

Financing and Budgeting for the Program



5

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5.1. Financing for the Program

'Finance' is commonly defined as the funding for an enterprise. With regard to finance, the Program's goals are to obtain the the fee resources needed to fund the Program's services to, or mitigation of impacts from, utility ratepayers. Other financial goals include raising those revenues in the most equitable manner possible, and relating the sources of those funds from residential or business ratepayers to the services and mitigations provided to those ratepayers.

5.1.1. History of the Revenue Structure

During the Program's initial development in the late 1980's, constructing an adequate funding mechanism was a significant issue. Principles considered important in selecting a funding mechanism were articulated in the 1989 Draft Plan and include the following: establishing a secure funding base; ensuring that the funding was derived from a source directly related to issues addressed with the funds; and avoiding dependence on the governments' general funds, which were considered too discretionary to be dependable for long-term funding. Additionally, it was assumed that state funding would play a significant role since the mandate to address household hazardous waste (HHW) and conditionally exempt small quantity wastes (CESQG or SQG) was given to local governments by the state.²

Potential funding mechanisms were delineated in the 1988 Issue Paper³ and the 1989 Draft Plan.⁴ These were derived from funding mechanisms used by local agencies that were then addressing HHW and SQG⁵ and by a number of states that had local HHW and SQG programs.⁶ Potential Program funding options are described and discussed more fully in the 1990 Final Plan.⁷

Aside from the fees already in place at the time, potential funding mechanisms discussed in the 1990 Plan included state funding through the Local Toxics Control Account, a local (King County) add-on to the State Hazardous Substances Tax, a direct assessment of municipalities, and surcharges to fees

1 This chapter is based, in part, on the MCC's adopted fiscal policies.

2 Solid Waste Interlocal Forum, *Local Hazardous Waste Management Plan for Seattle-King County: Final Plan and Environmental Impact Statement for the Management of Small Quantities of Hazardous Waste in the Seattle-King County Region & Appendices A & B*, (Seattle: LHWMP, November 1990), p. 3-40. Cited hereafter as *1990 Final Plan*.

3 Solid Waste Interlocal Forum, *Local Hazardous Waste Management Plan for Seattle-King County Issue Paper* (Seattle: LHWMP, June 1988), p. 5-33. Cited hereafter as *1988 Issue Paper*.

4 Solid Waste Interlocal Forum, *Draft Plan and Environmental Impact Statement for the Management of Small Quantities of Hazardous Waste the Seattle King County Region* (Seattle: LHWMP, February 1989), Section 5.3 Financing. Cited hereafter as *1989 Draft Plan*.

5 *1989 Draft Plan*, p. 5.3-2.

6 *1989 Draft Plan*, pp. 5.3-3 to 5.3 to 5.6.

7 *1990 Final Plan*, Plan Financing and Implementation, pp. 3-38 to 3-48.

charged by sewer utilities, solid waste utilities, stormwater utilities, onsite sewage treatment systems, landfill and transfer stations, hazardous waste collection sites, and other permit fees and fines.

The 1990 Final Plan assessed potential funding options using the principles described above and recommended the following funding mechanisms: state grant funding, surcharges on solid waste and sewer utility fees, and surcharges on tipping fees from landfill and transfer stations.⁸ The fee sources were formally adopted by the Solid Waste Interlocal Forum in 1990,⁹ when the Program was launched. They were later affirmed through the adoption of the 1990 Final Plan and by ordinances adopted by the King County Board of Health and the Seattle City Council acting as the Seattle Board of Health (prior to the state mandated merger of both boards in 1995).

The 1997 Plan Update reaffirmed the Program's funding structure and cited the administrative efficiency of billing to the small number of solid waste haulers, solid waste utilities and sewer treatment operations.¹⁰ It also discussed the issue of charging user fees for services as a potential future option, but made no recommendation.¹¹

5.1.2. Current Revenue Sources

The revenue structure adopted by the 1990 Final Plan has remained unchanged and continues to focus on the following five sources:

- solid waste utility fees;
- sewer utility fees;
- tipping fees from landfills and transfer stations;
- state grants; and
- interest, or investment returns on the Program's fund balance.

Solid waste utility fees are user fees that residents and businesses/institutions throughout King County pay to have their trash removed. A major source of the Program's funding comes from surcharges on these solid waste accounts. User fees are collected from residents and businesses/institutions by solid waste haulers and/or municipalities. The haulers/municipalities pay a surcharge into the Program Fund for each residential and non-residential (business/institution) account that they serve.

Sewer utility fees, like solid waste utility fees, are user fees. They are paid by residents and businesses/institutions throughout King County to have their sewage removed and treated. User fees are collected from residents and businesses/institutions that are tied to a sewer service, by the provider

8 1990 Final Plan, pp. 5.3-11.

9 Solid Waste Interlocal Forum Resolution 90-001, adopted 1-12-90.

10 Local Hazardous Waste Management Program in King County, Local Hazardous Waste Management Plan for King County: Final Plan, (Seattle, WA, May 1997), p. 5-41. Cited hereafter as 1997 Plan Update.

11 1997 Plan Update, p. 5-41.

of that service. Those service providers include sewer utility districts, municipalities and private organizations. Some of those service providers operate sewer treatment facilities, and others send their sewage to King County Wastewater Treatment Division for treatment. The operators of sewer treatment facilities serving more than fifty customer accounts pay a surcharge into the Program Fund based on each million gallons of sewage they treat.

Tipping fees are user fees charged to residents and businesses/institutions that haul their own trash to landfills and transfer stations. The operators of those landfills and transfer stations pay surcharges into the Program Fund at two different rates. One surcharge rate is based on a set amount for each passenger-licensed vehicle visit. A second surcharge rate for non-passenger licensed vehicles is based on the weight of each solid waste load brought by that vehicle.

Solid waste, sewage and landfill/transfer station tipping fees, as well as our Program's surcharges to those fees, are user fees. They are charges for services. They are not taxes. The difference is that user fees, like those described above, are derived from specific sources – solid waste, sewage and landfill/transfer station services. And they are used for specific activities related to those funding sources – treatment and disposal of solid waste and sewage, and, in the case of our Program, addressing hazardous chemicals, materials and wastes and making sure that they are properly used, stored and disposed of. Tax revenue, as opposed to user fee revenue, can be derived from a variety of sources, and can be expended on general activities not necessarily related to the source of those revenues. Taxing authority must also have a specific statutory authorization. User fees are charged to provide services to, or alleviate burdens produced by, fee payers.¹²

The Program also receives some grant funds. The most significant grant source is the Washington State Department of Ecology's Coordinated Prevention Grant (CPG) Program. The CPG Program protects human health and the environment by reducing human exposure to toxins, reducing waste, and ensuring proper management of solid and household hazardous waste.¹³ CPG provides funding assistance to local governments for planning and implementing their local solid and hazardous waste management plans.

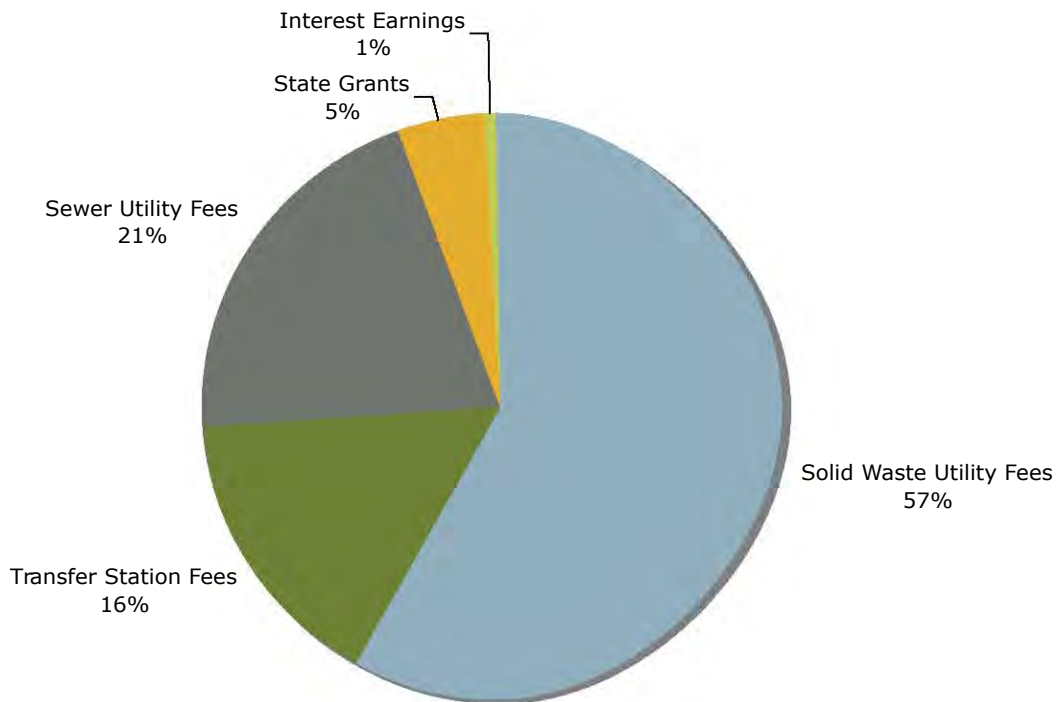
A final source of income for the Program's fund consists of interest and returns from investment of the fund's balance. The Program's fund is a separate, restricted fund; unlike other government funds, all monies received into the Program's fund stay in it from year to year, except for annual expenditures to implement the Program's work. The fund is not part of a government general fund, and its monies cannot be used for any purpose other than to address the mission of the Program, as directed by state statute, the King County Board of Health code and the Management Coordination Committee. The

¹² *Covell v. City of Seattle* (127 Wn.2d 874)

¹³ Coordinated Prevention Grant Program/About the Coordinated Prevention Grant Program, *Washington Department of Ecology Waste 2 Resources Grants and Financial Assistance*, Website accessed November 5, 2009, [www.ecy.wa.gov/programs/swfa/grants/cpg.html#About_The_Coordinated_Prevention_Grant_\(CPG\)_Program](http://www.ecy.wa.gov/programs/swfa/grants/cpg.html#About_The_Coordinated_Prevention_Grant_(CPG)_Program).

fund must always maintain a positive fund balance. Those monies in the fund are invested in King County's investment pool. Rates of return vary, depending on the investment vehicles used. Figure 5-1 shows the relative proportion of the 2008 Program revenues represented by each funding source.

Figure 5.1 2008 Program Funding Sources and Proportions



Ninety-four percent of Program revenues are derived from surcharges on user fees from solid waste and sewer utilities and landfill/transfer station customers. The King County Board of Health sets these user fee surcharges that fund the Program. The last surcharge rate increase went into effect on January 1, 2006, with a portion of the sewer surcharge phased in on January 1, 2007.¹⁴ The Program's current surcharge fee rates are listed in Table 5-1.

¹⁴ King County Board of Health Code 2.08.090, Parts 1 and 2.

Table 5.1 2007 Program Surcharge Fee Rates

Solid Waste Accounts	
\$0.80/month/residential customer	\$9.07/month/non-residential customer
Sewage Accounts	
Approximately \$0.19/month for a <i>residential customer equivalent</i> (750 cubic feet). (Wastewater treatment facilities pay \$33.92 for each million gallons of sewage they treat)	
Transfer Stations & Landfills	
\$1.34/passenger licensed vehicle load of solid waste	\$3.50/ton for each load of solid waste from a non-passenger licensed vehicle

5.1.3. Recent Revenue Trends

Figure 5-2, below, shows the Program’s funding trends since the last Plan Update in 1997.

Figure 5-2 Program Revenues



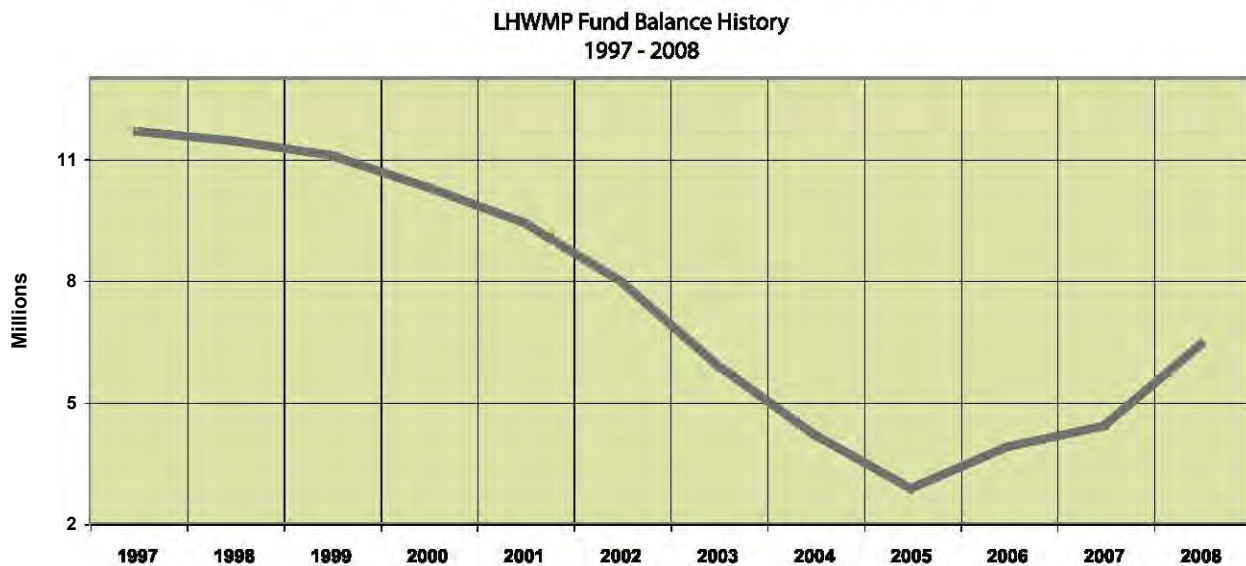
5.1.4. Residential and Non-Residential Revenue

The Program derives revenue from two types of ratepayers, residential and non-residential. Residential ratepayers include people living in single and multi-family housing. The term “non-residential ratepayer” refers to any entity, other than residential units, that generates wastes, including commercial businesses, non-profit entities, government agencies, schools, and other institutions. The 1990 Final Plan said that residential ratepayers should pay for the Program’s household hazardous waste efforts and that non-residential ratepayers should pay for work related to small quantity generators of hazardous waste. This commitment was reaffirmed in the 1997 Plan Update. To implement this policy, staff monitor Program revenues from residential and non-residential sources. And, budgeting decisions for HHW and SQG services are made within those revenue contexts.

5.1.5. Fund Balance Trends

Figure 5-3 shows the Program’s Fund balance by year since the 1997 Plan Update. This Figure shows how our Program Fund performs over time. Our fees are set, and revenues remain relatively static, while costs generally increase because of inflation. The overall Program Fund balance declines over time until a new fee increase is implemented. The fee increase depicted here was implemented in 2006, with a small portion of the sewer increase phased in, in 2007.

Figure 5-3 Program Fund Balance and Trends.



5.1.6. Future Funding Issues

While the current funding structure has been in place since 1990, it is periodically reviewed in terms of its fairness and its administrative cost and burden. The Program is currently reviewing the solid waste billing systems used by waste haulers and cities to see if the Program's fee surcharges can be allocated more equitably. Currently our flat fee-per-account system does not result in the same charges being applied to multi-family housing units. Some multi-family units are charged the residential rate individually, some are grouped under one account and are charged the same as one residential account, and some are grouped under a business account or accounts and are being charged the non-residential rate. Some business customers also assert that a flat fee-per-account is unfair because of the huge differences between businesses in the types and amounts of waste that they generate.

Some options that are being explored to try to address these issues include targeted revisions to our flat fee-per-account system and volume based billing. However, any changes to our rate structure must balance multiple goals. While it is important to allocate costs as equitably as possible, this must be weighed against the additional administrative costs and complexity that might be encountered by such proposed changes. Ultimately, for any changes to be made, the King County Board of Health would have to approve them through an amendment to its code.

Another potential area for investigation is the allocation of revenue from sources according to the proportion of hazardous waste released to the environment via that source. The 1990 Final Plan stated, "Approximately 80 percent of hazardous wastes in municipal waste streams can be found in solid waste." And, that the remaining 20 percent of hazardous wastes was being found in the liquid waste stream.¹⁵ The current 80/20 assessment of contributions to the Program Fund from solid waste and sewer funding sources is based on these estimates.¹⁶ Current work to address stormwater quality, onsite sewage systems and their impacts to ground water, and other water quality issues raises the question of whether other revenue sources should be explored, so that the responsibility for funding the Program is shared equitably across all classes of ratepayers according to their estimated contributions of hazardous wastes. We are also working on a new rate proposal from our current funding sources that, if approved by the Board of Health, would go into effect on January 1, 2012.

5.2. Budgeting for the Program

While finance is concerned with obtaining the revenue needed for the Program, budgeting allocates that revenue to accomplish the mission of the Program.

¹⁵ 1990 Final Plan, pp. 16, 3-43.

¹⁶ 1990 Final Plan, pp. 16, 3-43 and 1997 Plan Update p. 5-41.

5.2.1. Budget Overview

The Program's budgeting process is a cooperative, consensus-based exercise conducted by representatives from the Program Partner agencies. These include Seattle Public Utilities (SPU); King County Department of Natural Resources and Parks' Solid Waste (KCSWD) and Water and Land Resources (KCWLRD) Divisions ; and Public Health - Seattle & King County (PHSKC). Suburban Cities have representation at the staff and MCC levels during the budget development and approval phases. Timing for the budgeting process is determined by the King County Executive and King County Council's budget approval process because the Program fund resides at Public Health, a King County department.

5.2.2. Budget Development and Approval Process

Budget proposals are discussed with, and then submitted by, each of the Program Partners (SPU, KCSWD, KCWLRD and PHSKC) and proposed budgets are developed for the suburban cities and for non-agency line items. These individual budget proposals are developed by the program administrator and designated managers from each partner agency, in consultation with the MCC member from that agency. The agency and non-agency budget proposals are based on previous years' budgets and work plans, proposals for new work, and changes to on-going work.

The previous year's budget is the starting point for budget development. Some activities continue at the same level, while others may be increased, decreased, or eliminated. Resources may be increased for effective, high priority projects and reduced in areas where lesser effort is needed. Resources will be reassigned when a project accomplishes its objectives and is closed out or if it is not successful. Proposals for new work and expansions of current work are a necessary part of the Program's responsiveness to changing trends or newly identified threats and opportunities.

The individual budget proposals from Program Partners, suburban cities and non-agency components are considered in the context of a multi-year financial projection. Based on the Program fund's balance, estimates of future revenue, and projected expense estimates and budget assumptions, the multi-year document projects these components forward to a point where the Program fund balance reaches its minimum (two month) operating reserve: that is the year in which a future surcharge fee increase/rate proposal would be needed. The Program's financial projection is maintained by the fund manager and the program administrator, in cooperation with managers from Program Partner agencies. It provides a financial context for setting both individual agency budgets and the annual Program budget package.

Staff from Program Partner agencies, along with the program administrator, create the Program budget package based on partner agency budget proposals, the non-agency line items, and the revised financial projection. The budget proposal is presented to the MCC for approval. After MCC approval, the budget package is submitted to the King County Council, through Public Health and the King County Executive, as a part of the King County government budget.

While the Program budget is administratively part of the King County budgeting process, it is operationally a multi-government budget. The non-King County components are developed as contracts and approved by the legislative branches of the respective partner agencies.

5.2.3. Alignment of Budget with Mission

The Program's budget allocates monies for expenditures that will further the Program's mission. These expenditures are related to projects in three focal areas. Those areas are hazardous materials production, use and storage, and disposal, in addition to Program administration.

- Projects concerned with hazardous materials production focus 'upstream,' that is, they strive to influence the design, development and manufacture of products to reduce their hazardous components.
- Projects focused on hazardous materials use and storage encourage residents and businesses to reduce their use of hazardous chemicals, products and materials, and to replace them with less toxic alternatives. The Program promotes the safe use and storage of products containing hazardous chemicals, if they must be used at all.
- The disposal focus of the Program addresses the collection and final disposition of hazardous chemicals, products and materials.
- Program administration underpins all other efforts by providing management, support and accountability to each project and the Program as a whole.

The Program Partners' allocation of funding to projects in each focus area serves as the basis for the agency budget development. In some cases, projects are housed in one agency, but in many cases two or more Program Partners provide staff for a project. Figure 5-4 shows the 2009 allocation of budget among the focus areas.

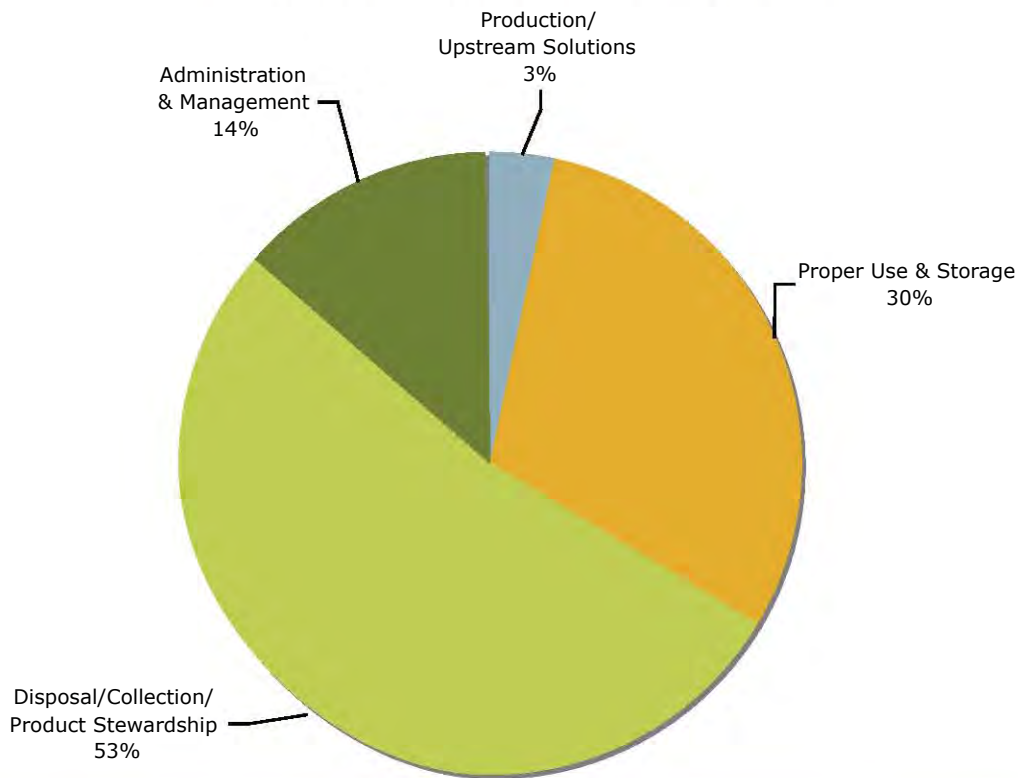
5.2.4. Budget Goals and Constraints

Specific legal and policy requirements govern the allocation of funds through the budget. There is a legal requirement to focus the Program's work on MRW.¹⁷ Contracts constrain funds received from Coordinated Prevention Grants. There are specific legal constraints on the use of utility funds.¹⁸ And we have a policy that requires funds collected from residential customers be used to address HHW and funds collected from non-residential customers be used to address SQG waste.

¹⁷ RCW 70.105.220(1)(a) and King County Board of Health (BOH) Code 2.08.085.

¹⁸ *Covell v. City of Seattle*, 127 Wn.2d 874, 1995.

Figure 5-4 2009 Budget Allocation



Our Program’s MRW work is explicitly enabled by state statute and County Board of Health code. While the bulk of the Program’s funding and workload addresses MRW, the Program goes beyond waste issues to address how household hazardous materials impact public health and the environment in King County. This broader focus has grown over time. It was implicit in the 1990 Plan, which discussed the fact that hazardous substances were constituents in many consumer products and posed a risk to human health and the environment.¹⁹ The 1990 Plan envisioned a reduction in the use of hazardous chemicals and products as well as better management and proper use of those that remained.²⁰ The 1997 Plan Update acknowledged that revisions to the Program’s focus would be made as circumstances changed or in response to new information.²¹

Over time, the Program has shifted its focus “upstream,” to a preventative mode that addresses hazardous materials and products before they become hazardous wastes, or even if they never become hazardous wastes. This shift was reflected in the 2006 updated mission statement that the Program will work “to protect and enhance public health and environmental quality in King County by

¹⁹ 1990 Final Plan, pp. 1-2.

²⁰ 1990 Final Plan, pp. 23-25.

²¹ 1997 Plan Update, p. 5-1.

reducing the threat posed by the production, use, storage and disposal of hazardous materials.” This broader approach is consistent with Washington State Department of Ecology’s Beyond Waste Plan.

In addition to receiving surcharges on utility fees, our Program receives a small portion of its overall funding from the Washington State Department of Ecology’s Coordinated Prevention Grants (CPG), as described previously. The use of CPG funds is restricted by Ecology. Those funds are advertised for a variety of uses, including: promoting regional solutions and intergovernmental cooperation; projects that prevent or minimize environmental contamination in compliance with state hazardous waste laws and rules; conducting hazardous waste planning and for implementing some of the projects in those plans; providing local responsibility for hazardous waste management; and for increasing our efficiency, consistency, reliability, and accountability. Even as there are numerous activities for which the funds can be used, the use of those funds must be negotiated with Ecology in contracts, with specific deliverables and timelines.²²

5.2.5. Future Budgeting Issues

Our Program will continue to be responsive to our ratepayers, true to our mission, and adaptable to the changing nature of hazardous chemicals, materials, products and wastes. This will continue through the judicious budgeting and expending of ratepayers’ funds to address our mission areas in as equitable, efficient and effective a manner as possible.

²² Washington State Department of Ecology, *Coordinated Prevention Grant Program Guidelines: 2010-2011 Grant Cycle* (Olympia: Washington Department of Ecology, July 2009), p. 1.