

Sara Peterson

From: Michael Harmon
Sent: Wednesday, August 23, 2017 11:31 AM
To: Assembly
Cc: Phillip Messina; John P. Sweeney
Subject: Solid Waste Contract Clarification
Attachments: SOLID WASTE Assembly Packet October 27, 2015.pdf

Good morning,

During the meeting last night, staff was asked to provide more information regarding the magnitude of the solid waste contracts. The following is a summary of contract expenses and how these contract changes have evolved leading up to the budget needing adjustment:

- The Assembly request Public Works to bid out the contract vs. extending in an effort to ensure complete pricing and include curbside recycling as an option. We received two bids and awarded the contract to the low bidder who was the same contractor we had in the past. The Assembly elected not to award the additional curbside recycling. The new contract provides equivalent levels of service but had higher pricing due to shipping and capital replacement needs (see attached Assembly award memo for more information).
- Looking at the FY18 budget our actual operational expenses prior to the new contracts were 3,367,238.10 (FY15).
- Under a full year of the new contract our actual operating costs were \$4,194,903 (FY17). That is a 24% increase due to the new contract.
- As presented to the assembly during the award of the contract it was estimated that the contract would be an increase of approximately 22.7% (see attached Assembly award information).
- The contract gets a CPI adjustment every year which attributes to the additional increase we are seeing from 22.7% to 24% today. This will continue to rise with the CPI.
- The expense side of the budget was not adjusted to reflect the increased contract price. Only the revenue was increased per the rate increases. It is my understanding that it is more efficient for Finance to make these adjustments at the end of the year.
- The expense side of the FY18 budget should be adjusted now to reflect the new contract in order to avoid another year of overruns.
- Mr. Sweeney has done well to predict the cost of these contracts and increase the rates to keep the revenue closely in step with the costs (FY17 Revenue \$4,012,121). However, with addition CPI adjustments to the contracts it is clear the revenue will fall further behind and will need to be adjusted.

I hope this helps clarify some of the questions from last night. Please don't hesitate to let me know if you need more information or if I can help in any way.

Thank you