

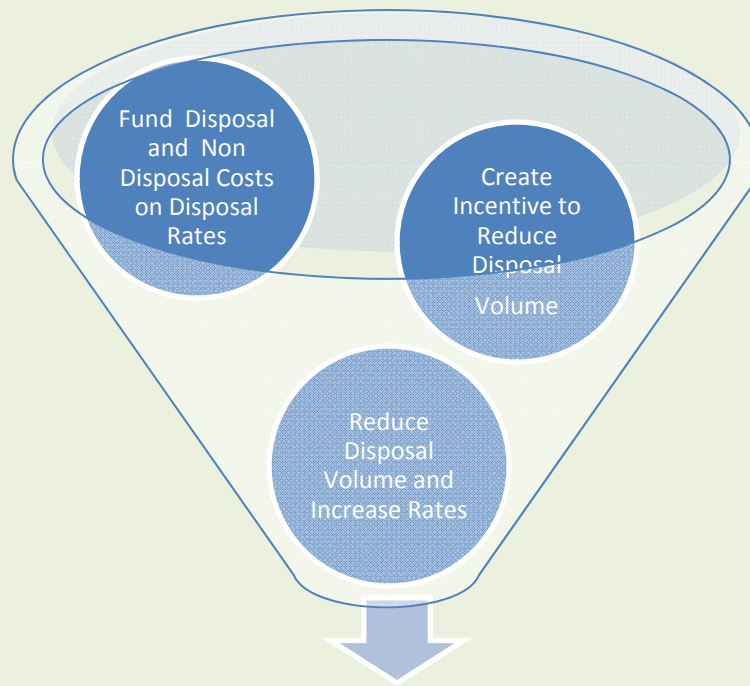


Overview

High Diversion Rates & Compensation
Workshop
December 10, 2013



Problem Statement: “The Death Spiral”



Fund Everything on Nothing



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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