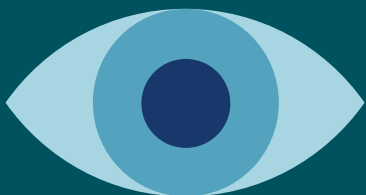


OC WASTE&RECYCLING

# TEN-YEAR FINANCIAL FORECAST

ANNUAL REPORT

2021



# HIGHLIGHTS OF TEN-YEAR FINANCIAL FORECAST

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

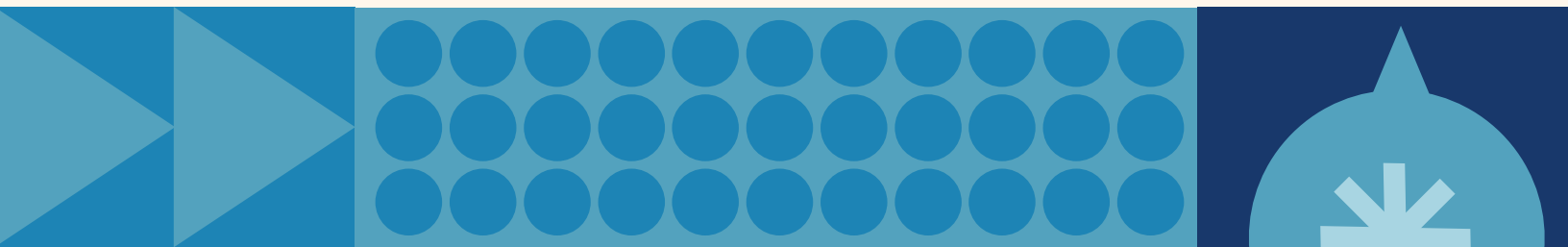
OCWR has actively pursued ways to expand its service and core functions by exploring new technologies and alternatives in organic waste management, in addition to converting landfill gas into beneficial sources of energy. Including in the Department's strategic plan is also a future focused on increased recycling resource recovery and renewable energy. Although landfilling remains an essential public service, OCWR recognizes the need to evolve along with new legislation requirements from SB 1383, that is creating the need for additional organics infrastructure as well as keep pace with technology and environmental demands to broaden its waste management services.

The 10-Year Financial Forecast included in this Annual Report is for the period of FY 2021/22 through FY 2030/31. The projected tonnage anticipates a trend of lower tonnage due to impacts of legislation that requires increased diversion and industry-transforming organic waste management. The Department plans 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. A revised permit for extension of Olinda Alpha Landfill operation to December 30, 2036 was approved by the Local Enforcement Agency (LEA) in 2021.

Forecasted system revenues (Table B. Forecasted System Revenues) reflect a stagnant tonnage revenue growth due to the lower trend of tonnage (CHART 1) and the Olinda landfill's projected closure, which could be earlier than the permit date. Net importation revenue sharing to the County is expected to be in the range of \$7 million a year then lower to over \$5 million a year starting FY 2027/28, with the same amount going to Orange County cities.

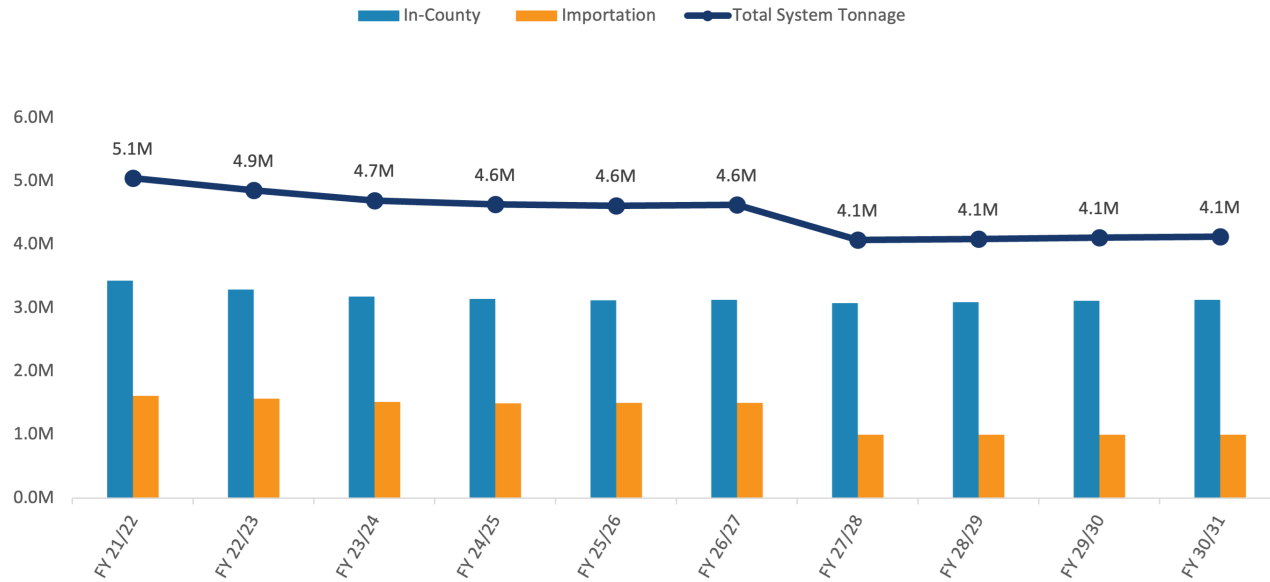
Forecasted system expenses include significant capital project costs related to the future development of the landfill system, costs for organics infrastructure, specifically for the Central and South Region landfills' anaerobic digesters, and construction costs of renewable energy plants (Table C. Forecasted System Expenses). Expenses are projected to be significantly higher than revenue in many years during the forecasted period, which has major capital projects in planning (CHART 2). OCWR maintains the practice to strategically utilize reserves, maximize operational efficiencies, and closely monitor expenditures. However, the Department is in dire need to obtain a new rate structure that provides sufficient financial inflows to sustain its operation 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, 2021 and 2020, respectively. In addition, detailed schedules for tonnage, revenues, expenses, cash balances and accrued closure and post-closure liabilities for the 10-year forecast period are presented in Exhibits A through G.



## SYSTEM TONNAGE (IN MILLIONS)

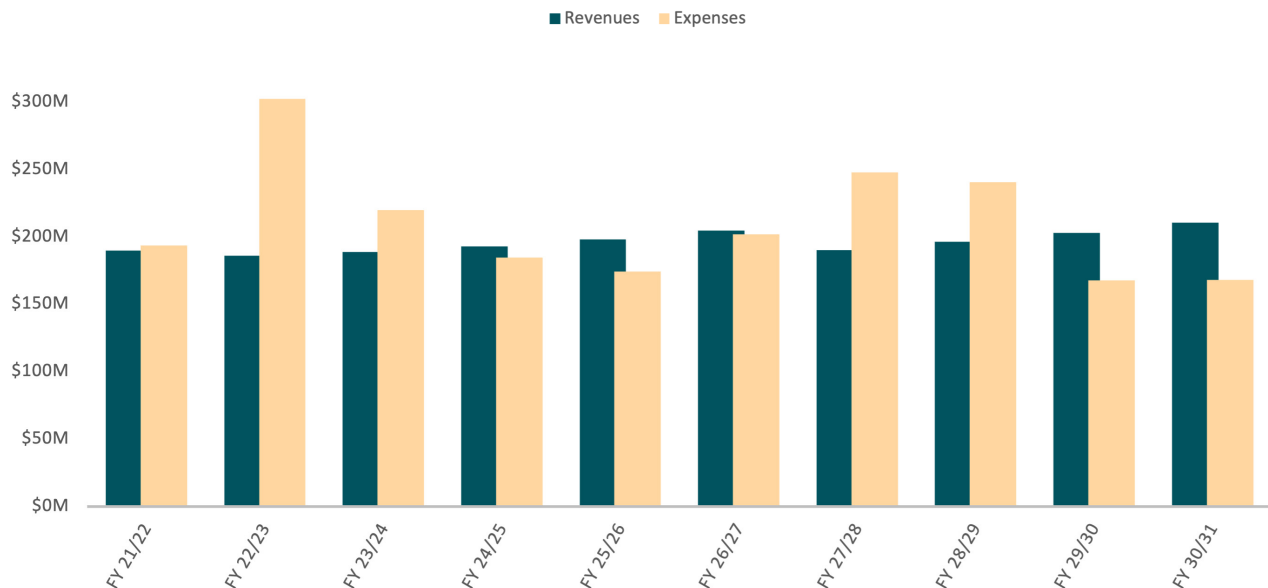
CHART 1



## SYSTEM FINANCIAL PROJECTIONS (IN MILLIONS)

FUNDS 273, 295 AND 299

CHART 2



## TONNAGE & AUDITED FINANCIAL DATA FOR FISCAL YEARS ENDING JUNE 30, 2021 & 2020

### Disposal Waste Tonnage [1]

	6/30/2021	6/30/2020
In-County	3,368,487	3,325,884
Importation	1,609,655	1,847,630
Total System Tonnage	4,978,142	5,173,514

### Statements of Revenues, Expenses and Changes in Fund Net Position For the Years Ended June 30, 2021 & 2020 [2]

	6/30/2021	6/30/2020
Total Revenues	\$ 184,212,975	\$ 193,645,323
Total Expenses	\$ 142,699,075	\$ 141,113,551
Change in Net Position	\$ 41,513,900	\$ 52,531,772

### Cash Balances

[3]

[3]

	6/30/2021	6/30/2020
Enterprise/Operating Fund	\$ 255,770,004	\$ 240,373,944
Capital Project Fund	\$ 52,429,866	\$ 36,368,087
Corrective Action Escrow Fund	\$ 10,456,214	\$ 8,796,318
Environmental Reserve Fund	\$ 32,170,021	\$ 62,079,880
Deferred Payment Security Deposits Fund	\$ 854,346	\$ 851,660
Habitat Mitigation Escrow Funds	\$ 879,010	\$ 983,289

### Accrued Closure and Postclosure

[3]

[3]

	6/30/2021	6/30/2020
Landfill Closure Liabilities	\$ 73,040,280	\$ 70,158,517
Landfill Postclosure Liabilities	\$ 113,793,485	\$ 114,222,626
Escrow Funds (Closure) Cash Balance	\$ 95,238,427	\$ 94,957,465
Landfill Postclosure Cash Balance	\$ 143,114,761	\$ 146,042,589

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

[2] Source: OC Waste & Recycling 2021 Audited Financial Statements and Trial Balance (Eide Bailly LLP - Certified Public Accountants).  
OC Waste & Recycling 2020 Audited Financial Statements and Trial Balance (Eide Bailly LLP - Certified Public Accountants).

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

## A. FORECASTED SYSTEM TONNAGE

Description	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Frank R. Bowerman Landfill	1,659,801	1,590,392	1,538,289	1,518,464	1,507,364
Olinda Alpha Landfill	1,285,327	1,221,143	1,181,137	1,165,915	1,156,588
Prima Deshecha Landfill	488,019	480,545	464,802	458,812	455,321
<b>Total In-County Tonnage</b>	<b>3,433,147</b>	<b>3,292,080</b>	<b>3,184,228</b>	<b>3,143,191</b>	<b>3,119,273</b>
Frank R. Bowerman Landfill	603,326	713,755	765,261	713,599	728,000
Olinda Alpha Landfill	863,673	707,854	341,216	356,438	365,765
Prima Deshecha Landfill	150,831	146,164	409,933	426,830	406,235
<b>Total Imported Tonnage [2]</b>	<b>1,617,830</b>	<b>1,567,773</b>	<b>1,516,410</b>	<b>1,496,867</b>	<b>1,500,000</b>
<b>Total System Tonnage</b>	<b>5,050,977</b>	<b>4,859,853</b>	<b>4,700,638</b>	<b>4,640,058</b>	<b>4,619,273</b>
Description	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Frank R. Bowerman Landfill	1,505,479	1,872,851	2,145,537	2,227,490	2,227,490
Olinda Alpha Landfill	1,147,335	358,269	0	0	0
Prima Deshecha Landfill	477,372	843,585	947,489	883,981	901,984
<b>Total In-County Tonnage [3]</b>	<b>3,130,187</b>	<b>3,074,705</b>	<b>3,093,026</b>	<b>3,111,471</b>	<b>3,129,474</b>
Frank R. Bowerman Landfill	713,440	537,149	455,463	373,510	373,510
Olinda Alpha Landfill [1]	375,018	0	0	0	0
Prima Deshecha Landfill	411,542	462,851	544,537	626,490	626,490
<b>Total Imported Tonnage [2]</b>	<b>1,500,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>
<b>Total System Tonnage</b>	<b>4,630,187</b>	<b>4,074,705</b>	<b>4,093,026</b>	<b>4,111,471</b>	<b>4,129,474</b>

[1] Based on current estimates, Olinda Alpha Landfill is projected to fill earlier than the permit date. Disposal tonnage of North Landfill Region will be diverted to Central and South Landfill Region.

[2] Importation is planned to be continued with tonnage intake based on landfill system's capacity.

[3] OCWR is working on planning for landfill cell construction project and additional permitting for tonnage diversion from North Landfill Region to other landfill regions.

## B. FORECASTED SYSTEM REVENUES

Description	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Fund 299 Enterprise / Operating - Total Revenues <sup>[1]</sup>	\$ 141,111,679	\$ 137,188,598	\$ 139,769,663	\$ 143,204,379	\$ 146,618,012
Fund 273 Capital Project / Operating - Total Revenues <sup>[2]</sup>	\$ 257,453	\$ 740,682	\$ 544,908	\$ 377,277	\$ 381,049
Fund 295 Importation Revenue Sharing - Total Revenues	\$ 48,411,917	\$ 48,067,920	\$ 48,352,856	\$ 49,209,321	\$ 50,840,999
<b>Total Projected Revenues</b>	<b>\$ 189,781,050</b>	<b>\$ 185,997,200</b>	<b>\$ 188,667,426</b>	<b>\$ 192,790,977</b>	<b>\$ 197,840,061</b>

Description	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Fund 299 Enterprise / Operating - Total Revenues <sup>[1]</sup>	\$ 151,783,120	\$ 153,730,069	\$ 158,849,782	\$ 164,577,761	\$ 170,737,859
Fund 273 Capital Project / Operating - Total Revenues <sup>[2]</sup>	\$ 384,860	\$ 388,709	\$ 392,596	\$ 6,522	\$ 206,587
Fund 295 Importation Revenue Sharing - Total Revenues <sup>[3]</sup>	\$ 52,417,081	\$ 36,028,011	\$ 37,144,868	\$ 38,296,359	\$ 39,483,546
<b>Total Projected Revenues</b>	<b>\$ 204,585,061</b>	<b>\$ 190,146,788</b>	<b>\$ 196,387,245</b>	<b>\$ 202,880,641</b>	<b>\$ 210,427,992</b>

[1] Major sources of revenue for Fund 299 Operating are from disposal tonnage, interest earnings, lease & royalty, and recycling operation.

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

[3] Importation tonnage revenue is projected to decrease starting FY 2027/28.

## C. FORECASTED SYSTEM EXPENSES

System Expenses by Fund	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Fund 299 Enterprise/ Operating	\$ 139,790,812	\$ 175,220,557	\$ 137,567,453	\$ 138,358,627	\$ 131,543,007
Fund 273 Capital Project/ Operating <sup>[1]</sup>	\$ 34,563,049	\$ 108,175,000	\$ 63,225,000	\$ 26,925,000	\$ 23,025,000
Fund 295 Importation Revenue Sharing <sup>[2]</sup>	\$ 19,215,282	\$ 18,966,918	\$ 18,903,446	\$ 19,103,710	\$ 19,602,300
<b>Total System Expenses</b>	<b>\$ 193,569,143</b>	<b>\$ 302,362,475</b>	<b>\$ 219,695,898</b>	<b>\$ 184,387,338</b>	<b>\$ 174,170,307</b>

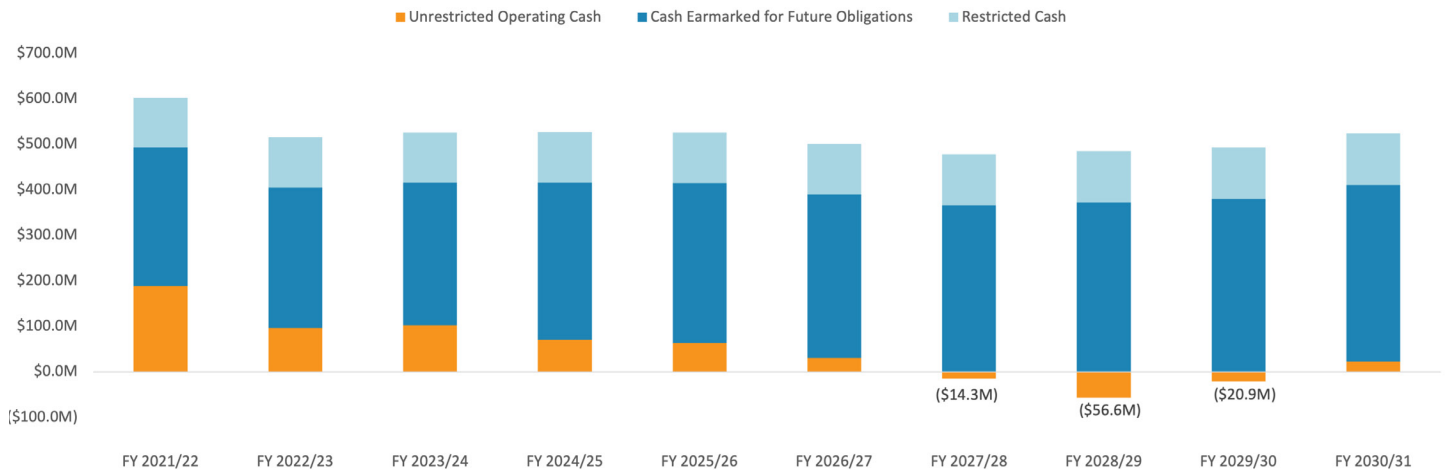
System Expenses by Fund	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Fund 299 Enterprise/ Operating	\$ 137,350,374	\$ 135,651,866	\$ 132,615,495	\$ 134,620,054	\$ 136,010,874
Fund 273 Capital Project/ Operating <sup>[1]</sup>	\$ 44,525,000	\$ 98,415,000	\$ 93,825,000	\$ 18,625,000	\$ 17,225,000
Fund 295 Importation Revenue Sharing <sup>[2]</sup>	\$ 20,075,125	\$ 13,708,404	\$ 14,043,460	\$ 14,388,908	\$ 14,745,064
<b>Total System Expenses</b>	<b>\$ 201,950,499</b>	<b>\$ 247,775,270</b>	<b>\$ 240,483,955</b>	<b>\$ 167,633,962</b>	<b>\$ 167,980,937</b>

[1] Capital project expenditures are high during the forecasting period due to major landfill development projects, construction plan for renewable energy facility and Phase II Organics infrastructure including the building of anaerobic digesters.

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

## D. FORECASTED CASH BALANCES

### TOTAL CASH BALANCES



### Ending Cash Balances

		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Fund 299	OCWR Operating Fund	\$114.8M	\$42.5M	\$64.7M	\$32.5M	\$25.3M
Fund 273	Capital Project Fund	\$74.1M	\$54.5M	\$37.7M	\$38.1M	\$38.5M
<b>Total Unrestricted Operating Cash</b>		<b>\$188.9M</b>	<b>\$97.0M</b>	<b>\$102.4M</b>	<b>\$70.6M</b>	<b>\$63.7M</b>
Fund 299	Operating Cash Earmarked for Future Use	\$131.2M	\$143.1M	\$126.2M	\$128.8M	\$131.4M
Fund 275	Environmental Reserves Fund	\$32.3M	\$32.6M <sup>[2]</sup>	\$52.9M <sup>[2]</sup>	\$67.5M <sup>[2]</sup>	\$68.1M
Fund 279	Postclosure Maintenance Fund	\$141.6M	\$132.6M	\$134.6M	\$149.3M	\$151.5M
<b>Total Cash Earmarked for Future Obligations</b>		<b>\$305.0M</b>	<b>\$308.3M</b>	<b>\$313.7M</b>	<b>\$345.5M</b>	<b>\$351.0M</b>
Fund 276	Deferred Payment Security Deposits	\$0.9M	\$0.8M	\$0.8M	\$0.8M	\$0.8M
Fund 274	Corrective Action Escrow Fund	\$12.0M	\$12.1M	\$12.2M	\$12.4M	\$12.5M
Fund 288	FRB Landfill Wetland & Agua Chionon Wash Riparian Escrow Fund	\$0.9M	\$0.9M	\$0.9M	\$0.9M	\$0.9M <sup>[3]</sup>
Fund 286	Olinda Alpha Closure Escrow Fund	\$41.9M	\$42.3M	\$42.4M	\$42.7M	\$42.8M
Fund 284	Frank R. Bowerman Closure Escrow Fund	\$31.5M	\$31.7M	\$31.8M	\$32.0M	\$32.1M
Fund 287	Prima Deshecha Closure Escrow Fund	\$22.2M	\$22.3M	\$22.4M	\$22.6M	\$22.6M
<b>Total Restricted Cash</b>		<b>\$109.3M</b>	<b>\$110.2M</b>	<b>\$110.4M</b>	<b>\$111.4M</b>	<b>\$111.6M</b>
<b>Total Fiscal Year End Cash Balances</b>		<b>\$603.2M</b>	<b>\$515.5M</b>	<b>\$526.6M</b>	<b>\$527.4M</b>	<b>\$526.4M</b>



## D. FORECASTED CASH BALANCES

### CASH BALANCES

Ending Cash Balances		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Fund 299	OCWR Operating Fund	(\$8.3M)	(\$53.6M)	(\$57.3M)	(\$41.5M)	\$1.6M
Fund 273	Capital Project Fund	\$38.9M	\$39.3M	\$0.7M	\$20.7M	\$20.9M
<b>Total Unrestricted Operating Cash</b>		<b>\$30.5M</b>	<b>(\$14.3M)</b>	<b>(\$56.6M)</b>	<b>(\$20.9M)</b>	<b>\$22.4M<sup>[1]</sup></b>
Fund 299	Operating Cash Earmarked for Future Use	\$137.1M	\$140.8M	\$144.2M	\$148.9M	\$153.5M
Fund 275	Environmental Reserves Fund	\$68.8M	\$69.5M	\$70.2M	\$70.9M	\$71.6M
Fund 279	Postclosure Maintenance Fund	\$153.8M	\$156.1M	\$158.4M	\$160.8M	\$163.2M
<b>Total Cash Earmarked for Future Obligations</b>		<b>\$359.7M</b>	<b>\$366.4M</b>	<b>\$372.8M</b>	<b>\$380.6M</b>	<b>\$388.3M</b>
Fund 276	Deferred Payment Security Deposits	\$0.8M	\$0.8M	\$0.8M	\$0.8M	\$0.8M
Fund 274	Corrective Action Escrow Fund	\$12.6M	\$12.7M	\$12.9M	\$13.0M	\$13.1M
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	\$43.1M	\$43.2M	\$43.6M	\$43.6M	\$44.0M
Fund 284	Frank R. Bowerman Closure Escrow Fund	\$32.4M	\$32.4M	\$32.7M	\$32.7M	\$33.0M
Fund 287	Prima Deshecha Closure Escrow Fund	\$22.8M	\$22.8M	\$23.0M	\$23.1M	\$23.3M
<b>Total Restricted Cash</b>		<b>\$111.7M</b>	<b>\$112.0M</b>	<b>\$112.9M</b>	<b>\$113.2M</b>	<b>\$114.2M</b>
<b>Total Fiscal Year End Cash Balances</b>		<b>\$501.9M</b>	<b>\$464.0M</b>	<b>\$429.1M</b>	<b>\$473.0M</b>	<b>\$525.0M</b>

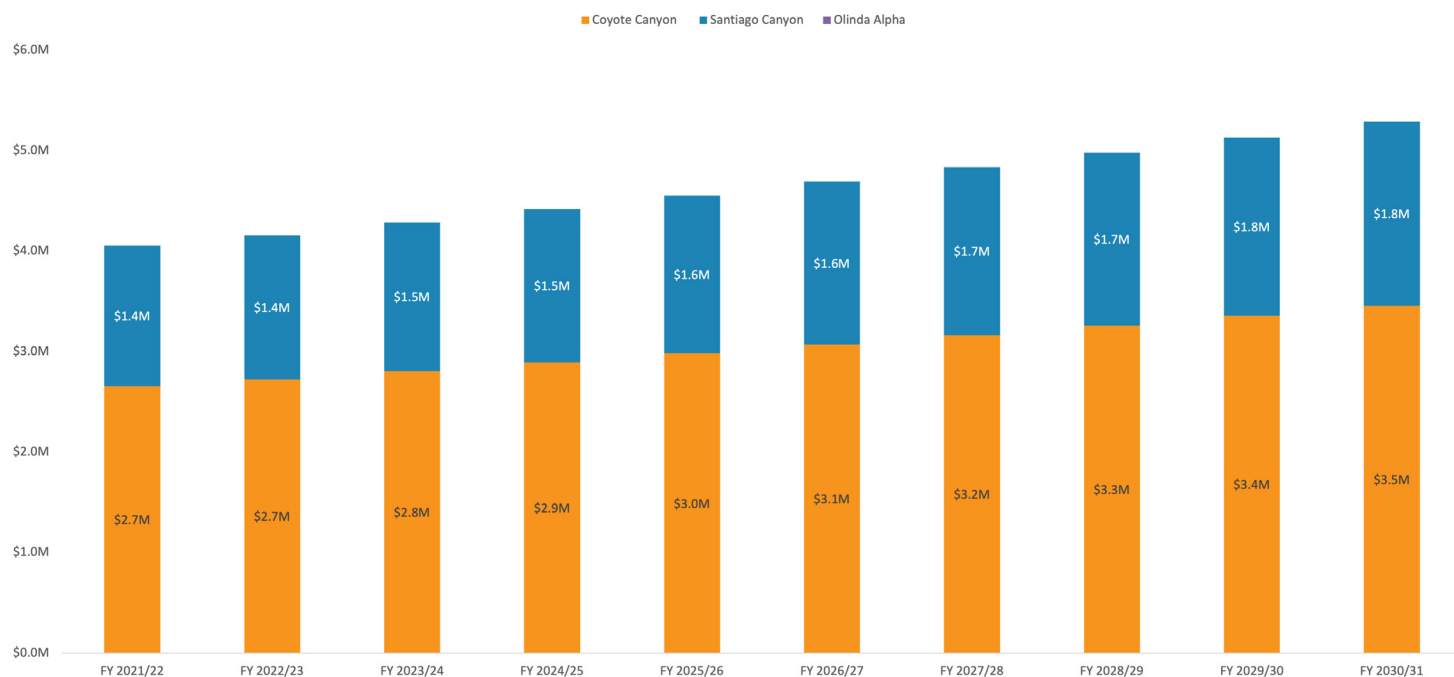
[1] Total Unrestricted Operating Cash balance is projected to be negative during period of FY 2027/28 to FY 2029/30 with Fund 299 balance negative during FY 2026/27 - FY 2029/30.  
New and higher disposal rate is needed to increase tonnage revenue and to fill the negative gap for Fund 299 Unrestricted Operating Cash balance.

[2] Fund 275 cash balance is low until FY 2022/23 due to the borrowing from other County departments. Loans will be fully repaid by FY 2024/25, and Fund 275 cash balance cap of \$70 million will be reinstated.

[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.

## E. LANDFILL POSTCLOSURE MAINTENANCE FUND

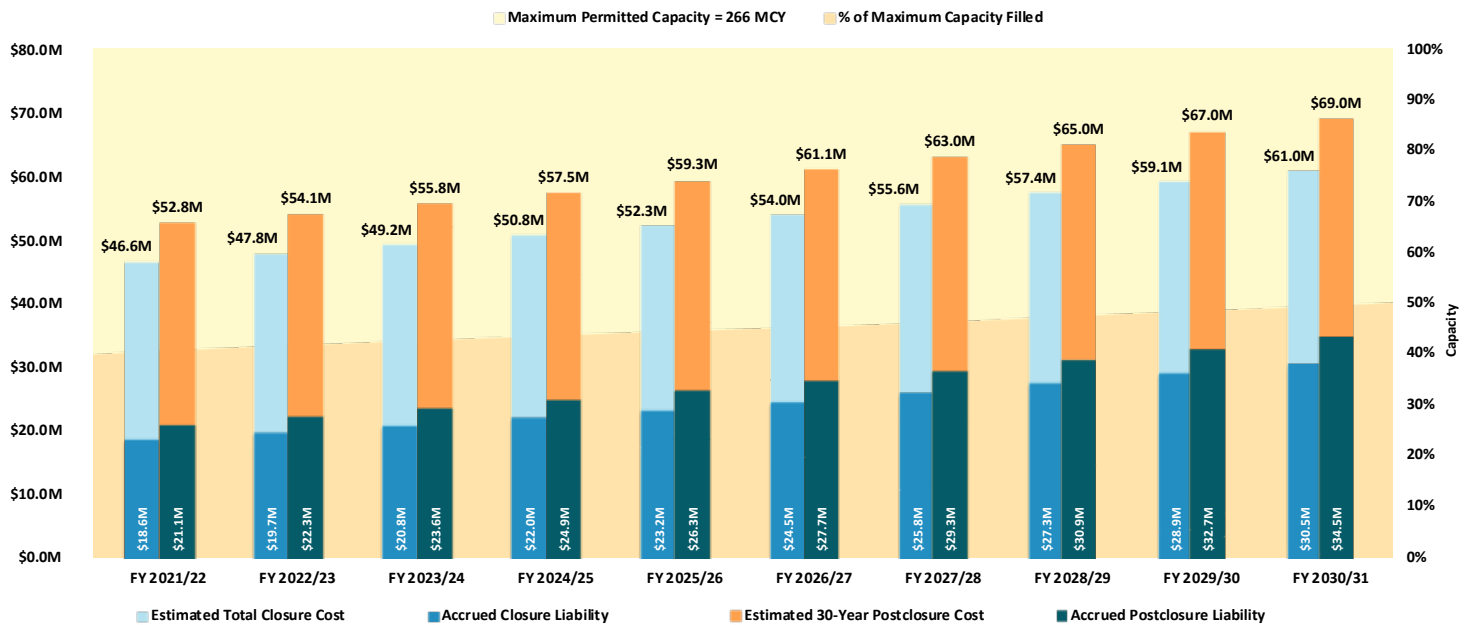
### ANNUAL POSTCLOSURE MAINTENANCE EXPENDITURES



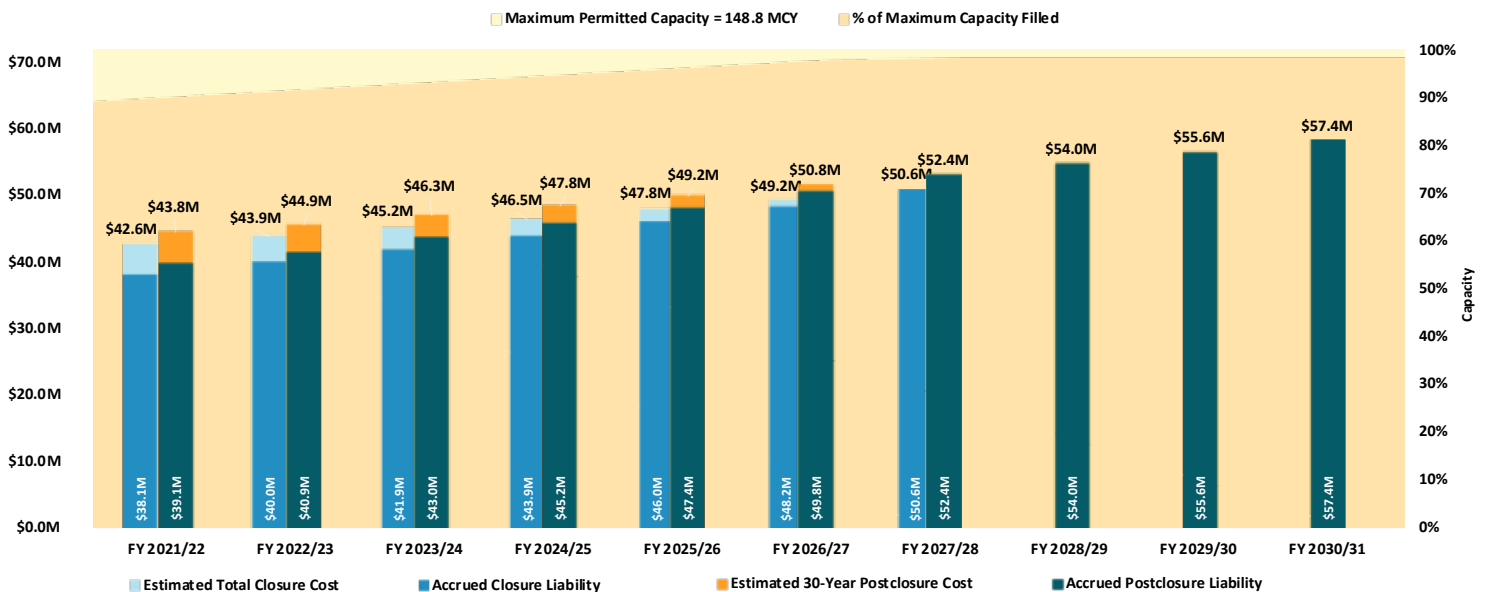
[1] Olinda Alpha Landfill is estimated to prepare its 30-year postclosure maintenance period in FY 2031/32

## F. LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES

Frank R. Bowerman Landfill Closure and Postclosure Liabilities

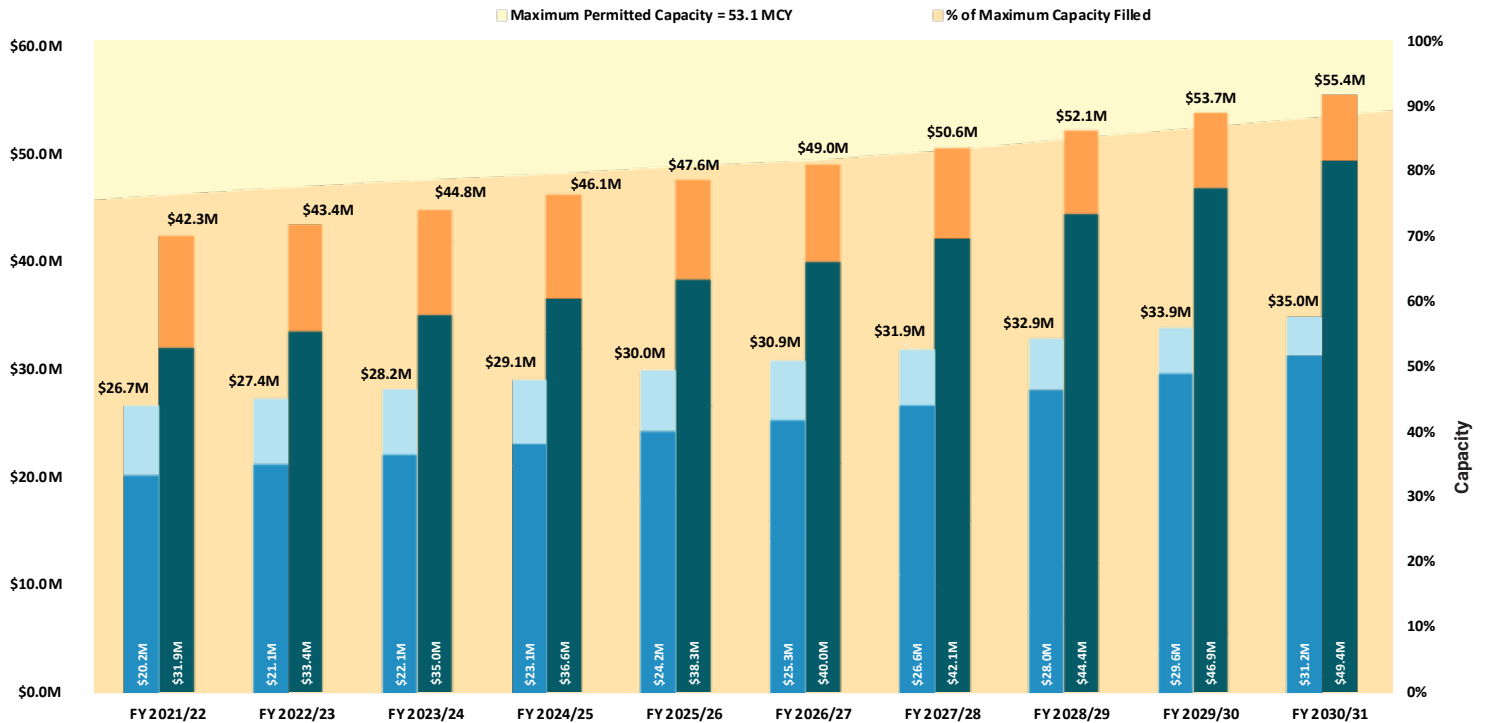


Olinda Alpha Landfill Closure and Postclosure Liabilities

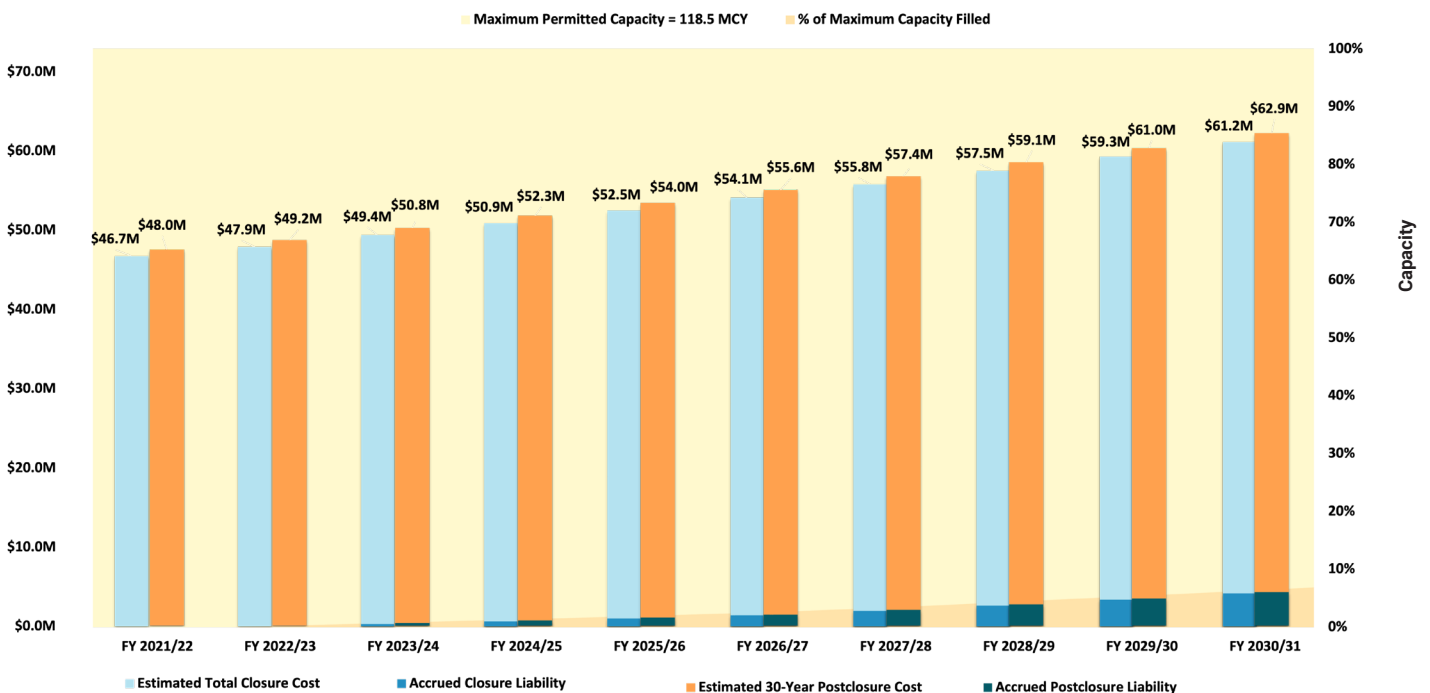


## F. LANDFILL CLOSURE AND POSTCLOSURE LIABILITIES

Prima Deshecha Landfill - Zone 1 Closure and Postclosure Liabilities



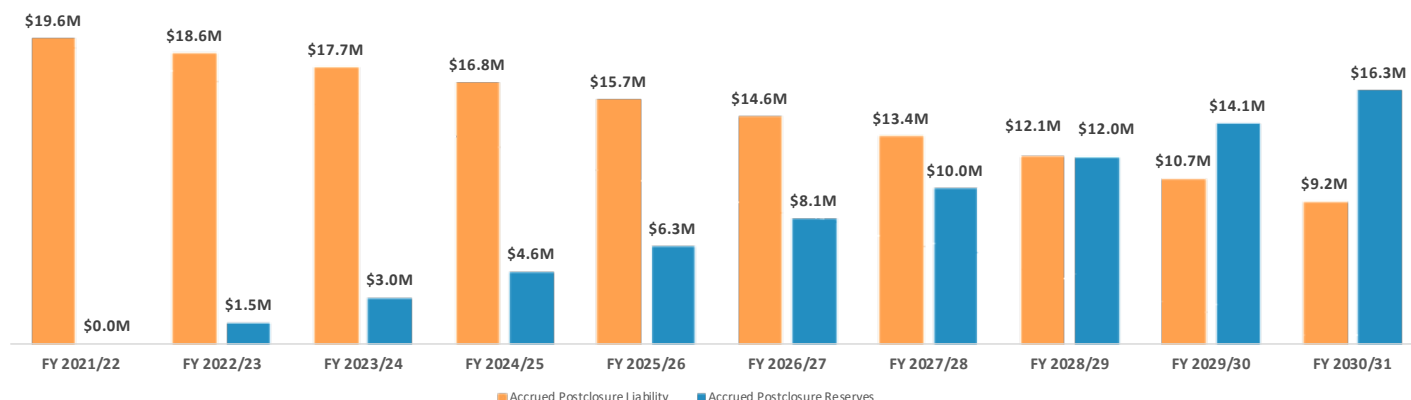
Prima Deshecha Landfill - Zone 4 Closure and Postclosure Liabilities



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

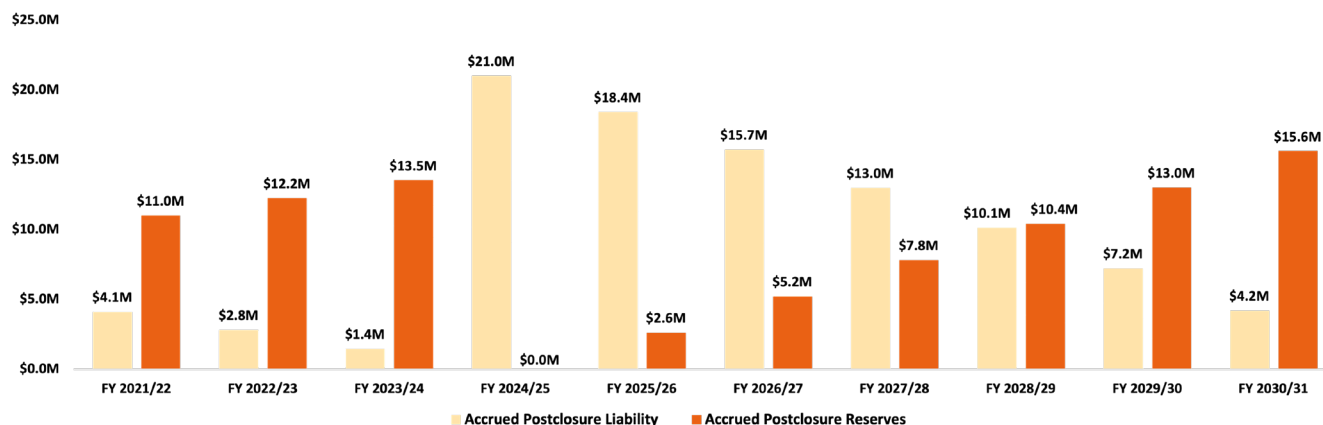
## G. CLOSED LANDFILL POSTCLOSURE LIABILITIES & RESERVES

### SANTIAGO CANYON POSTCLOSURE LIABILITY AND RESERVES



Since FY 2015/16, OCWR has implemented a reserves policy to maintain 15 year cost of the annual postclosure maintenance cost estimates for each closed site that has been in its postclosure phase longer than 15 years. Santiago Canyon has reached its 15th year of postclosure in FY 2021/22; Santiago accrued postclosure reserves will be recorded starting FY 2022/23.

### COYOTE CANYON POSTCLOSURE LIABILITY AND RESERVES



In FY 2024/25, Coyote Canyon Landfill will complete its 30-year postclosure period. Although GASB 18 postclosure liability will be no longer required in this case, Cal Recycle still requires a perpetuity postclosure maintenance. Therefore, \$21M will be funded to Coyote accrued postclosure liabilities. Coyote accrued postclosure reserves will be built up again, starting FY 2025/26.