



**DATE:** March 11, 2021

**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 fiscal forecast on an annual basis in preparation for budget development. At both the March 11, 2021 Programs and Administration Committee and the Planning Committee/Recycling Board meetings, staff will present a multi-year forecast based on updated core revenue estimates and a stable core expenditure plan.

**DISCUSSION**

Fiscal Year 2019-2020 Revenues and Expenditures

In FY 2019-20 (ending June 30, 2020), the Agency spent about 96% of core budgeted expenses, and collected 8.2% more revenue than projected at the beginning of the fiscal year. The surplus is due to several reasons: an increase in in-county 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 19-20 Actuals	FY 19-20 Budget <sup>1</sup>	Difference
Core expenditures	\$10,615,002	\$11,005,928	(\$390,926)
Core revenues			
Tonnage: facility fee	\$5,517,577	\$5,254,017	\$263,560
Tonnage: mitigation	\$444,211	\$557,199	(\$112,988)
Tonnage: Measure D	\$4,723,025	\$4,483,471	\$239,554
Tonnage: fee enforcement (out of county)	\$484,879	\$300,000	\$184,879
Property and interest	\$1,122,833	\$825,297	\$297,536
Miscellaneous and citations	\$143,988	\$75,000	\$68,988
<b>Total core revenues</b>	<b>\$12,436,513</b>	<b>\$11,494,984</b>	<b>\$941,529</b>

<sup>1</sup> Includes the board approved budget amendment for the single-use disposable foodware ordinance and EIR.

These surpluses increased the ending available core fund balance to \$18.8M in FY 19-20. The Agency maintains a healthy fund balance, along with reserves, to cover any unforeseeable budget gaps, and to make any pension related lump-sum payments in conjunction with our long-term expenditure plan. This approach ensures the ongoing operation of the Agency without the need to increase fees in the near future.

#### Revenue Projections Associated with Landfill Tonnage

Based on historic trends, the Agency has based its revenue forecasts on an annual tonnage decline averaging approximately 3%. In fact, as shown in Attachment B1, in-county tonnage disposed at the Altamont and Vasco landfills between FY 05-06 and FY 15-16 declined by an annualized average of 4.2%. However, beginning in FY 16-17 through FY 19-20, tonnages increased an annualized average of 6.1%. These increases can be attributed to a very robust economy, as well as large one-time disposal tonnages of special waste, such as the salt clean-up project. As shown in Attachment B2, tonnage has since leveled off once again during the pandemic, and consistent with information provided to the Committees in December, we are projecting a modest decline in tonnages overall this fiscal year. Contributing to the modest decline is a decrease in out-of-county tonnage (i.e., disposal generated out-of-county but disposed of in an Alameda County landfill).

In FY 19-20, tonnage-based fees (including fee enforcement efforts) comprised almost 90% of the Agency's core revenues. The remaining 10% of core revenue came from property-related revenues, interest, and mandatory recycling enforcement activities. For the current fiscal year (FY 20-21), we are estimating that actual tonnage revenues will total \$10.2M, which represents a decrease of approximately \$200,000 (2%) compared to the budgeted amount. Property and enforcement related fees are projected to match budgeted figures, whereas interest revenue is projected to come in slightly lower than budget. As such, core revenues in FY 20-21 are estimated to total approximately \$11.0M. This revised projection is still higher than the Agency's core budget for FY 20-21 set at \$10.9M. In addition, we are anticipating a significant surplus this year of at least \$300,000 resulting from staff vacancies and hard cost savings.

The new budgeted core revenue for FY 21-22 is reset at approximately \$10.8M. This decrease reflects both estimated reduced tonnages resulting from the Organics Materials Compost Facility (OMCF) at Davis Street in San Leandro, our ongoing programmatic efforts, and our intention to budget conservatively due to the uncertainty associated with the pandemic. Unlike previous forecasts, we have not made any revenue changes beyond next fiscal year as there is too much uncertainty with respect to the pandemic, specifically regarding economic recovery and its impact on disposal trends. As always, we will continue to monitor these trends carefully and apprise the boards as needed.

#### Core Expenditures

Staff is in the process of developing the FY 21-22 budget in alignment with the Board-approved guiding principles and our commitment to support member agencies' compliance with SB 1383. The Agency is fully committed to matching ongoing expenditures with ongoing revenues, and has done so since FY 16-17. We estimate that annual core budgets will total approximately \$10.8M in FY 21-22 through FY 24-25, realizing that these projections will be updated as we get more revenue information. Given that we have accumulated both significant fund balances and reserves that can be used for one-time expenditures or to prudently fill in any budgetary gaps, we are confident in our ability to address any financial contingency and to continue to submit

balanced budgets.

At the end of FY 20-21, we project combined available core fund balances and reserves to total over \$28M, which is over 2.5 times our average core budget.

#### Multi-Year Fiscal Forecast

Attachment A1 (Prior Year Multi-Year Forecast) shows core revenue exceeding expenditures by approximately \$1.7M in FY 19-20 (actuals totaled \$1.8M) with expenditures matching revenues through FY 23-24. This was based on core expenditures fluctuating between \$11.0M and \$10.7M per year.

Attachment A2 (Revised Multi-Year Forecast) shows revenue exceeding expenditures by approximately \$400,000 in FY 20-21 and matching expenditures from FY 21-22 through the end of FY 24-25. This projection is based on annual core expenditures of \$10.8M beginning in FY 21-22.

#### **RECOMMENDATION**

This item is for information only, in preparation for the budget discussion in April.

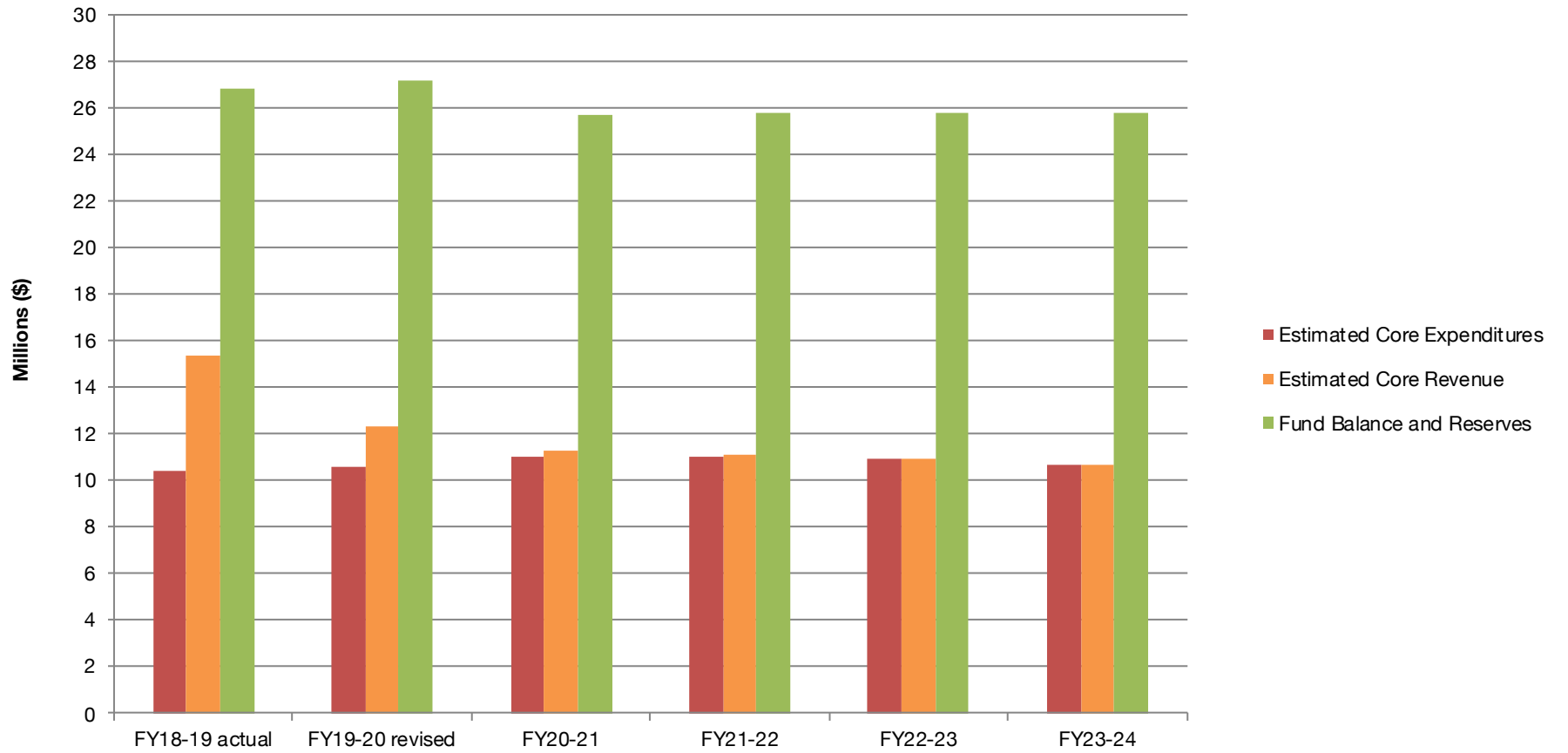
Attachment A1: Prior Year Multi-Year Forecast Through FY 23-24

Attachment A2: Revised Multi-Year Forecast Through FY 24-25

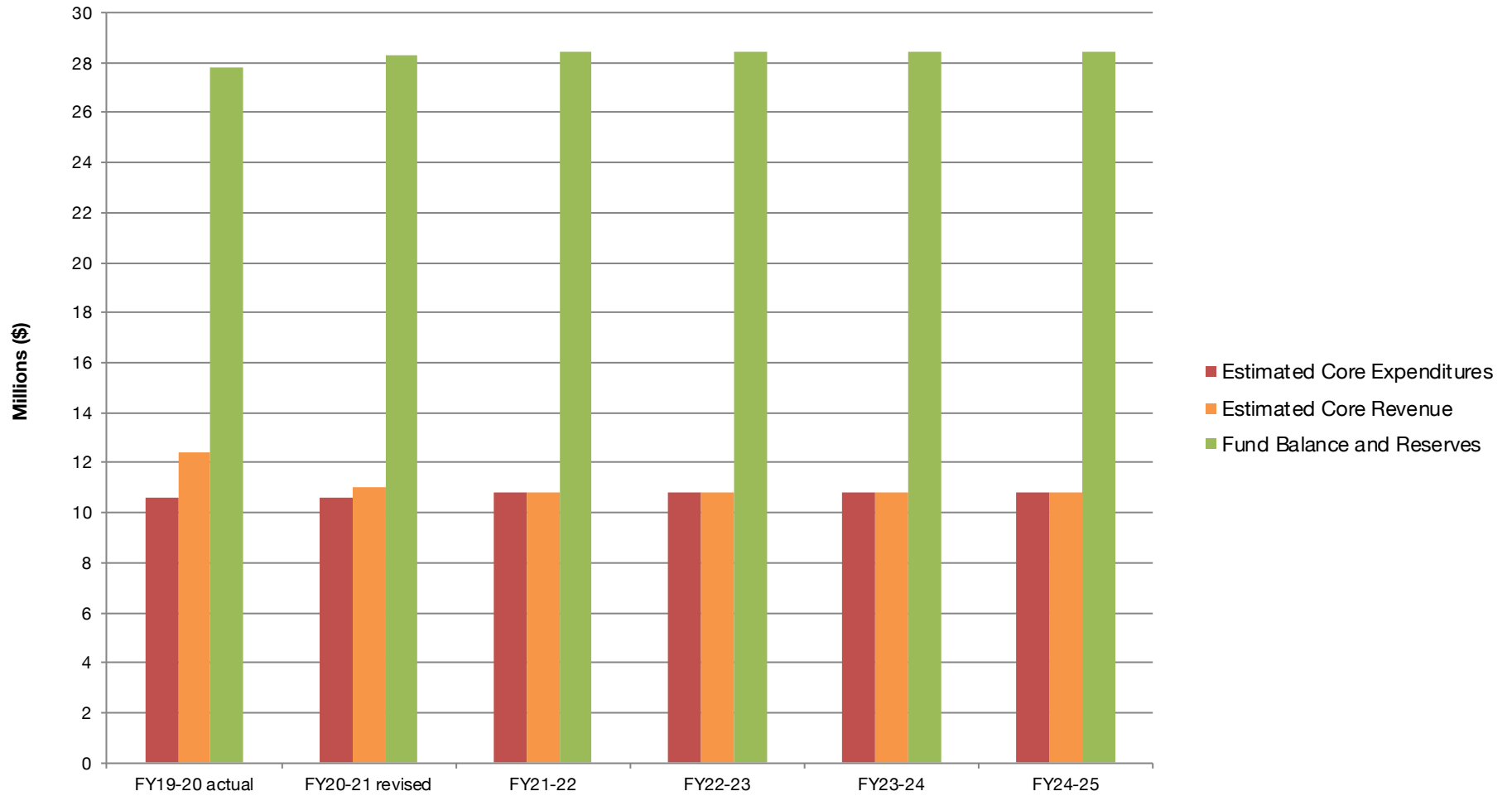
Attachment B1: Historical Disposal Trends in Alameda County (2006-2020)

Attachment B2: Current 2 Year Disposal Trend in Alameda County (2020-2022)

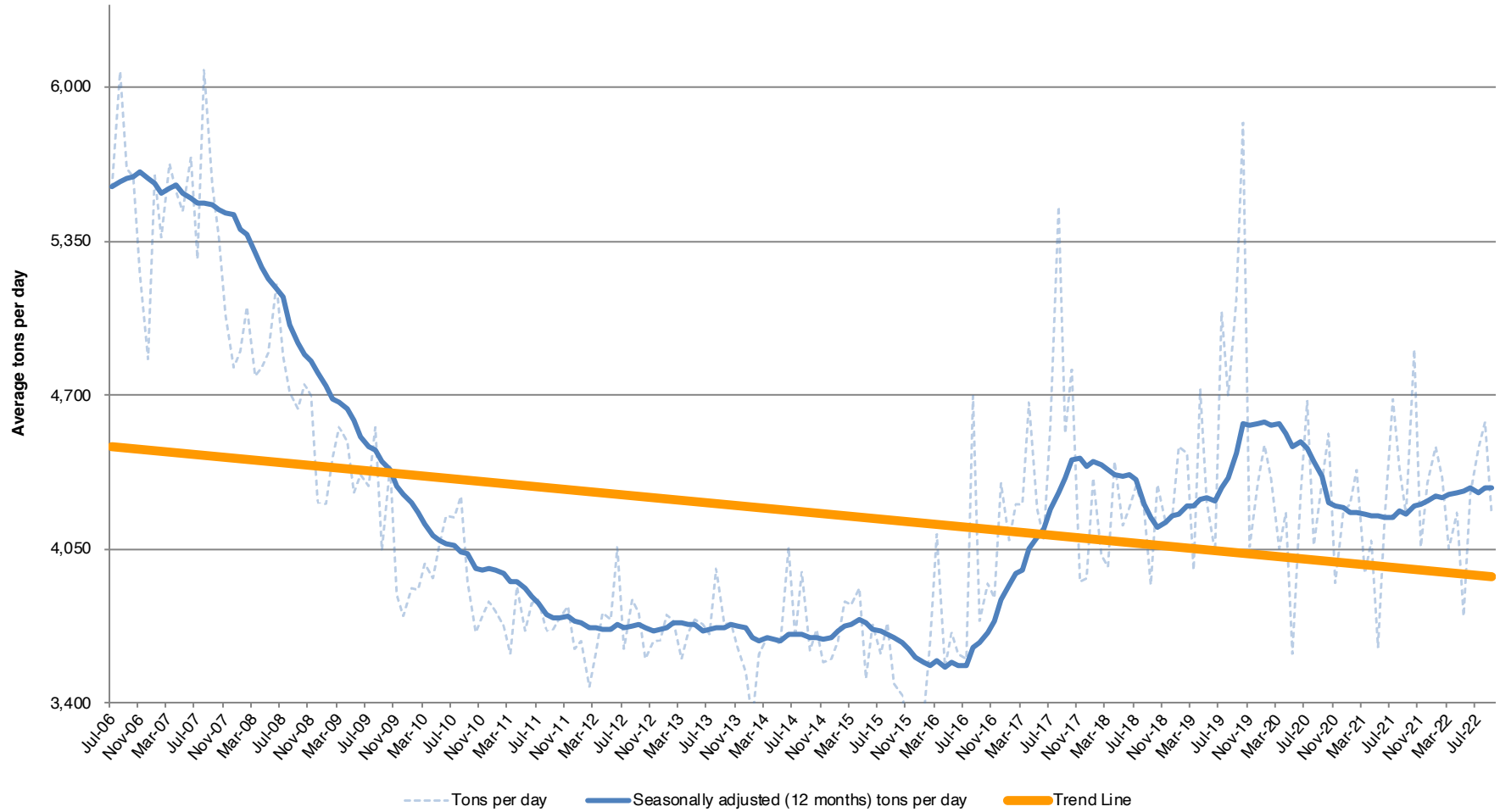
### Attachment A1: Prior Year Multi-Year Forecast Through FY 23-24



## Attachment A2: Revised Multi-Year Forecast Through FY 24-25



# Attachment B1: Historical Disposal Trends in Alameda County (2006 - 2022)



# Attachment B2: Current 2 Year Disposal Trends In Alameda County (2020 - 2022)

