



# 10

## Administration and Financing of the Solid Waste System

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# Chapter 10 Administration and Financing of the Solid Waste System

## Overview

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The previous chapters in *Seattle's 2022 Solid Waste Plan Update (2022 Plan Update)* have described the services and activities that Seattle Public Utilities (SPU) provides, contracts for, or oversees to ensure solid waste in Seattle is managed responsibly. SPU's wide-ranging services help reduce waste generated in Seattle, maximize recycling and composting, collect and transfer waste efficiently, and process and dispose of waste safely.

This chapter explains how SPU administers and finances these services that support Seattle's solid waste system. It first describes key groups in SPU's organizational structure that administer or advise on SPU's solid waste services. Then it discusses how Seattle finances 1) operations and maintenance of the system through customer rates and 2) capital projects through customer rates, debt financing in the form of bonds, and cash. As part of the discussion of financing capital projects, this chapter includes SPU's six-year construction and capital acquisition program for solid waste handling and the estimated long-range needs for solid waste facilities 20 years in the future.

## Organizational Structure

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**The Solid Waste Utility**, one of three lines of business SPU, oversees solid waste services related to garbage, recycling, compost (food and yard waste), and other solid and moderate risk waste materials. Services include:

- Providing garbage, recycling, and food and yard waste collection and processing for Seattle's residential, multifamily, commercial, and self-haul solid waste customers
- Managing contracts related to waste collection, processing, and disposal services



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- Conducting inspections and other activities to ensure compliance with waste requirements
- Educating and providing assistance to customers to encourage waste prevention and diversion of waste through recycling and composting
- Operating Seattle's solid waste transfer stations
- Providing moderate risk waste collection and disposal services for the Hazardous Waste Management Program in King County
- Managing the City's historical landfills



*SPU's Compliance Team (Source: SPU Image Library)*

The Solid Waste Utility consists of the following teams:

- Solid Waste Planning and Program Management
- Solid Waste Operations
- Household Hazardous Waste and Landfills

Seattle's **Clean City programs** provide waste-related services that address illegal dumping, litter, community cleanup, and abandoned vehicles. Clean City programs are located within SPU's People, Culture, and Community Branch and are supported by the City's General Fund, separate from the Solid Waste Utility.

The **Environmental Justice and Service Equity (EJSE) team** supports SPU departments to carry out Seattle's Race and Social Justice Initiative (RSJI) and delivers inclusive and equitable services

to customers across the city. Environmental justice and service equity are key elements of the strategies that guide SPU's work:

- Embed race and social justice and service equity across SPU
- Engage historically underrepresented groups when working with communities
- Continue to align efforts within SPU to City, County, and community efforts

Environmental justice and service equity are the foundations of SPU's goal to be a community-centered utility. RSJI policies, such as the use of the RSJI toolkit, help SPU identify and overcome service equity gaps when planning a project, program, or policy.

SPU's priority is that race, language, income, age, or disability do not disadvantage customers or communities in receiving services. SPU needs to be fair and ethical in how risks and benefits are distributed throughout its projects. SPU considers the health of people and the environment and understands that not all customers have access to government services in the same way.

SPU also works closely with Seattle's **Solid Waste Advisory Committee (SWAC)**, a community advisory board that provides input on programs and decision-making within SPU and works to:

- Address issues in waste management including waste prevention, recycling, food and yard waste, collection contracts, and transfer stations
- Advise SPU on its findings and recommendations, including Seattle's Solid Waste Management Plan
- Communicate with other governmental agencies about solid waste issues

The SWAC's charter establishes the committee's purpose and clarifies its authority, roles, responsibilities, operating procedures, and rules.<sup>1</sup>

## Financial Policies

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Financial policies help determine how much revenue SPU must collect from its customers each year to meet the costs of management, planning, operations, programs, maintenance, and capital improvements. Accordingly, rates are generally set to meet the financial policies as well as to meet projected systemwide solid waste needs.

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<sup>1</sup> Seattle Public Utilities. "Solid Waste Advisory Committee Charter. April 2021.  
([www.seattle.gov/Documents/Departments/SPU/CAC/SWAC-Charter.pdf](http://www.seattle.gov/Documents/Departments/SPU/CAC/SWAC-Charter.pdf))

SPU cannot determine rate impacts of specific courses of action recommended in *2022 Plan Update* without first considering financial policies. These policies include formal financial policies adopted via legislation as well as informal guidelines that have evolved over time in response to specific issues. SPU uses financial policies and guidelines to determine how to finance solid waste system management, planning, operations, programs, maintenance, and capital improvements.

Financial policies support the resiliency of SPU services in the face of potential future changes and disruptions. The goals of these policies are to:

- Ensure the financial integrity of the solid waste utility
- Smooth future rate increases for solid waste customers over the near- and medium-term
- Ensure an equitable allocation of capital costs between current and future ratepayers

Seattle adopted several formal financial policies in 2004 and added a debt service coverage policy in 2014:

- **Net income.** Net income should be generally positive.
- **Cash target.** The target for year-end operating fund cash balance is 20 days of contract payments for collection and disposal services. SPU follows a more stringent internal policy for 45 days of operating cash, as recommended by bond rating agencies.
- **Cash funding of the Capital Improvement Program (CIP).** A minimum of \$2.5 million (in constant 2003 dollars) of the annual CIP should be funded with cash. SPU also follows informal guidelines that call for funding the greater of \$2.5 million (in 2003 dollars) or 10% of the CIP in years of higher spending.
- **Debt service coverage.** Each year, debt service coverage on first-lien debt should be at least 1.70 times debt service cost with credit for City taxes, and at least 1.50 times debt service cost without credit for City taxes. See the Financial section below for details.
- **Maintenance of capital assets.** For the benefit of both current and future ratepayers, the solid waste system will seek to maintain its capital assets in sound working condition.
- **Variable rate debt.** Variable rate debt should not exceed 15% of total outstanding debt.
- **Debt structure.** As a general practice, the solid waste system will have level nominal debt service and will not defer the repayment of principal.

The next section describes the financial health these policies have created for SPU.



*SPU Staff look through documents with a contracted collection drive (Source: SPU Image Library)*

## Financial Health

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Financially healthy organizations have the flexibility to respond to unexpected circumstances, such as unanticipated repairs or a shortfall in earnings. Flexibility can mean redirecting expenditures, borrowing money to meet an unexpected need, or other approaches.

Debt service coverage is a key performance indicator of SPU's financial health. Debt service coverage is an annual measure of the revenue an organization has available to repay debt, divided by debt payments. SPU's debt-service coverage policy target is 1.70 with credit for City taxes and 1.50 without credit for City taxes. SPU has surpassed this target in the past and expects to meet the target in the period covered by the *2022 Plan Update*.

Credit ratings also reflect the financial health of an organization. They are an informed assessment of the long-term security of bond investments. Seattle's solid waste system has



excellent bond ratings: AA by Standard and Poor's and Aa3 by Moody's. These rating agencies account for a variety of factors including:

- Financial policies
- Strength of the local economy
- Legal security
- Risk factors
- Comparative rate levels
- Management capability and performance
- Willingness of elected officials to raise rates

SPU uses the **asset management** approach to capital planning and budgeting. Asset management aims to ensure that SPU fully considers a "triple bottom line"—financial, environmental, and social impacts—when making decisions about its programs and assets. SPU has implemented a comprehensive asset management program since 2002. SPU's current asset management program has focused mainly on capital (infrastructure) assets and projects, but SPU plans to apply this approach to additional non-capital (programmatic) decisions in the future.

An asset management approach helps SPU ensure cost effectiveness in service delivery in the long run. This cost effectiveness is reflected in SPU's financial results over the past five years (Table 10.1). From 2014 to 2020, SPU has consistently met its financial targets.

**Table 10.1 SPU Financial Results 2014–2020 (in millions of dollars)**

REVENUES AND EXPENDITURES	2014	2015	2016	2017	2018	2019	2020
<b>Revenues</b>							
Operating Revenues	157.5	174.8	183.7	209.6	205.6	225.0	224.1
Total Revenues	157.5	174.8	183.7	209.6	205.6	225.0	224.1
<b>Expenses</b>							
Solid Waste Collection	96.9	100.0	104.6	107.5	108.0	107.5	108.7
Operations and Maintenance	28.9	39.7	37.1	44.9	43.2	42.4	44.3
Taxes	20.2	20.6	21.8	27.8	28.6	30.1	30.2
Depreciation and Amortization	9.5	9.4	7.7	12.2	14.9	14.8	13.9
Total Expenses	155.5	169.7	171.2	192.4	194.7	194.8	197.0
Other Income (Expense)	0.1	-3.7	-2.8	-5.4	-5.9	-2.2	-2.2
Net Income	2.1	1.4	9.7	11.9	5.0	28.0	24.9
<b>Financial Indicators</b>							
Debt Service Coverage with credit	3.23	3.46	2.92	3.99	3.50	4.75	4.42
Target	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Debt Service Coverage	1.53	2.02	1.65	2.43	1.87	3.04	2.69
Target	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Cash Balance	32.4	42.2	36.2	55.9	60.1	70.9	93.6
Target	5.3	5.5	5.7	5.9	5.9	6.1	6.4
Cash Funding of the CIP	3.2	5.4	11.0	3.5	3.5	3.5	3.6
Target	3.2	3.3	3.3	3.4	3.5	3.5	3.6

Source: Seattle Public Utilities (September 2021.)

## Funding Sources

Solid waste services are funded through the Solid Waste Fund, an enterprise fund established in 1961 by City ordinance. An enterprise fund is an account in which revenues generated from a utility are kept separate and balanced against expenditures.

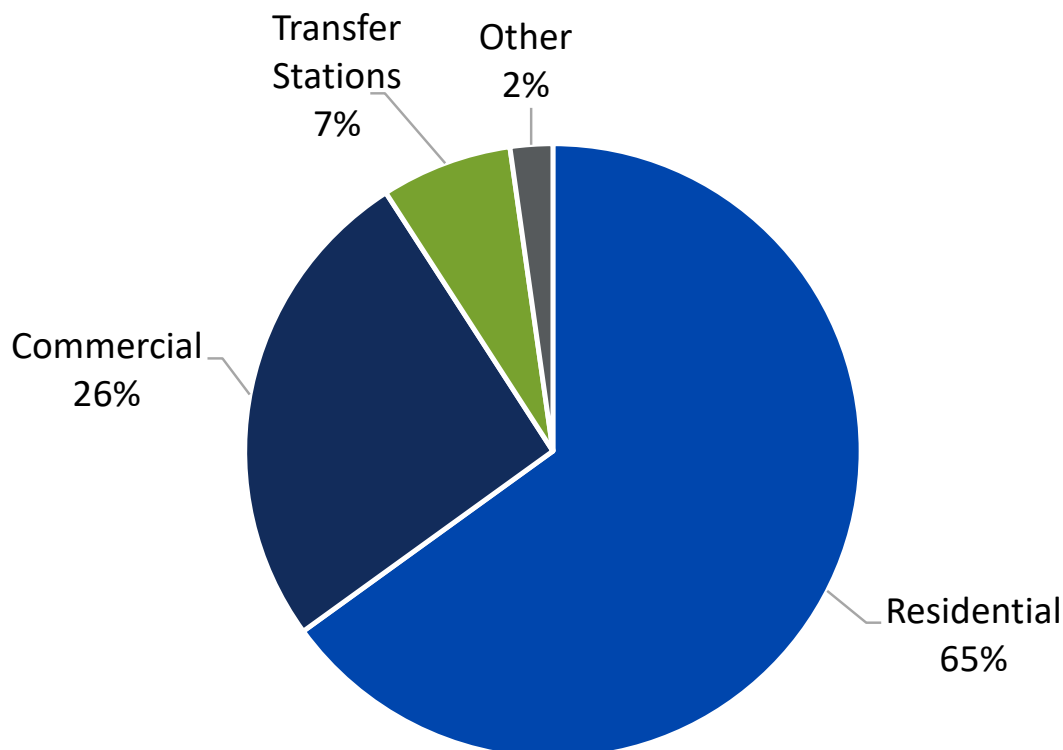
The primary source of funding for SPU's solid waste operational costs are revenues from commercial and residential solid waste collection and disposal. To finance capital spending, SPU

relies on borrowing and rate revenues. The solid waste system is in a period of large capital improvements with projects under way to complete remediation at the South Park Landfill followed by the redevelopment of the old South Transfer Station campus on the landfill. SPU will use a combination of cash and debt financing to fund the capital improvements over the next few years.

Four primary sources of operating revenue fund Seattle's solid waste programs (Figure 10.1):

- 1 Residential collection rates charged to single-family and multifamily accounts
- 2 Commercial collection rates charged to business accounts
- 3 Self-haul tipping fees charged to self-haul customers at the City's transfer stations
- 4 Solid waste tonnage fees charged to all entities (including SPU) engaged in or carrying on the business of collecting and transferring non-recyclable solid waste

**Figure 10.1 Seattle Solid Waste Revenue Sources 2020**



*Source: Seattle Public Utilities (September 2021)*

The Solid Waste Fund also earns other miscellaneous revenues, including revenue from the marketing of collected recyclables and grants.

## Pay-As-You-Throw Solid Waste Rates

SPU develops solid waste rates, which the mayor proposes for the City Council's approval. Rates are developed based on the following objectives:

- Provide financial soundness
- Advance economic efficiency
- Promote customer equity
- Encourage customer conservation
- Contribute to transparency and customer understanding
- Reduce impacts on low-income customers

SPU also considers affordability during rate setting. In 2007 to 2008, SPU conducted an analysis that identified ways to measure and improve rate affordability. SPU has already adopted the recommended changes to its Utility Discount Program, which provides rate assistance for low-income customers. See the discussion below regarding the Utility Discount Program.

More recently, in 2019, SPU prepared an *Accountability and Affordability Strategic Plan*, which focuses on managing future rate increases and corporate performance.<sup>2</sup> The plan focuses on four key results areas:<sup>3</sup>

- 1 Reasonable rates that keep rates as low as possible for as long as possible
- 2 Assistance to help ensure customers can access utility services without risk of shutoff
- 3 Responsible investment to maximize value for the least cost, balancing service levels, investments, needs, and risks
- 4 Performance that provides more transparency to customers on how SPU spends money

The largest component of solid waste costs is operations and maintenance expense including collection, processing, and disposal contract costs as well as transfer station operations costs. Because costs stayed relatively flat, rates did not change in 1994–2004 and increased slightly in 2005–2006. However, since 2007, a series of rate increases have helped pay for significant cost increases in new contracts that started in 2009. Rate increases have also helped finance significant capital investments in the transfer stations. The typical single-family monthly bill includes a 32-gallon garbage cart with weekly service, a 96-gallon food and yard waste cart with

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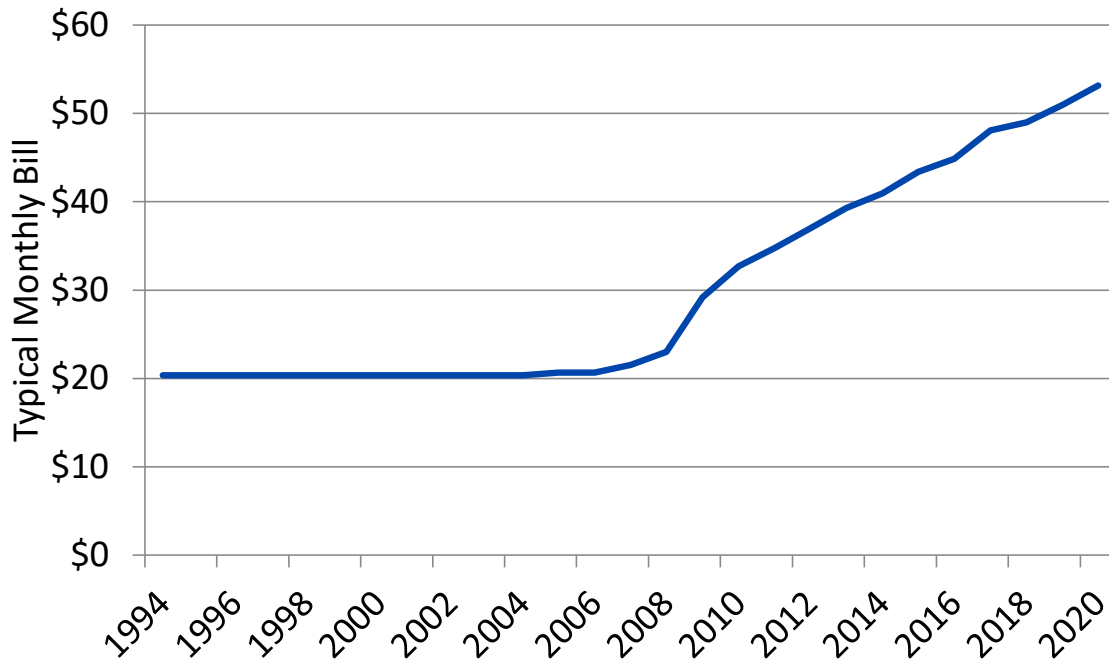
<sup>2</sup> Seattle Public Utilities, "SPU's Accountability and Affordability Strategic Plan," June 2019, [www.seattle.gov/Documents/Departments/SPU/AboutUs/SBP\\_AA\\_Plan\\_Report\\_2019-06-17.pdf](http://www.seattle.gov/Documents/Departments/SPU/AboutUs/SBP_AA_Plan_Report_2019-06-17.pdf).

<sup>3</sup> Mami Hara, Seattle Public Utilities, "RE: Status Report for Resolution 31760 Amendment #14 Regarding Affordability and Accountability Strategy," August 1, 2018, [www.seattle.gov/Documents/Departments/SPU/AboutUs/Affordability\\_Accountability\\_Strategy\\_Report.pdf](http://www.seattle.gov/Documents/Departments/SPU/AboutUs/Affordability_Accountability_Strategy_Report.pdf).



weekly service, and a 96-gallon recycling cart with every-other-week service (Figure 10.2). The typical single-family monthly bill was approximately \$53 in 2020.

**Figure 10.2 SPU Single-Family Monthly Solid Waste Bills 1994–2020**



*Source: Seattle Public Utilities (September 2021.)*

In SPU's rate structure, all rates increase as service levels increase. Often referred to as a "pay-as-you-throw" (PAYT) system, this rate structure incentivizes waste reduction, recycling, and composting. Garbage is the most expensive service and is offered to single-family customers at six price levels that increase with the volume of service. As customers reduce waste generation overall and divert more material from the garbage into the recycling or food and yard waste carts, they can save money by decreasing their garbage service and lowering their cost for overall solid waste services. Recycling service is built into the garbage rate (offered at no additional cost) and compost service for food and yard waste costs significantly less than garbage.

One of the drawbacks of the PAYT system is that this rate structure may also increase contamination when customers undersubscribe to garbage service and place non-recoverable materials in recycling or compost containers.

Seattle considers rates comprehensively across all solid waste services to balance sometimes competing goals, including covering costs while incentivizing desired behavior and maintaining

affordability of services. SPU uses rate reviews to evaluate and ensure that all communities and geographic areas benefit equally from the incentivized rate structure.

## Residential Rates

All residential (single-family and multifamily) customers must subscribe to garbage collection service, described in Chapter 6, *Solid Waste Handling, Collection, and Removal*. Customers choose the level of service they need. All residential customers receive every-other-week recycling service at no additional charge with garbage collection. They must subscribe separately to food and yard waste collection service and can request Beyond the Cart collection to recycle selected items not accepted in commingled recycling. Qualified customers can receive a utility discount to increase the affordability of waste services.

## Garbage Carts

Most single-family and multiplex customers (“cart customers”) have weekly curb or alley service (Table 10.2). For an additional fee, garbage cart customers can choose backyard collection service.

**Table 10.2 SPU Monthly Residential Garbage Cart Rates 2020**

SERVICE LEVEL (WEEKLY PICK UP)	MONTHLY RATE
Micro-can (12 gallons)	\$25.00
Mini-can (20 gallons)	\$30.60
32-gallon cart	\$39.80
64-gallon cart	\$79.55
96-gallon cart	\$119.40
Extra bundle/bag	Each \$12.35

## Garbage Dumpsters

Residential garbage dumpster service is available for apartment buildings with five or more residential units. Rates are set per container pick up and vary with container size. Table 10.3 shows typical residential garbage dumpster service levels and rates. Dumpsters up to eight cubic yards in size are available.

**Table 10.3 SPU Monthly Multifamily Residential Garbage Dumpster Rates 2020**

SERVICE LEVEL PER CONTAINER WEEKLY PICK UP (UNCOMPACTED)	MONTHLY RATE
1 Cubic Yard	\$251.14
2 Cubic Yards	\$360.47
3 Cubic Yards	\$469.81

## Food and Yard Waste

All residential customers must subscribe to weekly food and yard waste collection service unless they participate in backyard composting. SPU made food and yard waste service mandatory for single-family residential customers in 2009 and for multifamily residential customers in 2011. Rates for weekly collection through SPU contracts are presented in (Table 10.4).

**Table 10.4 SPU Food and Yard Waste Collection Rates 2020**

SERVICE LEVEL (WEEKLY PICK UP)	MONTHLY RATE
Mini Can (13 gallons)	\$6.60
32-gallon Cart	\$9.90
96-gallon Cart	\$12.65
Extra Bundle (yard waste)	\$6.35

## Beyond the Cart Recycling Collection for Special Items

SPU provides the following special collection options:

- No cost: expanded polystyrene blocks and used cooking and motor oil
- \$5.00 per pick up: small propane canisters, CFLs, household batteries
- \$20.00 per pick up: special items box for multiple small special items (such as electronics, household batteries, small appliances)
- \$30.00 per item: large furniture, appliances, and TVs larger than two feet long in all dimensions
- \$38.00 per item: items containing CFCs (also called chlorofluorocarbons), such as refrigerators and freezers manufactured before 2005

## Utility Discount Program

Seattle offers rate assistance to seniors, persons with disabilities, and low-income customers. Qualified low-income customers receive a 50% discount on their solid waste bill. Customers who live in apartment buildings and who do not receive a SPU bill directly instead receive a fixed credit on their Seattle City Light bill.

## Commercial Garbage Rates

Seattle has set commercial garbage rates since April 2001, when the City started contracting with private haulers to provide collection to commercial customers. At that time, Seattle rolled back some commercial rates to their 1994 levels. Businesses and nonprofit organizations can choose to subscribe to contracted garbage collection service or self-haul waste to the transfer stations. Table 10.5 shows 2020 garbage rates for some typical commercial service levels.<sup>4</sup>

**Table 10.5 SPU Commercial Garbage Rates 2020**

SERVICE LEVEL PER CONTAINER WEEKLY PICK UP	MONTHLY RATE
1 Cubic Yard (uncompacted)	\$223.64
2 Cubic Yards (uncompacted)	\$364.15
3 Cubic Yards (uncompacted)	\$505.66

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<sup>4</sup> Full list of service levels for commercial customers is available on the SPU website:  
<https://www.seattle.gov/utilities/your-services/accounts-and-payments/rates/collection-and-disposal/garbage-rates/commercial-garbage-rates>



## Self-haul Garbage Rates

Rates at the transfer stations vary depending on the kind or type of material (Table 10.6). Effective April 1, 2020, all vehicles are weighed on their way in and out of the stations and charged based on the weight of their garbage load.

**Table 10.6 SPU Self-haul Disposal Rates 2020 (effective April 1, 2020)**

TYPE OF WASTE	MINIMUM CHARGE	PER-TON RATE
Appliances	\$30	\$8 per appliance + tonnage rate for other materials
Clean wood waste	\$21	\$113.00 (\$20 minimum for up to 380 lbs.)
Garbage	\$31	\$149 (\$31 minimum for up to 420 lbs.)
Recyclables	No charge	No charge
Yard waste	\$21	\$113.00 (\$21 minimum for up to 380 lbs.)

## Recommendation

In support of considering rates comprehensively across all solid waste services, not just for stand-alone services, SPU has developed the following recommendation.

### **Rec 39. Continue to regularly review rates to ensure they provide incentives for program success, are set equitably, and balance affordability and program costs**

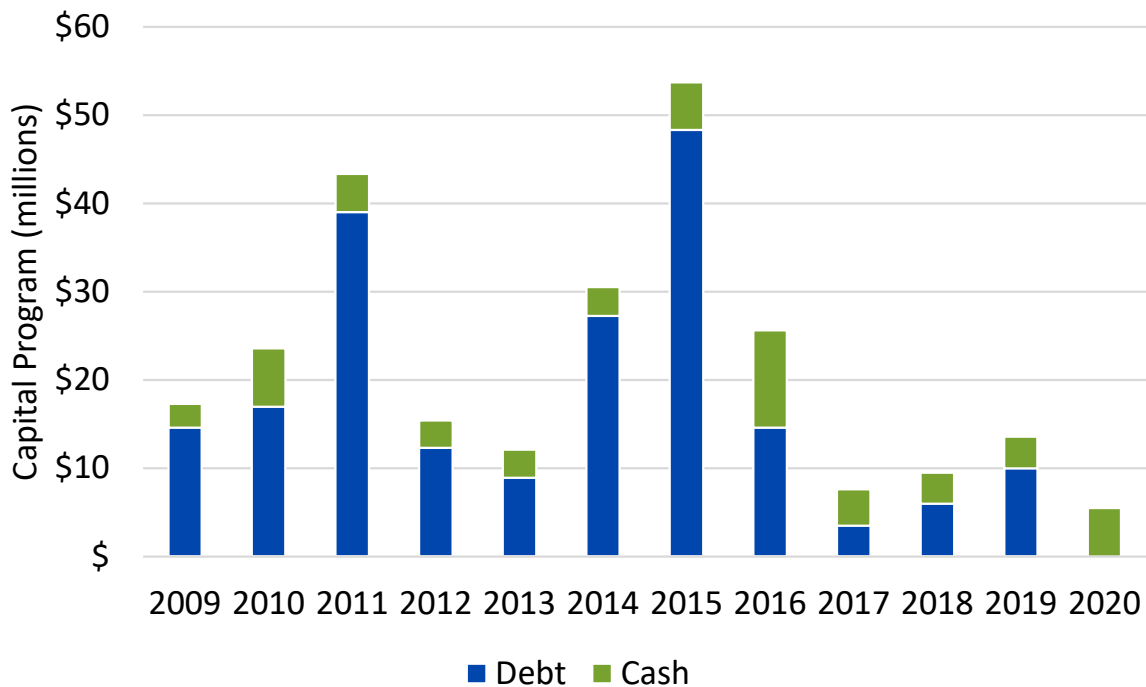
SPU should continue to perform rate analysis and design review every three years. In this process, SPU reviews rates to make sure they (1) provide incentives for waste prevention and diversion, (2) are set equitably, and (3) balance affordability with covering the costs of providing solid waste services and programs.

## Debt Financing

To finance its capital investments, such as rebuilding transfer stations, SPU generally cannot rely on rate revenues alone. Historically, SPU has financed its capital program primarily with debt from issuing revenue bonds, while still using some rate revenues and cash. Specifically, SPU finances at least \$2.5 million (in 2003 dollars) of the capital program with rate revenues or cash, or at least 10% of the CIP in years of higher spending.

Before 2008, the Solid Waste Fund's Capital Improvement Plan (CIP) was small. SPU issued bonds in 1999 to fund landfill closure and miscellaneous transfer station improvements, but a large portion of the CIP was financed with rate revenues. From 2003 to 2007, SPU drew on a line of credit to fund land purchases and other capital investments. In 2007 and 2011, SPU issued bonds to fund the transfer station rebuild project. Figure 10.3 shows capital spending and debt financing from 2009 through 2020. Future capital spending and debt financing are discussed in the next section.

**Figure 10.3 SPU Capital Spending and Debt Financing 2009–2020**



Source: Seattle Public Utilities (September 2021.)

## Projected Monetary Needs and Financing Strategy

This section highlights the costs of operating SPU's solid waste system and meeting its waste reduction and recycling objectives. First, it discusses the 6-year capital improvement plan, 20-year capital facilities budget, and the outlook for operations and maintenance (O&M). It then outlines likely methods of financing those activities and compares the revenue needs if SPU continues its current programs (status quo) versus implemented the recommendations in the *2022 Plan Update*.

### Six-Year Capital Improvement Program Plan

In 2020, Seattle City Council approved the 2020–2025 Adopted CIP.<sup>5</sup> City Council adopts a budget—meaning it legally permits expenditures—for only a single year at any time. However, for CIP, it also endorses a budget that extends five years after the adopted budget. Endorsed budgets are projected baselines and do not reflect actual authority to expend funds. Endorsed budgets require subsequent adoption before they become allowable expenditures. The CIP is broken down into four major programs, as shown in Table 10.7.

**Table 10.7 Proposed Solid Waste Capital Improvement Plan (in \$1,000s) 2022–2027**

PROGRAM	2022	2023	2024	2025	2026	2027	TOTAL
New Facilities	\$6,156	\$13,009	\$14,988	\$4,147	\$1,503	\$300	\$40,102
Rehabilitation & Heavy Equipment	\$2,450	\$550	\$1,850	\$350	\$250	\$200	\$5,650
Shared Cost Projects	\$4,561	\$2,550	\$2,517	\$795	\$823	\$338	\$11,584
Technology Capital	\$1,508	\$1,508	\$1,508	\$1,507	\$1,508	\$1,508	\$9,045
<b>Total</b>	<b>\$14,675</b>	<b>\$17,616</b>	<b>\$20,862</b>	<b>\$6,800</b>	<b>\$4,084</b>	<b>\$2,345</b>	<b>\$66,381</b>

*Source: Seattle Public Utilities (September 2021.)*

The **New Facilities** program includes projects that plan, design, and construct new facilities to enhance solid waste operations. In 2021, SPU continues the implementation of its *2004 Solid*

<sup>5</sup> City of Seattle, "2020 Adopted Budget," 2019, <http://www.seattle.gov/Documents/Departments/FinanceDepartment/20adoptedbudget/SPU.pdf>.

*Waste Facilities Master Plan.* The key project drivers of the New Facilities program are the South Recycling Center and the South Park Development project.

SPU is conducting the final phase of the South Transfer Station Rebuild project to replace the South Recycling and Disposal Station constructed in 1965 on the historic South Park Landfill. One part of this project, the South Transfer Station rebuild, is complete. In the current phase, SPU will remediate the City-owned portion of the South Park Landfill under a consent decree with the Department of Ecology and make minor operational improvements. This work is in design and is scheduled to be completed in 2024. Following remediation, SPU will redevelop the old South Transfer Station campus based on current opportunities and needs in the South Seattle Community. Planning for this phase will begin in 2022.



*SPU's South Transfer Station during construction (Source: SPU Image Library)*

The **Rehabilitation and Heavy Equipment** program designs and constructs projects to repair and improve the historic Kent Highlands and Midway Landfill under a consent decree for those sites.



The **Shared Cost Projects** program includes capital costs that typically benefit multiple lines of business such as the Water and the Drainage and Wastewater lines of business. The costs are "shared," or paid for, by more than one of SPU's utility funds.

The **Technology Capital** portfolio is managed in six program areas, which provide a department-wide view of technology investments to address SPU's strategic, business, and City-wide priorities. The Technology Capital portfolio includes customer contact and billing; enterprise information management; IT infrastructure; project delivery and performance; science and system performance; and asset information management.

## Long-Term Capital Facilities Budget and Projected Financing

In addition to the six-year CIP, SPU has developed its best estimate of a capital facilities budget through 2042, given what is known and anticipated at this time (Table 10.8). The long-term capital budget is expected to be the same for the status quo and the package of recommendations.

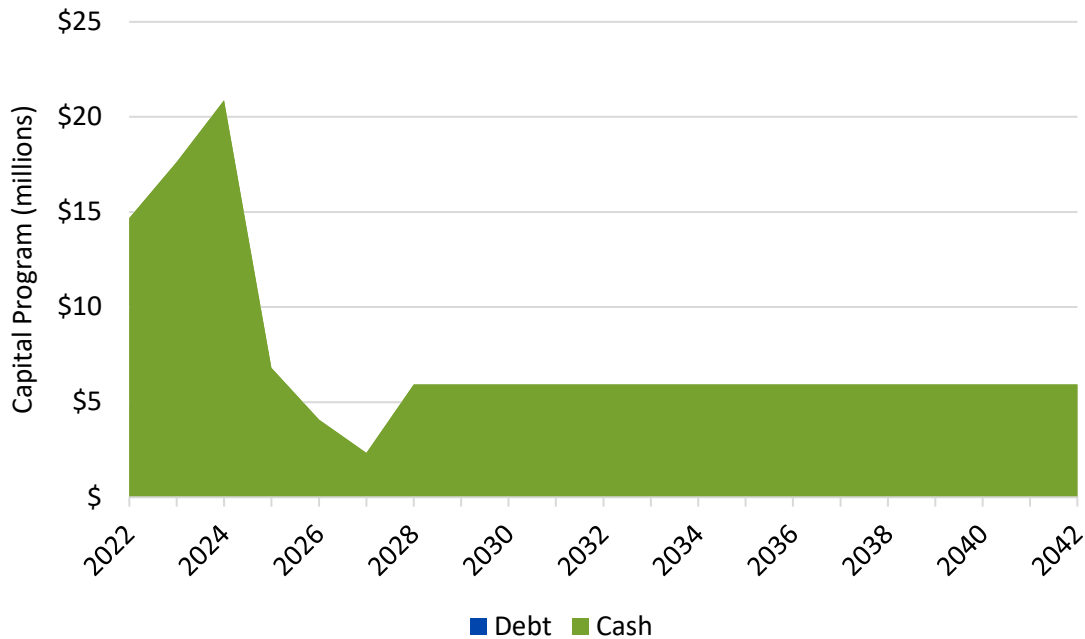
**Table 10.8 SPU Solid Waste Capital Facilities Plan (\$ thousands) 2022–2042**

BUSINESS AREA	2022-2027	2028-2042
New Facilities (Major Facility Maintenance)	\$40,152	\$27,800
Rehabilitation and Heavy Equipment (Landfill Improvements & Planning)	\$5,650	\$13,200
Shared Cost Projects	\$11,584	\$27,000
Technology Capital	\$9,045	\$21,100
<b>Total</b>	<b>\$66,381</b>	<b>\$89,100</b>

*Source: Seattle Public Utilities (September 2021.)*

Previously, SPU financed most of its CIP with debt during the period of significant capital spending associated with rebuilding its transfer stations. Starting in 2020 and continuing into the future, SPU projects that the solid waste CIP will be financed with cash (Figure 10.4).

**Figure 10.4 SPU Projected Capital Financing (\$ thousands) 2022–2042**

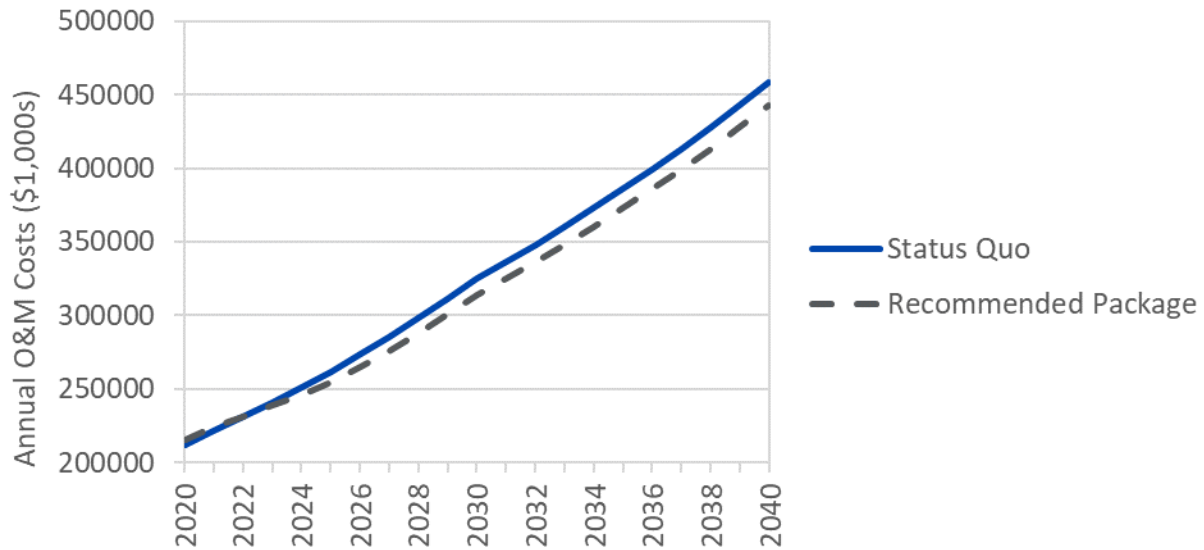


Source: Seattle Public Utilities (September 2021)

## Operations and Maintenance Outlook

Solid waste system O&M expenses (excluding debt service and taxes) are expected to grow due to inflation, customer growth, and implementation costs for new and expanded programs. For inflation, contract terms include escalators based on inflation indices. SPU labor costs will follow the paths prescribed in the various collective bargaining agreements. Projected O&M costs are slightly lower under the package of recommendations than under the status quo. Figure 10.5 compares O&M projections for the status quo and recommended package.

**Figure 10.5 Projected SPU Solid Waste O&M Spending 2020–2040**



*Source: Seattle Public Utilities (August 2019.)*

The Solid Waste Fund's 2020 adopted O&M budget by cost center for solid waste services is shown in Table 10.9. Costs are shown by branch, but all costs relate to the solid waste system and are supported by the solid waste fund. As shown, about 53% of utility-wide budgeted expenditures from the solid waste fund are for collection, processing, and disposal contracts and transfer station operations. Other significant costs included city and state taxes (14%) and debt service (7%).

**Table 10.9 SPU Adopted Solid Waste O&M Budget by Branch and by Function 2020**

SPU BRANCH (COSTS IN \$ THOUSANDS)				
Major Cost Centers	Solid Waste Utility	General Manager/CEO	People, Culture, and Community	
Collect, process, disposal contracts	\$659	-	-	Table columns continue below
Hazardous Waste Management Program payment	-	-	-	
Hazardous Waste Management Program reimbursable	\$3,141	-	\$275	
Transfer station operations	\$13,485	-	-	
Landfill maintenance	\$1,807	-	-	
Solid waste planning and performance management	\$5,423	-	-	
Rates, budget, accounting, contracts, IT, fleets, facilities	-	\$510	-	
Personnel, safety, service equity	-	-	\$1,420	
Economists, communications, community relations, legislative liaison, department leadership	\$425	\$929	\$360	
Pre-capital planning	\$11	\$47	-	
Non-projects general	\$416	\$0	\$6,509	
Allocated City costs	-	-	-	
Taxes	-	-	-	
Debt Service	-	-	-	
G&A Credit	(\$3,972)	(\$238)	(\$3,814)	
<b>Total</b>	<b>\$21,395</b>	<b>\$1,249</b>	<b>\$4,751</b>	

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SPU BRANCH (COSTS IN \$1,000S)				
Major Cost Centers	Finance and Admin.	Project Delivery and Engineering	SPU General Expense (no employees)	
Collect, process, disposal contracts	-	-	\$112,107	Table columns continue below
Hazardous Waste Management Program payment	-	-	\$4,651	
Hazardous Waste Management Program reimbursable	-	-	\$1	
Transfer station operations	-	-	-	
Landfill maintenance	-	-	\$112	
Solid waste planning and performance management	-	-	-	
Rates, budget, accounting, contracts, IT, fleets, facilities	\$4,223	-	-	
Personnel, safety, service equity	\$906	-	-	
Economists, communications, community relations, legislative liaison, department leadership	-	-	-	
Pre-capital planning	\$31	\$14	\$79	
Non-projects general	-	\$2,692	\$6,633	
Allocated City costs	-	-	\$8,209	
Taxes	-	-	\$29,752	
Debt Service	-	-	\$15,450	
G&A Credit	(\$986)	(\$1,216)	-	
<b>Total</b>	<b>\$4,174</b>	<b>\$1,490</b>	<b>\$176,994</b>	

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SPU BRANCH (COSTS IN \$1,000S)				
Major Cost Centers	Water Line of Business	Drainage and Wastewater Line of Business	Utility Total	
Collect, process, disposal contracts	-	-	\$112,766	Table columns continue below
Hazardous Waste Management Program payment	-	-	\$4,651	
Hazardous Waste Management Program reimbursable	-	-	\$3,417	
Transfer station operations	-	-	\$13,485	
Landfill maintenance	\$3	-	\$1,922	
Solid waste planning and performance management	-	-	\$5,423	
Rates, budget, accounting, contracts, IT, fleets, facilities	-	\$211	\$4,944	
Personnel, safety, service equity	-	-	\$2,326	
Economists, communications, community relations, legislative liaison, department leadership	-	-	\$1,714	
Pre-capital planning	\$3	\$17	\$203	
Non-projects general	\$1,643	\$1,199	\$19,093	
Allocated City costs	-	-	\$8,209	
Taxes	-	-	\$29,752	
Debt Service	-	-	\$15,449	
G&A Credit	(\$423)	(\$357)	(\$11,006)	
<b>Total</b>	<b>\$1,227</b>	<b>\$1,069</b>	<b>\$212,348</b>	

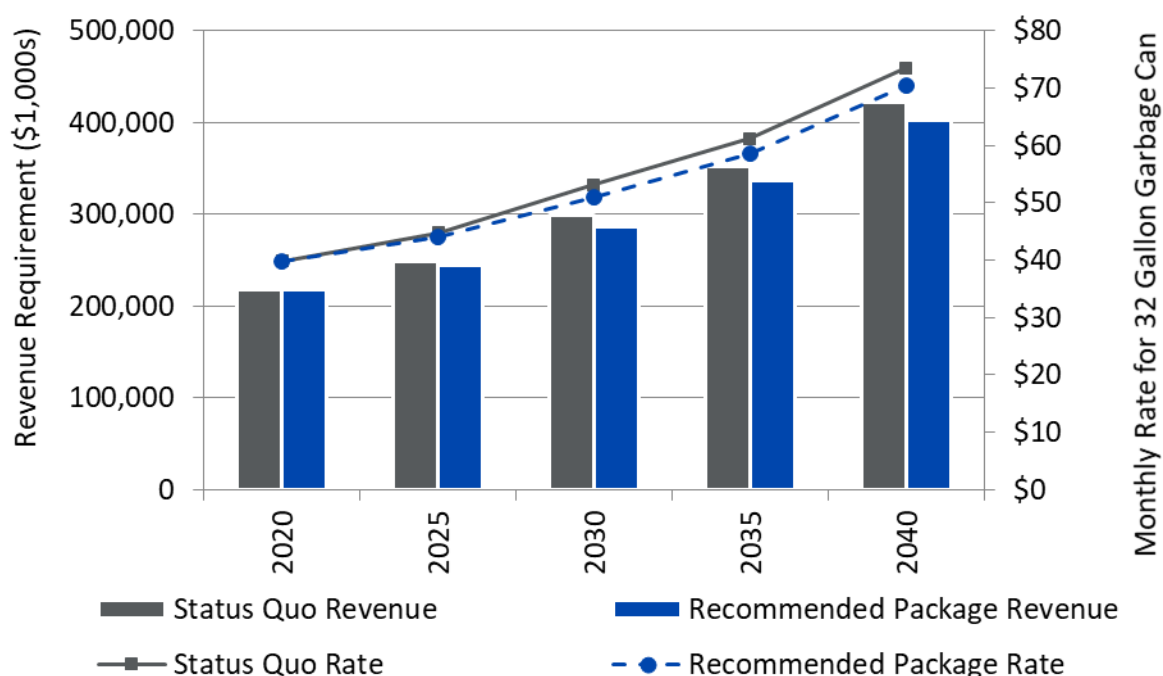
Source: Seattle Public Utilities (September 2021.)



## Revenue and Rate Projections

To meet the financial policies discussed above, rate increases would be required under both the status quo and recommended scenarios (Figure 10.6). SPU revenue requirements are higher under the status quo scenario than if SPU implements the recommendations. Both scenarios start with a revenue requirement of about \$217 million in 2020 and rise by 2040 to about \$420 million for the status quo and \$400 million for the recommended scenario (Figure 10.6). Similarly, customer rates for monthly collection would be approximately 4% lower under the recommended scenario than under the status quo.

**Figure 10.6 Status Quo and Preferred Scenarios 2020–2040**



*Source: Seattle Public Utilities (August 2019.)*

Rates will rise whether SPU stays with the status quo or proceeds with recommendations in the *2022 Plan Update*. Under the status quo, rates will increase to cover inflation and any new services or investments. The recommendations have new implementation costs, but they also reduce garbage tons moving through the system. Cost savings from less garbage more than offsets new implementation costs, thus reducing the overall revenue requirement. The following describes rate drivers that help to offset new program costs, including operational efficiencies, recovery fees, and product stewardship.

## Operational Efficiencies

SPU has made strides in identifying operating efficiencies and reducing costs to enhance overall resilience. Continued identification and implementation of operating efficiencies can help offset rate increases. For example, SPU's new transfer stations have more capacity and therefore reduce reliance on private transfer stations. There may also be opportunities to reallocate existing staff resources to new recycling and waste reduction activities.

## Recovery Fees

Consumer or producer recovery fees, paid when a product is produced or sold, could be a source of funding for solid waste. These fees could help pay for some solid waste system costs, thereby reducing the amount that needs to be recovered from ratepayers.

## Cost Internalization and Other Product Stewardship Initiatives

SPU's costs will be lowered and rate increases mitigated by programs that encourage consumers to choose products with fewer environmental impacts or that remove materials from the solid waste stream (producer take-back initiatives).