



A Public Agency

SBWMA FINANCE COMMITTEE MEETING

TUESDAY June 11, 2024 1:00pm

Place:
RethinkWaste Offices
610 Elm Street Suite 202
San Carlos, CA 94070

Teleconference Location*
Grace Castaneda
Belmont City Hall
1 Twin Pines Lane
Belmont, CA 94002

The public may observe/participate in Committee meetings using remote public comment options or attending in person. Committee members shall attend in person unless remote participation is permitted by law.

TO ADDRESS THE COMMITTEE IN PERSON

Masking is not required but according to the California Department of Public Health guidelines, people at higher risk for severe illness should consider masking. To help maintain public health and safety, we respectively request that people NOT attend in-person if they are experiencing symptoms associated with COVID-19 or are otherwise ill and likely contagious (e.g., respiratory illnesses).

To address the Committee on any item – whether on the posted agenda or not – please fill out a Request to Speak Form and submit it to the Board Clerk. Speakers are not required to submit their name or address.

REMOTE PARTICIPATION

Members of the public may participate in public Agency meetings by logging into the Zoom:

<https://us02web.zoom.us/j/86811795820?pwd=V0kzcjFna3ZnN01YMXA4eTFLZmcyQT09>

Meeting ID: 868 1179 5820 Passcode: 372388

Written public comments for the record may be submitted in advance by 11:00 a.m. on the meeting date by email to: rethinker@rethinkwaste.org and will be made part of the written record but will not be read verbally at the meeting. Written public comments submitted by email should adhere to the following: 1) Clearly indicate the Agenda Item No. or specify “Public” in the Subject Line for items not on the agenda and 2) Include the submitter’s full name. You may also use the raise hand feature on Zoom to enter a verbal public comment.

*Pursuant to Ralph M. Brown Act, government code section 54953, all votes shall be by roll call if any members of the Committee of directors are participating by teleconference and/or video conference.

AGENDA

1. Call to Order/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 three 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 Committee 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 Committee’s general policy is to refer items to staff for attention, or have a matter placed on a future Committee agenda for a more comprehensive action or report and formal public discussion and input at that time. *Speakers may also submit comments via email prior to the meeting by sending those comments to rethinker@rethinkwaste.org.*

MEMBER AGENCIES

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

May 31, 2024

- 3. Executive Director’s Report (Verbal Update)** **p. 3**
- 4. Approval of Consent Calendar**
 Consent Calendar item(s) are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Committee, staff or public request specific items be removed for separate action. *Items removed from the Consent Calendar will be moved to the end of the agenda for separate discussion.*
 A. Approval of the Minutes from the January 16, 2024 Finance Committee Meeting **ACTION p. 7**
- 5. Finance Committee Input Session on the 2024-2035 Long Range Plan** **p. 15**
- 6. Review of DRAFT Resolution Approving the Audited Financial Statements for the period ending December 31, 2023** **ACTION p. 23**
- 7. Review of DRAFT Mid-Year 2024 Budget** **ACTION p. 65**
- Review of Reserves Balances
- 8. Shoreway Site Planning and Source of Funds Discussion** **ACTION p. 83**
- MRF Phase II –Sort System Automation Update
 - Fire Risk Mitigation Projects
 - Transfer Station Parking Area Redesign
- 9. Discussion on 2024 Shoreway Property Insurance** **p. 105**
- 10. Committee Member Comments**
- 11. Adjourn**

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

May 31, 2024



EXECUTIVE DIRECTOR'S UPDATE

Agenda Item 3 is a verbal report only at the
06/11/2024 SBWMA Finance Committee Meeting



CONSENT CALENDAR

DRAFT MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE FINANCE COMMITTEE
Tuesday, January 16, 2024, 1:00PM
610 Elm St. Suite 202 San Carlos, CA 94070**

Call To Order: 1:02PM

1. Roll Call

Member	Present	Absent
Michael Brownrigg	X	
Jon Froomin	X	
Al Royse		X
Rebecca Mendenhall	X	
Grace Castaneda		X

Member Brownrigg attended via teleconference due to an illness and use on of his two emergency declarations

Motion/Second to approve emergency declaration.

Froomin/Mendenhall

Roll Call Vote: 4-0-0-1

2. Public Comment

Pursuant to Government Code Section 54954.3(a), members of the public wishing to address the Committee may do so, and the comments shall be limited to the Special Meeting notice topic(s). Speakers may join the Zoom meeting via the meeting link and using the “raise hand” feature and the Clerk of the Board will call on people.

None

3. Executive Director’s Welcome (*Verbal Only*)

Executive Director La Mariana welcomed everyone to the meeting and gave the following updates:

- Staff transitions at the agency: Tj Carter has left the agency and we’re hiring a Project Manager to fill that vacancy. We are finalizing hiring our vacant 5th fellow position, they should start within a month, and Cyndi Urman will be moving into the Management Analyst role, and we will be looking back fill her administrative duties.
- There was a smooth transition to the new operations agreement contractor on January 1, and noted that the staff deserves praise for their professionalism during the smooth transition. SBI is already making many site improvements.
- He is expecting a letter from Recology addressing their IT/data breach issues, and also noted that

Recology continues to work through the issue.

- There will be an action item on the administrative office buildout project at the January board meeting, to approve the contract for construction.

Member Froomin asked to see pictures of the improvements SBI has made to the Shoreway site.

4. Consent Calendar

Consent Calendar item(s) are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Committee, staff or public request specific items be removed for separate action. *Items removed from the Consent Calendar will be moved to the end of the agenda for separate discussion.*

- A. Approval of the Minutes from the August 29, 2023, Special Finance Committee Meeting

Motion/Second: Mendenhall/Brownrigg

Roll Call Vote: 2-0-1-2

Member	Yes	No	Abstain	Absent
Michael Brownrigg	X			
Jon Froomin			X	
Al Royse				X
Rebecca Mendenhall	X			
Grace Castaneda				X

5. Review of DRAFT Resolution Approving the Audited Financial Statements for the period ending December 31, 2022

Executive Director La Mariana noted that normally 2022 financial statements would be considered much earlier, but Redwood City has had some significant turnover which caused a delay.

Staff Mangini gave an overview of the report and noted that the net position didn't change much year over year.

Member Mendenhall asked if the lateness of the approval would cause an issue with bond compliance.

Member Mangini noted that a version was posted online within the required timeframe, and he would go back and make a correction, if necessary, but the agency is still meeting bond coverage ratio of 1.4.

Member Froomin noted that a recent bank closure was affecting the school district's foundation and noted that our CD policy is no more than the federally insured limit but suggested that there also be a policy around FDIC covered amounts so that all of the money is protected.

Staff Mangini we can talk about it more and look at it more closely, but all of our investments are in pretty conservative accounts with LAIF and the County Pool.

Member Froomin asked for clarification on depreciation noting that most of the value of the equipment was being depreciated in this report, and asked if we should lengthen the of the equipment so the depreciation happens over a longer period given the long life of some of the equipment.

Staff Mangini it does happen over time that the book value is less than the replacement value, and there is value to using a fully depreciated asset for longer than the depreciation timeline.

Member Froomin commented that looking at the audit report, it looks like there is a big replacement of equipment coming soon.

Staff Mangini answered not necessarily, but most of the equipment in the MRF was installed when the building was built, and there is a \$12M fund set aside to upgrade that equipment, so there is not necessarily a big expense coming for replacement.

Member Froomin asked if there is value in having a slower depreciation rate.

Staff Mangini answered that depreciation in this manner is a pretty standard accounting practice in public and private, replacement value is taken into consideration when we decide how much we're going to insure the equipment for.

Member Froomin asked for clarification on the difference between the \$1.49M depreciation number and the \$20M depreciation number in the report.

Staff Mangini answered that the \$20M number is what has been depreciated over time, and the \$1.49M number is what has been depreciated in this calendar year.

Motion/Second: to recommend approval to the Board Mendenhall/Froomin

Roll Call Vote: 3-0-0-2

Member	Yes	No	Abstain	Absent
Michael Brownrigg	X			
Jon Froomin	X			
Al Royse				X
Rebecca Mendenhall	X			
Grace Castaneda				X

6. Review of DRAFT Resolution Approving the SBWMA Investment Policy for 2024

Staff Mangini gave an overview of changes to the 2024 investment policy, noting that no changes were recommended that the investment advisor through the city of Redwood City. They noted that the policy was compliant with state law and well written. He added that he would consult with the advisors regarding any changes that need to be made in regard to FDIC coverage amounts.

Staff Mangini noted that if the January Finance Committee agenda is light, he may bring the investment policy at a later meeting and consequently later board meeting, but still be in compliance of reviewing it each year.

Member Froomin moved approval of the investment policy with a request that we looking into the FDIC maximum coverage for investments in single institutions.

Member Brownrigg seconded the motion.

Roll Call Vote: 3-0-0-2

Member	Yes	No	Abstain	Absent
Michael Brownrigg	X			

Jon Froomin	X			
Al Royse				X
Rebecca Mendenhall	X			
Grace Castaneda				X

7. Presentation from Omnis Risk Insurance

Executive Director La Mariana and Staff Mangini gave an overview of the option being investigated to approach insurance options differently than in previous years, by using contacts in the marketplace that SBI has provided which will hopefully lead to reduced insurance costs. Staff Mangini introduced Tammy Gaw.

Tammy Gaw president of Omnis Risk Insurance Solutions (Omnis), and Hayden Haucke on AmWins wholesale insurance gave a presentation about who Omnis is in the insurance marketplace and their behavior science approach to reduce risk and reduce insurance claims. The objective is to be a “best-in-class” customer to premiums because “best in class” companies have fewer claims. She then presented her approach to making Shoreway a best-in-class facility.

Staff Mangini added that the Omnis approach to behavior-based risk reduction is now an option to RethinkWaste because SBI is now the facility operator, and Omnis already has a relationship with ACI, SBI’s parent company.

Member Brownrigg asked for clarification on if Omnis would be improving the marketing of our facility to brokers or if they would be on the floor improving processes and procedures, and how do you get paid, how do we as committee members assess if we should hire you.

Tammy Gaw answered that they are improving processes and procedures and are currently working with SBI to make those improvements, but Omnis doesn’t ensure the facility, and as risk managers who are also brokers, they can help reduce risk to tell a better story and decrease insurance premiums.

Member Froomin asked if in the first year or two costs will increase because we will still be paying higher premiums and paying for behavior change policy and procedures development so that in 2 or 3 years premiums will decrease.

Tammy Gaw answered we would be taking over your account and working for free before the 7/1 insurance renewal, then after 7/1 Omnis would get the commission.

Member Brownrigg asked if there was a white paper that would explain the cost savings.

Tammy Gaw noted that they can’t give away client information.

Member Froomin asked if we could ask SBI since they’re our contractor if they could share their cost savings after making this change.

Staff Mangini commented that this is property rates only.

Hayden Haucke noted that our current rate is \$3.58 per 100 insurable values, and ACI is paying \$0.77 per 100 of insurable values. He noted that his role is to place tough to place businesses the preferred market does see about a 5 times difference between the preferred market and the general market.

Member Froomin asked if Omnis could give an estimated savings if they recommended moving forward.

Tammy Gaw noted that we know you'll save, but we can't say how much.

Hayden Haucke added that we won't be able to lower your premium 5 times in the first year, it's probably a 3-5-year process. He also noted a \$3.50 rate per 100 insurable values is one of the highest they've seen.

Executive Director La Mariana that Chris Valbusa of ACI has recommended going with this approach and it was an unsolicited reference, and Depthi Jain with the City of Sunnyvale Smart Station also gave a strong reference as well.

Member Brownrigg noted that the status quo is only seeing increases, and the reality of this product is that the agency is required get new pricing every year, so if this move doesn't yield cost decreases, there is an option to discontinue the relationship the following year. So, it's a fairly low-cost experiment. He directed staff to sum up the required expenses needed to help tell a better story, and save money, as well as get a reference from South City Scavenger.

Member Froomin noted that the fact that she's been to the facility 6-8 times, and we haven't even paid her yet. He wanted a report for Omnis on their top five recommended investments and how much they would cost.

Member Mendenhall noted that if she's spending most of her time training the employees and SBI is seeing lower GL and worker's compensation insurance rates, then it made sense to her that they should split the \$50,000 cost for the software with SBI.

Member Brownrigg commented that with the committee being in agreement, and that next steps are to ask Omnis for a list of investments that would need to be made for implementation, and conversation with SBI to see if they'd be willing to share costs of items that would also reduce their insurance and asked for a reference from South City Scavenger.

Staff Mangini noted that the next step will be to officially change the broker of record for the next year, his understanding is that you can't have more than one broker go into the marketplace for the same business.

Counsel Savaree didn't think this was a board action item, staff could just use a different broker to solicit rates for next year.

The committee gave direction to officially change the broker of record, and ask Omnis for an agreement, and to table the captive/self-insurance until we see how this effort goes.

8. Committee Member Comments

None

9. Adjourn to closed session 2:52 PM



FINANCE COMMITTEE
INPUT SESSION ON THE
2024-2035 LONG RANGE PLAN

Agenda Item 5

Finance Committee Input on the 2025-2034 Long Range Plan

No Staff Report Discussion Item Only

Attachments:

- A. PowerPoint Presentation by Staff Joanne Nghiem on: 2025-2034 Long Range Plan
- B. [For Review the 2020-2024 Long Range Plan - Available on-line only at www.rethinkwaste.org](http://www.rethinkwaste.org)



Long Range Plan 2025-2034 Input Session

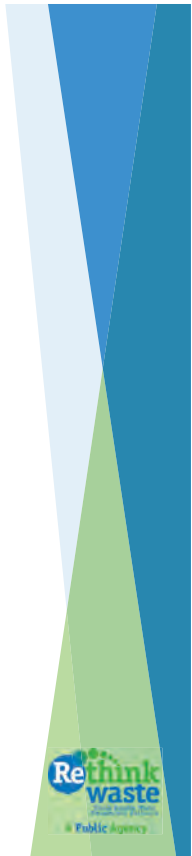
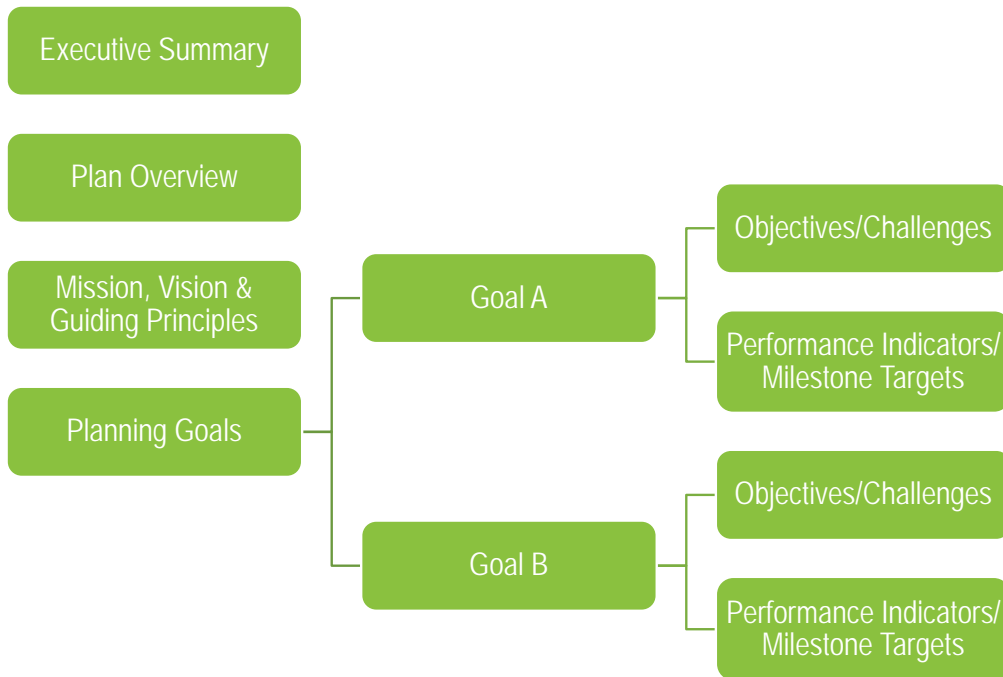
SBWMA Finance Committee
June 11, 2024

2025-2034 LRP Development & Timeline

- Staff recommends a 10-year plan (vs previous 5-year plans)
- Annual Progress Reports
- Year 3 & Year 6 Review



Overview Plan Outline



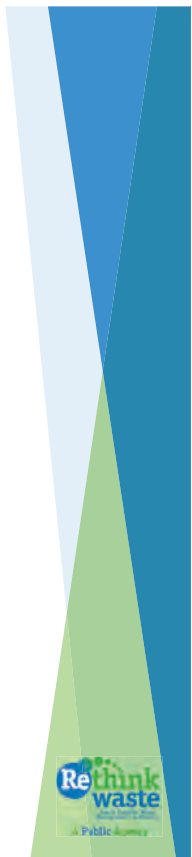
Mission Statement

Current

To serve as solid waste industry leaders in public health, safety and environmental stewardship by providing our ratepayers with innovative cost-effective zero waste programs and Member Agency climate action plan alignment through education, engagement, infrastructure and policy development.

Proposed Revised

To implement innovative, cost-effective waste reduction and recycling programs for our Member Agency communities through high quality collection services, environmental education, facility infrastructure and policy development.



Vision Statement

Current

Rethink Waste is recognized for its innovative waste reduction and recycling programs and facility infrastructure which are dedicated to the preservation and enhancement of the quality of life and the environment for our member agency communities.

Proposed Revised

To create affordable and sustainable programs that lead to a zero-waste future.



Guiding Principles

B. Principles and Objectives

As shown below, the SBWMA's Principles and Objectives are hereby updated by the Board of Directors. These Principles and Objectives are to be used to evaluate and make priorities regarding proposed policy, program and infrastructure enhancements considered in this Long-Range Plan.

- **Economically Sustainable Materials Management System**
 - a. Leverage existing Shoreway facility infrastructure and all partner organization resources and capabilities.
 - b. Duly consider cost structures, rate stability and predictability when developing and evaluating programs, policies and infrastructure, accounting for additional revenue and avoided cost when assessing Return on Investment.
 - c. Develop collection and processing systems that are adaptable, flexible, scalable, and resilient.
 - d. Comply with all applicable local, state and national laws and regulations.
 - e. Develop emergency and contingency Master Planning to govern operations of the materials management system during and after natural disasters, such as earthquakes, fires, and floods.

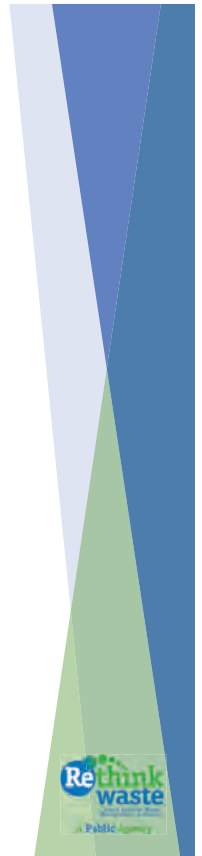


Zero Waste Principles

- a. Pursue, in priority sequence, waste reduction, reuse, recycling, composting, and landfilling, in line with highest and best use of discarded products and packaging.
- b. Reduce and mitigate landfill and other facility impacts, such as by **eliminating the disposal of recyclable and organic materials at landfills, as first two parts of “Triple Zero” Agency goal.**
- c. Promote the long-term behavior change needed to **recover recyclable and compostable materials**, through education, training, recognition, economic incentives, policy measures, monitoring, and enforcement.
- d. Support robust buy-recycled efforts and local economic development, using reused, repaired, or recycled items, where possible.

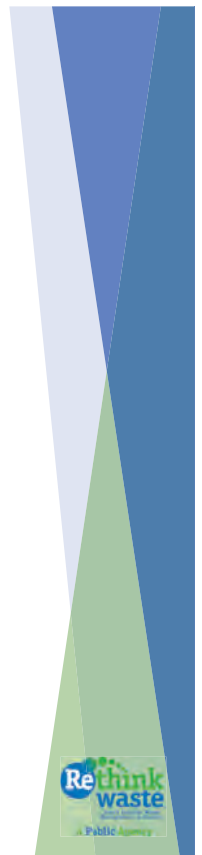
Environmental Objectives

- a. Support demonstration projects that reduce or sequester carbon emissions.
- b. Recognize the importance of materials conservation, litter abatement, and embedded energy in developing priorities for waste reduction and recycling efforts.
- c. **Eliminate greenhouse gas emissions associated with collection and transfer of materials (as third part of “Triple Zero” Agency goal)**, such as by using low-emission vehicle fuels and reducing the need for materials collection and transfer of materials, to help the Agency achieve net-zero emissions status.
- d. Reduce the toxicity and hazards of materials (especially batteries and plastics) that enter the solid waste system, and effectively manage such toxicity and hazards so that people, property, and the environment are protected.
- e. Advocate for and support product stewardship legislation and initiatives to ban non-recyclable materials.
- f. Enhance environmental education to maximize public participation in materials reduction, reuse and recovery programs and services.



Planning Goals

- Waste Reduction and Reuse Programs and Policies
- Collection Programs and Policies
- Operations and Processing Programs and Policies
- Management Programs
- Financial Sustainability



Funding Options

- Borrow from Member Agencies
- Lending intuition loans for smaller projects
- Revenue bonds
 - Additional bond debt and revenue from increased rates will be required

Additional Revenue Bonds	Required Additional Net Revenues	Additional Franchise Rate Increase
\$30M	\$3.3M	2.4%
\$35M	\$3.8M	2.8%
Every additional \$5M	\$0.5M	0.36%

Source: KNN Finance



2025-2034 LRP Development Meetings

Date	Meeting or Activity	Detail
May 7	Legislative Committee meeting	Input session
May 9	TAC meeting	Input session
May 13	Recology & SBI meeting	Input session
June 11	Finance Committee meeting	Input session
June 17	Public Education Committee meeting	Input session
July 25	Zero Waste Committee meeting	Input session
July 31	Draft Plan	Sent for committee review
TBD	Zero Waste Committee meeting	Study session
TBD	Recology & SBI meeting	Study session
August 6	Legislative Committee meeting	Study session
August 8	TAC meeting	Study session
September 10	Finance Committee meeting	Study session
TBD	Board of Directors/TAC meeting	Study session
October 24, 2024	Board of Directors meeting	Board approval of Final Plan

Tentative Dates as of 5/30/2024





REVIEW OF DRAFT RESOLUTION
APPROVING THE AUDITED
FINANCIAL STATEMENTS FOR
THE PERIOD
ENDING DECEMBER 31, 2023

STAFF REPORT

To: SBWMA Board Members
From: John Mangini, Senior Finance Manager
Date: June 11, 2024 Finance Committee Meeting
Subject: Resolution Approving the Audited Financial Statements for the period ending December 31, 2023

Board Action

It is recommended that the SBWMA Board of Directors approve Resolution No. 2024-XX attached hereto authorizing the following action:

Accept the South Bayside Waste Management Authority's audited Annual Financial Statements (see **Exhibit A to the Resolution**) for the fiscal year ending December 31, 2023 as prepared by the SBWMA's audit firm, Maze & Associates.

Summary

The purpose of the financial statements is to present a summary of the financial position of the Authority for the fiscal year. These reports have been reviewed by the Board Finance Committee on June 11th, 2024 which recommends approval.

The final step in the formal process of preparing these financial statements is to present them to the Board for its acceptance.

Analysis

The financial statements of the SBWMA for fiscal year ending December 31, 2023, have been prepared by the City of Redwood City Administrative Services Department and examined by the independent auditing firm Maze & Associates and SBWMA staff. It is the **opinion** of the audit firm that the financial statements present fairly the financial position of the SBWMA as of December 31, 2023, and that the financial statements were prepared in conformity with generally accepted accounting principles.

Financial Condition Summary

As shown in Table 2 of the Audit report, total net position as of December 31, 2023 is \$26.1 million. The unrestricted net assets (Unrestricted Reserve) decreased by \$0.4 million to \$20.1 million at December 31, 2023 (see Table 1 and 4 in the Audit report).

General Operating Results

Table 1 below contains the financial results for the period ending December 31, 2023 and compared to fiscal year ending December, 2021 expressed in a percentage variance.

Table 1 – Financial Results

	<u>FY2022</u>	<u>FY2023</u>	<u>Variance</u>
	<u>12 months ending</u>	<u>12 months ending</u>	<u>%</u>
	<u>12/31/2022</u>	<u>12/31/2023</u>	
Tip Fee Revenue	\$ 45,996,199	\$ 52,868,286	15%
Commodity Revenue	\$ 7,001,366	\$ 5,969,405	-15%
Other Revenue ¹	\$ 17,854	\$ 17,401	-3%
Total Revenues	\$ 53,015,419	\$ 58,855,092	11%
Shoreway Operations Expense	42,383,394	49,249,823	16%
SBWMA Program Expense	4,315,738	3,930,672	-9%
Franchise Fees	2,195,581	2,522,326	15%
Depreciation Expense	2,983,443	2,534,872	-15%
Total Expenses	\$ 51,878,156	\$ 58,237,693	12%
Operating Income	\$ 1,137,263	\$ 617,399	-46%
Investment Income, Other	\$ 589,810	\$ 2,242,565	280%
Interest Expense	(2,217,084)	(2,179,362)	-2%
Grant Revenue	500,000	-	
CHANGE IN NET POSITION	\$ 9,989	\$ 680,602	6.714%

Variance explanations:

Please see the Management Discussion and Analysis (MDA) of **Exhibit A** for a narrative on financial results.

Long-Term Debt

At the end of the current fiscal year, the SBWMA had bond debt outstanding of \$52,713,307. Long-term debt consists of Series 2019A and 2019B Refunding Revenue Bonds that were issued to refund the 2009A Revenue Bonds and to finance the construction of various improvements and acquisition of certain associated equipment to the material recovery facility and transfer station.

Payment of principal on the 2019 bonds began on September 1, 2020. Additional information on the SBWMA's long-term debt can be found in note (4) to the accompanying financial statements.

Fiscal Impact

There is no financial impact associated with the adoption of this Resolution.

Attachments:

Resolution 2024-XX. Accepting the Authority's Audited Financial Statements ending December 31, 2023

Exhibit A – SBWMA Audited Annual Financial Statements for the Period January 1, 2023 to December 31, 2023



RESOLUTION NO. 2024-XX

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS ACCEPTING THE FISCAL YEAR ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1, 2023 TO DECEMBER 31, 2023

WHEREAS, the South Bayside Waste Management Authority contracted with the audit firm Maze & Associates to conduct an audit of the Agency's financial records in accordance with Governmental Accounting Standards Board (GASB) Statement 34; and

WHEREAS, the financial statements for the fiscal year period January 1, 2023 to December 31, 2023 as prepared by said firm have been completed and are attached as **Exhibit A**; and

WHEREAS, it is recommended that the Board accept the financial statements.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the Annual Financial Report as prepared by Maze & Associates for the fiscal year period January 1, 2023 to December 31, 2023.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 27th day of June, 2024, by the following vote:

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Belmont					Redwood City				
Burlingame					San Carlos				
East Palo Alto					San Mateo				
Foster City					County of San Mateo				
Hillsborough					West Bay Sanitary Dist				
Menlo Park									

I HEREBY CERTIFY that the foregoing Resolution No. 2024-XX was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 27, 2024.

ATTEST:

Adam Rak, Chairperson of SBWMA

Cyndi Urman, Board Secretary

**SOUTH BAYSIDE WASTE
MANAGEMENT AUTHORITY**

BASIC FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

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**SOUTH BAYSIDE WASTE
MANAGEMENT AUTHORITY**

**BASIC FINANCIAL STATEMENTS
For the Year ended December 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

To Members of the Board of Directors of the
South Bayside Waste Management Authority
San Carlos, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the South Bayside Waste Management Authority (Authority), California, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management's for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Pleasant Hill, California
May 10, 2024

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SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
Management's Discussion and Analysis
December 31, 2023

The Management's Discussion and Analysis (MD&A) section presents an overview and analysis of the financial performance of the South Bayside Waste Management Authority (SBWMA) for the year ended December 31, 2023. It should be read in conjunction with the audited financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The SBWMA's financial statements include:

Statement of Net Position presents information on the SBWMA's assets and liabilities as of the fiscal year-end, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position presents the results of the SBWMA's operations over the course of the fiscal year and information as to how the net position changed during the fiscal year. These statements can be used as an indicator of the extent to which the Authority has successfully recovered its costs through user fees and other charges.

Statement of Cash Flows presents changes in cash and cash equivalents resulting from operational, capital, non-capital, and investing activities. The statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt and exclude non-cash accounting measures of depreciation or amortization of assets.

Notes to Financial Statements provide information that is essential to a full understanding of the financial statements that is not displayed on the face of the financial statements.

FINANCIAL ANALYSIS

The following table summarizes the Authority's change in net position from the fiscal year ended December 31, 2022 to the fiscal year ended December 31, 2023.

Table 1
Comparative Net Position
December 31, 2022 and 2023

	<u>December 31, 2022</u>	<u>December 31, 2023</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 41,605,364	\$ 43,066,891	\$ 1,461,527	3.5%
Capital assets, net of depreciation	45,736,151	45,641,088	(95,063)	-0.2%
Total assets	<u>87,341,515</u>	<u>88,707,979</u>	<u>1,366,464</u>	1.6%
Long-term debt outstanding	53,423,120	50,813,609	(2,609,511)	-4.9%
Other liabilities	8,514,108	11,676,025	3,161,917	37.1%
Total liabilities	<u>61,937,228</u>	<u>62,489,634</u>	<u>552,406</u>	0.9%
Net position:				
Net investment in capital assets	4,926,256	6,164,436	1,238,180	25.1%
Unrestricted	20,478,031	20,053,909	(424,122)	-2.1%
Total net position	<u>\$ 25,404,287</u>	<u>\$ 26,218,345</u>	<u>\$ 814,058</u>	<u>3.2%</u>

Net Position

The total net position increased by \$0.8 million or 3.2% from the prior fiscal year. This increase is comprised solely of an increase in net investment in capital assets of \$1.2 million, offset by a decrease in unrestricted net position of \$0.4 million.

Total liabilities increased by \$0.5 million or 0.9%. This increase is primarily attributed to a reduction of \$2.6 million in long-term debt, as a result of the payment of the annual debt service. More information on the long-term debt is located in the “*Long-term Debt*” section. There was an increase of \$3.1 million or 37.1% in other liabilities, which was attributed solely to a higher accounts payable balance as of December 31, 2023.

The largest portion of the Authority’s assets is its investment in net capital assets totaling \$45.7 million. These assets are comprised of land, buildings, equipment and infrastructure, less accumulated depreciation, and are primarily located at the Shoreway Environmental Center. The actual year-over-year comparison of the capital assets, net of accumulated depreciation, shows a decrease of \$0.1 million or 0.2% due to capital asset additions of \$2.4 million in buildings, equipment, and construction in progress, which are offset by depreciation expense of \$2.5 million. These changes are explained further in the “*Capital Assets*” section.

The net investment in capital assets is \$6.2 million as of December 31, 2023. It represents the Authority’s investment in infrastructure and other capital assets, net of amounts borrowed to finance that investment. It should be noted that these funds are not available for spending because the capital assets cannot be liquidated to settle liabilities. Therefore, the resources needed to repay the debt must be provided from other sources. Unrestricted net position totaling \$19.9 million represents the part of net position that can be used to finance operations.

Results of Operations

The following table summarizes the Authority's revenues, expenses, and changes in net position.

Table 2
Comparative Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2022 and the Year Ended December 31, 2023

	<u>December 31, 2022</u>	<u>December 31, 2023</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Charges for services	\$ 45,996,199	\$ 52,868,286	\$ 6,872,087	14.9%
Commodity revenue	7,001,366	5,969,405	(1,031,961)	-14.7%
Other operating revenues	17,854	17,401	(453)	-2.5%
Grant revenue	500,000	-	(500,000)	0.0%
Investment Income	589,810	2,242,565	1,652,755	280.2%
Total Revenues	<u>54,105,229</u>	<u>61,097,657</u>	<u>6,992,428</u>	<u>12.9%</u>
Expenses				
Operating expenses	51,878,156	58,237,693	6,359,537	12.3%
Interest expense	2,217,084	2,179,362	(37,722)	-1.7%
Total Expenses	<u>54,095,240</u>	<u>60,417,055</u>	<u>6,321,815</u>	<u>11.7%</u>
Increase (decrease) in net position	9,989	680,602	670,613	6713.5%
Beginning net position, restated	25,394,298	25,404,287	9,989	0.0%
Ending net position	<u>\$ 25,404,287</u>	<u>\$ 26,084,889</u>	<u>\$ 680,602</u>	<u>2.7%</u>

While the Statement of Net Position (Table 1) shows the change in financial position, the Statement of Activities (Table 2 above) provides answers as to the nature and sources of the changes.

Changes in operating revenues for the year ended December 31, 2023 (FY 2023) are comprised of the following:

- Charges for services, also known as tipping fee revenue, increased by \$6.9 million or 14.9%, from \$46.0 million in FY 2022 to \$52.9 million in FY 2023 primarily due to an increase in material volume received at the Shoreway Facility.
- Commodity revenue decreased by \$1.0 million, or 14.7% from \$7.0 million in FY 2022 to \$6.0 million in FY 2023 due to the decreasing prices for commodities.
- The Authority did not receive any grants in FY2023 but received \$0.5 million in FY 2022. The grant was from the County of San Mateo, as part of the CalRecycle program, for the Organics to Energy Project.
- Investment income, which is nonoperating revenue, increased by approximately \$1.7 million in FY 2023, when compared to FY 2022 primarily due to significantly higher returns on investments.

The primary component of operating expenses (88.4%) is related to the Shoreway operations that include contractually obligated costs incurred to pay the Shoreway operator, and disposal and processing expenses. The percentage of operating expenses related to the Shoreway operations for FY 2022 was 86.7%, slightly lower than FY 2023. The Shoreway operations expense (Table 3) increased by \$6.9 million, or 16.2% from \$42.3 million in FY 2022 to \$49.2 in FY 2023 primarily due to an increase in material volume handled and transported at the Shoreway Facility.

Table 3 below shows the operating results of the Authority, excluding depreciation. It excludes revenues and expenditures not directly associated with operating activities such as investment income, grant revenue, and interest expense. For the current fiscal year, operating results were \$3.2 million compared to \$4.1 million for the prior fiscal year, a decrease of 23.5%. This decrease is due to lower operating revenue and higher operating expenses. As described above, commodity revenue has decreased by 1.0 million year over year.

Table 3
Operating Results
For the Year Ended December 31, 2022 and the Year Ended December 31, 2023

	<u>December 31, 2022</u>	<u>December 31, 2023</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue				
Charges for Services	\$ 45,996,199	\$ 52,868,286	\$ 6,872,087	14.9%
Commodity Fee	7,001,366	5,969,405	(1,031,961)	-14.7%
Other Operating Revenue	17,854	17,401	(453)	-2.5%
Total Operating Revenue	<u>53,015,419</u>	<u>58,855,092</u>	<u>5,839,673</u>	11.0%
Operating Expense (excl Depn.)				
Shoreway Operations	42,383,394	49,249,823	6,866,429	16.2%
Program Admin	4,315,738	3,930,672	(385,066)	-8.9%
Franchise Fee	2,195,581	2,522,326	326,745	14.9%
Total Operating Expense (excl Depn.)	<u>\$ 48,894,713</u>	<u>\$ 55,702,821</u>	<u>6,808,108</u>	13.9%
Total Operating Results (excl Depn.)	<u>\$ 4,120,706</u>	<u>\$ 3,152,271</u>	<u>\$ (968,435)</u>	<u>-23.5%</u>

Reserves

Table 4 below reflects the amount of reserves that have been designated by the Board as of December 31, 2022 and 2023.

Table 4
Unrestricted Reserves Balances

	<u>December 31, 2022</u>	<u>December 31, 2023</u>
Rate Stabilization Reserve	\$ 4,843,485	\$ 5,237,034
Emergency Reserve	4,843,485	5,237,034
Sub-Emergency Reserve - Self-insurance	394,875	694,875
Equipment Replacement Reserve	766,789	1,166,789
Capital Fund Reserve	<u>9,629,397</u>	<u>7,718,177</u>
Total Unrestricted Reserves	<u>\$ 20,478,031</u>	<u>\$ 20,053,909</u>

In 2002, the SBWMA Board established a cash reserve policy to set aside certain portions of unrestricted net position for specific uses in order to protect the short and long-term financial operation of the Authority. In May 2013, the Board revised the Cash Reserve Policy to accomplish the goal of more clearly defining the reserve accounts. In November 2018, the Board further revised the Cash Reserve Policy to include a Capital Reserve Fund to fund future capital projects that cannot be absorbed in one budget period. The current policy consists of a Rate Stabilization Reserve, Emergency Reserve, Equipment Replacement Reserve, Capital Fund Reserve, and Undesignated Reserve. In addition, the Board approved a sub-emergency reserve for self-insurance in response to an increased property insurance deductible. The Rate Stabilization Reserve & Emergency Reserve are calculated at up to 10% of operating expenses. Operating expenses include Shoreway Operations expense, SBWMA program expenses, bond interest expense, and franchise fees. Operating expenses exclude depreciation, buyback, and household hazardous waste payments. The Emergency Reserve is to address unexpected and sudden capital needs or significant one-time increases in Shoreway operating expenses associated with “damage by natural disasters, acts of war or terrorism, or other community emergency scenarios that are not covered by existing insurance policies”. The current policy prioritizes the order of the accounts so the Rate Stabilization Reserve is first in priority followed by the Emergency Reserve.

All reserve fund levels are approved by the Board each year as part of the adoption of the fiscal year budget.

Capital Assets

The following table summarizes changes in the Authority's capital assets.

Table 5
Capital Assets, Net of Depreciation
As of December 31, 2022 and 2023

	<u>December 31, 2022</u>	<u>December 31, 2023</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 14,000,000	\$ 14,000,000	\$ -	0.0%
Construction in progress	280,469	276,345	(4,124)	-1.5%
Buildings and systems	43,783,795	45,948,275	2,164,480	4.9%
Machinery and equipment	28,798,873	29,078,326	279,453	1.0%
Total accumulated depreciation	<u>(41,126,986)</u>	<u>(43,661,858)</u>	<u>(2,534,872)</u>	<u>6.2%</u>
Total Net Capital Assets	<u>\$ 45,736,151</u>	<u>\$ 45,641,088</u>	<u>\$ (95,063)</u>	<u>-0.2%</u>

Total net capital assets decreased by \$0.1 million, or 0.2%, from \$45.7 million as of December 31, 2022 to \$45.6 million as of December 31, 2023. The decrease is the net of the annual \$2.5 million depreciation charge, and \$2.4 million in capital expenditures towards building purchase, equipment replacement, and numerous facility upgrades.

Additional information on the capital assets can be found in Note (4) of the financial statements.

Long-term Debt

At the end of the current fiscal year, the Authority had \$52.7 million total debt outstanding, a decrease of \$0.7 million, or 1.3%, from \$53.4 million as of December 31, 2022. This decrease is a result of the payment of the annual debt service.

Table 6
Outstanding Debt, Net of Amortized Costs
As of December 31, 2022 and 2023

	<u>December 31, 2022</u>	<u>December 31, 2023</u>	<u>\$ Change</u>	<u>% Change</u>
2019A Refunding Revenue Bond	\$ 30,825,000	\$ 30,825,000	\$ -	0.0%
2019B Refunding Revenue Bond	13,075,000	11,750,000	(1,325,000)	-10.1%
Net Premium 2019A/B	9,523,120	9,034,755	(488,365)	-5.1%
2022 Five Star Bank Loan	0	1,103,552	1,103,552	
Total	<u>\$ 53,423,120</u>	<u>\$ 52,713,307</u>	<u>\$ (709,813)</u>	<u>-1.3%</u>

Long-term debt consists of Series 2019A and 2019B Refunding Revenue Bonds that were issued to refund the 2009A Revenue Bonds and to finance the construction of various improvements and acquisition of certain associated equipment to the Authority's solid waste materials recovery facility and transfer station located in the City of San Carlos, CA. It also includes a loan from Five Star Bank for a property purchased which will be the Authority's new office location.

Additional information on the Authority's long-term debt can be found in Note (5) to the accompanying financial statements.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our member agencies, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the revenues and expenses in the course of doing business. If you have questions about this report or need additional financial information, contact the Executive Director, South Bayside Waste Management Authority, 610 Elm Street, Suite 202, San Carlos, California 94070.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

**STATEMENT OF NET POSITION
DECEMBER 31, 2023**

ASSETS

Current Assets:		
Cash and investments for operations (Note 2)	\$	19,096,706
Accounts receivable		8,873,865
Interest receivable		237,214
Prepaid items		<u>1,622,451</u>
Total Current Assets		<u>29,830,236</u>
Noncurrent Assets:		
Cash and investments with fiscal agent (Note 2)		13,236,655
Capital assets (Note 3):		
Land		14,000,000
Construction in progress		276,345
Building		45,948,275
Equipment		29,078,326
Less Accumulated Depreciation		<u>(43,661,858)</u>
Net capital assets		<u>45,641,088</u>
Total Noncurrent Assets		<u>58,877,743</u>
Total Assets		<u>88,707,979</u>

LIABILITIES

Current Liabilities:		
Accounts payable		7,582,830
Interest payable		709,583
Current portion of compensated absences		109,059
Long-term debt due in one year (Note 4)		<u>1,899,698</u>
Total Current Liabilities		<u>10,301,170</u>
Noncurrent Liabilities:		
Compensated absences due in more than one year		141,215
Accrued liabilities (Note 6)		1,233,640
Long-term debt due in more than one year (Note 4)		<u>50,813,609</u>
Total Noncurrent Liabilities		<u>52,188,464</u>
Total Liabilities		<u>62,489,634</u>

NET POSITION

Net investment in capital assets		6,164,436
Unrestricted		<u>20,053,909</u>
Total Net Position	\$	<u>26,218,345</u>

See accompanying notes to the financial statements

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023**

OPERATING REVENUES:

Charges for services	\$	52,868,286
Commodity revenue		6,102,861
Other		17,401
		<hr/>
Total Operating Revenues		58,988,548

OPERATING EXPENSES:

Shoreway operations		49,249,823
SBWMA program administration		3,930,672
Franchise fee - transfer station		2,522,326
Depreciation (Note 4)		2,534,872
		<hr/>
Total Operating Expenses		58,237,693
		<hr/>
Operating Income		750,855

NONOPERATING REVENUES (EXPENSES):

Investment income		2,242,565
Interest expense		(2,179,362)
		<hr/>
Net Nonoperating Revenue (Expense)		63,203

Change in Net Position 814,058

NET POSITION AT JANUARY 1, 2023

 25,404,287

NET POSITION AT DECEMBER 31, 2023

 \$ 26,218,345

See accompanying notes to the financial statements

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 54,093,452
Payments to suppliers	(53,285,534)
Payments to employees	<u>(1,648,539)</u>
Net Cash Flows from (used for) Operating Activities	<u>(840,621)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>2,244,661</u>
Net Cash Flows from Investing Activities	<u>2,244,661</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital assets additions	(2,439,809)
Retirement of revenue bonds	(1,325,000)
Interest paid	<u>(1,586,259)</u>
Net Cash Flows (Used for) Capital and Related Financing Activities	<u>(5,351,068)</u>
Net Cash Flows	(3,947,028)
Cash and cash equivalent - January 1, 2023	<u>36,280,389</u>
Cash and cash equivalent - December 31, 2023	<u>\$ 32,333,361</u>
Statement of Net Position	
Cash and investments for operations	\$ 19,096,706
Cash and investments with fiscal agent	<u>13,236,655</u>
Total cash and cash equivalent	<u>\$ 32,333,361</u>
Reconciliation of operating income to net cash flows from operating activities:	
Operating income (loss)	\$ 750,855
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation	2,534,872
Net change in:	
Accounts receivable	(4,895,096)
Prepays	(515,555)
Accounts payable	1,243,948
Compensated absences	<u>40,355</u>
Net Cash Flows from Operating Activities	<u>\$ (840,621)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Amortization related to long-term debt	\$ (488,365)

See accompanying notes to the financial statements

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 1: Summary of Significant Accounting Policies

a. Organization

The South Bayside Waste Management Authority (the Authority) is a joint powers authority formed on October 13, 1999 for the purpose of joint ownership, financing and administration of the Facilities, currently the Shoreway Environmental Center in San Carlos; and the planning, administration management, review, monitoring, enforcement and reporting of solid waste, recyclable material and plant material collection activities within Authority's service area.

Members of the Authority include the town of Hillsborough, and the cities of Belmont, Burlingame, East Palo Alto, Foster City, Menlo Park, Redwood City, San Carlos, San Mateo, as well as the West Bay Sanitary District and the County of San Mateo.

The Authority is controlled by an eleven-member board consisting of one elected representative from each member. None of the member entities exercise specific control over the budgeting and financing of the Authority's activities beyond their representation on the board. Accounting services are provided by the City of Redwood City.

Based on the franchise agreements with each member agency and Recology effective January 1, 2011, and subsequently amended and restated effective January 1, 2021, the Authority collects service fees from Recology to process and dispose of collected materials. The facility operator, South Bay Recycling, also collects fees from public customers which are remitted to the Authority. The Authority pays South Bay Recycling to operate the facility and transport materials to disposal and processing facilities per ton basis pursuant to the Operations Agreement. The compensation to both contractors is adjusted annually based primarily on various CPI indices. The Authority also directly pays for the disposal and processing of solid waste and organics materials to vendors such as BFI/Republic, Recology BVON (Blossom Valley Organics North), and Zanker Road.

b. Enterprise Fund Accounting

The Authority is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and the sale of commodities.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded on its balance sheet, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred. Enterprise fund net position includes net investment in capital assets and unrestricted net position.

c. Net Position Flow Policy

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted – net position to have been depleted before unrestricted – net position is used.

d. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Expenditures which materially increase the value or life of capital assets are capitalized and depreciated over the remaining useful life of the asset. The Authority’s policy is to capitalize all assets with costs exceeding the \$10,000 threshold and a useful life of more than one year.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method; meaning the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Authority has assigned the useful lives of capital assets by type as listed below:

Building	10 - 40 years
Improvements	5 - 20 years
Equipment	5 - 15 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Note 1: Summary of Significant Accounting Policies (Continued)

e. Compensated Absences

Compensated absences comprise unpaid vacation which is accrued as earned. All employees who hold full-time regular positions are entitled to 15 working days' vacation pay upon successful completion of their first year of continuous service. The accrual rate increases as length of service exceeds 5 years. Maximum accumulation of vacation is two years' vacation accrual. Upon termination or retirement, full-time employees are entitled to receive compensation at their current base salary for all unused vacation and 50% of their sick leave balance. The liability for compensated absences is determined annually.

f. Retirement and Deferred Compensation Plans

The Authority offers its employees a retirement plan created in accordance with Internal Revenue Code Section 401a. The employer contribution to the 401a is 10% plus a match up to 2% of the employee contribution.

The Authority also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457b. Pursuant to the IRC subsection (g), all amounts of compensation deferred under the deferred compensation plan, all property, or rights are solely the property and rights of the employee and beneficiaries of the Plan. Deferred compensation funds are not subject to the claims of the Authority's general creditors; consequently, the assets and related liabilities of the plan are not included within the Authority's financial statements.

g. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Authority has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has no items that qualify for reporting in this category.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

h. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

i. Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Note 2: Cash and Investments

The Authority pools cash from all sources except cash and investments held by fiscal agents so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

a. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Authority's name and places the Authority ahead of general creditors of the institution. The Authority Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 2: Cash and Investments (Continued)

The Authority invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the Authority employs the Trust Department of a bank as the custodian of certain Authority managed investments, regardless of their form.

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each year end, and it includes the effects of these adjustments in income for that year.

b. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Authority debt instruments or agreements.

<u>Statement of Net Position</u>	
Cash and investments for operations	\$ 19,096,706
Cash and investments with fiscal agent	<u>13,236,655</u>
Total Cash and Investments	<u><u>\$ 32,333,361</u></u>

Cash and investments for operations is used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the period.

c. Investment Authorized by the California Government Code and the Authority's Investment Policy

The Authority's Investment Policy and the California Government Code allow the Authority to invest in the following, provided the credit ratings of the issuers are acceptable to the Authority; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Authority's Investment Policy when the Authority's Investment Policy is more restrictive.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 2: Cash and Investments (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
Local Agency Investment Fund (LAIF)	Upon Demand	N/A	20% to 80% of the investment portfolio, as approved by the SBWMA Board but no more than \$75 million permitted by	N/A
San Mateo County Investment Pool	Upon Demand	N/A	20% to 80% of the investment portfolio, as approved by the SBWMA Board	N/A
U.S. Treasury Bonds, Notes and Bills	5 Years	N/A	100%	N/A
U.S. Government Agency and Federal Agency Securities	5 Years	N/A	100%	N/A
Bankers Acceptances	180 Days	N/A	40%	(B)
Commercial Paper	270 Days	Highest letter and number rating by an NRSRO	25%	(A)
Negotiable Certificates of Deposit	5 Years	N/A	30%	(A)
Time Certificates of Deposit - Banks or Savings and Loans	5 Years	N/A	30%	N/A
Medium Term Corporate Notes	5 Years	A	30%	(A)

(A) 5% of outstanding paper of issuing corporation and 10% of the portfolio in one corporation

(B) No more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.

d. Investments Authorized by Debt Agreements

The Authority must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the Authority fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Authority resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 2: Cash and Investments (Continued)

Authorized Investment Type	Minimum Credit Quality
Direct obligations of the Department of the Treasury of the United States	None
Obligations issued or guaranteed by FMHA, FHA, General Services Administration, GNMA, U.S. Maritime Administration, HUD, and backed by the full faith and credit of the United States of America	None
Direct obligations of FHLB, FHLMC, FNMA, REFCORP, Farm Credit Enterprise, Federal Agriculture Mortgage Association, Tennessee Valley Authority	None
Money Market Fund	AA
U.S. dollar denominated Certificates of Deposit, savings accounts, deposit accounts	None
Investment agreements, including GIC's forward purchase agreements and reserve fund put agreements	None
Commercial Paper	A-1
General obligations of States or municipalities	AAA
Bankers acceptances	A-1+
Medium Term Notes	AAA
State of California Local Agency Investment Fund	None
San Mateo County Investment Pool	None

e. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity or earliest call date:

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 2: Cash and Investments (Continued)

Investment Type	12 Months or less	Total
California Local Agency Investment Fund	\$ 7,487,917	\$ 7,487,917
San Mateo County Investment Pool	9,747,452	9,747,452
Cash and Cash Equivalents with Fiscal Agent:		
Money Market Fund	14,744,063	14,744,063
Total Investments	\$ 31,979,432	31,979,432
Total Cash in Bank and Cash on Hand		353,929
Total Cash and Investments		\$ 32,333,361

Local Agency Investment Fund

The Authority is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

San Mateo County Investment Fund

The Authority is a voluntary participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of San Mateo. The Authority reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The Authority reports its investments in SMCIF at the fair value amounts provided by SMCIF, which is the same as the value of the pool share.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 2: Cash and Investments (Continued)

f. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in California Local Agency Investment Fund and San Mateo County Investment Pool are not rated and therefore no rating is shown.

Presented below is the actual rating as of December 31, 2023, for each investment type as provided by S&P ratings:

Investment Type	AAAm	Total
Cash and Cash Equivalents with Fiscal Agent:		
Money Market Fund	\$ 14,744,063	\$ 14,744,063
Totals	\$ 14,744,063	14,744,063
Not rated:		
California Local Agency Investment Fund		7,487,917
San Mateo County Investment Pool		9,747,452
Total Investments		31,979,432
Total Cash in bank and cash on hand		353,929
Total Cash and Investments		\$ 32,333,361

g. Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 2: Cash and Investments (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the Authority as of December 31, 2023:

Investment Type	Exempt	Total
Investments by Fair Value:		
California Local Agency Investment Fund	\$ 7,487,917	\$ 7,487,917
San Mateo County Investment Pool	9,747,452	9,747,452
Total Investments at Fair Value	<u>\$ 17,235,369</u>	17,235,369
Investments Measured at Amortized Cost:		
Money Market Fund		14,744,063
Total Investments		31,979,432
<i>Cash in banks</i>		353,929
Total Cash and Investments		<u>\$ 32,333,361</u>

Both the California Local Agency Investment Fund and the San Mateo County Investment Pool are external investment pools and exempted in the fair value hierarchy, under GASB 72.

h. Concentration of Credit Risk

The Authority's Investment Policy contains certain limitations on the amount that can be invested in any one issuer. In certain categories, these limitations surpass those required by California Government Code Sections 53600 et seq. Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total Entity-wide investments. There were no such investments at December 31, 2023.

Note 3: Capital Assets and Facilities Operations

Pursuant to a sales agreement with Republic Services, Inc., the Authority purchased land, and buildings and personal property amounting to \$14 million and \$5.228 million, respectively. These facilities comprise the Shoreway Environmental Center in San Carlos. The Authority signed an agreement effective January 1, 2011 with South Bay Recycling to operate the facility. For the year ended December 31, 2023, the Authority paid \$21,564,250 to South Bay Recycling to operate the Facility.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 3: Capital Assets and Facilities Operations (Continued)

Changes in capital assets were as follows for the 12-months period ended December 31, 2023:

	Balance at January 01, 2023	Additions	Transfers	Balance at December 31, 2023
Capital assets not being depreciated:				
Land	\$ 14,000,000	\$ -	\$ -	\$ 14,000,000
Construction in progress	280,469	276,345	(280,469)	276,345
Total non-depreciable assets	14,280,469	276,345	(280,469)	14,276,345
Capital assets being depreciated:				
Buildings	43,783,795	1,884,011	280,469	45,948,275
Equipment	28,798,873	279,453	-	29,078,326
Total capital assets being depreciated	72,582,668	2,163,464	280,469	75,026,601
Less accumulated depreciation for:				
Buildings	(19,029,855)	(1,524,419)	-	(20,554,274)
Equipment	(22,097,131)	(1,010,453)	-	(23,107,584)
Total accumulated depreciation	(41,126,986)	(2,534,872)	-	(43,661,858)
Net capital assets being depreciated	31,455,682	(371,408)	280,469	31,364,743
Capital assets, net	\$ 45,736,151	\$ (95,063)	\$ -	\$ 45,641,088

Note 4: Revenue Bonds and Loan

The Authority's debt issues and transactions are summarized below and discussed in detail thereafter.

	Balance January 01, 2023	Additions	Retirements	Balance December 31, 2023	Due Within One Year
2019A Solid Waste					
Enterprise Refunding Revenue Bonds	\$ 30,825,000	\$ -	\$ -	\$ 30,825,000	\$ -
2019A Bond premiums	6,720,561	-	(344,644)	6,375,917	344,644
2019B Solid Waste					
Enterprise Revenue Bonds	13,075,000	-	(1,325,000)	11,750,000	1,395,000
2019B Bond premiums	2,802,559	-	(143,721)	2,658,838	143,721
2022 Five Star Bank Loan-Direct Borrowing	-	1,103,552	-	1,103,552	16,333
	\$ 53,423,120	\$ 1,103,552	\$ (1,813,365)	\$ 52,713,307	\$ 1,899,698

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 4: Revenue Bonds and Loan (Continued)

a. Solid Waste Enterprise Refunding Revenue Bonds 2019A and Solid Waste Enterprise Revenue Bonds 2019B

On July 9, 2019 SWBMA issued Solid Waste Enterprise Refunding Revenue Bonds, Series 2019A, Non-Alternative Minimum Tax Green Bonds in the amount of \$31.86 million and Solid Waste Enterprise Revenue Bonds, Series 2019B, Alternative Minimum Tax Green Bonds in the amount of \$16.915 million. The Series 2019A Bonds were issued to refund, in full, the Series 2009A bonds, pay a portion of the cost of a debt reserve insurance policy, and pay costs of issuance of the Series 2019A Bonds, including a portion of the cost of a municipal bond insurance policy. The Series 2019B Bonds were issued to pay certain costs incurred by SBWMA in connection with the construction of various improvements and acquisition of certain associated equipment to SBWMA's solid waste materials recovery facility and transfer station located in the City of San Carols, CA, pay a portion of the cost of the Reserve Policy, and pay costs of issuance of the California series 2019B Bonds, including a portion of the cost of a municipal bond insurance policy.

The refunding resulted in an overall debt service savings of \$3,454,784 over the life of the bond. The net present value of the debt service savings is called an economic gain and amounted to \$9,873,987.

The series 2019 bonds are solely payable from and secured by the net revenues and debt service reserve fund held by the Authority's trustee, as defined under the bond indenture. Net Revenues means, for any period, all of the revenues during such period less all of the maintenance and operation costs during such period. Revenues mean all gross income and revenue received or receivable by the Authority.

The bond covenants contain events of default that require the revenue of the Authority to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Authority to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Authority; or if any court or competent jurisdiction shall assume custody or control of the Authority. There were no such events occurred during the period ending December 31, 2023.

b. Revenue Pledge

The bonds are secured by a pledge of the Authority's Net Revenue as defined under the bond indenture. For the 2019A bonds, the pledge of future net revenue ends upon repayment of the 2019A bonds in the amount of \$82,167,375 in remaining debt service on the bonds which is scheduled to occur in the year 2043.

According to the Rate Covenant in the 2019A Bond Indenture, the Authority will maintain a Net Revenue to Debt Service coverage ratio of 1.40. As of the period ended December 31, 2023, the Net Revenues to Debt Service Coverage ratio was 2.29.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 4: Revenue Bonds/Loan (Continued)

c. Debt Service Requirements

Annual debt service requirements on the bonds are shown below with specified repayment terms:

For the Year Ending December 31,	Principal	Interest	Total
	\$ 1,395,000	\$ 2,128,750	\$ 3,523,750
	1,465,000	2,059,000	3,524,000
	1,540,000	1,985,750	3,525,750
	1,615,000	1,908,750	3,523,750
	1,695,000	1,828,000	3,523,000
2029 - 2033	9,835,000	7,781,000	17,616,000
2034 - 2038	12,545,000	5,064,000	17,609,000
2039 - 2042	12,485,000	1,598,000	14,083,000
Total	42,575,000	24,353,250	66,928,250
Unamortized Bond Premium	9,034,755	-	-
	<u>\$ 51,609,755</u>	<u>\$ 24,353,250</u>	<u>\$ 66,928,250</u>

d. Five Star Bank Loan – Direct Borrowing

During the calendar year 2023, the Authority entered into a loan agreement with Five Star Bank (FSB) for \$1,105,000 to purchase 1245 San Carlos Avenue, Suite E, San Carlos, CA 94070. The loan bears a 7% fixed interest rate for 10 years, with principal payments starting in January 2024.

Annual debt service requirements on the loan are shown below with specified repayment terms:

For the Year Ending December 31,	Principal	Interest	Total
	\$ 16,333	\$ 78,394	\$ 94,727
	18,045	76,682	94,727
	19,368	75,358	94,726
	20,789	73,938	94,727
	22,065	72,768	94,833
2029 - 2033	1,006,952	338,627	1,345,579
Total	<u>\$ 1,103,552</u>	<u>\$ 715,767</u>	<u>\$ 1,819,319</u>

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 5: Insurance

The Authority purchases commercial insurance policies to protect itself from claims arising from the following types of losses:

Type of Coverage	Coverage Limits
General Aggregate Limit	\$ 2,000,000
General Liability deductible	10,000
Environmental Impact Liability aggregate	2,000,000
Environmental Liability deductible	25,000 SIR
Hired & Non-Owned Auto Limit	1,000,000
Employee Benefits Liability	1,000,000
Excess Liability	10,000,000
Property & Equipment Loss	65,000,000
Property & Equipment deductible	1,500,000
Directors & Officers, Employment Practices, and Fiduciary Liabilities Aggregate for all loss combined, including defense costs	8,000,000
Directors & Officers Liability Retention	50,000
Employment Practices Liability Retention	75,000
Fiduciary Liability Retention	2,500

Note 6: Pollution Remediation

In 2000 the South Bay Waste Management Authority (SBWMA) purchased the property located at 225/333 Shoreway Road in San Carlos. The property had pre-existing ground water contamination issues and the former property owner Allied Waste (now Republic Services) was identified as the responsible party. The ground water contamination is the result of hydrocarbon and petroleum products. Both Allied Waste and the SBWMA have managed a remediation effort under supervision from the County of San Mateo Department of Environmental Health.

The San Mateo County Health System (SMCHS) and the California Regional Water Quality Control Board (RWQCB) have reviewed and approved the SBWMA’s “Closure Report” submitted on January 29, 2013 to close the Shoreway Environmental Center (“Shoreway”) groundwater remediation project and issued a NOTICE OF CASE CLOSURE on April 29, 2014. This case closure letter is the final step in the Shoreway remediation closure and “no further remediation action” is required at the Shoreway facility. While no further remediation effort was deemed necessary, due to concerns about potential residual contamination, the property has a deed restriction requiring it to remain industrially zoned.

In March of 2010, the SBWMA received a lump sum settlement payment of \$1,500,000 from Republic Services (formerly Allied Waste and BFI). This money was deposited into a SBWMA account dedicated to the ongoing clean-up efforts at Shoreway (the remediation cost estimate was negotiated with Allied per methods approved by County regulators and based on input from environmental engineers). At the close of remediation efforts on April 29, 2014 the Shoreway Remediation Fund had an unspent balance of \$1,239,826. The unspent balance as of December 31, 2023 is \$1,233,640 and is reported as accrued liabilities.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2023

Note 7: Net Position

The Authority has designated \$20,053,909 unrestricted net position for several reserves which include: \$5,237,034 for rate stabilization, \$5,237,034 for emergency reserve, \$694,875 for self-insurances, \$1,166,789 for equipment replacement, and \$7,718,177 for capital items. These designations may be modified, amended or removed by Authority Board action.

Note 8: Commitments and Contingent Liabilities

Litigation

SBWMA is subject to litigation arising in the normal course of business. In the opinion of legal counsel there is no pending litigation, which is likely to have a material adverse effect on the financial position of SBWMA.

Construction Commitments

There are no significant construction commitments as of December 31, 2023.

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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of the Board of Directors
South Bayside Waste Management Authority
San Carlos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South Bayside Waste Management Authority (Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statement which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 10, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant difficulties may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated May 10, 2024, which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pleasant Hill, California
May 10, 2024



REVIEW OF DRAFT MID-YEAR 2024 BUDGET

STAFF REPORT

To: SBWMA Board Members
From: John Mangini, Senior Finance Manager
Date: June 11, 2024 Finance Committee Meeting
Subject: Resolution Approving Mid-Year 2024 Budget Adjustments and the FY2025 Budget Forecast with 2025 Member Agency Tip Fee Projections

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2024-XX attached hereto authorizing the following action:

1. Approval of the Mid-Year Budget Adjustments for FY2024
2. Approval of the FY2025 Budget Forecast

Analysis

Staff has conducted a thorough analysis of year-to-date budgeted revenues and expenditures, and has made projections through year-end (December 31st, 2024) and has made forecast projections for FY2025. These findings were reviewed and discussed by the SBWMA Finance Committee at its June 11th meeting. The Finance Committee recommended that this staff report go forward to the Board.

Staff is presenting a FY2025 Budget Forecast for the purpose of estimating 2025 tipping fees. Tipping fees are an essential component of 2025 Member Agency Annual Revenue Requirement which is typically calculated and approved by the Board at its September meeting in conjunction with the approval of Recology's Annual Compensation Adjustment Application.

- **Attachment A** contains budget worksheets providing line-item detail for all projected revenues, expenditures and capital spending for FY2024 and the FY2025 Forecast.

Table 1

FY2024 FINANCIAL SUMMARY					FY2025 Forecast Budget
Categories	FY2024 Adopted Budget	FY2024 Mid-Year Budget	Variance to 2024 Adopted Budget	Variance %	
Total Revenue	\$ 71,192,423	\$ 70,950,409	\$ (242,013)	0%	\$ 77,144,703
SBWMA Program	4,400,412	4,381,572	(18,840)	0%	4,385,291
SB 1383 Compliance	568,070	518,976	(49,094)	-9%	574,012
Shoreway Operations	61,941,418	61,375,094	(566,324)	-1%	65,252,502
Total Operating Expense	\$ 66,909,900	\$ 66,275,642	\$ (634,258)	-1%	\$ 70,211,806
Non-Operating Expense	5,140,653	5,041,526	(99,128)	-2%	5,282,543
Total Expense	\$ 72,050,554	\$ 71,317,168	\$ (733,386)	-1%	\$ 75,494,349
Net Revenue and Expense	\$ (858,131)	\$ (366,758)	\$ 491,373	-57%	\$ 1,650,354

Table 1 illustrates the 2023 Net Revenue and Expense projected at (\$366,758) which is \$491,373 improvement than was projected in the Adopted FY2024 Budget. The forecasted 2025 Net Revenue and Expense is calculated to be \$1,650,354 with a \$6 million increase in revenue due to 8% increase in Franchise tip fees and increased volume projections. Tip fee increases are shown in **Table 7**.

Revenues

As shown **Table 2 below**, there is a slight negative revenue variance of **\$242,013** due to the following:

1. \$.6 million revenue increase from interest income due to improved returns from CoPool and LAIF.
2. \$1.2 million increase in commodity revenue due to stronger pricing on sold materials. A commodity revenue summary is provided in **Table 3** below.
3. \$2.6 million decrease in Non-Franchise revenue based on updated volume projections. A customer that was delivering approximately 550 tons of green waste per month has stopped bringing material. Overall, Non-Franchise volume was down in Q1 2024 and those volumes are being projected through 2024.

Table 2

FY2024 REVENUE					FY2025 Forecast Budget
Revenue	FY2024 Adopted Budget	FY2024 Mid-Year Budget	Variance to 2024 Adopted Budget	Variance %	
Tip Fee Revenue	\$ 63,736,948	\$ 61,655,308	\$ (2,081,641)	-3%	\$ 68,205,444
<i>Non Franchised</i>	17,223,494	14,601,159	(2,622,335)	-15%	15,805,153
<i>Franchised</i>	46,513,455	47,054,149	540,694	1%	52,400,290
Net Commodity Sales Revenue*	6,877,632	8,117,260	1,239,628	18%	8,117,260
Interest Income	560,000	1,160,000	600,000	107%	800,000
Other Revenue	17,842	17,842	-	0%	22,000
Total Revenue:	\$ 71,192,423	\$ 70,950,409	\$ (242,013)	0%	\$ 77,144,703

Table 3

COMMODITY REVENUE					FY2025 Forecast Budget
	FY2024 Adopted Budget	FY2024 Mid-Year Budget	Variance to 2024 Adopted Budget	Variance %	
COMMODITY REVENUE					
Tons Sold	48,768	47,136	(1,632)	-3.3%	47,773
Wtd Avg. Price	\$ 141.03	\$ 172.21	\$ 31.18	22.1%	\$ 169.91
Gross Revenue	\$ 6,877,632	\$ 8,117,260	\$ 1,239,628	18.0%	\$ 8,117,260
Revenue Share w/Operator	\$ -	\$ -	\$ -		\$ -
Net Commodity Revenue	\$ 6,877,632	\$ 8,117,260	\$ 1,239,628	18.0%	\$ 8,117,260

Expenses

Lower than budgeted Expenditures of \$495,780 are primarily due to the following (see **Table 4** and **Table 5**):

1. A decrease in SBI compensation mainly due to lower projected Non-Franchise volume received at Shoreway.
2. Disposal and processing cost remain relatively flat. The actual 2024 tip fees at the disposal and processing facilities are slightly higher than the projection in the 2024 Adopted Budget. In addition, the Mid-Year Update contains an additional \$300K for the disposal of gas cylinders received at Shoreway.

Table 4

FY2024 SBWMA PROGRAM EXPENDITURES					
Expenditures	FY2024 Adopted Budget	FY2024 Mid-Year Budget	Variance to 2024 Adopted Budget	Variance %	FY2025 Forecast Budget
Administrative Expense	\$ 3,254,612	\$ 3,295,772	\$ 41,160	1%	\$ 3,265,491
Member Agency Support & Contract Compliance	428,000	393,000	(35,000)	-8%	397,000
State Manadated Public Education & Outreach	717,800	692,800	(25,000)	-3%	722,800
SB1383 Expenses	568,070	518,976	(49,094)	-9%	574,012
Total SBWMA Program Expense:	\$ 4,968,482	\$ 4,900,548	\$ (67,934)	-1%	\$ 4,959,304
Total Shoreway Operations:	67,082,072	66,416,619	(665,452)	-1%	70,535,045
Total Expenses:	\$ 72,050,554	\$ 71,317,168	\$ (733,386)	-1%	\$ 75,494,349

Table 5

FY2024 SHOREWAY OPERATIONS EXPENSE DETAIL					
Expenditures	FY2024 Adopted Budget	FY2024 Mid-Year Budget	Variance to 2024 Adopted Budget	Variance %	FY2025 Forecast Budget
Shoreway Operations Compensation	\$ 31,639,040	\$ 30,747,245	\$ (891,795)	-3%	\$ 32,431,641
Disposal and Processing	25,819,957	26,095,427	275,470	1%	28,302,210
Property Insurance	3,224,850	3,224,850	-	0%	3,200,000
Education Center	75,000	75,000	-	0%	85,000
Credit Cards Charge	74,920	74,920	-	0%	121,000
Other Operating Expense	590,000	740,000	150,000	25%	595,000
Sewer Charge	107,651	107,651	-	0%	107,651
Shoreway Projects	410,000	310,000	(100,000)	-24%	410,000
Shoreway Operations:	\$ 61,941,418	\$ 61,375,094	\$ (566,324)	-1%	\$ 65,252,502
Bond Interest Expense	2,105,500	2,105,500	-	0%	2,034,600
Franchise Fee (San Carlos)	3,035,153	2,936,026	(99,128)	-3%	3,247,943
Total Shoreway Operations	\$ 67,082,072	\$ 66,416,619	\$ (665,452)	-1%	\$ 70,535,045

Capital Spending

The capital spending budget has increased significantly due to an influx of new 2024 capital projects. See Attachment A.

Reserve Balances

Table 6 below captures the Mid-Year reserve balance projections for FY2024 compared to the Adopted Budget reserve balance. The variance from the Adopted Budget is mainly due to the increase in capital spending.

Table 6

FY2024 BUDGET: RESERVE BALANCES			
	FY2024 Proposed Budget	MY2024 Budget Update	Variance to 2024 Adopted Budget
UNCOMMITTED RESERVE:			
RATE STABILIZATON	\$ 2,837,034	\$ 2,837,034	\$ -
EMERGENCY RESERVE	5,237,034	5,237,034	\$ -
SELF INSURANCE FUNDING ACCOUNT	694,875	694,875	\$ -
CAPITAL RESERVE	4,262,389	2,288,822	\$ (1,973,568)
UNDESIGNATED RESERVE			
TOTAL UNCOMMITTED RESERVES	\$ 13,031,332	\$ 11,057,764	\$ (1,973,568)
COMMITTED RESERVE			
EQUIPMENT REPLACEMENT (ANNUAL)	\$ 1,076,789	\$ 1,076,789	\$ -
TOTAL RESERVES	\$ 14,108,121	\$ 12,134,553	\$ (1,973,568)
SHOREWAY REMEDIATION (UST Project)	\$ -	\$ -	\$ -

Bond Project Fund Balance is currently \$13 million

2025 Forecasted Tip Fees

Tipping fees are an essential component of 2025 Member Agency Annual Revenue Requirement which is typically calculated and approved by the Board at the September Board Meeting in conjunction with the approval of Recology's Annual Compensation Adjustment Application. The 2025 Forecasted tipping fees are on Table 7 below. The Board typically approves the actual tip fees at the September Board Meeting.

The 2025 forecasted Francise tip fees have increased 8% over 2024. In 2024 Adopted Budget, the Board elected to defer 5% of the overall recommended tip fee increase and utilize the Rate Stabilization Reserve to cover the deferred 5% to lessen the impact of increased ratepayer rates. The new Shoreway Operations Agreement in 2024 caused a major increased tip fees and the Board elected to smooth out a portion impact over the next year.

5% of the 2025 tip fee increase is due to the deferral in 2024 and the remaining 3% is due to projected overall increased costs.

Table 7

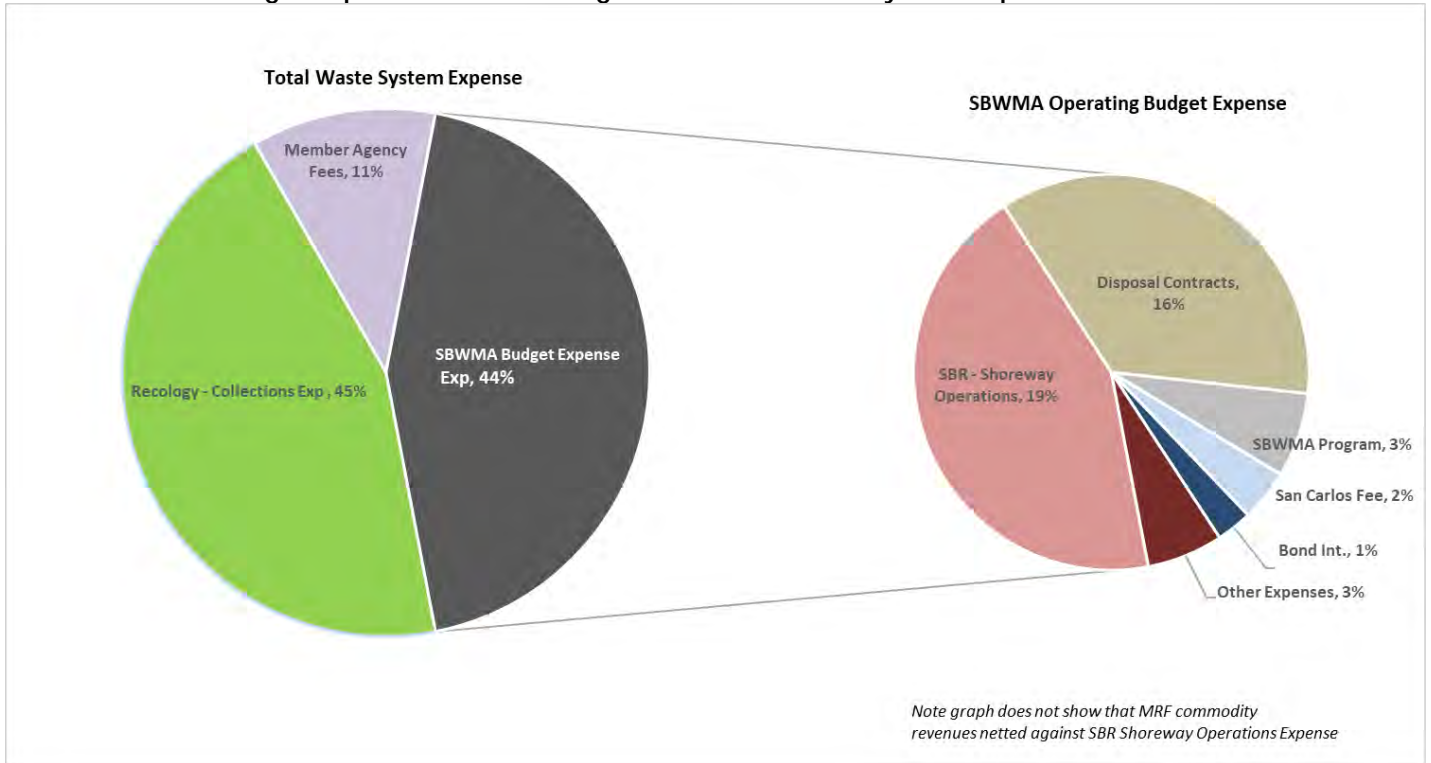
	Actual	Actual	Actual	Proposed		
	1/1/2022	1/1/2023	1/1/2024	1/1/2025	25 vs 24 \$	25 vs 24 %
Franchise Tip Fees / Ton					incr.	%
Solid Waste	\$ 130.00	\$ 139.00	\$ 165.00	\$ 178.20	\$ 13.20	8.0%
Green Waste	\$ 143.00	\$ 150.00	\$ 178.00	\$ 192.24	\$ 14.24	8.0%
Food	\$ 144.00	\$ 150.00	\$ 178.00	\$ 192.24	\$ 14.24	8.0%
3rd Party / Ton						
Solid Waste	\$ 135.00	\$ 150.00	\$ 179.00	\$ 187.50	\$ 8.50	4.7%
Green Waste	\$ 143.00	\$ 150.00	\$ 187.00	\$ 196.50	\$ 9.50	5.1%
Food	\$ 144.00	\$ 152.00	\$ 187.00	\$ 196.50	\$ 9.50	5.1%
C&D	\$ 130.00	\$ 142.00	\$ 177.00	\$ 186.00	\$ 9.00	5.1%
Asphalt Roofing	\$ 131.00	\$ 136.00	\$ 170.00	\$ 178.50	\$ 8.50	5.0%
Public Dirt /Ton	\$ 119.00	\$ 123.00	\$ 153.75	\$ 161.40	\$ 7.65	5.0%
Public Tip Fees / Yd	1/1/2022	1/1/2023	1/1/2024		25 vs 24 \$	25 vs 24 %
Solid Waste	\$ 49.00	\$ 54.00	\$ 67.50	\$ 68.00	\$ 0.50	0.7%
Green Waste	\$ 50.00	\$ 50.00	\$ 62.50	\$ 62.50	\$ -	0.0%
C&D	\$ 49.00	\$ 52.00	\$ 65.00	\$ 65.00	\$ -	0.0%

Fiscal Impact

The Mid-Year Budget for FY2023 shows a net revenue and expense of \$1.2 million which is \$.4 million higher than the Approved FY2023 Budget.

Chart 1 below illustrates the Budgeted Expense as a Percentage of the Total Waste System. The SBWMA Budget does not include the cost of Recology’s collection services or Member Agency imposed fees. **The total SBWMA waste system revenue covering all costs, including Recology and Member Fees, is approximately 164 million.**

SBWMA FY2024 Budget Expense as a Percentage of the Total Waste System Expense



Attachments:

Resolution 2024-XX

Attachment A – Mid-Year 2024 Budget Worksheets

Attachment B – Mid-Year 2024 Budget Table

REVENUE SUMMARY	ADOPTED BUDGET FY2023	ADOPTED BUDGET FY2024	MID-YEAR BUDGET FY2024	Variance to Adopted Budget	Variance % to Adopted Budget	Notes	FORECAST BUDGET FY2025
ADMINISTRATIVE REVENUE:							
INVESTMENT INCOME	\$ 236,192	\$ 560,000	\$ 1,160,000	\$ 600,000	254.0%	Investment returns stronger with interest rates	\$ 800,000
TOTAL ADMINISTRATIVE	\$ 236,192	\$ 560,000	\$ 1,160,000	\$ 600,000	254.0%		\$ 800,000
OPERATIONS REVENUE:							
SHOREWAY TIP FEES - Non Franchised	\$ 12,455,833	\$ 17,223,494	\$ 14,601,159	\$ (2,622,335)	-21.1%	Lost a large customer. Lower projected volume	\$ 15,805,153
SHOREWAY TIP FEES - Franchised	\$ 39,673,491	\$ 46,513,455	\$ 47,054,149	\$ 540,694	1.4%		52,400,290
COMMODITY SALES REVENUE	7,230,821	6,877,632	8,117,260	1,239,628	17.1%	Stronger returns in 2024	8,117,260
COMMODITY REVENUE SHARING	(634,853)	-	-	-	0.0%	Per the new Operations Agreement, Agency retains 100% of commodity revenue	-
MISCELLANEOUS REVENUE	17,003	17,842	17,842	-	0.0%	Mattress rebate revenue	22,000
SUBTOTAL OPERATIONS REVENUE	\$ 58,742,295	\$ 70,632,423	\$ 69,790,409	\$ (842,013)	-1.4%		\$ 76,344,703
TOTAL REVENUE	\$ 58,978,487	\$ 71,192,423	\$ 70,950,409	\$ (242,013)	-0.4%		\$ 77,144,703
TOTAL OPERATING EXPENSES	\$ 58,189,263	\$ 72,050,554	\$ 71,317,168	\$ (733,386)	-1.3%		\$ 75,494,349
NET OPERATING	\$ 789,224	\$ (858,131)	\$ (366,758)	\$ 491,373	62.3%		\$ 1,650,354

line	EXPENDITURE SUMMARY	ADOPTED BUDGET FY2023	ADOPTED BUDGET FY2024	MID-YEAR BUDGET FY2024	Variance to Adopted Budget	Variance % to Adopted Budget	Staff	2023 Notes	FORECAST BUDGET FY2025
1	ADMINISTRATIVE EXPENSES								
2	ADMINISTRATIVE STAFF	\$ 876,645	\$ 933,900	\$ 881,111	\$ (52,790)	-6.0%	Jm	One position open for 6 months	\$ 907,544
3	MANDATED RECYCLING STAFF	1,451,525	1,472,107	1,474,658	2,550	0.2%	Jm	Consistent with Adopted Budget	\$ 1,518,897
4	BOARD COUNSEL	175,000	170,000	170,000	-	0.0%	JLM	Support for Executive Director/Agency. Continued complex contracting & regulation support. Anticipated significant use of services, including Ops Agreement, Admin Policy, etc. (SB 1383 legal expenses reflected on line 60).	170,000
5	BOARD MEETINGS	10,000	20,000	20,000	-	0.0%	CU	Canada and Sam Trans space rentals, recording services, food at BOD meetings, Retreat, Holiday Lunch	20,000
6	ACCOUNTING SERVICES	136,451	140,544	140,544	-	0.0%	Jm	City of Redwood City Accounting Svcs Agreement	144,760
7	INFORMATION SYSTEMS	47,100	50,100	50,100	-	0.0%	CU	CPI increase begins January 2023 and includes an additional \$75/month for storage and back up costs	52,000
8	WEBSITE	13,000	17,000	17,000	-	0.0%	JA	Website hosting, maintenance, and updates/upgrades as needed	17,000
9	ANNUAL AUDIT	11,000	9,000	10,000	1,000	9.1%	Jm	Fees paid to auditors to prepare FY & CY financial statements. Full CY and FY audits in the period.	10,000
10	D&O INSURANCE	55,260	55,260	55,260	-	0.0%	Jm	Annual insurance premium for director's and officer's insurance	56,000
11	BANK FEES	7,200	7,500	7,500	-	0.0%	Jm	Bank fees on checking account and fees paid to BNY as the Bond Trustee	7,500
12	RENT / PROPERTY LOAN INTEREST	68,000	110,200	127,500	17,300	25.4%	CU	\$79K in mortgage interest. 8 months rent @ 610 Elm	82,800
13	PRINTING AND POSTAGE	-	-	-	-	0.0%	CU	Cost is covered in the Accounting Services Agreement	-
14	UTILITIES	28,000	35,000	42,400	7,400	26.4%	CU	Phone bill and comcast bill equal almost \$1000 per month, and Utility bill from San Carlos about \$4k per quarter	46,340
15	OFFICE/TENANT IMPROVEMENTS	5,000	5,000	59,000	54,000	1080.0%	CU	Office move, Office permitting	5,000
16	OFFICE SUPPLIES	18,000	18,000	18,000	-	0.0%	CU	Office supplies - assuming return to in office work	2,000
17	OFFICE EQUIPMENT COSTS	12,000	12,000	12,000	-	0.0%	CU	Base copier lease is \$600/month plus cost per copy	12,000
18	PUBLICATIONS & PUBLIC NOTICES	3,000	2,500	2,500	-	0.0%	JN	Anticipated public procurement notices	3,000
19	PROFESSIONAL DUES & MEMBERSHIPS	10,000	10,000	10,000	-	0.0%	CU	Memberships to trade and community organizations (CRRRA, SWMA, NCRA, CCAC)	10,250
20	VEHICLE MILEAGE & TOLLS	3,000	3,000	4,700	1,700	56.7%	CU	Expect to return to normal with fellows returning to in person schools/tours/audits	6,400
21	CELL PHONES	2,500	2,500	2,500	-	0.0%	CU	Cell phone business expense.	2,500
22	CONFERENCE & MEETINGS	19,000	19,000	26,000	7,000	36.8%	CU		26,000
23	TRAINING	9,000	11,500	14,500	3,000	33.3%	CU	Professional development. CCAC training, etc. Retreat & additional mgmt leadership class. HR training etc.	12,000
24	SPONSORSHIPS & DONATIONS	40,000	55,000	55,000	-	0.0%	CU	Industry Sponsorships: CAW,CRRRA,SWANA, Acterra, Sustainable San Mateo, CPSC, NCRA	55,000
25	LEGISLATIVE & REGULATORY ADVOCACY	72,000	72,000	72,000	-	0.0%	JA	Mandated agency priorities include these initiatives : Extended Producer Responsibility (EPR); Product Stewardship; Source Reduction Initiatives; Lithium-ion Battery safety	75,000
26	COMPUTER PURCHASE	25,000	23,500	23,500	-	0.0%	CU	DTE's time for moving offices and replacing computers for fellows and one new set up in 2024	23,500
27	TOTAL ADMINISTRATIVE	\$ 3,097,681	\$ 3,254,612	\$ 3,295,772	\$ 41,160	1.3%			\$ 3,265,491
28	MEMBER AGENCY SUPPORT & CONTRACT COMPLIANCE								
29	RATE REVIEW	\$ 27,000	\$ 27,000	\$ 27,000	\$ -	0.0%	Jm	Consultant Rate Application Support.	\$ 27,000
30	FACILITY IMPROVEMENT OVERSIGHT	150,000	150,000	150,000	-	0.0%	HG	Engineering and construction management support.	150,000
31	CONTRACT ANNUAL AUDITING	45,000	48,000	48,000	-	0.0%	Jm	Annual Financial & Systems Audit of RSMC and SBR.	52,000
32	COLLECTION SERVICES FRANCHISE ADMIN.	75,000	35,000	25,000	(10,000)	-13.3%	JLM	Franchise Administration compliance consulting.	50,000
33	FINANCE ANALYSIS SUPPORT	22,000	18,000	18,000	-	0.0%	Jm	On-Call consultant support as needed.	18,000
34	RECYCLING TECHNICAL ASSISTANCE	50,000	50,000	50,000	-	0.0%	JLM	Diversion consultant support.	50,000
35	WASTE CHARACTERIZATION SUPPORT	100,000	50,000	50,000	-	0.0%	HG/JL	Waste composition testing (Recology Contract Compliance).	50,000
36	COLLECTION RFP CONSULTING SUPPORT	100,000	50,000	25,000	(25,000)	-25.0%	JLM	Operating Agreement Transition Support	-
37									
38	TOTAL MA SUPPORT & CONTRACT COMPLIANCE	\$ 569,000	\$ 428,000	\$ 393,000	\$ (141,000)	-24.8%			\$ 397,000
39	STATE MANDATED PUBLIC EDUCATION & OUTREACH								
40	STATE'S REQUIRED ANNUAL REPORTS	\$ -	\$ -	\$ -	\$ -		TC	Moved to line 60	
41	SBWMA ANNUAL REPORT	2,500	3,300	3,300	-	0.0%	JA	Creation of SBWMA annual report	3,300

line	EXPENDITURE SUMMARY	ADOPTED BUDGET FY2023	ADOPTED BUDGET FY2024	MID-YEAR BUDGET FY2024	Variance to Adopted Budget	Variance % to Adopted Budget	Staff	2023 Notes	FORECAST BUDGET FY2025
42	DIVERSION PROGRAM SUPPORT	30,000	30,000	30,000	-	0.0%	JRJ	Public spaces recycling assistance; Diversion program support.	30,000
43	EVENT GIVEAWAYS	7,500	7,500	7,500	-	0.0%	JRJ		7,500
44	DIVERSION/COMPLIANCE; ZERO WASTE PROGRAMS	75,000	75,000	50,000	(25,000)	-33.3%	JLM	Zero Waste Committee initiatives - tech and consulting support. Alternative fuel site infrastructure consulting.	75,000
45	IN-SCHOOL ENVIRONMENTAL EDUCATION	28,000	32,000	32,000	-	0.0%	EH	Materials (\$17K), school recognitions for green teams and custodians (\$5K), staff/technical support (\$10K)	32,000
46	CLIMATE ACTION PLANNING	20,000	10,000	10,000	-	0.0%	JN	Member Agency support.	10,000
47	RECYCLING TECHNICAL ASSISTANCE	30,000	25,000	25,000	-	0.0%	JA	Promote reusables for businesses and County Foodware Ordinance; Recycling Technical Assistance	25,000
48	COMMERCIAL/MFD CONTAINERS	30,000	30,000	30,000	-	0.0%	JRJ	MFD recycle bags, internal containers, MA containers per Franchise Agreements.	35,000
49	MULTI-FAMILY OUTREACH	90,000	90,000	90,000	-	0.0%	JA	Education and outreach per FA ; compliance with state laws; MFD Toolkit updates and printing, and other outreach	90,000
50	MEMBER AGENCY & RATE PAYER EDUCATION	140,000	140,000	140,000	-	0.0%	JRJ	MA education includes: Bill insert costs (printing) and direct mailings to Member Agency residents who don't bill via Recology and electronic newsletter costs	140,000
51	RESIDENTIAL OUTREACH PROGRAMS	90,000	90,000	90,000	-	0.0%	JA	Education and outreach per FA, Pub Ed Plan and recycling outreach campaign	90,000
52	COMMUNITY EVENTS	37,000	35,000	35,000	-	0.0%	JRJ/EH	Earth Day (\$10K), Rethink Recycling Day (\$7K), Fixit Clinics (\$15K), tabling event supplies and materials and virtual event/webinar (\$3K)	35,000
53	HHW PROGRAM OUTREACH	20,000	20,000	20,000	-	0.0%	JA	Annual promotion of local HHW disposal options for all ratepayers, including joint outreach with San Mateo County	20,000
54	BATTERY OUTREACH	90,000	90,000	90,000	-	0.0%	JA	Educate residents and businesses about risk of battery fires and proper disposal options, including MFD battery bucket Shred and e-waste events for Member Agencies (coordination, outreach, etc.) Shred vendor RFP (?) Recology will reimburse up to \$1,275 (FY2023 rate) for first event and remainder billed to MA (costs are pass-through)	90,000
55	SHRED EVENT SERVICE	30,000	40,000	40,000	-	0.0%	EH		40,000
56	TOTAL STATE MANDATED PUBLIC EDUCATION & OUTREACH	\$ 720,000	\$ 717,800	\$ 692,800	\$ (25,000)	-3.5%			\$ 722,800
57	SBWMA PROGRAM BUDGET - SUB TOTAL	\$ 4,386,681	\$ 4,400,412	\$ 4,381,572	\$ (124,840)	-2.8%			\$ 4,385,291
58	SB 1383 ADMINISTRATIVE EXPENSES								
59	MANDATED 1383 COMPLIANCE STAFF	\$ 146,228	\$ 198,070	\$ 148,976	\$ (49,094)	-33.6%	Jm	Position open for a few months in 2024	204,012
60	SB1383 TECHNICAL ASSISTANCE	100,000	85,000	85,000	-	0.0%	TC	FY 2023: SB 1383 Legal Counsel Support; \$40k Annual Reporting Consultant; 1383 Consulting	85,000
61	SB1383 OUTREACH AND EDUCATION	100,000	75,000	75,000	-	0.0%	TC	FY 2023: \$50k for Required Annual SB 1383 Outreach & Education	\$ 75,000
62	SB1383 PROGRAMS	380,000	190,000	190,000	-	0.0%	TC	FY 2023: \$95k Recyclist, \$40k Procurement Support; \$50k Organics Participation Analysis and other SB 1383 programming	\$ 190,000
63	SB1383 MANDATED MATERIAL SAMPLING	54,000	20,000	20,000	-	0.0%	TC	FY 2023: \$20k O2E Lab Sampling	20,000
64	ROUTE AUDITING, REPORTING, WAIVER PROCESSING	400,000	-	-	-	0.0%	TC	Contracted consultant services for Waivers, Contamination Monitoring and Technical Assistance. Cost will transition to Recology compensation for work performed by Zero Waste Team (Reso #2023-20)	-
65	TOTAL SB 1383 EXPENSES	\$ 1,180,228	\$ 568,070	\$ 518,976	\$ (49,094)	-4.2%			\$ 574,012
66	TOTAL SBWMA PROGRAM BUDGET	\$ 5,566,909	\$ 4,968,482	\$ 4,900,548	\$ (173,934)	-3.1%			\$ 4,959,304
67	SHOREWAY OPERATIONS								
68	SHOREWAY OPERATING CONTRACT	\$ 20,819,899	\$ 31,639,040	\$ 30,747,245	\$ (891,795)	-4.3%	Jm	New Operations Agreement	\$ 32,431,641
69	DISPOSAL	23,547,649	25,819,957	26,095,427	275,470	1.2%	Jm		28,302,210
70	INSURANCE SHOREWAY	2,200,000	3,224,850	3,224,850	-	0.0%	Jm	Property insurance premium. Estimated increase.	3,200,000
71	SHOREWAY FACILITY COST	250,000	200,000	350,000	150,000	60.0%	HG	Budget for unanticipated routine Shoreway maintenance items that are non-CapEx.	200,000
72	CREDIT CARDS CHARGES	74,920	74,920	74,920	-	0.0%	Jm	SBR pass through of credit card fees from their bank from public customers.	121,000
73	SHOREWAY CHARGES	22,220	-	-	-	0.0%	Jm	Amortize O2E equipment	-
74	EDUCATION CENTER OPERATIONS	100,000	75,000	75,000	-	0.0%	EH	Tours program equipment (\$5K), school bus services (\$50K for full school year - SP2024 and F2024), poster and art contests (\$5K), Ed Center upgrades (\$15K)	85,000
75	SHOREWAY MRF EQUIP. MAINTENANCE > \$10k	150,000	200,000	200,000	-	0.0%	HG	Unanticipated MRF equipment maintenance (non-CapEx) expense	200,000

line	EXPENDITURE SUMMARY	ADOPTED BUDGET FY2023	ADOPTED BUDGET FY2024	MID-YEAR BUDGET FY2024	Variance to Adopted Budget	Variance % to Adopted Budget	Staff	2023 Notes	FORECAST BUDGET FY2025
76	SEWER FEES (PROPERTY TAX)	107,351	107,651	107,651	-	0.0%	Jm	City of San Carlos on tax bill based on prior year water usage.	107,651
77	E-RECYCLING	110,000	110,000	110,000	-	0.0%	JN	E-waste market has shifted from a revenue source to expense. Previously budgeted as revenue	115,000
78	O2E EQUIPMENT MAINTENANCE	50,000	80,000	80,000	-	0.0%	HG	Annual maintenance contract	80,000
79	FACILITY MASTER PLANNING PROJECT	200,000	250,000	-	(250,000)	-125.0%	JLM	Transition into year one of a multi-year Master Planning process	250,000
80	O2E PILOT TESTING	-	25,000	25,000	-	0.0%	HG		25,000
81	MRF PHASE II INITIAL ASSESSMENT STUDIES	-	60,000	60,000	-	0.0%	HG	RFP preparation, market assessment, system optimization consulting, contract preparation	60,000
82	CONSULTING AND OUTSIDE SUPPORT	150,000	25,000	25,000	-	0.0%	HG	TRP permit updating, SLCP Modeling, ZWC planning, GHG Assessment	25,000
83	OPERATION CONTRACT TRANSITION	185,000	50,000	200,000	150,000	81.1%	HG	Site pressure washing and cleaning, MRF Operations transtion engineering support	50,000
84	SUB SHOREWAY OPERATIONS COST	\$ 47,967,039	\$ 61,941,418	\$ 61,375,094	\$ (566,324)	-1.2%			\$ 65,252,502
85	TOTAL SHOREWAY OPERATION	\$ 47,967,039	\$ 61,941,418	\$ 61,375,094	\$ (566,324)	-1.2%			\$ 65,252,502
86	TOTAL OPERATING EXPENSES	\$ 53,533,948	\$ 66,909,900	\$ 66,275,642	\$ (740,258)	-1.4%			\$ 70,211,806
87	NON-OPERATING EXPENSES								
88	BOND ISSUANCE & LOSS ON DEBT REFUNDING								
89	DEBT SERVICE BOND INTEREST	\$ 2,172,917	\$ 2,105,500	\$ 2,105,500	\$ -	0.0%	Jm	Budgeted interest expense. Bond Issuance	\$ 2,034,600
90	FRANCHISE FEE TO CITY OF SAN CARLOS	2,482,398	3,035,153	2,936,026	(99,128)	-4.0%	Jm	5% Franchise Fees paid by JPA to the City of San Carlos on tip fee revenue.	3,247,943
91	TOTAL NON-OPERATING EXPENSES	\$ 4,655,315	\$ 5,140,653	\$ 5,041,526	\$ (99,128)	-2.1%			\$ 5,282,543
143					\$ (839,386)	#DIV/0!			
92	TOTAL SHOREWAY OPERATING EXPENSES	\$ 52,622,354	\$ 67,082,072	\$ 66,416,619	\$ (665,452)	-1.3%			\$ 70,535,045
92	TOTAL EXPENSES (SBWMA Program + All Shoreway Operations)	\$ 58,189,263	\$ 72,050,554	\$ 71,317,168	\$ (839,386)	-1.4%			\$ 75,494,349

Shoreway Capital Projects Draft Budget 2024 - 2028

Line	Project Manager	2023	Year 1	Year 1	Year 2	Year 3	Year 4	Year 5	
			Adopted Budget 2024	Mid-Year Update 2024	Proposed Budget 2025	Proposed Budget 2026	Proposed Budget 2027	Proposed Budget 2028	
FUNDS FOR UNANTICIPATED PROJECTS									
1									
2	Truck Shop Building	25,000	25,000	20,000	25,000	25,000	25,000	25,000	Repair reserve estimate
3	Transfer Station Building	50,000	50,000	117,827	50,000	50,000	50,000	50,000	Repair reserve estimate
4	MRF Building	50,000	50,000	77,827	50,000	50,000	50,000	50,000	Repair reserve estimate
5	Administrative Building	40,000	40,000	189,099	40,000	40,000	40,000	40,000	Repair reserve estimate
6	General Site Projects	100,000	100,000	50,680	100,000	100,000	100,000	100,000	Repair reserve estimate
OPERATIONS CONTRACT TRANSITION									
7									
8	Parts Storage and Shelving		50,000	10,000					
9	MRF Sort System Assessment and Transition		100,000	972,208					See BHS \$ S/V assessment rpt.
10	Baler Refurbishment	65,000	65,000	149,307					
11	Site Pavement and Curb Repair		65,000	41,000					
12	Replace Shoreway Camera System		100,000	55,000					Full hardware replacement
RECOLOGY									
13									
14	Parts Storage		50,000	30,000					
15	Dispatch Office Refurbishment	75,000		70,000					
16	HVAC system repacement at Administration building	75,000		60,000					Complete before 2026
UST REPLACEMENT PROJECT									
17									
18	UST Soil and Ground Water Testing	40,000		15,000					
19	UST Design/Bid support/CM services	50,000	50,000	50,000	50,000				
20	UST Construction Install		2,000,000	2,500,000	1,000,000				
TRANSFER STATION									
21									
22	Floor Repair		400,000	300,000					Estimate reduced
23	O2E System Equipment			-	2,000,000				Green Bond eligible
24	333 Shoreway Electrical Upgrades for New Evs			-	200,000	600,000			Replace switchgear
MRF									
25									
26	MRF Fire Suppression Deluge System		400,000	650,000					Have contract for about \$650k
27	Material Hander Install		750,000	750,000					Green Bond eligible
28	Phase II MRF Equipment - Container Sort System Replacem		3,500,000	2,000,000					Green Bond eligible
29	Phase II MRF Equipment - Residue Recovery System			-	2,500,000				Green Bond eligible
30	Phase II MRF Equipment - Fiber High-grading Sort System			-	6,000,000				
31	Baler Replacement			-			1,500,000		Green Bond eligible
31	Storage Area (by scalehouse) paving, fencing.		180,000	-					
SHOREWAY BUILDINGS & SITE WORK									
32									
33	Ventilation for MRF PV electrical room		45,000	20,000					
34	Tunnel Pump and Truck Wash Replacement			159,987	125,000				
35	Site Paving and Striping			-	1,500,000	1,500,000	1,500,000		work completed after UST
OTHER									
36									
37	Refresh Site Signage	75,000	75,000	300,000					
38	Refurbishment of Landscape and Outdoor Ed Area	20,000	40,000	648,519					
39	Scalehouse Refurbishment		50,000	42,518					
40	MRF Office Refurbishment		50,000	49,974					
41	Site Optimization Planning Construction		TBD	20,000	TBD	TBD	TBD	TBD	Design in process
42	ZEV Charging Infrastructure (2023 planning/engineering)	180,000	110,000	110,000	2,600,000	5,400,000			Tie to Recology EV Schedule
Five Year Total									
TOTAL CAPITAL ITEMS		\$ 847,023	\$ 8,345,000	\$ 9,458,946	\$ 16,240,000	\$ 7,765,000	\$ 1,765,000	\$ 1,765,000	\$ 43,573,946

Funding Source / Estimated Reserve Balances

Estimated Project Cost Grouped by Funding Source

Green Bond Funds	\$	12,000,000
MRF Equipment Replacement Fund Reserve	\$	760,000
Environmental Settlement Funds for UST	\$	1,200,000
Capital Reserve Fund	\$	6,200,000
Total Funds in Reserve	\$	20,160,000

\$	8,750,000	Green Bond Eligible Project Total
\$	1,500,000	MRF Equipment Replacement Costs
\$	3,190,000	Total UST Cost Estimate

FY2024 BUDGET

Attachment B - MY2024 Budget Support Files: REVENUE, EXPENSE DETAIL

Update: May 2024

Summary Tables

Table B.1

TIP FEE REVENUE					
	FY2023 Adopted Budget	FY2024 Adopted Budget	FY2024 Mid-Year Budget	MY2024 vs. FY2024	Variance %
Franchise Revenue					
<u>Tons</u>	271,828	274,057	276,643	2,585	0.9%
Wtd Avg. Tip Fee	\$ 145.95	\$ 169.72	\$ 170.09	0.37	0.2%
Franchise Revenue	\$ 39,673,491	\$ 46,513,455	\$ 47,054,149	\$ 540,694	1.2%
Public Revenue					
<u>Cu/Yards</u>	184,512	179,734	166,284	(13,450)	-7.5%
Wtd Avg. Tip Fee	\$ 53.09	\$ 66.64	\$ 66.67	0.03	0.0%
Public Revenue Cu/YDS	\$ 9,795,861	\$ 11,977,950	\$ 11,086,967	\$ (890,983)	-7.4%
<u>Tons (3rd party)</u>	18,415	17,932	10,085	(7,847)	-43.8%
Wtd Avg. Tip Fee	\$ 73.22	\$ 182.29	\$ 179.10	(3.18)	-1.7%
Public Revenue on Tons	\$ 1,348,465	\$ 3,268,721	\$ 1,806,247	\$ (1,462,474)	-44.7%
<u>Public Dirt Tons</u>	12,304	12,857	11,115	(1,743)	-13.6%
Wtd Avg. Tip Fee	\$ 106.60	\$ 153.75	\$ 153.67	(0.08)	-0.1%
Sub Total	\$ 1,311,507	\$ 1,976,823	\$ 1,707,945	\$ (268,878)	-13.6%
Public Revenue Total	\$ 12,455,833	\$ 17,223,494	\$ 14,601,159	\$ (2,622,335)	-15.2%
Total Tip Fee Revenue	\$ 52,129,324	\$ 63,736,948	\$ 61,655,308	\$ (2,081,641)	-3.3%

FY2024 BUDGET

Table B.2

TRANSFER STATION VOLUME						
		FY2023 Adopted Budget	FY2024 Adopted Budget	FY2024 Mid-Year Budget	MY2024 vs. FY2024	Variance %
Total TS Tonnage and Yards						
<u>Franchise tons</u>						
SBWMA Solid Waste	tons	164,502	166,099	168,318	2,218	1%
SBWMA Organics	tons	86,685	86,316	85,178	(1,138)	-1%
SBWMA Food Waste	tons	17,076	17,867	19,874	2,007	11%
SBWMA Dirt, Inert, Other	tons	3,566	3,775	3,273	(502)	-13%
<i>Sub-total Franchise</i>		271,828	274,057	276,643	2,585	0.9%
<u>Public tons</u>						
Non-SBWMA SW	tons	4,137	4,373	3,991	(382)	-9%
Non-SBWMA Scrap	tons	4	4	4	-	0%
Non-SBWMA FOOD	tons	1,406	1,241	1,647	406	33%
Non-SBWMA C&D	tons	3,543	2,723	1,966	(757)	-28%
Non-SBWMA ORGANIC	tons	7,140	7,986	713	(7,273)	-91%
Non-SBWMA Asphalt Roofing	tons	2,185	1,605	1,764	159	10%
Non-SBWMA Clean Wood	tons	0	0	0	-	0%
Public Weighed Dirt	tons	12,304	12,857	11,115	(1,743)	-14%
<i>Sub-Total Public tons</i>		30,719	30,789	21,200	(9,590)	-31%
<i>Total Tons</i>		302,547	304,846	297,842	(7,004)	-2.3%
<u>Public Cu/Yds.</u>						
Public Solid Waste Yards	C/Yds.	58,081	64,251	55,636	(8,615)	-13%
Public Green Waste Yards	C/Yds.	42,429	38,450	35,844	(2,606)	-7%
Public C&D	C/Yds.	84,002	77,033	74,804	(2,228)	-3%
<i>Total Cubic Yards</i>		184,512	179,734	166,284	(13,450)	-7.5%

FY2024 BUDGET

Table B.3

SHOREWAY OPERATING EXPENSE						
		FY2023 Adopted Budget	FY2024 Adopted Budget	FY2024 Mid-Year Budget	MY2024 vs. FY2024	Variance %
A. Summary						
	MRF	\$ 7,185,025	\$ 10,831,570		\$ 3,646,544	50.8%
	Transfer Station	\$ 5,660,203	\$ 9,670,949		\$ 4,010,747	70.9%
	Transportation	\$ 7,974,671	\$ 11,136,521		\$ 3,161,850	39.6%
	TOTAL EXPENSE	\$ 20,819,899	\$ 31,639,040		\$ 10,819,141	52.0%
B. Expense Detail						
	MRF					
	Tons, Inbound	63,577	61,268		(2,309)	-3.6%
	Tons, residue	(12,861)	(12,500)		361	-2.8%
	Tons, net sold	50,716	48,768		(1,948)	-3.8%
	Wtd Avg. Rate of net tons sold	\$ 138.36	\$ 222.10		\$ 83.74	60.5%
	Expense	\$ 7,017,025	\$ 10,831,570		\$ 3,814,544	54.4%
	MRF Additional Sorters	\$ 168,000	\$ -		\$ (168,000)	-100.0%
	Transfer Station					
	Tons	355,708	365,591		9,883	2.8%
	Wtd Avg. Rate	\$ 15.00	\$ 26.45		\$ 11.46	76.4%
	Expense	\$ 5,334,298	\$ 9,670,949		\$ 4,336,651	81.3%
	O2E Processing & Transport (net)	\$ 325,905	\$ -		\$ (325,905)	-100.0%
	Transportation					
	Tons	355,708	365,591		9,883	2.8%
	Wtd. Avg. Rate	\$ 22.42	\$ 30.46		\$ 8.04	35.9%
	Expense	\$ 7,974,671	\$ 11,136,521		\$ 3,161,850	39.6%
	TOTAL SBR "PAID" TONS	762,132	779,950		17,818	2.3%
	TOTAL SBR EXPENSE	\$ 20,819,899	\$ 31,639,040		\$ 10,819,141	52.0%

FY2024 BUDGET

Table B.4

DISPOSAL & PROCESSING EXPENSE					
	FY2023 Adopted Budget	FY2024 Adopted Budget	FY2024 Mid-Year Budget	MY2024 vs. FY2024	Variance %
A. Summary					
Solid Waste	\$ 11,834,323	\$ 11,847,449	\$ 11,927,460	\$ 80,011	0.7%
Organics	\$ 8,855,175	\$ 10,029,845	\$ 10,075,940	\$ 46,095	0.5%
C&D, dirt	\$ 3,403,006	\$ 3,612,635	\$ 3,478,787	\$ (133,848)	-3.7%
Other	\$ 550,670	\$ 543,075	\$ 830,139	\$ 287,065	52.9%
Subtotal	\$ 24,643,174	\$ 26,033,005	\$ 26,312,326	\$ 279,322	1.1%
Paid by SBR on MRF residue	\$ (585,839)	\$ (213,048)	\$ (216,899)	\$ (3,851)	1.8%
O2E Diversion	\$ (509,687)	\$ -	\$ -	\$ -	0.0%
TOTAL DISPOSAL EXPENSE	\$ 23,547,649	\$ 25,819,957	\$ 26,095,427	\$ 275,470	1.1%
B. Detail					
<u>Solid Waste (Ox Mtn.)</u>					
Tons, net	207,838	204,642	202,366	(2,276)	-1.1%
Wtd Avg. Rate	\$ 56.94	\$ 57.89	\$ 58.94	\$ 1.05	1.8%
Expense	\$ 11,834,323	\$ 11,847,449	\$ 11,927,460	80,011	0.7%
<u>Organics (Newby, BVON)</u>					
Tons, net	106,968	117,428	111,624	(5,804)	-4.9%
Wtd Avg. Rate	\$ 82.78	\$ 85.41	\$ 90.27	\$ 4.85	5.7%
Expense	\$ 8,855,175	\$ 10,029,845	\$ 10,075,940	46,095	0.5%
<u>C&D (Zanker)</u>					
Tons, net	40,902	43,520	39,922	(3,598)	-8.3%
Wtd Avg. Rate	\$ 83.20	\$ 83.01	\$ 87.14	\$ 4.13	5.0%
Expense	\$ 3,403,006	\$ 3,612,635	\$ 3,478,787	(133,848)	-3.7%
<u>Other</u>					
Tires	\$ 7,829	\$ 4,992	\$ 4,992	\$ -	0.0%
Appliances	\$ 61,280	\$ 56,326	\$ 56,326	\$ -	0.0%
Hazardous Waste	\$ 463,436	\$ 466,178	\$ 753,243	\$ 287,065	61.6%
Sharps, Misc.	\$ 18,125	\$ 15,578	\$ 15,578	\$ -	0.0%
Expense	\$ 550,670	\$ 543,075	\$ 830,139	\$ 287,065	52.9%



SHOREWAY SITE PLANNING AND SOURCE OF FUNDS DISCUSSION

Agenda Item 8

Shoreway Site Planning and Source of Funds Discussion

No Staff Report Discussion Item Only

Attachments:

A. PowerPoint Presentation by Staff Hilary Gans on:

- MRF Phase II –Sort System Automation Update
- Fire Risk Mitigation Projects
- Transfer Station Parking Area Redesign

FINANCE COMMITTEE

JUNE 2024

Topics

- MRF Phase II – Sort System Automation Update
- Fire Risk Mitigation Projects
- Transfer Station Parking Area Redesign

A decorative graphic on the left side of the page, consisting of two overlapping semi-circles: a green one on top and a blue one on the bottom.

1) MRF Phase II Automation Goals

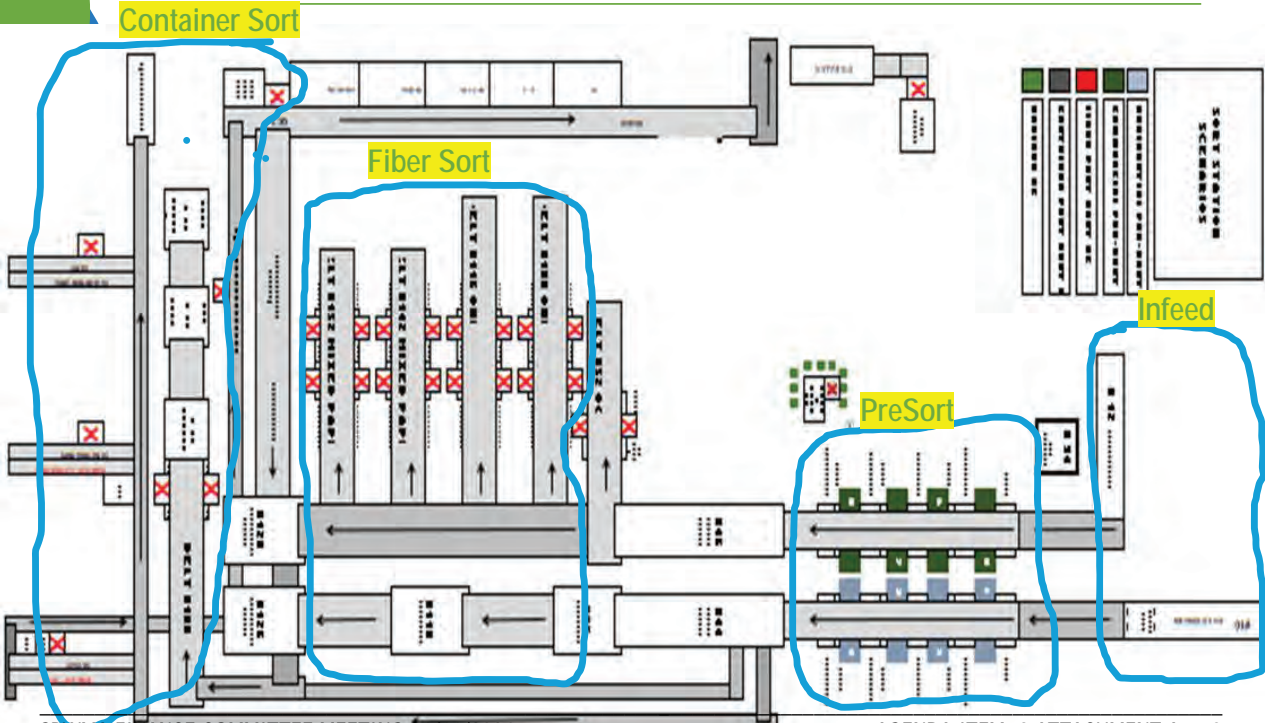
1. Replace obsolete equipment
2. Recover more recyclable materials
(zero recyclables to landfill)
3. Reduce costs / increases revenues
4. Improve health and safety

MRF Phase II – Proposed Projects

1. Container Sort Automation (~\$6.50M)

- a) Residue Sort Automation (\$2.24M)
- b) Container Optical Replacement (\$2.84M)
- c) Container QC Automation (\$1.20M)

Overview MRF Automation Projects



Optical Sorter at Shoreway

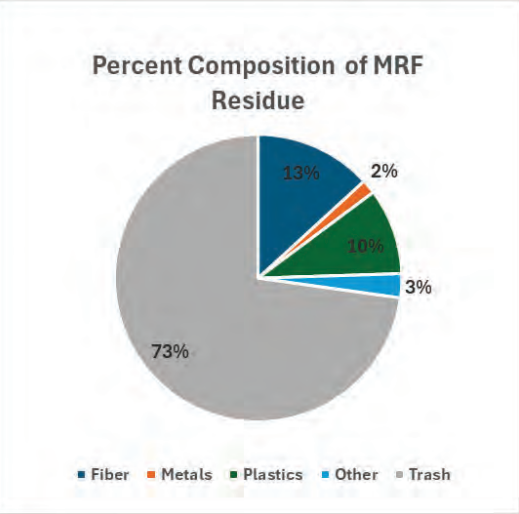


1a) Residue Sort Automation

- **Description:** install new residue optical sort system for paper and container recovery
- **Cost:** Est. \$2.24M
- **Benefits:**
 - Reduce current MRF disposal/reside
 - Recover additional commodity revenue (containers and fiber)

MRF Residue Composition

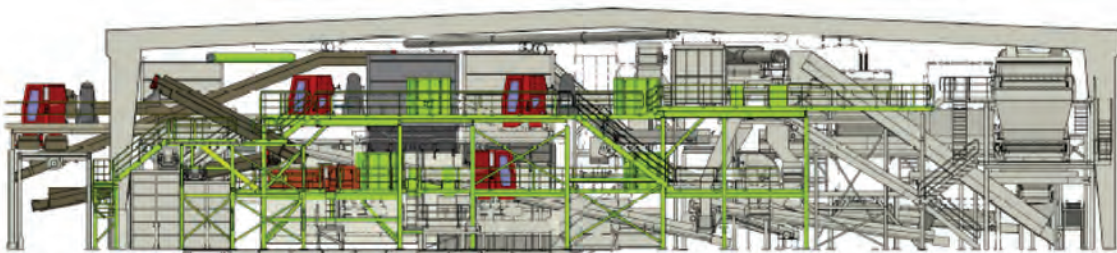
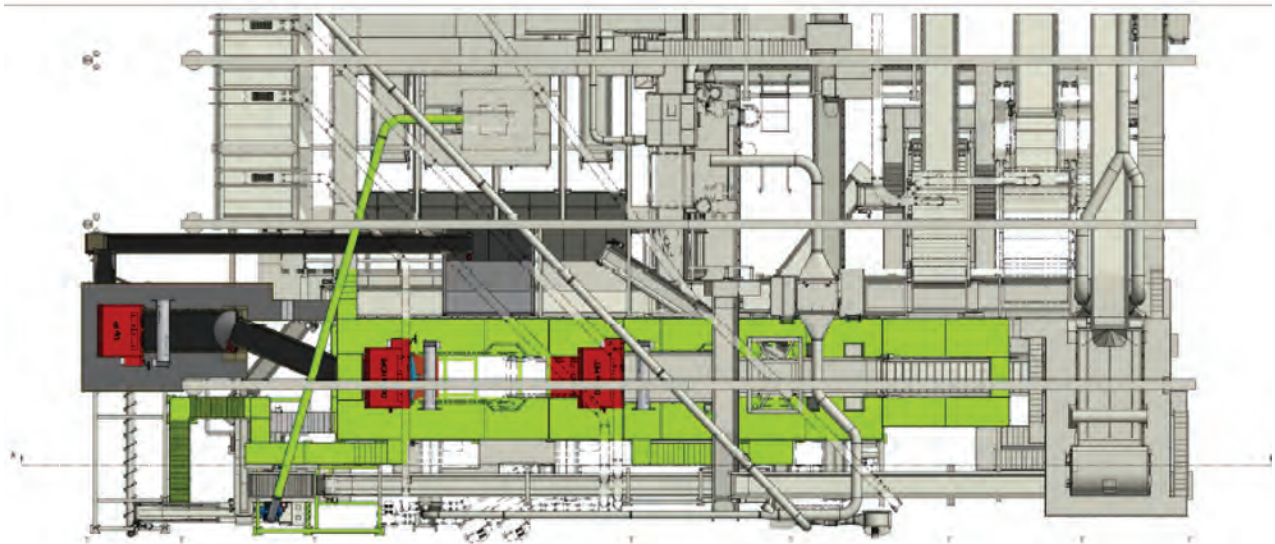
Material Type	Tons/Yr.	%
Mixed Fiber & Cardboard	640	6.2%
OCC	722	7.0%
Aluminum UBCs	41	0.4%
Tin/Steel	124	1.2%
PET Plastic	196	1.9%
HDPE - Natural	21	0.2%
HDPE - Color	186	1.8%
PP Plastic #5	0	0.0%
Waste Film Plastic	475	4.6%
Other Plastic	124	1.2%
Scrap Metal	62	0.6%
Glass	21	0.2%
Aspectic (Juice Boxes)	196	1.9%
Trash	7,513	72.8%
Total Tons / Year	10,320	100%



Residue Recovery System ROI

1b) Container Optical Replacement


- **Description:** replace 4 obsolete container sort optical units.
- **Cost:** Est. \$2.84M
- **Benefits:**
 - Replace obsolete optical sort equipment (must do)
 - Add mixed plastics commodity recovery optical
 - Improved recovery of containers/reduce disposal
 - Increased commodity revenues
 - Reduced disposal of recyclables





1c) Container QC Automation

- **Description:** automate container QC sort
- **Cost:** Est. \$1.20M
- **Benefits:**
 - Improve container recovery
 - Improve container commodity purity
 - Sort labor cost reduction



Container & Residue Automation Total Projects ROI

EXPENSE	Capital
Capital investment - Container line Upgrade and added Automation	\$6,000,000

INCOME / COST SAVINGS	\$/year
Fiber Revenue (increased fiber revenue)	\$70,678
Container Revenue (increased container revenue)	\$540,929
Labor Cost Savings (reduced cost)	\$494,000
Total Income and Cost Savings	\$1,105,607

Years for ROI on capital investment	5.43
--	-------------



2) Fire Risk Reduction

Fire Reduction Projects (\$2.00M)

- a) Tip Floor Fire Monitoring /Suppression (\$625K)
- b) Material Handler Infeed (\$775K)
- c) Battery Identification at Presort (\$500K 5-year))



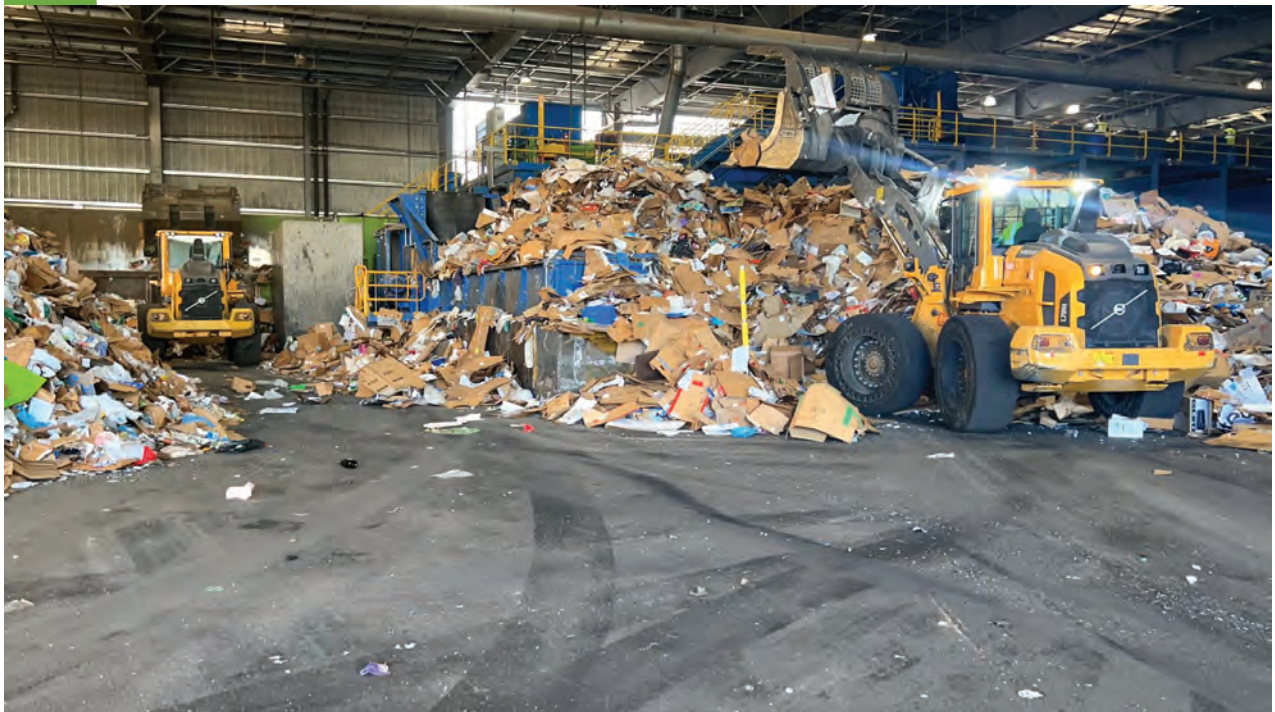
2a) MRF Tip Floor Fire Monitoring and Suppression System

- **Description:** Install Flair thermal camera fire monitoring with automated water cannon suppression system to protect tip floor area of MRF.
- **Cost:** Estimate \$625K (10 year life)
- **Benefits:**
 - Most battery fires start at the tipping floor of the MRF and pose the greatest fire risk to the facility
 - A fully automated system provides fire protection during off-hours when fire risk is greatest
 - It is anticipated that the installation of the system will reduce insurance premiums.

2b) MRF Infeed Material Handler

- **Description:** replace use of loader at MRF with electric material handler to infeed sort system
- **Cost:** Est. \$750k
- **Benefits:**
 - Fire risk mitigation from igniting batteries
 - Reduced tip floor repair cost
 - Worker safety
 - Air pollution, contamination removal, fire risk mitigation

Current Infeed w Loaders



Infeed Material Handler



2c) Battery Identification at Presort

- **Description:** Install X-ray battery identification system can identify batteries before they enter the sort system
- **Cost:** Estimate \$500K (5 year)
- **Benefits:**
 - Identification for manual removal of all Li-batteries before entering sort system will reduce fire risk
 - Potential for insurance rate reduction
 - Reduce future fire protection downstream

Battery Identification at Presort



3) Site Optimization Projects

Site Optimization Projects

3a) Transfer Station Parking Area Redesign Project

3b) Operations Contractor Truck Shop Building
Construction Project (TBD)



3a) Transfer Station Parking Area Redesign Project

- **Description:** redevelop the parking area behind the TS to accommodate parking for all transfer trucks and prepare area for truck shop building
- **Cost:** Estimate \$3M
- **Benefits:**
 - Provide truck parking so trucks are not unsafely parked
 - Provide safer vehicle and equipment egress
 - Optimal space utilization
 - Prepare area for relocation and construction of new truck shop for Operations Contractor.

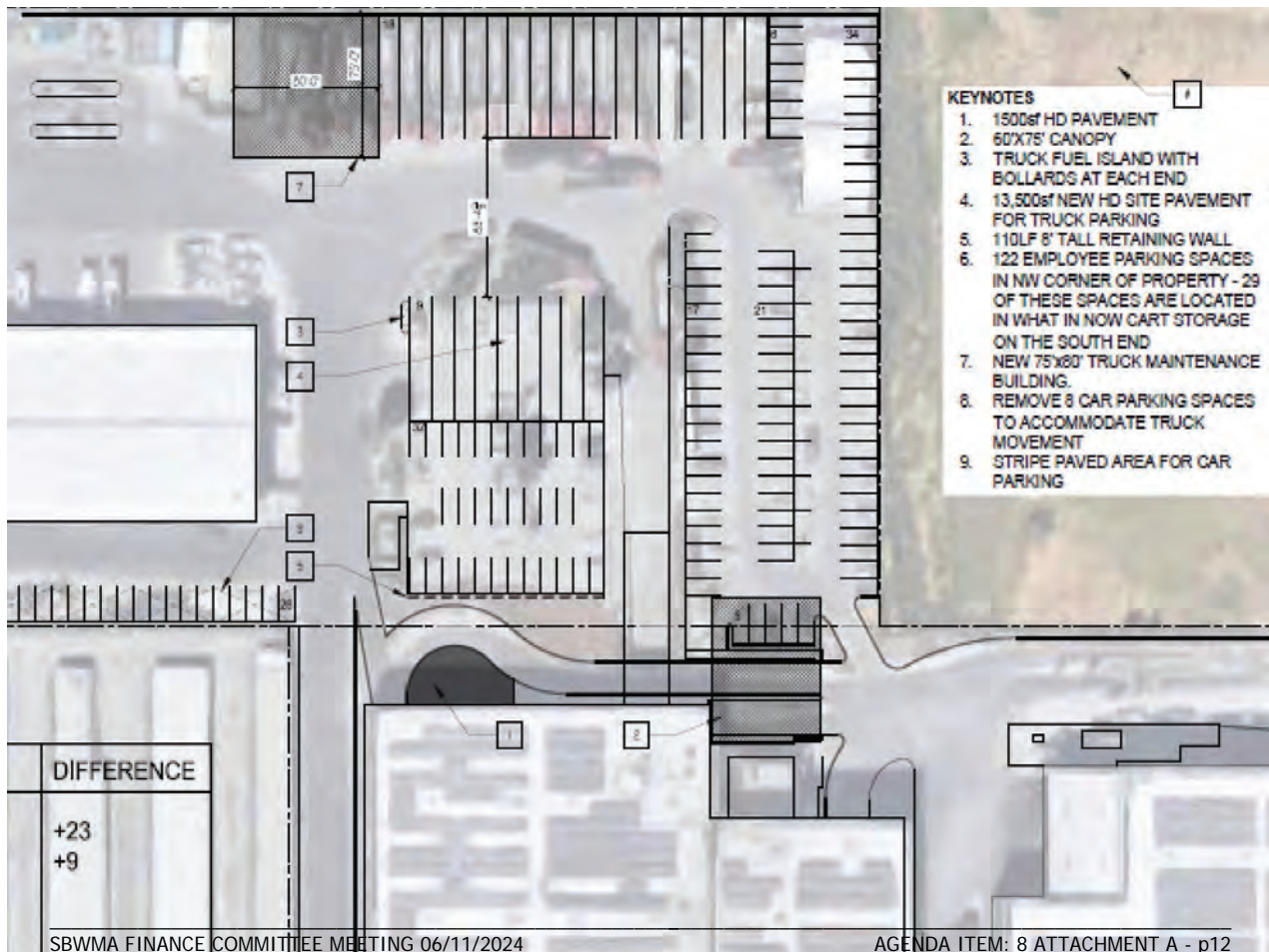
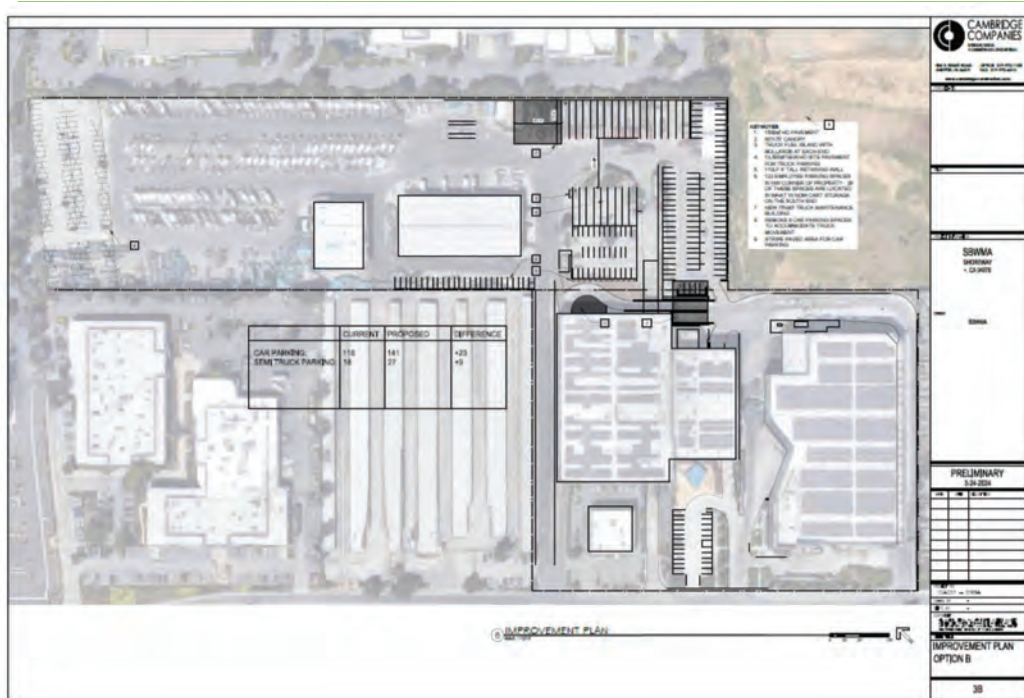


TS Parking Area Redesign

- Layout, costs and schedule



Operations Contractor Site Optimization Design



Project Cost Summary

Shoreway Capital Project List

June 2024 Finance Committee Meeting

MRF Phase II - Container Sort Automation

1a	Residue Sort Automation	\$ 2,240,000
1b	Container Optical Replacement	\$ 2,840,000
1c	Container QC Automation	\$ 1,200,000

Fire Reduction Projects (\$2.00M)

2a	Tip Floor Fire Monitoring /Suppression	\$ 625,000
2b	Material Handler Infeed	\$ 775,000
2c	Battery Identification at Presort	\$ 500,000

O2E Project (TBD)

\$ -

Green Bond ELEGABLE Projects \$ 8,180,000

Site Optimization Projects

3a	Transfer Station Parking Area Redesign Project	\$ 3,000,000
3b	Operations Contractor Truck Shop Building	\$ 5,000,000

Site Capital Projects \$ 8,000,000

Sub Total Above Projects \$ 16,180,000

Agency Source of Funds Summary

○ Sources of Funds

- Bond Refunding Balance = \$12.74M.
- Equipment Replacement Fund balance = \$1.17M



Support Slides



O2E Full-Scale Startup Preconditions *(slide presented July 2023 ZWC)*

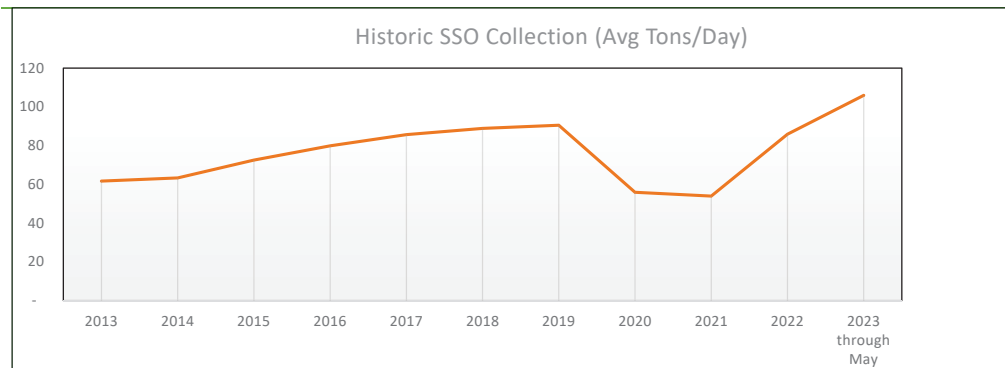
- Sufficient food waste collection
 - Minimum 100 tons per day food waste
 - Contamination and green waste need to be minimized
- WWTP off-take agreement(s)
 - Contract/commitments to receive volumes
 - Tip fee needs to be negotiated
- Cost and operations approval
 - O2E operation cost negotiated with SBI
 - Labor “no layoff” provision
 - Board approval of SBI contract change for O2E

WWTP Off-take

- SVCW
 - Post Pilot \$50 / \$32 per ton
- CMSA
 - Pilot \$28 per ton.
- EBMUD
 - Gate rate @ \$21.50 per ton
- SSF
 - Pilot @\$0 per ton. Seasonal only
- San Mateo WWTP
 - Ample capacity, no details about receiving FW

Note that slurry product is 50% diluted w/ H2O

Food Waste Collection Tons



Commercial Organics Tonnage data from Recology Monthly Report

Year	Commercial Organics	MFD Organics	Total Organics	Avg Per Month	Avg per Day
2013	15,506	778	16,285	1,357	62
2014	15,978	738	16,715	1,393	63
2015	18,399	745	19,144	1,595	73
2016	20,299	786	21,085	1,757	80
2017	21,766	852	22,618	1,885	86
2018	22,578	883	23,461	1,955	89
2019	22,949	944	23,893	1,991	91
2020	13,942	816	14,758	1,230	56
2021	13,311	929	14,240	1,187	54
2022	20,932	1,747	22,679	1,889	86

Comparative Organics Cost

2024 rate for Newby \$102.28

2024 BVON rate \$96.13

O2E Operations (assumes SVCW)			Newby Compost			BVON Compost		
Tip Fee(see note below) (tip fee \$32 @50% dilution)	\$ 1,670,400	\$ 64.00	Tip Fee(1)	\$ 2,649,150	\$ 101.50	Tip Fee(2)	\$ 2,563,738	\$ 98.23
		Fee/ton			Fee/ton			Fee/ton
Operation Cost	\$ 1,925,478	\$ 73.77	TS Handling Fee	\$ 699,219	\$ 26.79	TS Handling Fee	\$ 699,219	\$ 26.79
Transportation cost	\$ 1,474,216	\$ 56.48	Transportation	\$ 694,642	\$ 26.61	Transportation	\$ 1,451,467	\$ 55.61
Total SBI Est. Cost	\$ 3,399,694	\$ 130.26	Total SBI Cost	\$ 1,393,861	\$ 53.40	Total SBI Cost	\$ 2,150,686	\$ 82.40
Total Cost	\$ 5,070,094	\$ 194.26	Total Cost	\$ 4,043,011	\$ 154.90	Total Cost	\$ 4,714,424	\$ 180.63
			(1) tip fee is estimated 2024 rate with increase and CPI					
			(2) tip fee is estimated 2024 rate with CPI					

South Bayside Industries	
O2E Estimated Process Annual Cost	
DH 6.28.2023	
Estimated Tonnage	26,100
	2024
	Estimated
Direct Labor Costs	
Wages - Reg	\$ 577,366
Wages-Unused Vac/Sick	\$ 44,413
Wages - OT	\$ 229,925
Benefits	\$ 376,635
Workers Compensation Insurance	\$ 45,676
Payroll Taxes	\$ 65,155
Payroll Processing Fees	\$ 2,400
Uniforms	\$ 18,750
	\$ 1,360,321
Operating Costs	
Power	\$ 45,000
Fuel	\$ 113,485
Subtotal Fuel & Power	\$ 158,485
Depreciation	
Depreciation (rolling stock)	\$ 13,230
Depreciation (containers)	\$ 7,500
Depreciation (lease expense)	\$ -
Subtotal Depreciation and/or Lease	\$ 20,730
Other Operations & Maintenance	
Non-CBA wages (management and admin)	\$ 27,742
Non-CBA benefits (management and admin)	\$ 12,524
Workers compensation insurance	\$ 1,163
Payroll Taxes	\$ 2,122
ADP Payroll Processing Fees	\$ 76
Repairs and maintenance (rolling stock, vehicles)	\$ 18,090
Repairs and maintenance (equipment and other)	\$ -
Other vehicle-related (licensing, taxes, etc.)	\$ 3,192
Insurance and safety	\$ 16,720
Housekeeping (third-party contractor)	\$ 3,227
Preventative maintenance (third-party contractor)	\$ -
Stormwater maintenance	\$ 5,043
General and administrative	\$ 14,220
Other: transition period costs	\$ 2,712
Other: 1383 compliance	\$ 6,366
Other: compost giveaway	\$ -
CBA wages (clerical)	\$ 12,117
CBA benefits (clerical)	\$ 7,525
Workers compensation insurance	\$ 636
Payroll Taxes	\$ 927
ADP Payroll Processing Fees	\$ 54
Subtotal Other O&M	\$ 134,458
Estimated Operating Cost	\$ 1,673,994
Operating Ratio	87%
Profit	\$ 250,137
Interest	\$ 1,347
Estimated Annual Processing Cost	\$ 1,925,478
Cost per ton	\$ 73.77

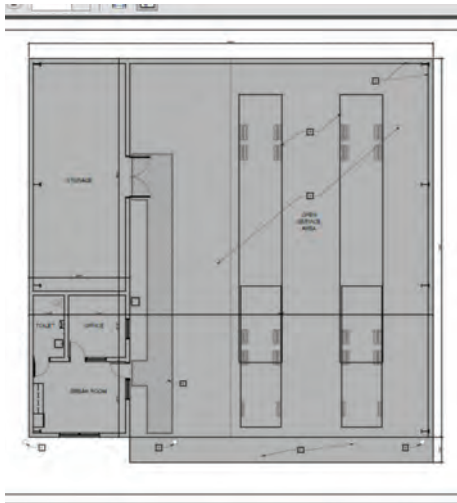
SBI Estimated Cost O2E Operations

\$73.77 per ton

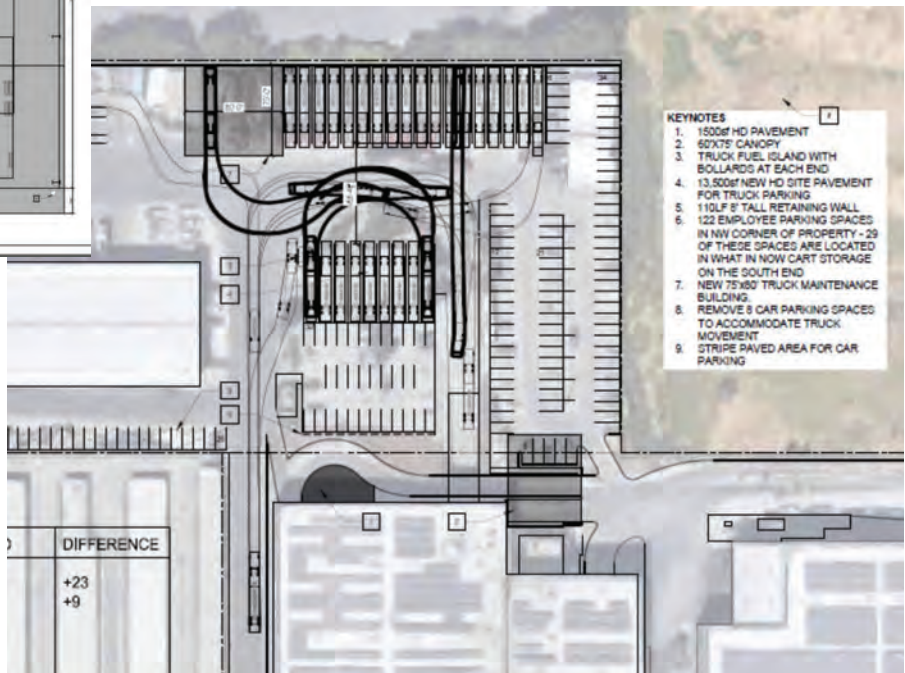
South Bayside Industries	
O2E Transportation Operations Estimated Annual Cost	
DH_June 28, 2023	
	2024 Estimated Annual Cost
Driver	
Reg Wages	\$ 353,258
Wages-Unused Vac/Sick	\$ 33,805
OT Wages	\$ 107,681
Benefits	\$ 251,090
WC Expense	\$ 27,041
PR Taxes	\$ 37,848
Payroll Processing Fees	\$ 1,600
Uniforms	\$ 12,500
Subtotal Direct Labor	\$ 824,823
Vehicle Expenses	
Fuel (per gal)	\$ 154,752
Bridge Toll	\$ -
Total Vehicle Expenses	\$ 154,752
Equipment Lease	
Tractor Lease Expense	\$ -
Trailer Lease Expense	\$ -
Tractor Depreciation	\$ 66,000
Trailer Depreciation	\$ 57,000
Total Lease Expense	\$ 123,000
Other Operating Expense	
Non-CBA wages (management and admin)	\$ 30,245
Non-CBA benefits (management and admin)	\$ 13,653
Workers compensation insurance	\$ 1,267
Payroll Taxes	\$ 2,314
ADP Payroll Processing Fees	\$ 83
Repairs and maintenance (rolling stock, vehicles)	\$ 38,187
Repairs and maintenance (equipment and other)	\$ -
Other vehicle-related (licensing, taxes, etc.)	\$ 6,739
Insurance and safety	\$ 20,912
General and administrative	\$ 15,502
Other: transition period costs	\$ 2,957
Other: bridge tolls	\$ -
CBA wages (clerical)	\$ 13,210
CBA benefits (clerical)	\$ 8,204
Workers compensation insurance	\$ 694
Payroll Taxes	\$ 1,011
ADP Payroll Processing Fees	\$ 59
Other Utility Expense (Water)	\$ 18,000
Total Other Operating Expense	\$ 173,037
Estimated Operating Expense	\$ 1,275,612
Operating Ratio	87%
Profit	\$ 190,609
Interest	\$ 7,995
Estimated Transportation Annual Cost	\$ 1,474,216
Cost per ton	\$ 56.48

SBI Estimated Cost Transportation to SVCW

\$56.48 per ton



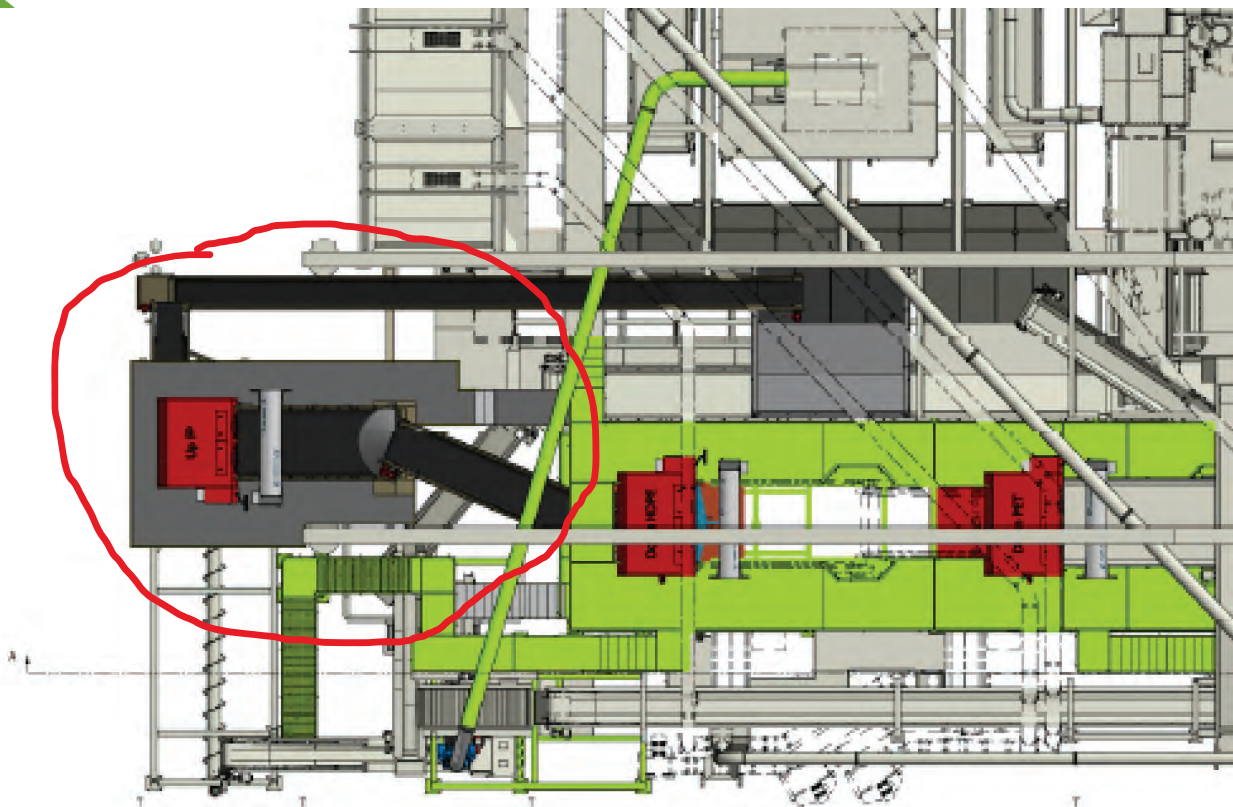
Traffic Flow and Shop Detail





1d) Mixed Plastic Sort

- **Description:** recover of mixed plastic commodity
- **Cost:** Est. \$1.35M (not included in ROI)
- **Benefits:**
 - Current grant funds available \$500K
 - Future Commodity?





DISCUSSION ON 2024 SHOREWAY PROPERTY INSURANCE



Agenda Item 9
Discussion on 2024 Property Insurance

No Staff Report Discussion Item Only
