


KING COUNTY AUDITOR'S OFFICE

August 22, 2017

Follow Up on 2011 Performance Audit of Solid Waste Transfer Station Capital Projects

TO:

Metropolitan King County Councilmembers

FROM:

Kymber Waltmunson, County Auditor

The Solid Waste Division (SWD) has completed implementing the remaining two recommendations from our 2011 Performance Audit of Solid Waste Transfer Station Capital Projects. By implementing these recommendations, SWD has increased its flexibility to take advantage of higher interest rates on its Landfill Reserve Fund. This could increase the investment returns realized on this fund thus reducing the amount of money that the division has to collect through its rates. SWD has also conducted an analysis of project delivery methods for replacement of its south county station. By conducting this analysis, SWD was able to identify and choose the procurement method that considering cost, schedule, quality, and risk has the potential to replace the south county station and provide the best value to ratepayers.

Of the two remaining audit recommendations:

2 DONE	0 PROGRESS	0 OPEN
Fully implemented Auditor will no longer monitor.	**Partially implemented** Auditor will no longer monitor.	**Remain unresolved** Auditor will no longer monitor.

Please see below for details on the implementation status of these recommendations.

King County

Recommendation 3 DONE

The Solid Waste Division, in cooperation with the Executive Finance Committee, should review the feasibility of a new investment strategy for the Landfill Reserve Fund.

STATUS UPDATE: King County's Executive Finance Committee updated and approved King County's investment policy. One of the primary changes that was made to this policy was the addition of a pool-plus option, which provides longer-term investment options to county agencies. According to staff, SWD is currently analyzing the potential impacts of using the pool-plus option for its Landfill Reserve Fund and plans to make a decision by the end of 2017 as to whether to apply to the Executive Finance Committee to participate. The inclusion of this option and SWD's actions to start the process to participate has the potential to increase the investment returns King County can realize on these long-term funds. Because King County has at least a decade until it needs to use this money, increasing the investment returns has the potential to reduce the amount of money the division needs to collect through user rates, thus potentially reducing the cost of garbage collection and self-haul services.

Recommendation 4b DONE

SWD should update transfer system and individual facility plans as they have indicated. During this process, SWD should provide county policy-makers and regional partners an assessment of which project financing and delivery method is most likely to result in lower capital costs.

STATUS UPDATE: In 2016, SWD published an Evaluation Guide for Recycling and Transfer Station Project Delivery Method. It used the process outlined in this guide to analyze project delivery options to replace the south county station in Algona. It conducted this process in response to this recommendation and Ordinance 17437, passed by the King County Council in 2012, which requires SWD to analyze alternative procurement methods for the design and construction of new recycling and transfer stations. The study identified the competitive negotiated procurement method as having the greatest potential to lower the costs to replace the south county station. However, SWD ultimately chose to use the Traditional Public Works Bidding (design-bid-build) project delivery method as they found that this method "provides the best overall ratepayer value in terms of balancing schedule, cost, quality, and risk performance." SWD used a collaborative and inclusive approach, drawing on the experiences and lessons learned from capital projects across the county, to evaluate the different options. Both the guide that it created and the specific approach it used to evaluate options for replacement of the south county station, can serve as a model for SWD as it conducts similar analysis in the future. These steps provide assurance to policy-makers and ratepayers that SWD is using the most appropriate option for large-scale capital projects in order to reduce risk and provide the greatest value to residents.

Ben Thompson, Deputy County Auditor, conducted this review. Please contact Ben at 206-477-1035 if you have any questions about the issues discussed in this letter.

cc: Dow Constantine, King County Executive
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