned by:**

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**RE: The Economic and Fiscal Impact of CWM Chemical Services Hazardous Waste Landfill**

This report and the accompanying estimates were prepared by Bonadio & Co., LLP for CWM Chemical Services for the purpose of determining the Current and Potential Continued Economic and Fiscal Impact related to the CWM, Model City, New York operations and should not be used for any other purpose. The information and assumptions underlying this analysis and the related estimates are the representations of CWM. Therefore, Bonadio & Co., LLP does not express an opinion on them. Furthermore, there will usually be differences between the estimated and actual results, because events and circumstances frequently do not occur exactly as estimated; these differences may be material. Bonadio & Co., LLP has no responsibility to update this report for events and circumstances occurring after the date of this report.

April 20, 2009 except for the state taxes and fees estimated over the anticipated life of RMU-2 and the 2009 projected real estate taxes on page 6, the five year average annual direct financial impact on page 8, the estimated direct benefits over the 32 year planned RMU-2 site life on page 9 and the estimated total impact on page 10 as to which the date is December 21, 2010.

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# The Economic and Fiscal Impact of CWM's Model City Hazardous Waste Landfill on Niagara County and the Surrounding Area

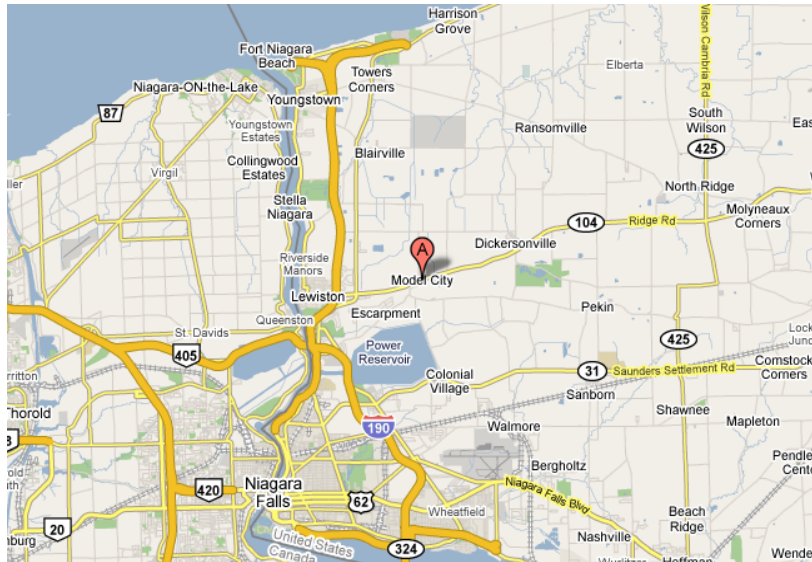
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## Executive Summary

### A) Introduction



CWM Chemical Services, LLC's (CWM) Model City, New York facility is a 710-acre chemical and industrial waste treatment, storage, and disposal facility (TSDF) located in Niagara County with all operations conducted in the Town of Porter near Niagara Falls, Buffalo, and the Canadian Border. CWM's operations include land disposal, stabilization, container management, and aqueous treatment operations as well as administrative offices. Prior to operation as a commercial waste facility, the site was owned by the United States Government.

The Model City facility has operated as a hazardous waste treatment, storage, and disposal facility (EPA ID No. NYD049836679) since 1971. In 1975, ChemTrol Pollution Services, Inc. was acquired by SCA Services, Inc., and its name was changed to SCA Chemical Waste Services, Inc. In 1984, SCA Chemical Waste Services, Inc. became a wholly owned indirect subsidiary of Waste Management, Inc. In 1986, the name was changed to CWM Chemical Services, Inc. In January 1998, it became a limited liability company, CWM Chemical Services, LLC.

The Model City facility accepts a variety of liquid, solid, and semi-solid organic and inorganic hazardous and industrial non-hazardous wastes. In addition, the facility has the only commercial hazardous waste landfill located in all of the Northeast United States. It is also approved by the United States Environmental Protection Agency and the State of New York to store and dispose of PCBs.

This report provides estimates on CWM's economic and fiscal impacts on the regional economy in Niagara County, the local school districts and the State of New York, and the towns of Porter and Lewiston, New York.

The sections which follow provide background on the facility and proposed expansion (RMU-2) and identify the potential economic benefits to the respective communities, including a description of the assumptions and methodology used in preparing this report. The report was prepared from information currently available to us.

The Model City facility generally serves a market located within an approximate 500-mile radius of the facility. A significant portion of the waste handled at the facility is generated in New York State. Additional waste is received from other states located in the Northeastern, Mid-Atlantic, and Midwestern United States as well as from Canada.

In addition to the operating landfill, there are ten closed landfills at the facility. See the Exhibit for pictures of operating and closed landfills. Each landfill is equipped with leachate collection systems and groundwater monitoring wells. All landfills permitted after 1985 are double lined with double leachate collection systems. There are a total of 285 groundwater wells/piezometers and 7 air monitoring stations which are sampled on a scheduled basis. All operations in the active landfill are carried out in conformance with the current Site Operating Permit.

## Executive Summary (Continued)

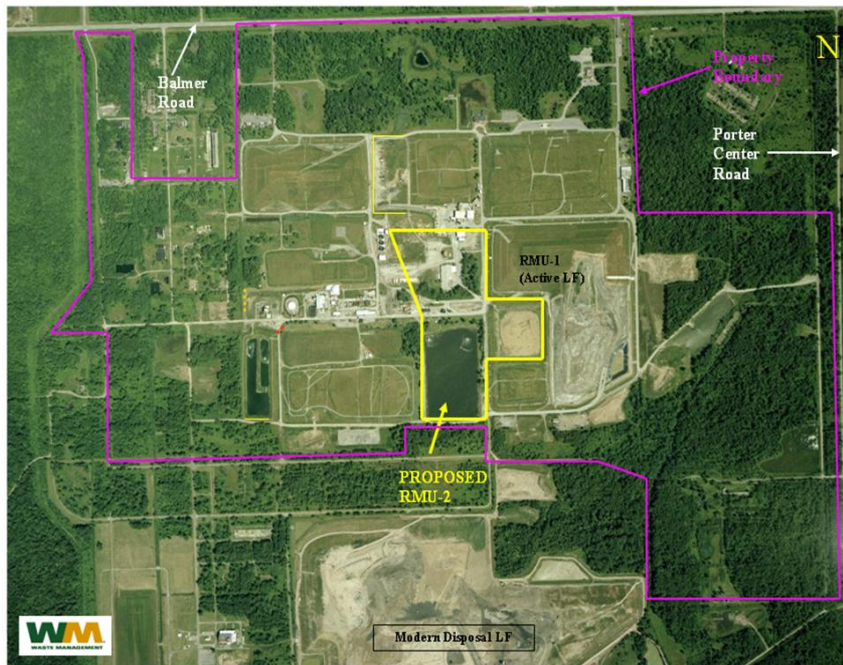
### A) Introduction (Continued)

Based on historical utilization, the current landfill is expected to reach its capacity in approximately four to five years and require closure. The closure of this landfill without the addition of a replacement landfill would result in a significant reduction of financial input into the community by CWM. It is anticipated that the entire Model City operation, except for a minimal crew, will cease to exist if a new landfill is not built. The facility permit requires “perpetual post closure care” of all the landfills, which means that CWM will monitor and maintain these landfills forever. These perpetual care obligations are secured with financial instruments to provide funds in the event that CWM ceases to exist.

This report presents the results from our analysis of the economic impacts of the facility and the proposed development of an additional landfill at Model City. Our findings are prepared based on information provided by CWM.

### B) Proposed Development

CWM has applied for a permit modification that would allow for development of a new 50-acre landfill cell (RMU-2) within its current site to allow for ongoing and uninterrupted commercial waste land disposal. Proposed RMU-2 is a double-lined land disposal facility in a geologically suitable location that will accommodate approximately 4,000,000 cubic yards of waste. The footprint includes approximately 5 acres of perimeter berm, and 39 acres designated for waste.



RMU-2 will extend the life of the facility for approximately 32 years, assuming average annual volumes of 165,000 tons per year.

If RMU-2 is not developed, operations would be significantly reduced when RMU-1 reaches capacity and is closed. In that event, Model City Facility would cease current operations, eliminating a significant portion of the accompanying community benefits.

## Executive Summary (Continued)

### **C) Economic Benefits**

Currently, the Model City Facility represents a significant component of the overall Niagara County and regional economy and generates significant direct and indirect benefits in areas that include the following:

- Wages, Salaries, and Benefits
- Operating Expenditures
- Capital Expenditures
- Fees and Taxes
- Host Agreement Fees

In addition, the facility gives rise to economic activity or output in these areas of the state and local economies that provide goods and services to the facility and its employees.

## Economic and Fiscal Impact of the Proposed RMU-2 Landfill Expansion

We estimated the RMU-2 economic impacts using several measures of economic activity based upon the past five years of historical information. We considered impacts that included:

I. Direct impacts which result from among other things:

- Wages, Salaries, and Benefits Paid to Employees of the Facility
- Operating Expenditures Paid to Vendors and Contractors
- Capital Expenditures related to Facilities Development and Expansion
- Fees and Taxes Paid to Local Communities as well as New York State
- Host Community Fees

II. Indirect impacts which result from the goods and services produced by various firms that are stimulated by the direct operating expenditures, and induced expenditures, which are generated through the spending of households' incomes earned as part of the direct expenditures of the facility.

The various impacts are as follows:

### **A) Wages, Salaries, and Benefits Paid to Employees of the Facility**

CWM Model City facility employed an average of 81 individuals during the five year period of 2004 - 2008, with annual payroll costs including wages, salaries, and benefits averaging in excess of \$5 million each year. All but four of the employees reside within Niagara County. The majority of the employees live in Lewiston, Ransomville, Sanborn, Wilson, Youngstown, Niagara Falls, and Lockport.

### **B) Operating Expenditures Paid to Vendors and Sub-Contractors**

Purchases made from vendors, contractors, and suppliers who provided goods and services in order to carry out operations at the Model City facility averaged approximately \$4.4 million annually during the past five years.

*Contributions to local charities* - Included within the operating expenses shown above are the annual contributions to local charities. It is anticipated that future amounts will remain at the current levels which have resulted in average annual contributions of approximately \$35,000 over the past five years. Also, the CWM Foundation has contributed an additional \$10,000 annually during those years to a charity of its choice.

### **C) Capital Expenditures related to Facilities Development and Expansion**

During construction periods, expenditures at the facility increase significantly. Construction at the facility includes both the closure/capping of existing landfills as well as the development of new waste cells. It is anticipated that there will be an ongoing expenditure of approximately \$2.4 million every two years for the capping of filled portions of the landfill. In addition to regular capping expenses, it is anticipated that the \$55.8 million construction costs projected for RMU-2 will be spent over the 32 year life. Specifically, \$28 million or 50% will be spent within the first 6 years, with a majority of the costs anticipated to be spent with local contractors.

## Economic and Fiscal Impact of the Proposed RMU-2 Landfill Expansion (Continued)

### **D) Fees and Taxes Paid to Local Communities as well as New York State**

Fees and taxes include property taxes paid to Niagara County as well as local towns and school districts, New York State sales taxes, gross receipts taxes, and host community fees. These taxes and fees are based on assessed valuation and/or fees based on annual gate receipts. Fees and local taxes would be expected to decline significantly if the facility was closed as the assessed value would be expected to be reduced and the usage fees would be eliminated.

In addition to the standard state and local government required taxes and fees, CWM is subject to a gross receipts tax, and it has entered into an agreement related to additional fees as follows (note that these fees will be broken down to show specific town/school benefit in the sections that follow):

- 1) **Host Community Fee** – Every ton of waste disposed at the Model City facility in RMU-2 will require a \$3 per ton host community fee to be paid to the Town of Porter with a guaranteed minimum of \$200,000 annually, offset by the GRT. Anticipating a planned annual tonnage of 165,000, this would result in a combined \$495,000 annual fee and GRT paid to the Town of Porter.
- 2) **Gross Receipts Tax** – Pursuant to the requirement of Section 27-0925 of the Environmental Conservation Law of the State of New York; and the amended Chapter 674 of the Laws of 1989, CWM pays 6% of the Gross Receipts to local towns and school districts. By agreement, CWM pays 1/3 equally to the Town of Porter, Town of Lewiston, and three school districts (Lewiston-Porter, Niagara Wheatfield, and Wilson). If the expansion is approved, this substantial tax will continue.

#### **Gross Receipts Tax based on 2008 Activity**

Town of Porter	\$	331,029
Town of Lewiston	\$	331,029
Lewiston Porter, Niagara Wheatfield, & Wilson School Districts (1)	\$	<u>331,029</u>
<i>Total:</i>	\$	<i>993,087</i>

- (1) Allocation based on pupil population from the Towns of Lewiston & Porter attending said schools.

#### **Gross Receipts Tax fees estimated over the anticipated life of RMU-2 (2)**

Town of Porter	\$	7,520,000
Town of Lewiston	\$	7,520,000
Lewiston-Porter School District (3)	\$	5,748,000
Niagara-Wheatfield School District (3)	\$	1,208,000
Wilson School District (3)	\$	<u>564,000</u>
<i>Total:</i>	\$	<i>22,560,000</i>

- (2) This calculation assumes waste receipts averaging 165,000 tons/year.
- (3) Allocation based on pupil population from the Towns of Lewiston & Porter attending said schools.



## Economic and Fiscal Impact of the Proposed RMU-2 Landfill Expansion (Continued)

### D) Fees and Taxes Paid to Local Communities as well as New York State (Continued)

3) **New York State Taxes and Fees** – In addition to local and county benefits, New York State realizes significant benefits as well which ultimately trickle back into local communities. These include:

- Hazardous waste operating fee – A New York State mandated fee and surcharge is based on the amount of site generated waste per year. It is estimated, based on tonnage generated, that the fee would be \$91,000 in surcharges plus \$225,000 in operating fees (for a total of \$316,000) annually during the period of operation.
- NYS Sales Tax – In 2008, CWM Model City Facility paid \$339,580 in New York State Sales Tax.
- NYSDEC Monitors Reimbursement – this is a New York State Department of Environmental Conservation charge for full time DEC staff on site at the landfill. In 2008, this expense was \$553,000. This charge typically increases annually.

#### **State taxes and fees estimated over the anticipated life of RMU-2**

Hazardous waste operating fee	\$	10,112,000
NYS Sales Tax		16,313,000
NYSDEC Monitors Reimbursement		24,625,000
<i>Total:</i>	\$	<u>51,050,000</u>

4) **Real Estate Taxes** - Real estate taxes are an important source of local revenues for funding the operations and obligations of local municipalities. CWM paid approximately \$734,398 in school and property taxes in 2008. Based on a current assessed value of \$23 million (an increase of \$5 million from 1994), the taxes for each of the towns based on the portion of the landfill that resides in each of the towns are projected to be as follows:

#### **2009 Projected Real Estate Taxes**

	<u>Porter</u>	<u>Lewiston</u>
School tax	\$ 484,000	\$ 3,000
Local Property Tax	260,000	2,000
<i>Total 2009 Projected Real Estate Taxes:</i>	<u>\$ 744,000</u>	<u>5,000</u>

## Economic and Fiscal Impact of the Proposed RMU-2 Landfill Expansion (Continued)

### D) Fees and Taxes Paid to Local Communities as well as New York State (Continued)

#### Real Estate Taxes estimated over the anticipated life of RMU-2

	<u>Porter</u>	<u>Lewiston</u>
School tax	\$ 29,342,000	\$ 162,000
Local Property Tax	14,821,000	108,000
<i>Total Estimated Real Estate Taxes:</i>	\$ 44,433,000	

- 5) **Town of Porter** - In addition to the real estate taxes identified above, the town of Porter will receive a Host Community fee of \$3 per ton for all waste received in RMU-2 with a guaranteed minimum of \$200,000 annually. It is estimated that the Town of Porter will be paid a minimum of \$6.4 million in fees from the host agreement over the anticipated 32 years of the RMU-2 landfills expected life. This fee is reduced by the amount of Gross Receipt Tax paid.

Based on an anticipated annual anticipated tonnage of 165,000, and the estimated Gross Receipt Tax, the estimated benefit over the life expectancy of RMU-2, is as follows:

Host Community Fee (net of GRT offset)	\$ 8,320,000	
Gross Receipt Tax	7,520,000	
<i>TOTAL DIRECT BENEFITS</i>	\$ 15,840,000	

The proposed host agreement's direct benefits represent a significant portion of the Town of Porter's total budgeted revenues. Losing these benefits would have a significant impact on the Town of Porter's budget. Replacing the benefits would require a substantial tax rate increase or a reduction in services or both.

- 6) **Town of Lewiston** – In addition to the real estate taxes identified above, the Town of Lewiston shares in the Gross Receipts Tax:

#### Gross Receipts Tax fees based on 2008 actuals

Town of Lewiston	\$	331,029
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#### Gross Receipts Tax fees estimated over the anticipated life of RMU-2

Town of Lewiston	\$	7,520,000
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- 7) **Lewiston-Porter, Niagara Wheatfield, and Wilson School Districts** - Model City is located within the Lewiston-Porter School District, and it is near the Niagara Wheatfield, and Wilson School Districts. Real estate taxes (see above) are a significant source of local revenues for funding the operations of the school districts. These taxes are based on the assessed value of the landfill property and are distributed based on pupil population. If the Model City facility closes, it is anticipated that the value of the real estate and the related real estate taxes could be significantly reduced.

## Economic and Fiscal Impact of the Proposed RMU-2 Landfill Expansion (Continued)

### E) CWM's Model City Landfill Community Impact Summary

The average expenditures over the most recent five year period is as follows:

	<u>Five-year Average Annual Direct Financial Impact</u>	<u>5 Year Average</u>
<b><u>Local Taxes:</u></b>		
{a} School tax	\$	477,000
{a} Property tax	\$	231,000
{a} Gross Receipts Tax (1)	\$	836,000
{a} Host Community Fee/Guaranteed (2)	\$	600,000
 <b><u>State Taxes &amp; Fees</u></b>		
Hazardous waste operating fee	\$	309,000
NYS Sales Tax	\$	370,000
NYSDEC Monitors Reimb.	\$	518,000
 <b><u>Local Expenditures</u></b>		
{a} Contributions to sponsorships and local charities	\$	36,000
{a} Contractors/ Capital/Haulers	\$	4,383,000
{a} Payroll and Benefits {Labor Costs} based on a Headcount of 81	\$	5,418,000
<i>TOTAL Average Annual Contribution to Local and State Economies</i>	\$	<i>13,178,000</i>
<b>Niagara County Impact</b>		<b>\$ 11,981,000</b>

(1) 6% of Gross Receipts of which 1/3 is paid equally to the Town of Porter, Town of Lewiston, and three school districts based on pupil population allocation.

(2) Agreement with the Town of Porter

### ***Summary of Direct Community Impact***

The proposed expansion provides for landfill site life of an additional 32 years which will result in continuing operations, employment and wages and benefits for a significant number of local employees.

Over a 32 year planned operational period, total taxes, fees and expenditures are estimated to be substantial. An estimate of those expenditures over that 32 year period beginning in 2014 was prepared using estimates of inflation and expected facility usage, as well as the terms of the current arrangement for certain host fees, taxes, and related expenditures. The estimated direct benefits over the 32 year RMU-2 site life are as follows:

## Economic and Fiscal Impact of the Proposed RMU-2 Landfill Expansion (Continued)

### E) CWM's Model City Landfill Community Impact Summary (Continued)

#### Estimated Direct Benefits over the 32 year Planned RMU-2 Site life

		2014 - 2045
<b><u>Local Taxes:</u></b>		
{a} School tax	\$	29,504,000
{a} Property tax	\$	14,929,000
{a} Gross Receipts Tax (1)	\$	22,560,000
{a} Host Community Fee/Guaranteed (2)	\$	8,320,000
<b><u>State Taxes &amp; Fees</u></b>		
Hazardous waste operating fee	\$	10,112,000
NYS Sales Tax	\$	16,313,000
NYSDEC Monitors Reimb.	\$	24,625,000
<b><u>Local Expenditures</u></b>		
{a} Contributions to local charities	\$	1,150,000
{a} Contractors/ Capital/ Sub-haulers	\$	196,044,000
{a} Payroll and Benefits {Labor Costs} based upon a Headcount of 75	\$	308,343,000
<i>TOTAL Contribution to Local and State Economies</i>	\$	<i>631,900,000</i>
<b>Niagara County Impact</b>	<b>\$</b>	<b>580,850,000</b>

(1) 6% of Gross Receipts of which 1/3 is paid equally to the Town of Porter, Town of Lewiston and 3 school districts based on pupil population allocation.

(2) Agreement with the Town of Porter.

Going far beyond standard regulatory requirements for landfill management, CWM provides for perpetual care of its facility which includes insurance that will cover the cost of closing the facility and maintaining it forever, in the unlikely event of CWM inability to maintain operations.

## Economic and Fiscal Impact of the Proposed RMU-2 Landfill Expansion (Cont.)

### F) Indirect Economic Impacts

The economic and labor impacts of an industry go well beyond their direct effects on output, earnings, and employment in the regional, state, and local economies in which they are located. As a result, the total impact of CWM's expenditures requires analysis and consideration of the direct benefits detailed above as well as the additional economic activity stimulated by significant salary spent in local communities.

Indirect benefits (multiplier effects) are created when the initial spending by CWM employees circulates and recycles through the community. In contrast to initial or direct benefits, the indirect benefits measure the magnitude of successive rounds of re-spending as those who work or sell products to CWM and their employees. For example, when an employee's wages are spent to purchase food, housing, clothing, and medical services, these dollars create more jobs and income in the general economy of the region through the multiplier effects of re-spending.

The economic multipliers presented in this report are based on a comprehensive set of national/state input-output models developed by the U.S. Department of Commerce's Bureau of Economic Analysis (BEA). An input-output model provides a statistical depiction of the inter-industry linkages within an economy. The BEA's latest methodology is called the Regional Input-Output Modeling System II (RIMS II) and it measures the effects of these "waves" of economic activity or indirect economic impacts which together with the direct impacts provide an estimate of the total economic impact.

The total economic impact is measured by choosing the appropriate multiplier and applying that factor to the direct impact to arrive at the total impact. For purposes of this calculation, we used the NY Waste management and remediation services multiplier to demonstrate the multiplier effect of incremental economic activity. According to RIMS II, this demand multiplier is 1.889.

The total economic impact is calculated by applying the multiplier to the direct economic benefits as shown below:

<b><u>Estimated Total Economic Impact</u></b>			
<b><u>Annual Average Total Impact</u></b>		<b><u>Total 32 Year RMU-2 Site Life Impact</u></b>	
Annual Average Direct Estimated Contribution to Local and State Economy Based on Five Year Historical Average	\$13,178,000	Estimated Direct Contribution to Local and State Economy Over 32 Year Planned RMU-2 Site Life	\$ 631,900,000
RIMS II Multiplier	<u>1.889</u>	RIMS II Multiplier	<u>1.889</u>
Estimated Annual Total Economic Impact	\$24,893,000	Estimated Total Economic Impact Over 32 Year Planned RMU-2 Site Life	\$1,193,659,000

## Exhibit



Model City Closed Landfills



Model City Active Landfill (RMU-1)