

Prepared by: Solid Waste Services
For reading: November 21, 2006

ANCHORAGE, ALASKA

**AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE SECTION 26.80.050
TO INCREASE THE SOLID WASTE SERVICES DISPOSAL RATE TO \$50 PER TON.**

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AM 852-2006

MUNICIPALITY OF ANCHORAGE
Summary of Economic Effects -- Utilities

Page1

AO Number: 2006-171

Title: AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE SECTION 26.80.050 TO INCREASE THE SOLID WASTE SERVICES DISPOSAL RATE TO \$50 PER TON.

Sponsor:

Preparing Agency: SWS

Others Impacted:

CHANGES IN REVENUES AND EXPENSES:		(In Thousands of Dollars)				
	FY07	FY08	FY09	FY10	FY11	
Operating Revenues:						
	\$ 786	\$ 1,495	\$ 1,561	\$ 1,626	\$ 1,692	
TOTAL OPERATING REVENUES	\$ 786	\$ 1,495	\$ 1,561	\$ 1,626	\$ 1,692	
Operating Expenses:						
	\$ 49	\$ 93	\$ 98	\$ 102	\$ 106	
TOTAL OPERATING EXPENSES	\$ 49	\$ 93	\$ 98	\$ 102	\$ 106	
Non-Operating Revenues:						
	\$ -	\$ -	\$ -	\$ -	\$ -	
TOTAL NON-OPERATING REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	
Non-Operating Expenses:						
	\$ -	\$ -	\$ -	\$ -	\$ -	
TOTAL NON-OPERATING EXPENSES	\$ -	\$ -	\$ -	\$ -	\$ -	
NET INCOME (REGULATED)	\$ 737	\$ 1,402	\$ 1,463	\$ 1,524	\$ 1,586	
POSITIONS: FT/PT and Temp	0	0	0	0	0	

PUBLIC SECTOR ECONOMIC EFFECTS:

The Changes in Revenues and Expenses are based on FY 2006 Projections.

Public sector customers of SWS Disposal Utility will pay a \$5.00 increase in tonnage disposed (\$50.00) effective July 1, 2007.

FY08-FY11 assumes no future rate increase.

The last disposal rate increase was in 1989.

PRIVATE SECTOR ECONOMIC EFFECTS:

The Changes in Revenues and Expenses are based on FY 2006 Projections.

Private sector customers of SWS Disposal Utility will pay a \$5.00 increase in tonnage disposed (\$50.00) effective July 1, 2007.

FY08-FY11 assumes no future rate increase.

The last disposal rate increase was in 1989.

Prepared by: Mari Johnston, Finance Manager

Telephone: 343-6270

MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 852-2006

Meeting Date: November 21, 2006

1 **From: Mayor**

2
3 **Subject: AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE**
4 **SECTION 26.80.050 TO INCREASE THE SOLID WASTE SERVICES**
5 **DISPOSAL RATE TO \$50 PER TON.**
6

7 This ordinance increases the disposal rate from \$45 to \$50 per ton, an increase of \$5.00
8 per ton effective July 1, 2007. The disposal rate has not been increased since it went into
9 effect on January 1, 1989. This rate increase will affect commercial haulers who deliver
10 refuse to the Central Transfer Station and the Anchorage Regional Landfill. The
11 Girdwood Transfer Station will be unaffected as that location does not have a weighing
12 scale and only accepts residential refuse. At this time there is no request to change
13 residential disposal fees. The proposed disposal rate increase of \$5 per ton is expected
14 to generate increased revenue of \$786,000 in 2007. The additional revenue is shown in
15 the attached Summary of Economic Effects.
16

17 This rate increase is necessary due to increases in operating expenses such as
18 equipment, fuel and personnel costs. Since the current rate structure was imposed in
19 1989, landfill operations have come under greater environmental regulatory control.
20 Consequently capital and operating expenditures for landfill expansion, leachate
21 management and air emissions controls are higher than predicted in the original fee
22 structure modeling. Costs for operating environmental control systems will continue
23 well beyond life of the landfill.
24

25 Solid Waste Disposal (SWD) continues to incur post-closure costs associated with
26 legacy sites, particularly the Merrill Field landfill. Costs for leachate and landfill gas
27 control management and monitoring continue at these sites, even though the Merrill
28 Field landfill has been closed for nearly 20 years. Aging control systems and increased
29 power costs have resulted in increased maintenance costs for this site. Required
30 services for these closed sites are funded from the ARL Operating budget.
31

32 The original land transfer agreement for the property occupied by the Anchorage
33 Regional Landfill included an allowance for unlimited free usage of the landfill by Fort
34 Richardson and its employees. Tonnage from the base has increased significantly
35 since the framing of this agreement; particularly demolition debris and asbestos
36 containing materials (ACM) generated from expansion and modernization activities on

base. These non-fee generating materials require significant equipment and manpower to ensure proper legal disposal.

Solid Waste Disposal operations is projecting a net loss in revenue of approximately \$1,100,000 for fiscal year 2007 at the current tipping fee of \$45/ton. To offset projected losses at this rate, SWD will need to reduce costs. Anticipated cost reductions include the recycling program funding (\$325,000) and landfill gas-to-energy planning (\$225,000). Equipment used by SWD operations is generally on a 5-year replacement / refurbishment cycle. Delaying replacement of some transfer equipment would increase operating costs and reduce the reliability of necessary equipment. Deferring capital funding to future expansion projects might also be possible in the short term; however adequate funding must be available to meet future expansion needs within the schedule dictated by waste intake and air space consumption at the Anchorage Regional Landfill.

In order to more fully understand the need for rate relief, it is helpful to analyze the status of current cash balances held by SWD. The table below details the Utility's December 31, 2005 cash balance. It indicates that the total amount set aside for debt service, capital projects and closure/post-closure liabilities exceed the total amount of cash available as of December 2005. In fact, SWD operations is effectively borrowing \$1,137,911 from funds set aside for other purposes to cover operational losses. This is an imprudent financial practice that over time will erode SWD's ability to pay unavoidable financial obligations associated with its basic business when they come due. Prudent financial management practices require that rates be set at levels sufficient to repay the \$1,137,911 and generate sufficient unrestricted cash to support operational requirements. The proposed rate increase will allow the utility to begin doing so.

Detail of 12/31/05 SW Disposal Fund Cash Balance

Bond Redemption Reserve	\$ 382,195
Reserved/Designated for Capital Project	5,739,687
Closure/Post Closure Set Aside	<u>11,899,235</u>
Total Reserved/Designated/Set Aside	\$18,021,117
Total Cash as of December 2005	<u>16,883,206</u>
Available for Operations	<u>\$ (1,137,911)</u>

1 THE ADMINISTRATION RECOMMENDS ASSEMBLY APPROVAL OF AN ORDINANCE
2 AMENDING SECTION 26.80.050 TO INCREASE THE DISPOSAL RATE TO \$50 PER
3 TON.
4

5 Prepared by: Robert L. Hall, Director, Solid Waste Services

6 Concur: Janet L. Mitson, Director, OMB

7 Concur: Jeffrey E. Sinz, Chief Financial Officer

8 Concur: Denis C. LeBlanc, Municipal Manager

9 Respectfully submitted: Mark Begich, Mayor

Content Information

Content ID : 004518
 Type: Ordinance-InvolvingFunds - AO
 Title: AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE SECTION 26.80.050 TO INCREASE THE SOLID WASTE SERVICES DISPOSAL RATE TO \$50 PER TON
 Author: maglaquijp
 Initiating Dept: SWS
 Description: Increase disposal rate from \$45 to \$50 per ton
 Date Prepared: 10/24/06 10:49 AM
 Director Name: Robert L. Hall
 Assembly Meeting Date MM/DD/YY: 11/21/06
 Public Hearing Date MM/DD/YY: 12/19/06

M.O.A.
 2006 NOV 17 AM 11:42
 CLERKS OFFICE

Workflow History

Workflow Name	Action Date	Action	User	Security Group	Content ID
AllFundOrdinanceWorkflow	10/24/06 10:52 AM	Checkin	kilsonpa	Public	004518
SWS_SubWorkflow	10/24/06 11:25 AM	Approve	hallrl	Public	004518
OMB_SubWorkflow	10/25/06 12:00 PM	Approve	mitsonjl	Public	004518
AllFundOrdinanceWorkflow	10/25/06 5:17 PM	Reject	sinzje	Public	004518
AllFundOrdinanceWorkflow	10/30/06 2:06 PM	Checkin	kilsonpa	Public	004518
SWS_SubWorkflow	10/30/06 2:10 PM	Approve	hallrl	Public	004518
OMB_SubWorkflow	10/30/06 3:43 PM	Approve	mitsonjl	Public	004518
CFO_SubWorkflow	10/30/06 3:56 PM	Approve	mitsonjl	Public	004518
AllFundOrdinanceWorkflow	11/1/06 10:05 AM	Reject	gatesdt	Public	004518
AllFundOrdinanceWorkflow	11/1/06 10:30 AM	Checkin	kilsonpa	Public	004518
SWS_SubWorkflow	11/1/06 10:34 AM	Approve	hallrl	Public	004518
OMB_SubWorkflow	11/2/06 9:50 AM	Approve	mitsonjl	Public	004518
AllFundOrdinanceWorkflow	11/2/06 3:40 PM	Reject	sinzje	Public	004518
AllFundOrdinanceWorkflow	11/2/06 3:48 PM	Checkin	kilsonpa	Public	004518
SWS_SubWorkflow	11/2/06 4:11 PM	Approve	hallrl	Public	004518
OMB_SubWorkflow	11/2/06 5:15 PM	Approve	mitsonjl	Public	004518
AllFundOrdinanceWorkflow	11/14/06 1:58 PM	Reject	sinzje	Public	004518
AllFundOrdinanceWorkflow	11/15/06 2:04 PM	Checkin	kilsonpa	Public	004518
SWS_SubWorkflow	11/15/06 2:07 PM	Approve	hallrl	Public	004518
AllFundOrdinanceWorkflow	11/15/06 2:39 PM	Reject	foutzrs	Public	004518
AllFundOrdinanceWorkflow	11/15/06 4:46 PM	Checkin	kilsonpa	Public	004518
SWS_SubWorkflow	11/15/06 4:48 PM	Approve	hallrl	Public	004518
AllFundOrdinanceWorkflow	11/15/06 5:10 PM	Reject	foutzrs	Public	004518
AllFundOrdinanceWorkflow	11/16/06 8:05 AM	Checkin	kilsonpa	Public	004518
SWS_SubWorkflow	11/16/06 8:06 AM	Approve	hallrl	Public	004518
OMB_SubWorkflow	11/16/06 8:37 AM	Approve	foutzrs	Public	004518
CFO_SubWorkflow	11/16/06 1:16 PM	Approve	sinzje	Public	004518
Legal_SubWorkflow	11/16/06 3:43 PM	Approve	gatesdt	Public	004518
MuniManager_SubWorkflow	11/17/06 10:19 AM	Checkin	maglaquijp	Public	004518
MuniManager_SubWorkflow	11/17/06 10:23 AM	Checkin	maglaquijp	Public	004518
MuniManager_SubWorkflow	11/17/06 10:25 AM	Approve	leblancdc	Public	004518
MuniMgrCoord_SubWorkflow	11/17/06 10:35 AM	Approve	abbottmk	Public	004518

Oldendum -

CONSENT AGENDA - INTRODUCTION