



King County

Solid Waste Division

Department of Natural Resources and Parks

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July 29, 2020

Mayor Penny Sweet, Chair
Metropolitan Solid Waste Advisory Committee

Dear Mayor Sweet:

I want to express the Solid Waste Division's gratitude to the committee for its tireless work during the 2021-2022 rate development process in the face of on-going challenges posed by the COVID-19 pandemic. Similar to the 2019 Solid Waste Comp Plan process we collectively had tough conversations about the sustainable future of the county's solid waste system and truly believe that work will continue to improve outcomes.

As you know, the Solid Waste Division has been engaging with its city and regional partners in a rate development process for several months now. We have traditionally proposed rate adjustments on a biennial basis in response to requests from the cities to maintain a smooth and predictable rate path. Such an approach also aligns well with the County's budgeting cycle. Under our current rate model, revenue is almost entirely dependent on garbage tonnage. This has posed significant challenges as we have made progress on diverting resources from being disposed.

When the rate development process began in September 2019, we knew that revenue was going to be a challenge given the very successful diversion of construction and demolition waste into the privately managed recycling sector that was implemented in 2018. Approximately 7 percent of our tonnage (about 67,000 tons) is recycled for beneficial use instead of being buried at the Cedar Hills Regional Landfill. In addition to the environmental benefits, this has also helped to create more green jobs in our local economy. However, our success also resulted in a \$9 million annual revenue loss.

This rate development starting point coupled with downward tonnage projections, inflationary pressures, and the need to invest in critical infrastructure presented the risk of a dramatic rate increase, as much as 30 percent. In response, the division pursued all options to minimize the need for a rate increase. The workforce was engaged to identify innovative options to reduce its projected operational costs and increase other revenue sources. Hundreds of ideas were generated by 200 employees and resulted in a net savings of \$38 million. In total, the division's

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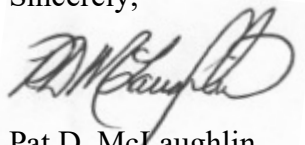
projected expenditures are less than the 2019-2020 budget and these cost savings dramatically reduced the need for a rate adjustment.

In March, we began to assess the probable economic impacts associated with the COVID-19 pandemic. At that time, the available economic projections suggested we should anticipate further tonnage reductions as much as 15 percent for 2020 alone. Consequently, the rate outlook became more concerning. Throughout this rate development process, we have created multiple rate alternatives, provided numerous briefings to our regional city partners and advisory committees, and openly shared our analysis. Given the unusual circumstances and uncertainties associated with the pandemic impacts across our region, regional partners to include your association, expressed a strong interest in no rate increase for 2021.

Recently, new economic data was released from King County's Office of Economic and Financial Analysis. We also updated the tonnage forecast based on actual impacts associated with the pandemic. These new planning assumptions coupled with other innovative approaches to reduce costs created a pathway to avert a rate increase in 2021. The Solid Waste Division believes this to be the most sensible path given current circumstances, but notes that it does not come without financial risk. We will draw down our rate stabilization reserve and the recession could still result in lower tonnage. A rate increase in 2022 will be needed to maintain current levels of service and ensure our progress towards zero waste of resources and investments in critical infrastructure can move forward. Furthermore, important work must press forward to restructure our rate model for 2023 and beyond to reduce the division's dependence on garbage tonnage for revenue generation.

The division will continue to engage with our regional partners as we plan for these important changes in our system to support our equity, environment, and service goals. Should you have questions or wish to arrange a briefing, please feel free to contact me directly at 206-477-4501 or Pat.McLaughlin@kingcounty.gov.

Sincerely,



Pat D. McLaughlin
Division Director

cc: Metropolitan Solid Waste Advisory Committee Members