

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF ADOPTING)	RESOLUTION NO. 80-192
CRITERIA FOR DETERMINING THE)	
AMOUNT OF CORPORATE SURETY)	
BONDS FOR SOLID WASTE DISPOSAL)	Introduced by the
SITES REGULATED BY METRO)	Regional Services Committee

WHEREAS, Section 4.02.090(d) of the Metro Code requires that applicants for solid waste disposal site Certificates must submit a corporate surety bond in an amount established by the Council; and

WHEREAS, the formula for the amount of a corporate surety bond is determined to be the sum of the Mobilization Cost¹ and the Final Closing Cost² (based on current estimates by Metro staff); and

¹Mobilization Cost -- If a solid waste disposal site suddenly closed, a new operator could be called in by Metro to continue operating the site. The costs for transporting equipment to the site, setting up facilities, etc. would be mobilization costs.

²Final Closing Costs would include purchase and spreading of final cover, final drainage, temporary roads, seeding and erosion control. Final Closing Cost would be on a per acre basis. Calculated total acreage for closing costs would include acres already filled with waste but without final cover at the time the bond is issued (or renewed) plus additional acreage expected to be filled during the term of the bond. This additional acreage would be specified in an operation plan approved by Metro.

WHEREAS, this formula is determined to be an efficient and equitable method for determining the amount of a corporate surety bond; now, therefore,

BE IT RESOLVED,

That the Council of the Metropolitan Service District adopts the above formula and directs Metro staff to prepare cost estimates and set bond amounts in accordance therewith.

ADOPTED by the Council of the Metropolitan Service District this 23rd day of October, 1980.



Presiding Officer

THIS 23rd DAY OF October 1980Cynthia M. Wickman
CLERK OF THE COUNCIL

A G E N D A M A N A G E M E N T S U M M A R Y

Res
80-192

TO: Metro Council
 FROM: Executive Officer
 SUBJECT: Criteria for Determining the Amount of Corporate Surety Bonds for Solid Waste Disposal Sites

I. RECOMMENDATIONS:

- A. ACTION REQUESTED: Approval of the criteria and staff function shown below:

CRITERIA FOR DETERMINING AMOUNTS OF CORPORATE SURETY BONDS
 FOR SOLID WASTE DISPOSAL SITES REGULATED BY METRO

The amount of a corporate surety bond required by Metro Code, Section 4.02.090, would be the sum of the MOBILIZATION COST¹ and the FINAL CLOSING COST² (based on current estimates).

Based on these criteria the Metro staff would prepare estimates of mobilization and closing costs and then set each bond amount.

- B. POLICY IMPACT: This action will allow Metro to determine amounts of corporate surety bonds required from operators of future solid waste disposal sites regulated by Metro.
- C. BUDGET IMPACT: None

II. ANALYSIS:

- A. BACKGROUND: The Metro Code, Section 4.02.090 (d), requires that applicants for solid waste disposal site Certificates must submit a corporate surety bond in an amount established by the Council. This bond guarantees full and faithful performance of the duties and obligations listed in the Certificate. A bond already issued to a governmental agency is acceptable as long as it meets the requirements of Chapter 4 and names Metro as beneficiary.

¹Mobilization Cost -- If a solid waste disposal site suddenly closed, a new operator could be called in by Metro to continue operating the site. The costs for transporting equipment to the site, setting up facilities, etc. would be mobilization costs.

²Final Closing Costs would include purchase and spreading of final cover, final drainage, temporary roads, seeding and erosion control. Final Closing Cost would be on a per acre basis. The acreage would be total acres already filled with waste but without final cover at the time the bond is issued (or renewed) plus additional acreage expected to be filled during the term of the bond. This additional acreage would be specified in an operation plan approved by Metro.

This Code requirement did not include solid waste disposal sites already in operation when the ordinance was passed (1977). However, several operators are now applying for Certificates for future disposal sites. The situation requires that surety bond amounts be set by Metro.

Metro staff proposes that the dollar amount of each bond be the sum of two estimated costs. One cost is an estimate of the cost that could be incurred by Metro to pay a new operator to mobilize equipment, facilities, etc., to continue operating a disposal site if a previous operator was no longer willing or able to continue operating a site. The other cost is the sum of current estimates of costs incurred by Metro if it were necessary to permanently close a landfill site in a manner that minimizes future environmental impact. Such costs include purchase and spreading of cover material, installation of drainage facilities, temporary roads needed for the closing operation and post-closure monitoring, and seeding and other measures for erosion control. *

Metro staff contacted bond underwriters for several insurance companies to learn their reaction to the above criteria for bonding solid waste disposal sites. Although reluctant to give precise answers to hypothetical questions, they did outline general policies which might apply to this situation. They call this a type of performance bond known as a reclamation bond. The higher the amount of the bond and the longer the time period, the fewer organizations or individuals could qualify. Short period, potentially renewable bonds are preferred over long-term (five-year) bonds. Bond premiums could be about \$6 to \$20 per \$1,000 face value.

After reviewing the above criteria and the insurance industry views, the Solid Waste Policy Alternatives Committee recommended that:

1. A minimum acreage for mobilization costs should be determined.
2. Criteria should not specify dollar amounts since these can change with time.
3. The initial or renewed bond amount should be based on an operations plan submitted to and approved by Metro.
4. If a sinking fund for site closure were set up for a landfill site by Metro, such a fund could be used to reduce or eliminate the bond requirement.

Example

Assumptions -- 20-acre site; initial bond term of two years during which five acres will be landfilled with solid waste.

Current cost estimates by Metro engineering staff:

Mobilization Cost	\$25,000
Final Closing Cost	\$80,000
(\$16,000/acre x 5 acres)	

Therefore, initial bond amount would be \$105,000.

B. ALTERNATIVES CONSIDERED:

1. Calculation of closing costs based on total acreage of the site. The Solid Waste Policy Alternatives Committee believed this cost would be too high during the initial stages of site operation when only a few acres are being filled.
2. Bond amount to be either the mobilization cost or the closing costs. However, this alternative would not cover the situation where Metro had to pay for mobilization of a new operator at the site and also pay for final cover of areas not properly covered by the previous operator.
3. Metro Council sets criteria and approves each bond amount.
4. Metro Council authorizes a code change to allow the Executive Officer to set bonds.

- C. CONCLUSION: Determine the amount of a corporate surety bond based on a current engineering estimate of the mobilization cost plus the final closing cost. As filling of a solid waste disposal site progressed, the operator would be encouraged and required to complete as much final closing work as possible on sections already filled. This would reduce the amount of future renewed bonds and thus reduce the operator's premium cost.

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