



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND**

**AB 6354
November 7, 2023
Regular Business**

AGENDA BILL INFORMATION

TITLE:	AB 6354: King County Solid Waste Rate Restructure	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Authorize the City Manager to sign Contract Amendment #1 to the 2019-2029 Comprehensive Garbage, Recyclables, and Compostables Collection Services Contract between the City of Mercer Island and Recology King County, Inc., substantially in the form attached as Exhibit 2 to AB 6354.	

DEPARTMENT:	Public Works
STAFF:	Jason Kintner, Chief of Operations
COUNCIL LIAISON:	Jake Jacobson
EXHIBITS:	1. 2019-2029 Comprehensive Garbage, Recyclables, and Compostables Collection Services Contract 2. Contract Amendment #1
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

The purpose of this agenda item is to seek City Council approval of an amendment to the 2019-2029 Comprehensive Garbage, Recyclables and Compostables Collection Services Contract between the City of Mercer Island and Recology King County, Inc. to address the required rate adjustment triggered by King County’s disposal fee restructure.

- The City entered into a 10-year agreement with Recology for solid waste services in 2019 (see [AB 5514](#)). The City’s existing solid waste and recycling contract with Recology adjusts rates annually for CPI and to reflect changes in King County disposal fees.
- In September 2021, King County restructured its garbage disposal fees that affects the 37 cities and unincorporated areas that utilize King County’s transfer stations.
- The King County disposal fee restructure lowers the existing per-ton tipping fee and creates a new Fixed Annual Charge per city based upon prior contribution to the garbage tonnage.
- The new Fixed Annual Charge for Mercer Island in 2024 is \$223,407, which equates to \$1.43 per month per cubic yard of garbage and will become a new line item on customer bills.

- The change goes into effect January 1, 2024. The City has an [interlocal agreement](#) with King County that covers solid waste management, governs how disposal rates are set, and allows for this change.
- Because the King County Fixed Annual Charge is a new category of disposal fee, the contract with Recology needs to be amended to describe how this new charge is going to be accounted for, administered, and collected from customers.
- Additionally, the contract amendment clarifies that the City does not currently levy a Sustainability Fee and, if implemented by the City Council, the fee would appear as a separate line item on customers' garbage bills.

BACKGROUND

King County Solid Waste Division revenues are primarily generated through incoming garbage tonnage at transfer stations. As the County implements its aggressive waste reduction and diversion programs, disposal revenues are expected to be significantly reduced and the current rate structure, which only includes tipping fees, will not cover the operating costs of the transfer stations.

In September 2021, the King County Council approved a new rate restructure for garbage disposal fees that affects the 37 cities and unincorporated areas in King County that utilize King County's transfer stations. The new King County rate restructure lowers existing the per-ton tipping fee and creates a new Fixed Annual Charge per city based upon prior contribution to the garbage tonnage. Mercer Island's 2024 Fixed Annual Charge is \$223,407. 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 implementation delay, the new rate structure goes into effect January 1, 2024. The City has an [interlocal agreement](#) with King County that covers solid waste management, governs how disposal rates are set, and allows for this change.

The City's existing solid waste and recycling contract with Recology includes provisions for rate adjustments not only for annual CPI, but also for changes in King County disposal fees (see Exhibit 1). King County disposal fees, including the new Fixed Annual Charge, are collected by Recology from customers as pass-through charges on behalf of the City, which is required under its interlocal agreement with King County to pay the fees for solid waste management. Therefore, the City's contract with Recology needs to be amended to allow Recology, on behalf of the City, to collect the new King County Fixed Annual Charge from customers. The amendment also establishes the method for accounting and administering this new charge.

While the new King County Fixed Annual Charge is set by King County, the City's solid waste contract with Recology determines how the new fee is collected and allocated across the customer base. To assist cities with contract negotiations required to address 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 new Fixed Annual Charge across their respective customer bases, but all Recology cities will use a similar method. Several other cities that contract with Recology for solid waste services have adopted the rate restructure language including Tukwila, North Bend, Issaquah, Maple Valley, and Shoreline.

King County's new rate restructure is intended to be revenue-neutral, meaning that the revenue increase associated with the new Fixed Annual Charge will offset the anticipated revenue loss from the tipping fees.

The table below provides a comparison of the 2023 and 2024 Mercer Island monthly garbage fees/charges for common service levels. The rate table reflects the following changes in the rate structure, but does not include taxes:

- 2024 CPI increase of 5.00% which adjusts the service component of the rates. The actual CPI increase is 6.55%, but the contract caps any increase to 5.00%.
- King County tipping fee decreased from \$168.68 per ton to \$150.83 in 2024, adjusting the disposal component of the rates.
- Mercer Island’s 2024 Fixed Annual Charge is \$223,407 which calculates to \$1.43 monthly charge per cubic yard of garbage and will become a new line item on the customer bill.

Common Garbage Service Level	2023 Monthly Garbage Rate	2024 Monthly Garbage Rate	2024 Fixed Annual Charge	Total 2024 Monthly Fee/Charge
Residential 32-gallon Cart	\$35.08	\$36.17	\$1.04	\$37.21
Commercial 3-yd Dumpster	\$390.92	\$391.62	\$18.57	\$410.19
Multifamily 3-yd Dumpster	\$458.08	\$444.88	\$18.57	\$463.45

Note that the 2024 rates also reflect residential and multifamily recycling commodity adjustment changes due to updated waste characterization and commodity values. The residential monthly credit will decrease from \$3.24 to \$2.96 and the multifamily per cubic yard credit will decrease from \$2.06 to \$1.88. Most of the change is attributed to the significant decrease in the value of all plastics. This portion of the rate change is separately covered under Section 5.3.4 of the existing contract with Recology, and it is unrelated to changes to King County disposal fees or the proposed amendment to the Recology contract (see Exhibit 2).

ISSUE/DISCUSSION

The contract amendment with Recology is attached as Exhibit 2 and was negotiated to address the new King County Solid Waste disposal fee structure and 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 King County Fixed Annual Charge will be added to customer bills as a separate line item. This new charge reflects the proportionate amount of the County’s Fixed Annual Charge assigned to the City based on the size of the customer’s garbage container. Customers with a smaller garbage container will pay a lower rate than those with a larger container. The application of the County’s new Fixed Annual Charge will be recalculated annually based upon current customer counts and container sizes.

One of the complexities of the new King County Fixed Annual Charge is that Recology must pay a fixed rate on behalf of the City over the year, but the customer base and garbage collection container sizes change during that same period. To address this, a reconciliation element was added to the contract amendment to minimize any overcollection or under-collection related to the new Fixed Annual Charge.

- The City and Recology will track customer payments made to Recology associated with the new King County Fixed Annual Charge and compare them to the set rate that Recology pays the County for the City's Fixed Annual Charge. These amounts will be reconciled annually in September, and any overpayment or underpayment will result in an adjustment to the customer rates the following year.
- In the last year of the contract, the Fixed Annual Charge collected from customers will be increased slightly to ensure that customer payments to Recology will satisfy the County's Fixed Annual Charge requirement. Any overpayments at the end of the contract will be paid to the City. This is anticipated to be a very small amount.

Sustainability Fee

Most cities in King County include an administrative fee or sustainability fee in their solid waste contracts, which is used to cover administrative costs related to managing and administering the solid waste collection contract. Although the City of Mercer Island's current contract with Recology allows for implementation of a Sustainability Fee, the City does not currently collect this fee from solid waste customers. The proposed contract amendment with Recology (Exhibit 2) does not change the Sustainability Fee and the fee will remain at 0%.

If the City chooses to implement the Sustainability Fee in the future, it must first be approved by the City Council and it must be, under the current contract with Recology, no greater than 3.5% of gross revenues. In addition, if implemented, the Sustainability Fee would be charged as a separate line item on customers' garbage bills rather than incorporated into solid waste rates.

NEXT STEPS

Recology is creating customer-facing education and outreach related to the new Fixed Annual Charge, including information in the annual rates mailer, a bill insert, and social media promotion. King County has posted information on their website explaining the new charge. New rates will go into effect on January 1, 2024.

RECOMMENDED ACTION

Authorize the City Manager to sign Contract Amendment #1 to the 2019-2029 Comprehensive Garbage, Recyclables, and Compostables Collection Services Contract between the City of Mercer Island and Recology King County, Inc., substantially in the form attached as Exhibit 2 to AB 6354.