

NOTE 13 – ENVIRONMENTAL REMEDIATION

In 2008 the County implemented GASB Statement No. 49 - *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement requires special accounting and reporting for governments that become obligated to perform environmental remediation work following the occurrence of one or more GASB-defined "obligating events." The applicable requirements are: 1) to estimate the components of expected pollution remediation outlays; and, 2) to accrue the future estimable outlays for those components as liabilities and expenses (or capitalize the costs in certain limited situations). Further requirements are for the liability to be recorded at the current value of the costs expected to be incurred to do the remediation work, and for the liability to be measured using the expected cash flow technique.

The impact of the implementation of GASBS No. 49 to King County operations follows:

Water Quality Enterprise - Accrued environmental remediation liabilities are related to ongoing voluntary efforts to clean up certain sites in the Lower Duwamish Waterway, and to remediate contamination of sediment on sites near combined sewer outflows (as outlined in the sediment management program). The implementation of GASBS No. 49 resulted in a \$27.9 million increase in the prior year's accrued environmental remediation liability mostly for the sediment management program. The increase is due to the recognition of cleanup costs through 2012 and the exclusion of expected grant recoveries that were previously deducted from the liability. The methodology for estimating liabilities is based on Water Quality's engineering analysis, program experience, and cost projections for the remediation activities programmed under the Regional Wastewater Services Plan. While the remaining work is well-defined, re-measurements are conducted as program benchmarks are reached. Environmental remediation costs for Water Quality are currently deferred as regulatory assets in accordance with FAS 71 - *Accounting for the Effects of Certain Types of Regulation* (See Note 1, *Summary of Significant Accounting Policies – Regulatory Deferrals*). Because of this offsetting effect there was no corresponding change in beginning net assets.

Public Transportation Enterprise - Environmental remediation liability increased from \$50 thousand at December 31, 2007 to \$346 thousand at December 31, 2008. Although related to GASBS No. 49 the increase was not deemed material to restate prior periods. The pollution obligation is primarily related to: 1) monitoring soil and ground water contamination at the Lake Union Tank and Dearborn (under consent decrees from the Washington State Department of Ecology); 2) groundwater monitoring at two bus operation bases; and 3) the planned voluntary remediation of a third bus operation site. The 2008 liability was measured from the estimated amounts compiled by experienced Public Transportation staff using the expected cash flow technique. These cost estimates, however, are subject to change when contamination levels at specific sites are updated, when existing agreements and remediation alternatives are modified, or when new applicable regulations emerge.

King County International Airport (KCIA) Enterprise – Accrued remediation liabilities are related to the ongoing investigation, pre-cleanup, cleanup, and monitoring activities at three sites along the Lower Duwamish Waterway (Slip 4, 7777 Perimeter Road, and the North Boeing Field/Georgetown steam plant and flume). These obligations were brought about by complaints filed by other governments to recover costs from the enterprise and the enterprise has agreed to share the cost, or as part of an existing agreed order from the Washington State Department of Ecology where the enterprise was identified as a potentially responsible party. Liabilities were estimated using the expected cash flow technique. GASBS No. 49 implementation resulted in an increase in the enterprise's remediation liability at December 31, 2007 from \$2.6 million to \$6.5 million resulting in a restatement of 2008 beginning net assets.