

CLERK'S OFFICE  
**AMENDED AND APPROVED**  
Date: 12-18-07

Submitted by: **Chairman of Assembly at  
the Request of the Mayor**  
Prepared by: **Solid Waste Services**  
For reading: **October 23, 2007**

ANCHORAGE, ALASKA  
AR NO. 2007-231

A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE SETTING ASIDE CASH COLLECTED FROM TIPPING FEES FOR THE FUTURE PAYMENT OF THE ANCHORAGE REGIONAL LANDFILL CARE AND CLOSURE LIABILITY.

WHEREAS, the Municipality of Anchorage is obligated by the EPA under Title 40, C.F.R., Parts 257 and 258 and GASB Statement No. 18 to accrue costs related to the closure of the Anchorage Regional Landfill and provide for its care post closure;

WHEREAS, the Municipality's Solid Waste Disposal Fund includes the Care and Closure cost accrual in the rates charged landfill users for the disposal cost per ton, however the cash collected from current users for future Care and Closure costs is not set aside for the future payment of this liability;

WHEREAS, as of December 31, 2006 the Municipality's Solid Waste Disposal Fund has accrued \$12,911,374 towards this liability and with inflation this liability is expected to grow to over \$83 million by the time the landfill is closed in 2043;

WHEREAS, the Municipality desires to ensure that sufficient cash is accumulated and set aside to fund this liability when it comes due.

THE ANCHORAGE ASSEMBLY RESOLVES:

**Section 1.** That the Solid Waste Disposal Fund may ensure that sufficient cash will be available for the payment of the liability accrued for the Care and Closure landfill liability by designating annually an amount of cash necessary to pay the accrued balance of the Care and Closure Liability and to invest that cash in long term securities to ensure that the funds are protected against inflation.

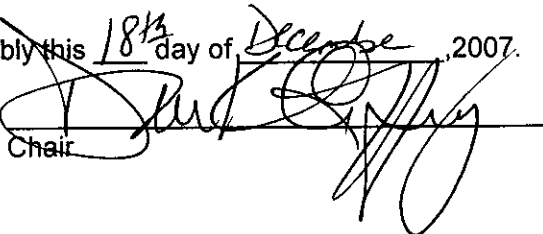
**Section 2.** That the cash designated for Care and Closure will be available only for the payment of activities deemed to be Care and Closure activities as defined by landfill regulation and future projections of Care and Closure cost.

**Section 3. The Mayor shall submit for introduction, no later than February 26, an ordinance establishing in code a special account to secure funds associated with care and closure of the Anchorage Regional Landfill.**

~~**Section 3.** That starting at year end 2007, each year the Solid Waste Disposal Fund will designate an amount from its general cash reserves to the Care and Closure restricted cash balance so that the accrued liability balance for Care and Closure that will be recorded by year end 2011 will be fully funded. This designation of general cash to the restricted cash fund will be made after reviewing the Solid Waste Disposal Fund's projected general cash needs and ensuring that sufficient cash is maintained to operate the utility in a prudent manner.~~

**Section 4.** That this resolution shall take effect immediately upon passage and approval by the Anchorage Municipal Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 18<sup>th</sup> day of December, 2007.

  
Chair

ATTEST:

  
Municipal Clerk

**MUNICIPALITY OF ANCHORAGE**  
**ASSEMBLY MEMORANDUM**

No. AM 637-2007

Meeting Date: October 23, 2007

**From: Mayor**

**Subject: A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE SETTING  
ASIDE CASH COLLECTED FROM TIPPING FEES FOR THE FUTURE  
PAYMENT OF THE ANCHORAGE REGIONAL LANDFILL CARE AND  
CLOSURE LIABILITY**

In accordance with government rules and accounting requirements, the SWS Disposal Utility budgets and sets aside unrestricted cash for the future care and closure costs of the Anchorage Regional Landfill. The Administration requests that the use of this cash be restricted to only the care and closure of the landfill.

Title 40, C.F.R., Parts 257 and 258 of the US EPA rules and Governmental Accounting Standards Board (GASB) Statement No. 18 require landfill operators to accrue for the future liability related to the final closure of a landfill and the regulatory requirement to maintain and monitor the landfill for 30 years after closure. The current Municipal Care/Closure cost estimate, based on a November 2005 engineering study (using 2005 dollars), estimated the liability to be approximately \$47 million.

Generally Accepted Accounting Principles (GAAP) requires a ratable recognition of the liability over the life of the landfill (GASB 18) as the landfill accepts waste towards its maximum capacity, which is expected to be reached in the year 2043. As of December 31, 2006, SWS has accrued \$12,911,374 as a liability towards Care/Closure. The annual liability accrual currently is approximately \$1.4 million.

This amount will grow over time with inflation. GAAP and US EPA rules require the liability estimate be grown at the rate of inflation each year, unless a new updated estimate is prepared. At a 3% inflation rate, the Care/Closure liability will grow from \$47 million to approximately \$83 million, assuming no additional costs are added through future engineering estimates.

The cash that has accumulated related to funding of Care/Closure is not earmarked specifically for this liability, but instead is treated as a part of the general cash pool funds for SWS and has instead been used to subsidize disposal rates at an artificially low level. This has created a gap between the liability accrual and the amount of cash on hand to pay for this liability of approximately \$4.4 million. The resolution proposes to catch up and eliminate the gap over a four year period.

**Current Issues on Care/Closure**

The current users of the landfill are paying for the costs of Care/Closure through the tipping fees being paid during the useful life of the landfill. However, the cash being accumulated to cover the future Care/Closure liability is not specifically earmarked for this future obligation, but is available in general funds to be used by SWS to fund current operations. This creates a problem for the future since the users of the landfill are paying for this cost and have some expectation that the fees they have paid are being set aside to eventually retire this obligation when it is due.

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2 If the money is not accumulated and set-aside, then SWS and the Municipality have  
3 limited options to fund this liability when it eventually has to be incurred. At present, the  
4 landfill is operating at a loss, which means that the revenue collected in tipping fees that  
5 should go towards funding this liability is instead being used to subsidize other costs of  
6 the landfill operations. This gap will only get larger over time, as the accrued liability is  
7 grown for the effects of inflation, as required by regulation.  
8

9 **Recommendation**

10 The SWS Solid Waste Disposal should be operated to ensure that sufficient revenues  
11 are collected to cover its direct operating costs, including the Care/Closure liability  
12 accrual for the Anchorage Regional Landfill, adjusted for the effects of inflation. The  
13 funds collected from tipping fees related to the Care/Closure liability should be set aside  
14 into a restricted account to ensure that the cash being accumulated to pay for this future  
15 liability is available for its intended purpose.  
16

17 THE ADMINISTRATION RECOMMENDS APPROVAL OF THE RESOLUTION  
18 SETTING ASIDE CASH COLLECTED FROM TIPPING FEES FOR THE FUTURE  
19 PAYMENT OF THE ANCHORAGE REGIONAL LANDFILL CARE AND CLOSURE  
20 LIABILITY.  
21

22  
23 Prepared by: Brian I. Crewdson, Interim Director, Solid Waste Services  
24 Concur: Sharon B. Weddleton, CFO  
25 Concur: Denis C. LeBlanc, Municipal Manager  
26 Respectfully submitted: Mark Begich, Mayor

**Content Information****Content ID :** 005586**Type:** AR\_AllOther - All Other Resolutions

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 ASIDE CASH COLLECTED FROM TIPPING FEES FOR THE FUTURE  
 PAYMENT OF THE ANCHORAGE REGIONAL LANDFILL CARE AND  
 CLOSURE LIABILITY

**Author:** maglaquijp**Initiating Dept:** SWS**Review Depts:** Finance**Description:** SWS Care and Closure funds for Anchorage Regional Landfill**Date Prepared:** 10/11/07 10:27 AM**Director Name:** Brian I. Crewdson

**Assembly**  
**Meeting Date:** 10/23/07

M.O.A.  
 2007 OCT 12 AM 11:10  
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**Workflow History**

<u>Workflow Name</u>	<u>Action Date</u>	<u>Action</u>	<u>User</u>	<u>Security Group</u>	<u>Content ID</u>
AllOtherARWorkflow	10/11/07 10:41 AM	Checkin	kilsonpa	Public	005586
SWS_SubWorkflow	10/11/07 11:29 AM	Approve	crewdsonbi	Public	005586
Finance_SubWorkflow	10/11/07 4:58 PM	Approve	weddletonsbi	Public	005586
MuniManager_SubWorkflow	10/12/07 8:50 AM	Checkin	maglaquijp	Public	005586
MuniManager_SubWorkflow	10/12/07 10:28 AM	Approve	leblancdc	Public	005586
MuniMgrCoord_SubWorkflow	10/12/07 10:31 AM	Approve	abbottmk	Public	005586