



DATE: February 14, 2019

TO: Programs and Administration Committee
Planning Committee/Recycling Board

FROM: Wendy Sommer, Executive Director
Pat Cabrera, Administrative Services Director

SUBJECT: Multi-Year Fiscal Forecast

SUMMARY

Starting in 2016, staff committed to presenting a revised multi-year forecast on an annual basis in preparation of budget development. At both the February 14, 2019 Programs and Administration Committee and the Planning Committee/Recycling Board meetings, staff will present a revised multi-year forecast based on new core revenue estimates and a stable core expenditure plan.

DISCUSSION

In Fiscal Year 2017-18, the Agency spent about 94% of the revised core budget, and collected 17% more revenue than projected at the beginning of the fiscal year. The surplus is due to several reasons: an increase in tonnages (explained more below), salary savings, hard-cost savings from consolidation of projects and scopes of work, and reduction in end-of-year encumbrances as we move away from the “use it or lose it” mindset of past budget practices.

| Category | FY 17-18 Actuals | FY 17-18 Budget | Difference |
|--|---------------------|---------------------|--------------------|
| Core expenditures | \$10,387,189 | \$11,014,412 | -\$627,223 |
| Core revenues | | | |
| Tonnage: facility fee | \$5,460,992 | \$4,672,162 | \$788,830 |
| Tonnage: mitigation | \$489,093 | \$368,611 | \$120,482 |
| Tonnage: Measure D | \$4,647,723 | \$4,142,584 | \$505,139 |
| Tonnage: fee enforcement (out of county) | \$334,368 | \$200,000 | \$134,368 |
| Property and interest | \$745,661 | \$629,021 | \$116,640 |
| Miscellaneous and citations | \$86,727 | \$17,770 | \$68,957 |
| Total core revenues | \$11,764,564 | \$10,030,148 | \$1,734,416 |

The ending core fund balance available totaled approximately \$11.8M in FY 17-18. The Agency continues to accumulate sizeable fund balances along with reserves to cover any budget gaps (should they occur), and to make any pension related lump-sum payments in conjunction with our

long-term expenditure plan. This approach will ensure the ongoing operations of the Agency without the need to increase fees in the near future.

Tonnage Revenue Projections

For the past three years, we have been 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 modest annual tonnage decline averaging approximately 3%. In fact, as shown in attachment B, in-county tonnage disposed at the Altamont and Vasco landfills between July 2006 and July 2016 declined an average of 3.6% annualized. However, we have seen an uptick in tonnages starting in FY 16-17. While over the past two and one-half years, one-time disposal tonnages from salt-impacted soils and other special wastes can explain some of the upturn, disposal in general has increased. This increase is consistent with statewide disposal trends and can be explained in part by the strong regional economy. Alameda County's population has also increased by approximately 9.9% since 2010.

In FY 17-18, tonnage-based fees (including fee enforcement efforts) comprised almost 93% of the Agency's core revenues. The remaining 7% came from property-related revenues, interest, and mandatory recycling enforcement activities. For the current fiscal year (FY 18-19), we are estimating that actual tonnage revenues (not including facility enforcement or import fees) will total \$10.1 million, which represents an increase of approximately \$800,000 (8.8%) compared to the budgeted amount. Facility fee and other enforcement related fees are projected to match budgeted figures; however, mitigation fees (from disposal outside of Alameda County) are projected to exceed budgeted amounts by over approximately \$400,000 due to unexpected special waste disposal. As such, total core revenues in FY 18-19 are now estimated to total approximately \$12.0 million.

The attached tonnage trend graph (Attachment B) shows the recent uptick in disposal activity. As such, the new baseline for future projections are reset starting with FY 18-19. From that baseline, and after adjusting for the previous one-time tonnages in FY19-20, we have decreased the projected FY 20-21 through FY 22-23 tonnage estimates by a modest 2.1% annually. This decrease reflects both estimated reduced tonnages resulting from the new Organics Materials Recovery Facility (OMRF) at Davis Street, San Leandro, potential changes due to China's "National Sword" policy, and our programmatic efforts. This forecast could be revised due to several factors: a major downturn in the economy during this period, the OMRF diversion exceeding current estimates, continued change due to National Sword, or any additional waste reduction efforts or changes.

Based on these projections, at the end of FY 22-23 disposal will total approximately 1.18 million tons. While this number does not reflect our aspirational "less than 10% good stuff in garbage" goal (which would translate into roughly 600,000 tons of waste disposal), it is a more reasonable estimate based on current conditions. As always, we will continue to monitor disposal trends carefully and apprise the boards as needed.

Additionally, we have received the NextERA conservation easement payment of approximately \$1.8M and will be replenishing our fiscal reserve by approximately \$600,000 to \$2.1 million. While we have never had to use our fiscal reserve to cover revenue shortfalls, this reserve is prudent to maintain and will provide a sufficient cushion should revenues fall significantly below projections.

Core Expenditures

Staff is in the process of developing the FY 19-20 budget in alignment with the Board-approved guiding principles and with a continued focus on cost synergies. The anticipated FY 19-20 core budget goal is approximately \$10.6 million, which is the same core budget as the current year. This forecast assumes maintaining \$10.6 million core budgets through FY 22-23, based on current revenue projections. Given our commitment to match ongoing expenditures with ongoing revenues, we will make expenditure adjustments as needed during the annual budget process. Furthermore, we have made significant progress in addressing both pension and OPEB (other post employee benefits) unfunded liabilities through substantial lump-sum payments, and as such, have addressed the most pressing financial concerns facing public sector entities. At the end of FY 18-19, we project combined available fund balances and reserves to total \$21.7 million, increasing to approximately \$23.1 million at the end of FY 22-23.

Multi Year Fiscal Forecast

Attachment A1 (Prior Year Multi-Year Forecast) shows a core revenue aligning with core expenditures as well as a small surplus of \$200,000 at the end in FY 21-22. Based on the revisions discussed above, at the end of FY 21-22 the forecast now shows core revenue exceeding expenditures by approximately \$400,000, with a small surplus of \$200,000 at the end of FY 22-23. (Attachment A2).

RECOMMENDATION

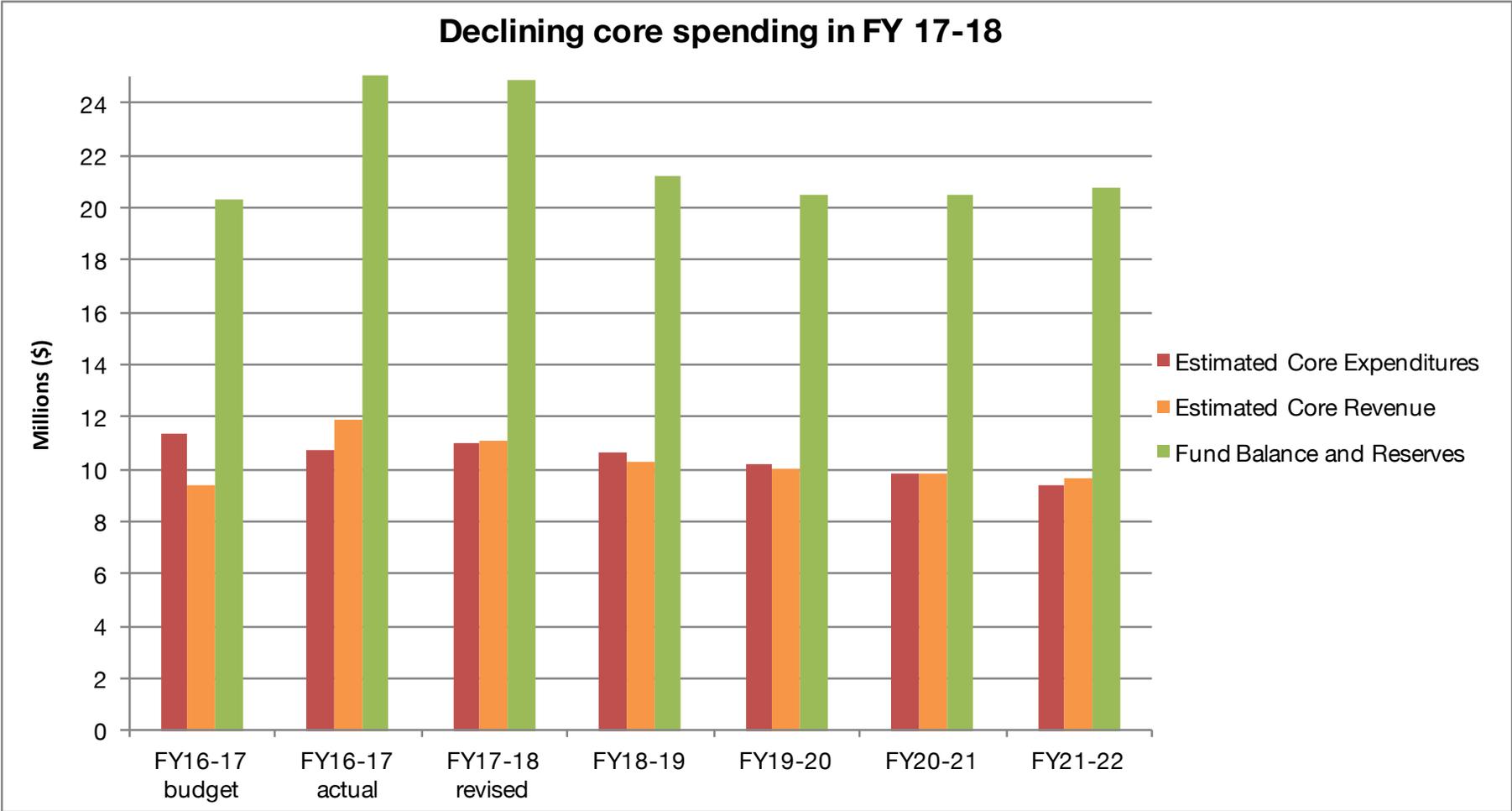
This item is for information only.

Attachment A1: Prior Year Multi-Year Forecast through FY 21-22

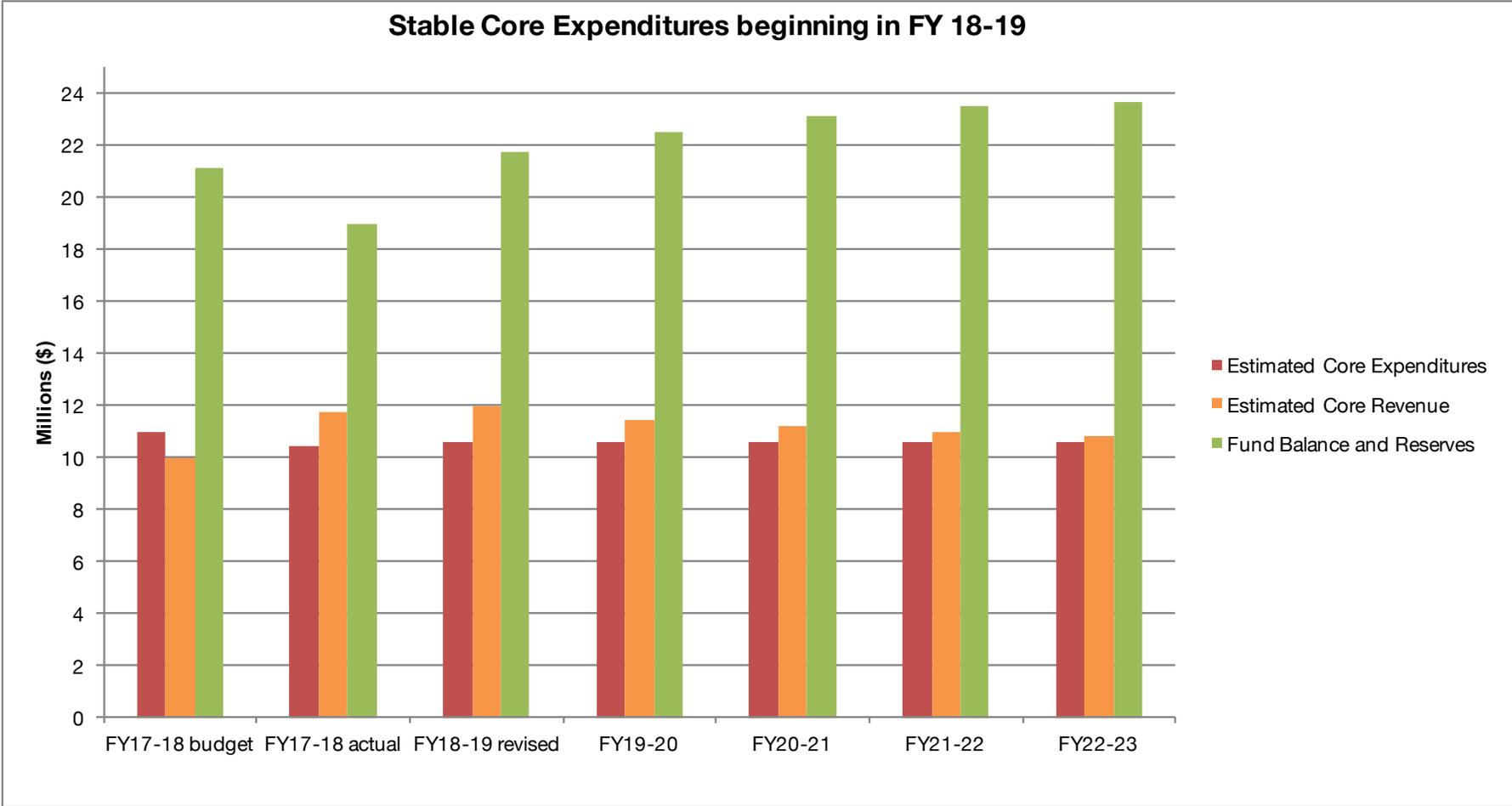
Attachment A2: Revised Multi-Year Forecast through FY 22-23

Attachment B: Disposal Trends in Alameda County

Attachment A1: Prior Year Multi-Year Forecast through FY 21-22



Attachment A2: Revised Multi-Year Forecast through FY 22-23



Attachment B: Disposal Trends in Alameda County

