

# SBWMA Budget Review:

## Presentation of Preliminary FY 18-19 Budget



May 24<sup>th</sup> 2018  
SBWMA Board of Directors Meeting

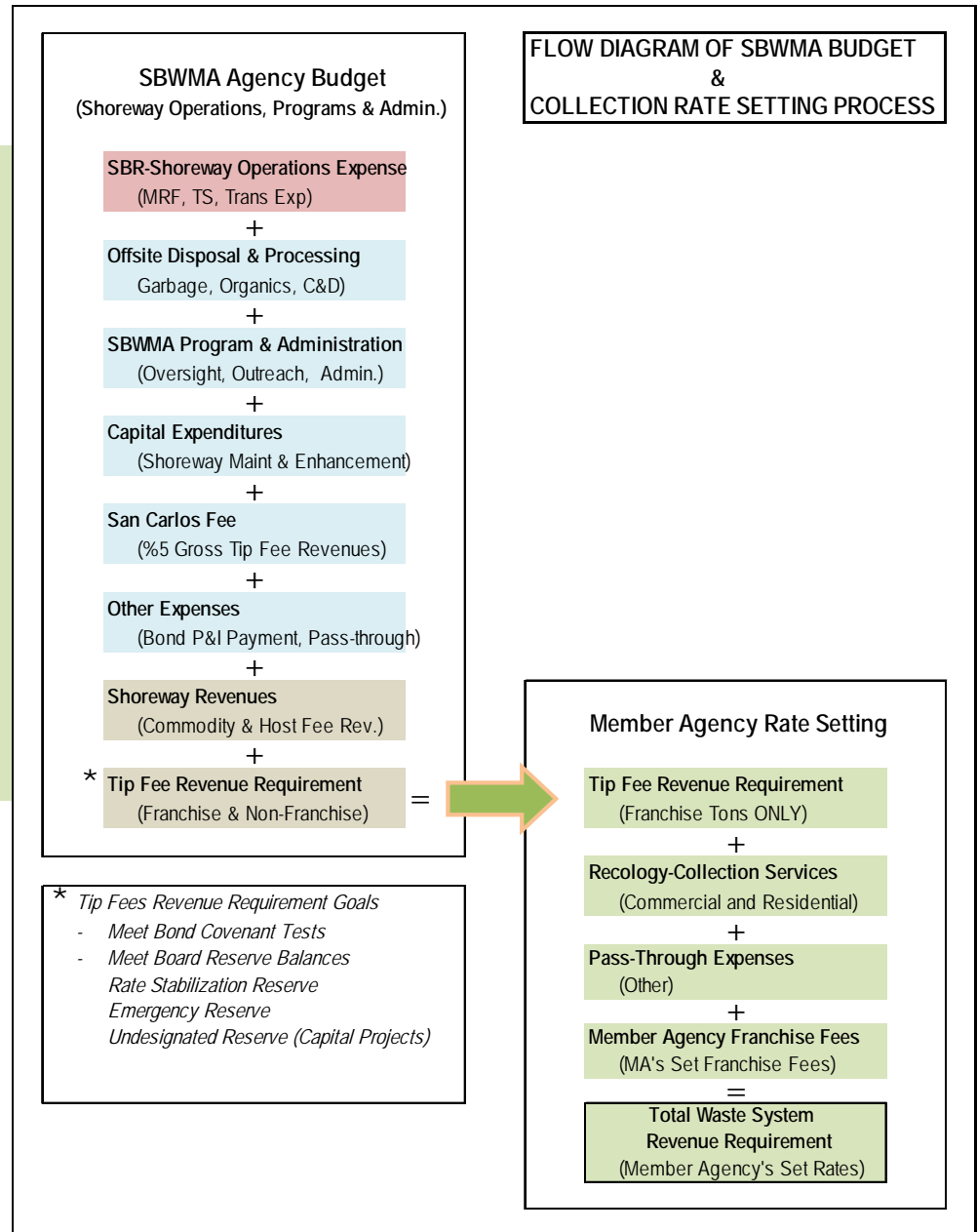
# Budget Timeline

## Key SBWMA Budget Review Dates:

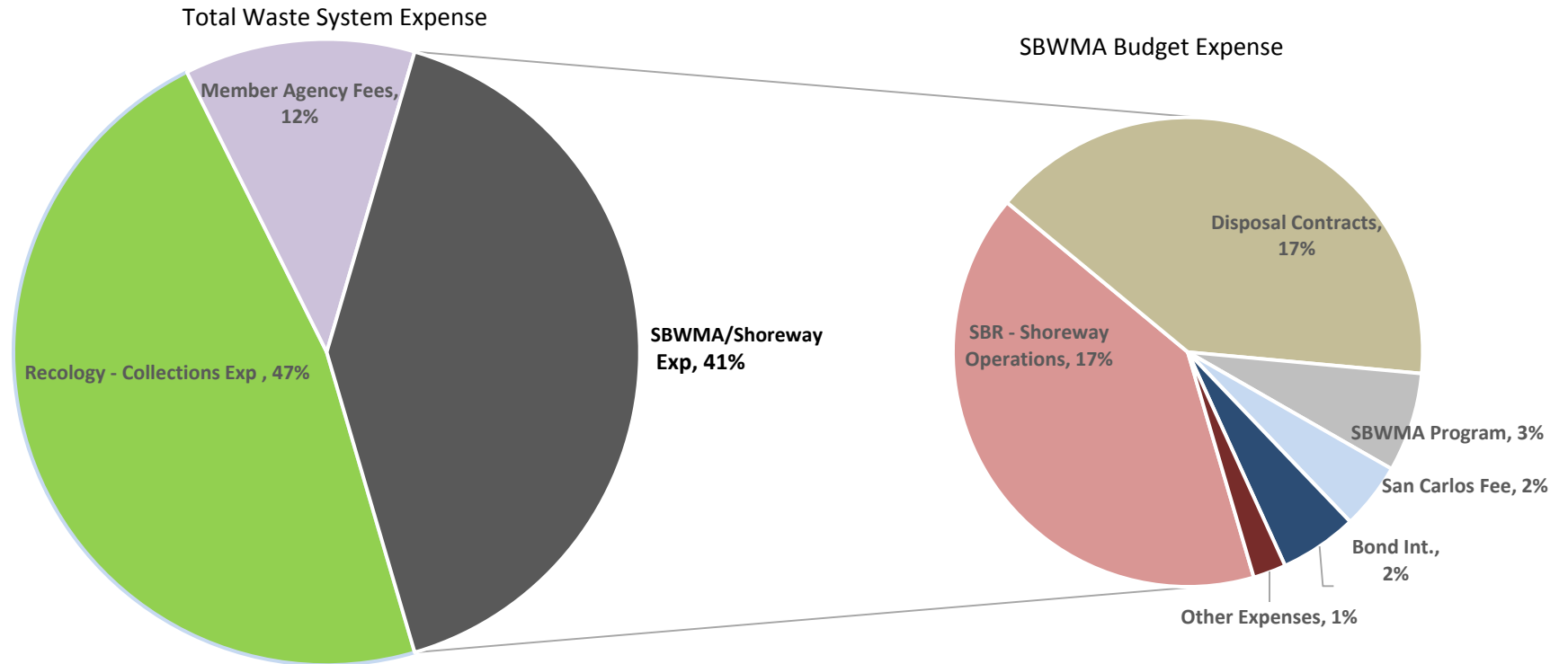
- April 10<sup>th</sup>: Finance Committee review
- May 10<sup>th</sup>: 2nd Finance Committee review
- May 24<sup>th</sup>: Preliminary FY18/19 Budget Presentation
- May 24<sup>th</sup>: Preliminary FY18/19 Capital Budget
- June 28<sup>th</sup>: Final FY17/18 Budget (*Action*)
- Jan. 25th, 2019 Mid-Year Review (*Action*)



# Budget & Collection Services Rate Setting Process



# How is the SBWMA Budget Spent?



*Note graph does not show that MRF commodity revenues netted against SBR Shoreway Operations Expense*

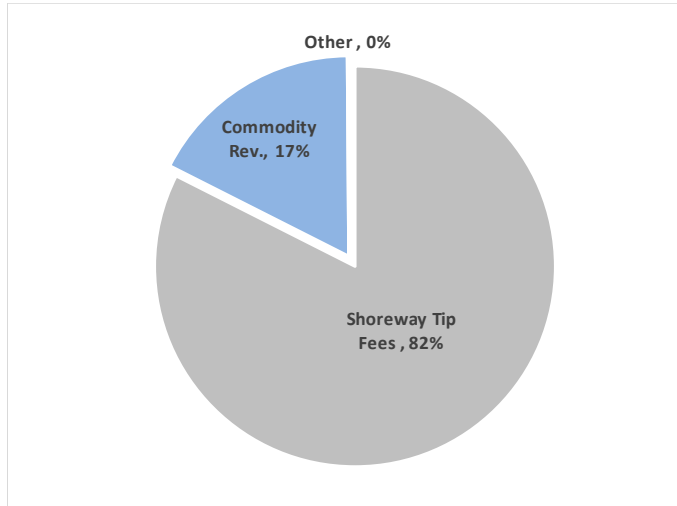
# Financial Summary

Table 2

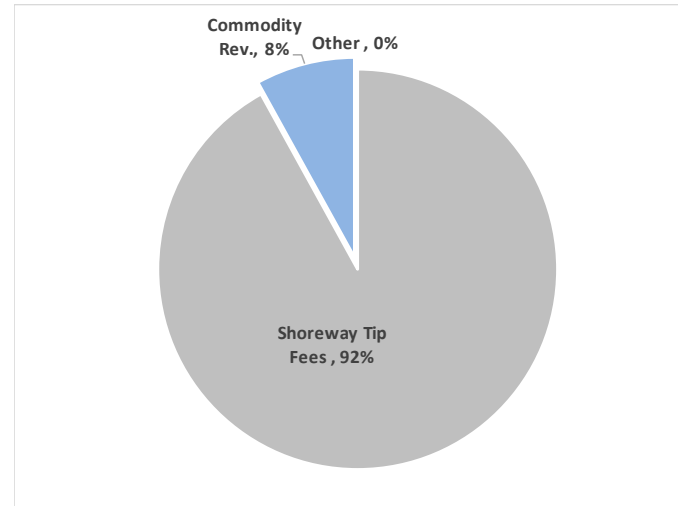
FY18/19 FINANCIAL SUMMARY					
Categories	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Preliminary Budget	Variance to Adopted Budget	Better/Worse %
Total Revenue	\$46,960,353	\$49,180,563	\$51,694,167	\$4,733,815	10%
Program	\$3,653,015	\$3,688,963	\$3,375,780	(\$277,235)	8%
Shoreway Operations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

# Revenue Sources

**FY 17/18 Adopted Budget**



**FY 18/19 Preliminary Budget**



**Table 3**

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

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

# Proposed New Revenue Sources

- **Solid Waste & Organics**
  - Tip fee increase of \$14/ton (12.7%) effective January 1, 2019
- **Food Waste**
  - Tip fee increase of \$10/ton (8.3%) effective July 1, 2019
- **Public Rates**
  - ***Organics & C&D*** – Tip fee increase of 12.9% and 10% respectively (Split between July 1<sup>st</sup> & Jan 1<sup>st</sup>)
  - **Solid Waste** – Tip fee increase of 4.8% effective January 1, 2019

# Expense Summary

Table 6						
FY18/19 TOTAL EXPENSE SUMMARY						
EXPENSE CATEGORIES	FY17/18 Adopted Budget	FY17/18 Mid-Year Budget	FY18/19 Preliminary Budget	FY19 vs. FY18 Adopted Budget	FY19 vs. FY18 Adopted Budget %	FY18/19 Budget % of Total
Shoreway Operations	\$35,927,570	\$38,887,988	\$41,110,633	\$5,183,063	14%	83.3%
SBWMA Program	3,653,015	3,688,963	3,375,780	(277,235)	-8%	6.8%
Bond Interest Expense	2,710,170	2,710,170	2,641,333	(68,836)	-3%	5.3%
Franchise Fees to San Carlos	1,846,710	2,024,236	2,253,616	406,906	22%	4.6%
Shoreway Fire Related Expenses	-	258,508	-	-		0.0%
<b>Total Expense</b>	<b>\$44,137,465</b>	<b>\$47,569,865</b>	<b>\$49,381,362</b>	<b>\$5,243,898</b>	<b>12%</b>	<b>100.0%</b>



# Expense Detail Projections

Table 7

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

# SBWMA Program & Administrative Projections

SBWMA PROGRAM BUDGET (*line 60*)

= \$3,375,780

- Y/Y variance **-\$277,234 (-7.6%)**
- **Landfill RFP Consulting Team**
  - \$100K budgeted
- **Re-energized Pub Ed Campaigns:**
  - Lithium Ion Batteries
  - Reactivate core Pub Ed program
- **Community-Based Projects Per LRP:**
  - Public Spaces Project
  - Schools Pilot—On-site support
- **Staffing:**
  - Headcount - remains reduced by one
  - Merit Based Promotion – Environmental Ed Coordinator
  - LRP Fellowships

# Shoreway Operations Notable Budget Factors

## SHOREWAY OPERATIONS BUDGET

= \$41,110,633 (*line 72*)

- **Y/Y Variance \$5,183,063 14.4%**
  - Disposal \$3.8M
  - SBR Operations \$1.1M
  - Shoreway Fire Insurance Premiums \$.3M
- **Recent Commodity Market (fibers)**

# Projected Reserves Balances

Table 11. SBWMA RESERVES					
FY18/19 BUDGET: RESERVE BALANCES					
	ACTUAL FY16/17	ADOPTED BUDGET FY17/18	MID-YEAR BUDGET FY17/18	PRELIMINARY BUDGET FY18/19	FY19 vs. FY18 Mid-Year Budget
<b>UNCOMMITTED RESERVE:</b>					
RATE STABILIZATON (10% of expense)	\$ 4,033,671	\$ 4,237,586	\$ 4,756,987	\$ 4,938,136	\$ 181,150
EMERGENCY RESERVE (10% of expense)	4,033,671	4,237,586	4,756,987	4,895,300	138,314
<b>CAPITAL RESERVE (Undesignated)</b>	6,828,704	4,438,135	3,437,843	957,415	(2,480,428)
<b>TOTAL UNCOMMITTED RESERVES</b>	<b>\$ 14,896,047</b>	<b>\$ 12,913,307</b>	<b>\$ 12,951,816</b>	<b>\$ 10,790,851</b>	<b>\$ (2,160,965)</b>
<b>COMMITTED RESERVE</b>					
EQUIPMENT REPLACEMENT (ANNUAL)	\$ 1,192,148	\$ 1,723,744	\$ 1,723,744	\$ 1,397,514	\$ (326,231)
<b>TOTAL RESERVES</b>	<b>\$ 16,088,195</b>	<b>\$ 14,637,052</b>	<b>\$ 14,675,560</b>	<b>\$ 12,188,365</b>	<b>\$ (2,487,195)</b>
SHOREWAY REMEDIATION PROJECT	\$ 1,233,640	\$ 1,233,640	\$ 1,233,640	\$ 1,233,640	\$ -

# Proposed Capital Budget

\$3,317,500 - Total Proposed Capital Budget

Routine  
Projects

Shoreway Environmental Center Facilities (1 of 3): FY18/19 "Routine" Maintenance Projects		
Type	Budget Amount	Description
Routine projects	\$ 25,000	Truck Shop repair
	\$ 50,000	Transfer Station-Building Repair
	\$ 50,000	MRF-Building Repair
	\$ 40,000	Admin Building Repair
	\$ 50,000	Site repair
	\$ 15,000	Landfill tipper repair
	\$ 230,000	Total "Routine" Projects

# Proposed Capital Budget

Carryover  
Projects

Shoreway Environmental Center Facilities (2 of 3): FY18/19 "Carryover" Projects			
Type	Budget Amount	Description	Project Goal
1. Glass load-out 2. Public Recycling Center (PRC)  Safety Enhancements	\$ 350,000 <i>(\$550K budgeted, but unspent in FY17/18)</i>	MRF sort system enhancements to glass load-out & PRC	1. Reduce cost of double-handling MRF glass through transfer station. 2. Improve customer safety at PRC; lower site maintenance cost.
Fire protection system	\$200,000 <i>(\$350K budgeted but unspent in 17/18)</i>	Electronic fire alert and suppression system.	Staff continues to "harden" facility from fire risk and damage.
\$ 550,000		Total "Carry-Over" Projects	

# Proposed Capital Budget

## Shoreway Environmental Center Facilities (3 of 3): FY18/19 "Special Projects"

### New Capital Projects

Type	Budget Amount	Description	Project Goal
Fiber <u>Commodities:</u> Phase One- Equipment Upgrades to Improve Material Quality	\$ 72,500	Reconfigure <4" fraction sort line and windsifter	Improve system sort efficiency and reduce cross contamination of recycling streams
	\$ 65,000	Reconfigure existing 3-7 container optical sorter to sort 1&2 only	No 3-7 plastics market. Repurpose to second pass sort of target containers and convey back to container sort line. Less container product contamination, better recovery of valuable CRV plastics
	\$ 80,000	Redirect glass aspirator from mixed paper to trash via new conveyor	Improve mixed paper quality by eliminating combination of shredded paper and plastics from glass stream to mixed paper
	\$ 35,000	Reconfigure News Screen disks to narrow openings	Improve fiber quality by removing larger cardboard from resi mixed paper stream.
	\$ 35,000	Reconfigure OCC Screen disks to narrow openings	Improve fiber quality by removing larger cardboard from resi mixed paper stream.
	<b>\$287,500</b>	<b>Sub-total "Special Projects: Fiber Commodity Quality"</b>	
Food Waste-to-Energy Pilot Project	\$2,250,000 <i>(Estimate w/ 25% contingency, includes \$1.2M CalRecycle grant)</i>	Diversion Compliance	Pilot for full project to meet CalRecycle state mandates of 75% landfill diversion & all organics (including food waste) ban from landfill by 2022
	<b>\$2,537,500</b>	<b>Total "Special Projects"</b>	



# Organics to Energy (O2E) Pilot Project Update

FY18/19 Budget





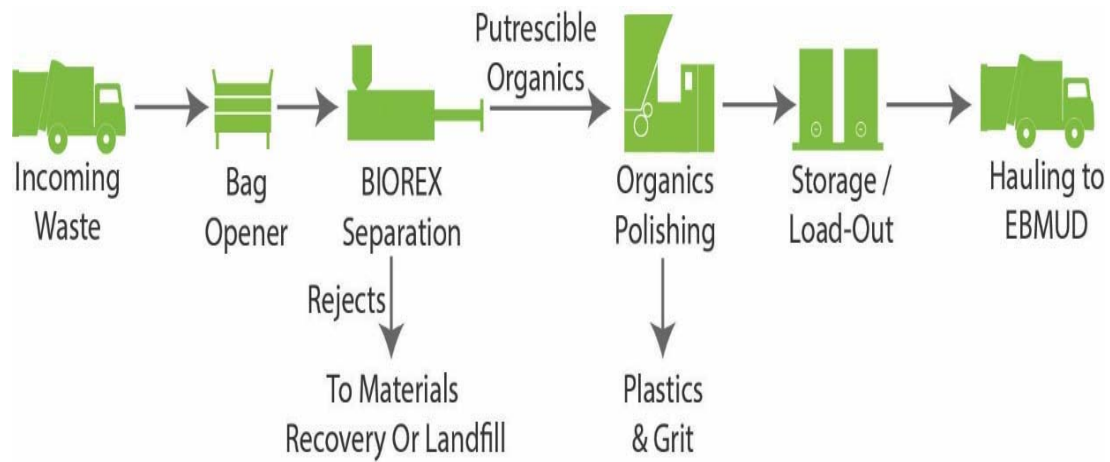
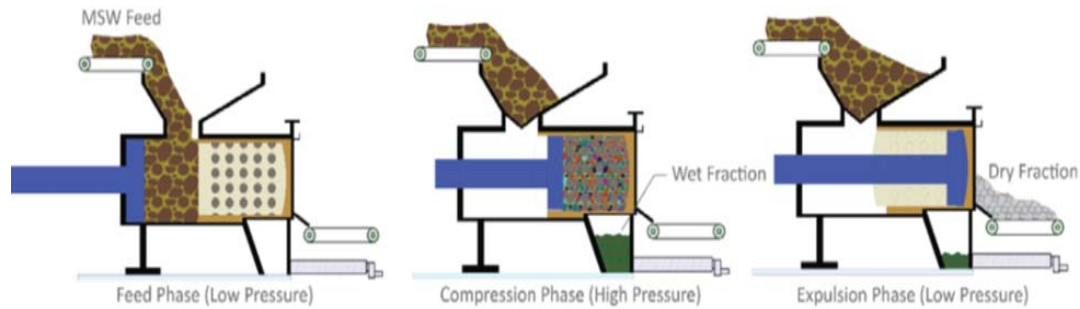


Why a System to  
Process Food  
Waste?

What Problems  
are we Solving  
with O2E Project?

- ▶ **Comply w/ State regulations**
  - ▶ 75% overall landfill diversion
  - ▶ Organics Landfill ban by 2025 (AB1383)
- ▶ **Agency cost control** (less than compost or disposal)
- ▶ **Environmental benefits**
  - ▶ Reduce waste to landfill by 25%
  - ▶ GHG reductions (negative CO2)
- ▶ **Large Green Energy generation**
  - ▶ estimated 2MWhr continuous
- ▶ **Create pathway for *Food Waste to Fuel* project**
  - ▶ fuel our own fleet - 1 million gallons diesel year

# Organics Extraction Process

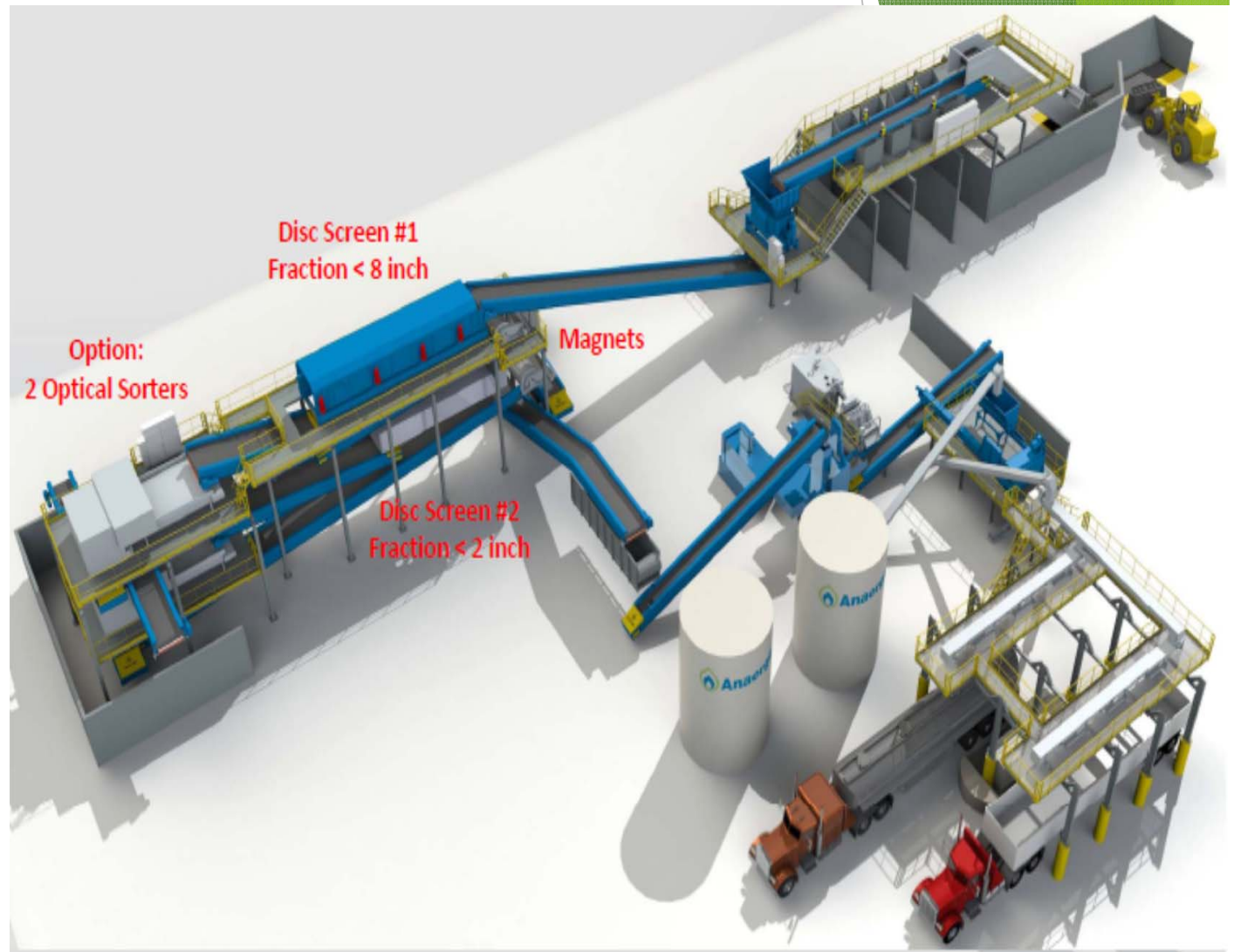


SBWMA O2E  
Pilot System  
at Shoreway



SBWMA O2E  
Full-System  
at Shoreway

Estimated  
cost \$15M



## Why a Pilot Project?

2015 Long Range Plan Proposed a Full-System

- ▶ Demonstrate of food waste AD process at multiple waste water treatment plants
- ▶ Demonstrate reliability and scaleup feasibility at multiple waste water treatment plants
- ▶ Support for second-round grant funding
- ▶ SBWMA equipment & processing cost validation for full-system buildout

# Pilot Project CapEx Budget

## What are we buying?

### ▶ Net SBWMA CapEx

- ▶ Estimated \$2.2M in new CapEx
  - ▶ Purchased equipment can be used in Full-System
- ▶ The Pilot does not obligate SBWMA to build Full-System

System Cost, Net of Grants	
\$5,000,000	Estimated System Cost
(\$1,800,000)	CalRecycle - Repurpose SF Recology Ores Press
(\$1,200,000)	CalRecycle - Equipment Grant
<u>(\$1,000,000)</u>	Potential Other Grants
<b>\$2,250,000</b>	<b>Net SBWMA CapEx Cost (with contingency)</b>

Next steps...

(In coordination  
with ZLF  
committee)

▶ **Board Approves FY18/19 CapEx Budget**

1. Draft contracts with WWTPs
2. SBR cost final operations cost proposal
3. Processing system designed, quoted, draft contract
4. Draft grant funding contracts
5. Finance Committee pro forma review
6. ZLF Committee pilot project recommendation

▶ **Board Approvals for all items above**

- ▶ Execute all contracts and purchase system
- ▶ Installed (operating w/in one year of purchase)