

# Municipality of Anchorage

## Department of Solid Waste Services

### Presentation to Assembly Enterprise and Utility Oversight Committee

Thursday, March 18, 2021, 11 am



# Agenda

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## ***Presentation Participants***

- **Alex Slivka**, Chief Fiscal Officer, Municipality of Anchorage
- **Mark Spafford, P.E.**, General Manager, Solid Waste Services
- **Heidi Thomerson**, Chief Financial Officer, Solid Waste Services

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# Section 1

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## SWS Five-Year Capital Improvement Plan



## SWS Capital Improvement Plan

- Integrated Solid Waste Master Plan (Master Plan)
- Five-Year Master Plan Major Projects Comprised of:
  - New Central Transfer Station (CTS)
  - Repurposing the Existing CTS to a Recycling Center
  - ARL Remaining Cell Construction Cell's 9B and 8C
  - Leachate Treatment and Disposal System Improvements
- Cost
  - Total \$174,400,000
  - Projects \$165,000,000
  - Expenses and Required Reserves \$ 9,400,000

# SWS Five-Year Capital Improvement Plan

## Section 1



- Leachate
  - Leachate is the liquid produced from the landfill waste mass that is generated from decomposition of the trash and from precipitation that infiltrates through. The ARL collects and hauls by highway anywhere between 30-40 million gallons of leachate annually. The leachate disposal project will install infrastructure for treating and disposing of all or a portion of the leachate from the ARL.
- Leachate Evaporators
  - The leachate evaporator units burns excess landfill gas at high temperatures while using the heat generated by the combustion to evaporate the leachate. Will allow SWS to beneficially utilize more landfill gas that is currently being flared.
- Environmental Concerns and Protection
  - Will take SWS haul vehicles off the road (almost 4,000 round trips/year to Turpin Dump Station currently), every year these vehicles are involved in accidents on the Glenn Hwy.
  - Will assist AWWU with maintaining compliance with their EPA 301h discharge permit (Leachate is the largest industrial pollutant contributor).
  - Implementation meets Goals of Anchorage's Climate Action Plan and reduces green house gas emissions.

# SWS Five-Year Capital Improvement Plan

## Section 1



## Section 2

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# ARL Closure & Post-Closure Investment Fund



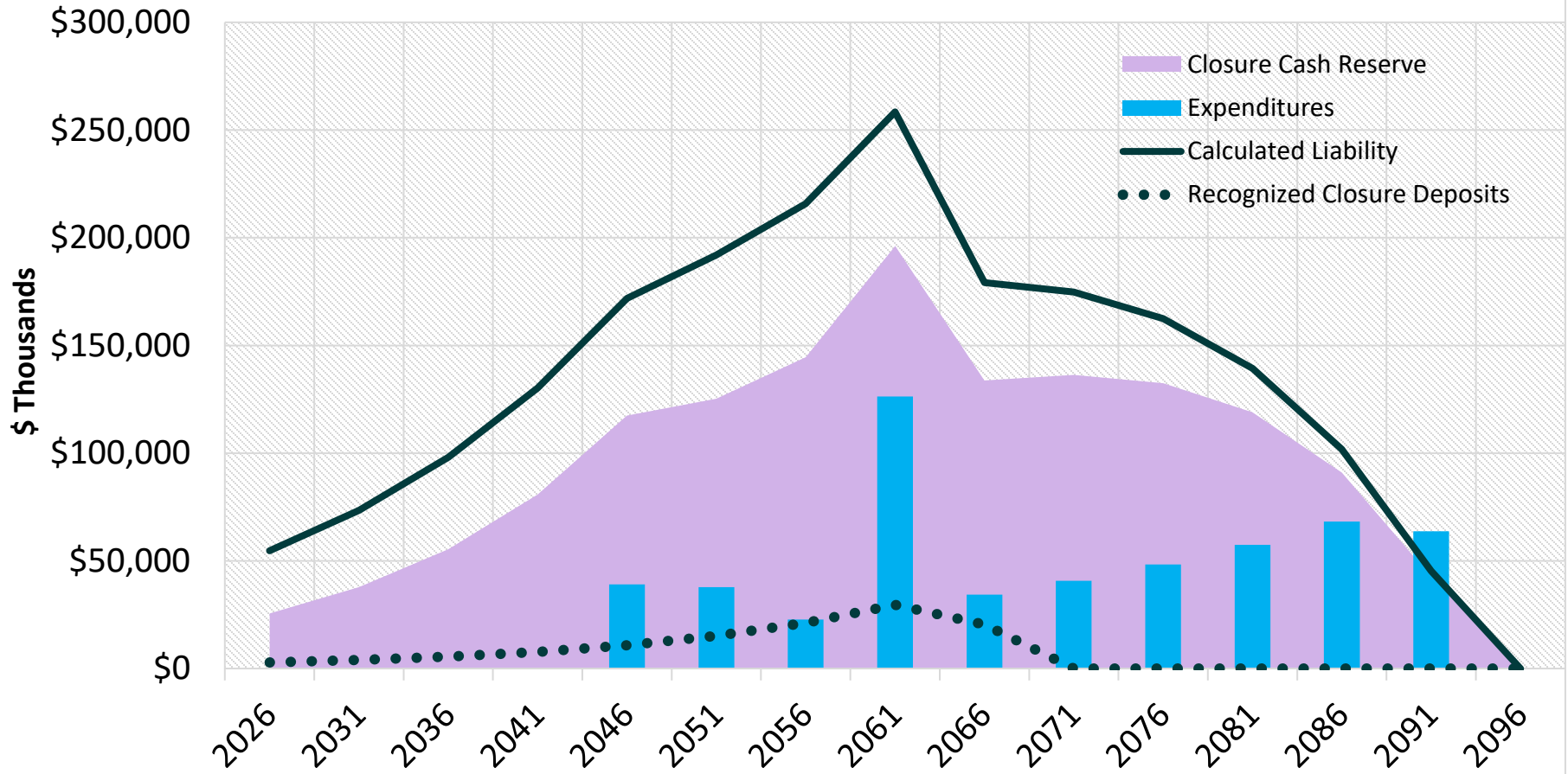


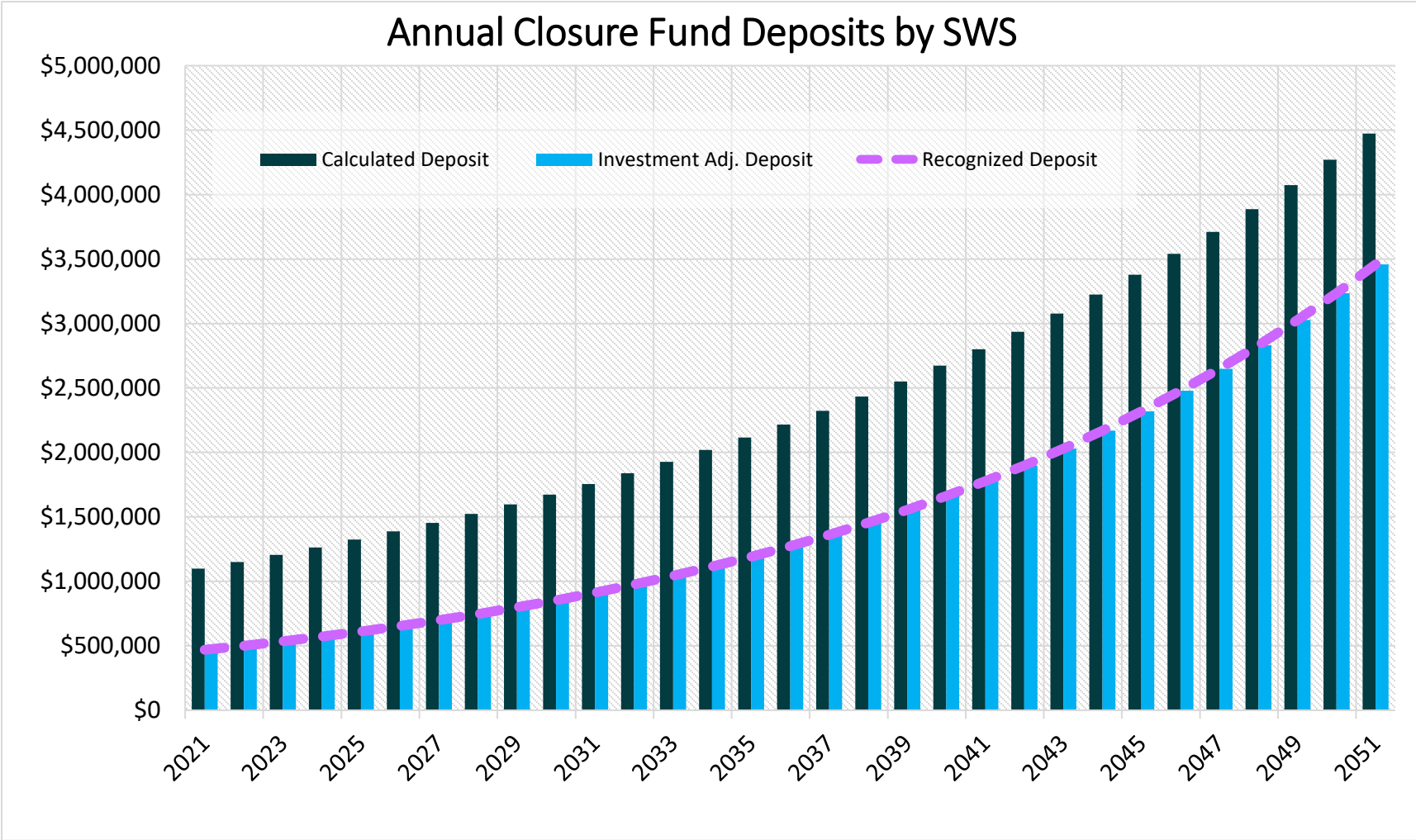
- Anchorage Municipal Code (the “AMC”) section 26.80.060 provides that the United States Environmental Protection Agency (the “EPA”) rules require landfill operators to accumulate funds for the liability related to the final closure of a landfill and maintain and monitor the landfill for at a minimum thirty years after closure.
- In December 2016, Municipal Assembly Ordinance 2016-149 updated AMC 26.80.060 and enacted AMC 26.80.065 which established the ARL Closure and Post-Closure Investment Fund (the “Fund”) managed by the ARL Closure and Post-Closure Investment Fund Board (the “ARL Board”).
- SWS hired an external consultant, Raftelis, in 2020 to create a Closure Model that incorporates the ARL Liability based upon forecasted usage and the amount of funds required to meet the future ARL Liability under prudent return assumptions. These funds are not expected to be used in any material amount for approximately forty years.
- The Closure Model projects that the present value of the ARL Fund exceeds the amount required today to meet the future liability by as much as \$26 million.
- The MOA and the ARL Board have discussed AMC and how the ARL Fund is funded over time and determined that it would be appropriate to revise AMC related to the ARL Fund.

# ARL Closure & Post-Closure Investment Fund

## Section 2

Annual Closure Fund Balance & Liability (5 Year Increments)





## Section 3

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# Proposed Assembly Action

The Administration has prepared three Assembly documents for introduction to the Municipal Assembly; two ordinances and one resolution. These documents involve the Anchorage Regional Landfill (ARL) Closure and Post-Closure Care Investment Fund and the Plan of Finance for the Integrated Solid Waste Master Plan (Master Plan) and any other capital improvements of SWS.

- Ordinance 1                      This ordinance repeals and re-enacts AMC regarding the ARL Closure and Post-Closure Care Liability and the ARL Investment Account or Fund.
- Resolution 1                    This resolution disburses an amount not to exceed \$26,000,000 from the ARL Investment Fund to the SWS Disposal Utility Operating Fund.
- Ordinance 2                    This ordinance amends AO 2018-76 and readdresses the SWS five-year capital plan, which includes the new Central Transfer Station now under construction and reviews the Plan of Finance for SWS’s Capital Improvement Program.

## Proposed Assembly Action

### *Rationale for Proposed Assembly Action: Best Use of SWS Assets*

- The Master Plan & Climate Action Plan
  - Moves forward major capital projects in the plans that are critically necessary and environmentally beneficial
- Improves AWWU ability to comply with EPA 301h permits
- Rates
  - There is no negative impact on ratepayers
  - Failure to act on the three proposed actions would result in rate increases above current expectations
- Best Use of Available Funds
  - Higher equity (cash) on hand balances are required to meet investor and rating agency expectations
  - Capital marketplace borrowing is the most efficient overall source of funds for the Master Plan
  - Using available funds in the ARL Investment Fund for capital projects reduces the amount of debt needed
- These goals are all achieved with the passage of these three Assembly actions

## Section 4

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# Utility Rates



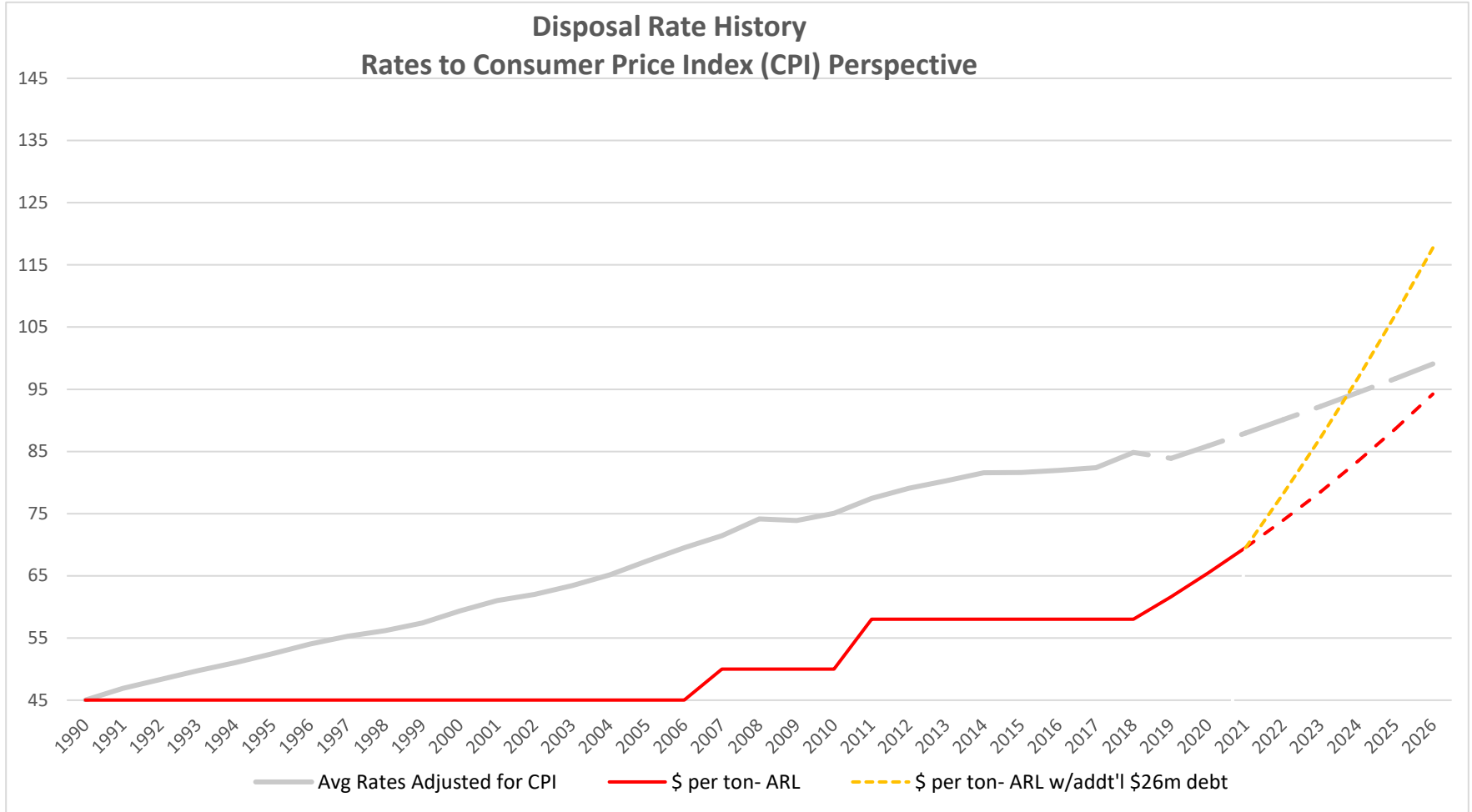
- Historical Rate Structure Review
  - The chart on the next page illustrates the lag in SWS rate increases compared to other utilities of the Municipality over a ten-year period
  - The following chart shows how the Disposal Utility rate increases have lagged significantly behind increases in inflation
- Current and Future Rate Review
  - Using capital marketplace borrowing and excess funds in the Investment Fund will keep rate increases to a minimum



### MOA Utilities Rate Perspective

UTILITY	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>AWWU- Water</b>	5.57%	2.50%	8.00%	6.00%	6.00%	2.26%	0.00%	0.00%	0.00%	3.00%	6.52%	0.00%	2.00% proposed
<b>AWWU- Sewer</b>	4.35%	2.50%	15.00%	11.00%	4.50%	4.30%	0.00%	0.00%	9.50%	2.50%	6.86%	2.50%	8.00% proposed
<b>ML&amp;P</b>	18.00%	6.00%	0.00%	-11.00%	15.00%	22.00%	4.00%	4.00%	19.00%	0.00%	0.00%	0.00%	0.00%
<b>SWS - Disposal</b>	0.00%	0.00%	12.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.25%	6.25%	6.25%





## Section 5

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# Proposed Increase to the Solid Waste Services Bond Ordinance AO No. 2018-76

# Proposed Increase to the Solid Waste Services Bond Ordinance AO No. 2018-76

## Section 5

- AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE, ALASKA, AMENDING ORDINANCE NO. 2018-76 TO INCREASE THE AGGREGATE PRINCIPAL AMOUNT OF THE SOLID WASTE REFUSE COLLECTION UTILITY AND SOLID WASTE DISPOSAL UTILITY REVENUE BONDS AND/OR NOTES, AND APPROPRIATING AN AMOUNT NOT TO EXCEED TWENTY-FIVE MILLION EIGHT HUNDRED FORTY-EIGHT THOUSAND SIX HUNDRED NINETY-TWO DOLLARS (\$25,848,692) TO THE SOLID WASTE SERVICES (SWS) DISPOSAL UTILITY CAPITAL IMPROVEMENT PROJECT FUND (562200) AND APPROPRIATING AN AMOUNT NOT TO EXCEED TWO MILLION THREE HUNDRED SIX THOUSAND DOLLARS (\$2,306,000) TO THE SWS REFUSE COLLECTION UTILITY CAPITAL IMPROVEMENT PROJECT FUND (560200) FOR THE PURPOSE OF THE PROJECTS IDENTIFIED IN THE MASTER PLAN AND ANY OTHER CAPITAL IMPROVEMENTS APPROVED BY THE ASSEMBLY, ALL WITHIN THE SWS UTILITY DEPARTMENT
  - The Municipality of Anchorage, Alaska (the “Municipality”) adopted Ordinance No. 2018-76 on October 23, 2018 (the “Solid Waste Services Bond Ordinance”) pursuant to which the Municipality issues Refuse Collection Utility and Solid Waste Disposal Utility revenue bonds and notes from time to time
  - The Solid Waste Services Bond Ordinance authorizes the issuance of bonds and notes in the aggregate principal amount outstanding at any time of not to exceed \$114,585,000

# Proposed Increase to the Solid Waste Services Bond Ordinance AO No. 2018-76

## Section 5

- The Municipality’s Refuse Collection Utility (the “RCU”) and Solid Waste Disposal Utility (the “SWDU”) need to increase the principal amount in order to finance the projects approved by the Assembly in the Integrated Solid Waste Master Plan, as amended, and other capital improvements approved by the Assembly (hereinafter defined in Section 2 as the “Projects”)
- The Central Transfer Station, the Recycling Center, the Anchorage Regional Landfill Cell 9, and the Leachate System are capital improvements currently included in the Integrated Solid Waste Master Plan; and
- The Assembly desires to amend the Solid Waste Services Bond Ordinance to increase the principal amount available for the Projects
- This ordinance authorizes the Chief Fiscal Officer to use, within his discretion, existing approved and authorized funding sources, including Equity, State of Alaska Clean Water Fund, Short Term Borrowing Program (STBP), Revenue Refunding Bonds and Revenue Bonds within this Plan of Finance for purposes of financing the Projects. This will allow the Chief Fiscal Officer the flexibility to provide a cost-effective Plan of Finance to the users and ratepayers and to accomplish SWS’ objectives for the Municipality
- This ordinance amends the 2021 SWS Disposal Utility and Refuse Collection Utility Capital Improvement Budgets that were approved on November 17, 2020
- Pursuant to the Anchorage Municipal Code Section 6.10.045, the Assembly may alter Utilities’ Capital Budget/Program by majority vote

### *Amount of the Source of Funds*

- **Capital Marketplace Proceeds**
  - An increase of borrowing proceeds to \$174,400,000 is recommended. \$165,000,000 will complete SWS's five-year capital improvement plan as currently proposed, absent any cost overruns. The difference of \$9,400,000 is required for the establishment of a debt service reserve fund and payment of debt issuance costs.
  
- **State of Alaska Clean Water Loans and SWS Equity**
  - The Assembly has already appropriated \$11,750,000 of State of Alaska loan proceeds that may not need to be utilized, nor is it available at this time.
  - SWS is currently litigating with the SOA regarding two Notices of Violation (NOVs). Resolution of this legal issue is likely to be lengthy and precludes SWS from accessing the SOA Clean Water loan funds.
  - SWS' equity in the amount of \$8,653,308 has also been appropriated for the Master Plan.
  
- **Amount of the Source of Funds**
  - The second ordinance appropriates \$28,154,692 bringing the total appropriated amount to \$165,000,000. The additional \$9,400,000 is expected to be used for the payment of debt issuance expenses and establishing reserves, to be appropriated in the future.
  - The SOA loan proceeds and equity provide flexibility for the CFO should circumstances change during the next five years regarding the best use of available resources in the best interest of the ratepayers.

## Section 6

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# Conclusion & Recommendation

The Administration believes passage of the two ordinances and one resolution are in the best interests of ratepayers of the Refuse Collection Utility and the Solid Waste Disposal Utility

## The Administration recommends the following

- Friday March 19**                      Public Finance will enter the three documents into OnBase for the Addendum for March 23
- Tuesday March 23**                      Introduction of three documents to the Assembly
- Tuesday April 13**                      Public Hearing for the two ordinances and one resolution

