



2011-2012 SOLID WASTE RATE ISSUES

Seattle Public Utilities and Neighborhoods Committee (SPUNC) July 27, 2010

PROPOSED RATES, SERVICES, REVENUES, AND BILLS.

- **Rates.** A rate is the charge for each unit of service.
 - In 2011, most solid waste rates are proposed to increase an average of 7.5% compared to 2010.
 - In 2012, residential garbage rates would increase 6.5% above 2011 rates and food/yard waste rates would increase 8%. To allow rates to more closely reflect cost of service, no rate increase is proposed in 2012 for self-haul and commercial customers.

- **Rate Drivers.** Although no new services are proposed, increased rates are proposed to cover:
 - Revenue shortfalls due to the recession and lack of the Green Fee for disposable shopping bags, and
 - Increased costs for container replacement, organics processing contract renegotiation, Local Hazardous Waste Management Program fees, Central City costs, a bond issue for the capital program, and other activities.

- **Rate Revenues.**
 - Planned and proposed solid waste rate revenue is:

<u>2010</u>	<u>2011</u>	<u>2012</u>
\$162M	\$159.1M	\$165.1M
 - \$2.9 million less in rate revenues would be collected in 2011 than was planned for 2010. The reduction reflects continuation of 2010 expenditure cuts made to address revenue shortfalls due to the recession. It also reflects reduced variable costs from the collection contracts. Despite this reduction, rates would increase because fixed costs must be recovered from charges for fewer tons of solid waste.
 - \$6 million more in rate revenue would be collected in 2012 than in 2011.

- **Bills.** Bills are what customers pay based on the service levels they select. Effects of the proposed rates on typical monthly bills for a sample of customers include:

	2010	2011	'10-'11 diff \$	'10-'11 diff %	2012	'11-'12 diff \$	'11-'12 diff %
Single family	\$32.70	\$35.15	\$2.45	7.5%	\$37.55	\$2.40	6.8%
Residential dumpster	\$251.93	\$271.03	\$19.10	7.6%	\$288.68	\$17.65	6.5%
Small Commercial	\$354.48	\$380.82	\$26.34	7.4%	\$380.82	\$0	0%
Self-haul per ton	\$145	\$145	\$0	0%	\$145	\$0	0%

POTENTIAL ISSUES. The rate proposal incorporates many services that have been endorsed by past Council action. Given the continued effects of the recession, however, the Committee has expressed an interest in cost savings to reduce customer impacts. The Committee also has

been interested in certain actions that would add cost, including new actions to advance City zero waste goals and improve General Subfund stability.

Issue 1. Reductions in proposed expenditures.

- Green Fee-specific costs:** Should bag fee implementation-specific expenses be subtracted from the Green Fee revenue restoration?
- Can replacement funding:** Has Seattle Public Utilities (SPU) overestimated the annual cost of new or replacement cans and dumpsters?
- Performance audit staffing-related recommendations:** Could savings be achieved through reductions in overtime and other staffing costs, or accelerated Call Center efficiencies?
- 2011 bond terms:** Could the level, duration or timing of the bond sale be changed to reduce costs?
- Organics contract negotiation:** Is the proposed level of spending to renegotiate the organics processing contract needed?
- Recycled materials resale assumptions:** Do rate study assumptions accurately estimate revenue from resale of recycled materials?

Issue 2. Change financial policies. Should the financial policy that requires the greatest revenue generation (net income, which is the “binding constraint”) be changed to moderate rate increases?

Issue 3. Low-income assistance. Does the rate proposal include the appropriate type and level of outreach to low-income customers?

Issue 4. Multi-Family organics. Should a mandatory organics service for multi-family customers be added to advance City zero-waste goals?

Issue 5. Every-other-week garbage pilot. Should a pilot project to test every-other-week garbage service be added to advance City zero-waste goals?

Issue 6. Yellow pages opt-out program. Should a program to help customers opt-out of yellow pages delivery be added to advance City zero-waste goals?

Issue 7. Clean City. Do you agree with the proposed level of effort and focus of the Clean City program, particularly in the area of graffiti control? Should more flexibility be provided in the allocation of tonnage tax revenues between the Solid Waste Fund and the General Subfund?

Issue 8. Utility tax rate. Should a utility tax increase be considered to address General Subfund revenue shortfalls?

Issue 9. Mismatch of 2011-2012 rates and budget. During finalization of its 2011-2012 budget proposal, Seattle Public Utilities identified significant increases in costs allocated the Solid Waste Fund compared to the rate proposal. Should further cost reductions be made to align the budget with the rate proposal or should a higher rate increase be pursued to cover budgeted costs?

ITEMS FOR FURTHER EVALUATION.

Answers to initial Council rate questions were received too late to be fully incorporated into staff analysis. Topics addressed in those questions that deserve Committee discussion during this rate review, but may not drive a change in rates, include:

- Progress on transfer station rebuilding, and
- The scope of the Clear Alleys service in the rate proposal relative to the scope anticipated in the 2009-2010 rates.