1.0 Machinery Rental Rate Formula

The formula consists of 4 parts.

1. Actual 5-year Machinery Costs by Class

Every county shall report its annual costs and hours of charging for every piece of classified equipment. This report shall include total utilization and total cost regardless of who paid for the services. The Department, using 5 years of cost and utilization data, shall calculate the 5-year average machinery costs per hour (or mile, ton, or cubic yard of production) for each class of equipment.

2. Calculate a "base year" for the 5-year machinery costs.

The formula shall include calculations, for each class of equipment, to bring prior years data up to the last year of actual data based on the average reported inflation experience of the counties.

3. Estimating Cost Trends

The "base year" financial data shall be two years before the year for which the new rates are being established. Inflation factors shall be applied for these two years following the “base year”. A county survey of current year prices for gas, oil, tires, etc., shall be conducted annually. This current year price survey, when compared to the base year data, should approximate cost trends for the first year. The second-year cost trend will be projected using the department's most current economic forecast.

4. Cost of Capital Factor

Since 1993, a factor for cost of capital was included in the rate calculations. This recovery for cost of capital factor is determined by applying a cost of money rate to the "Net Book Value" for each class of equipment. This provides a total recovery cost. Recovery costs are divided into the total operating cost for each class of equipment to calculate the % to be used.