

BILL SUMMARY & FISCAL NOTE

Department:	Contact Person/Phone:	Executive Contact/Phone:
Seattle Public Utilities	Hans Van Dusen/4-4657	Aaron Blumenthal/3-2656

1. BILL SUMMARY

Legislation Title:

AN ORDINANCE authorizing the Director of Seattle Public Utilities to enter into a contract with Rabanco, Ltd. to provide recycling processing services for the City of Seattle; and ratifying and confirming certain prior acts.

Summary and background of the Legislation:

This legislation would allow Seattle Public Utilities to enter into a service agreement with Rabanco, Ltd. (a subsidiary of Republic Services) to process and market recyclables. The agreement provides for services beginning in April 2016 through March 2021, with two additional three-year terms. The new agreement replaces SPU's processing agreement with Rabanco which is scheduled to end in March 2016.

SPU recently completed a competitive Request for Proposals (RFP) process for these services and rated Rabanco's proposal highest based on the financial and non-financial criteria established in the RFP. Republic will perform services similar to the current contract, providing sorting, processing and marketing services for all recyclables collected by collection contractors. The contract does not include processing the 'open market' recycling provided by independent vendors to Seattle businesses.

The new contract is projected to save Seattle ratepayers approximately \$1.2 million in 2016. Because the contract period does not begin until April, that amount represents nine months of savings. Over a full year the savings would be \$1.5 million. The utility would continue to cover the risk of recycling commodity market fluctuations. However, under the new contract SPU retains all of the market revenues (based on regional indices) and pay full processing costs.

In 2016 the projected revenue increase is \$5.4 million, offset by \$4 million in additional contract expense and \$200,000 in additional taxes.

2. SUMMARY OF FINANCIAL IMPLICATIONS

X This legislation has direct financial implications.

Budget program(s) affected:				
Estimated \$ Appropriation change:	General Fund \$		Solid Waste Fund \$	
	2015	2016	2015	2016
	\$0	\$0	\$0	\$4,213,440
Estimated \$ Revenue change:	Revenue to General Fund		Revenue to Solid Waste Fund	
	2015	2016	2015	2016
	\$0	\$141,876	\$0	\$5,370,619
Positions affected:	No. of Positions		Total FTE Change	
	2015	2016	2015	2016
	0	0	0	0
Other departments affected:	None			

3.a. Appropriations

X This legislation adds, changes, or deletes appropriations.

Fund Name and number	Dept.	Budget Control Level Name/##*	2015 Appropriation Change	2016 Estimated Appropriation Change
45010	SPU	N050107 (Transfer & Processing)	\$0	\$3,993,161
45010	SPU	N070201 (State B&O Tax)	\$0	\$78,403
45010	SPU	N070101 (City Utility Tax)	\$0	\$141,876
TOTAL			\$0	\$4,213,440

*See budget book to obtain the appropriate Budget Control Level for your department.

Appropriations Notes:

Under the current contract with Republic Services, part of the revenue earned from sales of recovered materials from the recycling stream is kept by the processor and the remainder is remitted to SPU. The revenues retained by the processor lower the payments from SPU to the processor. Under the new contract, SPU would retain all of the revenue from sales; as a result payments to the contractor will rise by a roughly equivalent amount. In this case an increase of \$4.2 million in appropriations is required but will be offset by an increase in revenue.

The additional revenue will result in increased state B&O taxes and City utility taxes.

3.b. Revenues/Reimbursements

X This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2015 Revenue	2016 Estimated Revenue
General Fund	City	City Utility Tax	\$0	\$141,876
45010	SPU	Recycling Market Price Share	\$0	\$5,370,619
TOTAL			\$0	\$5,512,495

Revenue/Reimbursement Notes:

Revenue is expected to rise by \$5.4 million under the new contract as SPU will be able to retain all of the revenue from commodity sales. The actual amount of revenue depends on recycling tonnage and market conditions.

The additional revenue will increase SPU Utility Tax payments. The additional processing costs are deductible but the overall savings will reduce the net deduction resulting in increased General Fund revenue.

4. OTHER IMPLICATIONS

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**
 No.
- b) **Is there financial cost or other impacts of not implementing the legislation?**
 If the City does not implement this legislation it would lose the ability to process recycling.
- c) **Does this legislation affect any departments besides the originating department?**
 Yes, this legislation is projected to generate \$141,876 for the General Fund through Utility Tax payments.
- d) **Is a public hearing required for this legislation?**
 No
- e) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
 No.
- f) **Does this legislation affect a piece of property?**
 No.

- g) Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**
None.
- h) If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.**
No.
- i) Other Issues:**
None.

List attachments below: