



Landfill “Gate Rate” Discounts



Issue—Insufficient Landfill Tonnage

- Breakeven operations for the landfill require approximately 250,000 tons annually.
- Current monthly trends project a total fiscal year tonnage of 180/200,000 tons
- **Projected Revenue**
Shortfall=\$600,000/\$800,000



Estimated Annual Costs to Operate Land Fill

(Does not include new disposal space design & construction costs)

Debt payments	\$2,515,000
Escrow for post closure	250,000
Engineering Services	165,000
Monitoring, Testing, Evaluations	90,000
Maintenance, Repairs, Replacement	45,000
Miscellaneous	15,000
Salary and Benefits	81,000
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	= \$3,160,000
Minus Non "Gate Rate" Revenue (Collection Franchise fee, etc)	- 175,000
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	\$2,985,000



Landfill Debt

<u>Date Incurred</u>	<u>Original Principal</u>	<u>Principal 1 July 2008</u>	<u>Annual Payment</u> Includes Interest	<u>Final Payment</u>
2004	\$ 1,500,000	\$ 640,000	\$ 326,135	2010
2005	\$ 3,790,000	\$ 1,965,000	\$ 681,925	2011
2001	\$ 3,504,000	\$ 2,175,400	\$ 339,783	2016
1999/2008	\$ 15,400,000	\$ 10,550,000	\$ 1,165,627	2019
	<u>\$ 24,194,000</u>	<u>\$ 15,330,400</u>	<u>\$ 2,513,470</u>	



Cost of Current Disposal Space for 1 Ton of Waste

- Cost of current disposal space - \$3.29/cy
- Waste density at 1,500 lb/cy - \$0.75 tons/cy
- Disposal of 1 ton consumes - 1.33 cy
- **Cost of space to dispose 1 ton - \$4.39/ton**
(\$3.29 x 1.33 cy)

cy = cubic yards



Cost to Replace Disposal Space for 1 Ton of Waste

- Est. cost to design/construct next phase - \$5,200,000
- Amount of space to construct - 1,500,000 cy
- @ 1,500 lb/cy, disposal of 1 Ton consumes - 1.33 cy
- **Cost of new space to dispose of 1 Ton - \$4.61 Ton**

cy = cubic yards



When do we Build the Next Phase of Disposal Space?

- Remaining “life” of current constructed disposal space
 - @ 200,000 tons per year = 30 months
 - @ 250,000 tons per year = 24 months
- Time required to bid/construct/certify next phase - 18 mos.
- Projected date to start construction bid process - Jan 2010



Life of the Landfill?

- Original permitted disposal area - 8 mcy
- Remaining life of original permitted area - 11/13 years
- Permit expansion to add disposal area - 23 mcy
waiting State's final approval
- Remaining life of original plus permit expansion area - 75+ years

mcy = million cubic yards



Disposal Rate for Hardin County Landfill

Current contracted "Gate Rate":

- 43.5% to County = \$11.52
- 56.5% to Santek = \$14.98
- Total "Gate Rate" = \$26.50



Discount Gate Rate?

- A \$2 per ton discount to attract additional “Out of County” waste has been proposed.
- It is also proposed to “Split” the discount by the same proportion as the “Full” gate rate (43% County/57% Santek).



Impact of \$2.00 Gate Rate Discount

	0/0 Option	25/75 Option	43/57 Option
Hardin County			
	<u>No Discount</u>	<u>\$0.50 Discount</u>	<u>\$0.86 Discount</u>
Full Rate	\$ 11.52	\$ 11.52	\$ 11.52
Minus Discount	\$ 0	\$ 0.50	\$ 0.86
= Discount Rate	\$ 11.52	\$ 11.02	\$ 10.66
x Tonnage	7,000	7,000	7,000
=Revenue	\$ 80,640	\$ 77,140	\$ 74,620
Santek			
	<u>No Discount</u>	<u>\$1.50 Discount</u>	<u>\$1.14 Discount</u>
Full Rate	\$ 14.98	\$ 14.98	\$ 14.98
Minus Discount	\$ 0	\$ 1.50	\$ 1.14
= Discount Rate	\$ 14.98	\$ 13.48	\$ 13.84
x Tonnage	7,000	7,000	7,000
=Revenue	\$ 104,860	\$ 94,360	\$ 96,880

Previous "Gate Rate" with Rumpke = \$10.53/\$11.04



Does Discount Make Cents?

County's Gross Revenue \$10.66/ton

Disposal Space Cost \$ 4.39/ton

County's Net Revenue \$ 6.27/ton

County's ROI 142.8%
(Return on Investment)



Impact of Discount to County Landfill Revenue

\$2 Discount

Based on 7,000 tons of waste

No Discount
(Highly unlikely)

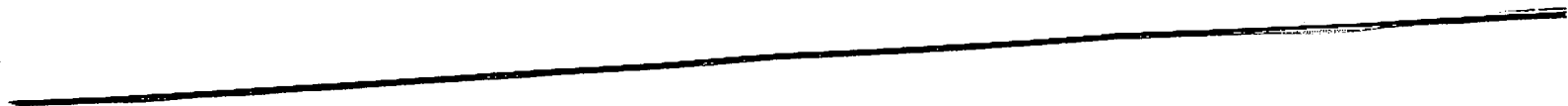
~~\$80,640~~

25/75 Discount
(Not likely)

~~\$77,140~~

43/57 Discount
(Possible but not Guaranteed)

\$74,620





Question

- With our landfill operating in the “*Red*”, do we really want to lose the possibility of \$74,620 in revenue while “*Gambling*” for an additional \$2,520?
- Is a Return on Investment (ROI) of 142.8% enough or do we “*Hold Out*” for 151.0% ROI?
- Is a “*Profit Margin*” of \$6.27/ton enough or do we “*Roll the Dice*” for \$6.63/ton?



Section 6.1 “Disposal Rates” Landfill Management Contract

“Hardin County shall designate an individual(s) who will be authorized to establish varying gate rates on a day-to-day basis with the advice of contractor for specific customer or classes of customers as dictated by market conditions, volume of waste generated, waste type considerations, or other factors and to ensure that gate rate is competitive in the market.”



Recommendation

- Authorize the County Judge/Executive and the County Attorney to adjust gate rates as required in Section 6.1 of the Landfill Management Contract.
- Approval of reductions from the “published gate rate” exceeding \$4 total per ton that involves county concessions, **or** a “Split” resulting in more than 50% of the rate reduction applying to the county, shall require Fiscal Court approval.