



UTILITY BOARD STAFF REPORT

Item (3)
September 12, 2023
Regular Business

AGENDA ITEM INFORMATION

TITLE:	King County Solid Waste Rate Restructure	<input checked="" type="checkbox"/> Discussion Only <input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Provide direction to staff on the proposed contract amendment with Recology to incorporate the new King County Fixed Annual Charge.	

STAFF:	Jason Kintner, Chief of Operations
COUNCIL LIAISON:	Jake Jacobson
EXHIBITS:	Draft Recology Contract Amendment

BACKGROUND

King County Solid Waste Division revenues are primarily generated through incoming garbage tonnage at transfer stations. However, the overall goal is to reduce the amount of waste generated and to promote recycling and reuse. As the County implements its aggressive waste reduction and diversion programs, disposal revenues are expected to be significantly reduced. As a result, in September 2021, King County Council approved a rate restructure for garbage disposal which affects the 37 cities and unincorporated areas in King County that utilize King County’s system. The City has an interlocal agreement with King County which covers solid waste management and allows this change.

ISSUE/DISCUSSION

The King County rate restructure lowers the per-ton tipping fee and adds a new Fixed Annual Charge (FAC) per city based upon prior contribution to the garbage tonnage. This “utility model” allows King County to maintain essential solid waste disposal facilities and recycling services as the volume of municipal solid waste decreases with successful waste reduction and recycling programming. After a one-year delay, the new rate structure goes into effect January 1, 2024.

The City’s current solid waste and recycling contract with Recology only allows for annual adjustments in rates due to changes in the CPI and the King County tipping fee. So, the contract needs to be amended to allow Recology to collect the FAC from customers in order to pay King County on behalf of the City.

While the FAC amount due from each waste hauler is set by King County, the City’s solid waste contract determines how Recology can collect those charges from customers and how the FAC will be allocated across the customer base. To assist cities with contract negotiations required to accommodate the rate restructure, King County retained the services of a solid waste contract consultant, Epicenter Services, to negotiate and draft template contract amendments for each of the three primary waste haulers in the King County: Waste Management, Recology, and Republic Services. Each waste hauler has its own method for allocating the FAC across the customer base, but all Recology cities will use a similar method. Several other cities that contract with Recology for solid waste services have moved forward on adopting the rate restructure language including Tukwila, North Bend, Issaquah, Maple Valley, and Shoreline.

One of the complexities of the FAC is that Recology must pay a fixed rate on behalf of the City over the year, but the customer base and FAC collected from customers changes over the course of a year. So, a reconciliation element was added to the contract amendment to reduce any overcollection or undercollection of the FAC from customers.

The contract amendment was negotiated in the fairest way possible to accommodate the new disposal fee structure which includes the following provisions:

- Customer rates will continue to be comprised of a collection component adjusted annually by CPI, and tipping fee component adjusted annually by the proportionate increase or decrease in the County's per-ton tipping fee.
- A new FAC component will be added to customer bills as a separate line item which reflects the proportionate amount of the County's FAC assigned to the City based on the size of their garbage container. Customers with a smaller garbage container will pay a lower rate than those with a larger container. The FAC component will be recalculated annually based upon current customer counts and container sizes.
- The City and Recology will track customer payments made to Recology associated with the FAC. This will be compared to the set rate that Recology pays the County for the City's FAC. These amounts will be reconciled annually in September, and any overpayment or underpayment will be carried forward to next year's customer rates.
- In the last year of the contract, the FAC collected from customers will be increased slightly to ensure that customer payments to Recology will satisfy the County's FAC requirement. Any overpayments at the end of the contract will be paid to the City.

King County's rate restructure is intended to be revenue-neutral so that their overall expected revenue with the FAC and reduced tipping would be the same as their expected revenue with the original tipping fee. However, this rate restructure occurs simultaneously as an overall 9.6% increase in King County disposal fees. Customers with 32-gallon garbage service may expect to see an increase of \$0.50 to \$1.00 per month in disposal fees due to the overall disposal rate increase as well as the annual CPI increase. Exact customer rates will be calculated in fall 2023 once both the CPI and disposal fees are published.

NEXT STEPS

King County will take the lead on creating customer-facing education and outreach related to the Fixed Annual Charge including a bill insert and website. Recology has agreed to include information on the FAC in the annual rates mailer, as an insert in the garbage bill, on their website, and on social media to alert customers.

Staff will present the King County rate restructure and Recology contract amendment to the City Council at the October 17, 2023 meeting.

RECOMMENDED ACTION

Provide direction to staff on the proposed contract amendment with Recology to incorporate the new King County Fixed Annual Charge.