

# Skagit County Solid Waste Division Utility Rate Study



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# Agenda



## Solid Waste Overview

*Background and context for the County solid waste study*



## Revenue Requirement Results

*Forecast of revenues, expenditures, and fund balances from 2024 to 2028*



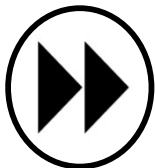
## Cost of Service Analysis

*Evaluation of inter-class equity*



## Rate Design

*Proposed rate schedule for solid waste services from 2024 to 2028*



## Discussion and Next Steps

*Implementing the results*

# Background: Solid Waste Utility

- **Solid waste utility is a County enterprise fund; not funded by taxes**
  - » Services supported by tipping fees assessed to commercial refuse haulers and residential and business “self-haulers”.
- **Solid waste and other materials received at three disposal facilities**
  - » Skagit County Recycling and Transfer Station or “SCRTS” (Mount Vernon)
  - » Sauk Recycling and Transfer Station (Concrete)
  - » Clear Lake Recycling and Compactor Site (Sedro-Woolley)



# Background: Rate Study Objectives



Maintain the long-term health and integrity of utility system



Quantify policies, priorities, and initiatives



Tell the “true” cost of providing service



Track cost information



Evaluate equity between customer groups



Communicate financial decisions and their impact



Management tool



# Background: Rate Study Scope of Work

- **Five-year utility rate plan (2024 – 2028)**
  - » Sustainably fund operations and new hauling/disposal contract
  - » Evaluate cost-of-service for different customer classes
  - » Adhere to County financial policies related to reserve management and debt
  
- **Today's discussion focuses on:**
  - » Overall rate revenue needs over 2024-2028 time period
  - » Rate recommendations for the 2024 to 2028 time period
    - FCS GROUP presented rate options and scenarios to the SWAC over three work sessions in February and March 2024.



# Rate Study Methodology

Industry standard for utility rate setting includes three key steps:

1

**Revenue Requirement:** Total amount of money the County must collect to pay expenditures to provide services while also meeting its financial requirements (e.g., debt service, financial reserves)

2

**Cost of Service:** The equitable allocation of the revenue requirement to the County's customer classes (e.g., commercial refuse haulers, self-haulers) in proportion to the demands they place on the system.

3

**Rate Design:** A rate structure (fixed and variable charges) assessed to customers that will generate sufficient revenue, be reasonably commensurate with the cost to provide service, and support non-financial objectives.

Source: Solid Waste Rate Setting and Financing Guide, American Public Works Association



# Summary of Revenue Requirements

## Adequacy of Existing Rate Revenue to Meet Revenue Requirements

	Solid Waste Utility
Operating and Maintenance Expenses	
Existing Debt Service	
Financial Reserves	
Capital Reserves	
Capital Improvement Plan	
System Reinvestment Funding	Included in Operating Expenses

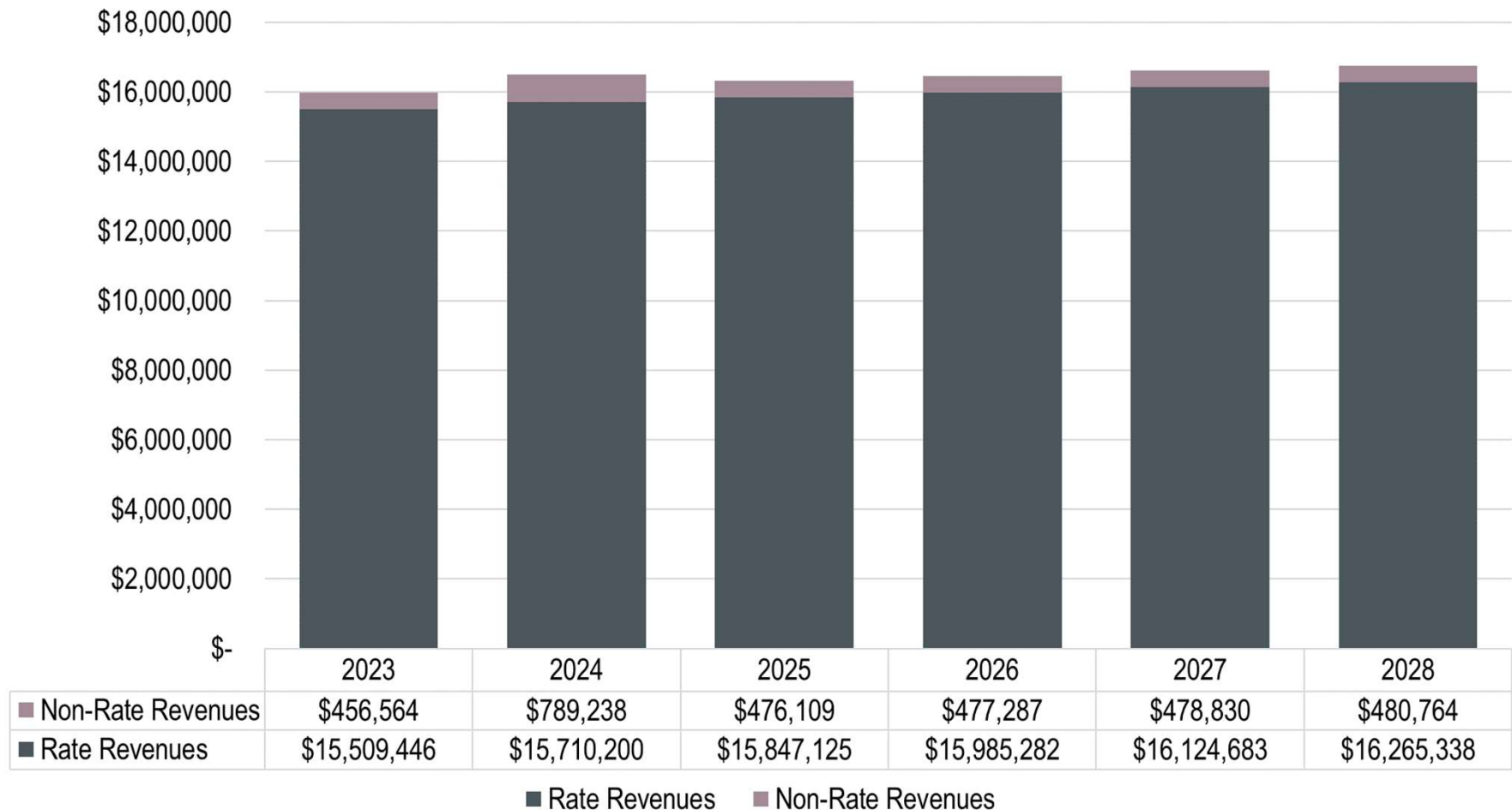
### Legend

- = Meets current and future requirements
- = Meets current requirements; insufficient for future requirements
- = Does not meet current or future requirements



# Revenue Forecast at Existing Rates

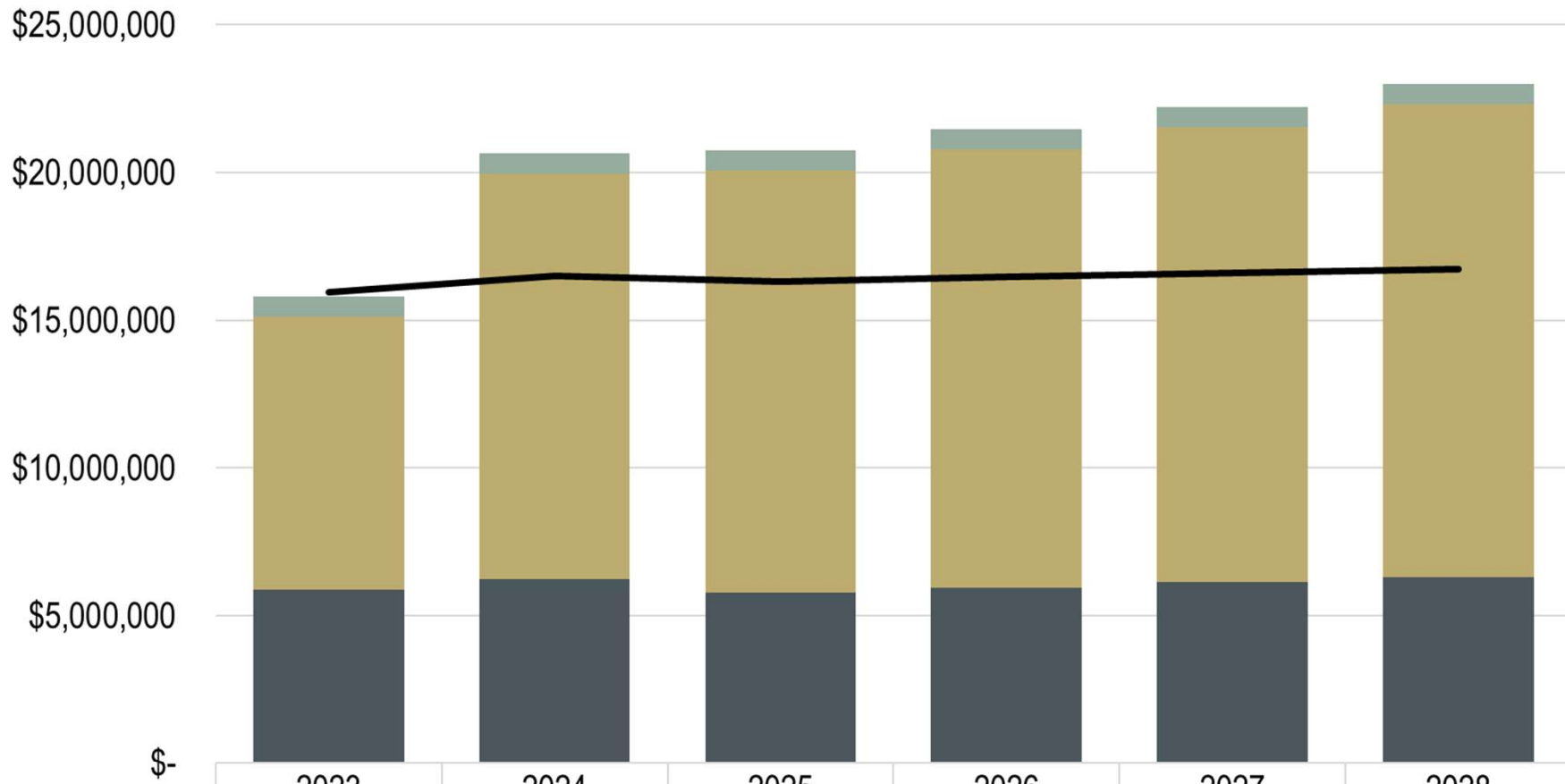
- Rate revenue increasing 0.9 percent annually from tonnage growth
- Non-rate revenue includes: \$0.7 million Ecology grant, miscellaneous revenue, and interest income.







# Revenue Requirement Analysis

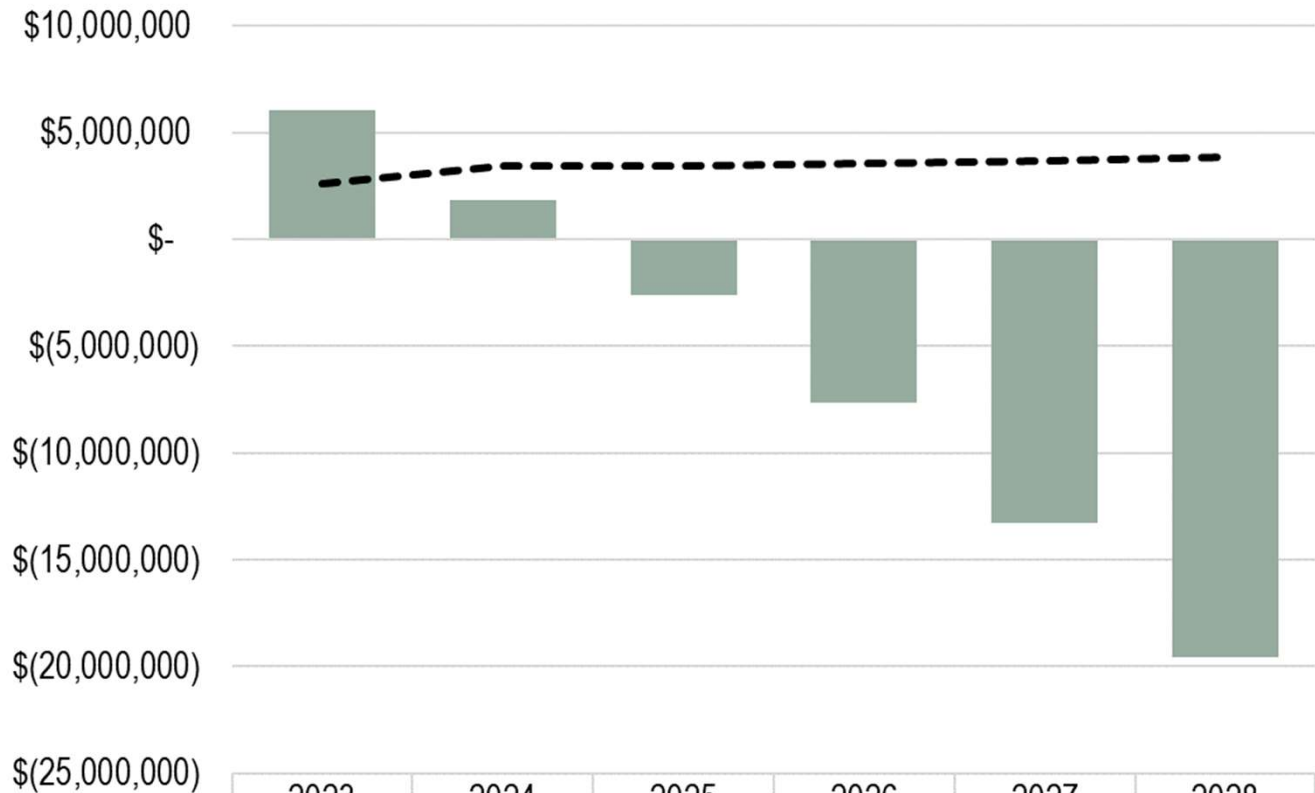


	2023	2024	2025	2026	2027	2028
Existing Debt Service	\$680,641	\$681,633	\$677,475	\$678,244	\$678,863	\$674,333
Transport & Disposal Contract	\$9,224,975	\$13,755,274	\$14,285,421	\$14,836,166	\$15,408,311	\$16,002,692
Other Operating Expenses	\$5,898,823	\$6,231,852	\$5,795,715	\$5,963,658	\$6,136,589	\$6,314,656
<b>Total Revenue at Existing Rates</b>	<b>\$15,966,010</b>	<b>\$16,499,438</b>	<b>\$16,323,234</b>	<b>\$16,462,569</b>	<b>\$16,603,513</b>	<b>\$16,746,102</b>



# Cash Reserves Before Rate Adjustments

- County relying on one-time cash reserves to manage cash deficit
- Cash reserves projected to be depleted by 2025.



	2023	2024	2025	2026	2027	2028
Forecast before Rate Adjustments	\$6,017,643	\$1,818,272	\$(2,624,123)	\$(7,656,205)	\$(13,294,579)	\$(19,560,212)
Minimum Reserve Target	\$2,622,573	\$3,422,333	\$3,442,306	\$3,569,603	\$3,693,994	\$3,822,971



# SWAC Revenue Requirement Scenarios

- **FCS GROUP and county staff presented rate study results and initial recommendations to the SWAC over three work sessions in February and March.**
- **SWAC provided feedback on timing and level of rate increases.**

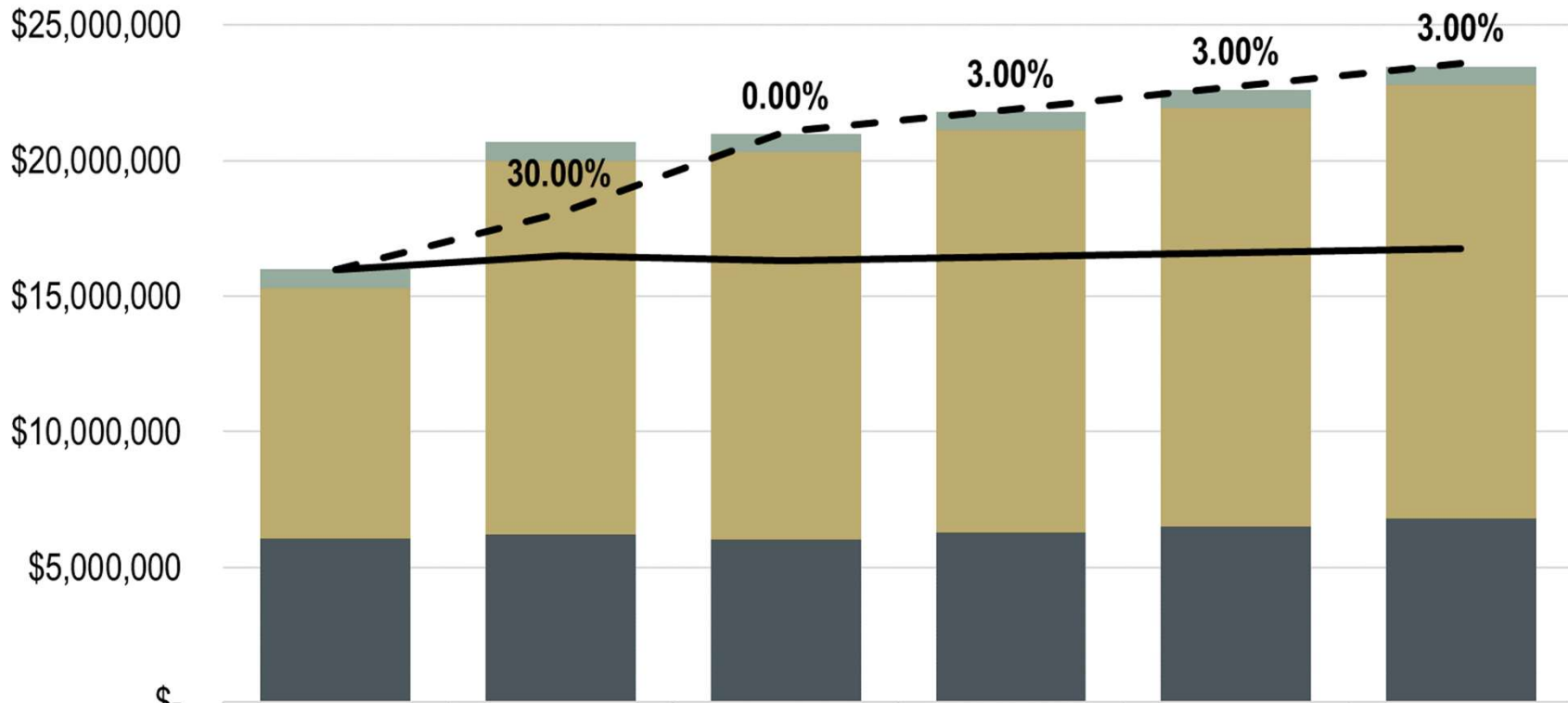
Scenario	2024	2025	2026	2027	2028
<b>SWAC Approved Option: 30 percent on September 1, 2024 followed by 3 percent increase on January 1, 2026.</b>					
Percent Increase to Tipping Fee	30.00%	0.00%	3.00%	3.00%	3.00%
<b>Option A: 15 percent on July 1, 2024 followed by 15 percent increase on January 1, 2025.</b>					
Percent Increase to Tipping Fee	15.00%	15.00%	3.00%	3.00%	3.00%
<b>Option B: 27 percent on July 1, 2024 followed by 3 percent increase on January 1, 2025.</b>					
Percent Increase to Tipping Fee	27.00%	3.00%	3.00%	3.00%	3.00%
<b>Option C: 16 percent on July 1, 2024 followed by 16 percent increase on July 1, 2025.</b>					
Percent Increase to Tipping Fee	16.00%	16.00%	3.00%	3.00%	3.00%
<b>Option D: No adjustment in 2024. 34 percent increase on January 1, 2025.</b>					
Percent Increase to Tipping Fee	0.00%	34.00%	3.00%	3.00%	3.00%

\* Note: Tipping fee projections for Options A, B, C, and D are based on applying systemwide average rate revenue increase to tipping fees and are consistent with the projections presented to SWAC on February 28, 2024.

The tipping fee projection for the SWAC approved option accounts for the results of the cost-of-service analysis for each customer class and is consistent with the rate schedule provided to SWAC on March 12, 2024.



# SWAC-Recommended Rate Adjustments

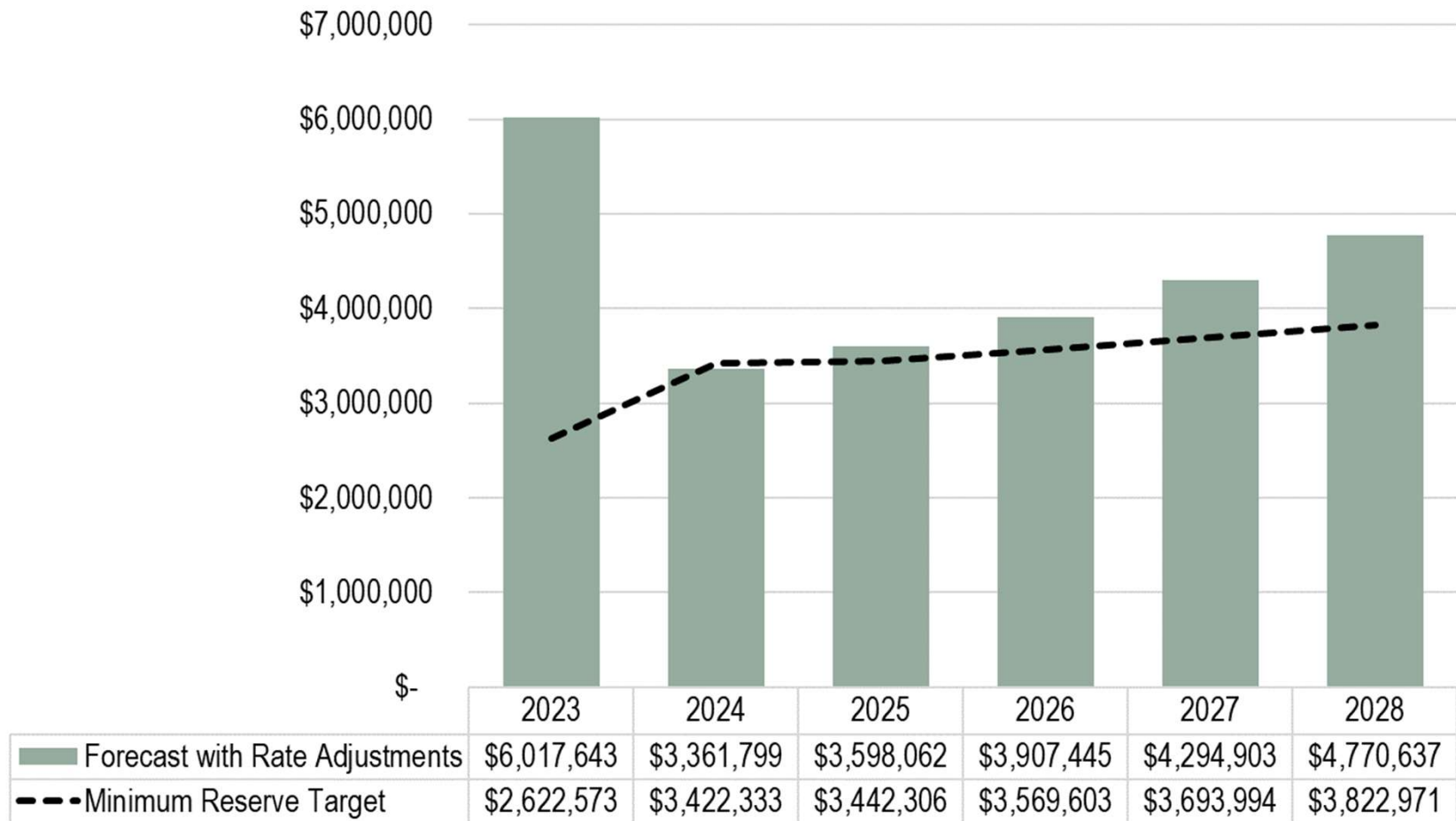


	2023	2024	2025	2026	2027	2028
Existing Debt Service	\$680,641	\$681,633	\$677,475	\$678,244	\$678,863	\$674,333
Transport & Disposal Contract	\$9,224,975	\$13,755,274	\$14,285,421	\$14,836,166	\$15,408,311	\$16,002,692
Other Operating Expenses	\$6,078,823	\$6,231,852	\$6,031,278	\$6,272,338	\$6,523,340	\$6,789,680
— Total Revenue at Existing Rates	\$15,966,010	\$16,499,438	\$16,323,234	\$16,462,569	\$16,603,513	\$16,746,102
- • Total Revenue with Rate Increases	\$15,966,010	\$18,070,458	\$21,077,372	\$21,881,580	\$22,717,509	\$23,586,411



# Cash Reserves After Rate Adjustments

- Strategy requires one-time use of \$2.6 million in cash reserves in 2024
- From 2025 to 2028, cash reserves range between \$3.6 million to \$4.8 million
  - » Equivalent to 61 to 78 days of annual operating expenses



Note: Minimum reserve target based on the equivalent of 60 days of operating and maintenance expenses and one percent of the original cost of fixed assets.



# What is Cost of Service?

- **An equitable distribution of cost share that considers utility specific data**
  - » Measures of usage and demand
  - » Planning, engineering and design criteria
  - » Facility requirements
- **Cost of Service analysis determines:**
  - » Total cost by class (equity)
  - » Unit costs (\$/usage; \$/customer)
- **Fundamental questions:**
  - » Do cost differences exist to serve different customer classes of service?
  - » Do rates adequately reflect these differences?



# Cost of Service Results

- **Solid waste rates assessed to municipal and commercial waste haulers are generally aligned with the cost-to-provide service.**
- **Some self-haul rates are below the cost of service.**
- **Street and direct-to-intermodal rates are below the cost of service.**
- **FCS GROUP worked with the County and SWAC to develop the 2024-2028 rate plan improve the cost equity between customer classes.**

## Annual Rate Revenue Adjustments by Customer Class

Class of Service	2024	2025	2026	2027	2028
General Waste - Municipal	26.00%	0.00%	2.00%	2.00%	2.00%
General Waste - Self-Haul <sup>1</sup>	30.13%	0.00%	3.60%	3.58%	3.57%
General Waste - Out-of-County	26.00%	0.00%	2.00%	2.00%	2.00%
Street Waste	98.00%	0.00%	3.00%	3.00%	3.00%
Direct to Intermodal	55.00%	0.00%	3.00%	3.00%	3.00%
<b>Systemwide Increase</b>	<b>30.00%</b>	<b>0.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>

*1 Note: Applies to self-haul solid waste, appliances, tires, and MRW.*



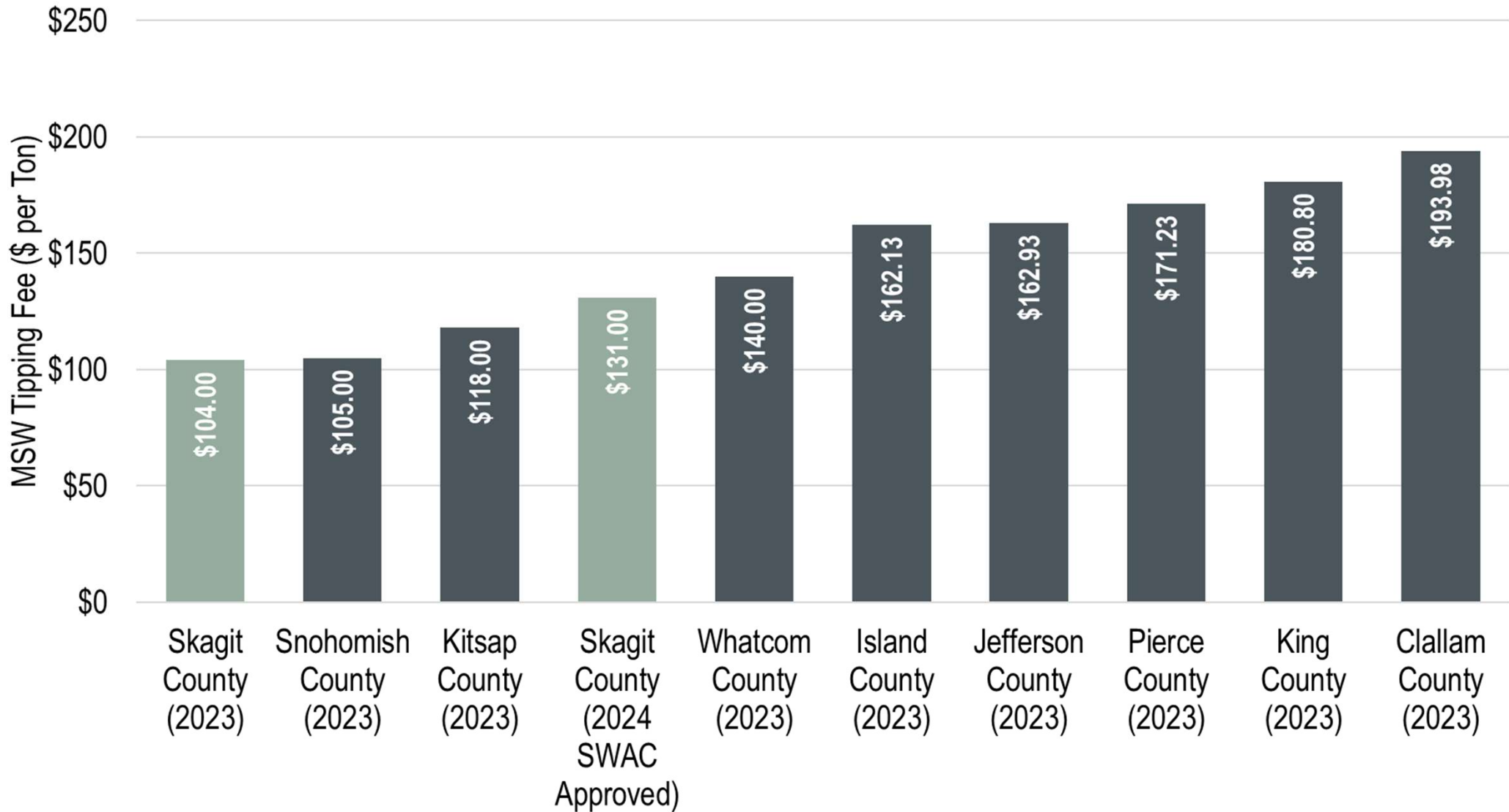
# Proposed Solid Waste Schedule

Class of Service	Billing Unit	Existing	2024	2025	2026	2027	2028
<b>General Waste - Municipal</b>							
Municipalities	Ton	\$104.00	\$131.00	\$131.00	\$134.00	\$137.00	\$140.00
<b>General Waste - Self-Haul</b>							
Commercial / Residential - Commercial	Ton	\$105.00	\$137.00	\$137.00	\$142.00	\$147.00	\$152.00
Commercial / Residential - Minimum Fee	Ticket	\$19.30	\$26.06	\$26.06	\$27.03	\$28.96	\$30.89
County Litter Clean-Up Program	Ton	\$57.00	\$137.00	\$137.00	\$142.00	\$147.00	\$152.00
<b>General Waste - Out-of-County</b>							
Out-of-County Garbage	Ton	\$111.00	\$138.00	\$138.00	\$141.00	\$144.00	\$147.00
<b>Street Waste</b>							
De-watered Solids	Ton	\$64.50	\$128.00	\$128.00	\$132.00	\$136.00	\$140.00
Sweeper waste	Ton	\$49.70	\$98.00	\$98.00	\$101.00	\$104.00	\$107.00
Vactor Waste	Ton	\$20.20	\$40.00	\$40.00	\$41.00	\$42.00	\$43.00
<b>White Goods</b>							
Appliances	Unit	\$10.00	\$13.00	\$13.00	\$13.00	\$13.00	\$13.00
Refrigerators	Unit	\$25.00	\$33.00	\$33.00	\$34.00	\$35.00	\$36.00
<b>Direct to Intermodal</b>							
C&D Residuals	Ton	\$69.00	\$107.00	\$107.00	\$110.00	\$113.00	\$116.00
<b>Sauk Transfer</b>							
General Waste - Commercial	Ton	\$105.00	\$137.00	\$137.00	\$142.00	\$147.00	\$152.00
General Waste - Minimum Fee	Ticket	\$19.30	\$26.06	\$26.06	\$27.03	\$28.96	\$30.89
White Goods - Appliances	Unit	\$10.00	\$13.00	\$13.00	\$13.00	\$13.00	\$13.00
White Goods - Refrigerators	Unit	\$25.00	\$33.00	\$33.00	\$34.00	\$35.00	\$36.00
<b>Clear Lake Transfer</b>							
General Waste - Can (32 gallon)	Unit	\$7.00	\$9.00	\$9.00	\$9.00	\$9.00	\$9.00
General Waste - Half Can (32 gallon)	Unit	\$3.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50
White Goods - Appliances	Unit	\$10.00	\$13.00	\$13.00	\$13.00	\$13.00	\$13.00
White Goods - Refrigerators	Unit	\$25.00	\$33.00	\$33.00	\$34.00	\$35.00	\$36.00





# Survey of Regional Tipping Fees



Source: Washington State Department of Ecology Survey of MSW Tipping Fees, 2023



# Next Steps

- **Present final rate recommendations to Board for consideration/approval**
- **Public rate hearing**
- **Effective dates of rate increases**
  - » First adjustment to rates scheduled for September 1, 2024
  - » Subsequent rate adjustments scheduled for January 1 of each year starting 2026

**Thank you!**

**Questions?**

[www.fcsgroup.com](http://www.fcsgroup.com)



# Definitions

- **Commingled recyclable materials:** a mixture of several types of recyclable materials in one load or container, such as aluminum cans, paper, plastic, and cardboard in one container, or wood, concrete, and metal in one load.
- **Drop box facility:** a facility used for the placement of a detachable container including the area adjacent for necessary entrance and exit roads, unloading and turn-around areas. Drop box facilities receive waste from off-site, require waste placement directly into a container and not a tip floor, and serve the general public.
- **Landfill:** a disposal facility or part of a facility at which solid waste is permanently placed in or on land including facilities that use solid waste as a component of fill.
- **Moderate risk waste:** solid waste that is limited to conditionally exempt small quantity generator (CESQG) waste and household hazardous waste (HHW).
- **Organic materials:** solid waste that is a biological substance of plant or animal origin capable of microbial degradation. Organic materials include, but are not limited to, manure, yard debris, food waste, food processing wastes, wood waste, and garden wastes.



# Definitions

- **Municipal solid waste (MSW):** a subset of solid waste which includes unsegregated garbage, refuse and similar solid waste material discarded from residential, commercial, institutional and industrial sources and community activities.
- **Transfer station:** a facility that receives solid waste (e.g., municipal solid waste, contaminated soil, or other solid wastes) from off-site from persons or route collection vehicles for consolidation into transfer vehicles, vessels, or containers for transport to a solid waste handling facility.
- **Tipping fee:** fee assessed for the transfer and/or disposal of solid waste, generally assessed on the basis of weight (e.g., \$ per ton).
- **White goods:** discarded household appliances such as refrigerators, stoves, and dishwashers.
- **Yard debris:** plant material not limited to grass clippings, leaves, branches, brush, weeds, flowers, roots, windfall fruit, and vegetable garden debris.