

[preamble](#), which recognizes the county's role as regional solid waste provider and the benefits of a regional solid waste system. It confirms the county's commitment to keeping rates as low as possible, and to collaboration and service delivery. It also addresses the need for long-term commitment by participants in the regional system by extending the interlocal agreements. In the absence of extended ILAs, it states the county's intention to consider policies addressing capital improvements, reserves and financing in order to continue to deliver quality services. The proposed increase in the Basic Fee from \$95 per ton to \$109 per ton is in anticipation of further revision following decisions by cities on extension of the interlocal agreements.

At Council's request, the County Auditor performed an audit of the SWD Transfer Station Capital program. The audit was presented to the Government Accountability and Oversight Committee Wednesday. They identified two areas of focus- the adequacy of the rate model and the cost-effectiveness of the transfer station capital program. Regarding the rate, the conclusion is "the SWD's financial plan is comprehensive, sound, and based on reasonable financial assumptions." Regarding the capital program, the conclusion is that "the plan was developed through an iterative and collaborative process (referring in part to the work of this group) and regional decisions on service levels have, in some cases, increased costs." The latter comment refers to our choice to provide the number of facilities and services, like self-haul service, which we have collectively determined to be important. The Auditor recommended the division revisit plans in light of changed tonnage forecasts. During the course of the audit, the Factoria plans were undergoing value engineering, which resulted in a significant reduction in building area. The Auditor also made four recommendations; the Executive concurs with all of them.

1. In its financial plan, the division should use economic assumptions adopted by King County's Forecast Council to the extent the assumptions apply.
2. The division should continue to develop Life Cycle Cost Analysis as part of its asset management program.
3. The division should work with the Executive Finance Committee to consider a new investment strategy that would reflect the long-term nature of its reserve funds.
4. The division should update the transfer system and individual facility plans as indicated.

The revised plan for Factoria has reduced the footprint by 20 percent to reflect changes in the tonnage forecast since 2007. Factoria will still offer all the same services that were planned in the original design, but will require less space to do so in light of the reduced tonnage forecast. For each project, the division will revisit the forecast in this manner to avoid overbuilding. A primary goal of the division is to design for flexibility to allow the stations to meet changing conditions over their lifetime. For example, at Factoria, there will be room for two compactors, but only one will be installed at opening, providing an immediate cost savings of one million dollars while maintaining long-term flexibility.

The Washington State Department of Ecology returned its comments on the Comprehensive Solid Waste Management Plan at the end of the 120-day comment period. There were minor comments. The division will address these comments, and is on schedule to release the final draft by the end of the year.

On August 17, the division held a community meeting in Bellevue to update area residents, business owners, facility users, and other interested parties on progress being made on the replacement of the Factoria Recycling and Transfer Station. This was the second community meeting on the project and was scheduled to precede the upcoming SEPA determination. Twenty-three residential and business neighbors attended the meeting, and the feedback was generally good.

Construction of the Bow Lake Recycling and Transfer Station is on schedule. Erection of the main structural steel frame is almost complete.

A tour of the Cedar Hills Regional Landfill is scheduled for Saturday at 9 am. There are a few spots left on the bus if anyone is interested in attending.

The regular meeting date in November falls on Veteran's Day. The division suggests November 10 as an alternate date, with November 4 as another possibility. Intergovernmental Liaison Diane Yates will email the group to reschedule the November meeting. Chair Greenway asked all members to reply to that email promptly.

SWAC:

In lieu of a July meeting, SWAC members toured Recovery 1, a recycling facility which receives, sorts, and processes commingled loads of construction, demolition and land clearing (CDL) debris. They did not have a meeting in August.

Rate Assumptions Presentation

In June, the City of Federal Way submitted questions on the assumptions used to develop the proposed rate. Kiernan presented a handout detailing those assumptions, noting that the numbers presented are based on assumptions used at the time the rate was developed. There have already been changes to these values resulting from updates to the tonnage forecast and downsizing the Factoria project.

The division used a total assumed project cost for the capital improvements program of \$282,750,000. The total assumed amount that would be borrowed is a smaller number, \$268,500,000, because the division contributes to a fund each year to offset construction costs.

Different interest rates were assumed on bonds and applied to different repayment periods: repayment by 2028, the historical practice of using 20-year bonds, or 30-year bonds. Longer debt terms result in a higher total cost, but lower payments. There is not necessarily a right or wrong choice among the debt terms. Rather, it is a policy choice.

Kiernan noted that tonnage is down 2 percent from 2010. Moderate increases are expected over time, with tonnage not expected to return to one million tons until 2026.

King County is moving toward a biennial budgeting cycle. The division looked at four-year rate scenarios to synchronize rate changes with budget cycles.

In response to a question, it was noted that all scenarios assume the use of Bond Anticipation Notes (BANs) through 2015, with long-term debt beginning in 2016. Currently, short-term market rates are extremely favorable, with BANs costing less than one percent after fees. As markets change, and depending on the state of the interlocal agreements, the division will reconsider the use of BANs.

The division relies on financial advisors and bond council internal to the county. The actual numbers in the rate scenarios provided may change with interest rates or fuel costs, but each scenario would be affected equally by the changes. Thus, they would remain the same relative to one another.

The committee discussed the process for deciding between 20-year and 30-year bonds once the ILA discussions are complete. Members commented that extending the ILAs has an impact on the financing options, but does not necessarily determine which option will ultimately be selected. Some cities favor shorter-term bonds to reduce total cost and maintain long-term financial flexibility. Other cities prefer longer-term bonds to keep rates low and transfer some of the burden of system costs to users throughout the lifetime of the new facilities. Several comments were made in support of designing the system for flexibility, given the length of time that facilities are expected to remain in use. Transfer station designs are based on 30-year tonnage forecasts, but facilities are built to be able to last 50 years. Chair Greenway pointed out that Houghton Transfer Station will be 58 years old when it is scheduled to be replaced.

Cedar Hills Appraisal

A competitive selection process rendered three candidates who submitted written materials in late July and interviewed with division and Department of Natural Resources staff in early August. Michael E. Murray & Associates was selected by the panel to perform the updated appraisal. Mr. Murray's appraisal is intended to provide an independent, updated and fresh analysis consistent with and reflective of the current economic situation. The appraisal will be performed using the return-on-cost method for determining fair market rent, which involves determining the value of the asset and then using an appropriate rate of return. He will also use a discounted cash flow model to test the conclusions.

Currently, the appraisal is in the data collection stage. Over the course of the next few months, Mr. Murray will provide periodic updates to the division, which will provide King County the opportunity to inform and facilitate the work. The division will update MSWMAC regularly. The final appraisal is due November 15, and will inform other important division projects.

Currently, the division pays rent to the King County General Fund for the use of the Cedar Hills property, which belongs to King County. In 2004, an appraisal determined a rent schedule based on several factors, primarily:

1. The cost of exporting waste to another landfill
2. The capacity of the Cedar Hills Landfill
3. The tonnage forecast, or the rate at which the landfill was being filled.

The division was expected to have used and paid for the entire remaining capacity of Cedar Hills by 2014. However, in the years since 2004, all three of the primary assumptions have changed. Export costs are not the same as in 2004, a new site development plan has been approved that will allow additional capacity to be developed at Cedar Hills, and actual tonnage has been less than forecast due to the economy.

In response to a question, Kiernan confirmed that the new appraisal could affect rates. Ten percent of the rate goes to the current rent, which will be paid off in 2014. The appraisal will inform the decision of whether the rent will be replaced and by what amount.

Members discussed the current rent, considering the original cost of the property, the assumptions that were used to determine the current rent, the audit that supported it, and what exactly would be paid off in 2014. Kiernan acknowledged that the rent was initially controversial. He said the Executive is also aware of this, and is looking at the issue very carefully as the new appraisal moves forward.

ILA Discussion

Carolyn Robertson of Auburn reported that the ILA drafting committee has met three times and hired a facilitator, Karen Reed, to help the process move more quickly. They anticipate producing a rough draft in the next couple of weeks for city attorneys to review. They will report back the following week. The committee hopes to present a draft at MSWMAC's November meeting.

Kiernan distributed the drafting committee's work plan. He said that it is not significantly changed from the previous ILA committee plan that MSWMAC approved. The schedule has shifted slightly. Kiernan pointed out an October 6 meeting of the broader ILA committee to preview the draft, and emphasized the importance of MSWMAC's November meeting to the ILA process.

The draft ILA language will be distributed electronically in advance of the meeting with the November meeting packet.

The committee discussed whether to cancel the October meeting.

**Dini Duclos of Auburn moved to cancel the October meeting.
The motion was unanimously approved.**

After a brief discussion of scheduling issues for the November meeting, the committee confirmed that the meeting will be scheduled by email.