

DATE: June 10, 2021

TO: Alameda County Source Reduction and Recycling Board

FROM: Meri Soll, Senior Program Manager

SUBJECT: Revisions to Recycling Board Resolution RB 2014-12 to address accumulated Measure D fund balances

SUMMARY

Phase 1 of the Five Year Financial & Compliance Audit Report for FY 2016/17 – FY 2018/19 was presented and accepted by the Recycling Board in January 2021. One of the audit recommendations was to consider further revising [Resolution 2014-2](#), which is the policy addressing accumulated Measure D fund balances. In response, the Board requested staff to update this policy in order to develop standard policies and procedures for the distribution of Measure D monies when the allowable fund balance threshold has been exceeded.

BACKGROUND

The purpose of the Board policy on accumulated fund balances is to ensure that Recycling Fund monies are used consistently to continue and expand waste reduction programs. Per [current policy](#), at the end of a fiscal year, if a member agency has an unspent fund balance that exceeds the allowable threshold (\$8 x jurisdiction population) they must submit, for Recycling Board's approval, an expenditure plan in order to be eligible to continue to receive Measure D per capita monies. The more recent expenditure plan submittals have shown that the current policy lacks controls to help ensure member agency implementation of their expenditure plans.

At the February 2021 Recycling Board meeting, staff presented policy options to address Measure D fund balances. Based on Board feedback as well as additional legal review, staff has created policy recommendations for the Board to consider/adopt at the June 2021 board meeting. Attachment A provides a synopsis of the policy recommendations; Attachment B is the recommended Revision of Recycling Board Resolution #RB 2014-2 regarding fund balances of recycling fund per capita allocations.

RECOMMENDATION

That the Recycling Board adopt Revision of Recycling Board Resolution #RB 2014-2 regarding fund balances of recycling fund per capita allocations.

Attachment A: Synopsis of proposed revisions to #RB 2014-2

Attachment B: Recycling Board Resolution regarding fund balances of recycling fund per-capita allocation.

ATTACHMENT A

**Resolution RB 2014-2 - Allowable Fund Balance Threshold Policy Revision
Synopsis of Policy Recommendation**

A	B	C
<p><i>If Measure D Yearly report shows Member Agency (MA) above allowable threshold (\$8 x population), the following to occur:</i></p>	<p><i>If Fund Balance not reduced to 25% below allowable threshold after 2 years, the following will occur:</i></p>	<p><i>WHEN Fund Balance reduced to 25% below allowable threshold, resume quarterly payments; withheld funds disbursed in the following manner:</i></p>
<ol style="list-style-type: none"> 1. MA submits an expenditure plan for Board approval that details how MA will spend down fund balance in a 2-year time frame, signed by City Manager 2. Expenditure plan to clearly detail activities and expenditures, per fiscal year, that will bring the MA Measure D fund balance to 25% below allowable threshold (Maximum 2-year plan period) 3. Once plan approved, Recycling Board staff to conduct quarterly check ins with MA staff to assess progress on expenditures identified in plan 4. StopWaste staff to review submitted annual MA Measure D report to assess yearly MA fund balance and Measure D expenditures 5. MA staff provide a yearly update to RB regarding progress with plan activities and fund balance reduction 6. If after 2 years the MA has not met expenditure plan goals and fund balance is not reduced to 25% below allowable threshold, Recycling Board begins withholding quarterly disbursements. See column B for process to address noncompliance 7. If after 2 years the MA has met plan goals and reduced fund balance to 25% below allowable threshold, MA continues to receive quarterly disbursements with no monitoring 	<ol style="list-style-type: none"> 1. MA is no longer eligible to receive future quarterly Measure D disbursements and they will be withheld by Recycling Board 2. Withheld disbursements will be placed in a separate account. Interest earned on funds will be retained by the Recycling Board 3. Steps 4-6 in column A continue to occur until fund balance reduced to 25% below allowable threshold 4. Once fund balance reduced to 25% below allowable threshold, Column C explains process to resume quarterly disbursements and access to withheld funds 	<ol style="list-style-type: none"> 1. Review of yearly Measure D report shows MA's Measure D fund balance is 25% below allowable threshold 2. Quarterly payments resume (starting Q1 of FY) <p align="center">AND</p> <ol style="list-style-type: none"> 3. Withheld funds kept in a separate Recycling Board account will be distributed in amounts equal to quarterly payments until held account balance is \$0 4. If next yearly Measure D report shows MA fund balance is greater than allowable threshold, funds withheld and process starts again <p><i>Demonstrated need for funds held in Recycling Board account may be distributed to Member Agency prior to October report with RB approval.</i></p>

**ATTACHMENT B
ALAMEDA COUNTY SOURCE REDUCTION AND RECYCLING BOARD**

RESOLUTION #RB_

MOVED:

SECONDED:

AT THE MEETING HELD JUNE 10, 2021

**RECYCLING BOARD RESOLUTION REGARDING FUND BALANCES OF
RECYCLING FUND PER CAPITA ALLOCATIONS**

WHEREAS, the Alameda County Charter Section 64 (the Alameda County Waste Reduction and Recycling Act of 1990, hereinafter the “Act”) states that “The Recycling Board shall formulate rules for its own procedures and other rules as necessary to facilitate the implementation of the provisions of this Act,” (Subsection 64.130(J)); and

WHEREAS, the Act states that fifty percent of the monies from the Recycling Fund shall be disbursed on a per capita basis to municipalities for the continuation and expansion of municipal recycling programs (Subsection 64.060 (B)(1)); and

WHEREAS, the Recycling Board has concluded “Phase One” of the current 5-Year Financial and Compliance Audit for the period FY 2016/17 through FY 2018/19; and

WHEREAS, the Recycling Board has reviewed audit recommendations to consider further revising Resolution 2014-2, the policy addressing accumulated Measure D fund balances held by the municipalities; and

WHEREAS, the Recycling Board discussed the issues and concerns with the current policy at the February 11, 2021 meeting and based on that discussion requested a revised policy for final consideration and adoption; and

WHEREAS, the Recycling Board hereby finds that this policy of rules and procedures regarding the accumulation of unspent fund balances, plans for the use of such accumulated funds, and eligibility to receive further per capita disbursements will facilitate implementation of the Act; and

WHEREAS, this policy supersedes Resolution 2014-2 and any other policy or practice addressing this issue.

NOW THEREFORE, BE IT RESOLVED, that the Alameda County Source Reduction and Recycling Board hereby adopts the policy which revises and replaces “Rule 2” from Resolution #RB 2014-2 with the following:

Rule 2: Any municipality receiving per capita disbursements of Recycling Fund monies under the Alameda County Waste Reduction and Recycling Act, Section 64.060, shall present to the Board for its approval a written expenditure plan if, at the end of any fiscal year, that municipality has an unspent balance of such monies that exceeds the amount of \$8.00 (eight dollars) multiplied by the population

basis used for the first quarterly disbursement of that fiscal year. (Utilizing same threshold formula identified in Resolution 2014-2).

Municipality must submit, for the approval of the Recycling Board, the plan for municipality to continue to receive future quarterly disbursements. A municipality's proposed expenditure plan must include the following:

- The scope of work and amount of funds proposed for expenditure to reduce the municipality's Measure D fund balance to 25% below the allowable threshold of \$8.00 (eight dollars) multiplied by the population basis formula.
- An expenditure plan and scope of work allocated by fiscal year and designed to expend the required amount within two (2) fiscal years from submittal date of the expenditure plan
- Member agency's manager (City Manager, General Manager, or equivalent) signature

The municipality is required to provide updates on plan implementation and progress relating to expenditures to reduce fund balance in the following manner:

- Conduct quarterly check in meetings with assigned Recycling Board staff.
- Provide yearly updates to the Recycling Board that include expenditure plan compliance, expenditures and progress of expenditure plan deliverables.

After two (2) years from submittal of approved expenditure plan, if the municipality's yearly Measure D report identifies that the municipality's end of fiscal year fund balance has not been reduced to 25% below the allowable threshold, the following will occur:

- Municipality will no longer be eligible for quarterly Measure D disbursements for an entire fiscal year, using the start date of Q1 of the fiscal year in which the municipal Measure D report was submitted.
- Quarterly disbursements will be retained by Recycling Board in a dedicated Measure D fund liability account; interest earned on liability account will be retained by Recycling Board.
- Quarterly check in with Recycling Board staff and yearly updates to Recycling Board will continue.
- The municipality's Measure D annual report will be reviewed to assess if municipality has successfully reduced fund balance to 25% below allowable threshold.
- When municipality has reduced fund balance as required, it will be eligible to receive future quarterly disbursements, effective Q1 of the fiscal year the municipal Measure D report was submitted.
- When municipality has reduced fund balance as required, municipality will also be eligible to receive funds held in the dedicated liability account. Funds will be released to municipality in alignment with the quarterly disbursement schedule. Withheld funds will be disbursed in amounts equivalent to the normal quarterly disbursement amounts, until the account balance has been reduced to \$0.
- If municipality has not adequately reduced the fund balance per policy, funds will continue to be withheld for an entire fiscal year until it can demonstrate reduction in fund balance to 25% below allowable threshold.

A municipality may request approval from the Recycling Board to access its Measure D funds held in the dedicated liability account if it can demonstrate the need for funds to pay for a pending expenditure that is an approved Measure D expense.

Rule 2 will be applied to the municipality's end of fiscal year fund balance utilizing the Measure D Annual Report submitted for FY 2020/21 and each year thereafter.

Passed and adopted this _____ by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Arliss Dunn, Clerk of the Board