Topics

• Strategic Business Plan Update
• Overview of Seattle’s Solid Waste System
• 2017-2019 Rate Proposal
Strategic Business Plan Update
## Strategic Business Plan Update

Rate proposal and current projections within SPU target of 4.6% average annual increases for SBP

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<td>Solid Waste*</td>
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<td>6.2%</td>
<td>5.2%</td>
<td>4.6%</td>
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* Solid waste increases are the annual weighted average of all services including transfer stations and miscellaneous. Rates for residential and commercial customers would increase 7.2% in 2017, 1.9% in 2018, and 4.0% in 2019, effective April 1 of each year.
Overview of Seattle’s Solid Waste System
Solid Waste System

Solid Waste Generated in the City of Seattle

Collection by Contractors or Self-Haul

Single & Multi-Family Garbage, Organics, & Recycling

Commercial Garbage, Organics & Limited Recycling

Private and City-owned Transfer Stations

ORGANICS To regional composting facilities

RECYCLING To processing facility in Seattle

GARBAGE To landfill in Arlington, OR

Seattle Public Utilities

Private Sector

Commercial Organics and Recycling Collection

Private Transfer & Hauling

Composting and Processing Facilities
Solid Waste System - Collection

Contract through 2017 with City options to extend to 2019 or 2021

Contract through 2019 with City option to extend to 2021
Solid Waste Customers

Residential Can 164,713

Multi-Family 5,261

Commercial 8,145
South Transfer Station

- New station opened in 2013
- Old station still in use during North Transfer construction
- New facilities will be built on the site of the old station starting in 2017

North Transfer Station

- Replace old station to increase capacity, efficiency, safety, recycling opportunities, and modernize operations
- Station opens later this year
Solid Waste System – Processing & Disposal

Recycling
• Collection contractors haul recycling directly to Republic Services facility in Seattle

Organics
• Delivered to SPU transfer stations, then transported to processing facilities

Garbage
• Transported from transfer stations to railhead by SPU
• Waste Management disposes of waste at their landfill in Oregon

Legacy Landfills
• Ongoing monitoring of Seattle’s closed landfills (e.g. Kent Highlands, Midway, South Park)
Solid Waste System – Tonnage

- Recycling and organics is 58% of the 2015 waste stream
- Organics tonnage doubled between 2005 and 2015
- Garbage tonnage reduced by 30% between 2005 and 2015
- Strong demand for organics and recycling going forward
2015 Solid Waste Revenues & Expenses

**Revenue**
- Commercial: 31%
- Residential Garbage: 53%
- Residential Organics: 10%
- Self-Haul & Other: 6%

**Expenses**
- Debt Service: 7%
- Single Family Collection: 21%
- Multifamily & Commercial Collection: 20%
- Processing & Disposal: 14%
- Other O&M: 26%
- Taxes: 12%
2017-2019 Rate Proposal
Changes Since the SBP

Changes that decrease rates:
• New recycling contract
• Lower annual contract inflation
• Lower debt service payments
• Higher cash balances

Changes that increase rates:
• Higher than anticipated CIP
• Proposed utility tax rate increase
• Significant UDP expansion (SHA)
## New Recycling Contract

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<th>2015</th>
<th>2016</th>
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<tr>
<td>Total Revenue</td>
<td>$7.4</td>
<td>$7.0</td>
<td>$7.1</td>
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<tr>
<td>Processor Revenue</td>
<td>$7.1</td>
<td>$1.8</td>
<td>$0.0</td>
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</table>
| SPU Revenue      | $0.3  | $5.2  | $7.1  | SPU now keeps all revenue
| Processing Cost  | $2.6  | $6.5  | $8.1  | SPU incurs all processing cost
| SPU Net Cost     | $(2.3)| $(1.3)| $(1.0)| Net savings of over $1M annually
## Lower Contract Inflation

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<tr>
<td>CPI (42%)</td>
<td>0.34%</td>
<td>0.72%</td>
<td>3.75%</td>
<td>2.23%</td>
<td>1.02%</td>
<td>1.87%</td>
<td>1.36%</td>
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<tr>
<td>Labor (50%)</td>
<td>1.19%</td>
<td>1.08%</td>
<td>1.79%</td>
<td>1.84%</td>
<td>1.47%</td>
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<td>Fuel (8%)</td>
<td>-33.65%</td>
<td>21.31%</td>
<td>28.21%</td>
<td>4.10%</td>
<td>-2.69%</td>
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<tr>
<td>Index</td>
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<td>2.4%</td>
<td>-0.7%</td>
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- Inflation adjusted in solid waste contracts April 1 each year
- Historic contract inflation has been approximately 2% per year
- The 2016 adjustment will save over $1M/year, which will be used to fund CIP
- The assumption going forward is 3% per year
Lower Debt Service

- 2017 debt service is higher because SPU issued debt in 2016 instead of 2017 as originally planned
- Size of debt has not changed, but a strong credit rating and low interest rates lowered future debt service
Higher Cash Balances

Operating cash balances are higher than in the SBP due to:

• Higher demand and revenue
• Higher rates due to the mid-term adjustment
• Favorable contract inflation and interest rates on bonds
• Customer Service Branch labor vacancies, leaves, and consultant contracts
• Field Operations Branch labor vacancies and reduced maintenance and repair costs for the new South Transfer Station
Higher than Anticipated CIP

The chart shows the proposed and last rate proposal for different years from 2015 to 2020. The categories include NTS, NCIS, and STS2. The Y-axis represents the cost in millions of dollars, while the X-axis represents the years. The chart indicates that the proposed costs are higher than the last rate proposals for most years, with significant differences in 2015.
Increased Tax and UDP Requirements

• This rate proposal includes a proposed increase in the City Utility Tax rate from 11.5% to 14.2% on April 1, 2017

• Proposed rates also include an expansion of the UDP program starting in 2016

• By 2019 the total annual impact of both changes will be $4.6 million
# 2017-2019 Proposed Bill Impacts

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<td>$44.85</td>
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<th>Other Sample Monthly Bills</th>
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<td>Large coffee shop/small restaurant</td>
<td>$457</td>
<td>$490</td>
<td>$499</td>
<td>$519</td>
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<tr>
<td>30-unit multi-family building</td>
<td>$511</td>
<td>$547</td>
<td>$558</td>
<td>$580</td>
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*Bills effective April 1 of each year*
Summary

The proposed rate increases:

• Allow completion of STS2 and South Park landfill remediation
• Incorporate the City Utility Tax increase
• Include the UDP Expansion
• Provide for general inflation
• Allow the SWF to satisfy all financial policy requirements

No changes are being proposed to:

• Programs or services offered
• Rate structure
• Transfer station rates
• Recycling rates