

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:
Prepared on: 5/22/02
Department Name: Public Works
Department No.: 054
Agenda Date: 6/25/02
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Phillip M. Demery, Director
Public Works Department

STAFF CONTACT: Mark Schleich, Deputy Director, ext. 3603
Leslie Wells, Program Manager, ext. 3611

SUBJECT: Report on the Solid Waste and Utilities Strategic Business Plan prepared by R.W. Beck
All Supervisorial Districts

Recommendation(s):

That the Board of Supervisors:

On June 25, 2002,

1. Receive an oral presentation on the Solid Waste and Utilities Strategic Business Plan.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 2. A Safe and Healthy Community in Which to Live, Work, and Visit.

Executive Summary and Discussion:

Background

At the September 18, 2001 Board Hearing, action was taken to implement approximately \$3.4 million in cost reductions and \$2.0 million in revenue enhancements to address a growing gap between revenues and expenditures of the Solid Waste Division. In addition, staff was directed to initiate the development of a 20-Year Strategic Plan and provide an update to the Board in Spring 2002. This report is intended to fulfill that update request.

Solid Waste Division Financial Update

The actions taken by the Board in September 2001 have resulted in an improved financial picture for the Solid Waste Division. For the current FY 2001-02, approximately \$20 million in revenues are projected to be received with expenditures estimated at \$20.8 million. Unrestricted cash reserves will be used to balance revenues with expenditures in the amount of \$800,000 (in contrast to \$2.4 million in FY 2000-2001). For the upcoming FY 2002-2003, unrestricted cash reserves are being used to balance revenues with expenditures in the amount of approximately \$2.0 million. A one-time expenditure of \$1.6 million for Ballard Canyon capital expenditures (grading, capping, and upgraded water system improvements) is the principal reason for this imbalance in revenues and expenditures. Minor rate adjustments estimated to generate approximately \$265,000 in revenues are recommended for FY 2002-03.

20-Year Strategic Business Plan

Several activities have occurred over the past nine months in the development of the 20-Year Strategic Business Plan. These activities include:

- The formation of the Multi-Jurisdictional Solid Waste Task Group (MJSWTG) which includes elected officials from all the cities in the County, its Technical Advisory Committee (TAC), and several working Subgroups addressing specific waste streams, facilities, or programs. Staff will be returning to your Board in the near future with a more comprehensive report on the work of the MJSWTG, TAC and the working Subgroups.
- Cost-of-Service Study - A cost-of-service study for FY 2000-2001 has been completed and updated through March 2002. This study provides detailed information on both direct and indirect costs within the Solid Waste Program.
- Operational Program Review - An independent review of the County's Transfer Stations, Household Hazardous Waste (HHW) Program, Landfill Operations, and Closed Landfill Management Program was completed in April. Various recommendations from the review were used to create an alternative staffing plan for FY 2002-03, resulting in the reduction of 11 positions.
- Five-Year Cash Flow - Several five-year cash flow scenarios have been developed using various assumptions relating to both expenditures and revenues. The outcome of this effort has been to focus greater attention on improving the Solid Waste Capital Improvement Program and establishing clearer policies on appropriate levels of reserves (including both a working capital reserve and a capital improvement reserve).
- Development of a two-year Budget – a two-year budget (FY 2002/2003 and 2003/2004) was developed based upon some of the assumptions derived from the operations review and the 5-year cash flow.

Next Step and Recommended Activities

The development of the 20-Year Strategic Business Plan is being accomplished through an iterative process. Over the next six months, the following activities are recommended:

1. Solid Waste CIP – A CIP that is more closely linked with the Division's strategic and business plans will be developed. A 2003-2008 CIP will include a prioritized listing of capital projects

recommended for funding, individual project descriptions, budgets and schedules for those projects recommended for funding in 2003-2004, and an Implementation Plan necessary to execute the proposed 5-year CIP.

2. 15-year cash flow to capture the requirement for the landfill expansion and provide a useful tool for long range facility planning. A 15-year cash flow forecast will be used to determine the projected cash requirements and borrowing needs of the Division resulting from anticipated capital and operating expenditures. The model will include revenue projections, operating costs, and the costs for the Tajiguas expansion and other capital improvements along with any associated borrowing needs of the Division. The cash flow forecast will be prepared based on a combination of revenue increases and targeted expenditure reductions resulting from the operational review action plan.
3. Reserve policies – formal reserve policies need to be established for both the operating and capital budgets. Reserve policies will assist in determining the levels of risk the County is willing to accept in managing the Solid Waste Enterprise. Reserve policies are also important requirements for future rate setting considerations and actions.

Mandates and Service Levels:

No changes to mandates and service levels are anticipated.

Fiscal and Facilities Impacts:

None.

Special Instructions:

Please send a copy of the Minute Order to Georgia Navarro & Leslie Wells in Solid Waste & Utilities Division of the Public Works Department.

Concurrence

Auditor Controller
County Counsel