

APPENDIX D
FINANCIAL POLICIES

APPENDIX D – FINANCIAL POLICIES

The following are financial policies as contained in the Final 2001 Comprehensive Solid Waste Management Plan and King County Code 10.25.100:

FIN-1. The county shall maintain, conduct, operate and account for the disposal of solid waste as a utility of the county. The solid waste system shall be a self-supporting utility financed primarily through fees for disposal.

FIN-2. The county shall charge garbage disposal fees directly to users of the solid waste disposal system to pay for solid waste services.

FIN-3. The county shall maintain a rate structure based on tonnage, recognizing that the structure does not provide a self-hauler subsidy, unless the executive demonstrates that a different rate structure would benefit the system as a whole.

FIN-4. The county should keep garbage disposal fees as low as possible and should manage the solid waste system to keep rate increases as low as possible while meeting the costs of managing the system and providing service to solid waste customers.

FIN-5. The county should provide technical assistance to the cities in developing collection contracts and grants.

FIN-6. The county should develop and implement a grant program for the cities that will consolidate grant programs and contracts wherever possible. The county should provide technical assistance to aid the cities in identifying, applying for and administering grants.

FIN-7. The county should provide opportunities to expand the role of cities in developing and reviewing regional solid waste policies and rates by establishing a solid waste policy work group to work in conjunction with the solid waste advisory committee to make recommendations regarding system operations to the King County executive. As part of these recommendations, the executive shall evaluate the costs and benefits of alternative rate structures on individual customer classes.

FIN-8. The county is committed to working with the cities that are impacted by transfer stations to explore funding to mitigate potential impacts from these facilities. Any statutorily authorized host fees should be in amounts directly attributable to the solid waste facility provided that the cities can establish that the fee is reasonably necessary to mitigate for impacts of the solid waste facility as required in state law.

Financial Policies for the Funds of the King County Solid Waste Enterprise

Fund Title: Landfill Post-Closure Maintenance Fund

Fund #: 1040

Type: Special Revenue

Purpose:

To fund post-closure maintenance costs for county-owned closed landfills. May also be used for operating and maintenance costs for other solid waste disposal sites or handling facilities that the solid waste division owns or has custodial responsibility for.

Financial Policies:

After final closure of a landfill is complete, funds sufficient to cover 30 year post-closure maintenance costs are transferred from Landfill Reserve Fund to the Post-closure Maintenance Fund. Allowed post-closure expenditures are charged to the Post-closure Maintenance Fund and tracked by individual landfill or disposal site.

The fund includes mandatory reserves for four landfills that the solid waste division closed after federal and state financial assurance requirements were established. These landfills are Hobart, Enumclaw, Cedar Falls, and Duvall. The remainder of the fund is designated as a non-mandatory reserve for custodial landfills maintained by the division.

The balance of the mandatory reserves will be maintained at a sufficient level to assure that operating and maintenance costs for the mandatory landfills will be fully funded through the end of their post-closure maintenance periods. The division's current forecast indicates that total reserves will be sufficient to fully fund both mandatory and non-mandatory landfills.

Fund Title: Solid Waste Capital Equipment Recovery Fund (CERP)

Fund #: 3810

Type: Capital

Purpose:

1. Accumulate financial resources for the replacement of Solid Waste rolling stock and stationary compactors on a timely and economic basis. May be used for major maintenance in lieu of purchase.
2. Stabilize the impact of equipment purchases on the operating fund. Contributions out of the operating fund (and resulting rates) are leveled out even though the cost of required equipment replacements could vary significantly from year to year.

3. Maintain balances sufficient to mitigate effects of dramatic tonnage increases or decreases and catastrophic damages to equipment.

Financial Policies:

Contributions and fund balance will be determined in the following manner:

1. Annual transfers from the operating fund, salvage value of retired equipment, and interest earnings fund the Capital Equipment Recovery Fund (CERP). Using the principals of a sinking fund, calculated amounts of money are invested monthly to replace CERP equipment. As recommended by the 1996 Deloitte & Touche Performance Audit, contributions to the fund are calculated to increase at an annual rate of four percent until the closure of the Cedar Hills Landfill.
2. Fund contributions must be set at a level that maintains a minimum fund balance for each year projected through the estimated closure date of the Cedar Hills Landfill. Minimum fund balance is defined as beginning fund balance equal to the dollar amount of purchases made in the calendar year.

Fund Title: Solid Waste Environmental Reserve Fund

Fund #: 3831

Type: Capital

Purpose:

To fund remediation related to solid waste handling facilities that the department of natural resources and parks owns or has custodial responsibility for and costs for inverse condemnation claims.

Financial Policies:

The Environmental Reserve Fund was established in 1992 with a transfer of some of the accumulated fund balance of the Energy/Resource Recovery Capital Fund. No future contributions to the fund are planned.

Fund Title: Solid Waste Construction

Fund #: 3901

Type: Capital

Purpose:

Funding for transfer station capital projects.

Financial Policies:

The Solid Waste Construction Fund provides funding for transfer station capital projects. All capital projects at the Cedar Hills Landfill is funded by the Landfill Reserve Fund.

The solid waste division funds transfer station capital projects via general obligation bond sales and contributions from the Solid Waste Operating Fund.

Fund Title: Landfill Reserve Fund
Fund #: 3910
Type: Capital

Purpose:

Accumulating and disbursing financial resources for the management of King County landfills.

Financial Policies:

This fund receives funds via a charge per ton on all solid waste disposed in the Cedar Hills Landfill. The intent of the charge is to fund the cost of all landfill development, closure and post-closure maintenance costs as the landfill is being used.

The fund includes the following four sub-accounts. The first two accounts are mandatory reserves maintained to meet federal and state requirements. The other accounts are non-mandatory reserves maintained pursuant to King County Ordinance 12764.

1. Landfill closure
2. Post-closure maintenance
3. Landfill facility improvements
4. New area development

The landfill reserve charges are adjusted annually based on forecasts of capital and post-closure maintenance costs, disposal tonnage, landfill life, and interest earnings. The fee is set to meet the following criteria:

- Contributions and reserve balances should be sufficient to fund all landfill closure costs and all post-closure maintenance costs for 30 years after final closure.
- Charges for the non-mandatory accounts should not depend on borrowing from the mandatory accounts. (The total of the non-mandatory account balances should never be negative.)
- The contribution will be set in a manner that maintains reasonable rate stability.

Fund Title: Solid Waste Operating Fund
Fund #: 4040
Type: Operating

Purpose:

General purpose operating fund for the Solid Waste Division

Financial Policies:

1. Operating expenditures are primarily supported by solid waste disposal fees, which are intended to be reviewed every three years.
2. Minimum fund balance should be maintained to meet or exceed 45 days of expenditures adjusted for fund transfers and debt service.
3. For the benefit of current and future ratepayers, the solid waste division will seek to maintain its capital assets in sound working condition.
4. At year-end, money in the Solid Waste Operating Fund that is in excess of working capital needs is transferred to the Solid Waste Construction Fund to minimize future debt.
5. In the event of an unanticipated drop in tip fee revenue, the Solid Waste Division will investigate conditions causing the revenue reduction, closely monitor fund balance, and, if warranted, develop proposed contingency plans.