

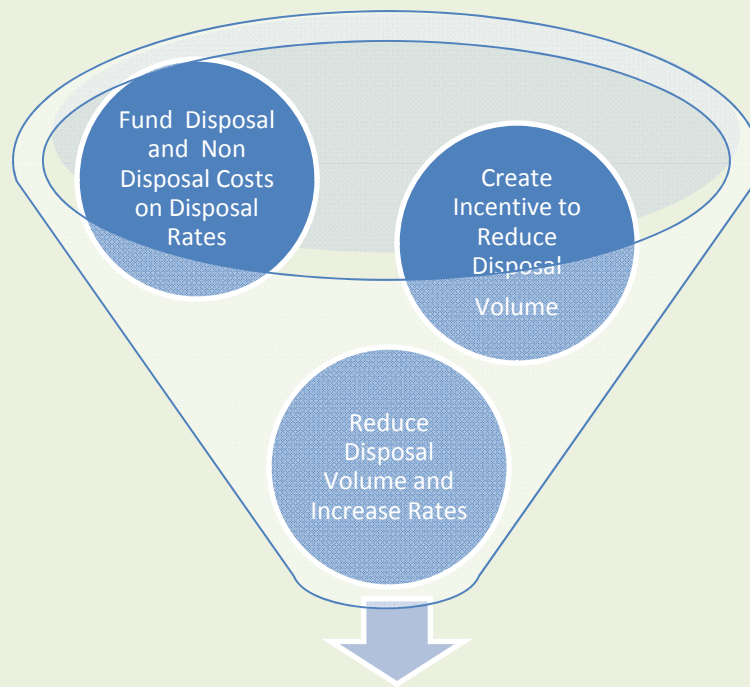


# Overview

High Diversion Rates & Compensation  
Workshop  
November 7, 2013



# Problem Statement: “The Death Spiral”



# HF&H Introduction

- ❑ Financial and business advisory services, exclusively to public agencies
- ❑ 25 years financial advice on funding municipal solid waste operations
- ❑ Need for a paradigm shift in funding approach statewide – can't do it one client at a time
- ❑ In partnership with HDR, CalRecycle, CRRRA and SWANA, we desire to bring attention to this problem and approaches to its solution



# Revenue Requirement and Rates

Collection/Post-Collection/Other Program Revenue Requirement

Customer Categories

Cost Allocations

Customer Demand Data

Customer Rates and Charges



# Customer Demand

- ❑ Economy and past success
- ❑ Continuing recovery opportunities
- ❑ Public Opinion; ZW design principal
  - ✓ Worldwide
  - ✓ National
  - ✓ Corporate



# Governmental Leadership and Response

## ☐ Local Policies

- ✓ Compliance
- ✓ High diversion
- ✓ Ordinances
- ✓ Rate incentives (disposal-based)

## ☐ State Requirements

- ✓ AB 939
- ✓ AB 341

## ☐ State Voter Initiatives

- ✓ Prop 13 - property
- ✓ Prop 218 – user fees
- ✓ Prop 26 – regulatory fees



# Problems of Disposal Based Funding

- ☐ Declining disposal service subscriptions
- ☐ Declining disposal tonnage
- ☐ Declining revenues
- ☐ Unpredictable, disproportionate and frequent rate adjustments to fund current services (“Death Spiral”)
- ☐ Resistance to, and complexity in, the method of funding new recovery services



# Solution

## Analysis

- Determine sources/uses of funds and beneficiaries by program
- Determine fixed and variable costs
- Determine whether fees and charges are regulated (e.g., taxes, fees for service, and regulatory fees) or unregulated (e.g., franchise fees and recyclable revenues)

## Strategy

- Charge something for each service, maintaining incentives
- Assess market conditions – compete or contract
- Negotiate rather than imposing fees and charges
- Shift from tons to per account charges for fixed costs

## Implement

- Contract Amendments
- Ordinances: Mandatory services, EPR/"take back", etc
- Resolution: Rates and other charges/regulatory fees/franchise and contractor payments





# Implementation

- ❑ Specifically: unique to each jurisdiction
- ❑ General strategies:
  - ✓ Understand impacted groups and perspectives
  - ✓ Messaging: Focus groups and pilot groups
  - ✓ Public education
  - ✓ Technical support – including hand holding and online tools
  - ✓ Monitoring
  - ✓ Feedback and adjusting



# Today's Workshop

- ☐ Sharing experiences
- ☐ Brief Q&A
- ☐ Solicitation of additional comments and questions
- ☐ Follow-up to unanswered questions
- ☐ Additional workshops



# DISCUSSION

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