



# CONSENT CALENDAR





**DRAFT MINUTES**

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
MEETING OF THE BOARD OF DIRECTORS  
March 26, 2015 – 2:00 p.m.  
San Carlos Library Conference Room A/B**

Call to Order: 2:04PM

**1. Roll Call**

Agency	Present	Absent	Agency	Present	Absent
Atherton	X		Menlo Park		X
Belmont	X		Redwood City	X	
Burlingame	X		San Carlos	X	
East Palo Alto		X	San Mateo		X
Foster City	X		County of San Mateo		X
Hillsborough	X		West Bay Sanitary District	X	

Alternate Member Al Royse attended representing Hillsborough  
Alternate Member Rosanne Foust attended representing Redwood City

**2. Public Comment**

Persons wishing to address the Board on matters NOT on the posted agenda may do so.

Each speaker is limited to two minutes. If there are more than five individuals wishing to speak during public comment, the Chairman will draw five speaker cards from those submitted to speak during this time. The balance of the Public Comment speakers will be called upon at the end of the Board Meeting.

If the item you are speaking on is not listed on the agenda, please be advised that the Board may briefly respond to statements made or questions posed as allowed under The Brown Act (Government Code Section 54954.2). The Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report and formal public discussion and input at that time.

None

**3. Executive Director's Report**

Executive Director McCarthy had no highlights from the report.

**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 Board, 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. Adopt the February 26, 2015 BOD Meeting Minutes
- B. Resolution Approving Agreement with R3 Consulting Group, Inc. for Financial Systems Audit of Collection Services and Facility Operations Contractors for Calendar Year 2014

- C. Resolution Approving Agreement with R3 Consulting Group, Inc. to Conduct a Review of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems for Calendar Year 2014

Member Bronitsky made a motion to accept the consent calendar

Member Royse seconded the motion

Voice Vote: All in Favor

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

5. **Administration and Finance:**

- A. Review of Draft 2015 Long Range Plan (*Staff presentation and discussion item*)

Chair Widmer introduced the item, noting that it was essentially the only thing to be discussed because of the detail that in the document that needs to be discussed, but that it would not get approved today.

Member Olbert asked if the TAC had any role in reviewing the Draft Long Range Plan.

Chair Widmer noted that the TAC and Board are all seeing it for the first time, but that it's going to take two to three months to review and refine so there is plenty of time for both Board and TAC to discuss it with the JPA staff.

Executive Director McCarthy added that this past fall the JPA staff met several times with the contractors (Recology and SBR) to get their input on possible programs and options to put in the Long Range Plan. With that information a master list of ideas was developed and was presented to the TAC to get feedback. He also noted that on April 9<sup>th</sup> the TAC will meet to discuss the Draft Long Range Plan in further detail, and then it will be discussed at the April Board meeting again.

Executive Director McCarthy gave a PowerPoint presentation overviewing the Draft Long Range Plan and noted that the final document will be substantially smaller with an action plan. He also noted that the focus of the plan is a blue print for the next five years, and that the document is substantially about diversion but that operational efficiencies were also evaluated.

Vice Chair Dehn now present at 2:18 PM

Executive Director McCarthy spoke about two clear winners presented in the Long Range Plan, for the cost and diversion side. Converting the collection fleet to CNG by 2021 will help with the cost side, while adding mixed waste processing equipment to the transfer station will help with the diversion side. He also noted that additionally there are a number of pilots recommended.

Member Brownrigg questioned why the proposal was to wait to introduce CNG until 2021.

Executive Director McCarthy answered that the existing fleet would become stranded assets that are being paid for through the rates, and it seemed to make sense to maximize the use of those assets to the end of their depreciable life and then make the switch to CNG in 2021.

Member Bronitsky suggested looking into other agencies and Member Agencies facilities for a combined use of a CNG fueling station to see if that could save on capital costs.

Chair Widmer agreed and suggested that SamTrans would be another option, and requested that the CNG plan be modified to see which other agencies are using CNG to leverage use of a different facility or look into grant options so that rate payers aren't paying the costs of converting the fleet.

Member Foust noted that she would speak with her council colleague who sits on the Silicon Valley Clean Water Board and ask about CNG.

Executive Director McCarthy noted that there is almost \$1M a year in savings in today's dollars for the kind of investment being proposed, and thus CNG seems like a clear winner.

Member Brownrigg asked if these were savings to Recology or to the SBWMA.

Executive Director McCarthy answered that they are savings to the current Recology collection costs that would get passed to rate payers.

Executive Director McCarthy then spoke about the mixed waste processing system proposal.

Member Olbert asked for clarification on what part of the waste stream would go into the mixed waste processing system.

Executive Director McCarthy answered that it's everything that goes in a black cart or a gray bin.

Member Olbert followed up by asking if the mixed waste processing system would have the ability to process single stream disposal.

Executive Director McCarthy answered no, this system isn't designed for that, it's designed to grab diversion on the back end, and won't replace the current source separation collection system, it will be in addition to it. He noted that this is going to be the most efficient way of getting incremental gains in diversion, because there is a point of diminishing returns with additional outreach on the front end.

Member Bronitsky asked if the cost to build this system would be paid for by the commercial sector since that would be the sector getting the most benefit.

Executive Director McCarthy explained the base case economics of the project, and explained that it's about a \$15 per ton increase. He noted that these numbers assume the SBWMA fully capitalizes the system, but it's expected that there will be an opportunity to get grants for this project.

Chair Widmer questioned the analysis of an additional 30%, and wondered if the savings would be as much as predicted if there is already separated recycling, and asked for careful consideration with

regards to a new contract with Ox Mountain so that the output would be properly sized. He thought additional analysis was required.

Executive Director McCarthy commented that it is critical to keep reassessing the waste stream as it keeps shifting, and agreed that there are a lot of steps that need to be taken because the project is critically driven by what is at the transfer station.

Member Olbert wondered if a potential alternative to implementing the mixed waste processing system was increased pre pick up separation by commercial accounts.

Executive Director McCarthy answered the plan assumes that outreach will be increased to the commercial sector to support increased diversion, but at some point there is diminishing returns and recovery on the back end helps to meet the 75% goal.

Member Olbert clarified that he wondered if he were a commercial business would it be cheaper to separate at the business or separate at the Transfer Station.

Executive Director McCarthy noted that currently there are situations where it costs a customer more to separate organics even with a discounted organics rate, but the goal is to maximize the current source separation, and at the point where the economics don't work for businesses this system would recover on the back end, which would help with compliance requirements for AB1826.

Member Olbert noted that the point of a long range plan is to identify high value targets, but that doesn't mean any will get implemented.

Chair Widmer reiterated that if the majority of the benefit is really on the commercial side then the cost increase should be on the commercial customers.

Member Brownrigg requested that in the next pass of the long range plan an estimation of the percentage rate impact for each of the major projects be included. He also noted that each Member Agency sets its own rate structure, so whether or not the costs would be solely on the commercial sector would be up to each City.

Vice Chair Dehn asked if the mixed waste processing system was part of the City of San Jose model of collection, and noted that she remembered discussing how their system was very different.

Executive Director McCarthy answered that San Jose still has a very different model structured around a wet and dry fraction, and they have built their own stand-alone anaerobic digester, he noted that they don't have published commercial tipping fees but he believes they are in the \$80-\$90 per ton range, which make it a wildly uneconomical system for the SBWMA to try to implement. He added that the best possibly economic situation for the SBWMA is to have this relationship with Silicon Valley Clean Water, because neither party is going to move forward unless the economics work.

Executive Director McCarthy then finished his presentation speaking about next steps.

Vice Chair Dehn asked what the focus of the April 9<sup>th</sup> TAC meeting would be and if there was something in particular the Board should be focusing on for the continuing discussion on April 23.

Executive Director McCarthy answered that the TAC would be essentially getting the same presentation on April 9<sup>th</sup>, but less formal, they would have had three weeks to go through the document so we expect a more detailed discussion. He noted that the April 23<sup>rd</sup> discussion would be focused on the budget and asked for feedback on whether to include items from today's discussion in the draft budget next month.

Chair Widmer recommended taking the feedback from the discussions today, and include that in the draft budget.

Member Olbert asked for further explanation of the 75% diversion target by 2020 which runs through the entire long range plan document, wondering if was an aspirational goal or not.

Executive Director McCarthy answered yes, at this time it's a state wide goal, not a local mandate, but it's driving other legislation which is hitting on the commercial side so far.

Member Olbert followed up by asking if the Board decided to change that goal to for example 65% if that would significantly change the Long Range Plan.

Executive Director McCarthy noted that the document includes several pilot programs that have unknown results at this time, if those get put to the side then the document is about the mixed waste processing system, and without it the diversion rate will probably be 55-60%. He also noted that as the 1<sup>st</sup> quarter commercial recycling reporting ordinance numbers come in in May, it could change the frame of reference of the starting point of the diversion number.

Member Olbert wondered if the Board might consider timing things differently for the pilot programs in light of the data coming in from the ordinance, as well as deciding what the overall diversion goal for the service area should be.

Executive Director McCarthy answered that the mixed waste processing system will need more research and analysis. He recommending going forward and doing that research and analysis in FY1516 because it will lead to much more confident numbers, but it's not assumed to be installed until 2018.

Member Olbert commented that the SBWMA seems like an odd duck agency and asked if the Board wanted to revisit strategic implications for having one service area contract rather than individual Member Agency contracts with Recology. He noted that he thought a study of that would be a good discussion to have with the long range plan.

Chair Widmer thought it was a good point, and something that strategically should be discussed.

Member Foust noted that from a strategic standpoint it would be good to discuss, and that the history of why it is structured that way it is needs to be included in the discussion. She suggested taking it on as part of a strategic review.

Member Bronitsky also agreed.

Member Olbert asked if every other week garbage collection was against the law.

Executive Director McCarthy answered that in 2011 the LEA was approached about an every other week pilot program, and at that time the organics collection program was still being rolled out, and the LEA didn't approve every other week collection because there was still too much putrescible waste in the black cart. He noted that it comes down to the regulators' perspective on what's left in the garbage, but with the source separated system in place here the possible number of materials considered putrescible waste left in the black cart has decreased significantly.

Member Bronitsky clarified if the Mixed Waste Processing system was a \$1.9M cost per year.

Executive Director McCarthy answered that the numbers presented are a snapshot of one year of costs in today's dollars, and that the annual cost would depend on the asset depreciation.

Member Brownrigg questioned whether it was a depreciation number or a financing number.

Executive Director McCarthy explained that it's a life of the different capital components of the system number, and that the financing number is currently assumed at 4.5% in 2018.

Chair Widmer asked why the tonnage isn't going up.

Executive Director McCarthy explained that the tonnage remains the same, but instead of the tons going to the landfill they go through the mixed waste processing system.

Member Olbert reiterated that he would like to see a rate impact analysis when this comes back to the Board as well as capital recovery analysis so they can get a feel of whether or not it makes sense to move forward.

Member Bronitsky clarified that out of the 177,000 tons this new system would be able to divert about 30% of that.

Executive Director McCarthy said yes approximately 30%.

Member Bronitsky noted that it's difficult for him to evaluate, and asked for more dialogue from the Vendors and from City staff. He also commented that he would like to hold off on analysis of spending money in next year's budget on items to increase commercial diversion until numbers from the reporting ordinance come in, or can the \$180,000 be put in the budget with a hold on it until we know more about what the diversion numbers are.

Chair Widmer noted that the next meeting would be a joint TAC and Board meeting, but that he is running the meetings openly so that people can speak if they would like.

Member Brownrigg noted that he would like to hear from the vendors about what they think about the 5 year plan, and also wondered what it would take to get to a CNG fleet earlier, and would like to see a cost benefit analysis of moving to CNG sooner rather than assuming waiting for the end of the truck life.

Executive Director McCarthy noted that in 2017 the Member Agencies will be making a decision on whether to extend the contracts or not, and a CNG fleet would be a critical component of what Recology would bring forward for a contract extension.

Member Brownrigg noted that he understood the timing awkwardness with the contracts and that neither side wants to give up their negotiating leverage, but added if there are ways to save money and be better to the environment now he'd like to see them implemented sooner rather than later. He concluded by asking why there wasn't a zero landfill aspiration in the plan, and if there was would it change the mixed waste system.

Executive Director McCarthy noted that in many of the communities that have adopted zero waste policies those policies are aspirational, and a fundamental component of those policies is that the state is going to put producer responsibility laws into effect that will affect the future waste stream. He added that with any of the policies discussed there is a point of diminishing returns at which point if the goal is to get closer to zero there has to be some kind of processing system on the back end. He also noted that the JPA is in a passive position at the mercy of what comes into the transfer station.

Vice Chair Dehn asked in the numbers presented how much was attributed to the non-franchised commercial haulers.

Executive Director McCarthy answered none.

Vice Chair Dehn clarified that when the reports from the ordinance start coming in that will be additional diversion.

Executive Director McCarthy answered yes.

Member Stone commented that he agreed with Member Brownrigg's comments and would like to see this Board doing more providing a vision for the future and spend less time in the weeds. He would like to know more about different options that are out there and what the costs and road blocks would be to getting there.

Chair Widmer asked staff what other information they need from the Board to move forward.

Executive Director McCarthy answered that it would be helpful to go through the items that are to be included in the FY1516 budget, and get direction specifically on those projects. He also offered to sit down individually and go through the document with any Board Members who would like to.

Member Foust noted that she thought the Long Range Plan would be the ideal thing for the Redwood City utilities commission to study, and noted that she would like to get this on an upcoming agenda.

Member Brownrigg asked Mario Puccinelli and Dwight Herring to give input on the Long Range Plan.

Mario Puccinelli congratulated the SBWMA staff on the document. He commented on the trucks, and noted that they are well cared for and in good shape, and the life of the trucks is usually between 10 and 12 years, he also added that there would be opportunities to move that equipment if the Board decided to move to CNG sooner. He also noted that regulations handcuff California, and some of the regulations are contradictory to achieving zero waste at this point.

Dwight Herring noted that from a recovery standpoint there is not a lot more opportunity to get diversion from what is already being done, and the new mixed waste processing system will take the waste and extract the organics and water and wet out, which will leave a fluffy dry material that is very light that goes to the landfill which means the diversion number goes up because the weight being delivered to the landfill goes down. He noted that he thought the mixed waste processing system was the best option to recover material out of the existing waste stream and get to the 75% diversion goal.

Executive Director McCarthy added that the proforma and cost assumptions on the mixed waste processing system were reviewed by Dwight Herring and Dan Domonoske, so SBR validated everything from labor assumptions to productivity rates.

Mario Puccinelli added that over 98% of our customers have recycling services, but it remains difficult to ensure that recyclables are only going in the blue bin, and the mixed waste processing system will help in the effort to capture that diversion.

Member Brownrigg commented that he would like to see a 5 year financial forecast in the next version.

Executive Director McCarthy noted that staff is in the middle of putting the budget documents together, so it likely wouldn't be at the next meeting, but in the next couple of months he would work with Staff Moran to get a financial forecast together. He also noted that with the exception of the mixed waste processing system the expenses are not large enough to affect the budget.

Chair Widmer concluded that he didn't see value in the every other week pilot and the split body pilot. He also suggested that the Board look at the justification on outreach and education and ask that there be a discussion on that. He noted that page 124 of the report outlines where the outreach is needed and that more targeted outreach might show better gains. He would like to see outreach focused on commercial and multifamily and that it be measurable.

B. Executive Director Annual Performance Review and Goal Setting Process – Appointment of Board Adhoc Subcommittee

Agenda item 5B was discussed prior to agenda item 5A

Chair Widmer requested that Board members who wish to participate in the Executive Director's review and goal setting process for 2015-2016 send him an email by close of business on Friday, April 3, 2015,

**6. Collection and Recycling Program Support and Compliance:**

Not items this month

**7. Shoreway Operations and Contract Management:**

No items this month

**8. Informational Items Only (no action required)**

A. 2015 Finance and Rate Setting Calendar

B. Check Register for February 2015

C. Potential Future Board Agenda Items

**9. Board Member Comments**

**10. Adjourn 3:51PM**



## STAFF REPORT

**To:** SBWMA Board Members  
**From:** Marshall Moran, Finance Manager  
 Kevin McCarthy, Executive Director  
**Date:** April 23, 2015 Board of Directors Meeting  
**Subject:** Resolution Approving Calendar Year 2014 Financial Statements

### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2015-08 attached hereto authorizing the following action:

- Approving the South Bayside Waste Management Authority's unaudited Financial Report for Calendar Year 2014 as reviewed by SBWMA's audit firm, Lance Soll & Lunghard.

### Analysis

As part of the 2009 Bond Indenture, the SBWMA is required to present unaudited calendar year Financial Reports to the bond rating agencies by May 1. These reports have been reviewed by the Board Adhoc Audit Subcommittee which recommends approval. The reports are limited to information that is required in the bond indenture and include the results of the bond covenant tests.

The financial reports, Table 4 and 5 (see **Attachment A**), of the South Bayside Waste Management Authority for calendar year ending December 31, 2014, have been prepared by the City of San Carlos Administrative Services Department with assistance from SBWMA staff and examined by the independent auditing firm of Lance Soll & Lunghard. The firm believes that the financial reports were prepared in conformity with generally accepted accounting principles but are unaudited.

### Overview of the Financial Reports

The Financial Report, Table 4, shows the operating income for calendar year 2014 of \$3,415,278 (Modified Change in Net Position). Table 5 shows that the bond covenant requirements have been achieved. The SBWMA is obligated by the bond indenture to set tip fees at Shoreway that produce financial results by generating enough revenue to achieve the covenant tests. These tests are essentially liquidity tests and common for these types of revenue bonds. As shown on Table 5, the Break Even coverage of 1.06 and the bond Debt Coverage of 1.91 meet the requirements of the bond indenture (minimum of 1.0 and 1.40 respectively).

The 2014 results are slightly better than last year which included the Burlingame bond payoff:

	<u>Calendar Year</u>	
	<u>2013</u>	<u>2014</u>
Breakeven Test	1.06	1.06
Debt Coverage Test	1.56	1.91

### **Background**

On July 23, 2009 the Board approved a resolution authorizing the issuance of solid waste enterprise revenue bonds Series 2009A (tax-exempt) and Series 2009B (taxable) to the City of Burlingame. In 2013, the Board approved the payoff of the 2009B bond one year early with surplus funds to save interest expense. The bond indenture requires annual financial reporting on a fiscal (audited) and calendar year (unaudited) basis.

Most of our business is conducted on a calendar year basis. Our contract rates with SBR, Recology, and disposal and processing vendors all are adjusted effective January 1. The tip fees at Shoreway are also adjusted if needed on January 1. Therefore, for bond reporting, it made sense to report our financial results on a calendar year basis. However, our fiscal year ends on June 30.

LSL also audits our fiscal year financial statements. The audited financial statements for FY1314 were approved by the Board at the November 2014 Board meeting.

### **Fiscal Impact**

There is no fiscal impact associated with this item.

#### **Attachments:**

Resolution 2015-08

Attachment A – 2014 Unaudited Financial Statements



## RESOLUTION NO. 2015-08

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING THE CALENDAR YEAR 2014 FINANCIAL STATEMENTS

**WHEREAS**, the South Bayside Waste Management Authority contracted with the audit firm of Lance Soll & Lunghard to conduct a review of the Agency's financial records in accordance with Governmental Accounting Standards; and

**WHEREAS**, the financial statements for the calendar year ending December 31, 2014 as prepared by said firm have been completed; and

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves the unaudited Annual Financial Report as prepared by Lance Soll & Lunghard for the calendar year ending December 31, 2014.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 23rd day of April, 2015, by the following vote:

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

I HEREBY CERTIFY that the foregoing Resolution No. 2015-08 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on April 23, 2015.

ATTEST:

\_\_\_\_\_  
Bill Widmer, Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Board Secretary

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**  
**UNAUDITED FINANCIAL INFORMATION**  
**DECEMBER 31, 2014**

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
UNAUDITED FINANCIAL INFORMATION  
DECEMBER 31, 2014

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
UNAUDITED FINANCIAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT .....	1
FINANCIAL INFORMATION	
Unaudited Statement of Revenues, Expenses and Changes in Net Position.....	2
Unaudited Calculation of Debt Service Coverage .....	3

## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

We have compiled the accompanying Unaudited Statement of Revenues, Expenses and Changes in Net Position and Unaudited Calculation of Debt Service Coverage of the South Bayside Waste Management Authority as of December 31, 2014, and for the year then ended included in the accompanying prescribed form. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the form prescribed by the *\$53,500,000 South Bayside Waste Management Authority Solid Waste Enterprise Bonds (Shoreway Environmental Center) Series 2009A Official Statement*.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the form prescribed by the *\$53,500,000 South Bayside Waste Management Authority Solid Waste Enterprise Bonds (Shoreway Environmental Center) Series 2009A Official Statement* and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements as prescribed by the *\$53,500,000 South Bayside Waste Management Authority Solid Waste Enterprise Bonds (Shoreway Environmental Center) Series 2009A Official Statement* without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The accompanying financial statements were prepared for the purpose of complying with the requirements of the *\$53,500,000 South Bayside Waste Management Authority Solid Waste Enterprise Bonds (Shoreway Environmental Center) Series 2009A Official Statement*, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Board of Directors of South Bayside Waste Management Authority for compliance with the *\$53,500,000 South Bayside Waste Management Authority Solid Waste Enterprise Bonds (Shoreway Environmental Center) Series 2009A Official Statement* and is not intended to be, and should not be, used by anyone other than these specified parties.



Brea, California  
March 19, 2015

**TABLE 4**  
**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**  
**UNAUDITED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>OPERATING REVENUES</b>	
Charges for services	\$ 31,970,741
Commodity revenue	9,311,958
Other	<u>910,072</u>
Total Operating Revenues	<u>42,192,771</u>
<b>OPERATING EXPENSES</b>	
Shoreway operations	32,012,008
SBWMA program administration	2,406,428
Franchise Fee-Transfer Station	<u>1,522,418</u>
Total Operating Expenses	<u>35,940,854</u>
Operating Income (Loss)	<u>6,251,917</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	58,890
Interest-2009A Bond	<u>(2,895,529)</u>
Net Nonoperating Revenue (Expense)	<u>(2,836,639)</u>
<b>MODIFIED CHANGE IN NET POSITION</b>	3,415,278
<b>RECONCILIATION TO NET POSITION</b>	
Reduction of Bond Liability	(1,205,000)
Payment of Principal	1,205,000
Premium 2009A Reserve Fund FHLMC	7,500
Depreciation Expense (non-cash)	<u>(3,318,486)</u>
TOTAL RECONCILIATION TO NET POSITION	<u>(3,310,986)</u>
<b>NET CHANGE IN NET POSITION</b>	104,292
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>22,162,237</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 22,266,529</u></u>

**TABLE 5  
SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
UNAUDITED CALCULATION OF DEBT SERVICE COVERAGE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Operating and Non-Operating Revenues (from Table 4)	<u>\$ 42,251,660</u>
Total Revenues and Additional Revenues	<u>42,251,660</u>
<u>Expenses</u>	
O&M Cost	34,418,436
Debt Service	4,100,529
Subordinate Charges	<u>1,522,418</u>
Total Expenses	<u>40,041,383</u>
Coverage (Total Revenues/Total Expenses) <sup>(1)</sup>	<u><u>1.06</u></u>
Operating and Non-Operating Revenues (from Table 4)	<u>42,251,660</u>
Total Revenues	<u>42,251,660</u>
<i>less</i> O&M Expenses	<u>34,418,436</u>
<i>equals</i> Net Revenues	7,833,225
Debt Service	4,100,529
Coverage (Net Revenues/Debt Service) <sup>(2)</sup>	<u><u>1.91</u></u>
Ending Unrestricted Net Position	\$ 14,479,651

(1) Required to be 1.0 or greater

(2) Required to be 1.4 or greater

Source: The Authority