



King County

Dow Constantine

King County Executive

401 Fifth Avenue, Suite 800

Seattle, WA 98104-1818

206-263-9600 Fax 206-296-0194

TTY Relay: 711

www.kingcounty.gov

November 18, 2021

The Honorable Claudia Balducci
Chair, King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember Balducci:

This letter transmits a proposed Ordinance that, if enacted, would change King County's rate structure for the disposal of municipal solid waste by reducing the basic fee for commercial haulers and adding a new fixed-annual charge.

The proposed restructure from variable fees to a mix of fixed and variable fees mitigates the loss of revenue and service cuts when tonnage declines. The basic fee and the fixed annual charge (FAC) are balanced such that the same amount of revenue is collected as the status quo, but in a more stable way. These proposed changes are designed to collect the same amount of revenue in 2023 as projected in the 2022 rate proposal, so that city and waste hauler partners can have time to update their waste hauling contracts and billing systems before the new rate structure would go into effect.

More than 90 percent of the Department of Natural Resources and Parks' (DNRP) Solid Waste Division (SWD) revenue is derived from the basic fee charged on each ton of municipal solid waste managed by the County. Under the current rate structure, when tonnage declines, revenues decline, resulting in a funding gap. In this instance, either services are cut or fees are increased to close the revenue gap and preserve services. The current rate structure is at odds with the County's environmental goals.

To ensure a sound financial foundation for future operations, DNRP engaged the FCS Group, a local consultant specializing in public utility rate design, to complete a cost-of-service rate study with a multi-year financial forecast, and evaluate and propose options for restructuring the rate so it is less dependent on landfill tons. FCS Group identified three restructure options, or alternatives, to the status quo, which is the basic fee charged for all commercially hauled tons.

Of the three options identified for rate restructuring, the fixed-annual charge option best met the department's objectives for the restructure because it would:

The Honorable Claudia Balducci

November 18, 2021

Page 2

- Provide rate stability by mitigating the need for large rate increases due to tonnage declines;
- Is revenue neutral and preserves services because the same amount of revenue would be collected under the restructure as is collected in the status quo;
- Preserve existing intraclass cost equity so customers who use County solid waste services in the same way pay the same rates;
- Maintain intercity cost equity as shifts in disposal costs between cities are minimized or eliminated; and
- Preserves the existing incentives to reduce waste and recycle/compost more (i.e., the more waste a city generates, the more it pays in disposal costs).

In addition, DNRP also convened a Rate Restructure Task Force comprised of subject matter experts, stakeholders, and interested community members to review options and provide feedback on elements of the restructure, including, but not limited to, design, implementation considerations, and preferred option(s).

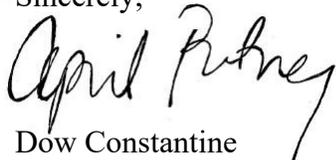
The Metropolitan Solid Waste Advisory Committee and the Solid Waste Advisory Committee were each consulted and identified the fixed-annual charge as the preferred option among both committees. Letters of support from these Advisory Committees are attached.

The proposed legislation furthers the King County Strategic Plan goal of efficient, accountable regional and local government, and its objective to exercise sound financial and risk management and build King County's long-term fiscal strength.

Thank you for your consideration of this proposed Ordinance.

If your staff have any questions, please contact Pat D. McLaughlin, Director of the Solid Waste Division of the Department of Natural Resources and Parks, at 206-477-4501.

Sincerely,

 for
Dow Constantine
King County Executive

Enclosures

cc: King County Councilmembers

ATTN: Janine Weihe, Acting Chief of Staff

Melani Pedroza, Clerk of the Council

Shannon Braddock, Deputy Chief of Staff, Office of the Executive

Karan Gill, Director, Council Relations, Office of the Executive

Dwight Dively, Director, Office of Performance, Strategy and Budget

Christie True, Director, Department of Natural Resources and Parks (DNRP)

Pat D. McLaughlin, Division Director, Solid Waste Division, DNRP