

2019 OC WASTE & RECYCLING

TEN-YEAR FINANCIAL FORECAST



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 structured as an enterprise fund and is primarily supported by revenues from disposal fees that are charged to customers. OC Waste & Recycling receives no tax revenues or County General Fund contributions to support its operations.

OC Waste & Recycling has actively pursued ways to expand its service provided and core functions by exploring new technologies and alternatives in waste management in addition to converting landfill gas into beneficial sources of energy. The Department is working toward 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 evolve with technology and environmental demands to broaden its waste management services. The ultimate goal is to safely and effectively provide a valuable and reliable resource to the residents and businesses in the County of Orange for future generations.

The Ten-Year Financial Forecast included in this Annual Report is for FY 2019/20 through FY 2028/29. The projected tonnage anticipates a trend of decreasing tonnage due to the severe impacts from the COVID-19 pandemic to the US and local economy. The tonnage forecast also includes anticipated impacts from increasing recycling diversion goals, legislation for organic waste methane emissions reductions and organics recycling, and the assumption that the Olinda Alpha Landfill in Brea will close by December 31, 2021 unless a revised permit is approved and issued by the local enforcement agency (LEA), and concurred by CalRecycle.

Forecasted system revenues reflect the decreasing trend in tonnage with an increase in royalties from renewable energy and rent collected from the use of OC Waste & Recycling's properties. Net importation revenue sharing to the County has been in the range of \$8 million a year, with 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 significantly decrease from FY 2021/22 due to anticipation that disposal tonnage from Orange County cities will exhaust the permitted capacity of the County's two remaining active landfills; therefore, there will be less spare capacity to accept importation tonnage. (Schedule 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 and anaerobic digestion facilities, costs for research and development of other alternatives for waste management and recycling, and construction of renewable energies plants (Schedule 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 potential revenue inflow from renewable energy projects to decrease the shortfall.

The schedule following CHART 1 and CHART 2 provides a two-year summary of audited financial data for fiscal years ending June 30, 2019 and 2018, respectively. In addition, detailed schedules for tonnage, revenues, expenses, cash balances and accrued closure and postclosure liabilities for the ten-year forecast period are presented in Exhibits A through G.

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TEN-YEAR FINANCIAL FORECAST



Chart 1
SYSTEM TONNAGE

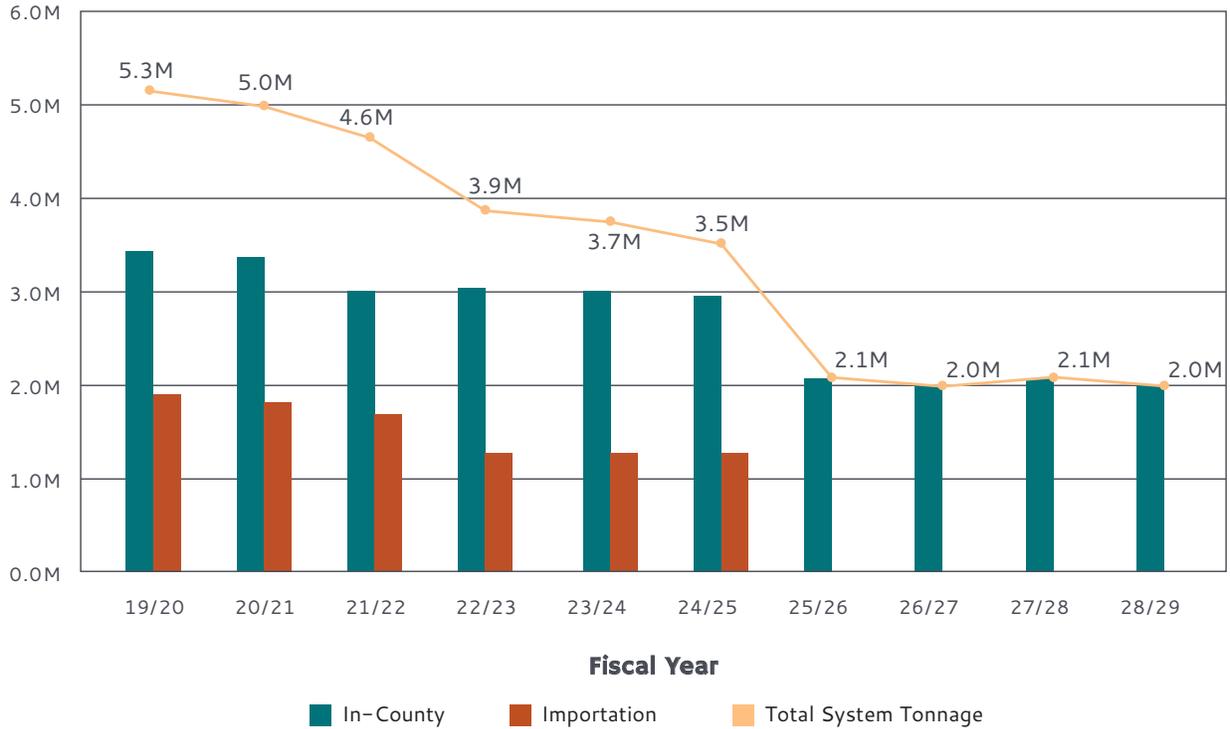
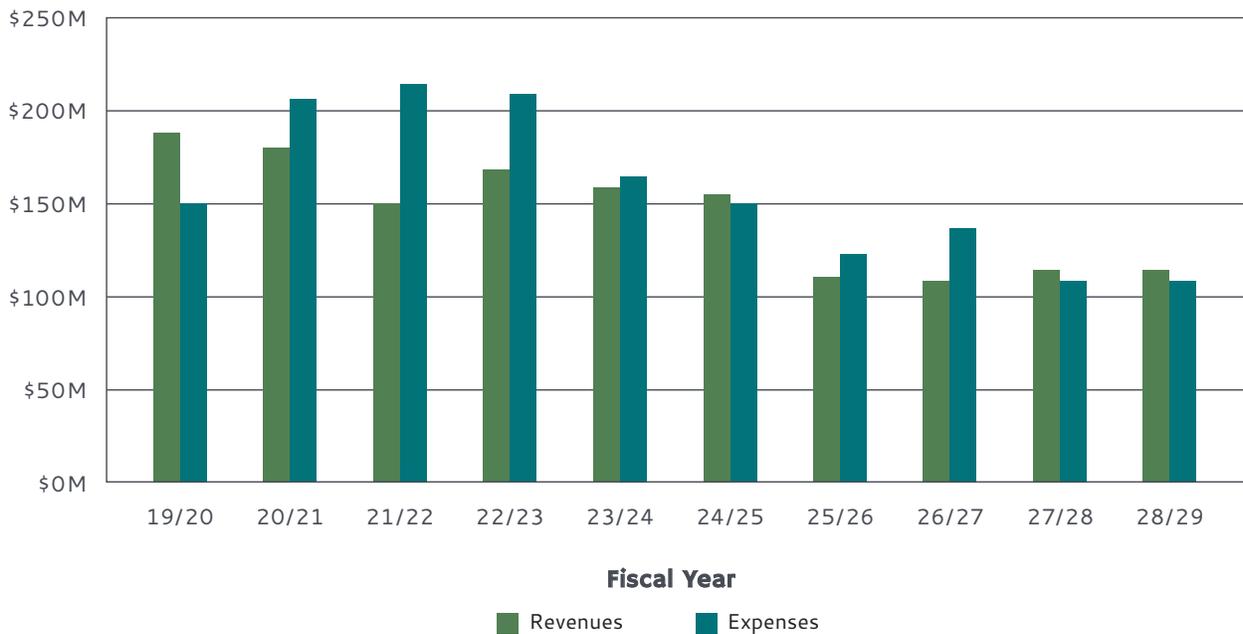


Chart 2
SYSTEM FINANCIAL PROJECTIONS - FUNDS 273, 295 AND 299





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TEN-YEAR FINANCIAL FORECAST

TONNAGE & AUDITED FINANCIAL DATA FOR FISCAL YEARS ENDING JUNE 30, 2019 & 2018

DISPOSAL WASTE TONNAGE^[1]

	6/30/19	6/30/18
In-County	3,231,764	3,168,700
Importation	1,916,630	1,811,084
Total System Tonnage	5,148,394	4,979,784

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION FOR THE YEARS ENDED

JUNE 30, 2019 & 2018^[2]

	6/30/19	6/30/18
Total Revenues	\$ 189,300,779	\$ 168,105,374
Total Expenses	\$ 137,709,803	\$ 136,793,455
Change in Net Position	\$ 51,590,976	\$ 31,311,919

CASH BALANCES^[3]

	6/30/19	6/30/18
Enterprise/Operating Fund	\$ 201,756,489	\$ 158,709,074
Capital Project Fund	\$ 27,754,473	\$ 45,255,617
Corrective Action Escrow Fund	\$ 8,572,051	\$ 8,256,097
Environmental Reserve Fund	\$ 60,534,218	\$ 58,797,673
Deferred Payment Security Deposits Fund	\$ 791,182	\$ 689,894
Habitat Mitigation Escrow Funds	\$ 983,289	\$ 983,289

ACCRUED CLOSURE AND POSTCLOSURE^[3]

	6/30/19	6/30/18
Landfill Closure Liabilities	\$ 67,141,007	\$ 65,768,354
Landfill Postclosure Liabilities	\$ 112,616,301	\$ 100,217,293
Escrow Funds (Closure) Cash Balance	\$ 92,536,475	\$ 89,834,695
Landfill Postclosure Cash Balance	\$ 130,547,937	\$ 128,932,206

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

[2] Source: OC Waste & Recycling 2019 Audited Financial Statements and Trial Balance (Eide Bailly LLP – Certified Public Accountants)
 OC Waste & Recycling 2018 Audited Financial Statements and Trial Balance (Varinek, Trine, Day & Co., LLP – VTD 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 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Frank R. Bowerman Landfill	1,652,355	1,633,612	1,963,054	2,297,861	2,120,982
Olinda Alpha Landfill	1,249,511	1,235,511	650,000 ^[1]	0	0
Prima Deshecha Landfill	441,365	436,358	385,954	349,497	322,594
Total In-County Tonnage	3,343,231	3,305,481	2,999,008	2,647,358	2,443,576
Frank R. Bowerman Landfill	895,836	788,667	646,440	311,639	488,518
Olinda Alpha Landfill	899,489	844,570	425,000	0	0
Prima Deshecha Landfill	121,304	110,352	500,000	988,361	811,482
Total Imported Tonnage	1,916,629	1,743,589	1,571,440	1,300,000^[2]	1,300,000
Total System Tonnage^[3]	5,259,860	5,049,070	4,570,448	3,947,358	3,743,576
DESCRIPTION	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Frank R. Bowerman Landfill	1,934,519	1,815,949	1,734,920	1,789,454	1,777,775
Olinda Alpha Landfill	0	0	0	0	0
Prima Deshecha Landfill	294,234	276,200	263,876	272,171	270,005
Total In-County Tonnage	2,228,753	2,092,149	1,998,796	2,061,625	2,047,780
Frank R. Bowerman Landfill	674,981	0	0	0	0
Olinda Alpha Landfill	0	0	0	0	0
Prima Deshecha Landfill	625,019	0	0	0	0
Total Imported Tonnage	1,300,000^[4]	0	0	0	0
Total System Tonnage^[3]	3,528,753	2,092,149	1,998,796	2,061,625	2,047,780

[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 Olinda's closure.

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

[3] System tonnage projection for the forecasted period is significantly lower than the projection in the 2018 Annual Report due to the recent COVID-19 pandemic impacts to the U.S. and local economy.

[4] Importation is scheduled to end by June 30, 2025 based on the term of the Amendment to current Waste Disposal Agreements.

OC Waste & Recycling

TEN-YEAR FINANCIAL FORECAST



B. FORECASTED SYSTEM REVENUES

DESCRIPTION	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Fund 299 Enterprise /					
Operating – Total Revenues	\$ 133,293,400	\$ 132,472,000	\$ 104,350,388	\$ 126,658,115 ^[2]	\$ 121,250,771
Fund 273 Capital Project /					
Operating – Total Revenues ^[1]	\$ 493,988	\$ 400,000	\$ 529,544	\$ 321,746	\$ 81,697 ^[1]
Fund 295 Importation Revenue					
Sharing – Total Revenues	\$ 53,885,474	\$ 49,466,516	\$ 45,813,887	\$ 38,961,513 ^[3]	\$ 40,052,435
Total Projected Revenues	\$ 187,672,862	\$ 182,338,516	\$ 150,693,819	\$ 165,941,373	\$ 161,384,902

DESCRIPTION	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Fund 299 Enterprise /					
Operating – Total Revenues	\$ 115,058,541	\$ 111,855,985	\$ 110,291,627	\$ 115,552,174	\$ 117,512,746
Fund 273 Capital Project /					
Operating – Total Revenues ^[1]	\$ 80,572	\$ 51,119	\$ 75,667	\$ 120,667	\$ 122,017 ^[1]
Fund 295 Importation Revenue					
Sharing – Total Revenues	\$ 41,173,903 ^[4]	\$ -	\$ -	\$ -	\$ -
Total Projected Revenues	\$ 156,313,015	\$ 111,907,104	\$ 110,367,293	\$ 115,672,841	\$ 117,634,763

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

[2] Fund 299 Total Revenues is projected to include a new source of revenue of approximately \$13 million from Prima's Renewable Natural Gas facility starting from FY 22/23.

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

[4] Importation is scheduled to end by June 30, 2025 based on the term of the Amendment to current Waste Disposal Agreements.

OC Waste & Recycling

TEN-YEAR FINANCIAL FORECAST



C. FORECASTED SYSTEM EXPENSES

SYSTEM EXPENSES BY FUND	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Fund 299 Enterprise /					
Operating	\$ 114,567,507	\$ 146,949,099	\$ 119,469,425	\$ 109,238,891	\$ 118,528,781
Fund 273 Capital Project /					
Operating	\$ 9,828,968	\$ 37,085,000	\$ 73,992,000	\$ 83,444,332	\$ 30,100,000
Fund 295 Importation					
Revenue Sharing	\$ 24,807,872	\$ 20,614,094	\$ 18,301,342	\$ 15,458,454	\$ 15,785,730 ^[1]
Total System Expenses	\$ 149,204,347	\$ 204,648,193	\$ 211,762,767	\$ 208,141,677	\$ 164,414,511

SYSTEM EXPENSES BY FUND	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Fund 299 Enterprise /					
Operating	\$ 102,840,407	\$ 101,694,622	\$ 105,890,720	\$ 102,770,983	\$ 102,573,754
Fund 273 Capital Project /					
Operating	\$ 29,850,000	\$ 23,305,000	\$ 28,760,000	\$ 10,000,000	\$ 10,300,000
Fund 295 Importation					
Revenue Sharing	\$ 16,122,171	\$ -	\$ -	\$ -	\$ -
Total System Expenses	\$ 148,812,578	\$ 124,999,622	\$ 134,650,720	\$ 112,770,983	\$ 112,873,754

[1] Fund 295 Importation Revenue Sharing's expenses include net revenue sharing to County and cities, host fees and special tax for importation tonnage.

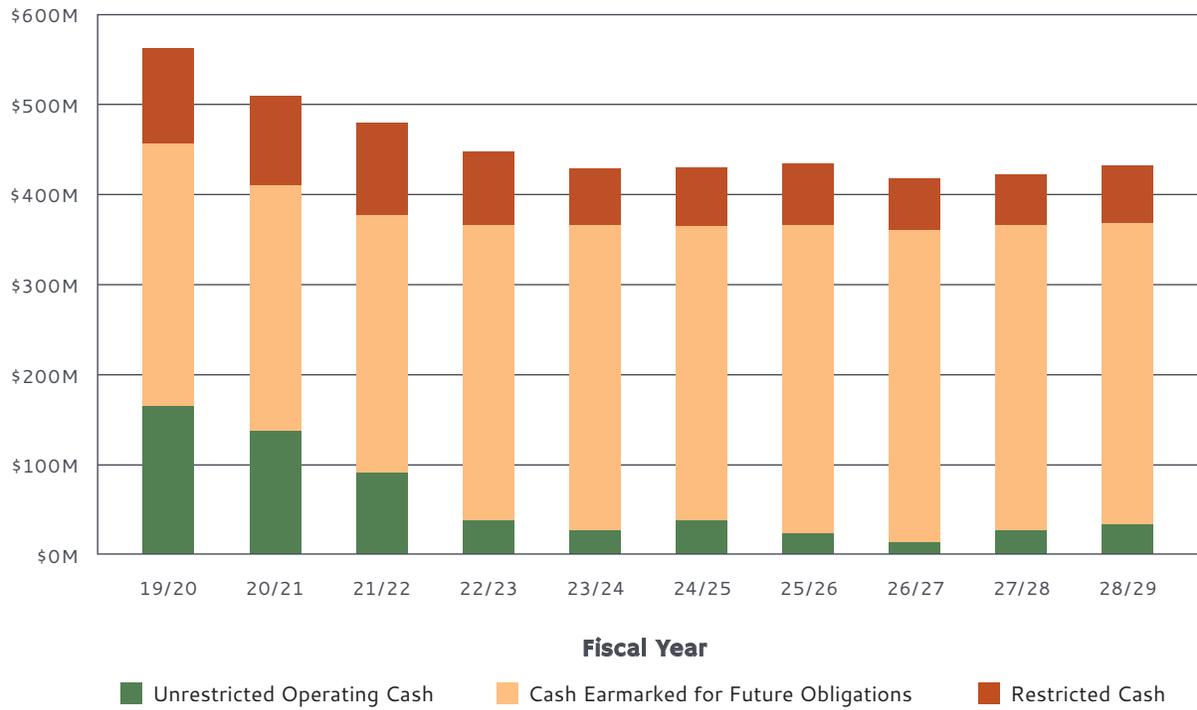
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TEN-YEAR FINANCIAL FORECAST



D. FORECASTED CASH BALANCES

Cash Balances





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TEN-YEAR FINANCIAL FORECAST

D. FORECASTED CASH BALANCES (CONTINUED)

ENDING CASH BALANCES	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Fund 299 – OCWR Operating Fund	\$ 130.7M	\$ 105.4M	\$ 45.7M	\$ 22.0M	\$ 14.5M
Fund 273 – Capital Project Fund	\$ 33.1M	\$ 27.9M	\$ 35.3M	\$ 21.4M	\$ 5.4M
TOTAL UNRESTRICTED OPERATING CASH	\$ 163.8M	\$ 133.3M	\$ 81.0M	\$ 43.4M	\$ 20.0M^[1]
Fund 299 – Operating Cash Earmarked for Future Use	\$ 99.8M	\$ 107.7M	\$ 120.6M	\$ 118.6M	\$ 122.9M
Fund 275 – Environmental Reserves Fund	\$ 61.4M	\$ 31.4M ^[2]	\$ 42.1M ^[2]	\$ 52.8M ^[2]	\$ 73.9M ^[2]
Fund 279 – Postclosure Maintenance Fund	\$ 141.2M	\$ 132.6M	\$ 134.6M	\$ 151.6M	\$ 153.9M
TOTAL CASH EARMARKED FOR FUTURE OBLIGATIONS	\$ 302.5M	\$ 271.8M	\$ 297.3M	\$ 323.0M	\$ 350.7M
Fund 276 – Deferred Payment Security Deposits	\$ 0.8M	\$ 0.8M	\$ 0.8M	\$ 0.8M	\$ 0.8M
Fund 274 – Corrective Action Escrow Fund	\$ 8.7M	\$ 8.7M	\$ 8.8M	\$ 9.0M	\$ 9.1M
Fund 272 – Prima Landfill & La Pata Gap Closure Escrow Fund	\$ 0.1M ^[3]	-	-	-	-
Fund 288 – FRB Landfill Wetland Creation & Agua Chinon Mitigation Escrow Fund	\$ 0.9M	\$ 0.9M	\$ 0.9M	\$ 0.9M	\$ 0.9M
Fund 286 – Olinda Alpha Closure Escrow Fund	\$ 41.2M	\$ 41.9M	\$ 42.5M	\$ 21.1M	\$ 0.0M ^[4]
Fund 284 – Frank R. Bowerman Closure Escrow Fund	\$ 30.9M	\$ 31.5M	\$ 32.0M	\$ 32.5M	\$ 33.0M
Fund 287 – Prima Deshecha Closure Escrow Fund	\$ 21.8M	\$ 22.1M	\$ 22.4M	\$ 22.8M	\$ 23.1M
TOTAL RESTRICTED CASH	\$ 104.5M	\$ 105.9M	\$ 107.5M	\$ 87.0M	\$ 66.9M
TOTAL FISCAL YEAR END CASH BALANCE	\$ 570.8M	\$ 511.0M	\$ 485.8M	\$ 453.5M	\$ 437.6M

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

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

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

[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

TEN-YEAR FINANCIAL FORECAST



D. FORECASTED CASH BALANCES (CONTINUED)

ENDING CASH BALANCES	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Fund 299 – OCWR Operating Fund	\$ 25.0M	\$ 11.7M	\$ 6.5M	\$ 9.6M	\$ 13.9M
Fund 273 – Capital Project Fund	\$ 5.4M	\$ 3.4M	\$ 5.0M	\$ 8.0M	\$ 8.1M
TOTAL UNRESTRICTED OPERATING CASH	\$ 30.3M	\$ 15.1M	\$ 11.5M	\$ 17.7M	\$ 22.1M ^[1]
Fund 299 – Operating Cash Earmarked for Future Use	\$ 121.0M	\$ 122.7M	\$ 106.0M	\$ 107.3M	\$ 109.2M
Fund 275 – Environmental Reserves Fund	\$ 80.0M	\$ 80.0M	\$ 80.0M	\$ 80.0M	\$ 80.0M
Fund 279 – Postclosure Maintenance Fund	\$ 149.8M	\$ 152.1M	\$ 154.4M	\$ 156.7M	\$ 159.0M
TOTAL CASH EARMARKED FOR FUTURE OBLIGATIONS	\$ 350.8M	\$ 354.7M	\$ 340.4M	\$ 343.9M	\$ 348.2M
Fund 276 – Deferred Payment Security Deposits	\$ 0.8M	\$ 0.8M	\$ 0.8M	\$ 0.8M	\$ 0.8M
Fund 274 – Corrective Action Escrow Fund	\$ 9.2M	\$ 9.4M	\$ 9.5M	\$ 9.7M	\$ 9.8M
Fund 272 – Prima Landfill & La Pata Gap Closure Escrow Fund	-	-	-	-	-
Fund 288 – FRB Landfill Wetland Creation & Agua Chinon Mitigation Escrow Fund	\$ 0.9M	\$ 0.9M	\$ 0.0M ^[5]	-	-
Fund 286 – Olinda Alpha Closure Escrow Fund	-	-	-	-	-
Fund 284 – Frank R. Bowerman Closure Escrow Fund	\$ 33.5M	\$ 34.0M	\$ 34.5M	\$ 35.0M	\$ 35.5M
Fund 287 – Prima Deshecha Closure Escrow Fund	\$ 23.5M	\$ 23.8M	\$ 24.2M	\$ 24.5M	\$ 24.9M
TOTAL RESTRICTED CASH	\$ 67.9M	\$ 68.9M	\$ 69.0M	\$ 70.0M	\$ 71.1M
TOTAL FISCAL YEAR END CASH BALANCE	\$ 449.0M	\$ 438.7M	\$ 420.9M	\$ 431.6M	\$ 441.3M

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

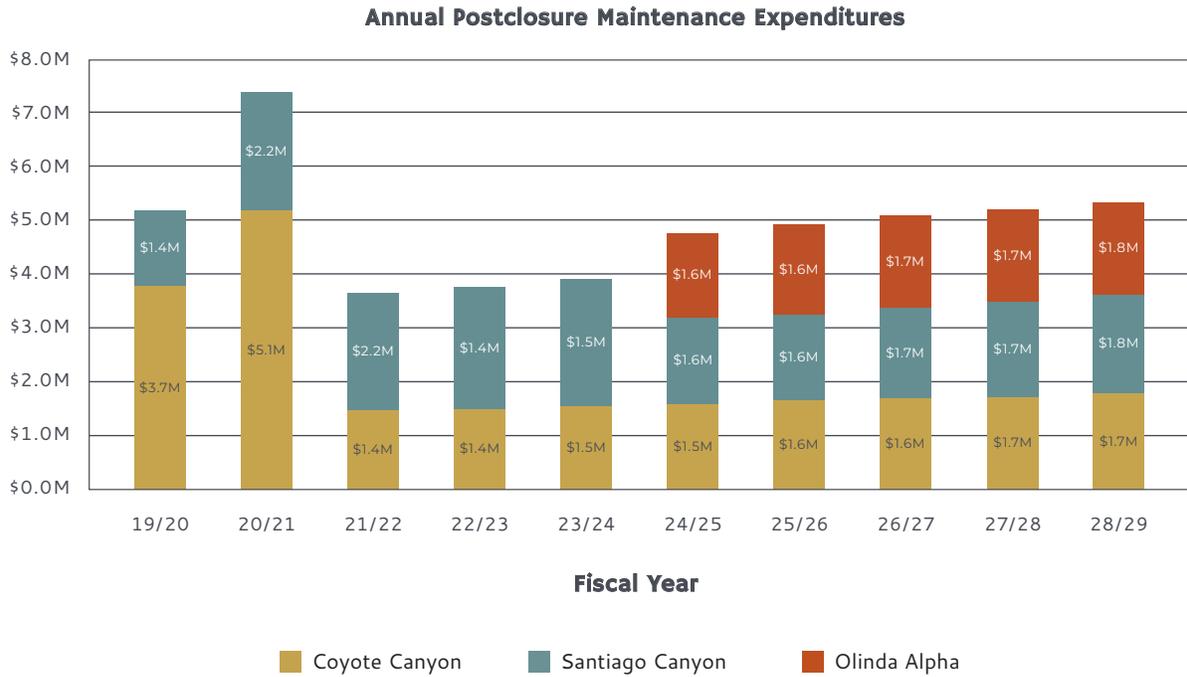
[5] Per the agreement with the California Department of Fish and Game for habitat mitigation, requirement is estimated to end in FY 2025/26.

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TEN-YEAR FINANCIAL FORECAST



E. LANDFILL POSTCLOSURE MAINTENANCE FUND



[1] FY 2019/20 and FY 2020/21 include expenditures for the replacement of the Coyote Canyon landfill gas system and repower/paving project.

[2] FY 2020/21 include the road repairs project for the Santiago Canyon Landfill. Olinda Alpha Landfill is estimated to enter into its 30-year postclosure maintenance period in FY 2024/25, upon completion of the final cover.

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TEN-YEAR FINANCIAL FORECAST



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

Area Chart = Capacity

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

- Remaining Airspace Available
- % of Airspace Filled

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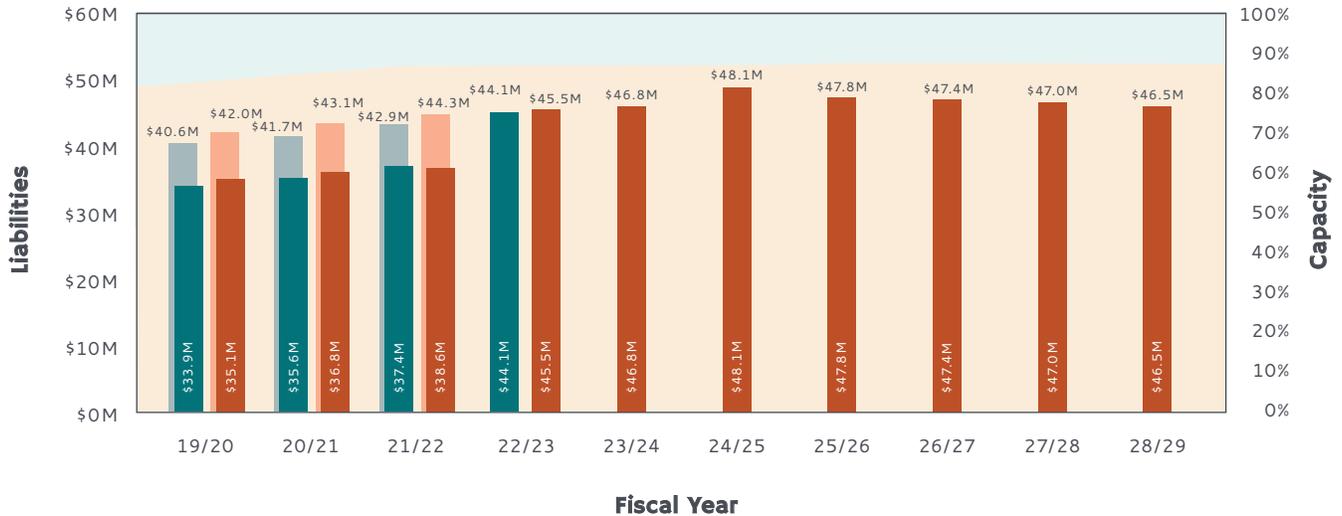
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F. LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES (CONTINUED)

Olinda Alpha Landfill Closure and Postclosure Liabilities

Maximum Permitted Capacity = 148.8 MCY (Million Cubic Yards)



Bar Chart = Liabilities

Area Chart = Capacity

■ Estimated Total Closure Cost

■ Remaining Airspace Available

■ Accrued Closure Liability

■ % of Airspace Filled

■ Estimated 30-Year Postclosure Cost

■ Accrued Postclosure Liability

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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TEN-YEAR FINANCIAL FORECAST



F. LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES (CONTINUED)

Prima Deschecha Landfill - Zone I Closure and Postclosure Liabilities

Maximum Permitted Capacity = 53.1 MCY (Million Cubic Yards)



Bar Chart = Liabilities

Area Chart = Capacity

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

- Remaining Airspace Available
- % of Airspace Filled

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TEN-YEAR FINANCIAL FORECAST



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)



Bar Chart = Liabilities

Area Chart = Capacity

■ Estimated Total Closure Cost

■ Remaining Airspace Available

■ Accrued Closure Liability

■ % of Airspace Filled

■ Estimated 30-Year Postclosure Cost

■ Accrued Postclosure Liability

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

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TEN-YEAR FINANCIAL FORECAST



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 passes its 15th year of postclosure in FY 22/23.

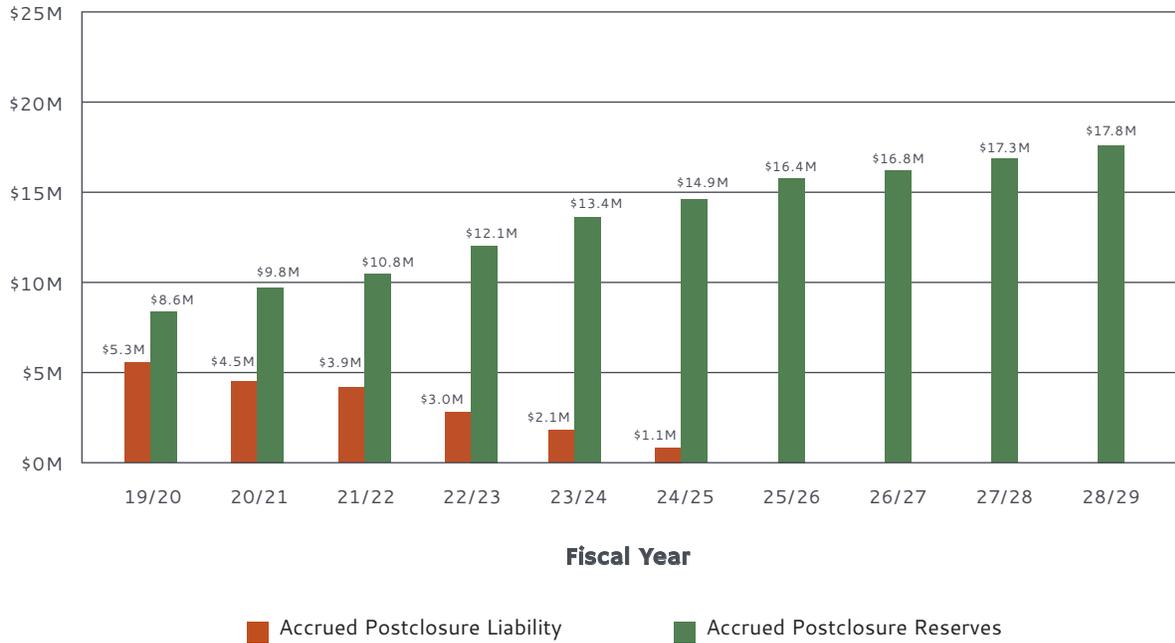
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TEN-YEAR FINANCIAL FORECAST



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. In FY 25/26 Coyote Canyon Landfill passes its 30-year postclosure period, and the GASB 18 postclosure liability is no longer required. Annual postclosure maintenance expenditures will be funded by operating revenues generated by the active landfills. Monies set aside in the reserves account will be available for years when operating revenue is no longer available to cover postclosure maintenance costs.



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