



**CENTRAL CONTRA COSTA  
SOLID WASTE AUTHORITY**

# Agenda Report

**TO:** CCCSWA FINANCE AND ADMINISTRATION COMMITTEE  
**FROM:** JANELLE CAMERON, EXECUTIVE ASSISTANT/ACCOUNTING AND BUSINESS OPERATIONS AND AUTHORITY STAFF  
**DATE:** APRIL 10, 2010  
**SUBJECT:** **PROPOSED OPERATIONS FUND BUDGET AND DIVERSION INCENTIVE FUND BUDGET FOR FISCAL YEAR 2010/11**

## SUMMARY

In April of each year, Staff presents a draft proposed Operations Fund Budget to the Finance Committee for their comments and input as the first step in presenting the Board of Directors with a proposed budget at the regularly scheduled May Board meeting. For the first time this year, Staff has prepared a Two Year Diversion Incentive Fund (DIF) and Operations Fund Budget for presentation to the Finance Committee and the Board during the budgeting cycle. Any input from either the Finance Committee and/or the Board is then included for presentation and recommended adoption of the final budget at the regularly scheduled June Board meeting.

The 2010/11, draft proposed Operations Fund Budget expenses (Attachment A) are estimated to total \$1,367,129, or 2% more than budgeted in the 2009/10 fiscal year. These expenses would result in an end-of-year balance of \$124,604 or a 8% reserve. It is projected that the 2009/10 budget will come in at \$1,321,538 expended, which is 2% less than anticipated, leaving a \$298,079 reserve—or fund balance—at fiscal years end. The proposed expenditures in the Operations Budget are for routine functions, Administrative activities and for the most part, diversion programs that are established and ongoing.

## RECOMMENDED ACTION

1. Review the Staff proposed FY 2010/11 budgets and provide input.
2. Direct Staff to place the Budget, with any input from the Finance Committee, on the May 27, 2010 Board Meeting Agenda for full Board review and possible input (once all Committee and Board input is received and inputted to the budget, it is calendared for formal adoption at the June 24, 2010 Board Meeting).
3. Provide direction to Staff regarding implementation of a Two Year Budget process for the DIF and Operations Budget.

## DISCUSSION

### Background

The Operations Fund Budget is one of the CCCSWA's two funding sources for the agency's day-to-day operations, baseline program design and implementation, as well as ongoing projects. Operations fund monies are primarily generated from Administrative Fees and the Source Reduction and Recycling Element Fees that are contained in the residential and commercial solid waste rates set by the Board of Directors each year and collected by Allied Waste Services. These Funds are periodically supplemented by grants from state agencies and other sources. The CCCSWA's fiscal year runs from July 1<sup>st</sup> through June 30<sup>th</sup>.

The second funding source is the Diversion Incentive Fund (DIF) which is funded through the sale of residential recyclables collected and processed from our service area. Although these monies are used primarily to fund one-time expenses and start-up and/or pilot recycling programs, they are also used to pay for the Wastebusters Schools Program and the Reuse and Cleanup Days incentive payment to Pacific Rim Recycling. The DIF is also occasionally used for other special purposes as approved by the Board. In October/November 2008 revenues from the sale of recyclables literally vanished. Within two months recyclable commodities were able to be sold, however the market rebounded as a shadow of its former self. During the current 2009/10 fiscal year the sale of these commodities have grown at a steady pace. Staff budgeted to receive \$420,000 in revenues from Pacific Rim Recycling for the sale of recyclables. To date the Authority has received \$928,488.79, 45% more than originally forecasted when the 2009/10 Budget was approved.

In 2008/09 \$375,000 was budgeted in the DIF to begin the process of finding a new location for the Walnut Creek Recycling Center (WCRC). The Board concluded that if their decision was not to seek a new recycling center, the \$375,000 was to be distributed to the City of Walnut Creek and the County to further the settlement of the reserve issue. The Board subsequently decided not to undertake the effort of finding, permitting and building a new center but asked that the monies continue to be held in the DIF to be distributed to the County and Walnut Creek when the sales of recyclables rebound. Now, as we set next fiscal year's budget, Staff is confident that at the end of the 2009/10 fiscal year, due to increased revenues, there will be enough funds in the DIF to disperse the \$375,000 which will (save any other instruction from the Board) be allocated in June 2010. The first installment of the DIF Reserve Settlement which is planned to be continued throughout this franchise contract period can now, with the increased recyclables revenue, begin to be disbursed; Staff estimates the amount available for use in RY 7 will be \$139,902.

### **Draft proposed Operations Fund Budget**

#### **a. Revenue**

As stated above, the revenue for the Operations Fund is primarily derived from fees contained in the solid waste rates. The fees approved by the Board in January 2010 for Rate Year 6 totaled \$1,126,326. In addition, the Operations Fund receives revenue from interest bearing accounts and other miscellaneous sources. As shown in Attachment A, total funds available for the year are estimated to be \$1,491,783. Estimated revenue by source is also shown in Attachment A. Miscellaneous revenues have increased for FY 2010/11 totaling \$20,000 due to recording higher income after rebates for the bio-stack home composters in our compost bin sales program.

#### **b. Expenses**

The proposed budget includes the following expenditures:

1. **Personnel Services** expenses include staff salaries and benefits, potential workers compensation and unemployment payments, Board Member remuneration, temporary help and intern salaries as well as scheduled merit increases for regular employees.

Expenses for this category total \$762,819, which is a 7% increase from this year's budget. The increase is primarily due to Staff's recommendation to add an entry-level Waste Prevention and Recycling Program Manager position to our small staff of six. The need for this position has been evaluated and found, at this time, to be necessary. Previously, we have attempted to enhance our staff efforts by budgeting for and using two interns to largely handle the waste diversion programs for Office Buildings and the Multi-family sector. This approach has not worked. Accordingly, we recommend eliminating these two positions and using the cost savings to help in funding a new Program Manager position which will enable us to focus our attention on these two recyclables rich sectors.

2. **Materials and Supplies** expenses include memberships and subscriptions, office supplies, postage, reprographics, travel and training and capital purchases such as computer equipment.

Expenses for this category total \$43,788, which is a 15% decrease from the budgeted amount. This decrease is primarily due to very careful budgeting and planning based on last fiscal year's experience with the components of this line item.

3. **Rent and Utility** expenses include insurance, office rent and telephone charges.

Expenses for this category total \$92,057, which is \$2,455 less than this year. The decrease is due to SDRMA, with whom The Authority is insured, taking into consideration the current economic climate and not raising their rates for the 2010/11 fiscal year and the experience of the current fiscal year's expenditure history.

4. **Professional Services** expenses include legal services, computer troubleshooting and maintenance, financial and auditing services, accounting services provided by the City of Walnut Creek and other consulting expenses generally not associated with a specific program.

Expenses for this category total \$190,502, which is an 8% increase from last year's budget. This increase is primarily due to increasing the legal services budget from \$60,000 to \$75,000. Staff is also budgeting for an "indexed rate" review at \$67,502 which is in keeping with our current approach to rate setting allowing individual member agency workshops to determine rates. This creates increased interface between the rate consultants and Board members to foster a better and more complete understanding of issues and details affecting each member agency.

5. **Program and Information** expenses include residential and commercial outreach, the quarterly *Diversions* newsletter, the Home Composting Program, Schools Program and other public outreach programs including our website.

Expenses for this category total \$272,962 which is a 12% decrease from last year's budget. This decrease is primarily due to decreases in outreach materials for commercial (multi-family and office building), residential and universal waste programs. All other components of this line item were carefully estimated based on actual experience over the last two years to provide a more accurate and precise budget forecast. Outside of Personnel Services, this line item is our largest expenditure category and received the closest attention in this years budgeting to insure that we have a reserve to fall back on should FY 2010/11 present us with under-budgeted challenges.

6. **Overall expenses** for all five budget categories totaled \$1,367,129, which is a 2% increase over last year's total budgeted expenses.

**Balance Statement**

Based on the above estimated revenue and proposed expenditures, the Operations Fund balance at the end of the 2010/11 fiscal year is estimated to be \$129,654. This balance—our reserve—equals 12% of the general funds available. The proposed Operations Fund Balance Statement for FY 2010/11 is provided in Attachment C.

### **Diversion Incentive Fund**

#### **a. Revenue**

Revenue into the DIF comes from the sales of recyclable commodities at the Davis Street facility in Alameda County that processes materials for Valley Waste Management (VWM) collected in the Lamorinda area. Revenues are also collected from the Pacific Rim Recycling (PRR) facility in Benicia that processes materials for VWM's collections in the 680 corridor. In the case of VWM, after a guaranteed amount of annual revenues are applied to annual solid waste rates, the Authority shares in revenues above a baseline amount. With PRR, the Authority shares revenue from recyclables above a prescribed amount and credits PRR if revenues fall below a specified amount.

By the end of FY 2009/10 CCCSWA will realize an estimated (by June 30, 2010) \$1,138,430 in recyclables revenue from PRR and \$443,326 from VWM which (this amount is higher than usual because of organizational changes at WM new unfamiliar staff did not disperse the prior year 's funds to the authority; Staff recovered these funds and they are included in this FY's funding), when added to the FY's beginning balance of \$1,718,581 made a total of \$3,300,337 in funding available, as outlined in Attachment B. During the Reserve Balance Settlement of 2008, it was decided that at the end of every year, after all expenses have been paid and a \$1.5 million DIF reserve set aside, the remaining funds were to be split amongst all member agencies except Orinda. As a result of the increase of recyclable material sales, this current year is the first year that the Authority will be able to disperse the first payment of the settlement. After \$1.5 million is deposited into the DIF Reserve account and the City of Walnut Creek and the County receives their \$375,000, Staff has forecasted that there will be \$139,902 to deposit into the member agencies reserve accounts based on the approved formula.

During FY 2009/10, Staff is projecting VWM receipts of \$200,000 and PRR receipts of \$1,138,430. Staff has carefully managed the DIF fund over the past several months after the slow return of the recyclables market and has been able, with the assistance of the Board to continue the Commercial Food Waste Pilot program by increasing its budget by \$111,000, which will fund the program for the remainder of this fiscal year. For FY 2010/11 we have budgeted items and programs that we feel have the highest priority in order to keep the Authority focused on increasing the diversion rates and aligning our programs with the FY 2010/11 goals and objectives in the short, medium and long term.

#### **b. Expenses**

During fiscal year 2010/11, it is projected that expenditures in pursuit of diversion from the DIF will total \$805,996 for the programs and activities listed on the attached chart (Attachment B). The draft budget for the DIF includes proposed expenditures as follows:

1. **Household Battery Collection on Reuse and Clean-up Days** is proposed in the amount of \$22,000 to cover the cost of processing this commodity @ \$.90 per lb. from curbside pick-up. Collection costs are not applicable to household batteries because they are collected curbside along with other commodities from the Reuse and Cleanup Day program. Therefore, the collection costs are included in the yearly rate setting for AWS.

2. **Retail Battery Collection Program** costs are proposed in the amount of \$120,000 to cover the expenses of both collections at our retail sites throughout the service area, as well as the costs associated with the processing of these batteries for shipment to the recycling facility.
3. **Commercial Food Waste Pilot Program** costs for continuing the program for June through August 2010 and expanding the program by adding new participants are proposed in the amount of \$147,000. This program began two years ago and is currently generating food waste by over 100 participating restaurants (expansion of this program will continue in September 2010 when the program will begin to be funded through the rates as approved during setting Rate Year 6 rates). The additional funding allocated to AWS will pay for collection, transfer, grinding, and disposal at EBMUD during the first two months of the new fiscal year. The funds allocated to our training consultant, ESA, will support the additional participant assessment and training requirements for new food waste generators beginning in September 2010.
4. **Home Food Scrap Program for Walnut Creek** is proposed in the amount of \$53,000 to cover the cost of outreach about the program and the distribution of the indoor collection containers that were purchased in this fiscal year. There are no collection costs for the Authority because all forecasted tonnages for Walnut Creek will fit within the current franchise agreement.
5. **Increase in Compost Capacity** may be necessary due to recurring legislative efforts to discontinue the AB 939 diversion credit for green waste when used as daily cover in landfills. When this happens there will be a “land rush” to find destinations for green waste recycling that can be counted as credit in California cities’ and counties’ CIWMB diversion reports. \$45,000 is proposed for this effort which will fund a feasibility study.
6. **PRR Incentive Bonus (Reuse)** is an incentive provided each year to encourage maximum collection of reusable items in the Curbside Re-use and Clean-up Program. Staff estimates, based on past experience, a budget amount of \$87,896 for this purpose. This bonus has usually increased but staff believes that people tend to hold on to items during a recession, therefore this amount has decreased in FY 2009/10. Staff has decided to average the 2008/09 and 2009/10 amount to forecast the 2010/11 amount of useable materials diverted for reuse.
7. **Reusable Bags/Special Events** is a program that was created out of our efforts to decrease the use of single use bags and brand ourselves as the “go to” place for information on recycling and waste diversion in the Central Contra Costa community. This year we budgeted \$2,000 for reusable bags but we would like to go a step further by distributing more and using more attractive and durable bags. As a result we have increased this line item to \$6,000.
8. **“Wastebusters” Program** is a part of our schools program that certifies schools within the Authority’s service area for their participation in recycling programs and provides cash rewards for schools that earn this title. Due to these awards being given at the end of the school year—generally in May—it is unknown how many schools will qualify, so the \$30,000 budgeted will provide for all schools that are eligible.
9. **Sharps Collection Program** is a necessary program for disposing of medical sharps which are banned by the State from being disposed in landfills. In order to allow ratepayers access to convenient and proper disposal, the recommends spending \$35,000 on implementing a sharps drop-off container in CCCSWA communities.
10. **Strategic Marketing / Commercial** is proposed at \$40,500 in an effort to further the Authority’s stated objective of relevant and consistent outreach. Staff is recommending that a professional overall marketing campaign for commercial programs be established to further brand our agency. The

amount stated for this item will pay for the Riezebos Holzbaur Group (RHG) to develop an overall strategy, concept and product, including: website pages, survey, advertising, bill inserts, and press activities to begin our marketing efforts to increase the low numbers of recyclables from commercial entities.

11. **RecycleBank** budgeted at \$102,000, is a program to increase the single family residential recycling numbers which have declined over the past few years. Staff is recommending rolling out the RecycleBank program in Moraga and Orinda to test the systems ability to increase monthly collection by 100-200 lbs/residence. A RecycleBank approach is geared to providing rewards to households that increase recycled materials. An advantage to this program is that actual experience regarding increased recyclables tonnage can be precisely measured. This will allow Staff to ascertain if the program could be recommended for roll-out to other member agencies.
12. **Commercial Food Waste Recognition**'s proposed budget of \$19,000 is to show our appreciation for and recognition of the participants of the pilot program throughout our service area. The recognition will consist of a decal for participants to display in their businesses and local media advertisement of their participation. We are hoping that this effort will serve two purposes; the first being, it will illustrate to the participants that CCCSWA appreciates their assistance with reducing waste and secondly, encourage non participating businesses to begin recycling food waste as we increase the program beginning in September.
13. **Universal Waste Newspaper Ad's** \$9,000 budget is to advertise our batteries program and new programs that are being recommended by staff including medical, sharps and fluorescent light collection. Advertising will help to educate the public about the availability of these programs.
14. **Cart Lid Program** was suggested that utilizing the solid waste carts to further educate ratepayers would be beneficial. The \$20,000 budgeted would pay for the printing and placement of the decals on carts for two recycling routes (approximately 4,500 to 5,000 homes). We would attempt to measure the effectiveness of this effort after emplacing the new lidded carts.
15. **Fluorescent Pilot Program** under the California Universal Waste Rule, fluorescent lights are banned from the landfill. Local retailer collection programs are sporadic and poorly advertised. In order to help ratepayers adhere to this mandate, staff is recommending that partnering retailers be granted a flat sum of money to start up collection programs for fluorescents. The \$20,000 will be used to fund the start up of approximately eight retail collection programs.
16. **Plastics Reduction/"Bring Your Own Bag"** budget of \$24,500 is part of an integrated plan the CCCSWA will implement as an education campaign in response to concerns with one-time plastic bag use. This campaign will be supported by the website and newsletter but will primarily be used to design and place signage and advertisements to compel residents to use the reusable bags thus reducing the use of one-time plastic bags.
17. **Develop and Test Replacement for Biostack Composters** proposed budget of \$5,100 is to initiate the search for a comparable compost bin to replace the Biostack composter. Compost bins will be tested by CCCSWA staff and compost workshop instructors and samples or photographs will be shown at compost workshops to gain public input in this decision.
18. **Special Events'** proposed budget of \$8,000 is for staff to participate in one large special event for each member city and distribute waste reduction and recycling information. Staff is also recommending the purchase of shirts possessing CCCSWA name/logo for use by staff at special

events and outreach meetings. Funds will also be used for new booth displays, setup materials and organization of informational brochures.

19. **A Classification and Salary Study** of CCCSWA positions is recommended to be completed this fiscal year at a cost of \$12,000. This project is needed to insure that positions are appropriately classified and compensated.
20. **PERS / Payroll Changes** line item has been added to the DIF budget due to a PERS audit at the City of Walnut Creek. It has been determined by PERS management that CCCSWA must arrange for direct membership in PERS rather than through the City of Walnut Creek, as has been the process in the past. Also, as a result of an IRS audit, the Authority must arrange our own in-house payroll (or employ a service to undertake this effort). There isn't a dollar amount attached to this effort as of yet because there are many details that staff will need to explore before determining the exact cost implications of changing from the current system.
21. **Total Expenses** for distribution are \$805,996 which will leave a \$1.5 million DIF reserve and an estimated balance of \$594,004 at fiscal year's end which will be available for Member Agency's Reserve Fund distribution.

#### ATTACHMENTS

- A. Proposed Operations Fund Budget for FY 2010/11
- B. Diversion Incentive Fund Budget for FY 2010/11
- C. Proposed Operations Fund Balance Statement for FY 2010/11