

OC WASTE & RECYCLING

Ten-Year Financial Forecast

Highlights of Ten-Year Financial Forecast

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

OCWR has actively pursued ways to expand its service and core functions by exploring new technologies and alternatives in organic waste management, in addition to converting landfill gas into beneficial sources of energy. Included in the Department's strategic plan is also an action plan focused on increased recycling resource recovery and renewable energy. Although landfilling remains an essential public service, OCWR business model has evolved along with new legislation requirements from Senate Bill (SB) 1383. The Department has developed an implementation plan for Waste Infrastructure System Enhancement (WISE) to support the regional need for organics processing capacity and the County jurisdictions in complying with SB 1383 diversion regulations.

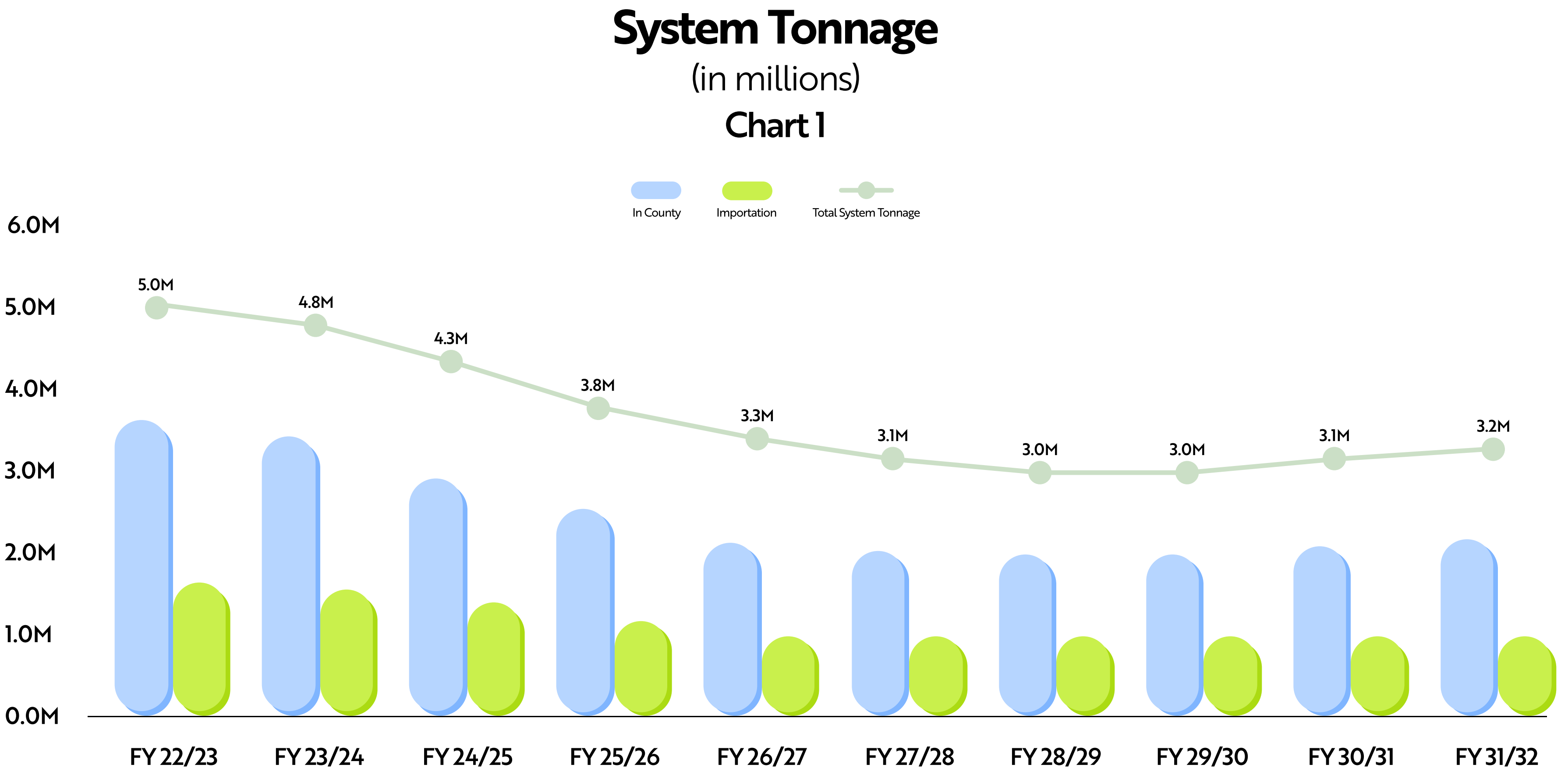
The 10-Year Financial Forecast included in this Annual Report is for the period of FY 2022/23 through FY 2031/32. The projected tonnage anticipates a trend of significant decline due to impacts from the forecasted recession and the assumption of maximum organics recovery required by SB 1383 statewide goal. Since Olinda Alpha landfill is projected to be filled earlier than the closure permit date in 2036, OCWR has initiated the process to revise the Solid Waste Facility Permit (SWFP) for Frank R. Bowerman and Prima Deshecha landfills to increase the daily intake tonnage at these sites and to accommodate tonnage diversion from Olinda landfill. The Department has also planned to continue accepting importation tonnage to supplement the decrease in In-county tonnage revenue and to provide a stable source of net revenue sharing to the County and cities.

Net importation revenue sharing to the County is expected to be in the range of over \$7 million a year then lower to over \$5 million a year starting FY 2026/27, with the same amount going to Orange County cities.

Forecasted system revenues (Exhibit B. Forecasted System Revenues) reflect a dramatic tonnage revenue drop due to the projected disposal tonnage decline (CHART 1). Waste Disposal Agreements' (WDA) disposal rate with projected annual CPI escalation is used to forecast system revenue pending negotiation for the new WISE agreements' rate structure.

Forecasted system expenses include significant capital project costs related to the future development of the landfill system, costs for organics infrastructure, specifically for the Central and South Region landfills' source separated organics (SSO) facilities, anaerobic digesters (AD), and construction costs of a renewable natural gas (RNG) facility (Exhibit C. Forecasted System Expenses). Expenses are projected to be significantly higher than revenue in all the years of the forecasted period (CHART 2). Despite the Department's effort to strategically utilize reserves, maximize operational efficiencies, and closely monitor expenditures, OCWR will experience a negative operating cash flow (non-restricted portion) starting FY 2025/26, which deficit continues to deepen and draw out other sources of earmarked and restricted cash in the years after (Exhibit D. Forecasted Cash Balances). The Department is in dire need to obtain a new rate structure that provides sufficient financial inflows to sustain its operations, to restore the healthy cash flow, and to continue providing quality services to the County residents.

The schedule following CHART 1 and CHART 2 provides a two-year summary of audited financial data for fiscal years ending June 30, 2022 and 2021, respectively. In addition, detailed schedules for tonnage, revenues, expenses, cash balances and accrued closure and post-closure liabilities for the 10-year forecast period are presented in Exhibits A through G.

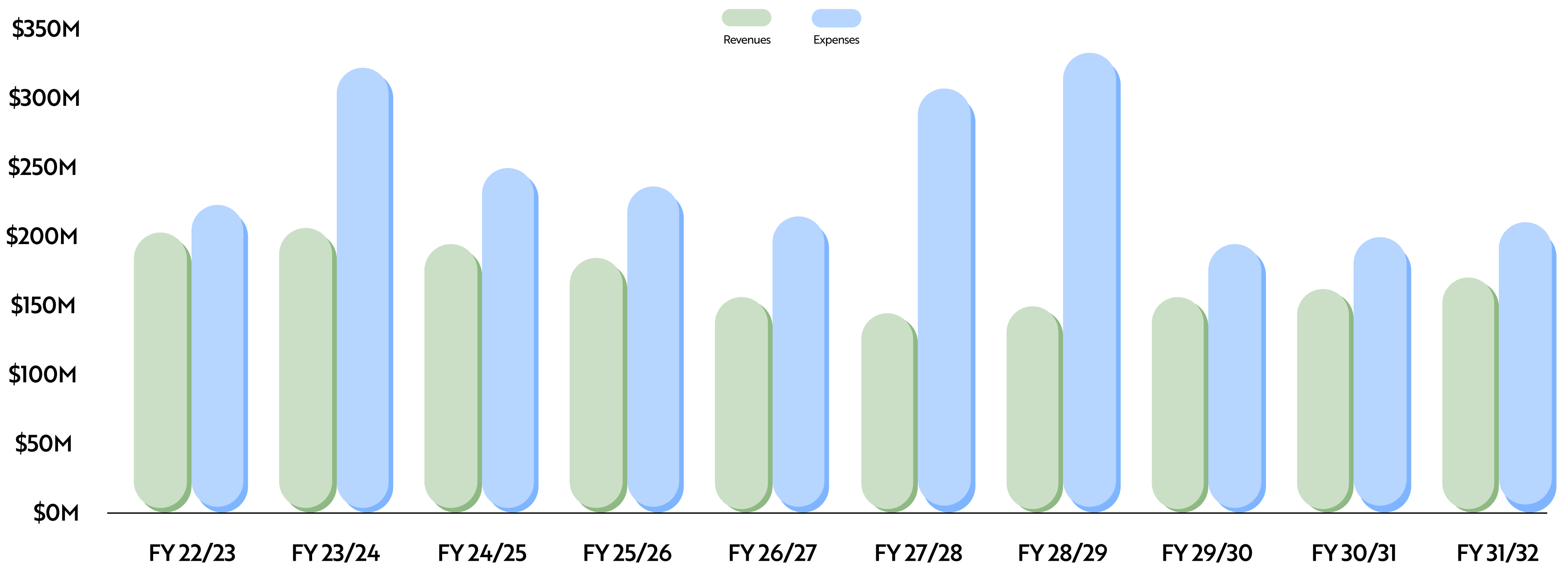


System Financial Projections

(in millions)

Funds 273, 295 and 299

Chart 2



Tonnage & Audited Financial Data for Fiscal years Ending June 30, 2022, & 2021

Disposal Waste Tonnage [1]

	6/30/22	6/30/21
In-County	3,465,058	3,368,487
Importation	1,588,538	1,609,655
Total System Tonnage	5,053,596	4,978,142

Statements of Revenues, Expenses and Charges in Fund Net Position For the Years Ended June 30, 2022 & 2021 [2]

	6/30/22	6/30/21
Total Revenues	\$ 182,810,859	\$ 184,212,975
Total Expenses	\$ 142,952,173	\$ 142,699,075
Change in Net Position	\$ 39,858,686	\$ 41,513,900

Cash Balances

	[3]	[3]
	6/30/22	6/30/21
Enterprise/Operating Fund	\$ 266,337,453	\$ 255,770,004
Capital Project Fund	\$ 90,612,502	\$ 52,429,866
Corrective Action Escrow Fund	\$ 11,811,449	\$ 10,456,214
Environmental Reserve Fund	\$ 41,951,029	\$ 32,170,021
Deferred Payment Security Deposits Fund	\$ 934,982	\$ 854,346
Habitat Mitigation Escrow Funds	\$ 879,010	\$ 879,010

Accrued Closure and Postclosure & Cash Balance

	[3]	[3]
	6/30/22	6/30/21
Landfill Closure Liabilities	\$ 78,099,985	\$ 73,040,280
Landfill Postclosure Liabilities	\$ 111,276,659	\$ 113,793,485
Escrow Funds (Closure) Cash Balance [4]	\$ 95,542,480	\$ 95,238,427
Landfill Postclosure Cash Balance [4]	\$ 143,709,608	\$ 143,114,761

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

[2] Source: OC Waste & Recycling's 2022 & 2021 Financial Statements and Trial Balance audited by Eide Bailly LLP - Certified Public Accountants

[3] Source: Data is based on the 2nd Close figures obtained from County financial system reports.

[4] Source: Cash balance is based on the General Ledger report for the official June 30 year-end close

A. Forecasted System Tonnage

Description	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Frank R. Bowerman Landfill	1,594,032	1,530,271	1,375,834	1,225,538	1,941,826
Olinda Alpha Landfill	1,380,000	1,324,800	1,191,100	1,038,556	0 [1]
Prima Deshecha Landfill	475,472	456,453	410,387	361,971	324,193
Total In-County Tonnage	3,449,504	3,311,524	2,977,321	2,626,065	2,266,019
Frank R. Bowerman Landfill	606,357	582,103	523,356	461,612	837,794
Olinda Alpha Landfill	693,712	665,964	598,754	528,114	0
Prima Deshecha Landfill	237,897	228,381	205,333	181,108	162,206
Total Imported Tonnage	1,537,966	1,476,447	1,327,443	1,170,835	1,000,000
Total System Tonnage [3]	4,987,470	4,787,971	4,304,764	3,796,900	3,266,019

Description	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32
Frank R. Bowerman Landfill	1,770,939	1,734,498	1,738,874	1,766,065	1,850,637
Olinda Alpha Landfill	0	0	0	0	0
Prima Deshecha Landfill	295,663	289,579	290,309	294,849	308,968
Total In-County Tonnage	2,066,601	2,024,076	2,029,184	2,060,914	2,159,605
Frank R. Bowerman Landfill	852,069	855,113	854,747	852,475	845,411
Olinda Alpha Landfill	0	0	0	0	0
Prima Deshecha Landfill	147,931	144,887	145,253	147,524	154,589
Total Imported Tonnage [2]	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total System Tonnage [3]	3,066,601	3,024,076	3,029,184	3,060,914	3,159,605

[1] Olinda Alpha Landfill is projected to fill earlier than the permit date. Disposal tonnage of North Region will be diverted to Central and South Region landfills.
 [2] Importation is planned to be continued with tonnage intake estimated at 1 million tons, based on landfill system's capacity after Olinda closure.
 [3] OCWR is working on planning for landfill cell construction projects and additional permitting for tonnage diversion from North Region to other regions' landfills.

B. Forecasted System Revenues

Description	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Fund 299 Enterprise/Operating-Total Revenues [1] & [2]	\$ 152,388,181	\$ 155,029,388	\$ 143,006,669	\$ 130,182,209	\$ 115,815,538
Fund 273 Capital Project/Operating-Total Revenues [3]	\$ 1,682,469	\$ 1,225,418	\$ 731,280	\$ 727,668	\$ 696,319
Fund 295 Importation Revenue Sharing-Total Revenues [4]	\$ 50,007,126	\$ 50,418,013	\$ 46,775,459	\$ 42,572,816	\$ 37,551,390
Total Projected Revenues	\$ 204,077,775	\$ 206,672,819	\$ 190,513,408	\$ 173,482,693	\$ 154,063,246

Description	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32
Fund 299 Enterprise/Operating-Total Revenues [1] & [2]	\$ 107,396,662	\$ 110,795,237	\$ 118,165,791	\$ 121,927,938	\$ 129,212,505
Fund 273 Capital Project/Operating-Total Revenues [3]	\$ 1,353,251	\$ 1,676,020	\$ 581,862	\$ 630,777	\$ 569,474
Fund 295 Importation Revenue Sharing-Total Revenues [4]	\$ 38,302,417	\$ 39,068,466	\$ 39,849,835	\$ 40,646,832	\$ 41,459,768
Total Projected Revenues	\$ 147,052,331	\$ 151,539,723	\$ 158,597,487	\$ 163,205,547	\$ 171,241,747

[1] Current major sources of revenue for Fund 299 Operating include disposal tonnage, interest earnings, lease & royalty, and recycling operation.

[2] Other sources of revenue for Fund 299 Operating such as AD Biogas and RNG revenue are estimated based on projected construction completion date and market rates.

[3] Interest earnings is the only revenue generated by Fund 273. Its annual interest earning projection is based on ending cash balance of prior year.

[4] Importation tonnage revenue is projected to decline significantly starting FY 2026/27.

C. Forecasted System Expenses

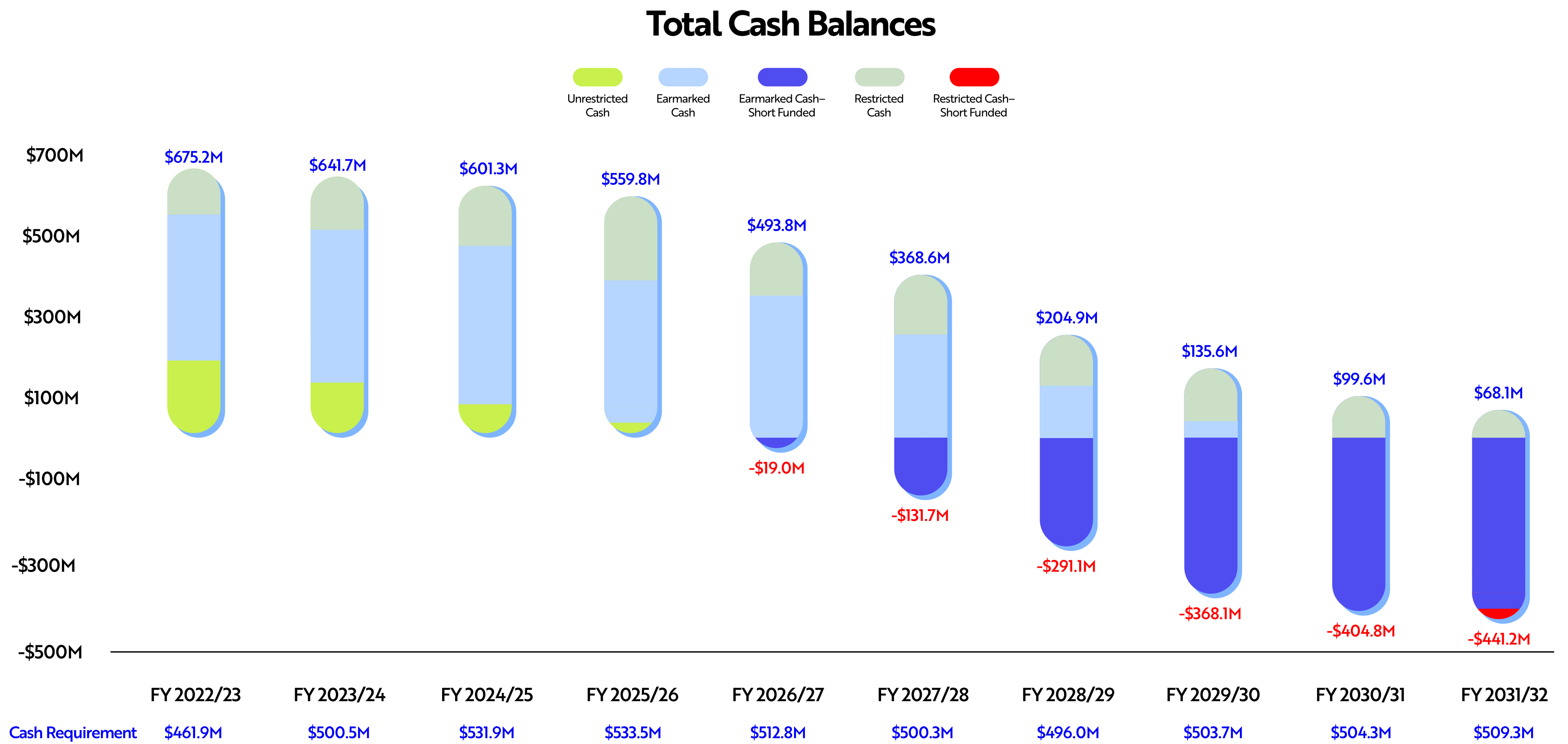
System Expenses by Fund	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Fund 299 Enterprise/Operating	\$ 156,197,967	\$ 187,994,996	\$ 167,779,417	\$ 163,558,895	\$ 157,041,852
Fund 273 Capital Project/Operating	\$ 54,115,507	\$ 105,880,000 [2]	\$ 63,100,000	\$ 54,800,000	\$ 48,730,000
Fund 295 Importation Revenue Sharing	\$ 19,462,239	\$ 19,407,101	\$ 17,882,222	\$ 16,167,265	\$ 14,165,417 [1]
Total System Expenses	\$ 229,775,713	\$ 313,282,098	\$ 248,761,638	\$ 234,526,160	\$ 219,937,269

System Expenses by Fund	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32
Fund 299 Enterprise/Operating	\$ 157,048,239	\$ 156,107,958	\$ 158,870,516	\$ 160,468,391	\$ 177,673,201
Fund 273 Capital Project/Operating	\$ 124,200,000 [2]	\$ 158,000,000 [2]	\$ 23,100,000	\$ 27,000,000	\$ 17,700,000
Fund 295 Importation Revenue Sharing	\$ 14,390,725	\$ 14,620,540	\$ 14,854,951	\$ 15,094,050	\$ 15,337,931
Total System Expenses	\$ 295,638,965	\$ 328,728,498	\$ 196,825,466	\$ 202,562,440	\$ 210,711,132

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

[2] Capital project expenditures are high in FY 2023/24 for landfill projects and in FY 2027/28 -FY 2028/29 for construction projects of Organic Phase III - Bee Canyon Anaerobic Digestion and RNG facility at Prima landfill.

D. Forecasted Cash Balances



[1] Unrestricted Operating Cash Balance is projected to be negative starting FY 2026/27.

[2] Starting FY 2026/27, OCWR would have to draw down earmarked cash for operating use.

[3] Starting FY 2031/32, all earmarked cash would be exhausted. OCWR would have to draw down from escrow restricted cash. Total cash deficit will be \$441.2 millions.

[4] OCWR will not be able to conduct its business with negative operating cash flow situations mentioned in Note [2] & [3].

[5] OCWR will need a new rate structure starting FY 2025/26 to restore its cash flow to a healthy and sustainable level.

Ending Cash Balances	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Fund 299 OCWR Operating Fund	\$ 170.9M	\$ 96.5M	\$ 42.7M	\$ -0.3M	\$ -44.4M
Fund 273 Capital Project Fund	\$ 42.4M	\$ 44.6M	\$ 26.7M	\$ 26.5M	\$ 25.4M
Total Unrestricted Operating Cash	\$ 213.2M	\$ 141.2M	\$ 69.4M	\$ 26.3M	\$ -19.0M [1]
Fund 299 Operating Cash Earmarked for Future Use	\$ 137.7M	\$ 141.0M	\$ 146.3M	\$ 132.3M	\$ 130.4M
Fund 275 Environmental Reserves Fund [2]	\$ 43.5M	\$ 44.7M [2]	\$ 60.8M	\$ 62.3M [2]	\$ 63.9M
Fund 279 Postclosure Maintenance Fund	\$ 163.1M	\$ 186.1M	\$ 192.7M	\$ 194.3M	\$ 195.8M
Total Cash Earmarked for Future Obligations	\$ 344.3M	\$ 371.8M	\$ 399.8M	\$ 389.0M	\$ 390.0M
Fund 276 Deferred Payment Security Deposits	\$ 1.2M	\$ 1.2M	\$ 1.2M	\$ 1.2M	\$ 1.2M
Fund 274 Corrective Action Escrow Fund	\$ 13.8M	\$ 14.1M	\$ 14.5M	\$ 14.9M	\$ 15.3M
Fund 288 FRB Landfill Wetland & Agua Chinon Wash Riparian Escrow Fund	\$ 0.9M	\$ 0.9M	\$ 0.9M	\$ 0.9M	\$ 0.0M [3]
Fund 286 Olinda Alpha Closure Escrow Fund	\$ 43.9M	\$ 49.1M	\$ 50.5M	\$ 60.8M	\$ 37.8M
Fund 284 Frank R. Bowerman Closure Escrow Fund	\$ 32.2M	\$ 33.0M	\$ 33.8M	\$ 34.6M	\$ 35.5M
Fund 287 Prima Deshecha Closure Escrow Fund	\$ 25.7M	\$ 30.4M	\$ 31.2M	\$ 32.1M	\$ 32.9M
Total Restricted Cash	\$ 117.6M	\$ 128.7M	\$ 132.1M	\$ 144.5M	\$ 122.8M
Total Fiscal Year End Cash Balances	\$ 675.2M	\$ 641.7M	\$ 601.3M	\$ 559.8M	\$ 493.8M

D. Forecasted Cash Balances

Cash Balances

Ending Cash Balances	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32
Fund 299 OCWR Operating Fund	\$ -181.0M	\$ -352.2M	\$ -389.3M	\$ -427.8M	\$ -462.0M
Fund 273 Capital Project Fund	\$ 49.4M	\$ 61.1M	\$ 21.2M	\$ 23.0M	\$ 20.8M
Total Unrestricted Operating Cash	\$ -131.7M	\$ -291.1M	\$ -368.1M	\$ -404.8M	\$ -441.2M [1]
Fund 299 Operating Cash Earmarked for Future Use	\$ 135.3M	\$ 139.9M	\$ 143.9M	\$ 140.9M	\$ 145.2M
Fund 275 Environmental Reserves Fund [2]	\$ 65.5M	\$ 67.1M	\$ 68.7M	\$ 70.4M	\$ 69.2M
Fund 279 Postclosure Maintenance Fund	\$ 197.2M	\$ 198.5M	\$ 198.2M	\$ 197.8M	\$ 197.2M
Total Cash Earmarked for Future Obligations	\$ 397.9M	\$ 405.5M	\$ 410.9M	\$ 409.1M	\$ 411.6M
Fund 276 Deferred Payment Security Deposits	\$ 1.2M	\$ 1.2M	\$ 1.2M	\$ 1.2M	\$ 1.2M
Fund 274 Corrective Action Escrow Fund	\$ 16.8M	\$ 17.2M	\$ 17.7M	\$ 18.2M	\$ 18.7M
Fund 288 FRB Landfill Wetland & Agua Chinon Wash Riparian Escrow Fund	\$ 0.0M	\$ 0.0M	\$ 0.0M	\$ 0.0M	\$ 0.0M
Fund 286 Olinda Alpha Closure Escrow Fund	\$ 14.2M	\$ 0.0M	\$ 0.0M	\$ 0.0M	\$ 0.0M
Fund 284 Frank R. Bowerman Closure Escrow Fund	\$ 36.4M	\$ 37.3M	\$ 38.2M	\$ 39.1M	\$ 40.1M
Fund 287 Prima Deshecha Closure Escrow Fund	\$ 33.9M	\$ 34.8M	\$ 35.7M	\$ 36.7M	\$ 37.7M
Total Restricted Cash	\$ 102.4M	\$ 90.5M	\$ 92.8M	\$ 95.2M	\$ 97.7M
Total Fiscal Year End Cash Balances	\$ 368.6M	\$ 204.9M	\$ 135.6M	\$ 99.6M	\$ 68.1M

[1] Total Unrestricted Operating Cash Balance is projected to be negative starting FY 2026/27 and would be in deficit of \$441.2 million by FY 2031/32.

[2] Fund 275 Cash balance's decrease is low until FY 2023/24 due to borrowing from other County departments. Repayments will reinstate balance to \$70 million cap.

[3] Per the agreement with the California Department of Fish and Game for habitat mitigation, requirement for Fund 288 escrow is estimated to end in FY 2025/26.

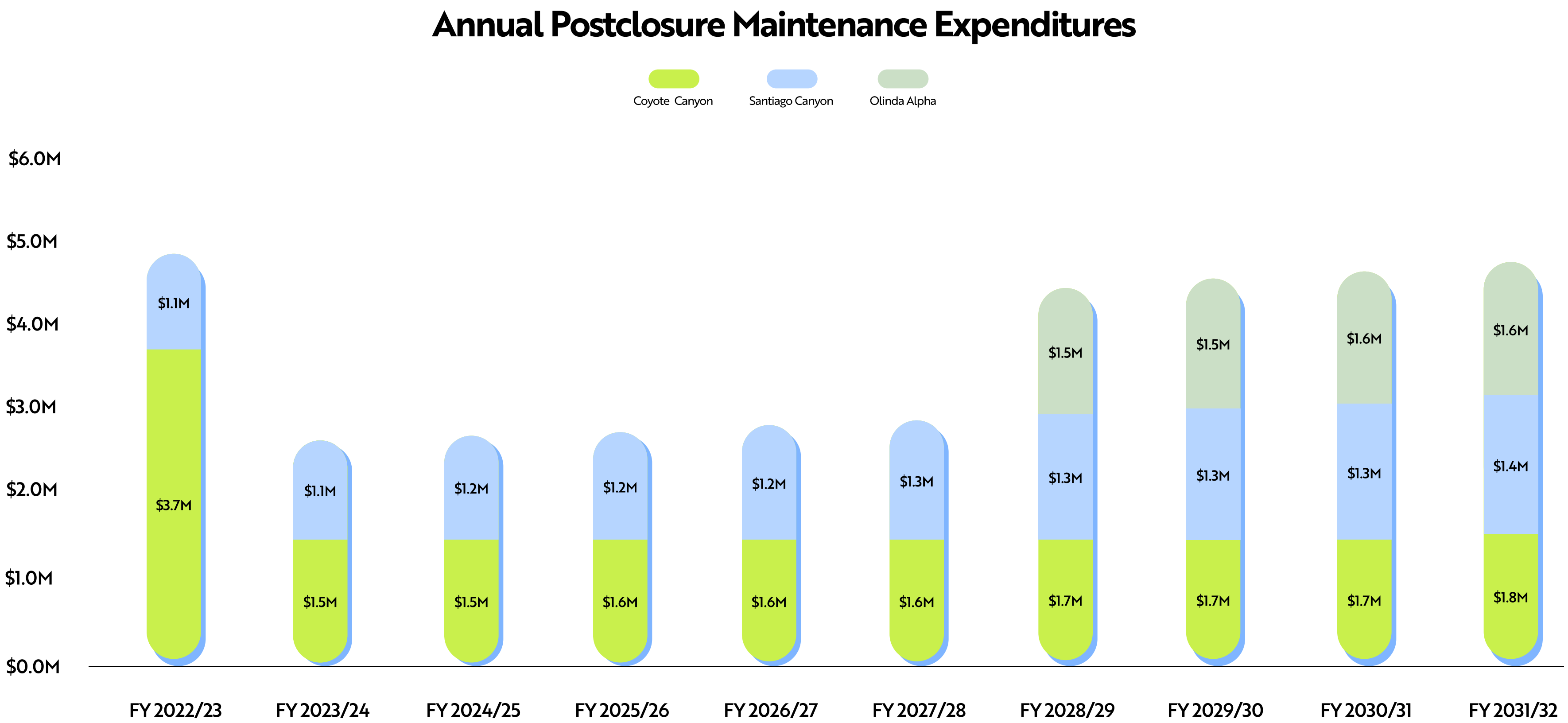
Escrow proceed will be transferred back to Fund 299.

E. Closure Escrow Funds

Description	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Frank R. Bowerman Landfill					
Annual Tonnage of Refuse	2,200,389	2,112,373	1,899,190	1,687,150	2,779,620
Cash Balance at 6/30/XX	\$ 32,193,892	\$ 32,989,725	\$ 33,805,231	\$ 34,640,896	\$ 35,497,219
Olinda Alpha Landfill					
Annual Tonnage of Refuse	2,073,712	1,990,764	1,789,854	1,566,671	0
Cash Balance at 6/30/XX	\$ 43,901,450	\$ 49,106,545	\$ 50,453,046	\$ 60,836,469	\$ 37,846,525
Prima Deshecha Landfill					
Annual Tonnage of Refuse	713,369	684,834	615,720	543,079	486,399
Cash Balance at 6/30/XX	\$ 25,674,002	\$ 30,378,753	\$ 31,211,738	\$ 32,067,564	\$ 32,946,857
Description	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32
Frank R. Bowerman Landfill					
Annual Tonnage of Refuse	2,623,007	2,589,610	2,593,622	2,618,541	2,696,047
Cash Balance at 6/30/XX	\$ 36,374,710	\$ 37,273,893	\$ 38,195,304	\$ 39,139,492	\$ 40,107,020
Olinda Alpha Landfill					
Annual Tonnage of Refuse	0	0	0	0	0
Cash Balance at 6/30/XX	\$ 14,226,196	\$ –	\$ –	\$ –	\$ –
Prima Deshecha Landfill					
Annual Tonnage of Refuse	443,594	434,466	435,562	442,373	463,557
Cash Balance at 6/30/XX	\$ 33,850,260	\$ 34,778,434	\$ 35,732,059	\$ 36,711,832	\$ 37,718,470

[1] Olinda Alpha Landfill is projected to be in the closure process starting FY 2026/27. Transfers from Olinda escrow fund to Operating Fund will be needed to fund closure cost. Escrow fund will be exhausted when closure process ends.

F. Landfill Postclosure Maintenance Expense



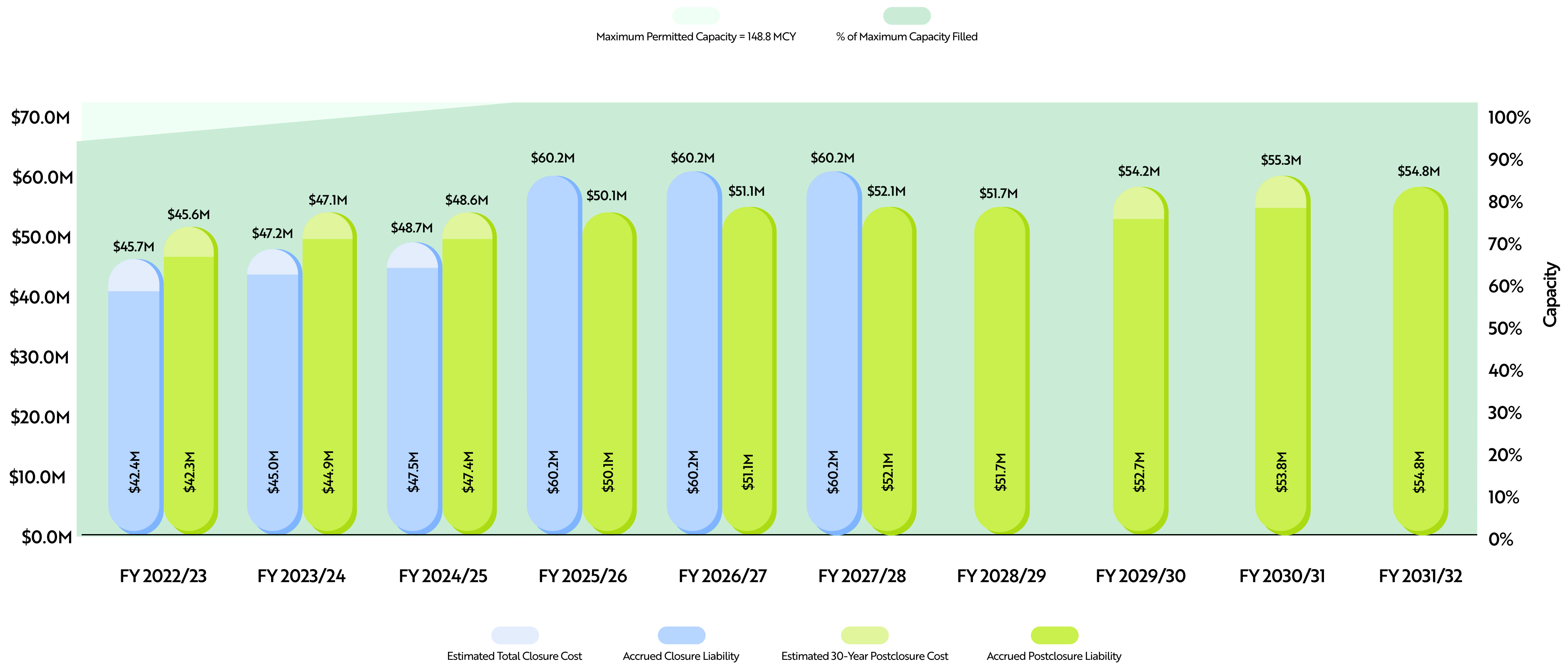
[1] Olinda Alpha Landfill is estimated to start its 30-year postclosure maintenance period in FY 2028/29.
[2] Coyote's estimated postclosure maintenance cost is high in FY 2022/23 due to one-time landfill gas collection system replacement cost.

G. Landfill Closure and Postclosure Liabilities

Frank R. Bowerman Landfill Closure and Postclosure Liabilities



Olinda Alpha Landfill Closure and Postclosure Liabilities

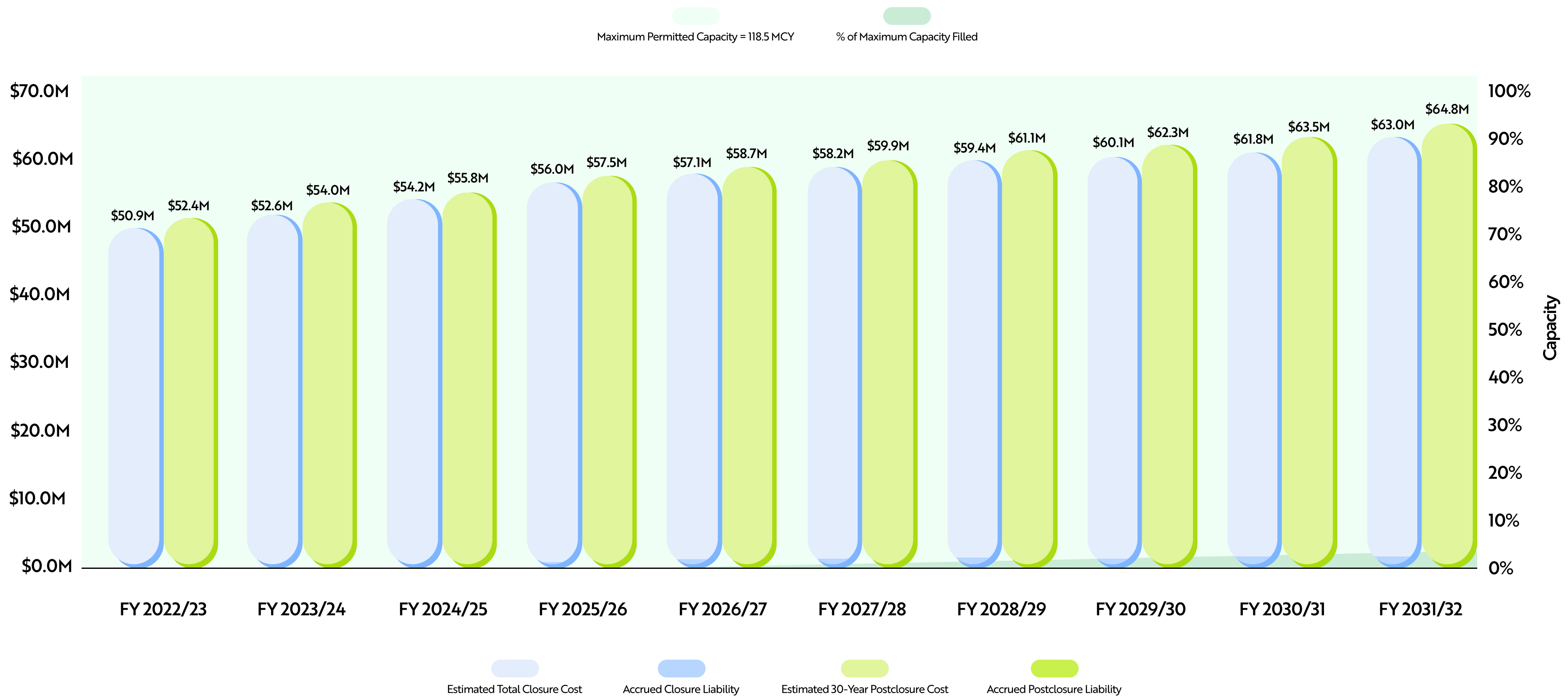


G. Landfill Closure and Postclosure Liabilities

Prima Deshecha Landfill - Zone 1 Closure and Postclosure Liabilities



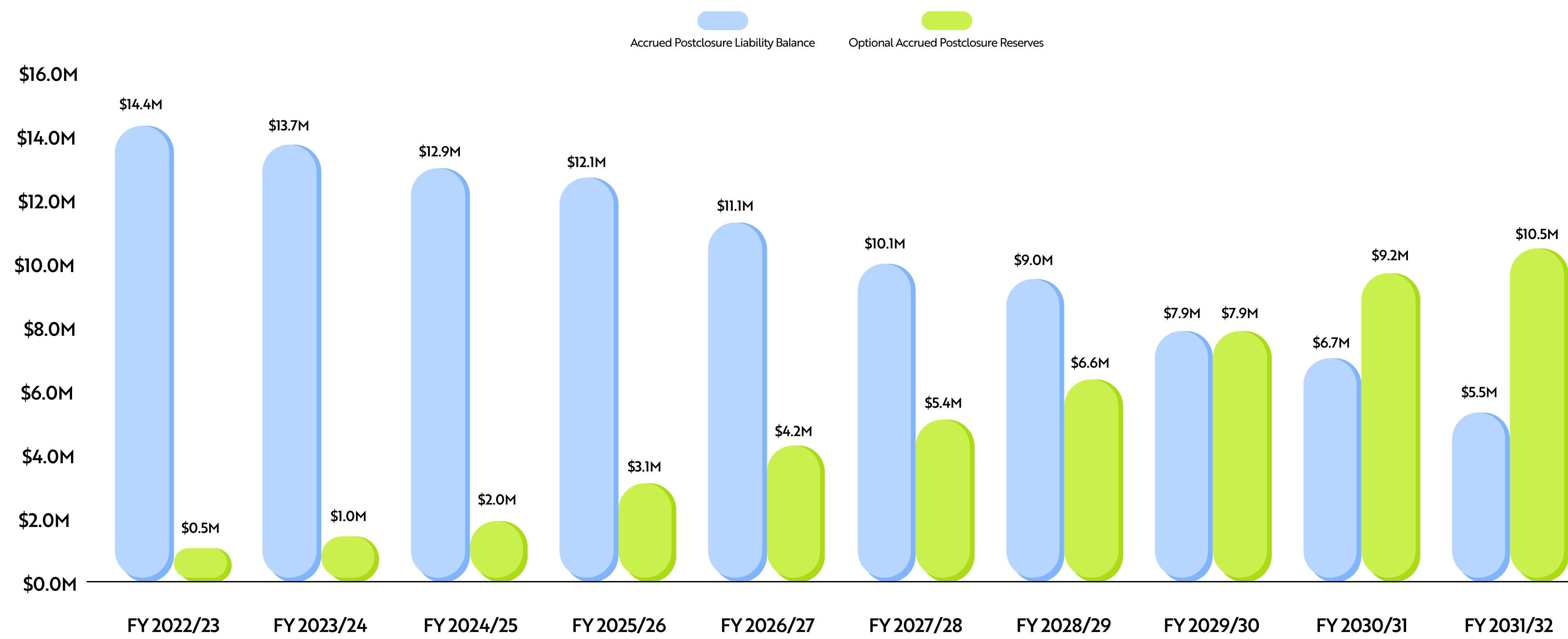
Prima Deshecha Landfill - Zone 4 Closure and Postclosure Liabilities



Prima Deshecha Landfill Zone 4 is estimated to start accepting waste in FY 2025/26. Accrued liabilities are required when waste is accepted.

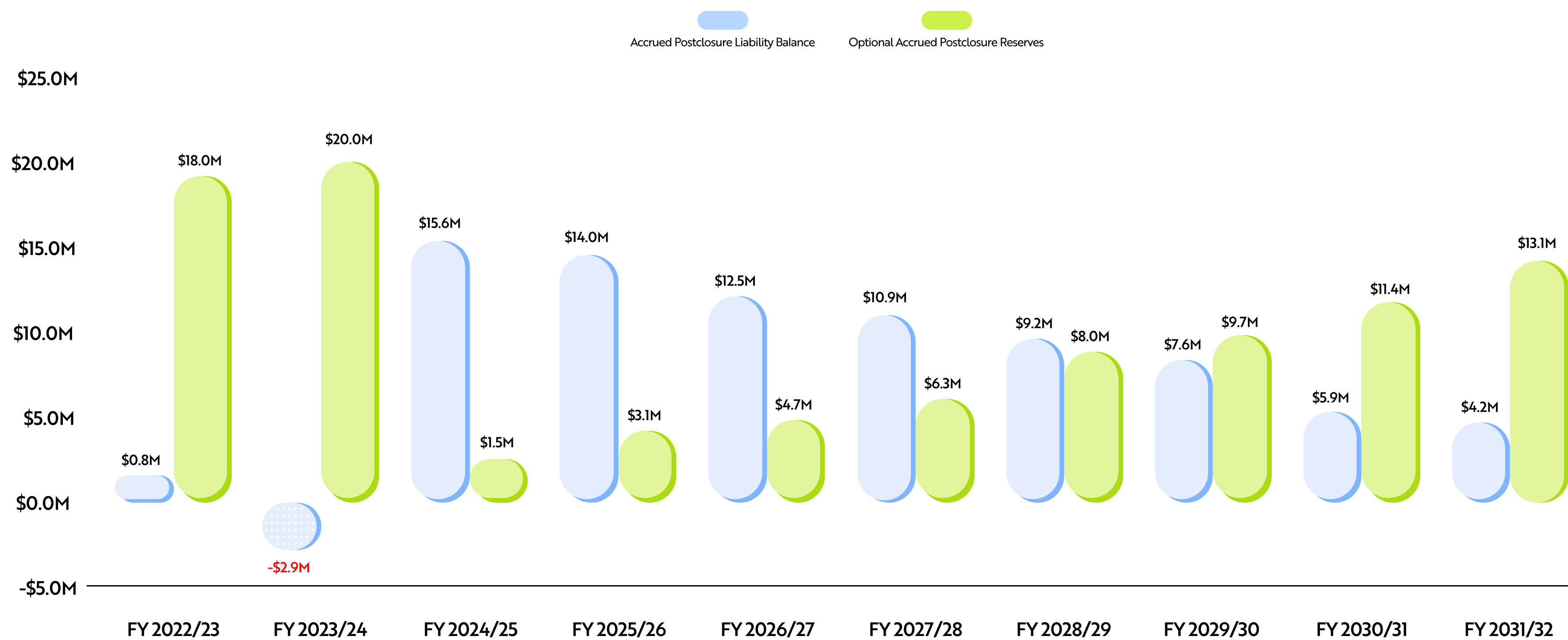
H. Closed Landfill Postclosure Liabilities and Reserves

Santiago Canyon Postclosure Liability and Reserves



Effective FY 2015/16, OCWR started the policy to maintain reserves equal to 15 years of the annual postclosure maintenance cost estimates for each closed site that has been in its postclosure phase longer than 15 years. Santiago Canyon reaches its 15th year of postclosure in FY 2021/22; therefore, reserves accrual would start from FY 2022/23.

Coyote Canyon Postclosure Liability and Reserves



In FY 2024/25, Coyote Canyon Landfill should complete its 30-year postclosure period and GASB 18 postclosure liability is no longer required. Since the Coyote Postclosure liability accrued balance would be spent off by FY 2023/24 - one year earlier than the 30-year period, OCWR will have to replenish the accrued balance with reserves for 15 year maintenance cost estimate.