



DATE: December 10, 2020

TO: Programs and Administration Committee
Planning Committee/Recycling Board

FROM: Pat Cabrera, Administrative Services Director
Nisha Patel, Management Analyst II

SUBJECT: Landfill Tonnage and Associated Revenue

SUMMARY

At the December 10, 2020 Programs and Administration Committee and Planning Committee/Recycling Board meetings, staff will provide an update on recent landfill tonnage trends and associated Agency revenue.

DISCUSSION

The Agency levies various fees on refuse disposed at Alameda County landfills.¹ These fees, referred to as tonnage revenue, help fund programs that advance compliance with state and local waste reduction mandates, as outlined in both the CoIWMP and the Recycling Plan, and as reflected in our budget. The AB 939 Facility Fee (\$4.34 per ton disposed), the Mitigation Fee (\$4.53 per ton disposed), and a portion of the Measure D Fee (\$8.23 per ton disposed) comprise approximately 92% of the Agency’s core revenue. The remaining 8% comes from wind and other property related revenue, fee enforcement revenue and interest revenue.

Over the past several years this source of revenue has been stable, which in large part reflected a strong economy. More recently however, since the onset of the COVID-19 pandemic in March 2020, shelter in place orders and other measures to protect public health have impacted local economies and created some additional volatility in solid waste disposal trends and associated revenue. That being said, due to prudent budgeting, we expect that core budget expenditures will match or be below core revenues again this fiscal year.

Tonnage Revenue: March – October 2020

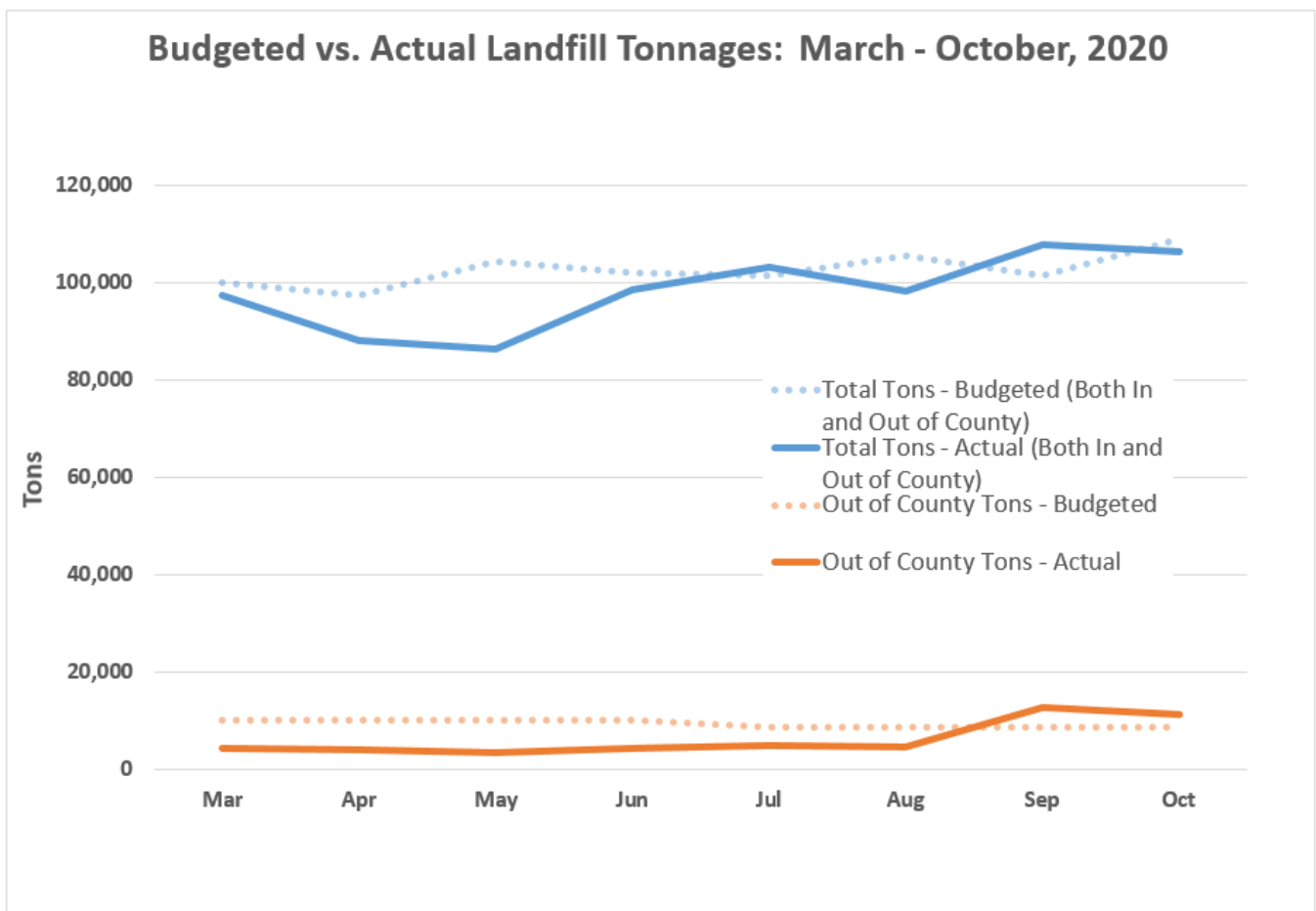
As shown in the graph below, actual total solid waste tonnage accepted from both in- and out-of-county jurisdictions was below budgeted estimates for three non-consecutive months (April, May and

¹ Waste generated in Alameda County and landfilled at out of county sites are also levied the \$4.34 AB 939 facility fee and monitored by the Agency’s fee enforcement program.

August) between March – October 2020. There were also two months (July and September) in which total tonnage exceeded budgeted estimates. Overall, for the eight-month period between March – October 2020, landfill tonnage dropped by approximately 34,000 tons, or 4% below budgeted estimates, corresponding to a reduction of approximately \$275,000 in core revenue. The largest declines occurred in April and May, which was not unexpected. However, given that actual tonnage for the first seven months of FY 19-20 met or exceeded projections, core tonnage revenue in total for the fiscal year was approximately \$380,000 above budgeted estimates.

Two months of unexpected or “one-time” tonnages (approximately 13.5 tons) offset declines in out-of-county tonnage this fiscal year, and in general we have not experienced the type of tonnage decreases we normally see with an economic downturn. Furthermore (and as anticipated), tonnage volumes reflect materials being diverted from the landfill due to the Organics Materials Recovery Facility (OMRF) operations at Davis St. In terms of fiscal year projections, should actual tonnages match projections through the rest of the fiscal year, the Agency would effectively reach its budgeted estimate of approximately \$10M for this revenue source.

However, there is a consistent decline in ongoing out-of-county tonnage once we deduct the one-time spikes. If we assume that ongoing out-of-county tonnages are going to continue this downward trend, we estimate that our total core tonnage projection would decline by approximately \$300,000, or 3%.



Impacts on the Agency's Core Budget

The Agency's budgetary goal is to match ongoing expenditures with ongoing revenues. The Agency's core budget in FY20-21 is approximately \$400,000 less than budgeted core revenues. As such, should tonnage revenue decline by \$300,000 and assuming other revenues stay on track, the Agency will have met its goal this fiscal year. Furthermore, we are anticipating a surplus of at least \$350,000 resulting from salary and hard cost savings (not filling vacancies, deferred travel, hiatus on transfer station tours, and other savings). Therefore, we are not anticipating any reduction of our core fund balances, which are projected to total approximately \$17.1M at the end of FY20-21. Finally, the Agency has a fiscal reserve totaling \$2.1M. This reserve is designed to fill in revenue shortfalls if needed. We have never used this reserve and don't foresee the need to use it this year either. However, it is another safety net that we have in place to ensure the Agency's financial stability.

As always we will continue to monitor disposal trends carefully and advise the Board if any action needs to be taken. We will provide another revenue update as part of the annual fiscal forecast scheduled for March, in preparation of FY 21-22 budget development.

RECOMMENDATION

This item is for information only.