King County Solid Waste Advisory Committee
April 17, 2020 - 9:30 a.m. to 11:30 p.m.
King Street Center 8th Floor Conference Center

Meeting Minutes

Members Present	King County Staff	Others
Kevin Kelly—Chair	Lindy Honaker	Lane Covington
Gib Dammann	Hilary Leonard	Rory O'Rourke
Phillipa Kassover	Pat McLaughlin	
Karen Dawson	Jeff Gaisford	
Stephen Strader	John Walsh	
April Atwood-Vice Chair	Alexander Rist	
Wendy Weiker	Brian Halverson	
Heather Trim	Darshan Dhillon	
Robin Freedman	Beth Humphreys	
Barbara Ristau		
Penny Sweet		
James Borsum		

Minutes
Minutes of the March SWAC meeting were approved as presented.

Kassover asked for more detail on medical waste collection. SWD does not take biomedical waste except by permit at the Cedar Hills Regional Landfill via a Waste Clearance Decision. Local regulations in Seattle and King County require any organization producing biomedical waste must segregate biomedical waste from other waste at the point of origin with proper storage, labeling, and containment. The biomedical waste is then either treated onsite or transported by a Public Health-permitted vendor.

Public Comments
There was no public comment.

Updates
SWD Director Pat McLaughlin provided the SWD update:

Novel Coronavirus (COVID-19) Outbreak
SWD is fully operational with no change to services or operating hours. We have enhanced protocols for employee and public safety including plexiglass barriers at the Scale Houses, air purifiers, nets Scale Operators use to collect payment from customers. We are also staggering self-haul lanes to help with social distancing as people unload. Employee absenteeism is currently at a normal rate.

We've seen a decrease in tonnage from the reduction in waste from the business sector. It's down nearly 8% for April, although we're seeing spikes in the number of transactions. There are several factors influencing self-haul transactions. As surrounding jurisdictions reduce their services and close their stations to self-haulers on select days, it's putting pressure on our system. We asked the City of Seattle and Pierce and Snohomish County to communicate with their customers alternatives for service. At several transfer stations, we needed to deploy traffic control measures. At Algona we worked with the city to create offsite queuing. Given the increased pressure, we're exploring options for ensuring only the population the system is designed to serve use our facilities. Interestingly, our happy-or-not customer surveying tool indicates high customer satisfaction.

Kassover asked what the communication with the other jurisdictions has been. McLaughlin responded that SWD has been in talks with each of the surrounding jurisdictions, especially Seattle. Seattle's decision to reduce service is driven by their high employee absenteeism rates. We've asked the jurisdictions to reinforce our messaging to customers to seek service within their own jurisdiction.

Dhillon asked where the materials not being accepted by China are being processed? McLaughlin responded that a predominant amount of the recyclable material collected in our region is managed domestically. China's change in policy has, however, had an impact and our partners such as Recology have worked to find other international markets. We still have challenges to face with recycling. A big part of our vision for zero waste of resources is understanding market development and the financial realities of recycling. We recognize that market demand is a critical part of creating a sustainable system.

Trim asked what messaging SWD is communicating to customers with excess yard waste from being home and gardening. McLaughlin responded that we're asking customers to only make essential trips. Unless it's an essential need, we hope people will postpone their trip and stay home.

Dammann asked if SWD employees have enough basic protection gear. McLaughlin answered that SWD is taking direction from Public Health on how to keep our employees and customers safe. The typical protective gear we require under normal circumstances, including eye protections and gloves, meet our general needs. Some positions are using enhanced PPE that we are supplying.

Dhillon asked for clarification on why the tonnage dropped significantly. McLaughlin answered that the stay home order dramatically reduced the amount of waste produced by the commercial sector, which ordinarily is the biggest portion of our tonnage. The increase in self-haul waste is not enough to offset the loss from commercial.

Legislative Update
Gaisford provided a recap on the state legislative session. The governor signed the bill banning single-use plastic bags, which will go into effect in January 2021. He vetoed a bill setting post-consumer recycled content standards. He signed the bill encouraging compost procurement and use by local governments but vetoed the pilot program. He signed bill that requires flushable wipes be labeled as non-flushable.

Trim added that California is considering a flushable wipes bill that would go one step further and examine the material. Many cities have backed off bag ban ordinances for employee health, which we support. The industrial waste bill was vetoed, and the solar panel bill was partially vetoed. Good fixes passed on the solar panel bill, but the task force was vetoed. We'll need to do a task force separately, likely next year. Let me know if you're interested in joining.

Media interest
The Daily Journal of Commerce published a story about the SCRTS project showcasing the design features. Crosscut contacted SWD about garbage pickup and solid waste services under the "Stay Home, Stay Healthy" order. The Wall Street Journal also interviewed SWD employee Andy Smith about zero waste and organics management. The WSJ story is expected to run on April 24. We'll send the link out.

MSWAC Meeting
Sweet reported that the MSWAC meeting had the same information but member questions have differed, which is good.

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 for ZWORP and the rate restructure. There's a lot of interest overlap between those two areas and combining will make logistics easier.

Next month, we'll finalize who will take part on the task force. We've created a 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 representatives on SWAC, and internal SWD staff. Guests, such as industry representatives not on SWAC, will present as needed. 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.

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

2021-2022 Rate Development
Alexander Rist and Lindy Honaker presented.

Rist: COVID-19 has dramatically changed the rate proposal that was near completion in March. We're seeing a drastic drop in tonnage. We anticipate it'll be necessary to tap our recession reserves in 2020, depleting them by 2021 or sooner. We were already seeing lower tonnage than forecasted when the current rate was set because of factors such as the C&D ban.

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 2021-2022 rate. We are forecasting 25% below where we predicted we would be this year.

The trajectory for flattening the curve is different than the economic trajectory. Economic losses will likely continue after the pandemic situation normalizes. Social distancing is causing commerce to shrivel and supply chains have been disrupted. There's a supply shortage from overseas that will have the greatest impact on port cities, including Seattle. Ten years in job gains nationally were lost in four weeks. That's unprecedented in our nation's history. All these upheavals make it difficult to estimate the full impact to our economy long term.

Our economy is in a negative feedback loop. Drops in household income lead to a decrease 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.

All this thinking is factored into our tonnage forecast. We developed three scenarios based on reasonable inputs put forward by King County's Chief Economist, David Reich. The inputs show between 8% to 20% unemployment nationally. We're currently at 13% unemployment. Internally, we're using the medium impact scenario that shows a substantial loss in 2020 followed by gradual improvement leading up to 2024.

Honaker: As a reminder, our current business model is out of sync with our goals of zero waste. 90% of our revenue currently comes from tonnage, which puts a lot of pressure on our rate when tonnage falls. Once we get through this rate proposal, we'll begin restructuring our rate.

The three scenarios for the tonnage forecast vary in the degree of the initial decline and the duration of the impact. The revenue loss represents the difference between our Pre-COVID forecast and the expected COVID-19 impacts. Under the medium impact scenario, we're predicting a loss of $50M over 5 years. The high impact also shows a loss of $50M, but over 3 years. Under all scenarios we predict that the sharpest impacts will occur in 2020 and will reverberate through 2021-22.

The three rate options we've come up with vary in their implementation. Option A is estimated to be a 30% increase in 2022, while option B is predicted to be 5% lower comparatively. Option C is a rate increase of 8% in 2021 and a similar increase in 2022. The relative impact to monthly curbside fees can be seen on the graph. Option C presents the smoothest transition between yearly increases. We typically use a biennium basis, but we're pivoting away from that in response to COVID-19.

Each rate option will have a different impact on our bottom line. We have three forms of reserves we can deploy 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. 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 will exhaust our reserves for 2021. Under option A we predict a shortfall in revenue of $15-$35M, Option B shows a shortfall of between $10-$30M, and Option C could prevent a shortfall under the medium impact scenario. Under the worst case scenario, there would be a shortfall of up to $15M under Option C. It's important to view the medium impact scenario and the high impact scenario as a range. We're likely land 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 may tools left under option A or B.

In anticipation of the rate period, SWD worked to reduce expenditures over the last year. The options 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 if that's needed.

2022 is slated to be an intensive year for capital spending between NERTS, SCRTS, and Area 9 development. Area 9 must be completed on time because even with a tonnage drop, we'll need the added capacity. We moved to more debt service to smooth out the capital spending. We could delay SCRTS to an opening date of 2024 or 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 benefit from lower diesel costs, but it won't have a large impact on the overall 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. We're taking into consideration how changes will impact our customers and are prioritizing options that avoid a negative impact to service levels.

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% pay bracket by adding a TSO 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 24. In June the legislative package goes to the Executive, which then goes on to Council in July. We expect to hear back in September/October. We recognize some of the cities set their own rates and October is too late to be helpful for them. We're keeping that in mind and will share the info as soon as it's available to communicate out.

Trim asked about the planned overtime expenditure. McLaughlin answered that the overtime expenditure is used as a stop gap effort for hiring seasonal workers.

Dhillon commented that delaying the property acquisition could financially benefit SWD. Honaker answered that they're taking into consideration that it could become a buyer's market if they wait to purchase.

Dhillon asked if a reduction in labor is under consideration. Honaker answered that there's been a reduction in overtime and fewer hours for part time employees. Tonnage drops relate to less activity, but there isn't enough concrete information yet to translate that to jobs. We are demonstrating for you our best estimates around rates to sustain service levels.

Weiker asked how the economic and budget forecast has impacted the Comp Plan timeline and content. Walsh responded that the Comp Plan has not been impacted. The plan was to focus on ZWORP and rate restructure this year and hold off on Comp Plan until next year. That timeline remains the same.

Dammann asked if a scenario without a rate increase could be shared. Everyone is facing pressure under COVID-19 and there's a new economic reality unfurling. We may need to drastically restructure the focus and means of providing services, for example, we may need more residential services. This could be an opportunity to address some of the issues around multifamily housing. Kelly agreed that it would be worthwhile to understand the consequences of making no changes. Ristau agreed that without a clearer understanding of the financial future, it is uncomfortable voting on long term planning decisions. Trim agreed that it's impossible to make an educated choice given the circumstances.

Robin asked if the forecast reflects the likelihood that 30-40% of restaurants will not reopen. Rist responded that the model considers the loss of employment in our area through the ballooning unemployment rate. The first wave of people to apply for unemployment included many from the restaurant industry. We must wait to understand how people's habits could shift after the stay home order is lifted.

Weiker commented it would be helpful to know what other utilities covering shortfalls are structuring their rates. Walsh responded that Waste Water sends their rates a month before SWD and they similarly need to forecast during uncertain times. The timing won't help us with our rate proposal.

Sweet commented that this is a resource issue, not a rates issue. Everyone will need to catch up on payments as we come back and many people have struggled with even the first month we've been out.

Kassover commented that flexibility is paramount during this period of uncertainty. Anything we can do to remain flexible is important.

Atwood commented that it's sobering seeing this information. The impact to tonnage under COVID-19 is still less than our diversion goals of 70%, which bolsters the argument for a new rate structure. Honaker responded that the big picture is partly why the task force will be tackling ZWORP and the rate restructure concurrently. One informs the other.

McLaughlin added that SWD has looked at not doing a rate increase. We've heard from city partners the desire for steady, predictable increases. Deciding to delay an increase may provide relief in the short term, but it will merely postpone what is our very high fixed cost situation. These are very challenging circumstances. We want to share your opinion with the Executive on Friday. We've benefitted from MSWAC providing us a sense of where they're at. It's helpful for us to know based on the information we presented today your thoughts. Kelly added that members don't have to vote if they don't wish.

1. Which Rate Option do you prefer the most?
   44% voted for Option A, 22% voted for Option B, 33% voted for Option C

2. Should we delay SCRTS to 2024 or 2025?
   18% for "strongly disagree," 18% for "disagree,"45% for "neutral," 9% for "agree," 9% for "strongly agree"

3. Should we delay property acquisition for NERTS to 2023?
   33% for "strongly disagree," 42% for "disagree,"17% for "neutral," 0% for "agree," 8% for "strongly agree

Member Comment

There was no member comment.

Adjourn

Meeting adjourned at 11:34am