

2018

10-YEAR

FORECAST

FINANCIAL

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OC WASTE & RECYCLING

Ten-Year Financial Forecast

HIGHLIGHTS OF TEN-YEAR FINANCIAL FORECAST

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

OC Waste & Recycling is exploring new technologies and alternatives in waste management and converting landfill gas into beneficial sources of energy in response to a future focused on minimizing waste, increasing recycling, and utilizing renewable energies. Although landfilling continues to be an essential public service, the Department recognizes the need to broaden its waste management services to provide a valuable and reliable resource to the residents and businesses in the County of Orange for future generations.

The 10-Year Financial Forecast included in this Annual Report is for FY 2018/19 through FY 2027/28. The projected tonnage reflects the recent trend of increasing tonnage due to higher population, economic growth, and the decline in the recycling. The tonnage forecast also includes anticipated impacts from increasing recycling diversion goals, legislation in greenhouse gas reduction, organics recycling legislation, and the assumption that the Olinda Alpha Landfill in Brea will close by December 31, 2021.

Forecasted system revenues reflect the increasing trend in tonnage and current royalties from renewable energy and rent collected from the use of OC Waste & Recycling's properties. Net importation revenue sharing to the County is expected in the range of \$8 million a year, and the same amount going to Orange County cities. However, with the assumption that the Olinda Alpha Landfill will close in December 2021, net importation revenue sharing is expected to end in FY 2021/22, prior to June 30, 2025 (the expiration date of Amendment I to the Waste Disposal Agreements), because In-County disposal is anticipated to exhaust the permitted capacity of the County's two remaining active landfills at that time. (Table B. Forecasted System Revenues).

Forecasted system expenses include significant capital project costs related to the future development of the landfill system, equipment and infrastructure for organic composting facilities, and estimated costs for research and development of other alternatives for waste management and renewable energies (Table C. Forecasted System Expenses). Expenses are projected to be higher than revenues in the years with large capital projects (CHART 2). OC Waste & Recycling will strategically utilize reserves, maximize operational efficiencies, monitor expenditures, and capitalize on renewable energy opportunities to decrease the shortfall.

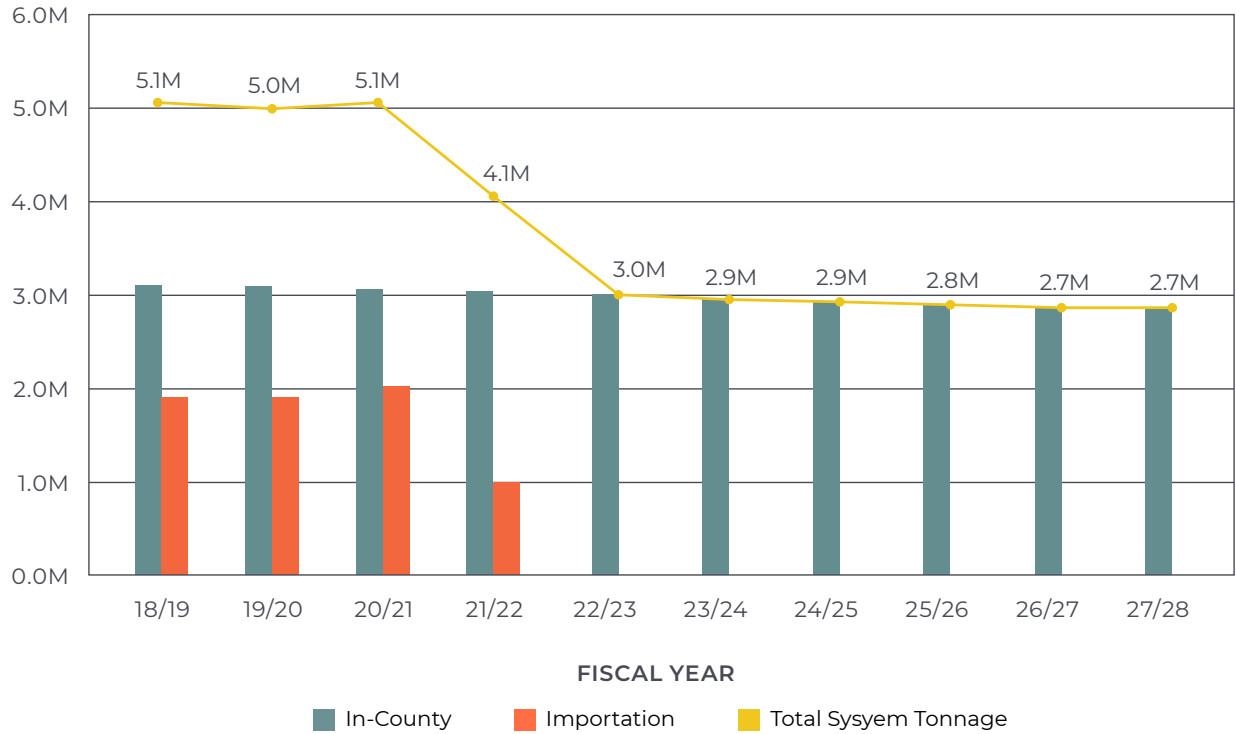
The schedule following CHART 1 and CHART 2 provides a two-year summary of audited financial data for fiscal years ending June 30, 2018 and 2017, respectively. In addition, detailed schedules for tonnage, revenues, expenses, cash balances and accrued closure and postclosure liabilities for the 10-year forecast period are presented in Exhibits A through G.

OC WASTE & RECYCLING

Ten-Year Financial Forecast

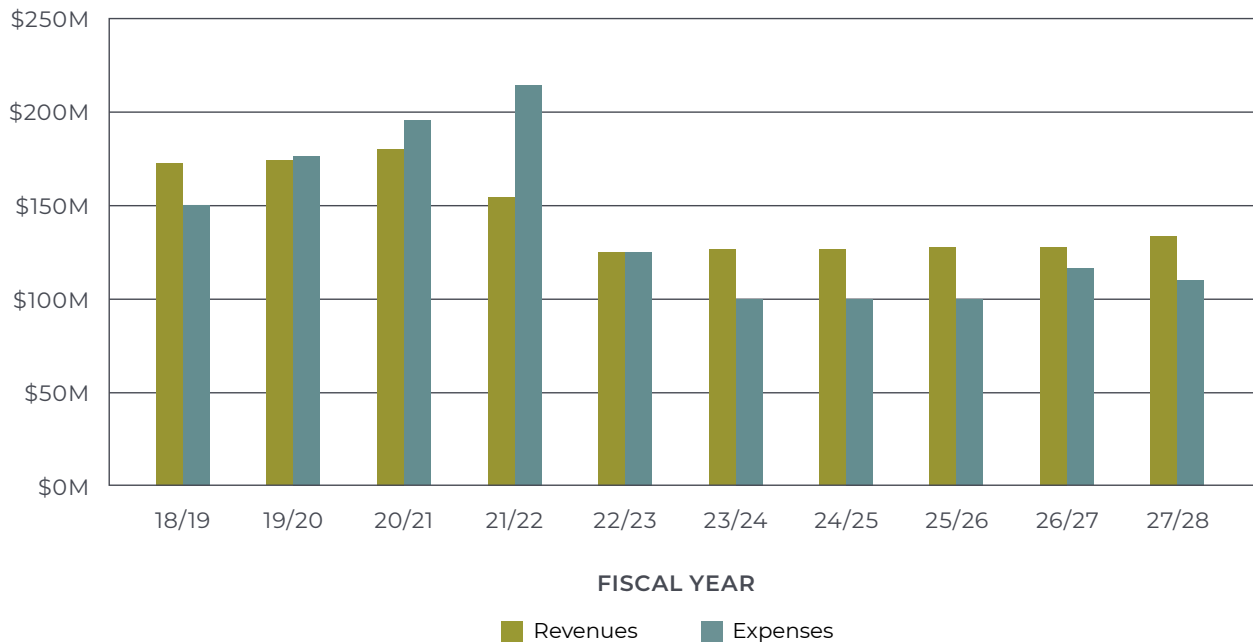
SYSTEM TONNAGE

CHART 1



SYSTEM FINANCIAL PROJECTIONS - FUNDS 273, 295 AND 299

CHART 2



OC WASTE & RECYCLING

Ten-Year Financial Forecast

TONNAGE & AUDITED FINANCIAL DATA FOR FISCAL YEARS ENDING JUNE 30, 2018 & 2017

DISPOSABLE WASTE TONNAGE ^[1]

	6/30/2018	6/30/2017
In-County	3,168,700	3,049,955
Importation	1,811,084	1,759,885
Total System Tonnage	4,979,784	4,809,840

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION FOR THE YEARS ENDED JUNE 30, 2018 & 2017 ^[2]

	6/30/2018	6/30/2017
Total Revenues	\$ 168,105,374	\$ 153,800,468
Total Expenses	\$ 136,793,455	\$ 131,430,537
Change in Net Position	\$ 31,311,919	\$ 26,615,670

CASH BALANCES ^[3]

	6/30/2018	6/30/2017
Enterprise/Operating Fund	\$ 158,709,074	\$ 179,601,305
Capital Project Fund	\$ 45,255,617	\$ 16,922,983
Corrective Action Escrow Fund	\$ 8,256,097	\$ 8,256,097
Environmental Reserve Fund	\$ 58,797,673	\$ 58,599,196
Deferred Payment Security Deposits Fund	\$ 689,894	\$ 646,548
Habitat Mitigation Escrow Funds	\$ 983,289	\$ 983,289

ACCRUED CLOSURE AND POSTCLOSURE ^[3]

	6/30/2018	6/30/2017
Landfill Closure Liabilities	\$ 65,768,354	\$ 60,398,582
Landfill Postclosure Liabilities	\$ 100,217,293	\$ 98,082,004
Escrow Funds (Closure) Cash Balance	\$ 89,834,695	\$ 89,122,820
Landfill Postclosure Cash Balance	\$ 128,932,206	\$ 132,325,080

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

[2] Source: OC Waste & Recycling 2018 Audited Financial Statements and Trial Balance.
(Varinek, Trine, Day & Co., LLP - VTD Certified Public Accountants)

Source: OC Waste & Recycling 2017 Audited Financial Statements and Trial Balance.
(Macias Gini & O'Connell LLP - MGO Certified Public Accountants)

[3] Source: 2nd Close Figures obtained from County financial system reports.

2nd Close Figures include adjustments and reclassifications to the General Ledger subsequent to the official June 30 year-end close.

OC WASTE & RECYCLING

Ten-Year Financial Forecast

A. FORECASTED SYSTEM TONNAGE

DESCRIPTION	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
Frank R. Bowerman Landfill	1,583,721	1,579,000	1,560,782	2,083,313	2,582,298
Olinda Alpha Landfill	1,154,464	1,146,000	1,112,230	554,711 ^[1]	0
Prima Deshecha Landfill	423,343	420,000	414,947	406,375	397,774
Total In-County Tonnage	3,161,528	3,145,000	3,087,959	3,044,398	2,980,072
Frank R. Bowerman Landfill	883,009	880,000	881,017	439,921	0
Olinda Alpha Landfill	902,008	900,000	1,015,034	519,774	0
Prima Deshecha Landfill	127,925	120,000	120,138	59,989	0
Total Imported Tonnage	1,912,942	1,900,000	2,016,189	1,019,684	0
Total System Tonnage^[3]	5,074,470	5,045,000	5,104,148	4,064,082 ^[2]	2,980,072
DESCRIPTION	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Frank R. Bowerman Landfill	2,526,376	2,469,979	2,413,658	2,356,846	2,371,023
Olinda Alpha Landfill	0	0	0	0	0
Prima Deshecha Landfill	389,143	380,438	371,744	362,976	365,165
Total In-County Tonnage	2,915,519	2,850,417	2,785,402	2,719,822	2,736,188
Frank R. Bowerman Landfill	0	0	0	0	0
Olinda Alpha Landfill	0	0	0	0	0
Prima Deshecha Landfill	0	0	0	0	0
Total Imported Tonnage	0	0	0	0	0
Total System Tonnage^[3]	2,915,519	2,850,417	2,785,402	2,719,822	2,736,188

[1] Olinda Alpha Landfill is currently scheduled to close in December 2021. In-County tonnage to Olinda is projected to be diverted to Frank R. Bowerman Landfill after its closure.

[2] Due to daily capacity limits at Frank R. Bowerman Landfill and Prima Deshecha Landfill, importation tonnage will end if Olinda Alpha Landfill closes in December 2021.

[3] System tonnage projection for the forecasted period is higher than the projection in the 2017 Annual Report due to the recent trend of higher tonnage at the landfills and higher population/economic growth.

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B. FORECASTED SYSTEM REVENUES

DESCRIPTION	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
Fund 299 Enterprise /					
Operating - Total Revenues	\$ 116,781,000	\$ 119,259,000	\$ 121,014,000	\$ 121,957,000	\$ 123,810,000
Fund 273 Capital Project /					
Operating - Total Revenues ^[1]	\$ 500,000	\$ 400,000	\$ 123,000	\$ 599,000	\$ 829,000
Fund 295 Importation Revenue					
Sharing - Total Revenues	\$ 52,846,000	\$ 52,585,000	\$ 56,916,000	\$ 29,447,000 ^[2]	\$ -
Total Projected Revenues	\$ 170,127,000	\$ 172,127,000	\$ 178,053,000	\$ 152,003,000	\$ 124,639,000

DESCRIPTION	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Fund 299 Enterprise /					
Operating - Total Revenues	\$ 125,617,000	\$ 125,428,000	\$ 126,444,000	\$ 127,535,000	\$ 131,710,000
Fund 273 Capital Project /					
Operating - Total Revenues ^[1]	\$ 225,000	\$ 69,000	\$ 108,000	\$ 6,000	\$ 153,000
Fund 295 Importation Revenue					
Sharing - Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Total Projected Revenues	\$ 125,842,000	\$ 125,497,000	\$ 126,552,000	\$ 127,541,000	\$ 131,863,000

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

[2] Due to daily capacity limits at Frank R. Bowerman Landfill and Prima Deshecha Landfill, importation tonnage will end if Olinda Alpha Landfill closes in December 2021.

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C. FORECASTED SYSTEM EXPENSES

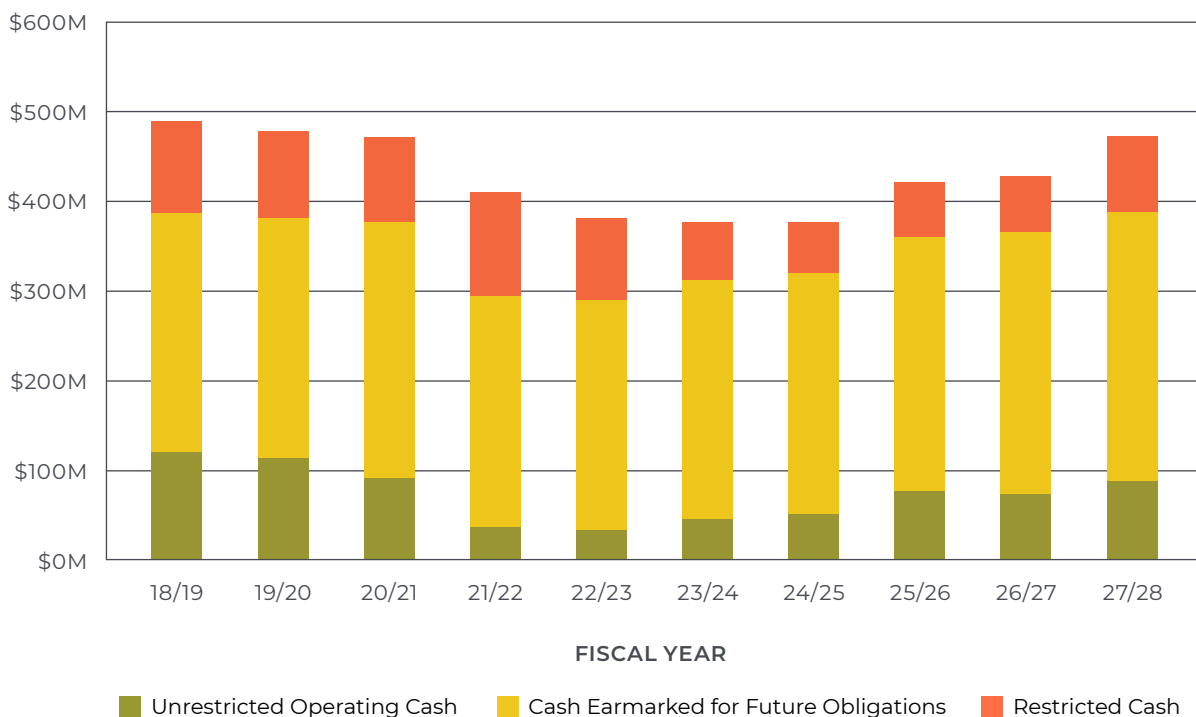
SYSTEM EXPENSES BY FUND	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
Fund 299 Enterprise / Operating	\$ 112,243,000	\$ 129,114,000	\$ 116,904,000	\$ 133,662,000	\$ 113,332,000
Fund 273 Capital Project / Operating	\$ 14,987,000	\$ 24,050,000	\$ 54,382,000	\$ 72,281,000	\$ 11,704,000
Fund 295 Importation Revenue Sharing	\$ 21,682,000	\$ 22,795,000	\$ 22,948,000	\$ 11,817,000	\$ - ^[1]
Total System Expenses	\$ 148,912,000	\$ 175,959,000	\$ 194,234,000	\$ 217,760,000	\$ 125,036,000

SYSTEM EXPENSES BY FUND	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Fund 299 Enterprise / Operating	\$ 98,419,000	\$ 98,414,000	\$ 98,977,000	\$ 104,421,000	\$ 103,985,000
Fund 273 Capital Project / Operating	\$ 904,000	\$ 2,104,000	\$ 829,000	\$ 17,004,000	\$ 10,004,000
Fund 295 Importation Revenue Sharing	\$ -	\$ -	\$ -	\$ -	\$ -
Total System Expenses	\$ 99,323,000	\$ 100,518,000	\$ 99,806,000	\$ 121,425,000	\$ 113,989,000

[1] Due to daily capacity limits at Frank R. Bowerman Landfill and Prima Deshecha Landfill, importation tonnage will end if Olinda Alpha Landfill closes in December 2021.

D. FORECASTED CASH BALANCES

CASH BALANCES



OC WASTE & RECYCLING

Ten-Year Financial Forecast

D. FORECASTED CASH BALANCES (CONTINUED)

ENDING CASH BALANCES	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
Fund 299 - OCWR Operating Fund	\$ 114.7M	\$ 120.2M	\$ 89.0M	\$ 27.7M	\$ 23.2M
Fund 273 - Capital Project Fund	\$ 21.4M	\$ 13.7M	\$ 5.6M	\$ 5.6M	\$ 5.6M
TOTAL UNRESTRICTED OPERATING CASH	\$ 136.2M	\$ 133.9M	\$ 94.6M^[1]	\$ 33.3M^[1]	\$ 28.9M^[1]
Fund 299 - Operating Cash Earmarked for Future Use	\$ 55.1M	\$ 61.9M	\$ 67.8M	\$ 47.8M	\$ 40.8M
Fund 275 - Environmental Reserves Fund	\$ 59.8M	\$ 51.2M	\$ 80.0M ^[2]	\$ 80.0M	\$ 80.0M
Fund 279 - Postclosure Maintenance Fund	\$ 128.5M	\$ 124.4M	\$ 120.0M	\$ 135.9M	\$ 136.1M
TOTAL CASH EARMARKED FOR FUTURE OBLIGATIONS	\$ 243.4M	\$ 237.5M	\$ 267.8M	\$ 263.7M	\$ 256.9M
Fund 276 - Deferred Payment Security Deposits	\$ 0.7M	\$ 0.7M	\$ 0.7M	\$ 0.7M	\$ 0.7M
Fund 274 - Corrective Action Escrow Fund	\$ 8.5M	\$ 8.6M	\$ 8.8M	\$ 9.0M	\$ 9.1M
Fund 288 - FRB Landfill Wetland Creation and Agua Chinon Wash Riparian Restoration and Enhancement Mitigation Sites Escrow Fund	\$ 1.0M	\$ 1.0M	\$ 0.9M	\$ 0.9M	\$ 0.9M
Fund 272 - Prima Deshecha Landfill and the La Pata Avenue Gap Closure Escrow Fund	\$ 0.1M	\$ 0.1M	\$ - ^[3]	\$ -	\$ -
Fund 286 - Olinda Alpha Closure Escrow Fund	\$ 40.0M	\$ 40.8M	\$ 41.5M	\$ 43.8M	\$ 21.7M ^[4]
Fund 284 - Frank R. Bowerman Closure Escrow Fund	\$ 30.1M	\$ 30.7M	\$ 31.2M	\$ 31.8M	\$ 32.4M
Fund 287 - Prima Deshecha Closure Escrow Fund	\$ 21.1M	\$ 21.6M	\$ 21.9M	\$ 22.3M	\$ 22.7M
TOTAL RESTRICTED CASH	\$ 101.4M	\$ 103.4M	\$ 105.1M	\$ 108.4M	\$ 87.5M
TOTAL FISCAL YEAR END CASH BALANCE	\$ 481.0M	\$ 474.8M	\$ 467.5M	\$ 405.4M	\$ 373.3M

[1] Cash balance decreases in years with large capital projects.

[2] Cash balance increases in FY 2020/21 due to reimbursements from Fund 279.

[3] Per the agreement with the California Department of Fish and Game for habitat mitigation, requirement is estimated to end in FY 2019/20.

[4] Olinda Alpha Landfill is scheduled to close in December 2021 and enter into its closure period in 2022. Escrow monies will be used for the final closure costs.

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D. FORECASTED CASH BALANCES (CONTINUED)

ENDING CASH BALANCES	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Fund 299 - OCWR Operating Fund	\$ 42.3M	\$ 51.6M	\$ 73.5M	\$ 74.0M	\$ 87.6M
Fund 273 - Capital Project Fund	\$ 5.6M	\$ 5.6M	\$ 5.6M	\$ 5.6M	\$ 5.6M
TOTAL UNRESTRICTED OPERATING CASH	\$ 47.9M	\$ 57.2M	\$ 79.2M	\$ 79.6M	\$ 93.2M
Fund 299 - Operating Cash Earmarked for Future Use	\$ 44.1M	\$ 54.1M	\$ 64.0M	\$ 73.8M	\$ 92.0M
Fund 275 - Environmental Reserves Fund	\$ 80.0M	\$ 80.0M	\$ 80.0M	\$ 80.0M	\$ 80.0M
Fund 279 - Postclosure Maintenance Fund	\$ 136.2M	\$ 134.7M	\$ 132.9M	\$ 131.1M	\$ 129.1M
TOTAL CASH EARMARKED FOR FUTURE OBLIGATIONS	\$ 260.4M	\$ 268.7M	\$ 276.9M	\$ 284.8M	\$ 301.1M
Fund 276 - Deferred Payment Security Deposits	\$ 0.7M	\$ 0.7M	\$ 0.7M	\$ 0.7M	\$ 0.7M
Fund 274 - Corrective Action Escrow Fund	\$ 9.3M	\$ 9.5M	\$ 9.6M	\$ 9.8M	\$ 10.0M
Fund 288 - FRB Landfill Wetland Creation and Agua Chinon Wash Riparian Restoration and Enhancement Mitigation Sites Escrow Fund	\$ 0.9M	\$ 0.9M	\$ 0.9M	\$ - ^[5]	\$ -
Fund 272 - Prima Deshecha Landfill and the La Pata Avenue Gap Closure Escrow Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Fund 286 - Olinda Alpha Closure Escrow Fund	\$ - ^[4]	\$ -	\$ -	\$ -	\$ -
Fund 284 - Frank R. Bowerman Closure Escrow Fund	\$ 33.0M	\$ 33.6M	\$ 34.2M	\$ 34.8M	\$ 35.4M
Fund 287 - Prima Deshecha Closure Escrow Fund	\$ 23.2M	\$ 23.6M	\$ 24.0M	\$ 24.8M	\$ 25.8M
TOTAL RESTRICTED CASH	\$ 67.0M	\$ 68.2M	\$ 69.4M	\$ 70.1M	\$ 71.9M
TOTAL FISCAL YEAR END CASH BALANCE	\$ 375.3M	\$ 394.1M	\$ 425.4M	\$ 434.5M	\$ 466.2M

[4] Olinda Alpha Landfill is scheduled to close in December 2021 and enter into its closure period in 2022. Escrow monies will be used for the final closure costs.

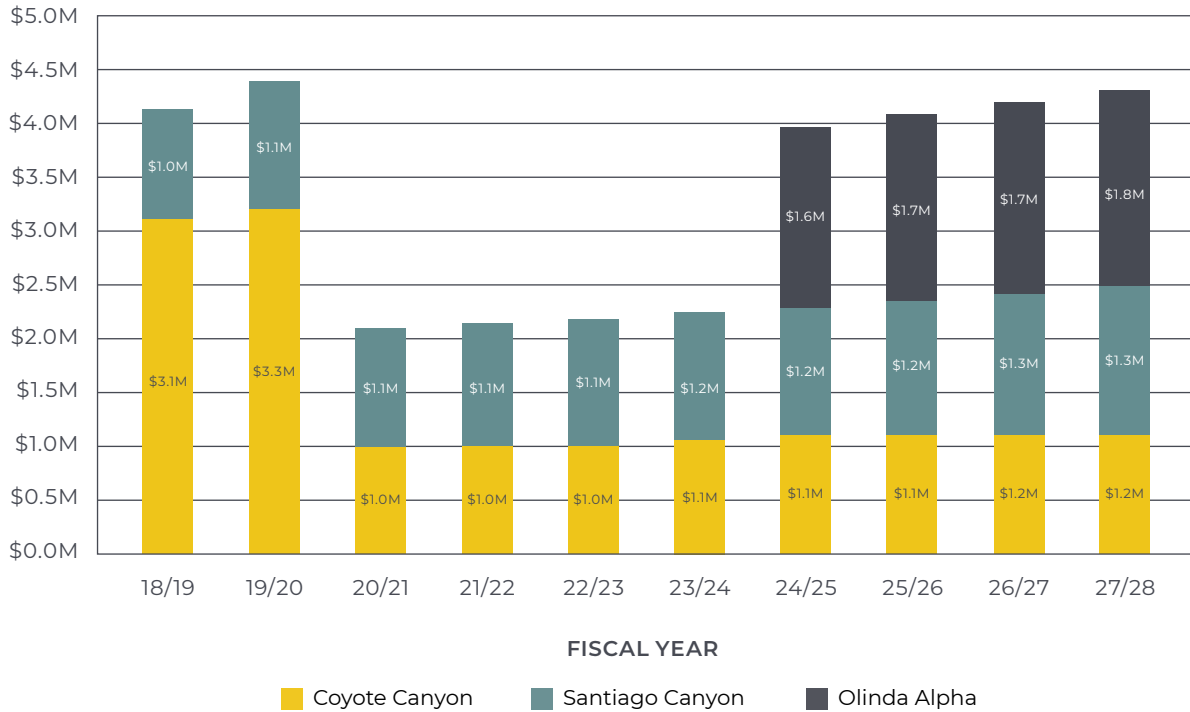
[5] Per the agreement with the California Department of Fish and Game for habitat mitigation, requirement is estimated to end in FY 2025/26.

OC WASTE & RECYCLING

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E. LANDFILL POSTCLOSURE MAINTENANCE FUND

ANNUAL POSTCLOSURE MAINTENANCE EXPENDITURES



- 1) FY 18/19 and FY 19/20 include expenditures for the replacement cost for the Coyote Canyon landfill gas system.
- 2) Olinda Alpha Landfill is estimated to enter into its 30-year postclosure maintenance period in FY 24/25, upon completion of the final cover.

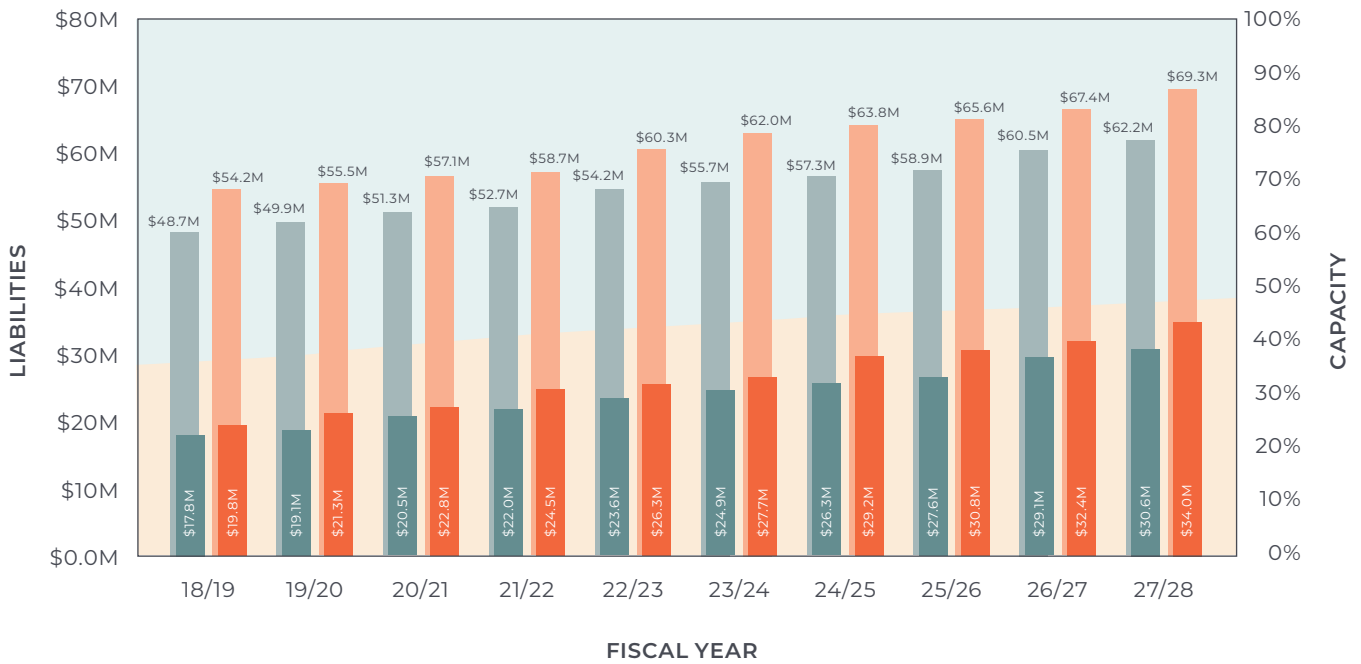
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F. LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES

FRANK R. BOWERMAN LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES

Maximum Permitted Capacity (Airspace) = 266 Million Cubic Yards



Bar Chart = Liabilities

- Estimated Total Closure Cost
- Accrued Closure Liability
- Estimated 30-Year Postclosure Cost
- Accrued Postclosure Liability

Area Chart = Capacity

- Remaining Airspace Available
- % of Airspace Filled

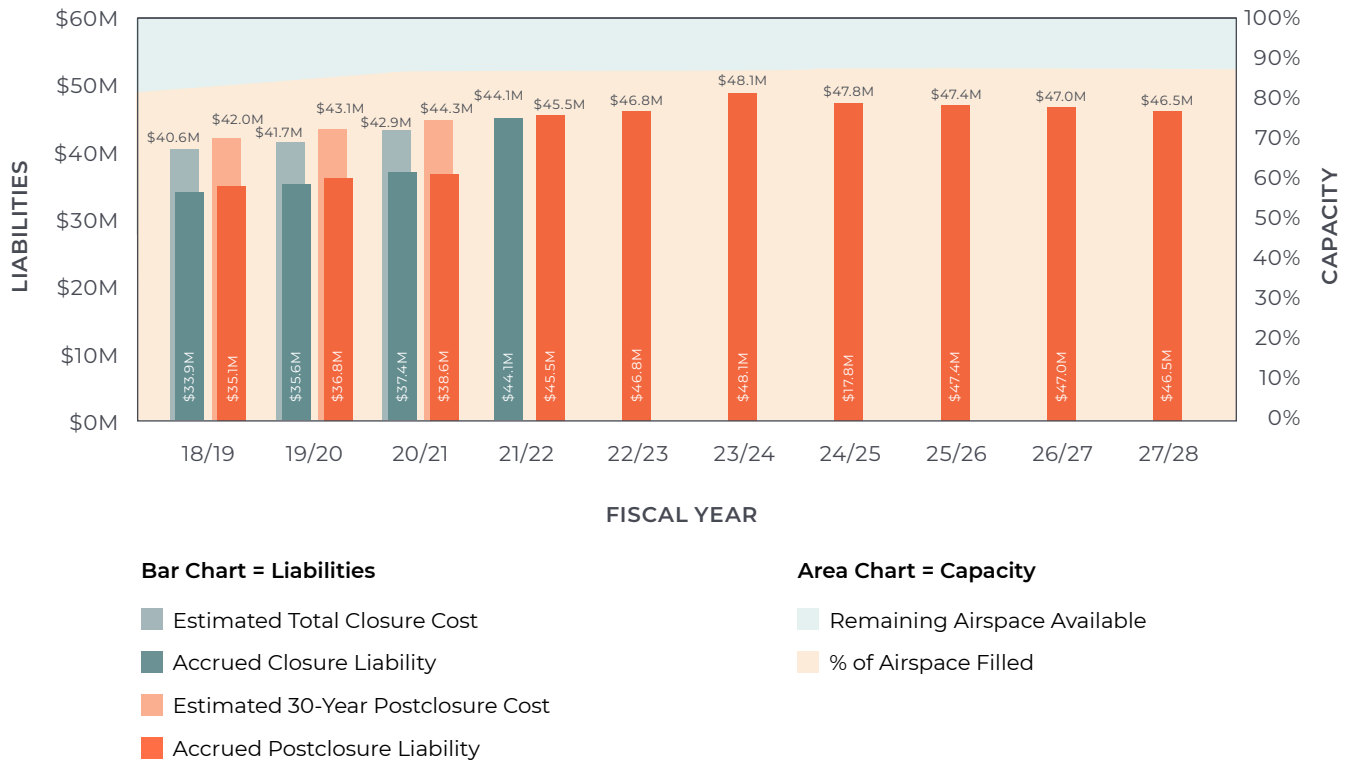
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F. LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES (CONTINUED)

OLINDA ALPHA LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES

Maximum Permitted Capacity = 148.8 MCY (Million Cubic Yards)



Olinda Alpha Landfill is scheduled to close in December 2021 and enter into its closure period in FY 2022/23. Closure Escrow monies for Olinda Alpha Landfill will be used for the final cover and the GASB 18 closure liability is no longer required.

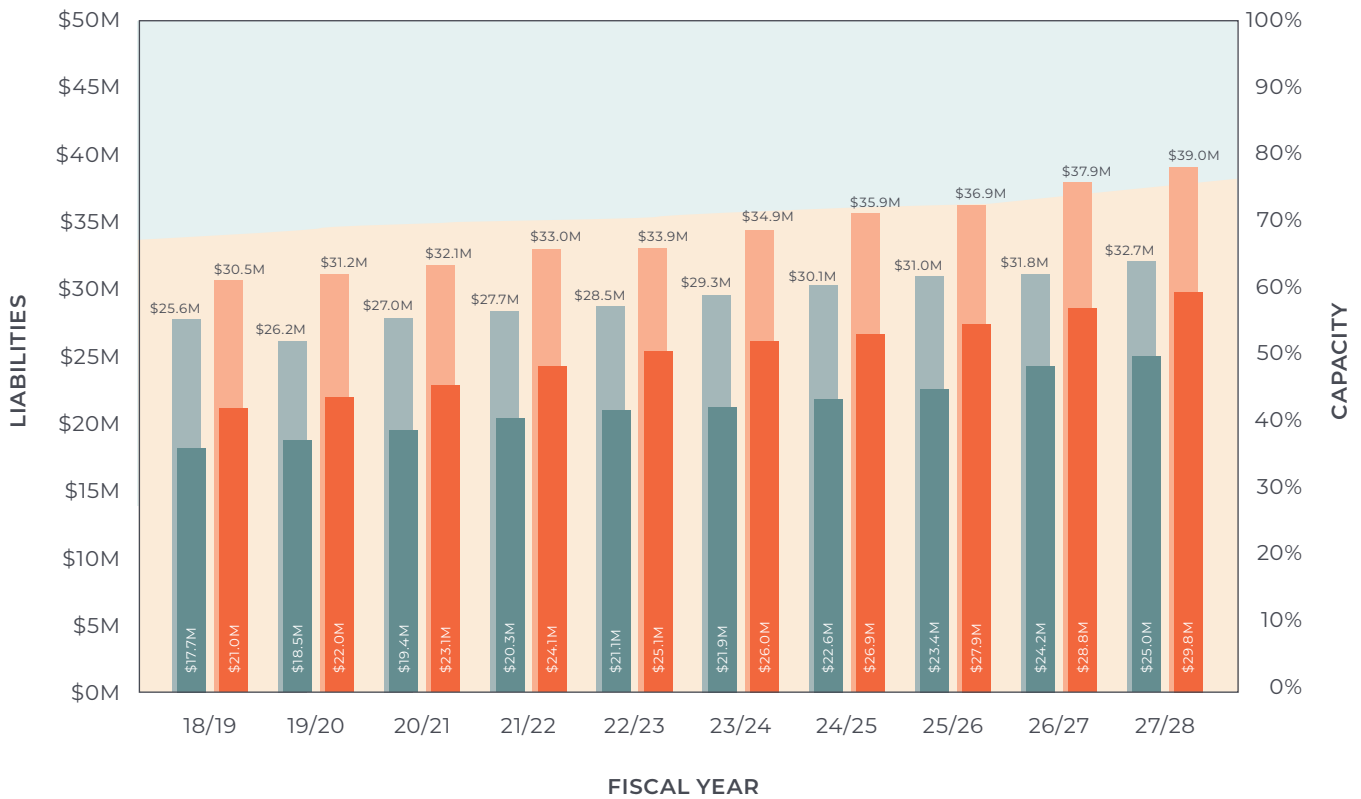
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F. LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES (CONTINUED)

PRIMA DESHECHA LANDFILL - ZONE 1 CLOSURE AND POSTCLOSURE LIABILITIES

Maximum Permitted Capacity = 53.1 MCY (Million Cubic Yards)



Bar Chart = Liabilities

- Estimated Total Closure Cost
- Accrued Closure Liability
- Estimated 30-Year Postclosure Cost
- Accrued Postclosure Liability

Area Chart = Capacity

- Remaining Airspace Available
- % of Airspace Filled

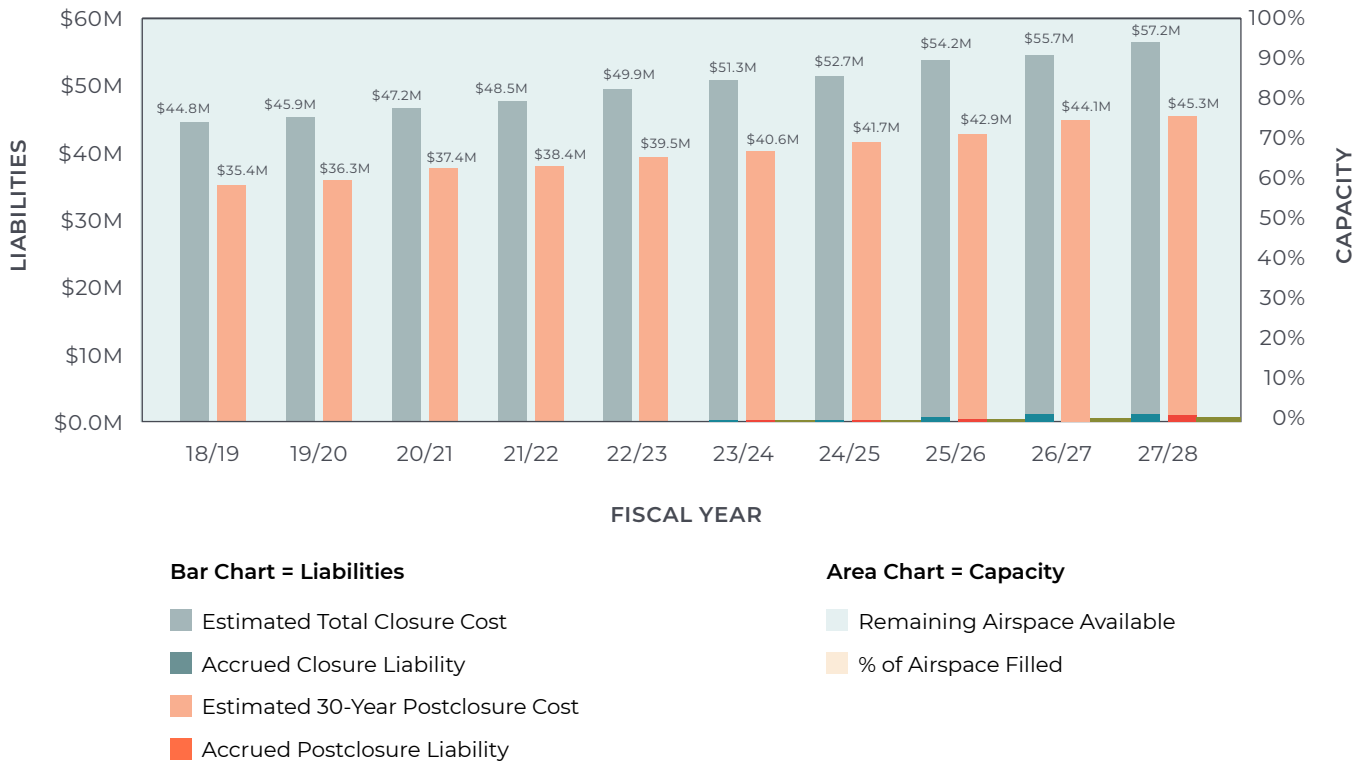
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F. LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES (CONTINUED)

PRIMA DESHECHA LANDFILL - ZONE 4 CLOSURE AND POSTCLOSURE LIABILITIES

Maximum Permitted Capacity = 118.5 MCY (Million Cubic Yards)



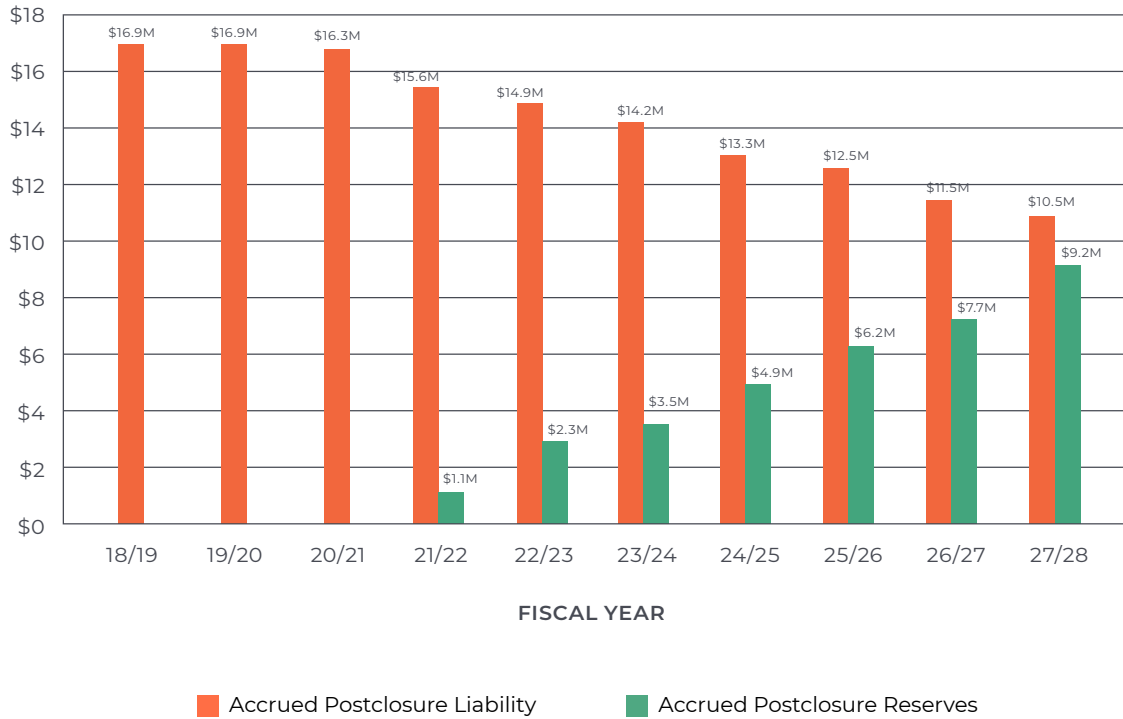
Prima Deshecha Landfill Zone 4 is estimated to start accepting waste in FY 2023/24. Accrued liabilities are required when waste is accepted.

OC WASTE & RECYCLING

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G. CLOSED LANDFILL POSTCLOSURE LIABILITIES & RESERVES

SANTIAGO CANYON POSTCLOSURE LIABILITY AND RESERVES



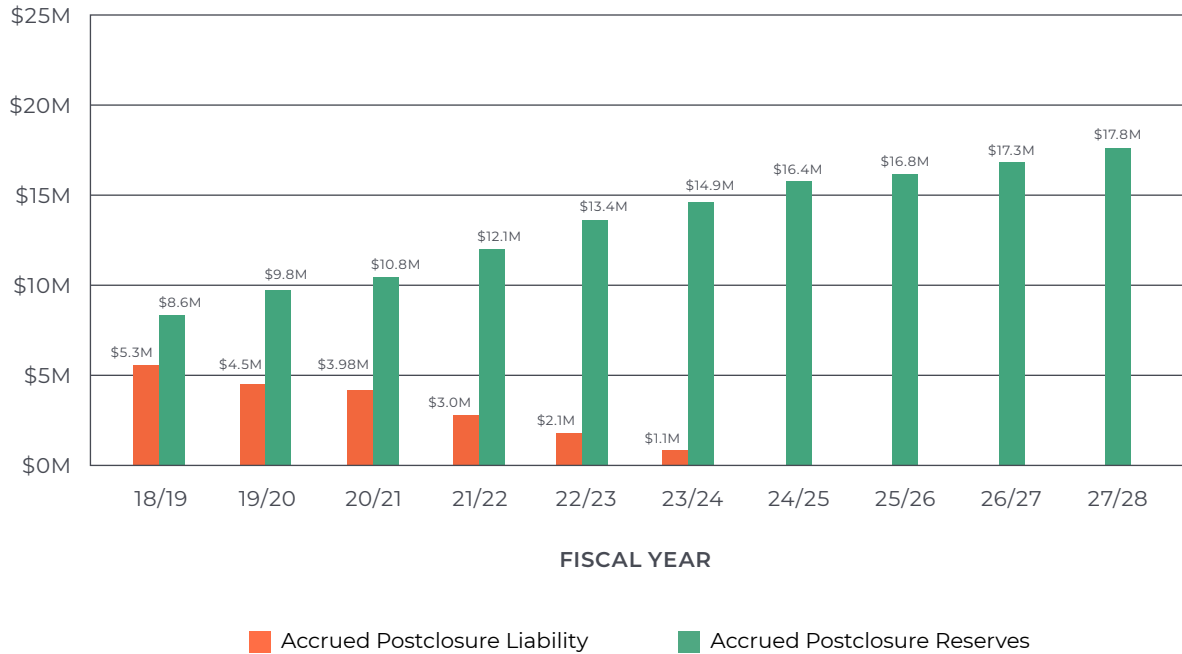
As the GASB 18 postclosure maintenance liability requirement reaches a remaining balance of 15-years of the approved annual postclosure cost estimate, OCWR will begin setting aside reserves to ensure adequate funds are available for annual postclosure maintenance costs in perpetuity. Santiago Canyon reaches its 15th year of postclosure in FY 21/22.

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G. CLOSED LANDFILL POSTCLOSURE LIABILITIES & RESERVES (CONTINUED)

COYOTE CANYON POSTCLOSURE LIABILITY AND RESERVES



When the GASB 18 postclosure maintenance liability requirement reached a remaining balance of 15 years of the approved annual postclosure cost estimate, OCWR began setting aside reserves to ensure adequate funds are available for annual postclosure maintenance costs in perpetuity.



COUNTY OF ORANGE

Waste & Recycling

Our Community. Our Commitment.

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