

Estimates for Discussion Purposes

Attachment

Additional Cost Information for UHT CD Council Report 10-23-2012

Options for Closing UHT

1. Issue an official notice to terminate the UHT operating agreement with River Services Inc. within 180 days (April 2013). This would cease barging activity to the terminal. If this is the case, staff recommends negotiating a separate agreement with RSI to allow the terminal operator to distribute any remaining product within an additional 12 months (April 2014) to delay costs incurred by the City for securing and managing the site. An appropriation of funds to secure and maintain the site will be necessary for 2014, but may be necessary for 2013. Additionally, staff recommends honoring leases until December 2014 with users that do not require barge traffic, Xcel Energy, GAF and OTI, and renegotiate a lease with Metro Wood (currently a sub-lease with RSI).
2. Issue an official notice to terminate the UHT operating agreement with River Services Inc., cease barging, close the terminal operations and vacate the terminal property within 180 days (April 2013) per the operating agreement without allowing for an additional 12 months to complete the wind down of the operations. An appropriation in 2013 to secure and manage the site would be necessary. Staff would finalize the analysis of costs and return to City Council with recommendations for site preparation and holding and an appropriation expected between \$1.3 million and \$4 million, depending on the level of demolition pursued.
3. Current Plan - Allow the existing operating agreement to expire in December 2014. An appropriation would be required at that time to secure and hold the property, though some outside development sources for demolition and site preparation may be secured in that timeframe.

Costs to City to Close UHT Operations

Costs presented below are calculated using a base cost for 2013 and increased by an annual inflationary factor of 2%. The following options assume that the UHT property is sold by year-end 2015 and ongoing costs related to the UHT cease, although the management of dredge material is assumed to be an ongoing cost issue.

Summary of Total Costs

Summary of Total Costs	Total Estimated Costs (2013 – 2015)	Cost Increment over Option 3 Current Plan
Option 1 – Close in 180 days with wind down	2,149,296 - 2,893,543*	836,353 - 1,580,600
Option 2 – Close in 180 days	3,699,844	2,386,901
Option 3 Current Plan – Close December 2014	1,312,943	

*includes potential costs not defrayed by RSI in revised operating agreement with the loss of barging

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Option 1 – Close in 180 days with wind down

	Year 1 (2013)	Year 2 (2014)	Year 3 (2015)	Total
One-time Security Capital Cost	*	250,920	0	250,920
Property Management & Security	*	42,432	43,281	85,713
Utilities/Stormwater Fees	*	226,440	230,969	457,409
Truck Scale Operator	*	50,000	0	50,000
Contract Management	*	102,000	104,040	206,040
Dredge Material Management	*	571,200	582,624	1,153,824
Contingency (10%)	*	124,299	96,091	220,390
Total Cost	*0	1,367,291	1,057,005	2,424,296
Sub-Lease Revenues	**225,000	275,000	0	275,000
Net Cost to City	*depends on renegotiated contract with RSI	1,092,291	1,057,005	***2,149,296-2,893,543

**excluding Metro Wood lease with RSI year 1 assuming direct contract with similar terms negotiated for year 2

***this cost may not decrease and may likely increase based on costs RSI cannot defray for the City in a new agreement with the loss of barging

Option 2 – Close in 180 days

	Year 1 (2013)	Year 2 (2014)	Year 3 (2015)	Total
One-time Security Capital Cost	246,000	0	0	246,000
Property Management & Security	41,600	42,432	43,281	127,313
Utilities/Stormwater Fees	222,000	226,440	230,969	679,409
Truck Scale Operator	0	0	0	0
Contract Management	100,000	102,000	104,040	306,040
Dredge Material Management	560,000	571,200	582,624	1,713,824
Early Termination of Leases	320,000	0	0	320,000
Contingency (10%)	116,960	94,207	96,091	307,258
Total Cost	1,606,560	1,036,279	1,057,005	3,699,844
Sub-Lease Revenues	0	0	0	0
Net Cost to City	1,606,560	1,036,279	1,057,005	3,699,844

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Option 3 Current Plan – Close December 2014

	Year 1 (2013)	Year 2 (2014)	Year 3 (2015)	Total
One-time Security Capital Cost			255,938	255,938
Property Management & Security			43,281	43,281
Utilities/Stormwater Fees			230,969	230,969
Truck Scale Operator			0	0
Contract Management			104,040	104,040
Dredge Material Management			582,624	582,624
Contingency (10%)			96,091	96,091
Total Cost	0	0	1,312,943	1,312,943
Sub-Lease Revenues			0	0
Net Cost to City	0	0	1,312,943	1,312,943