

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)

STAFF REPORT

**INFRASTRUCTURE STATE REVOLVING FUND (ISRF) PROGRAM
DIRECT FINANCING EXECUTIVE SUMMARY**

| | | |
|--|--|---|
| Applicant: County of Sacramento (County) | ISRF Project Type / Category: Infrastructure Project / Solid Waste Collection and Disposal | |
| Financing Amount: \$35,000,000 (Financing) | Financing Term: 30 years | Interest Rate (Indicative as of 09/27/2022): 4.37% + 30 bps annual servicing fee |
| Source of Repayment: Solid Waste Enterprise Fund (Fund) | | Fund Rating/Date: Moody's 10/08/2020 (for Sac. County) A1 Issuer / A2 Senior LT Lease Obligation |
| Loan Security: Pledge of net system revenues and all legally available amounts in the Solid Waste Enterprise Fund | | |
| Project Name: NARS Commercial Waste Transfer Building Project (Project) | Project Location: 4450 Roseville Road, North Highlands, CA 95660 | |

Project Description / Source and Use of Proceeds:

The \$35M Project involves the construction of a new commercial waste transfer building within the existing North Area Recovery Station (NARS), located at the address above in North Highlands, CA. It will be an enclosed structure transfer building for organic waste and regular municipal solid waste. This facility will receive both residential source-separated organic waste (green waste, food waste, and food-soiled paper) and commercially collected municipal solid waste. Recent Senate Bill 1383 (SB 1383) mandates that food waste be collected and diverted from landfills, and that the combined green and food waste can no longer be appropriately handled outdoors long term. An indoor facility will provide better odor control for the putrescible components and mitigation of vectors such as rodents and birds.

The construction of the transfer building in essence comprises Phase II of the larger NARS project; Phase I has been completed and included the entrance and access improvements around the transfer building.

The Project includes but is not limited to 1) Construction of a new 62,000 square foot tilt-up structure commercial waste transfer building; 2) Roadway ramps to a covered below-grade trench with 4 loadout ports from the tipping floor above for efficient handling of materials; 3) Mechanical and electrical systems necessary to provide efficient operations; 4) A 1,000 square foot observation area to facilitate visitor tours; and 5) Large paved access areas for operational purposes. The total weighted average useful life of the Project is 44.9 years.

According to the County, the estimated cost of the Project is \$30.2M; each project component includes a 10% contingency. Considering the potential inflation impact to the Project, the County is requesting a \$35M ISRF loan so that they have an extra \$4.45M as a buffer to tackle unexpected cost increases. Any additional contingencies will be paid by the County from cash reserves, which were over \$42M as of Fiscal Year (FY) 2021. Construction is scheduled to start in February 2023 and is expected to be completed by September 2024. The Solid Waste Enterprise Fund (Fund), which had operating revenues of over \$96M in FY 21, will be the repayment source for the proposed loan.

Use of Financing Proceeds:

The following chart shows the Project sources and uses:

| Project Uses | Project Sources | |
|--|---------------------|---------------------|
| | IBank | Total |
| NARS Commercial Waste Transfer Building Project (Includes 10% Contingency) | \$34,650,000 | \$34,650,000 |
| Origination Fee | \$350,000 | \$350,000 |
| Total | \$35,000,000 | \$35,000,000 |

The Financing would provide funds necessary to complete the Project, including but not limited to design, engineering, architecture, construction, construction contingency, demolition, removal, resurfacing, restoration, landscaping, permitting, construction management, project administration, and general project development activities. The Origination fee will be included in the loan amount.

Project / Public Benefits

The Project will ensure the County complies with SB 1383, mitigate order pollution, and reduce greenhouse gases. The Project will greatly expand the NARS transfer station’s capacity. The new building will improve NARS’s ability to manage solid waste and meet the needs of a growing Sacramento region.

The Project will Improve operational efficiency and safety. The new transfer building will allow the separation of commercial hauler traffic from self-haul private traffic. Commercial traffic will be routed to the new transfer building and self-haul traffic routed to the existing transfer building. Existing traffic conflicts will be alleviated by improved service times for both commercial haulers and self-haul customers, reduce truck idle times, and improve operational safety overall.

Credit Considerations:

Cashflow analysis is summarized as follows:

| SOLID WASTE ENTERPRISE FUND | | | | | |
|---|---------------------|--------------------|--------------------|----------------------|--------------------|
| CASH FLOW | | | | | |
| For Fiscal Year Ending (FYE) June 30 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Operating Profit (Loss) | \$9,105,000 | \$1,753,000 | \$3,077,000 | (\$9,979,000) | (\$1,963,000) |
| Transaction Specific Adjustments | | | | | |
| + Depreciation and Amortization | 7,288,000 | 7,774,000 | 6,588,000 | 8,709,000 | 10,858,000 |
| + Use of Money and Property (Interest only) ⁽²⁾ | 752,389 | 1,273,974 | 2,146,646 | 1,662,359 | 428,577 |
| + Intergovernmental | 361,000 | 318,000 | 322,000 | 438,000 | 524,000 |
| + Other Revenues (Expenses) | (798,000) | (493,000) | (139,000) | (890,000) | 9,000 |
| - Transfer Out | (1,615,000) | (2,997,000) | (2,907,000) | (3,093,000) | (3,120,000) |
| Total of all Adjustments | 5,988,389 | 5,875,974 | 6,010,646 | 6,826,359 | 8,699,577 |
| Cash Available for Debt Service | \$15,093,389 | \$7,628,974 | \$9,087,646 | (\$3,152,641) | \$6,736,577 |
| Debt Service Calculation | | | | | |
| Total Existing MADS Debt Service | 931,362 | 931,362 | 931,362 | 931,362 | 931,362 |
| Proposed IBank MADS ⁽¹⁾ | 2,208,143 | 2,208,143 | 2,208,143 | 2,208,143 | 2,208,143 |
| Total Obligations MADS | \$3,139,505 | \$3,139,505 | \$3,139,505 | \$3,139,505 | \$3,139,505 |
| Debt Service Coverage Ratio | 4.81 | 2.43 | 2.89 | -1.00 | 2.15 |

⁽¹⁾ Calculated as \$35,000,000 at 4.37% for 30 years plus 30 basis point servicing fee

⁽²⁾ Excluded gain on disposal of capital assets. Used interest income only figure provided by the Fund separately

The Fund has sufficient revenues to make the proposed loan payment in four out of five historical years reviewed. In FY 2020, the Fund reported Net Operating Loss of \$9.9M, which was mainly caused by operating cost growth in excess of service rates. Facility shutdowns due to Covid-19 outbreak among staff and some one-time expenses (i.e., rate study consultant fee) also contributed to the deficit. Cash Available for Debt Service was still negative after addbacks of Depreciation and Amortization and other adjustments, resulting in DSCR of -1.00. The loss was covered by balance sheet reserves.

The County successfully raised the service rates multiple times since Nov 2020. As a result, in FY 2021 the Fund's operating loss shrank to just \$1.9M. In FY 2022, the unaudited financial statements show a strong operating surplus of over \$20M, which reflects the Fund is successfully re-emerging from the deficit. For further detail, see the Credit Analysis section of this report.

Support for Staff Recommendations:

1. Historical cashflow analysis demonstrates good ability for the Fund to service the proposed Financing (except in FY 2020, where they relied on reserves).
2. The unaudited operating surplus for FY 2022 is over \$20M, reflecting a strong rebound from the FY 2020 deficit.
3. The Solid Waste Enterprise Fund's net position for FY 2021 was \$149M, (unaudited FY 2022 shows net position of over \$166M) showing good capacity to generate the resources needed to cover the proposed loan payment along with other debt service.
4. The County has successfully increased rates to cover expenses and service its debt.
5. The total weighted average useful life of the Project is 44.9 years, which exceeds the 30-year term of the Financing.
6. The project will ensure the County complies with SB 1383 requirements, reduce greenhouse gases, and improve air quality.

Criteria Waivers

1. IBank's Criteria, Priorities, and Guidelines for the Selection of Projects for Financing Under the ISRF Program (Criteria) provides that financings are typically available in amounts between \$50,000 and \$25 Million, but that the Board may approve financings over \$25 Million. This financing request is for \$35 million. IBank has sufficient lending capacity to finance the Project and other loans in the pipeline. IBank Staff requests a waiver for this item based on the Fund's good performance track record, healthy FY 2021 cash reserves of over \$42M, and Net Position of \$149M. Per the County, at fiscal year-end 2022 the cash reserves were nearly \$59M, and the Fund's Net Position is over \$166M (Per unaudited financial statements – See exhibit 7).

| | |
|---|--|
| <p>IBank Staff: Betty Bian and Lina Moeller</p> | <p>Date of Staff Report: Oct 12, 2022</p> |
| <p>Date of IBank Board Meeting: October 19, 2022</p> | <p>Resolution Number: 22-13</p> |

Staff Recommendation:
Staff recommends approval of Resolution No.22-13 authorizing ISRF Program Financing in an amount not to exceed \$35,000,000 to the County of Sacramento, for the NARS Commercial Waste Transfer Building Project.

GENERAL INFORMATION

Sacramento County was incorporated in 1850. The County's largest city is the City of Sacramento, which became the State Capital in 1854. The County encompasses approximately 994 square miles and is in the middle of the 400-mile long Central Valley, which is California's prime agricultural region. The southernmost portion of the County has direct access to the San Francisco Bay.

The County has a charter form of government and is governed by a five-member Board of Supervisors. A County Executive appointed by the Board of Supervisors runs the day-to-day operations of the County. According to the County's website, Sacramento County is an award-winning and innovative government agency. Government agencies are the largest employer following with health systems and schools.

The County has a diverse business mix and is characterized as a leader in the 21st century economy, with growing advanced manufacturing, agriculture and food, clean energy technology, information and communications technology, life sciences and health services industries. The County's nearly 1.6 million residents, multiple universities, and proximity to lawmakers makes the County a premier location for new and expanding businesses. Please see Exhibit 6 which includes the Key Indicators for Sacramento County's economy.

PROJECT DESCRIPTION

Project Background and Project Description

The North Area Recovery Station (NARS) is one of the most used solid waste transfer and recovery facilities in the greater Sacramento region. It is the only transfer station in the State's northern counties and is also the only municipally run transfer station in the region. The NARS Commercial Waste Transfer Building Project (Project) builds major infrastructure improvements to the existing NARS transfer station by significantly increasing capacity and allowing the department to fully and efficiently comply with SB 1383 requirements to divert organic material from landfills.

The Project integrates with the larger redesign and comprehensive upgrade of the existing NARS transfer station, while meeting the current solid waste management needs of the greater Sacramento region. The upgrades identified for construction were modelled in the NARS Master Plan, which strategically considered site and community needs for now and several decades into the future.

The Project includes the construction of a new commercial waste transfer building and support infrastructure to receive and transfer municipal solid waste and source-separated organic waste from collections vehicles and similar commercial vehicles. The Project includes but is not limited to the following components:

| Total Project Cost by Component | |
|---------------------------------|-------------------------------------|
| Project Component | Estimated Cost with 10% Contingency |
| Transfer Building | 18,765,000 |
| Loading Area | 7,195,000 |
| Mechanical Systems | 2,281,000 |
| Observation Area | 430,000 |
| Paved Apron | 1,535,000 |
| Total | 30,206,000 |

1. Transfer Building. This 62,000 square foot concrete tilt-up structure provides full enclosure of the new waste transfer operations, facilitating all-weather operations and odor control. The

Main Tipping Floor is accessed primarily through eight roll-up doors on the north side of the building for vehicles to back into the floor area for offloading. The 314-foot-wide main tipping floor is designed with 163-foot clear spans to provide a 30-foot-tall operating area free of columns or obstructions. Estimated cost with 10% contingency is \$18,765,000.

2. Loading Area. The main tipping floor includes four top-load ports leading to a lower loadout floor area. Large trucks access this area, approximately 16 feet below grade through 8-foot-wide ramps, with concrete retaining wall lined trenches from the west and to the east. This lower loadout area has four back-in slots corresponding with the four top load ports. Each of the ports has scales with displays located on the Main Floor for ease of trailer loading. Estimated cost with 10% contingency is \$7,195,000.
3. Mechanical Systems. The Transfer Building includes mechanical and electrical systems necessary to provide efficient operations. The main building structure is ventilated through large air handlers that provide smooth efficient air flow through the building to prevent odor buildup, which is then pushed high into the air for dilution so no nuisance odors will be detected by neighbors. Storm water and sewer systems are provided, with pump stations to be used as needed. Additionally, the building contains thermal imaging cameras and two remote-operated water cannons to supplement the standard sprinkler system to address the danger of fires. Estimated cost with 10% contingency is \$2,281,000.
4. Observation Area. The New Commercial Waste Transfer Building includes a 1,000 square foot observation area to facilitate visitor tours. This gallery area has a wall full of windows to allow observation of the main tipping operations from an elevated position without any interference or danger from the main operational area. The observation area has a separate external entrance, restroom facilities, ADA-compliant access with an elevator, and a separately ventilated conditioned space. Estimated cost with 10% contingency is \$430,000.
5. Paved Apron. The New Commercial Waste Transfer Building also provides largely paved access areas for operational purposes. These areas include a 100-foot by 230-foot concrete turning area in front of the structure, 0.5 acres of parking for empty trailers, and interconnecting roads. Estimated cost with 10% contingency is \$1,535,000.

SYSTEM DESCRIPTION

System Infrastructure

The County, through the Department of Waste Management & Recycling (DWMR), provides solid waste services to approximately 158,603 household residential clients in unincorporated County areas, and operates the NARS and Kiefer landfills. DWMR supports the operation of residential curbside pickup service, NARS, and Kiefer landfills. DWMR is separate department within Sacramento County. The Fund also supports street sweeping, illegal dumping, etc.

The County began operating the Kiefer landfill in 1967 to serve the solid waste disposal needs of residents and businesses in the County. An expansion of disposal capacity was approved in 1999 to extend the useful life of the landfill beyond 2036. The North Area Recovery Station (NARS) on Roseville Road was opened in 1973 to serve the County's waste transfer needs and still functions in this role, along with providing a Household Hazardous Waste (HHW) facility and expanded infrastructure for a variety of recyclable materials.

The County collects a monthly servicing fee from residential clients and charges a tipping fee to anyone who dispose of waste in a transfer station or landfill. Usually tipping fees are based on the weight of waste per ton. Recently, the fund successfully increased residential rates twice (\$5 per month increase effective

in March 2021, and an additional \$5 per month increase effective in January 2022). The last tipping fee increase at NARS and Kiefer landfills was effective November 2020.

To comply with SB 1383 requirements, DWMR started to implement weekly curbside organics waste collection service in July 2022 to replace the previous bi-weekly collection. To successfully execute this service change, DWMR needs to carry out major capital improvements, such as purchasing 21 additional trucks, to support the addition of 18 additional routes weekly, and substantially improve its organics transfer capacity, the last of which the subject Project is intended to help address.

System User and Rate Structure

The following table displays the Number of Users by Category and reflects stability in the number of Users. The residential customers include the approximately 158,603 household residential clients in the unincorporated County area, and some contracted government agencies who directly pick up residential solid waste similar to the County’s residential collection service, such as City of Sacramento and City of Folsom. The commercial customers include any customer who has a commercial account and brings solid waste which comingle non-residential municipal solid waste with the deliveries to the sites. The other customers represent the customers who directly drive to NARS station or Kiefer landfill for waste dumping that are not residential collection operations nor commercial accounts.

NOTE: The County has seven incorporated cities, including Sacramento, Elk Grove, Citrus Heights, Folsom, Galt, Isleton and Rancho Cordova. Remaining are unincorporated areas of the County.

The commercial category in 2023 shows commercial accounts but these are calculated by visits (collection trucks) to NARS and the Landfill to dump municipal solid waste. This is showing two-months of data and includes visits scheduled for the commercial accounts for the year.

| NUMBER OF USERS BY CATEGORY | | | | | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| For Fiscal Year Ending (FYE) June 30 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Residential | 156,150 | 156,704 | 157,157 | 157,872 | 158,603 |
| Commercial* | 485 | 495 | 486 | 494 | 393 |
| Other** | 381,790 | 424,733 | 409,869 | 335,435 | 57,899 |
| Total | 538,425 | 581,932 | 567,512 | 493,801 | 216,895 |
| % change | N/A | 8.1% | -2.5% | -15.1% | -56.1% |

*393 is the number of the commercial customers who actually visited NARS or Kiefer Landfill from July 1 2022 to Aug 31 2022. It is only representing two-month data.

**57,899 is the number of other customers who actually visited NARS or Kiefer Landfill from July 1 2022 to Aug 31 2022. It's only representing two-month data.

Source: Financing Application Addendum

In contrast to the breakdown of Users, Fund revenues are comprised of 55.9% residential customers, 28.8% commercial customers, and 15.3% other customers.

| CURRENT SYSTEM USAGE & REVENUE | | |
|--------------------------------|----------------------|------------------------|
| | Gross Annual Revenue | % Gross Annual Revenue |
| Residential | \$60,878,657 | 55.9% |
| Commercial | \$31,306,568 | 28.8% |
| Other | \$16,640,833 | 15.3% |
| Total | \$108,826,058 | 100.0% |

Source: Financing Application

The table below shows recent residential rate increases. The County did not increase its solid waste residential collection rates from 2010 to 2019. DWMR proposed to increase rates in late 2020 based on

a rate study which provided the cost model. All rate increases have strictly adhered to Prop 218 noticing, voting procedures and public hearings. The County board approved rate increases as below.

| HISTORICAL RESIDENTIAL RATE INCREASES OF THE PAST FIVE YEARS | | |
|---|-----------------------|-------------------------|
| Date Adopted | Date Effective | Percent Increase |
| 1/25/2022 | 7/1/2022 | 6.61% |
| 1/1/2021 | 1/1/2022 | 17.50% |
| 1/1/2021 | 3/1/2021 | 21.20% |

Source: Financing Application Addendum

CURRENT AND HISTORICAL AVERAGE MONTHLY USER CHARGE PER RESIDENTIAL UNIT

The following tables display respectively the Historical Average Monthly User Charge Per Residential Unit from FY 2018 through FY 2022, and the County Board-approved new rates through FY 2026.

| HISTORICAL AND CURRENT AVERAGE MONTHLY USER CHARGE PER RESIDENTIAL UNIT | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| For Fiscal Year Ending (FYE) June 30 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Residential | 23.55 | 23.55 | 23.55 | 28.55 | 33.55 |
| % change | N/A | 0.0% | 0.0% | 21.2% | 17.5% |
| % of MHI (2021 at \$80,063) | 0.4% | 0.4% | 0.4% | 0.4% | 0.5% |

| APPROVED AVERAGE MONTHLY USER CHARGE PER RESIDENTIAL UNIT | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| For Fiscal Year Ending (FYE) June 30 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Residential | 33.55 | 35.77 | 37.59 | 39.41 | 41.03 |
| % change | 17.50% | 6.62% | 5.09% | 4.84% | 4.11% |

Source: Financing Application Addendum

The following table displays the Fund’s Average Monthly System User Charge Compared to Nearby Systems as of July 31, 2022. All but one, the City of Rancho Cordova, have higher average monthly residential rates than the County of Sacramento. They County has room to increase rates in the future. They are doing so now to facilitate the new debt. The Fund is generating sufficient revenues to maintain assets.

| CURRENT AVERAGE MONTHLY SYSTEM USER CHARGE COMPARED TO NEARBY SYSTEMS | | |
|--|---|---|
| System Name | Average Monthly Residential Rate | Percentage to the Average Monthly Charge |
| County of Sacramento | \$33.55 | 88.6% |
| City of Rancho Cordova | \$27.59 | 72.9% |
| City of Elk Grove | \$35.39 | 93.4% |
| City of Roseville | \$36.05 | 95.2% |
| City of Sacramento | \$44.90 | 118.6% |
| City of Folsom | \$49.75 | 131.4% |
| Average Monthly Charge | \$37.87 | |

Source: Financing Application Addendum

The following table displays the Top 10 System Users.

| TOP 10 SYSTEM USERS AS OF SEPTEMBER 23, 2022 | | | | |
|---|--------------------------------------|---------------------|--------------------------|---|
| | User | % System Use | % System Revenues | Customer Class (Residential/ Commercial/ Industrial/Other) |
| 1 | County of Sacramento, North Coll* | 12.01% | 19.17% | Residential |
| 2 | County of Sacramento, South Coll* | 9.62% | 13.77% | Residential |
| 3 | Atlas Disposal Industries, LLC | 14.75% | 13.66% | Commercial |
| 4 | Waste Management, Inc SRTS | 26.54% | 11.67% | Commercial |
| 5 | Waste Management, Inc Sac Valley | 5.15% | 7.41% | Commercial |
| 6 | City of Sacramento, Solid Waste* | 7.18% | 7.26% | Residential |
| 7 | City of Folsom* | 5.42% | 5.32% | Residential |
| 8 | Aces Waste Services, Inc (Transfer) | 5.03% | 4.54% | Commercial |
| 9 | Central Valley Waste Lodi (Transfer) | 1.37% | 1.41% | Commercial |
| 10 | Recycling Industries | 0.94% | 1.34% | Commercial |
| | Total | 88.01% | 85.55% | |

*All the residential client in top 10 is representing many households' residential clients in that location thus it is not a single user by nature.

Source: Financing Application Addendum

NOTE: The County accounts for certain geographical regions on the map of the System's service area as collective or group. Items 1, 2, 6 & 7 are all collective groups of individual residential Users. "County of Sacramento North Coll" includes 58,625 Users in the Northern Region of the County's service area, "County of Sacramento South Coll" includes 99,811 Users in the Southern Region of the County's service area, "City of Sacramento Solid Waste" includes 124,000 Users and the City of Folsom includes 27,700 Users. There is no single ratepayer that generates 15% or greater of the System's annual revenues.

Instead of using the County's solid waste residential service, the City of Sacramento and the City of Folsom, as the incorporated cities in the County, provide their own residential solid waste service to the city's residents, and then dump the waste to NARS or Kiefer landfill. As mentioned above, the County is only directly serving residential clients in the unincorporated area of the County. Per the County, the City of Sacramento and the City of Folsom are categorized as residential clients because by nature the service from the two cities is very similar to the residential service the County provides to the unincorporated area residents.

The County complies with IBank's underwriting criteria requirements that revenues derived from the top ten ratepayers not exceed 50% of total revenues, and that no single ratepayer generates 15% or greater of the System's annual revenues.

CREDIT ANALYSIS

| | |
|--|---|
| Source of Revenue to Repay Proposed ISRF Program Financing: | Solid Waste Enterprise Fund |
| Outstanding Enterprise Fund Bond and Lease Obligations: | See the Enterprise Fund Obligations section of this report. |
| Type of Audited Financial Documents Reviewed: | <input checked="" type="checkbox"/> Annual Comprehensive Financial Reports (ACFR) <input type="checkbox"/> Basic Financial Statements (F/S) <input type="checkbox"/> Other: _____ |
| Fiscal Year Ends: | June 30 |
| Audit Fiscal Years Reviewed: | 2017-2021 |
| The auditor's reports for all years indicate that the financial statements present fairly, in all material respects, the financial position of the City, and that the results of its operations and the cash flows are in conformity with generally accepted accounting principles. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No. [If no, explain] |
| Revenue Projection(s) Reviewed: | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No. [If no, explain] |
| Revenue Projection Year(s) Reviewed: | 2022-2026 |

Moody's Credit Rating

On October 08, 2020, Moody's Investors Service assigned an A2 rating to Sacramento County, CA's 2020 Refunding Certificates of Participation. Moody's also maintained an A1 rating on the County's outstanding issuer rating, A2 rating on \$143.8 million in outstanding COPs and A3 rating on the County's outstanding pension obligation bonds (POBs) affecting \$760.5 million. The outlook on all ratings was stable.

FINANCIAL HIGHLIGHTS AND COMMENTS

Rate Study and Rate Increase discussion

The County hired HF&H Consultants, LLC to conduct solid waste rate study in Feb 2020. The completed rate study report consists of Phase I, which included proposed tipping fees for NARS and Kiefer Landfills, and Phase II, which covered the proposed monthly rates for residential customers. The conclusion from the rate study report is that solid waste servicing fee increases are necessary for several reasons:

- The cost of collection of refuse, recyclables and organic materials have increased. The County's residential collections rates have therefore not generated revenues sufficient to cover the costs and the County has utilized Fund Balances.
- The County needs additional capital investment and funding to comply with SB1383.

The County adopted the tipping fee increase effective November 1, 2020, based on the County board's approval. The County also adopted residential rates increase (+ \$5 per month) in March 2021 and Jan 2022 separately. The adopted residential rate schedule was provided. On January 25, 2022, the County board approved the staff's recommendation of a four-year solid waste residential utility fee (rate) increase

schedule. The approved residential rate schedule was provided by the County. All rate increases have strictly adhered to Prop 218 noticing, voting procedures and public hearings.

Ratio Analysis

Please see Exhibit 6 for the ratio analysis table.

The Fund has a healthy ratio profile and shows strong liquidity (despite the decrease in cash reserves as explained in the analysis below), and low leverage ratio.

The Fund's Net Position remains strong at over \$149M at FYE 2021, and over \$166M per unaudited FY 22 financial statements.

Statement of Net Position / Balance Sheet

Please see Exhibit 1 for the Statement of Net Position for FY 2017 to FY 2021.

Cash balance as a percentage of Operating Revenues ranged between 44% to 106% in the years reviewed. As of FY 2021 the County had \$43M in cash reserves, however this is a gradual decrease from \$76.1M in FY17. The decrease is due to the following:

- Rising Fund expenditures (details described in the Statement of Revenues section below) related to waste processing costs. This resulted in utilizing the Fund's cash reserves in FY 2020 and FY 2021 to cover these increasing costs.
- In FY 2021, Cash and Investments decreased year-over-year by 28.8% from \$60.4M to \$42.9M. The County expended cash on capital projects in FY 2021, with \$16.4M spent on the module 4 liner at Kiefer Landfill.

The Current Ratio (current assets divided by current liabilities) reflects the Fund's strong liquidity, remaining at 6.3 times or better in all years reviewed. The drop in the ratio is tied to cash reserves dropping to cover the net loss as discussed in the Statement of Revenues analysis below. The ratio improved to 8.02x in FY 2021.

The Leverage Ratio (total liabilities divided by net assets) remains strong and consistent in all years reviewed, remaining below 1.0x throughout the period. In FY 2021 Total Liabilities increased \$7.4M from the prior year, to \$90.2M, mainly caused by \$9.9 M increase in net pension liability. The Fund currently only has \$6.25M in outstanding debt and as a percentage of Total Revenue is 6.6%.

Total Assets over the five-year period are very stable, averaging about \$238M. The pandemic appears to have had no major impact on the Fund's asset base. Assets include equipment in recycling plant, haulers, collection trucks, sweepers, etc.

The Unrestricted net position in FY 2017 – FY 2019 averaged \$28.3M, with a high of \$30.4M in FY19. However, Unrestricted net position recorded as \$3.2M in FY 2020 and -\$14M in FY 2021 respectively, mainly due to:

- increased spending on capital assets of nearly \$20M. The Fund completed projects that were not completed in the prior year. These included other projects for the NARS improvement not related to the transfer building, and \$10M in new collection truck purchases.
- continuing rising costs related to processing recyclables and organics
- increase in maintenance costs charged by fleet services

The shortfall of \$14M in FY 2021 was covered by the Fund's cash reserves. Per the County, at the end of FY 2022 the Fund had Cash and Investments of nearly \$59M.

Accounts Receivable

The table below displays the Accounts Receivable as of July 31, 2022. There is no account overdue by more than 120 days. Delinquent accounts are addressed beginning with the 60-day milestone.

Unresolved accounts are forwarded to the Department of Revenue Recovery for collection. The combined total of over 60-day and over 90-day is \$1.37M, which is only 1.15% of the estimated actual total revenue of FY 22 (\$118.48M)

| COUNTY OF SACRAMENTO SPOLID WASTE FUND ACCOUNTS RECEIVABLE AGING AS OF JULY 31,2022 | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | Current | Over 30 | Over 60 | Over 90 | Total |
| | 2,128,692.47 | 1,635,900.86 | 200,494.53 | 1,171,435.26 | 5,136,523.12 |
| Percent | 41.44% | 31.85% | 3.90% | 22.81% | 100.00% |

Source: Financing Application Addendum

Enterprise Fund Obligations

The Fund currently only has one equipment lease, for \$6.25M, as existing debt. (This obligation was incurred in August of 2021, during FY 2022, and thus does not appear in the balance sheet exhibit.) According to the revenue projection provided by the Fund, in addition to the proposed \$35M IBank loan, the Fund is planning to add short-term equipment financing of \$5.2M in FY 2023, and an additional short-term equipment financing of \$9.6M in FY 2024. The purpose of the two short-term financings is to purchase new vehicles so that they can increase the organic waste collections frequency from biweekly to weekly.

Statement of Revenues, Expenditures and Changes in Fund Balances

The Operating Margin over the 5 years reviewed ranges between -11.82% to 11.97%. FY 2020 and FY 2021 recorded operating loss mainly due to large increases in operation expenses, especially the Services and Supplies line item, which reflects increased cost for handling green waste and recyclables, continued increase in hauling out of leachate (liquid resulting from decomposition and processing), and increased maintenance costs.

The Fund demonstrates a steady growth in both revenues and operating expenses in the five years reviewed. In FY 2020 and FY 2021, The Fund’s Total Operating Revenue increased by 3.2% and 17.4%, respectively, due to higher tonnage received and significant rate increases at both active disposal sites in November of 2020. NARS per ton rate went from \$48 to \$77.55; Kiefer Land Fill from \$30 to \$52.85.

However, the Fund recorded operating loss \$9.9M in FY 2020 because of the significant increase in the Total Operating Expenses without a corresponding increase in service rates, which were not increased until November 2020 (FY 2021). In FY 2020, the Fund’s Total Operating Expenses increased by 19.5% which consists of \$5.5M increase related to single-stream recycling and green waste processing expense, a \$2.1M increase in heavy equipment maintenance cost, which is a service provided by the Fleet Service, and a \$600K increase in engineering services related to the cost of hauling out of leachate.

NOTE: Single-stream recycling is a system which all recycling (newspaper, cardboard, plastic, aluminum, junk mail, etc.) is collected in a single bin or cart for recycling and sent a single stream to the material recovery facility. Previous systems employed the use of separate bins used by the households to separate the recycling for collection (thus becoming what is referred to source-separated recycling.) The County implemented the single stream recycling process in April 1998.

After raising residential rates and tipping fees, the operating loss in FY 2021 is decreased to \$1.9M, indicating that the Fund’s finances were being brought back into balanced. Based on unaudited financial statements of FY 2022, the Fund’s operating surplus for FY 2022 is over \$20M, indicating the Fund’s successful re-emergence from the deficit, thanks largely to the rate increases discussed above.

The increasing operating costs are directly related to:

1. Prior to 2013 the County’s single stream recycling was processed under a fixed price structure. This recycling stream did provide a revenue stream to help offset the cost of processing until the early 2010’s when China initiated their “National Sword” program, a policy initiative launched in 2017 by the Government of China to monitor and more stringently review recyclable waste imports. China refused to accept recycling material due to the high contamination in the stream. This severely challenged recycling processors and made the processing of single stream recycling expensive and for a time unavailable. The County found the recycling activity change dramatically from a net revenue to a net expense.

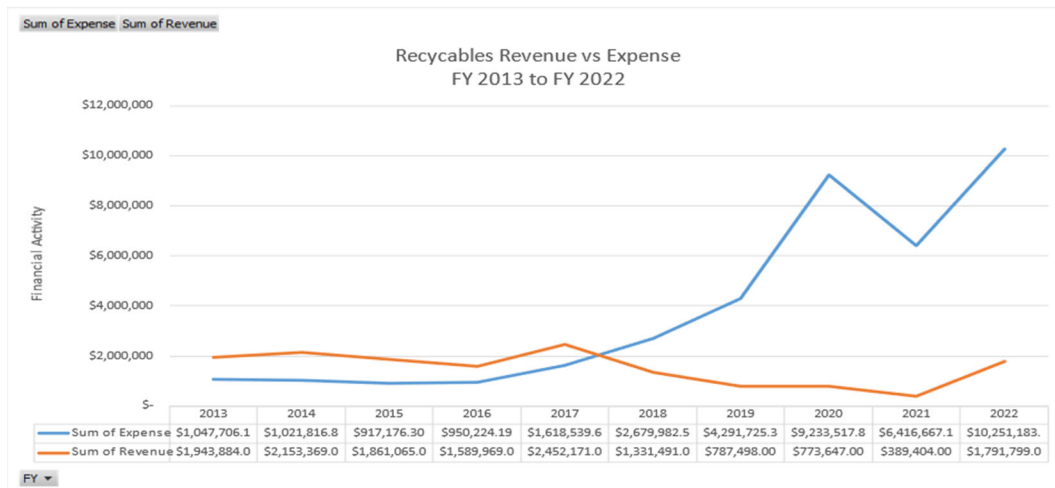
The County has since been paying local companies for some of the recycling due to the increased cost of processing recyclable materials. The below table displays the revenue and cost associated with recyclable materials from FY 13 To FY 22.

Commodities, which recycling is made of, is inherently volatile and dependent on indices. Recycling is here to stay, especially in the State of California. Recycling is also dependent on relationships: between markets and between collectors and processors (especially with China). The recycling market has started to improve especially with the markets seeking relationships outside of China. The metals market has improved to the point where the County is beginning to see this processing activity change to the net revenue transaction.

According to the County, the recyclable revenue is mostly coming from selling metal to the market after 2017. The price of metal is the major driver for the revenue (see below price table).

| METAL PRICE INDICATION | | | | |
|--------------------------|--------|----------------|--------------|----------------|
| | Jan-20 | Jan-21 | Jan-22 | Sep-22 |
| Index price per ton | \$30 | \$165 | \$175 | \$115 |
| Change Percentage | | 450.00% | 6.06% | -34.29% |

Source: Email information from the County



The \$10 million swing in expenses of the previous years (see graph above) has created the new benchmark which the department’s planners do not foresee increasing, and should decrease as markets become used to the new paradigm. The department’s budget continues to be cautious, conservative, and reflective of the County’s mandate to be proper financial stewards of the County’s resources (creating 20-year recycling contracts to assist with “smoothing” any future

shocks to the system as example).

2. In compliance with SB1383, from July of 2022, residential food waste is to be thrown in organic carts and collected every week. This resulted in increasing capital investment (i.e., preparation to construct this commercial transfer building and purchase of additional trucks) and operating labor costs for additional drivers. Additional costs for these will be incurred in future years as well and have been included in the projections by the County. However, as noted, the County believes its rate increase will be sufficient to cover this over time.

The impact of the pandemic on the Fund's revenue is significant. Other than the shutdown of facilities in FY 2020 due to COVID outbreak, the Fleet's charges increased, and vendor contract fees increased. Through the pandemic the revenues continued to increase, with significant growth in FY 2021 of 12%. County officials confirmed that they are also experiencing tonnage increases because people are producing more waste while staying at home. They have taken on more household cleaning and de-cluttering projects, and more neighborhood clean-ups are scheduled.

Exhibit 7 is the unaudited FY 2022 financial statement provided by the County. The County is confident that despite recent challenges their financial position remains strong and that their performance has recuperated as is reflected in the FY 2022 financial statement. At the end of FY 2022 the Fund had cash and investments of nearly \$59M and Total Revenues of over \$119M (approx. half a million over the projected figures, per the unaudited financial statement for FY 2022). The audited FY 2022 ACFR is not completed and is expected to be completed by end of calendar year 2022.

Cash Flow Analysis

The table below shows the historical Cash Flow Analysis for the Fund's most recent five financial years, including FY 2021.

| SOLID WASTE ENTERPRISE FUND | | | | | |
|---|---------------------|--------------------|--------------------|----------------------|--------------------|
| CASH FLOW | | | | | |
| For Fiscal Year Ending (FYE) June 30 | 2017 | 2018 | 2019 | 2020 | 2021 |
| Operating Profit (Loss) | \$9,105,000 | \$1,753,000 | \$3,077,000 | (\$9,979,000) | (\$1,963,000) |
| Transaction Specific Adjustments | | | | | |
| + Depreciation and Amortization | 7,288,000 | 7,774,000 | 6,588,000 | 8,709,000 | 10,858,000 |
| + Use of Money and Property (Interest only) ⁽²⁾ | 752,389 | 1,273,974 | 2,146,646 | 1,662,359 | 428,577 |
| + Intergovernmental | 361,000 | 318,000 | 322,000 | 438,000 | 524,000 |
| + Other Revenues (Expenses) | (798,000) | (493,000) | (139,000) | (890,000) | 9,000 |
| - Transfer Out | (1,615,000) | (2,997,000) | (2,907,000) | (3,093,000) | (3,120,000) |
| Total of all Adjustments | 5,988,389 | 5,875,974 | 6,010,646 | 6,826,359 | 8,699,577 |
| Cash Available for Debt Service | \$15,093,389 | \$7,628,974 | \$9,087,646 | (\$3,152,641) | \$6,736,577 |
| Debt Service Calculation | | | | | |
| Total Existing MADS Debt Service | 931,362 | 931,362 | 931,362 | 931,362 | 931,362 |
| Proposed iBank MADS ⁽¹⁾ | 2,208,143 | 2,208,143 | 2,208,143 | 2,208,143 | 2,208,143 |
| Total Obligations MADS | \$3,139,505 | \$3,139,505 | \$3,139,505 | \$3,139,505 | \$3,139,505 |
| Debt Service Coverage Ratio | 4.81 | 2.43 | 2.89 | -1.00 | 2.15 |

⁽¹⁾ Calculated as \$35,000,000 at 4.37% for 30 years plus 30 basis point servicing fee

⁽²⁾ Excluded gain on disposal of capital assets. Used interest income only figure provided by the Fund separately

- Depreciation was added back as this is a non-cash expense.
- Use of Money and Property consists of 1) interest income and 2) Gain on disposal of capital assets. While we excluded the gain on disposal of capital assets, only interest income was added back as it represents allocated earnings from funds invested with the County's local investment pool. Interest Income is higher in some years as the County's return on Cash and Investments have been significant, ranging between \$74M to \$87M through from FY 2017 to FY 2019. Cash

and Investments dropped to \$60M in FY 2020 and \$43M in FY 2021, as the funds were used to cover operating losses in FY 2020 and 2021.

The activity from investing causes a wide swing in return rates.

- Intergovernmental revenues were added back as these are recurring earnings from FY 2017 to FY 2021.
- The Fund currently has a \$6.25M equipment lease, which is included here to show a conservative analysis.
- Transfers Out were subtracted because these are ongoing and related to administrative costs. The Fund contributed \$1.3M to the General Fund to address the American River Parkway cleanup efforts from FY 2017 to FY 2021. The Fund also transferred out \$1.6M~\$1.8M from FY 2018 to FY 2021 to the General Fund to cover its pro rata share of pension obligation bond debt service payments.

The Debt Service Coverage Ratio (DSCR) is strong in four of the five years, coming in at 2.15X in the most recent year, with a high of 4.81X in FY 2017. In FY 2020 the DSCR of -1.00X reflects the deficit discussed above. As stated earlier this loss was covered by the Fund's reserves (Cash Reserves and Unrestricted), which stood at over \$60M at the end of FY 2020.

The nearly \$10M Net Operating Loss in FY 2020 was due to shut down of facilities caused by Covid-19 outbreak among staff, expense \$5.5M for the single stream recycling and green waste processing, \$200K one-time expense for a rate study consultant service, increased collection fleet maintenance cost charged by the County's General Service Fund and added contract services related to SB 1383 compliance. The very next year in FY 2021, the Net Operating Loss was tempered by the 12% Revenue growth vs. 4% expense growth, which after adjustments contribute to a DSCR of 2.15X.

According to the FY 22 unaudited financial statements provided by the County, the operating profit of FY 22 is back to \$21M, which reflects that the Fund is re-emerging from the deficit.

CASH FLOW PROJECTIONS

The County provided revenue projections for FY 2022 through FY 2026. As noted, FY 2022 incorporates eleven months of actual performance. FY 2022-2023 is based on the budget. The remaining years are based on revenue and expense assumptions provided by the County. Please see Exhibit 3 in addition to the summary below.

The Fund's revenue projections are based on the following assumptions:

Revenue increase assumptions

- The approved residential annual rate increases (Varies each year, percentage of increase ranges between 4% to 6%)
- Tipping fee revenue annual increases range between 1.5% to 5.6%
- Other revenues increase from 2% to 5.7% annually, which includes sale of recyclables, electricity sales, and contract hauler charges.

Expenses increase assumptions

- Salaries and benefits increase 6% annually
- Equipment maintenance increase 5% annually
- The other costs are assumed to increase 3% annually.
- Debt service related to anticipated short-term financings of \$5.2M (FY 2023) and \$9.6M (FY 2024) are also included, besides the existing equipment lease payment and the proposed IBank loan.
- Allocated costs from the County Executive's Office may fluctuate; a significant increase (+879.7%) is estimated in FY 2023 and will stabilize in this new base value for the remaining years.

According to the Fund, the inflated revenue and expenses item numbers of FY 2023 are driven by the following factors:

- Running counter to the overall revenue increase, Electricity Sales decreased by 18.8% compared to FY 2022 due to market conditions. Preliminary figures show that FY 2022 was a very good year for this line item, with higher energy prices. The Fund made the FY 2023 budgeted number more conservative.
- Contract Hauler Charges increases 20.8% compared to FY 2022 because of the scheduled fee increases in FY 2023. No further fee increases afterwards (beyond standard adjustments).
- Equipment maintenance expenses is expected to increase 23.4% due to efforts to address a delayed maintenance schedule, increased costs, and additional equipment.
- Agency Services consists mostly of the services provided by the County agencies. The County is scheduled to increase the service fee in FY 2023.
- Land maintenance increase 394.9% is driven by projects that were delayed in previous years.

| SOLID WASTE ENTERPRISE FUND PROJECTED CASH FLOW | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| For Fiscal Year Ending (FYE) June 30 | 2022 | 2023 | 2024 | 2025 | 2026 |
| Operating Profit (Loss) | \$11,637,043 | \$6,392,334 | \$10,730,430 | \$13,366,025 | \$12,677,395 |
| Transaction Specific Adjustments | | | | | |
| + Depreciation | \$9,995,259 | \$10,057,729 | \$10,120,590 | \$10,183,844 | \$10,997,493 |
| + Use of Money and Property | \$747,000 | \$217,560 | \$350,000 | \$350,000 | \$350,000 |
| + Intergovernmental | \$447,147 | \$672,120 | \$672,120 | \$672,120 | \$672,120 |
| + Other Revenues (Expenses) | (\$1,025,792) | (\$1,242,751) | (\$1,535,554) | (\$1,138,510) | (\$1,138,510) |
| - Transfer Out | (\$3,120,449) | (\$2,077,294) | (\$2,077,294) | (\$2,077,294) | (\$2,077,294) |
| Total of all Adjustments | \$7,043,165 | \$7,627,364 | \$7,529,862 | \$7,990,160 | \$8,803,809 |
| Cash Available for Debt Service | \$18,680,208 | \$14,019,698 | \$18,260,292 | \$21,356,185 | \$21,481,204 |
| Debt Service Calculation | | | | | |
| Total Existing MADS Debt Service | \$931,362 | \$931,362 | \$931,362 | \$931,362 | \$931,362 |
| Projected MADS ⁽²⁾ | | \$435,000 | \$1,871,000 | \$2,540,000 | \$2,540,000 |
| Proposed iBank MADS ⁽¹⁾ | \$2,208,143 | \$2,208,143 | \$2,208,143 | \$2,208,143 | \$2,208,143 |
| Total Obligations MADS | \$3,139,505 | \$3,574,505 | \$5,010,505 | \$5,679,505 | \$5,679,505 |
| Debt Service Coverage Ratio | 5.95 | 3.92 | 3.64 | 3.76 | 3.78 |

(1) Calculated as \$35,000,000 at 4.37% for 30 years plus 30 basis point annual servicing fee

(2) Short term financing \$ 5.2M (FY 2023) and \$ 9.6M (FY 2024) related debt service payments are included.

The cash flow projection above reflects similar adjustments made in the historical debt service analysis. The addback for the Use of Money and Property was forecast conservatively by the County.

Overall, Staff feels the projection is based on reasonable assumptions and shows the Fund has the capacity to cover the proposed debt service.

Strengths

- The Project is to comply with SB1383, which is a critical step to protect Californians, the environment, and the economy from the impact of climate change. Organic waste in landfills accounts for 20% of the methane generated in California and has a long impact on the climate.
- The County has A1 issuer/A2 COP ratings from Moody's, with a stable outlook.
- The average useful life of the Project is 44.9 years, which exceeds the 30-year term of the Financing
- Historical and Projected cash flow is generally good, with the Fund having adequate cash reserves of over \$49M as of FY 2021 with total Net Position of \$149M. Per the County, the Fund had cash reserves of nearly \$59M, total Net Position of over \$166M, and operating surplus of over \$20M as of FY 2022. It evidenced that the fund has returned to positive operating performance. This trend is expected to continue over the medium term due to approved rate increases.

Weaknesses (Risks)

- The County is not prohibited from incurring additional obligations payable from the Fund. However, as a condition to the ISRF financing the County will be prohibited from issuing future debt senior

to the IBank financing, and new parity debt would only be permitted if Net Operating Income after all debt service is positive.

Compliance with IBank Criteria, Priorities, and Guidelines

The application and the proposed financing are in accordance with IBank Criteria, Priorities and Guidelines (ISRF Criteria).

The exception detailed in the executive summary is that the requested ISRF loan amount is over the maximum loan of \$25M. However, the Board may approve financings over \$25 Million. IBank Staff requests a waiver for this item based on the Fund's good performance track record, healthy FY 2021 cash reserves of over \$42M, and Net Position of \$149M. At FYE 2022 the cash reserves are close to \$59M and the Fund's Net Position is over \$166M (Per unaudited financial statements – See exhibit 7). Furthermore, IBank has sufficient lending capacity to finance the Project and other loans in the pipeline.

The financing will be secured by a lien on Net Revenues of the Fund as parity debt.

The Fund adequately covers existing expenditures, financing obligations, and the proposed IBank ISRF loan payments.

The useful life of the Project is over 30 years and exceeds the term of this Financing

STAFF RECOMMENDATION

Staff recommends approval of Resolution No.22-13 authorizing ISRF Program financing to the County of Sacramento for the NARS Commercial Waste Transfer Building Project as follows:

1. **Applicant/Borrower:** County of Sacramento
2. **Project:** NARS Commercial Waste Transfer Building Project
3. **Amount of Financing:** \$35,000,000
4. **Maturity:** Thirty (30) years
5. **Repayment/Security:** The ISRF Program financing would be secured by a lien on Net Revenues and all legally available amounts in the Solid Waste Enterprise Fund.
6. **Interest Rate:** 4.37%
7. **Fees:** The County to pay an origination fee of 1.00%, (\$350,000), included in the Financing amount, and an annual servicing fee of 0.30% of the outstanding principal balance.
8. **Not an Unconditional Commitment:** IBank's resolution shall not be construed as an unconditional commitment to finance the Project, but rather IBank's approval pursuant to the Resolution is conditioned upon entry by IBank and the County into a Financing Agreement, in form and substance satisfactory to IBank.
9. **Limited Time:** If approved by the Board, the Board's approval expires 90 days from the date of its adoption. Thus, the Borrower and IBank must execute a financing agreement no later than 90 days from such date. Once the approval has expired, there can be no assurances that IBank will be able to grant the loan to the Borrower or consider extending the approval period.
10. **ISRF Program Financing Agreement Covenants and Conditions:** The Financing Agreement shall include, among other things, the following covenants:
 - a. The County will be required to maintain rates and charges in an amount sufficient to ensure that Net Revenues produce a minimum 1.20 times aggregate maximum annual debt service ratio for obligations on parity with the Financing.
 - b. The Fund has no senior liens and the County will be prohibited from issuing future debt senior to the Financing.
 - c. Parity debt will be allowed if Net Revenues amount to at least 1.20 times the Maximum Annual Debt Service (MADS) taking into consideration the MADS payable in any Fiscal Year on all existing debt and the proposed parity debt.
 - d. Subordinate debt will be allowed if Net Revenues are at least 1.00 times the sum of the MADS on all outstanding debt, payable from the Fund, including the proposed Subordinate Debt.
 - e. The County will covenant against reducing rates below levels used for all debt service payable from the Fund, and to take actions to increase rates or fund a rate stabilization fund if the debt service coverage ratios fall below required levels.
 - f. Upon implementing rates and charges, the County to covenant to ensure that its rate structure conforms to the requirements of Proposition 218 and those of the statutes implementing it and the cases interpreting it. Further, the County to covenant to notify IBank immediately upon the filing of any legal challenge to its rates or charges.
 - g. The County to comply with the requirements of the Criteria and all applicable laws, regulations, and permitting requirements associated with public works projects.
 - h. The County to provide to IBank annually within 180 days of the end of each of the County's fiscal year a copy of its audited financial statements together with an annual certificate demonstrating compliance with the foregoing covenants, as well as any other information as IBank may request from time to time.

EXHIBITS

EXHIBIT 1

Summary of the Fund's Comparative Balance Sheet for the last five fiscal years:

| COUNTY OF SACRAMENTO | | | | | | | | | | |
|---|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|
| SOLID WASTE ENTERPRISE FUND | | | | | | | | | | |
| PROPRIETARY FUND - STATEMENT OF NET POSITION | | | | | | | | | | |
| For Fiscal Year Ending (FYE) June 30 | 2017 | | 2018 | | 2019 | | 2020 | | 2021 | |
| Source: | ACFR | % | ACFR | % | ACFR | % | ACFR | % | ACFR | % |
| ASSETS AND DEFERRED OUT FLOW OF RESOURCES | | | | | | | | | | |
| Current Assets | | | | | | | | | | |
| Cash and Investments | \$74,462,000 | 33.5% | \$79,715,000 | 35.2% | \$87,182,000 | 37.4% | \$80,420,000 | 28.1% | \$42,979,000 | 18.8% |
| Receivables, net of allowance for uncollectibles: | | | | | | | | | | |
| Billed | \$11,467,000 | 5.2% | \$10,929,000 | 4.8% | \$11,099,000 | 4.8% | \$11,285,000 | 4.9% | \$12,389,000 | 5.4% |
| Interest | | | \$888,000 | 0.3% | \$1,208,000 | 0.5% | \$744,000 | 0.3% | \$170,000 | 0.1% |
| Intergovernmental | \$429,000 | 0.2% | \$547,000 | 0.2% | \$398,000 | 0.2% | \$519,000 | 0.2% | \$530,000 | 0.2% |
| Inventories | | | | | \$214,000 | | \$388,000 | 0.2% | \$32,000 | |
| Total Current Assets | \$86,358,000 | 38.9% | \$91,857,000 | 40.8% | \$100,101,000 | 42.9% | \$73,356,000 | 31.6% | \$56,110,000 | 24.6% |
| Noncurrent Assets | | | | | | | | | | |
| Restricted Assets | \$10,282,000 | 4.6% | \$10,367,000 | 4.6% | \$10,610,000 | 4.5% | \$20,421,000 | 8.8% | \$20,879,000 | 9.1% |
| Capital Assets | | | | | | | | | | |
| Land and Other Nondepreciable Assets | \$35,025,000 | 15.8% | \$35,175,000 | 15.5% | \$38,161,000 | 16.4% | \$47,408,000 | 20.4% | \$40,219,000 | 17.6% |
| Equipment and Intangibles, Net | \$90,490,000 | 40.7% | \$89,063,000 | 39.3% | \$84,506,000 | 38.2% | \$90,711,000 | 39.1% | \$111,341,000 | 48.7% |
| Total Other Non Current Assets | 135,777,000 | 61.1% | 134,605,000 | 59.4% | 133,277,000 | 57.1% | 158,540,000 | 68.4% | 172,433,000 | 75.4% |
| Subtotal Assets | 222,135,000 | 95.7% | 226,462,000 | 95.3% | 233,378,000 | 96.5% | 231,896,000 | 96.4% | 228,549,000 | 95.1% |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | | | | |
| Deferred Outflows Related to Pensions | \$9,933,000 | 4.5% | \$10,935,000 | 4.8% | \$8,432,000 | 3.6% | \$8,588,000 | 3.7% | \$11,420,000 | 4.8% |
| Deferred Outflows Related to OPEB | | | \$120,000 | 0.1% | \$148,000 | 0.1% | \$152,000 | 0.1% | \$428,000 | 0.2% |
| Deferred Amounts on Refunding | | | | | | | | | | |
| Total Deferred Outflow of Resources | \$9,933,000 | 4.5% | \$11,055,000 | 4.9% | \$8,580,000 | 3.7% | \$8,738,000 | 3.8% | \$11,848,000 | 4.9% |
| Total of All Assets | \$232,068,000 | 100.0% | \$237,517,000 | 100.0% | \$241,958,000 | 100.0% | \$240,634,000 | 100.0% | \$240,397,000 | 100.0% |
| Liabilities | | | | | | | | | | |
| Current Liabilities: | | | | | | | | | | |
| Warrants Payable | \$701,000 | 0.3% | \$873,000 | 0.3% | \$1,752,000 | 0.8% | \$888,000 | 0.4% | \$844,000 | 0.3% |
| Accrued Liabilities | \$3,707,000 | 1.7% | \$4,308,000 | 1.9% | \$4,708,000 | 2.0% | \$10,577,000 | 4.6% | \$8,177,000 | 2.6% |
| Current Portion of Long-term Debt Obligations | \$183,000 | 0.1% | \$95,000 | 0.0% | \$72,000 | 0.0% | \$132,000 | 0.1% | \$175,000 | 0.1% |
| Total Current Liabilities | \$4,571,000 | 2.1% | \$5,076,000 | 2.2% | \$6,530,000 | 2.8% | \$11,602,000 | 5.0% | \$6,996,000 | 2.9% |
| Noncurrent Liabilities | | | | | | | | | | |
| Long-term Debt Obligations | \$3,285,000 | 1.5% | \$2,133,000 | 0.9% | \$2,288,000 | 1.0% | \$2,388,000 | 1.0% | \$2,805,000 | 1.1% |
| Long-term Advances from Other Funds | \$470,000 | 0.2% | \$470,000 | 0.2% | \$240,000 | 0.1% | | | | |
| Landfill Closure and Postclosure Care | \$38,612,000 | 17.4% | \$40,722,000 | 18.0% | \$41,612,000 | 17.8% | \$43,145,000 | 18.6% | \$44,538,000 | 18.5% |
| Net Pension Liability | \$20,402,000 | 9.2% | 23,860,000 | 10.3% | \$21,787,000 | 9.3% | \$23,177,000 | 10.0% | \$33,071,000 | 13.8% |
| Total OPEB Liabilities | | | 3,195,000 | 1.4% | 3,388,000 | 1.5% | 2,484,000 | 1.1% | 2,997,000 | 1.2% |
| Total Long Term Liabilities | 62,769,000 | 28.3% | 70,180,000 | 31.0% | 69,295,000 | 29.7% | 71,192,000 | 30.7% | 83,209,000 | 34.6% |
| Total Liabilities | 67,340,000 | 30.3% | 75,256,000 | 33.2% | 75,825,000 | 32.5% | 82,794,000 | 35.7% | 90,205,000 | 37.5% |
| Deferred Inflows of Resources | | | | | | | | | | |
| Deferred Inflows Related to Pensions | \$1,912,000 | 0.9% | \$1,452,000 | 0.6% | \$2,231,000 | 1.0% | \$3,790,000 | 1.6% | \$114,000 | 0.0% |
| Deferred Inflows Related to OPEB | | | \$187,000 | 0.1% | \$225,000 | 0.1% | \$1,240,000 | 0.5% | \$1,071,000 | 0.4% |
| Total Deferred Inflows of Resources | \$1,912,000 | 0.9% | \$1,639,000 | 0.7% | \$2,456,000 | 1.1% | \$5,030,000 | 2.2% | \$1,185,000 | 0.5% |
| Net Position: | | | | | | | | | | |
| Net Investment in Capital Assets | \$124,823,000 | 56.2% | \$123,788,000 | 54.7% | \$122,427,000 | 52.5% | \$138,119,000 | 59.6% | \$151,560,000 | 63.0% |
| Restricted | | | | | | | \$11,445,000 | 4.9% | | |
| Landfill Closure | 9,304,000 | 4.2% | 9,382,000 | 4.1% | 9,579,000 | 4.1% | | | 10,420,000 | 4.3% |
| Kiefer Wetlands Preserve | 957,000 | 0.4% | 985,000 | 0.4% | 1,031,000 | 0.4% | | | 1,077,000 | 0.4% |
| Unrestricted | \$27,732,000 | 12.5% | \$26,487,000 | 11.7% | \$30,640,000 | 13.1% | \$3,248,000 | 1.4% | (\$14,060,000) | -8.1% |
| Net Position | \$162,816,000 | 73.3% | \$160,622,000 | 70.9% | \$163,677,000 | 70.1% | \$152,810,000 | 65.9% | \$149,007,000 | 62.0% |
| Total Liabilities and Fund Balance | \$232,068,000 | 100.0% | \$237,517,000 | 100.0% | \$241,958,000 | 100.0% | \$240,634,000 | 100.0% | \$240,397,000 | 100.0% |

EXHIBIT 2

The Fund's Comparative Statement of Revenues, Expenses, and Changes in Fund Balance for the last five years:

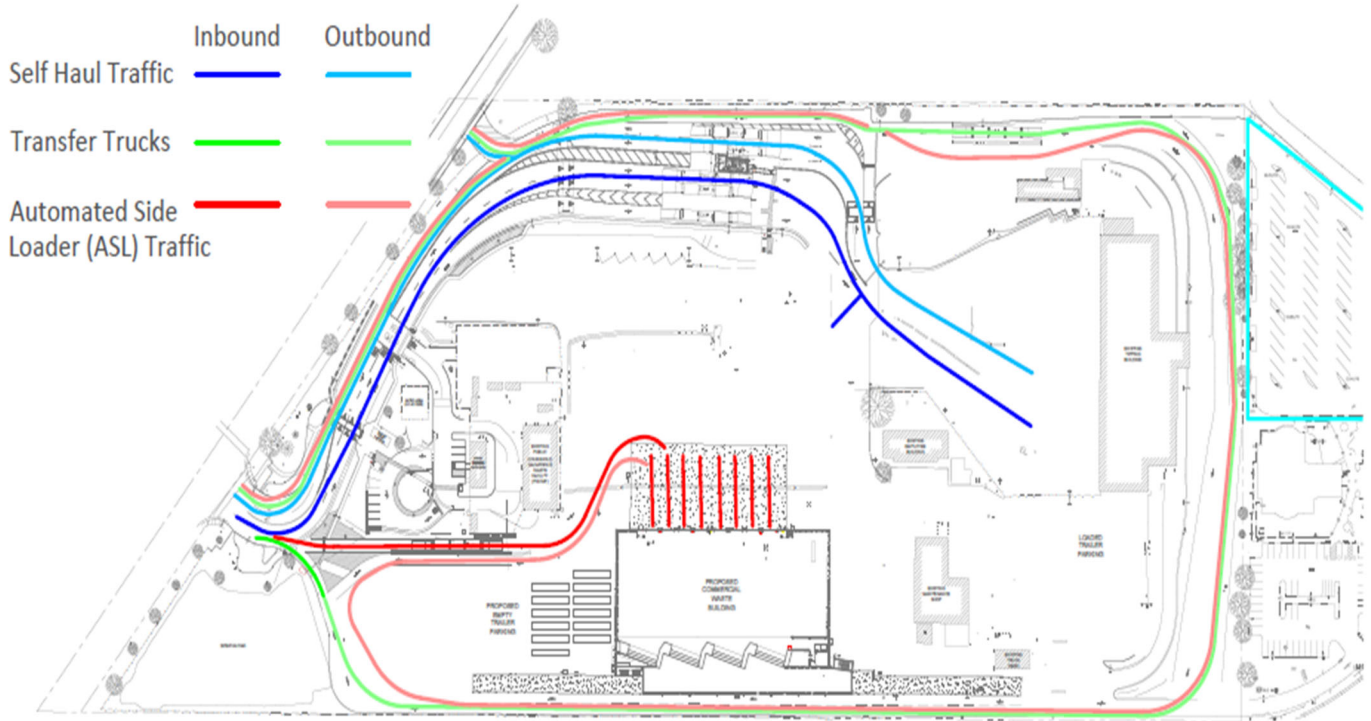
| COUNTY OF SACRAMENTO SOLID WASTE ENTERPRISE FUND PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | | | | | | | | | | |
|---|----------------------|---------------|----------------------|---------------|----------------------|---------------|-----------------------|---------------|----------------------|---------------|
| For Fiscal Year Ending (FYE) June 30 | 2017 | | 2018 | | 2019 | | 2020 | | 2021 | |
| Source: | ACFR | % | ACFR | % | ACFR | % | ACFR | % | ACFR | % |
| % Change | | N/A | | 2% | | 5% | | 3% | | 12% |
| Operation Revenue | | | | | | | | | | |
| Charges for Sales and Services | \$74,909,000 | 98.4% | \$76,655,000 | 98.3% | \$80,530,000 | 98.1% | \$83,089,000 | 98.4% | \$94,662,000 | 98.4% |
| Other | \$1,184,000 | 1.6% | \$1,288,000 | 1.7% | \$1,574,000 | 1.9% | \$1,342,000 | 1.6% | \$1,540,000 | 1.6% |
| Total Operating Revenues | \$76,093,000 | 100.0% | \$77,943,000 | 100.0% | \$82,104,000 | 100.0% | \$84,431,000 | 100.0% | \$96,202,000 | 100.0% |
| Operating Expenses | | | | | | | | | | |
| Salaries and Benefits | \$26,684,000 | 35.1% | \$29,251,000 | 37.5% | \$30,928,000 | 37.7% | \$34,300,000 | 40.6% | \$37,189,000 | 38.7% |
| Services and Supplies | \$31,670,000 | 41.6% | \$36,591,000 | 46.9% | \$40,338,000 | 49.1% | \$49,588,000 | 58.7% | \$48,321,000 | 50.2% |
| Landfill Closure Costs | \$1,346,000 | 1.8% | \$2,574,000 | 3.3% | \$1,173,000 | 1.4% | \$1,813,000 | 2.1% | \$1,797,000 | 1.9% |
| Depreciation and Amortization | 7,288,000 | 9.6% | 7,774,000 | 10.0% | 6,588,000 | 8.0% | 8,709,000 | 10.3% | 10,858,000 | 11.3% |
| Total Operating Expenses | \$66,988,000 | 88.0% | \$76,190,000 | 97.8% | \$79,027,000 | 96.3% | \$94,410,000 | 111.8% | \$98,165,000 | 102.0% |
| Operating Profit (Loss) | \$9,105,000 | 12.0% | \$1,753,000 | 2.2% | \$3,077,000 | 3.7% | (\$9,979,000) | -11.8% | (\$1,963,000) | -2.0% |
| Nonoperating Revenues (Expenses) | | | | | | | | | | |
| Use of Money and Property | \$746,000 | 1.0% | \$1,014,000 | 1.3% | \$2,712,000 | 3.3% | \$2,657,000 | 3.1% | \$747,000 | 0.8% |
| Intergovernmental | \$361,000 | 0.5% | \$318,000 | 0.4% | \$322,000 | 0.4% | \$438,000 | 0.5% | \$524,000 | 0.5% |
| Interest Expense | (\$30,000) | 0.0% | (\$20,000) | 0.0% | (\$10,000) | 0.0% | | | | |
| Other Revenues (Expenses) | (\$798,000) | -1.0% | (\$493,000) | -0.6% | (\$139,000) | -0.2% | (\$890,000) | -1.1% | \$9,000 | 0.0% |
| Total Non-operating Revenues (Expenses) | \$279,000 | 0.4% | \$819,000 | 1.1% | \$2,885,000 | 3.5% | \$2,205,000 | 2.6% | \$1,280,000 | 1.3% |
| Income (Loss) Before Transfers and Capital Contributions | \$9,384,000 | 12.3% | \$2,572,000 | 3.3% | \$5,962,000 | 7.3% | (\$7,774,000) | -9.2% | (\$683,000) | -0.7% |
| Capital Contributions and Transfers | | | | | | | | | | |
| Transfer Out | (\$1,615,000) | | (\$2,997,000) | | (\$2,907,000) | | (\$3,093,000) | | (\$3,120,000) | |
| Total Capital Contributions | (\$1,615,000) | | (\$2,997,000) | | (\$2,907,000) | | (\$3,093,000) | | (\$3,120,000) | |
| Change in Net Position | \$7,769,000 | | (\$425,000) | | \$3,055,000 | | (\$10,867,000) | | (\$3,803,000) | |
| Net Position- July 1 | \$155,047,000 | | \$162,816,000 | | \$160,622,000 | | \$163,677,000 | | \$152,810,000 | |
| Prior Period Adjustments | | | (\$1,769,000) | | | | | | | |
| Net Position - June 30 | \$162,816,000 | | \$160,622,000 | | \$163,677,000 | | \$152,810,000 | | \$149,007,000 | |
| Prepared by: | B. Bian | | B. Bian | | B. Bian | | B. Bian | | B. Bian | |

Exhibit 3
Solid Waste Fund's Revenue Projections through FY26:

| SOLID WASTE ENTERPRISE FUND | | | | | | | | | | | | |
|--|----------------------|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|
| Revenue Projections | | | | | | | | | | | | |
| For Fiscal Year Ending (FYE) June 30 | FY 2021 Actual | FY 2021-22 Actual | FY 2022-23 Projected | FY 2023-24 Projected | FY 2024-25 Projected | FY 2025-26 Projected | | | | | | |
| Source: | % | Estimated Actual | % | Projections | % | Projections | % | Projections | % | Projections | % | |
| % Change | | | 19% | | 9% | | 5% | | 5% | | 4% | |
| Total Revenues | | | | | | | | | | | | |
| Service Charges | \$48,459,990 | 50.4% | \$60,751,766 | 51.3% | \$74,490,626 | 56.9% | \$78,948,112 | 57.0% | \$83,562,921 | 57.2% | \$87,829,012 | 60.1% |
| Tipping Fees | \$40,099,294 | 41.7% | \$47,755,403 | 40.3% | \$46,834,679 | 35.8% | \$49,413,897 | 35.7% | \$52,196,314 | 35.7% | \$52,979,259 | 36.2% |
| Sale of Recyclables | \$389,404 | 0.4% | \$1,096,032 | 0.9% | \$1,118,400 | 0.9% | \$1,174,320 | 0.8% | \$1,197,806 | 0.8% | \$1,221,762 | 0.8% |
| Electricity Sales | \$3,665,152 | 3.8% | \$4,786,683 | 4.0% | \$3,885,061 | 3.0% | \$4,104,970 | 3.0% | \$4,228,119 | 2.9% | \$4,354,962 | 3.0% |
| Contract Hauler Charges | \$2,048,176 | 2.1% | \$2,513,302 | 2.1% | \$3,036,471 | 2.3% | \$3,190,969 | 2.3% | \$3,345,467 | 2.3% | \$3,507,445 | 2.4% |
| Other | \$1,539,497 | 1.6% | \$1,585,681 | 1.3% | \$1,499,640 | 1.1% | \$1,574,622 | 1.1% | \$1,653,353 | 1.1% | \$1,736,021 | 1.2% |
| Total Revenues | \$96,201,513 | 100.0% | \$118,488,867 | 100.0% | \$130,864,877 | 100.0% | \$138,406,890 | 100.0% | \$146,183,980 | 100.0% | \$151,628,461 | 100.0% |
| Expenses | | | | | | | | | | | | |
| Salaries and benefits | \$37,183,842 | 42.6% | \$41,517,732 | 42.9% | \$43,286,400 | 37.8% | \$45,843,027 | 39.0% | \$48,501,919 | 39.6% | \$51,315,027 | 40.1% |
| Equipment maintenance | \$10,916,017 | 12.5% | \$11,128,308 | 11.5% | \$13,736,966 | 12.0% | \$14,423,846 | 12.3% | \$15,145,038 | 12.3% | \$15,902,290 | 12.4% |
| Depreciation | \$10,858,260 | 11.1% | \$9,995,259 | 9.4% | \$10,057,729 | 8.1% | \$10,120,590 | 7.9% | \$10,183,844 | 7.7% | \$10,997,493 | 7.9% |
| Services and supplies | \$18,484,252 | 21.2% | \$22,497,398 | 23.2% | \$26,908,084 | 23.5% | \$27,715,327 | 23.6% | \$28,546,786 | 23.3% | \$29,403,190 | 23.0% |
| Professional services | \$5,660,283 | 6.5% | \$5,689,976 | 5.9% | \$8,718,269 | 7.6% | \$8,979,817 | 7.6% | \$9,249,212 | 7.5% | \$9,526,688 | 7.4% |
| Fuel and lubricants | \$3,037,479 | 3.5% | \$4,153,120 | 4.3% | \$4,248,224 | 3.7% | \$4,375,671 | 3.7% | \$4,506,941 | 3.7% | \$4,642,149 | 3.6% |
| Agency services | \$2,066,725 | 2.4% | \$1,984,000 | 2.0% | \$3,918,555 | 3.4% | \$4,036,112 | 3.4% | \$4,157,195 | 3.4% | \$4,281,911 | 3.3% |
| Landfill partial final cover | \$1,017,340 | 1.2% | \$838,140 | 0.9% | \$784,000 | 0.7% | \$800,000 | 0.7% | \$824,000 | 0.7% | \$848,720 | 0.7% |
| Landfill closure and postclosure care | \$779,451 | 0.9% | \$865,190 | 0.9% | \$767,848 | 0.7% | \$790,883 | 0.7% | \$814,609 | 0.7% | \$839,048 | 0.7% |
| Contract hauler payments | \$1,679,067 | 1.9% | \$2,200,000 | 2.3% | \$2,662,000 | 2.3% | \$2,797,444 | 2.4% | \$2,881,367 | 2.3% | \$2,967,808 | 2.3% |
| Regulatory fees | \$1,791,144 | 2.1% | \$1,802,213 | 1.9% | \$1,944,410 | 1.7% | \$1,954,132 | 1.7% | \$2,012,756 | 1.6% | \$2,073,139 | 1.6% |
| Insurance | \$1,850,082 | 2.1% | \$1,844,499 | 1.9% | \$2,272,617 | 2.0% | \$2,386,248 | 2.0% | \$2,457,835 | 2.0% | \$2,531,571 | 2.0% |
| Allocated costs | \$274,939 | 0.3% | \$69,793 | 0.1% | \$683,741 | 0.6% | \$683,741 | 0.6% | \$683,741 | 0.6% | \$683,741 | 0.5% |
| Utilities | \$1,338,306 | 1.5% | \$1,448,935 | 1.5% | \$1,084,723 | 0.9% | \$1,492,683 | 1.3% | \$1,537,463 | 1.3% | \$1,583,587 | 1.2% |
| Land maintenance | \$1,014,749 | 1.2% | \$602,024 | 0.6% | \$2,979,500 | 2.6% | \$958,666 | 0.8% | \$987,426 | 0.8% | \$1,017,049 | 0.8% |
| Office expense | \$207,591 | 0.2% | \$215,237 | 0.2% | \$419,447 | 0.4% | \$318,274 | 0.3% | \$327,822 | 0.3% | \$337,657 | 0.3% |
| Total Expenses | \$98,159,527 | 100.0% | \$106,851,824 | 100.0% | \$124,472,543 | 100.0% | \$127,676,460 | 100.0% | \$132,817,956 | 100.0% | \$138,951,066 | 100.0% |
| Net Income (Loss) | (\$1,958,014) | -0.7% | \$11,637,043 | 10.3% | \$6,392,334 | 4.4% | \$10,730,430 | 7.4% | \$13,366,025 | 9.1% | \$12,677,395 | 8.3% |
| Nonoperation Revenues (Expenses) | | | | | | | | | | | | |
| 1383 Local Assistance Grant - Cal Recycle | | | \$833,204 | | | | | | | | | |
| Interest revenue | \$747,089 | | \$217,560 | | \$350,000 | | \$350,000 | | \$350,000 | | \$350,000 | |
| Solid Waste Authority franchise fee | \$470,881 | | | | | | \$0 | | | | | |
| Alternative fuel incentive | \$1,137,600 | | \$500,000 | | \$500,000 | | \$500,000 | | \$500,000 | | \$500,000 | |
| Emission credits revenue | \$31,730 | | \$35,000 | | \$0 | | \$40,000 | | \$40,000 | | \$40,000 | |
| Noncapital grants and contributions | \$524,214 | | \$447,147 | | \$672,120 | | \$672,120 | | \$672,120 | | \$672,120 | |
| Gain on disposal of capital assets | \$90,059 | | \$600,000 | | \$50,000 | | \$100,000 | | \$100,000 | | \$100,000 | |
| Street Sweeping | (1,204,652) | | (1,240,792) | | (1,276,751) | | (1,315,054) | | (1,354,506) | | (1,354,506) | |
| Other expenses | (516,444) | | (866,000) | | (866,000) | | (860,500) | | (424,004) | | (424,004) | |
| Net Non-operating Revenues (Expenses) | \$1,280,477 | 1.3% | \$526,119 | 0.4% | (\$570,631) | -0.4% | (\$513,434) | -0.4% | (\$116,390) | -0.1% | (\$116,390) | -0.1% |
| Income (Loss Before Operating Transfers) | (\$677,537) | 10.6% | \$12,163,162 | 18.7% | \$5,821,703 | 12.1% | \$10,216,996 | 14.7% | \$13,249,635 | 16.0% | \$12,561,005 | 15.5% |
| Transfer Out | (3,120,449) | | (3,120,449) | | (2,077,294) | | (2,077,294) | | (2,077,294) | | (2,077,294) | |
| Anticipated cash increase/(decrease) | \$7,060,274 | | \$19,037,972 | | \$13,802,138 | | \$18,260,292 | | \$21,356,185 | | \$21,481,204 | |
| Net position, beginning of year | \$152,810,298 | | \$159,870,572 | | \$169,070,893 | | \$149,501,125 | | \$136,585,546 | | \$141,836,284 | |
| Capital Expenditures | | | (15,625,902) | | (8,064,062) | | (36,260,859) | | (10,741,395) | | (12,129,874) | |
| BoIA Schedule 1 (Proceeds) | | | 6,253,932 | | | | | | | | | |
| BoIA Schedule 1 Debt Service | | | (465,681) | | (931,362) | | (931,362) | | (931,362) | | (931,362) | |
| Sm Equip Schedule 2(Proceed) | | | | | 5,222,754 | | | | | | | |
| Sm Equip Schedule 2 Debt Service | | | | | (435,000) | | (870,000) | | (870,000) | | (870,000) | |
| NARS Facility Debt (Proceeds) | | | | | 32,728,454 | | | | | | | |
| NARS Facility Debt Service | | | | | (1,892,690) | | (1,892,690) | | (1,892,690) | | (1,892,690) | |
| Sm Equip Schedule 3 (Proceeds) | | | | | | | 9,614,040 | | | | | |
| Sm Equip Schedule 3 Debt Service | | | | | | | (835,000) | | (1,670,000) | | (1,670,000) | |
| Net position, end of year | \$159,870,572 | | \$169,070,893 | | \$149,501,125 | | \$136,585,546 | | \$141,836,284 | | \$145,823,562 | |
| Total Operating Expenses/Total Operating Revenues | 102.0% | | 90.2% | | 95.1% | | 92.2% | | 90.9% | | 91.6% | |

Exhibit 4

NARS Traffic Patterns with the proposed new commercial waste transfer building



**North Area Recovery Station
Traffic Patterns
New Commercial Waste
Transfer Building**

Exhibit 5
NARS Commercial Waste Transfer Building Design Views

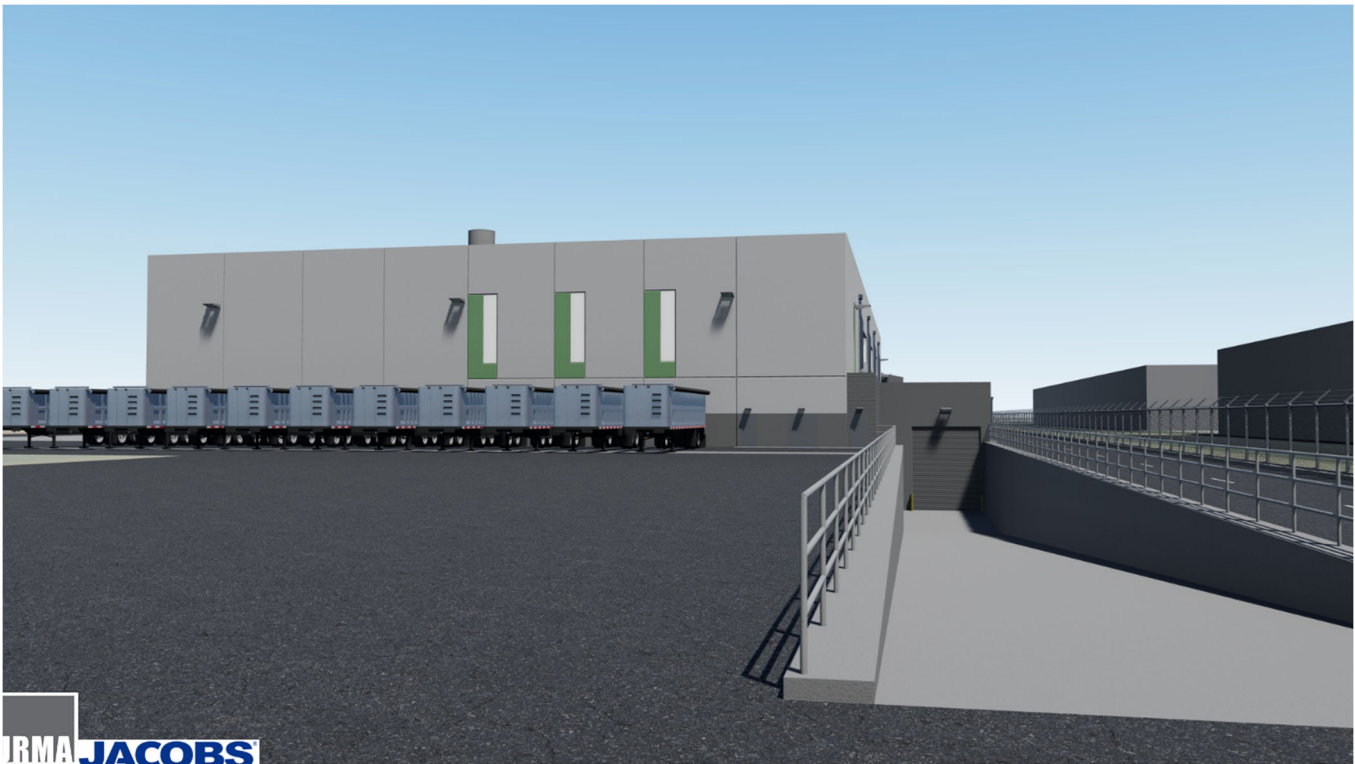
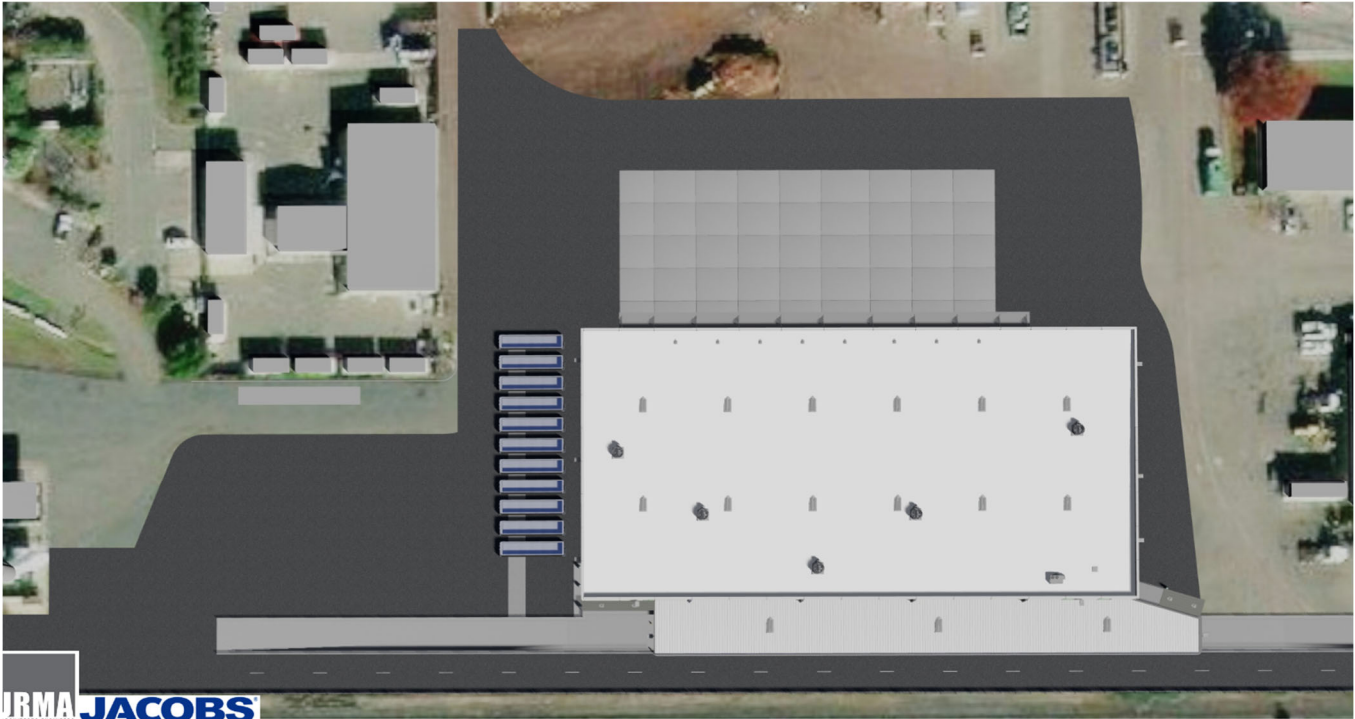




Exhibit 6

Key Indicators for Sacramento County Solid Waste Enterprise Fund

| <i>Sacramento County, Solid Waste Enterprise Fund</i> | | | | | |
|---|------------|------------|------------|------------|------------|
| Key Indicators (\$000) | 2017 | 2018 | 2019 | 2020 | 2021 |
| Economy | | | | | |
| Median Family Income (as % of US Median) | 119% | 122% | 123% | 124% | ND |
| Unemployment rate (%) | 4.7% | 3.9% | 3.8% | 9.5% | 7.0% |
| Full value per capita (\$) | \$ 94,695 | \$ 99,536 | \$ 105,536 | \$ 111,596 | \$ 117,645 |
| Liquidity | | | | | |
| Cash Balances | \$ 74,462 | \$ 79,715 | \$ 87,182 | \$ 60,420 | \$ 42,979 |
| Current Ratio [1] | 18.9 | 18.1 | 15.3 | 6.3 | 8.0 |
| Days Cash on Hand [2] | 406 | 382 | 403 | 234 | 160 |
| Performance | | | | | |
| Operating Revenue | \$ 76,093 | \$ 77,943 | \$ 82,104 | \$ 84,431 | \$ 96,202 |
| Operating Margin [3] | 12.0% | 2.2% | 3.7% | -11.8% | -2.0% |
| Net Position as % of Operating Revenue | 214.0% | 206.1% | 199.4% | 181.0% | 154.9% |
| Leverage and asset quality | | | | | |
| Net Position (fund balances) | \$ 162,816 | \$ 160,622 | \$ 163,677 | \$ 152,810 | \$ 149,007 |
| Leverage Ratio [4] | 0.4 | 0.5 | 0.5 | 0.5 | 0.6 |
| Net fixed assets ÷ annual depreciation (Years) | 17 | 16 | 19 | 16 | 14 |
| [1] Current Assets ÷ Current Liabilities | | | | | |
| [2] (Unrestricted Cash * 365) ÷ Operating Expenses | | | | | |
| [3] Operating Income as % of Operating Revenues | | | | | |
| [4] Total Liabilities ÷ Fund Balances | | | | | |

Exhibit 7

Sacramento County Solid Waste Enterprise Fund's Unaudited FY 22 Financial Statements

**COUNTY OF SACRAMENTO
SOLID WASTE ENTERPRISE FUND**

**STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021**

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and investments | \$ 58,795,480 | \$ 42,983,577 |
| Accounts receivable, net of estimated uncollectibles of \$213,752 in 2022 and \$276,538 in 2021 | 16,465,532 | 12,569,562 |
| Current lease receivable | 138,343 | |
| Due from other funds County of Sacramento | 520,739 | 520,739 |
| Emission credits | 61,562 | 31,730 |
| Due from other governments | - | 9,045 |
| TOTAL CURRENT ASSETS | <u>75,981,656</u> | <u>56,114,653</u> |
| NONCURRENT ASSETS: | | |
| Restricted cash and investments | 21,257,641 | 20,878,838 |
| Capital assets: | | |
| Land | 34,808,507 | 34,808,507 |
| Structures and improvements | 141,552,728 | 139,681,901 |
| Equipment | 65,878,522 | 63,610,852 |
| Construction in progress | 8,953,033 | 5,410,611 |
| Less accumulated depreciation | (97,902,098) | (91,951,600) |
| Total capital assets (net) | <u>153,290,692</u> | <u>151,560,271</u> |
| Right-to-use leased equipment and buildings lease receivable | 11,307,496 | |
| | 2,825,464 | |
| TOTAL NONCURRENT ASSETS | <u>188,681,293</u> | <u>172,439,109</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| Deferred outflow | 10,279,261 | 11,848,515 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>274,942,210</u> | <u>240,402,277</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES: | | |
| Warrants payable | 1,060,351 | 643,891 |
| Accounts payable and accrued expenses | 6,162,033 | 5,774,635 |
| Due to other funds County of Sacramento | - | - |
| Current portion of compensated absences | 170,556 | 175,141 |
| Current portion of equipment financing | 868,623 | |
| Current portion of long-term obligations | - | - |
| Current portion of lease liability | 3,624,642 | |
| Current portion of landfill partial final cover | 6,212,200 | 124,300 |
| Current portion of landfill postclosure care costs | 289,293 | 277,899 |
| TOTAL CURRENT LIABILITIES | <u>18,387,698</u> | <u>6,995,866</u> |
| NONCURRENT LIABILITIES: | | |
| Net pension liability | 1,948,834 | 33,071,029 |
| Long-term compensated absences | 2,679,015 | 2,604,974 |
| Other post employment benefits | 2,643,558 | 2,997,214 |
| Equipment financing | 4,540,309 | |
| Lease liability | 7,778,103 | |
| Landfill partial final cover | 21,165,262 | 26,293,107 |
| Landfill closure and postclosure care costs | 19,274,403 | 18,243,257 |
| TOTAL NONCURRENT LIABILITIES | <u>60,029,484</u> | <u>83,209,581</u> |
| TOTAL LIABILITIES | <u>78,417,182</u> | <u>90,205,447</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Deferred inflow | 29,629,119 | 1,164,518 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>108,046,301</u> | <u>91,389,965</u> |
| NET POSITION | | |
| Net investment in capital assets | 140,103,657 | 151,560,271 |
| Restricted for landfill closure | 10,042,295 | 10,419,781 |
| Restricted for Kiefer Wetlands Preserve | 1,147,791 | 1,077,517 |
| Unrestricted | 15,602,167 | (14,045,256) |
| TOTAL NET POSITION | <u>\$ 166,895,909</u> | <u>\$ 149,012,312</u> |

See accompanying notes to the basic financial statements.

**COUNTY OF SACRAMENTO
SOLID WASTE ENTERPRISE FUND**

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------|-----------------------|
| OPERATING REVENUES: | | |
| Service charges | \$ 60,928,119 | \$ 48,459,990 |
| Tipping fees | 47,887,019 | 40,099,294 |
| Sale of recyclables | 1,791,799 | 389,404 |
| Electricity sales | 4,660,003 | 3,665,152 |
| Contract hauler charges | 2,456,566 | 2,048,176 |
| Other | 1,450,127 | 1,539,497 |
| Total operating revenues | <u>119,173,633</u> | <u>96,201,513</u> |
| OPERATING EXPENSES: | | |
| Salaries and benefits | 29,963,068 | 37,183,842 |
| Equipment maintenance | 12,020,265 | 10,916,017 |
| Depreciation and amortization | 15,349,909 | 10,858,260 |
| Services and supplies | 19,224,461 | 18,484,252 |
| Professional services | 6,313,350 | 5,660,283 |
| Fuel and lubricants | 4,123,185 | 3,037,479 |
| Agency services | 1,786,775 | 2,066,725 |
| Landfill partial final cover | 960,056 | 1,017,340 |
| Landfill closure and postclosure care | 1,331,833 | 779,451 |
| Contract hauler payments | 2,057,512 | 1,679,067 |
| Regulatory fees | 1,711,948 | 1,791,144 |
| Insurance | 1,897,547 | 1,850,082 |
| Allocated costs | 69,793 | 274,939 |
| Utilities | 1,474,628 | 1,338,306 |
| Land maintenance | 487,198 | 1,014,749 |
| Office expense | 290,341 | 207,591 |
| Total operating expenses | <u>99,061,869</u> | <u>98,159,527</u> |
| Operating income | <u>20,111,764</u> | <u>(1,958,014)</u> |
| NONOPERATING REVENUES (EXPENSES): | | |
| Interest revenue | (210,273) | 747,089 |
| Solid Waste Authority franchise fee | | 470,881 |
| Solid Waste Commercial Program | 679,297 | |
| Alternative fuel incentive | 944,485 | 1,137,600 |
| Emission credits revenue | 29,832 | 31,730 |
| Noncapital grants and contributions | 1,073,433 | 524,214 |
| Gain on disposal of capital assets | 496,060 | 90,059 |
| Street Sweeping | (1,243,675) | (1,204,652) |
| Other expenses | (761,877) | (516,444) |
| Interest expense | (34,991) | - |
| Total nonoperating revenues (expenses) | <u>972,291</u> | <u>1,280,477</u> |
| Income before transfers | 21,084,055 | (677,537) |
| TRANSFERS OUT | <u>(3,200,458)</u> | <u>(3,120,449)</u> |
| Total transfers in (out) | <u>(3,200,458)</u> | <u>(3,120,449)</u> |
| Change in net position | <u>17,883,597</u> | <u>(3,797,986)</u> |
| Net position, beginning of year | <u>149,012,312</u> | <u>152,810,298</u> |
| Net position, end of year | <u>\$ 166,895,909</u> | <u>\$ 149,012,312</u> |

See accompanying notes to the basic financial statements.