

Solid Waste Enterprise Funds - Consolidated

DESCRIPTION OF MAJOR SERVICES

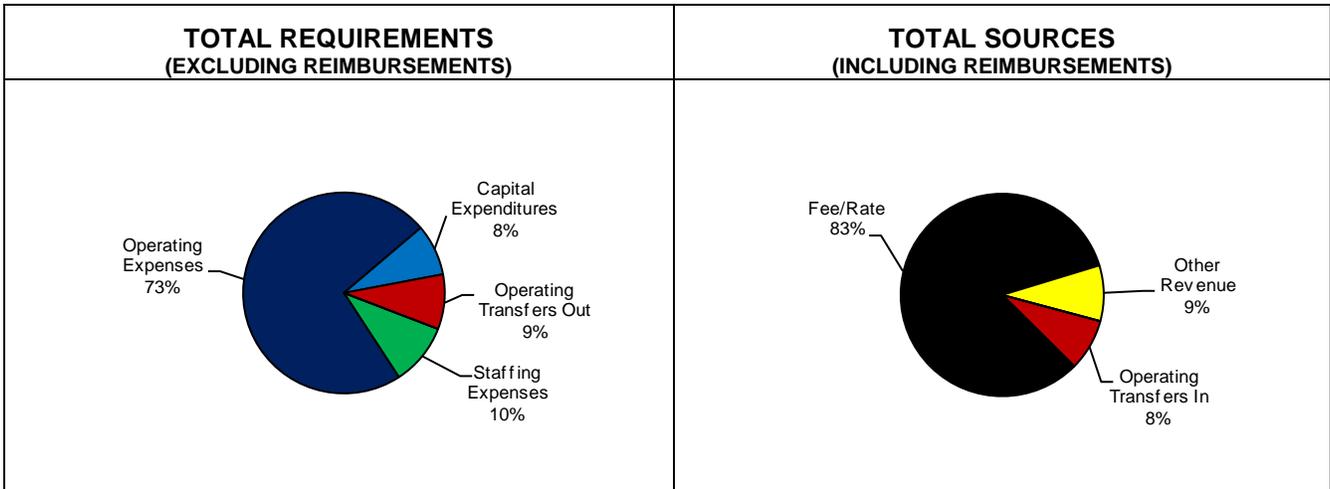
The Solid Waste Management Division (SWMD) provides for the operation and management of the County's solid waste disposal system, which consists of five regional landfills, nine transfer stations, and 34 closed landfills or disposal sites. SWMD also administers the County's solid waste franchise program, 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

| | |
|---|---------------|
| Total Requirements (Excl. Reimb.) | \$80,132,414 |
| Total Sources (Incl. Reimb.) | \$85,300,958 |
| Use of / (Contribution To) Net Position | (\$5,168,544) |
| Total Staff | 87 |

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 six host cities with a County landfill or transfer station within its boundary or sphere of influence.

2016-17 RECOMMENDED BUDGET



ANALYSIS OF 2016-17 RECOMMENDED 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: Health and Sanitation
 ACTIVITY: Sanitation

| | 2012-13 | 2013-14 | 2014-15 | (A) 2015-16 | 2015-16 | (B) 2016-17 | (B-A) |
|--|-------------|-------------|--------------|--------------------|-------------|-----------------------|--|
| | Actual | Actual | Actual | Modified Budget | Estimate | Recommended Budget | Change From Prior Year Modified Budget |
| Requirements | | | | | | | |
| Staffing Expenses | 6,486,789 | 6,989,496 | 6,869,541 | 7,748,938 | 7,399,848 | 8,004,636 | 255,698 |
| Operating Expenses | 85,597,992 | 50,256,405 | 56,544,863 | 67,517,501 | 62,606,061 | 58,456,138 | (9,061,363) |
| Capital Expenditures | 1,079,216 | 4,678,879 | 3,643,579 | 7,836,000 | 3,348,220 | 6,608,500 | (1,227,500) |
| Total Exp Authority | 93,163,997 | 61,924,780 | 67,057,983 | 83,102,439 | 73,354,129 | 73,069,274 | (10,033,165) |
| Reimbursements | (43,474) | (69,931) | (101,202) | (133,575) | (132,507) | (165,781) | (32,206) |
| Total Appropriation | 93,120,523 | 61,854,849 | 66,956,781 | 82,968,864 | 73,221,622 | 72,903,493 | (10,065,371) |
| Operating Transfers Out | 34,002,942 | 10,467,120 | 7,000,000 | 10,550,000 | 7,118,600 | 7,063,140 | (3,486,860) |
| Total Requirements | 127,123,465 | 72,321,969 | 73,956,781 | 93,518,864 | 80,340,222 | 79,966,633 | (13,552,231) |
| Sources | | | | | | | |
| Taxes | 220,863 | 247,413 | 248,388 | 205,000 | 208,327 | 233,000 | 28,000 |
| Realignment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| State/Fed/Other Government | 1,750,845 | 671,436 | 78,500 | 0 | 81,290 | 78,000 | 78,000 |
| Fee/Rate | 57,782,418 | 59,544,160 | 75,769,677 | 75,107,250 | 75,341,310 | 70,675,380 | (4,431,870) |
| Other Revenue | 2,419,018 | 8,280,920 | 11,062,359 | 2,057,600 | 2,610,451 | 7,098,797 | 5,041,197 |
| Total Revenue | 62,173,144 | 68,743,929 | 87,158,924 | 77,369,850 | 78,241,378 | 78,085,177 | 715,327 |
| Operating Transfers In | 32,003,142 | 10,550,000 | 7,000,000 | 10,550,000 | 7,050,000 | 7,050,000 | (3,500,000) |
| Total Financing Sources | 94,176,286 | 79,293,929 | 94,158,924 | 87,919,850 | 85,291,378 | 85,135,177 | (2,784,673) |
| Net Position | | | | | | | |
| Use of/ (Contribution to) Net Position** | 32,947,179 | (6,971,960) | (20,202,144) | 5,599,014 | (4,951,156) | (5,168,544) | (10,767,558) |
| Est. Net Position Available | | | | | | (11,293,479) | |
| Total Est. Unrestricted Net Position | | | | | | (16,462,023) | |
| Budgeted Staffing* | 81 | 82 | 83 | 86 | 86 | 87 | 1 |

*Data represents modified budgeted staffing

**Contribution to Net Position appears as a negative number and increases Estimated Net Position Available.

Note: Unlike governmental funds, the 2015-16 Modified Budget and Estimate columns do not include information on Estimated Net Position Available or Total Estimated Unrestricted Net Position because GAAP requires that internal service and enterprise funds include line items such as depreciation, which are not budgeted, in the Net Position calculation.

DETAIL OF 2016-17 RECOMMENDED BUDGET

| | 2016-17 | | | | |
|---|--------------|------------|---|--|----------|
| | Requirements | Sources | Use of / (Contribution to) Net Position | Estimated Net Position Available | Staffing |
| Enterprise Funds | | | | | |
| Operations Fund (Fund EAA) | 57,000,763 | 64,883,243 | (7,882,480) | 0 | 87 |
| Site Closure and Maintenance Fund (Fund EAB) | 100,000 | 723,193 | (623,193) | 0 | 0 |
| Site Enhancement, Expansion & Acquisition Fund (Fund EAC) | 2,651,799 | 3,570,260 | (918,461) | 0 | 0 |
| Environmental Fund (Fund EAL) | 13,971,471 | 9,395,746 | 4,575,725 | 0 | 0 |
| Environmental Mitigation Fund (Fund EWD) | 6,242,600 | 6,512,735 | (270,135) | 0 | 0 |
| Earned Leave Fund (Fund IDA) | 0 | 50,000 | (50,000) | 0 | 0 |
| Total Enterprise Funds | 79,966,633 | 85,135,177 | (5,168,544) | 0 | 87 |

Note: Negative Net Position is not allocated between funds.



MAJOR REQUIREMENTS AND SOURCES IN 2016-17 RECOMMENDED BUDGET

Operations Fund includes Requirements of \$57.0 million for operation of the County's solid waste disposal system. This includes \$8.0 million for Staffing Expenses that fund 87 budgeted positions. Operating Expenses of \$39.2 million consists primarily of \$35.2 million for Services and Supplies (including \$30.8 million for the landfill operations contract and \$4.4 million for other professional services needed to maintain the County's disposal sites) and other charges of \$4.0 million (including \$2.4 million for landfill waste payments to the Board of Equalization, \$500,000 set aside for potential legal settlements, and \$1.1 million in other operating expenses). Remaining Requirements consist of Capital Expenditures (\$2.9 million) and Operating Transfers Out (\$6.9 million transferred to the Environmental Fund for capital projects and operations, maintenance and monitoring of landfill environmental control systems). Sources of \$64.9 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 contribute \$7.9 million to Net Position primarily due to a planned \$5.0 million one-time sale of surplus property and reduction in operating costs.

Site Closure and Maintenance Fund includes Requirements of \$100,000 for on-call professional engineering services. Sources of \$723,193 include allocated landfill gate fees and special assessments that support closure activities, and interest earnings. This fund will contribute \$623,193 to Net Position.

Site Enhancement, Expansion and Acquisition Fund includes Requirements of \$2.7 million for the Barstow Landfill Perimeter Fencing, the San Timoteo Landfill Liner project, the Landers Landfill Lateral Expansion, and the Storm Water Drainage Basin and Unit 4 Liner Design projects at Mid-Valley Landfill. Sources of \$3.6 million are from allocated landfill gate fees that support expansion activities and interest earnings. This fund will contribute \$918,461 to Net Position.

Environmental Fund includes Requirements of \$14.0 million for the following projects: \$1.8 million for the Barstow and Big Bear Landfills for construction of Landfill Gas Extraction Systems; \$1.5 million for the closed Heaps Peak Disposal Site for East Slope Stabilization mitigation; \$8.9 million for the Countywide landfill gas and groundwater OM&M per Title 5 and Title 27 regulations; and \$1.8 million for other projects, including \$957,000 for the closed Lenwood-Hinkley Landfill and Yucaipa Disposal Site for construction of Groundwater Treatment Systems. Sources of \$9.4 million are from allocated landfill gate fees (\$2.4 million) and Operating Transfers In from the Operations Fund (\$7.0 million). This fund will use \$4.6 million of Net Position to fund capital improvement projects.

Environmental Mitigation Fund includes Requirements of \$6.2 million for payments to six 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 \$6.5 million are from allocated landfill gate fees. This fund will contribute \$270,135 to Net Position.

Closure and Post-Closure Maintenance Fund is not expected to have any required Financial Assurance activity for 2016-17.

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 \$13.6 million. Significant changes includes a net decrease in Operating Expenses of \$9.1 million due primarily to a decrease of import tonnage and a negative Cost of Living Adjustment (COLA) for contracted operational rates, a net \$1.2 million decrease in Capital Expenditures, and a \$3.5 million decrease in Operating Transfers Out due to less overall operating requirements and environmental costs.



Sources are decreasing by \$2.8 million. This is primarily due to a net \$4.4 million decrease in gate fees primarily due to decreased import tonnage offset by an increase of \$5.0 million for a one-time sale of surplus property and a \$3.5 million decrease to Operating Transfers In due to less overall operating requirements and environmental costs.

ANALYSIS OF NET POSITION

Unrestricted Net Position is anticipated to increase by \$5.2 million from an estimated deficit of \$16.5 million to an estimated deficit of \$11.3 million due to the reduction of operating costs, the delay of capital improvement projects, and a \$5.0 million one-time sale of surplus property.

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 \$97.7 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 \$11.3 million at June 30, 2017 due to the inclusion of an estimated \$151.2 million of long-term landfill liabilities for pollution remediation obligations, post-closure maintenance, earned leave and net pension liability, 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.

2016-17 POSITION SUMMARY*

| Division | 2015-16 | | | | 2016-17 | | Limited | Regular |
|---------------------------------|-------------------|------|---------|---------|-------------|---|---------|---------|
| | Modified Staffing | Adds | Deletes | Re-Orgs | Recommended | | | |
| Administration | 6 | 0 | 0 | 0 | 6 | 0 | 6 | |
| Special Projects | 8 | 0 | 0 | 0 | 8 | 1 | 7 | |
| Operations and Scales | 36 | 0 | 0 | 0 | 36 | 0 | 36 | |
| Engineering | 21 | 1 | 0 | 0 | 22 | 0 | 22 | |
| Administrative Services | 12 | 0 | 0 | 0 | 12 | 0 | 12 | |
| Information Technology Services | 3 | 0 | 0 | 0 | 3 | 0 | 3 | |
| Total | 86 | 1 | 0 | 0 | 87 | 1 | 86 | |

*Detailed classification listing available in Appendix D.

STAFFING CHANGES AND OPERATIONAL IMPACT

Staffing Expenses of \$8.0 million fund 87 budgeted positions of which 86 are regular positions and one is a limited term position. Budgeted staffing is increasing by one Public Works Engineer II to perform duties related to regulatory permitting requirements and coordinating internal procedures for approval more effectively than contracted consultant services, resulting in the division being able to meet program and capital project implementation timelines.

