AGENDA ITEM or FINAL CONTRACT REVIEW SUBMITTAL FORM

AgendaTitle:
Gunnison County Landfill Rate Change

Action Requested: Motion

Parties to the Agreement:

Term Begins: **Term Ends:** **Grant Contract #:**

Summary:
At a work session on August 12th a presentation was made regarding the next construction phase(s) at the landfill and the potential purchase of equipment. Funding options were presented and discussed, and Scenario C was presented as the preferred option

Fiscal Impact: Users will experience a 10% rate increase which is the first rate increase for County use since 2001.

Submitted by: Marlene D. Crosby **Submitter's Email Address:** mcrosby@gunnisoncounty.org

Finance Review: (●) Required ( ) Not Required

Comments:

This is as discussed at the worksession.

Reviewed by: GUNCOUNTY1\lNienhueser Discharge Date: 8/27/2014

County Attorney Review: ( ) Required (●) Not Required

Comments:

Reviewed by: Discharge Date: Certificate of Insurance Required

Yes ( ) No ( )

County Manager Review:

Comments:

Reviewed by: GUNCOUNTY1\mbirnie Discharge Date: 8/27/2014

( ) Consent Agenda (●) Regular Agenda ( ) Worksession Time Allotted: DCM Report

Agenda Date: 9/2/2014 Follow Up Agenda Date:

Revised April 2013

Gunnison County Public Works Department

195 Basin Park Drive
Gunnison, CO 81230

Phone: 970-641-0044

TO: **Board of County Commissioner**
Matthew Birnie, County Manager

FROM: **Marlene Crosby/Sean McCormick/Ben Cowan**

DATE: **August 7, 2014**

SUBJECT: **Landfill Discussion**

Several months ago we met with the Board to discuss equipment needs at the landfill and the opportunity to construct two modules at the same time. After that presentation you asked us to come back with the financial impact of our proposal and possible ways to finance the needs.

Attached to this memo are some possible scenarios and some information about rate structures as we want to convert from yardage to tons at the first of the year. The timing of this discussion is important as we need to provide the information to Hinsdale County and the City of Gunnison for their budget cycles. We also want to give advance notice to private haulers who may be bidding projects or need to change their rate schedules for next year.

We have spent a considerable amount of time sorting through the alternatives and determining, in our opinion, what was the best option. We are presenting four scenarios for your review. We believe that Scenario C is the best option for development at the landfill and funding the project and equipment. The citizens of Gunnison County have made a commitment to recycling. In order to continue current operations of both the Landfill and the Recycle Center, funding the replacement of the most critical pieces of equipment such as the recycling baler is essential. The recommendation includes a 10% increase in fees, beginning January 1, 2015. As you know, we have not increased our fees since 2001 due to the sluggish economy, except for the increase to cover State fees in 2007. A 10% increase, while it seems high, does not cover the cost of inflation since we last had an increase, which was 27% over the last 14 years. The biggest cost increases that we have been facing at the landfill include the cost of maintaining old equipment, fuel costs, and increasing review and permitting costs from the CDPHE.

It is also important that current users pay for the closure of the airspace currently being used and construction of the next major project. Increasing the rates allows funds to be saved for use when needed. The construction surcharge was enacted in 2000. Over the last 13.5 years, nearly $1.5 million has been saved to build a new cell, saving on interest and even larger rate increases that would have been necessary had advance planning not been included.

Thank you.

Phase 2, Mod 1 & 2; Excavator

Scenario C

		Amount	Funds Availability
Total Funds Available - Beginning Balance			1,403,980
2014/2015	Landfill Construction, Phase 2, Mod 1 & 2 (est. life of 13.8 yrs)	(1,526,276)	(122,296)
2014/2015	Road & Bridge Excavation	150,000	27,704

Assumes:

$285,950 capital lease for 60 months at 2.9% (annual payment of $61,503.84)

Pros:

1 $334,206 less is spent to complete the same project as in Scenario A.
2 An excavator can be purchased, which will save an estimated $150,000 by performing preliminary excavation work in-house.
3 An excavator can eliminate the need for purchasing a loader later on and can perform ongoing operational tasks such as loading daily cover material in the dump truck, managing recyclables, as well as mixing composted materials in the future.

Cons:

1 If the excavator lease is paid using operational revenues, it requires an 10% rate increase.
2 If the excavator lease is paid using construction surcharge revenues, it takes three years to begin paying for Mod 3 or until 2018.
3 This scenario does not contemplate replacement of the 1986 Peterbilt Dump Truck.

GUNNISON COUNTY

LANDFILL CONSTRUCTION

Construction Cash

Landfill Construction Balance @ 12/31/13		1,018,373
Construction Expenditures through 06/30/14		(10,660)
Construction Revenues through 06/30/14		51,026
Estimated Construction Expenses 07/01-12/31/14		2,600
Estimated Construction Revenues 07/01-12/31/14		39,474
Estimated Landfill Construction Balance @ 12/31/14		**1,100,813**

Unrestricted Available Resources

Available Resources @ 12/31/13 (Current Assets less Current Liabilities)		2,484,916
Restricted Cash For Construction		(1,018,373)
Restricted Cash For Closure/Post Closure Care		(954,000)
Additional Required for Closure/Post Closure Care		(136,848)
Unrestricted Available Resources @ 12/31/13		375,696
2013 Operational Expenditures	725,290	
* 10% Minimum Cash Flow Buffer		(72,529)
Unrestricted Available Resources for Construction Purposes		**303,167**

TOTAL FUNDS AVAILABLE FOR CAPITAL PROJECTS @ 12/31/14 — 1,403,980

Assumptions:

1 All costs are in real dollars. It is assumed that construction and equipment purchase costs will increase over time due to inflation, but disposal fees may be increased in a like amount if necessary.

2 Construction surcharges are estimated to accrue at a historical rate of approximately $100,000 per year. This may fluctuate depending on volumes or rate changes. However, decreased volumes result in a corresponding increase in the estimated remaining life of the landfill airspace.

3 The landfill generates approximately $690,000 from disposal fees. Approximately 54% of these fees support ongoing landfill operational expenses, 18% for recycling, 4% for closure of the existing cell, 14% for construction of the new cell, 8% for Sage Grouse conservation, and 2% for state fees.

4 The landfill has not had a rate increase since 2007, where a 3% increase was enacted to cover increased fees from the State of Colorado. Prior to 2007, the last rate increase was enacted in 2001. In 2001, the Denver-Boulder-Greeley Consumer Price Index was 181.3 and has since increased to 230.8 in 2013, which represents a 27% inflation during that same 12 year period.