**Committee Members**

Dave Sadoff, **Chairperson**
Castro Valley Sanitary District

Shelia Young, **Vice Chairperson**
Oro Loma Sanitary District

Keith Carson, County of Alameda

Jesse Arreguin, City of Berkeley

Don Biddle, City of Dublin

Vinnie Bacon, City of Fremont

Sara Lamnin, City of Hayward

Bob Carling, City of Livermore

Mike Hannon, City of Newark

Dan Kalb, City of Oakland

Deborah Cox, City of San Leandro

Lorrin Ellis, City of Union City

Wendy Sommer, Executive Director

# AGENDA

# ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY MEETING OF THE PROGRAMS AND ADMINISTRATION COMMITTEE

**Thursday, March 9, 2017**

**9:00 A.M.**

**StopWaste Offices**
**1537 Webster Street**
**Oakland CA 94612**
**510-891-6500**

| Page | | | |
|---|---|---|---|
| | **1.** | **Convene Meeting** | |
| | **2.** | **Public Comments**<br>An opportunity is provided for any member of the public wishing to speak on any matter within the jurisdiction of the Programs & Administration Committee, but not listed on the agenda. Each speaker is limited to three minutes. | |
| 1 | **3.** | **Approval of the Draft Minutes of February 9, 2017 (Pat Cabrera)** | **Action** |
| 5 | **4.** | **ACWMA Property – Memorandum of Agreement Renewal with Bay Area Air Quality Management District (Brian Mathews)**<br>That the Programs and Administration Committee recommend that the Authority Board authorize the Executive Director to execute a Memorandum of Agreement with the Bay Area Air Quality Management District for the terms described herein. | **Action** |
| 7 | **5.** | **Fiscal Year 2015-2016 Audit Report (Todd High)**<br>1) Staff recommends that the Programs and Administration Committee review and forward the FY 15/16 audit report to the Waste Management Authority for acceptance and filling.<br>2) Staff recommends that the Recycling Board accept and file the FY 15/16 audit report. | **Action** |
| 63 | **6.** | **Updated Multi Year Fiscal Forecast (Pat Cabrera)**<br>This item is for information only. | **Information** |
| | **7.** | **Member Comments** | **Information** |
| | **8.** | **Adjournment** | |

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The Programs & Administration Committee is a Committee that contains more than a quorum of the Board. However, all items considered by the Committee requiring approval of the Board will be forwarded to the Board for consideration at a regularly noticed board meeting.

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**DRAFT**

# MINUTES OF THE ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY MEETING OF THE PROGRAMS AND ADMINISTRATION COMMITTEE

**Thursday, February 9, 2017**

**9:00 A.M.**

**StopWaste Offices**
**1537 Webster Street**
**Oakland CA 94612**
**510-891-6500**

**Members Present:**

| | |
|---|---|
| Castro Valley Sanitary District | Dave Sadoff |
| City of Hayward | Sara Lamnin |
| City of Livermore | Bob Carling |
| City of Newark | Mike Hannon |
| City of Oakland | Dan Kalb |
| Oro Loma Sanitary District | Shelia Young |
| City of San Leandro | Deborah Cox |
| City of Union City | Lorrin Ellis (teleconference) |

**Absent:**

| | |
|---|---|
| County of Alameda | Keith Carson |
| City of Berkeley | Jesse Arreguin |
| City of Dublin | Don Biddle |
| City of Fremont | Vacant |

**Staff Present:**

Pat Cabrera, Administrative Services Director
Wendy Sommer, Executive Director
Tom Padia, Deputy Executive Director
Teresa Eade, Senior Program Manager
Meghan Starkey, Senior Program Manager
Arliss Dunn, Clerk of the Board

## 1. Convene Meeting

Chair Dave Sadoff called the meeting to order at 9:07 a.m. Item #5 was held first until a quorum of the members arrived. Chair Sadoff announced that Board members are no longer required to use the sign-in attendance sheet as staff will now record the attendance. Staff will confer will legal counsel to confirm that it meets the legal requirement.

## 2. Public Comments

There were none.

**3. Approval of the Draft Minutes of January 12, 2017 (Pat Cabrera) Action**

Board member Hannon made the motion to approve the draft minutes of January 12, 2017. Board member Carling seconded and the motion was carried 8-0 (Ayes: Carling, Cox, Ellis, Hannon, Kalb, Lamnin, Sadoff, Young. Nays: None. Abstain: None. Absent: Arreguin, Biddle, Carson. Fremont, vacant).

**4. Waste Characterization 2017: Contractor Recommendation (Meghan Starkey) Action**

Staff recommends that the Programs & Administration Committee recommend to the Authority Board to authorize the Executive Director to enter into a contract with SCS Engineers for a total of $347,000.

Meghan Starkey provided a summary of the staff report. The report is available here: Waste-Characterization-2017.02-09-17.pdf

The following summarizes the questions and staff responses from the discussion at the P&A meeting:

Q. Why are we sampling MRF residuals as part of this study, and have we audited MRFs before?
A. An increasing amount of material, including MSW solid waste and mixed dry loads, is passing over MRF lines. In order to get an accurate view of our progress to goals, we need a picture of what is going to disposal from this source and not just material directly sent to landfill. The Davis St. Dry MRF was audited as part of the Mandatory Recycling Ordinance Phase One implementation, and the City of Oakland requires audits of the CWS facility. We plan to use these results as part of the study, as applicable.

Q. Why are there differences in cost between proposals, and why are we selecting a contractor who did not submit the lowest bid?
A. The lowest bid submitted contained fewer samples than the SCS Engineers bid, hence the lower cost. We did not feel the number of samples in the Cascadia bid was adequate, and would have requested additional samples (at an additional cost) had we chosen them. SCS will offer more robust results with their sampling plan. SCS also has superior expertise in statistics and will meet our need for analysis better.

Q. Where is the firm located?
A. Local offices are in Santa Rosa, CA, and sorting employees will be drawn from Alameda County.

Q. How does this relate to the inspectors under the MRO project?
A. Inspectors under the MRO are simply looking for the presence of covered materials in the garbage bins of covered accounts. This study will sample and quantify a longer list of materials and use data from the haulers to get a picture of the entire waste stream, and not just the covered accounts under MRO.

Q. How does this study relate to the benchmark study?
A. We will not directly sort and weigh material from the single family and multifamily streams as part of this study, but will apply the benchmark results instead. This study will also sample the entire commercial stream, as well as roll-off and self-haul streams, which are not covered by the benchmark study.

Q. Are we confident that a countywide study is adequate and that we should not do city specific studies?
A. Yes. Past studies have shown there to be no significant difference between individual city results and countywide results, i.e., differences between the member agencies and the county fall within the confidence interval. After much discussion on specifics, member agency staff members have agreed with our assessment. Member agencies need different types of studies to inform their local policies and programs, and some are undertaking these independently.

Q. How many days are we sampling?
A. The plan is to sample daily for three weeks, eight hours a day, in each of two seasons. This is a cost-saving feature over the four-season sorts performed for prior studies.

Q. The study scope refers to the 10% goal, and are there consequences for not meeting this goal?
A. The 10% goal is aspirational rather than required by the Authority. The City of Oakland does include a 10% goal in the franchise and there are consequences for the hauler to miss this goal. Other cities also have specific requirements in their franchises.

Q. Why are we reducing the material categories? Will we be able to compare to previous studies? Which categories are we including? Are we sampling textiles?
A. We are eliminating categories that do not meet policy or program needs. For example, distinguishing between five different types of paper when they are all handled the same way is not compelling in light of the cost. The new material categories are based on the previous list, with some categories collapsed but still comparable when aggregated. Since hazardous materials need to be handled carefully, those will also be sampled. The specific list is in the attachment to this memo. Material categories will be reviewed again and finalized before field work. We are sampling textiles and carpet.

Q. When will results be available?
A. Early 2018.

Board member Kalb asked that a list of material categories be provided in the WMA staff report. Ms. Starkey stated that she would do so.

Board member Young made the motion to approve the staff recommendation. Board member Cox seconded and the motion carried 8-0. (Ayes: Carling, Cox, Ellis, Hannon, Kalb, Lamnin, Sadoff, Young. Nays: None. Abstain: None. Absent: Arreguin, Biddle, Carson. Fremont, vacant).

**5. Water Efficient Landscape Ordinance Update (Teresa Eade) Information**

This item is for information only.

Teresa Eade provided an overview of the staff report and presented a PowerPoint presentation. The report and the presentation are available here: WELO-Update.02-09-17.pdf

Board member Carling inquired why forest products are not okay for mulch. Ms. Eade stated it is okay, however we have a lot of recycled material and the State says if recycled material is available in your area you must use that material first. If it's not available you can use other types. Ms. Eade added we have a list of providers of recycled compost and mulches available on the Lawn to Garden website.

Board member Hannon inquired if staff has looked at a self certification program for businesses to self regulate. Ms. Eade stated that we've supported bay friendly rated landscapes and the cities have adopted it as a standard for their landscape projects. There are also other possibilities such as requiring the developer to have a bay-friendly rated landscape and accept it as a meeting the WELO requirement or some cities require the developer to pay a deposit based on an estimate of what it would take to rate the project and hire out a contractor to review the project for WELO compliance. Board member Hannon inquired if a portion of the fee is refunded back to the developer. Ms. Eade responded yes. Chair Sadoff thanked Ms. Eade for the presentation.

**6. Member Comments**

Executive Director Wendy Sommer welcomed Councilmember Sara Lamnin to the Board as the new representative for the City of Hayward. Board member Young inquired about the decrease in the number of local bottle and can redemption centers. Mr. Padia stated that the California Redemption System is administered by CALRecycle and approximately one-third of the centers have closed due to financial problems. The larger centers are still in operation and CALRecycle is leading an effort to do a legislative fix to keep the smaller parking lot vendors afloat. We have a list of available centers on our Recyclewhere website portal. Chair Sadoff inquired about the status of the CRV fund. Mr. Padia stated that the overall redemption rate is over 80% and the remainder is used to fund CALRecycle staff, grants to cities, subsidies to redemption centers and to fund local conservation corps. The long term projection is that it is not sustainable at the current payout rates so they are looking at other models to increase revenues.

Board member Lamnin stated that she is looking forwarding to serving on the Board. She added that she worked with youth sorters doing waste audits as well as with other grantees funded through StopWaste.

**7. Adjournment**

The meeting adjourned at 10:00 a.m.

DATE: March 9, 2017

TO: Programs & Administration Committee

FROM: Pat Cabrera, Administrative Services Director

BY: Brian Mathews, Senior Program Manager

SUBJECT: ACWMA Property – Memorandum of Agreement Renewal with Bay Area Air Quality Management District


**SUMMARY**

This memo updates the Programs and Administration Committee on the Memorandum of Agreement (MOA) the Authority has with the Bay Area Air Quality Management District (BAAQMD) for an air quality monitoring station on Authority property Parcel 6 on Patterson Pass Road. At the March 9, 2017 Programs & Administration Committee meeting, staff will seek approval and advancement of an MOU renewal for the Waste Management Authority's consideration at its March meeting.


**DISCUSSION**

The WMA owns approximately 1,600 acres of real property in eastern Alameda County. The WMA manages agreements for use of the property including a wind power easement, a residential tenant lease, memoranda of agreement with government agencies (Bay Area Air Quality Management District, and the East Bay Regional Communication System Authority), a grazing license and leases with telecommunications companies.

To accomplish their mission, the BAAQMD periodically conducts air monitoring and sampling studies to better understand the presence and distribution of air pollutants. Patterson Pass was identified in 2008 as an optimum location to collect air samples and meteorological data to study the formation of ozone from the Tri Valley area. In 2009 the WMA entered into an MOA with the BAAQMD for installation of an air monitoring station at Parcel 6. The initial term of the MOA was for three years with two one-year renewals and was subsequently amended to extend the term for additional years.

The District requests to renew the MOA. The terms of the renewal would be as follows:

- 10-year term
- Annual rent escalation based on CPI
- Initial rental based on market rate of $1/square foot or $3,000 per year in quarterly payments
- Contractual terms consistent with the existing MOA and approved to form by WMA legal counsel

**RECOMMENDATION**

That the Programs and Administration Committee recommend that the Authority Board authorize the Executive Director to execute a Memorandum of Agreement with the Bay Area Air Quality Management District for the terms described herein.

| | |
|---|---|
| **DATE:** | March 9, 2017 |
| **TO:** | Programs and Administration Committee<br>Planning and Organization Committee/Recycling Board |
| **FROM**: | Pat Cabrera, Administrative Services Director |
| **BY:** | Todd High, Financial Services Manager |
| **SUBJECT:** | Fiscal Year 2015-2016 Audit Report |

**SUMMARY**

California state law requires that the Agency issue a complete set of financial statements annually and that an independent firm of certified public accountants audit the financial reports. The Agency's fiscal year (FY) closed on June 30, 2016, at which time Agency staff prepared the financials in conformity with generally accepted accounting principles (GAAP) and the firm of Maze and Associates audited the reports. At both the March 9, 2017 Programs and Administration Committee and the Planning and Organization Committee/Recycling Board meetings, staff will present the Audit Report for review.

**DISCUSSION**

The auditor's responsibility is to express opinions on the financial statements. We are pleased the Agency received an unmodified (clean) audit opinion for FY 2016 from the external auditors. In addition, there were no internal control weaknesses noted.

The Annual audit report for the fiscal year ended June 30, 2016 is attached. The Management's Discussion and Analysis (MD&A) section of the report (pages 5-8) provides an overview of the Agency's financial activities for the year. The report includes a total Agency (WMA, Recycling Board and Energy Council) Statement of Net Position (page 9); total Statement of Revenues, Expenses and Changes in Net Position (page 10); and total Statement of Cash Flows (page 11). On pages 33-38, the report shows the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position by Board and by fund. The two Boards and the Energy Council are distinct legal entities (but function as one Agency); therefore these statements are of particular importance as they separately outline their respective financial activity for the year.

<u>Revenue and Expenses</u>

The audit report shows total revenues (excluding Revolving Loan Fund income) of $33.6 million. This is an 11.6% reduction in revenues compared to the FY15/16 budget. The decrease is due primarily to the timing of grant funding for Bay-Friendly Water Efficient Landscape externally funded project. Total expenses (Revolving Loan Fund expenses excluded) were $30.3 million, a 20.2% reduction compared to budgeted expenses. The decrease is attributable primarily to the timing of grant expenses, which are linked to grant funding, and lower costs than those budgeted for the Household Hazardous Waste Program.

<u>Revolving Loan Fund</u>

At the end of the fiscal year, the loans receivable balance was $582,095. Repayments from outstanding loans totaled $85,634 and one loan for $300,000 was issued during the year. The Revolving Loan Fund's unrestricted net position was $2.0 million consisting of the outstanding loan balances and $1.4 million in cash.

<u>Net Position</u>

Total net position is the difference between the Agency's assets and deferred outflows and its liabilities and deferred inflows of resources. Deferred Outflows represents a consumption of net assets that applies to a future reporting period/periods (equivalent to a prepaid expense). Deferred Inflows is the acquisition of net assets that applies to a future period/periods (equivalent to deferred revenue). The Agency's total net position was $50.1 million (Authority's portion $40.0 million or 79.9%; Recycling Board's $10.0 million or 19.9% and Energy Council $122,000 or 0.2%). The total net position is comprised of $14.3 million for the net investment in capital assets (land, buildings, furnishing and equipment), $12.9 million is reserved and designated for specific purposes by the Board, $7.5 million for the Household Hazardous Waste Fund while the remaining $15.4 million may be used to meet the Agency's ongoing obligations, including outstanding contracts. The Agency's overall net position increased by approximately $3.3 million or 7.2% compared to FY 14/15

As indicated above net position is the difference between the Agency's assets and deferred outflows and its liabilities and deferred inflows of resources. Not all assets can be readily converted to cash (i.e. illiquid) such as the investments in capital assets (building, furniture and equipment); the prepayment of Other Post Employment Benefits (OPEB) is an asset but this asset is not available for the Agency to meet its ongoing obligations, neither are the deferred outflows. Conversely, not all liabilities are due within one year, some are long-term liabilities that may be paid off over a long period of time or from specified funds (not operating revenues), such as the net pension liability.

Recognizing these factors and for purposes of determining what portion of the net position (per audit report) is available to supplement the following year's budget, we eliminated the net OPEB assets, deferred outflow/inflows, accrued vacation and the net pension liability to arrive at a new calculated available net position. This new available net position (after making provisions for Board approved reserves and contract commitments) is what we refer to as "adjusted beginning fund balance 7/1/15" in the FY 15/16 midyear budget. We consider this amount as available because these are additional funds (addition to projected revenues) that may be used to spend on Agency programs and projects.

Implementation of Governmental Accounting Standards Board (GASB) 68-Accounting for Pensions

The Agency participates in a cost-sharing multiple-employer pension plan (Miscellaneous Risk Pool) and has disclosed its share of the plan's collective net pension liability ($4,631,507) as a liability in the Statement of Net Position (balance sheet). The net pension liability is the unfunded liability for pension benefits promised to current employees, retirees, and their beneficiaries. Prior to GASB 68, the miscellaneous risk pool's total unfunded liabilities based on the annual CalPERS Actuarial valuation were disclosed in the notes to the financial reports. CalPERS actuary will continue to annually issue (for a fee) the additional report called GASB 68 Accounting Valuation Report that will provide the net pension liability number that will be recorded on subsequent statement of net position reports.

There are three main components of GASB 68:

1) Net pension liability - The net pension liability balance shown on the statement of net position is one year in arrears. CalPERS actuaries valued the pension liability as of 6/30/2014 and applied roll forward procedures to come up with a liability as of 6/30/2015. This 6/30/2015 liability is what is reflected on the statement of net position.

2) Deferred pension contributions - As a result of the net pension liability being a year in arrears, the pension contributions ($1,119,151) made in FY 2015-16 will be applied to the following year's (FY 2016-17) liability and is therefore reflected on the statement of net position as "deferred outflow of resources" (the equivalent of a prepaid expense).

3) Differences between expected and actual earnings on investments - GASB 68 requires that these differences be amortized on a straight-line basis over five years.

**RECOMMENDATION**

1) Staff recommends that the Programs and Administration Committee review and forward the FY 15/16 audit report to the Waste Management Authority for acceptance and filling.
2) Staff recommends that the Recycling Board accept and file the FY 15/16 audit report.

Attachment: Audit Report for FY15-16.

# ALAMEDA COUNTY
# WASTE MANAGEMENT AUTHORITY,
# ALAMEDA COUNTY SOURCE REDUCTION AND
# RECYCLING BOARD AND ENERGY COUNCIL

## BASIC FINANCIAL STATEMENTS
## FOR THE YEAR ENDED JUNE 30, 2016

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,**
**ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD**
**AND ENERGY COUNCIL**
**For The Year Ended June 30, 2016**

## Table of Contents

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY
BOARD OF DIRECTORS
JUNE 2016

Jerry Pentin, *City of Pleasanton,* ***President***
Dan Kalb, *City of Oakland,* ***First Vice President***
Greg Jones, *City of Hayward,* ***Second Vice President***
Keith Carson, *Alameda County*
Jim Oddie, *City of Alameda*
Peter Maass, *City of Albany*
Susan Wengraf, *City of Berkeley*
Dave Sadoff, *Castro Valley Sanitary District*
Don Biddle, *City of Dublin*
Dianne Martinez, *City of Emeryville*
Suzanne Lee Chan, *City of Fremont*
Laureen Turner, *City of Livermore*
Mike Hannon, *City of Newark*
Shelia Young, *Oro Loma Sanitary District*
Tim Rood, *City of Piedmont*
Deborah Cox*, City of San Leandro*
Lorrin Ellis, *City of Union City*

ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
BOARD OF DIRECTORS
JUNE 2016

Tim Rood, *City of Piedmont,* ***President***
Toni Stein, *Environmental Educator,* ***1st Vice President***
Dianne Martinez, *City of Emeryville,* ***2nd Vice President***
Peter Maass, *City of Albany*
Greg Jones, *City of Hayward*
Jerry Pentin, *City of Pleasanton*
Daniel O'Donnell*, Environmental Organization*
Bernie Camara, *Recycling Materials Processing Industry*
Adan Alonzo, *Recycling Programs*
Michael Peltz, *Solid Waste Industry Representative*
Steve Sherman, *Source Reduction Specialist*

ENERGY COUNCIL
BOARD OF DIRECTORS
JUNE 2016

Dan Kalb, *City of Oakland,* ***President***
Greg Jones, *City of Hayward,* ***1st Vice President***
Lorrin Ellis, *City of Union City*, **2nd Vice President**
Keith Carson, *Alameda County*
Jim Oddie, *City of Alameda*
Peter Maass*, City of Albany*
Susan Wengraf, *City of Berkeley*
Don Biddle, *City of Dublin*
Dianne Martinez, *City of Emeryville*
Suzanne Lee Chan, *City of Fremont*
Laureen Turner*, City of Livermore*
Mike Hannon, *City of Newark*
Tim Rood, *City of Piedmont*
Jerry Pentin, *City of Pleasanton*
Deborah Cox, *City of San Leandro*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Alameda County Waste Management Authority,
Alameda County Source Reduction and Recycling Board
and Energy Council
Oakland, California

***Report on Financial Statements***

We have audited the accompanying financial statements of the Alameda County Waste Management Authority, Alameda County Source Reduction and Recycling Board and Energy Council (Agency), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Accountancy Corporation**
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2016, and the change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72 – *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 and required footnote disclosures as discussed in Note 1H to the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to this information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements as a whole. The Supplemental Information as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2017 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
February 27, 2017

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**ALAMEDA COUNTY WASTE MANGEMENT AUTHORITY, ALAMEDA COUNTY SOURCE REDUCTION AND RECYLING BOARD AND ENERGY COUNCIL ("STOPWASTE")**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE YEAR ENDED JUNE 30, 2016**

This section presents management's analysis of the Alameda County Waste Management Authority's (the Authority) financial condition and activities as of and for the year ended June 30, 2016. Management's Discussion and Analysis (MD&A) provides an overview of the Authority which operates as "StopWaste", and is governed by three boards: the Alameda County Source Reduction Board, the Recycling Board and the Energy Council Board. To obtain a complete understanding of the Authority's financial condition, this document should be read in conjunction with the financial statements and the accompanying notes to those financial statements.

## ORGANIZATION AND BUSINESS

Alameda County Waste Management Authority operating as StopWaste, is a public agency responsible for reducing waste in Alameda County and is governed by three Boards: The Alameda County Source Reduction Board, the Recycling Board, and the Energy Council. StopWaste helps local governments, businesses, schools and residents with projects and initiatives that increase recycling and reduce waste; develop and expand markets for recycled materials, provide technical and implementation assistance to increase recycling; motivate people to make recycling and waste reduction part of their everyday routines, reduce energy wastes and increase community resilience to climate change.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Authority operates as an Enterprise Fund and presents its financial statements using the full accrual basis of accounting. Revenues are recorded when earned and expenses recorded at the time liabilities are incurred, regardless of when cash is received or paid.

The Authority's financial reports include three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

The Statement of Net Position includes information about the Authority's assets, liabilities, deferred outflows and inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position present the results of the Agency's operations over the course of the fiscal year and information as to how the net position changed during the year. All of the fiscal year's revenues and expenses are accounted for in this statement.

The Statement of Cash Flows provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities. The statement shows what the sources and uses of cash were and what the change in the cash balance was during the fiscal year.

**Notes to the Basic Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic Financial Statements can be found on pages 9-37 of this report.

**FINANCIAL HIGHLIGHTS**

- The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of Fiscal Year (FY) 2016 by $50.1 million (reported as net position). The Authority's total net position was 79.9%, Recycling Board's net position was 17.9% and the Energy Council net position was 0.2%.

- In fiscal year ended June 30, 2016, the Authority's operating revenues from disposal and waste import mitigation fees decreased by $1.5 million (9.2%); $1.0 million of the reduction was due to the expiration of a long-term disposal contract for San Francisco waste disposed at the Altamont Landfill and the remainder due to lower tonnages from Alameda County. Additionally, FY 2015 included a one-time fund balance transfer of $2.3 million for the Household Hazardous Waste Program which the Authority took over as the fiscal agent effective July 1, 2014.

- The Authority's net pension liability of $4.6 million is disclosed as a liability in the Statement of Net Position.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**Statement of Net Position**

Table 1 reflects a comparison of the Authority's net position for fiscal year ended June 30, 2016 and 2015.

**Table 1**
**Summary Statement of Net Position at June 30, 2016 and 2015**

| | 2016 | 2015 | Increase (Decrease) Amount | Increase (Decrease) Percentage |
|---|---|---|---|---|
| Current and Other Assets | $48,182,514 | $42,079,121 | $6,103,393 | 14.5% |
| Capital Assets | 14,304,952 | 14,453,559 | (148,607) | (1.0%) |
| Total Assets | 62,487,466 | 56,532,680 | 5,954,786 | 10.5% |
| Deferred employer pension contributions and other pension items | 2,128,589 | 640,526 | 1,488,063 | 67.7% |
| Total Deferred Outflows of Resources | 2,128,589 | 640,526 | 1,488,063 | 67.7% |
| Current and Other Liabilities | 13,741,110 | 9,062,115 | 4,678,995 | 51.6% |
| Total Liabilities | 13,741,110 | 9,062,115 | 4,678,995 | 51.6% |
| Unavailable revenues | 84,037 | 17,525 | 66,512 | 380% |
| Deferred inflows – pension related | 654,281 | 1,289,856 | (635,575) | (49.3%) |
| Total Deferred Inflows of Resources | 738,318 | 1,307,381 | (569,063) | (43.5%) |

| | | | | |
|---|---|---|---|---|
| Net Position: | | | | |
| Net investment in capital assets | 14,304,952 | 14,453,559 | (148,607) | (1.0%) |
| Household Hazardous Waste Fund | 7,585,714 | 4,601,800 | 2,983,914 | 64.8% |
| Restricted Reserves | 12,865,780 | 14,399,244 | (1,533,464) | (10.6%) |
| Unrestricted | 15,380,181 | 13,349,107 | 2,031,074 | 15.2% |
| Total Net Position | $50,136,627 | $46,803,710 | $3,332,917 | 7.1% |

The total net position may serve over time as a useful indicator of the Agency's financial position. At the close of the fiscal year, June 30, 2016, the Agency's assets plus deferred outflows exceeded liabilities plus deferred inflows by $50.1 million. In FY 2015, the Agency implemented GASB 68 and 71. As a result of the implementation, net pension liability of $3.5 million was disclosed as a liability in the Statement of Net Position and the beginning FY 2015 unrestricted net position was restated.

The largest portion of the Agency's net position, $15.4 million (30.7%) is unrestricted and represents resources that may be used to meet any of the Agency's ongoing obligations, including outstanding contracts. $12.9 million (25.7%) are in reserves which have been designated for specific purposes by the Board. The Agency administers the funding for the four permanent Household Hazardous Waste Collection sites in Alameda County under a Memorandum of Understanding (MOU) with the City of Fremont and a MOU with the County of Alameda. These MOU's include certain restrictions on expense reimbursement limits.

The Agency's investment in capital assets (land, buildings, furniture and equipment net of accumulated depreciation) amounted to $14.3 million.

**Statement of Revenues, Expenses and Changes in Net Position**

Table 2 provides a summary of the Agency's operations for the fiscal years ended June 2016 and 2015.

**Table 2**
**Summary Statement of Revenues, Expenses and Changes in Net Position**
**for the years ending June 30, 2016 and 2015**

| | 2016 | 2015 | Increase (Decrease) Amount | Increase (Decrease) Percentage |
|---|---|---|---|---|
| Operating revenues | $24,014,705 | $27,015,879 | $(3,001,174) | (11.1%) |
| Non-operating revenues | 9,605,854 | 9,312,274 | 293,580 | 3.2% |
| Total Revenues | 33,620,559 | 36,328,153 | (2,707,594) | (7.5%) |
| Operating expenses | 30,128,640 | 30,583,848 | (455,208) | (1.5%) |
| Depreciation | 159,002 | 160,070 | (1,068) | (1.0%) |
| Total Expenses | 30,287,642 | 30,743,918 | (456,276) | (1.5%) |
| Change in Net Position | 3,332,917 | 5,584,235 | (2,251,318) | (40.3%) |
| Beginning Net Position | 46,803,710 | 41,219,475 | 5,584,235 | 13.5% |
| Ending Net Position | $50,136,627 | $46,803,710 | $3,332,917 | 7.1% |

The Statement of Revenues, Expenses, and Changes in Net Position shows how the Authority's net position changed during the fiscal year. Compared to the prior fiscal year, the Authority recognized an increase in net position of $3.3 million. The net position increase is largely due to an increase in the Household Hazardous Waste Fund balance.

Non-operating revenues comprised primarily of grants and interest income.

**Capital Assets**

At June 30, 2016, the Authority had invested $14.3 million in capital assets, net of depreciation. The investment in capital assets includes land, buildings, furnishings and equipment. There was one asset addition to furniture and equipment during the fiscal year.

Details of the capital assets, net of accumulated depreciation, as of June 30, 2016 and 2015 are as follows:

| | 2016 | 2015 | Increase (Decrease) Amount | Increase (Decrease) Percentage |
|---|---|---|---|---|
| Land (Altamont and Webster Street) | $ 9,230,922 | $9,230,922 | $-0 | |
| Buildings (Webster Street and Education Center) | 6,278,660 | 6,278,660 | -0 | |
| Furniture and equipment | 263,727 | 259,652 | 4,075 | 1.6% |
| Total Capital Assets | $15,773,309 | $15,769,234 | 4,075 | 0.0% |
| Less: Accumulated Depreciation | (1,468,357) | (1,315,675) | (152,682) | (11.6%) |
| Ending Capital Assets, net of depreciation | $14,304,952 | $14,453,559 | $(148,607) | (10.3%) |

**Request for information**

The Authority's financial statements are designed to provide a general overview of the Authority's finances and to show the Authority's accountability of the resources it receives and expends. If you have questions about this report, or need additional information, contact the Administrative Services Director or Financial Services Manager at the Alameda County Waste Management Authority, operating as StopWaste, 1537 Webster Street, Oakland CA 94612.

# ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
# ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
# AND ENERGY COUNCIL
# STATEMENT OF NET POSITION
# JUNE 30, 2016

| | |
|---|---|
| **ASSETS** | |
| Current Assets | |
| Cash and cash equivalents (Note 2) | $38,287,604 |
| Accounts receivable | 2,251,863 |
| Interest receivable | 12,985 |
| Grants receivable | 4,831,024 |
| Loans receivable - current (Note 3) | 212,341 |
| Total current assets | 45,595,817 |
| Noncurrent Assets | |
| Capital Assets - net of accumulated depreciation (Note 4) | 14,304,952 |
| Loans receivable - non-current (Note 3) | 369,754 |
| Net OPEB asset (Note 9) | 2,216,943 |
| Total noncurrent assets | 16,891,649 |
| Total Assets | 62,487,466 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Related to pension (Note 8) | 2,128,589 |
| **LIABILITIES** | |
| Current Liabilities | |
| Accounts payable | 7,360,394 |
| Accrued expenses | 289,621 |
| Accrued vacation (Note 6) | 63,114 |
| Due to other governmental agencies (Note 5) | 1,046,688 |
| Unearned revenue | 80,443 |
| Total current liabilities | 8,840,260 |
| Noncurrent liabilities | |
| Net pension liability (Note 8) | 4,631,507 |
| Accrued vacation (Note 6) | 269,343 |
| Total noncurrent liabilities | 4,900,850 |
| Total Liabilities | 13,741,110 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Unavailable revenues | 84,037 |
| Related to pension (Note 8) | 654,281 |
| Total Deferred Inflows of Resources | 738,318 |
| **NET POSITION (Note 7)** | |
| Net investment in capital assets | 14,304,952 |
| Unrestricted | 35,831,675 |
| Total Net Position | $50,136,627 |

See accompanying notes to financial statements

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

| | |
|---|---|
| OPERATING REVENUES | |
| Disposal and waste import mitigation fees | $14,518,653 |
| Household hazardous waste fees | 7,627,800 |
| Benchmark fees | 940,161 |
| Other | 928,091 |
| Total Operating Revenues | 24,014,705 |
| OPERATING EXPENSES | |
| Salaries and benefits | 6,232,177 |
| Program expenses | 23,596,811 |
| Legal and accounting | 247,917 |
| Board expenses | 51,735 |
| Depreciation (Note 4) | 159,002 |
| Total Operating Expenses | 30,287,642 |
| OPERATING LOSS | (6,272,937) |
| NON-OPERATING REVENUE | |
| Grants | 9,386,969 |
| Interest income | 173,885 |
| Other income | 45,000 |
| Total Non-Operating Revenue | 9,605,854 |
| CHANGE IN NET POSITION | 3,332,917 |
| Net position, beginning of year | 46,803,710 |
| Net position, end of year | $50,136,627 |

See accompanying notes to financial statements

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

| | |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers and users | $24,083,335 |
| Cash payments to suppliers | (20,237,870) |
| Cash payments to employees for wages and benefits | (7,219,571) |
| Net cash provided by (used for) operating activities | (3,374,106) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Grants | 5,315,572 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Acquisition of capital assets | (10,395) |
| Interest income | 202,973 |
| Net cash provided by (used for) investing activities | 192,578 |
| Net change in cash and cash equivalents | 2,134,044 |
| Cash and cash equivalents at beginning of year | 36,153,560 |
| Cash and cash equivalents at end of year | $38,287,604 |
| Reconciliation of operating loss to net cash provided by (used for) | |
| Operating activities: | |
| Operating loss | ($6,272,937) |
| Adjustments to reconcile operating loss to | |
| Depreciation | 159,002 |
| (Increase) decrease in accounts receivable | 282,996 |
| (Increase) decrease in loans receivable | (214,366) |
| (Increase) decrease in OPEB asset | 14,725 |
| Increase (decrease) in accounts payable | 3,466,361 |
| Increase (decrease) in accrued expenses | 72,005 |
| Increase (decrease) in amounts due to other governments | (20,970) |
| Increase (decrease) in unearned revenue | 126,472 |
| Increase (decrease) in accrued vacation | (28,428) |
| Increase (decrease) net pension liability, deferred inflows and deferred outflows | (958,966) |
| Net cash provided by (used for) operating activities | ($3,374,106) |

See accompanying notes to financial statements

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## NOTE 1 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES

### *A. Description of the Agency and its Programs*

Alameda County Waste Management Authority, Alameda County Source Reduction and Recycling Board and Energy Council are three separate legal entities:

The Alameda County Waste Management Authority (Agency) is a public agency formed in 1976 by a Joint Exercise of Powers Agreement among the County of Alameda, each of the fourteen cities within the county, and two sanitary districts that provide refuse and recycling collection services. The Agency has a seventeen-member board composed of elected officials appointed by each member agency.

The Agency is responsible for preparation of the Alameda County Integrated Waste Management Plan and Alameda County Hazardous Waste Management Plan. It manages a long-range program for development of solid waste facilities and offers a wide variety of other programs in the areas of source reduction and recycling, market development, technical assistance and public education. Funding is provided by per ton disposal and waste import mitigation fees.

The Alameda County Source Reduction and Recycling Board (Recycling Board) was created in 1990 by the voters of Alameda County through a ballot initiative, “Measure D”. The eleven-member board includes six citizen experts appointed by the Alameda County Board of Supervisors and five elected officials from the Alameda County Waste Management Authority.

The Recycling Board is responsible for programs that promote source reduction, residential and commercial recycling, recycled product procurement and market development. Program funding is provided from a per ton disposal surcharge at the Altamont and Vasco Road landfills.

The Energy Council was formed in Spring 2013 as a Joint Powers Agency to seek funding on behalf of its member agencies to develop and implement programs and policies that reduce energy demand, increase energy efficiency, advance the use of clean, efficient and renewable resources, and help create climate resilient communities. The Energy Council will assist its members in strengthening staff capacity, providing technical expertise, and securing funds to implement local sustainable energy strategies. To date, fifteen members serve on the Board. Funding for projects comes from external sources, mainly grants.

### *B. Basis of Presentation*

The Agency’s Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

## NOTE 1 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *C. Basis of Accounting*

Enterprise fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

Enterprise funds are accounted for using "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and deferred outflows of resources, and liabilities and deferred inflow of resources, (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

### *D. Compensated Absences*

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expense and a liability. Generally, earned vacation may be accumulated up to a maximum of 400 hours by all personnel. Agency employees do not receive compensation for accumulated sick leave unless they retire, in which case they have the option of cashing out half of their sick leave or converting sick leave to service credit. To date all eligible employees have chosen the latter option. Accordingly no sick leave has been accrued.

### *E. Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

## NOTE 1 – SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

***F. Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***G. Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Agency has only one item that qualifies for reporting in this category.

***H. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements***

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2016:

GASB Statement No. 72 – *Fair Value Measurement and Application*. The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

## NOTE 2 - CASH AND INVESTMENTS

The Agency invests in investment pools. The Agency carries its investments at fair market value, as required by generally accepted accounting principles. Cash and investments at June 30, 2016 consist of the following:

| | |
|---|---|
| Cash on hand and in banks | $132,270 |
| Investment pools | 38,155,334 |
| Total cash and cash equivalents | $38,287,604 |

## NOTE 2 - CASH AND INVESTMENTS (Continued)

### *A. Authorized Investments*

The Agency is authorized to invest in the instruments, in the table below, which also identifies certain provisions of the California Government Code or the Agency's investment policy where it is more restrictive:

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| Alameda County Investment Pool | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |

### *B. Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table, which shows the distribution of the Agency's investments by maturity:

| Authorized Investment Type | Remaining Maturity (in Months) 12 Months or less |
|---|---|
| Alameda County Investment Pool | $23,489,349 |
| Local Agency Investment Fund (LAIF) | 14,665,985 |
| | $38,155,334 |

The Agency is considered to be a voluntary participant in the Alameda County Investment Pool, an external investment pool. The fair value of the Agency's investment in the pool is reported in the financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The Agency is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Agency reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

## NOTE 2 - CASH AND INVESTMENTS (Continued)

Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2016, these investments matured in an average of 167 days.

### *C. Fair Value Hierarchy*

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The California Local Agency Investment Fund investments totaling \$23.5 million and the Alameda County Investment Pool investments totaling \$14.7 million are both classified in Level 2 of the fair value hierarchy, and are valued based on the fair value factor provided by the Treasurer of the State of California and the Alameda County Treasurer, respectively. Fair value is defined as the quoted market price on the last trading day of the period.

### *D. Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The State and County investment pools are not rated.

### *E. Concentration of Credit Risk*

Investments in any one issuer (other than U. S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total investments. As of June 30, 2016, there were no investments that represent 5% or more of the total Agency investments.

### *F. Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of the Agency's cash on deposit. All of the Agency's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in the Agency's name.

## NOTE 3 – LOANS RECEIVABLE

The Agency lends out monies to businesses in order to improve their recycling and waste management programs. The Revolving Loan Fund is designed to encourage businesses to reduce the amount of waste going to Alameda County landfills by providing low interest loans for source reduction, recycling, composting, processing or recycled market development efforts. Loan funds are available to existing and start up businesses with projects that reduce waste disposed in Alameda County landfills. To be eligible, businesses must be located in Alameda or an adjacent county, or be relocating to Alameda County. The fund is administered by the Safe-BidCo. on behalf of the Alameda County Source Reduction and Recycling Board. Loans are available from $10,000 to $300,000 with interest rates ranging from Wall Street Journal (WSJ) prime to prime plus 6%. Loan terms do not exceed 5 years. As of June 30, 2016, outstanding loans totaled $582,095.

## NOTE 4 – CAPITAL ASSETS

Capital assets are stated at cost less accumulated depreciation, which is provided on the straight-line basis over the estimated useful lives of the respective assets. The estimated useful lives of the assets and capitalization thresholds are listed below:

| Asset Type | Asset Life | Capitalization Thresholds |
|---|---|---|
| Building and improvements | 25 to 50 years | $5,000 |
| Vehicles, furniture, and equipment | 5 to 10 years | $5,000 |

The Agency's capital assets at June 30, 2016 consist of:

| | Balance June 30, 2015 | Additions | Deletions | Balance June 30, 2016 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $9,230,922 | | | $9,230,922 |
| Total | 9,230,922 | | | 9,230,922 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 6,278,660 | | | 6,278,660 |
| Furniture and equipment | 259,652 | $10,395 | ($6,320) | 263,727 |
| Total | 6,538,312 | 10,395 | (6,320) | 6,542,387 |
| Less accumulated depreciation for: | | | | |
| Building | (1,102,110) | (132,059) | | (1,234,169) |
| Furniture and equipment | (213,565) | (26,943) | 6,320 | (234,188) |
| Total | (1,315,675) | (159,002) | | (1,468,357) |
| Total capital assets being depreciated, net | 5,222,637 | (148,607) | | 5,074,030 |
| Total capital assets, net | $14,453,559 | ($148,607) | | $14,304,952 |

## NOTE 5 – DUE TO OTHER GOVERNMENTAL AGENCIES

The Agency provides direct funding to member agencies through the mandated allocation of funds to municipalities. Measure D requires the Agency to disburse 50% of Measure D fees on a per capita basis to municipalities for the continuation and expansion of municipal recycling programs. On June 30, 2016, $1,046,688 represented the last quarter of Measure D fees that had not yet been remitted.

## NOTE 6 – LONG-TERM LIABILITIES

A summary of long-term liability activities for the year ended June 30, 2016 is as follows:

| | Balance June 30, 2015 | Additions | Reductions | Ending June 30, 2016 | Due within One Year |
|---|---|---|---|---|---|
| Accrued vacation | $360,885 | | $28,428 | $332,457 | $63,114 |

## NOTE 7 – NET POSITION

### *A. Net Position*

Net Position is the excess of all the Agency's assets and deferred outflows over all its liabilities, and deferred inflows regardless of fund. Net Position are divided into three captions defined below:

*Net Investment in Capital Assets* describes the portion of Net Position which is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets and related deferred inflows.

*Restricted* describes the portion of Net Position which is restricted to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter.

*Unrestricted* describes the portion of Net Position which is not restricted to use.

## NOTE 8 - PENSION PLAN

### *A. General Information about the Pension Plans*

***Plan Descriptions*** – All qualified permanent, limited term and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a risk pool. Plan assets may be used to pay benefits for any employer rate plan of the pool. Accordingly, rate plans within the pool are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the risk pool. The Agency sponsors two rate plans (miscellaneous classic and miscellaneous PEPRA). Benefit provisions under the Plan are established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**B.** ***Benefits Provided*** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each rate plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

| | **Miscellaneous** | **PEPRA** |
|---|---|---|
| Hire date | Prior to January 1, 2013 | After January, 1, 2013 |
| Benefit formula | 2.5% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 55 | 62 |
| Required employee contribution rates | 7.94% | 6.25% |
| Required employer contribution rates | 9.67% | 6.25% |

Starting in fiscal year 2016, the required employer contribution rate was separated into an Employer Normal Cost Rate and a fixed dollar payment of the unfunded liability. For fiscal year 2016, the required employer payment of the unfunded liability was $201,459. The Agency made an additional $600,000 payment towards the unfunded liability in addition to the $201,459 payment.

## NOTE 8 - PENSION PLAN (Continued)

**C.** ***Contributions*** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The Agency's contributions recognized as part of pension expense for the year ended June 30, 2016 were $638,765.

***D. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2016, the Agency reported net pension liabilities for its proportionate shares of the net pension liability for the Plan as follows:

| | Proportionate Share of Net Pension Liability |
|---|---|
| Miscellaneous | $4,631,507 |

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

| | Miscellaneous |
|---|---|
| Proportion - June 30, 2014 | 0.056271% |
| Proportion - June 30, 2015 | 0.067476% |
| Change - Increase (Decrease) | 0.011205% |

## NOTE 8 - PENSION PLAN (Continued)

For the year ended June 30, 2016, the Agency recognized pension expense of $273,282. At June 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $1,199,151 | |
| Differences between actual and expected experience | 40,940 | |
| Changes in assumptions | | 387,330 |
| Difference in proportion | 808,316 | 72,778 |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 80,182 | |
| Net differences between projected and actual earnings on plan investments | | 194,173 |
| Total | $2,128,589 | $654,281 |

$1,199,151 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30 | Increase (Decrease) in Pension Expense |
|---|---|
| 2017 | $14,580 |
| 2018 | 17,705 |
| 2019 | (5,328) |
| 2020 | 248,200 |

## NOTE 8 - PENSION PLAN (Continued)

***E.*** ***Actuarial Assumptions*** – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

| | Miscellaneous |
|---|---|
| Valuation Date | June 30, 2014 |
| Measurement Date | June 30, 2015 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.65% |
| Inflation | 2.75% |
| Payroll Growth | 3.3%-14.2% |
| Projected Salary Increase | Varies by Entry Age and Service |
| Investment Rate of Return | 7.65% (1) |
| Mortality | Derived using CalPERS' Membership Data for all Funds (2) |

(1) Net of pension plan investment expenses, including inflation.

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2010 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

**NOTE 8 - PENSION PLAN (Continued)**

***F.*** ***Discount Rate*** – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10(a) | Real Return Years 11+(b) |
|---|---|---|---|
| Global Equity | 51.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0% | 0.99% | 2.43% |
| Inflation Sensitive | 6.0% | 0.45% | 3.36% |
| Private Equity | 10.0% | 6.83% | 6.95% |
| Real Estate | 10.0% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.0% | 4.50% | 5.09% |
| Liquidity | 2.0% | -0.55% | -1.05% |
| Total | 100% | | |

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

## NOTE 8 - PENSION PLAN (Continued)

***G.*** ***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** – The following presents the Agency's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Agency's propbortionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

***H.***

| | Miscellaneous |
|---|---|
| 1% Decrease | 6.65% |
| Net Pension Liability | $7,587,294 |
| | |
| Current Discount Rate | 7.65% |
| Net Pension Liability | $4,631,507 |
| | |
| 1% Increase | 8.65% |
| Net Pension Liability | $2,191,161 |

***I.*** ***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

At June 30, 2016, the Agency reported a payable of $0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

## NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

### *A. Post Employment Health Care Benefits*

**Description**

The Agency participates in the CALPERS sponsored health care plan for its employees and long-service retirees and/or their dependents. In addition, the Agency sponsors and administers dental and vision coverage for its employees and/or their dependents.

The Agency provides post-retirement health care benefits to eligible retirees. Prior to January 1, 2007, eligible employees retiring at or after age 50 with a minimum of 5 years of service credit, may opt to continue health care coverage, including spouse and dependents, with a monthly premium paid by the Agency. Vesting requirements have been implemented for employees hired after January 1, 2007.

The Agency has elected to set up a trust fund with the California Employers' Retiree Benefit Trust (CERBT) to fund their plan. The Agency does not have a stand-alone financial statement to their plan. Financial activity of the plan will be included as part of the CERBT's financial statements available through their executive office.

## NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The Plan provisions and benefits in effect at June 30, 2016 are summarized as follows:

| | HIRED BEFORE 1/1/2007 | HIRED ON OR AFTER 1/1/2007 |
|---|---|---|
| **Full Retirement Benefit** | | |
| Eligibility Age | 50 | 50 (52 if hired after 2012) |
| Service Required | 5 years | 20 years |
| Benefit Amount | Payment of any PERS premium for retiree and eligible dependents. | Payment of PERS premium for retiree and eligible dependents to limits under Section 22893. In 2016, caps are \$705 for 1-party, \$1,343 for 2-party, and \$1,727 for family. |
| Benefits End | Paid for life | Paid for life |
| **Partial Retirement Benefit** | | |
| Eligibility Age | | 50 (52 if hired after 2012) |
| Service Required | | 10-19 years |
| Benefit Amount | Not Applicable | Full benefit times vested percentage of 50% to 95% |
| Benefits End | | Paid for life |
| **PERS Minimum Benefit** | | |
| Eligibility Age | | 50 (52 if hired after 2012) |
| Service Required | | 5 years in PERS |
| Benefit Amount | Not Applicable | \$122 in 2015, \$125 in 2016, and indexed to the medical component of the Consumer Price Index thereafter. |
| Benefits End | | Paid for life |
| **Post-Retirement Death Benefit** | Payment of premium for eligible dependents for life of spouse or, while eligible, for children. | Payment of premium for eligible dependents for life of spouse or, while eligible, for children. |
| **Pre-Retirement Death Benefit** | PERS minimum to surviving spouse only if that spouse receives continuation of PERS pension as form of annuity. | PERS minimum to surviving spouse only if that spouse receives continuation of PERS pension as form of annuity. |
| **Disability Benefit** | Same as Full Retirement Benefit shown above, at any age, as long as service requirement is met. | Same as Full Retirement Benefit shown above, at any age, as long as service requirement is met. |

## NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

### Funding Policy and Actuarial Assumptions

The Agency has elected to fully fund the annual required contribution (ARC) which is determined by an actuary. The contribution requirements of the Agency are established and may be amended by the Board of Directors.

The current year ARC was determined as part of a July 1, 2015 actuarial valuation using the Entry Age normal cost method, which is based on the age at hire for eligible employees and based on the benfit plan applicable to the most recently hired employees. The actuarial assumptions included (a) 7% investment rate of return, (b) 2.75% payroll growth rate, (c) 2.75% general inflation rate, and (d) health care cost trend rates assumed to increase 4% per year for medical benefits.

Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. For the fiscal year ended June 30, 2016, the Agency's annual cost for the health care plan was $138,525. The Agency's OPEB asset amortization and the net OPEB asset for the year ended June 30, 2016 were as follows:

| | |
|---|---|
| Annual required contribution | $138,302 |
| Interest on net OPEB asset | (156,217) |
| Amortization of net OPEB asset | 156,440 |
| Annual OPEB cost (expense) | 138,525 |
| Contribution made | 123,800 |
| Decrease in net OPEB asset | (14,725) |
| Net OPEB asset, beginning of year | 2,231,668 |
| **Net OPEB asset, end of year** | $2,216,943 |

The Plan's annual required contributions and actual contributions for the last three years ended June 30 are set forth below:

| Fiscal Year | Annual OPEB Cost | Actual Contribution | % of OPEB Cost | Net OPEB Asset |
|---|---|---|---|---|
| 6/30/2014 | $105,009 | $120,200 | 114% | $2,212,877 |
| 6/30/2015 | 105,009 | 123,800 | 118% | 2,231,668 |
| 6/30/2016 | 138,525 | 123,800 | 89% | 2,216,943 |

## NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The Schedule of Funding Progress below, and the required supplementary information immediately following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial study is presented below:

| Actuarial Valuation Date | Actuarial Valuation of Assets (A) | Entry Age Actuarial Accrued Liability (B) | Overfunded (Underfunded) Actuarial Accrued Liability (A-B) | Funded Ratio (A/B) | Covered Payroll (C) | Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A-B)/C] |
|---|---|---|---|---|---|---|
| 7/1/2015 | $3,893,382 | $3,650,091 | $243,291 | 107% | $4,477,977 | 5.43% |

## NOTE 10 – RISK MANAGEMENT

The Agency carries commercial insurance coverage for its general liability, property damage, and workers' compensation insurance. The Agency also carries public officials and employee liability insurance, as well as employee dishonesty and forgery/alteration insurance, for those employees who have check signing authority, as well as those employees who handle funds in any manner.

The following types of loss risks are covered through commercial insurance policies as follows:

| Type of Coverage (Deductible) | Coverage Limits |
|---|---|
| General Liability ($1,000) | $2,000,000 |
| Property ($1,000) | $350,000,000 |
| Boiler and Machinery ($2,500) | $25,000,000 |
| Workers' Compensation ($1,000) | Statutory Limit |

## NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Agency's Federal and State grant programs are subject to the provisions of the Federal Single Audit Act as amended and applicable State requirements. In addition, these programs are still subject to further examinations by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Agency expects such amounts, if any, to be immaterial.

The Agency is subject to litigation arising in the normal course of business. In the opinion of the Agency attorney's there are no pending litigation which is likely to have a material adverse effect on the financial position of the Agency.

## Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date Last 10 Years*

| | Miscellaneous | Miscellaneous |
|---|---|---|
| | 6/30/2015 | 6/30/2014 |
| Plan's proportion of the Net Pension Liability (Asset) | 0.067476% | 0.056271% |
| Plan's proportion share of the Net Pension Liability (Asset) | $4,631,507 | $3,501,440 |
| Plan's Covered Employee Payroll | 4,638,785 | 4,477,977 |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll | 99.84% | 78.19% |

**Notes to Schedule:**

**Benefit Changes -** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of two years additional service credit.

**Changes in assumptions -** The discount rate was changed from 7.5% (net of administrative expense) to 7.65% to correct for an adjustment to exclude administrative expense.

*Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

## Cost-Sharing Multiple Employer Defined Pension Plan - Miscellaneous Plans
## As of June 30, 2016
## Schedule of Contributions
## Last 10 Years*

| | Miscellaneous<br>**Fiscal Year 2015-2016** | Miscellaneous<br>**Fiscal Year 2014-2015** |
|---|---|---|
| Actuarially determined contribution | $599,151 | $638,765 |
| Contributions in relation to the actuarially determined contributions | (1,199,151) | (638,765) |
| Contribution deficiency (excess) | ($600,000) | $0 |
| Covered-employee payroll | $4,638,785 | $4,477,977 |
| Contributions as a percentage of covered-employee payroll | 25.85% | 14.26% |
| **Notes to Schedule** | | |
| Valuation date: | 6/30/2013 | 6/30/2012 |

Methods and assumptions used to determine contribution rates:

| | |
|---|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 30 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.75% |
| Salary increases | Varies by Entry Age and Service |
| Investment rate of return | 7.5% Net of Pension Plan Investment and Administrative Expenses; includes Inflation |
| Retirement age | Classic - 2.5% @ 55 or 2% @ 62 |
| Mortality | Derived using CalPERS Membership Data for all Funds |

*Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

## ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY, ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD AND ENERGY COUNCIL
## REQUIRED SUPPLEMENTAL INFORMATION
## For The Year Ended June 30, 2016

### Schedule of Funding Status – Other Post-Employment Benefits Obligation
### Required Supplemental Information – Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Valuation of Assets (A) | Entry Age Actuarial Accrued Liability (B) | Overfunded (Underfunded) Actuarial Accrued Liability (A-B) | Funded Ratio (A/B) | Covered Payroll (C) | Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A-B)/C] |
|---|---|---|---|---|---|---|
| 7/1/2011 | $546,600 | $2,911,800 | ($2,365,200) | 19% | $3,189,700 | (74.2%) |
| 7/1/2013 | 3,303,800 | 2,896,300 | 407,500 | 114% | 4,056,500 | 10.05% |
| 7/1/2015 | 3,893,382 | 3,650,091 | 243,291 | 107% | 4,477,977 | 5.43% |

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
SUPPLEMENTARY SCHEDULE OF NET POSITION - WASTE MANAGEMENT
JUNE 30, 2016

| | Solid Waste | Mitigation Fees | Benchmark Fees | Household Hazardous Waste | Total |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | $6,044,134 | $13,045,281 | | $9,354,225 | $28,443,640 |
| Accounts receivable | 512,700 | 243,922 | $280,545 | 493,483 | 1,530,650 |
| Interest receivable | 649 | 12,335 | | | 12,984 |
| Grants receivable | 4,281,613 | | | | 4,281,613 |
| Total current assets | 10,839,096 | 13,301,538 | 280,545 | 9,847,708 | 34,268,887 |
| NON-CURRENT ASSETS: | | | | | |
| Capital assets, net of accumulated depreciation | 240,033 | 14,064,919 | | | 14,304,952 |
| Net OPEB asset | 2,216,943 | | | | 2,216,943 |
| Due from other funds | 434,435 | 44,638 | 5,960 | | 485,033 |
| Total Noncurrent Assets | 2,891,411 | 14,109,557 | 5,960 | | 17,006,928 |
| TOTAL ASSETS | 13,730,507 | 27,411,095 | 286,505 | 9,847,708 | 51,275,815 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Related to pension | 2,128,589 | | | | 2,128,589 |
| LIABILITIES | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Accounts payable | 4,480,930 | 212,388 | 11,519 | 2,261,994 | 6,966,831 |
| Accrued expenses | 289,621 | | | | 289,621 |
| Accrued vacation | 63,114 | | | | 63,114 |
| Due to other funds | 177,388 | | 236,165 | | 413,553 |
| Total current liabilities | 5,011,053 | 212,388 | 247,684 | 2,261,994 | 7,733,119 |
| LONG-TERM LIABILITIES | | | | | |
| Accrued vacation | 269,343 | | | | 269,343 |
| Net pension liability | 4,631,507 | | | | 4,631,507 |
| Total long-term liabilities | 4,900,850 | | | | 4,900,850 |
| TOTAL LIABILITIES | 9,911,903 | 212,388 | 247,684 | 2,261,994 | 12,633,969 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue | 84,037 | | | | 84,037 |
| Related to pension | 654,281 | | | | 654,281 |
| Total deferred inflows of resources | 738,318 | | | | 738,318 |
| NET POSITION | | | | | |
| Net investment in capital assets | 240,033 | 14,064,919 | | | 14,304,952 |
| Unrestricted | 4,968,842 | 13,133,788 | 38,821 | 7,585,714 | 25,727,165 |
| TOTAL NET POSITION | $5,208,875 | $27,198,707 | $38,821 | $7,585,714 | $40,032,117 |

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - WASTE MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2016

| | Solid Waste | Mitigation Fees | Benchmark Fees | Household Hazardous Waste | Total |
|---|---|---|---|---|---|
| OPERATING REVENUES | | | | | |
| Fees | $4,574,911 | $1,659,195 | | | $6,234,106 |
| Household hazardous fees | | | | $7,627,800 | 7,627,800 |
| Benchmark fees | | | $940,161 | | 940,161 |
| Other | 420,960 | 490,695 | | | 911,655 |
| Total operating revenues | 4,995,871 | 2,149,890 | 940,161 | 7,627,800 | 15,713,722 |
| OPERATING EXPENSES | | | | | |
| Salaries and benefits | 2,656,538 | 1,331,327 | 302,314 | 158,447 | 4,448,626 |
| Program expenses | 2,375,496 | 1,742,821 | 710,165 | 4,501,313 | 9,329,795 |
| Legal and accounting | 180,594 | 44,341 | | 19,606 | 244,541 |
| Board expenses | 39,750 | | | | 39,750 |
| Depreciation | 33,546 | 125,456 | | | 159,002 |
| Total operating expenses | 5,285,924 | 3,243,945 | 1,012,479 | 4,679,366 | 14,221,714 |
| OPERATING INCOME (LOSS) | (290,053) | (1,094,055) | (72,318) | 2,948,434 | 1,492,008 |
| NONOPERATING REVENUES | | | | | |
| Grants | 235,455 | | | | 235,455 |
| Interest income | 29,338 | 54,474 | | 35,480 | 119,292 |
| Total nonoperating revenues | 264,793 | 54,474 | | 35,480 | 354,747 |
| NET INCOME BEFORE TRANSFERS | (25,260) | (1,039,581) | (72,318) | 2,983,914 | 1,846,755 |
| Transfers in (out) | (769,234) | 769,234 | | | |
| NET INCOME (LOSS) AFTER TRANSFERS | (794,494) | (270,347) | (72,318) | 2,983,914 | 1,846,755 |
| NET POSITION, BEGINNING OF YEAR | 6,003,369 | 27,469,054 | 111,139 | 4,601,800 | 38,185,362 |
| NET POSITION, END OF YEAR | $5,208,875 | $27,198,707 | $38,821 | $7,585,714 | $40,032,117 |

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
SUPPLEMENTARY SCHEDULE OF NET POSITION - RECYCLING BOARD
JUNE 30, 2016

| | Municipality Allocation | Revolving Loan Fund | Pre-March 1995 | Discretionary | Grants to Non-Profits | Source Reduction | Market Development | Recycled Product Price | Total |
|---|---|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | | | |
| CURRENT ASSETS: | | | | | | | | | |
| Cash and cash equivalents | $695,114 | $1,426,989 | $694,981 | $3,539,785 | $2,013,621 | $1,024,495 | $431,842 | $17,137 | $9,843,964 |
| Accounts receivable | 353,086 | 15,042 | | 105,925 | 70,617 | 70,617 | 70,617 | 35,309 | 721,213 |
| Interest receivable | | 1 | | | | | | | 1 |
| Loans receivable - current | | 212,341 | | | | | | | 212,341 |
| Due from other funds | | 1,017 | | 14,403 | 3,853 | 11,605 | 11,067 | 666 | 42,611 |
| Total current assets | 1,048,200 | 1,655,390 | 694,981 | 3,660,113 | 2,088,091 | 1,106,717 | 513,526 | 53,112 | 10,820,130 |
| NON-CURRENT ASSETS: | | | | | | | | | |
| Loans receivable - non current | | 369,754 | | | | | | | 369,754 |
| TOTAL ASSETS | 1,048,200 | 2,025,144 | 694,981 | 3,660,113 | 2,088,091 | 1,106,717 | 513,526 | 53,112 | 11,189,884 |
| LIABILITIES | | | | | | | | | |
| CURRENT LIABILITIES: | | | | | | | | | |
| Accounts payable | | | | 13,116 | 49,244 | 40,275 | 30,218 | 28,214 | 161,067 |
| Due to other funds | | | | | | | | | |
| Due to other governments | 1,046,688 | | | | | | | | 1,046,688 |
| Total current liabilities | 1,046,688 | | | 13,116 | 49,244 | 40,275 | 30,218 | 28,214 | 1,207,755 |
| TOTAL LIABILITIES | 1,046,688 | | | 13,116 | 49,244 | 40,275 | 30,218 | 28,214 | 1,207,755 |
| NET POSITION | | | | | | | | | |
| Unrestricted | 1,512 | 2,025,144 | 694,981 | 3,646,997 | 2,038,847 | 1,066,442 | 483,308 | 24,898 | 9,982,129 |
| TOTAL NET POSITION | $1,512 | $2,025,144 | $694,981 | $3,646,997 | $2,038,847 | $1,066,442 | $483,308 | $24,898 | $9,982,129 |

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
- RECYCLING BOARD
FOR THE YEAR ENDED JUNE 30, 2016

| | Municipality Allocation | Revolving Loan Fund | Pre-March 1995 | Discretionary | Grants to Non-Profits | Source Reduction | Market Development | Recycled Product Price | Total |
|---|---|---|---|---|---|---|---|---|---|
| OPERATING REVENUES | | | | | | | | | |
| Fees | $4,142,272 | | | $1,242,680 | $828,456 | $828,456 | $828,453 | $414,230 | $8,284,547 |
| Other | | $16,436 | | | | | | | 16,436 |
| Total operating revenues | 4,142,272 | 16,436 | | 1,242,680 | 828,456 | 828,456 | 828,453 | 414,230 | 8,300,983 |
| OPERATING EXPENSES | | | | | | | | | |
| Salaries and benefits | | 29,346 | | | 125,073 | 396,442 | 624,285 | 26,862 | 1,202,008 |
| Program expenses | 4,145,388 | 20,934 | | 91,835 | 525,418 | 247,186 | 357,194 | 378,255 | 5,766,210 |
| Legal and accounting | | 560 | | 2,209 | | | | | 2,769 |
| Board expenses | | | | 11,985 | | | | | 11,985 |
| Total operating expenses | 4,145,388 | 50,840 | | 106,029 | 650,491 | 643,628 | 981,479 | 405,117 | 6,982,972 |
| OPERATING INCOME (LOSS) | (3,116) | (34,404) | | 1,136,651 | 177,965 | 184,828 | (153,026) | 9,113 | 1,318,011 |
| NONOPERATING REVENUES | | | | | | | | | |
| Interest income | 3,691 | 7,649 | | 38,907 | | | | | 50,247 |
| Total nonoperating revenues | 3,691 | 7,649 | | 38,907 | | | | | 50,247 |
| NET INCOME | 575 | (26,755) | | 1,175,558 | 177,965 | 184,828 | (153,026) | 9,113 | 1,368,258 |
| NET POSITION, BEGINNING OF YEAR | 937 | 2,051,899 | $694,981 | 2,471,439 | 1,860,882 | 881,614 | 636,334 | 15,785 | 8,613,871 |
| NET POSITION, END OF YEAR | $1,512 | $2,025,144 | $694,981 | $3,646,997 | $2,038,847 | $1,066,442 | $483,308 | $24,898 | $9,982,129 |

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
AND ENERGY COUNCIL
SUPPLEMENTARY SCHEDULE OF NET POSITION - ENERGY COUNCIL
JUNE 30, 2016

| | |
|---|---|
| ASSETS | |
| CURRENT ASSETS: | |
| Grants receivable | $549,411 |
| TOTAL ASSETS | 549,411 |
| LIABILITIES | |
| CURRENT LIABILITIES: | |
| Accounts payable | 232,496 |
| Due to other funds | 114,091 |
| Unearned revenue | 80,443 |
| TOTAL LIABILITIES | 427,030 |
| NET POSITION | |
| Unrestricted | 122,381 |
| TOTAL NET POSITION | $122,381 |

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
ENERGY COUNCIL
FOR THE YEAR ENDED JUNE 30, 2016

| | |
|---|---|
| OPERATING EXPENSES | |
| Salaries and benefits | $581,543 |
| Program expenses | 8,500,806 |
| Legal and accounting | 607 |
| Total operating expenses | 9,082,956 |
| NON-OPERATING REVENUES | |
| Grants | 9,151,514 |
| Other revenue | 45,000 |
| Interest income | 4,346 |
| Total non-operating revenues | 9,200,860 |
| NET INCOME | 117,904 |
| NET POSITION, BEGINNING OF YEAR | 4,477 |
| NET POSITION, END OF YEAR | $122,381 |

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Alameda County Waste Management Authority,
Alameda County Source Reduction and Recycling Board and Energy Council
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Alameda County Waste Management Authority, Alameda County Source Reduction and Recycling Board and Energy Council (Agency), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated February 27, 2017. Our report included an emphasis paragraph regarding the implementation of a new accounting principle.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated February 27, 2017 which is an integral part of our audit and should be read in conjunction with this report.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze + Associates

Pleasant Hill, California
February 27, 2017

**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY, ALAMEDA COUNTY RESOURCE REDUCTION AND RECYCLING BOARD AND ENERGY COUNCIL**

**MEMORANDUM ON INTERNAL CONTROL AND REQUIRED COMMUNICATIONS**

**FOR THE YEAR ENDED JUNE 30, 2016**

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**ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY,**
**ALAMEDA COUNTY RESOURCE REDUCTION AND RECYCLING BOARD**
**AND ENERGY COUNCIL**
**MEMORANDUM ON INTERNAL CONTROL**
**AND**
**REQUIRED COMMUNICATIONS**

**For The Year Ended June 30, 2016**

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MAZE & ASSOCIATES

**MEMORANDUM ON INTERNAL CONTROL**

To the Board of Directors of
Alameda County Waste Management Authority,
Alameda County Source Reduction and Recycling Board
and Energy Council
Oakland, California

In planning and performing audit of the basic financial statements of the Alameda County Waste Management Authority, Alameda County Source Reduction and Recycling Board and Energy Council (Agency) as of and for the year ended June 30, 2016 in accordance with auditing standards generally accepted in the United States of America, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Maze + Associates

Pleasant Hill, California
February 27, 2017

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# REQUIRED COMMUNICATIONS

To the Board of Directors of
Alameda County Waste Management Authority,
Alameda County Source Reduction and Recycling Board
and Energy Council
Oakland, California

We have audited the basic financial statements of the Alameda County Waste Management Authority, Alameda County Source Reduction and Recycling Board and Energy Council (Agency) for the year ended June 30, 2016. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards*.

**Significant Audit Findings**

***Accounting Policies***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

> GASB 72 – *Fair Value Measurement and Application* - The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.
>
> GASB 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* - This statement identifies the sources of guidance that state and local governments follow when preparing financial statements in conformity with accounting principles generally accepted in the United States of America and lists the order of priority for these sources.
>
> GASB 79 – *Certain External Investment Pools and Pool Participants* - This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement.

These pronouncements became effective, but did not have a material effect on the financial statements.

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### *Unusual Transactions, Controversial, or Emerging Areas*

We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

### *Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Agency's financial statements are depreciation, actuarial estimates for the Agency's Pension Plan and actuarial estimates for the Agency's Other Post-Employment Benefits Plan.

Management's estimate of depreciation is based on the estimated useful lives of the capital assets. The value of the assets, liability and assumptions used to determine annual required contributions to the Agency's Pension Plan and Other Post-Employment Benefits Plan is determined by an actuary study provided to the Agency as of July 1, 2015. We evaluated the key factors and assumptions used to develop the depreciation expense, and reviewed the current actuary study and determined that they are reasonable in relation to the basic financial statements taken as a whole.

### *Disclosures*

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all/certain such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in a management representation letter February 27, 2017.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

***Other Matters***

**Other Information Accompanying the Financial Statements**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

With respect to the required supplementary information accompanying the financial statements, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not express an opinion nor provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

******

This information is intended solely for the use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Maze + Associates

Pleasant Hill, California
February 27, 2017

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STOPWASTE
at home • at work • at school

**DATE:** March 9, 2017

**TO:** Programs and Administration Committee
Planning and Organization Committee/Recycling Board

**FROM:** Pat Cabrera, Administrative Services Director

**SUBJECT:** Updated Multi Year Fiscal Forecast

## SUMMARY

At the February 22, 2016 Waste Management Authority meeting, staff presented multi-year fiscal forecast scenarios predicated on revised revenue assumptions. Staff committed to presenting a revised multi-year forecast on an annual basis, in preparation of budget development. At both the March 9, 2017 Programs and Administration Committee and the Planning and Organization Committee/Recycling Board meetings, staff will present a revised multi-year forecast based on new core revenue estimates and a reduced core expenditure plan.

## DISCUSSION

**15/16 projection to 15/16 actuals** - The revised projection shows a comparison between our FY15/16 projected core, revenues, projections and fund balance and our actual financials for the year. The following is a more detailed breakdown of those figures.

| **Category** | **FY 15/16 Actuals** | **FY 15/16 Budget (Mid-Year)** | **Difference** |
|---|---|---|---|
| **Core expenditures** | **$10,502,000** | **$11,415,000** | **$ 913,000*** |
| Core revenues: | | | |
| Tonnage: facility | $ 4,370,000 | $ 4,399,000 | $ [29,000] |
| Tonnage: mitigation | $ 1,641,000 | $ 1,519,000 | $ 122,000 |
| Tonnage: Measure D | $ 3,728,000 | $ 3,754,000 | $ [26,000] |
| Tonnage: fee enforcement | $ 205,000 | $ 200,000 | $ 5,000 |
| Benchmark | $ 940,000 | $ 849,000 | $ 91,000 |
| Property and interest | $ 558,000 | $ 614,000 | $ [56,000] |
| Miscellaneous | $ 252,000 | $ 162,000 | $ 90,000 |
| **Total core revenue** | **$11,694,000** | **$11,497,000** | **$ 197,000** |
| **Closed contracts and transfers** | **$ 390,000** | | **$ 390,000** |
| **Core fund balance** | **$11,547,000** | **$10,047,000** | **$1,500,000** |

*from staff vacancy/salary savings

While staff pursues the Agency's mission of "less than 10% good stuff in the landfill", we have also made a commitment to ultimately match core expenditures to core revenues. Towards that end, the Agency has accumulated substantial fund balances (more accurately described as working capital) and reserves to cover any shortfalls as we proceed with our long term expenditure plan. As stated during our last presentation in February 2016 we do not anticipate a need for a fee increase in the near future, even with the rescission of the benchmark fee effective in FY17/18.

With respect to the surplus in the core budget, most was a result of vacancy and other salary related savings. We generally do have a surplus each year; however with budgets becoming tighter we don't anticipate this level of surplus going forward. We carefully monitor expenditures throughout the year and have safeguards in place to ensure that we don't overspend.

**Tonnage Revenues**

As of FY15/16 tonnage-based fees comprised over 85% of the Agency's core revenues. The remaining 15% comes from property-related revenues, interest and enforcement activities. At last year's presentation we recommended using a simpler model to project tonnages as the previously used statistical model was no longer viable. Upon examining tonnages going back to 1999 and based on those trends, we chose to implement a 3% annual tonnage decline. However, we have seen an uptick in tonnages this current year. While some of it can be explained by the 21,000 tons of salt disposal from Cargill in Newark, disposal in general has increased. Part of this increase can be explained by an increase in population and a strengthening regional economy, which is also supported by statewide disposal trends.

The attached population trend graph (Attachment A) shows Alameda County population increasing from 1.4 million in 2000 to 1.5 million in 2010 and just over 1.6 million today. In addition, the attached tonnage trend graph (Attachment B) shows the recent uptick in disposal activity. As such, the new baseline for future projections has been adjusted starting with the current fiscal year. From that baseline, we have modestly decreased the projected FY17/18 tonnage estimates by 1% since we don't anticipate reduced tonnage from the new organics MRF (OMRF) at Davis St. until later in fiscal year FY17/18 (based on the expected project completion date).

Tonnage revenues for FY18/19 to FY20/21 show a projected annual decrease of 2.1%. We feel that this is a reasonable estimator based on the new sorting line at Davis St., our increased focus on food waste prevention and continued mandatory recycling ordinance efforts. As always, we will continue to monitor disposal trends carefully and apprise the Boards as needed. Given that we also have a fiscal reserve of $2.1M (that we have never had to use for revenue shortfalls) we feel there is also sufficient cushion should revenues fall significantly below projections.

**Core Expenditures**

The FY17/18 core budget is currently estimated to total approximately $11.0 million, which reflects a reduction of $400,000 or a 3.7% decline compared to the FY16/17 budget. Using the Board approved guiding principles, staff is in the process of developing the 17/18 budget in a strategic fashion that includes phasing out any “legacy” project that has reached its optimal effectiveness, essentially “zero basing” discretionary projects and looking for cost synergies for committed projects. As shown in the following multi-year forecast, the expenditure projections from FY18/19 to FY20/21 show a reduction of core expenditures of $400,000 annually. We chose a figure that we felt was realistic in terms of reducing our expenditures while still maintaining sufficient resources to fund our programs. These reductions do not reflect salary savings from retirements at this point, but will be included as appropriate in future forecasts. We are also aware that changes in the retirement discount rate and health care cost trends could also impact this forecast. However, pending finalization of the conservation easement with NextERA, we are planning to make a sizeable lump sum payment towards our unfunded liability (hopefully by the end of the current fiscal year) that will reduce annual retirement related operating costs. Furthermore, since the Authority Board adopted a 90% funded status goal for employee pensions, we will continue to seek ways to meet that objective (e.g. use a portion of excess fund balance to make additional lump sum payments).

**Multi Year Fiscal Forecast**

Based on the revisions discussed above, at the end of FY 20/21 the forecast (Attachment C) shows a shortfall of approximately $600,000 between projected core expenditures and revenues. However, these forecasts do not include potential retirements in FY17/18, the impacts of future retirements or changes in programs that could address the shortfall assuming that the Agency reaches its aspirational goal. If the Agency has not reached its goal there would still be over $19M of combined fund balance and reserves that could bridge that funding gap if needed. Again, we are not advocating or anticipating the need for a fee increase in the near future.

While fiscal forecasts are excellent planning tools, the further out the forecast, the higher the likelihood of imprecision given multiple assumptions and variables. Since we will be presenting a multi-year forecast on an annual basis, we will be able to make timely adjustments to our assumptions and projections as needed.

**RECOMMENDATION**

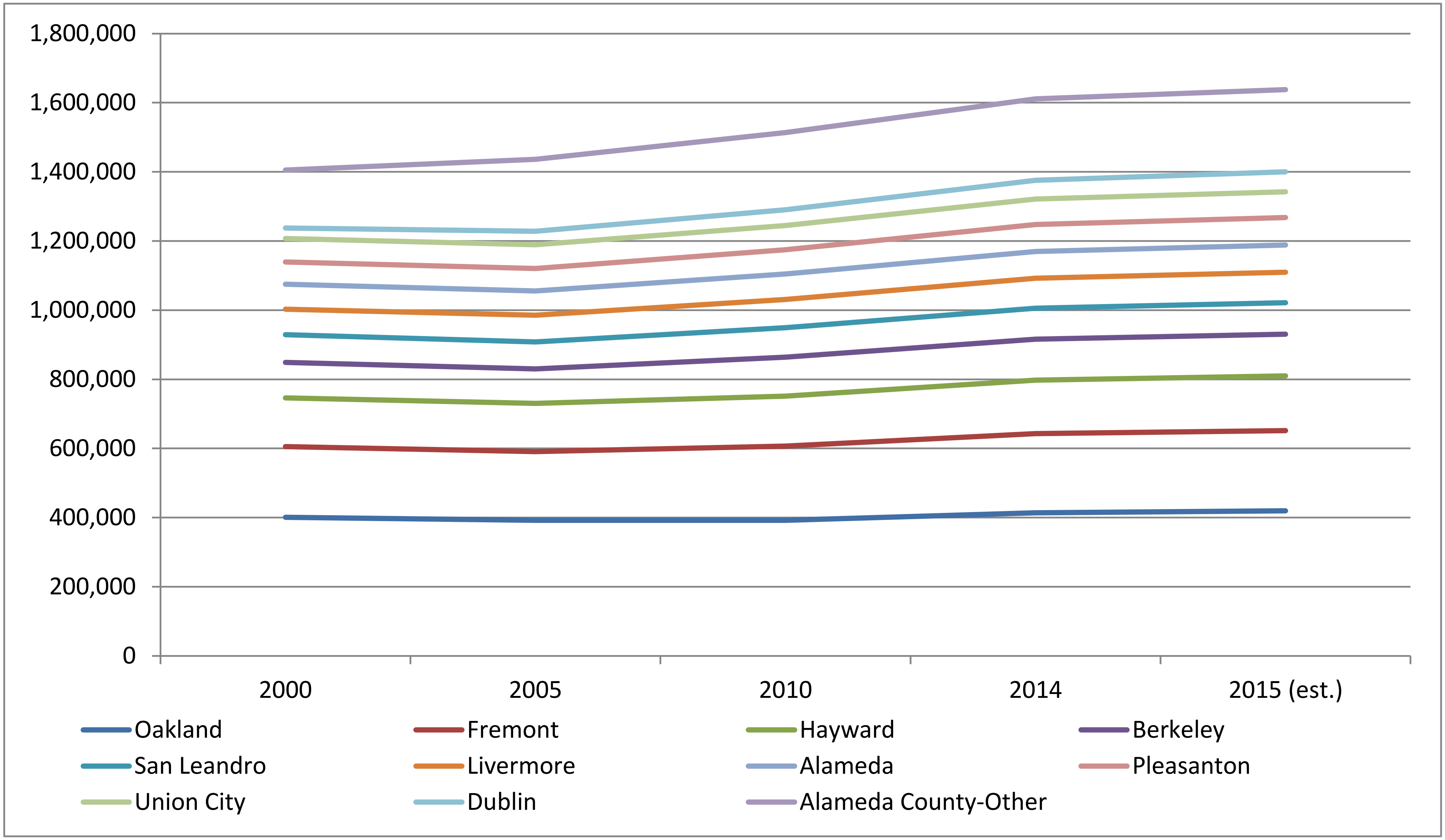
This item is for information only.

Attachment A: Alameda County Population

Attachment B: Disposal Trends

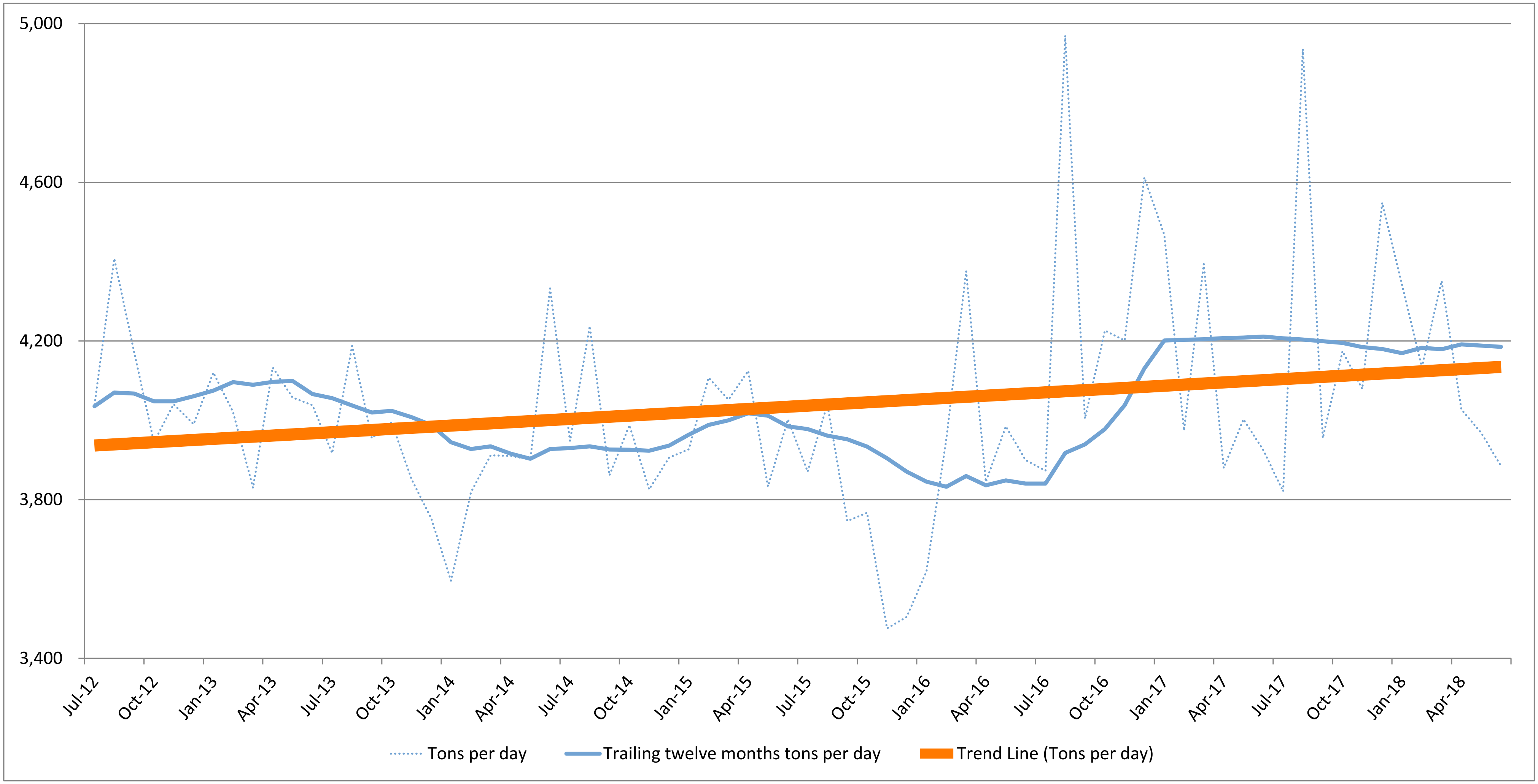
Attachment C: Multi-Year Forecast through FY 20/21

Attachment A:  Alameda County Population




Source: US Census Data

Attachment B: Disposal Trends




Note: Mandatory Recycling Ordinance (MRO) 2012-01 effective July 1, 2012

Attachment C:  Multi-Year Forecast through FY 20/21