

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title:

AN ORDINANCE relating to the solid waste system of Seattle Public Utilities; revising rates and charges for solid waste services; revising credits to low income customers for solid waste services; and amending Chapters 21.40, 21.76 of the Seattle Municipal Code.

Summary of the Legislation:

This proposed ordinance would adjust solid waste rates for residential and commercial customers for 2015 and 2016 based upon the adjustment mechanism outlined in Ordinance 124056, and change the low-income assistance credits for solid waste customers.

Background:

The Council in November of 2012 adopted solid waste rates for 2013-2016 and provided a mid-term adjustment mechanism to modify rates if the Solid Waste Fund was not expected to meet its financial policy targets. Earlier this year the Council passed Resolution 31516 to help preserve the Solid Waste Fund’s favorable bond rating by introducing a new debt service coverage policy. This ordinance would increase the scheduled solid waste rate increase in 2015 by 1.6% to 5.9% to meet this new debt service coverage policy. The previously scheduled 2016 rate increase of 3.4% will remain, though 2016 rates will be higher due to an increase of the previously approved base rate in 2015.

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2015 Revenue	2016 Revenue
Solid Waste Fund 45010	Seattle Public Utilities	Solid Waste Services	\$2,438,010	\$3,282,062
TOTAL			\$2,438,010	\$3,282,062

Revenue/Reimbursement Notes:

The 2015 and 2016 revenues are the additional solid waste revenues resulting from the upward adjustment in SPU's solid waste rates compared to already-approved rates.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
No.
- b) **What is the financial cost of not implementing the legislation?**
The Solid Waste Fund would not meet its financial policy obligations, possibly risking a rating downgrade and increasing the cost of future bond financing.
- c) **Does this legislation affect any departments besides the originating department?**
City of Seattle departments incurred roughly \$400,000 in solid waste collections costs in 2013. With the already approved 2014-2106 rate increases, those costs would increase to \$460,000 by 2016. This legislation will increase those costs by an additional \$7,000. Utility tax payments to the general fund will increase by \$279,000 in 2015 and by \$375,000 in 2016.
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
Not raising solid waste rates at this time would result in the Solid Waste Fund failing to meet its financial policy targets.
- e) **Is a public hearing required for this legislation?**
No.
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.
- g) **Does this legislation affect a piece of property?**
No.
- h) **Other Issues:**
None.

List attachments to the fiscal note below:

Exhibit A: Solid Waste Fund Mid-Term Adjustment 2015-2016 Changes Since Rate Study

EXHIBIT A

**Seattle Public Utilities
 Solid Waste Fund Mid-Term Rate Adjustment
 2015-2016 Changes Since Rate Study
 (\$ millions)**

10/14/2014

	<u>2015</u>	<u>2015</u>		<u>2016</u>	<u>2016</u>	
	<u>Rate Study</u>	<u>Revised</u>	<u>Change</u>	<u>Rate Study</u>	<u>Revised</u>	<u>Change</u>
1 APR 1 RATE INCREASE	4.3%	5.9%	1.6%	3.4%	3.4%	0.0%
2						
3 <u>REVENUES</u>						
4 Service Revenue	\$163.1	\$160.0	(\$3.1)	\$168.2	\$164.3	(\$3.9)
5 <i>- Single Family Can Size</i>	28.7	27.7				
6 <i>- Multi Family pickups per year</i>	453,000	438,000				
7 Transfer Station Revenue	\$10.2	\$8.0	(\$2.2)	\$9.7	\$8.8	(\$0.8)
8 <i>- 28% reduction from NTS closure</i>						
9 Recycling Revenue (lower commodity prices)	\$2.9	\$0.8	(\$2.1)	\$2.9	\$0.8	(\$2.1)
10 Other Revenue	\$0.5	\$0.7	\$0.2	\$0.5	\$0.4	(\$0.0)
11 <i>RSF (better than expected 2013/14 results)</i>	\$0.0	\$2.5	\$2.5	\$0.0	\$3.5	\$3.5
12 Mid-Term Adjustment (new DSC)	\$0.0	\$2.4	\$2.4	\$0.0	\$3.3	\$3.3
13 <i>- DSC excluding taxes</i>	1.30	1.50				
14 TOTAL REVENUES	\$176.7	\$174.5	(\$2.2)	\$181.2	\$181.3	\$0.1
15						
16 <u>EXPENSES</u>						
17 Contracts, O&M	\$136.2	\$132.4	(\$3.9)	\$139.3	\$135.9	(\$3.4)
18 <i>- 2013/2014 contract inflation (2.5% -> 1.8%)</i>						
19 <i>- 2015/2016 contract inflation</i>	2.5%	2.5%		2.5%	2.5%	
20 <i>- Lower demand</i>						
21 Interest, Depreciation	\$18.6	\$20.4	\$1.8	\$19.2	\$20.7	\$1.5
22 <i>- 2014 bond issue rate</i>	4.5%	3.3%				
23 Taxes (lower due to lower revenues)	\$21.2	\$21.0	(\$0.1)	\$21.5	\$21.5	(\$0.1)
24 Clean City, Net (GF support for shortfall)	\$0.7	\$0.0	(\$0.7)	\$1.0	\$0.0	(\$1.0)
25 TOTAL EXPENSES	\$176.7	\$173.8	(\$2.8)	\$181.1	\$178.1	(\$3.0)
26						
27 Net Income	\$0.0	\$0.7	\$0.6	\$0.1	\$3.1	\$3.0
28						
29 <i>Debt Service Coverage (1.7x Policy)</i>	2.61	2.83	0.22	2.27	2.69	0.42
30 Debt Service Coverage (1.5x Policy)	1.30	1.50	0.20	1.15	1.50	0.35