



INFORMATIONAL MEMORANDUM

TO: **Transportation and Infrastructure Committee**
FROM: **Henry Hash, Public Works Director** *HH*
BY: **Hari Ponnekanti, City Engineer**
CC: **Mayor Allan Ekberg**
DATE: **May 17, 2019**
SUBJECT: **Solid Waste (Commercial Only)**
Ordinance Amending Solid Waste Utility Tax Rate and Recycling Surcharge

ISSUE

There are two separate but related issues: (1) Approve an ordinance to adjust the Solid Waste Utility Tax by 10% and amending TMC 3.51; and (2) Approve a Letter of Understanding with Waste Management of Washington, LLC (WM) for additional services and a 5% Recyclable Cost surcharge. Both issues would only impact commercial users.

BACKGROUND – Issue 1: Utility Tax

Many causes of asphalt damage exist, leading to roadways needing repair and replacement. Specifically, heavy solid waste vehicles can cause significant damage to road surface and shorten the life of pavement. The expenses to operate and maintain the City's road infrastructure have increased each year.

BACKGROUND – Issue 2: Recycling Costs

Waste Management (WM) recently made a presentation to the Transportation and Infrastructure Committee about the changes in the global recycling market and the increased costs. In order to offset the additional costs associated with recycling, WM has requested an increase to the recycling rates.

DISCUSSION – Issue 1: Utility Tax

An existing Solid Waste Utility Tax provides a revenue source to the City's general fund which can be used to fund roadway and roadway related projects. Adjusting the Solid Waste Utility tax is proposed to provide additional revenue to the City where the increased percentage can be used for road maintenance and road related projects. The current solid waste utility tax rate is 6% and it has not been adjusted since 2009. The increase in the Solid Waste Utility Tax would be effective beginning November 1, 2019.

DISCUSSION – Issue 2: Recycling Costs

Staff recommends that the City approve the 5% Commercial Recyclable Cost surcharge to offset WM's costs associated with the weakening recycling market. The proposed surcharge would be in place for two years, beginning November 1, 2019, but it may be extended with Council approval. Also included with this surcharge, WM will now pick up twice weekly, an additional 20 City-owned garbage containers at locations chosen by the City (see attached location list).

FINANCIAL IMPACT

The proposed utility tax and the recycling surcharge only apply to commercial users, not residential. With the proposed increases, the solid waste and recycling rates remain below Tukwila's neighboring cities. The following two tables illustrate the impacts of the two proposed increases and compare the proposed rate for Tukwila commercial customers with rates charged by nearby jurisdictions. Additional details can be found in the attachments.

Breakdown of Proposed Monthly Increases

Size	Current Tukwila Rate	5% Surcharge	5% Total Rate	10% Utility Tax	Proposed Total Rate
1- yard	\$70.80	\$3.54	\$74.34	\$7.44	\$81.78
1.5- yard	\$99.06	\$4.95	\$104.01	\$10.40	\$114.41
2- yard	\$122.20	\$6.11	\$128.31	\$12.83	\$141.14
3- yard	\$175.14	\$8.76	\$183.90	\$18.39	\$202.29
4-yard	\$228.33	\$11.42	\$239.75	\$23.97	\$263.72
6- yard	\$323.89	\$16.19	\$340.08	\$34.01	\$374.09
8- yard	\$424.54	\$21.23	\$445.77	\$44.58	\$490.35

Comparison of Monthly Recycling Rate Charges by Jurisdiction

Size	Current Tukwila	Proposed Tukwila	SeaTac	Newcastle	Burien	Des Moines
1-yard	\$70.80	\$81.78	\$109.06	\$123.73	\$94.63	\$94.15
1.5-yard	\$99.06	\$114.41	\$146.74	\$169.99	\$137.03	\$137.09
2-yard	\$122.20	\$141.14	\$188.78	\$213.87	\$176.14	\$177.27
3-yard	\$175.14	\$202.29	\$270.11	\$314.37	\$254.39	\$257.65
4 Yard	\$228.33	\$263.72	\$351.59	\$385.75	\$312.91	\$332.53
6 Yard	\$323.89	\$374.09	\$502.40	\$533.30	\$449.68	\$482.27
8 Yard	\$424.54	\$490.35	\$659.41	\$669.97	\$573.31	\$620.99

RECOMMENDATION

(1) Staff recommends Council approve the ordinance establishing the Solid Waste Utility Tax at 16%, effective November 1, 2019, and to consider this item at the May 28, 2019 Committee of the Whole and the subsequent June 3, 2019 Regular Meeting.

(2) Staff recommends approving a 5% Recycling Rate Surcharge, effective November 1, 2019 for two years, and to consider this item at the May 28, 2019 Committee of the Whole and the subsequent June 3, 2019 Regular Meeting.

ATTACHMENTS

- Draft Ordinance
- Draft Letter of Understanding
- Solid waste rate comparison tables
- Draft additional garbage collection locations

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, AMENDING ORDINANCE NO. 2250 §1 (PART), TO INCREASE THE SOLID WASTE UTILITY TAX; PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, the City Council shall periodically reconsider the need for a Solid Waste Utility Tax given current economic conditions; and

WHEREAS, the heavy vehicles used for solid waste collection impact City streets with significant wear and tear, thereby shortening the life span of roads and accelerating the need for costly maintenance and repair; and

WHEREAS, the City has availed itself of all appropriate revenue sources currently authorized; and

WHEREAS, the City's basic road maintenance service levels may suffer a reduction without a new source of revenue; and

WHEREAS, an increase in the solid waste utility tax measured by gross income from non-residential customers is expected to generate additional revenue to help offset the on-going impact of heavy vehicle operations and maintain current road condition levels; and

WHEREAS, the City Council has determined the public interest is best served by a 10% increase to the solid waste utility tax, with the increased percentage amount to be designated for road maintenance and road related projects;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, HEREBY ORDAINS AS FOLLOWS:

Section 1. TMC Section 3.51.020 Amended. Ordinance No. 2250 §1 (part), as codified at Tukwila Municipal Code (TMC) Chapter 3.51.020, "Use and Accountability of Tax Proceeds," is hereby amended to read as follows:

3.51.020 Use and Accountability of Tax Proceeds

1. All revenues collected pursuant to this chapter shall be deposited into the General Fund, and shall be used for the funding of City services or capital requirements as the [City](#) Council shall direct through its biennial budget process.

2. In addition to the automatic annual review of the Financial Planning Model, the City Council will review the need for rate or other changes as part of the biennial budget process.

3. The City Council shall periodically reconsider the need for a Solid Waste Utility Tax given current economic conditions.

Section 2. TMC Section 3.51.040 Amended. Ordinance No. 2250 §1 (part), as codified at TMC Chapter 3.51.040, "Occupations Subject to Tax – Amount," is hereby amended to read as follows:

3.51.040 Occupations Subject to Tax – Amount

A. There is levied upon, and shall be collected from a person because of certain business activities engaged in or carried on in the City of Tukwila, taxes in the amount to be determined by the application of rates given against gross income as follows:

B. Upon a person engaged in or carrying on the business of providing solid waste collection service, a tax equal to ~~6%~~ 16% for the calendar year ~~2009~~ 2020 and beyond of the total gross income from such business from all customers in the City, except residential customers, during the period for which the tax is due.

Section 3. TMC Section 3.51.050 Amended. Ordinance No. 2250 §1 (part), "Tax Year," as codified at TMC Chapter 3.51.050, is hereby amended to read as follows:

3.51.050 Tax Year

The tax year for purposes of this increase in the solid waste utility tax shall commence ~~October 1, 2009~~ November 1, 2019 and end December 31, ~~2009~~ 2020, and thereafter shall commence on January 1 and end on December 31 each year.

Section 4. Corrections by City Clerk or Code Reviser. Upon approval of the City Attorney, the City Clerk and the code reviser are authorized to make necessary corrections to this ordinance, including the correction of clerical errors; references to other local, state or federal laws, codes, rules, or regulations; or ordinance numbering and section/subsection numbering.

Section 5. Severability. If any section, subsection, paragraph, sentence, clause, or phrase of this ordinance or its application to any person or situation should be held to be invalid or unconstitutional for any reason by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity of constitutionality of the remaining portion of this ordinance or its application to any other person or situation.

Section 6. Effective Date. This ordinance or a summary thereof shall be published in the official newspaper of the City, and shall take effect and be in full force five days after passage and publication as provided by law.

PASSED BY THE CITY COUNCIL OF THE CITY OF TUKWILA, WASHINGTON, at a Regular Meeting thereof this _____ day of _____, 2019.

ATTEST/AUTHENTICATED:

Christy O'Flaherty, MMC, City Clerk

Allan Ekberg, Mayor

APPROVED AS TO FORM BY:

Rachel B. Turpin, City Attorney

Filed with the City Clerk: _____
Passed by the City Council: _____
Published: _____
Effective Date: _____
Ordinance Number: _____

DRAFT

May XX, 2019

Mindy Rostami
Senior Manager, Strategic Contracting & Municipal Legal Affairs
Waste Management of Washington Inc.
720 4th Avenue, Suite 400
Kirkland, WA 98033

RE: Additional Services and Extra Ordinary Recyclable Cost

Dear Ms. Rostami,

The purpose of this Letter of Understanding ("LOU") is to approve an recyclable market surcharge between the City of Tukwila ("City") and Waste Management of Washington, Inc. ("WM").

City and WM agree to increase Commercial rates by five percent (5%), effective November 1, 2019, to reflect increased costs in recyclables processing and marketing. This surcharge is only approved for a period of 2 years, However WM may request to extend the surcharge by providing justification of the need to the City. Any request must be made no later than 90 days prior to the end of the 2-year surcharge period and must be approved by both parties.

Furthermore, WM agrees to commence twice weekly collection and disposal service for twenty (20) city-owned Garbage containers at locations chosen by the City staff for the duration of the Agreement. The City reserves the right to change the locations of these Garbage cans.

By signing below, each of the City and Waste Management acknowledges its approval and acceptance of the terms of this LOU and acknowledges that this LOU: (a) creates a legally binding obligation upon the parties, (b) shall be governed and constructed in accordance with the laws of the State of Washington regardless of any conflict of law provisions, (c) sets forth the entire agreement between the City and WM with respect to the subject matter hereof and supersedes all prior negotiations, representations, understandings and agreements with respect to the subject matter hereof, and (d) may be executed in two or

more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

Acknowledged and agreed upon by:

CITY OF TUKWILA

WASTE MANAGEMENT OF
WASHINGTON, INC.

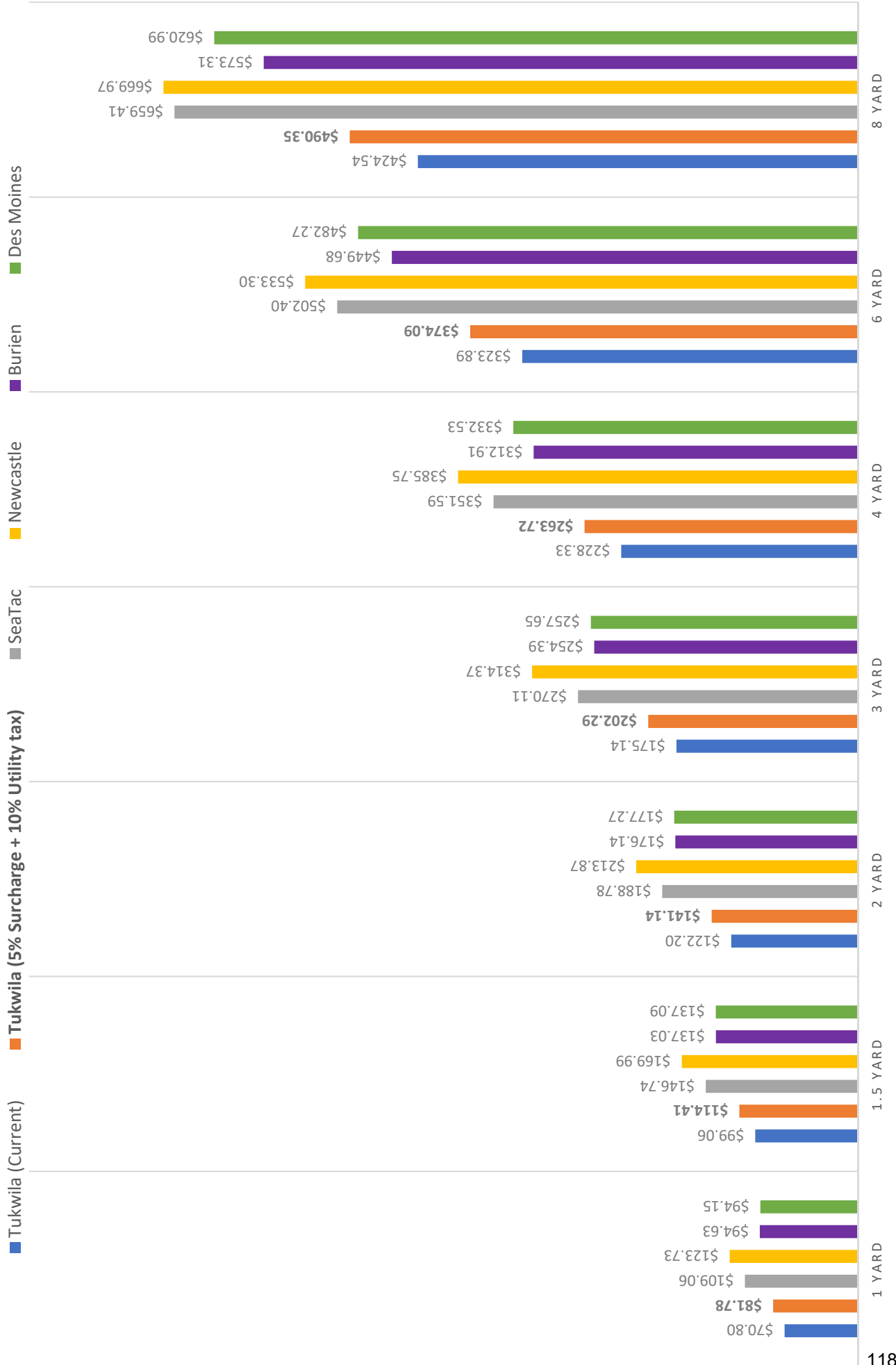
By: _____

By: _____

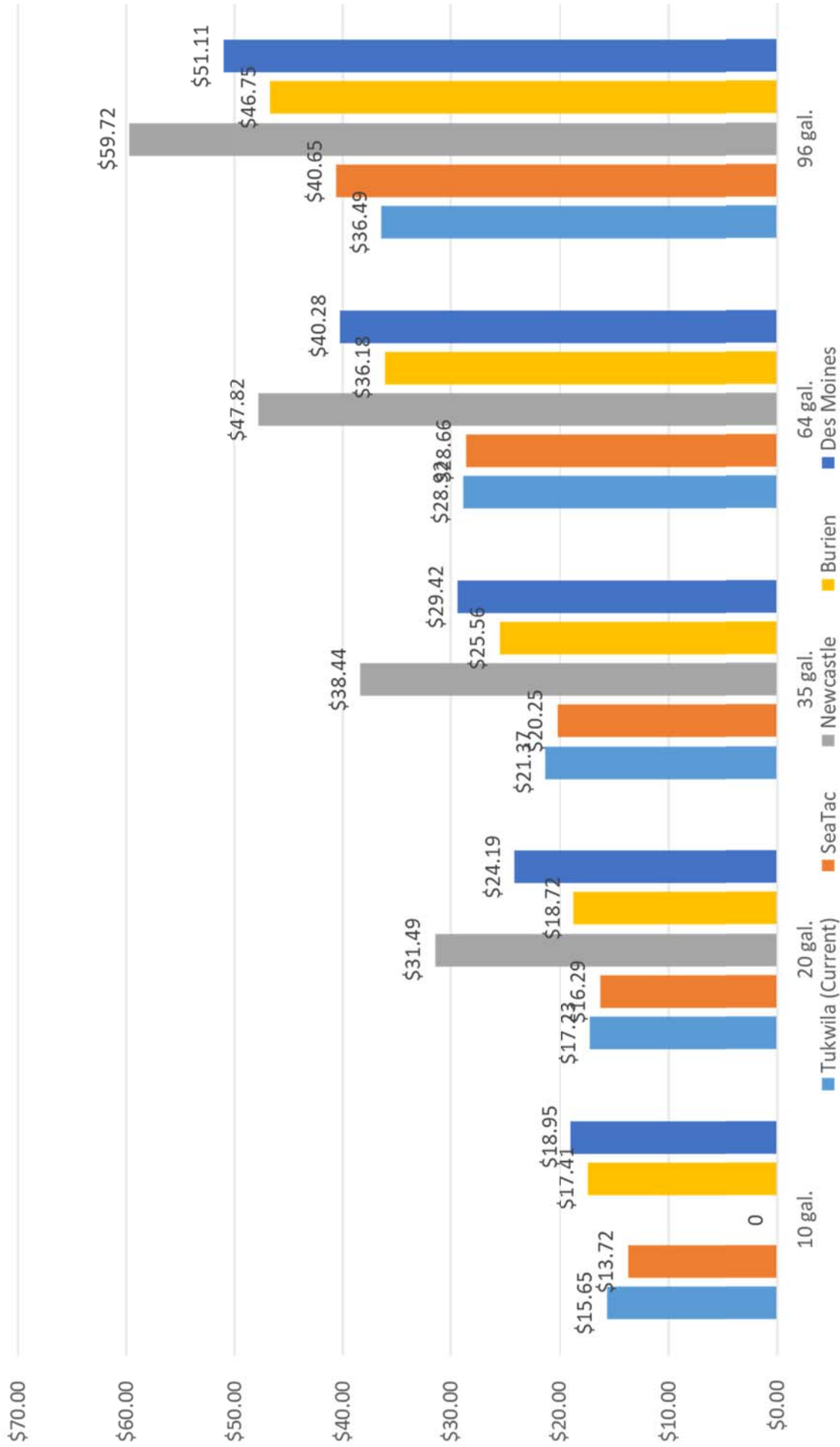
Its: _____

Its: _____

Commercial Rate Comparison



Residential Rate Comparison



Additional City-Owned Garbage Containers

1. Tukwila Intl Blvd – Northbound, (2) cans at the bus stop by KFC and Taco Bell.
2. Tukwila Intl Blvd – Northbound, (2) cans at the bus stop north of S. 148th Street at Pizza Hut.
3. Tukwila Intl Blvd – Northbound, (2) cans at the bus stop north of S. 144th Street by Car Wash.
4. Tukwila Intl Blvd – Northbound, (2) cans at the bus stop at S. 140th Street.
5. Tukwila Intl Blvd – Southbound, (2) cans at the bus stop south of S. 141st Street at the Casino.
6. Tukwila Intl Blvd – Southbound, (2) cans at the bus stop south of S. 144th Street at the Market.
7. Tukwila Intl Blvd – Southbound, (2) cans at the bus stop south of S. 148th Street at the Church.
8. Tukwila Intl Blvd – (2) cans at the NE & NW intersections with S. 144th Street.
9. S. 144th Street – Westbound, (1) can at the bus stop west of 37th Ave South at the Park.
10. S. 144th Street – Eastbound, (1) can at the bus stop east of 37th Ave South at the Market.
11. S. 144th Street – Westbound, (1) can in front of brick structure.
12. S. 144th Street – Eastbound, (1) can in front of brick structure.



