

# TEN-YEAR FINANCIAL FORECAST

2020 ANNUAL REPORT OC WASTE & RECYCLING



# HIGHLIGHTS OF TEN-YEAR FINANCIAL FORECAST

OC Waste & Recycling (OCWR) is responsible for the administration and management of Orange County's solid waste disposal system. The Department is structured as an enterprise fund and is primarily supported by revenues from disposal fees that are charged to customers. OC Waste & Recycling receives no tax revenues or County General Fund contributions to support its operations.

OCWR has actively pursued ways to expand its service and core functions by exploring new technologies and alternatives in waste management, in addition to converting landfill gas into beneficial sources of energy. The Department continues working toward a future focused on increased recycling resource recovery and renewable energy. Although landfilling remains an essential public service, OCWR recognizes the need to evolve along with new legislation that is creating the need for additional infrastructure as well as keep pace with technology and environmental demands to broaden its waste management services.

The 10-Year Financial Forecast included in this Annual Report is for the period of FY 2020/21 through FY 2029/30. The projected tonnage anticipates a trend of lower tonnage due to impacts of legislation that requires increased diversion and industry-transforming organic waste management. A revised permit for extension of Olinda Alpha Landfill operation to December 30, 2036 is being reviewed by the Local Enforcement Agency (LEA).

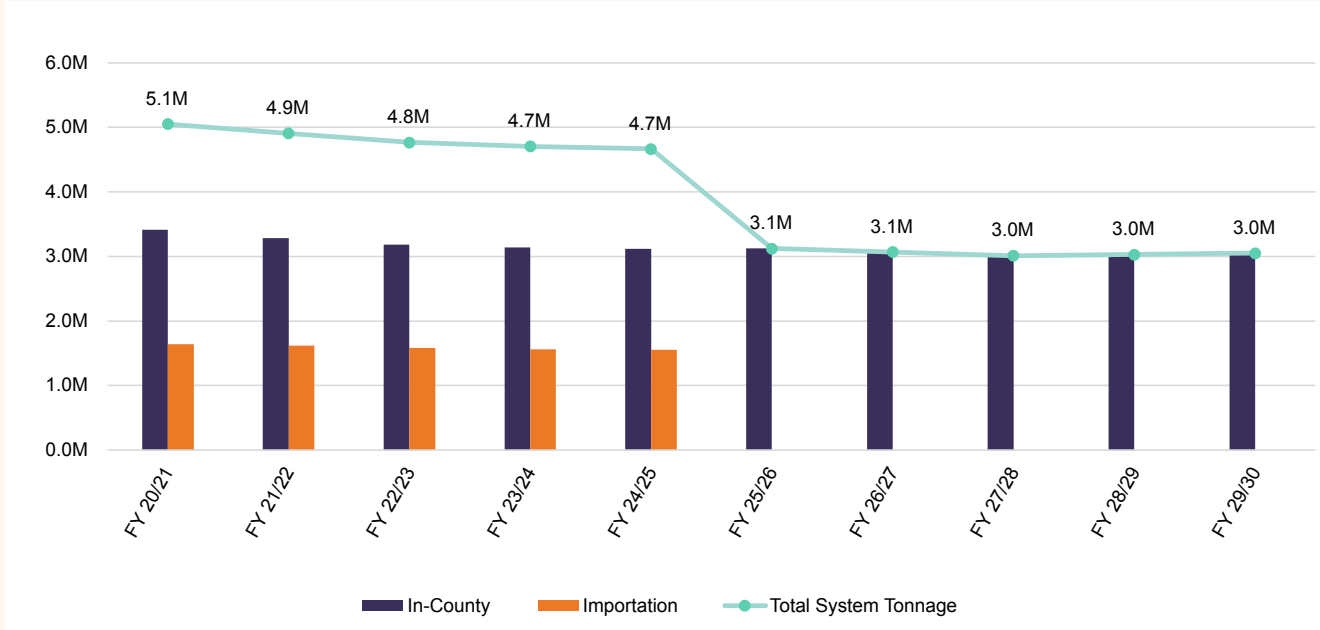
Forecasted system revenues reflect a significant decrease in tonnage revenue after waste importation ends on June 30, 2025 per the term of Amendment No. 1 to the Waste Disposal Agreements. Projects are an increase in revenue from renewable energy sources and rent collected from the use of OCWR properties. Net importation revenue sharing to the County is expected to be in the range of more than \$7 million a year, with the same amount going to Orange County cities (Table B. Forecasted System Revenues).

Forecasted system expenses include significant capital project costs related to the future development of the landfill system, costs for infrastructure components rebuilt due to damages sustained from the Silverado Fire in October 2020, and construction costs of renewable energy plants (Table C. Forecasted System Expenses). Expenses are projected to be higher than revenues in the years with large capital projects (CHART 2). OCWR will strategically utilize reserves, maximize operational efficiencies, monitor expenditures, and capitalize on projected revenue inflow from renewable energy projects to decrease the shortfall.

The schedule following CHART 1 and CHART 2 provides a two-year summary of audited financial data for fiscal years ending June 30, 2020 and 2019, respectively. In addition, detailed schedules for tonnage, revenues, expenses, cash balances and accrued closure and post-closure liabilities for the 10-year forecast period are presented in Exhibits A through G.

## SYSTEM TONNAGE (IN MILLIONS)

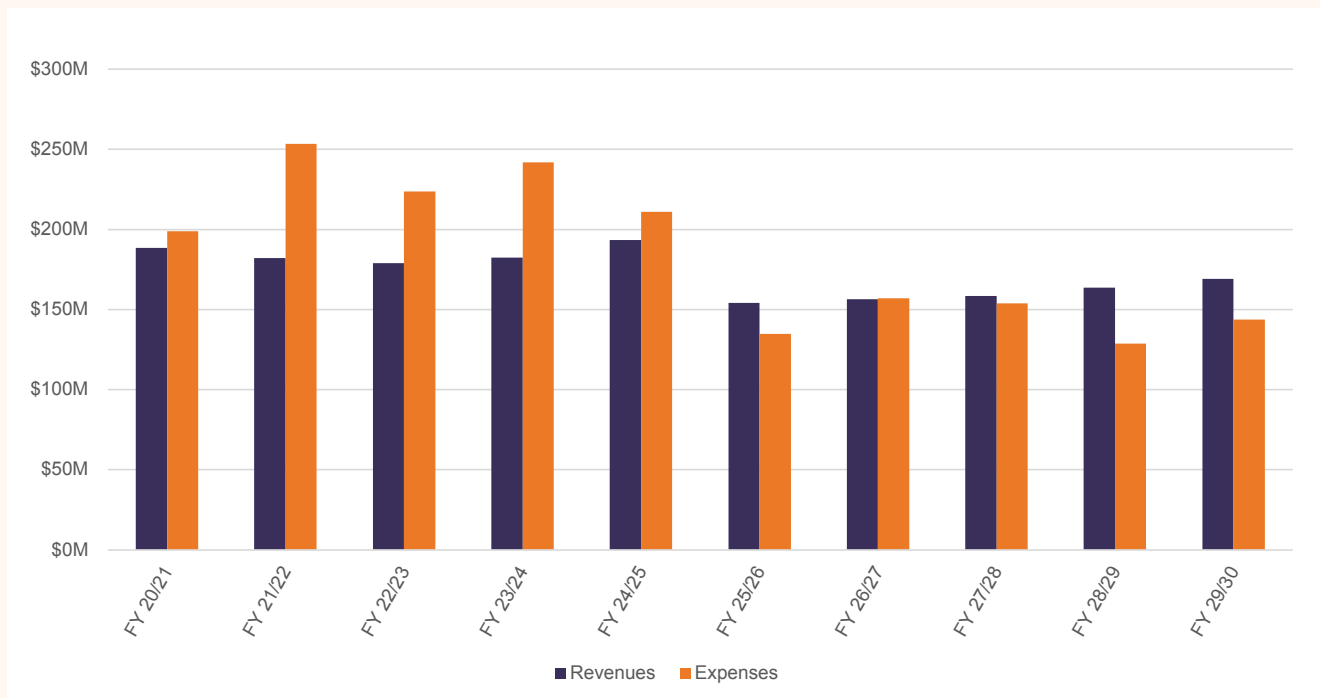
CHART 1



## SYSTEM FINANCIAL PROJECTIONS (IN MILLIONS)

FUNDS 273, 295 AND 299

CHART 2



## TONNAGE & AUDITED FINANCIAL DATA FOR FISCAL YEARS ENDING JUNE 30, 2020 & 2019

### Disposal Waste Tonnage [1]

	6/30/2020	6/30/2019
In-County	3,325,884	3,231,764
Importation	1,847,630	1,916,630
Total System Tonnage	5,173,514	5,148,394

### Statements of Revenues, Expenses and Changes in Fund Net Position For the Years Ended June 30, 2020 & 2019 [2]

	6/30/2020	6/30/2019
Total Revenues	\$ 193,645,323	\$ 189,300,779
Total Expenses	\$ 141,113,551	\$ 137,709,803
Change in Net Position	\$ 52,531,772	\$ 51,590,976

### Cash Balances

[3]

[3]

	6/30/2020	6/30/2019
Enterprise/Operating Fund	\$ 240,373,944	\$ 201,756,489
Capital Project Fund	\$ 36,368,087	\$ 27,754,473
Corrective Action Escrow Fund	\$ 8,796,318	\$ 8,572,051
Environmental Reserve Fund	\$ 62,079,880	\$ 60,534,218
Deferred Payment Security Deposits Fund	\$ 851,660	\$ 791,182
Habitat Mitigation Escrow Funds	\$ 983,289	\$ 983,289

### Accrued Closure and Postclosure

[3]

[3]

	6/30/2020	6/30/2019
Landfill Closure Liabilities	\$ 70,158,517	\$ 67,141,007
Landfill Postclosure Liabilities	\$ 114,222,626	\$ 112,616,301
Escrow Funds (Closure) Cash Balance	\$ 94,957,465	\$ 92,536,475
Landfill Postclosure Cash Balance	\$ 146,042,589	\$ 130,547,937

[1] Source: Disposal Reporting System (DRS) Monthly Tonnage Reports.

[2] Source: OC Waste & Recycling 2020 Audited Financial Statements and Trial Balance (Eide Bailly LLP - Certified Public Accountants).  
 OC Waste & Recycling 2019 Audited Financial Statements and Trial Balance (Eide Bailly LLP - Certified Public Accountants).

[3] Source: 2nd Close Figures obtained from County financial system reports.  
 2nd Close Figures include adjustments and reclassifications to the General Ledger subsequent to the official June 30 year-end close.

## A. FORECASTED SYSTEM TONNAGE

Description	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Frank R. Bowerman Landfill	1,508,402	1,587,926	1,537,701	1,517,511	1,505,404
Olinda Alpha Landfill	1,305,914	1,219,249	1,180,685	1,165,183	1,155,887
Prima Deshecha Landfill	599,144	479,800	464,624	458,524	454,866
<b>Total In-County Tonnage</b>	<b>3,413,460</b>	<b>3,286,975</b>	<b>3,183,010</b>	<b>3,141,218</b>	<b>3,116,157</b>
Frank R. Bowerman Landfill	670,041	692,601	676,345	667,465	662,140
Olinda Alpha Landfill	843,086	811,408	792,363	781,960	775,721
Prima Deshecha Landfill	126,870	118,099	115,327	113,813	112,905
<b>Total Imported Tonnage</b>	<b>1,639,997</b>	<b>1,622,108</b>	<b>1,584,035</b>	<b>1,563,238</b>	<b>1,550,766</b>
<b>Total System Tonnage</b>	<b>5,053,457</b>	<b>4,909,083</b>	<b>4,767,045</b>	<b>4,704,456</b>	<b>4,666,923</b>

Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Frank R. Bowerman Landfill	1,509,742	1,482,865	1,562,380	1,464,601	1,473,357
Olinda Alpha Landfill	1,159,218	1,138,581	1,011,404	1,124,558	1,131,281 <sup>[1]</sup>
Prima Deshecha Landfill	456,177	448,056	439,910	442,538	445,184
<b>Total In-County Tonnage</b>	<b>3,125,137</b>	<b>3,069,502</b>	<b>3,013,694</b>	<b>3,031,697</b>	<b>3,049,822</b>
Frank R. Bowerman Landfill	0	0	0	0	0
Olinda Alpha Landfill	0	0	0	0	0
Prima Deshecha Landfill	0	0	0	0	0
<b>Total Imported Tonnage</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total System Tonnage</b>	<b>3,125,137</b>	<b>3,069,502</b>	<b>3,013,694</b>	<b>3,031,697</b>	<b>3,049,822</b>

[1] Olinda Alpha Landfill is projected to fill by FY 2035/36.

## B. FORECASTED SYSTEM REVENUES

Description	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Fund 299 Enterprise / Operating - Total Revenues	\$ 140,374,313	\$ 134,931,639	\$ 130,716,797	\$ 132,911,158 <sup>[2]</sup>	\$ 142,935,577
Fund 273 Capital Project / Operating - Total Revenues <sup>[1]</sup>	\$ 208,692	\$ 400,000	\$ 928,205	\$ 1,153,039	\$ 638,472 <sup>[1]</sup>
Fund 295 Importation Revenue Sharing - Total Revenues	\$ 47,805,900	\$ 46,668,047	\$ 47,258,876	\$ 48,410,668	\$ 49,849,36 <sup>[3]</sup>
<b>Total Projected Revenues</b>	<b>\$ 188,388,905</b>	<b>\$ 181,999,686</b>	<b>\$ 178,903,878</b>	<b>\$ 182,474,865</b>	<b>\$ 193,423,410</b>

Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Fund 299 Enterprise / Operating - Total Revenues	\$ 153,668,050	\$ 156,137,298	\$ 157,940,564	\$ 163,109,014	\$ 168,832,991
Fund 273 Capital Project / Operating - Total Revenues <sup>[1]</sup>	\$ 543,091	\$ 342,693	\$ 433,589	\$ 426,469	\$ 343,858 <sup>[1]</sup>
Fund 295 Importation Revenue Sharing - Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Projected Revenues</b>	<b>\$ 154,211,141</b>	<b>\$ 156,479,991</b>	<b>\$ 158,374,153</b>	<b>\$ 163,535,482</b>	<b>\$ 169,176,849</b>

[1] Interest earnings is the only revenue generated by Fund 273.

[2] Fund 299 Total Revenue is projected to include a \$13 million revenue a year from the newly constructed renewable energy facilities at the Prima Deschecha landfill, starting January 2025.

[3] Importation is scheduled to end by 06/30/2025.

## C. FORECASTED SYSTEM EXPENSES

System Expenses by Fund	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Fund 299 Enterprise/ Operating	\$ 151,627,872	\$ 172,877,480	\$ 140,921,257	\$ 139,456,208	\$ 134,436,033
Fund 273 Capital Project/ Operating	\$ 28,237,731	\$ 61,764,332	\$ 67,080,000	\$ 85,300,000	\$ 59,550,000
Fund 295 Importation Revenue Sharing	\$ 19,097,760	\$ 18,704,527	\$ 18,771,364	\$ 19,056,591	\$ 19,452,030 <sup>[1]</sup>
<b>Total System Expenses</b>	<b>\$ 198,963,363</b>	<b>\$ 253,346,339</b>	<b>\$ 226,772,621</b>	<b>\$ 243,812,799</b>	<b>\$ 213,438,062</b>

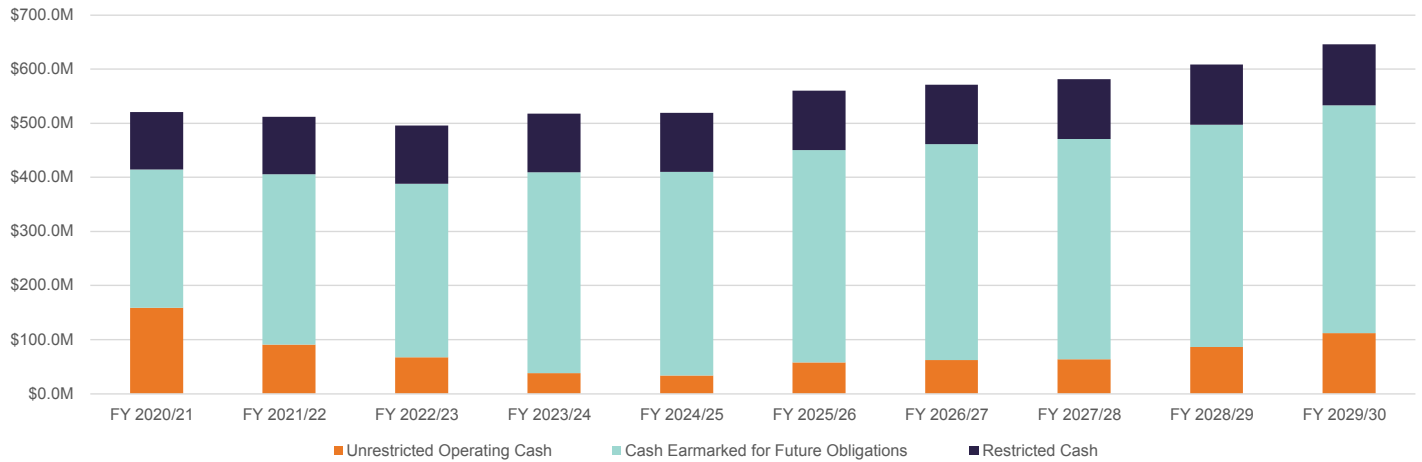
System Expenses by Fund	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Fund 299 Enterprise/ Operating	\$ 130,615,773	\$ 132,627,938	\$ 133,358,480	\$ 129,996,964	\$ 127,562,556
Fund 273 Capital Project/ Operating	\$ 9,250,000	\$ 29,260,000	\$ 25,500,000	\$ 3,800,000	\$ 21,080,000
Fund 295 Importation Revenue Sharing	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total System Expenses</b>	<b>\$ 139,865,773</b>	<b>\$ 161,887,938</b>	<b>\$ 158,858,480</b>	<b>\$ 133,796,964</b>	<b>\$ 148,642,556</b>

[1] Fund 295 Importation Revenue Sharing's expenses include Net Revenue Sharing to County & Cities, Host Fees and Special Tax for importation tonnage.

[2] Capital project expenditures are high during the period of FY 2021/22 to FY 2024/25 due to major landfill development projects and construction of the renewable energy facilities.

## D. FORECASTED CASH BALANCES

### CASH BALANCES



#### Ending Cash Balances

		FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Fund 299	OCWR Operating Fund	\$112.6M	\$33.1M	\$23.1M	\$6.3M	\$6.7M
Fund 273	Capital Project Fund	\$46.4M	\$57.7M	\$44.3M	\$31.9M	\$27.2M
<b>Total Unrestricted Operating Cash</b>		<b>\$159.0M</b>	<b>\$90.8M</b>	<b>\$67.3M</b>	<b>\$38.2M</b>	<b>\$33.8M<sup>[1]</sup></b>
Fund 299	Operating Cash Earmarked for Future Use	\$117.2M	\$136.5M	\$131.6M	\$134.3M	\$135.8M
Fund 275	Environmental Reserves Fund	\$32.4M	\$45.4M <sup>[2]</sup>	\$54.6M <sup>[2]</sup>	\$64.4M <sup>[2]</sup>	\$65.4M
Fund 279	Postclosure Maintenance Fund	\$105.9M	\$132.6M	\$134.6M	\$172.6M	\$175.2M
<b>Total Cash Earmarked for Future Obligations</b>		<b>\$255.5M</b>	<b>\$314.5M</b>	<b>\$320.9M</b>	<b>\$371.3M</b>	<b>\$376.4M</b>
Fund 276	Deferred Payment Security Deposits	\$0.9M	\$0.8M	\$0.8M	\$0.8M	\$0.8M
Fund 274	Corrective Action Escrow Fund	\$8.8M	\$8.9M	\$9.0M	\$9.0M	\$9.1M
Fund 288	FRB Landfill Wetland & Agua Chion Wash Riparian Escrow Fund	\$0.9M	\$0.9M	\$0.9M	\$0.9M	\$0.9M
Fund 286	Olinda Alpha Closure Escrow Fund	\$41.9M	\$42.2M	\$42.5M	\$42.9M	\$43.2M
Fund 284	Frank R. Bowerman Closure Escrow Fund	\$31.4M	\$31.7M	\$31.9M	\$32.2M	\$32.4M
Fund 287	Prima Deshecha Closure Escrow Fund	\$22.1M	\$22.3M	\$22.5M	\$22.7M	\$22.8M
<b>Total Restricted Cash</b>		<b>\$106.1M</b>	<b>\$106.8M</b>	<b>\$107.6M</b>	<b>\$108.4M</b>	<b>\$109.2M</b>
<b>Total Fiscal Year End Cash Balances</b>		<b>\$520.6M</b>	<b>\$512.2M</b>	<b>\$495.8M</b>	<b>\$517.9M</b>	<b>\$519.4M</b>

## D. FORECASTED CASH BALANCES

### CASH BALANCES

Ending Cash Balances		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Fund 299	OCWR Operating Fund	\$41.0M	\$40.8M	\$42.5M	\$68.9M	\$91.1M
Fund 273	Capital Project Fund	\$17.1M	\$21.7M	\$21.3M	\$17.2M	\$21.2M
<b>Total Unrestricted Operating Cash</b>		<b>\$58.2M</b>	<b>\$62.4M</b>	<b>\$63.8M</b>	<b>\$86.1M</b>	<b>\$112.3M</b>
Fund 299	Operating Cash Earmarked for Future Use	\$147.7M	\$151.1M	\$155.2M	\$158.4M	\$161.8M
Fund 275	Environmental Reserves Fund	\$66.4M	\$67.4M	\$68.4M	\$69.4M	\$70.4M
Fund 279	Postclosure Maintenance Fund	\$177.8M	\$180.5M	\$183.2M	\$183.2M	\$188.8M
<b>Total Cash Earmarked for Future Obligations</b>		<b>\$391.9M</b>	<b>\$398.9M</b>	<b>\$406.8M</b>	<b>\$411.1M</b>	<b>\$421.0M</b>
Fund 276	Deferred Payment Security Deposits	\$0.8M	\$0.8M	\$0.8M	\$0.8M	\$0.8M
Fund 274	Corrective Action Escrow Fund	\$9.2M	\$9.3M	\$9.3M	\$9.4M	\$9.5M
Fund 288	FRB Landfill Wetland & Agua Chi-non Wash Riparian Escrow Fund	\$0.9M <sup>[3]</sup>	-	-	-	-
Fund 286	Olinda Alpha Closure Escrow Fund	\$43.5M	\$43.8M	\$44.2M	\$44.5M	\$44.8M
Fund 284	Frank R. Bowerman Closure Escrow Fund	\$32.7M	\$32.9M	\$33.1M	\$33.4M	\$33.6M
Fund 287	Prima Deshecha Closure Escrow Fund	\$23.0M	\$23.2M	\$23.3M	\$23.5M	\$23.7M
<b>Total Restricted Cash</b>		<b>\$110.0M</b>	<b>\$109.9M</b>	<b>\$110.8M</b>	<b>\$111.6M</b>	<b>\$112.4M</b>
<b>Total Fiscal Year End Cash Balances</b>		<b>\$560.1M</b>	<b>\$571.3M</b>	<b>\$581.4M</b>	<b>\$608.7M</b>	<b>\$645.7M</b>

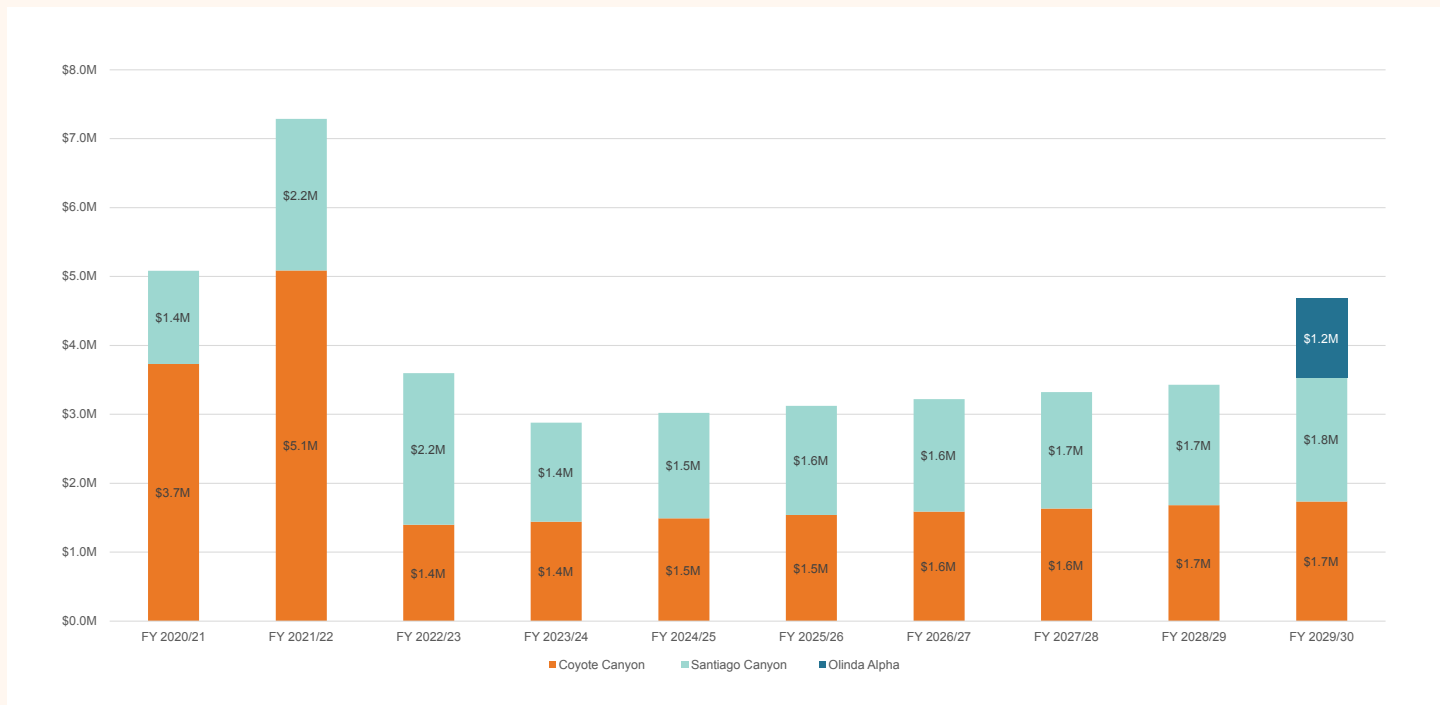
[1] Unrestricted Operating Cash Balance decreases in years with large capital projects.

[2] Fund 275 Cash balance's decrease in FY 2020/21 is due to borrowing from other County departments, which will be paid back in following years.

[3] Per the agreement with the California Department of Fish and Game for habitat mitigation, requirement is estimated to end in FY 2025/26.

## E. LANDFILL POSTCLOSURE MAINTENANCE FUND

### ANNUAL POSTCLOSURE MAINTENANCE EXPENDITURES



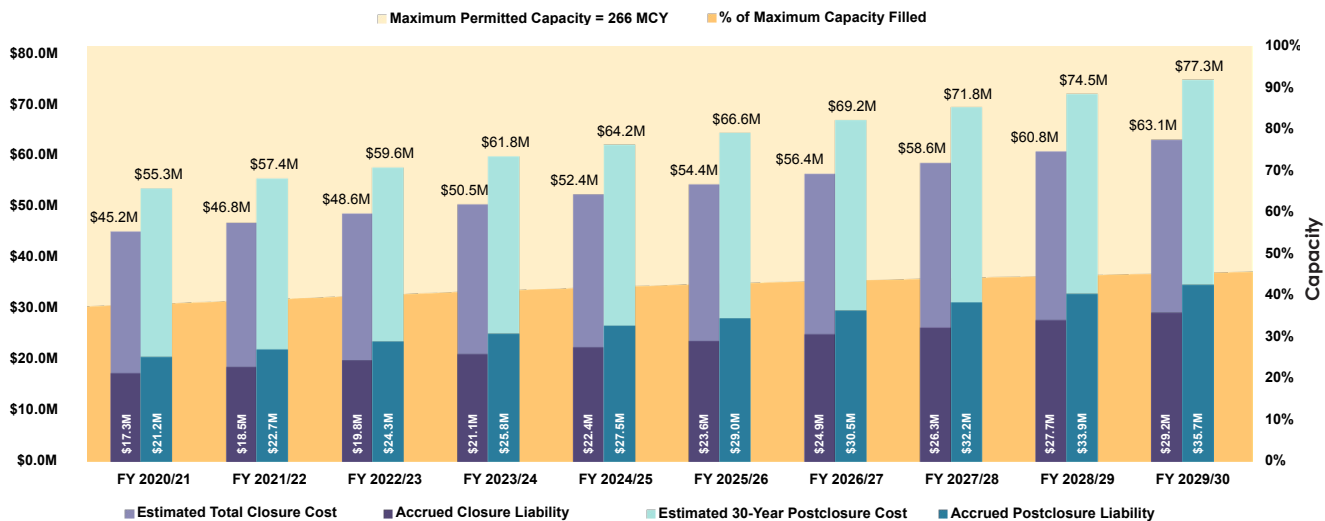
[1] Coyote closed site: FY 2020/21 and FY 2021/22 include the replacement of the Coyote Canyon landfill gas system.

[2] Santiago closed site: FY 2020/21 and FY 2021/22 include the road repairs project for the Santiago landfill.

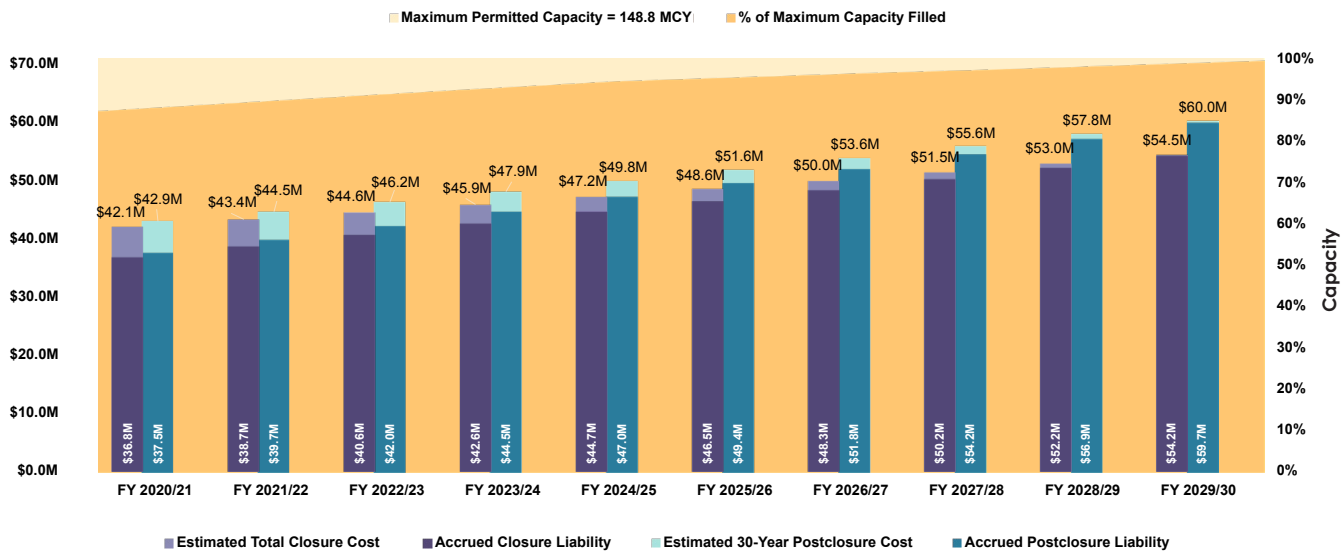
[3] Olinda Alpha Landfill is projected to prepare its 30-year postclosure maintenance period in FY 2029/30.

## F. LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES

Frank R. Bowerman Landfill Closure and Postclosure Liabilities

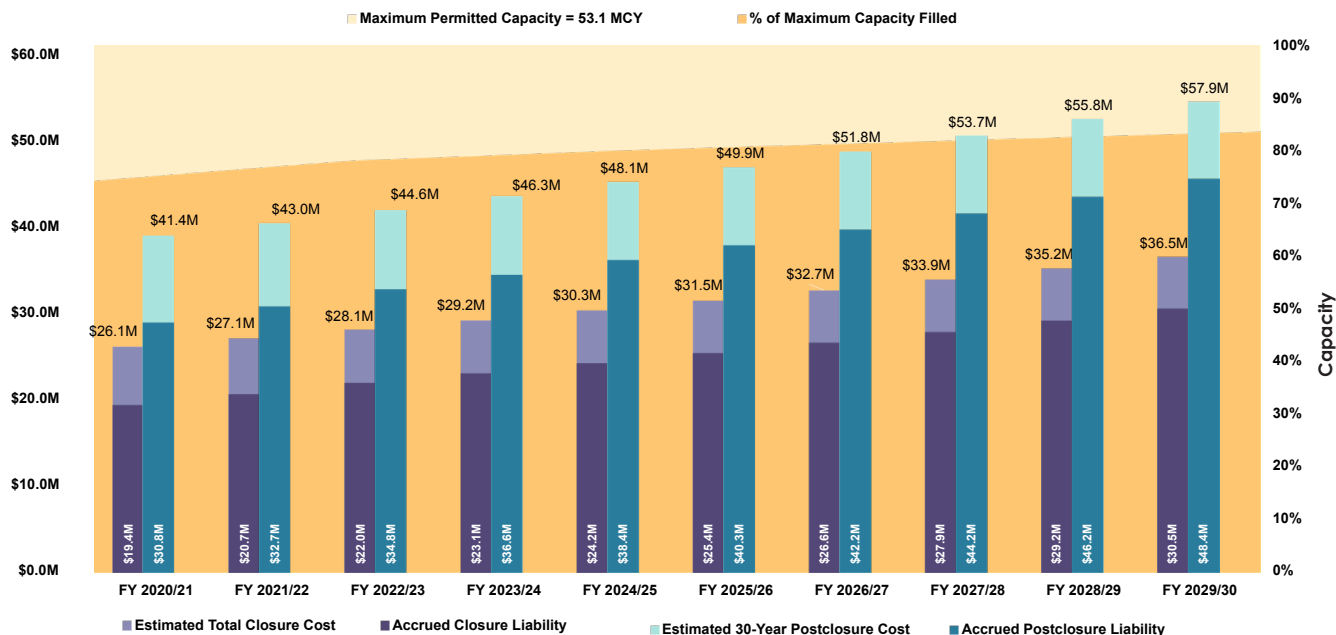


Olinda Alpha Landfill Closure and Postclosure Liabilities

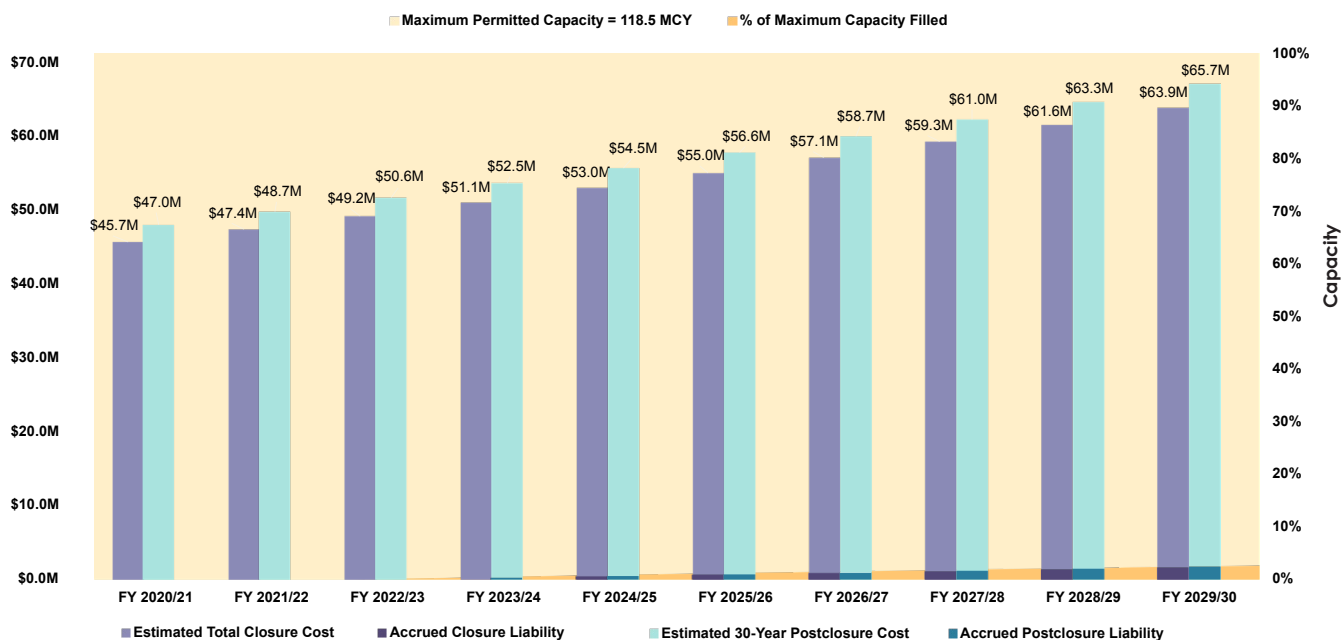


## F. LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES

Prima Deshecha Landfill - Zone 1 Closure and Postclosure Liabilities



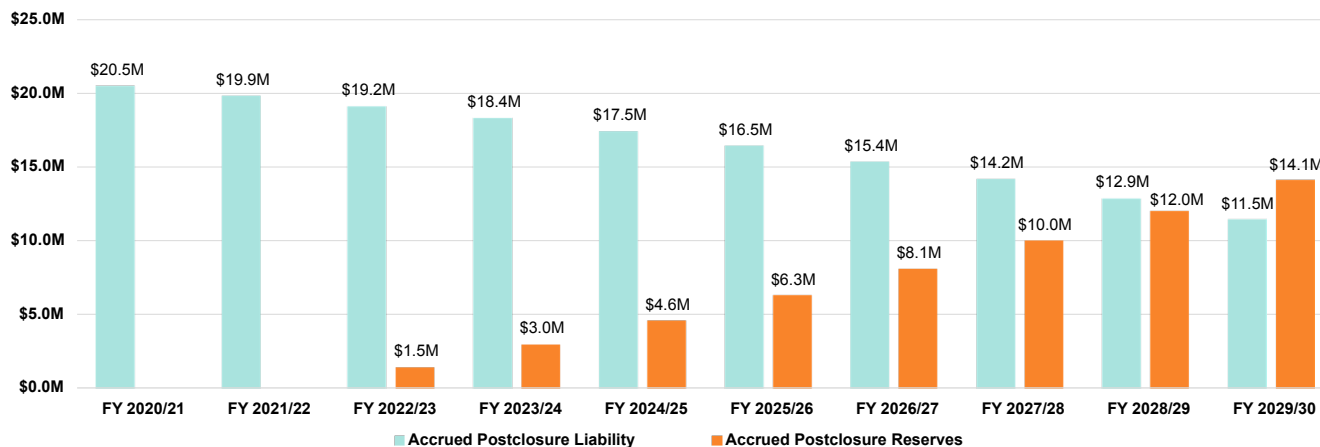
Prima Deshecha Landfill - Zone 4 Closure and Postclosure Liabilities



Prima Deshecha Landfill Zone 4 is estimated to start accepting waste in last quarter of FY 2023/24. Accrued liabilities are required when waste is accepted.

## G. CLOSED LANDFILL POSTCLOSURE LIABILITIES & RESERVES

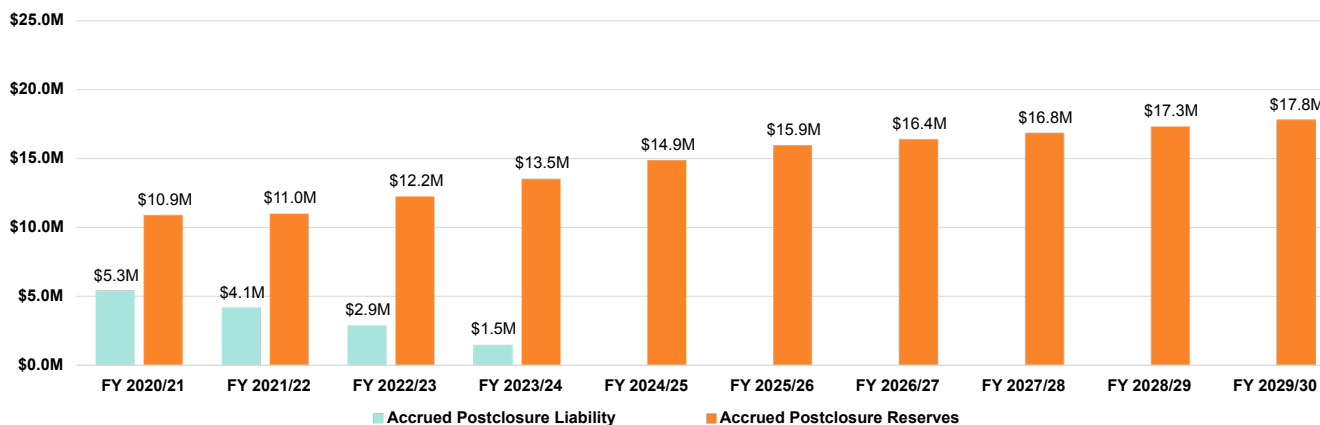
### SANTIAGO CANYON POSTCLOSURE LIABILITY AND RESERVES



Effective FY 2015/16 OCWR maintains reserves equal to 15 years of the annual postclosure maintenance cost estimates for each closed site that has been in its postclosure phase longer than 15 years.

Santiago Canyon reaches its 15th year of postclosure in FY 2021/22.

### COYOTE CANYON POSTCLOSURE LIABILITY AND RESERVES



In FY 2024/25 Coyote Canyon Landfill will complete its 30-year postclosure period. GASB 18 postclosure liability is no longer required.

Effective FY 2015/16 OCWR maintains reserves equal to 15 years of the annual postclosure maintenance cost estimates for each closed site that has been in its postclosure phase longer than 15 years.