SCI Consulting Group
4745 Mangels Boulevard • Fairfield, California 94534 • Tel: 707.430.4300 • Fax: 707.430.4319

Funding Options Technical Memorandum

Date: October 14, 2024

To: Pat Cabrera, Administrative Services Director
Alameda County Waste Management Authority

From: John Bliss, President,
Melanie Lee, Senior Consultant

Subject: **Evaluation of Potential Funding Options for Long-Term Financial Sustainability**

Executive Summary

The Alameda County Waste Management Authority ("The Agency") is exploring revenue generation strategies to counter significant declining operational discretionary[1] revenues. The quantity of waste into local landfills is declining, and accordingly, the Agency's associated fees collected per ton of waste into landfills - its' primary funding source - is also declining. Projections forecast a $3 million to $5 million annual operational deficit by 2030, when its current fund balance would be exhausted unless actions are taken to diversify Agency revenues. (*To generate $3 million to $5 million through a special tax, the annual cost would range from $3.20 to $8.00 per unit for single-family homes and smaller multi-family buildings (1 to 4 units), $2.40 to $6.00 per unit for larger apartment complexes (5 or more units), and $9.60 to $24.00 per commercial property in Alameda County.)*

This report reviews California's limited, and somewhat onerous to implement, revenue mechanisms available to local public agencies in the context of the Agency's financial goals for achieving long-term financial sustainability. These mechanisms have been evaluated and ranked based upon factors such as cost and time required to implement, revenue potential, political and legal limitations and administrative burden.

In order to address its declining revenue and ensure financial sustainability into the future, the Agency should strategically consider and pursue the following five initiatives, in order.

[1] Operational revenues for this report refer to discretionary (general fund) revenues which come primarily from fees on solid waste disposed in landfills, and fund projects over which the Boards have significant discretion.

1. Conduct a comprehensive evaluation of initiatives 2, 3, 4 and 5, including legal, political and administrative considerations. This process should involve stakeholder engagement, outreach to elected officials, and community outreach, including a community-wide survey. Based on this analysis, a tactical plan should be developed to guide implementation.

   This evaluation should begin with a focused evaluation of Regulatory and Service Fees (Initiative #2, below). Concurrently, a rigorous, scientific community survey should be conducted in order to assess the potential political viability of the balloted approaches (Initiatives 4, and 5, below), at specific rates and associated service levels.

2. Maximize the use of Proposition 26-compliant <u>Regulatory and Service Fees</u>, which may have some limitations, but are quick and relatively inexpensive to implement. *(Please note that the Agency is well positioned to implement a regulatory fee which best satisfies the Agency's goals. The Agency's projects and services are based upon clear regulations, and the Agency routinely performs work commonly funded through such fees.)*

3. If additional revenue is required or if the Agency does not pursue option #2 above, implement a Proposition 218-compliant, <u>Non-Balloted Property-Related Fee</u>, utilizing the "refuse collection" exemption from the balloting requirement for eligible Agency services. This approach is similar to the Agency's current household hazardous waste fee, which requires a mailed notification and protest opportunity but does not require a balloting process.

4. If further revenue is needed or if the above options are not pursued, pursue a Proposition 218-compliant <u>Balloted Property-Related Fee</u>, for eligible Agency services. This involves an extensive and costly property owner balloting process, but arguably adds political and legal rigor.

5. Finally, if the tools above do not generate sufficient revenue or are not pursued, pursue a Proposition 13 and 218-compliant <u>Special Tax</u>. While this requires an expensive voter balloting process, it is the most flexible mechanism, capable of funding a broader range of activities. (In some jurisdictions such taxes have been proposed by voter initiative.)

Each of these initiatives will require considerable planning, thorough legal review, a well-designed levy structure, and robust community outreach.

Introduction

The Alameda County Waste Management Authority, operating as StopWaste, is a public agency dedicated to implementing integrated waste management solutions across Alameda County, focusing on waste prevention, recycling, and environmentally responsible disposal.

The Agency's work is integral to meeting state mandates such as Senate Bill 1383 ("SB 1383"), Assembly Bill 341 ("AB 341"), and Assembly Bill 1826 ("AB 1826"), which target significant reductions in organic waste disposal and mandate proper sorting of disposed waste at residential, commercial and multi-family properties. Moreover, the Agency oversees the preparation of the Alameda County Integrated Waste Management Plan ("ColWMP") and the Alameda County Hazardous Waste Management Plan, both of which are pivotal in coordinating waste management across the County's jurisdictions to optimize resource recovery and preserve landfill capacity.

Due to a structural deficit from declining landfill revenues and rising compliance costs, the Agency has engaged SCI Consulting Group to perform a comprehensive evaluation of local funding mechanisms and to make recommendations for a path forward. This analysis aims to address the Agency's forecasted budgetary shortfalls by identifying sustainable funding options that will stabilize and augment finances to ensure the operational viability and financial sustainability of its services. This effort is crucial as the Agency strives to effectively meet its waste reduction and recycling mandates amidst evolving legislative landscapes and financial constraints.

Background and Financial Challenge

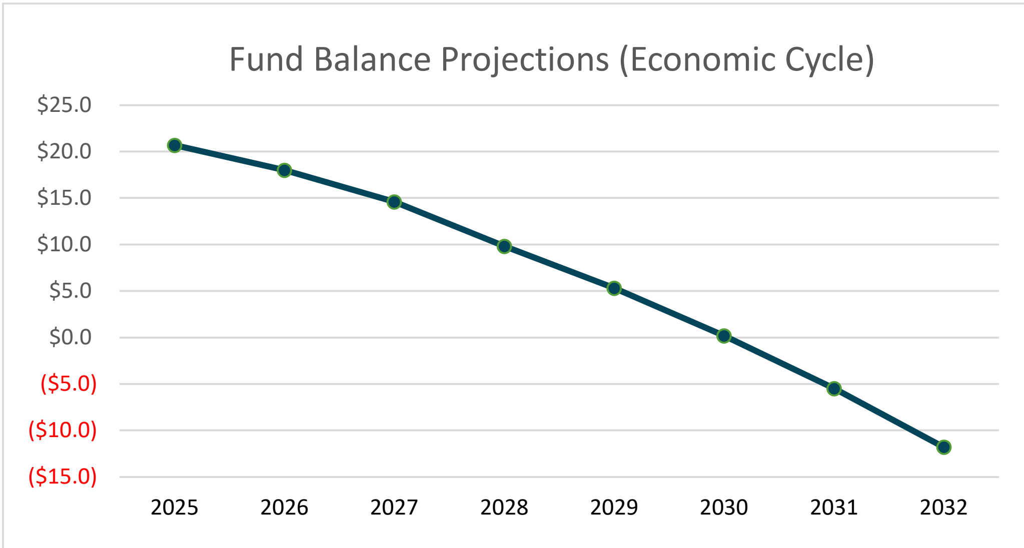
The Agency currently operates an annual operational budget of $12.6 million, primarily funded by fees paid by waste haulers at the disposal sites, commonly known as 'tipping fees.' These fees include the following:

Fee Type	Fee Per Ton
AB 939 Facility Fee	$4.34
Measure D Fee * 45% of $8.23 due to pass-through to cities	$3.70
Mitigation Fee	$4.53

Although the Agency is likely to continue collecting these tipping fees in the future, this revenue source is declining, largely due to the Agency's and its member agencies' success in waste prevention and diversion programs. The Agency's recent budget report suggests that, without intervention, fund balances could be depleted by FY 2030 or 2031, resulting in a negative fund balance by FY 2031. Without additional revenue, the Agency may be forced to reduce or eliminate some services, potentially compromising its ability to fully implement the state's mandated waste reduction goals.

Figure 1, on the following page, illustrates the Agency's long term structural deficit, which is estimated to be $13 million by year in 2032.

Figure 1 - Fund Balance Projects through 2032



The Agency plans to continue collecting tipping fees into the foreseeable future. These fees are estimated to generate approximately $8 million in 2032. Therefore, this analysis uses a target up to $5 million per year ($13 million minus $8 million) as the funding goal.

Introduction to New Revenue Mechanisms

The introduction of a new revenue mechanism, or a portfolio of revenue mechanisms, is a tool to diversify the Agency's revenue sources and therefore increase financial sustainability by reducing reliance on variable and declining waste tonnage revenues. The new revenue mechanisms could be linked to more static property use and size attributes, rather than fluctuating waste streams. This strategic shift necessitates a comprehensive analysis to develop a funding structure that not only supports ongoing compliance with state mandates but also advances the ambitious recycling and waste reduction targets set forth by the State.

The primary revenue mechanisms that the Agency should consider are:

- Regulatory and service fees (*primarily regulated by Prop 26*)
- Property-related fees – balloted or non-balloted (*primarily regulated by Prop 218*)
- Special taxes (*primarily regulated by Props 13 & 218*)

California's Current Revenue-Mechanism-Related Legal Landscape

In California, new sources of revenues for local public agencies typically take the form of fees, taxes, and/or assessments, which are primarily regulated by three voter-approved initiatives: Propositions 13, 218 and 26 (with Propositions 26 and 218 clarifying and expanding on Proposition 13.) The primary approaches, calculated based upon property attributes, that should be considered include:

Funding Approach	Approval Requirement
Regulatory and service fees	Majority of governing board (No Balloting)
Property-related fees - Non-Balloted	Mailed notices (No Balloting)
Property-related fees - Balloted	Property owner balloting (50% Approval Req'd)
Special taxes	Registered voter balloting (66.6%+ Approval Req'd) (or voter initiative with 50% Approval Req'd)

Each of these mechanisms has its own advantages and drawbacks, and each could contribute to the Agency's financial sustainability goals. Generally, balloted approaches (e.g. balloted property-related fees and special taxes) are less desirable due to the additional cost of the balloting and community outreach, the inherent risk of voter rejection, and the limitations on revenue associated with setting a politically viable rate. Therefore, non-balloted (e.g. regulatory and service fees and non-balloted property-related fees) should be prioritized, researched, and implemented first, provided they meet legal, administrative and political requirements.

The following sections provide descriptions of regulatory fees, property-related fees and special taxes.

Regulatory and Service Fees to Fund Agency Operations

Regulatory and service fees are charges that recover the actual cost of specific "regulatory" activities and of specific services or benefits provided to the fee payor, respectively. While not all of the Agency's activities are likely to qualify for funding through regulatory fees, it is strongly recommended that the Agency actively pursue this revenue mechanism to the greatest extent possible due to its relatively straightforward implementation.

BACKGROUND ON REGULATORY AND SERVICE FEES

Proposition 26, approved by California voters in 2010, set a clearer definition of the implementation and use of fees. Simply put, fees require justification (typically in the form of a Fee Report prepared by an experienced fee consultant and rigorously reviewed by legal counsel) and majority approval by the Agency's governing board – no balloting is required. Proposition 26 broadly defines every funding mechanism as a tax but provides seven exceptions that allow properly structured fees as well as property-related fees (discussed later in this report), and benefit assessments (not relevant to this report).

Several types of fees are defined through the cited exceptions to the measure's general assertion that all levies are taxes. Among the seven exceptions, several align closely with the Agency's operations:

> *(e) As used in this article, "tax" means any levy, charge, or exaction of any kind imposed by a local government, except the following:*
>
> > *(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.*
> >
> > *(2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.*
> >
> > *(3) A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof.*
> >
> > *(4) A charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property.*
> >
> > *(5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law.*
> >
> > *(6) A charge imposed as a condition of property development.*
> >
> > *(7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.*

Exceptions 1, 2, and 3, offer the most promise (and Exception 7 is important in justifying the use of property-related fees, as discussed in the next section). Most of the Agency's operations are driven by regulation and directly support the regulation of or providing services or other benefits to proposed fee payors. For example, the fact that the legislature has required local governments to plan for 15 years of landfill capacity necessitates a regulatory solution - either to develop more landfill capacity or reduce waste.

Exceptions 1 and 2 indicate that if a direct benefit to the payor is established, then a fee is not a tax requiring voter approval. This report refers to such fees as service fees. Exception 3 describes regulatory fees. Common examples of eligible activities under Exception 3 include "issuing licenses and permits, performing investigations, inspections and audits, and the administrative enforcement and adjudication thereof."

Use of Regulatory and Service Fees by the Agency

The implementation and use of regulatory and service fees by the Agency can be divided into three categories:

1. Currently Eligible
    a. Examples: Development and enforcement of waste reduction regulations, inspection and compliance operations, and the administration of waste management programs.
2. Potentially Eligible with Additional Supporting Analysis
    a. Example 1: Activities essential for achieving the goals set by California's environmental legislation, including SB 1383, AB 341, and AB 1826, which mandate significant reductions in organic waste and enhancements in recycling efforts.
    b. Example 2: Preparation, adoption, and amendment of the Countywide Integrated Waste Management Plan (CoIWMP) pursuant to AB 939. The waste management goals of AB 939 are similar to those for groundwater planning as set forth in *California Water Code § 10730, which justifies the use of regulatory fees broadly for groundwater sustainability. The parallels between preserving landfill capacity and groundwater capacity merit further inquiry.*)
3. Likely Ineligible
    a. General community outreach provided through the Agency's Schools Engagement and Community Engagement projects and services is likely not eligible for funding by service or regulatory fees.

Revenue Estimates for Regulatory and Service Fees

Regulatory and service fee rates are precisely calculated based upon the costs of the services they support. As such, until a rigorous fee study is conducted, regulatory and service fee rates cannot be modeled.

To assist with the challenging task of preliminarily estimating the revenue that could be generated from regulatory and service fees, the Agency's FY 2025 budget was analyzed to identify projects and services that are the most likely candidates for such funding. The most directly relevant work is the Agency's implementation support for SB 1383, including the specific activities listed in Figure 2. The current estimate for the potential revenue needed to fund these efforts is approximately $2.7 million. Additional areas of work may be identified in FY 2025 or future years that impact this estimate, such as compliance monitoring and support for other regulations such as SB 1053, the Single-Use Carryout Bag Ban, which takes effect in January 2026. Considerable caution is advised with this estimate of $2.7 million revenue; however, it is evident that significant revenue could be generated from regulatory and service fees.

Figure 2 - 1383 Regulatory Activities Conducted by the Agency

Compliance monitoring
Enforcement efforts
Compost procurement support
Compost Capacity planning
Food recovery compliance support
Development and dissemination of educational resources
Grants to food recovery organizations to increase capacity and infrastructure
Administration of food recovery network (capacity building)

Pros and Cons to Regulatory and Service Fees

Pros

- Quick Implementation**:** Fees can be implemented relatively quickly once the cost-of-service analysis is complete, and the fee structure is developed. This allows the Agency to rapidly address funding needs without lengthy delays.

- Cost-Effective Adoption: Adopting the fees is generally less costly than other funding mechanisms that require voter approval. The primary expenses are associated with the cost-of-service analysis and public process, rather than with election-related costs.

- Flexible Fee Adjustments: Periodic fee increases would follow the same process as the initial adoption, requiring only a brief update of the cost-of-service analysis.

- No Balloting Required: Fees do not require voter approval, reducing administrative hurdles.
- Collect on Property Taxes: Regulatory and service Fees can be collected on annual property taxes which provide significant administrative convenience and revenue reliability.

Cons

- Legal Limitations: Fees are strictly constrained by legal requirements. Conventional wisdom suggests these fees can only cover specific costs and must correlate to the costs of the services provided. This limitation restricts the ability to flexibly apply fees to emerging needs or services not originally covered by the fee structure.

Next Steps to Implement a Fee Program

The success of a fee program will rely heavily on a sophisticated, conservative, and creative team of fee consultants and attorneys to design the fee or fees. This team must be tasked with rigorously evaluating each of the Agency's projects and services, identifying which elements qualify for funding through a fee, and drafting a supporting fee study.

Figure 3 below summarizes the estimated budget and durations for key tasks required to implement a regulatory fee. Engaging dedicated consultants for each step is strongly recommended.

Figure 3 - Regulatory Fee Implementation

Task	Approximate Budget	Approximate Duration* (months)
Planning	$25,000	3
Survey and Polling	$40,000	3
Revenue Study	$150,000	6
Balloting	$0	0
Outreach	$50,000	3
Total	$265,000	12 to 15

* *Certain tasks may be conducted concurrently with others.*

Property-Related Fees to Fund Agency Operations

The implementation of property-related fees to support eligible Agency activities is more expensive but more flexible than regulatory or service fees, and still less costly than a special tax. Therefore, property-related fees should be considered in both balloted and non-balloted forms, as explained below.

The Agency's existing $7.80 annual charge on all households for the disposal of household hazardous waste, enacted by its ordinance entitled "An Ordinance Establishing a Household Hazardous Waste Collection and Disposal Fee," is a property-related fee exempt from the balloting requirement. In fact, this mechanism has proven legally sound and has withstood significant legal challenges as in *Crawley v. Alameda County Waste Management* (2015).

Property-related fees were first defined by Proposition 218 in 1996 with the intent to fund essential services like water, sewer, and refuse collection (solid waste). Over time, they have been more broadly applied to stormwater management, weed control and hazardous waste disposal.

Property-related fees must meet the following criteria:

- Revenues derived from the fee shall not exceed the funds required to provide the property-related service.
- Revenues derived from the fee shall not be used for any purpose other than that for which the property-related fee was imposed.
- The amount of a property-related fee imposed on any parcel or person as an incident of property ownership shall not exceed the proportional costs of the service attributable to the parcel.
- No property-related fee may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees based on potential or future use of service are not permitted. Standby charges, whether characterized as charges or assessments, shall be classified as assessments and require compliance with the assessment section of the code.
- No property-related fee may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services where the service is available to the public at large in substantially the same manner as it is to the property owners.

Proposition 218 imposes specific procedural requirements for imposing or increasing property-related fees. There are two distinct steps:

1. <u>Protest Period:</u> This begins with a notice of the fee mailed to each property owner and a 45-day period during which property owners may file written protests, culminating in a public hearing. If the owners of a majority of the parcels affected by the rates file a written protest, the agency cannot impose the fee. If a majority protest is not formed, the agency may move to the second step.

2. <u>Ballot Proceeding:</u> The agency submits the fees to the electorate, consisting of the affected property owners. Each parcel counts as a vote, and the fee is approved if more votes are cast in favor than against it.

Most significantly, "Except for fees or charges for sewer, water, and refuse collection services, no property-related fee or charge shall be imposed or increased unless and until that fee or charge is submitted and approved by a majority vote of the property owners of the property subject to the fee or charge." In other words, Proposition 218 exempts fees for water, sewer and refuse collection from the balloting requirement.

To Ballot or Not To Ballot

Proposition 218 clearly exempts the balloting requirement for the implementation of property-related fees used to support refuse collection. However, since many of the Agency's services are supportive of, but may not be narrowly considered specifically "refuse collection," an evaluation should be conducted to determine applicability of this exemption.

If it is determined that some or all of the Agency's property-related services do not qualify for the refuse collection exemption, a balloting process could be conducted at the reasonable threshold of 50%, with one vote per parcel.

Revenue Estimates for Property-Related Fees

Although a nexus is required between costs of service and the fee rate, property-related fees are often set at rates that are lower than the actual costs, particularly for fees that are balloted.

Figure 4 below shows the estimated potential revenue generated for all property types. (These approximate rates are based on previous rates for similar efforts in the San Francisco Bay Area and would be further refined through polling.)

Figure 4 - Property-Related Fee Revenue Potential - All Property Types

Property Type	Quantity[1]	Rate	Revenue
Residential (1 - 4)	448,200	$10.00	$4,482,000
Multi-Family (5+)	176,300	$2.50	$440,750
Commercial[2]	21,000	$20.00	$420,000
Total			$5,342,750

[1] Estimated units/parcels are based on Alameda County Assessor's data.

[2] Commercial parcels include commercial, school, and institutional properties.

Note: Publicly owned parcels, such as those housing office buildings like City Hall, courthouses, and fire departments, were not included in the parcel count. Additional research is required to accurately identify these properties. Furthermore, fees for public parcels must be invoiced directly to the public agency, as they cannot be included on the property tax bill.

Pros and Cons to a Property-Related Fee

Pros

- Moderately Quick Adoption**:** Property-related fees can be adopted relatively quickly compared to other funding mechanisms, such as special taxes, which require a ballot measure on a regularly scheduled election. Once the cost-of-service study and public hearings are completed, the fee can be imposed directly on property tax bills or as a separate bill. Even if balloting is required, the process is still quicker than implementing a special tax.

- Moderately Cost-Effective Implementation: The implementation of property-related fees is generally less costly than other funding mechanisms that require voter approval. The primary costs involve the cost-of-service study and the printing and mailing of the notices. While balloting, if required, will increase costs, it is still less expensive than a special tax.

- Easy to Explain and Administer: Property-related fees are simple to explain because they follow a clear cost-of-service model, where the fee is based solely on the cost of providing services to the property. They are also relatively easy to administer because they require well-defined calculations for proportional costs, making them easier to justify and defend legally.

- Collect on Property Taxes: Property-related fees can be collected on annual property taxes which provide significant administrative convenience and revenue reliability.

Cons

- New or Increased Fees: Property owners might resist increases or the introduction of new fees or increases for waste management services, particularly if they are unfamiliar with the Agency's role or existence.

- Legal Limitations: The revenue generated from property-related fees must be directly connected to the property and proportionate to the cost of the service provided. The strict proportionality requirements of Proposition 218 can pose significant constraints. This legal framework ensures fees are fair but also limits flexibility in funding broader waste management services.

Next Steps to Implement a Property Related Fee

Figures 5 and 6, on the following page, summarize the approximate budgets and time required for the primary tasks required to implement non-balloted and balloted property-related fees, respectively. It is strongly recommended to engage dedicated consultants for each step.

Figure 5 - Property Related Fee - Non-Balloted Implementation

Task	Approximate Budget	Approximate Duration* (months)
Planning	$25,000	3
Survey and Polling	$60,000	6
Fee Study	$150,000	6
Noticing	$450,000	6
Balloting	$0	0
Outreach	$250,000	3
Total	$935,000	21 to 24

** Certain tasks may be conducted concurrently with others.*

Figure 6 - Property Related Fee - Balloted Implementation

Task	Approximate Budget	Approximate Duration* (months)
Planning	$25,000	3
Survey and Polling	$60,000	3
Fee Study	$150,000	9
Noticing	$450,000	6
Balloting	$550,000	6
Outreach	$500,000	6
Total	$1,735,000	24 to 33

**Certain tasks may be conducted concurrently with others.*

Special Tax to Fund Agency Operations

A special tax, if approved by Alameda County voters, would be the easiest to administer, most flexible, and most legally and politically stout of the viable revenue mechanisms under consideration. However, it is also the most time-consuming, costly and politically challenging to implement. Hence, the Agency should consider it only after options for regulatory/service fees and property-related fees have been fully explored.

Special taxes are decided by registered voters and require a two-thirds majority for approval. They are familiar to Californians and are commonly used to fund various services, projects, and programs. They are generally legally robust, offer broad flexibility, and can often support debt issuance, such as loans or bonds. The joint powers agreement that established the Alameda County Waste Management Authority would need to be amended by the member agencies for the Agency to be authorized to place a special tax on the ballot.

Special taxes can also be proposed through the voter initiative process. The voter approval threshold for a voter initiative is 50% instead of 66.7%. As a result, voter initiatives have a significantly higher likelihood of passing. However, this process requires the voter group sponsoring the measure to collect a significant number of signatures (10% of the number of votes cast within the County for all candidates for Governor in the last gubernatorial election) to place the measure on the ballot. Public agencies may not pay the costs for qualifying a voter initiative.

Revenue Estimates for Special Taxes

Figure 7 below illustrates the approximate potential rates per residential unit and commercial parcel required to generate approximately $4 million annually to cover the operational deficit. The advantages of this option include long-term sustainability and reduced legal risk, but it will require continued reliance on existing fees to cover the remaining operational expenses.

Figure 7 - Special Tax - Balloted Revenue Potential

Property Type	Quantity[1]	Rate	Revenue
Residential (1 - 4)	446,900	$10.00	$4,469,000
Multi-Family (5+)	147,106	$3.00	$441,318
Commercial	21,000	$20.00	$420,000
Total[2]			$5,330,318

[1] Estimated units/parcels are based on Alameda County Assessor's data.
[2] Parcels that are entirely tax-exempt and publicly owned are not included in the count, as they are typically exempt from special taxes.

Pros and Cons to Special Tax

Pros

- Dedicated Revenue Stream: Special taxes provide a dedicated funding source for specific projects or services. This ensures predictable budgeting and prevents funds from being diverted to other uses.

- Financial Sustainability: These taxes support long-term financial sustainability of utility services by allowing adjustments based on service delivery costs, inflation, and other economic factors. However, future increases to keep pace with inflation must be stated in the ballot measure, such as indexing to the Consumer Price Index or setting a fixed annual percentage increase.

- No Proportionality Requirement: With no proportionality requirement, the financial analysis is simpler, and the tax structure offers more flexibility. Additionally, popular exemptions such as for low-income residents and seniors can be incorporated.

- Easy to Administer: Special taxes are straightforward to administer due to their simple structure and clear guidelines; they are typically collected through the annual property tax bill. The reduced complexity minimizes the administrative burden.

- Easy to Explain: Special taxes are easy to explain because their specific purpose is clear, which helps in gaining public support. The funds typically go toward projects or services that directly benefit the community, making it easier to show taxpayers the value and positive impact of the special tax.

- Greatest Flexibility to Use: Special taxes offer significant flexibility as they are not tied to specific formulas or proportionality requirements and can cover a broad range of services. This allows the Agency to design a methodology that meets their needs, including adding an annual inflation factor, or exemptions, enabling them to adapt to changing circumstances or projects effectively.

- Collect on Property Taxes: Special Taxes can be collected on annual property taxes which provide significant administrative convenience and revenue reliability.

- Possible Expiration Date: Over the last 20 years, most special taxes have been proposed to voters with expiration dates (also known as "Sunset provisions"), and this has become very popular with voters as it arguably provides a sense of oversight, control and non-permanence. Sunset provisions typically require that a tax is retired anywhere from 5 years to 19 years with 9 or 10 years being the most common.

Cons

- High Voter Approval Requirement: The two-thirds majority requirement is a significant hurdle, necessitating a strong and well-organized campaign to achieve voter approval. This is a major challenge. The agency may provide objective information about the measure but is not allowed to campaign in support; the same is true of the member agencies. The campaign would need to be carried out by supporters in the community.

- Expensive Implementation: The implementation of a special tax is significantly more costly than other funding mechanisms. The primary expenses are associated with administrative oversight for placing the measure on a ballot and election services.

Next Steps to Implement a Special Tax

Figure 8 below summarizes the approximate budgets and time requirements for the primary tasks required to implement a special tax. Engaging dedicated consultants for each step is strongly recommended.

Figure 8 - Special Tax Implementation

Task	Approximate Budget	Approximate Duration* (months)
Planning	$25,000	3
Survey and Polling	$60,000	3
Tax and Ballot Documents	$75,000	6
Balloting	$2,500,000	24
Outreach	$1,000,000	12
Total	$3,660,000	24 to 48

**Certain tasks may be conducted concurrently with others.*

Summary of Recommendations and Next Steps

A summary of the budgets and time requirements for the four recommended funding mechanism approaches is included in Figure 9 below.

Figure 9 - Approach Summary

Approach	Approximate Budget	Approximate Duration (months)
Regulatory Fee	$265,000	12 to 15
Property Related Fee - Non Balloted	$935,000	21 to 24
Property Related Fee - Balloted	$1,735,000	24 to 33
Special Tax	$3,660,000	24 to 48

Following is a summary of the recommended steps:

- Planning and Input: Perform an overall evaluation of recommended funding mechanisms considering legal, political and administrative factors.
    - Legal and Regulatory Analysis: Begin by reviewing relevant state and local laws to assess the Agency's ability to impose regulatory/service fees, property-related fees, or special taxes. This includes evaluating compliance with mandates from legislation such as SB 1383, AB 341, and AB 1826, and ensuring all legal standards and

restrictions are met. Identify any required approvals or voter consent. For property-related fees, ensure compliance with Proposition 218 and majority protest procedures.

- Stakeholder and Elected Official Input: Engage key community stakeholders, including environmental groups, the business community, and homeowners' associations, to gather input and build support.

- Community Input and Polling: Conduct a comprehensive community poll or survey to gauge public priorities, acceptable rates, and preferences for funding waste management and reduction initiatives. This data will provide valuable insights into resident attitudes towards potential funding mechanisms. Understanding public sentiment will enable the Agency to craft a plan that garners broader acceptance, thereby enhancing program sustainability and maximizing community buy-in.

- Develop Implementation Plan: Develop and execute a detailed implementation plan, addressing timelines, billing systems updates, customer notification processes, and administrative setups for fee or tax collection. Ensure the plan accounts for all logistical and operational challenges during implementation.

- Start with Regulatory/Service Fees: The Agency should first implement Proposition 26-compliant fees, which offer a quick and cost-effective way to generate significant revenue within legal parameters.

- Consider Non-Balloted Property Related Fee (if needed): If additional revenue is required, consider introducing a Proposition 218-compliant, non-ballot property fee via mailed notices, similar to the existing household hazardous waste fee. This approach leverages the "refuse collection" exemption and bypasses a lengthy voting process.

- Consider Balloted Property Related Fee (if needed): A Proposition 218-compliant, property-related fee requiring a property owner vote should be pursued only if additional funding for property-related services is essential. Although this option secures funds for specific activities, it involves a more complex and costly process.

- Special Tax for Comprehensive Solution: For the most comprehensive funding approach, the Agency could pursue a Proposition 13 and 218-compliant special tax. This option requires registered voter approval and offers the most flexibility but comes with the highest implementation costs.

- Monitoring and Evaluation: Once implemented, continuously monitor the performance of the fee or tax. Ensure it adequately covers the costs of regulatory activities and adjust as needed based on evolving costs, regulatory requirements, or effectiveness.

- Reporting and Transparency: Regularly report on the use of fee or tax revenues and the outcomes of funded activities. Maintaining transparency is critical for sustaining stakeholder trust and compliance.

There are several other elements of a funding mechanism the Agency should consider that apply to all of the recommended approaches:

- Consumer Price Index Adjustment: It is highly recommended, and common practice, to include an annual rate escalator mechanism approved by the board and linked to a Consumer Price index.

- Sunset Clause: While some funding mechanisms include an expiration date or "sunset" provision to appeal to voters, it is not recommended here, given the fact that the Agency's operational costs are perpetual.

- Senior Exemptions: Exemptions or discounts for property owners aged 65 years and older are sometimes included with funding mechanisms, especially for school district bond measures, as they tend to increase senior voter support.

- Low-Income Exemptions: Exemptions for low-income property owners are common and highly recommended. Most voters support such exemptions and the overall impact on revenue is minimal.

- Ratepayer equity: Efforts should be made to ensure rates for different property uses are fair and equitable.