

Reducing Rate Volatility

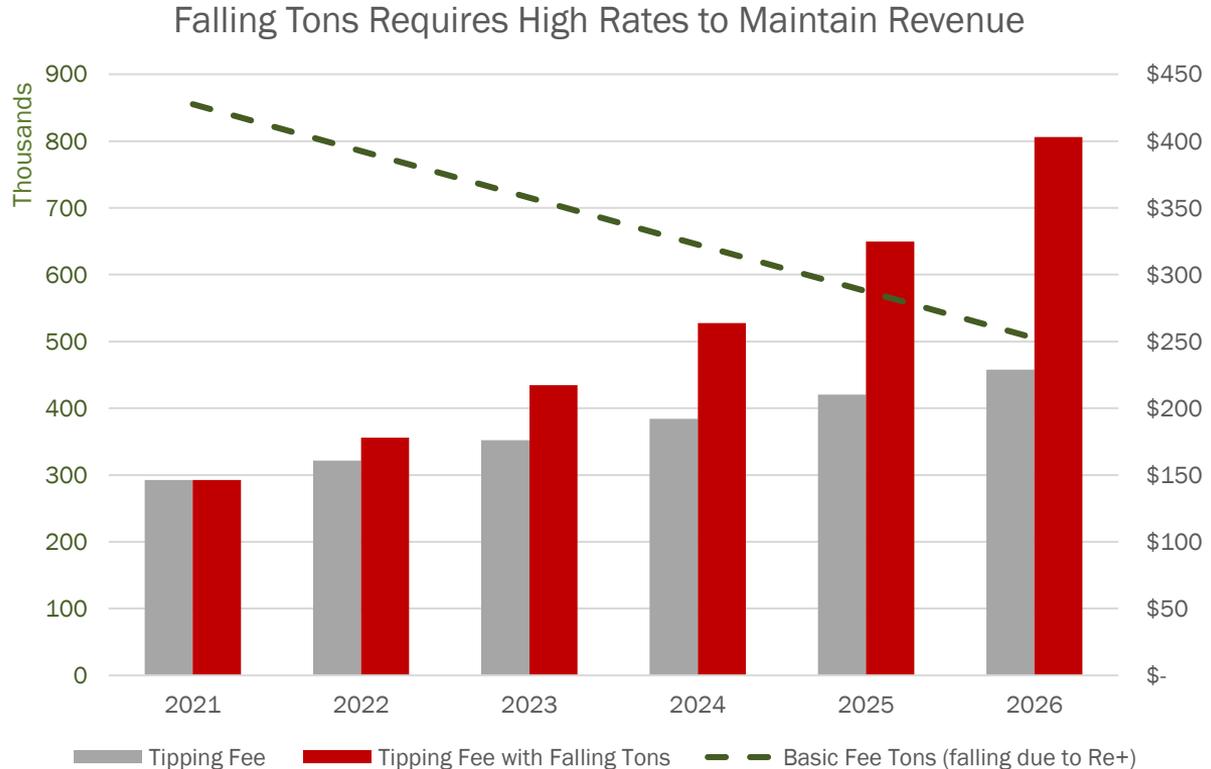
# Rate Restructure

# Why is a rate restructure needed?

- Under our current rate structure, as we reduce waste and divert more resources via recycling, revenue will also be reduced making it difficult to fund core services.
  - 90% of SWD revenues come from waste disposal
  - Re+ goal is to reduce disposal tons by 70%
  - The majority of SWD costs are largely fixed
- A fixed revenue stream will reduce volatility in rate increases caused by lower tonnage associated with increased recycling or economic downturns.

# Re+ Tonnage Reduction Impact on Rates

If disposal tons dropped from 890K<sup>1</sup> to 500K tons by 2026, the tipping fee would need to nearly double to generate the same amount of revenue.



<sup>1</sup> 890K tons is the current 2026 forecast for basic (tipping) fee tons assuming no tonnage reduction from Re+ actions.

# Proposed Restructure

- Add a “Fixed Annual Charge” to collect a fixed amount of revenue from commercial-hauled tons
  - Target revenue amount for the Fixed Annual Charge is based on commercial haulers’ share of non-disposal costs (e.g. Re+, regulatory compliance, etc.)
  - The share of this amount owed by each city/hauler is determined by the share of waste they sent to the landfill
- Reduce tipping fee to make restructure revenue neutral

# Example

## Status Quo – Tipping Fee Only

City X Tons	10,000
Cost per ton	<b>\$100</b>
Total Cost	<b>\$1,000,000</b>

## Restructure – Tipping Fee & Fixed Annual Charge

City X Tons	10,000
Cost per ton	<b>\$80</b>
Total Tipping Fee	<b>\$800,000</b>
Fixed Charge	<b>\$200,000</b>
Total Cost	<b>\$1,000,000</b>

**Total Fixed Annual Charge to Collect**

**\$20M**

Total System Tons (commercially hauled)

1,000,000 tons

City X Projected Share of Tons

1%

City X Projected Fixed Charge

\$200k

# An Account Fee option was considered but did not move forward

Options	Pros	Cons
1 – Account Fee	<ul style="list-style-type: none"><li>• Provides some rate stability</li><li>• Tiers and process similar to existing Haz Waste fees (i.e. tested in WA state)</li></ul>	<ul style="list-style-type: none"><li>• <b>Jurisdictional changes: shifts portion of cost burden between cities</b></li></ul>
2 – Fixed Annual Charge	<ul style="list-style-type: none"><li>• Provides some rate stability</li><li>• Doesn't produce jurisdictional differences</li><li>• Maintains incentive to reduce landfill-bound waste</li><li>• Easier to calculate</li></ul>	<ul style="list-style-type: none"><li>• Untested in WA state solid waste industry</li></ul>

# Conclusions

- The Fixed Annual Charge delivers some revenue stability for King County's waste system
  - Restructure is designed to be revenue neutral
- City/Hauler contracts will need to be updated
- Majority of advisory committee members prefer the Fixed Annual Charge approach