



DATE: October 23, 2024

TO: Waste Management Authority (WMA) Board

FROM: Timothy Burroughs, Executive Director
Pat Cabrera, Administrative Services Director

SUBJECT: Agency Revenue Stabilization Analysis

SUMMARY

Central to StopWaste's mission is partnering with Alameda County jurisdictions to accelerate progress toward an equitable, circular economy, including advancing innovations in upstream waste prevention, material reuse and repair, and recycling. As a result of our Agency's and our partners' work as well as other broader economic factors, solid waste disposal in Alameda County has declined over time, even as the county population has grown.

As the Board knows, approximately 90 percent of the Agency's discretionary revenue is derived from landfill tonnage fees. Therefore, as landfill tonnage declines, in order for the Agency to continually improve and evolve our programs and maintain our leadership role in the coming years, we will need to continue to prudently manage the Agency's fund balance and expenditures as well as diversify and stabilize discretionary (i.e., general fund) revenue sources.

The purpose of this memo is to update the Board on potential additional revenue options. Staff recommends that the Board direct staff to continue to analyze multiple options for Board consideration. These include (i) a potential regulatory fee designed to recover reasonable costs associated with helping our member agencies and regulated entities meet state requirements related to SB 1383 and other laws, and (ii) a special tax that would support the Agency's efforts to reduce waste and continue tangible progress toward a more climate-resilient Alameda County. Recommended next steps include conducting public opinion research to help continually refine and improve Agency programs.

DISCUSSION

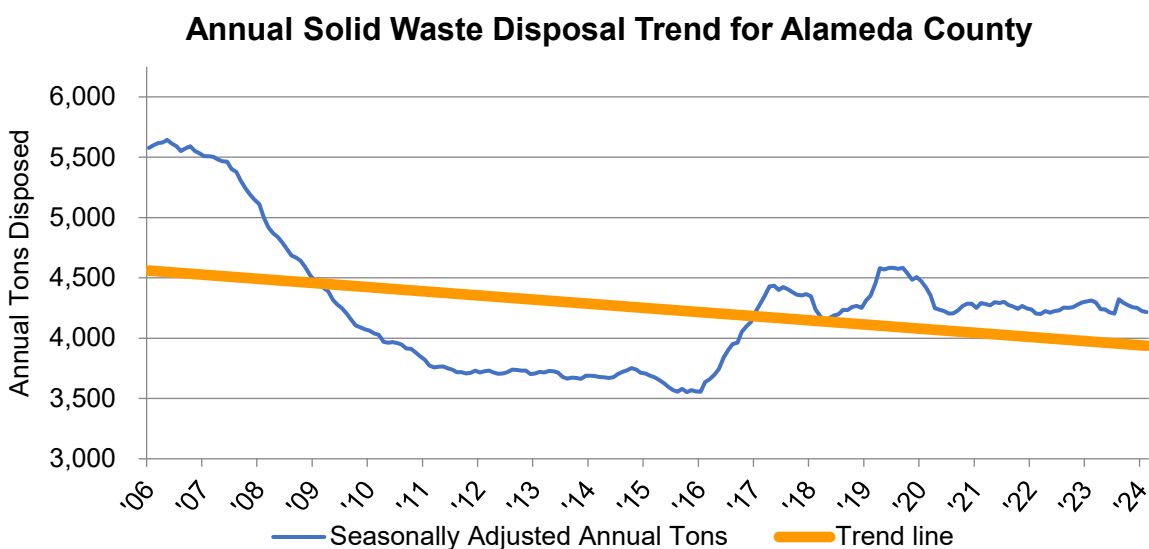
In March 2024, staff provided an update to the Board on the Agency's fiscal forecast and fund balance and reserves. Staff noted that we would return to the Board with further analysis of a

range of options designed to diversify and stabilize discretionary revenues, while also continuing to carefully manage expenditures, Agency investments, and unfunded liabilities.

Staff analysis of potential revenue options is built on earlier analysis of the Agency’s forecasted revenue and expenditure trends. In FY 2022, the Agency engaged the consulting services of Crowe LLP to develop several fiscal forecast scenarios to help the Agency manage its fund balance and reserves to advance the StopWaste mission today, while also providing the means to prepare for the future. See Attachment 1 for the February 2022 report.

The scenario that Agency revenues have aligned with reflects continued tonnage and associated revenue declines, consistent with the 15+ years leading up to the time the analysis was conducted. There have been fluctuations up and down, but overall tonnage and associated revenues have declined approximately two percent per year since 2006. See Exhibits 1 (Disposal Trend) and 2 (Fund Balance Forecast) associated with this scenario below.

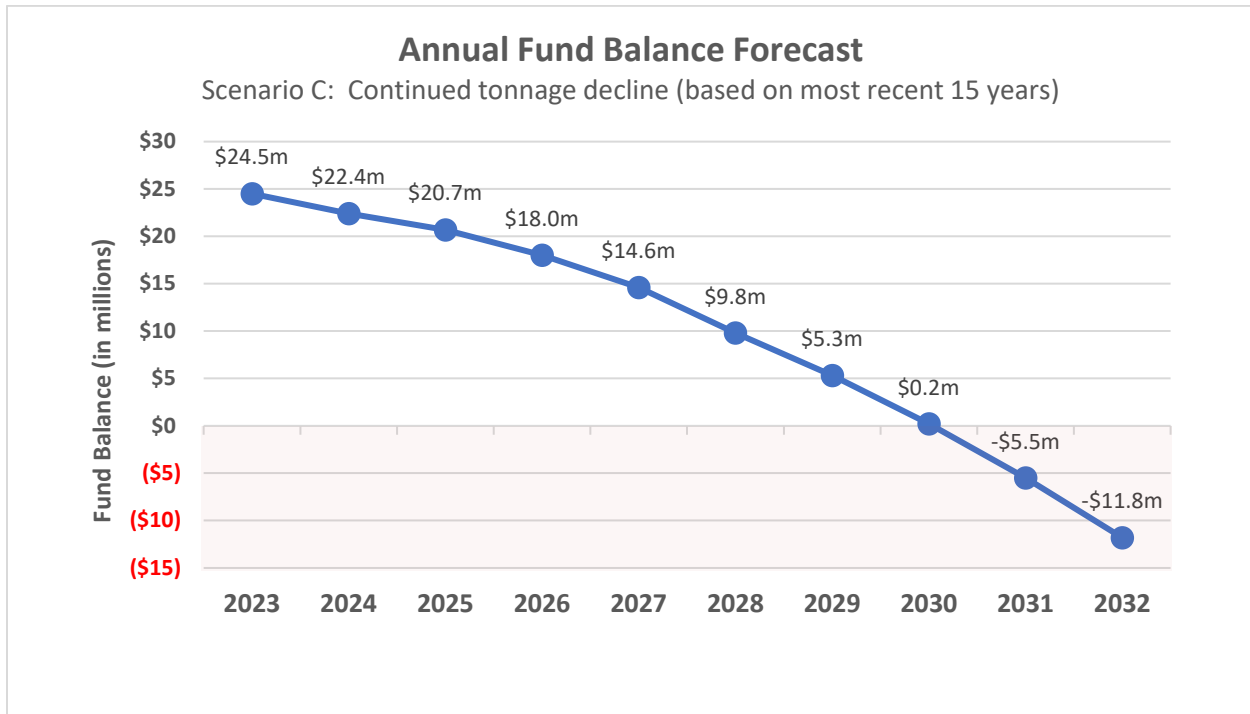
Exhibit 1



Understanding that Agency revenues will decline over time, the Agency built and has maintained a funding contingency, in the form of a fund balance and reserves, to help fund our work and provide an adequate cushion while the Agency identifies options to diversify its revenue. However, Agency contingency funds are finite, and absent additional revenue or significant reduction in the programs we provide, all of the forecast scenarios included in the fund balance analysis show a risk of exhausting the funding contingency by approximately FY 2031.¹ The Agency’s current fund balance with reserves is estimated at \$22.4M.

¹ See Attachment 1, p.2 for a list of all fund balance scenarios. Updated forecasts since the original Crowe report was published indicate that the Agency’s funding contingency would be exhausted by 2031 for most funding scenarios.

Exhibit 2



Potential Revenue Options

Given the need to diversify and stabilize Agency revenues, staff first determined the approximate amount of revenue needed to maintain Agency services and programs for the long term. Staff estimates that approximately \$3 million to \$5 million in additional annual revenues would adequately offset declining tonnage-based revenues moving forward from 2030. In March 2024, staff retained SCI Consulting Group, which specializes in developing financing strategies and plans for public agencies, to identify a range of potential funding options for the Agency that would help meet this revenue target. See Attachment 2 for SCI’s detailed report.

Each of the options identified by SCI has its own advantages and drawbacks, as is described below and in more detail in Attachment 2. The SCI report discusses (i) regulatory and service fees (which can be adopted by a majority vote of the Board), (ii) property-related fees (which require protest proceedings and in some cases a property owner vote), and (iii) special taxes (which require voter approval).

Regulatory and Service Fees

Regulatory fees are charges that recover the actual cost of specific regulatory activities. As stated in the SCI report, common examples of eligible activities include “issuing licenses and permits, performing investigations, inspections and audits, and the administrative enforcement and adjudication thereof.” The projects and services in the current FY 2025 budget that are the most likely candidates for such funding pertain to the Agency’s central role

in the implementation of SB 1383, which requires staff to monitor compliance and conduct inspections and enforcement related to a number of state requirements. For a sense of scale, the SCI report includes a preliminary estimate of \$2.7M for the costs that could be recovered if a regulatory fee were applied to the Agency’s SB 1383 implementation programs.

Additional areas of work that impact this estimate may be identified in FY 2025 or future years. Exhibit 3 lists the regulatory activities the Agency undertakes to support SB 1383 and related laws.

Exhibit 3

- | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1383 Regulatory Activities Conducted by the Waste Management Authority</p> <ul style="list-style-type: none">• 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) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

A rough preliminary analysis suggests that a regulatory fee for SB 1383 implementation of \$2.7 million applied to eligible property types (multifamily and commercial) would result in a flat fee of approximately \$13 per residential unit or commercial parcel per year.

As a next step, staff proposes to secure a consultant to conduct a fee study, which includes a precise calculation of potential regulatory fee rates and associated revenue, based on the costs of regulatory programs the fee would support.

Property-Related Fees

The Agency’s existing \$7.80 annual fee on all households for the disposal of household hazardous waste (HHW) is an example of a property-related fee. Property-related fees are governed by Proposition 218, which states that, “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 a balloting requirement. As noted in the SCI report, property-related fees that are not refuse collection fees can be approved by a majority vote of the landowners paying the fee. As part of the regulatory fee study, staff will consider

whether there are Agency programs other than its HHW services that could be funded by a property-related fee.

Special Taxes

As outlined in the SCI report (Attachment 2, pp. 13-16), a special tax is decided by the voters and requires a two-thirds majority for approval. Special taxes are commonly used to fund numerous local government services and projects, such as police and fire service, road improvements, libraries, parks, and other services. A special tax could be considered to fund StopWaste non-regulatory programs, including services dedicated to waste prevention and increasing recycling and composting, such as technical assistance for businesses, schools and food recovery organizations; outreach and education for residents, businesses, and in schools; and small grants to nonprofits and businesses. In some jurisdictions special taxes have been placed on the ballot through a voter initiative; in that case the voter approval threshold is 50 percent.

The joint powers agreement that created the Agency would need to be amended by the member agency jurisdictions for the Agency to be authorized to place a special tax on the ballot.

The SCI report illustrated potential rates per residential unit and commercial parcel required to generate approximately \$5.3M per year. Staff also added other scenarios in Exhibit 4 below.

Exhibit 4 – Special Tax: Estimated Revenue Potential and Rates Per Unit/Parcel

Property Type	Quantity ¹	Rate A	Revenue A	Rate B	Revenue B	Rate C	Revenue C
Residential (1-4)	446,900	\$6	\$2,681,400	\$8	\$3,575,200	\$10	\$4,469,000
Multi Family (5+)	147,106	\$2	\$294,212	\$2	\$294,212	\$3	\$441,318
Commercial	21,000	\$18	\$378,000	\$20	\$420,000	\$20	\$420,000
Total²			\$3,353,61		\$4,289,412		\$5,330,318

¹ Estimated units/parcels are based on Alameda County Assessor’s data.

² Units/Parcels that are completely tax-exempt and publicly owned were not counted, since they are usually exempt from special taxes.

The amount of revenue to be sought via a special tax would depend on whether the Agency were also to pursue a regulatory fee, in which case the rates for the special tax would be lower because less revenue would be needed.

As a next step, staff proposes to secure a consultant to conduct public opinion research on Agency programs and services and to continue to research the feasibility of a special tax, including appropriate rates for each property type.

Next Steps and Timelines

Staff proposes the following next steps:

- **Conduct a regulatory fee study:** Secure a consultant to conduct a regulatory fee study, which includes a precise calculation of potential regulatory fee rates and associated revenue, based on the costs the fee would support, such as SB 1383 implementation. Staff would initiate this step in November 2024.
- **Conduct opinion research to gather input on Agency programs and services:** Secure a polling consultant to gather public input. Staff would also initiate this step in November 2024.

The Agency has funds encumbered from FY 24 and budgeted in the current fiscal year to conduct the regulatory fee study and opinion research. Additional funds would need to be budgeted in subsequent fiscal years if the Agency were to pursue a regulatory fee and/or special tax.

STAFF RECOMMENDATION

Staff recommends that the WMA Board approve the next phase of revenue stabilization research, which includes conducting a regulatory fee study to assess projects eligible for a regulatory fee and to calculate potential rates and revenue, and conducting opinion research to gather input on Agency programs and services and to inform next steps.

ATTACHMENTS

Attachment 1: Crowe Fund Balance and Reserve Analysis

Attachment 2: SCI Consulting Group Funding Options Technical Memorandum



Smart decisions. Lasting value.™

Fiscal Forecasts and Fund Balance/Reserve Analysis

February 24, 2022



Submitted to:

Alameda County Waste Management Authority, the
Alameda County Source Reduction and Recycling Board,
and the Energy Council (StopWaste)
1537 Webster Street
Oakland, CA 94612

 This report is printed on 100% post-consumer recycled content paper.



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Executive Summary

In recent history, Alameda County Waste Management Authority, the Alameda County Source Reduction and Recycling Board, and the Energy Council (StopWaste or the Agency) has matched core¹ expenditures with core revenues, but the Agency is now at a point where its expenditures are expected to exceed revenues. The Agency projects that expenditures must continue to increase as cost-of-living increases and revenues are expected to decline as member agency programmatic efforts continue to evolve and advance. The Agency may start entering a period of a structural deficit (where annual expenditures exceed revenues), depending on the actual extent of landfill tonnage declines, and thus, the Agency is proactively conducting an analysis and developing a decision-making tool based on varying scenarios. The services were provided under AICPA Consulting Services only. Section 3 of this report provides the disclosure for this analysis.

Comparisons to six (6) neighboring waste management authorities indicate that comparable relative fund balance/reserve levels are somewhat lower than the Agency's. However, these comparable authorities generally have less extensive program requirements and more stable and controllable and predictable revenue generating capabilities (e.g., through rates charged to customers annually). In contrast, the Agency relies on a landfill fee revenue source which is uncontrollable and in long-term decline. Additionally, the Agency must undergo a multi-year approval timeline to adjust its fees. Consequently, due to the higher risk to meet its budgetary requirements and the less stable revenues, the Agency believes it is justified to maintain a higher relative fund balance/reserve level than comparable waste management authorities.

As part of this scope of work, we assisted the Agency, using their own data, to develop a fund balance model (in Excel). We then used the Agency's model to calculate the impacts of various Agency developed scenarios. The Agency intended for these scenarios to cover a range of potential circumstances that could occur in the future and the potential impact of these scenarios on the Agency's reserves and fund balance². This analysis calculated the impact on the Agency fund/reserve balance under seven (7) scenarios as follows:

1. Scenario A – Status Quo with Growth
2. Scenario B – Status Quo
3. Scenario C – Economic Cycle
4. Scenario D – Organics
5. Scenario E – Organics and Recyclables
6. Scenario F – Recession
7. Scenario G – Recycling Plan (Landfill Obsolescence).

Exhibit ES-1 provides a brief description and the basis of projection for each scenario. One scenario has tonnage slightly growing, one scenario has tonnage remaining constant, while other five scenarios project decreasing tonnage that range from small to large annual declines. Each scenario is based on either historical changes in tonnage or achieving a diversion goal.

Exhibit ES-2 profiles the unique assumptions for each scenario, which include tonnage projections and expenditure projections, and number of core full-time equivalents (FTEs). Annual tonnage changes range from +0.5% per year, no change (0%), up to -6% per year. In all scenarios, expenditures in FY 21/22 and FY 22/23³ match the agency's budgeted expenditures, and FY 23/24 expenditures are projected with +7% inflation⁴. For Scenarios A to E, expenditures in FY 24/25 and beyond is projected at +3% per year. For Scenarios F and G, the +7% annual inflation is maintained for the remaining years. The +7% inflation in

¹ Revenues and expenditures for which the Agency has most discretion; the Energy Council is not core-funded.

² Agency defined as total fund balance minus reserves.

³ Preliminary FY 22/23 budget numbers provided by StopWaste staff, which may change upon budget approval.

⁴ Impacts all expenditure categories such as salaries, benefits, hard costs, and hard costs overhead.

FY 23/24 is an assumption in the event that currently elevated inflation levels of 2021 and 2022 is sustained⁵. The number of core FTEs remain the same for all scenarios besides Scenario G (Recycling Plan), where core FTEs escalate from 43.4 starting in FY 23/24 to 50 FTEs by FY 27/28.

**Exhibit ES-1
Scenario Descriptions**

Scenario	Brief Description	Tonnage Change	Basis
A. Status Quo with Growth	Slight growth based on most recent five years	Increase	Historical
B. Status Quo	Tonnage stays flat	No Change	Historical
C. Economic Cycle	Declines based on most recent 15 years	Decrease	Historical
D. Organics	Achieve 75% reduction in landfilled organics by Jan 1, 2025 (FY 24/25) using a FY 20/21 baseline (SB 1383 ⁶), then tonnage stays flat	Decrease	Goal-based
E. Organics and Recyclables	Achieve 75% reduction in landfilled organics by Jan 1, 2025 (FY 24/25) using a FY 20/21 baseline (SB 1383), then 75% reduction in recyclables by FY 29/30	Decrease	Goal-based
F. Recession	Tonnage declines similar to 2008 Recession to its recovery	Decrease	Historical
G. Recycling Plan	Achieve Recycling Plan goal of 100% diversion by 2045	Decrease	Goal-based

**Exhibit ES-2
Scenario Assumptions – Projection Years (Modifications to Scenarios)**

Scenario	Revenue (Tonnage) Projection			Expenditure Projection	
	Annual Change	3-Year Change (FY 23/24)	9-Year Change (FY 29/30)	Annual Expenditures/ Inflation	Core FTEs
A. Status Quo with Growth	+0.5%	+1.5%	+4.6%	FY 21/22 and 22/23 expenditures match budget, 7% in FY 23/24, then 3% per year	43.4 Core FTEs
B. Status Quo	0.0%	0.0%	0.0%		
C. Economic Cycle	-2.0%	-5.9%	-16.6%		
D. Organics	-4.0% (-40,498 tons/year thru FY 24/25)	-11.0%	-14.7%		
E. Organics and Recyclables	-4.0% (-40,498 tons/year thru FY 24/25) -1.5% (-14,399 tons/year thru FY 29/30)	-11.0%	-21.2%		
F. Recession ⁷	-4.0%	-11.5%	-30.7%	FY 21/22 and 22/23 expenditures match budget, then 7% per year	43.4 Core FTEs through FY 22/23, then increases to 50 FTEs by FY 27/28
G. Recycling Plan	-6.0%	-16.9%	-42.7%		

⁵ CPI for All Urban Consumers (CPI-U). Bureau of Labor Statistics. All items in West urban, all urban consumers, not seasonally adjusted. Series ID: CUUR0400SA0.

⁶ Senate Bill 1383 Short-lived climate pollutants. Section 39730.6. Requires local government to reach a 75% reduction in organics landfilled by January 1, 2025. StopWaste is using a FY 20/21 baseline for the purposes of the projection.

⁷ Although inflation is typically low during a recession, the Agency used the high expenditure escalation in this scenario to show a higher bound expectation for expenditures over the time period.

Exhibit ES-3 provides the incremental fund balance and the incremental fund balance with reserves⁸ for the various scenarios for FY 20/21. **Exhibit ES-4** provides a summary with a months in incremental fund balance/reserve⁹ perspective. The incremental fund balance ranges from \$1.9 million (2 months) to \$6.6 million (6.7 months) depending on the scenario, and average \$4 million (4 months). The incremental fund balance with reserves ranges from \$11.1 million (11.2 months) to \$15.8 million (16 months) and average \$13.2 million (13.3 months). These ranges provide insight into the agency's potential fund balance/reserves amounts through FY 23/24, as of the end of FY 20/21.

For all scenarios, the calculated surplus fund balance at the end of the base year (FY 20/21) ranges from \$11.1 million (11.2 months, worst case) to \$15.8 million (15.9 months, best case), and based on this data the Agency does not believe it will require a fee adjustment at this time¹⁰. Based on the Agency's current ending fund balance with reserves of \$26.9 million at of the end of FY 20/21, Exhibit ES-3 shows that the Agency would have sufficient surplus fund balance to operate under an annual operating deficit represented by any of the seven scenarios for at least the next three years through FY 23/24.

Exhibit ES-3

Incremental Fund Balance/Reserves, Surplus Fund Balance (FY 20/21)

Scenario	Reserve (Base Year)	Incremental Fund Balance in Base Year	Incremental Fund Balance with Reserves in Base Year	Ending Fund Balance with Reserves (Base Year) ¹¹	Surplus Fund Balance (Base Year)
A. Status Quo with Growth	\$9,200,191	\$1,936,307	\$11,136,498	\$26,900,000	\$15,763,501
B. Status Quo	9,200,191	2,238,143	11,438,334	26,900,000	15,461,666
C. Economic Cycle	9,200,191	3,425,504	12,625,695	26,900,000	14,274,304
D. Organics	9,200,191	4,457,495	13,657,686	26,900,000	13,242,314
E. Organics and Recyclables	9,200,191	4,457,495	13,657,686	26,900,000	13,242,314
F. Recession	9,200,191	4,581,258	13,781,449	26,900,000	13,118,550
G. Recycling Plan	\$9,200,191	\$6,627,017	\$15,827,208	\$26,900,000	\$11,072,792
Average		\$3,960,460	\$13,160,651		\$13,739,349

Exhibit ES-4

Months in Incremental Fund Balance/Reserves, Surplus Fund Balance (FY 20/21)

Scenario	Months in Reserve (Base Year)	Months in Incremental Fund Balance in Base Year	Months in Incremental Fund Balance with Reserves in Base Year	Months in Ending Fund Balance with Reserves (Base Year) ¹²	Months in Surplus Fund Balance (Base Year)
A. Status Quo with Growth	9.3	2.0	11.2	27.2	15.9
B. Status Quo	9.3	2.3	11.5	27.2	15.6
C. Economic Cycle	9.3	3.5	12.7	27.2	14.4
D. Organics	9.3	4.5	13.8	27.2	13.4
E. Organics and Recyclables	9.3	4.5	13.8	27.2	13.4
F. Recession	9.3	4.6	13.9	27.2	13.2
G. Recycling Plan	9.3	6.7	16.0	27.2	11.2
Average		4.0	13.3		13.9

⁸ Defined in Section 1B.

⁹ Based on projected monthly expenditures of \$990,610 in FY 21/22

¹⁰ Where the surplus fund balance represents additional fund balance beyond what is needed to meet current reserves

¹¹ Ending fund balance represents Unrestricted Reserves and Net Position Available Fund Balance (Core) per Agency accounting records.

¹² Ending fund balance represents Unrestricted Reserves and Net Position Available Fund Balance (Core) per Agency accounting records.

Exhibit ES-5 provides a summary of the six (6) comparative waste management authorities used for the benchmarking analysis, including the primary revenue source (tipping fees or rates), a description of the revenue source, and the implementation timeline to increase rates/fees when an increase is warranted. While it takes Alameda County up to two to three years to implement a tipping fee increase, all neighboring authorities are able to increase fees or rates as often as annually. Below provides a summary of two primary revenue generation categories, collection of tipping fees through a landfill or rates through a hauler:

- Four of the six neighboring authorities generate revenue through rates from residential and commercial solid waste accounts collected by franchised haulers. Rates are subject to periodic reviews and increases to rates can occur as often as annually, if warranted, typically as part of the annual budgeting process. Although subject to public comments, rate adjustments are largely at the board's discretion, which are based on cost of living increases and/or on results of rate reviews
- Two of the six neighboring authorities generate revenue through collecting tipping fees at landfills or a transfer station owned by the authority or county. Of these two authorities, South Bayside owns a transfer station that services their entire county (San Mateo County) and is able to increase fees on an annual basis through broad approval. Similarly, Sonoma County owns the county's landfill (as well as multiple transfer stations) and can also increase fees on an annual basis through board approval. Due to cost of living increases and/or results of fee analyses, South Bayside implements fee increases through an agreement with the transfer station operator and Sonoma County implements fee increases through an agreement with the landfill operator.

Alameda County is completely unique in the way that fee increases must undergo a process requiring a vote from the public, which can take up to two to three years from initiation to implementation. Among all comparable authorities, Alameda County is the only authority relying on tonnage revenue they do not have direct control over. Additionally, Alameda County is subject to declining revenues as landfill tonnage are expected to decline over time due to evolving and advancing programmatic efforts. The longer it takes to implement a fee increase, generally the larger the fund balance/reserve is necessary. The more revenues are expected to decline, the larger the fund balance/reserve is necessary should costs stay constant. The longer it takes to implement a fee increase, the more that risk related to fluctuations (declines) in tonnage should be factored into determining a fund balance/reserve level. In the end, the Agency believes that these factors provide support for a higher fund balance/reserve level for Alameda County compared to neighboring waste management authorities.

**Exhibit ES-5
Benchmarking – Primary Revenue Sources and Fee Increase Timeline**

Organization	Primary Revenue Source		Description of Primary Revenue Source	Typical Fee Increase Implementation Timeline (if needed)
	Tipping Fees via Landfill/TS	Rates via Hauler		
1. Alameda County Waste Management Authority, the Alameda County Source Reduction and Recycling Board, and the Energy Council	●		Tipping fees generated at Alameda County landfills.	2 to 3 years
2. Central Contra Costa Waste Authority		●	Rates generated from residential and commercial solid waste accounts collected by franchised haulers.	Annually
3. South Bayside Waste Management Authority	●		Tipping fees generated from a South Bayside-owned transfer station that services the entire JPA region.	Annually
4. Marin County Hazardous and Solid Waste		●	Rates generated from residential and commercial solid waste accounts collected by franchised haulers.	Annually
5. Sonoma County Waste Management Agency	●		Tipping fees generated at Sonoma County-owned landfills and transfer stations.	Annually
6. West Valley Solid Waste Management Authority		●	Rates generated from residential and commercial solid waste accounts collected by franchised haulers.	Annually
7. West Contra Costa Waste Authority		●	Rates generated from residential and commercial solid waste accounts collected by franchised haulers.	Annually

Key Takeaways of Fiscal Forecasts and Fund Balance/Reserve Analysis

Below provides a summary of the key takeaways of this analysis:

- **Incremental Fund Balance** – The incremental fund balance ranges from \$1.9 million (2 months) to \$6.6 million (6.7 months) depending on the scenario, and average \$4 million (4 months)
- **Incremental Fund Balance with Reserves** – The incremental fund balance with reserves ranges from \$11.1 million (11.2 months) to \$15.8 million (16 months) and average \$13.2 million (13.3 months)
- **Surplus Fund Balance** – The calculated surplus fund balance at the end of the base year (FY 20/21) ranges from \$11.1 million (11.2 months, worst case) to \$15.8 million (15.9 months, best case)
- **Fee Adjustment** – Based on the calculated surplus fund balances, the Agency does not believe it will require a fee adjustment at this time
- **Benchmarking** – Alameda County's unique revenue generation and fee adjustment characteristics is exposed to higher risk (less stable revenue source in conjunction with a multi-year approval timeline to adjust fees), which the Agency believes it justifies a greater fund balance/reserve level than comparable waste management authorities who average six (6) months in fund balance with reserves
- **Annual Evaluation** – The Agency can use the tools developed as part of this project on an on-going basis to inform its budgetary and policy decision-making going forward. With active monitoring of the Agency's fund balance, the Agency can more proactively assess and manage potential surpluses or deficits. In the event of a potential deficit three years out, the Agency can, ahead of time, limit or reduce expenditures, or if adjusting expenditures is not sufficient, initiate the two to three year process for approval of a fee increase.

1. Incremental Fund Balance with Reserves

This section is organized as follows:

- A. *Scenarios and Assumptions*
- B. *Incremental Fund Balance with Reserves*
- C. *Scenario Projections.*

A. Scenarios and Assumptions

As nearly 100 percent of core revenues are generated from landfill tonnage, the Agency's fund balance and reserves are extremely sensitive to changes in landfill tonnage (tonnage), especially as fee adjustments require a multi-year period to gain approval and implement. Therefore, the seven scenarios were developed based on varying degrees of changes to tonnage. **Exhibit 1** provides a brief description and the basis of projection for each scenario. One scenario has tonnage slightly growing, one scenario has tonnage remaining constant, while the other five scenarios project decreasing tonnage that range from small to large declines. Each scenario is based on either historical changes in tonnage or achieving a diversion goal. Scenarios based on historical tonnage cover a period of slight growth, no growth, slight declines, moderate declines, and significant declines. The goal-based scenarios are projected to have moderate to significant declines. Page 9 provides the methodology used to determine the tonnage projections for each scenario.

Exhibit 2 profiles the unique assumptions for each scenario, which include tonnage projections and expenditure projections, and the number of core full time equivalent (FTE) staff levels. Annual tonnage changes range from +0.5% per year, no change (0%), up to -6% per year. In all scenarios, expenditures in FY 21/22 and FY 22/23¹³ match the Agency's budgeted expenditures, and FY 23/24 expenditures are projected to increase by +7% (equivalent to high end estimates of current inflation levels)¹⁴. For Scenarios A to E, expenditures for FY 24/25 and beyond are projected to increase at +3% per year. For Scenarios F to G, expenditures for FY 24/25 and beyond are projected to increase at +7% per year. The +7% inflation in FY 23/24 is an assumption in the event that currently elevated inflation levels of 2021 and 2022 is sustained¹⁵. The number of core FTEs remain the same for all scenarios besides Scenario G (Recycling Plan), where core FTEs escalate from 43.4 starting in FY 23/24 to 50 by FY 27/28. Together, the scenarios represent a range of best-case, slight revenue growth with moderate expenditure growth, to worst-case, aggressive revenue declines with aggressive expenditure growth, for projected fund balances.

Exhibit 3 provides the inputs and assumptions for the base year. The base year is FY 20/21 and the inputs used are actuals.

Exhibit 4 provides the inputs and assumptions that apply to all scenarios. The following summarizes these universal assumptions:

1. No changes to operations – No changes to core operations (no growth, no shrinkage)
2. No fee changes – No fee adjustments
3. No changes to tonnage mix – The tonnage mix between in-county and out-of-county remains constant at 93% in-county and 7% out-of-county
4. No unexpected revenues – No unexpected/ one-time revenues (e.g., from a property easement)
5. No changes to expenditure mix – Hard costs are 20% of total costs, hard costs overhead is 14% of total costs, salaries and benefits remain at 66% of total costs
6. Maintaining existing reserves – Existing Agency reserve levels are maintained.

¹³ Preliminary FY 22/23 budget numbers provided by StopWaste, which may change upon budget approval.

¹⁴ Impacts all expenditure categories such as salaries, benefits, hard costs, and overhead.

¹⁵ The current annual average Consumer Price Index (CPI) was 7.0 percent for All Urban Consumers (CPI-U), All items in West urban, all urban consumers, not seasonally adjusted (Series ID: CUUR0400SA0) as prepared by the Bureau of Labor Statistics.

**Exhibit 1
Scenario Descriptions**

Scenario	Brief Description	Tonnage Change	Basis
A. Status Quo with Growth	Slight growth based on the average annual change in tonnage over the most recent five years	Increase	Historical
B. Status Quo	Tonnage remains flat at current levels	No Change	Historical
C. Economic Cycle	Declines based on the average annual change in tonnage over the previous 15 years	Decrease	Historical
D. Organics	Achieve 75% reduction in landfilled organics by January 1, 2025 (FY 24/25) using a FY 20/21 baseline (SB 1383 ¹⁶), then tonnage stay flat	Decrease	Goal-based
E. Organics and Recyclables	Achieve 75% reduction in landfilled organics by January 1, 2025 (FY 24/25) using a FY 20/21 baseline (SB 1383), and a 75% reduction in recyclables by FY 29/30	Decrease	Goal-based
F. Recession	Tonnage declines similar to the timeframe spanning the 2008 Recession, or from FY 2006/07 2015/16	Decrease	Historical
G. Recycling Plan	Achieve the Authority Recycling Plan goal of 100% diversion by 2045	Decrease	Goal-based

**Exhibit 2
Scenario Revenue, Expenditure, and Staffing Assumptions**

Scenario	Revenue (Tonnage) Projection			Expenditure Projection	
	Annual Change	3-Year Change (FY 23/24)	9-Year Change (FY 29/30)	Annual Expenditures/ Inflation	Core FTEs
A. Status Quo with Growth	+0.5%	+1.5%	+4.6%	FY 21/22 and 22/23 expenditures match budget, 7% in FY 23/24, then 3% per year	43.4 Core FTEs
B. Status Quo	0.0%	0.0%	0.0%		
C. Economic Cycle	-2.0%	-5.9%	-16.6%		
D. Organics	-4.0% (-40,498 tons/year thru FY 24/25)	-11.0%	-14.7%		
E. Organics and Recyclables	-4.0% (-40,498 tons/year thru FY 24/25) -1.5% (-14,399 tons/year thru FY 29/30)	-11.0%	-21.2%		
F. Recession ¹⁷	-4.0%	-11.5%	-30.7%	FY 21/22 and 22/23 expenditures match budget, then 7% per year	43.4 Core FTEs through FY 22/23, then increases to 50 FTEs by FY 27/28
G. Recycling Plan	-6.0%	-16.9%	-42.7%		

¹⁶ Senate Bill 1383 Short-lived climate pollutants. Section 39730.6. Requires local government to reach a 75% reduction in organics landfilled by January 1, 2025. StopWaste is using a FY 20/21 baseline for the purposes of the projection.

¹⁷ Although inflation is typically low during a recession, the Agency used the high expenditure escalation in this scenario to show a higher bound expectation for expenditures over the time period.

Scenario A – Status Quo with Growth

- Scenario A assumes a continuation of the recent tonnage increases, which is expected to be a best-case scenario for revenue generation. There was a relatively small total 3% increase in tonnage between FY 16/17 (1,164,838 tons) and FY 20/21 (1,199,933 tons). This 3% increase occurred over 5 years, representing an average annual increase of +0.6% per year (i.e., dividing 3% by 5 years). The +0.6% per year increase is rounded to +0.5% for this scenario.

Scenario B – Status Quo

- Scenario B assumes that FY 20/21 tonnage of 1,199,933 tons remain flat (0% change).

Scenario C – Economic Cycle

- Scenario C assumes a repeat tonnage pattern from the past 15 years, between FY 06/07 through FY 20/21. Tonnage declined -27% over 15 years between FY 06/07 (1,642,903 tons) and FY 20/21 (1,199,933 tons), which averages -1.8% per year (i.e., dividing -27% by 15 years). The -1.8% per year decrease is rounded to -2% for this scenario.

Scenario D – Organics

- Scenario D assumes reaching the Senate Bill (SB) 1383 goal of a 75% reduction in landfilled organics by January 1, 2025 (FY 24/25), using as tonnage in FY 20/21 as a baseline. According to Alameda County's 2017-18 Waste Characterization Study (WCS), at that time the waste stream consisted of 18.2% of landfilled organics (1.8% plant debris, 9.3% food scraps, 7.1% food soiled paper).¹⁸ Using these WCS results, a 75% reduction of the 18.2% of organics represents a reduction target of -13.65% by FY 24/25. The -13.65% reduction is rounded to -13.5% for this scenario. The -13.5% reduction equates to a decrease of -161,991 landfilled tons by FY 24/25 (i.e., multiplying 1,199,933 tons in FY 20/21 by -13.5%). The four-year reduction of -161,991 tons divided by 4 years equates to a reduction of -40,498 per year through FY 24/25, or about -4% per year.

Scenario E – Organics and Recyclables

- Scenario E expands on Scenario D by using the same approach through FY 24/25, then tonnage declines an additional 6% (from FY 20/21 levels) through FY 29/30. The additional 6% decrease is based on reducing 75% of the 7.9% of landfilled recyclables measured as part of the WCS. A 6% reduction from 1,199,933 tons in FY 20/21 equates to a reduction of -71,996 tons between FY 25/26 and FY 29/30. The five-year reduction of -71,996 tons is divided by five and equates to -14,399 tons per year, or about -1.5% per year between FY 25/26 and FY 29/30. This is in addition to the roughly -4% per year through FY 24/25 as described in Scenario D.

Scenario F – Recession

- Scenario F assumes similar declines in tonnage to those observed during the 2008 Recession. There was a -39% decline in tonnage between FY 06/07 (1,642,903 tons) and FY 15/16 (999,483 tons). The -39% decrease over 10 years averages -3.9% per year (i.e., dividing -39% by 10 years). The -3.9% per year decrease is rounded to +4% for this scenario.

Scenario G – Recycling Plan

- Scenario G assumes reaching the Agency's December 2020 Recycling Plan goal of landfill obsolescence (100% diversion) by 2045, which is expected to be a worst-case scenario for revenues. By assuming that 50% of the obsolescence goal is reached by FY 29/30, there would be a reduction of 50% of the 1,199,933 tons (FY 20/21), or a reduction of -599,966 tons. The -599,966 ton decrease over 9 years (FY 20/21 to FY 29/30) equates to -66,663 tons per year or -5.6%. The -5.6% per year decrease is rounded to -6% for this scenario.

¹⁸ 2017-18 Alameda County Waste Characterization Study. September 5, 2018. Table 36.

Exhibit 3
Scenario Inputs and Assumptions– Base Year (Actuals)

Input	Value	Assumption / Description / Basis
1. Base Year	Fiscal year 2020/21	The latest fiscal year actual revenues and expenditures
2. Starting Fund Balance with Reserves	\$25,563,526	Available fund balance including reserves at the beginning of FY 2020/21, excludes encumbrances
3. Landfill Tonnage	1,199,933 tons <ul style="list-style-type: none"> • In-county = 1,116,918 tons • Out-of-county = 83,015 tons 	Annual landfill tonnage in FY 20/21
4. Revenues	\$11,336,474 <ul style="list-style-type: none"> • Landfill = \$10,035,627 • Enforcement = \$397,797 • Property = \$538,265 • Interest and Other Rev = \$364,785 	Annual revenue in FY 20/21
5. Expenditures	\$10,000,000 <ul style="list-style-type: none"> • Salaries = \$4,923,351 • Benefits = \$1,820,404 • Hard Costs¹⁹ Overhead = \$987,350 • Hard Costs = \$2,268,895 	Annual expenditures in FY 20/21
6. Reserves	\$9,200,191 <ul style="list-style-type: none"> • Organics Processing Development = \$5,589,709 • Pension = \$1,210,482 • Building Maintenance = \$150,000 • Five-Year Audit = \$150,000 • Fiscal Reserve = \$2,100,000 	Reserves in FY 20/21
7. Salary per FTE	\$129,606	Average salary per FTE in FY 20/21 (calculated by dividing the total sum of salaries by the total number of FTEs)

¹⁹ Hard costs are all non-salary and benefits expenditures such as facility costs (property tax, utilities, janitorial, maintenance), service contracts, equipment costs, etc. Hard costs overhead is an allocation of hard costs to the core budget.

**Exhibit 4
Scenario Inputs and Assumptions – Projection Years (Applies to All Scenarios)**

Input	Value	Assumption / Description / Basis
Revenues		
1. Fee Rates (per landfill ton)	<ul style="list-style-type: none"> AB 939 Facility Fee = \$4.34 per ton Mitigation Fee = \$4.53 per ton Measure D = \$8.23 per ton (45%) 	No change in current fee rates
2. 939 Enforcement Revenue	<ul style="list-style-type: none"> FY 21/22 = \$550,000 FY 22/23 = \$1,047,575 FY 23/24 = \$753,525 FY 24/25 to FY 29/30 = \$750,000 	Projections and assumptions compiled by Agency staff
3. 939 Interest Revenue	\$50,736 per year	Based on FY 20/21 actual interest (represents low-end estimate due to current low-interest environment), assumes no change to balances and interest rates
4. 939 Other Revenue	\$50,000 per year	Miscellaneous revenue not directly from tonnage such as refunds from litigations, reimbursements, based on average between FY 16/17 to FY 20/21; assumes no change
5. Mitigation Property Revenue	\$550,000 per year	Revenue generated from property leases such as for wind power; based on average between FY 16/17 to FY 20/21
6. Mitigation Enforcement	\$66,000 per year	Revenue generated from ordinance citations; based on average between FY 16/17 to FY 20/21, and assumes no change
7. Mitigation Interest	\$74,201 per year	Based on FY 20/21 actual interest (represents low-end estimate due to current low-interest environment); assumes no change to balances and interest rates
8. Measure D Interest	\$127,374 per year	Based on FY 20/21 actual interest (represents low-end estimate due to current low-interest environment); assumes no change to balances and interest rates
Expenditures		
9. Benefits Rate	<ul style="list-style-type: none"> FY 21/22 = 40% FY 22/23 and on = 36.8% 	FY 21/22 based on average between FY 16/17 and FY 20/21; FY 22/23 was adjusted to match preliminary budget then assume no changes
10. Percent of Hard Costs of Total Costs	20%	Based on FY 21/22 budget; over the years, the percentage of hard costs of total core expenditures decreased from 36% in FY 16/17 to 21% in FY 21/22, assume no changes
11. Percent of Hard Costs Overhead of Total Costs	<ul style="list-style-type: none"> FY 21/22 = 14% FY 22/23 and on = 19.3% 	FY 21/22 based on average between FY 16/17 and FY 20/21; FY 22/23 was adjusted to match preliminary budget then assume no changes
12. Five-Year Audit	<ul style="list-style-type: none"> FY 21/22 = \$85,000 FY 25/26 = \$125,000 FY 27/28 = \$125,000 	Financial and programmatic audits performed in two phases
13. Waste Characterization Study	<ul style="list-style-type: none"> FY 22/23 = \$700,000 FY 27/28 = \$700,000 	\$700,000 every 5 years starting in FY 22/23 (last study conducted in FY 17/18)
14. CalPERS and Other Costs	FY 21/22 = \$1,000,000	Unfunded liability payment
Reserves		
15. Organics Processing Development Reserve	\$5,500,000 per year	Maintain current organics processing reserve
16. Pension Reserve	<ul style="list-style-type: none"> \$200,000 (remaining) in FY 21/22²⁰ \$1,200,000 million per year thereafter 	Maintain pension reserve
17. Building Maintenance Reserve	<ul style="list-style-type: none"> \$200,000 in FY 21/22 \$250,000 million per year thereafter 	Build and maintain building maintenance reserve
18. Fiscal Reserve	\$2,100,000 million per year	Maintain current fiscal reserve

²⁰ Although the \$1,000,000 was paid using available fund balance, this demonstrates a drawdown of the reserve

B. Incremental Fund Balance with Reserves

As part of this project, the Agency developed a tool to calculate an incremental fund balance and an incremental fund balance with reserves under each scenario. Using the Agency's assumptions described in the prior section, the Agency calculated the incremental fund balance under each scenario using these tools. Benefits of determining an incremental fund balance/reserve level include:

- Provides guidance to either draw down, build, or maintain fund balance/reserves by comparing current fund balance/reserve levels against the incremental fund balance/reserves level
- Informs whether future budgeted expenditures should potentially decrease, increase, or remain constant
- Informs whether fee adjustments are potentially necessary.

The Agency defined the incremental fund balance as follows: the incremental ending fund balance during the base year (FY 20/21 in this case) in order to support projected revenues and expenditures over the next three fiscal years (through FY 23/24 in this case) to maintain at least a \$0 balance by the end of Year 3 (FY 23/24 in this case). In other words, the incremental fund balance represents the Agency's operating deficit over the next three fiscal years. The Agency determined that a three-year out view would allow the Agency the opportunity to evaluate whether to initiate the required two to three year process for a fee increase if expenditure reductions are not possible or insufficient. The Agency believes that the combination of fund balance and reserves will allow the Agency to operate during periods of operating deficits.

Under each scenario, the Agency determined the incremental fund balance by integrating the following elements: (1) a four-year time period that includes the base year plus three future years, (2) revenues and expenditures for the base year, which is FY 20/21, the last year with actual balances, (3) revenue and expenditure projections for FY 21/22, FY 22/23, and FY 23/24 under each scenario. Based on a \$0 ending balance in Year 3 (FY 23/24), the calculator reverse calculates the starting fund balance needed for Years 3, 2, 1 and then, lastly, the ending balance of the base year (which is the starting balance of Year 1). The starting balance equation is as follows:

$$\text{Starting Balance} = \text{Ending Balance} + \text{Expenditures} - \text{Revenues}$$

By inputting a \$0 ending balance in Year 3, the ending balance for the Base Year is calculated. The incremental months of fund balance/reserves is calculated by dividing the calculated ending balance in the Base Year with Year 1's monthly expenditures. For each scenario's incremental fund balance calculation, annual revenues and expenditures for Years 1, 2, and 3 are linked to each scenario's projection within the Projection Model. Projected revenues vary from slight growth to aggressive declines among scenarios, while projected expenditures are the same with the exception of higher expenditures for Scenarios F and G. The more tonnage declines, the less revenue, and the higher incremental fund balance. Scenarios with more significant tonnage declines have more significant losses in revenue, which results in a higher incremental fund balance for those scenarios. To put it simply, an individual who makes less money, and spends more will need a larger emergency fund, or cash in the bank, than an individual who makes more money and spends less.

Exhibit 5 provides the incremental fund balance and the fund balance with reserves for the various scenarios. **Exhibit 6** provides a summary with a months of fund balance/reserves perspective. **Exhibit 7** and **8** provide the incremental fund balance/reserve levels visually. The Agency determined both an incremental fund balance as well as an incremental fund balance with reserves. The incremental fund balance is the lowest balance necessary to maintain three years of operations. The incremental fund balance with reserves is the incremental fund balance plus historical reserves deemed necessary by the Agency. The surplus fund balance is the ending fund balance with reserves in the base year (FY 20/21 in this case) minus the incremental fund balance with reserves.

Exhibit 5 shows that the incremental fund balance ranges from \$1.9 million (2 months) to \$6.6 million (6.7 months) depending on the scenario, and average \$4 million (4 months). The incremental fund balance with reserves ranges from \$11.1 million (11.2 months) to \$15.8 million (16 months) and average \$13.2 million (13.3 months). These ranges provide insight into the agency's potential fund balance/reserves amounts through FY 23/24, as of the end of FY 20/21.

For all scenarios, the calculated surplus fund balance at the end of the base year (FY 20/21) ranges from \$11.1 million (11.2 months, worst case) to \$15.8 million (15.9 months, best case), and based on this data the Agency does not believe it will require a fee adjustment at this time²¹. Based on the Agency's current ending fund balance with reserves of \$26.9 million at the end of FY 20/21, Exhibit 5 shows that the Agency would have sufficient surplus fund balance to operate under an annual operating deficit represented by any of the seven scenarios for at least the next three years through FY 23/24.

Given the range in projected surpluses, if the Agency decided to spend an additional \$1.5 million (about 10 to 12 percent more depending on scenario) during fiscal years 22/23 and 23/24, projected surplus fund balances in FY 20/21 would range from \$8.1 million (worst case) to \$12.8 million (best case) and projected ending fund balances with reserves at the end of fiscal year 23/24 would range from \$17.3 million (worst case) to \$22 million (best case). **Exhibit 9** provides the comparison of the calculated surplus fund balances in FY 20/21 between the original projection (this analysis) and an additional \$1.5 million annually for two years for each scenario. **Exhibit 10** provides the comparison of projected fund balances at the end of FY 23/24 with the additional expenditures. In any scenario, the Agency believes it has the flexibility to increase expenditures by at least \$1.5 million for the next two fiscal years and still have a surplus fund balance.

The Agency can use the tools developed as part of this project on an on-going basis to inform its budgetary and policy decision-making going forward. With active monitoring of the Agency's fund balance, the Agency can more proactively assess and manage potential surpluses or deficits. In the event of a potential deficit three years out, the Agency can, ahead of time, limit or reduce expenditures, or if adjusting expenditures is not sufficient, initiate the two to three year process for approval of a fee increase.

²¹ Where the surplus fund balance represents additional fund balance beyond what is needed to meet current reserves

Exhibit 5
Incremental Fund Balance/Reserves, Surplus Fund Balance (FY 20/21)

Scenario	Reserve (Base Year)	Incremental Fund Balance in Base Year	Incremental Fund Balance with Reserves in Base Year	Ending Fund Balance with Reserves (Base Year) ²²	Surplus Fund Balance (Base Year)
A. Status Quo with Growth	\$9,200,191	\$1,936,307	\$11,136,498	\$26,900,000	\$15,763,501
B. Status Quo	9,200,191	2,238,143	11,438,334	26,900,000	15,461,666
C. Economic Cycle	9,200,191	3,425,504	12,625,695	26,900,000	14,274,304
D. Organics	9,200,191	4,457,495	13,657,686	26,900,000	13,242,314
E. Organics and Recyclables	9,200,191	4,457,495	13,657,686	26,900,000	13,242,314
F. Recession	9,200,191	4,581,258	13,781,449	26,900,000	13,118,550
G. Recycling Plan	\$9,200,191	\$6,627,017	\$15,827,208	\$26,900,000	\$11,072,792
Average		\$3,960,460	\$13,160,651		\$13,739,349

Exhibit 6
Months in Incremental Fund Balance/Reserves, Surplus Fund Balance (FY 20/21)

Scenario	Months in Reserve (Base Year)	Months in Incremental Fund Balance in Base Year	Months in Incremental Fund Balance with Reserves in Base Year	Months in Ending Fund Balance with Reserves (Base Year)	Months in Surplus Fund Balance (Base Year)
A. Status Quo with Growth	9.3	2.0	11.2	27.2	15.9
B. Status Quo	9.3	2.3	11.5	27.2	15.6
C. Economic Cycle	9.3	3.5	12.7	27.2	14.4
D. Organics	9.3	4.5	13.8	27.2	13.4
E. Organics and Recyclables	9.3	4.5	13.8	27.2	13.4
F. Recession	9.3	4.6	13.9	27.2	13.2
G. Recycling Plan	9.3	6.7	16.0	27.2	11.2
Average		4.0	13.3		13.9

Note: Based on projected monthly expenditures of \$990,610 in FY 21/22

²² Ending fund balance represents Unrestricted Reserves and Net Position Available Fund Balance (Core) per Agency accounting records.

Exhibit 7
Incremental Fund Balance with Reserves (FY 20/21)

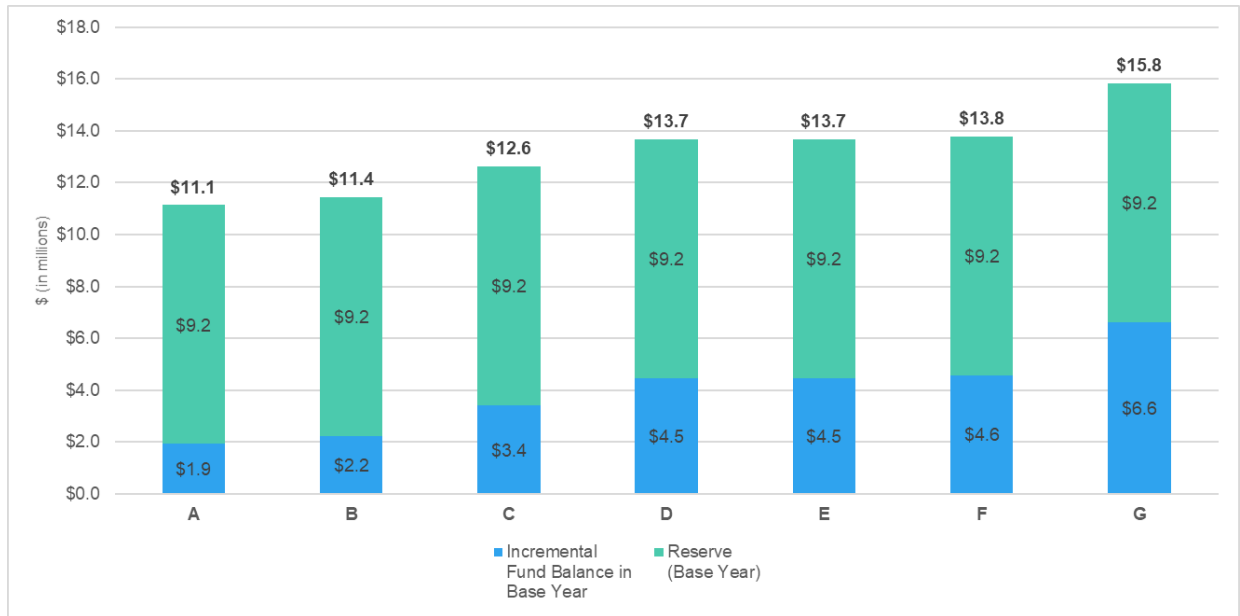


Exhibit 8
Incremental Fund Balance with Reserves in Months (FY 20/21)

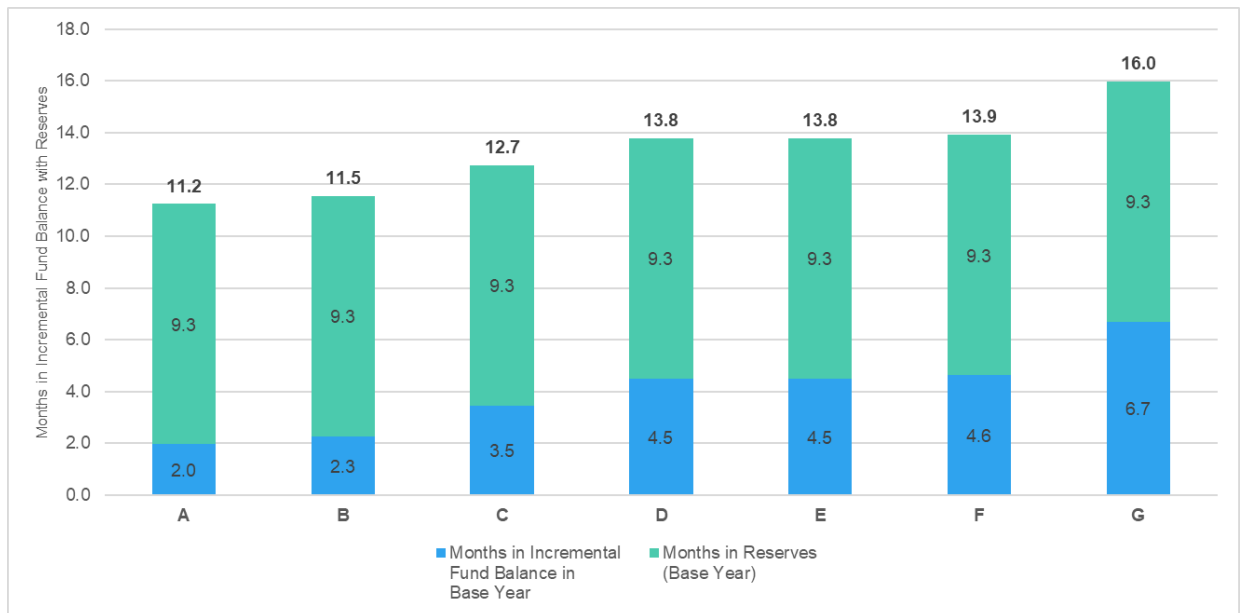


Exhibit 9
Calculated Surplus Fund Balances with Hypothetical Expenditure Increases (FY 20/21)

Scenario	Projected Surplus Fund Balance (FY 20/21)	
	Original Projection	+\$1.5 million in FY 22/23 +\$1.5 million in FY 23/24
A. Status Quo with Growth	\$15.8 million	\$12.8 million
B. Status Quo	15.5 million	\$12.5 million
C. Economic Cycle	14.3 million	\$11.3 million
D. Organics	13.2 million	\$10.2 million
E. Organics and Recyclables	13.2 million	\$10.2 million
F. Recession	13.1 million	\$10.1 million
G. Recycling Plan	\$11.1 million	\$8.1 million

Exhibit 10
Projected Fund Balances with Hypothetical Expenditure Increases (FY 23/24)

Scenario	Projected Ending Balance (FY 23/24)	
	Original Projection	+\$1.5 million in FY 22/23 +\$1.5 million in FY 23/24
A. Status Quo with Growth	\$25.0 million	\$22.0 million
B. Status Quo	24.7 million	21.7 million
C. Economic Cycle	23.5 million	20.5 million
D. Organics	22.4 million	19.4 million
E. Organics and Recyclables	22.4 million	19.4 million
F. Recession	22.3 million	19.3 million
G. Recycling Plan	\$20.3 million	\$17.3 million

C. Scenario Projections

As part of determining a range of incremental fund balance/reserve levels, long-range projections were performed across the seven scenarios. Specifically, 9-year projections were performed from FY 20/21, as the base year, through FY 29/30. **Exhibit 11** provides the ending fund balances as of Year 3 (FY 23/24), Year 6 (FY 26/27) and Year 9 (FY 29/30). **Exhibit 12** provides the projected fund balance with reserves, by year, through FY 29/30, while **Exhibit 13** provides the months in fund balance with reserves. **Exhibit 14** provides a comparison of three-year changes in tonnage (FY 20/21 to FY 23/24), while **Exhibit 15** provides a comparison of nine-year changes in tonnage (FY 20/21 to FY 29/30). **Appendix A** provides projected fund conditions, projected revenues, and various charts for individual scenarios. Below are several key highlights:

- Fund balance with reserve levels decline every year under all scenarios, even under the best-case Scenario A (Status Quo with Growth). Annual declines (in percentage change) accelerate over the years as the gap between decreasing revenues and increasing expenditures accumulates each year
- Scenarios A and B maintain a positive fund balance with reserves through FY 29/30 while Scenario F (Recession) goes negative by the end of FY 27/28, Scenario G (Recycling Plan) goes negative by the end of FY 26/27, and Scenarios C to E go negative by the end of FY 29/30. Of the scenarios projected to maintain a positive balance, they averaged an ending balance of \$9.5 million and an average total decline of -65% by the end of FY 29/30
- Besides Scenario G (Recycling Plan), the goal-based scenarios, Scenario D (Organics) and Scenario E (Organics and Recyclables) are projected to have a -\$2.8 million (a decline of -110%) and -\$4.7 million (a decline of -118%) ending fund balance with reserves by the end of FY 29/30, respectively
- As expected, Scenario A (Status Quo with Growth) is projected to have the highest ending balance with reserves with \$10.6 million while Scenario G (Recycling Plan) is projected to have the lowest ending balance with reserves at -\$57.5 million by the end of FY 29/30
- The differences among fund balances with reserves between scenarios widens each year. While there was a \$5 million difference in fund balance with reserves between Scenarios A and G by the end of FY 23/24, the difference grows to \$68 million by the end of FY 29/30.

These scenarios together provide a sense of the lower (worst-case) and upper (best-case) bounds of what fund balances could look like in several years should fees remain unchanged and operations stay consistent. The Agency can update these projections over time, for long-term planning purposes.

Exhibit 11 Projected Ending Fund Balance with Reserves – Years 3, 6, and 9

Scenario	Base Year 2020/21	Year 3 2023/24	Year 6 2026/27	Year 9 2029/30
A. Status Quo with Growth	\$26.9 million	\$25.0 million	\$19.8 million	\$10.6 million
B. Status Quo	\$26.9 million	\$24.7 million	\$18.7 million	\$8.3 million
C. Economic Cycle	\$26.9 million	\$23.5 million	\$14.7 million	-\$0.2 million
D. Organics	\$26.9 million	\$22.4 million	\$12.1 million	-\$2.8 million
E. Organics and Recyclables	\$26.9 million	\$22.4 million	\$11.7 million	-\$4.7 million
F. Recession	\$26.9 million	\$22.3 million	\$7.6 million	-\$20.6 million
G. Recycling Plan	\$26.9 million	\$20.3 million	-\$6.6 million	-\$57.5 million

Exhibit 12
Projected Fund Balance with Reserves (FY 20/21 through FY 29/30)

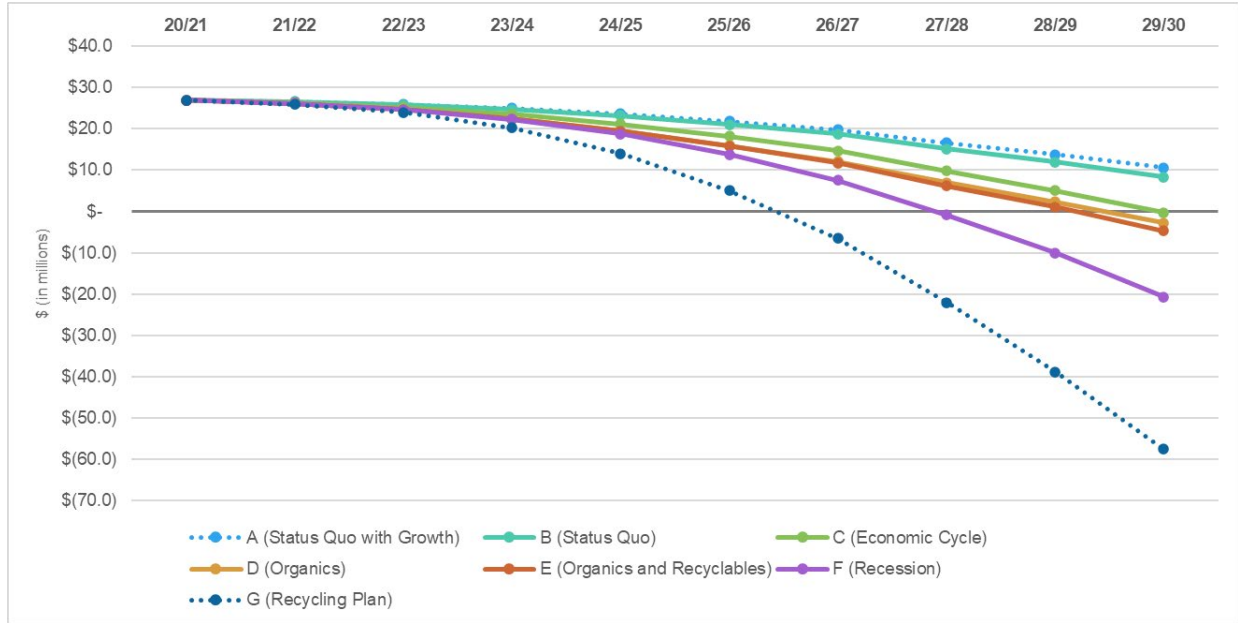


Exhibit 13
Projected Months in Fund Balance/Reserves (FY 20/21 through FY 29/30)

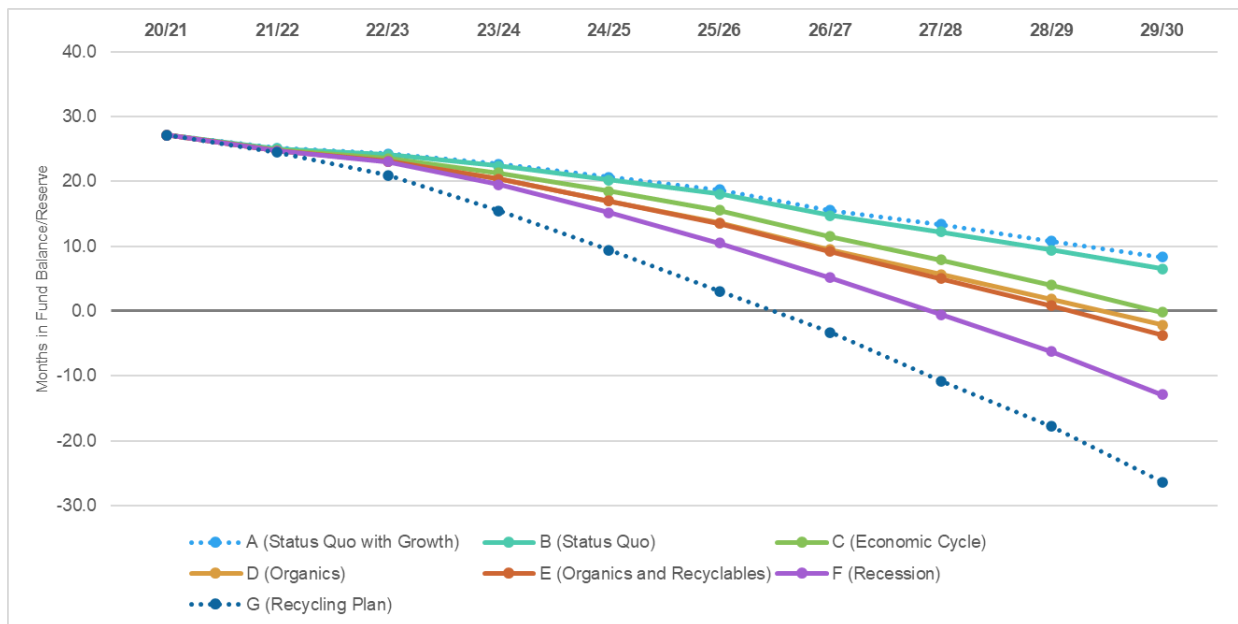


Exhibit 14
Projected 3-Year Change in Tonnage (by FY 23/24)

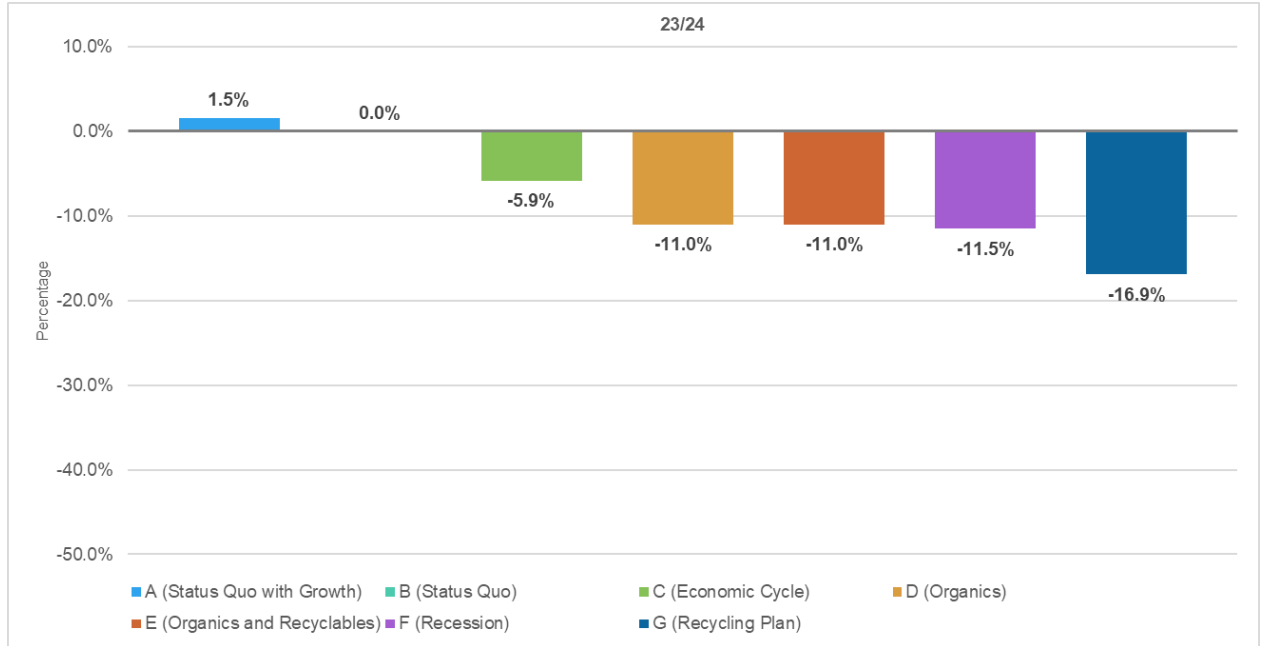
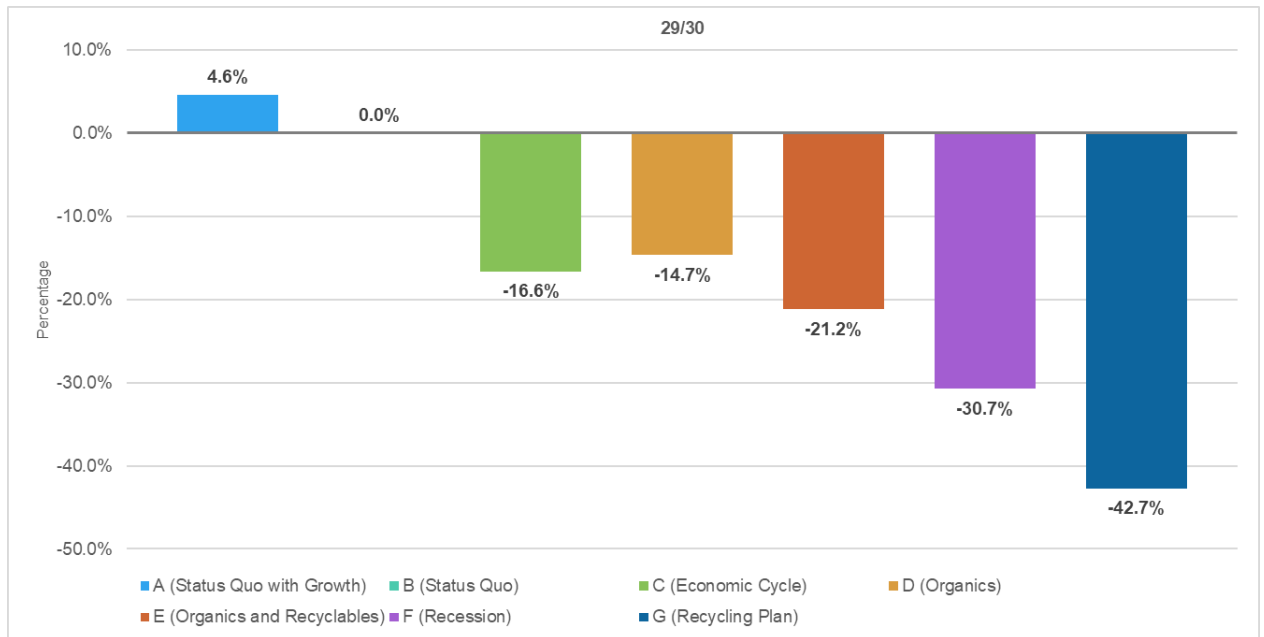


Exhibit 15
Projected 9-Year Change in Tonnage (by FY 29/30)



2. Benchmarking Results

The Agency directed us to conduct benchmarking of neighboring waste management authorities to assess the comparability of fund balance/reserve (fund balance) levels. We obtained the following data points: (1) months in fund balance with reserves, (2) revenue source and generation, and (3) implementation timeline of fee or rate increases. To determine an appropriate fund balance level, it is important to consider how revenue is generated and how quickly a fee or rate increase can be implemented to maintain or rebuild an appropriate fund balance/reserve level. Revenue is generally more stable and predictable when revenue is generated through rates on solid waste accounts. In contrast, revenues are more unpredictable, less controllable, and potentially less stable when revenues are generated through landfill tipping fees. The Agency determined that we should conduct this industry benchmarking on the following six (6) neighboring Bay Area waste management authorities:

1. Central Contra Costa Solid Waste Authority – Contra Costa County (central), RecycleSmart
2. South Bayside Waste Management Authority – San Mateo County, ReThinkWaste
3. Marin County Hazardous and Solid Waste Authority – Marin County, Zero Waste Marin
4. Sonoma County Waste Management Agency – Sonoma County, Zero Waste Sonoma
5. West Valley Solid Waste Management Authority – Santa Clara County (parts of)
6. West Contra Costa Waste Authority – Contra Costa County (west), RecycleMore.

Exhibit 16 provides the related county, populations, jurisdictions/member agencies of each authority. The selected authorities for this comparison are located within 60 miles of Alameda County, with the exception of a couple jurisdictions in Sonoma County that are up to 90 miles away. Alameda County covers, by far, the largest population of all comparable authorities with a population of 1.66 million compared to 490,000 for Sonoma County and down to 100,000 for West Valley (parts of Santa Clara County). Alameda County also has the most jurisdictions with 17 compared to 11 for South Bayside (San Mateo County) and Marin County, down to 4 for West Valley.

Exhibit 17 provides a summary of the six (6) comparative waste management authorities used for the benchmarking analysis, including the primary revenue source (tipping fees or rates), a description of the revenue source, and the implementation timeline to increase rates/fees when an increase is warranted. While it takes Alameda County up to two to three years to implement a tipping fee increase, all neighboring authorities can increase fees or rates as often as annually. Below provides a summary of two primary revenue generation categories, collection of tipping fees through a landfill/transfer station or rates through a hauler:

- Four of the six neighboring authorities generate revenue through rates from residential and commercial solid waste accounts collected by franchised haulers. Rates are subject to periodic reviews and increases to rates can occur as often as annually, if warranted, typically as part of the annual budgeting process. Although subject to public comments, rate adjustments are largely at the board's discretion, which are based on cost of living increases and/or on results of rate reviews
- Two of the six neighboring authorities generate revenue through collecting tipping fees at landfills or a transfer station owned by the authority or county. Of these two authorities, South Bayside owns a transfer station that services their entire county (San Mateo County) and is able to increase fees on an annual basis through broad approval. Similarly, Sonoma County owns the county's landfill (as well as multiple transfer stations) and can also increase fees on an annual basis through board approval. Due to cost of living increases and/or results of fee analyses, South Bayside implements fee increases through an agreement with the transfer station operator and Sonoma County implements fee increases through an agreement with the landfill operator.

Exhibit 18 provides the fiscal year 2021/22 budgets, which are the latest available, that includes the months in fund balance/reserves. The comparable authorities average six months in fund balance/reserves based on fiscal year 2021/22 projected ending fund balance and expenditures. All other authorities are carrying a lower fund balance/reserves than Alameda County. The authorities ranged as high as 12 months to as low as one month in fund balance/reserves.

Alameda County is completely unique in the way that fee increases must undergo a process requiring a vote from the public, which can take up to two to three years from initiation to implementation and may not actually pass. Among all comparable authorities, Alameda County is the only authority relying on tonnage revenue they do not have direct control over. Additionally, Alameda County is subject to declining revenues as landfill tonnage are expected to decline over time due to evolving and advancing programmatic efforts. The longer it takes to implement a fee increase, generally the larger the fund balance/reserve is necessary. The more revenues are expected to decline, the larger the fund balance/reserve is necessary should costs stay constant. The longer it takes to implement a fee increase, the more that risk related to fluctuations (declines) in tonnage should be factored into determining a fund balance/reserve level. In the end, the Agency believes that these factors provide support for a higher fund balance/reserve level for Alameda County compared to neighboring waste management authorities.

Exhibit 16
Benchmarking – Comparable Authorities
County, Populations, and Jurisdictions

Organization	Abbreviated Name	Related County	Population Served (in millions)	Jurisdictions / Member Agencies		
1. Alameda County Waste Management Authority, the Alameda County Source Reduction and Recycling Board, and the Energy Council	StopWaste	Alameda	1.66m	1. Alameda (City) 2. Albany 3. Berkeley 4. Dublin 5. Emeryville 6. Fremont	7. Livermore 8. Hayward 9. Newark 10. Oakland 11. Piedmont 12. Pleasanton	13. San Leandro 14. Union City 15. Oro Loma Sanitary District 16. Castro Valley Sanitary District 17. Unincorporated County
2. Central Contra Costa Waste Authority	RecycleSmart	Contra Costa	0.23m	1. Danville 2. Lafayette	3. Moraga 4. Orinda	5. Walnut Creek 6. Unincorporated County
3. South Bayside Waste Management Authority	ReThinkWaste	San Mateo	0.42m	1. Atherton 2. Belmont 3. Burlingame 4. East Palo Alto	5. Foster City 6. Hillsborough 7. Menlo Park 8. Redwood City	9. San Carlos 10. San Mateo (City) 11. West Bay Sanitary District
4. Marin County Hazardous and Solid Waste	Zero Waste Marin	Marin	0.25m	1. Belvedere 2. Corte Madera 3. Fairfax 4. Larkspur	5. Mill Valley 6. Novato 7. San Anselmo 8. Ran Rafael	9. Ross 10. Sausalito 11. Tiburon
5. Sonoma County Waste Management Agency	Zero Waste Sonoma	Sonoma	0.49m	1. Cloverdale 2. Cotati 3. Healdsburg	4. Petaluma 5. Rohnert Park 6. Santa Rosa	7. Sebastopol 8. Sonoma 9. Windsor
6. West Valley Solid Waste Management Authority	NA	Santa Clara	0.10m	1. Campbell 2. Los Gatos	3. Monte Sereno 4. Saratoga	
7. West Contra Costa Waste Authority	RecycleMore	Contra Costa	0.25m	1. El Cerrito 2. Hercules	3. Pinole 4. Richmond	5. San Pablo 6. Unincorporated County

Exhibit 17
Benchmarking – Comparable Authorities
Primary Revenue Sources and Fee Increase Timeline

Organization	Primary Revenue Source		Description of Primary Revenue Source	Typical Fee Increase Implementation Timeline (if needed)
	Tipping Fees via Landfill/TS	Rates via Hauler		
1. Alameda County Waste Management Authority, the Alameda County Source Reduction and Recycling Board, and the Energy Council	●		Tipping fees generated at Alameda County landfills	2 to 3 years ²³
2. Central Contra Costa Waste Authority		●	Rates generated from residential and commercial solid waste accounts collected by franchised haulers	Annually
3. South Bayside Waste Management Authority	●		Tipping fees generated from a South Bayside-owned transfer station that services the entire JPA region	Annually
4. Marin County Hazardous and Solid Waste		●	Rates generated from residential and commercial solid waste accounts collected by franchised haulers	Annually
5. Sonoma County Waste Management Agency	●		Tipping fees generated at Sonoma County-owned landfills and transfer stations.	Annually
6. West Valley Solid Waste Management Authority		●	Rates generated from residential and commercial solid waste accounts collected by franchised haulers	Annually
7. West Contra Costa Waste Authority		●	Rates generated from residential and commercial solid waste accounts collected by franchised haulers	Annually

²³ Implementation depends on a majority vote from the public, and without enough votes, the process can be delayed beyond three years.

**Exhibit 18
Benchmarking – Comparable Authorities FY 2022 Budgets**

Organization	Budget Fiscal Year End	Starting Balance with Reserves	Projected Revenues	Budgeted Expenditures	Adjustments, Transfers	Projected Fund Balance with Reserves	Months in Fund Balance/Reserves
1. Alameda County Waste Management Authority, the Alameda County Source Reduction and Recycling Board, and the Energy Council ²⁴ (Core)	Jun 2022	\$26,866,275	\$10,818,537	\$10,802,314	\$(1,295,000)	\$25,587,498	28.4
2. Central Contra Costa Waste Authority	Jun 2022	3,099,415	5,710,530	5,349,996	0	3,459,949	7.8
3. South Bayside Waste Management Authority	Dec 2022	16,278,354	54,628,800	53,606,505	0	17,300,649	3.9
4. Marin County Hazardous and Solid Waste	Jun 2022	692,951	4,653,992	4,860,857	0	486,086	1.2
5. Sonoma County Waste Management Agency	Jun 2022	7,936,099	10,499,100	10,917,029	0	7,518,170	8.3
6. West Valley Solid Waste Management Authority	Jun 2022	237,341	888,084	925,425	0	200,000	2.6
7. West Contra Costa Waste Authority	Jun 2022	3,160,919	1,266,477	2,190,217	0	2,237,179	12.3
Average							9.2
Average w/o Alameda County							6.0

²⁴ The Energy Council is not core-funded.

3. Disclosure

As part of performing this forecast and fund balance/reserve analysis work for StopWaste, Crowe assumed the following:

- StopWaste agreed to be responsible to make all management decisions and perform all management functions; designate an individual who possesses suitable skill, knowledge, and/or experience, preferably within senior management to oversee our services; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services.
- Our analyses and work product are intended for the benefit and use of StopWaste. This engagement was not be planned or conducted in contemplation of reliance by any other party and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party.
- StopWaste reviewed and approved the Excel forecasting model resulting from this work; and StopWaste (not Crowe) determined whether the model contains all factors that StopWaste deemed relevant and met StopWaste's needs.
- The information was developed based on historical client data only.
- Crowe may have relied on the information provided to the firm in connection with the project as accurate and complete without independently verifying the information provided.
- Other factors may influence the actual results of the Fiscal Forecasts and Fund Balance/Reserve Analysis. Crowe cannot control for these factors and Crowe relied on StopWaste provided data and information to identify these factors.

As a CPA firm the following statement is required: Crowe LLP is licensed by the California Board of Accountancy. Note also that Crowe and certain of its owners are licensed by the California State Board of Accountancy, but we are required by law to inform you that Crowe has owners not licensed by the California State Board of Accountancy who may provide services in connection with this engagement. If you have any questions regarding the personnel who will provide the services, please do not hesitate to contact Lisa Voeller.

The services were provided under AICPA Consulting Services only. These services and deliverables did not constitute an audit, review, compilation, agreed-upon procedures or an examination in accordance with standards established by the American Institute of Certified Public Accountants, accordingly Crowe in unable to express an opinion, conclusion, nor provide any assurance on the Deliverables provided for this project. StopWaste agreed that Crowe would not express an opinion, conclusion nor provide any assurance on the Deliverables. Crowe had no obligation to perform any services beyond those listed in the Scope of Work. If Crowe performed additional services beyond those listed, other matters might come to Crowe's attention that would be reported to the Agency. Crowe makes no representations as to the adequacy of the services or any Deliverables for Agency's purposes. It was understood that Crowe prepared the deliverables listed in the Scope of Work (the "Deliverables") reflecting findings of the services outlined in the Scope of Work for use by Agency.

Appendix A: Individual Scenario Incremental Fund Balance Calculations

This appendix provides supplemental information for each scenario. The following series of exhibits provide snapshots of the Fund Balance Calculator outputs, and graphical comparisons of the calculated incremental fund balance with reserves and projected fund balances with reserves:

- **Exhibits A-1 and A-2** – Scenario A (Status Quo with Growth)
- **Exhibits A-3 and A-4** – Scenario B (Status Quo)
- **Exhibits A-5 and A-6** – Scenario C (Economic Cycle)
- **Exhibits A-7 and A-8** – Scenario D (Organics)
- **Exhibits A-9 and A-10** – Scenario E (Organics and Recyclables)
- **Exhibits A-11 and A-12** – Scenario F (Recession)
- **Exhibits A-13 and A-14** – Scenario G (Recycling Plan).

Exhibit A-1
Calculated Incremental Fund Balance, Incremental Fund Balance with Reserves
Scenario A (Status Quo with Growth)

Fiscal Year	Starting Balance	Tonnage	Change vs Base	Revenue	Expenditures	Change vs Base	Exp/Mo	Annual Activity	Ending Balance
Base 2020/21	\$ 599,834	1,199,933		\$ 11,336,474	\$ 10,000,000		\$ 833,333	\$ 1,336,474	\$ 1,936,307
Year 1 2021/22	1,936,307	1,205,932	0.5%	11,546,162	11,887,314	18.9%	990,610	(341,152)	1,595,156
Year 2 2022/23	1,595,156	1,211,962	1.0%	12,094,127	12,700,000	27.0%	1,058,333	(605,873)	989,282
Year 3 2023/24	989,282	1,218,022	1.5%	11,850,718	12,840,000	28.4%	1,070,000	(989,282)	-
3-Year Expenditure Increase		28.4%		Inc Fund Balance \$1,936,307			Fund Balance with Reserves = \$11,136,498		
Three-Year Tonnage Change (%)		1.5%		Months = 2.0			Months = 11.2		
Three-Year Tonnage Change (tons)		(18,089)							

Exhibit A-2
Projected Fund Balance/Reserves with Incremental Fund Balance with Reserves
Scenario A (Status Quo with Growth)

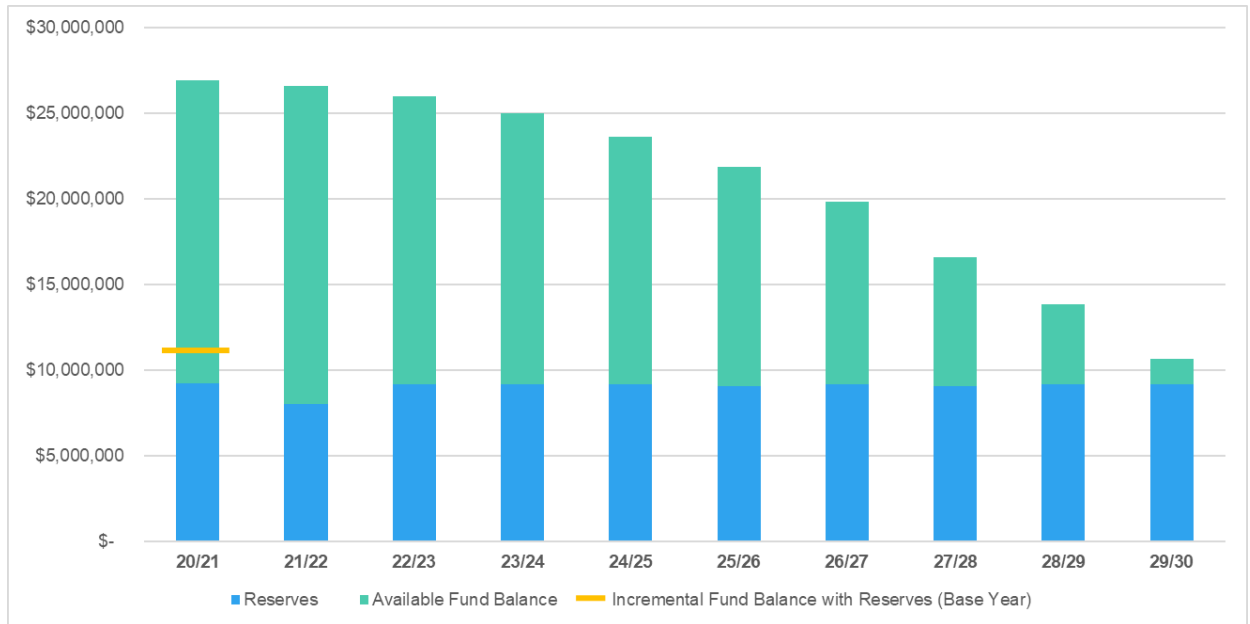


Exhibit A-3
Calculated Incremental Fund Balance, Incremental Fund Balance with Reserves
Scenario B (Status Quo)

Fiscal Year	Starting Balance	Tonnage	Change vs Base	Revenue	Expenditures	Change vs Base	Exp/Mo	Annual Activity	Ending Balance
Base 2020/21	\$ 901,669	1,199,933		\$ 11,336,474	\$ 10,000,000		\$ 833,333	\$ 1,336,474	\$ 2,238,143
Year 1 2021/22	2,238,143	1,199,933	0.0%	11,496,024	11,887,314	18.9%	990,610	(391,290)	1,846,852
Year 2 2022/23	1,846,852	1,199,933	0.0%	11,993,599	12,700,000	27.0%	1,058,333	(706,401)	1,140,451
Year 3 2023/24	1,140,451	1,199,933	0.0%	11,699,549	12,840,000	28.4%	1,070,000	(1,140,451)	-
3-Year Expenditure Increase		28.4%		Inc Fund Balance \$2,238,143			Fund Balance with Reserves = \$11,438,334		
Three-Year Tonnage Change (%)		0.0%		Months = 2.3			Months = 11.5		
Three-Year Tonnage Change (tons)		-							

Exhibit A-4
Projected Fund Balance/Reserves with Incremental Fund Balance with Reserves
Scenario B (Status Quo)

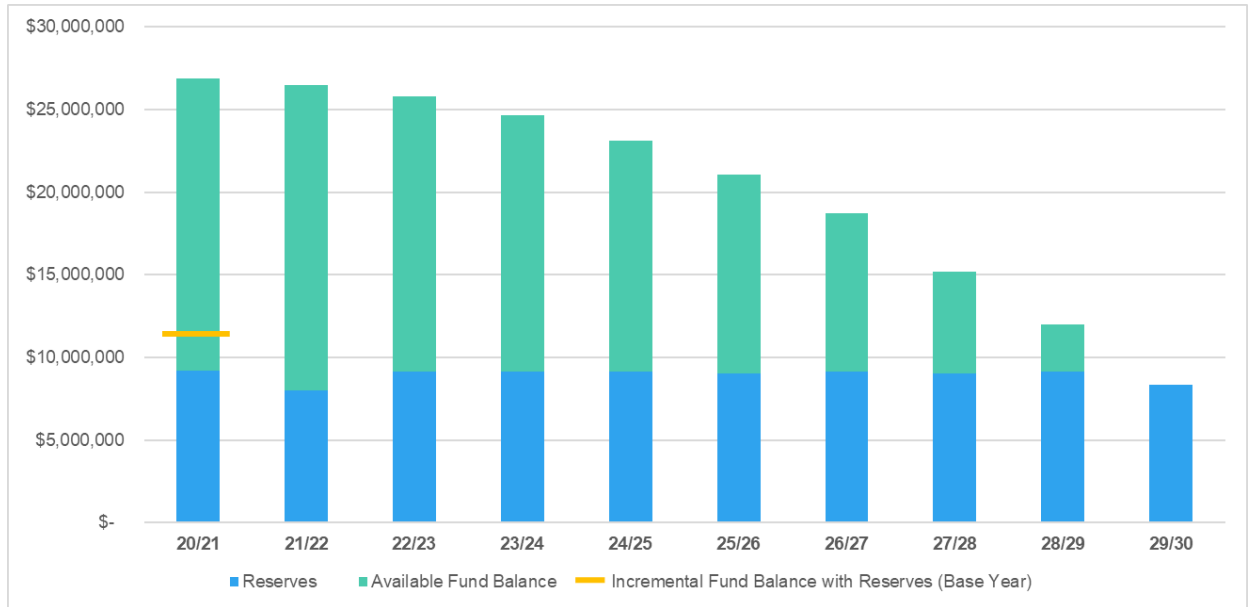


Exhibit A-5
Calculated Incremental Fund Balance, Incremental Fund Balance with Reserves
Scenario C (Economic Cycle)

Fiscal Year	Starting Balance	Tonnage	Change vs Base	Revenue	Expenditures	Change vs Base	Exp/Mo	Annual Activity	Ending Balance
Base 2020/21	\$ 2,089,031	1,199,933		\$ 11,336,474	\$ 10,000,000		\$ 833,333	\$ 1,336,474	\$ 3,425,504
Year 1 2021/22	3,425,504	1,175,934	-2.0%	11,295,470	11,887,314	18.9%	990,610	(591,845)	2,833,660
Year 2 2022/23	2,833,660	1,152,415	-4.0%	11,596,501	12,700,000	27.0%	1,058,333	(1,103,499)	1,730,161
Year 3 2023/24	1,730,161	1,129,367	-5.9%	11,109,839	12,840,000	28.4%	1,070,000	(1,730,161)	-
3-Year Expenditure Increase		28.4%		Inc Fund Balance \$3,425,504			Fund Balance with Reserves = \$12,625,695		
Three-Year Tonnage Change (%)		-5.9%		Months = 3.5			Months = 12.7		
Three-Year Tonnage Change (tons)		70,566							

Exhibit A-6
Projected Fund Balance/Reserves with Incremental Fund Balance with Reserves
Scenario C (Economic Cycle)

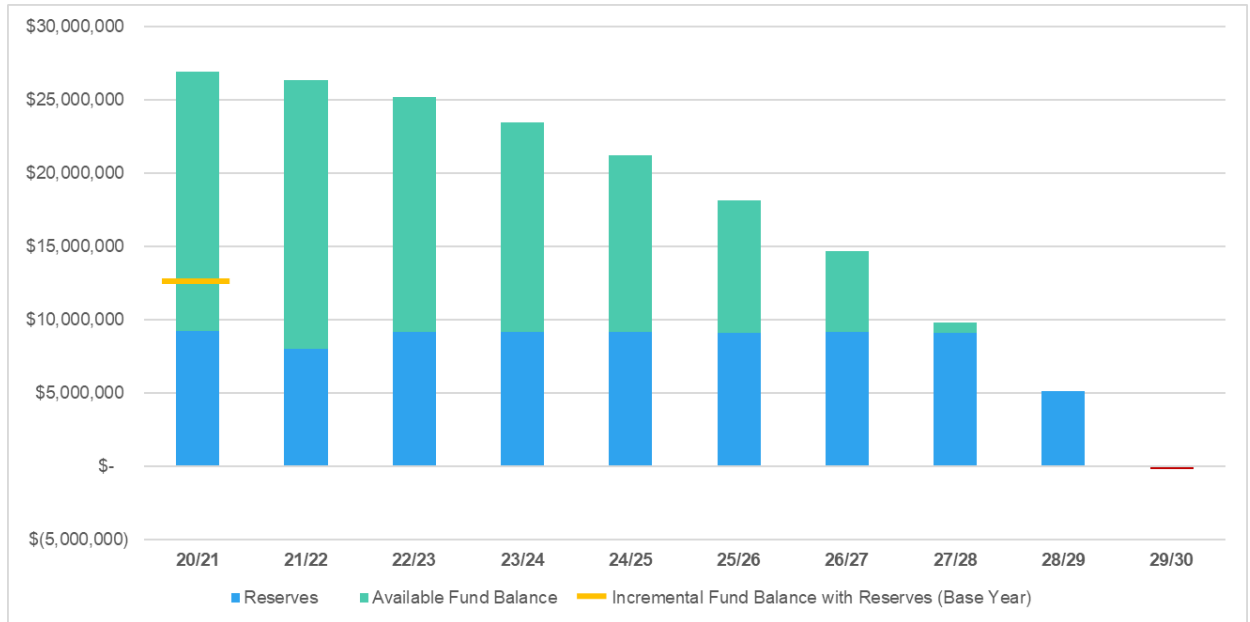


Exhibit A-7
Calculated Incremental Fund Balance, Incremental Fund Balance with Reserves
Scenario D (Organics)

Fiscal Year	Starting Balance	Tonnage	Change vs Base	Revenue	Expenditures	Change vs Base	Exp/Mo	Annual Activity	Ending Balance
Base 2020/21	\$ 3,121,021	1,199,933		\$ 11,336,474	\$ 10,000,000		\$ 833,333	\$ 1,336,474	\$ 4,457,495
Year 1 2021/22	4,457,495	1,155,924	-3.7%	11,126,132	11,887,314	18.9%	990,610	(761,182)	3,696,313
Year 2 2022/23	3,696,313	1,111,915	-7.3%	11,253,815	12,700,000	27.0%	1,058,333	(1,446,185)	2,250,127
Year 3 2023/24	2,250,127	1,067,906	-11.0%	10,589,873	12,840,000	28.4%	1,070,000	(2,250,127)	-
3-Year Expenditure Increase		28.4%		Inc Fund Balance \$4,457,495			Fund Balance with Reserves = \$13,657,686		
Three-Year Tonnage Change (%)		-11.0%		Months = 4.5			Months = 13.8		
Three-Year Tonnage Change (tons)		132,027							

Exhibit A-8
Projected Fund Balance/Reserves with Incremental Fund Balance with Reserves
Scenario D (Organics)

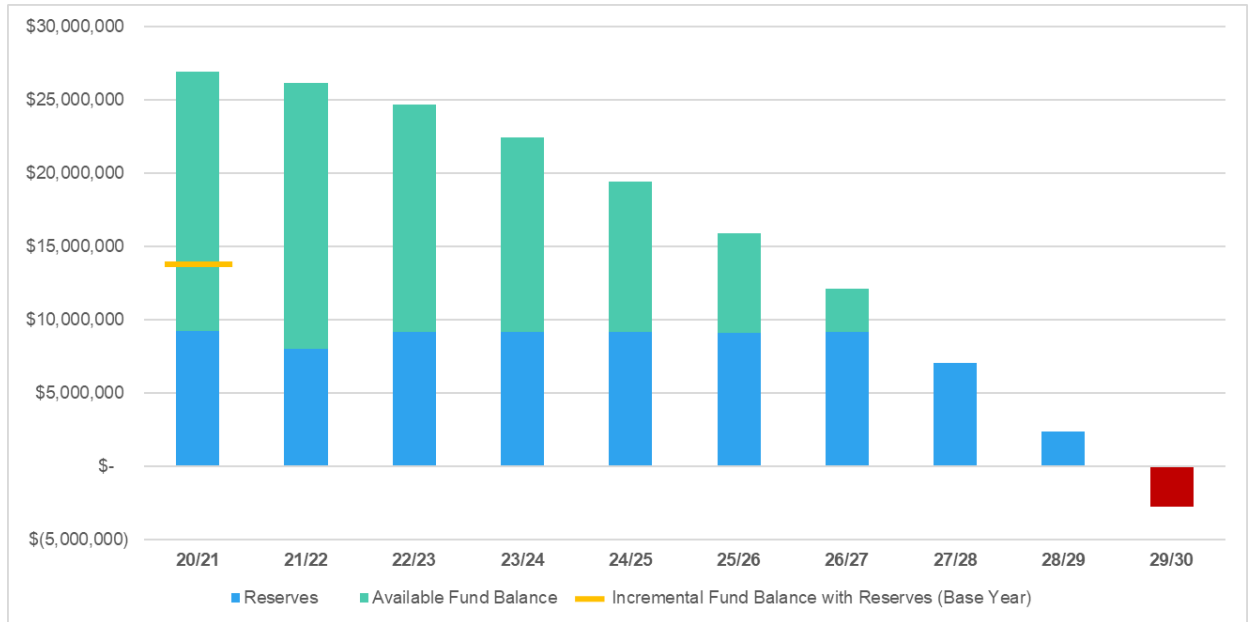


Exhibit A-9
Calculated Incremental Fund Balance, Incremental Fund Balance with Reserves
Scenario E (Organics and Recyclables)

Fiscal Year	Starting Balance	Tonnage	Change vs Base	Revenue	Expenditures	Change vs Base	Exp/Mo	Annual Activity	Ending Balance
Base 2020/21	\$ 3,121,021	1,199,933		\$ 11,336,474	\$ 10,000,000		\$ 833,333	\$ 1,336,474	\$ 4,457,495
Year 1 2021/22	4,457,495	1,155,924	-3.7%	11,126,132	11,887,314	18.9%	990,610	(761,182)	3,696,313
Year 2 2022/23	3,696,313	1,111,915	-7.3%	11,253,815	12,700,000	27.0%	1,058,333	(1,446,185)	2,250,127
Year 3 2023/24	2,250,127	1,067,906	-11.0%	10,589,873	12,840,000	28.4%	1,070,000	(2,250,127)	-
3-Year Expenditure Increase		28.4%		Inc Fund Balance \$4,457,495			Fund Balance with Reserves = \$13,657,686		
Three-Year Tonnage Change (%)		-11.0%		Months = 4.5			Months = 13.8		
Three-Year Tonnage Change (tons)		132,027							

Exhibit A-10
Projected Fund Balance/Reserves with Incremental Fund Balance with Reserves
Scenario E (Organics and Recyclables)

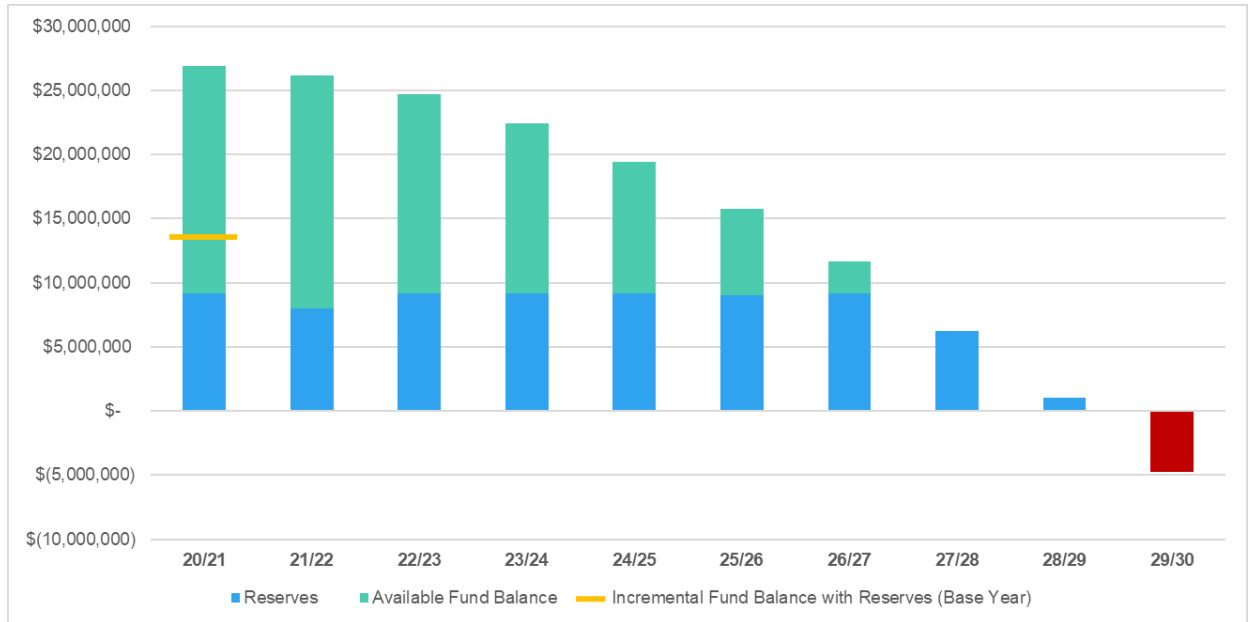


Exhibit A-11
Calculated Incremental Fund Balance, Incremental Fund Balance with Reserves
Scenario F (Recession)

Fiscal Year	Starting Balance	Tonnage	Change vs Base	Revenue	Expenditures	Change vs Base	Exp/Mo	Annual Activity	Ending Balance
Base 2020/21	\$ 3,244,785	1,199,933		\$ 11,336,474	\$ 10,000,000		\$ 833,333	\$ 1,336,474	\$ 4,581,258
Year 1 2021/22	4,581,258	1,151,935	-4.0%	11,094,915	11,887,314	18.9%	990,610	(792,399)	3,788,860
Year 2 2022/23	3,788,860	1,105,858	-7.8%	11,207,426	12,700,000	27.0%	1,058,333	(1,492,574)	2,296,286
Year 3 2023/24	2,296,286	1,061,624	-11.5%	10,543,714	12,840,000	28.4%	1,070,000	(2,296,286)	-
3-Year Expenditure Increase		28.4%		Inc Fund Balance \$4,581,258			Fund Balance with Reserves = \$13,781,449		
Three-Year Tonnage Change (%)		-11.5%		Months = 4.6			Months = 13.9		
Three-Year Tonnage Change (tons)		138,309							

Exhibit A-12
Projected Fund Balance/Reserves with Incremental Fund Balance with Reserves
Scenario F (Recession)

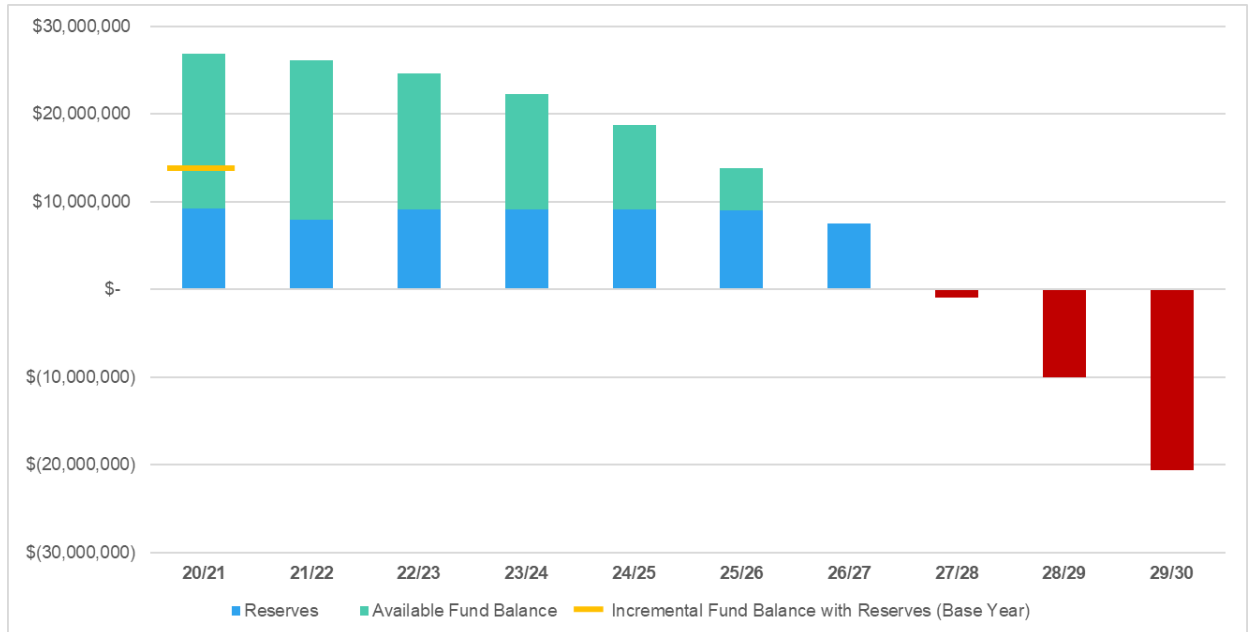
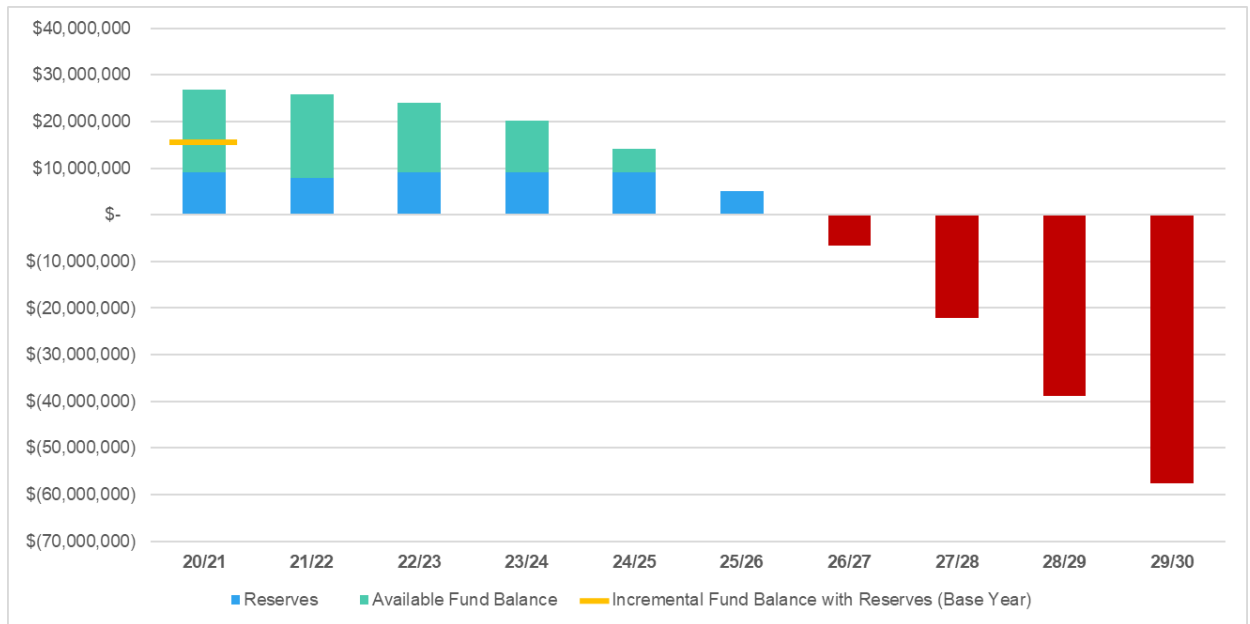


Exhibit A-13
Calculated Incremental Fund Balance, Incremental Fund Balance with Reserves
Scenario G (Recycling Plan)

Fiscal Year	Starting Balance	Tonnage	Change vs Base	Revenue	Expenditures	Change vs Base	Exp/Mo	Annual Activity	Ending Balance
Base 2020/21	\$ 5,290,543	1,199,933		\$ 11,336,474	\$ 10,000,000		\$ 833,333	\$ 1,336,474	\$ 6,627,017
Year 1 2021/22	6,627,017	1,127,937	-6.0%	10,894,361	11,887,314	18.9%	990,610	(992,953)	5,634,064
Year 2 2022/23	5,634,064	1,060,260	-11.6%	10,826,373	12,700,000	27.0%	1,058,333	(1,873,627)	3,760,437
Year 3 2023/24	3,760,437	996,645	-16.9%	10,000,694	13,761,130	37.6%	1,146,761	(3,760,437)	-
3-Year Expenditure Increase		37.6%		Inc Fund Balance \$6,627,017			Fund Balance with Reserves = \$15,827,208		
Three-Year Tonnage Change (%)		-16.9%		Months = 6.7			Months = 16.0		
Three-Year Tonnage Change (tons)		203,288							

Exhibit A-14
Projected Fund Balance/Reserves with Incremental Fund Balance with Reserves
Scenario G (Recycling Plan)



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ATTACHMENT 2



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 discretionary¹ 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 Regulatory and Service Fees, 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, Non-Balloted Property-Related Fee, 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 Balloted Property-Related Fee, 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 Special Tax. 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 (“CoIWMP”) 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

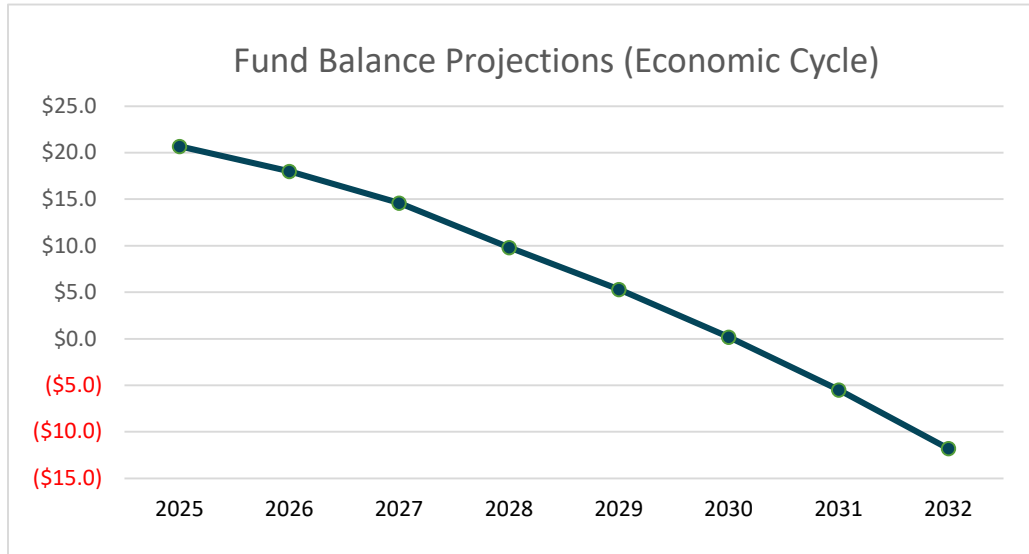
The Agency currently operates an annual operational budget of \$12.6 million, primarily funded by fees paid by waste haulers at the disposal sites, commonly known as ‘tipping fees.’ These fees include the following:

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. Protest Period: 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. Ballot Proceeding: 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 \$5.3 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.