

201 N. Civic Drive, Suite 230  
Walnut Creek, California 94596  
Telephone: 925/977-6950  
Fax: 925/977-6955  
[www.hfh-consultants.com](http://www.hfh-consultants.com)

Robert D. Hilton, Emeritus  
John W. Farnkopf, PE  
Laith B. Ezzet, CMC  
Richard J. Simonson, CMC  
Marva M. Sheehan, CPA  
Robert C. Hilton, CMC

January 7, 2022

San Luis Obispo County Integrated Waste Management Authority  
Board of Directors  
870 Osos Street  
San Luis Obispo, CA  
93401-2717

**Subject: IWMA Solid Waste Management Fee Determination and Cost of Service Study**

Dear Board of Directors,

In September of 2021, the San Luis Obispo County Integrated Waste Management Authority (IWMA) Board redirected HF&H Consultants, LLC (HF&H) to complete an analysis to determine the financial impact of the Unincorporated County and Los Osos Community Service District's (Unincorporated County) intent to withdraw from the IWMA, and to recommend an associated adjustment to the IWMA solid waste management fee. In October of 2021, HF&H presented a draft analysis to the IWMA's Executive Committee for review. In November of 2021, HF&H convened key representatives from Member Agencies (MAs), including City Managers and Special District General Managers, to provide input for the draft analysis. The following report titled "Analysis of SB 1383 Impacts on IWMA Budget and Associated Revenue Streams" (Report) represents HF&H's final analysis.

HF&H used assumptions that reflect the current operations and projected expenditures that the IWMA will incur to implement the regulatory requirements associated with SB 1383 and other applicable state mandates. No jurisdictions in the State currently have operational experience with SB 1383 programs included in this analysis; furthermore, the IWMA does not have prior experience operating without the Unincorporated County; as a result, these estimates may vary from actual experience. Should there be any future material changes to this information, or within three years regardless of such changes, it is recommended that the IWMA review the calculated impacts and any associated fees that might be established.

### **Executive Summary**

HF&H's analysis of the IWMA's currently proposed budget and estimated expenditures for SB 1383 implementation, coupled with gross receipt estimates for each Member Agency have resulted in a recommendation to amend the solid waste management fee to 5.4% of hauler gross receipts. In a prior draft report, HF&H provided a recommendation for a new IWMA hauler fee of 4.5% that would supplement the existing solid waste management fee. In this final analysis, HF&H's recommendation replaces rather than supplements the existing solid waste management fee. This time period includes the first phase of SB 1383 program implementation (including public education and outreach, recordkeeping and reporting infrastructure, and other programs) and the first two years of SB 1383 compliance monitoring. The revised solid waste management fee is aligned with the IWMA's reserve policy of maintaining an operating fund balance to equal 25% of the IWMA's annual operating expenditures. It is recommended that the IWMA

Board of Directors  
January 7, 2022  
Page 2 of 11

review its actual operating results during fiscal year (FY) 23-24 of this projection period to determine if any changes (up or down) to the solid waste management fee are needed. Due to one-time expenditures incurred by SB 1383 program implementation, evaluation in the first few years of the budget cycle may not accurately reflect the on-going funding requirement for compliance. It is imperative that the IWMA adopt the amended fee in a timely manner, as FY 21-22 expenditures are anticipated to exceed revenues by \$1.45 million, which will significantly impact the operating fund balance.

## Background

The IWMA currently collects revenue through hauler fees, grants, and other sources. The IWMA's primary sources of revenue are (1) a solid waste management fee consisting of 2% of the gross revenue collected from commercial customers, \$0.30 per month for residential accounts charged less than \$50 per month, and 2% of gross revenue for residential accounts that are charged more than \$50 a month; and (2) a landfill tipping fee surcharge of \$3 per ton at the landfill facilities within the County.

On June 9, 2021, the IWMA Board approved an increase in the IWMA's solid waste management fee to 3.25% and a landfill tipping fee surcharge increase to \$4 per ton to meet the anticipated increased revenue requirement associated with compliance with the state mandates under SB 1383 regulations. However, the approved increases were not implemented, and on September 8, 2021, the IWMA Board requested that HF&H prepare a study to reassess the proposed increases in light of the Unincorporated County's potential withdrawal from the IWMA. The IWMA received official notice of the Unincorporated County's withdrawal from the IWMA on October 15, 2021, effective November 15, 2021.

On November 23, 2021 the IWMA Board approved a Memorandum of Understanding ("MOU") between the Unincorporated County and the IWMA for the IWMA to provide reimbursable services to the Unincorporated County related to household hazardous waste collection, as well as school education programs through the remainder of the 2021-2022 school year.

On December 8, 2021 the IWMA Board approved a reserve policy setting the IWMA's target unrestricted (operating) reserve balance of 25% of budgeted operating expenditures. The reserve policy also includes the maintenance of an emergency reserve of \$300,000 for use during operational or financial emergencies, and a restricted reserve of \$1,000,000, as mandated by the Department of Toxic Substance Control ("DTSC"), for household hazardous waste ("HHW") facility closures.

The aforementioned actions require additional analysis to determine the fiscal impact on the IWMA. Revisions to the solid waste management fee percentage will be necessary to ensure that the IWMA generates enough revenue to meet its obligations to each member agency, while maintaining an operating fund balance equivalent to 25% of annual operating expenditures as required by the IWMA's reserve policy.

## Methodology

The methodology used to estimate the revised solid waste management fee percentage is described below.

Board of Directors  
January 7, 2022  
Page 3 of 11

### **Revenue Determination**

The IWMA provided their approved budget for FY 21-22, including both operating and non-operating revenues. HF&H adjusted the revenue from the solid waste management hauler fee by 94% to account for the 6% reduction in serviced accounts with the Unincorporated County's departure from the IWMA. HF&H also adjusted the operating revenue from the landfill tipping fee by a factor of 94% to account for an anticipated decrease in the amount of overall tonnage subject to a fee by the IWMA. The best available tonnage information combined the Unincorporated County tonnage with the community service districts' (CSD) tonnage, requiring that HF&H estimate the reduction in the per-ton landfill tipping fee revenue resulting from the Unincorporated County's departure based on provided service account data. HF&H assumed that the County's MOU with the IWMA providing for the IWMA to provide the Unincorporated County with reimbursable hazardous waste services would not have a net impact on the IWMA's revenue from hazardous waste program revenue. No adjustments were made for non-operating revenue (i.e. capital expenditures and transfers to reserve funds).

### **Expenditure Determination**

The approved budget for FY 21-22 included the IWMA's proposed expenditures, including SB 1383 expenditures, hazardous waste program expenditures, and expenditures for public outreach and education, among others. HF&H adjusted expenditures as appropriate to account for the Unincorporated County's intent to withdraw from the IWMA, as well as the Unincorporated County's MOU with the IWMA for some reimbursable services; these adjustments are described below.

#### **SB 1383 Expenditures**

HF&H worked with IWMA staff to develop an updated SB 1383 expenditures estimation given the Unincorporated County's intent to withdraw from the IWMA. HF&H determined that SB 1383 education and monitoring expenditures would be reduced commensurate with the reduction in customer accounts being served by the IWMA, and applied a factor of 94% to the FY 21-22 projected budget accordingly.

Based on input from IWMA staff, HF&H reduced projected SB 1383 salary and expense expenditures for FY 21-22 based on an existing vacancy in the SB 1383 Program Coordinator position, and a temporary historical vacancy in the SB 1383 Management Analyst position. Projections for FY 22-23 onward assume no position vacancies.

#### **Public Education and Outreach (Non-SB 1383) Expenditures**

The IWMA provides non-SB 1383 related public outreach and education to schools, multi-family residences, and businesses through a third party. With guidance from the IWMA, HF&H separated this expenditure into a "schools" portion and a "businesses" (including multi-family residences) portion. HF&H reduced the proposed expenditure of public outreach and education for schools by 5% and reduced the proposed expenditure of public outreach and education for businesses by 19% (an aggregate weighted reduction of 13%) for FY 22-23 onward. Given the MOU between the IWMA and the Unincorporated County that delegates the IWMA to provide outreach to schools in the Unincorporated County through the 2021-2022 school year, and still-pending potential amendments to the agreement with the school and business education service

Board of Directors  
January 7, 2022  
Page 4 of 11

provider Science Discovery, the projected expenditure for non-SB 1383 public outreach to schools and businesses for FY 21-22 was not adjusted.

### **Capital Expenditures**

The projected budget of \$300,000 for FY 21-22 for structure and improvements (S&I) for a planned office upgrade and the planned development of a new HHW facility in San Miguel was deferred to FY 22-23 by the Board; this deferment is reflected in the projected budget. For FY 23-24 and FY 24-25, based on input from IWMA staff, no expenditures for S&I were projected. The projected budgets for FY 21-22 through FY 24-25 for equipment were updated to reflect the expected purchase dates of equipment (e.g., forklifts) based on the equipment depreciation schedule provided to HF&H by the IWMA. No adjustments specific to the departure of the Unincorporated County from the IWMA were determined to be applicable.

### **Other Expenditures**

HF&H reduced projected expenditures for administration and TAG grants based on input from IWMA staff; administration expenditures for a media consultant was eliminated, and all TAG grant funding was eliminated.

HF&H also reduced, based on input from IWMA staff, projected non-SB 1383 salary and expense expenditures for FY 21-22 based on savings from a temporary vacancy in the Executive Director position. As stated in. Projections for FY 22-23 onward assume no position vacancies.

### **IWMA Gross Receipts Determination**

IWMA Staff provided HF&H with the total franchise fees collected per member agency and the total gross receipts from each hauler, specified by member agency, for FY 20-21 and provided this data to HF&H. HF&H then divided each member agency's franchise fee by the franchise fee percentage specified by the member agency and added current IWMA solid waste management fees and landfill tipping fees to determine gross receipts per hauler per jurisdiction; these amounts were subsequently summed to derive total gross receipts for haulers of the IWMA member agencies for FY 20-21.

HF&H then estimated the total gross receipts anticipated for FY 21-22 by increasing the FY 20-21 gross receipts by a CPI of 3% to account for typical annual CPI increases in franchised hauler rates. HF&H assumed in its calculations that additional rate increases, such as SB 1383 compliant services, would take effect July 1 2022, the beginning of the IWMA's FY 22-23.

HF&H estimated the total gross receipts anticipated for FY 22-23 utilizing gross receipts projections provided by member agencies. While these projections were provided as increases for FY 21-22, and included special rate increases including but not limited to SB 1383 implementations, HF&H assumed for the purposes of these calculations that such rate increases would not take effect until FY 22-23. Most member agencies provided either an estimate for a percentage increase to FY 21-22 gross receipts compared to FY 20-21, or an estimated total for gross receipts for FY 21-22. HF&H made the following adjustments to data provided by member agencies to improve the consistency of our methodology:

Board of Directors  
January 7, 2022  
Page 5 of 11

- In instances where member agencies provided an estimated percentage increase, HF&H applied the percentage increase to gross receipts beginning July 1, 2022.
- If a member agency provided an estimate range for a percentage increase rather than a single estimate, HF&H utilized the midpoint of the range provided.
- In instances where the member agencies provided gross receipt projections that included a presumed 3.25% IWMA solid waste management fee, HF&H removed this portion of the projection.
- For jurisdictions where the member agency did not provide an estimate for gross receipts, HF&H used a default assumption of a 5% increase in gross receipts from FY 21-22.
- In instances where member agencies projected a decrease in gross receipts compared to FY 20-21 without a stated cause, HF&H instead assumed that FY 22-23 gross receipts were equal to FY 21-22 gross receipts calculated.

### **Budget Projection**

After projecting an amended budget for FY 21-22, HF&H forecasted the IWMA's budget for FY 22-23, FY 23-24, and FY 24-25. HF&H multiplied each budget line item in the projected FY 21-22 budget by the appropriate inflation index, if applicable, to determine the projected FY 22-23 budget. Revenue for the solid waste management fee for FY 22-23 budget onward was set to zero in order to determine the revised overall solid waste management fee recommendation for this report, rather than add an additional separate fee to the existing solid waste management fees (2% commercial, 2% residential accounts over \$50, \$0.30 per month residential accounts under \$50). In cases where anomalies occurred in the FY 21-22 expenditure projections (e.g. staff vacancies) additional adjustments were incorporated as described in the prior sections of this Report. The FY 23-24 budget and FY 24-25 budget were each projected by multiplying each budget line item from the prior fiscal year by the appropriate inflation index, if applicable. In addition to accounting for the ongoing operating expenditures, HF&H also incorporated into its calculations the reserve policy requirement to maintain a fund balance of 25% of annual operating expenditures. As noted in this report, it is critical that the IWMA amend its fees or cost structure materially in order to achieve a fund balance that meets or exceeds the fiscal reserve policy requirements. The primary intent of the operating reserve fund is to set aside cash in the event revenues decline or the IWMA incurs unexpected expenses. Because the expenses (or revenue decline) will happen in future periods, HF&H has followed the industry standard of using the following year's budgeted operating expenses to set the current year's target ending fund balance.

### **Solid Waste Management Fee Determination**

HF&H subtracted the total projected revenue (excluding proposed new solid waste management hauler fee revenue increase) from the revenue requirement to determine the hauler fee revenue requirement. HF&H accounted for the compounding impact of an increased solid waste management fee to potential rate increases, and thus total gross receipts. Acknowledging that revenues and expenditures fluctuate on an annual basis, the IWMA would require a different fee percentage annually to maintain a fund balance equivalent to exactly 25%. Instead, to introduce rate and fee stability, HF&H recommends using a rounded weighted average to ensure that the hauler fee can remain constant over time, while enabling the IWMA to

Board of Directors  
 January 7, 2022  
 Page 6 of 11

generate enough revenue to meet its obligations to its member agencies and ultimately achieve a fund balance equivalent to 25% of operating expenditures. Setting the hauler fee percentage to equal the rounded weighted average of 5.4% would sustain the IWMA's revenues over time and ensure adequate funding for ongoing program stability.

## Analysis

Table 1 displays a summary of the revised hauler fee percentage calculation, along with key P&L line items such as projected revenues and expenditures. Table 2 provides a breakdown of the expenditures by category, projected for FY 21-22 through FY 24-25. Similarly, Table 3 provides a breakdown of the revenue categories, projected for FY 21-22 through FY 24-25. Please see Attachment 1 for the overall projected revenues and expenditures.

**Table 1: Revised Hauler Fee Percentage Determination**

Description	Projected Actuals FY 21-22	FY 22-23	FY 23-24	FY 24-25
<b>EXPECTED UNRESTRICTED OPENING FUND BALANCE - JULY 1, 2021 <sup>(1)</sup></b>	\$ 1,745,474	\$ 304,658	\$ 367,452	\$ 660,017
<b>PROJECTED EXPENDITURES</b>				
Operating Expenditures	\$ 3,256,329	\$ 3,655,022	\$ 3,764,673	\$ 3,877,615
Capital Expenditures	\$ 140,108	\$ 385,843	\$ 141,650	\$ 44,181
Transfers to Restricted Funds	\$ -	\$ -	\$ -	\$ -
<b>REVENUE REQUIREMENT</b>	<b>\$ 3,396,437</b>	<b>\$ 4,040,865</b>	<b>\$ 3,906,323</b>	<b>\$ 3,921,796</b>
<b>PROJECTED REVENUES</b>				
Operating Revenue <sup>(2)</sup>	\$ 891,032	\$ 893,393	\$ 895,825	\$ 898,330
Non-Operating Revenue	\$ 117,000	\$ 117,000	\$ 117,000	\$ 117,000
Hauler Fee Revenue	\$ 947,589	\$ 3,093,266	\$ 3,186,063	\$ 3,281,645
<b>TOTAL REVENUE</b>	<b>\$ 1,955,621</b>	<b>\$ 4,103,659</b>	<b>\$ 4,198,888</b>	<b>\$ 4,296,975</b>
<b>GROSS RECEIPTS</b>	\$ 48,478,933	\$ 57,282,695	\$ 59,001,175	\$ 60,771,211
<b>HAULER FEE REVENUE</b>	\$ 947,589	\$ 3,093,266	\$ 3,186,063	\$ 3,281,645
<b>REVISED HAULER FEE %</b>	<b>N/A</b>	<b>5.40%</b>	<b>5.40%</b>	<b>5.40%</b>
<b>PROJECTED UNRESTRICTED FUND CLOSING BALANCE</b>				
Unrestricted Fund Closing Balance	\$ 304,658	\$ 367,452	\$ 660,017	\$ 1,035,196
Target Unrestricted Fund Closing Balance <sup>(3)</sup>	25%	25%	25%	25%
Unrestricted Fund Closing Target Balance	\$ 913,756	\$ 941,168	\$ 969,404	\$ 998,486
Closing Fund Balance Surplus/(Shortfall)	\$ (609,098)	\$ (573,717)	\$ (309,387)	\$ 36,711

<sup>(1)</sup> Does not include Funds held for HHW closure or Emergency fund

<sup>(2)</sup> Includes Landfill Tipping Fees and Hazardous Waste Program Fees

<sup>(3)</sup> Target Unrestricted Fund Closing Balance is 25% of the next fiscal year's operating expenditures

Board of Directors  
 January 7, 2022  
 Page 7 of 11

**Table 2: Expenditures**

Description	Projected Actuals FY 21-22	FY 22-23	FY 23-24	FY 24-25
<b>EXPENDITURES</b>				
Salary and Benefits <sup>(1)</sup>	\$ 540,092	\$ 666,079	\$ 686,061	\$ 706,643
Administration/State Reporting Expenditures	\$ 268,325	\$ 276,375	\$ 284,666	\$ 293,206
<b>SB 1383 Expenditures</b>				
SB 1383 Employee Salary and Benefits	\$ 190,920	\$ 389,487	\$ 401,172	\$ 413,207
Report Tracking System	\$ 55,000	\$ 56,650	\$ 58,350	\$ 60,101
SB 1383 Education and Monitoring	\$ 368,471	\$ 379,525	\$ 390,911	\$ 402,638
Other SB 1383 Expenditures <sup>(2)</sup>	\$ 354,762	\$ 365,405	\$ 376,367	\$ 387,658
Subtotal: SB 1383 Expenditures	\$ 969,153	\$ 1,191,067	\$ 1,226,800	\$ 1,263,604
<b>Hazardous Waste Program Expenditures</b>				
Electronic Waste Disposal	\$ 62,700	\$ 64,581	\$ 66,518	\$ 68,514
Curbside Used Motor Oil and Filter Disposal	\$ 8,000	\$ 8,240	\$ 8,487	\$ 8,742
Universal Waste Disposal	\$ 515,000	\$ 530,450	\$ 546,364	\$ 562,755
Rechargeable Battery Disposal	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564
Other Hazardous Waste Programs	\$ 282,933	\$ 291,421	\$ 300,164	\$ 309,169
Subtotal: Hazardous Waste Program Expenditures	\$ 928,633	\$ 956,492	\$ 985,187	\$ 1,014,744
<b>Public Education and Outreach Expenditures</b>				
AB 1826 Public Outreach and Education	\$ 146,799	\$ 151,203	\$ 155,739	\$ 160,411
Business and Multi-Family Outreach Programs	\$ 403,327	\$ 413,806	\$ 426,220	\$ 439,007
Subtotal: Public Education and Outreach Expenditures	\$ 550,126	\$ 565,009	\$ 581,959	\$ 599,418
TAG Grant Expenditures	\$ -	\$ -	\$ -	\$ -
<b>TOTAL OPERATIONS EXPENDITURES</b>	<b>\$ 3,256,329</b>	<b>3,655,022</b>	<b>3,764,673</b>	<b>3,877,615</b>
<b>Capital Expenditures</b>				
Structure and Improvements (S&I)	\$ -	\$ 300,000	\$ -	\$ -
Equipment	\$ 140,108	\$ 85,843	\$ 141,650	\$ 44,181
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$ 140,108</b>	<b>385,843</b>	<b>141,650</b>	<b>44,181</b>
<b>Transfers to Restricted Funds</b>				
HHW Closure Fund	\$ -	\$ -	\$ -	\$ -
HHW Emergency Fund	\$ -	\$ -	\$ -	\$ -
Capital Replacement Fund	\$ -	\$ -	\$ -	\$ -
<b>TOTAL TRANSFERS TO RESTRICTED FUNDS</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>3,396,437</b>	<b>4,040,865</b>	<b>3,906,323</b>	<b>3,921,796</b>

<sup>(1)</sup> SB 1383 salaries and benefits are included in the 'SB 1383 Employee Salary and Benefits' line item

<sup>(2)</sup> Other SB 1383 Expenses include but are not limited to professional services, outside legal counsel, printing, postage, and mileage reimbursements.

**Table 3: Revenues**

Description	Projected Actuals FY 21-22	FY 22-23	FY 23-24	FY 24-25
<b>REVENUE</b>				
<b>Operating Revenue</b>				
Landfill Tipping Fees	\$ 812,332	\$ 812,332	\$ 812,332	\$ 812,332
Current Solid Waste Management Fees	\$ 947,589	\$ -	\$ -	\$ -
Hazardous Waste Program Fees	\$ 78,700	\$ 81,061	\$ 83,493	\$ 85,998
Hauler Fees (New)	\$ -	\$ 3,093,266	\$ 3,186,063	\$ 3,281,645
Subtotal: Operating Revenue	\$ 1,838,621	\$ 3,986,659	\$ 4,081,888	\$ 4,179,975
<b>Non-Operating Revenue</b>				
Grants	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000
Interest	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000
Other	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Subtotal: Non-Operating Revenue	\$ 117,000	\$ 117,000	\$ 117,000	\$ 117,000
<b>TOTAL REVENUE</b>	<b>\$ 1,955,621</b>	<b>4,103,659</b>	<b>4,198,888</b>	<b>4,296,975</b>



Board of Directors  
 January 7, 2022  
 Page 8 of 11

**Table 4: Account Information**

Member Agency Type	Estimated Residential Accounts	Estimated Commercial & Multi-Family Accounts	Estimated Total Accounts
Cities	46,464	5,054	51,518
Unincorporated County (UC) + CSDs	21,080	2,648	23,728
<b>Total Accounts in the IWMA Prior to UC exit</b>	<b>67,544</b>	<b>7,702</b>	<b>75,246</b>
UC + CSDs	21,080	2,648	23,728
CSDs	(17,733)	(1,183)	(18,916)
Subtotal: Accounts Exiting the IWMA	3,347	1,465	4,812
<b>Total Accounts Remaining in the IWMA</b>	<b>64,197</b>	<b>6,237</b>	<b>70,434</b>
% Decrease	5%	19%	6%

**Table 5: Calculated Gross Receipts**

Member Agency (MA)	FY 20-21 Data			FY 21-22 Data		FY 22-23 Data		
	FY 20-21 Franchise Fee Collected by MA (A)	Franchise Fee % (B)	FY 20-21 Calculated Gross Receipts (C)	FY 21-22 Calculated Gross Receipts (D)	Estimated % Change <sup>(1)</sup> (G)	Projected FY 22-23 Gross Receipts (H)	Final Projected FY 22-23 Gross Receipts	
Formula	A / B		C * 1 + .03		Provided by MA	D * (1 + G)		
Arroyo Grande	\$ 321,460	10%	\$ 3,214,605	\$ 3,311,043	24.7%	\$ 4,127,215	\$ 3,993,080	
City of SLO	\$ 986,343	10%	\$ 9,863,427	\$ 10,159,330	14.0%	\$ 11,581,636	\$ 11,581,636	
Grover Beach	\$ 206,436	10%	\$ 2,064,360	\$ 2,126,291	2%	\$ 2,168,817	\$ 2,168,817	
Heritage Ranch - CSD	\$ 81,535	10%	\$ 815,347	\$ 839,807	6%	\$ 890,196	\$ 890,196	
Nipomo - CSD	\$ 167,174	10%	\$ 1,671,744	\$ 1,721,897	5%	\$ 1,807,991	\$ 1,807,991	
Oceano - CSD <sup>(2)</sup>	\$ 52,705	5%	\$ 831,758	\$ 856,710	23.4%	\$ 1,056,752	\$ 1,022,408	
Paso Robles	\$ 1,206,727	11.5%	\$ 10,493,279	\$ 10,808,077	6%	\$ 11,456,562	\$ 11,456,562	
Templeton - CSD	\$ 176,064	10%	\$ 1,760,644	\$ 1,813,463	18.5%	\$ 2,148,954	\$ 2,148,954	
Formula	A / B		C * 1 + .03		5%	D * (1 + G)		
Avila Beach - CSD	\$ 21,978	10%	\$ 219,776	\$ 226,369	Default	\$ 237,688	\$ 229,963	
Ground Squirrel Hollow - CSD	\$ 18,320	10%	\$ 183,195	\$ 188,691	Default	\$ 198,126	\$ 198,126	
Formula	A / B		C * 1 + .03		(H / D) - 1	Provided by MA		
Atascadero	\$ 521,870	10%	\$ 5,218,704	\$ 5,375,265	22.2%	\$ 6,569,494	\$ 6,569,494	
California Valley - CSD	N/A		\$ 39,681	\$ 40,871	-12.4%	\$ 35,820	\$ 35,820	
Cambria - CSD <sup>(3)</sup>	\$ 110,452	6%	\$ 1,840,870	\$ 1,896,096	0%	\$ 1,896,096	\$ 1,896,096	
Cayucos - CSD <sup>(3)</sup>	\$ 84,625	10%	\$ 846,247	\$ 871,634	0%	\$ 871,634	\$ 871,634	
Morro Bay	\$ 287,997	10%	\$ 2,879,968	\$ 2,966,367	20.4%	\$ 3,571,276	\$ 3,571,276	
Pismo Beach	\$ 273,003	10%	\$ 2,730,026	\$ 2,811,927	22.4%	\$ 3,440,762	\$ 3,440,762	
San Miguel - CSD <sup>(3)</sup>	\$ 44,194	8%	\$ 552,425	\$ 568,998	0%	\$ 568,998	\$ 568,998	
San Simeon - CSD	N/A		\$ 1,896,096	\$ 1,896,096	N/A	\$ 1,896,096	\$ 1,896,096	

<sup>(1)</sup> Estimated percentage increases were provided either provided by the MA or Projected FY 21-22 Gross Receipts amount was provided by the Member Agency and the percentage change from FY 20-21 was calculated.

<sup>(2)</sup> FY 20-21 Calculated Gross Receipts for Oceano - CSD are calculated slightly differently because the CSD had a 10% franchise fee in January of 2020 and the rest of the months have a 5% franchise fee.

<sup>(3)</sup> In instances where a Member Agency (MA) projected a decrease in gross receipts compared to FY 20-21 Calculated Gross Receipts without a stated cause, it was assumed that Projected FY 22-23 Gross Receipts were equal to FY 21-22 Calculated Gross Receipts.

## Key Assumptions

The analysis relied in part on the following key assumptions, provided largely by the IWMA, seven cities, eleven CSDs, and five haulers, and supplemented with data from other sources as noted.

## Revenue Determination

- The revenue from the landfill tipping fee in the proposed FY 21-22 budget are reduced by 6% (equivalent to 94% of the current revenue) in the projected FY 21-22 budget. This assumes that the revenue will decrease proportionally with the number of accounts in the Unincorporated County that intend to withdraw from the IWMA. The landfill tipping fee is assumed to remain at \$3/ton through FY 24-25.



Board of Directors  
 January 7, 2022  
 Page 9 of 11

- The revenue from the hauler HHW fee will be unaffected by the Unincorporated County's notification of intent to withdraw from the IWMA, given the IWMA's MOU with the Unincorporated County to continue to provide reimbursable hazardous waste program services.

### **Expenditure Determination**

- There were 67,544 residential accounts in the IWMA prior to the Unincorporated County notifying the IWMA of its intent to withdraw. This assumes that the number of solid waste containers is proportional to the number of residential accounts in the IWMA, and that the data provided is accurate.
- There are 17,407 residential accounts located in the CSDs. This assumes that data provided by CSDs was accurate. In instances where CSDs did not provide residential account data, HF&H assumed that data from [www.point2homes.com](http://www.point2homes.com) accurately captures the number of homes in each of the applicable CSDs remaining in the IWMA, and that the *State of California Department of Finance E-5 Population and Housing Estimates for Cities, Counties, and the State, 2011-2021 with 2010 Census Benchmark* report's occupancy ratio of 83.9% for the Unincorporated County accurately represents the region.
- The total remaining residential accounts is projected to be 64,197 accounts.
- There were 7,692 commercial accounts in the IWMA prior to the Unincorporated County notifying the IWMA of its intent to withdraw. This assumes that the hauler-provided and CSD-provided data is accurate.
- There are 1,173 commercial accounts located in the CSDs. This number was determined based on data supplied by the CSDs and haulers. In instances where both the CSD and hauler provided data, data provided by the CSD was used.
- The total remaining commercial accounts is projected to be 6,227 accounts.
- The total number of service accounts (residential and commercial) in the IWMA will decrease by 6% due to the Unincorporated County's notification of intent to withdraw from the IWMA.
- The IWMA will conduct public education and compliance monitoring through 2025 for the Member Agencies.
- Hazardous waste program expenditures will be unaffected by the Unincorporated County's notification of intent to withdraw from the IWMA, given the IWMA's MOU with the Unincorporated County to continue to provide reimbursable hazardous waste program services
- 40% of the expenditure for public education and outreach for current school, multi-family, and business program (non-SB 1383) in the proposed FY 21-22 budget will be used for school programs and 60% of the expenditure will be used for business and multi-family programs.
- The expenditure for the school portion of the school, multi-family, and business program in the proposed FY 21-22 budget is reduced by 5% in the projected FY 22-23 budget onwards. This assumes that the expenditure will decrease by the same proportion of total accounts in the Unincorporated County. This also assumes that the County's current MOU with the IWMA for the IWMA to provide

Board of Directors  
January 7, 2022  
Page 10 of 11

school programs for the County will not be renewed after its current expiration at the end of the 2021-2022 school year.

- The expenditure for the business and multi-family portion of the school, multi-family, and business program in the proposed FY 21-22 budget is reduced by 19% in the projected FY 22-23 budget onwards. This assumes that the expenditure will decrease by the same proportion of commercial accounts in the Unincorporated County.
- All other non-SB 1383 public education and outreach expenditures will be unaffected by the Unincorporated County's notification of intent to withdraw from the IWMA.

### **IWMA Gross Receipts Determination**

- The total amount of franchise fees collected by the member agencies in FY 20-21 was \$4,580,623. This assumes that the amounts reported by each individual member agency are accurate.
- The total amount of gross receipts for FY 20-21 was \$47,888,245. This assumes that each hauler operating in the IWMA provided accurate data to make this calculation.
- The estimated gross receipts for FY 21-22 was based on a 3% CPI increase from FY 20-21 gross receipts.
- The estimated gross receipts for FY 22-23 was based on projections provided by Member Agencies for FY 21-22 gross receipts, with HF&H assuming that the provided increases would go into effect July 1, 2022. In cases where the Member Agency did not provide an estimate, a default assumption of a 5% increase from FY 20-21 gross receipts. In cases where the member agency provided an estimated range of increase in gross receipts for FY 21-22, the midpoint of the range was used. In instances where the member agencies provided gross receipt projections that included a presumed 3.25% IWMA solid waste management fee, HF&H removed this portion of the projection. In instances where member agencies projected a decrease in gross receipts compared to FY 20-21, HF&H instead assumed that FY 22-23 gross receipts were equal to FY 21-22 gross receipts calculated.

### **Budget Projection**

- The CPI inflation index is 3% in FY 22-23, FY 23-24, and FY 24-25.
- The labor rate inflation index is 3% in FY 22-23, FY 23-24, and FY 24-25.
- The household hazardous waste fee inflation factor is 3% in FY 22-23, FY 23-24, and FY 24-25.
- The landfill tipping fee is expected to remain constant at \$3/ton for this projection period.
- The target unrestricted fund balance is equal to 25%.

Using the assumptions noted above, the revised solid waste management fee percentage was calculated following the previously described methodology.

Board of Directors  
January 7, 2022  
Page 11 of 11

## Limitations

- This analysis is based on the various assumptions noted, including those to account for insufficient data regarding service account information and average tonnage generated in the Unincorporated County. Changes to these assumptions may have a material impact on the analysis.
- No jurisdictions in the State currently have operational experience with SB 1383 programs included in this analysis; furthermore, the IWMA does not have prior experience operating without the Unincorporated County; as a result, these estimates may vary from actual experience.
- Member agencies are currently engaged in negotiations with their respective waste haulers. Final negotiations may result in future rate adjustments for FY 21-22, and associated gross receipts, differing from the estimates provided by member agencies and utilized by HF&H. Furthermore, the rate adjustments may become effective at a date differing from that assumed for the purposes of this analysis, July 1 2022.

## Recommendations

HF&H recommends that the IWMA Board revises its solid waste management fee to equal 5.4% to generate the revenue required to fund the ongoing obligations of the IWMA member agencies. Expenditures are projected to exceed available funds by the first quarter of FY 22-23 if the IWMA does not significantly increase its revenue, through this fee adjustment or otherwise, or significantly lower expenditures.

\* \* \* \*

HF&H appreciates the opportunity to be of service to the IWMA Board. If you have any questions regarding this submittal, please do not hesitate to call me directly at (925) 977-6959.

Very truly yours,  
HF&H CONSULTANTS, LLC



Rob Hilton, CMC  
President

Attachment:

A. Projected Revenues and Expenditures

# ATTACHMENT A: PROJECTED REVENUES AND EXPENDITURES

Budget Items	Projected Actuals FY 21-22	FY 22-23	FY 23-24	FY 24-25
<b>EXPECTED UNRESTRICTED OPENING FUND BALANCE - JULY 1, 2021 <sup>(1)</sup></b>	\$ 1,745,474	\$ 304,658	\$ 367,452	\$ 660,017
<b>REVENUE</b>				
Operating Revenue				
Landfill Tipping Fees	\$ 812,332	\$ 812,332	\$ 812,332	\$ 812,332
Current Solid Waste Management Fees	\$ 947,589	\$ -	\$ -	\$ -
Hazardous Waste Program Fees	\$ 78,700	\$ 81,061	\$ 83,493	\$ 85,998
Hauler Fees (New)	\$ -	\$ 3,093,266	\$ 3,186,063	\$ 3,281,645
Subtotal: Operating Revenue	\$ 1,838,621	\$ 3,986,659	\$ 4,081,888	\$ 4,179,975
Non-Operating Revenue				
Grants	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000
Interest	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000
Other	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Subtotal: Non-Operating Revenue	\$ 117,000	\$ 117,000	\$ 117,000	\$ 117,000
<b>TOTAL REVENUE</b>	<b>\$ 1,955,621</b>	<b>\$ 4,103,659</b>	<b>\$ 4,198,888</b>	<b>\$ 4,296,975</b>
<b>EXPENDITURES</b>				
Salary and Benefits <sup>(2)</sup>	\$ 540,092	\$ 666,079	\$ 686,061	\$ 706,643
Administration/State Reporting Expenditures	\$ 268,325	\$ 276,375	\$ 284,666	\$ 293,206
SB 1383 Expenditures				
SB 1383 Employee Salary and Benefits	\$ 190,920	\$ 389,487	\$ 401,172	\$ 413,207
Report Tracking System	\$ 55,000	\$ 56,650	\$ 58,350	\$ 60,101
SB 1383 Education and Monitoring	\$ 368,471	\$ 379,525	\$ 390,911	\$ 402,638
Other SB 1383 Expenditures	\$ 354,762	\$ 365,405	\$ 376,367	\$ 387,658
Subtotal: SB 1383 Expenditures	\$ 969,153	\$ 1,191,067	\$ 1,226,800	\$ 1,263,604
Hazardous Waste Program Expenditures				
Electronic Waste Disposal	\$ 62,700	\$ 64,581	\$ 66,518	\$ 68,514
Curbside Used Motor Oil and Filter Disposal	\$ 8,000	\$ 8,240	\$ 8,487	\$ 8,742
Universal Waste Disposal	\$ 515,000	\$ 530,450	\$ 546,364	\$ 562,755
Rechargeable Battery Disposal	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564
Other Hazardous Waste Programs	\$ 282,933	\$ 291,421	\$ 300,164	\$ 309,169
Subtotal: Hazardous Waste Program Expenditures	\$ 928,633	\$ 956,492	\$ 985,187	\$ 1,014,744
Public Education and Outreach Expenditures				
AB 1826 Public Outreach and Education	\$ 146,799	\$ 151,203	\$ 155,739	\$ 160,411
Business and Multi-Family Outreach Programs	\$ 403,327	\$ 413,806	\$ 426,220	\$ 439,007
Subtotal: Public Education and Outreach Expenditures	\$ 550,126	\$ 565,009	\$ 581,959	\$ 599,418
TAG Grant Expenditures	\$ -	\$ -	\$ -	\$ -
<b>TOTAL OPERATIONS EXPENDITURES</b>	<b>\$ 3,256,329</b>	<b>\$ 3,655,022</b>	<b>\$ 3,764,673</b>	<b>\$ 3,877,615</b>
Capital Expenditures				
Structure and Improvements (S&I)	\$ -	\$ 300,000	\$ -	\$ -
Equipment	\$ 140,108	\$ 85,843	\$ 141,650	\$ 44,181
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$ 140,108</b>	<b>\$ 385,843</b>	<b>\$ 141,650</b>	<b>\$ 44,181</b>
Transfers to Restricted Funds				
HHW Closure Fund	\$ -	\$ -	\$ -	\$ -
HHW Emergency Fund	\$ -	\$ -	\$ -	\$ -
Capital Replacement Funds	\$ -	\$ -	\$ -	\$ -
<b>TOTAL TRANSFERS TO RESTRICTED FUNDS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL AVAILABLE UNRESTRICTED FUNDS</b>	<b>304,658</b>	<b>367,452</b>	<b>660,017</b>	<b>1,035,196</b>
Restricted Funds				
HHW Closure Fund	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
HHW Emergency Fund	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Capital Replacement Fund	\$ -	\$ -	\$ -	\$ -
<b>PROJECTED YEAR-END BALANCE JUNE 30, 2021</b>	<b>\$ 1,604,658</b>	<b>\$ 1,667,452</b>	<b>\$ 1,960,017</b>	<b>\$ 2,335,196</b>

<sup>(1)</sup> Does not include Funds held for HHW closure or Emergency fund

<sup>(2)</sup> SB 1383 salaries and benefits are included in the 'SB 1383 Employee Salary and Benefits' line item