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DATE: March 12, 2020

TO: Programs and Administration Committee
Planning Committee/Recycling Board

FROM: 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 March 12, 2020 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 2018-19, the Agency spent about 98% of the core budget, and collected 26% more revenue than projected at the beginning of the fiscal year, not including a one-time payment from NextEra (approximately $1.8M) for the conservation easement. The surplus is due to several reasons: an increase in tonnages (explained more below), better overall interest yields, a combination of salary and hard-cost savings and continued reduction in end-of-year encumbrances as we move away from the "use it or lose it" mindset of past budget practices.

	FY 18-19 Actuals	FY 18-19 Budget*	Difference
Core expenditures	$10,412,221	$10,644,210	($231,989)
Core revenues			
Tonnage: facility fee	$5,878,000	$5,091,688	$786,312
Tonnage: mitigation	$1,096,353	$361,503	$734,850
Tonnage: Measure D	$5,013,797	$4,344,946	$668,850
Tonnage: fee enforcement (out of county)	$387,433	$250,000	$137,433
Property and interest	$1,067,371	$732,700	$334,671
Miscellaneous and citations	$137,236	-	$137,236
One time Easement revenue	$1,790,470	-	$1,790,470
Total core revenues	$15,370,660	$10,780,837	$4,589,823

* Budget amended for additional grants to non-profits funding. Core budget increased by $50k

The ending core fund balance available totaled approximately $17.7M in FY18-19. 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 several 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 FY16-17. While over the past three years, one-time disposal tonnages from other special wastes can explain some of the upturn, disposal in general increased in FY18-19. 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. It is important to note that in the current fiscal year we are seeing at least a stabilization if not actual modest declines in ongoing tonnage and as such have made some tonnage related revenue adjustments for FY20-21.

In FY18-19, tonnage-based fees (including fee enforcement efforts) comprised almost 91% of the Agency's core revenues, not including the conservation easement payment. The remaining 9% came from property-related revenues, interest, and mandatory recycling enforcement activities. For the current fiscal year (FY19-20), we are estimating that actual tonnage revenues will total $11.1 million, which represents an increase of approximately $700,000 (7.1%) compared to the budgeted amount. Property and enforcement related fees are projected to match budgeted figures, whereas interest revenue is projected to exceed budgeted amounts by at least $100,000. As such, core revenues in FY19-20 are estimated to total approximately $12.3 million.

The new baseline for FY20-21 is reset at approximately $11.3M. From that baseline, we have decreased the projected FY21-22 through FY23-24 tonnage estimates by a modest 2.1% annually. This decrease reflects both estimated reduced tonnages resulting from the 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 FY23-24 disposal will total approximately 1.1 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. Should the Board adopt the 75% diversion goal, in-county tonnage would total an estimated 930,000 tons. As always, we will continue to monitor disposal trends carefully and apprise the boards as needed.

Core Expenditures

Staff is in the process of developing the FY20-21 budget in alignment with the Board-approved guiding principles and with a continued focus on cost synergies. Given the requirements stemming from SB 1383 as well as our own initiatives we have not finalized a core budget, but are fully committed to matching ongoing expenditures with ongoing revenues. For purposes of this projection we are estimating the core budget to total approximately $11.0M in FY20-21 and FY21-22, dropping modestly to $10.9M and $10.7M in FY22-23 and FY23-24 respectively. Furthermore, given that we have accumulated both significant fund balances and reserves, we have factored in this projection additional discretionary payments to CalPERS. Based on the most current actuarial information from CalPERS, these pension payments would result in the Agency attaining a funded status of 100% by the beginning of FY25-26.

At the end of FY 19-20, we project combined available fund balances and reserves to total $27.2M. Even with the additional discretionary payments beginning in FY20-21, fund balances and reserves are projected to total $25.8M at the end of FY23-24, which is more than twice our average core budget.

Multi Year Fiscal Forecast

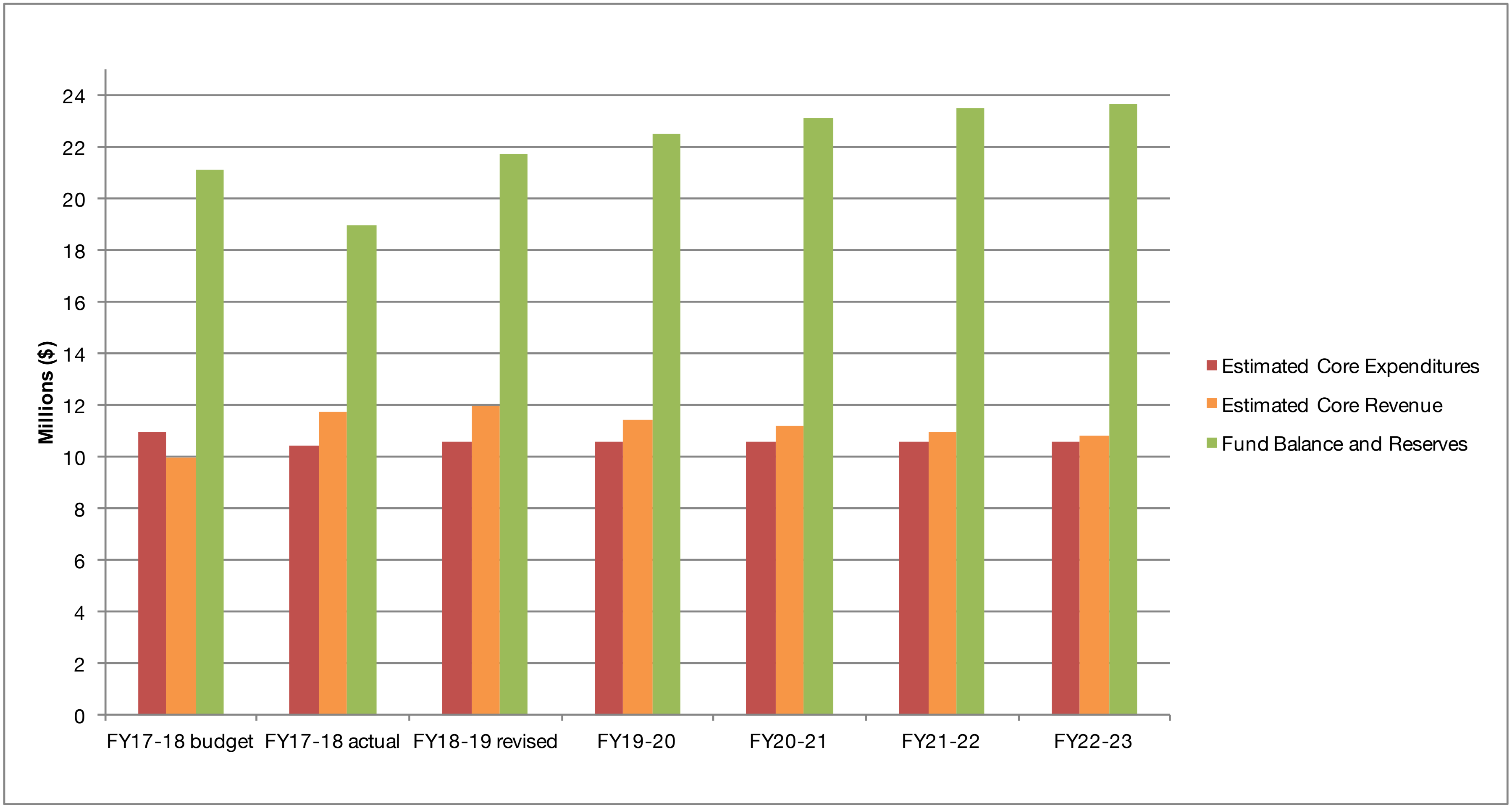
Attachment A1 (Prior Year Multi-Year Forecast) shows core revenue exceeding expenditures by approximately $800,000 in FY19-20 with a small surplus of $200,000 at the end of FY22-23. (Attachment A1). This was based on maintaining core expenditures at $10.6M per year. Attachment A2 (Revised Multi-Year Forecast) shows revenue exceeding expenditures by approximately $1.7M in FY19-20 and matching expenditures at the end of FY23-24. This projection is based on annual core expenditures increasing to $11.0M in FY20-21 and FY21-22 and decreasing to $10.7M in FY23-24.

RECOMMENDATION

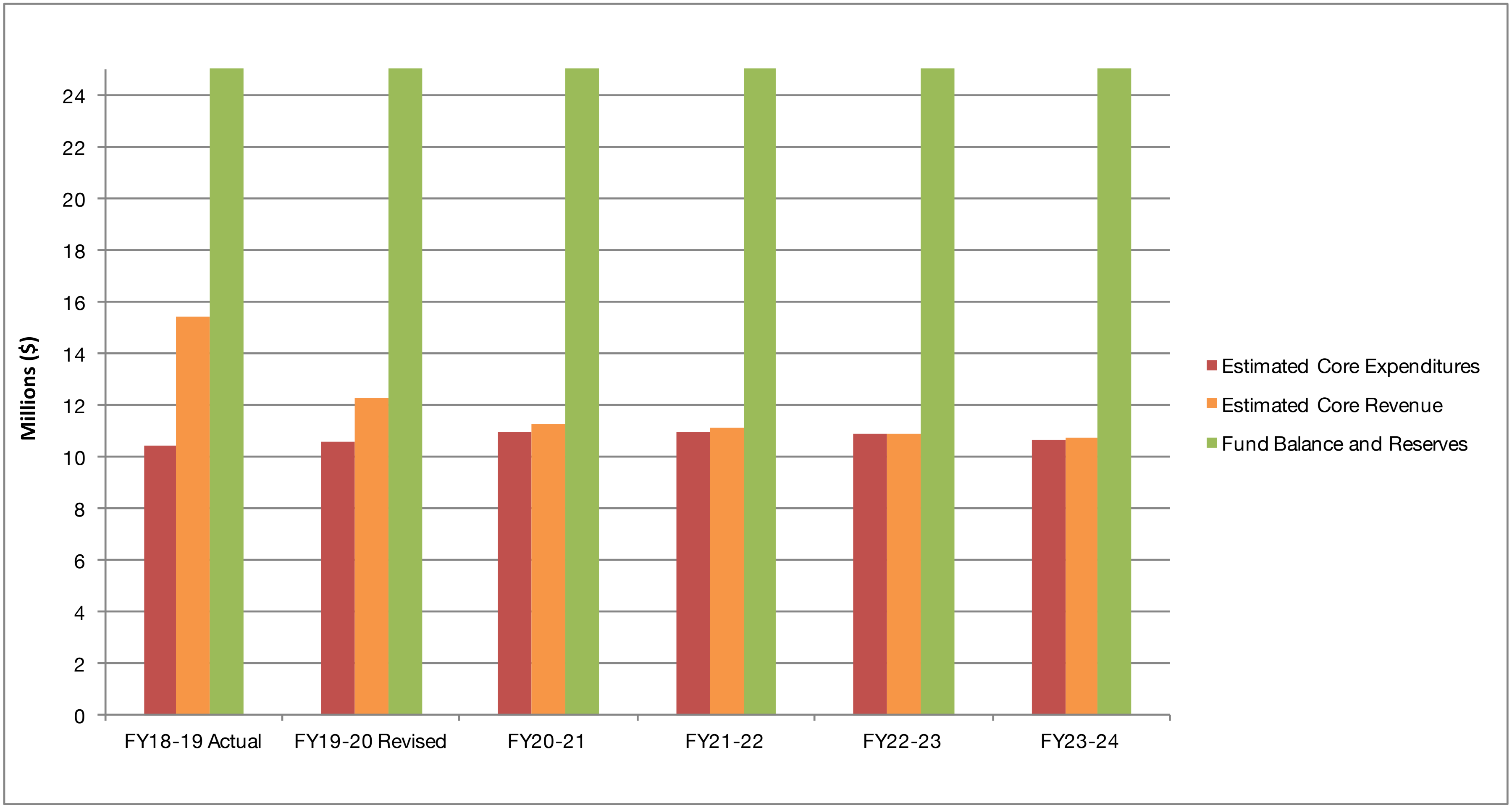
This item is for information only.

Attachment A1: Prior Year Multi-Year Forecast Through FY 22-23
Attachment A2: Revised Multi-Year Forecast Through FY 23-24
Attachment B: Disposal Trends in Alameda County

Attachment A1: Prior Year Multi-Year Forecast Through FY 22-23



Attachment A2: Revised Multi-Year Forecast Through FY23-24



Attachment B: Disposal Trends in Alameda County