



NEW BUSINESS



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Marshall Moran, Finance Manager
Date: May 27, 2010 Board of Director's Meeting
Subject: Review of Draft FY 2011 Budget

Recommendation

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors. Based on Board feedback a final budget will be brought back to the June 24th Board meeting for consideration.

Analysis

Attached you will find a Budget Message providing an overview of the proposed FY 2011 budget (including revenues, expenditures, staffing, and program priorities). The actual proposed FY 2011 budget is **Attachment A** to the Budget Message. The proposed 5-year capital budget is included in this draft budget, but projected reserve balances are not. The reserve balances will be included in the final budget documents.

Our financial results are expected to be much improved in FY 2011 as compared to FY 2010 for several reasons as follows:

- Continued higher than expected commodity revenues due to higher tons and pricing.
- Lower Shoreway operating expenses with the new Operations Agreement starting January 1, 2011.
- Substantial completion of masterplan construction activities resulting in reduction of construction related operational impacts such as offsite shipment and processing of recyclables.

The proposed budget does not include any recommended changes to budget policy, nor a request for any new headcount. However, we are proposing to fill one staff vacancy. **Attachment B** to the Budget Message provides a breakout on current staffing and budget assumptions related to salary and benefits. Salary expenses will be discussed in closed session.

There are a number of one-time or new budget items discussed further in the Budget Message that make it difficult for year over year comparisons in revenues and expenditures. These items include:

Revenues

- Increase in our tipping fees to cover the County of San Mateo's recommended fee increase of \$2.81 per ton to cover their AB 939 and County Environmental Health programs; the County increase will be passed through in the disposal fees charged to us by Republic's Ox Mountain landfill. These additional fees total \$653,200 per year.
- Member Agency (i.e., Hillsborough, San Mateo, Belmont, San Carlos, and Menlo Park) remittance of fees to the SBWMA to pay for HHW door to door collection services provided by Curbside Inc. Fee revenue will be 100% offset by payment of fees to Curbside Inc. This fee revenue is shown in a new budget line item under Revenue Summary, Operations and totals \$320,100 for fee revenue collected from the five cities.
- Shoreway Remediation Settlement funds to pay for ongoing monitoring and remediation costs. Settlement funds will 100% match actual expenditures for monitoring and remediation. The Settlement funds are

shown in a new budget line item under Revenue Summary, Operations and total \$210,000 for FY 2011 of the \$1,500,000 total settlement.

Expenditures

- Increased disposal costs of \$653,200 due to the County's fee increase of \$2.81 per ton.
- Payment of fees to Curbside Inc. for door to door HHW services totaling \$320,100.
- Shoreway monitoring and remediation costs totaling \$210,000.
- Quarterly load contamination monitoring per the new Collection Franchise agreements and Shoreway Operations Agreement totaling \$45,000.
- Carryover of approximately \$225,000 of unspent funds in FY 2010 for the collection services public education campaign.

In order to make some of these new items more transparent in our draft budget, staff has created a new section of our program budget called Collection Operations. This section includes expenditures for the HHW door to door collection services by Curbside Inc. and payment of processing costs for the curbside battery collection program; outreach costs for these two programs continue to be broken out separately and included under Residential Programs.

SBWMA program expenditures will also be affected by how many Member Agencies decide to participate in efforts related to enhancing existing C&D ordinances, mandatory commercial recycling, and HHW door to door collection services. For example, we have budgeted \$90,000 to promote the existing (i.e., Hillsborough, San Mateo, Belmont, San Carlos, and Menlo Park) HHW door to door collection programs and potential new programs initiated by other Member Agencies.

Fiscal Impact

The FY 2011 proposed operating budget includes revenues of \$41,696,600 and operating expenses of \$41,120,000 resulting in an operating surplus of \$576,600. This compares to a projected operating loss in FY 2010 of \$3,695,786. The major explanations for the \$4,272,386 improvement are:

- Higher commodity revenue of \$2,052,359
- Higher tip fee revenue of \$2,132,092
- Lower Shoreway operating expense of \$2,071,700

The improvements above are partially offset by:

- Higher Bond Interest expense of \$1,132,000
- Higher SBWMA program expenses of \$988,500 due primarily to carryover of \$225,000 in unspent public outreach funds for the collection rollout, \$320,100 for HHW door to door collection services, \$210,000 for Shoreway remediation and 45,000 quarterly load contamination monitoring.

For additional financial overview information, please refer to the attached Budget Message and/or the various summary sections in the attached proposed budget document, including line item notes.

Attachments:

- A. Budget Message (includes attachments for the Proposed FY 2011 Budget, Personnel Summary, and Organization Chart).



May 20, 2010

SBWMA Board of Directors
South Bayside Waste Management Authority

Dear Chair and Members of the Board:

I am pleased to present for your consideration the proposed fiscal year (FY) 2011 Operating Budget (see **Attachment A**) for the South Bayside Waste Management Authority (SBWMA). The operating budget includes revenues and expenditures, including the SBWMA program budget and the Shoreway operating budget. The proposed 5-year capital budget is included in the draft budget document, but the reserve balances are not.

This budget document addresses key agency priorities and reflects our vision as detailed in our Strategic Plan approved on March 27, 2008. The most significant agency priorities remain successful future rollout of new collection services with a new service provider, transition to a new facility operator, and completion of the Shoreway master plan improvements. Thus, this budget reflects the culmination of the five plus year contractor selection process and substantial completion of the Shoreway master planning process initiated in 2006.

As in the past three budgets developed during my tenure, all budget line items have been built from the bottom up; we zero out each line item and rebuild the detail. This approach allows for a more thorough analysis of budget priorities and helps avoid any unnecessary cost inflationary pressures year over year. We also are able to modulate up or down the consultant support we need each year for major projects such as supporting the rollout of new collection services.

This budget also reflects the difficult economic times and the need for close management of expenses. Excluding one-time carry-over costs (from FY 2010) associated with development of the future collection services public education campaign and special program or project costs (i.e., HHW door to door collection costs, and Shoreway remediation costs) that are fully funded with separate revenue streams, this expense budget is 1% or \$403,666 lower than the projected year end FY 2010 results of \$40,768,566. Even with these special items included, the proposed FY 2011 budget is only 1% higher than the projection. Authorized staffing levels are proposed to remain the same, though one staff vacancy will be filled.

Attachment B provides a breakout on current staffing, and budget assumptions related to salary and benefits.

Key Priorities

The proposed budget funds the following key priorities:

- Oversight of the full rollout and delivery of the new franchised collection services by Recology San Mateo County (RSMC).
- Consultant support needed for development and implementation of the public education campaign to support the collection services rollout.
- Oversight of the South Bay Recycling (SBR) implementation plan to initiate Shoreway operations on January 1, 2011.
- Management of the Shoreway masterplan construction activities with key milestones including completion of the MRF building, installation of the single stream processing equipment, completion of the Public

Recycling Center, and substantial completion of the Transfer Station expansion. Our budget assumes full-scale MRF and Transfer Station operations effective March 1, 2011 and April 1, 2011, respectively.

- Support of existing programs and establishment of new HHW door to door collection services.
- Continued significant staff and consultant support for Member Agency services related to the annual rate review, and contract compliance and administration.
- Focuses recycling and outreach efforts on program specific efforts for member agencies, including expanded commercial recycling and C&D technical assistance; seasonal events such as e-waste collection, venue and events recycling support, and compost give-away days; school assistance with purchasing recycling carts, and multi-family recycling and outreach support.

FY 2011 BUDGET HIGHLIGHTS (Revenues and Expenditures)

The table below summarizes key FY 2011 Budget highlights. A discussion on revenues, and expenditures, is provided later in this document.

FY 2011 OPERATING BUDGET HIGHLIGHTS

Overall Revenues Totaling \$41.7 million

- **\$30.18 million** from Shoreway tipping fees, assumes tipping fee increases on Jan. 1st per the schedule shown on p. 6.
- **\$10.79 million** from Shoreway commodity revenues.
- **\$0.53 million** in dedicated revenue sources (i.e., HHW program fees and Shoreway Settlement Fund).
- **\$0.20 million** from investment income.

Shoreway Expenditures Totaling \$36.97 million

- Shoreway Operating Budget consisting of **\$13.98 million** for Republic compensation and disposal costs, **\$14.45 million** for SBR compensation and disposal costs, **\$3.54 million** for payments to Smurfit for offsite MRF processing services, **\$3.18 million** for debt service bond interest, **\$1.44 million** for franchise fees to San Carlos, and **\$0.38 million** for taxes and insurance and Shoreway remediation expenses.

SBWMA Expenditures (program budget) Totaling \$4.15 million

- **Administrative Expenses (\$1.64 million, 39% of SBWMA program budget)**
 - No change in headcount. Fill one staff vacancy.
 - 2.5% increase in expenses compared to FY 2010, exclusive of staff wages and benefits.
- **Contract Compliance and Consultant Support (\$1.2 million, 29% of SBWMA program budget)**
 - \$675,000 for collection services rollout public education campaign which includes \$225,000 unspent in FY 2010.
 - Slight increase in rate review consultant work to \$180,000. Actual 2009/2010 Republic rate review is \$140,000 with an additional \$40,000 budgeted for Member Agency support and 2010 rate closeout work in 2011.
 - \$150,000 for auditing of new customer service systems and consultant support for oversight of field activities (e.g., cart assembly and distribution, cart recovery, routing, etc.) associated with the collection services rollout.
- **Recycling (diversion) Programs and Long Range Planning (\$0.959 million, 23% of SBWMA program budget)**
 - \$315,000 for commercial recycling technical assistance, including \$95,000 to support development of mandatory commercial recycling ordinances, \$150,000 for commercial recycling outreach, \$30,000 for deskside containers and slim jims, \$20,000 for business case studies, and \$20,000 for commercial account auditing.
 - \$90,000 for outreach to support current and new HHW door to door collection programs.
 - \$55,000 for supporting enhancement of Member Agency C&D ordinances.
 - \$30,000 to develop an RFQ for MSW processing and alternative technologies to substantially increase our diversion and/or reduce disposal costs.
- **Collection Operations (\$0.36 million, 9% of SBWMA program budget)**
 - \$320,100 for HHW door to door collection services fees for existing programs.

FY 2010 FINANCIAL PERFORMANCE

The SBWMA’s financial performance in FY 2010 is projected to be as follows:

Revenues:	\$37,072,780
Expenditures:	<u>\$40,768,566</u>
Operating Surplus/(Deficit)	(\$3,695,786)

These figures are based on the Board’s approval of the mid-year budget adjustments. Final projections for FY 2010 will be included in the final budget document brought back to the Board at the June 24th meeting.

At the February 25, 2010 Board meeting the Board approved a revenue transfer of \$3,796,281 from reserves to help offset the projected deficit and primarily to achieve the bond covenant requirements.

FISCAL YEAR 2011 BUDGET OVERVIEW

The FY 2011 operating budget includes revenues of \$41.7 million, exclusive of non-operating receipts from new debt funding, and operating expenses of \$41.1 million leaving a \$0.6 million surplus for FY 2011.

SBWMA 2011 GENERAL OPERATING BUDGET (in millions of dollars)			
	<u>FY2010 Adopted</u>	<u>FY2010 Mid Year</u>	<u>FY2011 Proposed Budget</u>
Revenues	36.7	37.1	41.7
Expenditures	39.1	40.8	41.1
Shoreway Operations	35.7*	37.6**	36.9***
Administration	1.53	1.50	1.64
Contract Compliance	0.88	0.90	1.2
Recycling Programs	<u>0.95</u>	<u>0.77</u>	0.96
Collection Operations			<u>0.36</u>
Operating Surplus/(Deficit)	(2.4)	(3.7)	0.6
*Includes \$5.16 million for offsite MRF processing costs. **Includes \$4.53 million for offsite MRF processing costs. ***Includes \$3.54 million for offsite MRF processing costs Debt service expense is also included in Shoreway Operations expenditures.			

REVENUES

Revenues for FY 2011 are expected to be significantly higher due to increased tipping fee revenues and higher commodity revenues. Our assumed solid waste tipping fee increases include an initial increase of \$2.81 per ton on July 1, 2010 to offset the County’s planned disposal fee increase of \$2.81 per ton.

Future Board consideration should address the equity issues associated with the County’s fees on disposal and how this correlates with the delivery of “services” to SBWMA Member Agencies.

The proposed budget includes the tipping fee increases on January 1, 2011 that were assumed in our bond proforma cash flow projections. At this time, staff doesn’t believe our projected operating results justify a reduction or increase in the assumed tipping fee increases shown on the following page, with the exception of the yardage rate for C&D. Staff remains extremely concerned, though, that future county disposal fee increases are inevitable unless County program priorities are better aligned with Member Agency needs and/or unless greater equity can be achieved in terms of the SBWMA only paying its fair share of program costs.

PROPOSED TIPPING FEES PER TON OR CUBIC YARD			
<u>Transfer Station Tip Fee Increases</u>	<u>Current Rates</u>	<u>Proposed Rates (7/1/10)*</u>	<u>Proposed Rates (1/1/11)**</u>
SBWMA Solid Waste Franchise	\$81.00 per ton	\$84.00 per ton	\$93.00 per ton
SBWMA Green Waste Franchise	\$69.50 per ton	\$70.00 per ton	\$79.00 per ton
Non-SBWMA Weighed Tons (Dirt, concrete, asphalt, roofing) non-Franchise	\$80.50 per ton	\$83.00 per ton	\$88.00 per ton
Public Solid Waste Yards non-Franchise*	\$34.00 per yard	\$35.00 per yard	\$40.00 per yard
Construction and Demolition Non-Franchise	\$34.00 per yard	\$28.00 per yard	\$28.00 per yard
Public Green Waste Yards non-Franchise	\$25.00 per yard	\$25.00 per yard	\$29.00 per yard
* To address County disposal fee increase of \$2.81 per ton			
** Same proposed tipping fee increases as projected in bond proforma			

These tipping fee increases are expected to increase gate revenues net of 24,000 lower tons by approximately \$2.1 million. Commodity revenues are projected to increase by \$2.1 million from FY 2010 levels.

Tip Fees

A major source of revenue for the SBWMA is the revenue collected from solid waste delivered to the Shoreway facility which are consolidated and then transferred to disposal or processing sites. For the FY 2011 budget, tip fee revenue is projected to be approximately \$30.2 million.

The table below summarizes the projected source and contribution percentage of the tip fee revenue at the Shoreway facility for the FY2011.

<u>Revenue Source</u>	<u>Amount (in millions)</u>	<u>% of Total</u>
SBWMA – Solid Waste	\$17.5	58%
SBWMA – Organics	\$6.5	22%
Non-SBWMA Weighed Tons	\$0.5	2%
Non-SBWMA Weighed Tons	\$0.4	1%
Public Solid Waste Yards	\$2.6	9%
Public Green Waste Yards	\$1.3	4%
Public - Other	\$1.4	4%
Total	\$30.2	100.00%

Commodity Revenues

The SBWMA also receives revenue from the sale of recyclable materials typically processed at the Shoreway facility, though, this budget assumes eight of the twelve months we are still receiving commodity revenue sharing per our offsite MRF processing agreement with Smurfit. For the FY 2011 budget, the commodity revenue is projected to be approximately \$10.8 million. Commodity prices have rebounded significantly since the collapse in markets in fall 2008 with current average revenue per ton of approximately \$167.76/ton compared to \$99/ton in

November 2008. Average revenue per ton peaked at \$278 in August 2008. Tonnage is also budgeted to increase in FY 2011 by 7,700 tons (13.6%) valued at \$865,000.

EXPENDITURES

The largest expense, comprising 78% of the operating budget, is for payments to the Shoreway operators (i.e., Republic thru 12/31/10, and SBR from 1/1/11 forward), offsite MRF processing, and disposal expenses. Such costs are budgeted at \$31.98 million for FY 2011 as compared to \$34.05 million in FY 2010. FY 2011 is a transition year with Republic's cost plus contract for six months, use of Smurfit for commodity processing for 8 months (2.4 fewer months than in FY2 010), SBR's new contract for six months with fixed rates and compensation based on tonnage, and SBR's additional interim operating costs during construction. This changing cost structure makes it very difficult to compare cost variances at a detail level. One specific factor is 24,000 lower budgeted tons which reduces disposal expense and reduces the payment to SBR. Republic's operating portion of their compensation is not directly tied to tonnage.

Other significant expenditures include SBWMA program budget, debt service and capital outlays.

- **SBWMA Program Budget** – \$4.15 million
- **Debt Service** – This fiscal year will see much higher debt service of \$3.18 million vs. \$2.05 million in FY 2010 due to redemption of the old bond resulting in only one full interest payment in FY 2010 plus fees vs. two interest payments in FY 2011.

CAPITAL

The five-year capital budget consists of Shoreway masterplan and non-masterplan projects. Total masterplan capital spending remains the same at \$46,971,000; however, non-masterplan capital spending has been reduced for FY 2011 and FY 2012 as follows:

- FY 2011 is projected at \$485,000 vs. the previously approved amount of \$545,000.
- FY 2012 is projected at \$325,000 vs. the previously approved amount of \$475,000.

STAFFING

Effective October 1, 2008 the SBWMA became the employer of record for all employees currently under contract with RGS. One employee, Cliff Feldman, remains on the LGS payroll to maintain his Calpers benefits. We will continue to contract with CPEhr to manage HR/payroll and benefits administration. Please see **Attachment C** for a current organization chart.

The SBWMA continues to operate as a non-PERS agency with a lower benefit to wage cost ratio than other agencies. A recent comparison of the SBWMA's benefit package as a percent of wages vs. the City of San Carlos PERS package for new employees found the following: our benefits ratio was 26.8% vs. 33.4% for the City; the SBWMA plan is nearly 25% cheaper! To be clear, the SBWMA has no pension (defined benefit) or post-retirement plan for SBWMA employees. We have a defined contribution retirement plan.

SBWMA JURISDICTION COMPLIANCE WITH AB 939 AND WASTE DIVERSION STATUS

- California legislation, AB 939, requires every California jurisdiction to divert from landfill (e.g. reduce, recycle, or compost) at least 50% of the solid waste generated each year. ***Note each jurisdiction (each city and the unincorporated area of the county) in the SBWMA is required to individually meet and sustain this 50% waste diversion rate.***

- SBWMA jurisdictions need to meet and sustain the required 50% diversion rate, which requires continued diversion program development and implementation. Top priority programs include expansion of commercial and multi-family programs since a large portion of the commercial waste stream continues to be landfilled. The table below shows the per capita disposal rates per the CIWMB's revised diversion calculation methodology. All Member Agencies are below the primary and secondary per capital disposal metrics.

SBWMA TARGETS & 2008 RESULTS

SBWMA Per Capita Disposal Targets and Results						
Jurisdiction	New Targets (50% Equivalents)		2008			
	Primary Indicator Per Capita Disposal (lbs/person/day)	Secondary Indicator Per Employee Disposal (lbs/employee/day)	Per Capita Disposal (lbs/person/day)	Primary Indicator Met (Yes/No)	Per Employee Disposal (lbs/employee/day)	Secondary Indicator Met (Yes/No)
Atherton	11.4	48.9	5.2	Yes	20.1	Yes
Belmont	5.3	20.2	3.8	Yes	15.1	Yes
Burlingame	8.3	6.6	6.8	Yes	5.3	Yes
East Palo Alto	8.5	119.4	2.6	Yes	32.5	Yes
Foster City	3.7	7.1	3.6	Yes	6.0	Yes
Hillsborough	6.4	28.2	3.9	Yes	20.4	Yes
Menlo Park	7.5	9.2	5.7	Yes	6.4	Yes
Redwood City	9.1	14.4	6.5	Yes	9.9	Yes
San Carlos	7.5	14.4	7.4	Yes	13.9	Yes
San Mateo	5.8	13.3	4.8	Yes	9.9	Yes
SBWMA Average			5.0			
Statewide Average*			NA			
<p>*Per CIWMB staff</p> <p>California's population of almost 38 million people disposed about 39.6 million tons (MT) in 2007, about 2.6 MT or 6.2 percent less than in 2006. This translates to a 2007 statewide per capital disposal rate of 5.8 pounds/person/day (PPD), which is about a half-pound (or 7.3%) lower than the 6.2 PPD rate in 2006.</p> <p>Rev. 5/18/10</p>						

Notes:

This table represents the new diversion calculation methodology implemented by the CIWMB for 2007.

CONCLUSION

In summary, the SBWMA is successfully moving through a difficult financial period given construction related impacts on cash flows. However, we have a thoughtful and detailed plan moving forward to regain positive cash flows and expect to begin leveraging our new infrastructure at Shoreway this fiscal year. Also, our JPA's financial model of pooling purchasing power and sharing administrative costs among 12 jurisdictions, has assisted in keeping garbage rates competitive and positions us well for the future. Finally, we are on track with all major Board priorities.

We continue to have a very bright and exciting future ahead of us!

Respectfully Submitted,

Kevin McCarthy, Executive Director

Attachments

- A. Proposed FY 2011 Budget
- B. Personnel Summary
- C. Organization Chart

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
REVENUE SUMMARY**

FY 2011 PROSED BUDGET

REVENUES BY MAJOR CATEGORY

REVENUE SUMMARY	ACTUAL FY 2008-2009	APPROVED FY 2009-2010	MID YEAR FY 2009-2010	PROPOSED FY 2010-2011
ADMINISTRATIVE REVENUES				
409100 INVESTMENT INCOME	117,128	120,500	93,830	200,900
409101 INVESTMENT (GASB 31) MARKET VALUE ADJ	(46,060)			
409200 INTEREST INCOME	-			
TOTAL ADMINISTRATIVE	71,069	120,500	93,830	200,900
OPERATIONS				
480007 TIP FEE	25,077,592	27,937,300	28,045,308	30,177,400
480023 COMMODITY SALES	9,625,554	8,661,500	8,735,841	10,788,200
480024 COMMODITY REVENUE SHARE - NEW				
OX MOUNTAIN	-			
HHW DOOR TO DOOR COLLECTION SERVICE - NEW				320,100
SHOREWAY REMEDIATION MONITORING - NEW				210,000
480008 MISCELLANEOUS REVENUE	275			
TOTAL OPERATIONS	34,703,421	36,598,800	36,781,150	41,495,700
TOTAL OPERATING REVENUES	34,774,489	36,719,300	36,874,980	41,696,600
MISCELLANEOUS - EQPT AUCTION			197,800	
NON-OPERATING RECEIPTS	34,774,489	36,719,300	37,072,780	41,696,600
NET OPERATING INCOME / <LOSS>	(1,748,444)	(2,375,809)	(3,695,786)	576,600

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY					NOTES
EXPENDITURE SUMMARY	ACTUAL FY 2008-2009	APPROVED FY 2009-2010	MID YEAR FY 2009-2010	PROPOSED FY 2010-2011	
ADMINISTRATIVE EXPENSES					
ADMINISTRATIVE STAFF	477,000	560,764	563,200	590,300	Salary increases 1/1/11; est. benefit cost incr
AB 939 PROGRAM STAFF	440,000	553,570	488,600	585,100	Salary increases 1/1/11; est. benefit cost incr
EMPLOYEE RECRUITMENT/HR SUPPORT	550	8,000	8,000	5,000	
PEO COST (LGS ADMIN FEES)	6,890	13,200	11,250	20,100	LGS - \$875 / month + CPE fee
BOARD COUNSEL	52,891	50,000	75,000	60,000	
BOARD MEETINGS & RECORDINGS (NEW)	-	12,600	12,600	6,000	Audio Only - Phase Out MCTV
ACCOUNTING SERVICES	93,500	98,000	108,000	110,000	Includes calendar year at \$10k
INFORMATION SYSTEMS	21,804	22,500	22,500	27,000	24K for IT Contract, \$3k for software upgrades
WEBSITE	9,696	11,000	11,000	10,100	Maintenance only based on current use
ANNUAL AUDIT	6,550	10,300	15,000	15,000	
INSURANCE	18,587	22,000	30,223	35,000	D&O and EPLi Coverage
BANK FEES	9,117	12,000	12,000	12,000	
RENT	41,857	48,500	48,500	50,000	Add CPI prorated for current space only
PRINTING AND POSTAGE	165	200	200	200	
UTILITIES	18,763	17,000	17,000	18,000	
OFFICE/TENANT IMPROVEMENTS	24,201	10,000	7,000	10,000	New items such as storage compartments
OFFICE SUPPLIES	23,415	22,500	17,000	18,000	
OFFICE EQUIPMENT COSTS	14,131	12,600	12,600	17,000	\$5k to upgrade server
PUBLICATIONS & PUBLIC NOTICES	2,499	2,000	2,000	2,000	
PROFESSIONAL DUES & MEMBERSHIPS	1,883	2,000	2,000	2,000	
VEHICLE MILEAGE & TOLLS	473	500	500	350	
CELL PHONES	4,306	5,000	5,000	6,000	
CONFERENCE & MEETINGS	16,118	15,000	12,000	12,000	
TRAINING (1250 per employee)	-	4,375	4,375	8,750	
SPONSORSHIPS & DONATIONS	12,500	12,500	12,500	12,500	
COMPUTER PURCHASE	20,334	5,000	2,500	3,000	Upgrades/replacement
TOTAL ADMINISTRATIVE	1,317,231	\$ 1,531,109	\$ 1,500,548	\$ 1,635,400	
CONTRACT COMPLIANCE AND SUPPORT					
RATE REVIEW	175,316	180,000	175,000	180,000	Fee est. of \$140k plus added 40k (20/20).
	175,316	180,000	175,000	180,000	
FACILITY IMPROVEMENT OVERSIGHT	5,936	75,000	75,000	40,000	David Langer
BUSINESS CONSULTANT/HF&H	10,085	5,000	5,000	-	
CONTRACT MANAGEMENT SUPPORT	-	10,000	10,000	15,000	
CONTRACT NEGOTIATIONS/LEGAL REVIEW	150,593	30,000	60,000	15,000	
COLLECTION SERVICES RFP & IMPLEMENTATION	91,525	65,000	65,000	150,000	Ron Proto and outside auditing costs
COLLECTION SERVICES PUBLIC EDUCATION FOR ROLLOUT	-	450,000	450,000	675,000	Includes \$225,000 unspent from FY0910
FACILITY RFP & IMPLEMENTATION	130,117	25,000	25,000	40,000	Joe Sloan & David Langer
SHOREWAY REMEDIATION LEGAL & TECHNICAL	39,794	30,000	30,000	40,000	Legal and Technical Review Only
SUPPORT TO MEMBER AGENCIES	1,643	-	-	-	
ANNUAL ALLIED PERFORMANCE HEARING	5,245	5,000	-	-	
QUARTERLY LOAD CONTAMINATION MONITORING -- NEW	\$ -	-	-	45,000	Quarterly monitoring per Franchise & Ops Agr.
	434,937	695,000	720,000	1,020,000	
TOTAL CONTRACT COMPLIANCE & SUPPORT	\$ 610,252	\$ 875,000	\$ 895,000	\$ 1,200,000	

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY					NOTES
EXPENDITURE SUMMARY	ACTUAL FY 2008-2009	APPROVED FY 2009-2010	MID YEAR FY 2009-2010	PROPOSED FY 2010-2011	
RECYCLING - AB939 COMPLIANCE					
CIWMB ANNUAL REPORTS	30,528	25,000	25,000	25,000	
SBWMA ANNUAL REPORT	-	7,500	7,500	5,000	
DIVERSION PROGRAM SUPPORT	-	20,000	20,000	10,000	
EVENT GIVEAWAYS	-	15,000	10,000	15,000	
	30,528	67,500	62,500	55,000	
LONG RANGE PLAN UPDATE	49,287	45,000	35,000	30,000	RFO for MSW Processing and Technology
ORGANICS PROCESSING RFP	11,379	20,000	20,000	7,500	Newby Island audit
MASTER PLAN OUTREACH	18,998	30,000	25,000	25,000	Public Education and Tour Program Develop.
SOLAR SYSTEM ENGINEERING AND EVALUATION -- NEW				25,000	PPA Procurement Implementation
	79,664	95,000	80,000	87,500	
LARGE EVENT/VENUE CONSULTING	18,351	25,000	20,000	20,000	
LARGE EVENT/VENUE RECYCLING SERVICES	-	60,000	50,000	25,000	
CLIMATE CHANGE POLICY OPTIONS	3,994	20,000	10,000	10,000	
COMMERCIAL RECYCLING TECHNICAL ASSIST	222,657	180,000	125,000	315,000	
C&D RECYCLING PROGRAM	-	22,000	5,000	55,000	No. of MAs participating?
GREEN BUSINESS PROGRAM	-	15,000	10,000	10,000	
MULTI-FAMILY OUTREACH	-	30,000	10,000	20,000	
	245,001	352,000	230,000	455,000	
QUARTERLY NEWLESTTER DESIGN/SETUP	54,534	40,000	40,000	10,000	
QUARTERLY NEWLESTTER PRINTING/MAILING	193,221	150,000	150,000	205,000	Printing for four vs three
RESIDENTIAL OUTREACH PROGRAMS	97,553	36,000	20,000	31,000	
COMPOST GIVEAWAY	-	20,000	5,000	10,000	
HHW DOOR TO DOOR COLLECTION OUTREACH	-	125,000	125,000	90,000	Outreach only. No. of Mas participating?
CURBSIDE HOUSEHOLD BATTERY OUTREACH	56,495	48,000	48,000	8,000	Outreach only
ELECTRONIC COLLECTIONS EVENTS	29,316	15,000	10,000	7,500	
	431,118	434,000	398,000	361,500	
TOTAL RECYCLING - AB939 COMPLIANCE	\$ 786,312	\$ 948,500	\$ 770,500	\$ 959,000	

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY					NOTES
EXPENDITURE SUMMARY	ACTUAL FY 2008-2009	APPROVED FY 2009-2010	MID YEAR FY 2009-2010	PROPOSED FY 2010-2011	
	\$ 2,713,795	\$ 3,354,609	\$ 3,166,048	\$ 3,794,400	
COLLECTION OPERATIONS - NEW					
HHW DOOR TO DOOR COLLECTION SERVICES -- NEW				320,100	Payments to Curbside Inc.
CURBSIDE HOUSEHOLD BATTERY RECYCLING SERVICES -- NEW				40,000	Payments to Allied/SBR for battery processing
			-	360,100	
	\$ 2,713,795	\$ 3,354,609	\$ 3,166,048	\$ 4,154,500	
SHOREWAY OPERATIONS					
OPERATING CONTRACT - ALLIED	31,492,620	27,553,700	29,513,600	13,976,000	Bimonthly payments thru 12/31/10
OPERATOR COMPENSATION - SBR -- NEW				7,813,000	Contractor payments effective 1/1/11
DISPOSAL & PROCESSING COSTS -- NEW				6,642,700	Effective 1/1/11
INTERIM OFFSITE MRF OPERATIONS	-	5,160,800	4,533,700	3,543,900	Smurfit payments
GROUNDWATER MONITORING & REMEDIATION - NEW				210,000	
INSURANCE SHOREWAY	96,804	130,000	130,000	120,000	Increase for new building and eqt coverage
DEBT SERVICE BOND INTEREST	784,901	1,521,600	2,045,700	3,177,900	Offset by capitalized interest
AMORTIZATION OF BOND ISSUANCE	30,207				
Revenue Bond Arbitrage	15,812				
BOND REFINANCING	90,000	-	-	-	
TAXES (PROPERTY)	34,179	44,000	44,000	45,000	
FRANCHISE FEE	1,264,614	1,330,400	1,335,518	1,437,000	
ARBITRAGE FEES	-				
TOTAL SHOREWAY OPERATIONS	33,809,138	35,740,500	37,602,518	36,965,500	
TOTAL OPERATING EXPENSES	\$ 36,522,933	\$ 39,095,109	\$ 40,768,566	\$ 41,120,000	

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
CAPITAL PROJECT BUDGET**

**FY 2011 BUDGET WITH
FY 2010 PROJECTIONS**

CAPITAL PROJECTS							
PROJECT DESCRIPTION	ACTUAL	ACTUAL	APPROVED	PROPOSED	PROPOSED	PROPOSED	Total
	FY 2007-2008	FY 2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	
570300 SF005 TS FLOOR REPAIR	-	-	100,000	100,000	100,000	100,000	
570300 SF021 TRANSFER STATION FALL PROTECTION	-	-	75,000	-	-	-	
570300 SF023 TUNNEL DRIVEWAY PAVING	-	-	45,000	25,000	25,000	25,000	
570300 SF026 TRUCK SHOP-REPLACE 2 AIR COMPRESSORS	-	-	-	80,000	-	-	
570300 SF029 ONSITE CAMERA MONITORING SYSTEM	-	-	35,000	-	-	-	
570300 SF031 FRONTAGE LANDSCAPING	-	-	-	-	50,000	-	
NEW ADMIN BLDG IMPROVE/REPAIRS				100,000	150,000		
NEW PAVING PAINTING/STRIPING				20,000			
NEW TRAFFIC CONTROL LIGHT FOR TRANSFER STATION				10,000			
NEW HARRIS BALER REFURB. AND REPAIR				55,000			
NEW OFFSITE PARKING							
NEW MAINTENANCE BUILDING RELAMPING				10,000			
NEW PUBLIC RECYCLING CENTER HHW STORAGE UNITS				10,000			
NEW SBR MAINTENANCE BAY				15,000			
520711 INSURANCE CONSTRUC FACILITY	-	-	120,000	60,000	-	-	
SUB-TOTAL CAPITAL PROJECTS	-	-	375,000	485,000	325,000	125,000	
MASTER PLAN							
520339 MP1CN PHASE 1 SCALE CONSTRUCT	4,063	67,596	554,108		-	-	639,653
520339 MP2DE A&E SERVICES	316,356	913,514	202,130		-	-	2,343,384
520339 MPCEN CONSTRUCTION MGT & ENG SUPPORT		65,270	1,281,235	956,600			2,368,375
UPDATED 2010 MASTER PLAN PROJECT NUMBERS							
520339 MPMRF MRF CONSTRUCTION			7,001,800	3,070,200			3,070,200
520339 MP_TS TS CONSTRUCTION			3,547,700	1,910,300			1,910,300
520339 MPMOB Mobilization			280,000	70,000			420,000
520339 MPGEN Sitework/General Construction			369,995	687,005			687,005
520339 MPOCC Other Construction Costs (landscape,sign,roof,security)			275,345	511,355			511,355
520339 MPEQP Equipment Purchase			9,634,450	4,638,750			4,638,750
520339 MPEQI Equipment Installation			1,425,850	1,081,550			1,081,550
							-
							-
520320 BONDR Non-Contingent Bond Issuance Cost		90,500					90,500
520339 CNTGC Contingency - 10%		-	2,342,400	2,342,400			2,342,400
SUB-TOTAL MASTERPLAN	\$ 791,781	\$ 1,290,220	\$ 26,915,013	\$ 15,268,160	\$ -	\$ -	\$ 20,556,108
Total per Bond Proforma							
580200 DEPRECIATION - BUILDING	537,356	-	-	-	-	-	\$ 46,971,000
580300 DEPRECIATION - EQUIPMENT	263,215	-	-	-	-	-	\$ 26,414,892
TOTAL DEPRECIATION	800,571	-	-	-	-	-	
TOTAL CAPITAL PROJECTS & DEPRECIATION	\$ 1,592,352	\$ 1,290,220	\$ 27,290,013	\$ 15,753,160	\$ 325,000	\$ 125,000	

PERSONEL AND BENEFIT ASSUMPTIONS FOR FY 2011

No proposed changes in headcount. Our personnel summary is as follows:

	Mid Year Budget <u>FY 2010</u>	Proposed <u>FY 2011</u>
Administrative Assistant (<i>hourly</i>)*	1.0	1.0
Executive Director	1.0	1.0
Facility Operations Contract Manager	1.0	1.0
Finance Manager	1.0	1.0
Board Secretary/Recycling Specialist	1.0	1.0
Recycling Coordinator	1.0	1.0
Recycling Outreach & Sustainability Manager	1.0	1.0
Recycling Programs Manager**	<u>1.0</u>	<u>1.0</u>
	8.0	8.0

* Position currently vacant with recruitment underway.

** Contract employee supplied by Local Government Services, a public joint powers agency

FY 2011 Proposed Position Changes

Fill the vacant Administrative Assistant position by 6/30/10.

Budget Assumptions for Salary and Wages

The average salary adjustment assumed for our 7 non represented employees (no contracts) and 1 contract employee is 3.75%. This is a very preliminary figure developed without benchmark employee salary increase data that will be discussed in closed session. Staff will also be proposing minor adjustments to salary ranges.

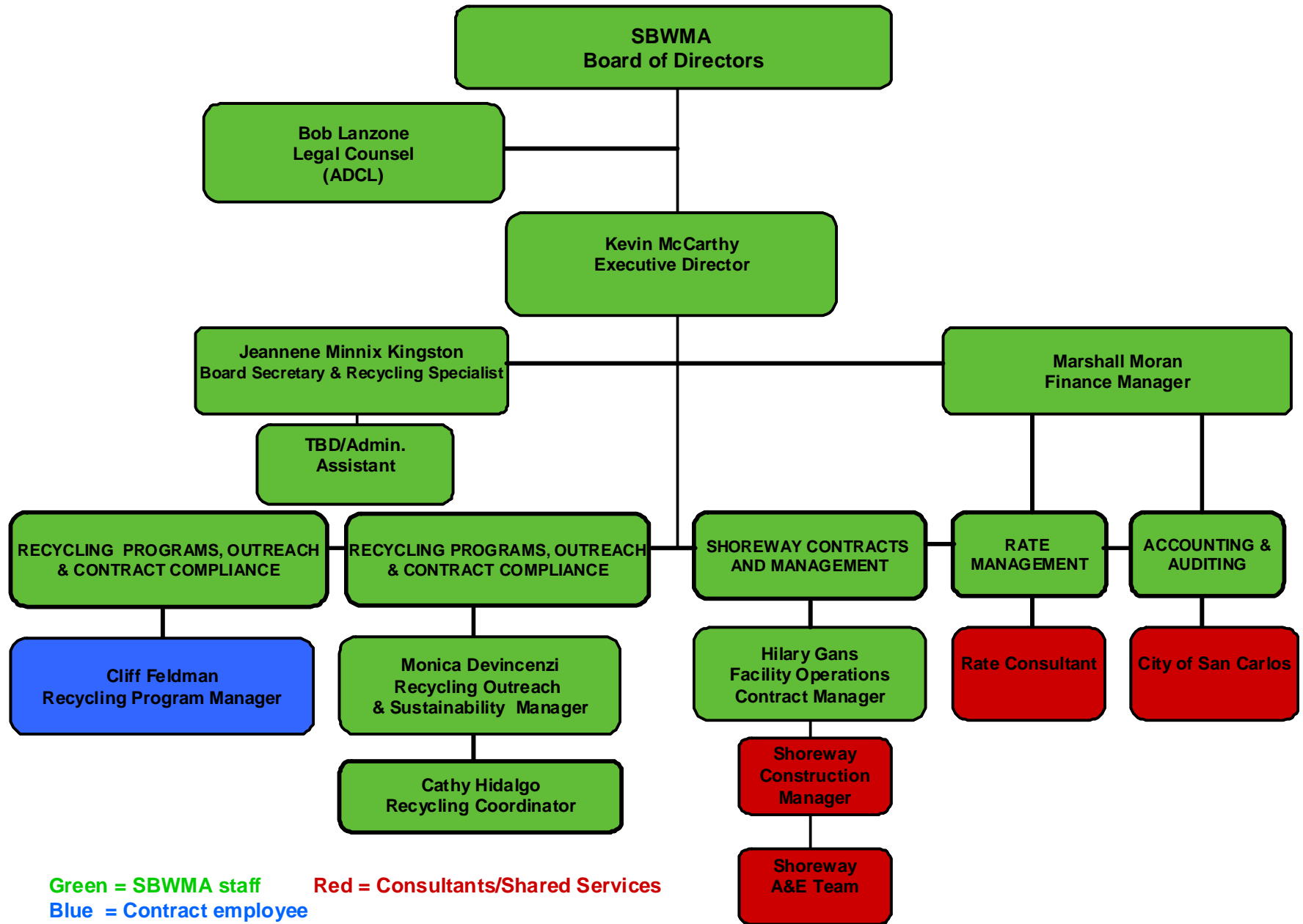
No proposed changes in benefits.

Benefit cost assumptions are as follows:

Medical (Health Net) HSS Plan	14.6% increase
Dental, vision, LTD, Life (Guardian)	5%

We continue to be a non-PERS agency.

SBWMA Organization Chart (May 2010)





STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Facility Operations Contracts Manager
Cliff Feldman, Recycling Programs Manager
Date: May 27, 2010 Board of Director's Meeting
Subject: Update on the Use of Biodiesel in Collection Fleet and Transfer Trailer

Recommendation

This is an informational report and no action is necessary.

Analysis

Contractor's Proposed Use of Biodiesel

The Collection Services and Facility Operations request for proposals and the selected contractor's proposals to the SBWMA envisioned the use of biodiesel in all over-the-road vehicles. Recology San Mateo County (RSMC) and South Bay Recycling both planned on using B-20 biodiesel and the existing onsite underground fuel storage tanks (UST) at Shoreway for biodiesel. Based on a change in biodiesel storage regulations promulgated by the State Water Quality Control Board in August 2009, biodiesel (greater than B-5) cannot be used in single-wall storage tanks, such as those currently used at Shoreway, and local County regulators have recently required the discontinuation of all biodiesel at Shoreway (even though these tanks are compliant with State law since a leak detection system and double walled piping are in place).

Given the high expected costs and protracted process to replace the single-walled fuel storage tanks at Shoreway, it is not possible to complete such a project in the time frame for the start of new collection services and new Shoreway operations commencing on January 1, 2011. Thus, both RSMC and SBR need to be granted relief from their contractual commitments to use B-20. Providing this relief to the contractor's can be done administratively due to "Change in Law" provisions, thus amending the contracts is not necessary.

Staff believes it is in the SBWMA's long-term interest from an environmental risk mitigation perspective to consider replacing the existing single walled USTs. However, due to Shoreway Masterplan construction activities and the pending operational transition between contractors it would not make sense to scope and analyze this project until FY 2012.

Future Use of Biofuels at Shoreway

The Franchise Agreements with RSMC include the use of B-20 biodiesel and the company has ordered trucks that can run on this fuel, B-5 or ultra-low sulfur diesel (regular diesel). While RSMC's proposal and subsequently the Franchise Agreements specify the use of biodiesel, the Company is amenable to using regular diesel fuel given the recent regulatory constraints precluding the storage of biodiesel at Shoreway. The primary rationale to use B-20 is illustrated in **Table 1**. However, the use of biodiesel is less efficient than regular diesel as evidenced by the following quote from a study titled Biodiesel Characterization and NOx Mitigation Study CE-CERT Engine Testing: "The increase in fuel consumption was highest for the fuels with the highest combined percentages of the renewable diesel and biodiesel. This is consistent with the fuel consumption increased seen for the higher blend levels of the biodiesel fuels, the renewable diesel, and the GTL diesel."

Table 1

<i>World Energy Biofuel Emissions as Compared to Petroleum Diesel*</i>	
Emission	B20-Blend Biodiesel
Unburned hydrocarbons (smog/ozone)	-21%
Particulate Matter (respiratory Disease)	-10%
Carbon Dioxide	-16%
Nitrogen Oxides	+02%
Carbon Monoxide	-11%
Cancer Risk	-20%
Ozone Formation	-10%
Source: U.S. Environmental Protection Agency - Comprehensive analysis of biodiesel exhaust emissions	

The data used to compile the statistics in Table 1 were prepared by the U.S. Environmental Protection Agency and published in a report prepared for the California Air Resource Board (CARB) in 2006 and may not be applicable to the new 2010 diesel engines being manufactured for RSMC's trucks. There currently are no available test results for use of biodiesel vs. regular diesel for the 2010 Cummins 11.9 liter engines which will be used in RSMC's route collection trucks (however, a representative from CARB recently conveyed to RSMC that the State's data on 2010 equipment analysis will be available in roughly two months). The CARB official also stated that the latest data from 2006 would not be applicable to current 2010 engines and that the newer filtering systems are superior to the older ones and will generally result in reduced particulate emissions, irrespective of the type of fuel used. Hence, the environmental benefits of using B-20 in lieu of regular diesel are potentially less due to the better filtration systems and improved engines now being manufactured.

Background

Allied Use of Biodiesel

In April 2007, RethinkWaste staff requested that Allied develop a proposal to use biodiesel fuel for its collection fleet. In June 2007, Allied submitted a proposal that was subsequently approved by the Board. After receiving approval, Allied began phasing-in the use of B-20 in their collection vehicles in the Fall of 2007. Soon after Allied started using biodiesel, RethinkWaste Staff and Allied discussed purchasing a separate above ground storage tank for B-20. However, due to concerns of algae growth resulting from the use of B-20 in these types of tanks, a decision was made to store biodiesel in the existing USTs.

Subsequent to the use of B-20 at Shoreway, State regulations regarding the storage of biodiesel changed (August-2009) to restrict the type of tank and the mixture of biodiesel that can be stored in USTs.

In the Spring of 2010, at the request of the SBWMA Staff, Allied inquired to the San Mateo County Department of Environmental Health (the agency responsible for representing the State Water Quality Control Board on a local level) whether B-20 storage would be allowed in January 2011 when RSMC commences providing collection services. After inspecting the tanks at Shoreway, the County concluded that the existing single-wall tanks are inadequate for the storage of B-20 and that Allied should discontinue the use of B-20. In April 2010, Allied's environmental department researched the State Water Quality Control Board regulations and determined that the use of B-5 is conditionally allowed in single-wall USTs. Based on these findings, Allied switched from using B-20 to B-5. Additionally, a tank testing company was hired to ensure that the fuel stored in the USTs at Shoreway are in compliance with existing regulations.

Despite the tanks passing a certification for B-5, the County has taken a more stringent position on the regulation of biodiesel and is not allowing the use of B-5 to be stored in the existing USTs. Through subsequent discussions with the County, Allied has been granted a brief extension on the use of B-5 (to the end of 2010) to provide the SBWMA an opportunity to update the Board on this issue and pursue further study if necessary.

Current Fuel Storage Tanks at Shoreway

The current fuel storage tanks were installed in the early 1980's. There are three 12,000 gallon fiberglass single-wall tanks that are placed underground at the back of the Shoreway property near the truck maintenance area. The tanks have been tested annually and were most recently tested in April 2010. There have been several maintenance and compliance upgrades to the piping and fuel dispensing system since the original installation and the tanks are in full compliance with current regulations. However, because the tanks are of single-wall design, there is an interest on the part of State regulators to have all single-wall UST tanks closed and replaced with double-wall USTs or above ground storage tanks.



April 21, 2010

Ms. Marjorie Terrell
Hazardous Material Specialist
Environmental Health Services Division
San Mateo County Health System
2000 Alameda De Las Pulgas, Suite 100
San Mateo, CA 94403

Re: Biodiesel use at 225 Shoreway Rd., San Carlos, CA 94070

Dear Marjorie:

Per your request on March 31, 2010 and our subsequent telephone conversations, I am sending this correspondence to provide you with an update regarding our use of biodiesel and the subsequent plans by the South Bayside Waste Management Authority (SBWMA) for reviewing potential upgrades to the fuel storage system located at 225 Shoreway Rd. in San Carlos, CA.

As you know, several weeks ago Allied Waste began using B5 biodiesel rather than B20 biodiesel in order to remain in compliance with State Water Resources Board requirements that were recently issued for the use of biodiesel in underground storage tanks (USTs). Based on our conversations with you and discussions with 3rd party vendors who are in this field, our intent is to follow your direction and to continue the use of B5 biodiesel until further notice.

In the meantime, I have had a number of conversations with Hilary Gans, Facility Operations Contract Manager, for the SBWMA regarding the need to upgrade the current fuel storage system, if the SBWMA intends to store biodiesel on site in the future. As you know, the SBWMA own the property and any upgrades that are done to the system will require their approval. Mr. Gans has informed me that SBWMA staff will be sending a recommendation to the SBWMA Board for hiring a fuel system consultant to perform a thorough analysis of the existing fuel system. This consultant will also be charged with providing a report and a recommendation to the staff and ultimately the SBWMA Board for the best course of action given the desire to continue to use biodiesel as the primary fuel source for fleet vehicles.

Mr. Gans has informed me that a decision on a consultant and the scope for work for the consultant will be complete in the next 3-4 weeks. Once that decision is complete, a time line will be developed for analyzing the existing fuel system, producing a report, and putting a recommendation before the SBWMA Board.

I do appreciate the direction you and your team have provided in this ever changing environment. If you have additional questions or concerns please feel free to contact me at (650) 596-6401. You may also contact Mr. Hilary Gans at (650) 802-3507. Thank you for your assistance.

Best regards,

A handwritten signature in black ink, appearing to read 'E. Boyd', written over a horizontal line.

Evan Boyd
General Manager

Cc: Hilary Gans, Facility Operations Contract Manager, SBWMA
Dennis Franco, Maintenance Manager, Allied Waste