

## Overview

### Orange County Solid Waste Enterprise Fund (9-26-2014)

Generally Accepted Accounting Principles (GAAP) requires state and local governments to use the enterprise fund type to account for “business-type activities” – activities similar to those found in the private sector. Business type activities include services primarily funded through user charges.

The Governmental Accounting Standards Board (GASB) defines the purpose of enterprise funds as: “...to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through users charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.”

State and local governments should use an enterprise fund to account for its activities when the criteria of either (a) or (b) are met. In most cases, State and Local Governments should use enterprise funds because their activities closely resemble the characteristic described in (a) above. Moreover, it is important to note that the total cost of the activity does not have to be paid for by the user charges. The government (or other governmental entity) may subsidize a significant portion of the costs of the enterprise fund.

#### Background

The Solid Waste Enterprise Fund was established in the 1970’s by the Towns of Carrboro and Chapel Hill and Orange County to finance county landfill operations. Over the years the fund was a relatively simple device consisting of tipping fee revenue, landfill operations and capital reserves. In the late 1980’s the governments initiated curbside recycling program, followed by a series of other recycling and waste reduction programs and services that have grown and expanded until the present and achieving tremendous success and popularity. In the early 1990’s federal and state environmental regulations significantly increased the present and future costs of landfill operations. Therefore, solid waste expenditures and revenues increased significantly and the enterprise fund became more complex over time. Closing the landfill last year has also had a significant impact on revenue and expense allocations.

The current enterprise fund is organized as follows:

Environmental Support Division                      Fiscal 2014/15 Budget = \$2,019,730

This division includes: equipment maintenance labor & shop operations, environmental enforcement, departmental education & outreach, solid waste planning and reporting, safety administration, development review, accounting (billing and receiving), purchasing, customer service, office expenses, utilities, building maintenance including mowing and janitorial services, insurance and workers compensation, retiree health, special events, charges by the general fund, training, etc., departmental administration/management, etc.

Sources of revenue include: interest on reserves, regulated recyclable material ordinance permitting, licensing and certification, facility rental, telecom tower site leasing and charges to 3 operating divisions

Sanitation Division

Fiscal 2014/15 Budget = \$5,123,158

This division includes: five solid waste convenience center operations, hauling, maintenance, leasing, etc., county government building waste collection, county schools waste collection, transfer station/landfill tipping fees, capital improvements & equipment (includes Eubanks SWCC related improvements \$2,428,283), personnel w/benefits, uniforms, etc., training, GPS monitoring, vehicle & equipment maintenance/supplies, debt service, contribution to equipment reserves, contribution to environmental support, etc.

Sources of revenue include: sale of surplus equipment, school waste collection, annual SWCC Fee, contribution from reserves, county general fund contribution (\$1,856,543)

Recycling Division

Fiscal 2014/15 Budget = \$4,869,794

This division includes: (all recycling programs) curbside and multi-family collection, five recycling drop-off site operations/maintenance, household hazardous waste program, food waste collection, clean wood/yard waste mulching, scrap metal/white goods program, scrap tires program, Chapel Hill-Carrboro and County school recycling, commercial recycling programs, electronics recycling, vehicle & equipment maintenance/supplies, personnel w/benefits/uniforms, roll cart purchase, debt service, capital improvement & equipment, contribution to reserves, U-Mall site payment, contribution to environmental support, materials transfer to market, materials marketing, training, etc.

Sources of revenue include: sale of recyclable materials, Basic 3-R Fee, grants, contribution from reserves, debt service, municipal special collections, Chapel Hill-Carrboro and county schools, sale of surplus equipment, etc.

Landfill Division

Fiscal 2014/15 Budget = \$ 1,010,368

This division includes: construction & demolition landfill operations, scale operations, personnel w/benefits/uniforms, various environmental monitoring and reporting, equipment & vehicle maintenance/supplies, training and certification, engineering and surveying services, supplies, leachate management, maintenance of closed landfills, seeding & erosion control, NC disposal tax, contribution to environmental support, load inspection, regulatory compliance, etc.

Sources of revenue include: C&D tipping fees, contribution from reserves for capital/post-closure maintenance, disposal tax reimbursement, white goods/scrap tire tax reimbursements, sale of surplus equipment, metal/wood sale, mulch/compost sale, landfill gas recovery, contribution to environmental support, mattress fee, landfill penalty surcharge, etc.

Solid Waste Enterprise Fund Reserves

Staff estimated ending fund balance June 30, 2014 = \$13,412,462 (audit pending)

This includes: Equipment Reserve = \$5,733,613

Rogers Road Remediation Fund = \$200,000

Closure/Post-closure = \$7,478,849