

**T-4.2**  
**SWANA TECHNICAL POLICY**

**FULL COST ACCOUNTING**  
**FOR MUNICIPAL SOLID WASTE MANAGEMENT SYSTEMS**

**I. Policy**

SWANA supports the establishment of full cost accounting for municipal solid waste management system(s) (MSWMS).

- a. Full cost accounting should provide to the public, policy makers and managers of MSWMS a clear statement of all the costs of a MSWMS.
- b. Costs for various components of a MSWMS should be separately accounted for and disclosed.
- c. Users of the MSWMS should know the system costs, and those costs should be reflected either by user fees or on a tax statement.
- d. In a MSWMS funded as an enterprise activity, the full costs reported to the users of the systems should be the basis for establishing fees. Such fees must benefit all users of the system and should be equitable in their application.
- e. Full cost accounting must include all direct and indirect costs necessary for a MSWMS to deliver all the services identified in the MSWMS plan.

When MSWMS are competitively bid with private sector service providers, the competitive bid (service fee) becomes the cost for purposes of full cost accounting.

Full cost accounting therefore provides an understanding of the various cost components of a MSWMS. Through this understanding, the public, policy makers and managers can make informed decisions, knowing fully what resources are needed to successfully provide MSWMS services.

**II. Introduction**

The revenues and expenses of MSWMS are complex and varied. Assigning costs for MSWMS is an important part of the financial structure of a MSWMS. Sound decision-making must be based upon knowledge of the full costs of MSWMS. Neither policy makers nor the public can be expected to evaluate and make critical decisions if they do not have access to the costs associated with system alternatives. Only through careful accounting procedures can costs be assigned. Appropriate accounting methods for cost accounting and utility fund management are described in the Government Accounting Standards Board (GASB) Statement 34.

**III. Discussion**

Full cost accounting is a process of collecting and presenting all costs incurred in implementing a MSWMS. It is an accounting procedure that includes both direct costs associated with a particular MSWMS and indirect costs such as future liabilities and shared service costs. These costs include service fees paid to private contractors.

The costs for planning, designing, financing and operating MSWMS occurs at each step in the process. In addition, costs occur beyond the actual operation of a MSWMS. For example, marketing costs may occur to divert recyclables to the secondary materials market. Post closure costs occur after municipal solid waste is disposed in landfills or the ash is disposed after MSW is combusted, and those landfills are closed.

Both MSWMS revenues and expenses need to be identified and understood. Revenues may come from taxes, user fees, service fees, energy and materials sales, grants, and many other sources. Expenses for MSWMS may include salaries and wages, employee benefits, professional and technical services, capital, financing, insurance, regulatory compliance (permits, fees), fuel, building and equipment maintenance, equipment renewal and replacement, education and outreach, indirect and overhead costs, building and equipment decommissioning, and site closure and post closure care and monitoring.

If local governments are to adequately finance each step in the process of successful MSWMS, all of the revenues and expenses mentioned above must be understood. If private MSWMS service contractors are to provide MSWMS services, their fees have to be based on all costs associated with their share of the MSWMS services. The assignment of costs to a MSWMS should establish the basis for funding to meet those costs by a variety of funding means.

Local governments should utilize full cost accounting and should report to the public all costs and revenues from all sources and how they are allocated to the MSWMS. If MSWMS service contractors are utilized, the rates charged by the contractors should be based on full cost accounting and should be set by the competitive process. Costs for various components of a MSWMS should be separately accounted for and disclosed where possible, i.e. collection, recycling, transfer, combustion, landfilling, etc., and should be identified as cost and revenue centers so that the users fully understand the economics of the MSWMS.

MSWMS that are funded by taxes can, and often must, provide a full accounting for their budget. In some instances, the generator is taxed for MSWMS services, and those costs are identified separately on the tax bill. This approach clearly informs the users of the MSWMS of the costs for the delivery of MSWMS services.

When MSWMS compete for public dollars, it is essential that public policy decision makers dictate that those responsible for MSWMS develop and establish a process to identify the full costs of services provided. The public is entitled to know about and participate in this process. Through this process the public becomes aware of the full cost for a MSWMS.

If full cost information is not available, planning and implementation will be impeded, and further, may result in uninformed decisions. Consequently, regardless of the methods utilized to fund and finance a MSWMS, full cost accounting is essential.

Approved by the International Board  
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Michelle Leonard  
International Secretary

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