



Seattle Public Utilities Solid Waste Fund Proposed 2015-2016 Midterm Adjustment

**Presentation to SPUN Committee
November 25, 2014**



What was included in the last rate study?

- 1. Four-year rate period:** A four-year rate period (2013-2016) was used in order to transition SPU to one rate study per year
- 2. Mid-term adjustment provision:** The four-year rate period included a provision for a mid-term adjustment for 2015-2016 if there were significant changes to the underlying assumptions
- 3. April 1 rate changes:** Effective date of rate changes were moved from January to April to match the timing of collection contract inflation adjustments
- 4. RSA:** Established a Rate Stabilization Account to address the uncertainty associated with a long year rate period

What was approved in the last rate ordinance?

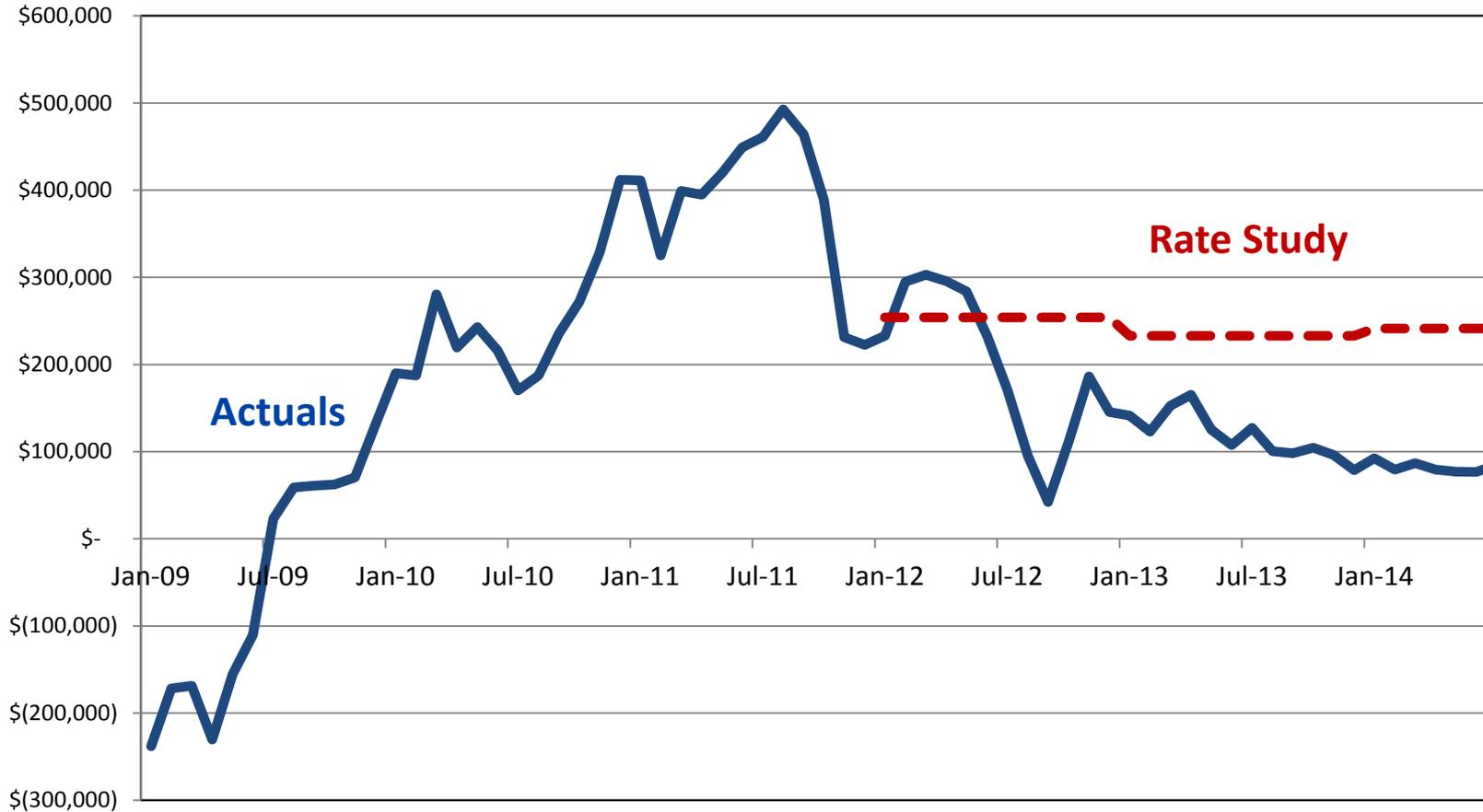
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Rate Increase	6.3%	4.1%	4.3%	3.4%
Typical Monthly Single Family Bill	\$39.30	\$40.95	\$42.70	\$44.15

What has happened since then?

1. Economic recovery happened slowly, didn't hit full stride until 2014
2. The Good:
 - Lower contract inflation
 - Low O&M Spending
3. The Bad:
 - Poor market for recycling commodities
 - Transfer station revenue losses
 - Higher construction costs
 - Solid Waste Fund bond ratings

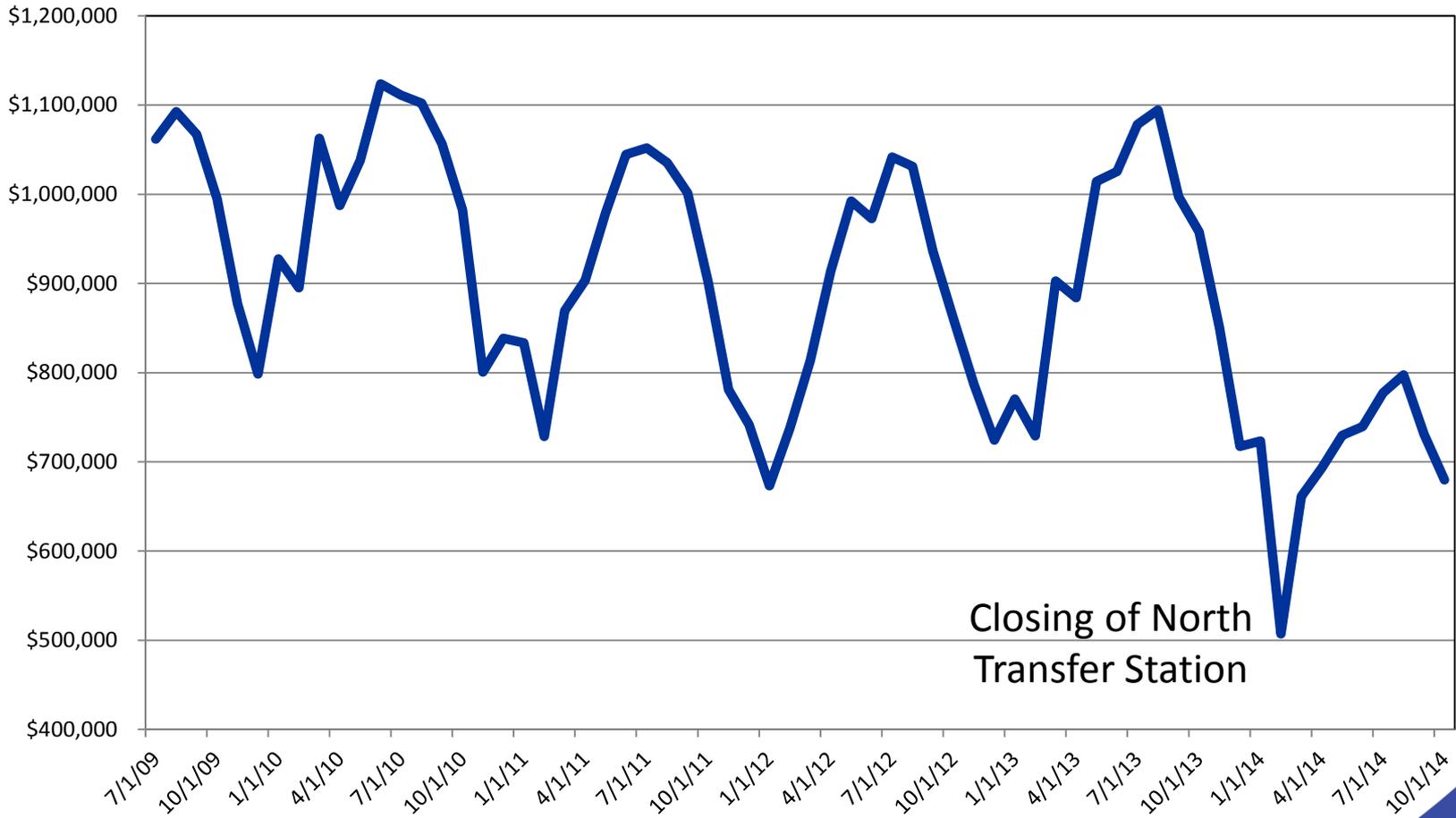
Poor Market for Recycling Commodities

Monthly Revenue from Recycled Materials



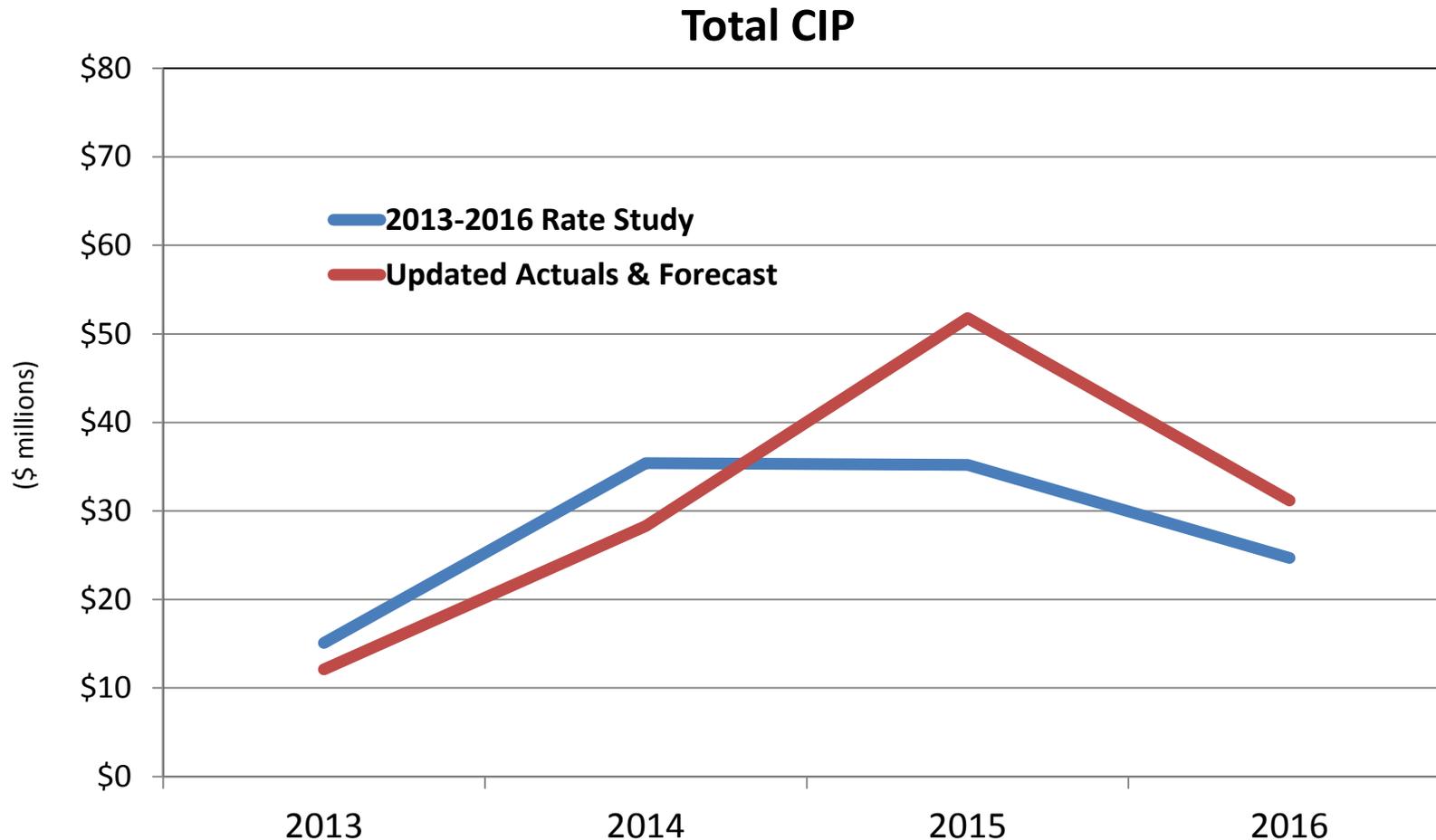
Transfer Station Revenue Losses

Monthly Transfer Station Revenues



Closing of North
Transfer Station

Higher Construction Costs



Solid Waste Fund Bond Ratings

- Rates are set to meet certain financial policies set by Council.
- These policies ensure financial viability of the Fund and help to maintain the Fund's bond ratings:
 1. Net Income: Generally positive
 2. Debt Service: A ratio of 1.70x (adjusted net revenue times annual debt service)
 3. Operating Cash: 20 days of contract expense
 4. Cash Contribution to CIP: Greater of \$2.5M (in 2003 dollars) or 10% of CIP

New Debt Service Coverage Policy

- Concerns by Moody's regarding large amounts of new debt in the 2013-2017 period led to **questioning whether the existing policies were strong enough**, particularly in regards to Debt Service Coverage and how city taxes were treated
- In response, **Council instituted a new, stronger Debt Service Coverage policy** in April 2014 (Resolution 31516) that does not give credit for City taxes and establishes a minimum ratio of 1.50
- **Council's action protected the SWF bond rating** and ensured lower borrowing costs for infrastructure investment

How much is the Mid-term rate increase?

<u>Existing</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Rate Increase	6.3%	4.1%	4.3%	3.4%
Single Family Monthly Bill	\$39.30	\$40.95	\$42.70	\$44.15

<u>Mid-Term</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Rate Increase	6.3%	4.1%	5.9%	3.4%
Single Family Monthly Bill	\$39.30	\$40.95	\$43.40	\$44.85