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Lincoln County Landfill – Historical Perspective and Long Range Plan

Background

The Lincoln County Landfill is a fee-for-service enterprise offering waste disposal services to county tax payers. The landfill was constructed in 1989. The landfill was originally designed to last an estimated 15 years and a planned closure in the year 2004. Due to efficiencies of operation, recycling bans, construction/demolition landfill, we extended the life of the landfill by an additional 11.75 years of capacity.

The current landfill was designed and constructed in phases. The cost of the planning, construction of initial phase and associated infrastructure was four million dollars. This money was borrowed and has been paid back. Since the opening of the landfill, several additional phases have been constructed involving 6.5 million dollars in construction expenditures. The landfill has also paid \$ 641,000 on behalf of the county to the City of Merrill. At the present, the enterprise is entirely funded by the fees it collects and not supported by tax levy dollars. At the present the landfill has no debts and the long range plan is to operate the landfill without any future debt.

Objectives

Long term objectives of this enterprise are to:

1. Offer continuous long-term quality service in an efficient manner to its users
2. Operate an environmentally safe landfill
3. Offer competitive pricing to its users
4. Operate the landfill in a fiscally responsible manner so as to avoid a need for any tax dollars to support the enterprise
5. Make a decision for future services in the year 2010 or 5 years prior to the landfill reaching capacity

Landfill Capacity and Planning for future services

The current landfill has an estimated space for another 277,530 tons of waste. Based on current waste tonnages, and anticipated tonnage, the landfill is projected to close in the year 2015. An increase or decrease in future tonnage could change the 2015 closing date. The landfill closure date should be updated each year based on tonnage received and the capacity available. A decision to chart the future of waste services (new landfill or transfer station) should be made at least 5 years prior to reaching capacity. Based on projected tonnages, a decision for future landfill services should be made in the year 2010 or earlier. To gain efficiencies from existing infrastructure, the new landfill/transfer station should be located at the existing landfill site.

During the years 2007 to 2015 we must plan and budget for all anticipated and unanticipated equipment/construction and fiscal needs so as to provide uninterrupted quality service.

The estimated anticipated capital costs are based on 2006 dollars inflated by 3% per annum. The anticipated capital expenses include:

2008 – Update leachate tank and accessories as needed (\$232,000). Install an on-site wetland leachate treatment system

2009 – Purchase a compactor (\$300,000)

2010 - Update and replace scale as needed (\$150,000). Decision on future landfill/transfer station, and begin feasibility study for new landfill (\$250,000). Construct module 2 of Phase III (\$900,000)

2011 - Complete phase II cover (\$ 680,000). Continue feasibility of new landfill (\$250,000)

2013 – Replace loader (\$150,000). Stockpile clay and stone for new landfill (\$500,000)

2014 –Begin construction of new landfill (\$1,500,000)

2015 – Complete construction of new landfill. Close old landfill (\$790,000). Begin accepting waste in new landfill. Replace compactor (\$400,000).

Projected Revenues

The enterprise does not have any waste collection obligations; therefore, it is dependent on various waste haulers to bring waste to the landfill. Of the several waste haulers that operate in the county, a few of the haulers own their own landfills and therefore prefer not to bring the waste they collect to the Lincoln County Landfill (unless mandated by the waste generator). Other haulers in the county have the choice of taking their waste to landfills and transfer stations outside of Lincoln County. The quantity of waste delivered to the landfill (revenues generated) is dependent on the tipping fee charged. The tipping fee is to a large extent controlled by several external factors beyond the control of the landfill. These factors may include but are not limited to the charges imposed by landfills in the area (Oneida County, Marathon County, Portage County, and the Outagamie/Winnebago/Brown County partnership) or by transfer stations operated by private waste hauling companies (Onyx, Waste Management) that also offer landfill services.

In the last five years the Solid Waste Committee has carefully analyzed all the competitive pricing factors and has arrived at a fee structure so as to generate adequate revenues to meet its present and future obligations. Any financial impact on the delicate balance between revenues generated and anticipated/unanticipated expenses would create a sudden need for subsidies from the tax payers and or increase in pricing. For some county-owned Wisconsin landfills, even small increases in tipping fee have resulted in waste tonnage shortages resulting in severe revenue short falls. Therefore, the impact on

revenues from any increases in tipping fees should be carefully evaluated so as not to create a revenue shortfall or deplete existing reserves.

In order to secure future revenues and build financial reserves, the landfill operations must be entrepreneurial and be vigilant of external pricing structures in order to continue to attract adequate waste quantities/dollars to meet our current and future obligations. To secure future revenues, the county has signed several long term agreements with waste haulers/generators so that they would commit a minimum tonnage or exclusively use our landfill. We hope to continue to have additional long-term commitments in the future. Our strategy in the future will be to build and maintain enough of a reserve to be used for capital construction projects, including the construction of a new landfill/transfer station at the end of the site life/capacity of the existing landfill. In addition to the reserve for such anticipated expenses we must continue to expand the reserve so that we can cover any unanticipated revenue shortfalls or expenses.

One of the major factors for unanticipated revenue shortfall is the sale of one of the private hauling companies that currently brings the waste to our landfill. The buyer of the new hauling company may choose to take the waste elsewhere. Such a sale could decrease our revenue stream significantly (10-70%). We must be prepared for such an impact by building adequate reserves to offset the revenue shortfalls.

Projected Expenses

All expenditures (including payroll, operational, maintenance, and capital expenses) are incurred from annual receipts and cash reserves. After initial payment of our debt obligations, there has been no borrowing. It is our intent to continue to fulfill our capital and operational needs through cash receipts and reserves. In order to achieve this goal we must make sure that we have adequate waste volume delivered to generate gate receipts to cover our costs and build an adequate reserve for future capital expenditures.

While our experience in operational costs extends over the past several years, we can project such expenses for the future relatively accurately. We can and continue to find more efficient ways of controlling our expenses to get the job done. It is however, difficult to accurately project capital expenditures and even more difficult to predict the unanticipated expenses. The following are possible unanticipated expenses a typical landfill may have to face:

- Change in DNR fee structure to generate additional revenues for their operations. In the last eight years our obligations to DNR have increased over 300%
- A tipping fee adjustment by the competitors resulting in waste/revenue declines
- Environmental release at the landfill site due to natural forces that may require substantial expenses for environmental repair and mitigating the release
- Increase in insurance, leachate treatment costs, or failure of leachate tank

In an effort to save money on leachate treatment, an on-site leachate treatment system using wetlands will be evaluated in the year 2005 to 2007. Based on the outcome of preliminary tests, a fully operational leachate treatment system may be designed and installed in 2008.

Long Range Fiscal Plan

Based on current fiscal projections the landfill enterprise appears to have adequate dollars to cover all its anticipated obligations using existing and future revenues. In 2007 we are projecting a deficit of approximately 141,000 at the end of 2015. After closure of the existing landfill, the County will receive from the DNR the 'Closure Reserve' held by the DNR. The County will be reimbursed in the year following closure - 2016. The "Closure Reserve" amount at the end of 2006 was an estimated at \$ 1.04 million dollars.

A financially secure landfill is likely to offer better service, better environmental protection, and minimize the need for unanticipated expenses in the future. Therefore, the landfill must continue to build additional reserves for unanticipated expenses so the landfill operations will not be a burden on the tax payers when this need arises, or have to disrupt landfill operations. At the present, interest earned by the reserve account (\$147,000 in 2006) is retained in the County's General Fund. The County should give serious consideration to placing at least 50% of the interest earned (on the reserve dollars held in the enterprise fund) to the landfills enterprise fund.

The county must continue to revise its landfill capacity and fiscal projections every 2-3 years based on the then current market conditions, DNR regulations and requirements, and the future level of service the County wishes to offer. As we get closer to reaching capacity, the County must also make a decision on future waste disposal services (new landfill/transfer station) the county wishes to offer to its tax payers. These decisions must be made at least 5 years prior to closure of the existing landfill (2010 or earlier).

Projected revenues, expenses, capacity, and reserves are provided in a separate spreadsheet format. All dollar figures in the spreadsheet are 2006 estimates adjusted for inflation at 3% per year. Operating profits listed are on a cash basis, profits on an accrual basis are likely to show a deficit due to depreciation and depletion.

Projected Income/Expense/Reserve for Lincoln County Landfill - January 2007

All dollar amounts are Cash basis

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Estimated landfill capacity at beginning of year		277,530	247,086	216,337	185,280	153,913	122,233	90,235	57,918	25,277
Tons of waste to landfill	30143	30444	30749	31056	31367	31681	31997	32317	32641	32967
Projected capacity (tons remaining) at the end of year	277,530	247,086	216,337	185,280	153,913	122,233	90,235	57,918	25,277	-7,689
Projected Revenues										
Operational	1,274,058	972,741	1,011,942	1,052,724	1,095,148	1,139,283	1,185,196	1,232,959	1,282,648	1,321,127
Non operating revenues	147,615									
Projected Expenses										
Operational	425,719	438,507	451,662	465,212	479,168	493,544	508,350	523,600	539,308	555,488
DNR fees	132,000	133,320	134,653	136,000	137,360	138,733	140,121	141,522	142,937	144,366
Capital improvements										
Loader								150,000		
Leachate tank			231,855							
Compactor				300,000						400,000
Scale replacement					150,000					
Landfill construction										
Stone for P III Mod 1 and 2										
Liner construction PIII Mod 1 and 2	1,028,700				900,407					
Gas extraction flares, elec panel, pumps										
Cover for Phase II						682,058				
Close Phase III										790,625
Leachate treatment system			600,000							
Engineering										
Demo Site										
close demo site										
Demo landfill II	159,000									
New Landfill										
Planning and Feasibility for new site					250,000	250,000				

Construction of new site Phase 1

500,000 1,500,000

Total projected expenses	1,745,419	571,827	1,418,170	901,212	1,916,935	1,564,335	648,471	1,315,122	2,182,245	1,890,479
Gross Operating Profits	-471,361	400,914	-406,228	151,512	-821,787	-425,052	536,725	-82,163	-899,598	-569,352
Projected gross reserves at beginning of year	2,442,861	1,971,500	2,372,414	1,966,186	2,117,698	1,295,911	870,858	1,407,584	1,325,421	425,823
Projected gross reserves at end of year	1,971,500	2,372,414	1,966,186	2,117,698	1,295,911	870,858	1,407,584	1,325,421	425,823	-143,529

Assumptions:

The 2006 column is based on actual tons/revenues/expenses

Waste tonnage in 2007 are based on actual tonnages for 2006 plus a 1% increase per year

On December 19, 2006 there were 396,472 cubic yards of space remaining. Conversion from volume to tons is based on 1400 pounds per cubic yard

Revenues from C soils and special projects is difficult to predict in future years and therefore not included in projections

Projected operational expenses for 2007 are based on 2006 actual plus 3%

DNR fees for 2007 are based on actual fee in 2006 plus 1% each year following

Interest earned on reserves (\$147,615 in 2006) is not included in calculations

Close Demo landfill in 2006 and open a new site in 2006

Planning of new landfill/transfer station will begin 5 years prior to closure of existing landfill

New landfill/transfer station will be constructed before closure

3% inflation adjustment for all revenues and expenses

Gross operating profits are likely to be negative when expressed on an accrual basis (if depreciation and depletion were included)

DNR will reimburse County for closure expenses in

2016 (1,040,000 for closure costs in 2006)

DNR will reimburse County for long-term care over a 40 year period (1,634,000 for long-term care in 2006)

Updated 1/24/07