

Solid Waste Fund 2017-2019 Rate Proposal

Seattle
 Public
Utilities

August 3, 2016

Topics

- **Strategic Business Plan Update**
- **Overview of Seattle's Solid Waste System**
- **2017-2019 Rate Proposal**

Strategic Business Plan Update

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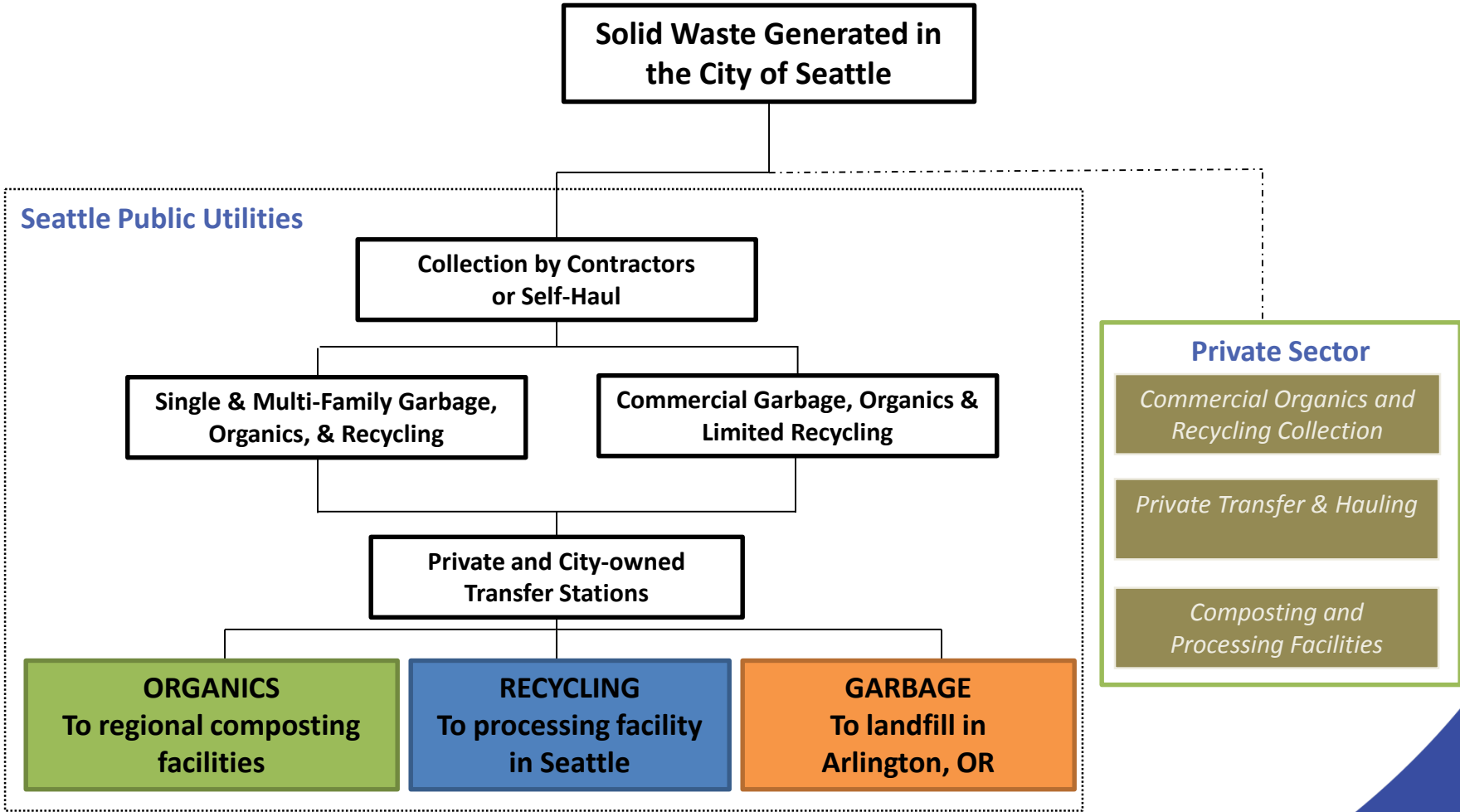
Rate proposal and current projections within SPU target of 4.6% average annual increases for SBP

<u>SBP</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2015-20</u>
Water	0.0%	5.2%	5.2%	4.1%	4.4%	2.6%	3.6%
Wastewater	0.8%	3.9%	1.8%	2.8%	7.2%	8.1%	4.1%
Drainage	9.8%	10.1%	8.1%	7.8%	8.1%	8.0%	8.6%
Solid Waste	4.2%	3.5%	6.0%	4.0%	2.9%	2.4%	3.8%
Combined	2.7%	5.0%	4.7%	4.2%	5.5%	5.2%	4.6%
<u>CURRENT</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2015-20</u>
Water	0.0%	1.7%	2.7%	4.5%	4.6%	5.2%	3.1%
Wastewater	0.8%	3.6%	4.6%	2.0%	7.7%	4.5%	4.1%
Drainage	9.8%	9.9%	10.0%	7.6%	11.2%	7.7%	9.4%
Solid Waste*	5.1%	3.8%	6.0%	3.1%	3.3%	2.2%	3.9%
Combined	2.9%	4.1%	5.3%	3.8%	6.2%	5.2%	4.6%

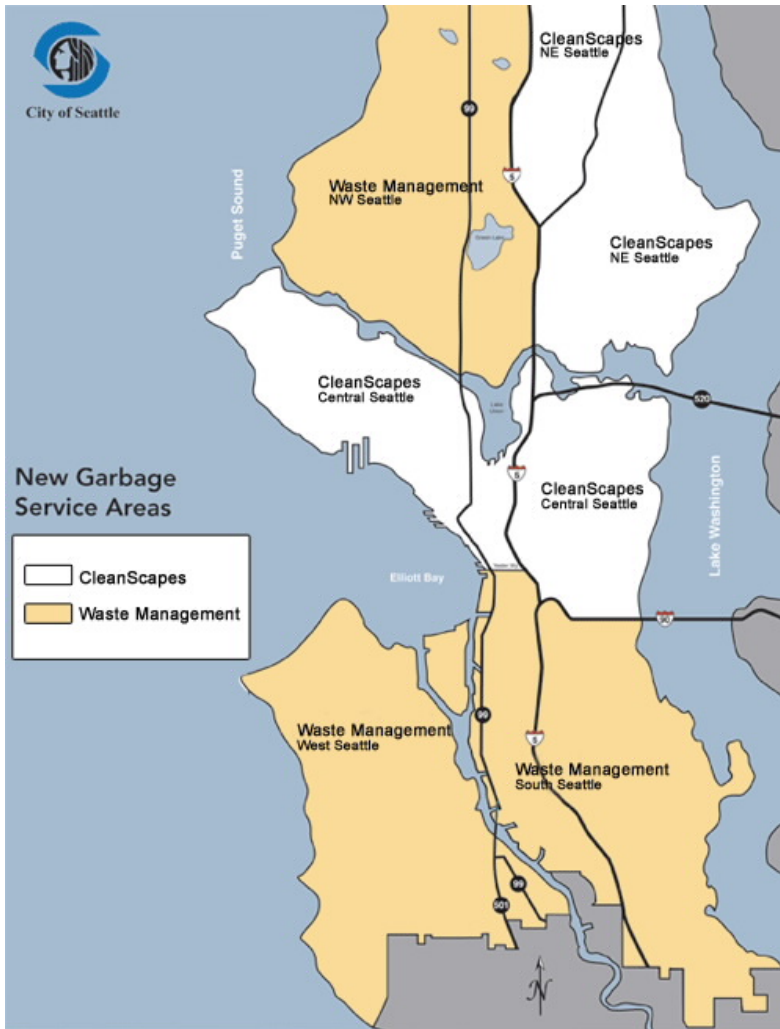
* Solid waste increases are the annual weighted average of all services including transfer stations and miscellaneous. Rates for residential and commercial customers would increase 7.2% in 2017, 1.9% in 2018, and 4.0% in 2019, effective April 1 of each year.

Overview of Seattle's Solid Waste System

Solid Waste System



Solid Waste System - Collection



**Contract through 2019
with City option to
extend to 2021**



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

Solid Waste Customers

Residential Can

164,713



Multi-Family

5,261



Commercial

8,145

Solid Waste System - Transfer



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

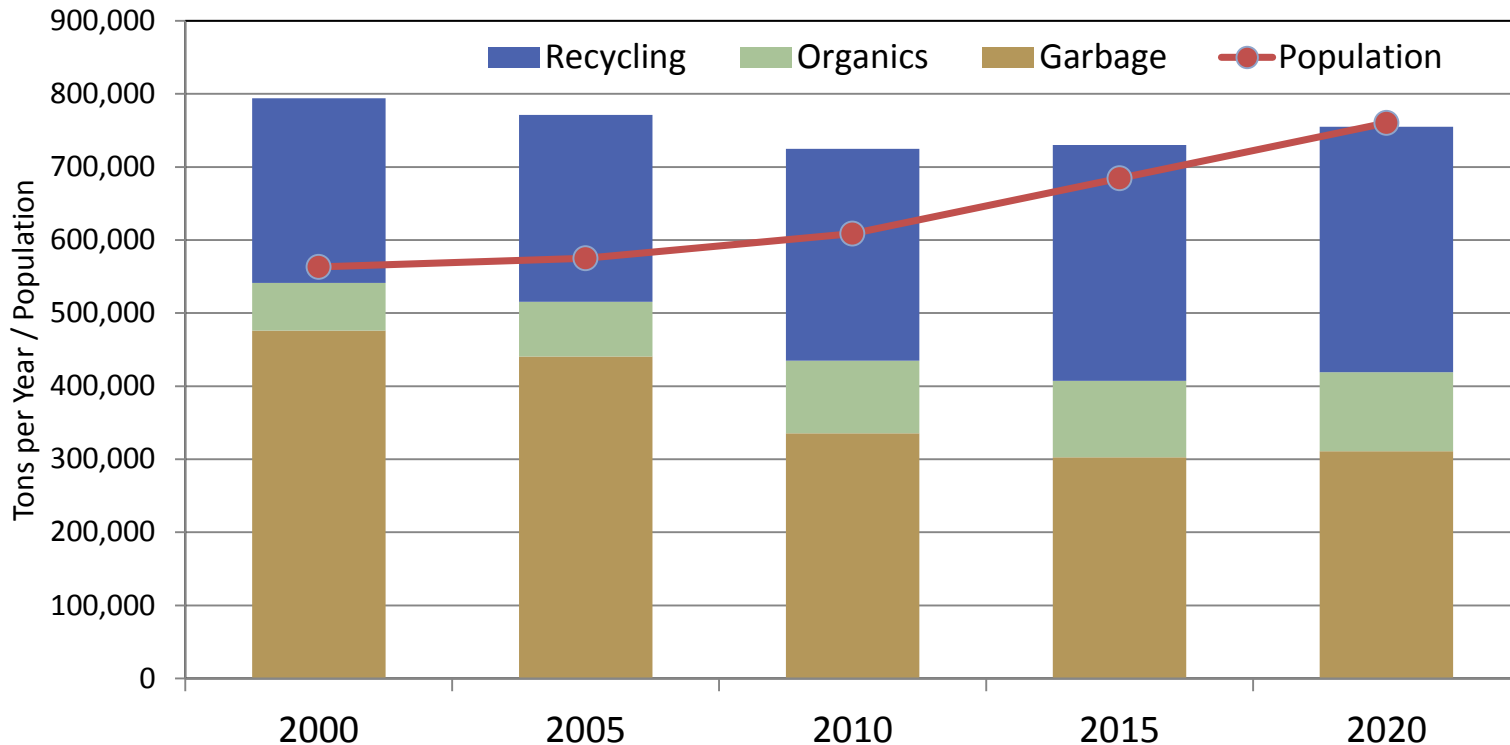


Legacy Landfills

- Ongoing monitoring of Seattle's closed landfills (e.g. Kent Highlands, Midway, South Park)

Solid Waste System – Tonnage

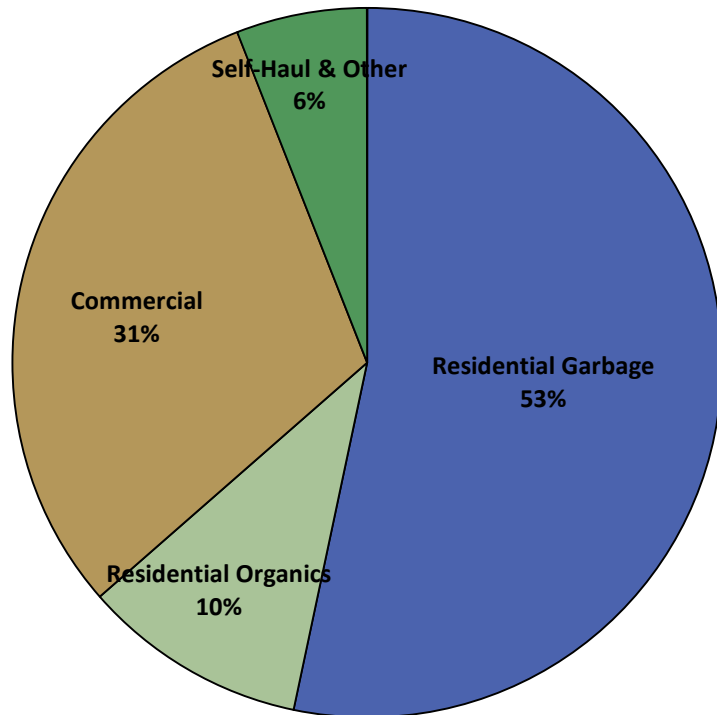
Tons Collected, and Population Growth Since 2000



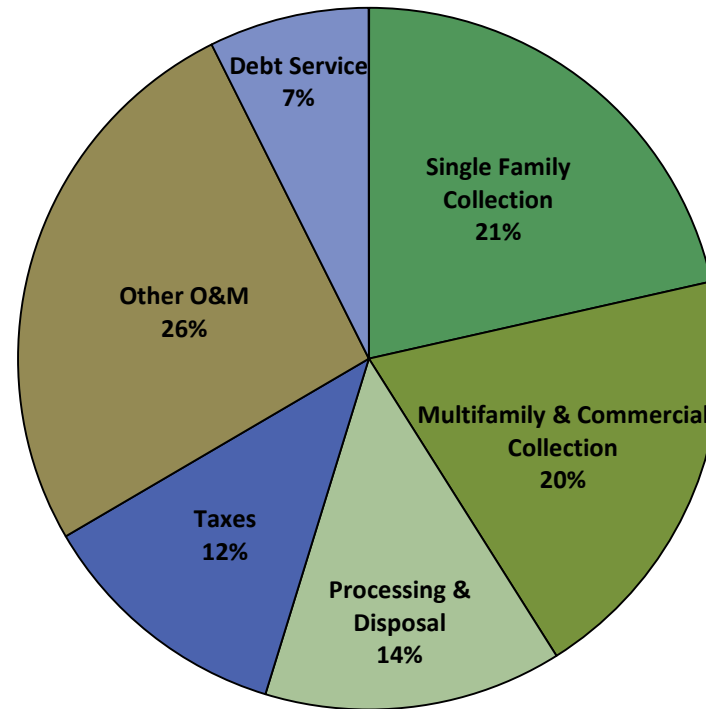
- **Recycling and organics is 58% of the 2015 waste stream** (projected)
- **Organics tonnage doubled between 2005 and 2015**
- **Garbage tonnage reduced by 30% between 2005 and 2015**
- **Strong demand for organics and recycling going forward**

2015 Solid Waste Revenues & Expenses

Revenue



Expenses



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

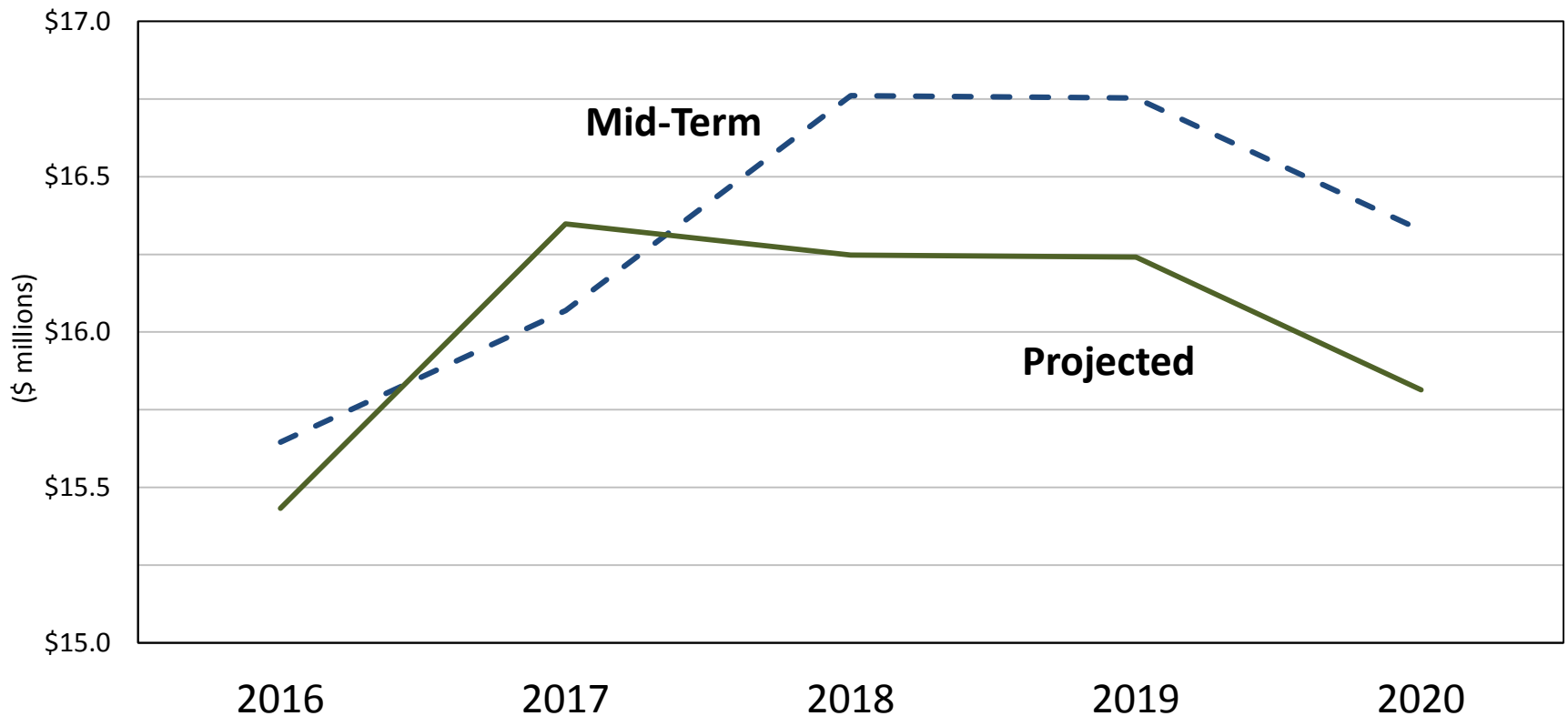
<i>(\$ millions)</i>	<u>2015</u>	<u>2016</u>	<u>2017</u>	
Total Revenue	\$7.4	\$7.0	\$7.1	
Processor Revenue	<u>\$7.1</u>	<u>\$1.8</u>	<u>\$0.0</u>	
SPU Revenue	\$0.3	\$5.2	\$7.1	SPU now keeps all revenue
Processing Cost	\$2.6	\$6.5	\$8.1	SPU incurs all processing cost
SPU Net Cost	(\$2.3)	(\$1.3)	(\$1.0)	Net savings of over \$1M annually

Lower Contract Inflation

<u>Year</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
CPI (42%)	0.34%	0.72%	3.75%	2.23%	1.02%	1.87%	1.36%
Labor (50%)	1.19%	1.08%	1.79%	1.84%	1.47%	3.65%	1.64%
Fuel (8%)	-33.65%	21.31%	28.21%	4.10%	-2.69%	-2.91%	-26.32%
Index	-2.0%	2.5%	4.7%	2.2%	0.9%	2.4%	-0.7%

- 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



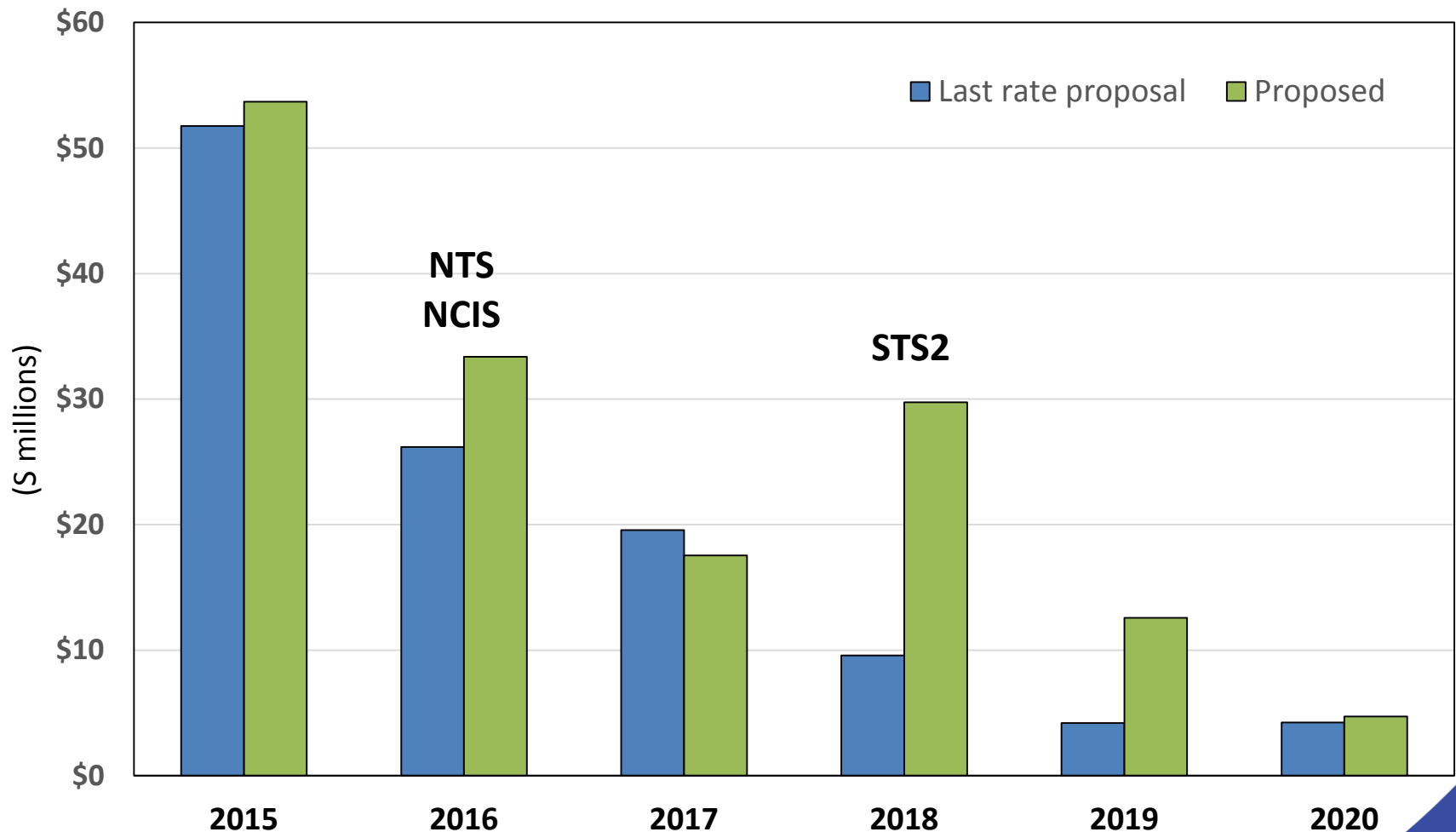
- **2017 debt service is higher because SPU issued debt in 2016 instead of 2017 as originally planned**
- **Size of debt has not changed, but a strong credit rating and low interest rates lowered future debt service**

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



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

	Actual			
<u>Typical Single-Family Monthly Bill</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
SBP	\$44.85	\$47.45	\$48.90	\$50.25
Proposed	\$44.85	\$48.10	\$49.00	\$50.95
 <u>Other Sample Monthly Bills</u>				
Large coffee shop/small restaurant	\$457	\$490	\$499	\$519
30-unit multi-family building	\$511	\$547	\$558	\$580

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