



# ADMINISTRATION AND FINANCE



## STAFF REPORT

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To: SBWMA Board Members  
From: Joseph La Mariana - Executive Director  
Farouk Fakira, Finance Manager  
Date: April 27, 2017 Board of Directors Meeting  
Subject: Discussion of the Preliminary FY17/18 SBWMA Budget

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### Recommendation

This Preliminary FY17/18 SBWMA Budget is for discussion and it will be brought back to the Board in May for approval after Board review and comment.

### Summary

The \$5 tipping rates increases in July 2016 and January 2017 for non-franchised tons and \$10 increase for the franchised tons in January 2017 combined with a favorable commodity pricing market warrants no tipping fee increase in January of 2018. There will be only one exception increase for Public C&D by \$1.81 per cubic yard to compensate for the rate increase by Zanker. The Preliminary FY17/18 SBWMA Budget reflects staff's efforts to manage expenses and build revenues and maintain a healthy structural relationship between the revenues and expenses, meet the banking covenant ratios, and maintain a healthy capital reserve balance to ensure sufficient funding for future capital projects by the Agency.

### Overview

#### ***Budget Process***

The process being followed in the presentation of this FY17/18 budget has been structured to provide Board members several opportunities to participate in the budget review and approval process. In addition to budget presentations at the April's Board meeting, staff has engaged the Finance Committee in a preliminary review of the assumptions used in developing the budget (meeting on April 4<sup>th</sup>). Due to the complexity of the SBWMA's Budget, Board members are encouraged to contact staff directly with questions prior to the April and May Board meetings.

#### ***Budget's Relationship to the Rate Setting process***

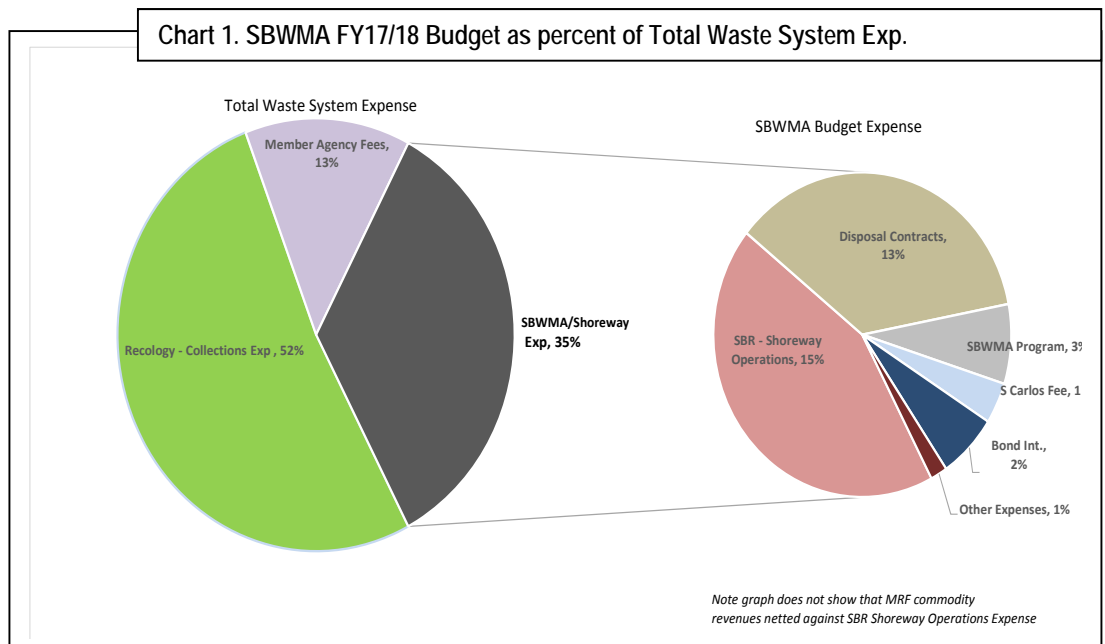
With the approval of the FY17/18 SBWMA Budget, the Board is approving funding the necessary funds to operate the Agency (Shoreway Operations and SBWMA Program & Administrative) as well as the Shoreway tip fees that generate approximately 82% of the agency's revenues. Setting the Shoreway tipping fees is the first step in the overall process of determining the Member Agency collection rate adjustment for calendar year 2018. The collection rates that are paid by each residential and commercial customer and are used to pay three main categories of expenses; 1) the cost to tip the blue/green/black cart materials at Shoreway, 2) payments to Recology for collection services and 3) franchise fees to the Agencies. The Member Agency rate setting process will occur in the fall of 2017 and at that time the SBWMA Operations revenue requirement will be added to the Collection Services revenue requirement to arrive at the collection rates for approval by the Member Agency's governing bodies prior to January 2018.

## Organization of the Budget Report

This Preliminary FY17/18 SBWMA Budget report is organized into sections that correspond to sections in the SBWMA budget spreadsheet provided in **Attachment A**. This report provides analysis of the major budget variance in the report sections titled *Net Income, Reserve Balances & Bond Covenant, Budget Revenues, and Budget Expense*. Additional details and support information are included in the attachments that are referred to within the body of this report. The Budget expenses include the following major cost components:

- The cost to own and maintain the Shoreway facility
- The cost to pay SBR to operate the facility
- The cost of off-site disposal and processing of materials
- SBWMA program & administrative expenses
- Debt service, and other expenses.

**Chart 1** presents the total expense of the "Waste System" and shows how the SBWMA Budget relates to the Recology collection services expenses and Member Agencies' Fees. An understanding of the relative proportion of each item in the Budget and its relationship to the overall rate structure, provides a good framework for understanding how best to manage the Waste System expenses and rate impacts.



A case in point, is the fact that the agency is embarking on a Collection Services contract negotiations process that affects **52%** of the total waste system rate structure and is tied to future Collections Services commitments that will likely exceed \$60M per year or close to a billion dollars over the full term of the new Collection Services contact. Also notable is the fact that:

- 1) Most of the Waste System expenses are under contract and as such, the annual adjustments are determined by contractually established indexes such as CPI that help provide rate predictability and stability.
- 2) The SBWMA Program & Administration expense represents **3%** of the total Waste System and has a minor impact on the Member Agencies' residential and commercial rates.
- 3) The Member Agency franchise fees are part of the collection rates and represent approximately **13%** of total Waste System expense.

## SBWMA Budget Analysis

| Categories                                    | FY16/17<br>Adopted<br>Budget | FY16/17<br>Mid-Year<br>Projections | FY17/18<br>Preliminary<br>Budget | FY18 vs. FY17<br>Adopted<br>Budget | Variance % |
|---|------------------------------|------------------------------------|----------------------------------|------------------------------------|------------|
| Total Revenue                                 | \$43,984,065                 | \$44,902,237                       | \$46,960,353                     | \$2,976,288                        | 7%         |
| Total Operating Expense                       | 39,632,555                   | 39,532,267                         | 41,316,759                       | (1,684,204)                        | -4%        |
| Net Income Before Interest                    | \$ 4,351,510                 | \$ 5,369,969                       | \$ 5,643,593                     | \$ 1,292,083                       | 30%        |
| Interest Expense                              | 2,747,908                    | 2,747,908                          | 2,710,169                        | 37,740                             | 1%         |
| Net Income                                    | \$ 1,603,602                 | \$ 2,622,061                       | \$ 2,933,424                     | \$ 1,329,823                       | 83%        |
| Bond Principal Payment                        | (1,355,833)                  | (1,091,667)                        | (1,183,333)                      | 172,500                            | -13%       |
| Capital Expenditures, (adjusted) <sup>2</sup> | (515,000)                    | (515,000)                          | (1,840,000)                      | (1,325,000)                        | 257%       |
| Net Cash flow (contribution to Reserve)       | (\$267,231)                  | \$1,015,394                        | (\$89,909)                       | \$177,323                          | -66%       |

<sup>1</sup> Mid-year FY16/17 projection for capital spending is \$515,500

<sup>2</sup> FY17/18 capital net of MRF equipment replacement fund of \$1,840,000

Table 1 above presents a high-level summary of the Preliminary FY17/18 SBWMA Budget and the variances for major categories from prior year's adopted and mid-year budgets.

### *Net Income, Reserve Balances, and Bond Covenant*

As Shown in Table 1, the SBWMA is experiencing a negative Net Cash Flow of (\$89,909) Contribution to Reserves after bond principal and capital expenditures spending for FY17/18.

The Finance Committee met on 4/4/17 to review; 1) the major assumptions of the FY16/17 SBWMA Budget, 2) and to consider the SBWMA decision of no franchise Shoreway tip fee increase. The current tipping fee took into consideration the goal of generating sufficient net income to: 1) cover the agency's expenses, 2) meet the bond covenant obligations, 3) maintain reserves at levels that meets Board policy, and 4) maintain reserves to meet the future capital needs of the agency.

Table 2 below shows the FY17/18 SBWMA Budgeted reserves.

|   | ACTUAL<br>FY15/16    | ADOPTED<br>BUDGET<br>FY16/17 | MID-YEAR<br>BUDGET<br>FY16/17 | PRELIMINARY<br>BUDGET<br>FY17/18 | FY18 vs. FY17<br>Mid-Year Budget |
|---|----------------------|------------------------------|-------------------------------|----------------------------------|----------------------------------|
| <b>UNCOMMITTED RESERVE:</b>                     |                      |                              |                               |                                  |                                  |
| RATE STABILIZATON (10% of expense) <sup>1</sup> | \$ 4,174,238         | \$ 4,237,586                 | \$ 4,228,018                  | 4,402,693                        | \$ 174,675                       |
| EMERGENCY RESERVE (10% of total expens          | 4,174,238            | 4,237,586                    | 4,228,018                     | 4,402,693                        | 174,675                          |
| CAPITAL RESERVE <sup>2</sup>                    | 3,737,529            | 2,968,453                    | 4,657,718                     | 4,750,055                        | 92,337                           |
| <b>TOTAL UNCOMMITTED RESERVES</b>               | <b>\$ 12,086,005</b> | <b>\$ 11,443,626</b>         | <b>\$ 13,113,753</b>          | <b>\$ 13,555,440</b>             | <b>\$ 441,687</b>                |
| <b>COMMITTED RESERVE</b>                        |                      |                              |                               |                                  |                                  |
| EQUIPMENT REPLACEMENT (ANNUAL) <sup>3</sup>     | \$ 1,736,098         | \$ 1,723,744                 | \$ 1,723,744                  | \$ 1,192,148                     | \$ (531,596)                     |
| <b>TOTAL COMMITTED RESERVES</b>                 | <b>\$ 1,736,098</b>  | <b>\$ 1,723,744</b>          | <b>\$ 1,723,744</b>           | <b>\$ 1,192,148</b>              | <b>\$ (531,596)</b>              |
| <b>TOTAL GENERAL RESERVES</b>                   | <b>\$ 13,822,103</b> | <b>\$ 13,167,371</b>         | <b>\$ 14,837,497</b>          | <b>\$ 14,747,588</b>             | <b>\$ (89,909)</b>               |
| <b>SHOREWAY REMEDIATION PROJECT</b>             | <b>\$ 1,233,640</b>  | <b>\$ 1,233,640</b>          | <b>\$ 1,233,640</b>           | <b>\$ 1,233,640</b>              | <b>\$ -</b>                      |

### SBWMA Revenues

Chart 2 illustrates the major SBWMA revenues by source and that most of the Agency's revenue is derived from Shoreway tip fees and to a lesser extent commodity revenues, and other revenues. These tip fees are paid by Recology and the public/non-franchise customers for each ton of material delivered to the Shoreway facility (different tip fee amounts are charged for different material types). (Note that the SBWMA has the goal of aligning each tip fee with the costs for handling/ disposing each of the different material types delivered by franchise and public customers). An important part of correctly forecasting tip fee and commodity revenues is estimating the quantity of tons by material type that will be delivered in the fiscal year. This process is completed by trending-forward actual tonnage received in the prior year and making adjustments to the trend based on known changes in inbound tons.

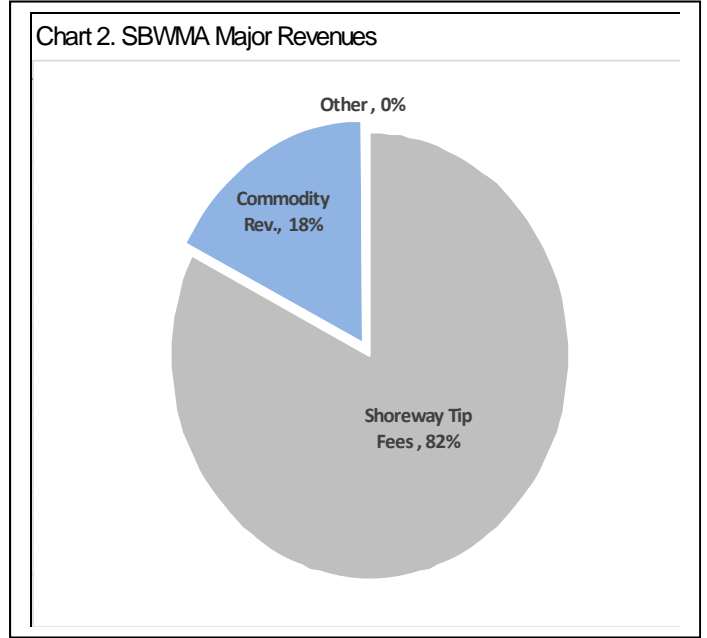


Table 3. FY17/18 Revenues

| FY17/18 REVENUES               |                        |                              |                            |                              |            |
|--------------------------------|------------------------|------------------------------|----------------------------|------------------------------|------------|
| Revenues                       | FY16/17 Adopted Budget | FY16/17 Mid-Year Projections | FY17/18 Preliminary Budget | FY18 vs. FY17 Adopted Budget | Variance % |
| Tip Fee Revenues               | \$36,508,044           | \$36,902,521                 | \$38,780,135               | \$2,272,091                  | 6%         |
| Non Franchised                 | 8,114,936              | 8,038,948                    | 8,691,298                  | 576,362                      | 7%         |
| Franchised                     | 28,393,108             | 28,863,573                   | 30,088,837                 | 1,695,729                    | 6%         |
| Net Commodity Sales Revenues*  | 6,943,411              | 8,155,931                    | 8,015,544                  | 1,072,133                    | 15%        |
| MRF - Host Fees                | 403,070                | 172,672                      | -                          | (403,070)                    | -100%      |
| Interest Income                | 78,940                 | 97,576                       | 106,580                    | 27,640                       | 35%        |
| Other Revenue                  | 50,600                 | 61,101                       | 58,094                     | 7,494                        | 15%        |
| Sub Operation Revenue          | \$43,984,065           | \$45,389,801                 | \$46,960,353               | \$ 2,976,288                 | 7%         |
| <b>Fire Related Revenue:</b>   |                        |                              |                            |                              |            |
| Commodity Sales Revenue        | -                      | (3,159,624)                  | -                          | -                            | 0%         |
| Commodity revenue Sharing      | -                      | 885,327                      | -                          | -                            | 0%         |
| MRF Host Fees                  | -                      | (131,832)                    | -                          | -                            | 0%         |
| Single Stream Revenue          | -                      | 608,888                      | -                          | -                            | 0%         |
| Insurance Revenue Interruption | -                      | 1,309,676                    | -                          | -                            | 0%         |
| <b>Total Revenues:</b>         | <b>\$43,984,065</b>    | <b>\$44,902,237</b>          | <b>\$46,960,353</b>        | <b>\$2,976,288</b>           | <b>7%</b>  |

\*Gross commodity sales – 28.02% revenue share with SBR and buyback payments.

Table 3 above provides a summary and variance of all the agency's revenue streams from Prior budget and midyear FY16/17. Total Revenues for the agency are expected to be \$2.9M higher than prior year. Major variances for each revenue line are discussed below:

**Tip Fee Revenues** – Tip fees are charged at Shoreway on each ton of material entering the facility (the total tons times the tip fee equals the agency's tip fee revenues). For FY17/18, there are no large changes in anticipated inbound franchise tonnage. The total FY17/18 tip fee revenues of \$38.8M shown in the table are based on tip fees effective January 1, 2017 on all franchise material and public cubic yardage streams and \$1.81 per cubic yard higher for public C&D effective January 1, 2018.

- o The current franchise tip fee for solid waste delivered to the Shoreway facility by Recology is \$104 per ton.
- o The public/non-franchised customer's fee for solid waste is charged based on cubic yardage volume at \$41.

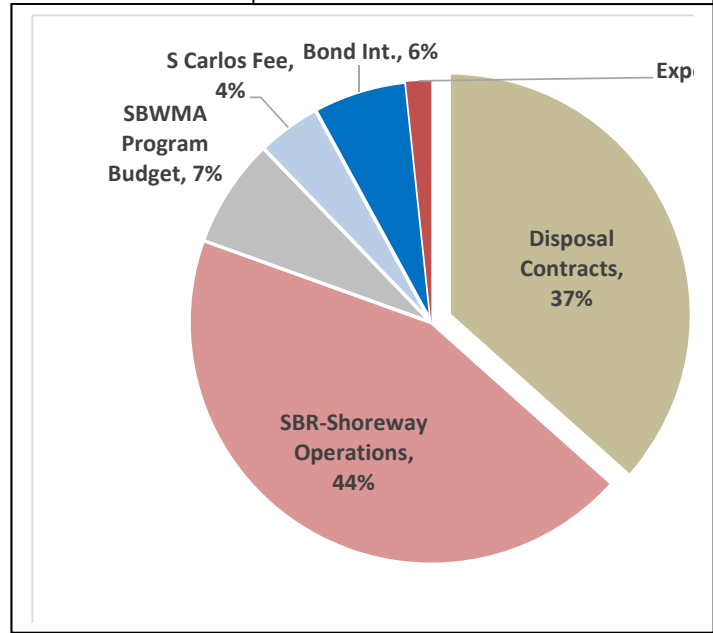
**Net Commodity Sales Revenues** - In the middle of FY16/17, commodity prices started to recover 15% over what was forecasted in the Adopted FY16/17 Budget. The improved net commodity revenue for the FY17/18 Budget is forecasted to be \$1,072,133 higher than commodity revenue in FY16/17 Budget. That is \$141.76 vs. \$120.07 per ton (Delta of \$21.69 per ton). (See **Attachment D – Commodity Price Information** for detail on commodity price trends and projections).

**MRF Host fees** - The host fees revenues have been discontinued effective January 1<sup>st</sup>, 2017 due the termination of the contract by Recology. Recology has made a commitment to bring additional main stream tonnage to Shoreway in lieu of the loss of the host fees commodity tons.

**Interest Income** - Interest income revenue is generated from the interest on the Agency's invested reserves. The reserves are invested in funds that emphasize stability of principle (San Mateo County Fund, LAIF). The revenues are a function of interest rates and the amount of money held in reserve.

**HHW and Other** – The House hold hazardous waste (HHW) program has been discontinued effective January 1<sup>st</sup>, 2017. There was a slight improvement in the E-Scrap Recycling Revenue of \$7,494.

Chart 3. SBWMA Major Expenses



**SBWMA Expense Budget**

As shown in **Chart 3**, the Shoreway Operations and Disposal Contracts items represent the majority of the FY17/18 SBWMA Budget expense (approximately 81%). Important points about these major expenses include that they are:

- 1) Variable according to the quantity of material delivered to the Shoreway facility.
- 2) Under contract with cost increases indexed so the year-over-year variance is predictable and stable,
- 3) Linked to offsetting revenues collected from tip fees on inbound tons to the facility.

**Table 4** below summarizes the expenses for the FY17/18 Budget by major category. The Total Expense is projected to be \$44,026,928 and is \$1.6M (3.9%) higher than the FY16/17 Adopted Budget. Each expense category shown in the table below is discussed in more detail under section titles matching the expense category line in the Expense Summary below.

| Table 4 FY17/18 EXPENSE SUMMARY |                        |                         |                            |                              |                           |
|---------------------------------|------------------------|-------------------------|----------------------------|------------------------------|---------------------------|
| EXPENSE CATEGORIES              | FY16/17 Adopted Budget | FY16/17 Mid-Year Budget | FY17/18 Preliminary Budget | FY18 vs. FY17 Adopted Budget | FY17/18 Budget % of Total |
| Shoreway Operations             | \$34,529,270           | \$35,196,349            | \$35,927,557               | \$1,398,286                  | 81.6%                     |
| SBWMA Program                   | 3,364,772              | 3,066,220               | 3,542,493                  | 177,721                      | 8.0%                      |
| Interest Expense                | 2,747,908              | 2,747,908               | 2,710,169                  | (37,740)                     | 6.2%                      |
| Franchise Fees to San Carlos    | 1,738,513              | 1,757,263               | 1,846,710                  | 108,197                      | 4.2%                      |
| Shoreway Fire Related Expenses  | -                      | (487,565)               | -                          | -                            | 0.0%                      |
| <b>Total Expense</b>            | <b>\$42,380,463</b>    | <b>\$42,280,176</b>     | <b>\$44,026,928</b>        | <b>\$1,646,465</b>           | <b>100.0%</b>             |



| Table 5. FY16/17 SHOREWAY OPERATIONS EXPENSE DETAIL                                   |                              |                                    |                                  |                                    |            |
|---|------------------------------|------------------------------------|----------------------------------|------------------------------------|------------|
| Expenditures  | FY16/17<br>Adopted<br>Budget | FY16/17<br>Mid-Year<br>Projections | FY17/18<br>Preliminary<br>Budget | FY18 vs. FY17<br>Adopted<br>Budget | Variance % |
| SBR Compensation*   | \$18,423,627                 | \$18,627,965                       | \$18,936,513                     | \$512,886                          | 3%         |
| Disposal and Processing*  | 15,329,602                   | 15,845,562                         | 15,859,397                       | 529,795                            | 3%         |
| Insurance Shoreway  | 238,998                      | 238,998                            | 576,500                          | 337,502                            | 141%       |
| Education Center  | 60,000                       | 60,000                             | 60,000                           | -                                  | 0%         |
| Credit Cards Charges  | 173,710                      | 120,491                            | 140,600                          | (33,110)                           | -19%       |
| Other Operating Expenses  | 242,690                      | 242,690                            | 292,690                          | 50,000                             | 21%        |
| Taxes (Sewer)   | 60,643                       | 60,643                             | 61,856                           | 1,213                              | 2%         |
| Fire Related expenses   |                              | (487,565)                          |                                  |                                    | 0%         |
| <b>Total Shoreway Operations:</b>   | <b>\$34,529,270</b>          | <b>\$34,708,784</b>                | <b>\$35,927,557</b>              | <b>\$ 1,398,286</b>                | <b>0%</b>  |
| Debt Service Bond Interest  | 2,747,908                    | 2,747,908                          | 2,710,169                        | (37,740)                           | -1%        |
| Franchise Fee (San Carlos)**  | 1,738,513                    | 1,757,263                          | 1,846,710                        | 108,197                            | 6%         |
| <b>Total Shoreway Operating Expenses</b>  | <b>\$39,015,692</b>          | <b>\$39,213,956</b>                | <b>\$40,484,435</b>              | <b>\$ 1,468,744</b>                | <b>4%</b>  |
| * Expense projection based on estimated facility tonnage                              |                              |                                    |                                  |                                    |            |
| ** Expense projection based on estimated gate revenue (tipping fees x estimated tons) |                              |                                    |                                  |                                    |            |

### Shoreway Operations Expense Detail

Table 5 above shows the Shoreway Operations Expense Detail for FY17/18. The total expense for the Shoreway operations are projected to be \$40,484,435 which is \$1.5M (4%) over FY16/17 Adopted Budget. Variances for each expense line are discussed below:

**SBR Compensation Expense:** There is a projected 3% increase in the fees paid to SBR to operate the Shoreway facility and transport outbound materials to the disposal and processing facilities. Following the contractual indexing procedures in the Operation Agreement, the increase in the VRS hourly rates up to \$15 from \$11 for the MRF employees, and slightly more tons. SBR's 2017 payment expense will increase an estimated \$512,886 (**Attachment E**, see Table 4).

**Disposal and Processing Expense:** There is 3% increase in disposal and processing expense which is based mainly on a 3.0% estimated increase in January 1, 2017 rates. The increase in disposal rates are the result of contractual indexing procedures for disposal, composting, C&D and other processors. In addition to making the cost increases predictable, the contractual indexing of cost increases has worked well to contain cost increases and keep rates low for the Member Agencies. This said, there is however, the potential for large cost increases at the expiration of the existing contracts in 2019. The SBWMA staff attempts to manage the Agency's contracts to achieve the best negotiated arrangement for the Member Agencies. During the FY16/17 budget year, the Zanker Road Resource Recovery for C&D processing rate increase of \$60 per ton has taken place effective February 1<sup>st</sup>, 2017. The rate goes up to \$65 effective February 1<sup>st</sup>, 2018. Since C&D is a public/non-franchise material stream, the actual increase in C&D costs will be targeted to that stream and will have no impact on franchise tip fees. (See Table 5, **Attachment E**).

**Other Operating Expense:** Credit card transaction fees paid by SBR and reimbursed by the Agency for public/non-franchisee customer transactions has decreased by \$33K due to a change in banking by SBR and which resulted in a favorable banking fees.

**Taxes (sewer):** *Sewer usage fees paid on the property tax bill are based on the potable water usage (water meter) at the site. Water conserving measures are being considered for next year to reduce the sewer tax.*

**Franchise Fee (San Carlos):** Under the terms of the land use permit granted by the City of San Carlos to the JPA, the SBWMA is obligated to pay the City 5% of the total Shoreway tip fee revenue. It is 6% higher than last budget due to flexing with the projected higher revenues.

### **SBWMA Program & Administrative Expense**

The total expense SBWMA Program & Administrative is shown in **Table 4** and totals \$3,542,493. The FY17/18 SBWMA Program & Administrative Expense Budget Detail is shown in **Attachment A - FY17/18 Capital & Operating Budget Detail** with expense variances described in line-by-line detail in the budget.

The SBWMA Program & Administrative budget includes the staff, administrative, and program related expenses to operate the JPA. (The agency uses consultants to supplement staff time and expertise to fulfill the contract compliance, agency reporting, program and administrative functions to meet the goals established by the Board, the agency's contracts and regulatory bodies). The anticipated wage and benefit increase is 3% over prior year. The staff merit increase pool assumes a 3% increase on total wages (adjustments are made on a calendar year basis). The SBWMA provides non-PERS benefits that are low-cost when compared to other public agencies. Per the Agency Assessment (approved on March 27, 2017), two reclassified positions are reflected in this year's budget, the new Senior Facility and Contracts Manager and the Environmental Education Programs Manager, .

Further staff expense detail and a discussion on staff wages and benefit costs can be found in **Attachment C – Organization chart and Personnel Summary**. SBWMA staff will be working to complete critical projects during the FY17/18 that are detailed in **Attachment B – SBWMA Programmatic Detail**. A summary of the key projects for FY17/18 include:

- Conducting the Collection Services contract negotiations process with Recology and providing support to the Member Agencies relating to the collection contract extension.
- Completing a financial analysis of Recology's actual cost of operations to aid in the negotiations process.
- Completion of a technical and financial feasibility analysis of a waste processing system to recover organic materials and other recyclables from residential and commercial solid waste that will boost JPA diversion.
- Implementation of programs and projects that have been approved by the Board and that are part of the Long Range Plan and the Zero Landfill Workgroup efforts. These projects include implementation of the following:
  - Enhanced commercial recycling outreach targeting businesses and multi-family.
  - Environmental education program supporting in-school recycling and composting efforts.
  - Piloting gasification technologies for green waste and MRF residue.

### **Capital Expenditures**

The FY17/18 Capital Expenditures budget is \$1,840,000 and is included in **Attachment A - FY17/18 Capital & Operating Budget Detail**. Per Board feedback, staff is forecasting capital spending on a five-year basis. The forecast includes the recommended capital projects presented in the 2015 Long Range Plan.

## **Background**

The SBWMA Budget is reviewed by the Board in April and is considered for approval at the May Board meeting each year. On April 4, 2017, the Finance Committee reviewed the assumptions of the Preliminary FY17/18 SBWMA Budget. The Preliminary FY18/18 budget will be brought back to the Board at the May meeting for approval. Any changes made to the Preliminary FY17/18 Budget after the April Board meeting will be shown in the document for reference.

## **Fiscal Impact**

The FY17/18 Budget forecasts a Net Income of \$2,933,424 which is \$1.33 million higher than FY16/17 Adopted Budget (see Table 1 on page 3 of the staff report). The Net Income projection are primarily a function of the following factors:

- Higher non franchised revenue of \$.57 million, higher franchised revenue of \$1.69 million, higher net commodity revenues of \$1.07 million from mainly higher commodity prices.
- Higher Total Shoreway Operations expense of \$1,398,286 primarily due to annual cost adjustments included in the SBR and Disposal & Processing contracts, \$186,372 due to tonnage increase, \$337,502 in higher property insurance and \$ 50,000 in higher Shoreway maintenance expenses.

The Shoreway no tip fee increase for franchise customers is estimated to have a neutral impact on franchise collection services rates effective January 1, 2018.

## **Attachments:**

- A. SBWMA FY17/18 Capital & Operating Budget Detail
- B. SBWMA Programmatic Detail (Staff Resources and Description of Key Projects and Work Activities)
- C. Organization Chart & Personnel Summary
- D. Commodity Price Information
- E. Supporting Financial and Operational Data (Tonnage, Commodities, Other)

**ATTACHMENT A**

| <b>CAPITAL EXPENDATURE BUDGET FORECAST</b>  |                     |                     |                     |                     |                     |   |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---|
| <b>Capital Project Name</b>   | <b>FY17/18</b>      | <b>FY18/19</b>      | <b>FY19/20</b>      | <b>FY20/21</b>      | <b>FY21/22</b>      | <b>NOTES</b>  |
| Transfer station tipping floor resurfacing  | \$ 225,000          | \$ -                | \$ 250,000          | \$ -                | \$ 250,000          | <i>Tipping floor repair</i>                         |
| Site paving repairs and restriping  | 150,000             | -                   | 500,000             | 500,000             | -                   | <i>Recology area repaving</i>                       |
| Truck shop building maintenance   | 25,000              | 25,000              | 25,000              | 25,000              | 25,000              | <i>Reserve for unplanned expenses</i>               |
| Transfer station building maintenance   | 50,000              | 50,000              | 50,000              | 50,000              | 50,000              | <i>Reserve for unplanned expenses</i>               |
| MRF building maintenance  | 50,000              | 50,000              | 50,000              | 50,000              | 150,000             | <i>Reserve for unplanned expenses</i>               |
| Administration building maintenance   | 75,000              | 40,000              | 40,000              | 200,000             | 40,000              | <i>New roof 17/18, building remodel 20/21</i>       |
| Site maintenance  | 50,000              | 50,000              | 50,000              | 50,000              | 50,000              | <i>Reserve for unplanned expenses</i>               |
| Enhanced fire suppression   | 225,000             | 200,000             | 50,000              | 100,000             | -                   | <i>Enhanced fire suppression (Fire Rover 17/18)</i> |
| Repairs to landfill tipper  | 15,000              | 15,000              | 15,000              | -                   | -                   | <i>Ox Mtn contract exp 2019</i>                     |
| Education center exhibits   | 15,000              | -                   | -                   | 30,000              | -                   | <i>Refresh of MRF tour exhibits</i>                 |
| Electric vehicle charging station   | 15,000              | -                   | 15,000              | -                   | -                   | <i>Installation in public parking lot</i>           |
| Storm water treatment system  | 30,000              | 1,200,000           | 50,000              | -                   | 50,000              | <i>Continuous improvement plan items</i>            |
| Glass conveyance and loadout system   | 650,000             | -                   | -                   | -                   | -                   | <i>System for MRF glass handling</i>                |
| Enhancements to Public Recycling Center   | 200,000             | -                   | -                   | -                   | -                   | <i>Confidential doc shredder &amp; PRC remodel</i>  |
| Polystyrene recycler/densifier  | 65,000              | -                   | -                   | -                   | -                   | <i>Equipment to densify PS packaging materials</i>  |
| Baler reline  | -                   | -                   | -                   | -                   | 175,000             | <i>MRF fiber baler</i>                              |
| Transfer station building expansion <sup>1</sup>                                      | -                   | 2,865,437           | -                   | -                   | -                   | <i>Estimated 5,000 sqft for MWPS</i>                |
| MRF Equipment Replacement <sup>4</sup>  | -                   | -                   | -                   | 1,206,940           | 470,000             |   |
| <b>Total</b>  | <b>\$ 1,840,000</b> | <b>\$ 4,495,437</b> | <b>\$ 1,095,000</b> | <b>\$ 2,211,940</b> | <b>\$ 1,260,000</b> |   |
| <i>Mixed waste processing equipment<sup>2</sup></i>                                   | -                   | 13,984,400          | -                   | -                   | -                   | <i>Waste processing/organic to AD system</i>        |
| <i>Fueling system replacement<sup>3</sup></i>   | -                   | -                   | 1,500,000           | -                   | -                   | <i>Replace USTs w/ code compliant ASTs</i>          |
| <i>MRF sorting equipment replacement<sup>4</sup></i>                                  | -                   | -                   | -                   | -                   | -                   | <i>Scheduled component replacement</i>              |
| <i>Special Funding for Above Italic Items</i>   |                     |                     |                     |                     |                     |   |
| 1. Proposed funding from Capital Reserves (Mid-Year FY16/17 balance \$4.66M)          |                     |                     |                     |                     |                     |   |
| 2. Proposed funding through new JPA debt  |                     |                     |                     |                     |                     |   |
| 3. Proposed funding from Shoreway Remediation Fund (Mid-Year FY16/17 balance \$1.20M) |                     |                     |                     |                     |                     |   |
| 4. MRF Equipment Replacement Reserve (Mid-Year FY16/17 balance \$1.5M)                |                     |                     |                     |                     |                     |   |

## Attachment A - SBWMA Reserve Balance

|  | ACTUAL FY16/17       | ADOPTED BUDGET<br>FY16/17 | MID-YEAR BUDGET<br>FY16/17 | PRELIMINARY BUDGET<br>FY17/18 | FY18 vs. FY17<br>Mid-Year Budget |
|--|----------------------|---------------------------|----------------------------|-------------------------------|----------------------------------|
| <b>Uncommitted Reserves</b>                        |                      |                           |                            |                               |                                  |
| RATE OF STABILIZATON (10% of expense) <sup>1</sup> | \$ 4,174,238         | \$ 4,237,586              | \$ 4,228,018               | \$ 4,402,693                  | \$ 174,675                       |
| EMERGENCY RESERVE (10% of total expense)           | \$ 4,174,238         | \$ 4,237,586              | \$ 4,228,018               | \$ 4,402,693                  | 174,675                          |
| CAPITAL RESERVE                                    | \$ 3,737,529         | \$ 2,968,453              | \$ 4,657,718               | \$ 4,750,055                  | 92,337                           |
| <b>TOTAL UNCOMMITTED RESERVES</b>                  | <b>\$ 12,086,005</b> | <b>\$ 11,443,626</b>      | <b>\$ 13,113,753</b>       | <b>\$ 13,555,440</b>          | <b>\$ 441,687</b>                |
| <b>Committed Reserves:</b>                         |                      |                           |                            |                               |                                  |
| EQUIPMENT REPLACEMENT (ANNUAL) <sup>2</sup>        | \$ 1,736,098         | \$ 1,723,744              | \$ 1,723,744               | \$ 1,192,148                  | \$ (531,596)                     |
|  |                      |                           |                            |                               |                                  |
| <b>TOTAL COMMITTED RESERVES</b>                    | <b>\$ 1,736,098</b>  | <b>\$ 1,723,744</b>       | <b>\$ 1,723,744</b>        | <b>\$ 1,192,148</b>           | <b>\$ (531,596)</b>              |
|  |                      |                           |                            |                               |                                  |
| <b>TOTAL GENERAL RESERVES<sup>4</sup></b>          | <b>\$ 13,822,103</b> | <b>\$ 13,167,371</b>      | <b>\$ 14,837,497</b>       | <b>\$ 14,747,588</b>          | <b>\$ (89,909)</b>               |
|  |                      |                           |                            |                               |                                  |
| <b>SHOREWAY REMEDIATION PROJECT</b>                | <b>\$ 1,233,640</b>  | <b>\$ 1,233,640</b>       | <b>\$ 1,233,640</b>        | <b>\$ 1,233,640</b>           | <b>\$ -</b>                      |

Reserves Cash Flow

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Attachment A - FY17/18 Budget Revenues by Major Source

|    | REVENUE SUMMARY                                | ACTUAL<br>FY15/16     | ADDOPTED<br>BUDGET<br>FY16/17 | MID-YEAR<br>BUDGET<br>FY16/17 | YTD SPENT<br>02/28/2017 | PROPOSED<br>BUDGET<br>FY17/18 | Variance to<br>Adopted Budget | Variance % to<br>Adopted Budget | Notes   |
|----|--|-----------------------|-------------------------------|-------------------------------|-------------------------|-------------------------------|-------------------------------|---------------------------------|---|
| 1  | <b>ADMINISTRATIVE REVENUES</b>                 |                       |                               |                               |                         |                               |                               |                                 |   |
| 2  | INVESTMENT INCOME                              | \$ 86,504             | \$ 78,940                     | \$ 97,576                     | \$ 57,706               | \$ 106,580                    | \$ 27,640                     | 35.0%                           | Due to adjustment to FMV.   |
| 3  | INVESTMENT (GASB 31) MARKET VALUE ADJ          | 21,421                | -                             | -                             | -                       | -                             | -                             | 0.0%                            |   |
| 4  | <b>TOTAL ADMINISTRATIVE</b>                    | <b>\$ 107,925</b>     | <b>\$ 78,940</b>              | <b>\$ 97,576</b>              | <b>\$ 57,706</b>        | <b>\$ 106,580</b>             | <b>\$ 27,640</b>              | <b>35.0%</b>                    |   |
| 5  | <b>OPERATIONS REVENUES</b>                     |                       |                               |                               |                         |                               |                               |                                 |   |
| 6  | SHOREWAY TIP FEES - Non Franchised             | \$ 7,720,588          | \$ 8,114,936                  | \$ 8,038,948                  | \$ 5,823,290            | \$ 8,691,298                  | \$ 576,362                    | 7.1%                            | \$55.6K due to volume, rest is due to FY16/17 tipping fee increase plus \$1.81 per c/yd for public C&D effective 01/18. |
| 7  | SHOREWAY TIP FEES - Franchised                 | 26,924,354            | 28,393,108                    | 28,863,573                    | 18,816,269              | 30,088,837                    | 1,695,729                     | 6.0%                            | \$1.4 Milion is due Tip fee increase 01/01/2017   |
| 8  | COMMODITY SALES REVENUE                        | 9,112,974             | 8,565,216                     | 10,186,056                    | 3,491,126               | 10,046,673                    | 1,481,457                     | 17.3%                           | Inc. in MRF commodity blended rate by \$21.69 per ton.  |
| 9  | COMMODITY REVENUE SHARING W/ SBR               | (1,076,765)           | (825,285)                     | (1,138,812)                   | (435,897)               | (1,139,814)                   | (314,530)                     | 38.1%                           | In line with the increase in commodities reveue.  |
| 10 | BUY BACK CENTER - Payment to Customers         | (879,726)             | (796,519)                     | (891,313)                     | (468,894)               | (891,314)                     | (94,795)                      | 11.9%                           | In line with the increase in commodities reveue.  |
| 11 | E-SCRAP COMMODITY REVENUES                     | 7,611                 | 5,600                         | 16,101                        | 14,057                  | 13,094                        | 7,494                         | 133.8%                          | A slight enhancement in E-waste commodity markets   |
| 12 | MRF HOST FEE - SBR Third-Party Contracted Tons | 401,228               | 403,070                       | 172,672                       | 81,603                  | -                             | (403,070)                     | -100.0%                         | Contract discontinued.  |
| 13 | COMMERCIAL RECYCLING ORDINANCE FEE             | 6,375                 | 15,000                        | 15,000                        | 15,000                  | 15,000                        | -                             | 0.0%                            | Ordinance fee rev. paid by comm.recycler  |
| 14 | MISCELLANEOUS REVENUE                          | 54,999                | 30,000                        | 30,000                        | 124,034                 | 30,000                        | -                             | 0.0%                            | CA Paint Care program & One time \$55K from PG&E.   |
| 15 | <b>SUB OPERATIONS</b>                          | <b>\$ 42,271,638</b>  | <b>\$ 43,905,125</b>          | <b>\$ 45,292,225</b>          | <b>\$ 27,460,587</b>    | <b>\$ 46,853,773</b>          | <b>\$ 2,948,648</b>           | <b>6.7%</b>                     |   |
| 16 | <b>FIRE RELATED REVENUE:</b>                   |                       |                               |                               |                         |                               |                               |                                 |   |
| 17 | COMMODITY SALES LOSS                           | -                     | -                             | \$ (3,159,624)                | \$ -                    | \$ -                          | \$ -                          | 0.0%                            | Lost commodity revenue  |
| 18 | COMMODITY REVENUE SHARING                      | -                     | -                             | 885,327                       | -                       | -                             | -                             | 0.0%                            | Saving of SBR shared revenue due to loss of revenue.  |
| 19 | MRF HOST FEES                                  | -                     | -                             | (131,832)                     | -                       | -                             | -                             | 0.0%                            | Loss of host fees revenue   |
| 20 | SINGLE STREAM SALES                            | -                     | -                             | 608,888                       | -                       | -                             | -                             | 0.0%                            | Revenue from sales of single stream tons.   |
| 21 | INS. REVENUE INTERRUPTION COMPENASATION        | -                     | -                             | 1,309,676                     | -                       | -                             | -                             | 0.0%                            | Insurance claim   |
| 22 | <b>SUB FIRE REVENUE</b>                        | <b>-</b>              | <b>-</b>                      | <b>\$ (487,565)</b>           | <b>\$ -</b>             | <b>\$ -</b>                   | <b>\$ -</b>                   | <b>0.0%</b>                     |   |
| 23 | <b>TOTAL OPERATING REVENUES</b>                | <b>\$ 42,271,638</b>  | <b>\$ 43,905,125</b>          | <b>\$ 44,804,661</b>          | <b>\$ 27,460,587</b>    | <b>\$ 46,853,773</b>          | <b>\$ 2,948,648</b>           | <b>6.7%</b>                     |   |
| 24 | <b>TOTAL REVENUE</b>                           | <b>\$ 42,379,563</b>  | <b>\$ 43,984,065</b>          | <b>\$ 44,902,237</b>          | <b>\$ 27,518,294</b>    | <b>\$ 46,960,353</b>          | <b>\$ 2,976,288</b>           | <b>6.8%</b>                     |   |
| 25 | <b>TOTAL OPERATING EXPENSES</b>                | <b>\$ 41,732,971</b>  | <b>\$ 42,380,463</b>          | <b>\$ 42,280,176</b>          | <b>\$ 25,828,177</b>    | <b>\$ 44,026,928</b>          | <b>\$ 1,646,465</b>           | <b>3.9%</b>                     |   |
| 26 | <b>NET OPERATING INCOME</b>                    | <b>\$ 646,592</b>     | <b>\$ 1,603,602</b>           | <b>\$ 2,622,061</b>           | <b>\$ 1,690,117</b>     | <b>\$ 2,933,424</b>           | <b>\$ 1,329,823</b>           | <b>82.9%</b>                    |   |
| 27 | <b>DEPRECIATION EXPENSE</b>                    | <b>\$ 3,337,059</b>   | <b>\$ 3,306,785</b>           | <b>\$ 3,306,785</b>           | <b>\$ 3,153,342</b>     | <b>\$ 3,144,496</b>           | <b>\$ (162,289)</b>           | <b>-4.9%</b>                    |   |
| 28 | <b>NET OPERATING INCOME AFTER DEPRECIATION</b> | <b>\$ (2,690,467)</b> | <b>\$ (1,703,183)</b>         | <b>\$ (684,724)</b>           | <b>\$ (1,463,226)</b>   | <b>\$ (211,072)</b>           | <b>\$ 1,492,112</b>           | <b>-87.6%</b>                   |   |

\* We deleted the HHW revenues.

Revenue

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| Attachment A. FY17/18 Budget Expense Detail |  |                     |                              |                               |                         |                               |                                  |                                    |       |   |  |
|---|--|---------------------|------------------------------|-------------------------------|-------------------------|-------------------------------|----------------------------------|------------------------------------|-------|---|--|
| line  | EXPENDITURE SUMMARY  | ACTUAL<br>FY15/16   | ADOPTED<br>BUDGET<br>FY16/17 | MID-YEAR<br>BUDGET<br>FY16/17 | YTD SPENT<br>02/28/2017 | PROPOSED<br>BUDGET<br>FY17/18 | Variance to<br>Adopted<br>Budget | Variance %<br>to Adopted<br>Budget | Staff | Notes   |  |
| 1   | ADMINISTRATIVE EXPENSES                                      |                     |                              |                               |                         |                               |                                  |                                    |       |   |  |
| 2   | 520305 ADMINISTRATIVE STAFF                                  | \$ 503,424          | \$ 547,648                   | \$ 526,917                    | \$ 320,399              | \$ 538,708                    | \$ (8,940)                       | -1.6%                              | FF    | Variance between old Executive Director and the new one compensation.                                     |  |
| 3   | 520306 MANADATED COMPLIANCE SUPPORT STAFF                    | 690,515             | 738,889                      | 451,068                       | 335,765                 | 560,395                       | (178,493)                        | -24.2%                             | FF    | Consolidation of Recycling and Sustainability Managers positions.   |  |
| 4   | 520328 EMPLOYEE RECRUITMENT/HR SUPPORT                       | 4,431               | 5,000                        | 15,000                        | 1,625                   | 15,000                        | 10,000                           | 200.0%                             | CU/FF | On call human resources planning, organization development services                                       |  |
| 6   | 520337 PEO COST (RGS/LGS ADMIN FEES)                         | 10,963              | 11,400                       | 11,400                        | 2,366                   | -                             | (11,400)                         | -100.0%                            | FF    | Discontinuation of administrative service for the recycling manager contract position.                    |  |
| 7   | 520312 BOARD COUNSEL   | 37,039              | 65,000                       | 65,000                        | 51,609                  | 65,000                        | -                                | 0.0%                               | CU    | Legal expenses  |  |
| 8   | 520300 BOARD MEETINGS  | 2,712               | 4,500                        | 4,500                         | 3,705                   | 5,000                         | 500                              | 11.1%                              | CU    | Includes Board meeting and Event food   |  |
| 9   | 520310 ACCOUNTING SERVICES                                   | 136,530             | 139,929                      | 139,929                       | 93,300                  | 143,450                       | 3,520                            | 2.5%                               | FF    | Payment to City San Carlos for account services contracted-out  |  |
| 10  | 520334 INFORMATION SYSTEMS                                   | 26,241              | 27,000                       | 27,000                        | 17,257                  | 30,240                        | 3,240                            | 12.0%                              | CU    | Expenses to maintain the information system   |  |
| 12  | 520338 WEBSITE   | 11,077              | 12,100                       | 12,100                        | 8,983                   | 12,100                        | -                                | 0.0%                               | CU    | Expenses to maintain the Web information system   |  |
| 13  | 520301 ANNUAL AUDIT  | 11,400              | 10,216                       | 10,216                        | 775                     | 8,859                         | (1,357)                          | -13.3%                             | FF    | Fees paid to auditors to complete FY & Calendar year financial statements.                                |  |
| 14  | 520701 D&O INSURANCE   | 42,898              | 48,200                       | 48,200                        | 44,890                  | 45,890                        | (2,310)                          | -4.8%                              | FF    | Annual insurance premium for director's and officer's insurance   |  |
| 15  | 520202 BANK FEES   | 6,480               | 8,492                        | 8,492                         | 4,516                   | 9,242                         | 750                              | 8.8%                               | FF    | Bank fees inclusive of fees paid to BNY as the Bond Trustee.  |  |
| 16  | 520203 RENT  | 53,467              | 55,073                       | 55,073                        | 36,564                  | 56,000                        | 927                              | 1.7%                               | CU    | Rent for the office from the City of San Carlos   |  |
| 17  | 520204 PRINTING AND POSTAGE                                  | 240                 | 150                          | 150                           | 119                     | 500                           | 350                              | 233.3%                             | CU    | Prints and postage  |  |
| 20  | 520107 UTILITIES   | 16,886              | 17,500                       | 17,500                        | 8,113                   | 20,000                        | 2,500                            | 14.3%                              | CU    | Includes phone and janitor services.  |  |
| 21  | 520905 OFFICE/TENANT IMPROVEMENTS                            | 400                 | 1,000                        | 1,000                         | 1,748                   | 30,000                        | 29,000                           | 2900.0%                            | CU    | Office cleaning and improvements etc.   |  |
| 22  | 520201 OFFICE SUPPLIES                                       | 10,417              | 15,500                       | 15,500                        | 9,772                   | 16,000                        | 500                              | 3.2%                               | CU    | Office supplies   |  |
| 23  | 520215 OFFICE EQUIPMENT COSTS                                | 15,033              | 15,000                       | 15,000                        | 9,061                   | 15,000                        | -                                | 0.0%                               | CU    | Includes Copier \$600 per mo. base lease and \$200 per month for copies                                   |  |
| 24  | 520504 PUBLICATIONS & PUBLIC NOTICES                         | 482                 | 3,000                        | 3,000                         | -                       | 3,000                         | -                                | 0.0%                               | CU    | Estimate for two public notices if doing more than one public bid this item will need to go up            |  |
| 25  | 520501 PROFESSIONAL DUES & MEMBERSHIPS                       | 4,217               | 2,000                        | 2,000                         | 3,197                   | 2,500                         | 500                              | 25.0%                              | CU    | Memberships to trade and community organizations (CRRA, SWMA, NCRA, CCAC )                                |  |
| 26  | 520801 VEHICLE MILEAGE & TOLLS                               | 37                  | 75                           | 75                            | -                       | 75                            | -                                | 0.0%                               | CU    | Auto allowance.   |  |
| 27  | 520105 CELL PHONES   | 2,291               | 4,500                        | 4,500                         | 597                     | 5,000                         | 500                              | 11.1%                              | CU    | Cell phone business expense.  |  |
| 28  | 520503 CONFERENCE & MEETINGS                                 | 8,789               | 10,500                       | 10,500                        | 5,980                   | 20,000                        | 9,500                            | 90.5%                              | CU    | CRRA conference, progress seminar, SWANA meetings, lunch for SBWMA meetings, State of the City addresses. |  |
| 29  | 520502 TRAINING  | 3,148               | 5,000                        | 5,000                         | 1,320                   | 10,000                        | 5,000                            | 100.0%                             | CU    | Staff training opportunities.   |  |
| 31  | 520511 SPONSORSHIPS & DONATIONS                              | 9,500               | 9,500                        | 9,500                         | 8,000                   | 20,000                        | 10,500                           | 110.5%                             | CU    | CAW, CRRA, SWANA, Acterra, Sustainable San Mateo, CPSC, NCRA conference and meetings.                     |  |
| 33  | 522706 COMPUTER PURCHASE                                     | 5,687               | 6,000                        | 6,000                         | 2,896                   | 12,000                        | 6,000                            | 100.0%                             | CU    | Computer for Farouk, Ed Center and two new hires.   |  |
| 34  | <b>TOTAL ADMINISTRATIVE</b>                                  | <b>\$ 1,614,305</b> | <b>\$ 1,763,172</b>          | <b>\$ 1,464,621</b>           | <b>\$ 972,559</b>       | <b>\$ 1,643,959</b>           | <b>\$ (119,213)</b>              | <b>-8.1%</b>                       |       |   |  |
| 35  | <b>MEMBER AGENCY SUPPORT &amp; CONTRACT COMPLIANCE</b>       |                     |                              |                               |                         |                               |                                  |                                    |       |   |  |
| 36  | 520307 RATE REVIEW   | \$ 14,265           | \$ 60,000                    | \$ 60,000                     | \$ 6,776                | \$ 59,034                     | \$ (966)                         | -1.6%                              | FF    | 30k financial auditing office temp support, \$30k support to align rates and cost.                        |  |
| 37  | 520308 FACILITY IMPROVEMENT OVERSIGHT                        | 8,405               | 50,000                       | 50,000                        | 13,002                  | 60,000                        | 10,000                           | 20.0%                              | HG    | Engineering and construction management support   |  |
| 38  | 520309 HCM01 CONTRACT ANNUAL AUDITING                        | 46,813              | 55,000                       | 55,000                        | -                       | 55,000                        | -                                | 0.0%                               | FF    | Annual Financial Audit of RSMC and SBR at \$40K. \$15K for reviewing annual route assessment.             |  |
| 39  | 520309 HCS02 COLLECTION SERVICES FRANCHISE ADMIN.            | 71,514              | 180,000                      | 180,000                       | 61,441                  | 55,000                        | (125,000)                        | -69.4%                             | JL    | FA compliance \$40k; call center \$15k;   |  |
| 40  | 520309 HFM01 FINANCE ANALYSIS SUPPORT                        | 4,080               | 70,000                       | 70,000                        | 2,250                   | 70,000                        | -                                | 0.0%                               | FF    | On-Call consultant support as needed to support Member Agency.  |  |
| 41  | 520336 WASTE CHARACTERIZATION SUPPORT                        | 46,000              | 50,000                       | 50,000                        | 17,110                  | 30,000                        | (20,000)                         | -40.0%                             | HG/JL | Characterization support  |  |
| 42  | 520309 RFP COLLECTION RFP CONSULTING SUPPORT                 | -                   | -                            | -                             | -                       | 450,000                       | 450,000                          | 100.0%                             | JL    | Placeholder amount if Recology Contract Negotiations are not successful                                   |  |
| 43  | 520309 BATT BATTERY MANAGEMENT PLANNING                      | -                   | -                            | -                             | -                       | 65,000                        | 65,000                           | 100.0%                             | JL    | Consulting support for best-practices studying & recommend change to collection programs                  |  |
| 44  | <b>TOTAL MEMBER AGENCY SUPPORT &amp; CONTRACT COMPLIANCE</b> | <b>\$ 191,076</b>   | <b>\$ 465,000</b>            | <b>\$ 465,000</b>             | <b>\$ 100,579</b>       | <b>\$ 844,034</b>             | <b>\$ 379,034</b>                | <b>81.5%</b>                       |       |   |  |
| 45  | <b>STATE MANADATED PUBLIC EDUCATION &amp; OUTREACH</b>       |                     |                              |                               |                         |                               |                                  |                                    |       |   |  |
| 46  | 520311 CIWMB STATE'S REQUIRED ANNUAL REPORTS                 | \$ 24,774           | \$ 25,000                    | \$ 25,000                     | \$ 19,960               | 28,000                        | \$ 3,000                         | 12.0%                              | JL    | Annual AB 939 submittal of EARs for 10-MAs .  |  |
| 47  | 520341 SBWMA ANNUAL REPORT                                   | 270                 | 5,000                        | 5,000                         | -                       | 10,000                        | 5,000                            | 100.0%                             | JL    | Expense for report printing and postage   |  |
| 48  | 520309 HDV01 DIVERSION PROGRAM SUPPORT                       | 4,255               | 50,000                       | 50,000                        | -                       | 50,000                        | -                                | 0.0%                               | JL    | Support with diversion programs \$10k and public spaces recycling assistance \$40k.                       |  |
| 49  | 520508 RECYCLING REPORTING EXPENSES                          | 15,429              | 15,000                       | 15,000                        | 245                     | 15,000                        | -                                | 0.0%                               | JL    |   |  |
| 50  | 522705 EVG01 EVENT GIVEAWAYS                                 | -                   | 2,500                        | 2,500                         | -                       | 20,000                        | 17,500                           | 700.0%                             | JL    |   |  |
| 51  | 520340 LRP01 DIVERSION AND COMPLIANCE PROGRAMS               | 273,432             | 495,000                      | 495,000                       | 8,208                   | 395,000                       | (100,000)                        | -20.2%                             | JL    | See detail of Diversion and LRP programs to be implemented in fiscal year                                 |  |
| 52  | 520331 LARGE EVENT/VENUE SUPPORT/SHREDDING                   | -                   | 7,500                        | 7,500                         | -                       | 12,500                        | 5,000                            | 66.7%                              | JL    | Shredding support   |  |
| 53  | 520608 CLIMATE ACTION PLANNING                               | 20,815              | 27,000                       | 27,000                        | 9,025                   | 29,000                        | 2,000                            | 7.4%                               | JL    | Annual climate register & Member Agency support.  |  |
| 54  | 520604 COE01 RECYCLING TECHNICAL ASSISTANCE                  | 34,427              | 70,000                       | 70,000                        | -                       | 30,000                        | (40,000)                         | -57.1%                             | JL    | AB1826 & 341 Compliance   |  |
| 55  | 520604 COE02 COMMERCIAL/MFD CONTAINERS                       | 49,237              | 60,000                       | 60,000                        | 31,253                  | 60,000                        | -                                | 0.0%                               | JL    | MFD recycle bags \$20, internal R containers \$20 MA containers \$20 per Franchise Agreements.            |  |

| Attachment A. FY17/18 Budget Expense Detail |              |  |                   |                              |                               |                         |                               |                                  |                                    |       |   |
|---|--------------|--|-------------------|------------------------------|-------------------------------|-------------------------|-------------------------------|----------------------------------|------------------------------------|-------|---|
| line  |              | EXPENDITURE SUMMARY  | ACTUAL<br>FY15/16 | ADOPTED<br>BUDGET<br>FY16/17 | MID-YEAR<br>BUDGET<br>FY16/17 | YTD SPENT<br>02/28/2017 | PROPOSED<br>BUDGET<br>FY17/18 | Variance to<br>Adopted<br>Budget | Variance %<br>to Adopted<br>Budget | Staff | Notes   |
| 56  | 520604 MF001 | MULTI-FAMILY OUTREACH  | 6,638             | 50,000                       | 50,000                        | 1,545                   | 50,000                        | -                                | 0.0%                               | JL    | AB341&1826 Compliance \$10; MFD Toolkit \$20; Battery phones subscription \$10; Annual MFD awards \$10                                |
| 57  | 520604 QNL01 | MEMBER AGENCY & RATE PAYER EDUCATION                           | 65,070            | 110,000                      | 110,000                       | -                       | 110,000                       | -                                | 0.0%                               | JL    | Quarterly news letters to Agencies.   |
| 58  | 520604 RES01 | RESIDENTIAL OUTREACH PROGRAMS                                  | 61,067            | 125,000                      | 125,000                       | 6,806                   | 65,000                        | (60,000)                         | -48.0%                             | JL    | Outreach per FA \$40k; Annual Service Notice FA \$10k; website & Social media \$15k;  |
| 59  | 520604 COMPS | COMMUNITY EVENTS   | -                 | 5,000                        | 5,000                         | -                       | 20,000                        | 15,000                           | 300.0%                             | JL    | Community events support  |
| 60  | 520604 HHWUW | HHW PROGRAM OUTREACH   | 59,011            | 80,000                       | 80,000                        | 40,619                  | 80,000                        | -                                | 0.0%                               | JL    | Education letters regarding HHW disposition.  |
| 61  | 520335       | CURBSIDE HOUSEHOLD BATTERY OUTREACH                            | 4,098             | 5,000                        | 5,000                         | -                       | 75,000                        | 70,000                           | 1400.0%                            | JL    | New program to educate customers about risk of battery fires and recycling options  |
| 62  | 522719       | SHRED EVENT SERVICE  | 4,256             | 4,600                        | 4,600                         | 3,743                   | 5,000                         | 400                              | 8.7%                               | JL    |   |
| 63  |              | TOTAL STATE MANADATED PUBLIC EDUCATION & OUTREACH              | \$ 622,779        | \$ 1,136,600                 | \$ 1,136,600                  | \$ 121,405              | \$ 1,054,500                  | \$ (82,100)                      | -7.2%                              |       |   |
| 64  |              | TOTAL SBWMA PROGRAM BUDGET                                     | \$ 2,428,159      | \$ 3,364,772                 | \$ 3,066,220                  | \$ 1,194,543            | \$ 3,542,493                  | \$ 177,721                       | 5.3%                               |       |   |
| 65  |              | SHOREWAY OPERATIONS  |                   |                              |                               |                         |                               |                                  |                                    |       |   |
| 66  | 522712       | OPERATING CONTRACT - SBR OPERATIONS                            | \$ 18,275,660     | \$ 18,423,627                | \$ 18,627,965                 | \$ 12,208,203           | \$ 18,936,513                 | \$ 512,886                       | 2.8%                               | FF    | *7.7% increase in VRS sort labor rates (compliance with SMC LWO): \$38K due to the small volume increase.                             |
| 67  | 522713       | DISPOSAL   | 15,757,108        | 15,329,602                   | 15,845,562                    | 10,391,579              | 15,859,397                    | 529,795                          | 3.5%                               | FF    | \$1.51 per ton blended rate increase due to CPI.  |
| 68  | 520710       | INSURANCE SHOREWAY   | 212,059           | 238,998                      | 238,998                       | 179,596                 | 576,500                       | 337,502                          | 141.2%                             | FF    | Property insurance increase to \$550K from \$206.5K due to fire loss which was offset by \$6K savings in general liability insurance. |
| 69  | 522714       | SHOREWAY FACILITY COST   | 167,156           | 150,000                      | 150,000                       | 42,681                  | 200,000                       | 50,000                           | 33.3%                              | HG    | Budget for unanticipated routine Shoreway maintenance items that are non-CapEx  |
| 70  | 570300       | SHOREWAY MAINTENANCE - NEW                                     | 2,742             | -                            | -                             | -                       | -                             | -                                | 0.0%                               | HG    |   |
| 71  | 520202 Shore | CREDIT CARDS CHARGES   | 268,744           | 173,710                      | 120,491                       | 71,320                  | 140,600                       | (33,110)                         | -19.1%                             | FF    | SBR changed banks and that resulted in favorable charges in comparison to the old bank.   |
| 72  | 520207       | SHOREWAY CHARGES   | 15,569            | 26,690                       | 26,690                        | 17,793                  | 26,690                        | -                                | 0.0%                               | FF    | Amortization of trailer cost  |
| 73  | 522718       | EDUCATION CENTER OPERATIONS                                    | 57,138            | 60,000                       | 60,000                        | 11,891                  | 60,000                        | -                                | 0.0%                               | JL    | Expense for Shoreway tours program and busing, (w/o staff expense)  |
| 74  | 522716       | MAINTENANCE - OX MTN TIPPER                                    | 30,310            | 36,000                       | 36,000                        | 8,422                   | 36,000                        | -                                | 0.0%                               | HG    | Maintenance expense for truck tipper located at Ox Mtn and owned by JPA   |
| 75  | 520901       | SHOREWAY MRF EQUIP. MAINTENANCE > \$10k                        | -                 | 30,000                       | 30,000                        | -                       | 30,000                        | -                                | 0.0%                               | HG    | Unanticipated MRF equipment maintenance (non-CapEx) expense   |
| 76  | 520324       | SEWER FEES (PROPERTY TAX)                                      | 57,747            | 60,643                       | 60,643                        | 60,351                  | 61,856                        | 1,213                            | 2.0%                               | FF    | Sewer fees paid as part of property tax for Shoreway operation. Potable water meter reading.  |
| 77  |              | SUB SHOREWAY OPERATIONS COST                                   | \$ 34,844,233     | \$ 34,529,270                | \$ 35,196,349                 | \$ 22,991,836           | \$ 35,927,557                 | \$ 1,398,286                     | 4.0%                               |       |   |
| 78  |              | SHOREWAY FIRE RELATED EXPENSES:                                |                   |                              |                               |                         |                               |                                  |                                    |       |   |
| 79  | 522712 MRFS  | OPERATING CONTRACT - SBR - FIRE RELATED                        | \$ -              | \$ -                         | \$ (2,064,723)                |                         |                               |                                  |                                    | FF    | Lost commodity revenue due to down time from fire / offset by insurance reimbursement   |
| 80  | 522712 MRFS  | TRANSLOAD EXPENSE BY SBR FOR SINGLE STREAM                     | -                 | -                            | 871,378                       |                         |                               |                                  |                                    | FF    | Trans load expense by SBR / offset by insurance reimbursement.  |
| 81  | 522712 MRFS  | TRANSPORTATION OF SINGLE STREAM                                | -                 | -                            | 705,780                       |                         |                               |                                  |                                    | FF    | Transportation cost for to single stream customers / offset by insurance reimbursement.   |
| 82  |              | SUB FIRE COST  | \$ -              | \$ -                         | \$ (487,565)                  | \$ -                    | \$ -                          | \$ -                             | 0.0%                               |       |   |
| 83  |              | TOTAL SHOREWAY OPERATION                                       | \$ 34,844,233     | \$ 34,529,270                | \$ 34,708,784                 | \$ 22,991,836           | \$ 35,927,557                 | \$ 1,398,286                     | 4.0%                               |       |   |
| 84  |              | TOTAL OPERATING EXPENSES                                       | \$ 37,272,392     | \$ 37,894,042                | \$ 37,775,004                 | \$ 24,186,379           | \$ 39,470,049                 | \$ 1,576,007                     | 4.2%                               |       |   |
| 85  |              | NON-OPERATING EXPENSES   |                   |                              |                               |                         |                               |                                  |                                    |       |   |
| 86  | 521116       | DEBT SERVICE BOND INTEREST                                     | \$ 2,810,821      | \$ 2,747,908                 | \$ 2,747,908                  | \$ 468,485              | \$ 2,710,169                  | (37,740)                         | -1.4%                              | FF    | Solid Waste Enterprise Revenue Bond interest payments.  |
| 87  | 522702       | FRANCHISE FEE  | 1,649,758         | 1,738,513                    | 1,757,263                     | 1,173,313               | 1,846,710                     | 108,197                          | 6.2%                               | FF    | 5% Franchise fees paid by JPA to the City of San Carlos.(amount changes as Shoreway tip fees change)                                  |
| 88  |              | TOTAL NON-OPERATING EXPENSES                                   | \$ 4,460,579      | \$ 4,486,421                 | \$ 4,505,171                  | \$ 1,641,798            | \$ 4,556,879                  | \$ 70,457                        | 1.6%                               |       |   |
| 89  |              | TOTAL SHOREWAY OPERATING EXPENSES                              | \$ 39,304,812     | \$ 39,015,692                | \$ 39,213,956                 | \$ 24,633,635           | \$ 40,484,435                 | \$ 1,468,744                     | 3.8%                               |       |   |
| 90  |              | TOTAL OPERATING EXPENSES (SBWMA Program + Shoreway Operations) | \$ 41,732,971     | \$ 42,380,463                | \$ 42,280,176                 | \$ 25,828,177           | \$ 44,026,928                 | \$ 1,646,465                     | 3.9%                               |       |   |
|   |              | * We deleted the HHW expenses.                                 |                   |                              |                               |                         |                               |                                  |                                    |       |   |
|   |              |  |                   | \$ 43,063,917                |                               |                         |                               |                                  |                                    |       |   |



## Attachment B: FY17/18 Budget SBWMA Administration & Programs Detailed

### **SBWMA Budget Section: SBWMA ADMINISTRATION**

**Staff Resources:** Joe La Mariana, Executive Director; Farouk Fakira, Finance Manager; and Cyndi Urman, Office Manager/Board Clerk.

**Description:** Provides for overall administrative operations of the agency, including: personnel administration, budget development, financial projections, expense payment processing, fiscal management, Board of Directors administration, customer service, risk management, records retention, and information technology. Budget for these functions is captured under "Administrative Expenses." Key efforts include:

#### ***Budget and Financial Analysis***

- Review the prior year budget to identify budget variances and plan for a mid-year adjustment, if needed.
- Prepare the FY18/19 budget for Board review and approval.
- Prepare two calendar year financial projections to support Shoreway tip fee assumptions and to "test" bond covenant requirements.
- Review existing tipping fees and develop recommended tipping fee adjustments.

#### ***Accounting and Fiscal Management***

- Complete prior year financial audit and calendar year financial statements for bond reporting.
- Maximize use of competitive bidding for technical consulting services particularly for scopes of work exceeding \$25,000.
- Meet bond covenants and reporting requirements as specified in the Indenture to ensure compliance including the two debt coverage ratios.
- Monitor South Bay Recycling (SBR) monthly reporting (per Operations Agreement) of tonnage and review their monthly invoice for accuracy prior to payment.
- Manage monthly cash transfers to/from SBR (per Operations Agreement) for commodity revenue, public revenue, and payments for operations.
- Review and verify SBR's detailed monthly calculation of commodity revenue.
- Manage monthly billings to and payments from Recology for tipping at Shoreway as prescribed in the Member Agency franchise agreements.
- Ensure all procedures are followed and receipts and payments to vendors are supported by proper documentation and made on timely basis.
- Review the Quarterly Investment Report to the Board prepared by the City of San Carlos.
- Renew general insurance policies (property, general liability, EIL, D&O, etc.) and ensure proper coverage is maintained.

#### ***Human Resources***

- Manage the payroll and benefits administration, including managing the annual renewal of employee benefit plans to ensure cost effective and competitive plans.
- Make timely payments to vendors for payroll, retirement plan, and HSA plan.
- Monitor payroll process and ensure timely and accurate payment to employees.

#### ***Board of Directors and Member Agency Services & Administration***

- Maintain the Board of Directors webpage to ensure accurate and up to date information is available.
- Update as needed the website's Board Member portal feature to house information of interest.
- Maintain accurate and up-to-date records for the SBWMA, including Board meeting minutes, resolutions, ordinances and contracts.
- Update as necessary the Board of Directors JPA and Contracts Resources Binder.
- Provide Board Packets to the Board of Directors accurately and on time.
- Manage compliance with record retention and other Board adopted policies.
- Meet with Board Members, particularly any new Board Members, to address questions and concerns and any unique Member Agency needs.

- Respond to Board Members, and Member Agency staff communications in a timely, professional and accurate manner.
- Provide high quality customer service to members of the public that contact the SBWMA, including providing helpful, accurate and timely information.

#### **New FY17/18 Projects/Activities**

- Evaluate the current model used for outsourced HR and payroll administration by a third party and make recommendations for changes, if appropriate.
- Initiate 3-year contract cycles with proven service providers to minimize board touches and administrative redundancies.
- Continue evaluation on all contracts to determine direct alignment with agency goals

### **SBWMA Budget Section: CONTRACT COMPLIANCE AND SUPPORT**

**Staff Resources:** Hilary Gans, Senior Facility & Major Contracts Manager; Farouk Fakira, Finance Manager; Recycling Outreach Manager.

**Description:** Key efforts include:

#### ***Contract Administration***

- Contract administration support for collection services franchise agreements including follow-up on audit findings, financial auditing, contract extension amendments support.
- Continued oversight of SBR's operations per the Shoreway Operations Agreement (see "Shoreway Operations" budget worksheet).
- Management of the annual Member Agency rate review process, including review of the 2018 Recology and SBR compensation applications, and completion of the SBWMA final reports reviewing the Recology and SBR compensation applications and consolidated rate report for 2018.
- Initiate audit work and review of operational data included in the 2018 compensation applications.
- Review 2017 Annual Report from Recology required per the Member Agency franchise agreements.
- Hire contractor to conduct 2017 rate (calendar) year audit of collection services and facility operations reports, tonnage data and customer service systems. This project is conducted annually due to the fiscal impact associated with the self-reported information contained in the company's annual reports and compliance with related performance standards. Implement 2017 rate year audit findings as appropriate.
- Hire contractor to conduct 2017 rate year audit of financial systems (includes Recology's revenue reconciliation) of both contractors to verify financial risks to SBWMA and its Member Agencies. This project is conducted annually as significant ongoing financial transactions are conducted between the companies.
- Implement 2017 audit findings as appropriate and follow up with Recology to ensure progress on implementing audit recommendations.
- Complete two semi-annual load contamination monitoring events as required in the Member Agency's franchise agreements with Recology to ensure that contamination of recycle and compost materials is kept low to maximize commodity revenue.
- Hire a contractor to conduct Recology customer service call center monitoring and evaluation of compliance per the Member Agency's Franchise agreements. This project is conducted annually due to the fiscal impact associated with contractor compliance.
- Provide prompt responses to questions/issues/complaints from the public and Member Agencies regarding their franchise agreements and the collection services. The RethinkWaste phone number is publicized and staff frequently responds to requests from the public.
- Provide prompt responses to questions/issues/complaints that are raised by the public and Member Agencies regarding their use of the Shoreway facility.
- Develop a Member Agency snapshot report for 2017 and make presentations to Member Agency governing bodies upon request.

#### ***Rate Review, Analysis and Projections***

- Complete SBWMA final reports providing a review of the Recology and SBR compensation applications and project the revenue requirement needed for the subsequent rate year which directly results in determining the rates that need to be charged by each Member Agency.
- Provide direction and support to Recology with making changes or improvements to their Annual Compensation Application.

#### **Attachment B – SBWMA Programmatic Detail**

- Analyze the very detailed cost adjustments in the Compensation Applications from Recology and SBR and conduct a detailed review of special issues if needed.
- Prepare financial analysis for projected revenue and total collection and pass-through costs to determine total rate adjustment for each Member Agency.
- Prepare a collection cost variance analysis by detailed cost categories by Member Agency to aid in understanding collection cost changes.
- Support Member Agencies with analysis of rate issues and attend rate hearings or rate related meetings as requested.
- Update 5-year collection cost projection by Member Agency for collection cost components: Recology cost, disposal expense and Member Agency fees.
- Review Recology's Revenue Reconciliation Report. Recology's report is self-reported and is important to determining revenue requirement needed to establish rates for Recology's annual compensation increase.

#### New FY17/18 Projects/Activities

- Provide rate related support to assist Member Agencies with implementing rate changes, aligning rates with costs, and diversion incentives.
- Provide technical support for Member Agencies during their (presumed) negotiation of a Potential Franchise Agreement Extension with Recology.
- Implement a plan to transition rate review functions to an expert rate review expert (2-year plan). Year 1—orient contractor to assume full rate review duties in 2019.
- Evaluate/recommend a potential transition plan to convert Agency financial structure from FY to Calendar Year before December 31, 2020 (end of current Franchise term).

| Budget Expense Detail   | Description of Program for FY17/18  |
|---|---|
| <b>Contract Compliance and Support – Consultant Support</b>   |   |
| Rate Review Support/<br>Transition to contractor              | <ul style="list-style-type: none"> <li>• Rate analysis and support for MA including outside support \$70,000 (same as LY). Includes evaluation/selection of 3<sup>rd</sup> party industry rate expert to take on entire rate review process in 2019 and beyond. Year one involves “shadowing” Agency’s Financial Manager. Year Two will involve complete transfer of all rate review tasks.</li> </ul>  |
| Facility Improvement<br>Oversight                             | <ul style="list-style-type: none"> <li>• Information to follow</li> </ul>   |
| Contract Management<br>Support                                | <ul style="list-style-type: none"> <li>• Annual financial audit of Recology to review distribution of franchise and other fees to MA, annual revenue reconciliation (\$40,000).</li> <li>• Limited route auditing related to Annual Route Assessments (\$15,000).</li> </ul>  |
| Collection Services<br>Franchise<br>Administration            | <ul style="list-style-type: none"> <li>• Support MA with Franchise contract compliance including: auditing Recology’s reporting systems and customer service functions (\$40,000)</li> <li>• Follow-up analysis of operational and cost assessment of collection services operations (\$25,000).</li> <li>• Consultant and outside counsel support for franchise agreements process to support member agencies with their Recology negotiations (\$100,000).</li> </ul> |
| Franchise Agreement<br>Negotiations—<br>Member Agency support | <ul style="list-style-type: none"> <li>• Supplemental Franchise Agreement extension negotiations analysis and support (\$35,000).</li> </ul>  |

## **SBWMA Budget Section: RECYCLING PROGRAM COMPLIANCE & OUTREACH**

**Staff Resources:** Recycling and Sustainability Programs Manager (Vacant).

**Description:** Staff services provided to ensure compliance with state-mandated waste reduction, recycling and reporting requirements per AB939, AB341, and AB1826 include: Development and implementation of public education and outreach strategies to promote residential and commercial waste reduction and recycling collection programs and services; oversight of Collection services for Member Agencies; compliance with annual reporting required; and implement Long Range Plan projects. Key efforts include:

### ***Public Education and Outreach***

- Develop, implement Pub Ed program to divert Lithium Ion Batteries away from MRF
- Develop, implement Pub Ed program to promote County's HHW drop-off events within SBWMA Service area.
- Collaborate with BAYROC (Regional Advertising collaborative of governmental agencies) to promote environmental diversion goals.
- Work with Peninsula TV and Recology to create series of "day in the life"
- Develop, implement and manage new AB1826 and ongoing AB341 outreach activities, including producing and distributing brochures, inserts and letters of non-compliance for Member Agency and Recology use.
- SBWMA cost effectively manages on behalf of all Member Agencies public education efforts for mandatory commercial recycling law AB341, commercial organics collection AB1826 and AB 1383 Organics diversion from landfills.
- Develop, submit and manage with Recology a Public Education Plan including an evaluation of most cost-effective ongoing outreach activities and tools.
- Promote residential collection services through three *Rethinker* newsletters, five bill inserts and events in collaboration with Recology.
- Develop and implement outreach for CartSMART (residential) and BizSMART (commercial) collection services to meet specific community needs.
- Promote HHW Collection programs to all twelve Member Agencies.
- Measure the effectiveness of ongoing outreach tools and determine if modifications or improvements are needed or if different tools are required.
- Conduct the annual BizSMART@Work Awards program to recognize businesses and multi-family complexes for their recycling efforts.
- Provide compost giveaways and shred & E-scrap recycling events with Recology.
- Provide three seasonal compost giveaway events to be held at Shoreway.

### ***Recycling (Diversion Programs)***

- Implementation of commercial recycling reporting ordinance to gain awareness of recycling activity carried out by the private sector.
- Implement ongoing outreach to multi-family in coordination with Recology.
- Manage the annual audit of Recology's performance – the self-reported data has financial and performance standards impacts.
- Develop/expand education and diversion programs that are targeted to MFDs

### ***New FY17/18 Projects/Activities***

#### ***Long Range Plan***

- Implementation of public space recycling project to increase convenient and cost-effective recycling in public spaces (e.g., parks).
- Develop and implement the Enhanced Residential Public Education and Outreach Pilot Program
- Develop and implement a sector-specific focused Commercial Recycling Outreach Pilot Program targeting businesses
- Implement the Commercial Recycling Subscription & Participation Compliance Status Report and Commercial Recycling Outreach Program
- Implement an in-schools recycling and environmental education enhancement Program.
- Completion of financial and technical validation of Shoreway Transfer Station expansion and waste processing system to recover organics materials and other recyclables from residential and commercial solid waste
- Complete research and start implementation of pilots recommended by Zero Landfill workgroup

Attachment B – SBWMA Programmatic Detail

| Budget Expense Category   | Description of Program for FY16/17   |
|---|--|
| <b>Recycling Outreach and Programs – Mandated Compliance (AB 939; AB 341: 1826: AB 1383 and others)</b> |  |
| CalRecycle Annual Report  | <ul style="list-style-type: none"> <li>SBWMA annually submits State mandated annual reports for Member Agencies to comply with AB 939. (\$28,000)</li> </ul>   |
| SBWMA Annual Report   | <ul style="list-style-type: none"> <li>Agency annual report that provides a snapshot of key metrics and milestones for the prior year. (\$5,000).</li> </ul>   |
| Diversion Program Support   | <ul style="list-style-type: none"> <li>MA assistance with diversion related programs as needed; implementation of Public Spaces Recycling project an opportunity to recycle at parks and other public spaces and provide Member Agency assistance with as needed. (\$45,000).</li> </ul>   |
| Recycling Reporting Ordinance   | <ul style="list-style-type: none"> <li>Continue implementation of the Commercial Recycling Reporting Ordinance to collect diversion data that is currently unavailable.</li> </ul>   |
| Event Giveaways   | <ul style="list-style-type: none"> <li>Promote the various programs and services at Member Agency community events, primarily held in the spring and summer and include educational and promotional items as giveaways. (\$1,500).</li> </ul>  |
| Long Range Plan / Zero Landfill Workgroup   | <ul style="list-style-type: none"> <li><b>Long Range Plan &amp; Zero Landfill Workgroup Projects (\$355,000)</b> <ul style="list-style-type: none"> <li>In-School Education &amp; Technical Assistance Program (w/two Fellows)</li> <li>Enhanced Residential Recycling Outreach</li> <li>Commercial Subscription and Participation Compliance Reporting</li> <li>Enhanced Commercial Recycling Outreach</li> <li>Commercial Focused Outreach</li> <li>Stakeholder engagement process on education and outreach project</li> <li>Residential and Commercial Mixed Waste Processing system project development</li> <li>Recology administration building design assessment</li> <li>Zero Landfill Working Group research on policy and technology options</li> </ul> </li> </ul> |
| Large Event/Venue Consulting  | <ul style="list-style-type: none"> <li>Staff is in the process of repurposing one trailer for collection of niche/reusable items at events. Staff is also considering repurposing the second trailer as a mobile education trailer to be used at community events. Will be exploring grant funding opportunities. (\$7,500).</li> </ul>  |
| Large Event Recycling Services  | <ul style="list-style-type: none"> <li>Use of trailers limited compared to prior years – expense not anticipated (\$0).</li> </ul>   |
| Climate Change Reporting  | <ul style="list-style-type: none"> <li>Staff reports GHG emissions for the SBWMA office and Shoreway Environmental Center, and is assisting with SBR's annual reporting framework, both through The Climate Registry (\$27,000).</li> </ul>  |
| Commercial Recycling Assistance   | <ul style="list-style-type: none"> <li>Collection services assessment and research to confirm utilization of services and commercial recycling outreach effectiveness (\$20,000);</li> <li>AB 341 &amp; 1826 outreach and education to commercial/MFD sector (\$30,000).</li> <li>Conduct annual Business Awards Program recognizing businesses for their 2015 diversion efforts (\$10,000).</li> <li>Maintain commercial Toolkit with Recology (\$20,000).</li> </ul>   |
| Commercial/MFD Containers   | <ul style="list-style-type: none"> <li>Purchase internal containers for commercial and multi-family dwelling customers eg. Buddy Bags(\$20,000) &amp; MA containers (\$20,000).</li> </ul>   |
| C&D Recycling Program   | Develop an SBWMA list of certified C&D processors based on physical audits conducted by other jurisdictions and provide permit counter and related assistance to increase C&D recycling to Member Agencies upon request.   |

|                                      |  |
|--------------------------------------|--|
| <b>Multi-Family Outreach</b>         | <ul style="list-style-type: none"> <li>• AB 341 &amp; 1826 outreach and education to the commercial/MFD sector (\$10,000).</li> <li>• Provide outreach materials in the form of the toolkit to Recology (\$20,000).</li> <li>• Subscriptions to Recology MFD batteries/cell phones collection service through targeted outreach pieces and strategies (\$10,000).</li> <li>• Conduct the annual Multi-Family Awards Program recognizing multi-family complexes for their 2014 diversion efforts (\$10,000).</li> </ul>         |
| <b>Rethinker Newsletter</b>          | Reactive <i>Rethinker</i> newsletter program to single family and multi-family residents published 3 times per year. (Development of the newsletter content and layout (\$20,000). Printing and mailing/insertion of 3 issues (\$90,000).  |
| <b>Residential Outreach Programs</b> | <ul style="list-style-type: none"> <li>• Pub Ed awareness program for Lithium Ion battery diversion programs (\$80,000)</li> <li>• Outreach support/maintenance for existing collection programs through brochures, posters, flyers (\$70,000).</li> <li>• Update annual residential Service Notice that will provide key program and services related information (\$12,000).</li> <li>• RethinkWaste website and social media outreach, includes maintenance and updates to keep current and relevant (\$15,000).</li> </ul> |
| <b>Community Events</b>              | <ul style="list-style-type: none"> <li>• Promotion of Community Events, including compost giveaway and shred/e-scrap events, and coats for kids (\$2,000).</li> <li>• Provide outreach materials for three seasonal compost and mulch giveaway events to be held at Shoreway (\$3,000).</li> </ul>   |
| <b>HHW Drop-off Events Outreach</b>  | <ul style="list-style-type: none"> <li>• Produce and mail two postcards (fall/spring) to promote the County's HHW drop off events that are held in SBWMA service area. (\$80,000).</li> </ul>  |
| <b>Electronics Collection Events</b> | <ul style="list-style-type: none"> <li>• SBWMA is responsible for assisting Member Agencies with promotion of the E-Scrap and shred events (\$0). Now included in Community Events</li> </ul>  |

## **SWMA Budget Section: COLLECTION OPERATIONS & HHW**

**Staff Resources:** Recycling & Sustainability Programs Manager (Vacant)

**Description:** Staff services provided to ensure compliance with state-mandated Universal Waste regulations through HHW services and household batteries and cell phone collection services provided by Recology. Key efforts include:

- Implement additional public education and outreach to increase participation in the County's Door-to-Door HHW events in the SBWMA service area.
- Continue and expand public education and outreach to increase participation in Recology's franchised recycling collection services with specific emphasis on increasing the collection of cell phones and batteries from the Multi-Family Dwelling sector which includes approximately 3,800 customers and 41,000 residential living units.
- Evaluate possible future options for responsible HHW handling for SBWMA ratepayers

**New FY16/17 Projects/Activities:** None.

| Budget Expense Line          | Description of Program for FY17/18   |
|------------------------------|--|
| <b>HHW Drop-off Services</b> | <ul style="list-style-type: none"> <li>• Work Collaboratively with the County's HHW program to promote responsible handling and disposal of HHW materials. Will promote events with semi-annual postcards and social media (\$80,000)</li> </ul> |
| <b>Shred Event Services</b>  | <ul style="list-style-type: none"> <li>• Expenses to pay vendor for shred services at events.</li> </ul>   |

Attachment B – SBWMA Programmatic Detail

## **SBWMA Budget Section: SHOREWAY OPERATIONS**

**Staff Resources:** Hilary Gans, Senior Facility and Contracts Manager; Farouk Fakira, Finance Manager; Faustina Mututa, Environmental Education Programs Manager; Madison Guzman, Environmental Education Associate.

**Description:** Includes SBWMA staff activities regarding Shoreway operations including: oversight of SBR operations and contract compliance and management of financial transactions relating to SBR; Shoreway facility capital repairs and maintenance; education center operations (staff wages and benefits are included in the Administration portion of the budget); management of disposal and processing contracts, including review and payment of invoices; facility insurance; and billing Recology for tons delivered to Shoreway.

### ***Contract Administration***

- Continued operational oversight and contract compliance of MRF, transfer station, and transportation operations performed by SBR.
- Ongoing management of third party recycling and disposal contracts for solid waste, organics, and C&D.
- Manage organics processing contracts to meet operational, financial and environmental requirements.
- Oversee third party tonnage and host fee payment for third-party tons used to generate additional agency income and lower Shoreway operating costs.

### ***Management of Facility Infrastructure and Improvements***

- Ongoing management of Shoreway Facility capital and maintenance projects at or below budget.

### ***Tour Program***

- Conduct the Shoreway schools and public tours program and meet goals to increase tour number of visitors 5% over prior year.
- Conduct onsite community events to promote resource conservation including the following: Earth Day and America Recycles Day events at Shoreway; Recycled Art and Poster contest; School compost donation program; and Night at Shoreway two times per year.

### **New FY17/18 Projects/Activities**

- Develop, implement an In-School Education and Technical Assistance Pilot.
- Completion of designs for a Shoreway transfer station processing system to recover organics materials and other recyclables.
- Complete a Disaster and Emergency Management Plan analyzing Shoreway's structures and operations.
- Develop and implement a storm water mitigation plan for the Shoreway.

| Budget Expense Line                  | Description of Program for FY17/18   |
|--------------------------------------|--|
| <b>Shoreway Operations</b>           |  |
| <b>Operator Compensation</b>         | <ul style="list-style-type: none"> <li>• Contractually required payments (per ton and/or per ton mile rates) by SBWMA to SBR to operate the MRF and Public Recycling Center, scale house and Transfer Station, and transport materials for disposal and processing.</li> <li>• Reimbursement of pass-through costs for supplemental processing fees, buyback payments, U-waste disposal, compost backhaul charges, etc.).</li> </ul> |
| <b>Disposal and Processing Costs</b> | <ul style="list-style-type: none"> <li>• Tipping fees paid by SBWMA to third party vendors for disposal and processing for composting.</li> <li>• Contract rate change calculations and monitoring include per ton rates subject to annual CPI adjustments.</li> </ul>   |
| <b>Insurance Shoreway</b>            | <ul style="list-style-type: none"> <li>• Annual insurance premiums paid by SBWMA for Shoreway property and liability insurance, excluding Director's and Officer's insurance which is shown in a line item under Administrative expense.</li> </ul>  |

|  |  |
|--|--|
| <b>Shoreway Facility Cost</b>                              | <ul style="list-style-type: none"> <li>• Non capital related expenses to maintain the 16-acre Shoreway Environmental Center, including nearly 300,000 square feet of building space and \$20 million in equipment owned by SBWMA.</li> </ul>   |
| <b>Education Center Operations</b>                         | <ul style="list-style-type: none"> <li>• Non labor related expenses to manage Shoreway facility school and public visitor tour program (includes busing assistance, Trash to Art Contest, Earth Day event and America Recycles Day events, compost donations to schools, safety equipment and supplies, and outreach materials.</li> </ul> |
| <b>Maintenance – Ox Mountain Tipper</b>                    | <ul style="list-style-type: none"> <li>• Maintenance expenses associated with tipper owned by SBWMA, but operated by Republic at their Ox Mtn. landfill.</li> </ul>  |
| <b>Install paper shredder and styrofoam Densifier unit</b> | <ul style="list-style-type: none"> <li>• More information to follow</li> </ul>   |
| <b>Shoreway MRF Equipment Maintenance &gt;10k</b>          | <ul style="list-style-type: none"> <li>• Unplanned MRF equipment repairs greater than \$10k are the responsibility of JPA per the Operations Agreement with SBR.</li> </ul>  |
| <b>Taxes (sewer)</b>                                       | <ul style="list-style-type: none"> <li>• Sewer fees paid to the City of San Carlos.</li> </ul>   |
| <b>Shoreway Other</b>                                      |  |
| <b>Debt Service Bond Interest</b>                          | <ul style="list-style-type: none"> <li>• Annual interest payments on the 2009A Solid Waste Enterprise Revenue Bonds of \$53.5 million.</li> </ul>  |
| <b>Franchise Fee</b>                                       | <ul style="list-style-type: none"> <li>• Review and pay fee to San Carlos 5% of gate (tipping) fee revenue (but not on commodity revenues).</li> </ul>   |

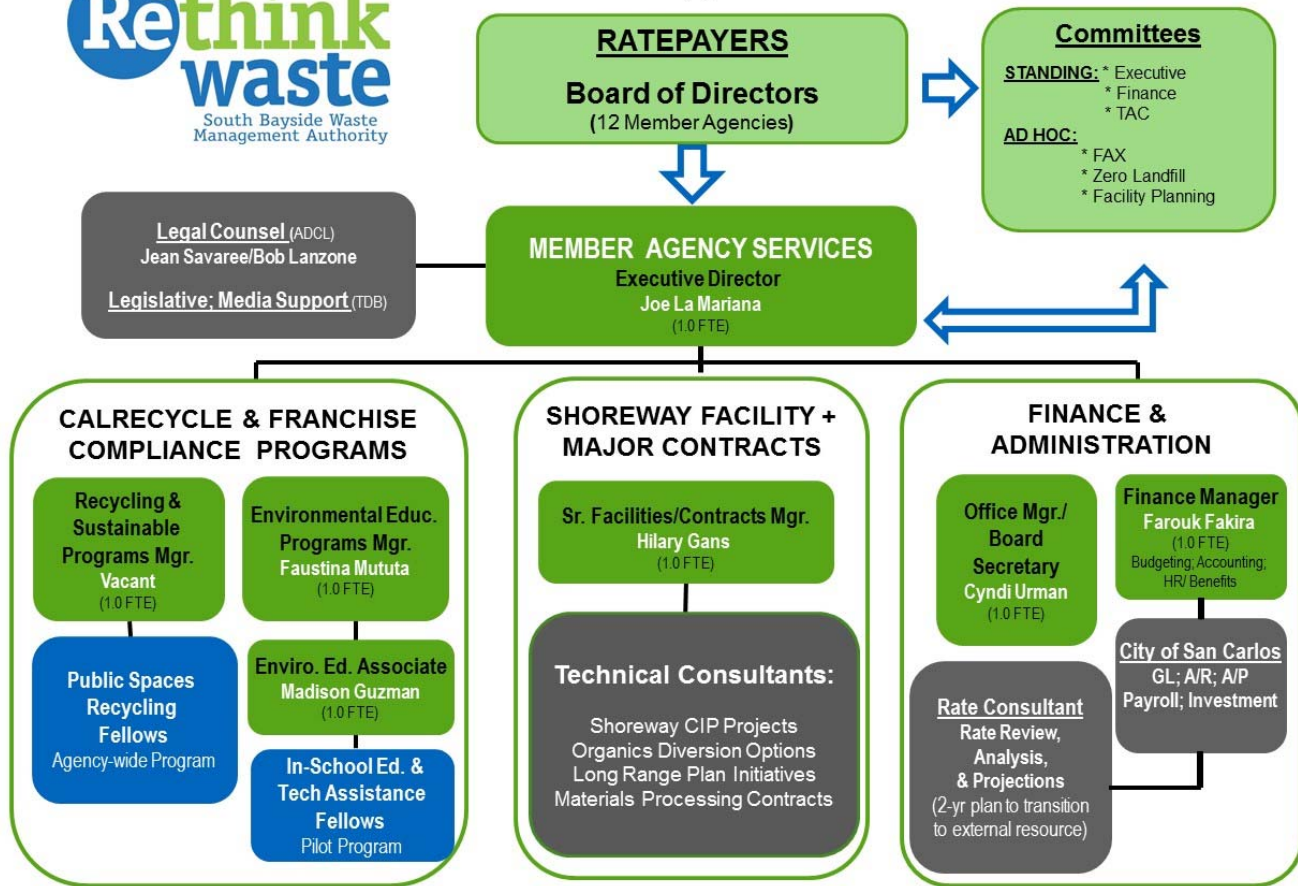


**ATTACHMENT C: Administrative Staff Organization Chart/Personnel Summary for FY17/18**



**SBWMA Organization Chart**

July 1, 2017



Green = SBWMA staff = 7.0 FTE    Grey = Consultants/Shared Services    Blue = Fellows (Ltd. Term) = 2-4 FTE

**FY17/18 Proposed Staffing**

There is one reduction in headcount from FY 16/17 (Recycling Programs Mgr.). NOTE: With the anticipated renewal of the Franchise Agreement, a staff assessment will determine if the currently reduced 1.0 FTE should be reactivated in FY 18/19.

| <u>Staff:</u>                               | <u>FY 16/17</u> | <u>FY17/18</u> |
|---|-----------------|----------------|
| Executive Director                          | 1.0             | 1.0            |
| Senior Facility & Contracts Manager*        | 1.0             | 1.0            |
| Finance Manager                             | 1.0             | 1.0            |
| Recycling & Sustainability Programs Manager | 1.0             | 1.0            |
| <b>Recycling Programs Manager**</b>         | <b>1.0</b>      | <b>0.0</b>     |
| Board Secretary/Office Manager              | 1.0             | 1.0            |
| Environmental Education Coordinator***      | 1.0             | 1.0            |
| <u>Environmental Education Associate</u>    | <u>1.0</u>      | <u>1.0</u>     |
| <b>Total Agency Staff:</b>                  | <b>8.0</b>      | <b>7.0</b>     |

\*Previous position title: Facilities Operations & Contracts Manager

\*\*Previous position title: Environmental Education Coordinator

\*\*\* Previous position was contract employee employed by Local Government Services

## Salary Ranges

The salary ranges for the Staff Positions are presented below for FY17/18. A salary survey was conducted in April 2016. Two positions were recently reclassified. A salary survey will be conducted for the Environmental Education Programs Manager and Office Manager/Board Secretary positions during Q1 of FY 17/18.

| <u>Position</u>                             | <u>Current Salary Range/Year</u> |
|---|----------------------------------|
| Executive Director                          | N/A                              |
| Senior Facility & Contract Manager          | \$133,249 - \$166,117            |
| Finance Manager                             | \$112,196 - \$140,245            |
| Recycling & Sustainability Programs Manager | \$100,976 - \$126,220            |
| Office Manager/Board Secretary              | \$59,659 - \$74,573              |
| Environmental Education Programs Manager*   | \$65,267 - \$81,580              |
| Environmental Education Associate           | \$52,208 - \$65,250              |

## Budget Assumptions for Merit Increases

A merit increase pool of 3.0% of wages is assumed for all positions within the current salary ranges. Actual merit increases are awarded by the Executive Director on a calendar year basis per the Board adopted Compensation Policy. The Board will separately consider and approve or not the actual merit increase pool for calendar year 2018.

## Employee Benefits

No proposed changes in the employee benefit plans. Total benefit expense as percent of base compensation is estimated at 35.7% for FY17/18. A summary of the current benefits is as follows:

***Deferred Compensation (Retirement):*** SBWMA has adopted a self-directed retirement plan under Section 401(a) of the Internal Revenue Service Code to which the Employer contributes an amount equal to 10 percent of the employee's base salary. The plan is with John Hancock which holds all of the employee accounts. The employee vests in the 401(a) retirement plan immediately. SBWMA also has a 457b plan into which employees can voluntarily contribute. SBWMA matches the first 2% of employee contributions.

Employees may join both plans on the first of the month following the date of hire. The contribution amounts are subject to IRS limitations.

SBWMA does not participate in the federal Social Security system which would cost 6.2% of salary up to the statutory limit of \$117,000.

### ***Group Health Insurance – General:***

SBWMA strives to offer group insured plans for medical, dental, vision, life insurance, and long term disability insurance for the benefit of the employee and his/her family that are competitive with similar industry benefits. The health insurance is brokered through Arrow Benefits Group.

### ***Medical insurance:***

The SBWMA currently offers a high deductible HSA medical plan with United Health Care for employees and their families. There is a 20% copay after the deductible has been met for most services. Currently, four employees participate in the plan and three employees have opted out. The premium is age based – the average premium is \$1,078 per month plus the HSA average contribution of \$417 per month per employee.

***Dental insurance:***

Dental insurance is provided by Guardian Insurance for employees and their families. Basic care is covered 100% and major care (crowns, dentures) is covered at 60% up to the maximum annual benefit of \$1,500. The average monthly premium per employee is \$200.

***Vision Plan:***

Vision insurance is provided by Guardian Insurance for employees and their families. A \$10 copay applies to most services. Frames are covered up to \$120 once per year. The average monthly premium per employee is \$45.

***Life Insurance:***

Term life insurance is provided by Guardian the employee is provided at 100% of salary up to \$200,000. The average monthly premium per employee is \$96.

***HR and Payroll Support:***

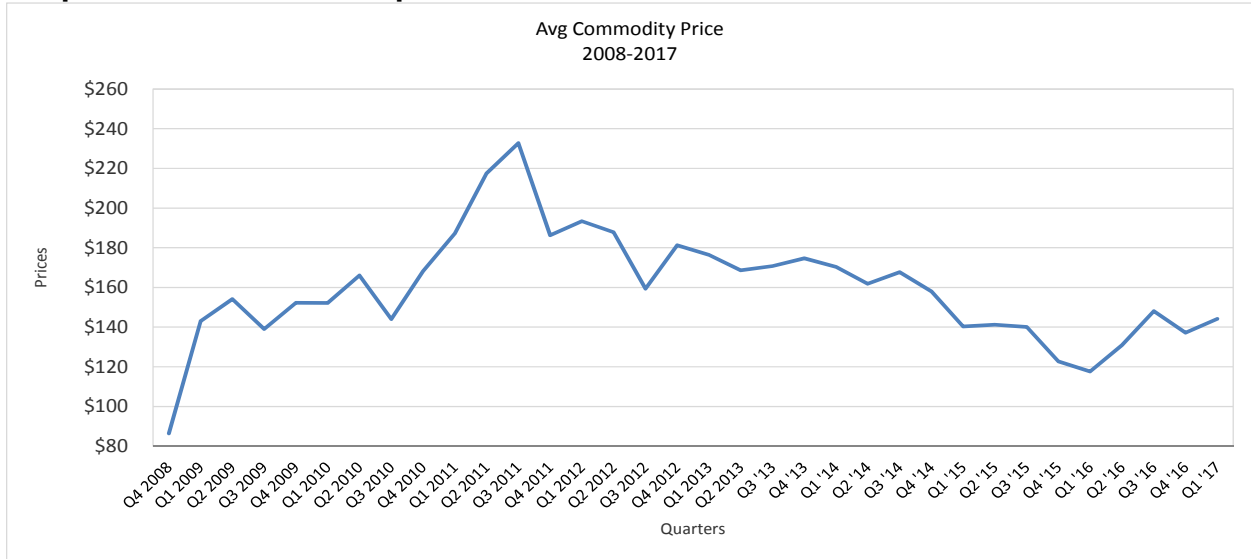
The SBWMA contracts with *Modern HR*, a third party professional employment organization for the following scope of work:

- (a) As needed, support for human resources issues including, but not limited to, hiring, firing and discipline.
- (b) As needed, support for compliance with federal, state and local laws and ordinances regarding employment.
- (c) As agreed upon, consult on various Client projects.
- (d) Provide payroll and payroll tax filing services.
- (e) Workers' Compensation insurance.

We pay \$112 /month per employee for their services.

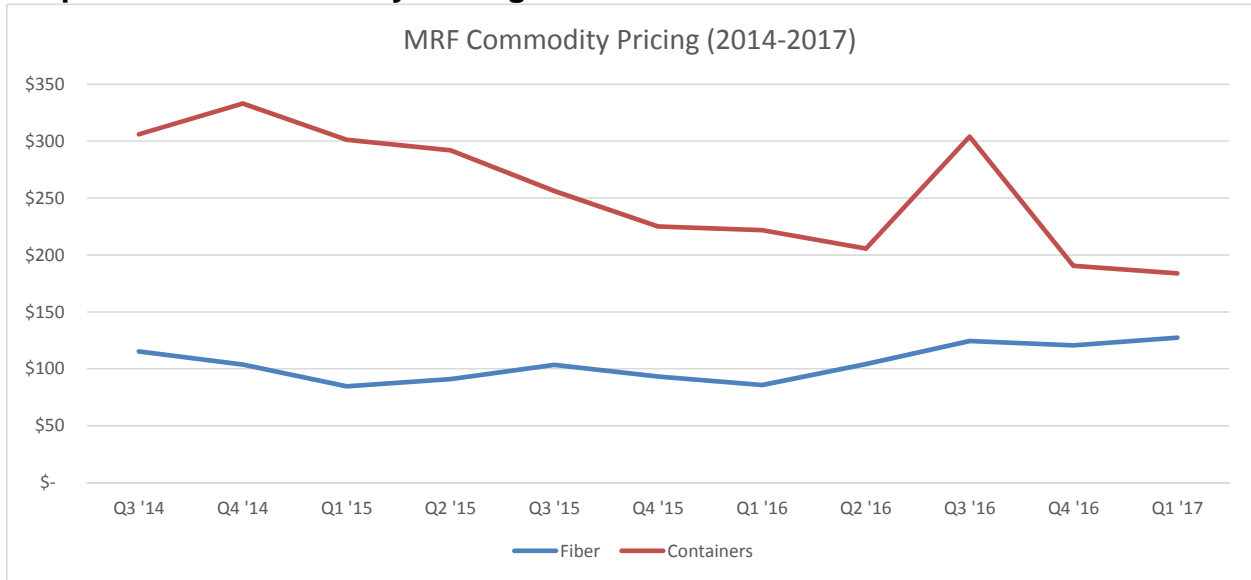
# Attachment D. Commodity Price Information

## Graph 1 - Price Trend Graph



Source: SBR – Actual through March, 2017.

## Graph 2 - MRF Commodity Pricing



Attachment E - FY17/18 Budget Support Files (tonnage & rate calculations)

Update: February 2017  
Summary Tables

Table 1

|                                   |        | FY16/17<br>Adopted Budget | FY16/17<br>Mid-Year<br>Projections | FY17/18<br>Proposed<br>Budget | FY18 vs. FY17<br>Adopted Budget | %              |
|-----------------------------------|--------|---------------------------|------------------------------------|-------------------------------|---------------------------------|----------------|
| <b>Total TS Tonnage and Yards</b> |        |                           |                                    |                               |                                 |                |
| <b>Franchise tons</b>             |        |                           |                                    |                               |                                 |                |
| SBWMA Solid Waste                 | tons   | 182,358                   | 182,547                            | 182,408                       | 50                              | 0.03%          |
| SBWMA Organics                    | tons   | 98,399                    | 102,228                            | 101,233                       | 2,834                           | 2.88%          |
| SBWMA Food Waste                  | tons   | 0                         | 0                                  | -                             | -                               | 0.00%          |
| SBWMA Dirt, Inert, Other          | tons   | 4,563                     | 5,063                              | 4,209                         | (355)                           | -7.78%         |
| <b>Sub-total Franchise</b>        |        | <b>285,320</b>            | <b>289,838</b>                     | <b>287,849</b>                | <b>2,529</b>                    | <b>0.89%</b>   |
| <b>Public tons</b>                |        |                           |                                    |                               |                                 |                |
| Non-SBWMA SW                      | tons   | 816                       | 816                                | 1,888                         | 1,073                           | 131.48%        |
| Non-SBWMA Scrap                   | tons   | 167                       | 167                                | 326                           | 159                             | 95.51%         |
| Non-SBWMA FOOD                    | tons   | 0                         | 0                                  | 870                           | 870                             | 0.00%          |
| Non-SBWMA C&D                     | tons   | 1,680                     | 1,680                              | 4,181                         | 2,501                           | 148.81%        |
| Non-SBWMA ORGANIC                 | tons   | 1                         | 1                                  | 33                            | 32                              | 2131.45%       |
| Non-SBWMA Asphalt Roofing         | tons   | 0                         | 0                                  | 1,228                         | 1,228                           | 0.00%          |
| Non-SBWMA Clean Wood              | tons   | 0                         | 0                                  | 82                            | 82                              | 0.00%          |
| <b>Public Weighed Dirt</b>        |        | <b>7,000</b>              | <b>7,000</b>                       | <b>4,449</b>                  | <b>(2,551)</b>                  | <b>-36.44%</b> |
| <b>Total Tons</b>                 |        | <b>294,985</b>            | <b>299,503</b>                     | <b>300,908</b>                | <b>5,922</b>                    | <b>2.01%</b>   |
| <b>Public C/Yds.</b>              |        |                           |                                    |                               |                                 |                |
| Public Solid Waste Yards          | C/Yds. | 63,599                    | 62,829                             | 61,726                        | (1,873)                         | -2.95%         |
| Public Green Waste Yards          | C/Yds. | 52,583                    | 40,867                             | 42,898                        | (9,684)                         | -18.42%        |
| Public C&D                        | C/Yds  | 82,923                    | 90,635                             | 87,608                        | 4,685                           | 5.65%          |
| <b>Total Yards</b>                |        | <b>199,105</b>            | <b>194,331</b>                     | <b>192,232</b>                | <b>(6,873)</b>                  | <b>-3.45%</b>  |

Table 2

|   |  | FY16/17<br>Adopted Budget | FY16/17<br>Mid-Year<br>Projections | FY17/18<br>Proposed<br>Budget | FY18 vs. FY17<br>Adopted Budget | %             |
|---|--|---------------------------|------------------------------------|-------------------------------|---------------------------------|---------------|
| <b>TIP FEE REVENUE</b>  |  |                           |                                    |                               |                                 |               |
| <b>Franchise</b>  |  |                           |                                    |                               |                                 |               |
| Tons  |  | 285,320                   | 289,838                            | 287,849                       | 2,529                           | 0.9%          |
| Wtd Avg. Tip Fee  |  | \$ 94.37                  | \$ 97.96                           | \$ 65.37                      | \$ (29.00)                      | -30.7%        |
| Franchise Revenue   |  | \$ 26,924,354             | \$ 28,393,108                      | \$ 18,816,269                 | \$ (8,108,085)                  | -30.1%        |
| <b>Public</b>   |  |                           |                                    |                               |                                 |               |
| Tons  |  | 9,665                     | 9,665                              | 13,058                        | 3,393                           | 35.1%         |
| C/Yards   |  | 199,105                   | 194,331                            | 192,232                       | (6,873)                         | -3.5%         |
| Public Revenue Tons   |  |                           |                                    |                               |                                 |               |
| Wtd Avg. Tip Fee Tons   |  | \$ 90.10                  | \$ 90.10                           | \$ 101.47                     | \$ 11.37                        | 12.6%         |
| Wtd Avg. Tip Fee C/YDS  |  | \$ 36.38                  | \$ 36.89                           | \$ 38.32                      | \$ 1.94                         | 5.3%          |
| Public Revenue Tons   |  | \$ 870,790                | \$ 870,790                         | \$ 1,324,957                  | \$ 454,167                      | 52.2%         |
| Public Revenue C/YDS  |  | \$ 7,244,146              | \$ 7,168,158                       | \$ 7,366,342                  | \$ 122,195                      | 1.7%          |
| Public Revenue  |  | \$ 7,720,588              | \$ 8,114,936                       | \$ 5,823,290                  | \$ (1,897,298)                  | -24.6%        |
| <b>Total Tip Fee Revenue</b>  |  | <b>\$ 34,644,942</b>      | <b>\$ 36,508,044</b>               | <b>\$ 24,639,559</b>          | <b>\$ (10,005,383)</b>          | <b>-28.9%</b> |
| <b>TIP FEE REVENUE - PRICE &amp; VOLUME DETAIL</b>                    |  |                           |                                    |                               |                                 |               |
|   |  | Volume                    | Price                              |                               | Total                           |               |
| <b>Franchise</b>  |  |                           |                                    |                               |                                 |               |
| Volume Variance   |  | 2,529                     | \$ 94.37                           |                               | \$ 238,647                      |               |
| Price Variance  |  | 287,849                   | \$ (29.00)                         |                               | (8,346,732)                     |               |
| <b>Total Change</b>   |  |                           |                                    |                               | <b>\$ (8,108,085)</b>           |               |
| <i>Note: Franchise rates were lowered from the budget assumptions</i> |  |                           |                                    |                               |                                 |               |
| <b>Public</b>   |  |                           |                                    |                               |                                 |               |
| Volume Variance Tons  |  | 3,393                     | \$ 90.10                           |                               | \$ 305,730                      |               |
| Volume Variance C/YDS   |  | (6,873)                   | \$ 36.38                           |                               | (250,068)                       |               |
| Price Variance Tons   |  | 13,058                    | \$ 11.37                           |                               | 148,437                         |               |
| Price Variance C/YDS  |  | 192,232                   | \$ 1.94                            |                               | 372,264                         |               |
| <b>Total Change</b>   |  |                           |                                    |                               | <b>\$ 576,362</b>               |               |

Table 3

|                              | FY16/17<br>Adopted Budget | FY16/17<br>Mid-Year<br>Projections | FY17/18<br>Proposed<br>Budget | FY18 vs. FY17<br>Adopted Budget | %             |
|------------------------------|---------------------------|------------------------------------|-------------------------------|---------------------------------|---------------|
| <b>COMMODITY REVENUE</b>     |                           |                                    |                               |                                 |               |
| Tons Sold                    | 71,336                    | 48,850                             | 70,869                        | (466)                           | -0.7%         |
| Wtd Avg. Price               | \$ 127.75                 | \$ 175.34                          | \$ 49.26                      | \$ (78.49)                      | -61.4%        |
| <b>Gross Revenue</b>         | <b>\$ 9,112,974</b>       | <b>\$ 8,565,216</b>                | <b>\$ 3,491,126</b>           | <b>\$ (5,621,848)</b>           | <b>-61.7%</b> |
| Revenue Share w/ SBR         | \$ (1,076,765)            | \$ (825,285)                       | \$ (435,897)                  | \$ 640,868                      | -59.5%        |
| Buyback Payments             | (879,726)                 | (796,519)                          | (468,894)                     | 410,831                         | -46.7%        |
| <b>Net Commodity Revenue</b> | <b>\$ 7,156,483</b>       | <b>\$ 6,943,411</b>                | <b>\$ 2,586,334</b>           | <b>\$ (4,570,149)</b>           | <b>-63.9%</b> |
| <b>Price / Volume Impact</b> |                           |                                    |                               |                                 |               |
|                              |                           | Price                              | Volume                        | Total                           |               |
| Tonnage Change               |                           | \$ 127.75                          | (466)                         | \$ (59,552)                     |               |
| Price Change                 |                           | \$ (78.49)                         | 70,869                        | (5,562,295)                     |               |
| <b>Total Change (Gross)</b>  |                           |                                    |                               | <b>\$ (5,621,848)</b>           |               |

Table 4

## SBR Operating Expense

| <b>SBR OPERATING EXPENSE</b>             |                           |                                    |                               |                                 |               |
|--|---------------------------|------------------------------------|-------------------------------|---------------------------------|---------------|
|  | FY16/17<br>Adopted Budget | FY16/17<br>Mid-Year<br>Projections | FY17/18<br>Proposed<br>Budget | FY18 vs. FY17<br>Adopted Budget | %             |
| <b>a. Summary</b>                        |                           |                                    |                               |                                 |               |
| MRF                                      | \$ 6,447,162              | \$ 6,497,845                       | \$ 6,940,933                  | \$ 493,771                      | 7.7%          |
| Transfer Station                         | 4,655,284                 | 4,715,671                          | 4,736,799                     | 81,515                          | 1.8%          |
| Transportation                           | 7,172,876                 | 7,266,145                          | 7,144,512                     | (28,365)                        | -0.4%         |
| MRF Cost Saving Due To Fire              | -                         | (2,064,723)                        | -                             | -                               | 0.0%          |
| Single stream transload & transportation | -                         | 1,577,158                          | -                             | -                               | 0.0%          |
| Interest                                 | 148,305                   | 148,305                            | 114,270                       | (34,036)                        | -22.9%        |
| <b>TOTAL SBR EXPENSE</b>                 | <b>\$ 18,423,627</b>      | <b>\$ 18,140,400</b>               | <b>\$ 18,936,513</b>          | <b>\$ 512,886</b>               | <b>2.8%</b>   |
| <b>b. SBR Expense Detail</b>             |                           |                                    |                               |                                 |               |
| <b>MRF</b>                               |                           |                                    |                               |                                 |               |
| Tons, net                                | 71,336                    | 48,850                             | 70,869                        | (466)                           | -0.7%         |
| Rate                                     | \$ 90.38                  | \$ 90.75                           | \$ 97.94                      | \$ 7.56                         | 8.4%          |
| Expense                                  | \$ 6,447,162              | \$ 4,433,122                       | \$ 6,940,933                  | \$ 493,771                      | 7.7%          |
| <b>Transfer Station</b>                  |                           |                                    |                               |                                 |               |
| Tons                                     | 359,905                   | 364,641                            | 363,382                       | 3,478                           | 1.0%          |
| Rate                                     | \$ 12.93                  | \$ 12.93                           | \$ 13.04                      | \$ 0.10                         | 0.8%          |
| Expense                                  | \$ 4,655,284              | \$ 4,715,671                       | \$ 4,736,799                  | \$ 81,515                       | 1.8%          |
| <b>Transportation</b>                    |                           |                                    |                               |                                 |               |
| Tons                                     | 359,905                   | 364,641                            | 363,382                       | 3,478                           | 1.0%          |
| Wtd. Avg. Rate                           | \$ 19.93                  | \$ 19.93                           | \$ 19.66                      | \$ (0.27)                       | -1.3%         |
| Expense                                  | \$ 7,172,876              | \$ 7,266,145                       | \$ 7,144,512                  | \$ (28,365)                     | -0.4%         |
| Single stream transload & transportation | \$ -                      | \$ 1,577,158                       | \$ -                          | \$ -                            | 0.0%          |
| <b>Interest</b>                          | <b>\$ 148,305</b>         | <b>\$ 148,305</b>                  | <b>\$ 114,270</b>             | <b>\$ (34,036)</b>              | <b>-14.1%</b> |
| <b>TOTAL SBR EXPENSE</b>                 | <b>\$ 18,423,627</b>      | <b>\$ 18,140,400</b>               | <b>\$ 18,936,513</b>          | <b>\$ 512,886</b>               | <b>2.8%</b>   |

Table 5

| <b>DISPOSAL &amp; PROCESSING EXPENSE</b>  |                                   |   |  |   |             |
|---|-----------------------------------|---|--|---|-------------|
|   | <b>FY16/17<br/>Adopted Budget</b> | <b>FY16/17<br/>Mid-Year<br/>Projections</b> | <b>FY17/18<br/>Proposed<br/>Budget</b> | <b>FY18 vs. FY17<br/>Adopted Budget</b> | <b>%</b>    |
| <b>a. Summary</b>                         |                                   |   |  |   |             |
| Solid Waste                               | \$ 8,827,482                      | \$ 8,913,738                                | \$ 9,077,684                           | \$ 250,201                              | 2.8%        |
| Organics                                  | \$ 4,573,610                      | \$ 4,624,534                                | \$ 4,463,552                           | \$ (110,058)                            | -2.4%       |
| C&D, dirt                                 | \$ 1,868,966                      | \$ 2,007,419                                | \$ 2,133,049                           | \$ 264,083                              | 14.1%       |
| Other                                     | \$ 365,703                        | \$ 463,209                                  | \$ 360,824                             | \$ (4,879)                              | -1.3%       |
| <b>Subtotal</b>                           | <b>\$ 15,635,761</b>              | <b>\$ 16,008,900</b>                        | <b>\$ 16,035,108</b>                   | <b>\$ 399,348</b>                       | <b>2.6%</b> |
| Paid by SBR                               | \$ (306,159)                      | \$ (163,339)                                | \$ (175,711)                           | \$ 130,447                              | -42.6%      |
| <b>TOTAL DISPOSAL EXPENSE</b>             | <b>\$ 15,329,602</b>              | <b>\$ 15,845,561</b>                        | <b>\$ 15,859,397</b>                   | <b>\$ 529,795</b>                       | <b>3.5%</b> |
| <b>B. Detail</b>                          |                                   |   |  |   |             |
| <b><u>Solid Waste (Ox Mtn.)</u></b>       |                                   |   |  |   |             |
| Tons, net                                 | 218,717                           | 219,248                                     | 219,111                                | 394                                     | 0.2%        |
| Rate                                      | \$ 40.36                          | \$ 40.66                                    | \$ 41.43                               | \$ 1.07                                 | 2.6%        |
| Expense                                   | \$ 8,827,482                      | \$ 8,913,738                                | \$ 9,077,684                           | \$ 250,201                              | 2.8%        |
| <b><u>Organics (Newby, Grover)</u></b>    |                                   |   |  |   |             |
| Tons, net                                 | 109,571                           | 110,850                                     | 109,880                                | 309                                     | 0.3%        |
| Rate                                      | \$ 41.74                          | \$ 41.72                                    | \$ 40.62                               | \$ (1.12)                               | -2.7%       |
| Expense                                   | \$ 4,573,610                      | \$ 4,624,534                                | \$ 4,463,552                           | \$ (110,058)                            | -2.4%       |
| <b><u>C&amp;D (Zanker)</u></b>            |                                   |   |  |   |             |
| Tons, net                                 | 31,616                            | 34,543                                      | 34,391                                 | 2,775                                   | 8.8%        |
| Rate                                      | \$ 59.11                          | \$ 58.11                                    | \$ 62.02                               | \$ 2.91                                 | 4.9%        |
| Expense                                   | \$ 1,868,966                      | \$ 2,007,419                                | \$ 2,133,049                           | \$ 264,083                              | 14.1%       |
| <b><u>Other</u></b>                       |                                   |   |  |   |             |
| Tires                                     | 7,507                             | 12,152                                      | 8,396                                  | 889                                     | 11.8%       |
| Mattresses                                | 23,962                            | 38,962                                      | -                                      | (23,962)                                | -100.0%     |
| Appliances                                | 19,900                            | 55,840                                      | 45,680                                 | 25,780                                  | 129.6%      |
| Hazardous Waste                           | 308,461                           | 341,239                                     | 296,400                                | (12,061)                                | -3.9%       |
| Misc.                                     | 5,874                             | 15,016                                      | 10,348                                 | 4,474                                   | 76.2%       |
| Expense                                   | \$ 365,703                        | \$ 463,209                                  | \$ 360,824                             | \$ (4,879)                              | -1.3%       |
| <b><u>Summary</u></b>                     |                                   |   |  |   |             |
| TS Tons                                   | 359,905                           | 364,641                                     | 363,382                                | 3,478                                   | 1.0%        |
| Wtd Avg. Rate                             | \$ 42.59                          | \$ 43.46                                    | \$ 43.64                               | \$ 1.05                                 | 2.5%        |
| Disposal Expense                          | \$ 15,329,602                     | \$ 15,845,561                               | \$ 15,859,397                          | \$ 529,795                              | 3.5%        |
| <b>Detail Disposal Rates- 2018 Budget</b> |                                   |   |  |   |             |
|   | <b>FY16/17 Rate</b>               | <b>FY16/17 Rate</b>                         | <b>FY17/18 Rate</b>                    | <b>2018 vs. 2017</b>                    | <b>%</b>    |
| Ox Mountain MSW                           | \$ 40.36                          | \$ 40.66                                    | \$ 41.43                               | \$ 1.07                                 | 3%          |
| Ox Mountain Aggregates                    | \$ -                              | \$ -  | \$ -                                   | \$ -                                    | 0%          |
| Organics (Wtd avg.)                       | \$ 41.74                          | \$ 41.72                                    | \$ 40.62                               | \$ (1.12)                               | -3%         |
| C&D                                       | \$ 59.11                          | \$ 58.11                                    | \$ 62.02                               | \$ 2.91                                 | 5%          |