DATE: May 9, 2019

TO: Programs and Administration Committee

FROM: Pat Cabrera, Administrative Services Director

SUBJECT: Household Hazardous Waste (HHW) Fee

SUMMARY

At the May 9, 2019 Programs and Administration Committee meeting, staff will discuss the HHW program and recommend that the Committee consider changes to the fee structure and related agreements with the County of Alameda and the City of Fremont.

DISCUSSION

The Household Hazardous Waste Program

Because household hazardous wastes cannot be disposed in landfills, Alameda County and the City of Fremont provide household hazardous waste disposal services to Alameda County residents through a network of drop-off centers and one-day disposal events at various locations around the county. This program is funded by fees collected by the Agency and discussed in more detail below. The Agency has separate agreements with Alameda County and the City of Fremont regarding the program and the allocation of fee revenues.

The agreements with the County and Fremont must be extended or otherwise amended before June 30, 2020. In addition, the primary source of revenue for the program will sunset by its own terms on June 30, 2024. As discussed below, staff believes that it would be prudent to continue the program in its current form by extending the agreements with the County and Fremont and amending the relevant fee ordinance to remove the sunset provision and simplify the process for setting the fee, while retaining the upper limit on the fee amount established in 2014.

Current HHW Fee Structure

The Household Hazardous Waste (HHW) program is funded by two fees, a per-ton fee on solid waste and a collection and disposal fee collected primarily on the property tax roll. The per-ton fee was established in 1990. It is set at $2.15 per ton and is collected for all solid waste tons disposed within Alameda County, transferred through a county solid waste facility but disposed out-of-county, and franchise waste direct-hauled and disposed out-of-county. The fee was intended to support the then three Alameda County HHW facilities and program.

With increased demand for HHW disposal services and anticipated declining revenues from the per-ton fee, the WMA evaluated options for the future of the program beginning in 2012. The review determined that the per-ton fee alone would not support the program without a drastic cut in services (referred to as austere operations). On May 28, 2014, the Waste Management Authority approved Ordinance 2014 -1, which established a household hazardous waste collection and disposal fee capped at $9.55 per household per year. The household fee was established to supplement the $2.15 per ton fee to support four countywide HHW facilities and one-day collection events. The household fee is adjusted each year to take into account revenues from the per-ton fee and the PaintCare program.

The fee adopted by the WMA in FY 14-15 was set at $9.55[1] per residential unit and remained in effect through FY 15-16. Beginning in FY 16-17 the ordinance required that the fee be adjusted based on a formula that looked at the per-ton fee revenue and PaintCare offsets. When those amounts exceeded the annual thresholds outlined in the ordinance, the fee was reduced for the following year then "reset" back to $9.55 for the next year's calculation. Based on this formula the fee dropped to $8.60 in FY 16-17, $8.46 in FY 17-18, $7.40 in FY 18-19 and a proposed fee of $6.64 (pending Board approval) in FY 19-20. The annual fee calculation is somewhat cumbersome and the annual change (although lower these past years) is potentially confusing for residents.

MOU with County of Alameda

In 2014, the WMA entered into memoranda of understanding (MOUs) with the County of Alameda and the City of Fremont, which included operational parameters. Those parameters for the County were as follows:

Oakland facility	**Hayward Facility**	**Livermore Facility**
	Household Program	
Wed-Fri 9-2:30 Sat 9-4:00	Fridays 9-2:30 Sat 9-4:00	Fridays 9-2:30 Sat 9-4:00
Accept E-Waste	Accept E-Waste	Accept E-waste
	Small Business program	
Tuesdays (excluding holidays and training) Residential landlord program Drop in for Universal Waste/ Latex paint, other materials by appointment	Alternate Tuesdays or Wednesdays 2x per month Residential landlord program Drop in for Universal Waste/Latex paint, other materials by appointment	Alternate Tuesdays or Wednesdays 2x per month Residential landlord program Drop in for Universal Waste/Latex Paint, other materials by appointment

[1] Fee on the property tax roll was $9.54 or $4.77 per billing since the assessor has to bill in equal installments

In addition to the operations of the facilities described in the table, the County is required to host twelve one-day events per year, which is hard to achieve due to lack of adequate locations. At the May 23, 2018 WMA Board meeting, the Board approved opening the Livermore and Hayward facilities on Thursdays to address capacity issues at the Livermore facility and to increase participation at the Hayward facility.

Household participation at County facilities has increased from approximately 33,000 in FY 14-15 to 53,000 in FY 17-18 and is expected to serve over 57,000 household by the end of FY 18-19 with a goal of serving 60,000 households in years to come.

MOU with City of Fremont

The City of Fremont contracts with BLT Enterprises to provide transfer station/recyclables processing services at the Fremont Transfer Station, which includes an HHW drop off center. The center is convenient to residents of Fremont, Union City and Newark and is available to all Alameda County residents. The HHW operational parameters for the Fremont Facility are listed below:

Fremont Facility
Open to households Wed-Fri: 9-2:30 Sat: 9-4:00 E-Waste Accepted
Small Businesses including Residential Landlord Program: Tuesdays between 9 am and 2 pm Drop in for Universal Waste & Latex paint, other materials by appointment

Since FY 15-16 Fremont has exceeded its goal of serving 13,000 households per year.

The program for both the County and Fremont has clearly been successful based on the levels of participation and feedback from residents. Given both the level of participation in the program and the ongoing need for the safe disposal of HHW products, the analysis provided in this report is based on the funding needed to maintain the current level of service.

In light of the MOUs expiring in June 2020 and the 2014 fee expiring in 2024, staff recommends planning for the long term future of the HHW Program at this time.

Preliminary Analysis

We engaged the services of HF&H Consultants to analyze the following questions based on continued service at its current level:

1. Assuming the 2014 fee sunsets on June 30, 2024, when would the program be out of funding including available fund balances?

2. Based on the funding scenarios described below, what is the lowest fee needed to fund ongoing operations for the next 5, 10, and 15 years while maintaining fund balances equivalent to one year's program expense?
3. Based on an annual fee of $6.64 and the three funding and expenditure scenarios described below, how long would the HHW program maintain adequate funding to continue ongoing operations for the next 15 years?

The funding and expenditure scenarios depend on revenues received from the $2.15 per ton fee, increased demand associated with growth in the number of households in the county, and the rate of growth in program expenses. HF&H developed three scenarios based on the following assumptions:

- Best case scenario (from a financial perspective): Gradual tonnage decline based on current projections; 2.0% growth in both SFD and MFD and 2.5% annual growth in program expenses
- Mid-Point scenario: Disposed tonnage drops to 700,000 tons in FY 29-30 and remains constant at this level. 1% growth in both SFD and MFD (matching ABAG's 2040 Regional Projections) and 3.5% annual growth in program expenses.
- Worst case scenario (from a financial perspective): Meet Agency's waste reduction goals such that 545,000 tons are disposed in FY 29-30, resulting in less per-ton revenue. No growth in either Single or Multi Family Dwellings (SFD and MFD) and 5% annual growth in program expenses.

Preliminary Findings

Question 1: Fee sunsets in 2024, maintain current level of service.
The program would have exhausted its funding, including accumulated fund balances within two to three and one-half years.

Sunset of Current Fee - Best Case

Fiscal Year	Opening Fund Balance	Total Projected Revenue	Total Projected Expenses	Closing Fund Balance	Projected Unit Fee
2019-20	$15,134,885	$6,946,418	$6,500,288	$15,581,015	$6.64
2020-21	$15,581,015	$7,325,897	$6,548,546	$16,358,366	$7.21
2021-22	$16,358,366	$7,447,275	$6,712,676	$17,092,965	$7.35
2022-23	$17,092,965	$7,570,267	$6,880,923	$17,782,309	$7.47
2023-24	**$17,782,309**	**$7,694,833**	**$7,053,389**	**$18,423,753**	**$7.63**
2024-25	$18,423,753	$2,676,092	$7,230,179	$13,869,666	$0.00
2025-26	$13,869,666	$2,607,130	$7,411,403	$9,065,392	$0.00
2026-27	$9,065,392	$2,539,386	$7,597,172	$4,007,606	$0.00
2027-28	$4,007,606	$2,472,790	$7,787,599	($1,307,204)	$0.00

Sunset of Current Fee - Midpoint

Fiscal Year	Opening Fund Balance	Total Projected Revenue	Total Projected Expenses	Closing Fund Balance	Projected Unit Fee
2019-20	$15,134,885	$6,907,214	$6,528,163	$15,513,936	$6.64
2020-21	$15,513,936	$7,120,090	$6,625,139	$16,008,887	$7.27
2021-22	$16,008,887	$7,096,068	$6,845,476	$16,259,478	$7.51
2022-23	$16,259,478	$7,077,293	$7,073,234	$16,263,537	$7.73
2023-24	**$16,263,537**	**$7,085,784**	**$7,308,666**	**$16,040,655**	**$7.94**
2024-25	$16,040,655	$2,315,359	$7,552,033	$10,803,982	$0.00
2025-26	$10,803,982	$2,200,312	$7,803,604	$5,200,690	$0.00
2026-27	$5,200,690	$2,089,482	$8,063,659	($773,487)	$0.00

Sunset of Current Fee - Worst Case

Fiscal Year	Opening Fund Balance	Total Projected Revenue	Total Projected Expenses	Closing Fund Balance	Projected Unit Fee
2019-20	$15,134,885	$6,867,969	$6,569,977	$15,432,877	$6.64
2020-21	$15,432,877	$6,941,805	$6,741,074	$15,633,608	$7.43
2021-22	$15,633,608	$6,802,835	$7,048,645	$15,387,798	$7.77
2022-23	$15,387,798	$6,675,199	$7,370,849	$14,692,148	$8.08
2023-24	**$14,692,148**	**$6,580,105**	**$7,708,400**	**$13,563,853**	**$8.36**
2024-25	$13,563,853	$2,055,713	$8,062,044	$7,557,522	$0.00
2025-26	$7,557,522	$1,904,970	$8,432,567	$1,029,925	$0.00
2026-27	$1,029,925	$1,762,233	$8,820,792	($6,028,634)	$0.00

Question 2: Lowest fee needed to maintain one year program expenses.

Under this scenario, the fees would range from $3.68 -$5.17 for five years to $6.80 - $11.54 for fifteen years.

Setting a Fee Based on Fund Balance - Best Case

Planning Year	Fiscal Year	Projected Unit Fee	One Year's Projected Expenses
5	2023-24	$3.68	$7,100,000
10	2028-29	$5.75	$8,000,000
15	2033-34	$6.80	$9,000,000

Setting a Fee Based on Fund Balance - Midpoint

Planning Year	Fiscal Year	Projected Unit Fee	One Year's Projected Expenses
5	2023-24	$4.35	$7,300,000
10	2028-29	$7.12	$8,600,000
15	2033-34	$8.76	$10,100,000

Setting a Fee Based on Fund Balance - Worst Case

Planning Year	Fiscal Year	Projected Unit Fee	One Year's Projected Expenses
5	2023-24	$5.17	$7,700,000
10	2028-29	$8.86	$9,700,000
15	2033-34	$11.54	$12,100,000

Question 3: Maintain a consistent $6.64 fee for at least 10 years.

As shown on the following charts, the $6.64 fee would fund operations under the best case and mid-point funding scenarios for at least 10 years, which we believe is a more reasonable planning horizon as projections become less accurate the further the timeline. Assuming the projections presented under either of these scenarios are accurate, there would be no need to alter the fee through FY 28-29. The program would draw down on the fund balances that have accumulated through the years to fill in any funding gaps. However, should these projections not materialize (due to changes in landfill volume, more progress with respect to extended producer responsibility programs such as PaintCare, etc.), the five year review would allow for modification without another ordinance, provided that it did not exceed the original $9.55 annual fee.

Setting a New $6.64 Fee - Best Case

Fiscal Year	Opening Fund Balance	Total Projected Revenue	Total Projected Expenses	Closing Fund Balance	Projected Unit Fee
2019-20	$15,134,885	$6,946,418	$6,500,288	$15,581,015	$6.64
2020-21	$15,581,015	$6,975,266	$6,548,546	$16,007,735	$6.64
2021-22	$16,007,735	$7,006,489	$6,712,676	$16,301,548	$6.64
2022-23	$16,301,548	$7,039,759	$6,880,923	$16,460,383	$6.64
2023-24	**$16,460,383**	**$7,052,577**	**$7,053,389**	**$16,459,572**	**$6.64**
2024-25	$16,459,572	$7,068,445	$7,230,179	$16,297,838	$6.64
2025-26	$16,297,838	$7,087,330	$7,411,403	$15,973,765	$6.64
2026-27	$15,973,765	$7,109,193	$7,597,172	$15,485,786	$6.64
2027-28	$15,485,786	$7,133,990	$7,787,599	$14,832,176	$6.64
2028-29	**$14,832,176**	**$7,161,698**	**$7,982,802**	**$14,011,072**	**$6.64**
2029-30	$14,011,072	$7,192,282	$8,182,901	$13,020,453	$6.64
2030-31	$13,020,453	$7,225,707	$8,388,018	$11,858,142	$6.64
2031-32	$11,858,142	$7,261,946	$8,598,279	$10,521,809	$6.64
2032-33	$10,521,809	$7,300,975	$8,813,813	$9,008,971	$6.64
2033-34	**$9,008,971**	**$7,342,766**	**$9,034,753**	**$7,316,984**	**$6.64**
2034-35	$7,316,984	$7,387,297	$9,261,235	$5,443,046	$6.64

Setting a New $6.64 Fee - Midpoint

Fiscal Year	Opening Fund Balance	Total Projected Revenue	Total Projected Expenses	Closing Fund Balance	Projected Unit Fee
2019-20	$15,134,885	$6,907,214	$6,528,163	$15,513,936	$6.64
2020-21	$15,513,936	$6,804,157	$6,625,139	$15,692,954	$6.64
2021-22	$15,692,954	$6,708,109	$6,845,476	$15,555,588	$6.64
2022-23	$15,555,588	$6,618,280	$7,073,234	$15,100,634	$6.64
2023-24	**$15,100,634**	**$6,534,242**	**$7,308,666**	**$14,326,210**	**$6.64**
2024-25	$14,326,210	$6,455,592	$7,552,033	$13,229,770	$6.64
2025-26	$13,229,770	$6,381,952	$7,803,604	$11,808,117	$6.64
2026-27	$11,808,117	$6,312,940	$8,063,659	$10,057,399	$6.64
2027-28	$10,057,399	$6,248,205	$8,332,486	$7,973,117	$6.64
2028-29	**$7,973,117**	**$6,187,410**	**$8,610,386**	**$5,550,142**	**$6.64**
2029-30	$5,550,142	$6,130,225	$8,897,665	$2,782,702	$6.64
2030-31	$2,782,702	$6,159,654	$9,194,645	($252,289)	$6.64
2031-32	($252,289)	$6,199,400	$9,501,655	($3,554,545)	$6.64
2032-33	($3,554,545)	$6,247,253	$9,819,038	($7,126,330)	$6.64
2033-34	**($7,126,330)**	**$6,295,654**	**$10,147,147**	**($10,977,823)**	**$6.64**
2034-35	($10,977,823)	$6,344,615	$10,486,348	($15,119,556)	$6.64

Setting a New $6.64 Fee - Worst Case

Fiscal Year	Opening Fund Balance	Total Projected Revenue	Total Projected Expenses	Closing Fund Balance	Projected Unit Fee
2019-20	$15,134,885	$6,867,969	$6,569,977	$15,432,877	$6.64
2020-21	$15,432,877	$6,660,231	$6,741,074	$15,352,034	$6.64
2021-22	$15,352,034	$6,466,672	$7,048,645	$14,770,061	$6.64
2022-23	$14,770,061	$6,285,593	$7,370,849	$13,684,805	$6.64
2023-24	**$13,684,805**	**$6,115,755**	**$7,708,400**	**$12,092,160**	**$6.64**
2024-25	$12,092,160	$5,956,002	$8,062,044	$9,986,119	$6.64
2025-26	$9,986,119	$5,805,260	$8,432,567	$7,358,811	$6.64
2026-27	$7,358,811	$5,662,522	$8,820,792	$4,200,542	$6.64
2027-28	$4,200,542	$5,526,850	$9,227,584	$499,808	$6.64
2028-29	**$499,808**	**$5,407,105**	**$9,653,849**	**($3,746,935)**	**$6.64**
2029-30	($3,746,935)	$5,310,147	$10,100,539	($8,537,327)	$6.64
2030-31	($8,537,327)	$5,313,412	$10,568,653	($13,792,568)	$6.64
2031-32	($13,792,568)	$5,316,776	$11,059,239	($19,535,031)	$6.64
2032-33	($19,535,031)	$5,320,241	$11,573,397	($25,788,187)	$6.64
2033-34	**($25,788,187)**	**$5,323,809**	**$12,112,281**	**($32,576,659)**	**$6.64**
2034-35	($32,576,659)	$5,327,485	$12,677,103	($39,926,277)	$6.64

In order to stabilize the fee, streamline the process, and make the program more transparent, staff used the proposed fee for FY 19-20 which 1) is 30% lower than the original fee and 2) could be modified every five years (if needed) based on the findings of a programmatic and financial review.

We have discussed our analysis with the County and City of Fremont staff who have reviewed our expenditure assumptions and support our recommendation.

This fee falls under the purview of proposition 218. Because the current ordinance contains a sunset provision (even though we are recommending a lower fee), a new proposition 218 majority protest proceeding will be required to extend the life of the fee, even if it is lower than the original fee established in 2014.

As previously discussed, we are bringing forward the fee and sunset issue now because the MOUs with the County and Fremont will expire at the end of FY 19-20. At this point and unless directed otherwise, we will be finalizing the analysis based on the $6.64 annual fee. We will also be proposing a revised ordinance that encompasses the new fee, removes the sunset provision and requires programmatic and financial reviews every five years, which may result in changing the fee for the next five-year period with a not to exceed amount of $9.55 per year. With P&A Committee approval, we will be presenting the finalized analysis and draft ordinance to the full Board in June.

RECOMMENDATION

That the P&A Committee discuss this item and recommend the following for WMA consideration and adoption at its June 26, 2019 Board meeting:

1. Direct staff to finalize the HHW fee analysis, focusing on an annual ongoing fee of $6.64 per residential unit.
2. Direct staff to prepare a draft ordinance amending Ordinance 2014 -1 to (a) remove the sunset provision and (b) set the fee $6.64 fee per residential unit beginning July 1, 2020 and for the next five years. The ordinance would require a programmatic and fiscal analyses every five years to determine if the fee needs to be revised (lowered or raised) for the next five years. The ordinance would maintain the cap of $9.55 per residential unit established in 2014. This change is under the purview of Proposition 218 and requires legal notification and a majority protest proceeding.
3. Direct staff to prepare amendments to the HHW program Memoranda of Understandings (MOUs) with Alameda County and the City of Fremont reflecting the new ordinance.