Central Contra Costa Solid Waste Authority

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Walnut Creek, CA 94596

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# BOARD OF DIRECTORS SPECIAL MEETING

## AGENDA

## FEBRUARY 23, 2023 – 1:30 P.M.

**Hacienda de las Flores Park**
**La Sala Room**
**2100 Donald Drive**
**Moraga, CA 94556**

In accordance with the Americans with Disabilities Act, California Law, and the Governor's Executive Orders, it is the policy of the Central Contra Costa Solid Waste Authority to offer its public meetings in a manner that is readily accessible to everyone, including those with disabilities. Any individual with a disability may request reasonable modifications or accommodations so that they may observe and address the Board at this teleconference meeting. If you are disabled and require special accommodations to participate, please contact the Board Secretary at least 48 hours in advance of the meeting at Authority@RecycleSmart.org with the following information: name, phone number, email, and type of assistance requested.

### 1. CALL TO ORDER, ROLL CALL, AND PLEDGE OF ALLEGIANCE

### 2. PUBLIC COMMENT ON ITEMS NOT ON THIS AGENDA

If you would like to address the Board, please complete a speaker's card and submit it to the Secretary of the Board. When addressing the Board, please state your name and address for the record. There is a three-minute limit to present your information. (The Board Chair may direct questions to any member of the audience as appropriate at any time during the meeting.)

### 3. CONSENT ITEMS

All items listed in the Consent Calendar may be acted upon in one motion. However, any item may be removed from the Consent Calendar by request by a member of the Board, public, or staff, and considered separately.

**a.** Approve Minutes of the Regular Board Meeting on January 26, 2023*
**b.** Receive Fiscal Year 2021-2022 Financial Statements and Independent Auditors' Report*

## 4. PRESENTATIONS

**a.** Fiscal Year 2022-2023 Mid-Year Budget Report*
David Krueger, Executive Director, RecycleSmart
Grace Comas, Senior Accountant, RecycleSmart

**b.** RecycleSmart's Recycling Diversion Programs*
Judith Silver, Senior Program Manager, RecycleSmart
Ashley Louisiana, Program Manager, RecycleSmart
Jen Faught, Contract Compliance Specialist, RecycleSmart

**c.** Overview of Franchise Agreements and Procurements*
David Krueger, Executive Director, RecycleSmart

**d.** 2023 RecycleSmart Annual Goal Setting
David Krueger, Executive Director, RecycleSmart
Renata Sos, Chair, RecycleSmart

## 5. BOARD COMMUNICATIONS AND ANNOUNCEMENTS

## 6. ADJOURNMENT

**Corresponding Agenda Report or Attachment is included in this Board packet.*

**ADDRESSING THE BOARD ON AN ITEM ON THE AGENDA**

Persons wishing to speak on PUBLIC HEARINGS and OTHER MATTERS listed on the agenda will be heard when the Chair calls for comments from the audience, except on public hearing items previously heard and closed to public comment. The Chair may specify the number of minutes each person will be permitted to speak based on the number of persons wishing to speak and the time available. After the public has commented, the item is closed to further public comment and brought to the Board for discussion and action. There is no further comment permitted from the audience unless invited by the Board.

**ADDRESSING THE BOARD ON AN ITEM NOT ON THE AGENDA**

In accordance with State law, the Board is prohibited from discussing items not calendared on the agenda. For that reason, members of the public wishing to discuss or present a matter to the Board other than a matter which is on the Agenda are requested to present the matter in writing to the Secretary to the Authority at least one week prior to a regularly scheduled Board meeting date. If you are unable to do this, you may make an announcement to the Board of your concern under PUBLIC COMMENTS. Matters brought up which are not on the agenda may be referred to staff for action or calendared on a future agenda.

**AMERICANS WITH DISABILITIES ACT**

In accordance with the Americans With Disabilities Act and California Law, it is the policy of the Central Contra Costa Solid Waste Authority to offer its public meetings in a manner that is readily accessible to everyone, including those with disabilities. If you are disabled and require special accommodations to participate, please contact the Board Secretary of the Authority at least 48 hours in advance of the meeting at (925) 906-1801.

# REGULAR BOARD MEETING OF THE CENTRAL CONTRA COSTA SOLID WASTE AUTHORITY HELD ON JANUARY 26, 2023

The Regular Board Meeting of the Central Contra Costa Solid Waste Authority's (CCCSWA's) Board of Directors convened exclusively via teleconference participation of a quorum of Board Members in locations not open to the public in compliance with Assembly Bill ("AB") 361 (Rivas, Chapter 165, Statutes of 2021) and its amendments to California Public Resources Code Section 54953(e), allowing for deviation of teleconference and physical location meeting rules otherwise required by the Ralph M. Brown Act. The meeting was held during a proclaimed state of emergency, and state and local officials had imposed or recommended measures to promote social distancing while allowing the public to observe and address the Board after submitting written comments via email to the Board Secretary at Authority@RecycleSmart.org prior to or during the time for public comment at the meeting.

Chair Renata Sos called the meeting to order at 3:00 P.M. on January 26, 2023.

| | | |
|---|---|---|
| PRESENT: | Board Members: | Candace Andersen*<br>Newell Arnerich*<br>Ken Carlson<br>Gina Dawson<br>Matt Francois<br>Teresa Gerringer<br>Kerry Hillis<br>Inga Miller, Vice Chair<br>Renee Morgan*<br>Janet Riley<br>Cindy Silva<br>Renata Sos, Chair<br>*Arrived after Roll Call |
| ABSENT: | | None |

**Staff members present via teleconference:** David Krueger, Executive Director; Janna McKay, Secretary to the Board; Grace Comas, Senior Accountant; Judith Silver, Senior Program Manager; Jennifer Faught, Contract Compliance Specialist; Ashley Louisiana, Program Manager; and Deborah L. Miller, CCCSWA Counsel.

## 1. CALL TO ORDER, ROLL CALL, AND PLEDGE OF ALLEGIANCE

Board Member Silva led the Pledge of Allegiance.

## 2. PUBLIC COMMENT ON ITEMS NOT ON THIS AGENDA

No written comments were submitted, or oral comments made, by any member of the public.

## 3. WELCOME NEW BOARD MEMBERS: KEN CARLSON, COUNTY SUPERVISOR; KERRY HILLIS, MORAGA; AND JANET RILEY, ORINDA

On behalf of the Board, Chair Sos welcomed three new Board Members to RecycleSmart: Ken Carlson from the County Board of Supervisors; Kerry Hillis from the Town of Moraga; and Janet Riley from the City of Orinda.

## 4. CONSENT ITEMS

a. Approve Minutes of the Regular Board Meeting on December 8, 2022
b. Approve Minutes of the Special Board Meeting on January 3, 2023
c. Adopt Resolution 2023-02, Approving Continued Use of Teleconferencing for the Meetings of all CCCSWA Legislative Bodies Under Assembly Bill 361
d. Conduct Second Reading and Adopt Ordinance 22-1, Amending Ordinance 16-1, Administrative Citations and Other Remedies
e. Adopt a CCCSWA Electronic Signature Policy
f. Approve Agency's Planned Strategy for In-person Meetings and Teleconferencing

No written comments were submitted, or oral comments made, by any member of the public.

> MOTION by Board Member Andersen to approve Consent Items a, b, c, d, e and f, as submitted. SECOND by Board Member Francois.
>
> MOTION PASSED unanimously by a Roll Call vote.
> (Board Members Carlson and Hillis abstained from Items a and b.)

## 5. ACTION ITEMS

a. Solid Waste Collection Maximum Rates for Rate Year 9
Adopt Resolution 2023-03, Adopting Maximum Rates for Solid Waste Services for Rate Year 9 (March 1, 2023 through February 29, 2024).

David Krueger, Executive Director, thanked Crowe LLP, RecycleSmart's consultant, for calculating the rates and clarified that this was the end of a long process that had started in July 2022, after which presentations and discussions had occurred at September, October and December Board meetings. There had also been presentations at the individual member agencies. When approved, the rates would become effective on March 1, 2023. He explained that the cost-based method for establishing rates had been used for this year, which was Rate Year 9, while the remaining years of the contract, Rate Years 10, 11, and 12 would use the index-based method, a much simpler process. He reported that the impact of the rates ranged from $1.50 to $2.86 a month for the residential 32-gallon cart.

Mr. Krueger recommended the adoption of Resolution 2023-03, Adopting Maximum Rates for Solid Waste Services for Rate Year 9 (March 1, 2023 through February 29, 2024), and explained that approval of the recommended RY 9 rates was necessary in order to implement the recent Board-approved two-year extension of Republic Service's Franchise Agreement given that the contract was on favorable terms to RecycleSmart and its member agencies and would create incentives for Republic to improve collection quality and reliability. He described those incentives as credits on bills for customers who experienced delayed collections or missed pickups, and incentives for special increases if service/performance standards were met.

Board Member Hillis expressed concern for the lack of pickups on designated days and the frustration that had caused and asked what the rate increase would provide to ratepayers.

Chair Sos stated that the service issues were in part because more drivers, more routes and more reliable equipment was needed. In order to get those improvements, the rates had to be increased to the minimum amount required to bring the service back to the levels that ratepayers were used to and deserved. The Rate Year increases for the subsequent two years would be contingent upon Republic meeting certain objective service level criteria that had been agreed to and which would be measured and monitored starting now.

Mr. Krueger referred to the FAQ Rate sheet in the Board packet that had provided detailed answers to frequently asked questions. The FAQ sheet would be provided to member agency staff to help respond to ratepayers.

Vice Chair Miller recommended that the information on the credits/incentives should also be shared with ratepayers.

Mr. Krueger stated that information was part of the FAQ. He reiterated that if collection did not occur on the scheduled day, Republic had until the end of the next business day to collect and if it was not collected the ratepayer would call Republic and be owed a credit, an amount equal to the monthly rate divided by four. This would be in lieu of liquidated damages where instead of the agency getting the "fine" the customer would be more appropriately compensated in part for the inconvenience.

Chair Sos emphasized that the ratepayer would have to call Republic to get a credit.

Board Member Silva clarified for the record that when liquidated damages were being collected by RecycleSmart, those funds were being invested back into the system to support the services for ratepayers.

DAVID RODRIGUEZ, Business Representative for Teamsters Local 315, representing the employee staff at the Allied Waste Yard in Pacheco for garbage, recycling and mechanics stated with respect to service that the biggest issue was the situation with respect to equipment.

Mr. Rodriguez described the situation where now with 200 drivers, the most ever, there were an insufficient number of workable trucks to service the routes. As such, when a route was impacted one day it would carry over into the following day. He stated therefore the issue now was not staffing but with a lack of needed equipment. He referred to language in the Franchise Agreement with respect to vehicle requirements (Article 8.4) which required the company to have the proper equipment in order to service ratepayers. He sought some help to hold the company accountable for the requirements in the Franchise Agreement and noted that the workers were being required to work later in order to service the accounts.

Board Member Arnerich noted the item related to service delivery increases in that the delivery issues had been dealt with before and had been included in the new contract, which had been thoroughly evaluated over the last six months.

> MOTION by Board Member Arnerich to adopt Resolution 2023-03, Adopting Maximum Rates for Solid Waste Services for Rate Year 9 (March 1, 2023 through February 29, 2024). SECOND by Board Member Silva.
>
> MOTION PASSED unanimously by a Roll Call vote.

Chair Sos thanked RecycleSmart staff, Republic, Crowe LLP and everyone involved, including the Board of Directors and the Franchise Ad Hoc Committee to complete what had been a complicated and unprecedented process.

## 6. INFORMATION ITEMS

Reports were provided for information only and no Board action was required.

### a. Board of Directors Annual Goal Setting Meeting

David Krueger, Executive Director reported that the next Board meeting scheduled for February 23, 2023 would be an in-person meeting that would also be a half-day retreat from 12:00 noon to 5:00 P.M.

Mr. Krueger commented that the goal setting had been proposed on an annual basis. He would also meet one-on-one with those members of the Board who could not attend the retreat and would meet one-on-one afterwards.

Chair Sos commented that the goal setting would be light and be focused on the coming year to get the Board's input on its priorities to help staff in the budgeting process and in expectations for the new Executive Director.

Board Member Silva reported that she would not be able to attend the retreat. She sought a timeline to show what had to be done prior to the approval of the next Franchise Agreement.

### b. Executive Director's Monthly Report

Mr. Krueger thanked Republic for their extra effort as a result of the recent storms throughout the service area with flooding and downed power lines blocking roads. Republic had also donated two debris boxes to remove mud in Danville. He commended Republic for pitching in during the storms.

Mr. Krueger stated that on January 18, RecycleSmart staff, and Tessa Grezdo from Republic Services had given a presentation on multifamily recycling and organics programs on a statewide webinar sponsored by CalRecycle. He noted they had been invited because CalRecycle saw RecycleSmart as a leader and was using some of RecycleSmart's materials on edible food recovery with respect to SB 1383 compliance.

Mr. Krueger also advised that the first in-person home composting workshop since COVID had been scheduled for April 1, 2023 at the Moraga Library.

Board Member Francois requested that programs and services offered by RecycleSmart be broadcasted to ratepayers on a wider basis through the newsletter or other method. He also noted that the City of Walnut Creek was in the process of updating its Climate Action Plan and Sustainability Plan and he asked whether there was an opportunity to make public comment or brief presentations on SB 1383 or organic waste composting that would be helpful for everyone.

c. Future Agenda Items

## 7. BOARD COMMUNICATIONS AND ANNOUNCEMENTS

Vice Chair Miller thanked Mr. Krueger and Republic and everyone involved for their response to the situation on Cedar Lane in Orinda where a house had slid down a hill. While Cedar Lane had been deemed to be safe, she thanked Republic and all involved who had worked so that smaller garbage trucks could be utilized in that area to continue trash service. She added that the residents were very grateful.

a. Announcement of Committee Assignments

Chair Sos thanked all those willing to serve on one or more committee and noted that the assignment list had been included in the Board packet.

## 8. ADJOURNMENT

The Board adjourned at 3:44 P.M. to the meeting scheduled for Thursday, February 23, 2023 at 12:00 P.M.

Respectfully submitted by:

________________________________

Janna McKay, Executive Assistant/
Secretary to the Board of the
Central Contra Costa Solid Waste Authority,
County of Contra Costa, State of California

Central Contra Costa Solid Waste Authority

Agenda Item No. 3b

# Agenda Report

**TO:** CCCSWA BOARD OF DIRECTORS

**FROM:** DAVID KRUEGER, EXECUTIVE DIRECTOR

**DATE:** FEBRUARY 23, 2023

**SUBJECT:** **FISCAL YEAR 2021-2022 FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

## SUMMARY

After the close of each fiscal year, CCCSWA is audited by an independent auditor. This is the ninth audit utilizing Eide Bailly since CCCSWA separated from the City of Walnut Creek for purposes of payroll, benefits and all human resources functions in fiscal year 2012-13.

- The Authority has received an unmodified audit opinion that the Authority's financial statements as of June 30, 2022 are presented fairly in all material respects.
- There were no audit findings related to the fiscal year 2021-22 audit.

## RECOMMENDED ACTION

1. Receive Financial Statements and Independent Auditor's Report for the Year Ending June 30, 2022 by Eide Bailly.

## DISCUSSION

### Audit Opinion

The Authority has received an unmodified or "clean" audit opinion. An unmodified audit opinion indicates that Eide Bailly has concluded that the financial statements present fairly, in all material respects, the results of the Authority's operations and its financial position, as of June 30, 2022, in accordance with generally accepted accounting principles.

### Findings

There were no audit findings related to the fiscal year 2021-22 audit.

ATTACHMENTS

A. Eide Bailly correspondence to Board of Directors
B. 2021-22 Independent Auditor's Report

EideBailly

CPAs & BUSINESS ADVISORS

Agenda Item No. 3b
Attachment A

January 30, 2023

To the Board of Directors
Central Contra Costa Solid Waste Authority
Walnut Creek, California

We have audited the financial statements of Central Contra Costa Solid Waste Authority (Authority) as of and for the year ended June 30, 2022 and have issued our report thereon dated January 30, 2023. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards***

As communicated in our letter dated August 13, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated January 30, 2023.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

**Significant Risks Identified**

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified management override of internal controls (as required by Generally Accepted Auditing Standards) as a significant risk.

**Qualitative Aspects of the Entity's Significant Accounting Practices**

*Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. As described in Notes 1 and 14, the Authority has the provisions implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Accordingly, the accounting change has been retrospectively appplied to the financial statements beginning July 1, 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

*Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are where management's estimates of amounts related to the net pension liability, deferred inflows of resources, and deferred outflows of resources.

Management's estimate of the net pension liability, deferred inflows of resources, and deferred outflows of resources are based on actuarial valuations. We evaluated the key factors and assumptions used to develop the estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Authority's financial statements relate to:

The disclosure of the Authority's defined benefit pension plan, net pension liability, and related deferred inflows of resources and deferred outflows of resources in Note 9 to the financial statements. The valuation of the net pension liability and related deferred inflows and deferred outflows of resources are sensitive to the underlying actuarial assumptions used including, but not limited to, the discount rate. As disclosed in Note 9, a 1% increase or decrease in the discount rate has a material effect on the Authority's net pension asset.

**Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected missstatements identified as a result of our audit procedures.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority financial statements or the auditor's report. No such disagreements arose during the course of the audit.

**Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. As described in Note 14 to the financial statements, due to the adoption of GASB Statement 87, *Leases,* the Authority restated opening balances as of July 1, 2021. We have included an emphasis of matter in our report regarding this restatement.

**Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated January 30, 2023.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

This report is intended solely for the information and use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Sacramento, California

Agenda Item No. 3b
Attachment B

Financial Statements
June 30, 2022

# Central Contra Costa Solid Waste Authority

EideBailly

eidebailly.com

EideBailly

CPAs & BUSINESS ADVISORS

# Independent Auditor's Report

The Board of Directors
Central Contra Costa Solid Waste Authority
Walnut Creek, California

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Contra Costa Solid Waste Authority (Authority) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Adoption of New Accounting Standard*

As discussed in Note 1 to the financial statements, the Authority has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedule of the Authority's proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the Authority's total OPEB liability and related ratios, and budgetary comparison information and note, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by the missing information.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Sacramento, California
January 30, 2023

Basic Financial Statements

| | Governmental Activities |
|---|---|
| Assets | |
| Cash and investments | $ 18,169,965 |
| Accounts receivables | 1,463,825 |
| Interest receivables | 20,435 |
| Prepaid items | 60,893 |
| Capital assets, net of accumulated depreciation / amortization | 979,398 |
| Net pension asset | 624,980 |
| Total assets | 21,319,496 |
| Deferred Outflow of Resources | |
| Deferred outflows related to OPEB | 19,031 |
| Deferred outflows related to pensions | 877,330 |
| Total deferred outflows of resources | 896,361 |
| Liabilities | |
| Current liabilities | |
| Accounts payable | 418,802 |
| Accrued payroll | 24,701 |
| Due to other governments | 14,888,138 |
| Compensated absences | 123,773 |
| Lease liabilities, current | 109,143 |
| Total current liabilities | 15,564,557 |
| Noncurrent liabilities: | |
| Lease liabilities, net of current portion | 885,099 |
| Total OPEB liability | 88,017 |
| Total liabilities | 16,537,673 |
| Deferred Inflows of Resources | |
| Deferred inflows related to OPEB | 17,841 |
| Deferred inflows related to pensions | 191,424 |
| Total deferred inflows of resources | 209,265 |
| Net Position | |
| Net investment in capital assets | (14,844) |
| Restricted for reuse and clean-up days program | 85,877 |
| Unrestricted | 5,397,886 |
| Total net position | $ 5,468,919 |

| Functions/Programs | Expenses | Program Revenues Charges for Services | Net (Expense) Revenue and Changes in Net Position-Governmental Activities |
|---|---|---|---|
| Governmental Activities | | | |
| General government | $ 6,632,700 | $ 1,844,218 | $ (4,788,482) |
| Public information | 1,127,511 | 6,265,088 | 5,137,577 |
| Interest and fiscal charges | 1,089 | - | (1,089) |
| Total governmental activities | $ 7,761,300 | $ 8,109,306 | 348,006 |
| General Revenues | | | |
| Investment income | | | (99,486) |
| Miscellaneous | | | 129,147 |
| Total General Revenues | | | 29,661 |
| Change in net position | | | 377,667 |
| Net position at beginning of the year, restated | | | 5,091,252 |
| Net position at end of year | | | $ 5,468,919 |

# Fund Financial Statements

| | General Fund | Special Revenue Funds: Diversion Incentive | Special Revenue Funds: Reuse and Clean Up Days | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and investments | $ 18,084,088 | $ - | $ 85,877 | $ 18,169,965 |
| Receivables | | | | |
| Interest | 20,435 | - | - | 20,435 |
| Accounts | 1,463,825 | - | - | 1,463,825 |
| Prepaid items | 60,893 | - | - | 60,893 |
| Total assets | $ 19,629,241 | $ - | $ 85,877 | $ 19,715,118 |
| **Liabilities and Fund Balances** | | | | |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | $ 418,802 | $ - | $ - | $ 418,802 |
| Accrued payroll | 24,701 | - | - | 24,701 |
| Due to other governments | 14,888,138 | - | - | 14,888,138 |
| Total liabilities | 15,331,641 | - | - | 15,331,641 |
| Fund balances | | | | |
| Nonspendable | 60,893 | - | - | 60,893 |
| Restricted | - | - | 85,877 | 85,877 |
| Assigned | 1,069,886 | - | - | 1,069,886 |
| Unassigned | 3,166,821 | - | - | 3,166,821 |
| Total fund balances | 4,297,600 | - | 85,877 | 4,383,477 |
| Total liabilities and fund balances | $ 19,629,241 | $ - | $ 85,877 | $ 19,715,118 |

See Notes to Financial Statements

| | |
|---|---|
| Total governmental fund balance | $ 4,383,477 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets, including right to use leased asset, used in governmental activities are not current finanial resources and therefore not reported in the Governmental Funds Balance Sheet. | 979,398 |
| Long term liabilities/assets and related balances and compensated absences have not been included in the governmental fund activity | |
| Compensated absences | (123,773) |
| Total OPEB liability | (88,017) |
| Net pension asset | 624,980 |
| Lease liability | (994,242) |
| Deferred outflows of resources related to pensions and OPEB are deferred and recognized in future periods: | |
| Deferred outflows of resource related to pensions | 877,330 |
| Deferred outflows of resources related to OPEB | 19,031 |
| Deferred inflows of resources related to pensions and OPEB are deferred and recognized in future periods: | |
| Deferred inflows of resources related to pensions | (191,424) |
| Deferred inflows of resources related to OPEB | (17,841) |
| Net position of governmental activities | $ 5,468,919 |

| | General Fund | Special Revenue Funds: Diversion Incentive | Special Revenue Funds: Reuse and Clean Up Days | Total |
|---|---|---|---|---|
| Revenues | | | | |
| Administrative fees | $ 1,844,218 | $ - | $ - | $ 1,844,218 |
| Source reduction and recycling education fees | 5,137,577 | - | 1,127,511 | 6,265,088 |
| Investment income | (99,486) | - | - | (99,486) |
| Miscellaneous | 129,147 | - | - | 129,147 |
| Total revenues | 7,011,456 | - | 1,127,511 | 8,138,967 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Personnel services | 1,230,324 | - | - | 1,230,324 |
| Materials and supplies | 219,275 | - | - | 219,275 |
| Professional contracts and services | 3,416,671 | - | - | 3,416,671 |
| Distributions to member agencies | 2,838,718 | - | - | 2,838,718 |
| Public information | - | - | 1,127,511 | 1,127,511 |
| Debt Service | | | | |
| Principal | 107,384 | - | - | 107,384 |
| Interest | 1,089 | - | - | 1,089 |
| Total debt service expenditures | 108,473 | - | - | 108,473 |
| Total expenditures | 7,813,461 | - | 1,127,511 | 8,940,972 |
| Excess (deficiency) of revenues over (under) expenditures | (802,005) | - | - | (802,005) |
| Other Financing Sources/(Uses) | | | | |
| Transfers in | 2,838,718 | 944,444 | - | 3,783,162 |
| Transfers out | (944,444) | (2,838,718) | - | (3,783,162) |
| Total other financing sources/(uses) | 1,894,274 | (1,894,274) | - | - |
| Net Changes in Fund Balances | 1,092,269 | (1,894,274) | - | (802,005) |
| Fund Balances - Beginning | 3,205,331 | 1,894,274 | 85,877 | 5,185,482 |
| Fund Balances - Ending | $ 4,297,600 | $ - | $ 85,877 | $ 4,383,477 |

| | |
|---|---|
| Net change in fund balances | $ (802,005) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report purchases of capital assets or the financing of leased assets as expenditures; however, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives and recorded as depreciation or amortization expense. | |
| Depreciation/amortization | (135,276) |
| Repayment of lease liability principal is an expenditure in the governmental funds, but is a reduction to the lease liability on the Statement of Net Position. | |
| Lease principal repayment | 107,384 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | |
| Changes in compensated absences payable | (2,995) |
| Changes in total OPEB liability and related amounts | (15,917) |
| Changes in net pension liability (asset) and related amounts | 1,226,476 |
| Change in net position of governmental activities | $ 377,667 |

| | Custodial Fund |
|---|---|
| Additions | |
| Franchise Fees Received | $ 10,176,525 |
| Total additions | 10,176,525 |
| Deductions | |
| Payments to other agencies | 10,176,525 |
| Total deductions | 10,176,525 |
| Changes in Fiduciary net position | - |
| Net position - beginning | - |
| Net position - ending | $ - |

## Note 1 - Summary of Significant Accounting Policies

### A. Description of the Entity

The Central Contra Costa Solid Waste Authority (Authority) was formed on September 11, 1990, to assure the citizens of its member agencies that certain solid waste facilities and related programs will be operated in the most effective manner possible. The Authority is the only entity included in these financial statements.

The Authority franchises the collection of solid waste and recyclables in Central Contra Costa County. The Authority is governed by a Board of Directors appointed by its member agencies, and functions independently of its member agencies. Actions of the Board of Directors may be undertaken by a majority vote of the Board members present, provided a quorum exists, except as required in the Authority's agreement. The Authority's member agencies presently include Contra Costa County, as well as the Cities and Towns of Walnut Creek, Danville, Lafayette, Moraga, and Orinda.

### B. Basis of Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are segregated into funds for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Authority has three governmental funds and one custodial fund. Descriptions of the nature of each fund are as follows:

General Fund – The fund is the general operating fund of the Authority. It is used to account for all financial resources not required to be accounted for in another fund.

Diversion Incentive Special Revenue Fund – The Authority closed this fund during the fiscal year.

Reuse and Clean Up Days Special Revenue Fund – Accounts for specific fees obtained from the waste haulers for the Reuse & Clean Up Days program.

The government-wide financial statements are reported using *the economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Direct expenses are those specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Revenues that are not classified as program revenues are presented as general revenues.

With respect to the Authority's priority regarding the use of resources when both restricted and unrestricted resources are available, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The Authority generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded in the accounting period in which the related fund liability is incurred, as under accrual accounting.

Fiduciary fund financial statements include a statement of changes in fiduciary net position. The Authority's fiduciary funds represent custodial funds. The custodial fund is accounted for using the accrual basis of accounting. The Authority has one custodial fund: The Franchise Fee Fund.

### C. Cash and Investments

Investments are reported at fair value. Changes in fair value that occur during the fiscal year are recognized as investment income. Investment income includes interest earnings, changes in fair value, and any gains/losses realized upon the liquidation, maturity, or sale of an investments.

### D. Net Position

Net Position is the excess of a fund's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. Net Position is divided into three components described below:

Net investment in capital assets describes the portion of net position which is represented by the current net book value of the capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restriction which the Authority cannot unilaterally alter.

Unrestricted describes the portion of Net Position which is not restricted as to use.

### E. Fund Balances

The Authority follows guidance provided by Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As the Authority's highest level of decision-making authority, the Board of Directors must pass a resolution in order to commit fund balance. Once fund balance is committed, the Board of Directors must pass another resolution in order to modify or rescind the commitment. The Board of Directors has delegated the authority to assign fund balance to the Executive Director.

The components of fund balance are:

Nonspendable Fund Balance – items that cannot be spent because they are not in spendable form, long-term portions of receivables, inventories, prepaid items, and also items that are legally or contractually required to be maintained intact.

Restricted Fund Balance – encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – the portion of fund balance that includes amounts that can only be used for specific purposes determined by formal action of the Authority's highest level of decision-making authority (Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation is a resolution and needs to occur no later than the close of the reporting period. Currently, the committed fund balance is limited to constraints imposed by Diversion Incentive Fund Reserve Policy adopted by the Board in fiscal year 2008.

Assigned Fund Balance – assigned fund balances are amounts constrained by the Board's intent to be used for a specific purpose but not restricted nor committed. This category includes residual fund balances for special revenue funds which have not been restricted or committed.

Unassigned Fund Balance – represents residual amounts that have not been restricted, committed, or assigned in the General Fund. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

With respect to the Authority's priority regarding use of fund balance, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources are available, it is the Authority's policy to use committed amounts first, followed by assigned amounts, and then unassigned amounts.

### F. Compensated Absences

In accordance with GASB Statement No. 16, an employee benefits payable liability is recorded for unused vacation and similar compensatory leave balances. The employees' entitlement to these balances is attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

### G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s), and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority reports deferred outflows related to pensions and other post-employment benefits (OPEB).

In addition to liabilities, the statement of net position/balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category on the government-wide statement of net position relating to deferred inflows associated with pensions and OPEB.

## H. Pensions

For purposes of measuring the net pension/(asset) and deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's pension plan with California Public Employees' Retirement System (CalPERS) and additions to / deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of CalPERS. Investments are reported at fair value.

## I. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost, for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The Authority maintains a threshold level of $5,000 or more for capitalizing capital assets. Federally funded assets maintain a threshold of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the Authority, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years. Land is not depreciated.

Right to use leased assets are recognized at the lease commencement date and represent the Authority's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to please the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful live of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

## J. Long-Term Obligations

Lease Liabilities represent the Authority's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the Authority.

### K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### L. Implementation of Governmental Accounting Standards Board Statements

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the Authority's financial reporting process. The following pronouncements were implemented for the year ended June 30, 2022.

GASB Statement No. 87 – As of July 1, 2021, the Authority adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right to use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 14 and the additional disclosures required by this standard are included in Note 11.

GASB Statement No. 92 – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practices issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods beginning after June 15, 2021. The Authority has determined that there was no material impact on the financial statements.

GASB Statement No. 93 – In March 2020, the GASB issued Statement No. 93*, Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The Statement is effective for reporting periods beginning after June 15, 2021. The Authority has determined that there was no material impact on the financial statements.

## Note 2 - Cash and Investments

As of June 30, 2022, cash and investments were reported in the accompanying financial statements as follows:

| | |
|---|---|
| Statement of net position | |
| Cash and investments | $ 18,169,965 |
| Total cash and investments | $ 18,169,965 |

As of June 30, 2022, cash and investments consisted of the following:

| | |
|---|---|
| Deposits with financial institutions | $ 7,395,569 |
| Investment in Local Agency Investment Fund | 10,774,396 |
| Total cash and investments | $ 18,169,965 |

**Deposits**

At June 30, 2022, the carrying amount of the Authority's deposits was $7,395,569 and the bank balance was $7,738,540. The $342,971 difference represents outstanding checks and deposits in transit.

The California Government Code requires California banks and savings and loan associations to secure a governmental entity's deposits by pledging government securities with a value of 110 percent of the deposits. California law also allows financial institutions to secure the deposits by pledging first trust deed mortgage notes having a value of 150 percent of the total deposits. The Authority may waive the collateral requirement for deposits that are fully insured up to $250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loans association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held from, and in the name of, the local governmental agency.

**Fair Value Measurement and Application**

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Authority's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Authority's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgment by the Authority's management. Authority management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to the Authority management's perceived risk of that investment.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Investments in LAIF are uncategorized as deposits and withdrawals are made on the basis of $1 and not fair value. Amounts are recorded on an amortized cost basis which approximates fair value.

**Local Agency Investment Fund**

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Each entity may invest up to $75,000,000 without limitation in special bond proceeds amounts. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal on demand and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2022, these investments matured in an average of 311 days.

As of June 30, 2022, the Authority had $10,774,396 invested in LAIF.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The LAIF financial statements are available at the State Treasurer's Office website at www.treasurer.ca.gov. LAIF is not registered with the Securities and Exchange Commission and is not rated by the credit rating agencies.

## Note 3 - Compensated Absences

Compensated absences at June 30, 2022 were as follows:

| | Balance July 1, 2021 | Additions | Decreases | Balance June 30, 2022 | Due Within One Year |
|---|---|---|---|---|---|
| Compensated absences | $ 120,778 | $ 64,930 | $ (61,935) | $ 123,773 | $ 123,773 |
| | $ 120,778 | $ 64,930 | $ (61,935) | $ 123,773 | $ 123,773 |

The Authority's general fund has been and will continue to be the primary funding source for the liquidation of this obligation.

## Note 4 - Capital Assets

Capital asset activity for year ending June 30, 2022 consists of the following:

| | (Restated) Balance July 1, 2021 | Additions | Decreases | Balance June 30, 2022 |
|---|---|---|---|---|
| Capital assets, being depreciated/amortized | | | | |
| Software | $ 11,685 | $ - | $ - | $ 11,685 |
| Leasehold improvements | 11,900 | - | - | 11,900 |
| Less: accumulated depreciation | (10,537) | (3,527) | - | (14,064) |
| Right to use leased assets being amortized | | | | |
| Right to use leased building | 1,077,578 | - | - | 1,077,578 |
| Right to use leased equipment | 24,048 | - | - | 24,048 |
| Less: accumulated amortization | - | (131,749) | - | (131,749) |
| Governmental activities capital assets, net | $ 1,114,674 | $ (135,276) | $ - | $ 979,398 |

Depreciation and amortization expense of $135,276 was charged to the general government function of the governmental activities.

## Note 5 - Risk Management

The Authority is a member of the Special District Risk Management Authority (SDRMA), which provides insurance coverage for general liability under the terms of a joint powers agreement with the Authority and several other public entities. SDRMA is governed by a board of directors consisting of representatives from member agencies. The board of directors controls operations of SDRMA, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on the board of directors.

SDRMA has purchased general and auto liability insurance of $2,500,000 per occurrence, which is subject to $500 per occurrence for third party general liability property damage and $1,000 per occurrence for third party auto liability property damage. In addition, it has purchased employee and public officials' dishonesty coverage of $1,000,000 per loss; property loss coverage up to $1 billion per occurrence, subject to a $2,000 deductible per occurrence; boiler and machinery coverage up to $100 million per occurrence, subject to a $1,000 deductible; and public officials personal liability insurance of $500,000 per occurrence, with an annual aggregate of $500,000 per elected/appointed official, subject to a $500 deductible per claim. As of June 30, 2020, no claims had been filed against the Authority. The financial statements of SDRMA may be obtained by writing to SDRMA, 1112 I Street, #300, Sacramento, California 95814.

There have been no significant changes in the Authority's insurance coverage as compared to prior years.

Claims have not exceeded any of the Authority's coverage amounts in any of the last three fiscal years.

## Note 6 - Interfund Transactions

Transfers for the period ended June 30, 2022, were as follows:

| Fund Receiving Transfers | Fund Making Transfer | Amount Transferred | |
|---|---|---|---|
| General Fund | Diversion Incentive Special Revenue Fund | $ | 2,838,718 |
| Diversion Incentive Special Revenue Fund | General Fund | $ | 944,444 |

The Authority's Recycling Revenue Policy for the Diversion Incentive Special Revenue fund allows for the revenues from the sale of recyclables to be distributed between the Diversion Incentive Fund (DIF) Reserve, the DIF, and the Member Agencies Reserves.

## Note 7 - Fund Balances

In governmental funds, the segregated portions of fund balance are presented as follows for the fiscal year ended June 30, 2022:

| | Major Funds | | |
|---|---|---|---|
| | General Fund | Reuse and Up Days Special Revenue Fund | Total Governmental Funds |
| Fund Balance | | | |
| Nonspendable: | | | |
| Prepaid items | $ 60,893 | $ - | $ 60,893 |
| Restricted for: | | | |
| Reuse and Clean Up Programs | - | 85,877 | 85,877 |
| Assigned for: | | | |
| Operating reserve | 1,069,886 | - | 1,069,886 |
| Unassigned | 3,166,821 | - | 3,166,821 |
| Total Fund Balance | $ 4,297,600 | $ 85,877 | $ 4,383,477 |

**Diversion Incentive Fund Reserve Requirements**

The Authority closed the Diversion Incentive fund during the fiscal year.

## Note 8 - Diversion Incentive Fund and Member Agency Deposits Payable

The Authority closed the Diversion Incentive Fund during the fiscal year however, the remaining amounts of the revenue collections within the fund are available to be distributed to the member agency accounts subsequent to the fiscal year end. The Board distributed to the member payments of $323,731 which are then transferred to member agency accounts during fiscal year 2022. These distributions are then transferred to the General Fund and held in the Deposits Payable accounts for each member agency. Distributions come in two forms: 1) direct distributions to member agencies based on requests made by those agencies for certain programs; and 2) distributions made to vendors that are requested by the agency and directly benefit only that agency.

The change in the member agency accounts reported in the General Fund for the year ended June 30, 2022:

| | July 1, 2021 Amount | Close DIF | Distribution of Recycling Revenue FY 2020 | Distribution of Recycling Revenue FY 2021 | Direct | June 30, 2022 Amount |
|---|---|---|---|---|---|---|
| Contra Costa County | $ 2,062,738 | $ 389,348 | $ 116,733 | $ 77,822 | $ - | $ 2,646,641 |
| Town of Danville | 3,180,266 | 380,324 | 113,900 | 75,933 | - | 3,750,423 |
| City of Lafayette | 2,351,835 | 218,057 | 65,167 | 43,444 | (323,731) | 2,354,772 |
| Town of Moraga | 740,339 | 135,012 | 40,233 | 26,822 | - | 942,406 |
| City of Orinda | 1,003,058 | 155,537 | 46,467 | 30,978 | - | 1,236,040 |
| City of Walnut Creek | 3,034,915 | 615,996 | 184,167 | 122,778 | - | 3,957,856 |
| Total Due to Other Governments | $ 12,373,151 | $ 1,894,274 | $ 566,667 | $ 377,777 | $ (323,731) | $ 14,888,138 |

## Note 9 - Pension Plan

### Plan Description

The authority joined the California Public Employee Retirement System (CalPERS) as of July 1, 2012. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. All qualified permanent and probationary employees are eligible to participate in the Authority's Miscellaneous Employee Pension Plan, a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS.

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by State statute and city contracts with employee bargaining groups. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

| | Miscellaneous Plan | | |
|---|---|---|---|
| | Tier I | Tier II | Tier II (PEPRA) |
| Hire Date | Prior to March 2, 2012 | On or after March 2, 2012 | On or after January 1, 2013 |
| Formula | 2% @ 55 | 2% @ 60 | 2% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Minimum retirement age | 50 | 50 | 52 |
| Benefits, as a % of annual salary | 2.0% | 2.0% | 2.0% |
| Required employee contribution rates | 6.908% | 6.918% | 7.25% |
| Required employer contribution rates | 11.60% + $15,199 | 9.30% + $2,407 | 7.73% + $496 |

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. All employees are participants in the Tier I plan and are required to contribute 7 percent of their annual covered salary. For the year ended June 30, 2022, contributions to the Plan were $170,722.

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2022, the Authority reported a net pension asset of $624,980 for its proportionate share of the Plan's net pension liability.

The Authority's net pension asset is measured as the proportionate share of net pension liability. The net pension liability is measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2020. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability as of June 30, 2021 was 0.03291 percent, an increase of 0.02918 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Authority recognized pension credit of $1,056,682. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Pension Contributions Subsequent to Measurement Date | $ 170,722 | $ - |
| Differences Between Expected and Actual Experience | - | 70,085 |
| Differences Between Projected and Actual Investment Earnings | 545,574 | - |
| Differences between Employer's Contributions and Proportionate Share of Contributions | 161,034 | 6,655 |
| Changes in Employer's Proportionate | - | 114,684 |
| Total | $ 877,330 | $ 191,424 |

$170,722 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year ended June 30 | | |
|---|---|---|
| 2023 | $ | 90,495 |
| 2024 | | 134,939 |
| 2025 | | 138,981 |
| 2026 | | 150,769 |
| Total | $ | 515,184 |

**Actuarial Assumptions**

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2020 |
| Measurement Date | June 30, 2021 |
| Actuarial Cost Method | Entry Age Normal in accordance with the requirements of GASB 68 |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Payroll Growth (1) | 3.3% - 14.2% |
| Mortality | Based on CalPERS Experience Study |

(1) Depending on age, service, and type of employment

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

In determining the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| Asset Class | Target | Real Return | Real Return |
|---|---|---|---|
| Public equity | 50.0% | 4.80% | 5.98% |
| Fixed income | 28.0% | 1.00% | 2.62% |
| Inflation assets | 0.0% | 0.77% | 1.81% |
| Private equity | 8.0% | 6.30% | 7.23% |
| Real assets | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | 0.92% |
| | 100.0% | | |

(1) An expected inflation of 2.00% used for this period
(2) An expected inflation of 2.92% used for this period

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report call "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Authority's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net pension liability, calculated using the discount rate, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 - percentage point lower or 1 - percentage point higher than the current rate:

| Discount Rate | 1% Decrease 6.15% | Current Discount Rate 7.15% | 1% Increase 8.15% |
|---|---|---|---|
| Net Pension Liability / (Asset) | $ (100,690) | $ (624,980) | $ (1,058,402) |

**Pension Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial reports.

## Note 10 - Postemployment Benefits Other Than Pensions (OPEB)

General Information about the OPEB Plan

*Plan description.* The Authority's defined benefit OPEB plan, RecycleSmart Retiree Healthcare Plan (Plan), provides OPEB for all permanent full-time general employees of the Authority. The Plan is a single-employer defined benefit OPEB plan administered by the Authority. The Authority is responsible for establishing and amending the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

*Benefits provided.* The Plan provides healthcare benefits for retirees and their dependents who retire directly from the Authority under CalPERS. The benefit terms provide for payment of the Public Employee Medical & Hospital Care Act (PEMHCA) minimum payments until the age of 65. As of June 30, 2022, the Authority would be required to pay $42.90 per month per employee for any health care benefits provided.

*Employees Covered by benefit terms.* At June 30, 2022, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees entitled to but not yet receiving benefits | 1 |
| Active employees | 6 |
| Total | 7 |

**Total OPEB Liability**

The Authority's total OPEB liability of $88,017 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Valuation Date | June 30, 2020 |
| Measurement Date | June 30, 2021 |
| General Inflation | 2.5% annually |
| Discount Rate | 2.16% at June 30, 2021<br>Based on Bond Buyer 20-bond Index on June 30, 2021 |
| Mortality, Retirement, Disability, Termination | CalPERS 1997-2015 Experience Study |
| Mortality Improvement | Mortality projected fully generational<br>with Scale MP-2020 |
| Salary Increases | Aggregate 2.75%<br>Merit - CalPERS 1997-2015 Experience Study |
| Medical Trend | Non-Medicare - 6.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076<br>Medicare (Non-Kaiser) - 5.85% for 2022, decreasing to an ultimate rate of 3.75% in 2076<br>Medicare (Kaiser) - 4.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076 |
| Healthcare participation | 50% |

**Changes in the Total OPEB Liability**

| | Total OPEB Liability |
|---|---|
| Balance at June 30, 2021 | $ 71,207 |
| Service Cost | 14,120 |
| Interest | 1,886 |
| Assumption changes | 804 |
| Net changes | 16,810 |
| Balance at June 30, 2022 | $ 88,017 |

Changes of assumptions reflect a change in the discount rate from 2.21 percent in measurement year ended June 30, 2020 to 2.16 percent in measurement year ended June 30, 2021.

*Sensitivity of the total OPEB liability to changes in the discount rate*. The following presents the total OPEB liability of the Authority as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

| | 1% Decrease (1.16%) | Current Rate (2.16%) | 1% Increase (3.16%) |
|---|---|---|---|
| Total OPEB Liability | $ 106,385 | $ 88,017 | $ 73,636 |

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates*. The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Current Rate | 1% Increase |
|---|---|---|---|
| Total OPEB Liability | $ 69,085 | $ 88,017 | $ 113,808 |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2022, the Authority recognized OPEB expense of $15,917. At June 30, 2022, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 13,681 |
| Changes in assumptions | 19,031 | 4,160 |
| Total | $ 19,031 | $ 17,841 |

No contributions or payments for benefits were made during the year ended June 30, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal year ending June 30, | Deferred outflows/ (inflows) of resources |
|---|---|
| 2023 | $ (89) |
| 2024 | (89) |
| 2025 | (89) |
| 2026 | (89) |
| 2027 | (89) |
| Thereafter | 1,635 |
| Total | $ 1,190 |

## Note 11 - Leases

The Authority has entered into two lease agreements for office space and copier machines. The Authority is required to make principal and interest payments through July 2030. The lease agreements have interest rates of 2.45%. The total amount of right to use leased assets, and the related accumulated amortization on right to use leased assets was $1,101,626 and $131,749, as of June 30, 2022, respectively.

The Authority leases its office space under an agreement with an original term of 10 years starting July 30, 2010. The lease contains a provision for a renewal of 5 years. The lease was renewed in January 2020 for an additional 10 years beginning in August 2020 through July 2030. The Authority also has a copier lease with an original term of 5 years. The total amount of principal and interest amount paid were $94,412 and $12,972, as of June 30, 2022, respectively.

The remaining obligations associated with these leases are as follows:

| Lessee Activities<br>Right to use assets - leased assets | (Restated)<br>Balance at<br>July 1, 2021 | Additions | Deletions | Balance at<br>June 30, 2022 | Current Portion |
|---|---|---|---|---|---|
| Office space | $ 1,077,578 | $ - | $ (94,412) | $ 983,166 | $ 98,067 |
| Equipment | 24,048 | - | (12,972) | 11,076 | 11,076 |
| Total right to use assets - leased assets | $ 1,101,626 | $ - | $ (107,384) | $ 994,242 | $ 109,143 |

The payments for principal and interest for the remaining lease terms are as follows:

| Fiscal Year Ended June 30, | Principal | Interest |
|---|---|---|
| 2023 | $ 109,143 | $ 23,120 |
| 2024 | 104,170 | 20,524 |
| 2025 | 110,534 | 17,901 |
| 2026 | 117,169 | 15,118 |
| 2027 | 124,086 | 12,171 |
| 2028 - 2030 | 429,140 | 17,085 |
| | $ 994,242 | $ 105,919 |

## Note 12 - Contingencies

The Authority may be subject to claims or legal proceedings arising in the ordinary course of business. Management is not aware of any claims or pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

## Note 13 - New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the Authority's financial reporting process. Future new standards which may impact the Authority include the following:

GASB Statement No. 91 – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issues and eliminate diversity in practice. The Statement is effective for reporting periods beginning after December 15, 2021. The Authority has determined that there was no material impact on the financial statements. The Authority has not determined the effect on the financial statements.

GASB Statement No. 94 – In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022. The Authority has not determined the effect on the financial statements.

GASB Statement No. 96 – In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022. The Authority has not determined the effect on the financial statements.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This Statement is effective for reporting periods beginning after June 15, 2022. The Authority has not determined the effect on the financial statements.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement is effective for reporting periods beginning after June 15, 2023. The Authority has not determined the effect on the financial statements.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement is effective for reporting periods beginning after December 15, 2023. The Authority has not determined the effect on the financial statements.

## Note 14 - Leases

As of July 1, 2021, the Authority adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard also requires lessors to recognize a lease receivable and deferred inflow of resources. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

| | Governmental Activities |
|---|---|
| Net Position, July 1, 2021, as previously reported | $ 5,091,252 |
| Restatement: | |
| Recognition of Right-to-use assets | 1,101,626 |
| Recognition of Lease liability | (1,101,626) |
| Net Position, July 1, 2021, as restated | $ 5,091,252 |

Required Supplementary Information
June 30, 2022

# Central Contra Costa Solid Waste Authority

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| Proportion of the net pension liability/(asset) | 0.02270% | 0.02106% | 0.01979% | 0.01193% | 0.01240% | 0.00767% | 0.00373% | 0.03291% |
| Proportionate share of the net pension liability | $ 27,336 | $ 281,262 | $ 385,071 | $ 470,274 | $ 467,474 | $ 307,159 | $ 157,469 | $ (624,980) |
| Covered payroll | 560,970 | 577,799 | 687,362 | 708,206 | 668,374 | 803,018 | 881,310 | 859,952 |
| Proportionate share of net pension liability as a percentage of covered payroll | 4.87% | 48.68% | 56.02% | 66.40% | 69.94% | 38.25% | 17.87% | -72.68% |
| Plan fiduciary net position as a percentage of the total pension liability | 79.82% | 78.40% | 74.06% | 73.31% | 71.74% | 77.73% | 77.70% | 90.49% |
| Measurement date | 6/30/2014 | 6/30/2015 | 6/30/2016 | 6/30/2017 | 6/30/2018 | 6/30/2019 | 6/30/2020 | 6/30/2021 |

*Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| Actuarially determined contributions | $ 67,514 | $ 70,318 | $ 74,273 | $ 75,967 | $ 71,760 | $ 102,986 | $ 100,607 | $ 83,076 |
| Contributions in relation to the actuarially determined contribution | (67,514) | (70,318) | (74,273) | (75,967) | (71,760) | (302,986) | (298,584) | (170,722) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ (200,000) | $ (197,977) | $ (87,646) |
| Covered payroll | $ 577,799 | $ 687,362 | $ 708,206 | $ 668,374 | $ 803,018 | $ 881,310 | $ 859,952 | $ 922,802 |
| Contributions as a percentage of covered payroll | 11.68% | 10.23% | 10.49% | 11.37% | 8.94% | 11.69% | 11.70% | 9.00% |

*Fiscal year 2015 was the first year of implementation, therefore, only eight years are shown.

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Total OPEB Liability | | | | | |
| Service cost | $ 7,266 | $ 6,454 | $ 9,197 | $ 10,174 | $ 14,120 |
| Interest on total OPEB liability | 1,142 | 1,508 | 1,957 | 2,318 | 1,886 |
| Differences between expected and actual experience | - | - | - | (17,019) | - |
| Changes in assumptions | (5,558) | (2,262) | 3,535 | 19,678 | 804 |
| Net change in total OPEB liability | 2,850 | 5,700 | 14,689 | 15,151 | 16,810 |
| Total OPEB Liability -- beginning | 32,817 | 35,667 | 41,367 | 56,056 | 71,207 |
| Total OPEB Liability -- ending (a) | $ 35,667 | $ 41,367 | $ 56,056 | $ 71,207 | $ 88,017 |
| Covered payroll | $ 668,374 | $ 803,018 | $ 881,310 | $ 859,952 | $ 922,802 |
| Total OPEB Liability as a percentage of covered payroll | 5.34% | 5.15% | 6.36% | 8.28% | 9.54% |
| Measurement date | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 |

* Fiscal year 2018 was the first year of implementation, therefore, only five years are shown.

**Notes to the schedule:**
No assets are accumulated in a trust to pay related benefits.

*Changes of assumptions.* Changes of assusmptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in the period:

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Discount Rate | 3.58% | 3.87% | 3.50% | 2.21% | 2.16% |
| Inflation Rate | 2.75% | | | 2.50% | 2.50% |
| Mortality Improvement Scale | MP-2016 | | | MP-2020 | MP-2020 |

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **Revenues** | | | | |
| Administrative fees | $ 1,844,218 | $ 1,844,218 | $ 1,844,218 | $ - |
| Source reduction and recyling education fees | 3,770,631 | 3,770,631 | 5,137,577 | 1,366,946 |
| Investment income | 82,081 | 82,801 | (99,486) | (182,287) |
| Miscellaneous | 13,600 | 13,600 | 129,147 | 115,547 |
| Total revenues | 5,710,530 | 5,711,250 | 7,011,456 | 1,300,206 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government: | | | | |
| Personnel services | 1,434,340 | 1,434,340 | 1,230,324 | 204,016 |
| Materials and supplies | 84,736 | 84,736 | 219,275 | (134,539) |
| Office rent and utilities | 167,223 | 167,223 | - | 167,223 |
| Professional contracts and services | 250,500 | 250,500 | 325,484 | (74,984) |
| Recycling Processing Costs | 2,638,468 | 2,638,468 | 2,585,157 | 53,311 |
| Diversion Programs | 774,728 | 774,728 | 614,503 | 160,225 |
| Distributions to member agencies | - | - | 2,838,718 | (2,838,718) |
| Total expenditures | 5,349,995 | 5,349,995 | 7,813,461 | (2,463,466) |
| Excess (deficiency) of revenues over (under) expenditures | 360,535 | 361,255 | (802,005) | (1,163,260) |
| **Other Financing Sources/(Uses)** | | | | |
| Transfers in | - | - | 2,838,718 | 2,838,718 |
| Transfers out | - | - | (944,444) | (944,444) |
| Total Other Financing Sources/(Uses) | - | - | 1,894,274 | 1,894,274 |
| Net change in fund balance | 360,535 | 361,255 | 1,092,269 | 731,014 |
| Fund Balance - Beginning | 3,205,331 | 3,205,331 | 3,205,331 | - |
| Fund Balance - Ending | $ 3,565,866 | $ 3,566,586 | $ 4,297,600 | $ 731,014 |

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| Revenues | | | | |
| Source reduction and recycling education fees | $ 1,127,511 | $ 1,127,511 | $ 1,127,511 | $ - |
| Expenditures | | | | |
| Public information | 1,127,511 | 1,127,511 | 1,127,511 | - |
| Fund Balance - Beginning | 85,877 | 85,877 | 85,877 | - |
| Fund Balance - Ending | $ 85,877 | $ 85,877 | $ 85,877 | $ - |

## Note 1 - Budgetary Information

The Authority adopts a budget annually to be effective July 1 for the ensuing fiscal year. Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the Authority's Board of Directors. As the Authority is taking steps to eliminate the fund, the Authority did not adopt a budget for the Diversion Incentive Fund for the year ending June 30, 2022.

The Authority follows the Diversion Incentive Fund Policy adopted by the Board of Directors and distributes the total amount of Fund Balance (excluding the Diversion Incentive Reserve) in the subsequent year to member agency accounts. This amount is not budgeted as the amount of Fund Balance is distributed based on the actual amount available following the Board Policy.

Expenditures are controlled at the fund level for all budgeted departments within the Authority. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the statement of revenues, expenditures and changes in fund balance – budget and actual include budget amendments approved by the Authority's Board of Directors.

The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP).

Any amendments or transfers of appropriations between object group levels within the same department must be authorized by the Authority's Executive Director. Any amendments to the total level of appropriations for a fund or transfers between funds must be approved by the Authority's Board of Directors with the exception of transfers to the general fund for distributions to member accounts out of the Division Incentive Special Revenue Fund. Supplemental appropriations financed by unanticipated revenues during the year must be approved by the Authority's Board of Directors.

The General Fund had excess expenditures over appropriations in the amount of $2,463,466 during the current year due to distributions to member agencies, which are not budgeted.

Other Report

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Directors
Central Contra Costa Solid Waste Authority
Walnut Creek, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Contra Costa Solid Waste Authority (Authority) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated January 30, 2023. Our report included an emphasis of matter paragraph regarding the County's adoption of Governmental Accounting Standards Board Statement No. 87, *Leases*, effective July 1, 2021.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Sacramento, California
January 30, 2023

**Agenda Item No. 4a**

# Agenda Report

| | |
|---|---|
| **TO:** | CCCSWA BOARD OF DIRECTORS |
| **FROM:** | DAVID KRUEGER, EXECUTIVE DIRECTOR<br>GRACE COMAS, SENIOR ACCOUNTANT |
| **DATE:** | FEBRUARY 23, 2023 |
| **SUBJECT:** | **FISCAL YEAR 2022-2023 MID-YEAR BUDGET REPORT** |

## SUMMARY


This mid-year budget report for Fiscal Year (FY) 2022-23 (July 1, 2022 through December 31, 2022) summarizes the first six months of actuals received or expensed versus budgeted at the half-year point. As of December 31, 2022, each budget line item should generally show expenditures of not more than 50%.

The total expenses for the General Operations Fund (Ops) Budget are 44%. The Reuse and Cleanup Fund (Reuse) total expenses are 50%.


## RECOMMENDED ACTION

1. This report is provided for information only. No Board action is required.

## DISCUSSION

**Operations Fund**

A. **Funds Available**

1. **Unappropriated Beginning Fund Balance:** The actual balance is $4,297,600, which is an increase over the budgeted $3,025,018. The variance is due to FY 2021-22 expenditures being lower than budgeted, and the $1,413,756 unbudgeted revenue from MDR for the authorities share of recyclable revenue leaving a higher FY 2022-23 beginning fund balance.

2. **Revenue:** CCCSWA's major sources of revenue include JPA-related revenue, recycling processing revenue, diversion program revenue, recycling contribution revenue and grant revenue. In addition, revenue sources also include interest earned on the Local Agency Investment Fund (LAIF) account and other revenue such as C&D transporter permit fees and liquidated damages revenue. Other Income is over

budget due to $22,550 in unbudgeted liquidated damages collected from Republic through December 31, 2022.

Total funds made available are $7,368,176.25, which is 85% of the $8,654,509 budgeted for FY 2022-23.

**B. <u>Expenses</u>**

1. **Personnel Services:** Expenses include staff salaries and benefits, worker's compensation, unemployment payments, Board Member remuneration, temporary staffing and scheduled merit step increases for eligible employees. Expenses were $385,656.97, which is 29% of the budgeted $1,326,372. Personnel services expenses are lower due to vacancies of Executive Director and Finance Manager.

2. **Materials and Supplies:** Expenses include copier lease, bank fees, memberships and subscriptions, office supplies, postage, reprographics, staff development and training, capital purchases and computer software. The expenses were $34,893.44, which is 41% of the budgeted $85,456.

3. **Professional Services**: Expenses include legal services, IT services, auditing services and other consulting expenses generally not associated with a specific program. Professional Services expenses were $262,977.93, which is 84% of the budgeted $313,090 due to the contracts for the Interim Executive Director and Interim Finance Manager.

4. **Office Occupancy:** Expenses include telephone, insurance and rent. The expenses were $88,072.42, which is 49% of the budgeted $178,134.

5. **Recycling Processing Cost:** Expense is the recycling processing payment that is paid to MDR for processing the recyclables delivered from the service area. The expenses were $1,292,536.70, which is 50% of the budgeted $2,609,886.

6. **Diversion Programs:** Actual expenses as of December 2022, were $283,003.15 or 34% of the approved budget of $836,494. Diversion Program expenses are lower because the $24,500 budgeted for GIS mapping was not needed and the $30,000 budgeted for the Wastebusters program isn't scheduled to be spent until the end of the school year.

Overall, the actual expense activity has resulted in mid-year total expenses of $2,347,140.61, which is 44% of the budgeted $5,349,432.

**Reuse and Cleanup Fund**

The Reuse and Cleanup Fund budget is exclusively for the purposes of payments toward the franchised Reuse and Battery collection programs. Republic Services collects these funds from service rates and provides them to the CCCSWA for payment to MDR for contracted services. The mid-year actual revenue and expenses are 50% of the annual Reuse budget, as provided in Attachment B of this report.

During the budgeting process for FY 2023-24, Staff will present the FY 2022-23 end-of-year projections for all funds.

ATTACHMENTS

A. FY 2022-23 Operations Fund – Mid Year Actuals
B. FY 2022-23 Reuse and Cleanup Fund – Mid Year Actuals
C. FY 2023-24 Program Budget Schedule

## General Operations Fund
## July 1, 2022 through December 31, 2022

| | Actual Jul - Dec 2022 | Approved FY 2022-23 Budget | % of Budget |
|---|---|---|---|
| **Unappropriated Beginning Fund Balance** | $ 4,297,600.00 | **$ 3,025,018.00** | 142% |
| **Revenues** | | | |
| JPA Revenue | 927,304.02 | 1,903,051.00 | 49% |
| Interest Earned | 94,529.32 | 27,326.00 | 346% |
| Grant Revenue | 176,103.00 | 266,363.00 | 66% |
| Home Composting Revenue | 0.00 | 3,100.00 | 0% |
| Recycling Processing Revenue | 1,273,926.00 | 2,585,757.00 | 49% |
| Diversion Program Revenue | 573,199.98 | 833,394.00 | 69% |
| Other Income | 25,510.00 | 10,000.00 | 255% |
| Miscellaneous Income | 3.93 | 500.00 | 1% |
| **Total Revenues** | **3,070,576.25** | **5,629,491.00** | **55%** |
| **Total Funds Made Available** | **7,368,176.25** | **8,654,509.00** | **85%** |
| **Expenses** | | | |
| Full Time Staff Salaries | 287,812.82 | 953,168.00 | 30% |
| Benefits Expense | 95,244.15 | 362,204.00 | 26% |
| Temporary Staff | 0.00 | 5,000.00 | 0% |
| Board Member Remuneration | 2,600.00 | 6,000.00 | 43% |
| **Total Personnel Services** | **385,656.97** | **1,326,372.00** | 29% |
| Copier Lease | 7,420.85 | 14,751.00 | 50% |
| Fees Bank and Other | 7,831.87 | 16,754.00 | 47% |
| Memberships Dues Subscriptions | 6,144.66 | 8,501.00 | 72% |
| Miscellaneous | 0.00 | 300.00 | 0% |
| Office Supplies | 3,266.31 | 7,000.00 | 47% |
| Postage | 467.09 | 3,000.00 | 16% |
| Reprographics | 0.00 | 2,000.00 | 0% |
| Staff Dev/Travel/Conf/Mtgs | 6,954.47 | 18,150.00 | 38% |
| Conference/Meeting | 2,556.05 | 3,000.00 | 85% |
| Non-Capital Equipment/Furnishings | 252.14 | 0.00 | 0% |
| Capital Furnishings/Equip | 0.00 | 12,000.00 | 0% |
| **Total Materials & Supplies** | **34,893.44** | **85,456.00** | 41% |
| Recruitment Advertising | 29,421.50 | 38,350.00 | 77% |
| Professional Srvcs Contracts & Contractors | 152,590.89 | 144,740.00 | 105% |
| Financial Services and Fees | 51,085.25 | 55,000.00 | 93% |
| Legal | 29,880.29 | 75,000.00 | 40% |
| **Total Professional Services** | **262,977.93** | **313,090.00** | 84% |
| Insurance | 17,285.54 | 30,772.00 | 56% |
| Rent | 66,528.11 | 139,022.00 | 48% |
| Telephone | 4,258.77 | 8,340.00 | 51% |
| **Total Office Occupancy** | **88,072.42** | **178,134.00** | **49%** |

## General Operations Fund
## July 1, 2022 through December 31, 2022

| | Actual Jul - Dec 2022 | Approved FY 2022-23 Budget | % of Budget |
|---|---|---|---|
| Recycling Processing Expense | 1,292,536.70 | 2,609,886.00 | 50% |
| **Total Recycling Processing Costs** | **1,292,536.70** | **2,609,886.00** | **50%** |
| C&D Program Expense | 8,280.00 | 24,374.00 | 34% |
| Community Funding Program Expense | 5,000.00 | 5,000.00 | 100% |
| Program Expense | 0.00 | 24,500.00 | 0% |
| Home Composting Program Expense | 3,899.37 | 37,000.00 | 11% |
| SB1383 Program Expense | 47,806.96 | 134,000.00 | 36% |
| Recycling Outreach Program Expense | 25,197.47 | 150,000.00 | 17% |
| RecycleSmart Advertisement Program Expense | 14,554.31 | 20,000.00 | 73% |
| School Recycling Program Expense | 53,858.38 | 120,000.00 | 45% |
| Special Events Program Expense | 5,894.54 | 8,500.00 | 69% |
| Wastebusters Program Expense | 1,395.75 | 30,000.00 | 5% |
| Residential Newsletter Program Expense | 117,116.37 | 283,120.00 | 41% |
| **Total Diversion Programs** | **283,003.15** | **836,494.00** | **34%** |
| **Total Expenses** | **2,347,140.61** | **5,349,432.00** | **44%** |
| **Ending Fund Balance** | **$ 5,021,035.64** | **$ 3,305,077.00** | |

Agenda Item No. 4a
Attachment B

## Reuse and Cleanup Fund
## July 1, 2022 through December 31, 2022

| | Actual Jul - Dec 2022 | Approved FY 2022-23 Budget | % of Budget |
|---|---|---|---|
| **Revenues** | | | |
| Reuse Program Income | 563,755.62 | 1,127,511.00 | 50% |
| **Total Revenues** | 563,755.62 | 1,127,511.00 | **50%** |
| **Expenses** | | | |
| Reuse Program Expense | 563,755.62 | 1,127,511.00 | 50% |
| **Total Expenses** | 563,755.62 | 1,127,511.00 | **50%** |
| Excess Revenue Over (Under) Expenditures | 0.00 | 0.00 | |

# FY 2023-24 Program Budget Schedule

| | |
|---|---|
| **February 15, 2023** | Staff to share program work plans for the FY 2023-24 budget and discuss with Executive Director on whether or not to go forward with each program plan for FY 2023-24. |
| **February 16 - 28, 2023** | Staff to make any changes to their program work plans/budget. |
| **March 01, 2023** | Staff to review program work plans/budget with Executive Director. The ED will give direction on any next steps needed. |
| **March 03, 2023** | Staff's program work plans/budget should be complete and emailed to the Senior Accountant by end of the day. |
| **March 08, 2023** | Senior Accountant will prepare the first draft of the entire FY 2023-24 budget for full staff review. |
| **March 09, 2023** | Staff will make any final changes to their program plans/budget and meet with Senior Accountant to incorporate any changes into the FY 2023-24 budget. |
| **March 10, 2023** | Personnel Committee Meeting to review Cost of Living Adjustment (COLA). |
| **March 15, 2023** | FY 2023-24 budget is complete and ready for final staff review and forward to the Finance & Administration Committee. |
| **April 19, 2023** | Finance & Administration Committee Meeting for review of FY 2023-24 budget and forward to the full Board for final approval. |
| **May 25, 2023** | Approval for the FY 2023-24 budget at the May 25$^{th}$ Board Meeting. |

Recycle Smart

Central Contra Costa Solid Waste Authority

Agenda Item No. 4b

# Agenda Report

**TO:** CCCSWA BOARD OF DIRECTORS

**FROM:** JUDITH SILVER, SENIOR PROGRAM MANAGER

**DATE:** FEBRUARY 23, 2023

**SUBJECT: RECYCLING DIVERSION PROGRAMS**

## SUMMARY


This report provides a summary of RecycleSmart's efforts to divert waste from landfills. There are three primary metrics that staff uses to track diversion:

- CalRecycle Annual Diversion Calculation (based on the statewide disposal reporting system).
- Franchised tons collected by Republic and MDR (via monthly reporting).
- Unfranchised tons from Construction and Demolition (C&D) projects (via the Green Halo on-line C&D waste reporting system).

The report provides historical disposal and diversion data to demonstrate our progress over time and breaks out diversion by sector (single-family, multi-family, commercial, C&D) and material (recyclables, organics, reuse). Our CalRecycle diversion rate is 65% at this point in time, which complies with the state requirement of 50% but is not yet at the Authority's goal of 75%.


## RECOMMENDED ACTION

1. This report is for information only. No Board action is required.

## DISCUSSION

RecycleSmart has a goal of 75% diversion. The formula for calculating waste diversion percentages is as follows:

Disposal (waste that is landfilled or incinerated)

+ Diversion (waste that is prevented, reused, composted, recycled, converted to energy)

= Generation (total waste)

**Diversion / Generation = % Diverted**

Diversion is usually calculated based on weight (tons).

## CalRecycle Diversion Reporting for Calendar Year 2021

One metric that RecycleSmart uses to measure diversion is the CalRecycle annual diversion calculation. Per AB 939, every jurisdiction in California is required to divert at least 50% of its waste each calendar year using the CalRecycle annual diversion calculation. The AB 939 50% diversion compliance calculation is based on disposal only. CalRecycle currently calculates diversion for each jurisdiction based on an estimated waste generation number and actual tons disposed in landfills statewide. CalRecycle subtracts actual disposal from estimated generation to calculate diversion for each jurisdiction.

In 2008, SB 1016 replaced the use of diversion percentages to measure AB 939 compliance, and instead uses pounds per resident per day. CalRecycle's estimated waste generation figure for RecycleSmart is 9.4 pounds per resident per day. Therefore, RecycleSmart must divert at least 4.7 pounds per resident per day to meet the 50% mandate. CalRecycle has set a "disposal target" for RecycleSmart of 4.7 pounds per resident per day. This "disposal target" is actually a "disposal limit." As long as a jurisdiction disposes less than its disposal target, and has implemented required diversion programs, the jurisdiction has met the AB 939 50% diversion requirement.

RecycleSmart's **per capita disposal in 2021 was 3.3 pounds**, which is below the 4.7 pounds "disposal target" established for RecycleSmart. This means that RecycleSmart communities continue to exceed the AB 939 50% annual diversion requirement. Using a methodology provided by CalRecycle, staff calculates a **65% diversion equivalent rate for 2021;** the 2020 diversion equivalent was 63%. 2021 is the most recent year for which CalRecycle data is currently available.

**Table 1** below provides RecycleSmart 's disposal limit achievements between 2015 - 2021. Note that the figures below do not include RecycleSmart's portions of the unincorporated County, which are combined with the rest of unincorporated Contra Costa County for purposes of AB 939 reporting and compliance. The County reports separately to CalRecycle.

**Table 1 – Disposal Limit Achievement**

| Year | RecycleSmart Pounds Per Capita Per Day Disposal Limit | Pounds Per Capita Per Day Disposal | Total Disposal | CalRecycle Equivalent Diversion Rate | Under Limit |
|---|---|---|---|---|---|
| 2015 | 4.7 | 3.6 | 115,638 | 62% | Yes |
| 2016 | 4.7 | 3.7 | 118,105 | 61% | Yes |
| 2017 | 4.7 | 3.7 | 120.096 | 61% | Yes |
| 2018 | 4.7 | 3.7 | 120.096 | 60% | Yes |
| 2019 | 4.7 | 3.5 | 109,156 | 64% | Yes |
| 2020 | 4.7 | 3.5 | 111,440 | 63% | Yes |
| 2021 | 4.7 | 3.3 | 106,654 | 65% | Yes |

Due to a change in law in 2015, AB 901, CalRecycle implemented a new reporting system in the middle of 2019. Staff saw a notable reduction in disposal between 2018 and 2019, which translates into a higher diversion equivalent rate for RecycleSmart.

## Franchised Diversion Rate for Calendar Year 2022

A second metric that RecycleSmart uses to measure diversion is based on the tons collected by our franchised haulers (Republic and MDR) and reported monthly to staff. The disposal and diversion of our agency's collected franchised tons are shown in **Table 2 and Chart 1** below. These figures include tons collected from RecycleSmart's portion of the unincorporated County.

The diversion percentage based on franchised tons is calculated in this manner:

Tons Generated = Landfill + Recycling + Organics + Reuse
Tons Disposed = Landfill
Tons Diverted = Recycling + Organics + Reuse

**% Diverted = Tons Diverted / Tons Generated**

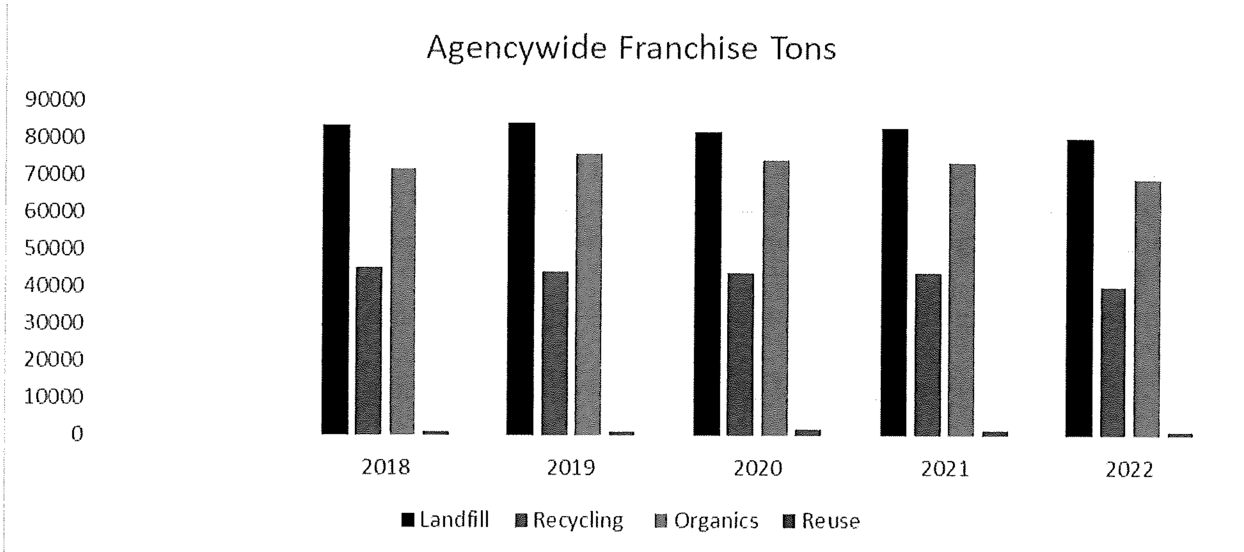
The franchised landfill tons figure is different than the disposal tons figure reported to us by CalRecycle because the CalRecycle disposal data also include tons disposed by individuals or contractors who self-haul from our area directly to a transfer station or landfill. These tons are not captured by our franchised haulers. The diversion percentages for franchised tons are also different than the CalRecycle diversion percentages as CalRecycle doesn't collect current data on tons diverted and estimates total waste generated.

**Table 2 – Agencywide Franchised Tons by Material Type**

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Landfill** | 83,646 | 84,286 | 81,908 | 82,695 | 79,995 |
| **Recycling** | 45,186 | 44,224 | 43,911 | 44,125 | 40,110 |
| **Organics*** | 71,875 | 76,118 | 74,133 | 73,449 | 69,235 |
| **Reuse** | 1,352 | 1,434 | 1,813 | 1,715 | 1,187 |
| **Diversion %** | **58%** | **59%** | **59%** | **58%** | **57%** |

*Includes Food Recycling Project tons to EBMUD

**Chart 1 – Agencywide Franchised Tons by Material Type**




## Construction & Demolition (C&D)

A third metric that RecycleSmart uses to measure diversion is based on the unfranchised tons from construction and demolition (C&D) projects which are tracked continuously through the Green Halo on-line C&D waste reporting system. **Table 3** shows C&D tons over time. RecycleSmart works closely with Member Agency building permit staff to manage C&D diversion as required by the California Green Building Code (CalGreen). Per CalGreen and SB 1383, covered C&D projects must divert at least 65% of their waste. Local ordinances may require higher diversion rates.

Except for the County, each Member Agency uses the Green Halo on-line C&D reporting system. The County manages the permits in the unincorporated area; therefore, those C&D tons are not reflected in the table below. Please also note that the 2022 diversion C&D figure is preliminary and subject to change once more projects completed in 2022 are input into the Green Halo on-line system which typically occurs when a project proponent seeks a final occupancy permit. C&D debris activity fluctuates due to the opening and closure of building permits for projects within each Member Agency, and construction activity throughout the service area. The effects of Covid are noticeable in the dip in C&D diversion and generation in 2020.

**Table 3 – Construction and Demolition Tons**

| Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Disposal** | 9,264 | 7,389 | 5,007 | 7,634 | 2,663 |
| **Recycled/Reused** | 33,293 | 34,064 | 15,120 | 27,414 | 11,407 |
| **Diversion %** | **84%** | **82%** | **75%** | **78%** | **81%** |

## 2022 Franchised + C&D Diversion by Sector

**Table 4** shows diversion and disposal by sector for 2022, including both franchised and C&D tons.

**Table 4 – 2022 Diversion and Disposal Tonnage by Sector**

| 2022 | Single-Family* | Multifamily | Commercial** | C&D | Total |
|---|---|---|---|---|---|
| **Disposed** | 43,337 | 10,226 | 27,364 | 2,663 | 83,590 |
| **Diverted** | 89,368 | 4,831 | 17,212 | 11,407 | 122,818 |
| **Generated** | 132,705 | 15,057 | 44,576 | 14,070 | 206,408 |
| **% Diversion** | **67%** | **32%** | **39%** | **81%** | **60%** |

* Includes Reuse Program
**Includes Schools Program

Descriptions of the diversion programs for each sector are provided in Attachment A.

## Additional RecycleSmart Diversion Programs

In addition to the diversion programs for each sector that are described in Attachment A, RecycleSmart conducts other activities classified as "diversion programs" in the agency's budget. These programs include outreach, education, enforcement, and reporting activities. These activities serve to increase diversion and ensure compliance with state mandates. In most cases the diversion created by these programs cannot be easily separated from the diversion attributable to the collection programs that they support. For instance, the quarterly newsletter increases diversion by promoting proper participation in the collection programs described under the single-family and multi-family sectors, but it would be difficult to determine how much of the diversion from those collection programs was created by the newsletter. Attachment B provides diversion program information related to outreach and education, enforcement, and reporting.

## CONCLUSION

RecycleSmart has met and continues to significantly exceed the state (AB 939) mandate of 50% diversion, as measured by the CalRecycle Annual Diversion Calculation. Our most recent (2021) CalRecycle diversion rate is **65%.**

When measured by franchised tons collected, our diversion rate also consistently exceeds 50%, and was **57%** in 2022. However, our diversion rates for multi-family (32%) and commercial (39%) were lower than for single-family (67%) indicating that more effort is needed in those sectors. This disparity in diversion between sectors is typical throughout the state and beyond. Part of this disparity is because single-family homes generate and recycle more yard trimmings than commercial businesses and multi-family complexes.

Our Member Agencies are in compliance with the CalGreen 65% diversion requirement for C&D projects. C&D diversion was 81% in 2022.

RecycleSmart has not yet achieved our own diversion goal of 75%. We are in compliance with SB 1383, which requires local governments to provide recycling and organics collection services to all generators, as opposed to requiring a specific diversion percentage.

**Next Steps**

1. Continue efforts to improve organics diversion from the single-family, multi-family, and commercial sectors, as required by SB 1383.
2. Investigate ways to increase the multi-family and commercial diversion rates.
3. Consider additional metrics besides diversion to evaluate the success of our programs.

ATTACHMENTS

A. Diversion Programs by Sector
B. Outreach and Education, Enforcement and Reporting Programs

RecycleSmart
Central Contra Costa Solid Waste Authority

# Diversion Programs by Sector

## Single Family Sector

The single-family sector encompasses all residences with individual service (e.g., each unit has its own collection containers). This includes all single-family homes, townhomes and some condos. All single-family residences receive weekly collection of organics and recyclables. Organics include food scraps, uncoated food-soiled paper, and yard trimmings.

Single-family outreach is currently focused on encouraging more composting of food scraps and food-soiled paper in the green cart. Residents can request a kitchen food scraps container every other year at no additional cost, including a sample roll of BPI-Certified compostable bags. Households receive a quarterly direct-mail newsletter, an annual customer guide and various large-format mailers. RecycleSmart also interacts with residents using Nextdoor on a regular basis.

In addition to used motor oil and filters, cell phone, battery and CFL collection at the curb and e-waste curbside collection on Reuse days, RecycleSmart has operated a sharps collection program, in partnership with Member Agency Police and Fire Departments, and Rossmoor, since 2011. California State Law prohibits placing sharps in curbside collection containers due to potential health risks and needle punctures. The program is intended for single-family residents only. In 2022, **7,110 pounds** of Sharps were collected. Single-family homes have three ways to recycle batteries: Weekly curbside collection, Reuse days, and a drop-off program at local retail stores funded by RecycleSmart. In 2022, a total of **50.01 tons** of batteries were recycled.

Single-family residents can participate in the semiannual Reuse & Cleanup Days Program, where reusable items are collected by Mt. Diablo Resource Recovery and distributed to various charities and those in need throughout the Bay Area. Residents can dispose of garbage, bulky or junk items on the following day during the Cleanup Day, which is serviced by Republic Services. Residents receive a direct-mail Reuse and Cleanup Days guide at least two weeks prior to their collection date.

## Multi-Family Sector

The multi-family sector encompasses all residences with shared service and includes all apartments and some condos. Multi-family complexes participate in recycling and organics diversion programs at no additional cost to their base garbage rate. Collection of recyclables and organics in 2022 resulted in the reported diversion of **4,831 tons.** 100% of multi-family complexes receive collection of recyclables at least weekly.

SB 1383 requires that all generators separate their organics and recyclables from their landfill materials. While multi-family dwellings in our service area have been recycling for decades, many are new to organics, as previously, they just had their yard trimmings collected by a landscaper. In order to comply with SB 1383, multi-family complexes now must divert their food scraps and food-soiled paper in addition to yard trimmings. Currently, 89% of the service area's 507 multi-family complexes already have organics services with Republic Services. The other complexes may be eligible for a SB 1383 waiver if there is not adequate space for organics containers; staff is investigating each complex with no service to determine their eligibility for a physical space waiver.

Through the Franchise Agreement with Republic Services, a Recycling Coordinator is required to provide an in-person visit at each multi-family account at least once annually. Republic Services' Recycling Coordinators are assisting multi-family generators by: 1) training property managers and tenants on how to separate food scraps, 2) providing food scrap kitchen pails to tenants. In 2022, Republic Services developed a training video to assist property managers with the SB 1383 requirement that tenants be educated annually about how and why to separate food scraps. In addition, the Recycling Coordinators continue to focus on right sizing collection containers and providing outdoor posters and signage. Each multi-family resident receives a semiannual direct-mail newsletter, and property managers can also request multi-family recycling tote bags, in addition to kitchen pails, signage and customer guides.

**Commercial Sector**

Businesses, including schools, participate in recycling, organics and food scrap diversion programs. All commercial customers can take advantage of resources including waste audits, training and posters provided at no additional cost. Through the Franchise Agreement with Republic Services, a Recycling Coordinator is required to provide an in-person check-in for each commercial account at least once annually.

The Food Recycling Project suffered during Covid, with the closure or partial closure of many service area restaurants. This program, which began in 2010, now includes 692 food generating businesses is still struggling to return to pre-pandemic levels of food scraps diversion. The commercial sector also includes RecycleSmart area schools, which receive support for waste reduction and proper sorting from the agency's successful Schools Program.

SB 1383 requires that all generators separate their organics and recyclables from their landfill materials. SB 1383 does allow waivers for generators who do not generate organics/recyclables or who do not have adequate space for collection containers. RecycleSmart staff is working with the 456 commercial accounts identified as waiver eligible by Republic Services to determine if they qualify for waivers under SB 1383.

**C&D Sector**

Building permit applicants must submit a waste management plan to the permitting Member Agency stating how they will divert at least 65% of the waste from covered construction, remodel/alteration, and demolition projects. Permit applicants are provided a list of approved recycling and reuse facilities for different types of materials, and must submit weight tickets from those recycling facilities and landfills documenting where they took the debris from each project.

Recycle Smart
Central Contra Costa Solid Waste Authority

# Outreach and Education, Enforcement and Reporting Recycling Programs

| Program | Description | Accomplishments/Goals |
|---|---|---|
| ***SB 1383 Implementation***<br><br>**Regulatory Requirement:** Yes, SB1383 | Supports organics disposal reduction requirements. Program elements include food recovery monitoring and compliance, route review services, enforcement planning and outreach. **The FY 22-23 and FY 23-24 Budget is funded by one-time CalRecycle SB 1383 local assistance grant funding.** | **Accomplishments:**<br>▪ Partnering with Contra Costa Environmental Health to inspect Tier 1 Commercial Edible Food Generator inspections<br>▪ Completed 2022 route review requirement and educational cart tags for all 69 Republic routes<br>▪ Started enforcement planning<br>▪ Outreach and education to residents, businesses and schools<br><br>**Goals:**<br>▪ Complete enforcement planning<br>▪ Maintain required SB 1383 Implementation Record<br>▪ Complete review of commercial and multifamily property waivers<br>▪ Complete 2023 route review requirement<br>▪ Continue outreach to Tier 2 Commercial Edible Food Generators (food recovery requirement begins January 1, 2024)<br>▪ Enter into new contract with CCHS for continued inspections, including Tier 2 generators<br>▪ Outreach and education |

| Program | Description | Accomplishments/Goals |
|---|---|---|
| ***Home Composting Outreach Program***<br><br>**Regulatory Requirement:** Supports SB 1383 | US Composting Council national award-winning outreach program. Supports SB 1383; requires home composting outreach and education. The program consists of community workshops (in-person and virtual), Compost in the Classroom schools' program, CompostSMART community volunteer outreach program, and compost bin sales. A single-family home composter certification (monthly bill reduction) and annual compost giveaway event(s) originated from this program and are built into the franchise agreement with Republic Services. | **Accomplishments:**<br>Many functions of this program were paused due to COVID-19.<br>▪ 1,831 home composter certifications (monthly bill reduction) and 1,428 tons of potential organics diversion by home composting<br>▪ 2 compost giveaway events in 2022<br>▪ All 24 contracted Compost in the Classroom sessions have been scheduled for the remainder of the school year<br><br>**Goals:**<br>▪ Expand the practice of source reduction (reuse on site), reduce organic waste to landfill, increase water retention and promote healthy soil and food<br>▪ Re-launch in-person hands-on community workshops, including outreach on SB 1383 and use of the curbside green organics cart<br>▪ Re-launch compost bin sales program<br>▪ Re-launch CompostSMART community volunteer outreach program; evaluate the continued use of trained volunteers for SB 1383 route reviews<br>▪ 2023 compost giveaway events |
| ***Outreach and Education***<br><br>**Regulatory Requirement:** Yes | Supports program participation and increased waste reduction and diversion. Development, design and implementation of messaging and visuals. Use mediums including, truck signs, local print advertising, video ads, paid media, social media, website, direct mail and Member Agency outlets. Outreach is also distributed by Republic Services field recycling coordinators and through events | **Accomplishments:**<br>▪ 2022 "We Don't Trash Food" organics outreach campaign (including new truck signs)<br>▪ First paid media Google campaign<br>▪ New newsletter-related social media posts for each quarterly issue of the RecycleSmart newsletter<br>▪ Holiday organics outreach<br>▪ New Canva subscription and designing some social media graphics/posts in-house<br>▪ 2022 customer guides for all sectors<br>▪ New schools brochure<br>▪ AB 1276 (single-use foodware accessories) outreach materials |

| Program | Description | Accomplishments/Goals |
|---|---|---|
| ***Outreach and Education cont.*** | and community groups; includes associated print and postage costs and as-needed photography. | ▪ Partnered with Contra Costa Health Services to update the edible food recovery brochure to include the CCHS logo (and CCHS fiel inspectors are providing brochure to all food generators)<br>▪ SB 1383 route review cart tags<br><br>**Goals:**<br>▪ Continue program-specific outreach to increase awareness of RecycleSmart waste diversion and programs and services<br>▪ Increase social media engagement<br>▪ 2023 Google campaign (paid media) |
| | | |
| ***Special Events***<br><br>**Regulatory Requirement:** No | For staff to support local community events, such as Community Fairs, Festivals and Earth Day events, and to purchase displays, visuals and outreach tools for the RecycleSmart booth; includes insurance and booth fees. | **Accomplishments:**<br>Many functions of this program were paused due to COVID-19.<br>▪ Staff attended Member Agency, Chamber, industry, community and other events in 2022 with a shared outreach booth with Republic Services<br><br>**Goals:**<br>▪ Re-launch event schedule in 2023 as in-person community events return<br>▪ Evaluate outreach booth styles to reduce paper outreach given out at events |
| ***Residential Newsletter***<br><br>**Regulatory Requirement:** No | RecycleSmart's dedicated outreach to single-family and multi-family residents. The newsletter is relied upon as one of the many methods of customer communication about RecycleSmart's programs and services. | **Accomplishments:**<br>▪ Successful delivery of quarterly residential newsletter since 2016 (updated format)<br>▪ Performed a residential survey showing 80% of readers found the newsletter informative<br><br>**Goals:**<br>▪ Continue this method of outreach and provide useful information about RecycleSmart programs and services |

| Program | Description | Accomplishments/Goals |
|---|---|---|
| ***School Recycling & Organics Program***<br><br><br>**Regulatory Requirement:** Supports SB 1383 School Recycling & Organics Program | RecycleSmart provides support through education and technical assistance to schools to increase awareness and diversion. Includes special activities, presentations, education of green teams, bins, outreach materials, trainings, consultations, and more. | **Accomplishments:**<br>▪ Restarted diversion programs at schools that were closed during the pandemic<br>▪ Facilitated or attended over 100 trainings, meetings, and assemblies in 2021-2022 school year<br>▪ Abbe & Associates created a new recordkeeping tool (with RecycleSmart access) for tracking school contacts, service levels, and outreach<br>▪ New school-specific brochure<br>▪ Intern program 15 students and growing, with weekly check-ins with students<br>▪ Developed, revised, and updated outreach and educational materials including posters and signs, student and staff training materials, slide decks<br>▪ Ensured schools had necessary equipment and supplies<br><br>**Goals:**<br>▪ Increase number and use of food share tables<br>▪ Continue engaging with schools to recover excess edible food, as required by SB 1383 starting January 1, 2024<br>▪ Increase use of reusable foodware where possible<br>▪ Continue to support and broaden internship program<br>▪ Expand use of recordkeeping tool to track more outreach data |
| ***Wastebusters & Student Scholarships***<br><br><br>**Regulatory Requirement:** No | Provides certifications to schools for their participation in recycling programs and awards for schools that reach a 75% or better diversion rate, and provides cash scholarships for selected student applicants. | **Accomplishments:**<br>▪ 17 Wastebusters awards and 2 "honorable mentions" in 2022<br>▪ 3 Student scholarship awards in 2022<br><br>**Goals:**<br>▪ Continue to increase diversion and help new schools reach 75%<br>▪ Wastebusters 2022-23 awards<br>▪ Student scholarship 2022-23 awards |

| Program | Description | Accomplishments/Goals |
|---|---|---|
| *Community Funding*<br><br>**Regulatory Requirement:** No | This program is in response to the many requests staff receives throughout the year for sponsorships and support of local and regional waste reduction and recycling efforts and activities. Funds are upon request and evaluated based on their alignment with the RecycleSmart mission and direct waste reduction goals. | **Accomplishments:**<br>▪ Provided funding in 2022 for the California Product Stewardship Council, the Crayon Initiative, Sustainable Contra Costa and Walnut Creek Sustainability Week.<br><br>**Goals:**<br>▪ Continue to evaluate requests for funding to support waste reduction and recycling activities |

Agenda Item No. 4c

# Agenda Report

**TO:** CCCSWA BOARD OF DIRECTORS

**FROM:** DAVID KRUEGER, EXECUTIVE DIRECTOR

**DATE:** FEBRUARY 23, 2023

**SUBJECT: OVERVIEW OF FRANCHISE AGREEMENTS AND PROCUREMENTS**

## SUMMARY

The Authority's agreements with Republic and MDR will both expire on February 28, 2027. The current agreements contain terms and reflect policy decisions that were made during the last procurement process, which may or may not need to be updated. RecycleSmart has a lot of latitude in how we choose to procure contractors for our solid waste and recycling services, ranging from a competitive Request for Proposals (RFP) process to sole source negotiations with the existing contractors or with potential new contractors. The way that different services are bundled together for the procurement will impact how competitive the process is. Depending upon the options chosen, the process may take two-four years. This includes one year for the selected contractor(s) to obtain vehicles and other equipment. Four franchise procurement options, with estimated timelines for each, are presented below:

| | Procurement Option | Estimated Months Needed | Tentative Start Date |
|---|---|---|---|
| 1. | Request for Proposals (RFP) | 30 months | September 2024 |
| 2. | Two-Step RFP (Step 1 = post-collection services, Step 2 = collection services) | 36 months | March 2024 |
| 3. | Sole Source Negotiations with Republic and MDR for the services that each currently provides to RecycleSmart | 6-9 months<br>+ 30 months contingency for an RFP process if negotiations are unsuccessful | December 2023 |
| 4. | Concurrent Negotiations with MDR and Republic for all services needed by RecycleSmart | 9-12 months<br>+ 30 months contingency for an RFP process if negotiations are unsuccessful | September 2023 |

## RECOMMENDED ACTION

1. This report is provided for information only. No Board action is required.

## DISCUSSION

The Authority's agreements with Allied Waste Systems, Inc. (Republic) for franchised materials collection, transfer, transport, processing, diversion, and disposal services, and with Mt. Diablo Paper Stock, Inc. (MDR) for recyclable materials transfer, transport, processing, and diversion services (and Reuse collection) will both expire on February 28, 2027. Therefore, the Authority has approximately four years to determine how to contract for those services for March 2027 forward. Franchise procurements can take two-to-four years to conclude; therefore, staff is beginning to address this topic at this time. The combined value of the current franchise agreements is $52 million per year. This report provides an overview of franchise agreement structure and contractor procurement (RFP, sole-source negotiations) options.

### Franchise Agreement Structure

Attachment A contains a list of terms typically covered in a modern franchise agreement, with potential policy decisions to consider for RecycleSmart's next agreement(s). The end of the current franchise agreements provides the Authority with the rare opportunity to make significant improvements to the services provided by the agreements and to the agreements themselves. During the last procurement process (2012-2015) RecycleSmart underwent an extensive process to design the current franchise agreements. Many of the agreement terms and policy decisions made during the last process have proven to be beneficial and the Board may choose to carry them forward into the new agreements.

### Franchise Agreement Contractor Procurement (RFP, Sole-Source)

Under state law, local government agencies have the authority to determine that public health, safety, and well-being require award of a partially- or wholly-exclusive franchise agreement to a qualified contractor, either with or without competitive bidding (Pub. Res. Code § 40059(a)(2)).

RecycleSmart has a lot of latitude in how we choose to procure contractors for our solid waste and recycling services, ranging from a competitive Request for Proposals (RFP) process to sole source negotiations with the existing contractors or with potential new contractors. We are not required to conduct a competitive process, although there are conditions under which such a process might be in the best interest of RecycleSmart and our ratepayers.

### Request for Proposals (RFP)

A competitive RFP process can provide a true market test of the cost of the desired services. Solid waste RFP's differ from other types of competitive bidding processes (e.g. public works projects) conducted by local government. Attachment B describes some of these differences.

A solid waste RFP process can take two-to-three years. This includes at least one year for a contractor to obtain the needed collection vehicles for a new franchise. If new or expanded facilities are required to perform the services, additional lead time may be needed.

**Draft RFP Timeline:**

| | |
|---|---|
| Develop RFP and draft franchise agreement | 6 months |
| Proposers prepare proposals | 3 months |
| Proposal evaluation and negotiation | 9 months |
| Selected proposer obtains collection vehicles, etc. | 12 months |
| Total | 30 months |

Therefore, the process would need to begin no later than September, 2024.

**Sole Source Negotiations**

The Authority may enter into sole source negotiations with one or more potential contractors. One option for RecycleSmart would be to enter into sole source negotiations with Republic and MDR for only those services that each vendor currently provides to RecycleSmart. A recommended practice for sole source solid waste negotiations is to issue a "mini-RFP" document to the sole source vendor(s) which includes a draft of the new service agreement, as well as proposal forms (for both technical and cost proposals) for the vendor to complete and submit. The "mini-RFP" clarifies the services and terms that the Authority is seeking, and adds structure and boundaries to the negotiation process. In the event that the sole source negotiations aren't successful, the "mini-RFP" could be expanded into a complete RFP in order to conduct a competitive process.

In general, sole source negotiations are only recommended under the following conditions:

- Customers and the Authority are satisfied with the quality of service provided by the current vendor(s).
- The Authority is not seeking any significant new services or changes to existing services.
- Current garbage rates are reasonable when compared to neighboring jurisdictions.
- A large (10%+) rate increase is not anticipated at the beginning of the new agreement.
- There are few or no potential competitors for the current vendor(s).
- There is sufficient time to conduct a competitive RFP process if the sole source negotiations are not successful.

Should the Board elect to pursue sole source negotiations, the agency should build into its timeline time for an RFP process in the event that the negotiations are not successful. Because the Authority would need approximately 6-9 months to conduct sole source negotiations and approximately 30 months to conduct an RFP process if the negotiations were unsuccessful, any sole source negotiations for the 2027 agreements should start no later than December, 2023. An alternative would be to have both vendors agree to extend their current agreements by 30 months if an agreement could not be negotiated in 9 months.

**Service "Bundles"**

The Authority should consider if there are some services that should be "bundled" in the same agreement such that they are always provided by the same vendor. For example: Should the company that processes the recyclables also collect them? Should the same company provide all collection services? Should the company that owns the landfill also collect the garbage? This may determine the number of agreements executed in order to provide all desired services. This decision will also affect the competitiveness of the procurement process as some services are likely to have more potential providers than others.

Below is a list of the anticipated services needed:

- Recyclables collection
- Recyclables processing
- Organics collection
- Organics composting
- Commercial food scraps collection
- Commercial food scraps anaerobic digestion (food-to-energy)
- Garbage collection
- Garbage transfer
- Garbage disposal (landfill)
- Reusable item collection
- Reusable item warehousing and distribution to non-profits
- Billing and customer service

"Transfer" service refers to unloading small collection vehicles at a transfer station and then loading the materials into larger vehicles to be transported to a landfill, recyclables processing facility, composting facility, etc. A collection vehicle typically holds 3-10 tons while a transfer vehicle can hold 22-25 tons. Transfer stations are generally needed if the destination facility is 15 miles or more from the collection routes. RecycleSmart will need transfer services for garbage, and may also need them for recyclables, organics, and commercial food scraps.

Different jurisdictions "bundle" services in different ways. Separate procurement processes can be conducted for each bundle of services. Note that even if services are procured separately, they could still be awarded to the same vendor. As an extreme hypothetical example, a jurisdiction could issue a separate RFP for each of the services listed above, but then award them all to the same vendor if that were in the best interest of the community.

A best practice when procuring two or more services separately is to design cost forms so that proposers can explicitly state the discount they would offer if they were awarded more than one of the services. For example:

| Service A (alone) | Service B (alone) | Discount if Awarded Both |
|---|---|---|
| $10/home/month | $15/home/month | 10% |

There are more potential competitors for collection services than for post-collection services (landfill, transfer station, composting facility, recyclables processing facility) as there are few existing post-collection facilities located within a reasonable distance from the RecycleSmart service area, and siting a new facility would probably take longer than four years. However, it is conceivable that a new collection contractor could site a new truck yard in or near our service area if awarded our collection franchise agreement.

**<u>Two-Step RFP: Post-Collection then Collection</u>**

If the Authority wishes to conduct a competitive bidding process, it may wish to separate collection services from post-collection services and conduct a "Two-Step" RFP. The first step would be an RFP(s) for all post-collection services: Transfer, landfill, composting, recyclables processing. The second step would be to issue an RFP for collection services. The post-collection RFP should be conducted and awarded first, so that proposers for collection services would know where they would be delivering each material and factor those distances into their cost proposals.

De-coupling collection from post-collection can create more competition for collection services, and allows the Authority to "mix and match" preferred vendors (e.g., selecting the vendor with the closest transfer station for transfer services even if that vendor is not the preferred vendor for collection services.) Another advantage of this approach is that it facilitates having longer contracts for post-collection (e.g. 20 years) than for collection (e.g. 10 years) to more accurately reflect the amortization of the capital costs (facilities vs. vehicles) necessary to provide each service. Post-collection facilities are often willing to offer lower pricing in exchange for longer contracts.

Many other jurisdictions contract separately for post-collection vs. collection services for those reasons. The jurisdiction can either pay the post-collection contractor(s) directly (as the Authority currently pays MDR for recyclables processing) or can require the collection contractor to pay the post collection contractor(s) at the compensation rates established in the agreement(s) between the jurisdiction and the post collection vendor(s).

Conducting a "Two-Step" RFP would lengthen the RFP timeline to approximately 36 months total. Therefore, such a process would need to begin March, 2024.

A similar "Two-Step" process would be to conduct sole source negotiations for post-collection services, then to conduct a competitive RFP for collection services.

**<u>Concurrent Negotiations</u>**

Another procurement option would be to enter into concurrent negotiations with both Republic and MDR for <u>all</u> needed services rather than just the services that each vendor currently provides for RecycleSmart. This would allow the Authority to consider multiple options for each service and to "mix and match" the appropriate services to the best vendor. Potential results include: One of the two companies providing all services, both vendors providing the same services they currently provide, both vendors providing a different set of services than they currently provide. A "mini-RFP" document and draft franchise agreement would be useful in this process as with sole source negotiations.

Concurrent negotiations with both Republic and MDR for all services would have a slightly longer timeline than sole source negotiations with both vendors for their current services: Approximately 9 to 12 months for negotiations, plus 30 months contingency to conduct a competitive RFP process if the negotiations were unsuccessful. This would mean beginning the process no later than September, 2023, or getting both vendors to agree to 30-month extensions if sole source negotiations were not successful after 12 months.

**Potential Proposers**

The following companies with operations in the Bay Area could potentially propose on one or more of the services needed by the Authority:

- Republic Services
- Mt. Diablo Resource Recovery
- Recology
- ACI (and affiliated companies)
- Waste Management
- California Waste Solutions
- Waste Connections
- Greenwaste Recovery/Zanker

**Ad Hoc Committees**

During the last franchise procurement process, the Board created an ad hoc committee to oversee the process. Given the multi-year length of the process, the Board may wish to consider utilizing two or more ad hoc committees for different stages. For example, one ad hoc committee could oversee program design and the creation of the draft franchise agreement and RFP. The next ad hoc committee could oversee the selection process. A third ad hoc committee could oversee any transition of services to a new vendor and the implementation of the any new programs.

**Consulting Services**

Traditionally, the Authority has hired consultants to assist with franchise procurement processes. HF&H Consultants assisted with the last two processes. The franchise consultant could be selected through either an RFP process or sole source.

**Stakeholder Input**

Staff recommends beginning to obtain input from residential and commercial rate payers on the franchise agreement and procurement process during 2023. Methods could include phone surveys, focus groups, community meetings, on-line surveys, and coordinating with business associations.

**Process Integrity Guidelines**

The procurement of long-term public franchise agreements inevitably attracts the interest of numerous stakeholders, including potential bidders, labor unions, environmental and community groups, and local elected officials. As a result, the Board may wish to adopt process integrity guidelines that will provide clarity and predictability around potential interactions with interested parties during the procurement process. If directed by the Board, staff will prepare draft process integrity guidelines for Board consideration at a future regular meeting.

ATTACHMENTS

A. Franchise Agreement Terms and Policies
B. Solid Waste RFP Process

Central Contra Costa Solid Waste Authority

# <u>Franchise Agreement Terms and Policies</u>

The following is a list of terms typically covered in a modern franchise agreement, with potential policy decisions to consider for RecycleSmart's next agreement(s).

- <u>Services:</u> Our current three container (Organics, Recyclables, Landfill) services are compliant with State law (SB 1383) and the law does not allow for much variation. RecycleSmart should consider if there are any new services desired (e.g. multi-family bulky item collection, on-call reuse pick-ups, mixed waste processing, door-to-door household hazardous waste collection, unlimited residential yard trimmings collection, mattress recycling, etc.) that go beyond SB 1383 compliance.

- <u>Service "Bundles":</u> The Authority should consider if there are some services that should be "bundled" in the same agreement such that they are always provided by the same vendor. For example: Should the company that processes the recyclables also collect them? Should the same company provide all collection services? Should the company that owns the landfill also collect the garbage? This may determine the number of agreements executed in order to provide all desired services. This decision will also affect the competitiveness of the procurement process as some services are likely to have more potential providers than others.

- <u>Exclusivity:</u> The franchised collector (Republic) currently has the exclusive right to collect Organics, Recyclables, and Landfill materials. Private commercial recyclers are not allowed to charge for service. Construction and demolition debris (C&D) collection is not part of the exclusive franchise.

- <u>Mandatory Services:</u> Customers in the incorporated cities/towns of our service area are not required to subscribe to collection services from the franchised collector and may choose to self-haul their materials to the appropriate facilities instead.

- <u>Term:</u> Collection agreements are typically 7-15 years long. Post-collection agreements (landfill, composting, recyclables processing) are often 15-30 years long. The terms roughly coincide with the years required to amortize the capital expenditures (trucks, containers, facilities) needed to provide the services. Many agreements provide for term extensions of 1-10 years. The Authority may wish to change the current March-February term of the agreements to match either the fiscal (July-June) or calendar year.

- <u>Compensation Adjustment Method:</u> MDR's recyclables processing compensation is adjusted annually for inflation per changes in the Consumer Price Index (CPI). Republic's compensation is adjusted every three years using a cost-based method which guarantees Republic a profit on allowable expenses of 13%. An index-based adjustment method (similar to CPI) is utilized in the years between the cost-based adjustments. For future agreements, the Authority may want to consider changes in frequency or methodology of the cost-based compensation adjustments to more accurately reflect the contractor's actual costs, avoid future requests for special compensation adjustments and reduce the potential for large rate increases at the beginning of new agreements. The Authority may wish to change the current March-February rate year to match either the fiscal (July-June) or calendar year.

- Recyclables Revenue Share: MDR currently shares a portion of the revenue from the sale of recyclables with the Authority whenever the average annual value of the recyclables exceeds $60/ton. MDR is guaranteed an average annual value $20/ton, with the Authority making up any difference.

- Incentives for Quality Service: Republic's amended agreement utilizes liquidated damages (financial penalties) and a portion of future compensation increases as incentives to provide quality services.

- Accepted Recyclables: The agreements specify which materials the collector must accept in the blue recycling containers and the processor must accept from the collector. In the new agreements we may wish to alter the list of accepted recyclables based on current recyclables markets and education strategies. This decision may be impacted by newly passed state legislation (SB 54) which will eventually require that most single-use packaging and plastic single-use food service ware sold in California be recyclable or compostable.

- Rate Structure: The current customer rates are "bundled" such that organics and recyclables are provided to customers at no additional charge and customers pay based on the size and collection frequency of their landfill containers. This encourages recycling and composting and has facilitated nearly universal three-container service and SB 1383 compliance. However, some other jurisdictions are starting to charge separately for commercial recyclables and organics services and to decrease the price differential between the different sizes of landfill containers. This is being done in order to more accurately reflect the cost of the services, reduce contamination in recyclables and organics containers, and decrease illegal dumping.

- Hard-to-Serve Routes: Customers on hard-to-serve routes pay higher rates. The Authority would provide any new collection contractor with route maps and customer lists indicating which customers are currently considered hard-to-serve. We may wish to re-evaluate this list when procuring the new franchise agreement.

- Vehicle Fuel: The current franchise agreement requires Republic to use collection vehicles powered by Compressed Natural Gas (CNG). California Air Resources Board (CARB) regulations require fleets to start phasing in zero emissions (e.g., electric or hydrogen fuel cell) vehicles starting in 2025, with 100% of refuse trucks required to be zero emissions vehicles by 2040.

- Vehicle Age: The current agreement requires the contractor to purchase vehicles that have useful life of 10 years, and to depreciate those vehicles over 10 years. Collection agreements are typically around 10 years long in to coincide with the depreciation schedule of the vehicles. RecycleSmart may wish to stipulate whether or not all new vehicles would be required at the beginning of the new collection agreement. All new vehicles were required at the beginning of the current agreement. It may help to reduce costs if the collection contractor were allowed to utilize used vehicles in the new agreement.

- Collection Containers: All contractor-provided carts and bins in-use already meet the SB 1383 color requirements (Blue, Black, Green). The current agreement requires a minimum of 30% recycled content in plastic collection containers. The Authority may take possession of fully depreciated containers at the end of the agreement, and has the option to purchase containers that aren't fully depreciated. The Authority may need to consider whether any new collector would be required to provide all new containers as the current containers are labeled with Republic's logo and phone number.

- Public Education/Technical Assistance/ Enforcement: Public education is accomplished through a combination of Republic and RecycleSmart staff. Republic provides five Recycling Coordinators who are required to contact each commercial and multi-family account at least once per year to offer technical assistance and education. SB 1383 mandated route audits and enforcement are outside the scope of the current franchise agreements.

- Billing and Customer Service: The franchised collector (Republic) bills customers for service and remits administrative fees and member agency fees to the Authority. The Authority pays MDR for recyclables processing and reuse collection and remits member agency fees to each agency. Republic customer service representatives respond to customer inquiries regarding service and billing. Republic is required to have a local office/call center.

Recycle Smart
Central Contra Costa Solid Waste Authority



# Solid Waste RFP Processes

Below are aspects of a solid waste RFP process that may be different than other procurement processes conducted by local governments:

- RecycleSmart is not required to select the lowest bidder, and may select the proposer who offers the best overall value to our ratepayers.
- Respondents are asked to submit technical proposals (which describe qualifications, staffing, approaches, assumptions, technology, equipment, outreach programs, solutions and innovations) as well as cost proposals.
- Solid waste RFPs always ask for a "base proposal" for the desired services that all respondents must provide technical and cost proposals for, but often ask for one or more "alternative proposals" to obtain pricing on various program options, and sometimes allow proposers to submit their own "alternative proposals" not envisioned by the agency.
- Cost proposals may be opened at the same time as technical proposals and evaluated concurrently.
- Cost proposals are not public when they are opened.
- Local governments typically negotiate with the top one to three proposers and can negotiate on price even after the cost proposals are opened.
- During negotiations proposers are typically asked to submit multiple updated cost proposals.
- Cost proposals are not public until they are brought to the Board for consideration.
- Franchise negotiations may take several meetings over three-to-six months.
- Draft franchise agreements are typically issued with the RFP, and proposers are asked if they have any requested changes ("exceptions") to the agreement.
- The number and type of a respondent's exceptions to the draft agreement may be a factor in how a proposal is scored, and is often a significant component of negotiations.
- RecycleSmart may reject all proposals, select one or more proposers, award different services to different proposers, and "mix and match" elements of the best proposals.
- The RFP documents and the proposals received are usually much larger than those received for other types of projects, numbering hundreds of pages each.