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Skagit County  
Solid Waste Advisory Committee (SWAC)  
Microsoft Teams Meeting Minutes  
Skagit County Conference Room, 1800 Continental Place, Mount Vernon, WA  
Wednesday, February 28, 2024

**Members Present**

Brian Dempsey  
Carolyn Moulton  
Dale Patrick

Kate Smith  
Kimberly McCann  
Leo Jacobs  
Margo Gillaspay  
Robin Freedman  
Shelly Jensen  
Scott Thomas  
Torrey Lautenbach

**Representing**

City of Burlington, *on-line*  
District 1, Citizens     District 1, Citizens  
Environmental Public Health, Skagit County Public Works,  
*non-voting*  
Agriculture, *on-line*  
Haulers  
City of Sedro-Woolley  
Solid Waste Division Manager Division, *non-voting*  
Waste Management, Hauler  
City of Anacortes, *on-line*  
Town of La Conner, *on-line*  
Lautenbach Recycling, District 3, Citizens, *on-line*

**Members Absent**

Andy Hanson,  
Audrey Taber  
Todd Reynolds

**Representing**

City of Mount Vernon, Solid Waste  
Department of Ecology, *non-voting*  
Skagit River Steel & Recycling, Recyclers

Not Represented  
Vacant  
Vacant  
Vacant

District 2, Citizens  
Town of Lyman  
Town of Hamilton  
Town of Concrete

**Visitors**

Britt Pfaff-Dunton  
Evan Coughlan  
Grace Kane  
  
Julia Johnson  
Matt Hobson  
Ron Wesen

**Representing**

Skagit County Environmental Health  
FCS Group, Senior Analyst  
Skagit County Public Works Director, County Engineer,  
*non-voting*  
Mayor, City of Sedro-Woolley  
FCS Group  
Skagit County Commissioner, *non-voting*

DRAFT

**Introductions**

Margo Gillaspay, Solid Waste Division Manager, Skagit County, requested introductions of all in attendance. Names and business titles were offered by each attendee prior to addressing agenda items.

**Call to Order**

Ms. Gillaspay, called the meeting to order at 1:30 p.m. at the Skagit Conference Room, Mount Vernon, Washington.

**Public Comments**

Ms. Gillaspay, opened the floor for public comments.

There were no Public Comments.

**Review and Approve Minutes**

Ms. Gillaspay opened the floor to discuss the minutes of February 7, 2024.

Ms. Gillaspay, requested a Motion to Approve the February 7, 2024 minutes as written. A Motion to Approve was made by Leo Jacobs, City of Sedro-Woolley to approve the minutes as written. The Motion to Approve was seconded by Carolyn Moulton, District 1, Citizens, District 1 Citizens. By a vote of the Membership, the Motion was unanimously passed. Ms. Gillaspay, declared the minutes of February 7, 2024 to be approved as written.

**Agenda Items**

A Solid Waste Advisory Committee meeting, open to the public, is being held on February 28, 2024, for anyone to speak on any topic on the agenda, or items not listed on the agenda:

**a. Discussion of proposed Rate Increase**

There has been much response since the last meeting by way of email and phone calls.

Margo provided updated information for this meeting. We will not be reviewing the Slide Presentation from the last meeting. The first topic for discussion is the timing of the Rate Increases. This is kind of the first big decision I see of what we want to do. We

DRAFT

want to, do we want to do the 15 and 15, do we want to do the 1 and the 27<sup>th</sup> delaying it further back? We had come up with different scenarios.

Matthew Hobson/FCS Group

*Slide 3-Rate Revenue Adjustments Options*

Margo, do you want me to share the screen with that Table? At the end of the last SWAC meeting, presenting the results, there was some substantial discussion on the timing of the Rate Increases for the next two years. I want to remind people that it was over a 5-year period, but most of the Rate Increases are more pronounced on the first 2 years and that's why we had more discussion on the action for the next 2 years.

Options A, B, C, D – reviewed.

Option A: original discussion.

Option B: presented at last SWAC meeting focused on bringing the Solid Waste Fund up to a positive cash position immediately in the first year.

Option C & Option D: developed after the last SWAC meeting, suggested by numbers of SWAC.

Option D: would require the County to dip deep into its financial reserves to pull this one off.

If no action is taken this year, there will, beginning January 1, 2025, a 34% increase in overall revenue will need to be collected by the Solid Waste Fund.

To provide a graph representation of this information, the 4 scenarios have different impacts on the Solid Waste Fund Financial position. Currently, the Solid Waste Fund is operating in a deficit primarily due to the new disposal contract. The fund is relying on cash reserves to make up for the shortfall.

*Solid Waste Utility Cash Reserves Forecast*

Each of these lines represent the projected financial reserves of the Solid Waste Utility over the next 5 years. The dark lines running horizontally is the minimum financial target set by the County.

Option A: highest increase this year – 27% increase

Option A & C: Blue and dark grey lines-some impact on the reserves – middle level increases.

Solid Waste would need to draw from its reserves to make up for the cash deficit.

Eventually, by 2026, the cash flow of the Fund will be operating at a surplus.

Option D: postpone any rate action this year, and wait until next year, we would have less revenue and would need to rely more on financial reserves to make up the difference. It takes much longer to regrow. All of them get the Utility back to its similar position to 2023. One reason why we're not setting the reserve target in 5 years to be the exact dark line is because that is minimum reserves. You want to have reserves at least above that amount for unanticipated expenses. The new contract executed 6 years ago is a great example of just changes in the cost of business. If you have reserves in place, you can help mitigate future rate increases by relying on reserves. If you are always hitting reserves that gives almost no cushion to absorb unexpected cost or changes to those cost.

DRAFT

Margo Gillaspy, Solid Waste Division Manager

When we presented this some weeks ago, we had some discussion about it and people wanted to go back to their cities or other groups and then come back. I would love to hear what kind of feed back you got and kind of what your thoughts are.

Carolyn Moulton, District 1, Citizens

I spoke with staff and other constituents in Anacortes since our last meeting. It was universally said that we would prefer to just do everything all at once on January 1, 2025, and just do the one increase. It would be helpful for citizens to not keep going up every 6 months. The communication would be easier. Also, the burden on the various Departments, Finance and Billing, would be simpler to and just do it and get it done.

Leo Jacobs, City of Sedro-Woolley

I love your Options here, but I'm still not getting it. I don't know if I'm not phrasing it correctly, sometimes its hard to explain it. I'm not getting the information that I need to make a qualified decision. I put a hypothetical in the last email. What I'm looking for is what its going to cost us per ton to subsidize those?

Margo Gillaspy, Solid Waste Division Manager

I want to talk about the timing. I feel like that's a separate discussion.

Leo Jacobs, City of Sedro-Woolley

Well, I think it's the same discussion because we're subsidizing, we're using fees that we're going to be charging our citizens to subsidize services we don't need to subsidize. It is any indication of, you had the Clear Lake site on the Solid Waste Management Plan for about 7 yeas now that we're suppose to handle, but the County never really followed through on that one. So, we need to get this fixed. It seems very simple to fix it. That's where I'm having trouble, why can't we fix that right now? Why can't we fix Direct To Intermodal? Why can't we fix the other stuff right now? I don't understand.

Margo Gillaspy, Solid Waste Division Manager

Ok.

Torrey Lautenbach, Lautenbach Recycling

I am with Leo in the same place where I just have a lot of questions around the numbers. In respect to Margo, what's the question that I have, is will welcome back to the numbers and bargain over that and right now you're just trying to figure out the timing? Where are we going with this?

Margo Gillaspy, Solid Waste Division Manager

I am talking about the timing. Numbers, we have numbers in there. As we know, there can be some change in those depending on if we put more on the, if we subsidize more of the services or not, but what I'm most interested in is the timing. I want to stay focused on that. I know our conversations can kind of go off in other directions. We're talking about HHW and Clear Lake and all this. I understand all this. But I want to focus on that we have these 4 scenarios, I would love to have us discuss so we can move forward.

DRAFT

Torrey Lautenbach, Lautenbach Recycling

I accidentally hit the wrong button, so I didn't hear what you said. Again, maybe you answered this, I'm sorry. Will there be an opportunity after the decision is made on the timing for us all to reconvene and talk about subsidies and whole paying what, that kind of stuff if we can have some clarity to that, I will maybe potentially move your goals along.

Margo Gillaspy, Solid Waste Division Manager

Yes, great. That's exactly what I want to focus on in this meeting. I do see those as two different separate kind of talking points. First is the timing of when we want these increases to go through. Those numbers we see up there, we know there can be a little bit of change to them depending on how much we want to subsidize this or that. The timing is one thing that we need to decide on and move forward on. And then, we can have more discussion on, you know, what we are subsidizing, what are we charging these different customer groups.

Matthew Hobson/FCS Group

Hopefully, to answer both Leo and Torrey's concerns on this, the numbers. The percentage increases that you see on screen, I would like you all to think about those. What those represent is an increase in a rate revenue that needs to come in to fund the Utility. It's the total amount of new revenue coming in. When we get to the cost-of-service questions, that's when we talk about, ok maybe some classes rates will go up higher than that and some will go lower. But in total, it will bring in an aggregate total of 15% or 16% more money next year. So, these are not essentially rate increases on tip fees so much as increases in total rate that needs to come in to fund the utility. And that's why it important to discuss timing of these first then talk the actual rates by class and how they may be a little higher or lower depending on cost-of-service discussion.

Leo Jacobs, City of Sedro-Woolley

So, you're telling me that if we say ok, that we're voting on B today, that our rates may not be \$138 in 2025 after a discussion in our next meeting. Because if we rise the rates for Self-Haulers and all those other ones, that \$138 could be \$6.00 cheaper? Right?

Margo Gillaspy, Solid Waste Division Manager

What I am saying is that here are some changes. Matt phrased it very well when we were talking about the revenue increases, we need to see, not necessarily directly correlating to the rate tipping fee increases.

Torry Lautenbach, Lautenbach Recycling

So, the negotiations will come in after we set the timing? So between now and whenever the timing is, there's going to be lots of negotiations and number crunching as to how we are all going to come to an agreement as to how we are going go move forward on this timing discussion?

DRAFT

Margo Gillaspy, Solid Waste Division Manager

Right. Depending on how long these negotiations go on, I mean we do need to go forward. This increase as well. We can go back. We can continue to have these discussions about the different classes, but the rates can be adjusted again afterwards, but we do need to move forward with what is our timing going to be. If we do need to have an increase in July, like we need to start moving forward with that. There is that negotiation, is that Class going to subsidize more, how are we going to make it, you know. Are we looking for more equitable charges? That's why I'm pushing us towards talking about the timing and what people have discussed with their cities or groups that the present, and what the kind of interest is.

Torrey Lautenbach, Lautenbach Recycling

Personally, I do appreciate that because I do have a lot of number questions, that's the world that I live in, but I'll refrain from that because what I'm hearing is that opportunity is going to come along. So, I'll respect the process of the timing.

Ron Wesen, Skagit County Commissioner

Is everybody else okay with Option B that Anacortes came up with?

Shelly Jensen, City of Anacortes

I think I said Option B didn't I? So, it would all happen at once on January 1, 2025?

Margo Gillaspy, Solid Waste Division Manager

Yeah, you said D. July 1, 2025

Shelly Jensen, City of Anacortes

So, it would all happen at once, on January 1<sup>st</sup>?

Ron Wesen, Skagit County Commissioner

January 1, 2025.

Shelly Jensen, City of Anacortes

Correct.

Ron Wesen, Skagit County Commissioner

"B" as in Boy?

Shelly Jensen, City of Anacortes

"D" as in Dog.

Unknown

I heard you say B too. You meant to say "D"?

Shelly Jensen, City of Anacortes

I did.

DRAFT

Scott Thomas, Town of La Conner

I think our Option would be Option C.

Margo Gillaspy, Solid Waste Division Manager

Ok.

Brian Dempsey, City of Burlington

I really appreciate all the work that everyone here has done. Really, just open A, B, or C and not defer too long. I think what makes financial sense with the experts and the numbers, really A, B, or C makes sense.

Torrey Lautenbach, Lautenbach Recycling

Is it a correct assumption that the County wish to get it initiated as fast as possible, so that would be B?

Margo Gillaspy, Solid Waste Division Manager

Not necessarily. I think we recommended maybe splitting it up, Option A, dividing it over 2 increases so it wasn't such a jump for the customers.

Ron Wesen, Skagit County Commissioner

It was a big jump for the service, so.

Torrey Lautenbach, Lautenbach Recycling

I think I appreciate, from Carolyn's perspective, that just one rather than having to hear the complaining 2 times in one year. So, there's going to be some grumbling. So, if you do just one major one, whether its 7/1/24 or 1/1/25, and then everything slows down from there, right, from percentages perspective?

Carolyn Moulton, District 1, Citizens

I feel like the communication will be easier and I also feel like its going to be easier to do all at once. I expect less push-back if we do it all at once. If the rates went up 30%, we're doing this at 30% and this is done and I'm sorry, but it can't be helped. Rather than people notice the first increase and maybe notice the second increase and we don't reach all of those people then there's all kind of stuff, grumbling and misgiving. I really feel like it would behoove us to do it one time and communicate overtime. And also, that gets us as a county back to base-line reserves in 2026, which is only 2 years away. And I feel like that's what reserves are for, to carry us over. Two years is not a terribly long time to get back to that baseline and then all Options bring us back to where we want to be in 2028. It just seems simpler to me and more palatable.

Scott Thomas, Town of La Conner

I want to point out that on January 1, typically we see a lot of rate increases, Water, Storm Water, Sanitary Sewer, all at once with a Solid Waste increase can be fairly significant. So, if you think there's not going to be push-back, I would respectfully disagree.

DRAFT

Torrey Lautenbach, Lautenbach Recycling

Do the Municipalities feel like it would be a challenge and/or the Haulers to get the Rate increases implemented by July 1, 2025, Option B. It sounds like Anacortes is asking for more time to implement it because they are essentially the same. It's going to cost a little bit more on Option D to get the reserves back, 34% versus 27%. But I think, is the challenge doing it on July 1, 2025 with people being able to then increases initiated that quickly.

Shelly Jensen, City of Anacortes

Option B would be my second choice for the same reason. As Scott said, lots of things go up on January 1. On January 1, it would go up slightly less if we did it in July. So that would be my second choice.

Ron Wesen, Skagit County Commissioner

The system is paying more now. The system has already gone up. That's why I think it would be your D. We need to do it, its just running the reserves.

Torrey Lautenbach, Lautenbach Recycling'

I'm sure we are just an advisory committee, right? It's the Solid Waste Governance Board that's going to make the final call. I can't read minds, but I would imagine that you want to get rates up as fast as possible to stop the bleeding? Right?

Ron Wesen, Skagit County Commissioner

The bills are coming in every month. I will just cost more.

Margo Gillaspy, Solid Waste Division Manager

I'm sure the Governance Board appreciate hearing what the SWAC have been discussing. You are more involved in Solid Waste then they are even though they are technical experts. It sounds like there maybe kind of a consensus for either B or D? Kind of doing it all at once rather than splitting it up?

Leo Jacobs, City of Sedro-Woolley

Whatever Motion we put it, I would like to see that end part where we're going to have a fruitful discussion afterwards on how we're going to size-up the subsidies and stuff. I don't care which one it is for Options. We just need to make sure our messaging is correct and try to get it out there to everyone in all forms. I would like to make sure that we have whatever Option we do when we do the Motion, include that we are going to have a discussion about that stuff and get it sorted out for the time frame.

Margo Gillaspy, Solid Waste Division Manager

We can move forward on a Recommendation for either B or D. The group can note on that now if they feel ready, I can't vote. They can recommend one, they can recommend both. It is a Recommendation then the Governance Board would meet and discuss and then go to the Commissioners.



DRAFT

Torrey Lautenbach, Lautenbach Recycling

For me, there's not a high play in this game for me, in my line of business in what I support. My main, I ask again, to the Municipalities and the Haulers, would July 1 work for you guys with the timeline to get it implemented? I think for me, that's what's going to be most impactful in my vote is to hear from you all, yes, that's a timeline we can meet. If not, I'll be all ears on my vote and adjust my thoughts around that.

Shelly Jensen, City of Anacortes

Thaks Torry. I feel similarly. I think hearing from Municipalities is really helpful.

Leo Jacobs, City of Sedro-Woolley

I would like to hear from Waste Management. Is Robin here I can't see the other name there.

Robin Freedman, Waste Management, Haulers

Kimberly McCann, she's our Contract Manager. I haven't really sat with this. The thing I heard really loud and clear is that it seems a lot of you would like to start earlier rather than later. I really have to take a look at contracts and look at those we do the billing. Even though it's a pass-through, we rally don't want to increase the call volume to Customer Service Center. I do think there needs to be some kind of Education Plan. How are customers going to understand what this increase is and so we have enough time to put something on the invoices, so they see the line item? This is quite a short timeline when I think of the work we just did in King County for the restructure of the tipping fees. That was a year's worth of work that went to each City Counsel. It was amended to contract. So, Niles and I will just need time to so research. I can't really provide anything specific or measurable today. July 1, 2024 will get here quickly

Torrey Lautenbach, Lautenbach Recycling

Are there any headwinds from the UTC perspective for the Certificate Haulers? I know there is a process there, a 90-day process.

Margo Gillaspay, Solid Waste Division Manager

I can't remember if its 75 days or 90 days notification before we can charge more to those Certificate Haulers. July 1 would be difficult for us to meet as well.

Leo Jacobs, City of Sedro-Woolley

I don't mean to add another Option here, but I did request in the email a September start. The only reason I said a September time frame is because our Utility can probably eat the cost for 4 months. I'm sure some of the others might be able to. Sometimes it's easier for 4 months of incoming revenues then it is for 6 months for us, then we can figure out how to do that on January 1.

Margo Gillaspay, Solid Waste Division Manager

That's an Option, yes. Splitting the difference between July and January. Mo must have missed that.

DRAFT

Torrey Lautenbach, Lautenbach Recycling

I agree with Leo. I was going to suggest that as well. Maybe we cut it in the middle and make it September 1. It gives it everyone a little bit of breathing room. Someone piped in about September the end of the year so we're not double-dipping at the end of the year. Maybe that's a happy medium.

Leo Jacobs, City of Sedro-Woolley

I would be happy to make a Motion, if that would make Margo happy, and move things along.

Shelly Jensen, City of Anacortes

What would the percentages be then?

Margo Gillaspy, Solid Waste Division Manager

I don't know because then the percentages would change.

Matthew Hobson/FCS Group

Just a question for the group. This was part of Leo's and Torrey's part of the idea. For the September increase, it's a thought that it would be still one large increase, but it would occur in September and then every other after would be an inflationary adjustment. Does it look like Options B & D only occurring in September of 2024?

Margo Gillaspy, Solid Waste Division Manager

I think so. I think we would be doing the annual increases in January 1, 2025.

Leo Jacobs, City of Sedro-Woolley

That's best for us as a city. We run ours from January to December.

Margo Gillaspy, Solid Waste Division Manager

So, the once increase in September and then January we would do the annual inflationary increases?

Scott Thomas, Town of La Conner

Just to observe. An increase and then an additional increase 3 months later; it may make some sense to do just a single increase and just lump inflation into the extent that it can be calculated. There is a 3-month difference.

Margo Gillaspy

So then one increase in January 2024, a large one, so our next inflationary increase wouldn't be until January 2026?

Scott Thomas

Yes, that's the idea. Although again, I still think Option C is the better one. I just don't like to see increases immediately after another increase.

DRAFT

Torrey Lautenbach, Lautenbach Recycling  
Come on, Leo, make a Motion.

Leo Jacobs, City of Sedro-Woolley  
Let's see if I can formulate this here. I would like to make a Motion that we wo a September increase of a percentage that Matt will come up with and then follow it up in January, 2026 with an inflationary cost. I would like to add my 2 cents on to that, I would like to have some fruitful conversation about all the subsidies.

Margo Gillaspy, Solid Waste Division Manager  
I would like to move onto that next.

Torrey Lautenbach, Lautenbach Recycling  
I'll second that Motion.

Carolyn Moulton, District 1, Citizens  
So, this is Carolyn to clarify. So, we would not do the inflationary increase in January 1, 2025, we would wait until the following year? Ok?

Margo Gillaspy, Solid Waste Division Manager  
So, my understanding of this Motion, is to do one large increase in September 1, 2024 of an amount that FCS will calculate somewhere between that 27% and 34%, and then go to annual inflationary increases starting on January 1, 2026.

Carolyn Moulton, District 1, Citizens  
Would that be a 3% then? We wouldn't try to double it up since we skipped 2025?

Margo Gillaspy, Solid Waste Division Manager  
No. Any other discussion about this?

Kate Smith, Agriculture Representative  
I'm having one thought as the new Motion has come up, thinking about September. In theory, I also agree with giving us more time but enacting it before January 1. Even though it's a smaller group, I think we will have some farmers who at the end of the season has agricultural waste, plastic waste, and seeing that, it just went up in September. I just want to put that out there. It's a smaller group when one thinks of all of the constituents.

Scott Thomas, Town of La Conner  
I heard that July 1 would be difficult to implement because of timing, but I never heard anyone say that September 1 would be possible.

Margo Gillaspy, Solid Waste Division Manager  
I think you felt like you would be able to delay until January.

DRAFT

Leo Jacobs, City of Sedro-Woolley

Yes, that was my thought that we would be able to eat a little bit of the cost until January when we are able to capture the amount that we need.

Shelly Jensen, City of Anacortes

I don't know that we are prepared to do that in Anacortes – eat the difference.

Margo Gillaspy, Solid Waste Division Manager

Shelly, did you want to say something/

Shelly Jensen, City of Anacortes

Yes, I just wanted to say that I am really set as Option D with all of the reasons Carolyn stated, but I also like the new Option B if we were to move it to September and then not have a rate increase in January 2025. I believe I don't know how our Financial Department came to their decisions given these 4 Options, but I believe that would give them more time and be easier on the customer and the phone calls.

Torrey Lautenbach, Lautenbach Recycling

It sounds like its time for a vote.

**b. Vote on proposed rate structure**

Margo Gillaspy, Solid Waste Division Manager

One large increase on September 1, 2024, and then Inflationary increases starting on January 1, 2026, this would be the Recommendation.

All in favor, can you say "I", or raise your hand?

Torrey Lautenbach

Scott Thomas

Shelly Jensen

Kate Smith

Margo Gillaspy, Solid Waste Division Manager

Are there any opposed?

Margo Gillaspy, Solid Waste Division Manager

The Motion passes. Thank you. We'll get those final number. We can discuss more of the timing issues while we are all here.

Leo Jacobs, City of Sedro-Woolley

I thought there was the main thing that you needed today.

Margo Gillaspy, Solid Waste Division Manager

No, I mean it is, but since we're here. I know this is going to change the numbers a little bit. Matt, do you have a Slide that shows the difference the scenarios we talked about?

DRAFT

Torrey Lautenbach, Lautenbach Recycling

I'll be curious too because that will probable all change substantially when the higher pricing rates go into play right?

Matthew Hobson/FCS Group

*Slide 28, Existing Cost Recovery Levels*

It will when I show the numbers here are more expressing the comparison of the rates to the cost recovery rate. Those numbers should remain fairly constant regardless of the overall increase to rates, unless we made Class adjustments.

This is the slide that we showed the SWAC at the last meeting. This is the first step-the timing of those increases. The second part looked at Cost Recovery levels and the equity of those by different users of the Solid Waste Utility. What we identified from the Rate Study is that several difference users from Municipalities Haulers and Certificated Haulers in the first column. Small amounts of General Waste-Self Haulers. We have a small amount of General Waste for Out of Town-Haulers, Street Waste, Appliances, White Goods, Direct To Intermodal, MRW, Tires, Sauk Transfer and Clear Lake Transfer. The percentages represent the estimated cost recovery rates at existing rates. Its comparing the rate revenue from each of these Classes and dividing that by the cost incurred by the County, to provide those services. I want to emphasize that a couple of points in these results. One, that we have to make assumptions many times to do these type of Rate Analysis, some put a range of reasonableness around our results, plus or minus 10%. If a Class Rate falls in that boundary, we consider it to be within the range of reasonableness. The other part I would like to communicate is that while we have several Classes of businesses that use the system, the vast majority of the revenues is collected from just Municipal Haulers, Anacortes, La Conner Certificate Haulers as well as Self-Haulers. More than 95% of revenue comes from these two Classes. Its important because if we remove the subsidies from some other Classes its not going to have the same dolor per dollar impact on the tipping fees for the Self-Hauler and Municipal-Haulers because they represent just a lion share.

Torrey Lautenbach, Lautenbach Recycling

I asked Margo if the Direct To Intermodal and the Street Waste, you guys did some calculating on that. These Chart numbers, is that with the 15% increase incurred on top of what the current rates are?

Matthew Hobson/FCS Group

These values represent is we were simply to increase all rates at the same level next year. Its only if we make different rate increases for different Classes will we see some of these columns change.

*Unit Cost Analysis*

When we developed the Cost-of-Service Analysis we actually break down the County Solid Waste System into different activities, recognizing that different customer services utilize these activities at different levels and sometimes not at all.

DRAFT

*Customer Classification*

Waste Activities-Waste Transfer, Sauk, MSW Transfer, Clear Lake, Solid Waste Transfer Recycling & Education, MRW, MSW Transport & Disposal-main cost of system, Environment -closed landfills, Tires, White Goods. Everything is a cost per ton basis across the line. There are not Scale house cost to Municipal Haulers. This scenario assumes that 15% increase to Revenue next year. We can adjust it now based on the vote of the group.

When we come up with our Cost Recovery Analysis, the cost in 2024, assuming a 15% increase to overall Revenue, the municipal Haulers Rate would be, in a perfect world, about \$113/per ton. If we simply increased the rate across the Board, that rate would be closer to 120/per ton. Because the unit cost is lower than the rate after the 15%, that means an equivalent \$6.64 subsidy from being provided to other Classes. The recover cost is taking Rate Revenue divided by Unit Cost. We did this for all Classes of Services. I wanted to talk through the theory and the framework of this.

Torrey Lautenbach, Lautenbach Recycling

So, obviously the prices are going upwards of \$130/-\$140/ton, so anything above and beyond that is to support reserves?

Matthew Hobson/FCS Group

If we were raising the rates instead of being 15% next year increase if we increase in September to 30% we are replacing the reserves with that excess tip fee element. The Utilities are in a deficit right now, so to right-size it, that's why you see the increase of the rate per ton will increase substantially. Right now, the rates are not fully sufficient to fully fund the Utility. We have to right-size the cash flow and build the reserves.

Margo Gillaspay, Solid Waste Division Manager

You have to increase the rates by more than 15%, right, is what you're saying?

Matthew Hobson/FCS Group

*Cost of Service*

This information is to help make some decisions. We know there are potentially improvements to Cost Equity that can be made. We can develop great strategies next year that improve Cost Equity. In some cases, it makes sense to subsidize. This is technical justification for the results we showed on the last meeting.

Margo Gillaspay, Solid Waste Division Manager

One thing we could look at. We did have some proposed Rate Structures. One of them was to just increase everybody the same amount.

Matthew Hobson/FCS Group

*Slide 33-Option A, Uniform Self-Haul Rate & Phase-In by 2028*

We presented two Options in the last meeting. We are happy to make adjustments as needed in terms of framing two potential general approaches.

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Option 1: Simply say we are going to increase all rates at the same proportions. Any subsidies that exist today will be maintained in rates moving forward. Figures will be updated.

Option 2: Recognizing that most of the subsidies we are seeing in terms of total dollars are on the Self-Haulers service side. The cost to operate Sauk, Clear Lake, to provide Moderate Risk Waste at a low fee to customers, to manage tires. That cost we could secure that and pay for just that Self-Haul revenue. Any Municipal-Haulers rates would not have to pay for that subsidy. It would be contained within Self-Hauler rates. Your Self-Hauler rates would increase at a faster rate than your Municipal-Haulers, because Self-Haulers rates would need to increase to absorb that subsidy to operate Clear Lake and Sauk. The rate trajectory for Municipal-Haulers would be less.

Torrey Lautenbach, Lautenbach Recycling

On the Vector Waste, it's a big jump. On the Direct To Intermodal, once you re-do your calculations up to a 28% increase, I think you'll see that will be at 100%, or more, when you're done.

Matthew Hobson/FCS Group

Inter-Modal is somewhat unique among Waste Classes, it is the only Class that does not use most of the System.

What I'm hoping to have from this conversation is that, hopefully, is there interest in concentrating the subsidies from Self-Haulers and containing the cost for amongst just Self-Hauler customers.

Non-Self Hauler customer Classes, that did have lower cost recover levels, like Street Waste, is there any interest in moving those to full cost, immediate, or phased-in?

Britt Pfaff-Dunton, Environmental Health Department, Skagit County

Could I add in some Historical information on Vector or Street Waste and De-Watered? At the time that those rates were set, we were factoring in that we were going to be able to move those to alternative daily cover at a lower rate. We were not intending to have that big of a subsidy. I think that's one of the ones that it would make sense to jump up at a quicker rate. We thought we were going to get a lower tip fee and it didn't work out. It could be alternative Daily Cover by definition, by the way that they handle the waste at the Landfill and they intended to use tarps instead of soil. For operational purposes, it was not something that worked out.

Ron Wesen, Skagit County Commissioner

Did we ask Waste Management going forward?

Britt Pfaff-Dunton, Environmental Health Department, Skagit County

I don't think so. So that's a good point. There could be some difference in the way that Waste Management operates their Landfill. What they use instead of tarps for cover.

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Margo Gillaspy, Solid Waste Division Manager

It sounds like that's a vote for Street Waste. Thank you, Britt. I think that makes sense based on that history.

Shelly Jensen, City of Anacortes

Would it be worth asking Waste Management if that's something that they do? Kimberly is that something you have a sense of

Kimberly McCann, Haulers, Waste Management

Not really, I would need to defer to Robin, and we would need to get more information.

Robin Freedmen, Haulers, Waste Management

Can we follow up? I didn't hear everything. I would be happy to work with Niles to get some follow up information.

Margo Gillaspy, Solid Waste Division Manager

Just kind of what I've been hearing, what we've been discussing, it sounds like you're interested in moving forward with Option A, which is looking at the subsidies we have in place and not necessarily just increasing everything at the same rate, which is Option B.? Option A is recognizing that a lot of the programs are for Self-Haulers that the Municipalities aren't using but they Self-Haulers are needing to so maybe they need to pay a little more on their rates. And that we want to look at things like Street Waste and increase that to make sure we are not subsidizing that customer class anymore, and then the Direct To Intermodal, we still need to look at those numbers to see how much that subsidy is and if it exists. Am I correct? Are we interested in Option A? Are there any other questions? FCS is going to need to re-do these numbers for us for that September or whatever that increase is going to be like right? Then I'm guessing we need to meet to move that forward. We will be meeting next Wednesday. We'll be fine if we have enough time to look at the numbers before then. Any other questions for FCS?

Ron Wesen, Skagit County Commissioner

Is the 95% coming in from two Classes a way to scale so we understand how much it is actually costing Sauk?

Margo Gillaspy, Solid Waste Division Manager

Maybe see if each Classification is a percentage, right Matt? That's all we would need, just a percentage for each customer class.

Matthew Hobson/FCS Group

Yes, we can show the total dollar if that's helpful. Total cost of service for each Class along with the Rate Schedule. So, you can see what would be charged at the Scale for that Class and the total corresponding revenue that would be coming in from that Class so you would have some idea of scale. A Rate Schedule has been provided for review.



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Ron Wesen, Skagit County Commissioner

Street Waste is that going to be \$50,000 or \$200,000. I don't understand the Scale to know what that number will be.

Matthew Hobson/FCS Group

I'll add that number, a column that shows the cost of service.

Torrey Lautenbach, Lautenbach Recycling

Will you adjust that too based on the percentages of increase that we've voted on, or are you going to figure it out?

Matthew Hobson/FCS Group

The number you will see in the Rate Schedule assume a September 1, 2024, adjustment of somewhere between 27%-34%. No rate increase in January 2025. A rate increase in January 2025, and a 3% increase in 2026.

Leo Jacobs, City of Sedro-Woolley

I did hear, are you able to share that Excel spreadsheet yet?

Margo Gillaspy, Solid Waste Division Manager

No. Its their work product. We'll get the final one when they are done. I don't have one yet.

Torrey Lautenbach, Lautenbach Recycling

I want to apologize to Matt for cutting him off a couple of times. I appreciate this group. I think it's been a very good conversation and we've covered a lot of ground and I feel really good about it, so thank you.

Margo Gillaspy, Solid Waste Division Manager

That concludes this discussion. I think we've made some really good progress.

### **Public Comment**

There were no Public comments.

### **Announcements/New Business**

Eddie Nersten is retiring as Transfer Station Manager on March 1, 2024. We will miss him very much. We've hired Matt Koegel from the City of Anacortes. He has been shadowing Eddie. He came from the collection world and now he is in the transfer world.

### **Adjourn**

Ms. Gillaspy, thanked everyone and called the meeting to an end.

The meeting adjourned at approximately 2:50 p.m.