

## Solid Waste Enterprise Funds - Consolidated

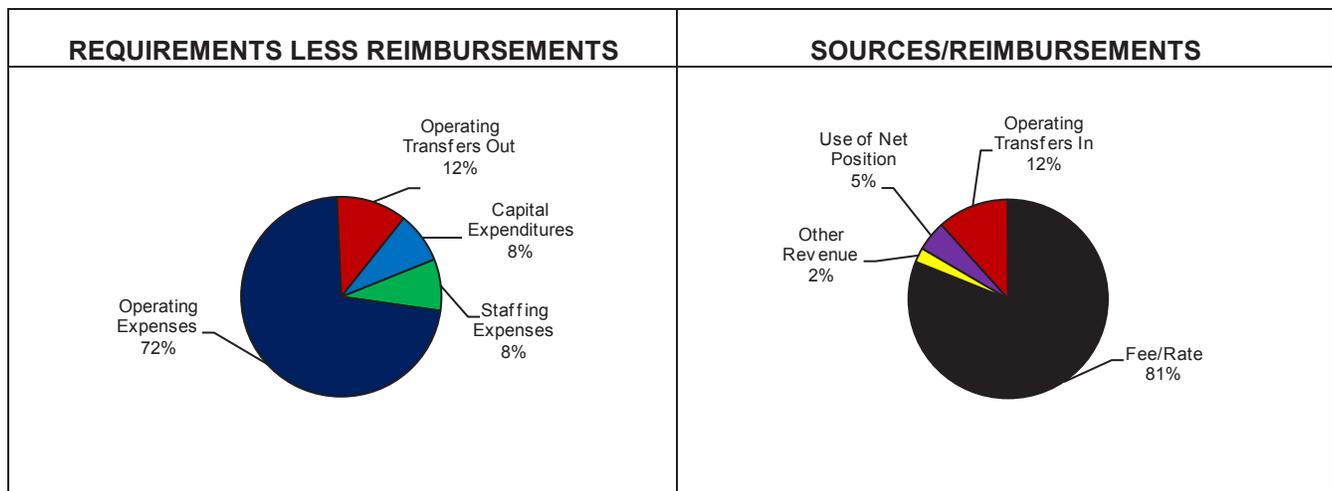
### DESCRIPTION OF MAJOR SERVICES

The Solid Waste Management Division (SWMD) provides for the operation and management of the County's solid waste disposal system, which consists of five regional landfills, nine transfer stations, and thirty-four closed landfills or disposal sites. SWMD also administers the County's solid waste franchise program, which authorizes and regulates trash collection by private haulers in the County unincorporated area, and state mandated waste diversion and recycling programs.

| Budget at a Glance                      |              |
|---|--------------|
| Requirements Less Reimbursements        | \$92,552,439 |
| Sources/Reimbursements                  | \$88,053,425 |
| Use of / (Contribution To) Net Position | \$4,499,014  |
| Total Staff                             | 86           |

SWMD performs capital improvement projects for site enhancements and expansions; closures of landfills; environmental mitigation, and operations, maintenance, and monitoring (OM&M) of landfill environmental control systems. In addition, the division operates current programs to help mitigate issues that may arise from operations and management of County owned landfills or transfer stations. These programs are the Household Hazard Waste Program for unincorporated County communities and the Host Cities Program for seven host cities with a County landfill or transfer station within its boundary or sphere of influence.

### 2015-16 ADOPTED BUDGET



## ANALYSIS OF 2015-16 ADOPTED BUDGET

GROUP: Operations and Community Services  
 DEPARTMENT: Public Works - Solid Waste Management  
 FUND: Solid Waste Enterprise Funds Consolidated

BUDGET UNIT: EAA, EAB, EAC, EAL, EWD, EAN, IDA  
 FUNCTION: Public Ways & Facilities  
 ACTIVITY: Public Facilities

|  | 2011-12<br>Actual | 2012-13<br>Actual | 2013-14<br>Actual | 2014-15<br>Actual | 2014-15<br>Final<br>Budget | 2015-16<br>Adopted<br>Budget | Change From<br>2014-15<br>Final<br>Budget |
|--|-------------------|-------------------|-------------------|-------------------|----------------------------|------------------------------|---|
| <b>Requirements</b>                    |                   |                   |                   |                   |                            |                              |   |
| Staffing Expenses                      | 6,779,486         | 6,486,789         | 6,989,496         | 6,869,541         | 7,161,937                  | 7,748,938                    | 587,001                                   |
| Operating Expenses                     | 49,429,697        | 85,597,992        | 50,256,405        | 56,544,863        | 71,246,402                 | 66,657,501                   | (4,588,901)                               |
| Capital Expenditures                   | 6,957,075         | 1,079,216         | 4,678,879         | 3,643,579         | 9,927,964                  | 7,596,000                    | (2,331,964)                               |
| Total Exp Authority                    | 63,166,258        | 93,163,997        | 61,924,780        | 67,057,983        | 88,336,303                 | 82,002,439                   | (6,333,864)                               |
| Reimbursements                         | (1,822)           | (43,474)          | (69,931)          | (101,202)         | (81,000)                   | (133,575)                    | (52,575)                                  |
| Total Appropriation                    | 63,164,436        | 93,120,523        | 61,854,849        | 66,956,781        | 88,255,303                 | 81,868,864                   | (6,386,439)                               |
| Operating Transfers Out                | 6,993,468         | 34,002,942        | 10,467,120        | 7,000,000         | 10,757,054                 | 10,550,000                   | (207,054)                                 |
| Total Requirements                     | 70,157,904        | 127,123,465       | 72,321,969        | 73,956,781        | 99,012,357                 | 92,418,864                   | (6,593,493)                               |
| <b>Sources</b>                         |                   |                   |                   |                   |                            |                              |   |
| Taxes                                  | 187,231           | 220,863           | 247,413           | 248,388           | 239,000                    | 205,000                      | (34,000)                                  |
| Realignment                            | 0                 | 0                 | 0                 | 0                 | 0                          | 0                            | 0   |
| State, Fed or Gov't Aid                | 928,264           | 1,750,845         | 671,436           | 78,500            | (157,125)                  | 0                            | 157,125                                   |
| Fee/Rate                               | 55,248,472        | 57,782,418        | 59,544,160        | 75,769,677        | 70,531,747                 | 75,107,250                   | 4,575,503                                 |
| Other Revenue                          | 1,270,846         | 2,419,018         | 8,280,920         | 11,062,359        | 9,248,534                  | 2,057,600                    | (7,190,934)                               |
| Total Revenue                          | 57,634,813        | 62,173,144        | 68,743,929        | 87,158,924        | 79,862,156                 | 77,369,850                   | (2,492,306)                               |
| Operating Transfers In                 | 6,794,391         | 32,003,142        | 10,550,000        | 7,000,000         | 10,757,054                 | 10,550,000                   | (207,054)                                 |
| Total Financing Sources                | 64,429,204        | 94,176,286        | 79,293,929        | 94,158,924        | 90,619,210                 | 87,919,850                   | (2,699,360)                               |
| <b>Net Position</b>                    |                   |                   |                   |                   |                            |                              |   |
| Use of/ (Contribution to) Net Position | 5,728,700         | 32,947,179        | (6,971,960)       | (20,202,144)      | 8,393,147                  | 4,499,014                    | (3,894,133)                               |
| Est. Net Position Available            |                   |                   |                   |                   | (37,709,100)               | (13,612,823)                 | 24,096,277                                |
| Total Net Position                     |                   |                   |                   |                   | (29,315,953)               | (9,113,809)                  | 20,202,144                                |
| Budgeted Staffing*                     | 84                | 81                | 82                | 83                | 83                         | 86                           | 3   |

\*Data represents final budgeted staffing

## MAJOR EXPENDITURES AND REVENUE IN 2015-16 ADOPTED BUDGET

**Operations Fund** includes requirements of \$64.4 million for operation of the County's solid waste disposal system. This includes \$7.7 million for staffing expenses that fund 86 budgeted positions. Operating expenses of \$44.2 million consist of services and supplies (\$39.2 for the landfill operations contract and other professional services needed to maintain the County's disposal sites) and other charges (\$3.9 million which includes \$2.5 million landfill waste payments to the Board of Equalization and \$1.3 million set aside for potential legal settlements). Remaining requirements consist of capital expenditures (\$2.0 million) and operating transfers out (\$10.6 million transferred to the Environmental Fund for capital projects and operations, maintenance and monitoring of landfill environmental control systems). Sources of \$60.8 million includes funds generated from landfill gate fees, special land use assessments, solid waste franchise fees, royalty agreements, land leases, and interest earned on fund balance. This fund will use \$3.6 million of Net Position primarily due to operating transfers out to the Environmental Fund for capital projects.

**Site Closure and Maintenance Fund** includes requirements of \$2.6 million for partial closure of Mid-Valley Landfill's Unit 1's south and west slopes, and final closure designs for the Colton Landfill. Sources of \$708,739 include allocated landfill gate fees and special assessments that support closure activities, and interest earnings. This fund will use \$1.9 million of Net Position due to the partial closure project at the Mid-Valley Landfill.

**Site Enhancement, Expansion and Acquisition Fund** includes requirements of \$2.5 million for the Mid-Valley Landfill Unit 3 liner project, Barstow Landfill Perimeter Fencing, and the Lateral Expansion projects at San Timoteo and Landers Landfills. Sources of \$4.2 million are from allocated landfill gate fees that support expansion activities and interest earnings. This fund will contribute \$1.7 million to Net Position.



**Environmental Fund** includes requirements of \$14.3 million for the following projects: \$1.8 million for the Barstow and Big Bear Landfills for Gas Extraction Systems; \$1.4 million for the Lenwood-Hinkley and Yucaipa closed disposal sites for Groundwater Treatment Systems; \$1.5 million for the closed Heaps Peak Disposal Site for East Slope Stabilization mitigation; and \$8.5 million for the Countywide landfill gas and groundwater OM&M per Title 5 and Title 27 regulations. Sources of \$13.3 million are from allocated landfill gate fees (\$2.8 million) and operating transfers in from the Operations Fund (\$10.6 million). This fund will use \$1.0 million of Net Position to fund capital improvement projects.

**Environmental Mitigation Fund** includes requirements of \$8.6 million for payments to seven host cities with a landfill or transfer station in their sphere of influence or within incorporated city limits for addressing solid waste facilities impact on local communities. Sources of \$8.9 million are from allocated landfill gate fees. This fund will contribute \$271,570 to Net Position.

**Closure and Post-Closure Maintenance Fund** is not expected to have any required Financial Assurance activity for 2015-16.

**Solid Waste Management Earned Leave Fund** includes sources of \$50,000 in operating transfers in from the Operations Fund as a set aside of approximately one-twentieth of the unfunded liability for employees' earned leave balances. This fund will contribute \$50,000 to Net Position.

## BUDGET CHANGES AND OPERATIONAL IMPACT

Requirements are decreasing by \$6.6 million. Significant changes include a net decrease in operating expenses of \$4.6 million due to a decrease of \$5.9 million in outside legal services, partially offset by an increase of \$1.6 million for contractor related costs of operating the County landfills as a result of burying additional import tonnage and contracted annual Cost of Living Adjustments (COLA) increases, and a \$2.3 million decrease in capital expenditures.

Sources are decreasing by \$2.7 million. This is primarily due to a decrease in residual equity transfers in of \$8.5 million partially offset by an increase of \$4.8 million in gate fees due to increased import tonnage and contracted COLA rate changes, and an increase of \$1.0 million in litigation settlement revenue.

## ANALYSIS OF NET POSITION

Unrestricted Net Position is anticipated to decrease by \$4.5 million from a deficit of \$9.1 million to a deficit of \$13.6 million due to capital improvement projects of \$7.6 million that are necessary for the operations of the landfills and transfers stations and to comply with regulatory agencies requirements.

It is the division's intent to use Net Position to fund only capital improvement project costs that exceed available annual operating revenues. Net Position does not fund ongoing operations. The SWMD will have approximately \$111.9 million in short-term assets, such as cash, and long-term settlement receivables used to support the operations of the system. The Division is estimating its Unrestricted Net Position to be in deficit by \$13.6 million at June 30, 2016 due to the inclusion of an estimated \$127.9 million of long-term landfill liabilities for pollution remediation obligations, post-closure maintenance, and earned leave, which excludes future closure construction liabilities of \$59.5 million which are funded and set aside as Restricted Net Position. These liabilities do not come due within the current year and represent future costs that will be funded with future revenue. While the unrestricted net asset position is negative due to these long-term obligations, the SWMD has sufficient operating funds to support ongoing operations of the system. The 10 year financial forecast projects fully funding the current portion of these liabilities, including ongoing operating expenses. Additionally, the SWMD continues to reduce ongoing expenses by (when cost effective) performing maintenance activities in house and continues to seek opportunities for additional import tonnage to increase revenue.



**2015-16 POSITION SUMMARY\***

| Division                        | 2014-15<br>Final Staffing | Adds     | Deletes  | Reorgs   | 2015-16<br>Adopted | Limited  | Regular   |
|---------------------------------|---------------------------|----------|----------|----------|--------------------|----------|-----------|
| Administration                  | 6                         | 0        | 0        | 0        | 6                  | 0        | 6         |
| Special Projects                | 5                         | 3        | 0        | 0        | 8                  | 1        | 7         |
| Operations and Scales           | 36                        | 0        | 0        | 0        | 36                 | 0        | 36        |
| Engineering                     | 21                        | 0        | 0        | 0        | 21                 | 0        | 21        |
| Administrative Services         | 12                        | 0        | 0        | 0        | 12                 | 0        | 12        |
| Information Technology Services | 3                         | 0        | 0        | 0        | 3                  | 0        | 3         |
| <b>Total</b>                    | <b>83</b>                 | <b>3</b> | <b>0</b> | <b>0</b> | <b>86</b>          | <b>1</b> | <b>85</b> |

\*Detailed classification listing available in Appendix D

**STAFFING CHANGES AND OPERATIONAL IMPACT**

Staffing expenses of \$7.7 million fund 86 budgeted positions of which 85 are regular positions and 1 is a limited term position. The State has mandated broad new programs to further reduce landfill disposal, which the County has to implement. Consequently, staffing is increasing by three positions (two regular and one contract) as follows:

- Recycling Specialist to accommodate a four-fold increase in Waste Management Plans caused by expanded legislation and an improving construction sector and to provide development support for State mandated commercial organics recycling, which takes effect in early 2016.
- Contract Recycling Specialist to provide necessary coverage for the existing Recycling Specialist’s duties during the Accela implementation.
- Staff Analyst I to provide more oversight of the franchised hauler program including activation of the uniform handling requirement for commercial collection services.

