

forest scene. The screen wall will cost a fraction of the price a masonry or concrete wall. When the wall has been installed, the Houghton Transfer Station project will have been completed.

May's tonnage was a little higher than tonnage received during the same time period in 2010. In response to a question Kiernan noted that long term tonnage forecasts include the impact of changes in population.

Recycling and Environmental Services Supervisor Bill Reed was inducted into the Washington State Recycling Association's Hall of Fame in May. The Hall of Fame recognizes and honors individuals who have made long-term contributions to recycling in the state of Washington.

At the same meeting, Recycling and Environmental Services Program Manager Donna Miscolta received the Washington State Recycling Association 2011 K-12 Youth Education Recycler of the Year Award for her work on the division's elementary school assembly program.

Kiernan provided a solid waste briefing to the Federal Way City Council on June 7. Further presentations are scheduled for Mercer Island (June 14), and Redmond (July 12). Members are invited to schedule briefings for their cities. In response to a question Kiernan noted that briefings can be tailored for in response to city requests.

SWAC:

SWAC is very interested in the ILA discussions. The group is diverse and represents varied interests. SWAC has talked about a joint meeting with MSWMAC once the ILA is put forward.

Suburban Cities Association (SCA):

Chair Greenway provided a short update of MSWMAC's work to the Public Issues Committee of the SCA. She discussed the Solid Waste Transfer and Waste Management Plan, financing and the ILAs.

ILA Discussion: Term Sheet

The ILA Review Committee has been working the "term sheet" that lists each issue, the committee's conceptual consensus on the issue, and what was considered. The committee brought the most recent version of the term sheet to MSWMAC for their review.

MSWMAC was reminded that the term sheet does not contain the legal language that will appear in the final agreement. Instead it is a document that will direct the work of the experts and attorneys who will draft the ILA. The term sheet will be updated and brought to MSWMAC for review until all the issues have been discussed.

The ILA is a long term agreement and where appropriate, is expected to include references to other documents for specific policies. In that way the ILA will provide needed flexibility as conditions change.

In response to a comment the division noted that though the comp plan is scheduled to be completed before the ILA, it is expected that the documents will be consistent with one another.

Term Sheet review:

Accountability and Transparency comments included:

- This issue should be included in the body of the contract which has a greater force of law than the preamble or an ordinance recital. It could also appear in the preamble or ordinance recital.
- Consider changing language from “should” to “shall” where it is appropriate throughout the document. If the term sheet is a guiding document for the people writing the legal language, perhaps that distinction should be made clear.

MSWMAC reviewed and approved this issue on the term sheet.

Term of ILA comments included:

- The ILA review committee has not determined a term.
- In response to a comment, Kiernan noted that the term of the previous ILA was determined in 1988 and the people who made that decision are not longer available to ask. Thus, the reasoning behind that decision is not available.
- In response to a question, Kiernan said that disposal contracts are generally agreements between a government entity and a private company. Those agreements are generally long term to allow the private company to amortize their capital investment.
- The term is likely to be related to financing. The King County Council has instructed the division that they may not bond for a longer period than the ILA. The tonnage guaranteed by the ILAs would be needed in order to pay for the bonds. Within the current ILA, the division could only bond for fifteen years.
- One city representative commented that the cities must have access to the use of the system that they paid for after the debt is paid.
- Change the language in the consensus column under number three so it’s clear that the term would be through the negotiation and implementation of a post Cedar Hills disposal option.
- The term of the ILA is a crucial topic. Cities should have an opportunity to weigh in on this option rather than just respond to a draft. Consider asking cities for input before drafting the document or including two or three options in the draft ILA. Perhaps the ILA Review Committee could discuss this issue and bring a proposed solution to MSWMAC.
- In response to a question Kiernan noted that the new transfer stations are designed to be flexible for future needs and are designed with capacity for twenty years. The division expects that growth in the economy would be absorbed in increased recycling.
- In response to a comment Kiernan said that he expects that King County would enter into a contract when another disposal option is chosen. The length of that contract may be influenced by the time needed to amortize capital investments. For example, as energy becomes more valuable, Waste to Energy may be a viable option as long as a waste stream is guaranteed for a sufficient length of time to amortize the capital investment needed to implement that option. The length of the guaranteed waste stream would impact the length of the ILA at that time. MSWMAC will be involved when future disposal options are considered.
- Chair Greenway said that the decision about whether the ILA would be an amended version of the current agreement or new document had not been decided, but that her

understanding is that in either instance the new or amended ILA would supersede the existing agreement.

- Distribute the spreadsheet showing the rate impact of various financing options to MSWMAC members in addition to the ILA Review Committee.

MSWMAC comments included:

- The language in the consensus comments is an example of how the accountability and transparency language has been included throughout the term sheet.
- In the current comp plan approval process we have a method of voting that considers the number of cities and population. It would be good to have a similar blended decision making process at MSWMAC for certain large milestones or other major topics so all King County citizens are equally represented.
- A King County ordinance would need to be changed in order to implement some sort of blended method of voting at MSWMAC.
- Incorporating blended voting into the ILA would ensure it could not be changed by future ordinance changes.
- Since MSWMAC has not had problems in the past, it doesn't seem necessary to mull over the idea of weighted voting

MSWMAC reviewed and approved this issue on the term sheet.

ILA Discussion: Direct Billing

Currently, the majority of cities contract with haulers that collect waste and pay the Solid Waste Division for disposal of that waste. In most cases haulers also bill customers for solid waste services.

With direct billing, the haulers continue to be responsible for collection but the cities pay the Solid Waste Division directly for disposal services. Billing may change or continue as it is currently being done.

Comments from Kiernan:

As SWD understands it, interested cities see the benefits of this direct billing as:

- Paying for disposal directly stops the haulers from attaching a profit percentage to that pass through cost – which could decrease the cost to rate payers.
- Paying for disposal directly allows the city to pay for the amount disposed which could be lower – or higher – than the average container weights used in most current contracts.
- Direct billing may eliminate of B&O tax paid by the hauler which could decrease the cost to rate payers.

The division is unclear why it is necessary to move to direct billing in order to prevent haulers from attaching a profit percentage to disposal costs. It seems that, and the ability to pay for actual disposal costs instead of average container weights, could be addressed in collection contracts. In addition, various Solid Waste Division information gathering efforts have failed to clear up questions about the possible impact of direct billing on B&O taxes. The division suggests that cities considering this option first get an opinion from the State Department of Revenue.

Liability issues may become clouded with a change to direct billing. Currently, if an unacceptable load is delivered or a transfer station is damaged, the hauler is responsible for the associated costs. With direct billing, those bills as well as any late fees would be sent directly to cities for payment. The division bills based on cards swiped at stations. If an incorrect card is swiped by the hauler, the cities would need to deal directly with the hauler and perhaps a neighboring city to correct the error. Also, additional administrative costs to the division would be borne by rate payers.

Cities with an interest in direct billing arranged for a presentation to MSWMAC on that topic from Jeff Brown of Epicenter Resources. Notes from Brown's presentation follow:

The objective of direct billing is to eliminate hauler profit margin on garbage disposal fees and allow cities to gain the direct benefit of reduced waste from successful waste reduction and recycling programs by paying actual disposal costs as opposed to costs based on average container weights set in the contract with the haulers.

In contract negotiations with cities, haulers have stated that they need to make a certain profit percentage on all dollars that pass through their books. Removing the cost of disposal from those dollars would relieve them of the requirement to make a profit on those dollars and the savings could be passed on to rate payers.

Direct billing does add administrative tasks for cities. The cities would need to closely track the waste collected by route and do trend analysis on that information. The cities would be responsible for reconciling inconsistencies in hauler reporting. They would also incur the risks and associated with variability of actual (instead of average) disposal costs. The model is only attractive to cities with sufficient staffing and an inclination to manage the details.

Issues to be addressed by cities considering direct billing include

- Ensure haulers accurately track garbage collection routes
- Better identify the chain of custody/ownership of the garbage
- Determine how payment for potential damage to KC facilities would be handled
- Address KC concerns related to performance bonds, payment of late fees and payment of B&O taxes.

Comments after the presentations included:

- Some cities would like to include direct billing as an option into the ILA. Doing so would ensure the county would not stand in the way of direct billing efforts.
- Remember that the ILA is a very long term document. Speaking specifically of direct billing may not be the best option. More vague language may be more valuable over time.
- Only cities with available resources would take advantage of direct billing. Many cities would not find it to be cost effective.
- Both the state and the haulers would find other ways to recoup revenue if the direct billing impacted the amount they collected.

- The cards used by haulers to charge disposal for various cities are sometimes used incorrectly. The division bills directly from the use of those cards. This has not been an issue because of the way most contracts are currently written. However, if a city chooses direct billing where they are charged for actual tonnage, correcting errors of this type would become important. If the haulers used an incorrect card, it would be the cities responsibility to correct the error.

Public Comment

There was no public comment.