

MSWAC Advisory Committee Meeting

April 10, 2020 - 11:15 a.m. to 1:15 p.m.
King Street Center 8th Floor Conference Room

Meeting Minutes

<u>MSWMAC Members</u>	
Joan Nelson	Auburn
Emily Warnock	Bothell
Elizabeth Mountsier	Bellevue
Robin Tischnak	Burien
Chris Searcy	Enumclaw
Rob Van Orsow	Federal Way
Micah Bonkowski	Issaquah
Tony Donati	Kent
Jenna McInnis	Kirkland
John MacGillivray	Kirkland
Penny Sweet – Chair	Kirkland
Toby Nixon	Kirkland
Phillippa Kassover	Lake Forest Park
Amy Shaw	Maple Valley
Asea Sandine	Mercer Island
Jeff Brauns	Newcastle
Earnest Thompson	Normandy Park
Aaron Moldver	Redmond
Stacy Auer	Redmond
Linda Knight—Vice Chair	Renton
Anthony Rychkov	Sammamish
Mason Giem	SeaTac
Autumn Salamack	Shoreline
Nicole Sanders	Snoqualmie
Diana Hart	Woodinville

<u>King County Staff</u>
Pat McLaughlin, SWD Director
Lindy Honaker, SWD staff
Beth Humphreys, SWD staff
Hilary Leonard, SWD staff
Dorian Waller, SWD staff
John Walsh, SWD staff
Joy Carpine-Cazzanti, SWD staff
Terra Rose, KCC
Eyasu Ayalew, King County
Tom Goff, KCC
Andy Smith, SWD staff
Jeff Gaisford, SWD staff
<u>Guests</u>
Quinn Apuzzo, Recology
Carla Johnson, Republic Services
Natalie Caulkins, Republic Services
Anita Green

Call to Order and Introductions

The meeting commenced with the Call to Order and Introductions.

Meeting Minutes

The March meeting minutes were approved as written.

Public Comment

There was no public comment.

Updates

SWD Director Pat McLaughlin provided the SWD update:

Novel Coronavirus (COVID-19) Outbreak

SWD continues to provide a full range of services. We've started some social distancing measures to keep employees and the public safe. We installed plexiglass barriers at the Scale House and Scale Operators have begun using nets to collect payment to reduce contact with customers. We also are staggering self-haul lanes to increase space for unloading. The staggering system decreases capacity and slows down lines, which has created some queuing issues at a few of our stations. We're working with cities to find solutions for offsite traffic control. At Algona we worked with the city to create a flagging and staging zone along the West Valley highway.

Employee absenteeism is at a normal rate, but that could change. If it does, we're prepared to reduce services as needed. As surrounding jurisdictions reduce their services, it's putting pressure on our system. We are trying to create a protocol to limit access to our facility to those it was designed to serve. We've asked the jurisdictions to communicate with their customers alternatives for service that does not include using the King County system. We've seen an uptick in customer trips to our transfer stations related to spring cleaning. Our messaging to customers is to postpone their trips unless they are essential.

We're seeing a decline in tonnage, down 6% from the same 6 week period beginning in March last year, due to the reduction in commercial waste from the business sector. Transactions are also down, although that could change. We suspect the nice weather over the weekend will encourage customers spring cleaning to make trips.

Bi-annual Neighbor Meeting

The Cedar Hills Regional Landfill Neighbor Meeting originally scheduled for April 30 has been postponed. SWD is discussing next steps on how to deliver the information normally covered at the meeting.

Local Solid Waste Financial Assistance (LSWFA) grant program

The 2020 Legislature previously added an additional \$7 million in statewide funding for Ecology's LSWFA grant program for which KC SWD would have received \$84k. In response to budget cost-cutting measures from Governor's office, the additional funding was vetoed.

Media interest

The Daily Journal of Commerce published a story about the SCRTS project showcasing the design features. Crosscut contacted SWD to inquire about garbage pickup and solid waste services under the "Stay Home, Stay Healthy" order. They were informed that all our stations are currently open and customer questions around curbside pickup should be directed to their hauler, which they can find on SWD's website.

Sanders asked if SWD could provide the cities with a model press release around customers postponing non-essential self-haul trips. Cities could help communicate the issue to their local news sources. McLaughlin agreed that SWD would provide a press release and any help from cities in communicating the message would be appreciated. We expect there will be increased pressure on our stations this weekend as Seattle is closing their stations to self-haulers Sunday through Tuesdays beginning this week.

Knight suggested developing messaging for self-haulers that promotes subscribing to regular curbside pick-up services.

Nixon commented that customers not from King County will need to be informed prior to reaching the scale house that they're not eligible for service. Otherwise, they won't be able to physically turn around. McLaughlin agreed and said SWD's working on the logistics.

Gaisford provided an update on the legislature. The governor did sign the plastic bag ban that will go into effect in Jan 2021, but vetoed a bill setting post-consumer recycled content standards. He signed the bill encouraging compost procurement and use by local governments, but vetoed the part concerning the pilot program.

Knight expressed concern over the large impact to donation centers once the Stay Home order is lifted. She suggested SWD reach out to the centers to discuss coordination of items that are unusable. McLaughlin acknowledged that he has heard anecdotally that Good Will and other donation centers have become more selective and outreach may be needed in anticipation of the stay home order being lifted.

Kassover noted that Lake Forrest Park has suspended their bag ban temporarily because of difficulties with paper bag sourcing and fear of contamination from reusable bags. When it's safe, the ban will be reinstated.

Mountsier asked if the queuing problems are consistent across transfer stations. McLaughlin answered that it varies by station, some are more impacted than others. Sometimes the queuing can be rerouted onsite, but as with Algona, the queuing is offsite. Some sites are not likely to see great impacts from closures in our surrounding jurisdictions.

Sweet reported that the March SWAC meeting was consistent with the MSWAC meeting.

Regional System Planning

John Walsh presented on Regional System Planning

There are four pillars of Regional System Planning including the Zero Waste of Resources Plan (ZWORP), Rate Restructure, Comp Plan Update including the long term disposal decision, and ILA extensions.

Both advisory committees voted to create a joint task force that focuses on ZWORP and the rate restructure. There's a lot of interest overlap between those two areas and combining will make it easier for logistical purposes. Next month, we'll finalize who will take part on the task force. We've created an initial set of high-level criteria and we welcome your feedback. We're looking for about 25 members who can represent the various types of cities in our system—big, small, does their own collection, does their own billing, has a low-income discount program, and we'll need the City of Seattle. We also want representatives from all four haulers, both composters, industry reps on SWAC, and internal SWD staff. Guests, such as industry reps not on SWAC, will present as needed but will not necessarily be regular participants. The format is modeled on the Responsible Recycling Task Force.

The meetings will start in late May and are expected to be once a month for three hours. We're avoiding scheduling on the same day as regular SWAC/MSWAC meetings. We are likely to use virtual meetings to start. Please consider taking part.

We'll reach out to you with more information about signing up. Please also think about the task force name.

Sweet suggested aiming for an in-person meeting with the option to attend virtually.

2021-2022 Rate Development

John Walsh and Lindy Honaker presented the 2021-2022 Rate Development.

Walsh stated COVID-19 has dramatically changed the rate proposal that was near completion in March. Every February we do our official forecast and we've had to redo it. With COVID, it's a fluid situation that creates a lot of uncertainty for the forecast. We're forecasting a drastic drop in tonnage in 2020 and we anticipate we'll need to tap our recession reserves this year, depleting them as we start 2021.

The economic outlook has gotten progressively and remarkably worse. Unemployment claims are at a record high. The numbers are constantly changing, yet we must make assumptions now to move forward with the rate. We are forecasting 25% below where we predicted we would be this year (against our 2018 forecast). 90% of our revenue is based on garbage disposed.

The trajectory for flattening the curve is different than the economic trajectory. Economic losses will likely continue after the pandemic normalizes. Social distancing is leading to shriveling commerce and supply chains have been disrupted. There's a supply shortage from overseas that will have the greatest impact on port cities, including Seattle.

Our economy is in a negative feedback loop. Drops in household income lead to a drop in rent/mortgage payments, which negatively impacts consumer spending and investment and leads to more layoffs and unemployment. There are mitigation factors such as government stimulus checks, however, the current stimulus checks will not have a big impact for King County's larger economy and the small business support might come in too late.

We developed three scenarios based on reasonable inputs from our economist and the Chief Economist for King County. Internally, we're using the medium impact scenario that shows a medium impact in the short term and a longer recovery period. As a reminder, our current business model is out of sync with our goals of zero waste. Most of the revenue currently comes from garbage disposal. Once we get through this rate proposal, we'll begin looking restructuring our rate.

Honaker stated before COVID-19, our early rate proposal estimate was a 15% increase for this biennium and potentially the next. Under the medium impact scenario, we are projected to lose \$50 million in revenue over 5 years. This is a very fluid situation and we're monitoring it carefully. The three rate options we've created don't yet have exact amounts, but you can compare the relative difference between them. Option A is estimated to have the largest jump in 2022 with Option B somewhat mitigated by the new Recycling Fees. Option C presents the smoothest transition between yearly increases.

Each option will impact our bottom line differently. We have three different forms of reserves we can use to offset losses. Our Recession Reserve accounts for about \$6.5M and is calculated to offset a typical period of recession, however the drops under COVID-19 will be well beyond this. The Rainy Day Reserve is required by King County to account for 30 days of operating expenses, about \$10M for us. The Rate Stabilization Reserve is used to buffer rate impacts between years to smooth out the effects of spending. Under the medium impact scenario, our reserve level will dwindle by half.

The reserve levels we have on hand are enough to weather the sharp drop in 2020, but we could lose our reserves for 2021. With option A we would need at least \$15M in expenditure reductions, \$10M for option B, and with option C we could stay above zero in reserves. It's important to view the medium impact scenario and the high impact scenario as a range. We're likely to end up somewhere between the poles.

To deal with a recession, we have three tools at our disposal: rate increases, expenditure reductions, and reserves. Options A and B exhaust our reserves while Option C is more of a balance of the tools. If the speed of recovery is slow past 2022, we wouldn't have many tools left under option A or B.

In anticipation of the rate period, SWD worked to reduce expenditures. The options currently remaining are to delay spending on major capital projects, reduce variable expenditures, and adjust service levels. We're still working through the steps to meet the reductions as needed and appropriate.

2022 is slated to be a heavy year for capital spending between NERTS, SCRTS, and Area 9 development. We will use to more debt service to smooth out the capital spending. We could delay SCRTS to an opening date between 2024-2025. We could also delay property acquisition for NERTS from 2022 to 2023.

Some of our operational costs are dependent on tonnage, such as fuel. Fuel makes up about 2% of our operating budget, or \$2.5M. It's difficult to predict the lower tonnage's impact on fuel consumption. We could end up benefitting from lower diesel costs, but it's not a large percentage of the budget. We're also looking at overtime hours for Operations staff. It's near zero right now, but recovery demand for services could force us to start paying again. We would also use our Regular Part Time Labor less, equating to \$2.5M of the operating budget.

A consultant report showed that 90% of our costs are fixed. Central rates for King County services, such as IT assistance, and staffing comprise a significant part of our budget.

We're also looking at Equity and Social Justice when assessing our options. We need to keep Cleanup LIFT going as a permanent program. It would be exempt from the Regional System Fee. We also have had success with a number of employee training programs that help employees transition to higher paid positions. We want to continue to expand opportunities for those in the lower 20% bracket by adding a TSO-in-training program. Both SCRTS and NERTS have equity implications as well. These facilities will make our services more equitable across the county.

We have a briefing with the Executive on April 24th. In July, the legislative package goes to Council and we should hear back by September/October.

Thompson asked if the forecast considers an increase in inflation or potential government payouts. Honaker answered that the most recent inflation increase was released in March and didn't consider COVID-19. When we have updated numbers, we'll feed those into the forecast. There is potential with grant money, but we're not factoring it in right now because we don't know what it will look like.

Polling

McLaughlin explained that the 3 questions being polled are to help SWD understand our partners' early perspective. The results will influence the ongoing budgeting and rate decision, a process for which will continue for months.

1. Which Rate Option do you prefer the most?
57% voted for Option C, 33% voted for Option B, 10% voted for Option A
2. Should we delay SCRTS to 2024 or 2025?
45% voted for "neutral", 25% voted for "disagree", 15% voted for "strongly disagree", 10% voted for "agree", 5% voted for "strong agree"
3. Should we delay property acquisition for NERTS to 2023?
53% voted for "disagree", 26% voted for "neutral", 16% voted for "strongly disagree", 5% voted for "agree", 0% voted for "strong agree"

Member Comment

Knight proposed simplifying the amendment process for reprogramming funding received through the county's recycling grants. Cities received money to host recycling events that were canceled or are likely to be canceled due to COVID-19. The existing process for reprogramming funds is cumbersome. Would the county consider a simplified

process given the circumstances? Gaisford responded that SWD could work out a way to process the changes over email. He'll send out information to grant recipients with options.

Searcy commented that Enumclaw switched restaurants and businesses over to an as needed pick-up service to help them out during the pandemic.

Carpine-Cazzanti noted that Public Health developed guidelines for healthcare facilities to ease concerns from solid waste handlers. The guidance is based on information for the CDC. There's a link on Public Health's website that can be shared with the group.

Adjourn

Meeting adjourned at 1:21pm