

**WHITE PAPER ON TASK 3, STEP 1: ANALYSIS OF SELECTED CONCEPTUAL  
FUND DESIGN**

**(8/9/07)**

Step 1 of Task 3 requires ICF to analyze the advantages and disadvantages of different conceptual fund designs. Step 1 provides context and background relating to fund design options, prior to the Step 2 review of actual experiences with relevant funds and the Step 3 working model of a selected fund design. To conduct the Step 1 analysis involves the following:

- describing the most important fund design options and features
- identifying conceptual fund designs that combine different features from the options identified above
- selecting and defining evaluation criteria to use in the analysis
- applying the criteria to the selected conceptual fund designs, and
- presenting the results of the analysis

ICF proposed to define the fund design features and options shown on Exhibit 1 (e.g., define “mandatory participation”), subject to agreement with the CIWMB Contract Managers.

ICF chose these features and options

<b>EXHIBIT 1</b>	
<b>Key Fund Design Features and Options</b>	
<b><u>Feature</u></b>	<b><u>Major Options</u></b>
Covered Costs	- All or Only Defaults - Post30-PCM, CA, or Both
Covered Landfills	- Active, Closed, or Both

**EXHIBIT 1**

**Key Fund Design Features and Options**

<u>Feature</u>	<u>Major Options</u>
	- Private, Public, or Both
Participation	- Mandatory or Voluntary
Revenue Sources	- Tip Fee Surcharges, Cost Recovery, Other Owner/Operator Payments, Fund Earnings, and/or Government Revenues

to represent a minimum set of fund design criteria for the landfills in the study. If we include too many features and options, the number of potential fund designs increases almost geometrically. However, we do not want to omit any features and options critical to the analysis.

In response to Exhibit 1, the CIWMB Contract Managers emphasized that the report be clear concerning the rationales for design options not chosen for discussion. ICF also was directed to address product fees (e.g., advance disposal fees) as a potential funding source.

After describing the most important fund design options, ICF proposed to address specific fund designs, such as those listed in Exhibit 2, which draw from the fund design features and options in Exhibit 1 above. ICF developed the Exhibit 2 fund designs to include a spectrum of variations on the design that is the focus of the Task 3 working model (Model No. 8 in Exhibit 2). The proposed Exhibit 2 fund designs were based on the expected drivers of demand on the fund (e.g., types of costs and landfills to be covered). ICF determined that considering the options for revenue sources affecting the supply of dollars in the funds would result in too many potential variations in fund designs for efficient comprehension and selection.

## EXHIBIT 2

### Initially Proposed Conceptual Fund Designs for Evaluation

Model No.	Covered Costs	Covered Landfills	Mandatory or Voluntary?
1.	All Post30-PCM and All CA	Active and Closed	M
2.	All Post30-PCM and All CA	Only Closed	M
3.	Post-Closure CA costs only	Only Closed	V
4.	All CA costs only	Only Active	V
5.	All CA costs only	Active and Closed	M
6.	All Post30-PCM and Post-Closure CA	Closed	V
7.	Only All Post30-PCM	Active and Closed	V
8.	Only Defaulted Costs of Post30-PCM and CA	Active and Closed	M
9.	Only Defaulted Costs of Post30-PCM and CA	Closed	M
10.	Only Defaulted Costs of Post-Closure CA	Closed	M

In response to Exhibit 2, the CIWMB Contract Managers agreed with having ICF analyze a smaller number of conceptual fund models in order to make the material in the report easier for readers to digest. (Exhibit 2 included 10 conceptual fund models to be consistent with ICF's initial proposal to CIWMB staff.) The CIWMB Contract Managers asked ICF to focus on variations of the selected mandatory fund. In response and after further discussion with the CIWMB Contract Managers, ICF developed Exhibit 3 below, which lists the selected fund design (i.e., Model No. 1 that covers only defaulted PMC, including Post30-PCM, and CA) and variations that focus on alternative fund designs that would cover

### Exhibit 3

#### Conceptual Fund Designs Selected for Evaluation

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<b>Model No.</b>	<b>Covered Costs</b>	<b>Covered Landfills</b>	<b>Public, Private, or Both</b>	<b>Mandatory or Voluntary?</b>
1	Only Defaulted Costs of PCM and CA	Active and Closed	Both Public and Private	M
2	Only Defaulted Costs of PCM	Closed	Both Public and Private	M
3	Only Defaulted Costs of Post30-PCM	Closed	Both Public and Private	M
4	Only Defaulted Costs of CA	Active and Closed	Both Public and Private	M
5	Only Defaulted Costs of Post30-PCM and CA	Active and Closed	Both Public and Private	M
6	Only Defaulted Costs of PCM and CA	Active and Closed	Private Only	M
7	Only Defaulted Costs of PCM and CA	Active and Closed	Public Only	M

PCM only or Post 30-PCM only (Model Nos. 2-3), that would cover only CA (Model No. 4), that would cover Post30-PCM and CA (Model No. 5), and that would cover only privately-owned or publicly-owned LFs (Model Nos. 6-7). All fund designs provide CA and/or PCM coverage to closed landfills whenever closure occurs. All of the fund designs shown in Exhibit 3 are for defaults only and would require mandatory participation.

ICF proposed to evaluate conceptual fund designs listed above based on the criteria shown on Exhibit 4. These criteria include coverage and equity, which will be operationalized to assess the working model that is the focus of Task 3; as applied to the conceptual models

**EXHIBIT 4**  
**Criteria for Evaluating Conceptual Fund Design**

Coverage of Potential Risks to the State
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Equity
Efficiency/Administrative Burden
Incentives (e.g., for early closure, proper closure, proper and timely PCM)

described above, the evaluation will necessarily be qualitative. In addition, ICF recommended the additional criterion of efficiency, which addresses the relative costs of running different types of funds, as well a criterion that considers the potential incentive effects of alternate fund designs.

In response to Exhibit 4, the CIWMB Contract Managers agreed that these were appropriate criteria for ICF to use.

After receiving final comments and directions from the CIWMB Contract Managers, ICF will apply the criteria to the selected conceptual fund designs and develop shells of summary exhibits for presenting the results.