

<p>Problem Statement:</p>	<p>SWD has proposed a 6% rate increase in 2021 followed by 8% in 2022. On average, the change would add \$0.46 cents to the single-family monthly curbside bill in 2021 and \$0.65 cents in 2022. Some city partners have expressed a preference for zero rate increase during these periods. SWD is concerned that additional expenditure reductions needed to support a no rate increase scenario, would result in untenable impacts to customers.</p>
<p>Targeted Outcome:</p>	<p>To inform stakeholders on the basis for SWD’s rate proposal and the alternatives that were not selected, primarily due to their impacts beyond rate relief.</p>

Background:

Fluctuations in tonnage determine the magnitude of rate increases. In recent years, the successful diversion of the Construction and Demolition debris in 2018 has reduced tonnage by 7%. The COVID-19 pandemic is expected to further reduce tonnage. The resulting loss in revenue has created a financial challenge for the division and is the primary driver of the proposed rate increase.

SWD proposed a rate to continue progress on commitments made to member cities in the *2019 Comprehensive Solid Waste Management Plan* all while keeping expenditures level with the 2019-2020 budget. SWD identified \$37 million of expenditure savings to offset inflationary cost increases and allow for targeted strategic investments critical to achieving important environmental goals and maintaining essential services for customers. The proposal also includes \$26 million in non-tipping fee revenue, \$8 million of which would be paid for by the direct users of the transfer stations for cost recovery of services. This new revenue stream reduces the need for a tipping fee increase.

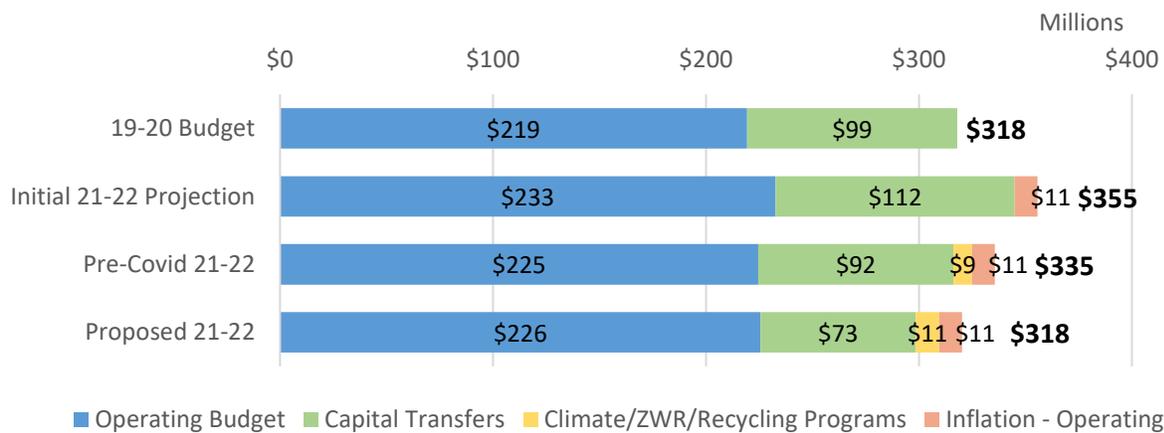
In preparation of the current rate proposal, SWD analyzed a variety of options for cost savings including operational efficiencies, reduction of services, and delayed capital spending. Choices were made based on their impact on the rate, feasibility of implementation, and likely cascading impacts. If an alternative could not reasonably be implemented in time or if its cost savings would likely be offset by a consequential increase, such ideas were not selected for the rate proposal.

Given the current climate of uncertainty around the economy due to COVID-19, some cities expressed a strong desire to see a proposal that included no rate increase for both 2021 and 2022. In addition to committee feedback, SWD held individual briefings on this topic with many member cities and received direct input in the form of letters to the Division’s Director and King County Executive. Though not all cities requested this, the Division felt it was important to respond to this request as many cities, customers and residents are feeling financial stress at this time.

Rate Proposal Alternatives Analysis

The Division has identified reductions to keep expenditures for 2021-2022 flat with the 2019-2020 Budget. The Initial 2021-22 Projection row below shows that given normal increases for inflation and historical budget adds, expenditures would have increased to \$355M for the 2021-2022 biennium. Instead, SWD identified a net \$37M in reductions to keep forecasted expenditures at the same levels as 2019-2020, \$318M.

2021-2022 Expenditures the same level as 2019-2020 Budget



Notable reductions to keep expenditures flat include:

- **Operational Efficiencies (\$3M):** A Rates Task Force made up of nearly 200 employees proposed almost 200 ideas for mitigating a rate increase. Many of these ideas are included in the rate proposal. Most saving measures identified were from reducing supplies and services accounts. Other ideas include eliminating unneeded portable toilets from several facilities, and purchasing a shredder so dirty wood can be used as road base and tipping pads at the landfill and eliminate the need to purchase virgin shredded wood.
- **Closure of Cedar Hills on Sunday (\$180k):** Sunday is the lowest tonnage day of the week so there is potential to not operate the landfill on this day. Negotiations with labor are pending and could impact projected savings.
- **Effects from COVID-19 (\$12M):** Spending projections for some accounts, most notably for labor cost increases next biennium, have been revised down given the potential impacts from COVID-19. These are set centrally in the County and used in the Division’s projections.
- **Capital Financing (\$28M):** Despite plans to implement major capital projects identified in the Comp Plan over the next six years, major savings have come from how the division finances capital programs. Specifically, moving from using debt financing to pay for landfill projects versus traditional cash financing have smoothed out cash flows and lowered this burden on expenditures and the rate.

Actions Included in the Rate Proposal (TABLE 1)

This table highlights actions included in the current rate proposal because they meet goals laid out in County Code (e.g. achieving carbon neutrality by 2025), commitments made to partner cities through the comprehensive plan (e.g. investments in Zero Waste planning and improving the property buffer around the Cedar Falls landfill), and much needed safety and asset management improvements. Failure to fund these actions as proposed risks operations safety and effectiveness and seriously jeopardizes the division’s ability to meet required goals and commitments. The primary consequences of each action on this list are listed in the table below.

TABLE 1			
Action	Est Reduction	Curbside Impact	Consequences of Eliminating this Action
Invest in Zero Waste of Resources	\$7,000,000	\$0.21	<ul style="list-style-type: none"> • Jeopardizes reaching regional environmental goals • Increases greenhouse gas impacts
Invest in Climate Change Mitigation	\$2,000,000	\$0.06	<ul style="list-style-type: none"> • Jeopardizes reaching regional environmental goals • Requires purchase of climate offsets • Increases greenhouse gas impacts
Improved Asset Management	\$2,400,000	\$0.07	<ul style="list-style-type: none"> • Increases risk of asset failure
Expand Safety and Emergency Response Capability	\$700,000	\$0.02	<ul style="list-style-type: none"> • Extends risk of inadequate safety and emergency response capability
Acquisition of Cedar Hills Buffer Properties	\$600,000	\$0.02	<ul style="list-style-type: none"> • May not be able to fulfill action in Comp Plan to purchase these buffer properties
Invest in Training for Operations Staff	\$300,000	\$0.01	<ul style="list-style-type: none"> • Reduces career advancement opportunities for staff in the lowest paid positions in the division

Actions Considered but Not Included in the Rate Proposal (TABLE 2)

This table highlights actions that were investigated for potential savings, but which were not included in full or in part for a number of reasons. Many of the actions included on this list would disproportionately effect one group of residents, further exacerbate local economic distress by reducing employment during an economic crisis, and provide little in the way of rate relief. It is important to note that the closures and service level changes listed below do not include bargaining effects with the appropriate labor unions, which would likely reduce the amount of savings. The primary consequences of each action on this list are listed in the table below.

TABLE 2			
Action	Est Reduction	Curbside Impact	Consequences of Pursuing this Action
Close Cedar Hills and eliminate hauling from Transfer Stations on Saturday and Sunday.	< \$2,100,000 ¹	\$0.12	<ul style="list-style-type: none"> • Layoff 30+ staff. Bargaining for effects would reduce likely impact. The division is currently pursuing labor changes that should allow for partial implementation of this option. Because the impact of the change will be greater from both an operational and bargaining standpoint, we have not included any savings for the biennium in the current rate proposal.
Permanently Close Renton Transfer Station	< \$1,600,000 ¹	\$0.05	<ul style="list-style-type: none"> • Layoff 6 staff. Bargaining for effects would reduce likely impact. • Disproportionate impact on Renton customers
Permanently Close Cedar Falls Drop Box	< \$1,200,000 ¹	\$0.04	<ul style="list-style-type: none"> • Layoff 2 staff. Bargaining for effects would reduce likely impact. • Disproportionate impact on Cedar Falls customers.
Eliminate Overnight Shift at Bow Lake	< \$600,000 ¹	\$0.02	<ul style="list-style-type: none"> • Layoff 3 staff. Bargaining for effects would reduce likely impact. • Disproportionate impact on late night customers that use the station.
Delay South County Recycling and Transfer Station Project	\$2,100,000	\$0.06	<ul style="list-style-type: none"> • Delays additional services to South County area. • Does not create jobs during recovery.
Delay Northeast County Recycling and Transfer Station Project	\$500,000	\$0.01	<ul style="list-style-type: none"> • Delays additional services to Northeast County area.

¹ Savings shown in these actions represent the upper limit of savings possible in these scenarios. The cost of concessions from the bargaining process with labor unions is not included. So, actual savings from these actions would be limited.

New Actions Investigated but Not Recommended by SWD (TABLE 3)

In response to some cities seeking a no rate increase approach, TABLE 3 highlights actions that were investigated as part of an effort to see what would need to be cut in order to reach \$20 million in cuts over 2021-22 to avoid any rate increase for the biennium. SWD is not proposing these cuts in service levels because they would create a significant strain on the system, disproportionately impact some communities more than others, force rate increases or contract and/or service changes for private haulers, dramatically increase traffic around certain transfer stations, increase the risk of illegal dumping, and further exacerbate the revenue problem by reducing the tonnage received from self-haulers. Furthermore, it would involve laying off a large number of employees and would require very unpopular changes in service levels at King County transfer stations. The primary consequences of each action on this list are listed in the table below.

TABLE 3			
Action	Est Reduction	Curbside Impact	Consequences of Pursuing this Action
Eliminate Recycling at Transfer Stations	\$8,000,000	\$0.24	<ul style="list-style-type: none"> Increases greenhouse gas impacts. Lessens life of the Landfill. Unpopular with residents.
Eliminate City Recycling Grants	\$2,000,000	\$0.06	<ul style="list-style-type: none"> Fewer recycling events.
Layoff Non-Operations Staff	< \$2,000,000 ¹	\$0.06	<ul style="list-style-type: none"> Layoff 10 staff. Bargaining for effects would reduce likely impact. Some programs may be cut or services delayed.
<i>Station Closure Package - all of these actions must occur together and cannot be broken up</i>			
4 Day Operations at Transfer Stations	< \$11,000,000 ¹	\$0.32	<ul style="list-style-type: none"> Layoff 60+ staff. Bargaining for effects would reduce likely impact. Increases traffic on city streets. Increases wait times. Increases hauler rates, which get passed on to customers. Reduces curbside service.
5 Day Operations at Cedar Hills ²	< \$7,000,000 ¹	\$0.21	
Traffic Management	\$(2,000,000)	\$(0.06)	
Revenue Loss	\$(3,500,000)	\$(0.10)	
<i>Net Total - Station Closure Package</i>	<i>\$12,500,000</i>	<i>\$ 0.37</i>	

² The savings shown from "5 Day Operations at Cedar Hills" here is higher (\$7M) than shown in the previous table for "Close Cedar Hills on Sat" (\$2M) because closing the transfer stations Friday through Sunday is part of this newer analysis and does not require additional trailers to store waste in for two days.

Recommendation

The Solid Waste Division recognizes the financial and emotional stress cities and residents are experiencing at this time. The Division continues to look for the most effective ways to manage the crisis in a way that will benefit everyone without unnecessarily adding to the challenge of these times.

In order to continue providing services that support healthy, safe communities, provide stimulus to the economy, maintain commitments to our partner cities, and meets vital climate and diversion goals, the Division recommends a 6% rate increase in 2021, then an additional 8% in 2022. On average, the change would add \$0.46 cents to the single-family monthly curbside bill in 2021 and \$0.65 cents in 2022.

SWD has determined that drastically reducing service levels and/or cutting programs would do more harm than good to all the Division's stakeholders both in the short term and in the next biennium when many of the cost cutting measures shown above would require much steeper rate increases.