

Reducing Rate Volatility

Rate Restructure



King County

Department of
Natural Resources and Parks
Solid Waste Division

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.

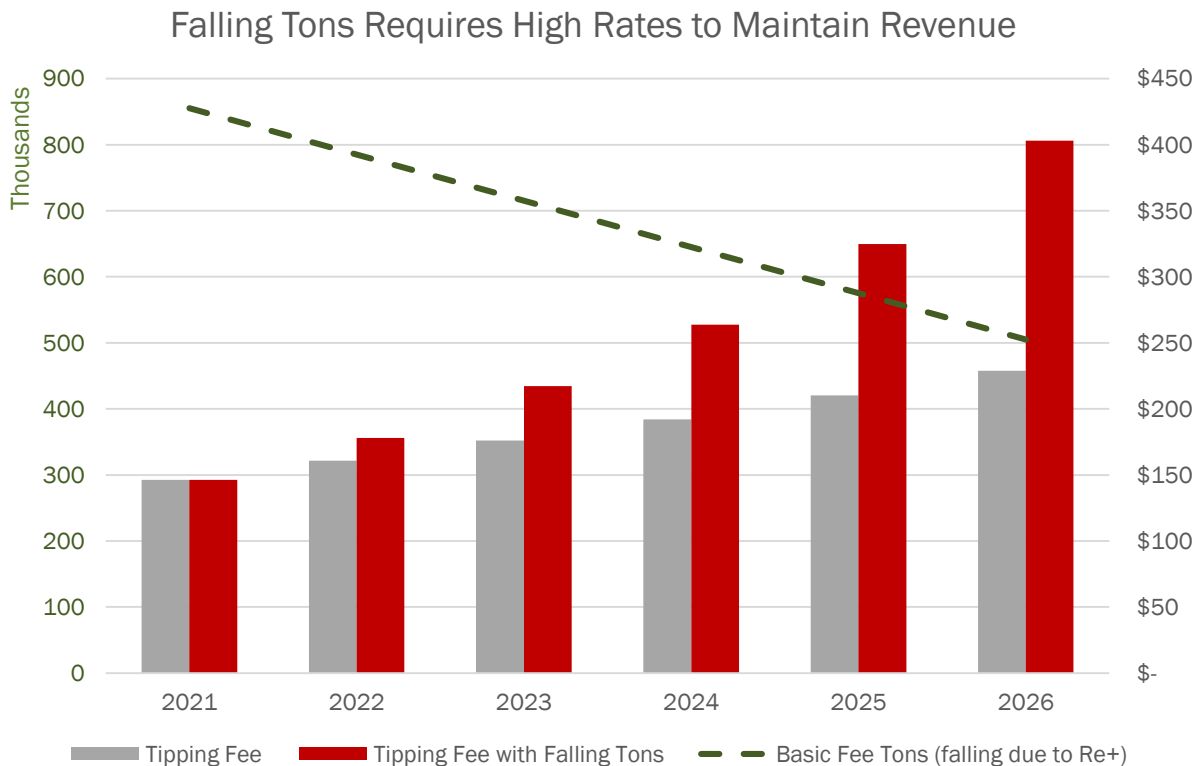


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Re+ Tonnage Reduction Impact on Rates

If disposal tons dropped from 890K¹ to 500K tons by 2026, the tipping fee would need to nearly double to generate the same amount of revenue.



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

Adopted 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	\$100
Total Cost	\$1,000,000

Restructure – Tipping Fee & Fixed Annual Charge

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

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

How Cities are Impacted

- City/Hauler Contract Updates
 - Contracts will need to be updated to incorporate the Fixed Annual Charge as it is not currently part of the formula for charging customers
- Billing Systems
 - Cities that do waste billing (instead of hauler) may need to update their billing system
- Communications
 - The new structure and related contract changes may require educational materials be sent out to waste customers

Contract Assistance

- Contract language about passing through disposal costs to customers needs to be updated
- SWD cannot be a party to negotiations, but wanted to assist cities/haulers
- Provided limited funding to three “pilot” cities (Kent, Maple Valley, Redmond) to work with Epicenter Consulting
- Develop template language with pilot cities and haulers
- Provide template language to all cities by end of August
- Cities do not have to wait to contact their haulers, letters with this information are forthcoming



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Conclusions

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

THANK YOU

For additional information please contact:

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