

Funding Component

4.9 FUNDING COMPONENT

The success of the programs outlined in this SRRE is dependent on adequate funding. Regardless of whether programs are publicly or privately owned and operated, adequate funds will need to be collected from residents and businesses. Development of future programs will require expansion of existing funding sources. For example, additional funds may be generated by increasing residential and commercial refuse collection rates or local landfill fees. In addition, new techniques for funding programs and facilities may need to be considered.

The purpose of this section is to determine how the new or additional waste diversion programs will be funded. The Funding Component identifies the capital and annual costs required to plan, develop, implement, monitor, and evaluate the selected waste diversion programs through the short-term planning period. This section also describes the current mechanisms used to fund solid waste management activities and identifies other funding methods that may be implemented.

4.9.1 ESTIMATED PROGRAM COSTS

The estimated program costs identified in this section are those borne either directly (e.g., rates) or indirectly (e.g., property taxes) by residents and businesses. This component considers only the programs identified in the components of this plan and not the costs of existing and continuing waste management services, including those offered by franchised, licensed, or independent haulers. For example, independent scrap dealers who cover their costs of operation with the revenue from resale of their collected scrap metal are an example of a program for which costs are not measured or counted.

The SCWMA's five-year budget projection (Table 4.44) is for regional programs including yard debris and wood waste processing, household hazardous waste management, education programs, source reduction programs, beverage container recycling, and planning activities. The following assumptions were used when preparing these cost estimates:

- The presented program costs are estimates. Opportunities may exist for reducing these costs.
- Some waste diversion programs, including drop-off/buy back centers, scrap metal recycling, and composting, generate revenue from the sale of recovered materials. Markets for these materials fluctuate widely. Consequently, it is difficult to accurately project the revenue potential of recycling and composting programs.
- Opportunities for sharing resources between the various programs were considered.
- The budget projections do not include land acquisition costs. Since the CoIWMP is not site-specific, actual site costs for any new facilities, including the Resource Management Facility or other solid waste facilities, will be determined in the siting process. In some cases, new programs will use public facilities.
- Equipment and building improvement costs are counted as annual expenses.
- All costs are in 2002 dollars and no inflation rate was used in the projections.

In addition to the SCWMA's fiscal year budget, several ongoing diversion programs are funded by the DTPW including:

- Material reuse and recovery operations which include drop-off recycling for scrap metal,

Table 4-44: Projected Costs for Regional Diversion Programs						
SONOMA COUNTY WASTE MANAGEMENT AGENCY						
5-year Estimates						
Program	Budget Category	Projected Fiscal Year				
		02-03	03-04	04-05	05-06	06-07
Wood Waste	Operating Income	179,316	188,203	197,530	207,321	217,598
	Operating Expense	179,316	188,203	197,530	207,321	217,598
	Net Cost	0	0	0	0	0
Yard Debris	Operating Income	2,108,700	2,154,364	2,262,082	2,375,187	2,493,946
	Operating Expenses	2,108,700	2,154,364	2,262,082	2,375,187	2,493,946
	Net Cost	0	0	0	0	0
Household Hazardous Waste	Operating Income	1,389,939	1,445,801	1,506,640	1,609,406	1,693,881
	Total Operating Expense	1,389,939	1,445,801	1,522,689	1,609,406	1,693,881
	Net Cost	0	0	16,049	0	0
Education	Operating Income	262,314	268,108	279,454	293,162	315,399
	Operating Expenses	262,314	268,108	279,454	293,162	315,399
	Net Cost	0	0	0	0	0
Diversion	Operating Income	238,455	256,643	220,254	264,065	294,512
	Operating Expense	238,455	256,643	269,541	283,090	301,774
	Net Cost	0	0	49,287	19,025	7,262
Planning	Operating Income	72,014	33,326	25,584	10,025	20,243
	Operating Expense	72,014	34,401	36,121	37,927	39,824
	Net Cost	0	1,075	10,537	27,902	19,581
Assumptions:						
Wood Waste tipping fees will remain at \$12/ton						
Yard Debris tipping fees assume increase to \$29/ton on January 1, 2002 and to \$30/ton January 1,2003						
Contract Services for the HHW facility are assumed to increase 12% for FY 02-03 and 6% thereafter.						
Expenses are assumed to increase 5%/year						

appliances, glass, paper, and other recyclables: \$261,150 was budgeted in fiscal year 2002-03 for this program.

- Tire recycling: \$24,850 was budgeted in fiscal year 2002-03 for this program.
- CRT (computer monitors and televisions) recycling: \$126,000 budgeted in fiscal year 2002-03 for this program.

These programs will continue to be budgeted each fiscal year as part of the DTPW's ongoing operational expenses.

The construction and demolition debris diversion is anticipated to begin operations in March, 2003, and is expected to operate up to three years. The DTPW believes that sufficient economic incentives exists for the private sector to successfully develop the infrastructure necessary to process the flow of materials that will be handled by this temporary program. Until the private sector can permit, develop, and construct these facilities, the DTPW will operate this temporary program at the Central Disposal Site. Annual contractor expenses are anticipated to be approximately \$830,000 for this program. The educational component of this program will be included in the SCWMA's budget. Funding for the educational component will be generated from a portion of the surcharge fee collected by the DTPW for unsorted debris boxes.

4.9.1.1 Impact to the Residential Ratepayer

New and expanded diversion programs for the residential sector will require additional funding. Typically, residential program costs are covered through collection rates, including the costs for collecting recyclables and yard debris. As cities competitively bid their franchised hauling contracts, many residential recycling programs have been expanded without increasing rates to the customer.

The figures included in this component are not intended to be used as a collection rate analysis or for setting future collection rates. They are only intended to show an order of magnitude of program cost impacts. Depending on the exact nature of new/expanded programs and their local operational characteristics, these figures may vary significantly.

4.9.2 CURRENT FUNDING SOURCES

The existing solid waste management programs are funded through two methods. The primary funding mechanism is the rates charged residents and businesses by their haulers for the collection and disposal of their solid waste. These rates are collected by the hauler and directly reimburse them for their collection costs. The rates also cover the tipping fees levied at the County disposal sites. Sonoma County owns these disposal sites and through tipping fees collects the revenue it needs to run these facilities. Self-haulers also pay this fee, which has proved to be an acceptable, user-based funding mechanism. These tipping fees go into a dedicated Enterprise Fund. The tipping fee includes a surcharge that is passed from the County to the SCWMA to fund wood waste processing, yard debris composting, education and public information, beverage container recycling, Bay Area Creative Reuse, and planning activities including the development and administration of the CoIWMP.

Collection rates and tipping fees are the only two funding mechanisms used. Refuse haulers in the unincorporated territories are licensed, and the DTPW does not collect a franchise fee. Refuse haulers operating in the incorporated cities are franchised, and the cities collect franchise fees.

4.9.3 FUTURE FUNDING SOURCES

Over the short-term planning period, a significant amount of money will be required to plan, develop, and

implement the selected programs. The funding mechanisms to be used in the future will depend on several variables, including:

- Public versus privately owned programs.
- Potential of expanding existing funding mechanisms to meet future requirements.
- The level of funding security provided by the funding mechanism.
- Whether a funding mechanism is equitable.
- Ease of implementing the funding mechanism.
- Cost of operating the funding mechanism.

Funds potentially available from the issuance of debt instruments and bonds is likely to be well in excess of reasonable need for any selected program described in this SRRE. Amounts potentially available are limited only by the financial health of the community backing them, the current debt environment of the community, and the political process required to approve them.

4.9.3.1 Primary Funding Sources

Collection Rates

This is the largest funding source used at present and will likely remain the largest in the short-term planning period. The County of Sonoma Board of Supervisors sets or authorizes rates sufficient to cover collection and disposal costs. An increase in these rates is one of the simplest ways to fund local waste diversion programs, especially if the existing hauler provides these additional services. A disadvantage is that only those residents and businesses that are required to sign up for refuse collection pay for the waste diversion programs financed by the rates. Self-haulers do not contribute to waste diversion programs subsidized through collection rates.

Enterprise Fund

The Enterprise Fund receives its revenues from tipping fees. Sonoma County assesses tipping fees for the use of its transfer stations and landfill. The tipping fees include an additional surcharge to fund regional waste diversion programs operated by the SCWMA. If new facilities are privately owned and/or operated, the operator itself may collect tipping fees that are adequate to cover its facility costs.

Extended Producer Responsibility

Efforts aimed to encourage manufacturers to take increasing responsibility to reduce the entire life-cycle impacts of a product and its packaging – energy and materials consumption, air and water emissions, the amount of toxics in the products, worker safety, and waste disposal – in product design and in the end-of-life management of the products they produce are currently being discussed at the national, state, and local levels. The costs of implementing EPRs, including special handling for waste disposal, would then be included in the up-front cost of purchasing the product. EPRs are best handled at the state or national level where all manufactured goods would include the costs of life-cycle impacts. EPRs are an appropriate mechanism to fund the recycling of targeted products such as computer monitors, televisions, and other electronics.

Flow Control

To cost effectively increase waste diversion and undertake the most economically beneficial waste disposal alternative(s), the local jurisdictions must be in the strongest bargaining position possible. This is accomplished by cooperative control over the flow of waste within the county, now achieved in part with flow control provisions in a few local franchise agreements. The County and cities will need to adopt common terms and stipulations for all new, renewed, or extended refuse service franchises and licenses. Such terms and stipulations would direct the flow of disposed waste to one or more disposal

sites as designated by the SCWMA, County and cities.

This alternative may require an amendment to the SCWMA's Joint Powers Authority to direct the flow of disposed waste. The amendment would also empower the SCWMA to enter into a contractual arrangement with a public or private entity for the disposal of waste generated in the County if, in the future, waste disposal was managed on a regional level.

The existence of flow control arrangements in franchised hauling waste agreements in the incorporated cities, along with provisions for licensed haulers operating in the unincorporated county areas, enables the cities and County to have control over the destination of the waste stream. Assuming that these arrangements will be maintained throughout the planning period, as well as future similar arrangements in other incorporated cities, the County can plan for facilities to handle these wastes. Without such arrangements, and the coordination and understandings that support them, facility planning on a countywide level becomes difficult, because the County and jurisdictions would not be cooperating in directing the flow of waste generated in the County. Instead, each jurisdiction, as well as the County, could conceivably undertake contractual agreement with haulers that would direct waste to several disposal sites, thus undermining the effort to plan for the integrated and efficient management of the county's total waste stream.

Hauler Franchise Fee

Refuse haulers in the unincorporated territories are licensed, and the DTPW does not collect a franchise fee. The Cities do collect franchise fees from their franchised refuse haulers. This funding mechanism is a fee levied on the franchised haulers and is either a flat fee or a percent of the hauler's gross revenues. Typically, franchise fees collected by the cities are deposited directly into their general fund for budgeting purposes, and may or may not be budgeted for implementation of solid waste programs.

4.9.3.2 Contingency Funding Sources

Parcel Fee

This method is similar to the collection of revenues by special districts. Property owners are assessed a fee that is proportional to the waste generation of the land use. It is a mechanism that gives a population/geographical base to a regional entity. This method is used in Kern County, which owns and operates 14 landfills. It is administratively burdensome and does not create the incentive for individual waste reduction.

Grants and Loans

The SCWMA applies for appropriate state and/or federal grants as they become available. Low-interest loans are a possible mechanism for funding programs, operational improvements at solid waste facilities, and new solid waste facilities.

New Development Fee

This fee would be assessed on new development and could be used to offset the increased waste management capital costs made necessary by the new development.

Bond Issues

The County may use general obligation bonds to provide capital for facilities and equipment it decides to buy and own as part of its waste diversion programs.

Advance Recycling Fees

This funding mechanism is under serious consideration at the national, state, and county levels. It derives revenue by adding a surcharge to the price of products either at the wholesale or retail level. It is an appropriate mechanism to fund the recycling of targeted products such as major appliances, electronic devices, automotive batteries and tires.

4.9.4 FUNDING PROGRAM FOR SONOMA COUNTY

Based on the program costs, existing funding sources, and other funding mechanisms available, a comprehensive funding program was developed. This funding program is designed to identify the funding sources to pay for the planning, development, implementation, and evaluation of its integrated waste management programs and facilities through the short-term planning period. As required by the regulations, contingency funding sources are also identified for the component programs. In the event of a revenue shortfall, it is likely that the County or the SCWMA will increase the amounts generated from the existing funding sources rather than switch to a different funding mechanism. The funding program is summarized in Table 4-45.

Table 4-45: Funding Program			
Waste Diversion Program		Funding Source*	Contingency Funding Source
Source reduction		TF	ADJ/CR
Recycling	Drop-off centers	CR	ADJ
	Single-family curbside	CR	ADJ
	Multi-unit recycling	CR	ADJ
	Commercial source separation	CR	ADJ
	Office paper recovery	CR	ADJ
	Materials reuse/recovery operations	TF	ADJ
	Floor-sort	TF	ADJ
	Education and Public Information	TF	ADJ/FF
Composting	Yard debris	TF/CR	ADJ
	Source-separated organics	TF/CR	ADJ
Special waste	Construction and demolition debris	TF/CR	ADJ
	Wood debris	TF/CR	ADJ
	Tires	TF	ADJ
	White goods	TF	ADJ
* To be used if the program requires any public funding. Some programs, such as drop-off and buy-back centers, may be self-supporting.			
TF	=	Tipping Fee	
CR	=	Collection Rate	
ADJ	=	Rate or fee will be adjusted to provide adequate funding	
FF	=	Franchise Fee	