



A Public Agency

## AGENDA

SBWMA Finance Committee

Special Meeting

Thursday, May 10, 2018 at 12:00 p.m.

RethinkWaste, Conference Room  
610 Elm Street, Suite 202 San Carlos, CA 94070

### 1. Roll Call

### 2. Public Comment

Persons wishing to address the Board on matters NOT on the posted agenda may do so. Each speaker is limited to two minutes. If there are more than five individuals wishing to speak during public comment, the Chairman will draw five speaker cards from those submitted to speak during this time. The balance of the Public Comment speakers will be called upon at the end of the Board Meeting. If the item you are speaking on is not listed on the agenda, please be advised that the Board may briefly respond to statements made or questions posed as allowed under The Brown Act (Government Code Section 54954.2). The Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report and formal public discussion and input at that time.

#### 1. Executive Director's welcome

#### 2. Approval of Minutes from the April 10, 2018 Finance Committee Meeting

#### 3. FY18/19 Draft Budget Preview

#### 4. Discussion on Capital Improvement Plan Recommendations

#### 5. Finance Committee Member Comments

#### 6. Adjourn

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#### MEMBER AGENCIES

ATHERTON \* BELMONT \* BURLINGAME \* EAST PALO ALTO \* FOSTER CITY \* HILLSBOROUGH \* MENLO PARK \* REDWOOD CITY  
\* SAN CARLOS \* SAN MATEO \* COUNTY OF SAN MATEO \* WEST BAY SANITARY DISTRICT





**DRAFT MINUTES**

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
MEETING OF THE FINANCE COMMITTEE  
April 10, 2018 – 12:15 p.m.  
San Carlos Library Conference Room A**

**Call To Order: 12:22PM**

**1. Roll Call**

Agency	Present	Absent
Bill Widmer	X	
Michael Brownrigg	X	
Carol Augustine	X	
Jay Benton	X	

SBWMA Staff Members Present: Joe La Mariana, Hilary Gans, Marshall Moran, Cyndi Urman, Jean Savaree

**2. Public Comment**

Persons wishing to address the Board on matters NOT on the posted agenda may do so. Each speaker is limited to two minutes. If there are more than five individuals wishing to speak during public comment, the Chairman will draw five speaker cards from those submitted to speak during this time. The balance of the Public Comment speakers will be called upon at the end of the Board Meeting. If the item you are speaking on is not listed on the agenda, please be advised that the Board may briefly respond to statements made or questions posed as allowed under The Brown Act (Government Code Section 54954.2). The Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report and formal public discussion and input at that time.

None

**3. Executive Director's welcome and remarks, and update on open Sr. Finance Manager position recruitment**

Executive Director La Mariana made several announcements:

- John Mangini has accepted the offer to be the SBWMA Sr. Finance Manager and will start on May 7.
- Menlo Park has the Franchise Agreement Extension on their April 24 City Council Agenda, and should it pass it will be the 8<sup>th</sup> and mark the required 2/3 of Member Agencies having approved the extension.
- An Administrative Services RFP was conducted and two responses were received, both were comparable but with the change in Sr. Finance Manager, Staff is recommending a 1-year extension with the City of San Carlos followed by another RFP next year when the new Sr. Finance Manager is on board.
- An unsolicited call regarding refinancing the bonds was received and feedback from the committee was given to get a detailed proposal from them and find out costs associated with the refinance. The consensus was to give this project to the new Sr. Finance Manager.

**4. Approval of Minutes from the January 9, 2018 Finance Committee Meeting**

Motion/Second: Brownrigg/Widmer: Voice Vote: All in favor

**5. Approval of 2019 Finance Committee Meeting Calendar**

Member Widmer noted a Tuesday/Thursday conflict next year, Finance Committee meetings were scheduled for Wednesday January 9, 2019 and Wednesday April 10, 2019 at 12:15.

The committee requested the auditors set up phone calls in advance of the January 9<sup>th</sup> meeting to review audit results.

**6. Approval of 2017 Calendar Year Financial Statements**

Motion/Second: Benton/Widmer. Voice Vote: All in favor.

**7. FY18/19 Draft Budget Preview**

The committee discussed the proposed budget and issues impacting the FY1819 budget. Discussion included the \$3.9 deficit related to the global market place collapse, the increase in organics fees and organic material collected and C&D costs that are nearly double last year, and a 9% increase in property insurance costs.

A recommendation was made to increase C&D rates now to recover the increased costs. The committee recommendation was to move the item forward to the April Board meeting.

Executive Director La Mariana noted SBR's projected financial 2018 results to be down \$1.1M in revenue share. A discussion was had on possible Force Majeure.

The committee discussed the depleted capital expense fund due to the drop in commodity revenue. The consensus was to review reserve policies so that the correct reserves were used, and capital reserves were only for capital.

The committee discussed the recommend budget results. The draft operating budget recommends a 9% tip fee and 2% franchise increase, and a \$7 increase.

Member Brownrigg noted that, given how the Capital Reserve had been depleted, coupled with the collapse in commodity revenue, the committee asked staff to look into various fees being paid by the SBWMA to see if reductions or restructurings could be negotiated to lower expenses. The Finance Committee agreed, and directed staff as such.

Member Brownrigg suggested the Finance Committee regroup before the Board meeting, and suggested a standard \$14 across the board increase. Member Widmer wanted to see projections that if the rates did go up to \$14 they wouldn't go up again the next year. Member Benton noted that it would be a 25% increase in the last two years. The committee asked so see different scenarios for tip fee increases, and where those scenarios would compare rate wise to other jurisdictions.

Member Benton recommended pulling the budget from the April agenda, having the finance committee meet again before the budget went to the Board in May. The committee directed staff do a rate survey with the increase in tip fees, review the County and San Carlos fees, and investigate bond structure before the Finance Committee meets again.

**8. Finance Committee Member Comments**

**9. Adjourn 2:32PM**



## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Joe La Mariana - Executive Director  
Marshall Moran, Interim Finance Manager  
**Date:** May 10, 2018 Finance Committee Special Meeting  
**Subject:** Discussion of the Preliminary FY18/19 SBWMA Budget

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### Recommendation

This Preliminary FY18/19 SBWMA Budget is for discussion only and it will be brought back to the Board in June for approval after Board review and comment.

### Summary

The FY18/19 budget is being negatively impacted by the significantly lower fiber commodity prices due to the recent change in China's quality standards and market disruption. This results in lower net commodity revenue of \$3.9 million vs the FY17/18 budget. In addition, higher organics processing fees have increased the Agency costs by \$1,417,400 vs. FY17/18 fees. (These contracts have all been reviewed and approved by the Board). These and other changes have resulted in a FY18/19 budget with assumed tip fee increases of 11% to 16.5% for most revenue categories, as recommended by the Finance Committee. Actual tip fees are approved by the Board in November which will give us more time to see how the commodity market develops.

### Fiscal Impact

The FY18/19 Budget forecasts a Net Income of \$2,312,805 which is \$0.5 million lower than FY17/18 Adopted Budget (see **Table 1** below). The Net Income projection is primarily a function of the following factors:

- Higher franchise and non-franchised revenue of \$8.5 million (22%)
  - Franchise tip fee increases of \$14.00 per ton (13.1% on SW)
  - Public tip fee increases of 4.8% on SW, 12.9% on organics and 10% on C&D
- Lower net commodity revenues of \$3.9 million (-48%) from drastically lower fiber prices in the China impact.
- Higher Disposal & Processing expense of \$3.8 million primarily due to 11% higher volume (organics and C&D) and higher fees at Newby (23% on 1/1/2018), higher fees at Zanker (7.7%) and separated food waste to Grover at a higher rate
- Lower SBWMA Program expenses of \$277,235 (8%) due to consultant projects not needed in FY18/19
- Higher property insurance expense of \$308,303 (53%) due to 2016 fire at Shoreway and market conditions

**Table 1**

FY18/19 NET INCOME					
Categories	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Preliminary Budget	Variance to Adopted Budget	Variance %
Total Revenue	\$46,960,353	\$49,180,563	\$51,694,167	\$4,733,815	10.1%
Total Expenditures	\$44,137,465	\$47,569,865	\$49,381,362	(5,243,898)	-11.9%
<b>Net Income:</b>	<b>\$2,822,888</b>	<b>\$1,610,698</b>	<b>\$2,312,805</b>	<b>(\$510,083)</b>	<b>-18.1%</b>

## Overview

### *Budget Process*

The schedule for this budget review includes the following:

- Finance Committee review – April 10
- Second Finance Committee review – May 10
- Board review and feedback of preliminary budget – May 24
- Board discussion of the planned capital budget – May 24
- Final Board consideration of final budget – June 28

### *Organization of the Budget Report*

**Attachment A:** You will find the preliminary FY1819 detailed operating budget (including cash reserve balances, revenues, and expense and capital budget). The expense detail in **Attachment A** has three main parts: the SBWMA Program budget (7% of total), the Shoreway Operations budget (83% of total) and the non-operating Expenses (10% of total).

**Attachment B:** You will find further detail of the Program budget: staff resources, key projects and work activities.

**Attachment C:** Provides the current organization chart and details on personnel related budget assumptions. No changes are proposed in staffing levels or in employee benefits. However, the budget reflects the overlap of the Interim Finance Manager with a new Finance Manager to ensure a successful transition given the critical nature of this position.

**Attachment D:** Provides back up detail on commodity revenue and prices.

**Attachment E:** Provides important back up to other financial and operational data.

### *Highlight of New Projects and Activities*

- **Franchise Agreement: Amendment #1:** program modification discussions with Recology (Bulky Item Collection; Abandoned Waste Collection; inclusion of anti-litter/storm water standards).
- **Commodity Market Response:** Plan and implement short term/long term equipment modifications to allow SBWMA materials to remain at the front of the line in the global commodity markets in the future.
- **Zero Landfill Committee and Long-Range Plan:** Implement Mixed Waste Processing Pilot; Expanded Public Spaces, In-School and Pub Ed programs.
- **Mandated Communications, Public Education and Outreach Programs:** Renewed emphasis on proper handling of battery disposal options; improve quality of recyclables received; expand commercial organics participation; increased residential food waste participation; and promotion of diversion programs.

### *Ongoing Core Staff Responsibilities*

- **Franchise Agreement Contract Administration:** Continued oversight, contract administration and technical support for the 12 collection services Franchise Agreements with Recology San Mateo County (RSMC).



- **Shoreway Environmental Center—Facility and Contractor Oversight:** Manage all financial, operational, capital and maintenance needs, planning and compliance aspects of the agency-owned 16-acre solid waste facility through direct engagement or through the activities of our primary contractor, SBR. This includes over 200,000 square feet of building management and over \$20M worth of equipment owned by the SBWMA.
- **Materials Management:** Provide technical expertise in planning, compliance and management of all aspects of the agency's major contracts for the disposal and/or handling of MSW, organics, construction and demolition, and recyclable materials (through SBR). In 2017, this responsibility represented the proper handling of 400,000 tons of materials with a total contract value of over \$19M.
- **Management of Annual Contractor's Compensation Adjustment Process (RSMC and SBR),** including review of the 2019 RSMC and SBR compensation applications and completion of final audit reports (Recology and SBR) for 2017.
- **Manage Public Education and SBWMA-Planned Community program activities:** to provide technical support for the residential collection services and manage the development of the outreach materials for the commercial collection programs. In 2017, there were 19 SBWMA-Planned and Community events (17 "Shred/E-Waste/Compost events; An Earth Day public event (April) and an America Recycles Day public event (November)).
- **Management of the Shoreway Education Center tour program** including the school and public tours. This program educates an average of over 5,000 tour visitors per year with two full-time employees.in about 250 facility tours.

## Financial Summary

Overall, the preliminary FY18/19 budget reflects challenging financial results primarily due to lower commodity revenue which has been mitigated with higher tip fees. **Table 2** below provides a financial summary of operations.

**Table 2**

FY18/19 FINANCIAL SUMMARY					
Categories	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Preliminary Budget	Variance to Adopted Budget	Better/Worse %
<b>Total Revenue</b>	<b>\$46,960,353</b>	<b>\$49,180,563</b>	<b>\$51,694,167</b>	<b>\$4,733,815</b>	<b>10%</b>
Program	\$3,653,015	\$3,688,963	\$3,375,780	(\$277,235)	8%
Shoreway Operations	\$ 35,927,570	\$ 39,146,496	\$ 41,110,633	\$5,183,063	-14%
<b>Total Operating Expense</b>	<b>39,580,585</b>	<b>42,835,459</b>	<b>44,486,413</b>	<b>\$4,905,828</b>	<b>-12%</b>
Non-Operating Expense	4,556,880	4,734,406	4,894,949	338,069	-7%
<b>Total Expense</b>	<b>44,137,465</b>	<b>47,569,865</b>	<b>49,381,362</b>	<b>5,243,898</b>	<b>-12%</b>
<b>Net Income</b>	<b>\$ 2,822,888</b>	<b>\$ 1,610,698</b>	<b>\$ 2,312,805</b>	<b>\$ (510,083)</b>	<b>-18%</b>

## Revenue

**Table 3** below provides a summary of revenue by source with total revenues for FY18/19 increasing by \$4,733,815 (10%) over the FY1718 adopted budget. Higher tip fees, higher organics and public C&D volumes are partly offset by lower net commodity revenue. At the urging of the Finance Committee, tip fees were raised to partially offset lower commodity prices to protect our reserves and maintain the bond covenant requirements. This budget assumes a \$14 increase (or a 12.5%-13%) in Franchise solid waste and organics tip fees effective January 1, 2019, which effects only half of the fiscal year. Food waste

will increase by \$20 (16.550 – split between July 1, 2018 and January 1, 2019. Public customer organics and C&D tip fees will increase 12.9% and 10% respectively spread out on 7/1/2018 and 1/1/2019. Public solid waste will go up 4.8% on 1/1/2019. Public solid waste customers are not affected by cost increases or commodity revenue.

Table 3

FY18/19 REVENUE					
Revenue	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Preliminary Budget	Variance to Adopted Budget	Variance %
<b>Tip Fee Revenue</b>	\$38,780,135	\$42,508,115	\$47,324,987	\$8,544,852	22%
<i>Non Franchised</i>	8,691,298	11,559,769	12,317,344	3,626,046	42%
<i>Franchised</i>	30,088,837	30,948,346	35,007,643	4,918,806	16%
Net Commodity Sales Revenue*	8,015,544	6,170,872	4,128,935	(3,886,609)	-48%
Interest Income	106,580	175,079	233,300	126,720	119%
Fire Insurance Proceeds		258,508			
Other Revenue	58,094	67,990	6,945	(51,149)	-88%
<b>Total Revenue:</b>	<b>46,960,353</b>	<b>49,180,563</b>	<b>51,694,167</b>	<b>4,733,815</b>	<b>10%</b>

\*Gross commodity sales less 25% revenue share with SBR and buyback payments.

Table 4 below summarizes the volume, tip fee and revenue change for franchise and public customers. Franchise tonnage is expected to increase by 3.7% and with the tip fee increases result in 16.3% higher revenue. Public customer volume, especially C&D, will increase 13.9%. With tip fee increases of \$4 per yard (10% – 13%), public revenue will increase by 24.5%. A relatively new category is weighed 3rd party customers, mostly from Recology San Bruno and other jurisdictions, with an expected 110% volume increase based on current trends resulting in 137% revenue increase including tip fee increases.

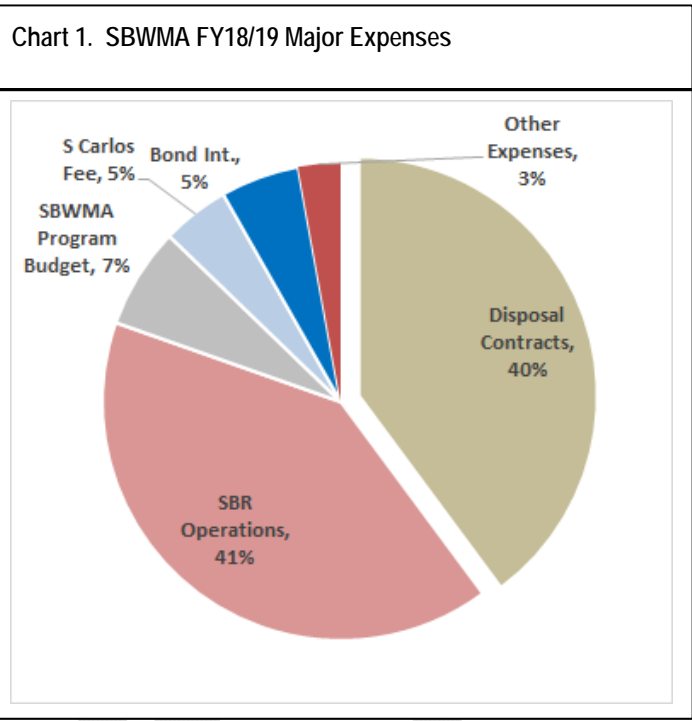
Table 4

TIP FEE REVENUE					
	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Proposed Budget	FY19 vs. FY18 Adopted Budget	Variance %
<b>Franchise Revenue</b>					
<b>Tons</b>	287,849	288,283	298,398	10,549	3.7%
Wtd Avg. Tip Fee	\$ 104.53	\$ 107.35	\$ 117.32	\$ 12.79	12.2%
<b>Franchise Revenue</b>	<b>\$ 30,088,837</b>	<b>\$ 30,948,346</b>	<b>\$ 35,007,643</b>	<b>\$ 4,918,806</b>	<b>16.3%</b>
<b>Public Revenue</b>					
<b>Cu/Yards</b>	192,232	220,076	218,953	26,721	13.9%
Wtd Avg. Tip Fee	\$ 101.47	\$ 106.54	\$ 114.74	\$ 13.26	13.1%
<b>Public Revenue Cu/YDS</b>	<b>\$ 7,366,342</b>	<b>\$ 8,517,916</b>	<b>\$ 9,172,353</b>	<b>\$ 1,806,011</b>	<b>24.5%</b>
<b>Tons ( 3rd party - mostly Recology)</b>	13,057	28,550	27,410	14,353	109.9%
Wtd Avg. Tip Fee	\$ 38.32	\$ 38.70	\$ 41.89	\$ 3.57	9.3%
<b>Public Revenue Tons</b>	<b>\$ 1,324,957</b>	<b>\$ 3,041,853</b>	<b>\$ 3,144,991</b>	<b>\$ 1,820,034</b>	<b>137.4%</b>
<b>Public Revenue Total</b>	<b>\$ 8,691,298</b>	<b>\$ 11,559,769</b>	<b>\$ 12,317,344</b>	<b>\$ 3,626,046</b>	<b>41.7%</b>
<b>Total Tip Fee Revenue</b>	<b>\$ 38,780,135</b>	<b>\$ 42,508,115</b>	<b>\$ 47,324,987</b>	<b>\$ 8,544,852</b>	<b>22.0%</b>

Table 5 reflects the dramatic change in commodity revenue. Volume is in line with the Mid-Year budget but below FY18/19 Adopted budget by 10.7%. It appears the FY17/18 budget was overstated. Average weighted commodity prices decrease by 44.4% due to the new fiber standards in China and the impact on the world market. Gross commodity revenue decreases by \$5.1 million but is partially offset by the reduction in revenue sharing payment to SBR by \$1.1 million. Net commodity revenue is budgeted to decline by \$3.9 million.

Table 5

COMMODITY REVENUE					
	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Proposed Budget	FY19 vs. FY18 Adopted Budget	Variance %
<b>COMMODITY REVENUE</b>					
<b>Tons Sold</b>	70,869	64,296	63,272	(7,597)	-10.7%
<b>Wtd Avg. Price</b>	<b>\$ 141.76</b>	<b>\$ 123.57</b>	<b>\$ 78.88</b>	<b>\$ (62.88)</b>	<b>-44.4%</b>
<b>Gross Revenue</b>	<b>\$ 10,046,673</b>	<b>\$ 7,944,839</b>	<b>\$ 4,991,022</b>	<b>\$ (5,055,651)</b>	<b>-50.3%</b>
Revenue Share w/ SBR	\$ (1,139,814)	\$ (895,767)	\$ -	\$ 1,139,814	-100.0%
Buyback Payments	(891,314)	(878,200)	(862,086)	29,228	-3.3%
<b>Net Commodity Revenue</b>	<b>\$ 8,015,544</b>	<b>\$ 6,170,872</b>	<b>\$ 4,128,935</b>	<b>\$ (3,886,609)</b>	<b>-48.5%</b>
<b>Price / Volume Impact</b>					
		<b>Price</b>	<b>Volume</b>	<b>Total</b>	
Tonnage Change	\$	141.76	(7,597)	\$ (1,077,043)	
Price Change	\$	(62.88)	63,272	(3,978,608)	
<b>Total Change (Gross)</b>				<b>\$ (5,055,651)</b>	



**SBWMA Total Expense**

Table 6 below and Chart 1 summarizes the total expenses for the FY18/19 Budget by major category. The Total Expense is projected to be \$49,381,362 and is \$5.2M (12%) higher than the FY17/18 Adopted Budget. Each expense category shown in the table below is discussed in more detail further on.

Table 6

FY18/19 TOTAL EXPENSE SUMMARY						
EXPENSE CATEGORIES	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Preliminary Budget	FY19 vs. FY18 Adopted Budget	FY19 vs. FY18 Adopted Budget %	FY18/19 Budget % of Total
Shoreway Operations	\$35,927,570	\$38,887,988	\$41,110,633	\$5,183,063	14%	83.3%
SBWMA Program	3,653,015	3,688,963	3,375,780	(277,235)	-8%	6.8%
Bond Interest Expense	2,710,170	2,710,170	2,641,333	(68,836)	-3%	5.3%
Franchise Fees to San Carlos	1,846,710	2,024,236	2,253,616	406,906	22%	4.6%
Shoreway Fire Related Expenses	-	258,508	-	-		0.0%
<b>Total Expense</b>	<b>\$44,137,465</b>	<b>\$47,569,865</b>	<b>\$49,381,362</b>	<b>\$5,243,898</b>	<b>12%</b>	<b>100.0%</b>

As can be seen, Shoreway Operations expense is budgeted to increase by 14%, the SBWMA Program budget will decrease by 8%, and franchise fees paid to the City of San Carlos will increase by 22% in line with the tip fee revenue increase per Table 4 and 5 above (the 5% franchise fee is unchanged). The changes are explained below.

**Shoreway Operations Expense**

As shown in Table 6 above, the Shoreway Operations expense represent 83% of the FY18/19 SBWMA Total Expense Budget. Shoreway Operations includes all South Bay Recycling (SBR) compensation, disposal and processing expenses and all other direct expenses related to the SBWMA's responsibilities and obligations as the owner of the facility such as property insurance. The Shoreway operating expenses are largely non-discretionary expenses and are variable to tonnage delivered to the Shoreway facility and subject to annual calendar year contractual CPI-based

compensation adjustments. Operational detailed data for Shoreway revenue and expenses can be found in **Attachment D and E**.

### Shoreway Operations Expense Detail

Table 7 below shows the Shoreway Operations Expense detail for FY18/19. The total expense for the Shoreway operations are projected to be \$41,110,633 which is \$5.2M (14%) over FY17/18 Adopted Budget. Variances for each expense line are discussed below:

Table 7

FY18/19 SHOREWAY OPERATIONS EXPENSE DETAIL					
Expenditures	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Preliminary Budget	Variance to Adopted Budget	Variance %
SBR Compensation	\$18,936,520	\$19,551,983	\$20,019,097	\$1,082,577	6%
Disposal and Processing	15,859,400	18,047,130	19,675,134	3,815,734	24%
Property Insurance	576,500	780,000	884,803	308,303	53%
Education Center	60,000	60,000	60,000	-	0%
Credit Cards Charge	140,600	112,000	109,400	(31,200)	-22%
Other Operating Expense	292,690	292,690	316,690	24,000	8%
Sewer Charge	61,860	44,186	45,510	(16,350)	-26%
Fire Related Expense		258,508			0%
<b>Total Shoreway Operations:</b>	<b>\$ 35,927,570</b>	<b>\$ 39,146,496</b>	<b>\$ 41,110,633</b>	<b>\$ 5,183,063</b>	<b>14%</b>
Bond Interest Expense	2,710,170	2,710,170	2,641,333	(68,836)	-3%
Franchise Fee (San Carlos)	1,846,710	2,024,236	2,253,616	406,906	22%
<b>Total Expense</b>	<b>\$ 40,484,450</b>	<b>\$ 43,880,902</b>	<b>\$ 46,005,582</b>	<b>\$ 5,521,132</b>	<b>14%</b>

**SBR Compensation Expense:** There is a projected 6% increase in the expense paid to SBR to operate the Shoreway facility and transport outbound materials to the disposal and processing facilities. SBR is paid on a per ton basis. There was a 7% increase in "paid" tons primarily at the Transfer Station offset by a small decrease in MRF tons (the FY17/18 MRF tons appear to be overstated compared to the FY17/18 MY MRF tons). SBR's fees per ton change with CPI indices and are estimated to increase 2 to 3% on January 1, 2019, similar to the 2018 increase. The weighted average transportation fee (based on a per ton/mile) increased by 5.6% as more tons were shipped further to Grover vs. closer in Newby. In addition, \$576,487 has been added for additional MRF sorters needed to clean the bales and improve the quality of fiber commodities in response to China's tighter contamination standards (see Attachment E, Table E.4 for detail).

**Disposal and Processing Expense:** As shown in Table 8 below, there is 24% increase in disposal and processing expense which is based on 38,390 more tons (10.6%) compared to the FY17/18 Adopted Budget and higher weighted average processing fees (12.2%). All processing contracts are reviewed and approved by the Board. Higher organic tons (20,970) and C&D tons (22,656) are budgeted. Newby's organics fee increased from \$52.73 to \$65 per ton – a 23% increase on January 1, 2018. In addition, Grover started separately charging for food waste at a higher rate than organics (\$53.62 vs 37.02). Zanker Road's contracted fees increased \$5.00 / ton (8.3%) on Jan. 1, 2018 and another \$5.00 / ton (7.7%) on Jan. 1 2019 which is passed on to the public customers who bring in all the C&D volume. See (See, Attachment E, Table E.5 and Table E.5a for further detail on Organics processing).

Table 8

FY18/19 SHOREWAY DISPOSAL EXPENSE DETAIL					
Disposal Expense by Material Type	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Preliminary Budget	Variance to Adopted Budget	Variance %
Solid Waste	\$9,077,687	\$8,537,845	\$8,979,487	(\$98,199)	-1%
Organics	4,463,552	5,772,245	6,733,790	2,270,238	51%
C&D, dirt	2,133,049	3,613,794	3,840,436	1,707,387	80%
Other	360,824	420,951	429,926	69,101	19%
<b>Subtotal</b>	<b>\$16,035,111</b>	<b>\$18,344,835</b>	<b>\$19,983,638</b>	<b>\$3,948,527</b>	<b>25%</b>
Paid by SBR (MRF residue)	(175,728)	(297,705)	(308,505)	(132,777)	76%
<b>TOTAL DISPOSAL EXPENSE</b>	<b>\$ 15,859,384</b>	<b>\$ 18,047,130</b>	<b>\$ 19,675,134</b>	<b>\$ 3,815,750</b>	<b>24.1%</b>

**Other Operating Expense (see Table 7):**

- Property insurance premiums increased by 9.3% due to our fire claim in 2016 and general market conditions impacted by last year's major hurricanes and N. Cal. fires. Board review and approval of the new premium was discussed and approved under item 5-A in the April Board package.
- Education Center expense is to provide bus service for school children tours.

- Credit card transaction fees paid by SBR for public/non-franchise customer transactions and reimbursed by the Agency have decreased by \$31K due to a change in banks by SBR which resulted in lower banking fees.
- Other Operating Expense includes primarily facility and equipment maintenance not covered by SBR in their contract.
- Sewer usage fees are based on the potable water usage (water meter) at the site.

**Franchise Fee (to City of San Carlos):** Under the terms of the land use permit at Shoreway granted by the City of San Carlos to the JPA, the SBWMA pays the City 5% of the total tip fee revenue. It is 22% higher than FY17/18 budget in line with higher tip fee revenue.

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

The SBWMA Program & Administrative summary expense is shown in **Table 9** below and totals \$3,375,780, 8% less than the FY17/18 Adopted Budget. The FY18/19 SBWMA Program & Administrative Expense Budget Detail is shown in **Attachment A - FY18/19 Capital & Operating Budget Detail** with expense variances described in line-by-line detail. The reduction is mainly due to consultant work for the Recology contract negotiation (\$450,000) budgeted last year and other projects that will be strategically deferred to FY19/20 due to the current commodity market situation.

**Table 9**

<b>FY18/19 SBWMA PROGRAM EXPENDITURES</b>					
<b>Expenditures</b>	<b>FY17/18 Adopted Budget</b>	<b>FY17/18 Mid-Year Budget</b>	<b>FY18/19 Preliminary Budget</b>	<b>Variance to Adopted Budget</b>	<b>Variance %</b>
Administrative Expenses	\$1,929,485	\$1,902,433	\$1,980,850	\$51,365	3%
Member Agency Support & Contract Compliance	\$889,030	\$952,030	\$514,430	(\$374,600)	-42%
State Mandated Public Education & Outreach	\$834,500	\$834,500	\$880,500	\$46,000	6%
<b>Total SBWMA Program Expenses:</b>	<b>\$3,653,015</b>	<b>\$3,688,963</b>	<b>\$3,375,780</b>	<b>(\$277,235)</b>	<b>-8%</b>

The SBWMA Program & Administrative budget includes the staff, administrative, and program related expenses to operate the JPA. The agency has employed a deliberate, consultant-based model to supplement staff time and expertise to fulfil the contract compliance, agency reporting, program and administrative functions to meet the goals established by the Board, the



agency's contracts and regulatory bodies. This dual-tier resources approach strongly benefits the agency by maintaining critical institutional knowledge and in-house program continuity (staff), while strategically flexing (up or down) contractor use on an as-needed basis, without bearing the ongoing commitments associated with maintaining a larger staff.

The anticipated staff wage increase is 3% over prior year (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 Executive Director's merit-based decision, this year's budget includes the promotion for our current Environmental Education Associate position incumbent into the existing (but currently vacant) Environmental Education Coordinator job classification. This action has no net effect on the agency's authorized headcount.

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 FY18/19 that are detailed in **Attachment B** – SBWMA Programmatic Detail. A summary of the key projects for FY18/19 include:

- Completing the public procurement process for disposal services beyond the expiration of the agency's current contract. This current term expires on December 31, 2019.
- Completion of a technical operations pilot 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 FY18/19 Capital Expenditures budget is \$3,317,500 including \$2.3 million for an Organics to Energy Pilot Project. The capital schedule of projects is included in **Attachment A - FY18/19 Capital & Operating Budget Detail**. The forecast includes the recommended capital projects presented in the 2015 Long Range Plan, as well as recommendations for phased MRF equipment modifications to elevate material quality to meet new and anticipated global market standards. The capital budget will be thoroughly discussed at the May 24, 2018 Board meeting.

### ***Reserve Balances and Bond Covenant***

Reserve balances are calculated by adding (or subtracting) the Net Cash Flow to the Beginning Balance to arrive at the Ending Reserve Balance as shown in **Table 10** below. Net Cash Flow is the sum of Net Income, less bond principal payment, less capital expenditure. For FY18/19, net cash flow to reserves is (\$2,487,365).

**Table 10**



FY18/19 Cash Flow to Reserve Balance					
Categories	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Preliminary Budget	Variance to Adopted Budget	Variance %
Beginning Reserve Balance	\$ 14,837,497	\$ 16,088,195	\$14,675,560	\$ (161,937)	
Net Income	\$2,822,888	\$1,610,698	\$2,312,805	(\$510,083)	-18%
Bond Principal Payment	(1,183,333)	(1,183,333)	(1,482,500)	(299,167)	25%
Capital Expenditures	(1,840,000)	(1,840,000)	(3,317,500)	(1,477,500)	80%
Net Cash Flow (to Reserve)	(\$200,445)	(\$1,412,635)	(\$2,487,195)	(\$2,286,750)	1141%
Ending Reserve Balance	\$14,637,052	\$14,675,560	\$12,188,365	(\$2,448,687)	

Once the Ending Reserve Balance is calculated, it is then distributed to each specific reserve in the priority established in the Board approved Reserve Policy: 1<sup>st</sup> priority – Rate Stabilization; 2<sup>nd</sup> priority – Emergency Reserve; 3<sup>rd</sup> priority – Equipment Replacement Reserve. Any remaining funds are put in the Capital Reserve, formerly called Undesignated Reserve. This is why the Capital Reserve can have large swings from year to year - it is the “plug” reserve. The Total Reserve is budgeted at \$12.2 million as shown in Table 11 below. The bond covenants are expected to be achieved.

Table 11

FY18/19 BUDGET: RESERVE BALANCES					
	ACTUAL FY16/17	ADOPTED BUDGET FY17/18	MID-YEAR BUDGET FY17/18	PRELIMINARY BUDGET FY18/19	FY19 vs. FY18 Mid-Year Budget
<b>UNCOMMITTED RESERVE:</b>					
RATE STABILIZATON (10% of expense)	\$ 4,033,671	\$ 4,237,586	\$ 4,756,987	\$ 4,938,136	\$ 181,150
EMERGENCY RESERVE (10% of expense)	4,033,671	4,237,586	4,756,987	4,895,300	138,314
<b>CAPITAL RESERVE (Undesignated)</b>	6,828,704	4,438,135	3,437,843	957,415	(2,480,428)
<b>TOTAL UNCOMMITTED RESERVES</b>	<b>\$ 14,896,047</b>	<b>\$ 12,913,307</b>	<b>\$ 12,951,816</b>	<b>\$ 10,790,851</b>	<b>\$ (2,160,965)</b>
<b>COMMITTED RESERVE</b>					
EQUIPMENT REPLACEMENT (ANNUAL)	\$ 1,192,148	\$ 1,723,744	\$ 1,723,744	\$ 1,397,514	\$ (326,231)
<b>TOTAL RESERVES</b>	<b>\$ 16,088,195</b>	<b>\$ 14,637,052</b>	<b>\$ 14,675,560</b>	<b>\$ 12,188,365</b>	<b>\$ (2,487,195)</b>
SHOREWAY REMEDIATION PROJECT	\$ 1,233,640	\$ 1,233,640	\$ 1,233,640	\$ 1,233,640	\$ -

### Background

The SBWMA Budget is reviewed by the Board in May and will be considered for approval at the June Board meeting this year. On April 10 and on May 10, the Finance Committee reviewed the assumptions of the Preliminary FY18/19 SBWMA Budget. The Preliminary FY18/19 capital budget will also be discussed at the May Board meeting.

### 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 Revenue and Price Information
- E. Supporting Financial and Operational Data (Tonnage, Fees & Rates, Other)

Attachment A - FY18/19 Budget Revenues by Major Source

	REVENUE SUMMARY	ACTUAL FY16/17	ADOPTED BUDGET FY17/18	MID-YEAR BUDGET FY17/18	PROPOSED BUDGET FY18/19	Variance to Adopted Budget	Variance % to Adopted Budget	Notes
<b>1</b>	<b>ADMINISTRATIVE REVENUE:</b>							
2	INVESTMENT INCOME	\$ 97,176	\$ 106,580	\$ 175,079	\$ 233,300	\$ 126,720	118.9%	Higher balance and interest rates
4	<b>TOTAL ADMINISTRATIVE</b>	<b>\$ 97,176</b>	<b>\$ 106,580</b>	<b>\$ 175,079</b>	<b>\$ 233,300</b>	<b>\$ 126,720</b>	<b>118.9%</b>	
<b>5</b>	<b>OPERATIONS REVENUE:</b>							
6	SHOREWAY TIP FEES - Non Franchised	9,575,945	8,691,298	11,559,769	12,317,344	3,626,046	41.7%	Higher C&D and organics volume. Two-phase Tip Fee increase planned for 7/1/2018 + 1/1/2019 (Total:10-16%)
7	SHOREWAY TIP FEES - Franchised	29,349,731	30,088,837	30,948,346	35,007,643	4,918,806	16.3%	adjustment planned for 1/1/2019 (Net to ratepayer estimated >3%)
8	COMMODITY SALES REVENUE	\$ 7,375,505	\$ 10,046,673	\$ 7,944,839	4,991,022	(5,055,651)	-50.3%	Lower commodity prices due to China policy changes
9	COMMODITY REVENUE SHARING W/ SBR	(435,897)	(1,139,814)	(895,767)	-	1,139,814	-100.0%	Lower commodity revenue results in lower revenue share to SBR (25% above \$5.6 million). None in CY2018.
10	BUY BACK CENTER - Payment to Customers	\$ (812,243)	\$ (891,314)	\$ (878,200)	(862,086)	29,228	-3.3%	
11	E-SCRAP COMMODITY REVENUES	\$ 15,367	\$ 13,094	\$ 8,902	6,945	(6,149)	-47.0%	A slight enhancement in E-waste commodity markets
12	MRF HOST FEE - SBR Third-Party Contracted Tons	\$ 90,575	\$ -	\$ 14,088	-	-		Service not reactivated in post-fire MRF operations
12	HHW ON-CALL COLLECTION SERVICE	\$ 335,028	\$ -	\$ -	-	-		HHW Contract expired 12/31/2016
13	COMMERCIAL RECYCLING ORDINANCE FEE	\$ 6,723	\$ 15,000	\$ 15,000	-	(15,000)	-100.0%	
14	MISCELLANEOUS REVENUE	\$ 136,557	\$ 30,000	\$ 30,000	-	(30,000)	-100.0%	
<b>15</b>	<b>SUBTOTAL OPERATIONS REVENUE</b>	<b>\$ 45,637,291</b>	<b>\$ 46,853,773</b>	<b>\$ 48,746,977</b>	<b>\$ 51,460,867</b>	<b>\$ 4,607,094</b>	<b>9.8%</b>	
<b>16</b>	<b>FIRE RELATED REVENUE:</b>							
17	NET INSURANCE PROCEEDS	7,542,055	-	\$ 258,508	\$ -	\$ -	0.0%	
22	SUB FIRE REVENUE	7,542,055	-	\$ 258,508	\$ -	\$ -	0.0%	
<b>23</b>	<b>TOTAL OPERATING REVENUES</b>	<b>\$ 53,179,346</b>	<b>\$ 46,853,773</b>	<b>\$ 49,005,485</b>	<b>\$ 51,460,867</b>	<b>\$ 4,607,094</b>	<b>9.8%</b>	
<b>24</b>	<b>TOTAL REVENUE</b>	<b>\$ 53,276,522</b>	<b>\$ 46,960,353</b>	<b>\$ 49,180,563</b>	<b>\$ 51,694,167</b>	<b>\$ 4,733,815</b>	<b>10.1%</b>	
<b>25</b>	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 41,730,229</b>	<b>\$ 44,137,465</b>	<b>\$ 47,569,865</b>	<b>\$ 49,381,362</b>	<b>\$ 5,243,899</b>	<b>11.9%</b>	
<b>26</b>	<b>NET OPERATING INCOME</b>	<b>\$ 11,546,293</b>	<b>\$ 2,822,888</b>	<b>\$ 1,610,698</b>	<b>\$ 2,312,805</b>	<b>\$ (510,083)</b>	<b>-18.1%</b>	Bond covenants achieved

FY18/19 BUDGET

Expenses

line	EXPENDITURE SUMMARY	ACTUAL FY16/17	ADOPTED BUDGET FY17/18	MID-YEAR BUDGET FY17/18	YTD SPENT 03/02/2018	PROPOSED BUDGET FY18/19	Variance to Adopted Budget	Variance % to Adopted Budget	Notes
<b>1</b>	<b>ADMINISTRATIVE EXPENSES</b>								
2	ADMINISTRATIVE STAFF	\$ 512,106	\$ 538,710	\$ 549,645	\$ 365,196	\$ 648,000	\$ 109,290	20.3%	includes Interim FM (\$76k), new SFM vs prior FM (\$28k), lower PTO (\$15k), salary & benefit increases (\$19k)
3	MANDATED COMPLIANCE SUPPORT STAFF	538,683	769,370	\$ 730,858	358,692	772,600	3,230	0.4%	Lower PTO (\$12k) offset by salary & benefit increases in FY18/19 (\$15k).
4	EMPLOYEE RECRUITMENT/HR SUPPORT	1,625	15,000	\$ 15,000	325	-	(15,000)	-100.0%	
5	BOARD COUNSEL	105,023	65,000	\$ 65,000	30,895	66,600	1,600	2.5%	Legal expense on 3 year contract; rates to increase by CPI currently 2.5%
6	BOARD MEETINGS	4,274	5,000	\$ 5,000	4,326	6,000	1,000	20.0%	\$4K for Holiday lunch, and \$2K for refreshments at Board meetings
7	ACCOUNTING SERVICES (CITY OF SAN CARLOS)	139,950	145,000	\$ 145,000	108,750	150,500	5,500	3.8%	Payment to City San Carlos for accounting services
8	INFORMATION SYSTEMS	25,886	30,240	\$ 30,240	24,014	31,000	760	2.5%	Three year contract to increase by CPI currently 2.5%
9	WEBSITE	12,000	12,100	\$ 12,100	8,983	42,400	30,300	250.4%	Website maintainance (\$12.4k); Overdue Website upgrade--outdated tech platform/improved design (\$30k)
10	ANNUAL AUDIT	5,735	8,860	\$ 8,860	5,175	8,600	(260)	-2.9%	Fees paid to auditors to prepare FY & CY financial statements
11	D&O INSURANCE	44,890	45,890	\$ 45,890	44,580	45,900	10	0.0%	Annual insurance premium for director's and officer's insurance
12	BANK FEES	7,046	9,240	\$ 9,240	3,865	8,700	(540)	-5.8%	Bank fees on checking account and fees paid to BNY as the Bond Trustee
13	RENT	54,847	56,000	\$ 56,000	36,564	55,900	(100)	-0.2%	Office rent from the City of San Carlos with 3.5% increase every Jan.1.
14	PRINTING AND POSTAGE	171	500	\$ 500	141	350	(150)	-30.0%	
15	UTILITIES	17,174	20,000	\$ 20,000	15,352	17,000	(3,000)	-15.0%	Includes phone and janitor services.
16	OFFICE/TENANT IMPROVEMENTS	31,267	50,000	\$ 50,000	82,179	2,000	(48,000)	-96.0%	Office services
17	OFFICE SUPPLIES	13,567	16,000	\$ 16,000	7,217	16,000	-	0.0%	Office supplies
18	OFFICE EQUIPMENT COSTS	16,517	30,000	\$ 30,000	5,918	11,600	(18,400)	-61.3%	Base copier lease is \$600/month plus cost per copy
19	PUBLICATIONS & PUBLIC NOTICES	-	3,000	\$ 3,000	242	1,500	(1,500)	-50.0%	Estimate for one public notice
20	PROFESSIONAL DUES & MEMBERSHIPS	4,034	2,500	\$ 2,500	431	2,500	-	0.0%	Memberships to trade and community organizations (CRRA, SWMA, NCRA, CCAC )
21	VEHICLE MILEAGE & TOLLS	54	75	\$ 600	350	700	625	833.3%	Reimbursement for business use of personal cars (non-auto allowance-eligible employees/fellows).
22	CELL PHONES	993	5,000	\$ 5,000	315	1,000	(4,000)	-80.0%	Cell phone business expense.
23	CONFERENCE & MEETINGS	12,496	20,000	\$ 20,000	6,759	15,000	(5,000)	-25.0%	CRRA conference, progress seminar, SWANA meetings, lunch for SBWMA meetings, State of the City addresses
24	TRAINING	2,420	10,000	\$ 10,000	3,199	5,000	(5,000)	-50.0%	Staff training opportunities. CCAC training, etc.
25	SPONSORSHIPS & DONATIONS	14,000	30,000	\$ 30,000	21,500	30,000	-	0.0%	CAW, CRRA, SWANA, Acterra, Sustainable San Mateo, CPSC, NCRA Sponsorships
26	LEGISLATIVE & REGULATORY ADVOCACY	-	30,000	\$ 30,000	-	30,000	-	100.0%	Extend producer responsibilities ( battery safety & diversion program support)
27	COMPUTER PURCHASE	4,354	12,000	\$ 12,000	11,697	12,000	-	0.0%	Computer equipment replacement in 2018-19 (3), hard drive, 2nd Ubiquity, Sonic Wall Upgrade
<b>28</b>	<b>TOTAL ADMINISTRATIVE</b>	<b>\$ 1,571,478</b>	<b>\$ 1,929,485</b>	<b>\$ 1,902,433</b>	<b>\$ 1,146,666</b>	<b>\$ 1,980,850</b>	<b>\$ 51,366</b>	<b>2.7%</b>	
<b>29</b>	<b>MEMBER AGENCY SUPPORT &amp; CONTRACT COMPLIANCE</b>								
30	RATE REVIEW	\$ 13,861	\$ 59,030	\$ 59,030	\$ 34,561	\$ 63,400	\$ 4,370	7.4%	Office temp support (\$17k), HFH Rate App. support (\$46k).
31	FACILITY IMPROVEMENT OVERSIGHT	37,143	100,000	100,000	14,464	75,000	(25,000)	-25.0%	Engineering and construction management support
32	CONTRACT ANNUAL AUDITING	24,966	70,000	70,000	-	51,030	(18,970)	-27.1%	Annual Financial & Systems Audit of RSMC and SBR by R3 (\$51k).
33	COLLECTION SERVICES FRANCHISE ADMIN.	301,953	55,000	55,000	6,230	50,000	(5,000)	-9.1%	FA compliance \$40k; Amendment #1 support (BIC/AW/ storm water) \$50k
34	FINANCE ANALYSIS SUPPORT	2,251	40,000	40,000	210	-	(40,000)	-100.0%	On-Call consultant support as needed.-Interim FM expense moved above (line 2 "Admin Staff")
35	RECYCLING TECHNICAL ASSISTANCE	-	-	63,000	32,486	60,000	60,000	#DIV/0!	Diversion consultant support in lieu of LRP contractor (per adopted 3/23/17 Agency Assessment)
36	WASTE CHARACTERIZATION SUPPORT	27,110	30,000	30,000	12,676	30,000	-	0.0%	Waste characterization support
37	COLLECTION RFP CONSULTING SUPPORT	-	450,000	450,000	-	100,000	(350,000)	100.0%	Franchise Agreement requirement appears to be met so no RFP needed. Disposal Service Contract--RFP tech support/engineering review (total est. contract value: \$180k)
38	BATTERY MANAGEMENT PLANNING	-	85,000	85,000	11,850	85,000	-	100.0%	Consulting support for best-practices studying & recommend changes to collection programs
39	HHW DOOR TO DOOR COLLECTION OUTREACH	329,064	-	-	-	-	-	200.0%	
<b>40</b>	<b>TOTAL MA SUPPORT &amp; CONTRACT COMPLIANCE</b>	<b>\$ 736,348</b>	<b>\$ 889,030</b>	<b>\$ 952,030</b>	<b>\$ 112,477</b>	<b>\$ 514,430</b>	<b>\$ (374,600)</b>	<b>-42.1%</b>	
<b>41</b>	<b>STATE MANDATED PUBLIC EDUCATION &amp; OUTREACH</b>								
42	STATE'S REQUIRED ANNUAL REPORTS	\$ 19,960	28,000	\$ 28,000	\$ 28,000	28,000	\$ -	0.0%	Annual AB 939 EAR submittal for 10-MAs. +\$2K for possible CalRecycle Reporting/Commodities (T+M only). Note: no consultant rate adjustment from 1999-2016.

line	EXPENDITURE SUMMARY	ACTUAL FY16/17	ADDOPTED BUDGET FY17/18	MID-YEAR BUDGET FY17/18	YTD SPENT 03/02/2018	PROPOSED BUDGET FY18/19	Variance to Adopted Budget	Variance % to Adopted Budget	Notes
43	SBWMA ANNUAL REPORT	-	10,000	10,000	-	5,000	(5,000)	-50.0%	Creation of annual report
44	DIVERSION PROGRAM SUPPORT	10,545	50,000	50,000	-	90,000	40,000	80.0%	Tech Data Capture Systems (\$50k); Public spaces recycling assistance (\$30k); Diversion program support (\$10k)
45	EVENT GIVEAWAYS	-	15,000	15,000	3,711	5,000	(10,000)	-66.7%	
46	DIVERSION; COMPLIANCE; ZERO LANDFILL PROGRAMS	47,907	195,000	195,000	140,772	185,000	(10,000)	-5.1%	In-school pilot/education supplies (\$60k); ZLF initiatives-tech support (\$50k); Compost events (\$50k); 2 Fix-It clinics (\$25k)
47	LARGE EVENT & VENUE SUPPORT	-	12,500	12,500	-	12,500	-	0.0%	
48	CLIMATE ACTION PLANNING	12,204	29,000	29,000	14,060	25,000	(4,000)	-13.8%	Annual climate register & Member Agency support.
49	RECYCLING TECHNICAL ASSISTANCE	-	30,000	30,000	-	40,000	10,000	33.3%	AB1826 & 341 Compliance
50	COMMERCIAL/MFD CONTAINERS	31,253	60,000	60,000	-	50,000	(10,000)	-16.7%	MFD recycle bags, internal R containers, MA containers per Franchise Agreements
51	MULTI-FAMILY OUTREACH	1,545	50,000	50,000	5,000	75,000	25,000	50.0%	AB341&1826 Compliance \$10k; MFD Toolkit \$20k; Battery phones subscription \$10k
52	MEMBER AGENCY & RATE PAYER EDUCATION	-	110,000	110,000	-	110,000	-	0.0%	Biannual newsletters to Member Agency residents.
53	RESIDENTIAL OUTREACH PROGRAMS	6,806	65,000	65,000	19,441	80,000	15,000	23.1%	Outreach per FA, Annual Service Notice FA; website & social media
54	COMMUNITY EVENTS	-	20,000	20,000	-	20,000	-	0.0%	Community Events (shred, e-scrap, composting) outreach support
55	HHW PROGRAM OUTREACH	40,619	80,000	80,000	60,108	65,000	(15,000)	-18.8%	Annual promotion of local HHW disposal options for all ratepayers
57	CURBSIDE HOUSEHOLD BATTERY OUTREACH	-	75,000	75,000	-	75,000	-	0.0%	New program to educate customers about risk of battery fires and recycling options
58	SHRED EVENT SERVICE	4,318	5,000	5,000	9,654	15,000	10,000	200.0%	
59	<b>TOTAL STATE MANDATED PUBLIC EDUCATION &amp; OUTREACH</b>	<b>\$ 175,577</b>	<b>\$ 834,500</b>	<b>\$ 834,500</b>	<b>\$ 280,747</b>	<b>\$ 880,500</b>	<b>\$ 46,000</b>	<b>5.5%</b>	
60	<b>TOTAL SBWMA PROGRAM BUDGET</b>	<b>\$ 2,483,403</b>	<b>\$ 3,653,015</b>	<b>\$ 3,688,963</b>	<b>\$ 1,539,890</b>	<b>\$ 3,375,780</b>	<b>\$ (277,234)</b>	<b>-7.6%</b>	
61	<b>SHOREWAY OPERATIONS</b>								
62	OPERATING CONTRACT - SBR OPERATIONS	\$ 18,518,805	\$ 18,936,520	\$ 19,551,983	\$ 10,508,252	\$ 20,019,097	\$ 1,082,577	5.7%	7% increase in total paid volume
63	DISPOSAL	16,513,386	15,859,400	18,047,130	9,881,963	19,675,134	3,815,734	24.1%	Higher disposal rates (12.5%) especially organics & C&D, higher volume (11.3%), especially organics and C&D
64	INSURANCE SHOREWAY	206,052	576,500	780,000	678,458	884,803	308,303	53.5%	Property insurance premium increase estimated at 9%. Large increase in 2018 due to 2016 fire loss.
65	SHOREWAY FACILITY COST	159,735	200,000	200,000	84,303	200,000	-	0.0%	Budget for unanticipated routine Shoreway maintenance items that are non-CapEx
66	CREDIT CARDS CHARGES	104,283	140,600	112,000	54,666	109,400	(31,200)	-22.2%	SBR pass through their credit card fees from their bank from public customers.
67	SHOREWAY CHARGES	26,690	26,690	26,690	13,345	26,690	-	0.0%	Amortization of additional trailer cost added in 2015.
68	EDUCATION CENTER OPERATIONS	44,486	60,000	60,000	28,722	60,000	-	0.0%	Expense for busing of school children
69	MAINTENANCE - OX MTN TIPPER	18,110	36,000	36,000	1,698	40,000	4,000	11.1%	Maintenance expense for truck tipper located at Ox Mtn and owned by JPA
70	SHOREWAY MRF EQUIP. MAINTENANCE > \$10k	-	30,000	30,000	-	50,000	20,000	66.7%	Unanticipated MRF equipment maintenance (non-CapEx) expense
71	SEWER FEES (PROPERTY TAX)	60,351	61,860	44,186	44,186	45,510	(16,350)	-26.4%	Sewer fees paid for Shoreway operation.
72	<b>SUB SHOREWAY OPERATIONS COST</b>	<b>\$ 35,651,898</b>	<b>\$ 35,927,570</b>	<b>\$ 38,887,988</b>	<b>\$ 21,295,592</b>	<b>\$ 41,110,633</b>	<b>\$ 5,183,063</b>	<b>14.4%</b>	
73	<b>FIRE RELATED EXPENSES:</b>								
74	OPERATING CONTRACT - SBR - FIRE RELATED	\$ 4,725,903	\$ -	\$ 258,508	\$ 17,024	\$ -	\$ -	0.0%	No more fires budgeted!
75	<b>SUB FIRE COST</b>	<b>\$ 4,725,903</b>	<b>\$ -</b>	<b>\$ 258,508</b>	<b>\$ 17,024</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	
76	<b>TOTAL SHOREWAY OPERATION</b>	<b>\$ 40,377,801</b>	<b>\$ 35,927,570</b>	<b>\$ 39,146,496</b>	<b>\$ 21,312,616</b>	<b>\$ 41,110,633</b>	<b>\$ 5,183,063</b>	<b>14.4%</b>	
77	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 42,861,204</b>	<b>\$ 39,580,585</b>	<b>\$ 42,835,459</b>	<b>\$ 22,852,506</b>	<b>\$ 44,486,413</b>	<b>\$ 4,905,829</b>	<b>12.4%</b>	
78	<b>NON-OPERATING EXPENSES</b>								
79	DEBT SERVICE BOND INTEREST	\$ 2,759,746	\$ 2,710,170	\$ 2,710,170	\$ 459,752	\$ 2,641,333	(68,836)	-2.5%	Solid Waste Enterprise Revenue Bond interest payments.
80	FRANCHISE FEE TO CITY OF SAN CARLOS	1,853,604	1,846,710	2,024,236	1,184,485	2,253,616	406,906	22.0%	5% Franchise Fees paid by JPA to the City of San Carlos on tip fee revenue.
81	<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$ 4,613,350</b>	<b>\$ 4,556,880</b>	<b>\$ 4,734,406</b>	<b>\$ 1,644,237</b>	<b>\$ 4,894,949</b>	<b>\$ 338,069</b>	<b>7.4%</b>	
82	<b>TOTAL SHOREWAY OPERATING EXPENSES</b>	<b>\$ 44,991,151</b>	<b>\$ 40,484,450</b>	<b>\$ 43,880,902</b>	<b>\$ 22,956,853</b>	<b>\$ 46,005,582</b>	<b>\$ 5,521,132</b>	<b>13.6%</b>	
83	<b>TOTAL EXPENSES (SBWMA Program + All Shoreway Operations)</b>	<b>\$ 47,474,554</b>	<b>\$ 44,137,465</b>	<b>\$ 47,569,865</b>	<b>\$ 24,496,743</b>	<b>\$ 49,381,362</b>	<b>\$ 5,243,899</b>	<b>11.9%</b>	

FY18/19 BUDGET

CAPITAL (2)

CAPITAL EXPENDITURE BUDGET				
	Capital Project Name	Approved Budget FY16/17	Approved Budget FY17/18	Proposed Budget FY18/19
570300 SF044	Transfer Station (TS)Tipping floor resurfacing	100,000	225,000	-
570300 SF045	Site paving repairs and restriping <sup>2</sup>	-	50,000	-
570300 SF049	Truck shop building maintenance	110,000	25,000	25,000
570300 SF050	TS building maintenance	20,000	50,000	50,000
570300 SF051	MRF building maintenance	125,000	50,000	50,000
570300 SF052	Admin building maintenance	115,000	75,000	40,000
570300 SF053	Site maintenance	30,000	150,000	50,000
570300 SF055	Fire suppression	-	325,000	200,000
570300 SF056	Repairs to landfill tipper	15,000	15,000	15,000
570300 SF060	Education center exhibits	-	15,000	-
570300 SF061	MRF tip area canopy	-	-	-
570300 SF062	Electric charging station	-	15,000	-
570300 SF065	Baler reline	-	-	-
	<b>New projects (see detail)</b>			<b>2,887,500</b>
	Storm Water Treatment System		30,000	
	Glass Conveyance & Loadout System		550,000	-
	Enhancements to Public Recycling Center		200,000	-
	Polystyrene Recycler/Densifier		65,000	-
<b>new</b>	Transfer Station building improvements <sup>2</sup>	-	-	
<b>SF068</b>	LED Lighting retrofit <sup>2</sup>	-	-	
<b>SF069</b>	MRF Equipment Replacement	207,500	-	-
	<b>Total Budget for Captial Projects</b>	<b>722,500</b>	<b>1,840,000</b>	<b>3,317,500</b>
<b>SF070</b>	<i>Mixed waste processing equipment<sup>2</sup></i>	-		13,984,400
	<i>Fueling system replacement<sup>3</sup></i>	-	-	-
	<i>MRF sorting equipment replacement<sup>4</sup></i>	-	-	-
	<u>Special Funding for Above Italic Items</u>			
	1. Proposed funding from Capital Reserves (Mid-Year FY16/17 balance \$4.66M)			
	2. Proposed funding though 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)			
	1 \$1,240,000 available in Shoreway Remediation fund to help cover capx.			
	2 2015 Long Range Plan recommended projects.			

CAPITAL

**FY18/19 Budget Cap Ex - New Projects Detail**

Type	Description	Estimate	Status	Project Goal
Commodity Quality	Reconfigure <4" fraction sort line and windsifter	\$ 72,500	Quote received from BHS. Pending order, Install May.	Improve system sort efficiency and reduce cross contamination of recycling streams
Commodity Quality	Reconfigure existing 3-7 container optical sorter to sort 1&2 only	\$ 65,000	In quoting	No 3-7 plastics market. Repurpose to second pass sort of target containers and convey back to container sort line. Less container product contamination, better recovery of valuable CRV plastics
Commodity Quality	Redirect glass aspirator from mixed paper to trash via new conveyor	\$ 80,000	in design	Improve mixed paper quality by eliminating combination of shredded paper and plastics from glass stream to mixed paper
Commodity Quality	Reconfigure News Screen disks to narrow openings	\$ 35,000	labor cost only. Next project in line.	Improve fiber quality by removing larger cardboard from resi mixed paper stream.
Commodity Quality	Reconfigure OCC Screen disks to narrow openings	\$ 35,000	labor cost only. Next project in line.	Improve fiber quality by removing larger cardboard from resi mixed paper stream.
Material Handling <b>(\$550K budgeted but unspent in 17/18)</b>	Glass Load Load-out & PRC enhancements.	\$ 350,000	designed and quoted by BHS	Reduce cost of double-handling MRF glass through transfer station and improve customer safety at PRC, lower site maintenance cost.
Diversion Compliance	Organics to Energy Pilot Project <i>(Estimate w/ 25% contingency, includes \$1.2M CalRecycle grant)</i>	\$ 2,250,000	Preliminary quote from vendor, need final quote	Pilot for full project to meet CalRecycle state mandates of 75% landfill diversion & All food waste from landfill by 2022
<b>TOTAL</b>		<b>\$ 2,887,500</b>		

**Recommended For Design in FY18/19 and implementation FY19/20**

Commodity Quality	Add 4 optical sort units to MRF Sort System, reconfigure conveyors and MCC.	\$ 3,500,000	Pending startup and demonstration of optical sort units at Potential Ind new facility in LA.	Optical sorters can function at high-speed to remove contamination from mixed paper. Represents the BAT to meet China standard .05%
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**Year Over Year CapEx**

Prior year forecaste CapEx 18/19	\$ 4,495,437
Storm water	\$ (1,200,000)
TS Building expansion	\$ (2,865,437)
Net CapEx	\$ 430,000
Added Projects (above)	\$ 2,887,500
	\$ 3,317,500

**FY17/18 Budget CapEx**

Commodity Quality	Debris roll screen shaft replacement	121,000	Approved March BOD, Install pending 5/22	Improve glass quality by removing paper to prevent contamination penalty from Strategic Glass
Material Handling	Glass Load Load-out & PRC enhancements.	550,000 <i>(budgeted but unspent in 17/18)</i>	designed and quoted by BHS	Reduce cost of double-handling MRF glass through transfer station and improve customer safety at PRC, lower site maintenance cost.





Budget Expense Category	Description of Program for FY18/19: \$1,980,850 (Proposed Expense Line Item 28)
<b>ADMINISTRATIVE EXPENSE</b> (Proposed Expense line items 1-28)	
Staff Resources: Joe La Mariana, Executive Director; John Mangini, Sr. Finance Manager; Cyndi Urman, Board Clerk/Office Manager	
<p><b>Program Description/Justification:</b>  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.</p> <p><b>Executive Director:</b></p> <ul style="list-style-type: none"> <li>• Provide ongoing Executive Committee, Board Members, Member Agency Staff support in a timely, professional and accurate manner.</li> <li>• Manage the agency's strategic vision and daily administrative operations through the support of staff, Board/TAC members and all stakeholders</li> <li>• Establish and maintain all agency financial goals and program standards</li> </ul> <p><b>Sr. Finance Manager:</b></p> <ul style="list-style-type: none"> <li>• Review the prior year budget to identify budget variances and plan for a mid-year adjustment, if needed and prepare the following fiscal year's budget for Board review and approval.</li> <li>• Prepare two calendar year financial projections to support Shoreway tip fee assumptions and to "test" bond covenant requirements.</li> <li>• Review existing tipping fees and develop recommended tipping fee adjustments.</li> <li>• Complete prior year financial audit and calendar year financial statements for bond reporting.</li> <li>• Meet bond covenants and reporting requirements as specified in the Indenture to ensure compliance including the two debt coverage ratios.</li> <li>• Monitor South Bay Recycling (SBR) monthly reporting per Operations Agreement of tonnage and review their monthly invoice for accuracy prior to payment.</li> <li>• Manage monthly cash transfers to/from SBR per Operations Agreement for commodity revenue, public revenue, and payments for operations.</li> <li>• Review and verify SBR's detailed monthly calculation of commodity revenue.</li> <li>• Manage monthly billings to and payments from Recology for tipping at Shoreway as prescribed in the Member Agency franchise agreements.</li> <li>• Review the Quarterly Investment Report to the Board prepared by the City of San Carlos.</li> <li>• Renew general insurance policies (property, general liability, EIL, D&amp;O, etc.) and ensure proper coverage is maintained.</li> <li>• Manage the payroll process and benefits administration.</li> <li>• Make timely payments to vendors for payroll, retirement plan, and HSA plan and ensure procedures are followed.</li> </ul> <p><b>Board Clerk:</b></p> <ul style="list-style-type: none"> <li>• Provide Board Packets to the Board of Directors accurately and on time.</li> <li>• Provide Board committee/subcommittee packets, minutes and administrative support accurately and on time.</li> <li>• Maintain the Board of Directors webpage and, as needed, update the Board Member website resource portal feature.</li> <li>• Maintain accurate and up-to-date records for the SBWMA, including Board meeting minutes, resolutions, ordinances and contracts.</li> <li>• Update, as necessary, the Board of Directors JPA and Contracts Resources Binder.</li> <li>• Manage compliance with record retention and other Board adopted policies</li> </ul>	

Budget Expense Category	Description of Program for FY18/19: \$514,430 <i>(Proposed Expense Line Item 40)</i>
<b>MEMBER AGENCY SUPPORT &amp; CONTRACT COMPLIANCE</b> <i>(Proposed Expense Line Items 29-40)</i>	
<b>Staff Resources:</b> Joe La Mariana, <i>Executive Director</i> ; Hilary Gans, <i>Sr. Facilities &amp; Contracts Manager</i> ; John Mangini, <i>Sr. Finance Manager</i> ; Julia Au, <i>Recycling Outreach Programs Manager</i>	
<b>Program Description/Justification:</b> Provides technical support for mandated programs and contractual requirements through member agency staff (TAC); state regulators; and agency contractor's (South Bay Recycling (SBR) and Recology).	
<b>Key Details:</b>	
<ul style="list-style-type: none"> <li>• Contract administration support for collection services franchise agreements including follow-up on audit findings, financial auditing, contract extension amendments support.</li> <li>• Continued oversight of SBR's operations per the Shoreway Operations Agreement.</li> <li>• Management of the annual SBR compensation application review process and completion of the final SBWMA final report.</li> <li>• Hire technical contractor to manage the annual Member Agency rate review process, including review of the annual Recology compensation application and completion of the SBWMA final reports reviewing the Recology compensation application and consolidated rate report.</li> <li>• Initiate audit work and review of operational data included in the compensation applications.</li> <li>• Review Annual Report from Recology, as required per Member Agency franchise agreements.</li> <li>• Hire contractor to conduct rate (calendar) year audit of collection services and facility operations reports, tonnage data and customer service systems.</li> <li>• Hire contractor to conduct rate year audit of financial systems (includes Recology's revenue reconciliation) of both contractors to verify financial risks to SBWMA and its Member Agencies.</li> <li>• Implement audit findings, as appropriate, and follow up with Recology to ensure progress on implementing audit recommendations.</li> <li>• Provide prompt responses to questions/issues/complaints from the public and Member Agencies regarding their franchise agreements/collection services.</li> <li>• Provide prompt responses to questions/issues/complaints that are raised by the public and Member Agencies regarding their use of the Shoreway facility.</li> <li>• Develop a Member Agency snapshot report and make presentations to Member Agency governing bodies upon request.</li> <li>• With technical contractor support, prepare financial analysis for projected revenue and total collection and pass-through costs to determine total rate adjustment for each Member Agency.</li> <li>• Prepare a collection cost variance analysis by detailed cost categories by Member Agency to aid in understanding collection cost changes.</li> <li>• Support Member Agencies with analysis of rate issues and attend rate hearings or rate related meetings as requested.</li> <li>• Update 5-year collection cost projection by Member Agency for collection cost components: Recology cost, disposal expense and Member Agency fees.</li> <li>• Review Recology's Revenue Reconciliation Report.</li> </ul>	
<b>New Efforts in FY18/19:</b>	
<ul style="list-style-type: none"> <li>• Secure agreement between member agencies and Recology regarding "Amendment One" issues (Bulky Item Collection; Abandoned Waste; Storm Water/Litter Abatement); Securing Board and Member Agency approvals of final "Amendment One" terms.</li> <li>• Transitional planning from current Franchise Agreement terms to newly restated/amended terms in 2021.</li> <li>• Lead Transfer Station/MRF equipment and facility design to meet long range plan and rapidly changing market needs of program.</li> <li>• Provide Zero Landfill Committee with technical/administrative support during reactivation.</li> <li>• Transition Public Spaces Recycling Pilot project into phased rollout throughout all member agencies.</li> <li>• Provide proactive legislative and regulatory support for various agency priorities, including Lithium Ion battery handling.</li> </ul>	

<b>Budget Expense Category</b>	<b>Description of Program for FY18/19: \$880,500</b> <i>(Proposed Expense line item 59)</i>
<b>STATE MANDATED PUBLIC EDUCATION &amp; OUTREACH</b> <i>(Proposed Expense Line Items 41-59)</i>	
<b>Staff Resources:</b> Julia Au, <i>Recycling and Outreach Programs Manager</i>	
<p><b>Program Description/Justification:</b> Staff services provided to ensure compliance with state-mandated laws promoting waste reduction, recycling, and reporting requirements per <b>AB 939</b>, <b>AB 341</b>, <b>AB 1826</b>, and <b>AB1383</b> 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.</p> <p><b>Key Program Efforts:</b></p> <ul style="list-style-type: none"> <li>• Develop, implement, and manage on-going outreach activities related to California State Laws, including but not limited to AB 1826, AB 341, and SB 1383, through production and distribution of digital and broadcast media channels and traditional media channels such as brochures, newspapers, and letters.</li> <li>• Manage and promote outreach for CartSMART (residential) and BizSMART (commercial/multi-family) collection services to meet specific community needs.</li> <li>• Develop, submit, and manage with Recology a Public Education and Outreach Plan including methods of tracking effectiveness and engagement levels on outreach campaigns and tools.</li> <li>• Promote residential collection services through newsletters and bill inserts in collaboration with Recology.</li> <li>• With TAC member engagement, plan/promote 18 separate compost, shred, and e-scrap recycling events with Recology per the Franchise Agreement.</li> <li>• Implement public spaces recycling project to increase convenient and cost-effective recycling in public spaces.</li> </ul> <p><b>New Efforts in FY18/19:</b></p> <ul style="list-style-type: none"> <li>• Manage Public Education and Outreach Sub-Committee needs</li> <li>• Launch Lithium Ion Battery Pub Ed campaign</li> <li>• Establish next gen media partnerships—BayROC; PenTV; News &amp; Review</li> <li>• Review and update core Pub Ed materials with Public Education and Outreach Sub-Committee and Recology engagement</li> <li>• Agency Website redesign into modern technical platform.</li> <li>• Reactivate Agency annual report</li> </ul>	

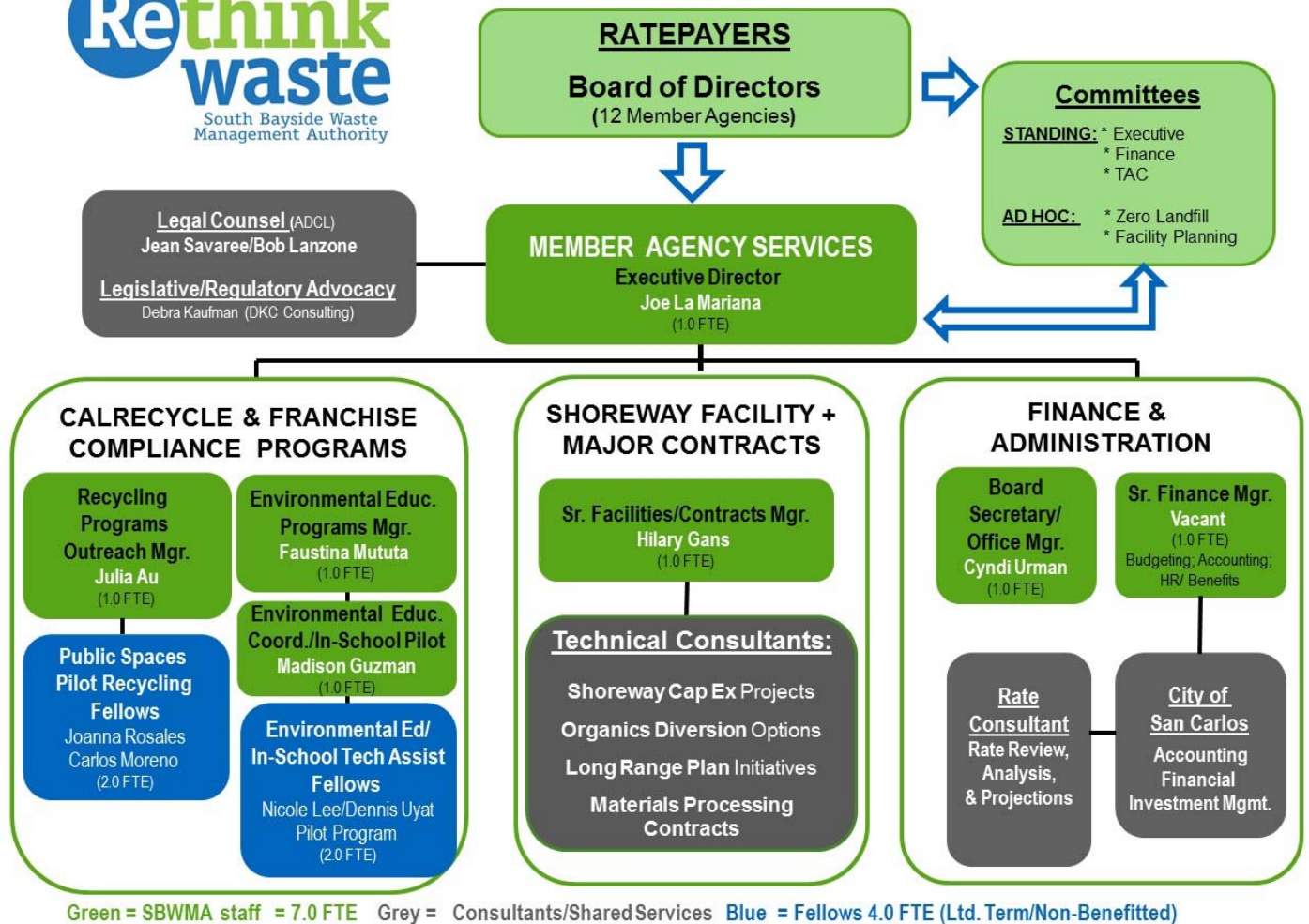
Budget Expense Category	Description of Program for FY18/19: <b>\$\$41,110,633</b> <i>(Proposed Expense line item 72)</i>
<b>SHOREWAY OPERATIONS</b> <i>(Proposed Expense Line Items 61-76)</i>	
<b>Staff Resources:</b> Hilary Gans, Sr. Facilities & Contracts Manager; John Mangini, Finance Manager; Faustina Mututa, Environmental Education Programs Manager; Madison Guzman, Environmental Education Coordinator* <i>(*Pending FY18/19 Budget approval)</i>	
<p><b>Program Description/Justification:</b> 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; management of disposal and processing contracts, including review and payment of invoices; facility insurance; and billing Recology for tons delivered to Shoreway.</p> <p><b>Key Details:</b></p> <ul style="list-style-type: none"> <li>• Ongoing operational oversight and contract compliance of MRF, transfer station, and transportation operations performed by SBR.</li> <li>• Ongoing management of third party recycling and disposal contracts for solid waste, organics, and C&amp;D.</li> <li>• Manage organics processing contracts to meet operational, financial and environmental requirements.</li> <li>• Oversee third party tonnage and host fee payment for third-party tons used to generate additional agency income and lower Shoreway operating costs.</li> <li>• Ongoing management of Shoreway Facility capital and maintenance projects are at, or below, budget.</li> </ul> <p><b>Environmental Education:</b></p> <ul style="list-style-type: none"> <li>• Conduct the Shoreway schools and public tours program and meet goals to increase tour number of visitors over prior year.</li> <li>• Manage the onsite community events to promote resource conservation including the following: Earth Day and America Recycles Day events at Shoreway; Recycled Art and Poster contest; Expand compost donation program throughout Member Agency Schools and community gardens.</li> <li>• Manage RethinkWaste Community events at designated member agency venue in support of member agency staff goals. In CY2018, there are 18 such events planned to provide Shredding services, e-waste recycling, battery collection, and compost giveaways.</li> </ul> <p><b>New Efforts in FY18/19:</b></p> <ul style="list-style-type: none"> <li>• Identify and plan new operating procedures and Capital Expenditure projects to improve the quality of output materials for commodity marketing purposes.</li> <li>• Expand current In-school environmental education/technical support program (currently in pilot) to 20 schools in yr.1 of a 5-year rollout (107 schools total).</li> <li>• Identify, plan and implement at least two new public environmentally-themed events at the Shoreway facility for the general public</li> </ul>	

ATTACHMENT C: Proposed Organization Chart/Personnel Summary for FY17/18



## SBWMA Organization Chart

July 1, 2018



### FY18/19 Proposed Staffing

SBWMA staff provides comprehensive solid waste program and facility planning, compliance, public education, outreach and contract management services on behalf of its member agencies, while supporting the agency-owned Shoreway Environmental Center solid waste and recycling facility. This work is mandated by state law; by franchise agreement contractual obligation; and by virtue of the Agency's facility ownership. Delivery of Agency financial, environmental and service standard goals have historically been accomplished by a small group of experienced industry professionals (Staff) and highly-regarded technical contractors who provide supplemental support for the Agency on an "as-needed" basis.

The proposed FY18/19 Staffing plan is consistent with FY17/18's budget (7.0 FTE) plus temporary Fellows (4.0 FTE). See Table 1 for headcount. This plan represents a reduction of 1.0 FTE from the FY16/17 budget which had 8.0 FTE. The currently vacant position is the Recycling Programs Manager. This preemptive action was taken while future Agency needs are being fully assessed while the following significant initiatives are finalized:

1. The completion of the restated/amended Franchise Agreement by all member agencies
2. The execution of new (major) material handling and processing contracts
3. Implementation of new mandated commercial, multi-family and organics diversion programs
4. Next gen Cap Ex plans are clarified to achieve escalating organics diversion legal mandates and to meet increasing commodity standards in the global marketplace

Per the Agency Assessment adopted by the Board on March 23, 2017, much of this work has been performed by technical contractors. This position will be critically reevaluated during the development of the SBWMA's FY19/20 Budget.

Table 1 SBWMA Staffing Plan by FY			
Staff Position Title	FY16/17 <i>Actual</i>	FY17/18 <i>Actual</i>	FY18/19 <i>Proposed</i>
Executive Director	1.0	1.0	1.0
Sr. Facility & Material Contracts Mgr.	1.0	1.0	1.0
Sr. Finance Mgr.	1.0	1.0	1.0
Recycling Programs Outreach Mgr.	1.0	1.0	1.0
Recycling Programs Mgr. <i>(Former LGS Contractor)</i>	1.0	0	0
Board Secretary/Office Mgr.	0	1.0	1.0
Environmental Education Mgr.	1.0	1.0	1.0
Environmental Coordinator	0	0	1.0
Environmental Programs Associate	1.0	1.0	0
<b>Total Agency Staff <i>(Regular Status):</i></b>	<b>8.0</b>	<b>7.0</b>	<b>7.0</b>
Long Range Plan Fellowships <i>(Limited terms-1-3yrs.; Non-benefitted positions)</i>	0	4.0	4.0

### Salary Ranges

The salary ranges for all Agency Staff positions (some are currently vacant) are presented below for FY18/19 (see **Table 2**). Historically, salary surveys are conducted every three years to ensure that Staff salaries and benefits are competitively priced within market. Salary ranges and benefits are evaluated to "like" solid waste public agencies and/or departments in the greater bay area. The last salary survey was conducted in April 2016. Therefore, a new salary survey will be conducted in spring 2019 to establish the adjusted market-based salary ranges for each position.

Table 2 SBWMA Staff: Salary Ranges by Position	
Staff Position	Current Salary Range/Yr.
Executive Director <i>(Determined by professional services agreement)</i>	N/A
Sr. Facility & Contract Mgr.	\$133,249 - \$166,117
Sr. Finance Manager	\$133,249 - \$166,117
Recycling Programs Mgr.* <i>(vacant—previously contracted thru LGS)</i>	\$112,196-140,245
Recycling Programs Outreach Mgr.	\$100,976 - \$126,220
Board Secretary/Office Mgr.	\$59,659 - \$74,573
Environmental Education Programs Mgr.	\$70,000 - \$81,580
Environmental Education Coordinator	\$60,000 - 69,999
Environmental Education Associate <i>(will be vacant in FY18/19)</i>	\$52,208 - \$59,999



### **Budget Assumptions for Merit Increases**

A merit increase pool of 3.0% of wages is assumed for all positions within the current salary ranges for January 1, 2019. As a market reference, the results of a December 2017 poll of SBWMA Technical Advisory Committee (TAC) members confirmed that our 12-member agencies planned to implement a 3.04% salary adjustment (aggregated) for their non-safety CBA staff in 2018. 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 the actual merit increase pool for calendar year 2019.

### **Employee Benefits**

No proposed changes in the employee benefit plans. Total benefit expense as percent of base compensation is estimated at 25.2% 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.

**NOTE: SBWMA does not participate in the federal Social Security system.** If the Agency were to participate in the Social Security system, the agency would incur an extra 6.2% of the staff's gross salaries, up to the statutory limit of \$117,000 for each qualified employee. **In FY18/19, this annual savings for the Agency projects out to be \$59,200.**

#### **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 \$1,180 per month plus the HSA average contribution of \$495 per month per employee.

#### **Dental insurance:**

Dental insurance is provided by *Premier Access* 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 *Premier Access* 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 Insurance*. 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.



FY18/19 BUDGET

Attachment D - FY18/19 Budget Support Files: COMMODITY REVENUE, PRICING

Update: April 2018  
Summary Tables

Table D.1

COMMODITY REVENUE					
	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Proposed Budget	FY19 vs. FY18 Adopted Budget	Variance %
<b>COMMODITY REVENUE</b>					
Tons Sold	70,869	64,296	63,272	(7,597)	-10.7%
<b>Wtd Avg. Price</b>	<b>\$ 141.76</b>	<b>\$ 123.57</b>	<b>\$ 78.88</b>	<b>\$ (62.88)</b>	<b>-44.4%</b>
Gross Revenue	\$ 10,046,673	\$ 7,944,839	\$ 4,991,022	\$ (5,055,651)	-50.3%
Revenue Share w/ SBR	\$ (1,139,814)	\$ (895,767)	\$ -	\$ 1,139,814	-100.0%
Buyback Payments	(891,314)	(878,200)	(862,086)	29,228	-3.3%
<b>Net Commodity Revenue</b>	<b>\$ 8,015,544</b>	<b>\$ 6,170,872</b>	<b>\$ 4,128,935</b>	<b>\$ (3,886,609)</b>	<b>-48.5%</b>
<b>Price / Volume Impact</b>					
		Price	Volume	Total	
Tonnage Change		\$ 141.76	(7,597)	\$ (1,077,043)	
Price Change		\$ (62.88)	63,272	(3,978,608)	
<b>Total Change (Gross)</b>				<b>\$ (5,055,651)</b>	

Table D.2

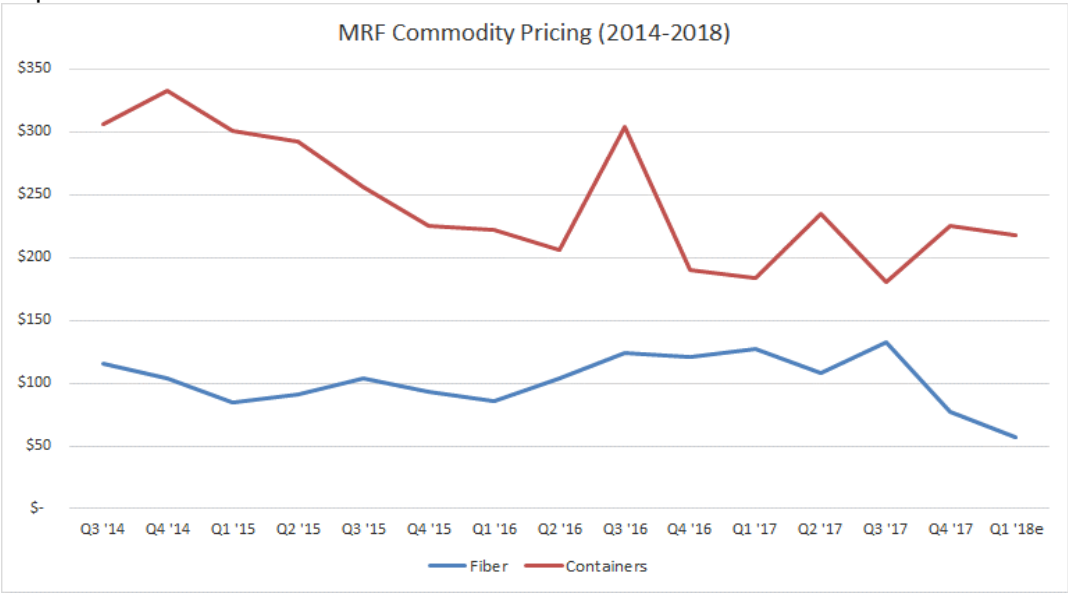
Outbound Commodity Tons, Price & Revenue - Calendar 2017					
COMMODITY	Tons	Price / Ton	Revenue	% Tons	% Revenue
OCC (cardboard)	15,834	\$ 175	\$ 2,764,215	26%	30%
Mixed Paper	29,117	\$ 92	\$ 2,675,018	47%	29%
PET (plastic)	1,220	\$ 1,628	\$ 1,985,930	2%	22%
HDPE Natural	347	\$ 667	\$ 231,554	1%	3%
HDPE Color	369	\$ 245	\$ 90,344	1%	1%
PRC Clean Glass	468	\$ 7	\$ 3,276	1%	0%
Aluminum	249	\$ 4,184	\$ 1,040,937	0%	11%
MRF 3 Mix Glass	12,207	\$ 1	\$ 7,819	20%	0%
Tin	856	\$ 118	\$ 100,631	1%	1%
MRP	477	\$ 66	\$ 31,663	1%	0%
Poly Prop. Plastic #5	255	\$ (1)	\$ (157)	0%	0%
Bi Metal	449	\$ 79	\$ 35,508	1%	0%
<i>QIP, adjustment</i>			\$ 137,623		2%
<b>TOTAL OUTBOUND</b>	<b>61,847</b>	<b>\$ 147</b>	<b>\$ 9,104,362</b>	<b>100%</b>	<b>100%</b>
Total Fibers	44,951	\$ 121	\$ 5,439,233	73%	60%
Total Containers Scrap	16,896	\$ 28	\$ 466,112	27%	5%
Glass Transportation, residue Exp.			\$ (555,405)	0%	-6%
Total Containers CRV, QIP			\$ 3,754,422	0%	41%
<b>TOTAL OUTBOUND</b>	<b>61,847</b>	<b>\$ 147</b>	<b>\$ 9,104,362</b>	<b>100%</b>	<b>100%</b>

*includes CRV, glass transportation expense*

Graph 1



Graph 2



**FY18/19 BUDGET**

Attachment E - FY18/19 Budget Support Files: VOLUME, REVENUE, EXPENSE DETAIL

Update: April 2018  
Summary Tables

Table E.1

TIP FEE REVENUE					
	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Proposed Budget	FY19 vs. FY18 Adopted Budget	Variance %
<b>Franchise Revenue</b>					
<b>Tons</b>	287,849	288,283	298,398	10,549	3.7%
Wtd Avg. Tip Fee	\$ 104.53	\$ 107.35	\$ 117.32	\$ 12.79	12.2%
<b>Franchise Revenue</b>	<b>\$ 30,088,837</b>	<b>\$ 30,948,346</b>	<b>\$ 35,007,643</b>	<b>\$ 4,918,806</b>	<b>16.3%</b>
<b>Public Revenue</b>					
<b>Cu/Yards</b>	192,232	220,076	218,953	26,721	13.9%
Wtd Avg. Tip Fee	\$ 101.47	\$ 106.54	\$ 114.74	\$ 13.26	13.1%
<b>Public Revenue Cu/YDS</b>	<b>\$ 7,366,342</b>	<b>\$ 8,517,916</b>	<b>\$ 9,172,353</b>	<b>\$ 1,806,011</b>	<b>24.5%</b>
<b>Tons ( 3rd party - mostly Recology)</b>	13,057	28,550	27,410	14,353	109.9%
Wtd Avg. Tip Fee	\$ 38.32	\$ 38.70	\$ 41.89	\$ 3.57	9.3%
<b>Public Revenue Tons</b>	<b>\$ 1,324,957</b>	<b>\$ 3,041,853</b>	<b>\$ 3,144,991</b>	<b>\$ 1,820,034</b>	<b>137.4%</b>
<b>Public Revenue Total</b>	<b>\$ 8,691,298</b>	<b>\$ 11,559,769</b>	<b>\$ 12,317,344</b>	<b>\$ 3,626,046</b>	<b>41.7%</b>
<b>Total Tip Fee Revenue</b>	<b>\$ 38,780,135</b>	<b>\$ 42,508,115</b>	<b>\$ 47,324,987</b>	<b>\$ 8,544,852</b>	<b>22.0%</b>

Table E.2

TRANSFER STATION VOLUME					
	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Proposed Budget	FY19 vs. FY18 Adopted Budget	Variance %
<b>Total TS Tonnage and Yards</b>					
<b>Franchise tons</b>					
SBWMA Solid Waste	tons 182,408	183,174	181,656	(751)	-0.4%
SBWMA Organics	tons 101,233	78,483	86,361	(14,872)	-14.7%
SBWMA Food Waste	tons 0	22,360	26,478	26,478	0.0%
SBWMA Dirt, Inert, Other	tons 4,209	4,266	3,903	(305)	-7.3%
<b>Sub-total Franchise</b>	<b>287,849</b>	<b>288,283</b>	<b>298,398</b>	<b>10,549</b>	<b>3.7%</b>
<b>Public tons</b>					
Non-SBWMA SW	tons 1,888	2,752	2,890	1,002	53.1%
Non-SBWMA Scrap	tons 326	140	82	(244)	-74.8%
Non-SBWMA FOOD	tons 870	8,005	6,392	5,522	634.7%
Non-SBWMA C&D	tons 4,181	5,158	5,867	1,686	40.3%
Non-SBWMA ORGANIC	tons 33	278	308	275	834.2%
Non-SBWMA Asphalt Roofing	tons 1,228	2,575	2,082	854	69.5%
Non-SBWMA Clean Wood	tons 82	456	118	36	43.3%
Public Weighed Dirt	ton 4,449	9,186	9,672	5,223	117.4%
<b>Sub-Total Public tons</b>	<b>13,057</b>	<b>28,550</b>	<b>27,410</b>	<b>14,353</b>	<b>109.9%</b>
<b>Total Tons</b>	<b>300,906</b>	<b>316,833</b>	<b>325,808</b>	<b>24,902</b>	<b>8.3%</b>
<b>Public Cu/Yds.</b>					
Public Solid Waste Yards	C/Yds 61,726	55,753	41,254	(20,472)	-33.2%
Public Green Waste Yards	C/Yds 42,898	50,237	54,551	11,652	27.2%
Public C&D	C/Yds 87,608	114,086	123,148	35,541	40.6%
<b>Total Cubic Yards</b>	<b>192,232</b>	<b>220,076</b>	<b>218,953</b>	<b>26,721</b>	<b>13.9%</b>

Table E.3a

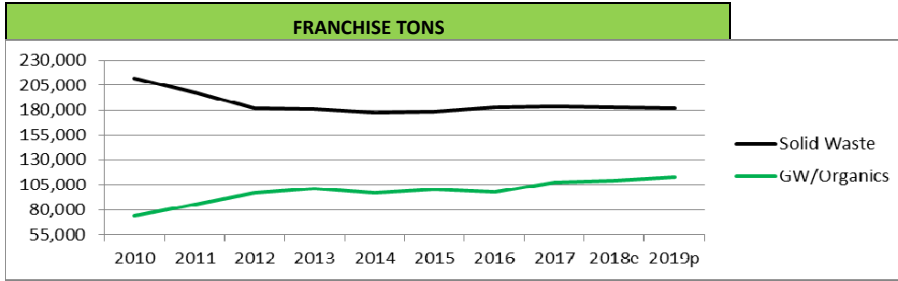


Table E.3b

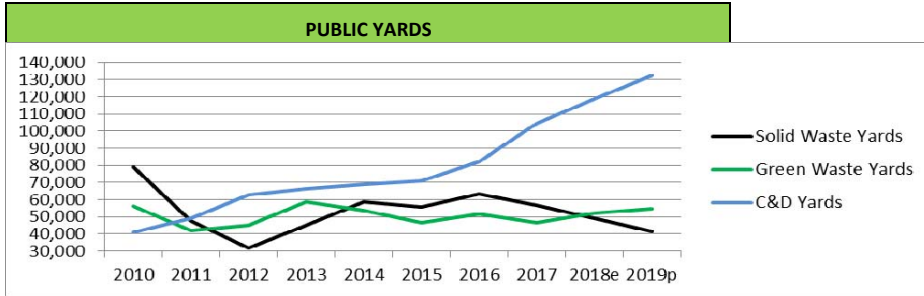


Table E.4

SBR OPERATING EXPENSE						
a. Summary		FY17/18	FY17/18	FY18/19	FY19 vs. FY18	
		Adopted Budget	Mid-Year Budget	Proposed Budget	Adopted Budget	Variance %
	MRF	\$ 7,025,357	\$ 6,761,015	\$ 6,617,080	\$ (408,277)	-5.8%
	Transfer Station	4,736,799	5,110,956	5,222,136	485,337	10.2%
	Transportation	7,060,088	7,565,743	8,101,388	1,041,300	14.7%
	Interest	114,277	114,270	78,493	(35,784)	-31.3%
	<b>TOTAL SBR EXPENSE</b>	<b>\$ 18,936,521</b>	<b>\$ 19,551,984</b>	<b>\$ 20,019,097</b>	<b>\$ 1,082,576</b>	<b>5.7%</b>
b. SBR Expense Detail		FY17/18	FY17/18	FY18/19	FY19 vs. FY18	
		Adopted Budget	Mid-Year Budget	Proposed Budget	Adopted Budget	Variance %
	<b>MRF</b>					
	Tons, Inbound	76,171	73,281	72,457	(3,714)	-4.9%
	Tons, residue	5,302	8,984	9,185	3,883	73.3%
	Tons, net sold	70,869	64,296	63,272	(7,598)	-10.7%
	Wtd Avg. Rate	\$ 99.13	\$ 105.15	\$ 95.47	\$ (3.66)	-3.7%
	Expense	\$ 7,025,357	\$ 6,761,015	\$ 6,040,593	\$ (984,764)	-14.0%
	<b>MRF Additional Sorters</b>			\$ 576,487	\$ 576,487	
	<b>Transfer Station</b>					
	Tons	363,382	392,090	392,587	29,204	8.0%
	Wtd Avg. Rate	\$ 13.04	\$ 13.04	\$ 13.30	\$ 0.27	2.0%
	Expense	\$ 4,736,799	\$ 5,110,956	\$ 5,222,136	\$ 485,337	10.2%
	<b>Transportation</b>					
	Tons	363,382	392,090	392,587	29,204	8.0%
	Wtd. Avg. Rate	\$ 19.43	\$ 19.30	\$ 20.64	\$ 1.21	6.2%
	Expense	\$ 7,060,088	\$ 7,565,743	\$ 8,101,388	\$ 1,041,300	14.7%
	<b>Interest</b>	\$ 114,277	\$ 114,270	\$ 78,493	\$ (35,784)	-14.9%
	<b>TOTAL SBR "PAID" TONS</b>	<b>797,634</b>	<b>848,476</b>	<b>848,445</b>	<b>50,811</b>	<b>6.4%</b>
	<b>TOTAL SBR EXPENSE</b>	<b>\$ 18,936,521</b>	<b>\$ 19,551,984</b>	<b>\$ 20,019,097</b>	<b>\$ 1,082,576</b>	<b>5.7%</b>

Table E.5

DISPOSAL & PROCESSING EXPENSE					
	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Proposed Budget	FY19 vs. FY18 Adopted Budget	Variance %
<b>a. Summary</b>					
Solid Waste	\$ 9,077,687	\$ 8,537,845	\$ 8,979,487	\$ (98,199)	-1.1%
Organics	\$ 4,463,552	\$ 5,772,245	\$ 6,733,790	\$ 2,270,238	50.9%
C&D, dirt	\$ 2,133,049	\$ 3,613,794	\$ 3,840,436	\$ 1,707,387	80.0%
Other	\$ 360,824	\$ 420,951	\$ 429,926	\$ 69,101	19.2%
<b>Subtotal</b>	<b>\$ 16,035,111</b>	<b>\$ 18,344,835</b>	<b>\$ 19,983,638</b>	<b>\$ 3,948,527</b>	<b>24.6%</b>
Paid by SBR on MRF residue	\$ (175,728)	\$ (297,705)	\$ (308,505)	\$ (132,777)	75.6%
<b>TOTAL DISPOSAL EXPENSE</b>	<b>\$ 15,859,384</b>	<b>\$ 18,047,130</b>	<b>\$ 19,675,134</b>	<b>\$ 3,815,750</b>	<b>24.1%</b>
<b>B. Detail</b>					
<b>Solid Waste (Ox Mtn.)</b>					
Tons, net	219,111	206,125	213,874	(5,237)	-2.4%
Wtd Avg.Rate	\$ 41.43	\$ 41.42	\$ 41.98	\$ 0.56	1.3%
Expense	\$ 9,077,687	\$ 8,537,845	\$ 8,979,487	\$ (98,199)	-1.1%
<b>Organics (Newby, Grover)</b>					
Tons, net	109,880	127,924	130,850	20,970	19.1%
Wtd Avg.Rate	\$ 40.62	\$ 45.12	\$ 51.46	\$ 10.84	26.7%
Expense	\$ 4,463,552	\$ 5,772,245	\$ 6,733,790	\$ 2,270,238	50.9%
<b>C&amp;D (Zanker)</b>					
Tons, net	34,391	58,040	57,047	22,656	65.9%
Wtd Avg.Rate	\$ 62.02	\$ 62.26	\$ 67.32	\$ 5.30	8.5%
Expense	\$ 2,133,049	\$ 3,613,794	\$ 3,840,436	\$ 1,707,387	80.0%
<b>Other</b>					
Tires	8,396	3,104	5,336	(3,060)	-36.4%
Mattresses	-	-	-	-	-
Appliances	45,680	57,600	49,120	3,440	7.5%
Hazardous Waste	296,400	342,836	353,229	56,828	19.2%
Sharps, Misc.	10,348	17,411	22,241	11,893	114.9%
Expense	\$ 360,824	\$ 420,951	\$ 429,926	\$ 69,101	19.2%
<b>Summary</b>					
TS Tons	363,382	392,090	401,772	38,390	10.6%
Wtd Avg.Rate	\$ 43.64	\$ 46.03	\$ 48.97	\$ 5.33	12.2%
Disposal Expense	\$ 15,859,384	\$ 18,047,130	\$ 19,675,134	\$ 3,815,750	24.1%

Table E.5a (subset of Disposal Expense - Organics, only, Detail)

ORGANICS PROCESSING EXPENSE DETAIL					
	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Proposed Budget	FY19 vs. FY18 Adopted Budget	Variance %
<b>Organics (Newby)</b>					
Tons, net	29,516	50,047	57,548	28,032	95.0%
Wtd Avg.Rate	\$ 53.22	\$ 58.87	\$ 66.16	\$ 12.95	24.3%
Expense	\$ 1,570,780	\$ 2,946,031	\$ 3,807,631	\$ 2,236,851	142.4%
<b>Organics (Grover)</b>					
Tons, net	77,512	77,877	60,502	(17,010)	-21.9%
Wtd Avg.Rate	\$ 36.27	\$ 36.29	\$ 37.02	\$ 0.76	2.1%
Expense	\$ 2,811,009	\$ 2,826,214	\$ 2,239,856	\$ (571,153)	-20.3%
<b>Food (Grover)</b>					
Tons, net	-	-	12,800	12,800	-
Wtd Avg.Rate	-	-	\$ 53.62	\$ 53.62	-
Expense	\$ -	\$ -	\$ 686,302	\$ 686,302	-
<b>Organics (BioFuel)</b>					
Tons, net	2,832	-	-	-	0.0%
Wtd Avg.Rate	\$ 28.87	\$ -	\$ -	\$ -	0.0%
Expense	\$ 81,763	\$ -	\$ -	\$ (81,763)	-100.0%
<b>Total Organics</b>					
Tons, net	109,860	127,924	130,850	20,990	19.1%
Wtd Avg.Rate	\$ 40.63	\$ 45.12	\$ 51.46	\$ 10.83	26.7%
Total Organics Expense	\$ 4,463,552	\$ 5,772,245	\$ 6,733,790	\$ 2,270,238	50.9%

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**Agenda Item 4**

**Discussion on Capital Improvement Plan Recommendations**

**No Staff Report Discussion at the May 10, 2018 Finance Committee Meeting**