



To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Marshall Moran, Finance Manager
Date: June 25, 2015 Board Meeting
Subject: Resolution Approving FY1516 Operating Budget

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2015-20 attached hereto authorizing the following action:

Adoption of the FY1516 operating budget.

If the Board decides to not approve the budget a budget continuation resolution is also attached. Adoption of the FY1516 budget would approve the capital projects shown in **Attachment A**, capital worksheet, for FY1516, subject to specific Board approval for projects exceeding the Purchasing Policy limit of \$50,000 which will be brought back for Board approval at the appropriate time. Budget approval does not approve any capital for the forecasted future fiscal years.

Summary

The budget figures shown in **Attachment A** have been updated per changes noted in the May 28, 2015 budget staff report, notably an update on tonnage figures and related budget assumptions using data through April 2015. Additionally, staff added \$30,000 to the Long Range Plan budget line item to address research on zero waste related policy options and an assessment of processing and treatment technologies for identified waste streams as part of the Zero Landfill Working Group project.

After reviewing all of the budget changes the estimated net income improved \$41,293. Staff adjusted downward the assumed average franchise tipping fee increase from 3.77% to 2.16%. Staff also reduced the average assumed public tipping fee increase from 1.9% to 0.9%. This produces budget results in line with what was previously provided the Board in the April and May budget staff reports. In total, these assumed franchised tipping fee adjustments result in an estimated collection rate impact of 0.6%. **Table 10** on page 10 of the staff report breaks out this estimated collection rate impact by Member Agency.

Analysis

Overview

In **Attachment A** you will find the FY1516 detailed operating budget (including cash reserve balances, revenues, expenses and capital budget) with forecasted revenues of \$42,523,900 and expenses of \$41,003,014. The expense detail in **Attachment A** is organized by the five main areas of our budget (i.e., Administration, Contract Compliance and Support, Recycling - AB 939 and AB 341 Compliance, Collection Operations, and Shoreway Operations). These first four areas of the budget are referred to as the SBWMA program budget, exclusive of Shoreway Operations. The program budget totals \$3,815,114 inclusive of \$662,800 of pass through costs associated with the Door-to-Door HHW collection program. The budget document also includes a variance column (FY1516 budget vs. adopted FY1415) by line item and includes notes where applicable to explain a line item. This variance to the adopted budget was used given that the mid-year budget figures changed very little from the adopted budget figures. Further program expense line item detail can be found in **Attachment B** and detail for Shoreway commodity revenue and operations expense can be found in **Attachment F**.

Shoreway Operations includes all South Bay Recycling (SBR) compensation, disposal and processing expenses and all other direct expenses related to the SBWMA's responsibilities and obligations as the owner of the facility. The Shoreway operating expenses are largely non-discretionary expenses (e.g., SBR operator compensation, disposal and processing expense and franchise fee payments to the City of San Carlos) and are variable to tonnage delivered to the Shoreway facility and to annual calendar year contractual CPI-based compensation adjustments. These expenses total 90.7% of the total expense.

The current organization chart and details on personnel related budget assumptions can be found in **Attachments C and D**, respectively. No changes are proposed in staffing levels or in employee benefits. However, the budget reflects a 10-week overlap of the current retiring Finance Manager with a new Finance Manager to help ensure a successful transition given the critical nature of this position.

Proposed New Projects and Activities in FY1516

The upcoming fiscal year is a critical transition year as the JPA begins to implement a new long range plan and prepares its Member Agencies for critical decisions related to their Franchise Agreements with Recology. The FY1516 budget includes all the recommended long range plan projects assumed for FY1516 totaling \$430,000 in spending pending Board direction including:

- Implement an every other week residential garbage collection pilot **(\$120,000)**.
- Develop and implement public education and notification to residents participating in the Recology residential split-body collection vehicle pilot project **(\$17,000)**.
- Develop and implement enhanced commercial recycling outreach targeting businesses and multi-family **(\$60,000)**.
- Implement a stakeholder engagement process for the environmental education center and tour program **(\$25,000)**.
- Completion of conceptual designs for a Shoreway Transfer Station mixed waste processing system to recover organics materials and other recyclables from residential and commercial solid waste **(\$183,000)**.
- Complete Recology administration building remodel design assessment to accommodate SBWMA offices **(\$25,000)**.

Staff also added \$30,000 to the Long Range Plan budget line item related to the Zero Landfill Working Group project requested by the Board in May.

\$45,000 is budgeted to complete the financial analysis of both Recology's and SBR's actual cost of operations to prepare to forecast future collection costs. Consultant(s) will assist staff with analyzing the contractor's actual costs vs. compensation. Budgeted figures are relatively modest based on the assumption that both contractors are expected to share information on their actual operational costs.

Staff will continue to analyze the JPA's cost of operations and to that end work activities are assumed as follows:

- Evaluate the current model used for outsourced HR and payroll administration by a third party and make recommendations for changes if appropriate.

Finally, staff is budgeting for some new community events at Shoreway including:

- Host three seasonal (summer, fall, spring) compost and mulch giveaway events at Shoreway. With the JPA having free compost availability it makes sense for the JPA to help do its part to support water conservation efforts given our continued drought. \$3,000 is included in the budget for outreach to support the events. There will be additional synergies to promote the use of compost and mulch products with the pending relocation of Lyngso from their Redwood City location to the Hatcher Press property adjacent to our Shoreway facility.
- "America Recycles Day" event at Shoreway in November. The event will be modeled after our annual Earth Day event which typically draws 300-400 visitors. Funds for the event are included in the Shoreway education center budget which remains unchanged at \$60,000 from FY1415.

Ongoing Core Staff Responsibilities

- Continued oversight and contract administration support for the 12 collection services Franchise Agreements with Recology San Mateo County (RSMC). This work is accomplished with approximately two full-time employees, one fewer than when the 12 new Franchise Agreements went into effect on January 1, 2011.
- Manage all public education activities to support the residential collection services and manage the development of the outreach materials for the commercial collection programs. \$240,000 is budgeted for residential outreach and \$185,000 for commercial outreach. Another \$80,000 is earmarked for outreach for the HHW door-to-door collection program. In addition to the SBWMA's \$185,000 for commercial outreach, Recology has a budget of over \$900,000 per year to cover management of the Commercial Recycling Outreach program with a staff of nine; this expense is included in Recology's compensation and not in the SBWMA budget.
- Continued oversight of the SBR Shoreway operations and management of all disposal and processing contracts with one full-time employee.
- Management of the annual contractor compensation adjustment process, including review of the 2016 RSMC and SBR compensation applications, and completion of final reports (Recology and SBR) for 2016.
- Support of existing recycling programs, notably ongoing residential public outreach; AB 341 commercial recycling outreach; expanded outreach to support multi-family recycling; and oversight and outreach for the HHW Door-to-Door collection services for 12 Member Agencies.
- Management of the Shoreway Education Center tour program, including the school tours and public tours. This program is educating 5,000 tour visitors per year with two full-time employees.
- Management of all ongoing capital repairs and maintenance at the 16-acre Shoreway facility, including nearly 200,000 square feet of building space and \$20 million in equipment owned by the SBWMA. This work is managed by the same employee that manages the SBR contract and all disposal and processing contracts. Please see **Attachment E** for a brief description on each capital project.

Attachment G provides a summary of historical outreach spending and associated program results from 2010 to 2014. Notably, as residential outreach spending has declined and leveled off there has been a corresponding leveling off and reduction in diversion rates and participation rates. As part of the 2015 Long Range Plan, staff is recommending an enhanced residential outreach pilot in FY1617. Commercial outreach spending is budgeted to increase \$60,000 as recommended in the 2015 Long Range Plan.

Financial Summary

Overall, the preliminary FY1516 budget reflects solid financial results with fully funded cash reserves, an undesignated cash reserve balance of \$3.175 million, and an overall increase in the operating budget of 3.6%. Franchise solid waste and organics tipping fees are assumed to increase by 2.16% effective January 1, 2016 which effects half the fiscal year. Prudent management of controllable expenditures and Shoreway operating and disposal and processing contracts tied to CPI price adjustments continues to align costs with revenue.

As shown in **Table 1** on the next page, FY1516 contribution to cash reserves is projected at \$1,520,886 which is \$818,939 less than our FY1415 adopted budgeted (2% of revenue) largely due to lower commodity revenue of \$1,181,800 on lower commodity prices, and higher SBWMA program budget and slightly offset by lower interest expense of \$52,400. After capital expenditures and bond principal payments, the net contribution to cash reserves is projected to be negative \$986,114. Capital spending for FY1516 is forecasted to be \$392,750 higher than the adopted FY1415 budget largely due to the delay in the MRF canopy project.

Contributing factors to higher operating expenses include higher SBWMA program expense of \$247,439 with a notable line item increase of \$227,500 for long range plan projects, and \$141,300 for the door to door HHW collection program (higher expense 100% offset by revenue). Shoreway operating expenses for SBR compensation is assumed to increase \$678,500 or 4%. This is largely driven by higher MRF volume which has no visible revenue impact due to lower commodity prices reducing commodity revenue. Disposal and processing costs increase by \$350,500 or 2.5%.

Table 1

FY1516 SUMMARY

CATEGORIES	FY1415 Adopted Budget	FY1415 Mid-Year Budget¹	FY1516 Budget²	Variance	%
Total Revenue	\$41,927,800	\$41,263,900	\$42,523,900	\$596,100	1%
Total Operating Expense	\$36,702,475	\$36,219,636	\$38,169,914	(\$1,467,439)	-4%
Earnings Before Interest:	\$5,225,325	\$5,044,264	\$4,353,986	(\$871,339)	-17%
Interest Expense	\$2,885,500	\$2,885,500	\$2,833,100	\$52,400	2%
Contributions to Cash Reserves:	\$2,339,825	\$2,158,764	\$1,520,886	(\$818,939)	-35%
Capital Expenditures, adjusted	(\$925,000)	(\$265,000)	(\$1,204,000)	(\$279,000)	30%
Bond Principal Payment	(\$1,205,000)	(\$1,205,000)	(\$1,303,000)	(\$98,000)	8%
Net Contribution to Cash Reserves:	\$209,825	\$688,764	(\$986,114)	(\$1,195,939)	-570%

¹ Mid-year projection for capital spending has been reduced from \$910,000 to \$265,000 given certain projects not occurring in FY1415.

² FY1516 capital net of equipment replacement reserve funding of \$113,750.

Note: Interest is shown separately in this table only. All other schedules have interest combined with operating expense.

Revenues

Table 2 below provides a summary of revenue by line item with total operating revenues for FY1516 budgeted to be \$596,100 (1.4%) higher than our FY1415 adopted budget. Higher franchise tipping fee (rates charged at Shoreway for franchise tons delivered by Recology) and higher than expected public volumes is largely offset by lower commodity revenue. MRF host fee revenues received for handling 3rd party recyclables (from Recology) are increasing on higher volume over FY1415. The HHW revenue of \$662,800 is fully offset by the HHW collection costs of \$662,800 included in the SBWMA program budget. HHW revenue increase is largely due to two Member Agencies joining the program in March 2015 (Town of Atherton and City of Redwood City).

As noted at the bottom of Table 2, the commodity revenues shown are net of the 28% revenue share (\$1,064,400) paid to SBR and payments to Shoreway buyback customers (\$897,900).

Table 2

FY1516 REVENUES

Revenues	FY1415 Adopted Budget	FY1415 Mid-Year Projections	FY1516 Budget	Variance	Variance %
Tip Fee Revenues	\$32,221,900	\$31,773,100	\$33,602,300	\$1,380,400	4.3%
Non Franchised	\$6,229,700	\$5,952,900	\$6,982,300	\$752,600	12.1%
Franchised	\$25,992,200	\$25,820,200	\$26,620,000	\$627,800	2.4%
Net Commodity Sales Revenues*	\$8,674,800	\$8,272,300	\$7,668,100	(\$1,006,700)	-11.6%
MRF - Host Fees	\$361,800	\$390,400	\$443,500	\$81,700	22.6%
Interest Income	\$56,500	\$67,400	\$48,200	(\$8,300)	-14.7%
HHW and Other Revenue	\$612,800	\$760,700	\$761,800	\$149,000	24.3%
Total Revenues:	\$41,927,800	\$41,263,900	\$42,523,900	\$570,000	1.4%

*Gross commodity sales – 28% revenue share with SBR and buyback payments.

As shown in **Table 3** below, franchise tonnage is projected to be 3,788 tons higher (1.3%) than the FY1415 budget with a weighted average tip fee increase of \$0.97/ton or 1.1% (solid waste and organics rates increase 2.16% effective January 1, 2016). Public volumes are forecast to increase 8.0% with tipping fees up 3.7% (0.0% increase for solid waste and 4.2% for green waste effective January 1, 2016). The weighted average tipping fee increase figures below account for the proposed price changes and forecasted volumes (tons and yards) and the January 1, 2016 price increase impacting half of FY1516.

Table 3

TIP FEE REVENUE		FY1415 Adopted Budget	FY1415 Mid-Year Projections	FY1516 Proposed Budget	2016 vs 2015 Budget Variance	%
Franchise						
Tons		280,747	278,776	284,535	3,788	1.3%
Wtd Avg. Tip Fee		\$ 92.58	\$ 92.62	\$ 93.56	\$ 0.97	1.1%
Franchise Revenue		\$ 25,992,156	\$ 25,820,153	\$ 26,620,000	\$ 627,844	2.4%
Public						
Yards		182,976	170,994	197,704	14,728	8.0%
Wtd Avg. Tip Fee		\$ 34.05	\$ 35.49	\$ 35.32	\$ 1.27	3.7%
Public Revenue		\$ 6,229,698	\$ 6,068,575	\$ 6,982,300	\$ 752,602	12.1%
Total Tip Fee Revenue		\$ 32,221,854	\$ 31,888,728	\$ 33,602,300	\$ 1,380,446	4.3%

Table 4 below provides the detail on the franchise tonnage and public yards forecast for FY1516. Franchise solid waste tons are expected to increase 3.6% while organics decline 2.8% due to continued drought conditions.

Public solid waste yards are expected to increase 8.0% compared to FY1415. Strong growth is projected for construction & demolition business likely due to heightened construction activity locally.

Table 4

Total TS Tonnage and Yardage		FY1415 Adopted Budget	FY1415 Mid-Year Projections	FY1516 Proposed Budget	2016 vs 2015 Budget Variance	%
Franchise						
SBWMA Solid Waste	tons	176,143	177,835	182,529	6,386	3.6%
SBWMA Organics	tons	100,815	97,043	97,988	-2,826	-2.8%
SBWMA Dirt, Inert, Other	tons	3,790	3,898	4,018	228	6.0%
sub-total Franchise		280,747	278,776	284,535	3,788	1.3%
Non-SBWMA Weighed Dirt	tons	5,099	6,122	6,804	1,705	33.4%
Total Tons		285,846	284,898	291,339	5,492	1.9%
Public						
Public Solid Waste Yards	yards	67,277	55,672	63,580	-3,696	-5.5%
Public Green Waste Yards	yards	48,209	43,562	51,825	3,616	7.5%
Public C&D	yards	67,490	71,761	82,298	14,808	21.9%
Total Yards		182,976	170,994	197,704	14,728	8.0%

Table 5 below summarizes budgeted commodity revenue detail. Commodity revenues are budgeted at \$9,630,366 which is \$1,181,824 or 10.9% lower than FY1415 budget. MRF commodity tonnage sold is higher than FY1415 budget by 4,354 tons, but is more than offset by lower budgeted commodity prices of \$28.56/ton. Commodity prices have continued to slide since our mid-year budget projections in January 2015, but are forecasted to increase slightly over the next year. The weighted average commodity revenue per ton figure of \$142.70 is somewhat below historical averages which have been around \$165-\$170 per ton but is well above the effective floor price (i.e., Shoreway Operations Agreement minimum revenue guarantee per year of \$5,598,060) we receive from SBR of \$85.69/ton. The JPA's rate stabilization fund effectively buffers against needing large tip fee increases to mitigate any significant temporary drops in commodity revenue as experienced in the fall of 2008 as far as meeting bond covenants.

Table 5

COMMODITY REVENUE	FY1415 Adopted Budget	FY1415 Mid-Year Projections	FY1516 Proposed Budget	2016 vs 2015 Budget Variance	%
Tons Sold	63,134	64,935	67,488	4,354	6.9%
Wtd Avg. Price	\$ 171.26	\$ 162.75	\$ 142.70	\$ (28.56)	-16.7%
Gross Revenue	\$ 10,812,190	\$ 10,568,093	\$ 9,630,366	\$ (1,181,824)	-10.9%
Revenue Share w/ SBR	\$ (1,521,368)	\$ (1,407,569)	\$ (1,064,410)	456,958	-30.0%
Buyback Payments	\$ (615,972)	\$ (888,242)	\$ (897,939)	-281,967	45.8%
Net Commodity Revenue	\$ 8,674,850	\$ 8,272,282	\$ 7,668,018	\$ (1,006,832)	-11.6%
Price / Volume Impact		Price	Volume	Total	
Tonnage Change		\$ 142.70	\$ 4,354	\$ 621,305	
Price Change		\$ (28.56)	\$ 63,134	\$ (1,803,128)	
Total Change (Gross)				\$ (1,181,824)	

See Attachment F (Tables 2 and 3) for more detail on commodity price trends and tonnage.

Expenses

Table 6 below summarizes all budgeted expenses for FY1516 which overall are 3.6% above FY1415 adopted budget levels.

Table 6

FY1516 EXPENSE SUMMARY						
EXPENSE CATEGORIES	FY1415 Adopted Budget	FY1415 Mid-Year Budget	FY1516 Budget	FY1516 Budget % of Total	Variance	%
SBWMA Program	\$2,901,375	\$2,893,175	\$3,148,814	7.7%	\$247,439	8.5%
HHW Collection	\$521,500	\$645,261	\$666,300	1.6%	\$144,800	27.8%
Shoreway Operations	\$31,732,800	\$31,168,200	\$32,760,200	79.9%	\$1,027,400	3.2%
Interest Expense	\$2,885,500	\$2,885,500	\$2,833,100	6.9%	(\$52,400)	-1.8%
Franchise Fees to San Carlos	\$1,546,800	\$1,513,000	\$1,594,600	3.9%	\$47,800	3.1%
Total Expense	\$39,587,975	\$39,105,136	\$41,003,014	100.0%	\$1,415,039	3.6%

Table 7 below breaks out the SBWMA Program expense categories.

Table 7

FY1516 SBWMA PROGRAM EXPENSES					
EXPENSE CATEGORIES	FY1415 Adopted Budget	FY1415 Mid-Year Budget	FY1516 Budget	Variance	%
Administrative Expenses	\$1,762,475	\$1,754,275	\$1,766,814	\$4,339	0.2%
Contract Compliance & Support	\$257,400	\$257,400	\$291,000	\$33,600	13.1%
Recycling & AB 939 Compliance	\$881,500	\$881,500	\$1,091,000	\$209,500	23.8%
Total SBWMA Program Expense w/o HHW Pass Through Costs:	\$2,901,375	\$2,893,175	\$3,148,814	\$247,439	8.5%

Program Budget

The SBWMA proposed FY1516 program expense budget is \$3,148,814, exclusive of Shoreway operations and HHW collection services, which is 8.5% higher than the FY1415 adopted budget. Notable variances within the program (category) areas of the budget include:

- **Contract Compliance and Support expenses** – 13.1% or \$33,600 higher than FY1415 adopted budget.
 - \$20,000 for a financial analysis of SBR's actual operational costs vs. compensation.
 - \$25,000 for a financial analysis of Recology's actual operational costs vs. compensation.
 - \$35,000 for on-call consultant support for the new Finance Manager.
 - The above costs are partially offset by lower costs for annual financial and systems audit of contractors, and reduced consultant support for rate work.
- **AB 939 and AB 341 Compliance** – 23.8% or \$209,500 higher than FY1415 adopted budget.
 - \$227,500 higher expenses for long range plan projects
- **Collection Operations** – 27.8% or \$144,800 higher than FY1415 adopted budget.
 - \$141,300 higher expense for the Door-to-Door HHW collection program largely due to a full-year effect of the recent rollout of new services in Atherton and Redwood City. HHW expense is fully offset by HHW revenue.

Further expense line item detail can be found in **Attachment B**. A fuller discussion on staff wage and benefit costs can be found under "Personnel" on the next page.

Shoreway Operations

Table 8 below summarizes budgeted Shoreway operations expenses for FY1516 which are 2.8% above FY1415 adopted budget levels.

Table 8

FY1516 EXPENDITURE DETAIL FOR SHOREWAY OPERATIONS					
EXPENSE CATEGORIES	FY1415 Adopted Budget	FY1415 Mid-Year Budget	FY1516 Budget	Variance	%
SBR Compensation*	\$17,061,200	\$17,015,900	\$17,739,700	\$678,500	4.0%
Disposal and Processing*	\$14,121,800	\$13,628,500	\$14,472,300	\$350,500	2.5%
Insurance Shoreway	\$213,400	\$213,000	\$211,400	(\$2,000)	-0.9%
Education Center	\$75,000	\$60,000	\$60,000	(\$15,000)	-20.0%
Debt Service Bond Interest	\$2,885,500	\$2,885,500	\$2,833,100	(\$52,400)	-1.8%
Other Operating Expenses	\$226,000	\$216,000	\$241,000	\$15,000	6.6%
Taxes (Sewer)	\$35,400	\$34,800	\$35,800	\$400	1.1%
Franchise Fee (San Carlos)**	\$1,546,800	\$1,513,000	\$1,594,600	\$47,800	3.1%
Total Shoreway Operations:	\$36,165,100	\$35,566,700	\$37,187,900	\$1,022,800	2.8%
* Expense projection based on estimated facility tonnage					
** Expense projection based on estimated gate revenue (tipping fees x estimated tons)					

Notable variances from the FY1415 adopted budget include:

- Higher Shoreway operator expenses of \$678,500 in payments to SBR; \$420,700 from assumed January 1, 2016 compensation rate increases, mix of materials (more MRF tons but less transfer station tons), and changes to mix to organics processor destinations. These expenses are slightly reduced from lower transportation costs and SBR interest expense. SBR's 2016 compensation rates are estimated to increase approximately 1.8% which effects half of the fiscal year. (See **Attachment F**, Table 4 for detail).
- Disposal and processing expenses are higher than the FY1415 adopted budget by \$350,500 primarily from higher assumed disposal and processing rates effective January 1, 2016 and 4,205 higher total tons (9,211 more solid waste tons, 1,061 higher C&D tons but 6,068 lower organics tons). (See **Attachment F**, Table 5 for detail).
- The Education Center budget is \$15,000 lower due largely to lower than expected school busing costs which are assumed to be \$19,000 for the upcoming fiscal year.
- Interest on our bonds to build the 2009 Master Plan improvements will decline by \$52,400 in FY1516.

Personnel

As detailed in **Attachment D**, the Administrative staff and AB 939 program staff budget line items reflect an assumed merit increase pool of 3% of total wages and no changes in salary ranges; such merit increases total \$20,642 – half in fiscal year. Per Board discussion and direction at the May 22, 2014 Board meeting, the Board will separately review and consider approval of the final merit increase pool in November 2015.

The SBWMA continues to have a very sustainable and cost effective business model for how the Agency manages its employee costs with key points as follows:

- The SBWMA is a non-PERs agency. Our seven current employees are offered a self-directed 401(a) and 457(b) plans, very similar to private sector 401(k) plans. We have no employee pensions and thus no long-term pension obligations. We do not participate in the Social Security system. There are no post-retirement benefits.
- All employees are non-represented; there are no collective bargaining agreements with our employees.
- There are no automatic salary adjustments for employees such as a COLA adjustment or step increases. Employee performance is evaluated each year and merit increases are granted on a calendar year basis using the Board approved merit increase pool and within the salary range of each position.
- There are no proposed changes to the benefit package as identified in the Board approved updated Employee Handbook on February 26, 2015.
- The above factors result in a low benefit to wage ratio of 35.7%.

The SBWMA also has one contract position, Recycling Programs Manager, through Local Government Services (LGS) which provides PERs benefits. This position's profile is similar to municipal agencies and thus the position recruitment focused on municipal employees who normally have PERs benefits.

Per Board direction, **Appendix D** also includes details on the SBWMA's benefit plans.

Capital Spending

Proposed FY1516 capital spending of \$1,317,750 is \$392,750 higher than the adopted FY1415 budget amount of \$925,000 largely due to the \$450,000 project for expansion of the MRF tipping area with a canopy extension to the existing building. The actual spending for FY1415 will be lower by \$450,000 due to the delay in the canopy project into FY1516.

Additional detail on capital projects can be found on the capital projects worksheet included in **Attachment A** and **Attachment E**. Per Board feedback, staff has added a forecast for capital spending for the four fiscal years after FY1516; this provides a five-year snapshot of estimated capital spending. The forecast includes recommended capital projects in the 2015 Long Range Plan and for the first-time includes expected MRF equipment replacement costs.

Reserve Balances

Table 9 below captures the reserve balance projections for FY1516 compared to the FY1415 adopted budget. The undesignated reserve balance is projected to be \$3.175 million which is \$0.9 million higher than the FY1415 adopted budget but \$1.3 million lower than the FY1415 mid-year budget. This is primarily due to \$0.7 million higher FY1314 actual balance than was used in the adopted budget but was used in the mid-year budget – it was not finalized by the auditor until November 2014. The proposed FY1516 budget is lower than the FY1415 mid-year budget due to lower Contribution to Cash Reserves and higher capital expenditures.

Table 9

	ACTUAL FY1314	ADOPTED BUDGET FY1415	MID-YEAR BUDGET FY1415	PROPOSED BUDGET FY1516
UNRESTRICTED:				
RATE STABILIZATION (10% of expense)	\$ 3,703,283	\$ 3,906,648	\$ 3,845,988	\$ 4,033,671
EMERGENCY RESERVE (10% of total expense)	\$ 3,703,283	\$ 3,906,648	\$ 3,845,988	\$ 4,033,671
EQUIPMENT REPLACEMENT (ANNUAL)	\$ 1,130,726	\$ 1,542,328	\$ 1,542,328	\$ 1,499,514
UNDESIGNATED	\$ 4,589,433	\$ 2,530,236	\$ 4,527,022	\$ 3,175,018
TOTAL UNRESTRICTED GENERAL RESERVES	\$ 13,126,724	\$ 11,885,859	\$ 13,761,325	\$ 12,741,874
COMMITTED:				
BOND PRINCIPAL PAYMENT FUND	\$ 1,004,167	\$ 1,058,330	\$ 1,058,330	\$ 1,091,667
TOTAL GENERAL RESERVES	\$ 14,130,891	\$ 12,944,189	\$ 14,819,655	\$ 13,833,541
	\$ 14,130,891	\$ 12,944,189	\$ 14,819,655	\$ 13,833,541
Other LT Projects (Fully Funded)				
SHOREWAY REMEDIATION PROJECT	\$ 1,289,283	\$ 1,209,283	\$ 1,209,283	\$ 1,239,800

Note: the FY1314 Rate Stabilization and Emergency Reserves have been recalculated using the same methodology as the other periods. It had inadvertently been calculated differently. The total unrestricted reserve is unchanged at \$13.12 million.

Despite the high undesignated cash reserve balance, staff is assuming tipping fee increases at the Shoreway facility effective January 1, 2016 so as to meet bond covenant requirements (which are on a calendar year basis). The FY1516 budget figures produce estimated bond covenant requirements results of 1.007 for the break-even test (minimum of 1.0 required) and 1.47 for the debt coverage test (minimum of 1.4 is required). While a revenue transfer from cash reserves can be made to comply with the bond covenant requirements, staff believes it's important to maintain our undesignated cash reserve balances to help meet future capital requirements at Shoreway related to the Long Range Plan. Also, the full year impact of the tip fee increase will improve these bond covenant test results.

Background

At the April 23 and May 28, 2015 Board meetings staff provided detailed presentations on the preliminary FY1516 budget and answered questions from Board Members.

On January 22, 2015 the Board conducted a mid-year review of the FY1415 budget and adopted a revised budget to reflect \$175,000 in additional one-time expense for SBR operations associated with impacts from the slow-down at the Port of Oakland. This FY1415 budget adjustment was subsequently revised upwards, per Board approval at the May 2015 Board meeting, to a not to exceed amount of \$196,798.

On June 26, 2014 the SBWMA Board of Directors adopted the FY1415 Operating Budget, inclusive of the SBWMA program budget and Shoreway Operations.

Fiscal Impact

For FY1516 staff is projecting contribution to cash reserves of \$1,520,886 which is \$818,939 below our FY1415 adopted budget contribution of \$2,339,825 (see **Table 1** on page 4 of the staff report). This lower contribution is 1.95% of total revenue due primarily to the following factors:

- Lower net commodity revenue (gross commodity revenue – commodity revenue share with SBR) from lower prices of \$724,800
- Higher SBWMA program expense of \$247,439 primarily due to additional Long Range Plan projects
- Lower bond interest expense of \$52,400

Non-operating obligations (i.e., bond principal payment and capital expenditures) are not included in the contribution to cash reserves but are paid out of contributions to arrive at Net Contribution to Cash Reserves (i.e. Cash Flow). These obligations include: bond principal payment (\$1,303,000) and NET capital expenditures (\$1,204,000). Net Cash Flow after deducting these items for FY1516 is negative \$986,114. All cash flow items are included in the reserve calculation. (See **Table 1** on page 4 of the staff report.)

The assumed increases in franchise tipping fees of 2.16% effective January 1, 2016 will have an estimated collection rate impact for calendar year 2016 of 0.6%. If no franchise tipping fee increases are assumed in the budget the net contribution to cash reserves would drop by \$260,700 and estimated bond covenant test results would drop from 1.007 to 1.001 for the break-even test (1.0 minimum) and from 1.47 to 1.41 for the debt coverage test (1.4 minimum). The Board reviews actual recommendations for tipping fee adjustments at the November Board meeting for calendar year 2016. Franchise tipping fees did not increase for calendar year 2015.

Table 10 below shows the 0.6% impact of franchise tip fee increases on total collection rates and each Member Agency's estimated rate impact. The table also shows the potential impact on the residential 32 gallon cart size rates. (Note: only Member Agencies set rates so this table is hypothetical).

Table 10

Shoreway Franchise Tip Fee Increase: January 1, 2016 - 2.16%			
<i>Estimate</i>			
2016 Collection Rate Impact	% Increase*	Residential Monthly Rate Impact (32 gal.) Cost/Month	2015 32 gal. rate / mo
Atherton	0.6%	\$0.35	\$ 55.00
Belmont	0.4%	\$0.14	\$ 34.86
Burlingame	0.6%	\$0.14	\$ 23.85
East Palo Alto ¹	0.7%	\$0.29	\$ 40.77
Foster City	0.6%	\$0.14	\$ 22.00
Hillsborough	0.5%	\$0.24	\$ 50.80
Menlo Park	0.6%	\$0.13	\$ 23.40
North Fair Oaks	0.6%	\$0.17	\$ 27.31
Redwood City	0.6%	\$0.16	\$ 27.30
San Carlos	0.5%	\$0.15	\$ 31.18
City San Mateo	0.6%	\$0.26	\$ 46.41
West Bay Sanitary District	0.5%	\$0.20	\$ 37.60
County San Mateo (CFA)	0.5%	\$0.19	\$ 34.96
TOTAL SBWMA	0.6%		
¹ All residential accounts receive a 96-gallon garbage cart.			
* The rate increase % is for total collection revenue. Member Agencies decide how to allocate the actual rate increase across residential and commercial account service levels.			

Attachments:

Resolution 2015-20

A – FY1516 Budget

B – Programmatic Detail (Staff Resources and Description of Key Projects and Work Activities)

C – Organization Chart

D – Personnel Summary

E – Capital Project Description

F – Back-Up Financial and Operational Data

G – Historical Outreach Spending and Program Results



RESOLUTION NO. 2015-20

**RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
BOARD OF DIRECTORS
ADOPTING THE FY1516 OPERATING BUDGET**

WHEREAS, the South Bayside Waste Management Authority (SBWMA) proposed budget as presented is balanced and provided sufficient funds for normal operations.

NOW THEREFORE, BE IT RESOLVED, by the Board of Directors of the South Bayside Waste Management Authority that the Board adopts the FY1516 operating budget.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 25th day of June, 2015, by the following vote:

<u>Agency</u>	<u>Yes</u>	<u>No</u>	<u>Abstain</u>	<u>Absent</u>	<u>Agency</u>	<u>Yes</u>	<u>No</u>	<u>Abstain</u>	<u>Absent</u>
Atherton					Menlo Park				
Belmont					Redwood City				
Burlingame					San Carlos				
East Palo Alto					San Mateo				
Foster City					County of San Mateo				
Hillsborough					West Bay Sanitary District				

I HEREBY CERTIFY that the foregoing Resolution No. 2015-20 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 25, 2015.

ATTEST:

Bill Widmer, Chairperson of SBWMA

Cyndi Urman, Board Secretary



RESOLUTION NO. 2015-21
RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
BOARD OF DIRECTORS
GRANTING AUTHORITY FOR CONTINUED APPROPRIATIONS AND EXPENDITURES FOR
SIXTY (60) DAYS

WHEREAS, the South Bayside Waste Management Authority (SBWMA) is on a fiscal year July 1 - June 30th; and

WHEREAS a budget for FY1516 will not be ready for review and approval by the Board of Directors until after the start of FY1516; and

WHEREAS, there is a continued need to conduct business by the SBWMA after the start of FY1516 budget year.

THEREFORE, BE IT RESOLVED, that the Board grants the Executive Director continued authority for appropriations and expenditures at the current level for the first sixty (60) days of FY1516 for the SBWMA.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 25th day of June, 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 District				

I HEREBY CERTIFY that the foregoing Resolution No. 2015-21 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 25, 2015.

ATTEST:

 Bill Widmer, Chairperson of SBWMA

 Cyndi Urman, Board Secretary

FY1516 BUDGET

CAPITAL PROJECTS

PROJECT DESCRIPTION	ADOPTED BUDGET FY1415	MID YEAR PROJECTION FY1415	YTD 4/2/15	PROPOSED BUDGET FY1516	FORECAST FY1617	FORECAST FY1718	FORECAST FY1819	FORECAST FY1920
570300 SF044 Transfer Station (TS)Tipping floor resurfacing	200,000	-	-	100,000	100,000	100,000	100,000	100,000
570300 SF045 Site paving repairs and restriping ³						600,000		1,400,000
570300 SF047 Site signage	40,000	40,000	-	-				
570300 SF049 Truck shop building maintenance	20,000	20,000	-	20,000	20,000	20,000	20,000	20,000
570300 SF050 TS building maintenance	20,000	20,000	-	20,000	20,000	20,000	20,000	20,000
570300 SF051 MRF building maintenance	25,000	25,000	-	225,000	125,000	125,000	125,000	125,000
570300 SF052 Admin building maintenance	40,000	40,000	-	20,000	115,000	40,000	40,000	40,000
570300 SF053 Site maintenance	25,000	25,000	-	65,000	30,000	30,000	30,000	30,000
570300 SF055 Fire suppression				15,000		15,000		
570300 SF056 Repairs to landfill tipper	70,000	70,000	-	15,000	15,000	15,000	15,000	15,000
570300 SF060 Education center exhibits	15,000	-	-	-		15,000		
570300 SF061 MRF tip area canopy	450,000	25,000	21,200	450,000				
570300 SF062 Electric charging station	20,000		0	-		15,000		
570300 SF063 Replace diesel fuel storage and dist. System ³				-				275,000
SF066 CNG fueling station ^{1,3}								1,312,500
570300 SF064 Energy storage system				-				
570300 SF065 Baler reline				-		120,000		
570300 new Mixed waste processing equipment ³				-		10,984,400		
new Transfer Station building improvements ³					2,532,200			
new LED Lighting retrofit ³				274,000				
new MRF equipment replacement ²				113,750	207,500	407,500	199,167	472,917
520321 SF013 PROGRAM CONTINGENCY								
SUBTOTAL CAPITAL PROJECTS:	925,000	265,000		1,317,750	3,164,700	12,506,900	549,167	3,810,417

¹ \$1,240,000 available in Shoreway Remediation fund to help cover capx.

² Equipment Replacement cash reserve funds will cover these expenses.

³ 2015 Long Range Plan recommended projects.

CAPITAL

FY1516 BUDGET

	ACTUAL FY1314	ADOPTED BUDGET FY1415	MID-YEAR BUDGET FY1415	PROPOSED BUDGET FY1516
UNRESTRICTED:				
RATE STABILIZATON (10% of expense)	\$ 3,703,283	\$ 3,906,648	\$ 3,845,988	\$ 4,033,671
EMERGENCY RESERVE (10% of total expense)	\$ 3,703,283	\$ 3,906,648	\$ 3,845,988	\$ 4,033,671
EQUIPMENT REPLACEMENT (ANNUAL)	\$ 1,130,726	\$ 1,542,328	\$ 1,542,328	\$ 1,499,514
UNDESIGNATED	\$ 4,589,433	\$ 2,530,236	\$ 4,527,022	\$ 3,175,018
TOTAL UNRESTRICTED GENERAL RESERVES	\$ 13,126,724	\$ 11,885,859	\$ 13,761,325	\$ 12,741,874
COMMITTED:				
BOND PRINCIPAL PAYMENT FUND	\$ 1,004,167	\$ 1,058,330	\$ 1,058,330	\$ 1,091,667
TOTAL GENERAL RESERVES	\$ 14,130,891	\$ 12,944,189	\$ 14,819,655	\$ 13,833,541
	\$ 14,130,891	\$ 12,944,189	\$ 14,819,655	\$ 13,833,541
Other LT Projects (Fully Funded)				
SHOREWAY REMEDIATION PROJECT	\$ 1,289,283	\$ 1,209,283	\$ 1,209,283	\$ 1,239,800

Reserves Cash Flow

REVENUES BY MAJOR CATEGORY								
REVENUE SUMMARY	ACTUAL FY1314	ADOPTED BUDGET FY1415	MID-YEAR PROJECTION FY1415	YTD 4/2/15	PROPOSED BUDGET FY1516	Variance to Adopted Budget	Variance to Appvd Bud %	
ADMINISTRATIVE REVENUES								
409100 INVESTMENT INCOME	155,458	56,500	67,400	27,925	48,200	(8,300)	-14.7%	
409101 INVESTMENT (GASB 31) MARKET VALUE ADJ						-		
409200 INTEREST INCOME	8,292					-		
TOTAL ADMINISTRATIVE	163,750	56,500	67,400	27,925	48,200	(8,300)	-14.8%	
OPERATIONS								
480026 TIPPING FEES - Non Franchised	6,096,285	6,229,700	5,952,900	3,878,714	6,982,300	752,600	12.1%	
480027 TIPPING FEES - Franchised	25,605,623	25,992,200	25,820,200	17,599,788	26,620,000	627,800	2.4%	Reflects higher assumed tipping fees effective 1/1/16.
480028 COMMODITY SALES	10,739,075	10,812,200	10,568,100	6,769,345	9,630,400	(1,181,800)	-10.9%	Soft commodity markets.
480029 COMMODITY REVENUE SHARE	(1,235,181)	(1,521,400)	(1,407,600)	1,564,801	(1,064,400)	457,000	-30.0%	Lower revenue share due to lower commodity revenues.
522717 BUYBACK PAYMENTS	(762,049)	(616,000)	(888,200)	(606,381)	(897,900)	(281,900)	45.8%	Higher payments due to greater customer volumes.
480025 E-SCRAP REVENUE	70,287	66,300	94,500	7,218	50,000	(16,300)	-24.6%	
480033 MRF Host Fee - 3RD PARTY TONS	203,848	361,800	390,400	296,584	443,500	81,700	22.6%	2nd shift tons and higher host fee.
480031 HHW DOOR TO DOOR COLLECTION SERVICE	492,980	521,500	641,200	383,585	662,800	141,300	27.1%	Service added in Atherton and Redwood City eff. 3/1/15.
480032 PERFORMANCE INCENTIVE / DISINCENTIVE		-				-	#DIV/0!	
COMMERCIAL RECYCLING REPORTING ORDINANCE	888	25,000	25,000		25,000	-		Fee revenue from commercial recyclers per Ordinance.
480008 MISCELLANEOUS REVENUE					24,000		0.0%	CA Paint Care program payments.
TOTAL OPERATIONS	41,211,756	41,871,300	41,196,500	29,893,656	42,475,700	580,400	1.4%	
TOTAL REVENUE	41,375,506	41,927,800	41,263,900	29,921,581	42,523,900	596,100	1.4%	
CONTRIBUTION TO CASH RESERVES	3,851,834	2,339,825	2,158,764		1,520,886	(818,939)	-35.0%	
% OF REVENUE		5.6%				-1.95%		

REVENUES

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY								
EXPENDITURE SUMMARY	ACTUAL FY1314	ADOPTED BUDGET FY1415	MID-YEAR PROJECTION FY1415	YTD SPENT 4/2/15	PROPOSED BUDGET FY1516	Variance to Adopted Budget	Variance % to Adopted Budget	Notes
ADMINISTRATIVE EXPENSES								
520305 ADMINISTRATIVE STAFF	463,454	566,900	567,500	386,662	565,798	(1,102)	-0.2%	Staff wages and benefits for Exec. Dir., Finance Manager & Board Sec. 2.25 month overlap with new Finance Manager (July-early September); estimated cost of \$40,370.
520306 AB 939 PROGRAM STAFF	701,035	703,000	692,300	485,688	731,661	28,661	4.1%	
520328 EMPLOYEE RECRUITMENT / HR SUPPORT		25,000	25,000	450	5,000	(20,000)	-80.0%	Staff wages and benefits for Recycling, Outreach, Compliance and Shoreway.
520337 PEO COST (HR & PR FEES)	18,408	19,000	19,400	6,000	19,900	900	4.7%	Fees paid to contract HR and payroll service provider.
520312 BOARD COUNSEL	115,565	65,000	65,000	22,169	55,000	(10,000)	-15.4%	Contracted legal counsel services.
520300 BOARD MEETINGS	6,903	3,000	3,000	2,281	3,000	-	0.0%	
520310 ACCOUNTING SERVICES (City of San Carlos)	128,036	131,900	131,900	65,950	136,530	4,630	3.5%	Estimated fees paid to current vendor pending results of RFP process.
520334 INFORMATION TECHNOLOGY	26,999	27,000	27,000	25,096	28,000	1,000	3.7%	Fees paid to IT service provider.
520338 WEBSITE	12,578	15,000	15,000	12,578	11,500	(3,500)	-23.3%	Fees paid to website management service provider.
520301 ANNUAL FINANCIAL AUDIT	11,730	9,700	9,700	5,500	9,300	(400)	-4.1%	Fees paid to auditors to complete FY & calendar year financial statements.
520701 D&O INSURANCE	43,817	32,500	34,600	34,570	39,000	6,500	20.0%	Annual insurance premium for Director's and Officer's insurance.
520202 BANK FEES	5,364	7,900	7,900	5,581	8,000	100	1.3%	Bank fees inclusive of fees paid to BNY as the Bond Trustee.
520203 RENT (office lease)	46,925	53,000	52,450	39,314	54,300	1,300	2.5%	Assumes one-year extension on lease with one option year at current terms.
520204 PRINTING AND POSTAGE	112	150	150	71	150	-	0.0%	
520107 UTILITIES & PHONE	15,213	17,000	17,000	10,181	17,500	500	2.9%	City going out to bid for new janitorial services but currently approx. \$2,000/qr.
520905 OFFICE/TENANT IMPROVEMENTS	395	1,000	1,000	654	1,000	-	0.0%	
520201 OFFICE SUPPLIES	14,594	17,000	17,000	12,446	15,500	(1,500)	-8.8%	
520215 OFFICE EQUIPMENT COSTS	21,365	25,500	25,500	14,407	24,300	(1,200)	-4.7%	This may change if we need to change phones with new service.
520504 PUBLICATIONS & PUBLIC NOTICES	1,440	3,000	3,000	-	3,000	-	0.0%	Assumes notice for 2 bids.
520501 PROFESSIONAL DUES & MEMBERSHIPS	2,187	2,300	2,300	1,014	2,300	-	0.0%	
520801 VEHICLE MILEAGE & TOLLS		125	75	39	75	(50)	-40.0%	
520105 CELL PHONES	3,667	4,000	4,000	2,892	4,500	500	12.5%	Reimbursement for employee work related cell phone costs.
520503 CONFERENCE & MEETINGS	7,973	10,000	10,000	5,477	10,500	500	5.0%	Staff attendance at trade conferences and travel related to budgeted projects.
520502 TRAINING	2,387	6,500	6,500	1,250	5,500	(1,000)	-15.4%	Up to \$1250/employee per year for qualified educational, job related development activities, and personal development as approved by Executive Director.
520511 SPONSORSHIPS & DONATIONS	9,000	9,000	9,000	6,500	9,500	500	5.6%	Sponsorships for Acterra, SSMC, CAW and CPSC.
522706 COMPUTER PURCHASE	7,902	8,000	8,000	6,555	6,000	(2,000)	-25.0%	Two new laptops. Minor other hardware.
TOTAL ADMINISTRATIVE	\$ 1,667,049	\$ 1,762,475	\$ 1,754,275	\$ 1,153,325	\$ 1,766,814	\$ 4,339	0.2%	
CONTRACT COMPLIANCE AND SUPPORT								
520307 RATE REVIEW	32,179	40,000	40,000	6,377	25,000	(15,000)	-37.5%	3rd party consulting support if needed.
TOTAL RATE REVIEW	32,179	40,000	40,000		25,000	(15,000)	-37.5%	
CONSULTANT SUPPORT								
520308 FACILITY IMPROVEMENT OVERSIGHT		30,000	30,000	16,733	50,000	20,000	66.7%	Operations assessment @\$20K, disaster mgt. plan, utility analysis for CNG and mixed waste processing. Annual financial audit of RSMC and SBR at \$40k. \$15k for reviewing annual route assessment. \$15k call center monitoring, \$40k annual reporting system audit, \$25k operational assessment. On-call consultant support as needed. Bi-annual Recology contamination sampling.
520309 HCM01 CONTRACT MANAGEMENT SUPPORT	58,914	66,400	66,400	14,496	55,000	(11,400)	-17.2%	
520309 HCS02 COLLECTION SERVICES FRANCHISE ADMIN.	53,353	75,000	75,000	11,844	80,000	5,000	6.7%	
FINANCE MANAGER SUPPORT - NEW					35,000	35,000		
520336 QUARTERLY LOAD CONTAMINATION MONITORING	41,801	46,000	46,000	43,895	46,000	-	0.0%	
TOTAL CONSULTANT	154,068	\$ 217,400	\$ 217,400	\$ 86,969	\$ 266,000	\$ 48,600	22.4%	
TOTAL CONTRACT COMPLIANCE & SUPPORT	\$ 186,247	\$ 257,400	\$ 257,400	\$ 86,969	\$ 291,000	\$ 33,600	13.1%	

EXPENDITURES

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY								
EXPENDITURE SUMMARY	ACTUAL FY1314	ADOPTED BUDGET FY1415	MID-YEAR PROJECTION FY1415	YTD SPENT 4/2/15	PROPOSED BUDGET FY1516	Variance to Adopted Budget	Variance % to Adopted Budget	Notes
RECYCLING - AB939 AND AB 341 COMPLIANCE								
RECYCLING ADMINISTRATION								
520311 CIWMB ANNUAL REPORTS	20,311	25,000	25,000	19,750	25,000	-	0.0%	CalRecycle Electronic Annual Report for 10 Member Agencies.
520341 SBWMA ANNUAL REPORT	3,000	5,000	5,000	-	5,000	-	0.0%	
520309 HDV01 DIVERSION PROGRAM SUPPORT	17,534	60,000	60,000	-	45,000	(15,000)	-25.0%	
520508 RECYCLING REPORTING ORDINANCE EXPENSES					15,000	15,000	-	
520604 EVENT GIVEAWAYS		1,500	1,500		1,500	-	0.0%	
TOTAL RECYCLING ADMINISTRATION	40,845	91,500	91,500	19,750	91,500	\$ -	0.0%	
LONG RANGE PLAN/DIVERSION PROGRAMS								
520340 LONG RANGE PLAN ALTERNATIVES	51,358	232,500	247,500	115,119	460,000	227,500	97.8%	EOW Pilot - \$120k; Split-Body Pilot Outreach - \$17k; Commercial Outreach - \$60k; Education stakeholder engagement process - \$25k. \$183k mixed waste processing system project development to 30% design level and estimate. \$25k to further refine admin. building options. Zero landfill analysis/taskforce at \$30k.
TOTAL LONG RANGE PLAN/DIVERSION PROGRAMS	51,358	232,500	247,500	115,119	460,000	227,500	97.8%	
COMMERCIAL PROGRAMS								
520331 LARGE EVENT/VENUE CONSULTING		7,500	7,500	-	7,500	-	0.0%	MD Note - Carry over project from FY1415. If done before end of FY, not needed then. Repurpose 2nd trailer as mobile education trailer, will explore grant funding opportunities. Incorporating all of Shoreway requires much more reporting requirements and review by outside auditors. \$15k-AB1826 and AB341 Compliance Outreach; \$20K commercial toolkit; \$10k-business awards program; \$30k-commercial accounts research. \$20k for buddy bags, \$20k for other commercial containers, \$20k for municipal bldgs. All purchases for Recology. Includes \$10K AB1826 and AB 341 compliance, \$20K MFD toolkit updates/additions; \$10K battery/cell outreach; \$10K-MFD awards program.
520608 CLIMATE CHANGE REPORTING	26,909	23,000	23,000	2,924	27,000	4,000	17.4%	
520604 COE01 COMMERCIAL RECYCLING TECHNICAL ASSIST.	48,766	85,000	85,000	21,504	75,000	(10,000)	-11.8%	
520604 COE02 PURCHASE COMM/MFD CONTAINERS FOR RECOLOGY	35,894	60,000	60,000	16,666	60,000	-	0.0%	
520604 CDRCY C&D RECYCLING PROGRAM		-	-	-	-	-	#DIV/0!	
520604 MF001 MULTI-FAMILY OUTREACH	15,346	50,000	50,000	12,359	50,000	-	0.0%	
TOTAL COMMERCIAL PROGRAMS	126,915	225,500	225,500	53,452	219,500	(6,000)	-2.7%	
RESIDENTIAL PROGRAMS								
520604 QNL01 QUARTERLY NEWLESTTER DESIGN/SETUP	1,455	15,000	20,000	17,991	20,000	5,000	33.3%	Design/produce 3 newsletters. Assumes 2 direct mail newsletters and one sent via bill insert. Includes \$70K on-going outreach/support for existing programs; \$12K annual residential service notice development; \$15K website/social media maintenance and updates; \$23,000 mobile phone app annual fee.
520604 QNLPM QUARTERLY NEWLETTER PRINTING/MAILING	82,248	95,000	90,000	27,578	90,000	(5,000)	-5.3%	
520604 RES01 RESIDENTIAL OUTREACH PROGRAMS	136,895	135,000	120,000	47,868	120,000	(15,000)	-11.1%	Covers compost giveaway, e-scrap/shred and coats drive promotion. Ongoing promotion for in program, includes direct mail, print and outdoor advertisements. Included under "Community Events" line item.
520604 COMPS COMMUNITY EVENTS		1,000	1,000	675	5,000	4,000	400.0%	
520604 HHWUW HHW DOOR TO DOOR COLLECTION OUTREACH	69,778	80,000	80,000	61,775	80,000	-	0.0%	
520335 CURBSIDE HOUSEHOLD BATTERY OUTREACH	2,866	5,000	5,000	3,200	5,000	-	0.0%	
520604 ECE01 ELECTRONIC COLLECTIONS EVENTS		1,000	1,000	945	-	(1,000)	-100.0%	
TOTAL RESIDENTIAL PROGRAMS	293,242	332,000	317,000	160,031	320,000	(12,000)	-3.6%	
TOTAL RECYCLING - AB939 AND AB 341 COMPLIANCE	\$ 512,360	\$ 881,500	\$ 881,500	\$ 348,352	\$ 1,091,000	\$ 209,500	23.8%	
SUBTOTAL SBWMA PROGRAM BUDGET	\$ 2,365,656	\$ 2,901,375	\$ 2,893,175	\$ 1,588,646	\$ 3,148,814	\$ 247,439	8.5%	
COLLECTION OPERATIONS								
522710 HHW DOOR TO DOOR COLLECTION SERVICES	490,847	521,500	641,200	331,706	662,800	141,300	27.1%	Added Atherton and Redwood City effective 3/1/15. This is a pass through expense 100% offset by revenue.
522719 SHRED EVENT SERVICE			4,061	1,692	3,500	3,500	#DIV/0!	
TOTAL COLLECTION OPERATIONS	490,847	521,500	645,261	333,398	666,300	144,800	27.8%	
TOTAL SBWMA PROGRAM BUDGET	\$ 2,856,503	\$ 3,422,875	\$ 3,538,436	\$ 1,922,043	\$ 3,815,114	\$ 392,239	11.5%	

EXPENDITURES

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY								
EXPENDITURE SUMMARY	ACTUAL FY1314	ADOPTED BUDGET FY1415	MID-YEAR PROJECTION FY1415	YTD SPENT 4/2/15	PROPOSED BUDGET FY1516	Variance to Adopted Budget	Variance % to Adopted Budget	Notes
SHOREWAY OPERATIONS								
522712 OPERATOR COMPENSATION - SBR	16,359,877	17,061,200	17,015,900	11,438,736	17,739,700	678,500	4.0%	Payments per ton by JPA to SBR for facility operations services per Ops. Agreement. Payments per ton by JPA to third party disposal and processing vendors such as Ox. Mtn. landfill, organics processors, etc. Annual insurance premiums paid by SBWMA for Shoreway property and liability insurance. Facility repair and maintenance projects not treated as "capital" projects. Budget for three special public events, school busing (\$19k), tour supplies, etc. Monthly maintenance charge for truck tipper that JPA owns and Republic operates at Ox. Mtn. Unplanned MRF equipment repairs greater than \$10k are responsibility of JPA.
522713 DISPOSAL & PROCESSING COSTS	13,357,426	14,121,800	13,628,500	9,255,474	14,472,300	350,500	2.5%	
520710 INSURANCE SHOREWAY	203,081	213,400	213,000	211,439	211,400	(2,000)	-0.9%	
522714 SHOREWAY FACILITY COST	171,369	160,000	160,000	117,594	175,000	15,000	9.4%	
570300 SHOREWAY MAINTENANCE - New	25,219					-	#DIV/0!	
522718 EDUCATION CENTER OPERATIONS	38,589	75,000	60,000	21,457	60,000	(15,000)	-20.0%	
522716 MAINTENANCE - OX MTN TIPPER	28,421	36,000	36,000	21,488	36,000	-	0.0%	
520901 SHOREWAY MRF EQUIP. MAINTENANCE > \$10k		30,000	20,000	18,501	30,000	-	0.0%	
520324 TAXES (SEWER)	32,540	35,400	34,800	33,630	35,800	400	1.1%	
SUBTOTAL SHOREWAY OPERATIONS	\$ 30,216,522	\$ 31,732,800	\$ 31,168,200	\$ 21,118,319	\$ 32,760,200	\$ 1,027,400	3.2%	
SHOREWAY OTHER								
521104 DEBT SERVICE BOND INTEREST	2,943,529	2,885,500	2,885,500	485,935	2,833,100	(52,400)	-1.8%	Solid Waste Enterprise Revenue Bond interest payments. 5% franchise fee payments by JPA to City of San Carlos.
522702 FRANCHISE FEE	1,507,118	1,546,800	1,513,000	1,164,428	1,594,600	47,800	3.1%	
SUBTOTAL SHOREWAY OTHER	\$ 4,450,647	\$ 4,432,300	\$ 4,398,500	\$ 1,650,363	\$ 4,427,700	\$ (4,600)	-0.1%	
TOTAL SHOREWAY OPERATING EXPENSE	\$ 34,667,169	\$ 36,165,100	\$ 35,566,700	\$ 22,768,682	\$ 37,187,900	\$ 1,022,800	2.8%	
TOTAL OPERATING EXPENSES (SBWMA Program + Shoreway Operations)	\$ 37,523,672	\$ 39,587,975	\$ 39,105,136	\$ 24,690,725	\$ 41,003,014	\$ 1,415,039	3.6%	

EXPENDITURES

RethinkWaste FY1516 Program Budget

ADMINISTRATION

FY1415 Adopted Budget: \$1,762,475

FY1516 Preliminary Budget: \$1,766,814

SBWMA Staff Resources: Kevin McCarthy, Executive Director; Marshall Moran, Finance Manager; and Cyndi Urman, Board Secretary/Office Manager.

Approximate FTEs (reflects estimated allocation of staff resources to this program area): 1.7 FTEs = 0.90 (Office Manager/Board Secretary), 0.45 (Finance Manager), and 0.35 (Executive Director).

Description: Provides for overall administrative operations of the agency, including: personnel administration, budget development, financial projections, expense payment processing, fiscal management, Board of Directors administration, customer service, risk management, records retention, and information technology. Budget for these functions is captured under “Administrative Expenses.”

FY1516 Key Projects/Activities

Budget and Financial Analysis

- Review the FY1516 budget to identify budget variances and plan for a mid-year adjustment if needed.
- Prepare the FY1617 budget for Board review and approval.
- Prepare two calendar year financial projections to support Shoreway tip fee assumptions and to “test” bond covenant requirements.
- Review existing tipping fees and develop recommended 2016 tipping fee adjustments if needed.

Accounting and Fiscal Management

- Complete FY1415 financial audit and 2015 calendar year financial statements for bond reporting.
- If applicable, manage the transition of a new vendor for the Annual Financial and Accounting Services contract. **NEW PROJECT**
- Complete the transition from the current Finance Manager to a new Finance Manager. **NEW PROJECT**
- Maximize use of competitive bidding for technical consulting services particularly for scopes of work exceeding \$50,000.
- Meet bond covenants and reporting requirements as specified in the Indenture to ensure compliance including the two debt coverage ratios.
- Monitor South Bay Recycling (SBR) monthly reporting (per Operations Agreement) of tonnage and review their monthly invoice for accuracy and tie all payments to source data.
- Manage monthly cash transfers to/from SBR (per Operations Agreement) for commodity revenue, public revenue, and payments for operations. Review and verify SBR’s detailed monthly calculation of commodity revenue.
- Manage monthly billing to and payment from Recology for disposal at Shoreway as prescribed in the Member Agency franchise agreements.
- Ensure all procedures are followed and receipts and payments to vendors are supported by proper documentation and made on timely basis such that cash flow is optimized.

RethinkWaste FY1516 Program Budget

Administration (Continued)

- Review the Quarterly Investment Report to the Board prepared by the City of San Carlos.
- Renew general insurance policies (property, general liability, EIL, D&O, etc.) and ensure proper coverage is maintained.

Human Resources

- Manage the payroll and benefits administration, including managing the annual renewal of employee benefit plans to ensure cost effective and competitive plans.
- Make timely payments to vendors for payroll, retirement plan, and HSA plan.
- Monitor payroll process and ensure timely and accurate payment to employees.
- Evaluate the current model used for outsourced HR and payroll administration by a third party and make recommendations for changes if appropriate. **NEW PROJECT**

Board of Directors Administration

- Maintain the Board of Directors webpage to ensure accurate and up to date information is available.
- Update as needed the website's Board Member portal feature to house information of interest.
- Maintain accurate and up-to-date records for the SBWMA, including Board meeting minutes, resolutions, ordinances and contracts.
- Update as necessary the Board of Directors JPA and Contracts Resources Binder.
- Deliver Board Packets to the Board of Directors accurately and on time.
- Manage to compliance with record retention and other Board adopted policies.
- Meet with Board Members, particularly any new Board Members, to address questions and concerns and any unique Member Agency needs.
- Respond to Board Members, and Member Agency staff communications in a timely, professional and accurate manner.

Customer Service

- Provide high quality customer service to members of the public that contact the SBWMA, including providing helpful, accurate and timely information.

RethinkWaste FY1516 Program Budget
CONTRACT COMPLIANCE AND SUPPORT

FY1415 Adopted Budget: \$257,400

FY1516 Preliminary Budget: \$291,000

SBWMA Staff Resources: Cliff Feldman, Recycling Programs Manager; Marshall Moran, Finance Manager; Monica Devincenzi, Recycling Outreach and Sustainability Manager; and Hilary Gans, Facility Operations and Contracts Manager.

Approximate FTEs (reflects estimated allocation of staff resources to this program area): 1.32 FTEs = 0.60 (Recycling Programs Manager), 0.30 (Finance Manager), 0.30 (Executive Director), 0.10 (Recycling Outreach and Sustainability Manager), and .02 (Office Manager/Board Secretary).

Description: Staff services provided in this area includes:

- Continued oversight and contract administration support for the 12 collection services franchise agreements with Recology, including follow-up work on audit findings and financial auditing.
- Continued oversight of SBR's operations per the Shoreway Operations Agreement (see "**Shoreway Operations**" budget worksheet).
- Management of the annual Member Agency rate review process, including review of the 2016 Recology and SBR compensation applications, and completion of the SBWMA final reports reviewing the Recology and SBR compensation applications and consolidated rate report for 2016. Initiate audit work and review of operational data included in the 2016 compensation applications.

FY1516 Key Projects/Activities

Contract Administration

- Review 2015 Annual Report from Recology required per the Member Agency franchise agreements.
- Hire contractor to conduct 2015 rate (calendar) year audit of collection services and facility operations reports, tonnage data and customer service systems. This project is conducted annually due to the fiscal impact associated with the self-reported information contained in the company's annual reports and compliance with related performance standards. Implement 2014 rate year audit findings as appropriate.
- Hire contractor to conduct 2015 rate year audit of financial systems (includes Recology's revenue reconciliation) of both contractors to verify financial risks to SBWMA and its Member Agencies. This project is conducted annually due to the fiscal impact of data included in reports submitted by the companies and since significant ongoing financial transactions are conducted between the companies.
- Implement 2014 audit findings as appropriate and follow up with Recology to ensure progress on implementing audit recommendations.
- Complete two semi-annual load contamination monitoring events as required in the Member Agency's franchise agreements with Recology. Per Member Agency's franchise agreements and because the SBWMA manages the Shoreway facility, SBWMA is tasked with overseeing various aspects of ensuring that contamination of recycle and compost materials is kept low to maximize commodity revenue.
- Hire a contractor to conduct Recology customer service call center monitoring and evaluation of compliance per the Member Agency's Franchise agreements. This project is conducted annually due to the fiscal impact associated with compliance of performance standards related to the operation of the customer service call center.

RethinkWaste FY1516 Program Budget

Contract Compliance and Support (Continued)

- Hire a contractor to assist with conducting a review of Recology's collection services operations to identify their actual costs of operations and make recommendations as appropriate for future operational and program improvements. **NEW PROJECT**
- Hire a contractor to assist with conducting a review of SBR's operations and management of Shoreway to identify their actual costs of operations and make recommendations as appropriate for future operational improvements. **NEW PROJECT**
- Provide prompt responses to questions/issues/complaints that are raised by the public and Member Agencies regarding their franchise agreements and the services provided by Recology. The RethinkWaste phone number is publicized and staff frequently responds to requests from the public.
- Provide prompt responses to questions/issues/complaints that are raised by the public and Member Agencies regarding their experiences using the Shoreway facility and the services provided by SBR.
- Develop a Member Agency snapshot report for 2015 and make presentations to Member Agency governing bodies upon request. This snapshot report has been well received by the Member Agencies in prior years and staff shall continue to consolidate the key operational and programmatic metrics of the services provided and be available to present this information in public meetings upon request.

Rate Review, Analysis and Projections

- Complete SBWMA final rate reports providing a review of the Recology and SBR compensation applications for the 2016 rate year per the Member Agency's franchise agreements and Operations Agreement, respectively. Per the franchise agreements with Recology and the Operations Agreement with SBR, the SBWMA is tasked with consolidating the pertinent data required to project the revenue requirement needed for the subsequent rate year which directly results in determining the rates that need to be charged by each Member Agency.
- Continue to provide direction and support to Recology with making changes or improvements to their Annual Compensation Application. Staff will make efforts to continuously improve this key Application submitted by Recology each year.
- Analyze the very detailed cost adjustments in the Compensation Applications from Recology and SBR. Verify the companies follow the prescribed contractual requirements and approved compensation methodology per the franchise agreements and Operations Agreement, respectively. Conduct a detailed review of any Recology special issues if needed.
- Prepare financial analysis for projected revenue and total collection costs, residual cost impact from prior year, and include pass-through costs (disposal and agency fees) to determine total rate adjustment for each Member Agency per the franchise agreement(s).
- Prepare a variance analysis of 2016 total collection cost vs. 2015 cost by detailed cost categories by Member Agency to aid in understanding collection cost changes. Per feedback from our Member Agencies, this useful variance analysis is prepared annually to assist decision makers with analyzing and recommending rate increases.
- Provide ongoing rate analysis support and projections of 2016 rate impacts associated with changes to any assumptions.
- Update 5-year collection cost projection by Member Agency for collection cost components: Recology cost, disposal expense and Member Agency fees.
- Support Member Agencies with analysis of rate issues and attend rate hearings or rate related meetings as requested.

RethinkWaste FY1516 Program Budget

Contract Compliance and Support (Continued)

- Review Recology’s Revenue Reconciliation Report; develop outside audit of financial risks including SBR’s payments to SBWMA. The financial information provided in the Recology Revenue Reconciliation Report is self-reported and is a key component in determining the subsequent revenue requirement needed to establish rates for Recology’s annual compensation increase.

NOTE: KEY PROJECT AND ACTIVITY DETAILS ARE LISTED IN ORDER BELOW BY BUDGET LINE ITEM; THEY ARE NOT LISTED IN THE ORDER SHOWN IN THE TEXT.

<u>Budget Expense Category</u>	<u>Description of Program for FY1516</u>	<u>FY1415 Adopted</u>	<u>FY1415 Mid-Year</u>	<u>FY1516 Proposed</u>
Contract Compliance and Support – Consultant Support		\$257,400	\$257,400	\$291,000
Rate Review and Support	<ul style="list-style-type: none"> • Rate analysis and support for Member Agencies, including outside support for accounting temporary worker. 	\$40,000	\$40,000	\$25,000
Facility Improvement Oversight	<ul style="list-style-type: none"> • Preparation of a preliminary Disaster Management Plan related to the Shoreway facility operations (\$30k). The SBWMA does not currently have a Disaster Management Plan. • Hire contractor to assist with conducting review of SBR’s operations and management of Shoreway to identify actual costs of operations and make recommendations as appropriate for future operational improvements (\$20k). 	\$30,000	\$30,000	\$50,000
Contract Management Support	<ul style="list-style-type: none"> • Conduct annual financial audit of Recology. This audit reviews distribution of franchise and other fees to Member Agencies, annual revenue reconciliation and other aspects of financial related reporting and franchise agreement compliance (\$40k). Limited route auditing related to Annual Route Assessments (\$15k). 	\$66,400	\$66,400	\$55,000

RethinkWaste FY1516 Program Budget

Collection Services Franchise Administration	<ul style="list-style-type: none"> • SBWMA is required per franchise agreements to support Member Agencies with contract compliance issues, including monitoring and auditing the companies reporting, systems and customer service functions and ensuring compliance with any previous audit findings and recommendations (\$40,000); conducting customer service call center monitoring to test customer service data self-reported by company which pertains to calculation of performance incentives/disincentives and liquidated damages (\$15,000); and, conducting an operational and cost assessment of Recology’s collection services operations (\$25,000). 	\$75,000	\$75,000	\$80,000
Finance Manager Support (NEW)	<ul style="list-style-type: none"> • On-call consultant support by retired Finance Manager to new Finance Manager for major tasks completed for the first time like rate forecasting, tipping fee analysis, mid-year budget review and new budget preparation. 	N/A	N/A	\$35,000
Bi-Annual Contamination Monitoring	<ul style="list-style-type: none"> • Twice per year contamination monitoring per Article 6.02 of the franchise agreements to determine the contamination level of various material categories (e.g., single family targeted recyclable materials, etc.) (\$46,000). 	\$46,000	\$46,000	\$46,000

RethinkWaste FY1516 Program Budget

RECYCLING OUTREACH AND PROGRAMS – AB 939, AB 341 AND AB 1826 COMPLIANCE

FY1415 Adopted Budget: \$881,500

FY1516 Preliminary Budget: \$1,091,000

SBWMA Staff Resources: Cliff Feldman, Recycling Programs Manager; and Monica Devincenzi, Recycling Outreach and Sustainability Manager.

Approximate FTEs (reflects estimated allocation of staff resources to this program area): 1.22 FTEs = 0.8 (Recycling Outreach and Sustainability Manager), 0.25 (Recycling Program Manager), 0.15 (Executive Director), and 0.02 (Office Manager/Board Secretary).

Description: Staff services provided in this area to ensure compliance with state-mandated waste reduction, recycling and reporting requirements per the California Integrated Waste Management Act of 1989 (Assembly Bill (AB) 939), mandatory commercial recycling (AB 341), and the more recent legislation pertaining to mandatory organics recycling by the commercial sector (AB 1826) include:

- Development and implementation of public education and outreach strategies to promote residential and commercial waste reduction and recycling collection programs and services.
- Oversight of any Recology San Mateo County (Recology) services under the 12 collection services franchise agreements with the Member Agencies.
- Prepare and submit State mandated CalRecycle Annual Reports required per AB 939 on behalf of 10 participating Member Agencies.
- Implement recommended 2015 Long Range Plan projects.

FY1516 Key Projects/Activities

Public Education and Outreach

- Develop, implement and manage new AB 1826 and ongoing AB 341 outreach activities, including producing and disseminating brochures, inserts and letters of non-compliance for Member Agency and Recology use. The State's AB 341 and AB 1826 require all public agencies to implement public education efforts to encourage businesses to comply with this mandatory commercial recycling law (AB 341) and commercial organics collection (AB 1826) and the SBWMA can most effectively manage this effort on behalf of all Member Agencies.
- Develop, submit and manage the 2016 Recology Annual Public Education Plan (per the Member Agency's franchise agreements) in coordination with Recology and the Adhoc Public Education Subcommittee, including an evaluation of most cost-effective ongoing outreach activities and tools.
- Investigate public funding (e.g., grants, and public-private or public-public partnerships, as applicable) opportunities for outreach programs and activities.
- Promote residential collection services (per the franchise agreements) through three *rethinker* newsletters, five bill inserts and presentations at community groups, organizations and events in collaboration with Recology.
- Continue to develop and implement outreach strategies to increase participation and customer knowledge of CartSMART and BizSMART franchised collection services, including tailoring programs to meet specific community needs.
- Continue to develop and implement outreach strategies to increase participation and customer knowledge of the Door-to-Door HHW Collection program which is now provided to all twelve SBWMA Member Agencies. This very popular program provides an easy and convenient means for residents to have HHW and Universal Waste collected directly from their homes without the need to transport it themselves.

RethinkWaste FY1516 Program Budget

Recycling Outreach and Programs – AB 939, AB 341 and AB 1826 Compliance (Continued)

- Measure the effectiveness of ongoing outreach tools and determine if modifications or improvements are needed or if different tools are required.
- Conduct the annual BizSMART@Work Awards program to recognize businesses and multi-family complexes for their 2014 diversion efforts.
- Provide outreach and other support to Member Agencies for compost giveaways and shred/e-scrap recycling events per the franchise agreements with Recology.
- Provide outreach materials for three seasonal compost and mulch giveaway events to be held at Shoreway. **NEW PROJECT**

Recycling (Diversion Programs)

- Continue implementation of the SBWMA-wide Commercial Recycling Reporting Ordinance to collect diversion data that is currently unavailable. Significant commercial recycling activity is carried out by the private sector; however, the SBWMA does not have data on these activities. The only commercial recycling data available is provided by Recology per the franchise agreements. This data is needed to continue updating the diversion figures used in the Long Range Plan and to assist with planning future potential expanded diversion efforts as required by State mandate.
- Continue implementation of the pilot Public Space Recycling project. This project is focused on increasing the opportunity for the public to conveniently and cost-effectively recycle in public spaces (e.g., parks). **NEW PROJECT**
- Continue to develop and implement cost-effective, ongoing outreach strategies and additional multi-family outreach materials in coordination with Recology and the Adhoc Public Education Subcommittee.
- Manage the Audit of Recology's 2015 Annual Report regarding the company's performance and compliance. The data in this report is self-reported by Recology and it impacts various fiscal implications and the measurement of performance standards associated with fiscal impacts, thus annually auditing this report is part of the due diligence of effective contract administration.

Long Range Plan

- Implement an Every Other Week residential garbage collection pilot **(\$120,000)**. **NEW PROJECT**
- Develop and implement public education and notification to residents participating in the Recology Residential Split-Body Collection Vehicle pilot project **(\$17,000)**. **NEW PROJECT**
- Develop and implement enhanced Commercial Recycling Outreach targeting businesses and multi-family **(\$60,000)**. **NEW PROJECT**
- Implement a stakeholder engagement process for the Environmental Education Center and Tour Program. **(\$25,000)**. **NEW PROJECT**
- Completion of conceptual designs for a Shoreway Transfer Station Mixed Waste processing system to recover organics materials and other recyclables from residential and commercial solid waste **(\$183,000)**. **NEW PROJECT**
- Complete Recology administration building remodel design assessment to accommodate SBWMA offices **(\$25,000)**. **NEW PROJECT**
- Complete research on zero waste related policy options and an assessment of processing and treatment technologies for identified waste streams **(\$30,000)**. **NEW PROJECT**

RethinkWaste FY1516 Program Budget

Recycling Outreach and Programs – AB 939, AB 341 and AB 1826 Compliance (Continued)

NOTE: KEY PROJECT AND ACTIVITY DETAILS ARE LISTED IN ORDER BELOW BY BUDGET LINE ITEM; THEY ARE NOT LISTED IN THE ORDER SHOWN IN THE TEXT.

<u>Budget Expense Category</u>	<u>Description of Program for FY1516</u>	<u>FY1415 Adopted</u>	<u>FY1415 Mid-Year</u>	<u>FY1516 Proposed</u>
Recycling Outreach and Programs – AB 939 and AB 341 Compliance		\$881,500	\$881,500	\$1,091,000
CIWMB (CalRecycle) Annual Report	<ul style="list-style-type: none"> SBWMA annually provides the necessary research and data compilation to draft and submit State mandated Electronic Annual Reports for ten Member Agencies to comply with requirements of AB 939 (\$25,000). 	\$25,000	\$25,000	\$25,000
SBWMA Annual Report	<ul style="list-style-type: none"> This annual report provides a snapshot of key metrics and milestones for the prior year. This budget expense covers design and production costs of this report (\$5,000). 	\$5,000	\$5,000	\$5,000
Diversion Program Support	<ul style="list-style-type: none"> Continue implementation of pilot Public Spaces Recycling project to ensure the public is provided an opportunity to recycle at parks and other public spaces and provide Member Agency assistance with as needed. (\$45,000). 	\$60,000	\$60,000	\$45,000
Recycling Reporting Ordinance Expenses	<ul style="list-style-type: none"> Continue implementation and notification of the SBWMA-wide Commercial Recycling Reporting Ordinance to collect diversion data that is currently unavailable. 	N/A	N/A	\$15,000
Event Giveaways	<ul style="list-style-type: none"> Promote the various programs and services at Member Agency community events, primarily held in the spring and summer and include educational and promotional items as giveaways. (\$1,500). 	\$1,500	\$1,500	\$1,500

RethinkWaste FY1516 Program Budget

Long Range Plan Alternatives	<ul style="list-style-type: none"> • Implement project includes in the draft Long Range Plan provided to the Board in March 2015. Projects include: <ul style="list-style-type: none"> - Every Other Week residential garbage collection pilot (\$120,000); - Recology Residential Split-Body Collection Vehicle pilot project (\$17,000); - Enhanced Commercial Recycling Outreach (\$60,000); - Stakeholder engagement process on education and outreach project (\$25,000); - Residential and Commercial Mixed Waste Processing system project development (\$183,000); and, - Recology administration building design assessment (\$25,000). - Zero Landfill Working Group research on policy and technology options (\$30,000). 	\$232,500	\$247,500	\$460,000
Large Event/Venue Consulting	<ul style="list-style-type: none"> • Staff is in the process of repurposing one trailer for collection of niche/reusable items at events. Staff is also considering repurposing the second trailer as a mobile education trailer to be used at community events. Will be exploring grant funding opportunities. (\$7,500). 	\$7,500	\$7,500	\$7,500
Large Event/Venue Recycling Services	<ul style="list-style-type: none"> • Use of trailers limited compared to prior years – expense not anticipated (\$0). 	\$0	\$0	\$0
Climate Change Reporting and Policy Options	<ul style="list-style-type: none"> • Staff reports GHG emissions for the SBWMA office and Shoreway Environmental Center, and is assisting with SBR’s annual reporting framework, both through The Climate Registry (\$27,000). 	\$23,000	\$23,000	\$27,000

RethinkWaste FY1516 Program Budget

Commercial Recycling Technical Assistance	<ul style="list-style-type: none"> • Commercial accounts collection services assessment and research to understand utilization of services and commercial recycling outreach effectiveness (\$30,000); • To comply with the AB 341 (mandatory commercial recycling mandate) and AB 1826 (mandatory commercial organics recycling) , staff is charged with outreach and education to commercial/MFD sector and directly making presentations and hosting workshops at Multi-Family Dwelling HOA's and Chambers of Commerce (\$15,000). • Conduct annual Business Awards Program recognizing businesses for their 2014 diversion efforts (\$10,000). • Maintain and update commercial Toolkit in collaboration with Recology that includes sector specific outreach materials (e.g., messaging specific for restaurants, offices, etc.) (\$20,000). Staff to continue to collaborate with Recology on assessing the effectiveness of outreach efforts. 	\$85,000	\$85,000	\$75,000
Purchase Commercial/MFD Containers for Recology	<ul style="list-style-type: none"> • SBWMA is required per Franchise Agreements with Recology to purchase various types of internal containers to facilitate diversion at commercial and multi-family dwelling customers. Specifically, this expense will cover annual purchase of Slim Jims, desk-side recycling containers and Buddy Bags that the company will distribute to businesses and multi- family customers throughout the SBWMA service area (\$40,000). Another \$20,000 is assumed for purchase of containers for municipal buildings such as city hall complexes. 	\$60,000	\$60,000	\$60,000
C&D Recycling Program	<ul style="list-style-type: none"> • Develop an SBWMA list of certified C&D processors based on physical audits conducted by other jurisdictions and provide permit counter and related assistance to increase C&D recycling to Member Agencies upon request. 	\$0	\$0	\$0

RethinkWaste FY1516 Program Budget

Multi-Family Outreach	<ul style="list-style-type: none"> • To comply with the AB 341 (mandatory commercial recycling mandate) and AB 1826 (mandatory commercial organics recycling) , staff is charged with outreach and education to the commercial/MFD sector and directly making presentations and hosting workshops at Multi-Family Dwelling HOA's and Chambers of Commerce (\$10,000). • SBWMA is required per Franchise Agreements with Recology to provide outreach materials in the form of the toolkit. The toolkit includes posters, brochures and flyers on programs and service, move-in/move-out guides and a property manager guide. Staff will continue to update existing toolkit materials and develop cost-effective strategies and additional materials as needed in collaboration with Recology (\$20,000). Staff to collaborate with Recology on developing plan to assess the toolkit's effectiveness. • Promote subscriptions to Recology MFD batteries/cell phones collection service through targeted outreach pieces and strategies (\$10,000). • Conduct the annual Multi-Family Awards Program recognizing multi-family complexes for their 2014 diversion efforts (\$10,000). 	\$50,000	\$50,000	\$50,000
Rethinker Newsletter Design/ Set-up	<ul style="list-style-type: none"> • SBWMA is required per Franchise Agreements with Recology to develop the <i>rethinker</i> newsletter for SFD and MFD residents. Previously this was a quarterly newsletter, however, per Board approved FY1415 budget, it is now published 3 times per year. Development of the newsletter content and layout (\$20,000). 	\$15,000	\$20,000	\$20,000
Rethinker Newsletter Printing/Mailing	<ul style="list-style-type: none"> • SBWMA is required per Franchise Agreements with Recology to develop and issue the <i>rethinker</i> newsletter to single family and multi-family residents. Previously this was a quarterly newsletter, however, per the Board approved FY1415 budget, it is now published 3 times per year. This is for printing and mailing/insertion of 3 issues (\$90,000). Staff has assumed two are direct mailed and one is inserted into the garbage bill. <p>Staff will continue to promote sign-ups for the electronic version to reduce costs.</p>	\$95,000	\$90,000	\$90,000

RethinkWaste FY1516 Program Budget

Residential Outreach Programs	<ul style="list-style-type: none"> • SBWMA is responsible for all outreach and education efforts, including ongoing outreach support/maintenance for existing collection programs through brochures, posters, flyers and new opportunities such as signs on Recology collection vehicles, and addressing niche issues including illegal dumping, storm water trash, anti-scavenging (\$70,000). • Update annual residential Service Notice per Franchise Agreements with Recology that will provide key program and services related information (\$12,000). • RethinkWaste website and social media (FB, Twitter, You Tube) outreach, includes maintenance and updates to keep current and relevant (\$15,000). • Mobile Phone App annual fee for RethinkWaste and all Member Agencies, to continue making it more convenient for tech-savvy customers to have access to program information and make service requests/report issues (\$23,000). 	\$135,000	\$120,000	\$120,000
Community Events	<ul style="list-style-type: none"> • SBWMA is responsible for assisting Member Agencies with promotion of Community Events, including compost giveaway and shred/e-scrap events, and coats for kids (\$2,000). • Provide outreach materials for three seasonal compost and mulch giveaway events to be held at Shoreway (\$3,000). 	\$1,000	\$1,000	\$5,000
HHW Door-to-Door Collection Outreach	<ul style="list-style-type: none"> • Continue ongoing “rolling” public education/marketing campaign to further promote these services to participating Member Agencies. Promotional activities will include direct mail, outdoor and print advertising, social media, etc. (\$80,000). • Continue discussion with WM Curbside, LLC for the company to provide the service to Member Agency facilities if the program can be negotiated in a cost effective manner staff will promote and manage this enhanced service (included above). 	\$80,000	\$80,000	\$80,000
Curbside Household Battery Outreach	<ul style="list-style-type: none"> • Continue to promote curbside recycling of household batteries and cell phones collection service provided by Recology as this is one of the programs requiring additional awareness per the results of 2012 Customer Satisfaction Survey (\$5,000). 	\$5,000	\$5,000	\$5,000
Electronics Collection Events	<ul style="list-style-type: none"> • SBWMA is responsible for assisting Member Agencies with promotion of the E-scrap and shred events (\$0). Now included in Community Events. 	\$1,000	\$1,000	\$0

RethinkWaste FY1516 Program Budget

COLLECTION OPERATIONS (curbside cell phone/battery collection and Door-to-Door HHW program only)

FY1415 Budget: \$521,500

FY1516 Budget: \$666,300

SBWMA Staff Resources: Cliff Feldman, Recycling Programs Manager; and Monica Devincenzi, Recycling Outreach Manager

Approximate FTEs (reflects estimated allocation of staff resources to this program area): 0.29 FTEs = 0.15 (Recycling Program Manager), 0.10 (Recycling Outreach and Sustainability Manager), and 0.04 (Office Manager/Board Secretary).

Description: Staff services provided in this area is to ensure compliance with state-mandated Universal Waste recycling and disposal regulations through administration of the Door-to-Door Household Hazardous Waste (HHW) collection services with WM Curbside LLC and oversight of the household batteries and cell phone collection services provided by Recology.

FY1516 Key Projects/Activities (outreach projects listed below are included in the Recycling – AB 939, AB 341 and AB 1826 Compliance category of our SBWMA program budget)

- Implement additional public education and outreach to increase collection of HHW through the Door-to-Door HHW collection program.
- Continue discussions for a potential contract extension with WM Curbside LLC as the current contract expires on December 31, 2015; however, the SBWMA has the option to extend this contract for one more year through the end of 2016.
- Identify alternatives to the contract with WM Curbside, LLC. **NEW PROJECT**
- Continue discussions with management at WM Curbside LLC to expand the HHW collection services to Member Agency facilities such as corporation yards and begin managing this new service.
- Continue and expand public education and outreach to increase participation in Recology’s franchised recycling collection services with specific emphasis on increasing the collection of cell phones and batteries from the Multi-Family Dwelling sector which includes approximately 3,800 customers and 41,000 residential living units.

NOTE: KEY PROJECT AND ACTIVITY DETAILS ARE LISTED IN ORDER BELOW BY BUDGET LINE ITEM; THEY ARE NOT LISTED IN THE ORDER SHOWN IN THE TEXT.

<u>Budget Expense Category</u>	<u>Description of Program for FY1516</u>	<u>FY1415 Adopted</u>	<u>FY1415 Mid-Year</u>	<u>FY1516 Proposed</u>
Collection Operations		\$521,500	\$641,200	\$666,300
HHW Door To Door Collection Services	• Disposal and processing expenses paid by RethinkWaste to WM Curbside LLC for operating the Door-to-Door Household Hazardous Waste Collection Services for all 12 Member Agencies.	\$521,500	\$641,200	\$662,800
Shred Event Services	• Expenses to pay vendor for shred services at events.	\$0	\$0	\$3,500

RethinkWaste FY1516 Budget Items

SHOREWAY OPERATIONS

FY1415 Budget: \$36,165,100

FY1516 Budget: \$37,187,900

SBWMA Staff Resources: Hilary Gans, Facility Operations and Contracts Manager; Marshall Moran, Finance Manager; Faustina Mututa, Environmental Education Coordinator; and Heather Co, Environmental Education Associate.

Approximate FTEs (reflects estimated allocation of staff resources to this program area): 3.47 FTEs = 1.0 (Facility Manager), 2.0 (Environmental Education staff), 0.25 (Finance Manager), 0.20 (Executive Director) and 0.02 (Office Manager/Board Secretary).

Description: This includes SBWMA staff directed activities regarding Shoreway operations including: oversight of SBR operations per the Operations Agreement, including contract compliance and review and payment of SBR invoices; Shoreway facility capital repairs and maintenance; education center operations, exclusive of staff wages and benefits which are included in the Administration portion of the SBWMA program budget; management of disposal and processing contracts, including review and payment of invoices; facility insurance; and billing Recology for tons delivered to Shoreway.

FY1516 Key Projects/Activities

Contract Administration

- Continued operational oversight and contract compliance of Materials Recovery Facility (MRF), transfer station, and transportation operations performed by SBR to meet or exceed contractual standards and financial and environmental goals.
- Ongoing management of third party recycling and disposal contracts for solid waste, organics, and construction and demolition (C&D) debris.
- Manage organics processing contracts for residential and commercial organics to meet operational, financial and environmental requirements.
- Continue to identify and pursue new third party tonnage opportunities to generate net income to help lower our Shoreway operating costs.
- Hire a contractor to assist with conducting a review of SBR's operations and management of Shoreway to identify their actual costs of operations and make recommendations as appropriate for future operational improvements. **NEW PROJECT**

Management of Facility Infrastructure and Improvements

- Ongoing management of Shoreway Facility capital and maintenance projects at or below budget.
- Completion of conceptual designs for a Shoreway transfer station processing system to recover organics materials and other recyclables. **NEW PROJECT**
- Complete a sign plan identifying recommended improvements onsite to enhance customer service, safety and operational results. **NEW PROJECT**
- Complete a Disaster and Emergency Management Plan for the Shoreway operations. **NEW PROJECT**
- Develop and implement a dust mitigation plan for the Shoreway MRF. **NEW PROJECT**

Shoreway Operations Continued

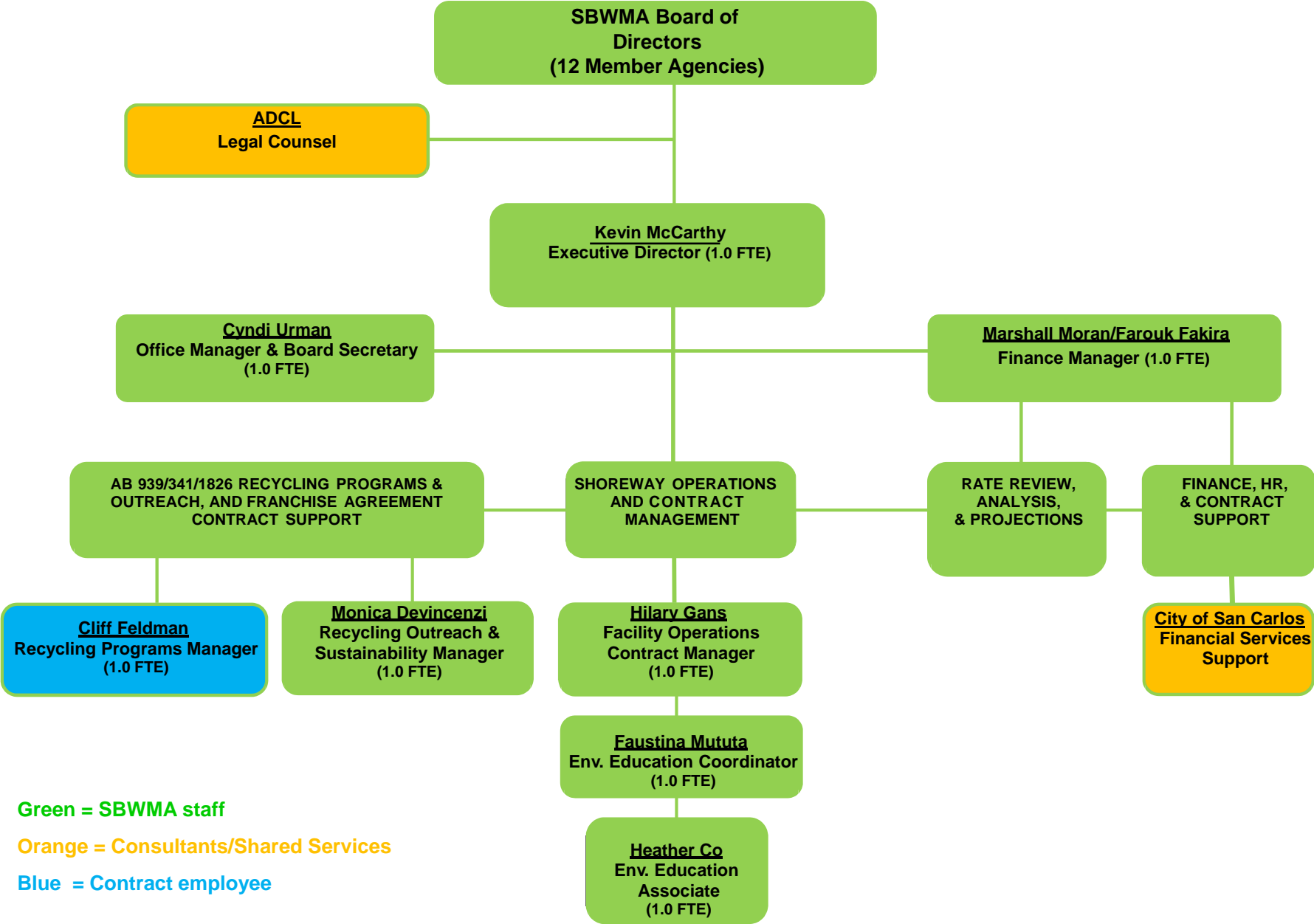
Tour Program

- Conduct the Shoreway school and public tours program, including developing new partnership opportunities to support the program, and to meet goals for increased number of visitors. The goal is to increase total tour visitors by 5% over prior year totals.
- Conduct onsite events and activities that increase community awareness of the waste reduction, recycling and composting programs in the service area and also further the resource conservation message of our Environmental Education program. Events and activities include the following: “Earth Day” community event at Shoreway, “America Recycles Day” event at Shoreway (**NEW**), and “Fix-it Clinic” or similar event at Shoreway; “Recycled Art” Contest, Tile-art project and installation of tiles at MRF, and Poster contest; School compost donation program; and “Night at Shoreway” two time per year. Investigate public funding (e.g., grants, and public-private or public-public partnerships, as applicable) opportunities as applicable for the tour program.

<u>Budget Expense Category</u>	<u>Description of Program for FY1516</u>	<u>FY1415 Adopted</u>	<u>FY1415 Mid-Year</u>	<u>FY1516 Proposed</u>
Shoreway Operations		\$31,732,800	\$31,168,200	\$32,760,200
Operator Compensation	<ul style="list-style-type: none"> • Contractually required payments (per ton and/or per ton mile rates) by SBWMA to SBR to operate the MRF and Public Recycling Center, scale house and Transfer Station, and transport materials for disposal and processing. Includes reimbursement of contractor pass through costs (i.e., interest payments, supplemental processing fees, buyback payments, universal waste disposal and processing expenses, backhaul charges for compost and mulch, etc.). 	\$17,061,200	\$17,015,900	\$17,739,700
Disposal and Processing Costs	<ul style="list-style-type: none"> • Tipping fees paid by SBWMA to third party vendors (under contract w/ RethinkWaste) for disposal (Republic Services Ox Mountain landfill), and processing (Zanker Road for C&D, Recology Grover for composting, and Republic Services Newby Island for composting). All such contracts include per ton rates subject to annual CPI adjustments. 	\$14,121,800	\$13,628,500	\$14,472,300
Insurance Shoreway	<ul style="list-style-type: none"> • Annual insurance premiums paid by SBWMA for Shoreway property and liability insurance, excluding Director’s and Officer’s insurance which is shown in a line item under Administrative expense. 	\$213,400	\$213,000	\$211,400
Shoreway Facility Cost	<ul style="list-style-type: none"> • Non capital related expenses to maintain the 16-acre Shoreway Environmental Center, including nearly 300,000 square feet of building space and \$20 million in equipment owned by SBWMA. 	\$160,000	\$160,000	\$175,000

Education Center Operations	<ul style="list-style-type: none"> • Non labor related expenses to manage Shoreway facility school and public visitor tour program. Includes \$19K for busing assistance within our service area, funds for Trash to Art Contest, annual Earth Day event and America Recycles Day events, compost donations to schools, safety equipment and supplies, and outreach materials. 	\$75,000	\$60,000	\$60,000
Maintenance – Ox Mountain Tipper	<ul style="list-style-type: none"> • Non capital related expenses associated with maintaining a hydraulic tipper (used to unload transfer trailers at the landfill). The tipper is owned by SBWMA, but operated by Republic at their Ox Mtn. landfill. 	\$36,000	\$36,000	\$36,000
Shoreway MRF Equipment Maintenance >10k	<ul style="list-style-type: none"> • Unplanned MRF equipment repairs greater than \$10k are the responsibility of JPA per the Operations Agreement with SBR. 	\$30,000	\$20,000	\$30,000
Taxes (sewer)	<ul style="list-style-type: none"> • Sewer fees paid to the City of San Carlos. 	\$35,400	\$34,800	\$35,800
Shoreway Other		\$4,432,300	\$4,398,500	\$4,427,700
Debt Service Bond Interest	<ul style="list-style-type: none"> • Annual interest payments on the 2009A Solid Waste Enterprise Revenue Bonds of \$53.5 million. 	\$2,885,500	\$2,885,500	\$2,833,100
Franchise Fee	<ul style="list-style-type: none"> • 5% franchise fee paid by SBWMA to City of San Carlos for the Shoreway facility. The fee is collected on gate (tipping) fees, but not on commodity revenues. There is no floor or cap on the fees paid to City of San Carlos. 	\$1,546,800	\$1,513,000	\$1,594,600
TOTAL SHOREWAY OPERATIONS EXPENSE		\$36,165,100	\$35,566,700	\$37,187,900

SBWMA Organization Chart (June 2015)



PERSONNEL AND BENEFIT ASSUMPTIONS FOR FY1516

Staff:	<u>FY1415</u>	<u>Proposed FY1516</u>
Executive Director	1.0	1.0
Facility Operations Contract Manager	1.0	1.0
Finance Manager	1.0	1.0
Recycling Outreach & Sustainability Manager	1.0	1.0
Recycling Programs Manager*	1.0	1.0
Board Secretary/Office Manager	1.0	1.0
Environmental Education Coordinator	1.0	1.0
Environmental Education Associate	<u>1.0</u>	<u>1.0</u>
Total Staff	8.0	8.0

* Contract employee employed by Local Government Services, a public joint powers agency, with PERs benefits.

FY1516 Proposed Position Changes

No recommended changes to headcount.

The budget reflects up to 10-weeks of overlap (July – early September 2015) between the current Finance Manager and a newly hired Finance Manager; this is to ensure a successful transition given the critical nature of this position. The estimated cost for this overlap period in wages and benefits is \$40,370.

Budget Assumptions for Merit Increases

A merit increase pool of 3.0% of wages is assumed for all positions, except for the Executive Director, within the current salary ranges. Actual merit increases are awarded by the Executive Director on a calendar year basis per the Board adopted Compensation Policy. The Board will separately consider and approve or not the actual merit increase pool for calendar year 2016.

Salary Ranges

The salary ranges were last modified in June 2013 per Board approval. No changes to the salary ranges are currently proposed for FY1516.

<u>Position</u>	<u>Current Salary</u>	<u>% of Top of Salary Range</u>	<u>Current Salary Range/Year</u>
Executive Director	\$191,931	N/A	N/A
Finance Manager (new hire eff. 6/1/15)	\$124,000	88.4%	\$112,196 - \$140,245
Facility Operations Contract Manager	\$136,233	97.1%	\$112,196 - \$140,245
Recycling Program Manager ¹	\$137,583	98.1%	\$112,196 - \$140,245
Recycling Outreach & Sustainability Manager	\$116,992	92.7%	\$100,976 - \$126,220
Office Manager/Board Secretary	\$65,983	88.5%	\$59,659 - \$74,573
Environmental Education Coordinator	\$69,676	85.4%	\$65,267 - \$81,580
Environmental Education Associate	\$56,419	86.5%	\$52,208 - \$65,250
¹ Contract employee through Local Government Services			

Employee Benefits

No proposed changes in the employee benefit plans. Total benefit expense as percent of base compensation is estimated at 35.7% for FY1516. A summary of the current benefits is as follows:

Deferred Compensation (Retirement): SBWMA has adopted a self-directed retirement plan under Section 401(a) of the Internal Revenue Service Code to which the Employer contributes an amount equal to 10 percent of the employee's base

salary. The plan is with John Hancock which holds all of the employee accounts. The employee vests in the 401(a) retirement plan immediately. SBWMA also has a 457b plan into which employees can voluntarily contribute. SBWMA matches the first 2% of employee contributions.

Employees may join both plans on the first of the month following the date of hire. The contribution amounts are subject to IRS limitations.

SBWMA does not participate in the federal Social Security system which would cost 6.2% of salary up to the statutory limit of \$117,000.

Group Health Insurance – General:

SBWMA strives to offer group insured plans for medical, dental, vision, life insurance, and long term disability insurance for the benefit of the employee and his/her family that are competitive with similar industry benefits. The health insurance is brokered through Arrow Benefits Group.

Medical insurance:

The SBWMA currently offers a high deductible HSA medical plan with UnitedHealthCare for employees and their families. There is a 20% copay after the deductible has been met for most services. Currently, four employees participate in the plan and three employees have opted out. The premium is age based – the average premium is \$1,078 per month plus the HSA average contribution of \$417 per month per employee.

Dental insurance:

Dental insurance is provided by Guardian Insurance for employees and their families. Basic care is covered 100% and major care (crowns, dentures) is covered at 60% up to the maximum annual benefit of \$1,500. The average monthly premium per employee is \$200.

Vision Plan:

Vision insurance is provided by Guardian Insurance for employees and their families. A \$10 copay applies to most services. Frames are covered up to \$120 once per year. The average monthly premium per employee is \$45.

Life Insurance:

Term life insurance is provided by Guardian on the employee is provided at 100% of salary up to \$200,000. The average monthly premium per employee is \$96.

HR and Payroll Support:

The SBWMA currently utilizes a CPE HR, a third party professional employment organization for the following scope of work:

- (a) Support on an as needed basis regarding human resources issues including, but not limited to, hiring, firing and discipline.
- (b) Support on an as needed basis regarding compliance with federal, state and local laws and ordinances regarding employment.
- (c) Consult on various Client projects as agreed upon.
- (d) Provide payroll and payroll tax filing services.
- (e) Workers' Compensation insurance.

We pay \$112 / month per employee for their services.

CAPITAL PROJECTS - FIVE YEAR FORECAST

Project Name	Proposed FY1516	Forecast				Project Summary
		FY16/17	FY17/18	FY18/19	FY19/20	
Transfer Station tipping floor resurfacing	100,000	100,000	100,000	100,000	100,000	Heavily worn areas of the Transfer station concrete floor need routine repair.
Site paving repairs and restriping	-	-	600,000	-	1,400,000	Repair and resurfacing of Recology truck parking area. Includes restriping for traffic flow and new parking layout after CNG fuel system install.
Site signage	-	-	-	-	-	Additional way-finding signage, replacement of faded signs.
Truck Shop building maintenance	20,000	20,000	20,000	20,000	20,000	Budget is for unanticipated capital repairs to the building and utilities. Past items include roof replacement, HVAC replacement, rollup door repair, etc. (Two buildings totaling ~20,000 square feet used by Recology for truck maintenance and repairs).
Transfer Station building maintenance	20,000	20,000	20,000	20,000	20,000	Budget is for unanticipated capital repairs to the building and utilities. Past items include tunnel pump and electrical repairs. (~75,000 square foot building used by SBR for the unloading of and transfer of garbage, green waste, food scraps, C&D and other materials).
MRF building maintenance	225,000	125,000	125,000	125,000	125,000	Budget is for unanticipated capital repairs to the building and utilities and anticipated repairs to worn areas of the tipping floor (\$100K per year). Past projects include door replacement, flooring replacement, etc. (~70,000 square foot building used by SBR to process recyclables).
Admin. building maintenance	20,000	115,000	40,000	40,000	40,000	Budget is for unanticipated capital repairs to the building and utilities. Past projects include, HVAC duct replacement, fire code upgrades, transformer replacement, etc. (~11,000 square foot office building occupied by Recology staff). FY16/17 included \$75K for new HVAC system.
Site maintenance	65,000	30,000	30,000	30,000	30,000	Budget is for unanticipated capital repairs to site utilities and paving for the 16 acre site Shoreway facility. Funding also for stormwater improvements.
Fire suppression	15,000		15,000			Additional water supply to new MRF canopy area for fire suppression.
Repairs to landfill tipper	15,000	15,000	15,000	15,000	15,000	Budget is for unanticipated repairs to hydraulic tipper at the Ox. Mountain Landfill owned by the JPA but operated by Republic Services to empty garbage from transfer trailers.
Education center exhibits			15,000			Additional small exhibit on the energy inputs for manufacturing and recycling materials; complements existing exhibit on how products come from renewable and/or nonrenewable resources.
MRF tip area canopy	450,000					Extension of MRF tipping area to accommodate additional facility tonnage from third-parties. Project planned to be completed in FY14/15.
Electric charging station	-		15,000			Electric vehicle charging station and electrical installation to be installed in the visitor parking area.
Replace diesel fuel storage and dist. system					275,000	Removal of old underground fuel tanks and replace with small tank and fuel system for SBR transfer trucks only. Project linked to CNG fleet conversion.
CNG fueling station ¹					1,312,500	Installation of utility connection to CNG fueling system to supply CNG fuel for anticipated collection contractor vehicle fleet fuel conversion. CNG system installation cost estimated at \$4M to be financed by fuel supplier. \$1,240,000 available in Shoreway Remediation fund to help cover project expenses.
Baler Reline			120,000			Planned reline of SBWMA balers in the MRF that are used to compress/bale commodities prior to shipment to end consumers.
Mixed waste processing system equipment			10,984,400			Mixed waste processing and organics separation system (in conjunction with SVCW or similar entity) for increased recyclable material recovery and conversion of the organics stream into a biogas. Financing arrangements to be determined.
Transfer Station building improvements		2,532,200				4,400 square foot Transfer Station building expansion to accommodate the mixed waste processing system.
LED lighting retrofit	274,000					Conversion of existing metal halide high-bay lights to energy efficient LED lights in all buildings. (Includes rebate from PG&E)
MRF equipment replacement ²	113,750	207,500	407,500	199,167	472,917	MRF sort system equipment replacement of worn equipment funded from Equipment Replacement cash reserve.
Subtotal	\$1,317,750	\$3,164,700	\$12,506,900	\$549,167	\$3,810,417	
Total (w/ designated funds applied)	\$1,204,000	\$2,957,200	\$12,099,400	\$350,000	\$2,097,700	

¹ \$1,240,000 available in Shoreway Remediation fund to help cover capx.

² Equipment Replacement cash reserve funds will cover these expenses.

Attachment F

Back-up Financial and Operational Data

This attachment provides additional supporting data and explanations for variances in revenue and Shoreway Environmental Center operating expense figures for FY1516 vs. FY1415.

OPERATING REVENUE

Table 1 provides supporting data on commodity revenue projections.

- Commodity tonnage (sold) is up 6.9% from the FY1415 budget.
- Commodity prices are currently experiencing a slump and are budgeted to decrease an average of \$28.56 per ton (full-year comparison of FY1516 vs. FY1415) based on current prices which have been forecasted to increase slightly going forward.
- Revenue share with SBR is on a calendar year basis so the budgeted fiscal year revenue is not the basis for the revenue share expense.
- Buyback payments are the CRV rates paid to public customers who “drop off” eligible recyclables at Shoreway. Volume and therefore payments have increased including more clean cardboard and PET plastic.

Table 1 – Commodity Revenue

COMMODITY REVENUE		FY1415 Adopted Budget	FY1415 Mid-Year Projections	FY1516 Proposed Budget	2016 vs 2015 Budget Variance	%
	Tons Sold	63,134	64,935	67,488	4,354	6.9%
	Wtd Avg. Price	\$ 171.26	\$ 162.75	\$ 142.70	\$ (28.56)	-16.7%
	Gross Revenue	\$ 10,812,190	\$ 10,568,093	\$ 9,630,366	\$ (1,181,824)	-10.9%
	Revenue Share w/ SBR	\$ (1,521,368)	\$ (1,407,569)	\$ (1,064,410)	456,958	-30.0%
	Buyback Payments	\$ (615,972)	\$ (888,242)	\$ (897,939)	-281,967	45.8%
	Net Commodity Revenue	\$ 8,674,850	\$ 8,272,282	\$ 7,668,018	\$ (1,006,832)	-11.6%
	Price / Volume Impact		Price	Volume	Total	
	Tonnage Change		\$ 142.70	\$ 4,354	\$ 621,305	
	Price Change		\$ (28.56)	\$ 63,134	\$ (1,803,128)	
	Total Change (Gross)				\$ (1,181,824)	

Table 2 provides a history of commodity prices per ton by quarter. The figures shown are the blended average price per ton for all commodities sold in a given quarter.

Table 2

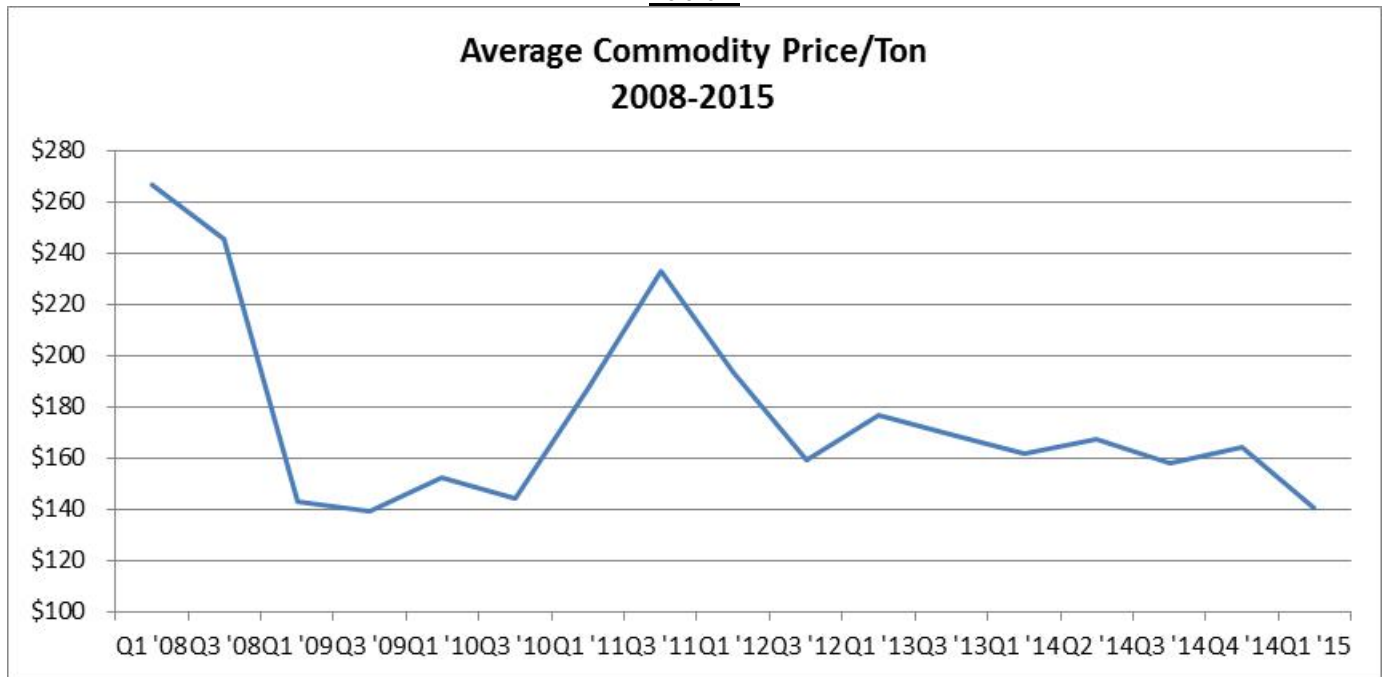


Table 3 shows the actual commodity tonnage, average price and revenue sold by commodity type as of December 2014 YTD (twelve months) from all customers: curbside residential, commercial, buyback, and drop-off.

Table 3 – Commodity Revenue Detail

Outbound Commodity Tons & Revenue - 2014						
Commodity	Tons	Price / Ton	Revenue	% Tons	% Revenue	
OCC (cardboard)	17,584	\$ 142	\$ 2,496,199	26.9%	22.4%	
ONP #8 (newspaper)	14,667	\$ 104	\$ 1,521,697	22.5%	13.6%	
Mixed Paper	14,832	\$ 96	\$ 1,416,883	22.7%	12.7%	
Glass (Mix)	13,004	\$ 97	\$ 1,256,553	19.9%	11.3%	
PET (plastic)	1,151	\$ 1,612	\$ 1,855,022	1.8%	16.6%	
Tin	1,083	\$ 166	\$ 180,146	1.7%	1.6%	
Bi Metal	502	\$ 135	\$ 67,866	0.8%	0.6%	
HDPE Natural (plastic)	472	\$ 941	\$ 444,036	0.7%	4.0%	
HDPE Color (plastic)	466	\$ 624	\$ 290,853	0.7%	2.6%	
Mixed Rigid Plastic	464	\$ 251	\$ 116,296	0.7%	1.0%	
Glass (Clean)	430	\$ 128	\$ 55,156	0.7%	0.5%	
Plastic 3-7	341	\$ 105	\$ 35,979	0.5%	0.3%	
Aluminum	320	\$ 4,431	\$ 1,416,004	0.5%	12.7%	
Mixed Film Plastic	17	\$ 60	\$ 1,031	0.0%	0.0%	
Total	65,332	\$ 171	\$ 11,154,399	100.0%	100.0%	
Total Fibers	47,083	\$ 115	\$ 5,434,779	72.1%	48.7%	
Total Containers	18,249	\$ 313	\$ 5,719,621	27.9%	51.3%	
Total	65,332	\$ 171	\$ 11,154,399	100.0%	100.0%	
CRV from state included in price of PET, HDPE, glass, and aluminum						
<i>approximate</i>						

SHOREWAY OPERATING EXPENSES

Table 4 provides supporting data for SBR's operating expense.

- MRF inbound tons are up 8.6% over the FY1415 budget causing their budgeted expense to increase accordingly.
- SBR is paid on a fee per ton as approved by the Board for calendar year 2015. The FY1516 budgeted fee increase to SBR on 1/1/2016 is assumed to be 1.8% (half of the fiscal year).
- The Transfer Station and transportation tonnage matches the total disposal tonnage in Table 5.
- The transportation blended rate below reflects the rates to all five destinations (i.e., landfill, organics processors, and C&D processor).
- Total expense is budgeted to increase by \$663k primarily due to higher MRF volume.

Table 4 – SBR Operating Expense

SBR OPERATING EXPENSE					
	FY1415 Adopted Budget	FY1415 Mid-Year Projections	FY1516 Proposed Budget	2016 vs 2015 Budget Variance	%
a. Summary					
MRF	\$ 5,502,124	\$ 5,702,512	\$ 5,976,863	474,739	8.6%
Transfer Station	\$ 4,434,402	\$ 4,487,365	\$ 4,544,231	109,829	2.5%
Transportation	\$ 6,913,235	\$ 6,863,854	\$ 7,022,945	109,710	1.6%
Port Slowdown Extra Cost		\$ 175,000	\$ -	0	
Canopy Construction Impact			\$ 15,000		
Interest	\$ 211,488	\$ 211,488	\$ 180,684	-30,804	-14.6%
TOTAL SBR EXPENSE	\$ 17,061,249	\$ 17,440,218	\$ 17,739,700	\$ 663,474	3.9%
b. SBR Expense Detail					
	FY1415 Adopted Budget	FY1415 Mid-Year Projections	FY1516 Proposed Budget	2016 vs 2015 Budget Variance	%
MRF					
Tons, net	62,672	64,935	67,488	4,816	7.7%
Rate	\$ 87.79	\$ 87.82	\$ 88.56	\$ 0.77	0.9%
Expense	\$ 5,502,124	\$ 5,702,512	\$ 5,976,863	\$ 474,739	8.6%
Transfer Station					
Tons	353,556	357,760	357,760	4,204	1.2%
Rate	\$ 12.54	\$ 12.54	\$ 12.70	\$ 0.16	1.3%
Expense	\$ 4,434,402	\$ 4,487,365	\$ 4,544,231	\$ 109,829	2.5%
Transportation					
Tons	353,556	357,760	357,760	4,204	1.2%
Wtd. Avg. Rate	\$ 19.55	\$ 19.19	\$ 19.63	\$ 0.08	0.4%
Expense	\$ 6,913,235	\$ 6,863,854	\$ 7,022,945	\$ 109,710	1.6%
Port Slowdown Extra Cost		\$ 175,000			
Interest	211,488	\$ 211,488	\$ 180,684	\$ (30,804)	-12.8%
Canopy Construction Impact			\$ 15,000		
TOTAL SBR EXPENSE	\$ 17,061,248	\$ 17,440,218	\$ 17,739,700	\$ 678,451	4.0%

Table 5 below provides supporting data for the disposal and processing expense.

- Disposal processors generally receive a CPI adjustment on January 1.
- The budget rates below are affected by the two rates in each fiscal year and the number of tons assumed in each period; i.e. the change in mix also affects the budgeted average rates below.
- Outbound tons are based on inbound franchise tons and public yards converted to estimated tons.

Table 5 – Disposal & Processing Expense

DISPOSAL & PROCESSING EXPENSE						
	FY1415 Adopted Budget	FY1415 Mid-Year Projections	FY1516 Proposed Budget	2016 vs 2015 Budget Variance	%	
a. Summary						
Solid Waste	\$ 8,195,189	\$ 8,223,160	\$ 8,751,543	\$ 556,354	6.8%	
Organics	\$ 4,499,569	\$ 4,061,457	\$ 4,106,324	\$ (393,245)	-8.7%	
C&D, dirt	\$ 1,480,759	\$ 1,443,588	\$ 1,630,185	\$ 149,426	10.1%	
Other	\$ 192,526	\$ 289,141	\$ 289,141	\$ 96,615	50.2%	
Subtotal	\$ 14,368,043	\$ 14,017,346	\$ 14,777,193	\$ 409,150	2.8%	
Paid by SBR	\$ (246,226)	\$ (293,180)	\$ (304,887)	\$ (58,661)	23.8%	
TOTAL DISPOSAL EXPENSE	\$ 14,121,817	\$ 13,724,166	\$ 14,472,300	\$ 350,488	2.5%	
B. Detail						
<u>Solid Waste (Ox Mtn)</u>						
Tons, net	209,704	209,474	218,915	9,211	4.4%	
Rate	\$ 39.08	\$ 39.26	\$ 39.98	\$ 0.90	2.3%	
Expense	\$ 8,195,189	\$ 8,223,160	\$ 8,751,543	\$ 556,354	6.8%	
<u>Organics (Newby, Grover)</u>						
Tons, net	112,773	103,193	106,705	(6,068)	-5.4%	
Rate	\$ 39.90	\$ 39.36	\$ 38.48	\$ (1.42)	-3.6%	
Expense	\$ 4,499,569	\$ 4,061,457	\$ 4,106,324	\$ (393,245)	-8.7%	
<u>C&D (Zanker)</u>						
Tons, net	31,078	29,003	32,139	1,061	3.4%	
Rate	\$ 47.65	\$ 49.77	\$ 50.72	\$ 3.08	6.5%	
Expense	\$ 1,480,759	\$ 1,443,588	\$ 1,630,185	\$ 149,426	10.1%	
<u>Other</u>						
Tires	6,354	8,500	5,319	(1,035)	-16.3%	
Mattresses	20,332	24,967	27,316	6,984	34.3%	
Appliances	8,810	19,195	17,661	8,851	100.5%	
Hazardous Waste	151,487	129,858	233,833	82,346	54.4%	
Misc.	\$ 5,543	\$ 11,418	5,013	(530)	-9.6%	
Expense	\$ 192,526	\$ 289,141	\$ 289,141	\$ 96,615	50.2%	
<u>Summary</u>						
TS Tons	353,555	341,670	357,760	4,205	1.2%	
Wtd Avg. Rate	\$ 39.94	\$ 39.97	\$ 40.45	\$ 0.51	1.3%	
Disposal Expense	\$ 14,121,816	\$ 13,657,636	\$ 14,472,300	\$ 350,484	2.5%	

Historical Outreach Spending and Program Results - 2010 to 2014					
CATEGORY	CALENDAR YEAR				
	2010	2011	2012	2013	2014
Overall					
Total Measured Diversion	39.2%	46.6%	47.7%	48.8%	48.9%
Total Outreach Spending*	\$900,000	\$500,000	\$310,000	\$301,000	\$324,000
Residential Collection Services					
<i>Metrics:</i>					
Measured Diversion %	54.7%	66.2%	66.7%	66.9%	66.5%
Monthly Participation % - Garbage	-	92.0%	84.7%	90.3%	88.9%
Monthly Participation %- Recycling	-	86.3%	85.6%	86.8%	84.2%
Monthly Participation % - Organics	-	76.7%	74.6%	72.0%	70.7%
Annual Pounds Per Household Set-Out - Garbage	-	1,274	1,276	1,252	1,223
Annual Pounds Per Household Set-Out - Recycling	-	699	878	878	859
Annual Pounds Per Household Set-Out - Organics	-	1,619	1,679	1,653	1,526
On-Call Bulky Item Collections	-	N/A**	23,854	27,271	28,063
Curbside Battery Pounds Collected	-	47,340 lbs.	58,640 lbs.	66,560 lbs.	72,700 lbs.
<i>Spending:</i>					
Outreach Spending*	\$700,000	\$350,000	\$203,000	\$203,000	\$215,000
Door-to-Door HHW Collection Services					
Door-to-Door HHW Pounds Collected***	-	286,680 lbs.	302,422 lbs.	345,773 lbs.	277,915 lbs.
Door-to-Door Outreach Spending*	\$80,000	\$80,000	\$49,000	\$61,000	\$54,000
Commercial Collection Services					
Measured Diversion	24.7%	25.9%	27.8%	29.8%	31.0%
Outreach Spending*	\$120,000	\$70,000	\$58,000	\$37,000	\$55,000
Note: Spending figures above excludes staff costs. Staff resources for program management and outreach for franchised collection services has declined from 3 FTEs to 2 FTEs since rollout of new franchised collection services in 2011.					
* SBWMA operates on a fiscal year budget. The amounts shown in the table are averaged to show costs on a calendar-year basis. The majority of the ongoing commercial outreach costs are primarily associated with the purchase of "buddy bags" and internal collection containers for Recology.					
** 2011 data not available/provided by Recology.					
***The drop in 2014 pounds are primarily attributable to three factors: 1) when initiating service in a community, we typically see a high level of participation given the extensive outreach to the community; 2) residents participating for the first time contribute significant amounts of materials due to many residents storing their materials for a number of years and when this pent up demand is met, less items are set out going forward, or residents have less need to schedule an appointment for a longtime; and 3) reduced outreach effort due to budgetary constraints during the first half of 2014 since the SBWMA operated on a fiscal year budget. In addition, there is a lag time between when an outreach effort is initiated and when it has an impact due to how quickly thereafter appointments are made and when the material is collected.					