



ADMINISTRATION AND FINANCE

STAFF REPORT

To: SBWMA Board Members
From: Cyndi Urman, Board Secretary
Date: November 16, 2017 Board of Directors Meeting
Subject: Approval of 2018 Board Meeting Calendar

Recommendation

It is recommended that the SBWMA Board of Directors approve a 2018 Board of Directors meeting calendar, and continue to hold these monthly meetings at the San Carlos Library where office space is rented for SBWMA staff.

Summary

Staff recommends continuing with a 4th Thursday of the month meeting date as there are not any Member Agency governing body meetings on this day of the week. It should also be noted that CCAG meetings are currently held the 2nd Thursday of the month starting at 6:30 pm and ABAG typically meets the third Thursday of every other month. Thus, it would be advisable to continue to schedule SBWMA Board Meetings on the 4th Thursday of the month.

Additionally, staff conducted research on several alternative meeting locations, and recommends continuing to meet at the San Carlos Library due to various limitations at the alternative locations and costs associated with those limitations. Also, San Carlos anticipates parking relief in spring of 2018 as a current construction project is completed.

Below is a summary of the available options:

- Option 1: Continue with the meetings at 2PM on the 4th Thursday, with anticipated parking relief coming in spring of 2018
- Option 2: Change Board Meeting locations, alternative options and their limitations are listed below in Table 1

Analysis

The 2PM time frame on the 4th Thursday of the month was chosen to avoid as many regional conflicts as possible. Staff has analyzed the action items that take place at the Board level on a monthly basis, and recommends keeping a 10 meeting per year schedule, one per month except August and December, and canceling meetings if there are not any action items in a given month.

Staff analyzed several alternative meeting locations. All 12 Technical Advisory Committee Members were contacted to determine if there was space available at an alternative Member Agency location. Additionally, the San Mateo County Transit District (SAMTRANS) and the Sobrato Center (for Non-Profits) in Redwood Shores were also contacted to see if space was available in their locations. The SBWMA's requirements for this space are:

- Space available every 4th Thursday of every month except August and December between 12 and 5

- Space available for 40-50 people in attendance
- Space for 12 Board Members (and 3 staff) to be seated at a U shaped table, with a staff table for the remaining staff, room for the recording equipment and room for the public seating.
- Preferably there would be locked storage on site that SBWMA staff would control, to keep the sound equipment cart in off-site storage when Board Meetings are not in session.
- Speakers in the room that our mics could plug into

Table 1(below) is a summary of the responses received:

| City/Location | Room | Limitations |
|-----------------------------------|--------------------|--|
| City of Belmont | EOC | The room space has awkwardly placed pillars in the room that isn't complimentary towards the U shaped set-up that we require.. Additionally, the storage on site is not locked and our expensive audio equipment would not be secured. City Hall is locked between 12-1 so staff would need to arrive more than two hours early to set up the meeting space. |
| City of Foster City | Community Center | There is no storage available. If the fee is not waived, there would be a charge \$55/hour to use the room. There would be an additional cost to move the sound equipment from San Carlos to Foster City each month. |
| Sobrato Center | | Each meeting would have to be approved based on agenda items meeting their requirements for space reservations. Space can only be booked a maximum of 90 days in advance. No storage on site. |
| San Mateo County Transit District | No space available | |
| City of San Mateo | No space available | |
| Town of Hillsborough | No space available | |
| City of Burlingame | No space available | |

In addition, staff connected with the public works department at the City of San Carlos to determine anticipated improvements in the parking situation in down town San Carlos as construction projects complete. They noted that Wheeler Plaza the project at the intersection of San Carlos Ave and Walnut Street just two blocks from the San Carlos library includes 250 parking spaces and has an anticipated completion of April 2018. When the project is completed there will also be less construction vehicles on the street, and San Carlos parking should see immediate and significant relief.

Background

In 2013 the SBWMA invested in a/v and recording equipment to allow for each of the Board Members to have a microphone and to allow for clear recording of the Board of Directors meetings. This sensitive and valuable equipment is heavy, bulky and requires storage. Currently this equipment is stored in the SBWMA offices and

requires space that is at least five feet by three feet by four feet tall. This equipment is kept on a cart that is rolled to the conference room for each meeting, the cart is too large to fit in any of our Agency staff's personal cars and is too heavy to get into and out of a car and into an alternate building location without the rolling cart. Temporary part time staff would need to be hired to assist staff with transportation and set up of this heavy equipment. Prior to the 2013 purchase of this specialized equipment, the SBWMA hired MCTV to set up the Board meeting room, at a cost of \$400/month, so the SBWMA anticipates a change in location will incur a similar if not higher cost due to inflation.

The SBWMA Board monthly meetings have historically been held the on the fourth Thursday of the month starting at 2 pm. This day of the week and time was selected so as to minimize any overlap with Member Agency governing body meetings on Monday-Wednesday and other regional government meetings. As requested by the Board of Directors, staff has also checked the national holiday calendar and found no conflicting dates with any major national or religious holidays. In June 2018 there is a League of California Cities Executive forum for Mayors and Council Members from June 27-29 that does conflict with the June Board meeting. Staff sends out the Board packet one-week prior to the Board meeting.

Fiscal Impact

There is no fiscal impact associated with continuing a monthly meeting calendar, at the San Carlos Library. However, if an alternate meeting location is chosen staff anticipates a cost of at least \$400 per meeting.

Attachments

Attachment A – Proposed 2018 Board Meeting Dates

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
2018 BOARD MEETING SCHEDULE**

Meetings of the South Bayside Waste Management Authority Board of Directors are held on the fourth Thursday of the month from 2-4pm

Location: City of San Carlos Library, 2nd Floor, Conference Room A/B, 610 Elm St., San Carlos, CA 94070

| | | |
|-----------|------------------------|------|
| January | 25 | 2018 |
| February | 22 | 2018 |
| March | 22 | 2018 |
| April | 26 | 2018 |
| May | 24 | 2018 |
| June | 28 | 2018 |
| July | 26 | 2018 |
| August | NO MEETING IN AUGUST | |
| September | 27 | 2018 |
| October | 25 | 2018 |
| November | 15* (Third Thursday) | 2018 |
| December | NO MEETING IN DECEMBER | |

*The 4th Thursday of November falls on the Thanksgiving Holiday; the Board Meeting has been scheduled for the week prior.

STAFF REPORT

To: SBWMA Board Members
From: Jean B. Savaree, SBWMA Legal Counsel
Date: November 16, 2017 Board of Director's Meeting
Subject: Resolution Approving First Amendment to the Executive Director's Employment Agreement

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2017-36 attached hereto authorizing the following action:

Approval of First Amendment to the Executive Director's Employment Agreement (the Agreement).

Analysis

Attached hereto is a First Amendment to the Agreement which reflects the Board's direction from its September 28, 2017 closed session. The following changes are proposed and reflected in the Resolution attached to this report (Attachment 1):

1. Paragraph 2(A), "Compensation," is modified increasing the Executive Director's salary from \$185,000 to \$190,920 effective August 1, 2017, and indicating that he will receive a five percent (5%) bonus.
2. Paragraph 5, "Suspension," is modified to include language required by California Government Code Section 53243.4 which would obligate the Executive Director to repay any severance received from SBWMA if he is later convicted of a crime involving an abuse of office.

Background

Mr. La Mariana was appointed as Executive Director on August 1, 2016. The Executive Director's Employment Agreement (Attachment 2), Paragraph 2(A), "Compensation," set his initial base compensation at \$185,000 per year. In addition to his base salary, the Executive Director receives twenty (20) days of vacation, personal leave, one hundred twenty (12) hours of yearly administrative leave, eight (8) hours per month of sick leave, bereavement leave, paid holidays, medical, dental, vision, disability and life insurance, and \$400 per month automobile allowance.

The Executive Director's written Employment Agreement at Paragraph 4(A) calls for the Board to meet with Mr. La Mariana within six (6) months of his appointment to evaluate his performance and, thereafter, to review his performance annually. The Board met earlier this year in a closed session with Mr. La Mariana to provide comments on his performance and receive the Agency evaluation he prepared as called for by his Employment Agreement, Exhibit B, Assigned Duties.

On September 28, 2017, the Board conducted its first annual review of Mr. La Mariana's performance. Based upon that review, the Board instructed that a contract amendment adjusting the Executive Director's base compensation be prepared for consideration. The Executive Director's Employment Agreement, Paragraph 2(A), Compensation, set his base compensation at \$185,000 per year. Adjustments to the Executive Director's compensation require Board action by resolution. Attached for the Board's consideration is a resolution amending Paragraph 2(A) of the Executive Director's Employment Agreement, adjusting his base annual compensation rate to \$190,920, effective August 1, 2017.

Per Paragraph 2(C) of the Executive Director's Agreement, the Board may, from time to time, at its sole discretion, grant a merit increase to the Executive Director. Based on his performance during the last year, the Board is requested to authorize a five percent (5%) bonus for Mr. La Mariana per Paragraph 2(C) of the Agreement. This equates to \$9,250.

In addition to the amendment proposed for Paragraph 2(A), "Compensation", State law also requires that language in the Agreement at Paragraph 5, "Suspension," be revised per California Government Code Section 53243.2 and 53243.4. Government Code Section 53243.4 requires that any contract executed or renewed between a local agency and an employee that provides paid leave pending an investigation shall include language requiring that any salary paid during the leave would be fully reimbursed if the employee is convicted of a crime involving an abuse of his or her office or position. (Government Code Section 53243.4) That language is included in the Executive Director's current contract.

Government Code Section 53243.4 also requires any contract executed or renewed between a local agency and an employee to provide that if the employee is terminated and paid a severance, the severance would be reimbursed if the employee is later convicted of a crime involving an abuse of office.

An abuse of office is defined as an abuse of authority, including but not limited to, waste, fraud, violation of law under color of authority and a crime against public justice (California Penal Code Title 5 commencing with Section 67; Title 6 commencing with Section 85; and Title 7 commencing with Section 92). This language should be added to the Executive Director's contract as part of this contract amendment.

Fiscal Impact

The 3.2% adjustment in the Executive Director's salary would increase his yearly compensation by \$5,920, for a new base salary of \$190,920. A 5% bonus will result in a one-time payment of \$9,250 to Mr. La Mariana.

Attachments:

- Resolution 2017-36 and First Amendment to Employment Agreement
- Exhibit A - Executive Director's First Amended Employment Agreement
- Attachment B – Original Employment Agreement



RESOLUTION NO. 2017-36

RESOLUTION OF THE BOARD OF DIRECTORS OF
THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
APPROVING THE FIRST AMENDMENT TO THE EMPLOYMENT
AGREEMENT FOR THE EXECUTIVE DIRECTOR

WHEREAS, the Authority has completed its annual performance review of the Executive Director and determined to amend the Employment Agreement of the Executive Director (the Employment Agreement);

NOW, THEREFORE, BE IT RESOLVED that the Employment Agreement, **Exhibit A** hereto, is modified as follows:

1. Paragraph 2(A), "Compensation," is amended to increase the base salary for the Executive Director from \$185,000 to \$190,920, commencing August 1, 2017, and to reference a one-time merit bonus of five percent (5%), equating to \$9,250, pursuant to Paragraph 2(C) of the Employment Agreement.
2. Paragraph 5, "Suspension," is amended to include language which complies with California Government Code Section 53243.4.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on this 16th day of November, 2017, 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. 2017-36 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on November 16, 2017.

ATTEST:

Bob Grassilli, Chairperson of SBWMA

Cyndi Urman, Board Secretary

**FIRST AMENDMENT TO THE
EMPLOYMENT AGREEMENT- EXECUTIVE DIRECTOR
SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

This is the First Amendment to the Executive Director Employment Agreement (the Agreement) by and between South Bayside Waste Management Authority, a California Joint Powers Authority (hereinafter "SBWMA") and Joe La Mariana, an individual (hereinafter "EMPLOYEE"), collectively the Parties.

RECITALS

- A. The Agreement was entered by the Parties on or about August 1, 2016, and provides for the services of Joe La Mariana as the Executive Director of the SBWMA.
- B. The SBWMA Board has met and reviewed the performance of the Executive Director.
- C. The Parties desire to amend the Agreement to adjust the Executive Director's base salary, effective August 1, 2017, and to authorize a one-time merit bonus of \$9,250.

TERMS AND CONDITIONS

- 1. Paragraph 2(A), "Compensation," of the Agreement is amended to provide that the base salary of the Executive Director to be increased by three and a half percent (3.5%) from \$185,000 per annum to \$190,920 effective August 1, 2017, and to reflect that a merit bonus of \$9,250 is authorized for the Executive Director.
- 2. Paragraph 5, "Suspension," is amended to provide:

The **BOARD** may suspend **EMPLOYEE** with full pay and benefits at any time during the term of this Agreement. The 60 day notice provisions in Section 6 shall not apply during any suspension. Notwithstanding any provision to the contrary, **EMPLOYEE** shall reimburse **SBWMA** any and all leave salary which may be paid to **EMPLOYEE** pending any investigation of the employment related conduct of **EMPLOYEE** if **EMPLOYEE** is convicted of a crime involving abuse of his office or position as defined in Government Code Section 53243.4 [GC 53243]. In addition, if the Agreement is terminated and **EMPLOYEE** is later convicted of a crime involving an abuse of his office or position, any cash settlement related to termination of the Agreement shall be fully reimbursed by **EMPLOYEE**. (GC 53243.2)

3. All other terms and conditions of the Agreement shall remain the same.

Dated: _____, 2017

SOUTH BAYSIDE WASTE
MANAGEMENT AUTHORITY

By: _____
Chair of the Board of Directors

Dated: _____, 2017

EMPLOYEE

By: _____
Joe La Mariana

APPROVED AS TO FORM:

Jean B. Savaree, SBWMA Counsel

Dated: _____, 2017

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is entered into this 1st day of August, 2016, by and between **South Bayside Waste Management Authority**, a California Joint Powers Authority (hereinafter "**SBWMA**"), and **Joe La Mariana**, an individual (hereinafter "**EMPLOYEE**"). In consideration of the mutual covenants and conditions contained herein and the faithful performance of the terms as set forth below, the parties agree as follows:

1. **EMPLOYMENT – TERM.**

- A. Pursuant to the terms of this Agreement, **EMPLOYEE** agrees to serve as Executive Director for **SBWMA**. This is an at-will, exempt/management position appointed and directed by the Board of Directors of **SBWMA**. **EMPLOYEE** agrees to serve as Executive Director of **SBWMA** and to perform those duties and responsibilities as more particularly set forth in Exhibit B as currently stated and as may be changed or added to, under and pursuant to the general direction of the **BOARD**.
- B. The term of this Agreement shall commence on August 1, 2016. This Agreement shall remain in full force and effect until terminated as set forth in Section 6.
- C. **EMPLOYEE** agrees to remain in the exclusive employ of **SBWMA** throughout the life of this Agreement and, except as described in Section 6 below, to neither accept other employment nor to become employed by any other employer.
- D. During the period of employment hereunder **EMPLOYEE** shall devote best efforts, attention, and skills to the business and affairs of **SBWMA** as such business and affairs now exist and as they may be hereafter changed or added to, under and pursuant to the general direction of the **BOARD**.
- E. Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of the **BOARD** to terminate the services of **EMPLOYEE** at any time, subject only to the provisions set forth in Section 6 of this Agreement.
- F. Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of the **EMPLOYEE** to resign at any time from his

position with **SBWMA**, subject only to the provisions set forth in Section 6 of this Agreement.

2. **COMPENSATION.**

- A. **EMPLOYEE'S** base salary shall be One Hundred Eighty-Five Thousand Dollars (\$185,000.00) per year.
- B. **EMPLOYEE** shall be a salaried employee and exempt from the Fair Labor Standards Act (FLSA).
- C. The **BOARD** may, from time to time, at its sole discretion, grant merit increases to **EMPLOYEE**.

3. **BENEFITS.**

EMPLOYEE shall be entitled to the benefits listed in Exhibit A.

4. **PERFORMANCE EVALUATION.**

- A. **BOARD** agrees to meet with **EMPLOYEE** six (6) months from the effective date of this Agreement to evaluate **EMPLOYEE'S** performance.
- B. Thereafter, the **BOARD** shall review and evaluate the performance of **EMPLOYEE** annually. Said review and evaluation shall be in accordance with specific criteria developed jointly by **BOARD** and **EMPLOYEE**. Said criteria may be added to or deleted from as the **BOARD** may from time to time determine, in consultation with **EMPLOYEE**. The **BOARD** shall provide **EMPLOYEE** with a summary written or oral evaluation of the **BOARD** and provide an adequate opportunity for **EMPLOYEE** to discuss his evaluation with the **BOARD** in closed session.
- C. Annually, the **BOARD** and **EMPLOYEE** shall define goals and performance objectives as they determine necessary for the proper operation of **SBWMA** and in the attainment of the **BOARD'S** policy objectives. The **BOARD** and **EMPLOYEE** shall establish a relative priority among those various goals and objectives, or if not done in consultation with the **BOARD**, **EMPLOYEE** shall establish same and submit it to the **BOARD**, and said goals and objectives will be reduced to writing. The goals and objectives shall generally be

attainable within the time limitations as specified and the annual operating and capital budgets and appropriations provided.

- D. The **BOARD** and **EMPLOYEE** are committed to developing a productive working relationship. Therefore, **BOARD** or **EMPLOYEE** may periodically request review sessions to address issues affecting said working relationship in addition to the annual evaluation process.

5. **SUSPENSION.**

The **BOARD** may suspend **EMPLOYEE** with full pay and benefits at any time during the term of this Agreement. Notwithstanding any provision to the contrary, **EMPLOYEE** shall reimburse **SBWMA** any and all leave salary which may be paid to **EMPLOYEE** pending any investigation of the employment related conduct of **EMPLOYEE** if **EMPLOYEE** is convicted of a crime involving abuse of his office or position as defined in Government Code Section 53243.4 [GC 53243].

6. **TERMINATION OF EMPLOYMENT/SEVERANCE.**

This Agreement may be terminated in the following manner:

- A. Resignation – **EMPLOYEE** may voluntarily resign by delivering a letter of resignation to the **BOARD** not less than sixty (60) days prior to the effective date of resignation. Upon the effective date of such voluntary resignation, **SBWMA** shall pay to **EMPLOYEE** all monthly compensation and benefits accrued and owing to **EMPLOYEE** at that time. During the sixty (60) day notice period, **EMPLOYEE** may accept other employment, provided that the start date of that other employment does not commence before the effective date of resignation.
- B. Termination of Employment Without Cause – **EMPLOYEE** acknowledges that he is an at-will employee who serves at the pleasure of the **BOARD**. As such, his employment may be terminated by the **BOARD** at any time without cause.
- C. Termination For Cause – In the event **EMPLOYEE** is terminated by **BOARD** for cause, no severance or termination pay shall be awarded to **EMPLOYEE**. In this Agreement “for cause” means:

1. Dishonesty, willful misconduct or gross neglect by **EMPLOYEE** in the performance of his obligations under this Agreement;
2. Theft, embezzlement or other similar misappropriation of funds or property of **SBWMA** by **EMPLOYEE**;
3. Intentional damage to any property of **SBWMA** that results in a significant liability to **SBWMA**;
4. The failure of **EMPLOYEE** to follow the reasonable and lawful instructions of the **BOARD** and/or policies of **SBWMA** with respect to **EMPLOYEE'S** duties hereunder;
5. Conviction of a felony;
6. Loss of mental capacity for a period of six consecutive months;
7. Habitual intoxication on duty, whether by alcohol or drugs;
8. Inexcusable absences without leave;
9. Willful violation of Federal/State law;
10. Willful violation of any conflict of interest law;
11. Performance of material outside business activity that conflicts with his duties as **SBWMA's** Executive Director.

D. Severance – If the **BOARD** terminates **EMPLOYEE** without cause under Subsection 6B, then **EMPLOYEE** shall, upon execution of an agreement releasing all claims which could be made against **SBWMA**, be entitled to severance pay equal to six (6) months' salary.

7 NOTICES.

Notices to **EMPLOYEE** pursuant to this Agreement shall be given by deposit in the United States mail, postage prepaid, addressed as follows:

Joe La Mariana, 610 Elm Street, Suite 202, San Carlos, CA 94070, or such other address as **EMPLOYEE** may list with **SBWMA** from time to time.

Alternatively, notices to **EMPLOYEE** required pursuant to this Agreement may be personally served. Notice shall be deemed given as of the date of personal service or two days after the date of deposit of such written notice in the United States mail.

Notices to **SBWMA** shall be personally delivered to **SBWMA** at 610 Elm Street, Suite 202, San Carlos, CA 94070, with a copy to the **SBWMA** Counsel at his/her business address.

8. **NON-DISCLOSURE OF CONFIDENTIAL INFORMATION.**

EMPLOYEE shall not, during the term of this Agreement, or any time thereafter, impart to anyone any confidential information which he may acquire in the performance of his duties as Executive Director under this Agreement, except as permitted by **SBWMA** or under compulsion of law.

9. **BINDING AGREEMENT.**

This Agreement shall be binding on the heirs, successors and assigns of the parties.

10. **ENTIRE AGREEMENT.**

This Agreement contains the entire agreement between the parties. No promise, representation, warranty or covenant not included in this Agreement has been or is relied upon by either party to this Agreement.

11. **MEDIATION.**

Neither **EMPLOYEE** nor **SBWMA** shall be permitted to file legal action without first meeting in mediation and making a good faith attempt to reach a mediated resolution which mediation shall be conducted within thirty (30) days of the request to initiate mediation by either party to this Agreement. The parties may, by mutual consent, agree to a longer period of time for mediation. The costs of the mediator, if any, shall be paid equally by the parties. If a mediated settlement is reached neither party shall be deemed the prevailing party for purposes of the settlement and each party shall bear its own costs.

12. **AMENDMENT OF AGREEMENT.**

This Agreement may be amended in writing by mutual agreement of the parties.

13. **GOVERNING LAW.**

This Agreement has been executed in San Carlos, California, and shall be governed in accordance with the laws of the State of California in every respect.

14. **NON-ASSIGNABLE.**

This Agreement shall not be assignable.

15. **SEVERABILITY.**

Should any section, subsection, sentence, clause, phrase or word included in this Agreement be found invalid by a court of competent jurisdiction, the balance of the Agreement shall remain in full force and effect.

16. **RIGHT TO COUNSEL.**

The parties acknowledge that they have been or have had a right to be represented by counsel of their own choice with regard to this Employment Agreement; that they have executed this Agreement with the consent and upon the advice of their own counsel, if such advice has been sought; and they have fully read and fully understood and voluntarily accepted the terms of this Agreement.

17. **COUNTERPARTS.**

This Agreement may be executed in one or more counterparts, each of which shall be considered an original, and all of which taken together shall be considered one and the same instrument.

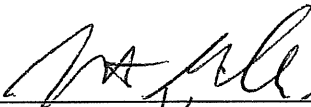
18. **WAIVER.**

Waiver by either party of any term or condition of this Agreement, or any breach, shall not constitute a waiver of any other term or condition or breach of the Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

DATED: 8/1/16, 2016

SOUTH BAYSIDE WASTE
MANAGEMENT AUTHORITY, a
California Joint Powers Authority

By: 
BOB GRASSILLI, CHAIR SBWMA

DATED: 8/1/16, 2016

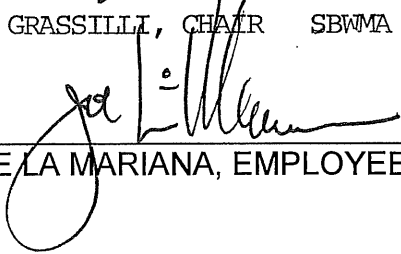

JOE LA MARIANA, EMPLOYEE

EXHIBIT A

Benefits

1. ADMINISTRATIVE/FLOAT LEAVE

EMPLOYEE shall receive one hundred and twenty (120) hours of Administrative Leave per year. Administrative Leave shall be prorated based on the effective date of employment during a calendar year. Such time shall be arranged at least two (2) weeks in advance of the day(s) desired. Unused Administrative Leave time is paid out at the end of the year or upon termination of employment with **SBWMA**.

2. HOLIDAYS

| | | |
|------|-----------------------------|-----------------------------|
| (1) | January 1 | New Year's Day |
| (2) | Third Monday in January | Martin Luther King, Jr. Day |
| (3) | Third Monday in February | President's Day |
| (4) | Last Monday in May | Memorial Day |
| (5) | July 4 | Independence Day |
| (6) | First Monday in September | Labor Day |
| (7) | November 11 | Veterans Day |
| (8) | Fourth Thursday in November | Thanksgiving Day |
| (9) | Fourth Friday in November | Day after Thanksgiving |
| (10) | December 25 | Christmas Day |

If any of the listed holidays falls on a Saturday, the Friday preceding shall be celebrated as a holiday; if the holiday falls on a Sunday, the following Monday shall be celebrated as the holiday.

3. VACATION

3.1 Entitlement

EMPLOYEE shall accrue vacation at the rate of twenty (20) days per year.

3.2 Vacation Accrual

EMPLOYEE shall not be allowed to have an accumulation of more than two (2) years vacation accrual to his credit at any one time unless the **SBWMA BOARD** authorizes in writing, more than two (2) years vacation accrual. Vacation accrued in

excess of the maximum allowed will be liquidated by monetary payment during the month of December.

4. **SICK LEAVE**

4.1 **Accrual**

EMPLOYEE shall accrue sick leave credit at the rate of eight (8) hours per month.

4.2 **Family Sick Leave**

EMPLOYEE is entitled to use sick leave for the care of the **EMPLOYEE's** ill or injured immediate family member (as defined in Bereavement Leave) for up to half of the **EMPLOYEE's** annual sick leave accrual (6 days a year). **EMPLOYEE** will not be compensated for unused sick leave upon termination.

4.3 **Bereavement Leave**

In case of death within the immediate family, **EMPLOYEE** shall be entitled to remain absent from duty with pay in order to attend the funeral or memorial service for a maximum of three (3) consecutive workdays.

If the **EMPLOYEE** must travel outside the state of California and at least four hundred (400) miles, **EMPLOYEE** shall be entitled to remain absent from duty with pay in order to attend the funeral or memorial service for a maximum of five (5) consecutive workdays.

For the purpose of this Section, immediate family is defined as husband, wife, domestic partner as defined by the State of California, father, mother, grandfather, grandmother, sister, brother, son, daughter, mother-in-law, father-in-law, stepchild, stepmother, stepfather, or such person who has served in the place of the **EMPLOYEE's** parent. Such leave shall not be charged against **EMPLOYEE** as leave without pay nor deducted from **EMPLOYEE's** annual leave.

4.4 **Military Leave**

Military leaves are granted in accordance with provisions of State and Federal law, including Section 395 of the Military and Veterans Code of the Uniformed Services Employment and Reemployment Rights Act, 38 U.S.C. Section 4301 et seq.

4.5 Crime Victims Leave and Leave Related to Domestic Violence Sexual Assault or Stalking, Time Off to Vote, School Activities and Volunteer Firefighter, Reserve Peace Officer and Emergency Rescue Personnel

Crime Victims Leave and Leave Related to Domestic Violence Sexual Assault or Stalking, Time Off to Vote, School Activities and Volunteer Firefighter, Reserve Peace Officer and Emergency Rescue Personnel shall also be provided as outlined in **SBWMA's** Employee Policies and Benefits Plan.

5. JURY DUTY

If **EMPLOYEE** is summoned to jury duty, **EMPLOYEE** may be absent from duty with full pay; provided, however, **EMPLOYEE** must remit to the **SBWMA**, through the Chief Financial Officer, within fifteen (15) days after receipt, all fees received except those specifically allowed for mileage and expenses.

6. HOSPITALIZATION AND MEDICAL CARE

6.1 Health Plan

SBWMA shall contribute the premium cost for **EMPLOYEE** and his eligible dependents to participate in its medical plans.

6.2 Dental Plan

SBWMA shall contribute the premium cost for **EMPLOYEE** and his eligible dependents to participate in its dental plan.

6.3 Vision Care Plan

SBWMA shall contribute the premium cost for **EMPLOYEE** and his eligible dependents to participate in its vision care plan.

6.4 Long-term Disability

SBWMA shall provide long-term disability insurance at no cost to **EMPLOYEE**. The waiting period for long-term disability benefits is sixty (60) calendar days. The Long-Term Disability premium is taxed to allow the long-term disability payment to be issued on a tax-free basis.

6.5 Alternate Medical Benefit Program

If **EMPLOYEE** provides proof of existing medical coverage from another source, he will receive a benefit in lieu of **SBWMA's** contribution for health insurance in an amount set at the applicable employee single rate.

7. LIFE INSURANCE

SBWMA shall provide for **EMPLOYEE**, life insurance in the amount of one (1) times regular salary to a maximum of Two Hundred Thousand Dollars (\$200,000.00).

8. RETIREMENT

SBWMA has adopted a self-directed Section 401(a) of the Internal Revenue Service Code retirement plan to which **SBWMA** contributes an amount equal to ten (10) percent of the **EMPLOYEE's** base salary. The **EMPLOYEE** vests in the 401(a) retirement plan immediately. In addition, **SBWMA** will contribute to the 401(a) plan a match of the **EMPLOYEE's** contribution to a 457(b) deferred contribution plan up to an additional two (2) percent of the **EMPLOYEE's** base salary. The match will be a one-for-one match, i.e. the employer will match each dollar of the **EMPLOYEE's** contribution up to two percent.

9. CAR ALLOWANCE

EMPLOYEE shall receive a monthly car allowance of Four Hundred Dollars (\$400.00) per month to cover all costs associated with the use and maintenance of his car.

10. BONDING EXPENSE

SBWMA shall be responsible to pay any bonding expense of **EMPLOYEE**.

EXHIBIT B

ASSIGNED DUTIES

EMPLOYEE will act as the **SBWMA** Executive Director. In that role the Executive Director will:

- Prepare for the Board's review an evaluation of the organization and develop recommendations for staffing and operations by November 1, 2016;
- Develop for the Board's review a strategy for engagement with First Tier Subcontractors;
- Plan, develop, implement, coordinate and evaluate resource conservation programs, projects and activities in the **SBWMA**;
- Assure compliance with federal, state, local and other pertinent waste management and environmental mandates, laws, codes, rules, regulations and agreements;
- Serve as primary subject matter expert in assigned area, external agencies, businesses, community groups and the public;
- Supervise professional, technical, support, contract and volunteer staff;
- Assist in planning, developing and monitoring the budget;
- Attend all **SBWMA** meetings of the **BOARD** of Directors, **BOARD** subcommittees, and staff; and attend **SBWMA** member meetings as necessary;
- Assist the **BOARD** of Directors in the discharge of its duties;
- Prepare and submit a proposed budget to the **BOARD**;
- Within authority given by the **BOARD**, execute contracts and expend funds for supplies, equipment and services;
- Manage contracts entered into by the **SBWMA**; and
- Perform such other duties consistent with the position of **SBWMA** Executive Director as required by the **BOARD** of Directors.

STAFF REPORT

To: SBWMA Board Members
From: Joe La Mariana, Executive Director
 Farouk Fakira, Finance Manager
Date: November 16, 2017 Board of Directors Meeting
Subject: Resolution approving tipping Fee Increases Effective 1/1/18 to Maintain Bond Covenant Requirements

Several unplanned financial occurrences have recently been realized, or will become effective on January 1, 2018 that Staff projects will result in a serious shortfall to the agency's FY17018 budget. Without adjusting public and franchise tip fees, the agency's future Bond Covenant requirements are also at risk of not being properly met. Therefore, Staff has provided two scenarios in this staff report that address this situation and the Board is asked to approve one of them.

Scenario 1 recommends tip fee adjustments to limited categories of materials.at Shoreway effective January 1, 2018.

Scenario 2 recommends tip fee adjustments on all major categories of materials.at Shoreway effective January 1, 2018.

Staff recommends the adoption of Scenario 2.

Scenario 1:

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2017-37 attached hereto authorizing the following actions:

Scenario 1: Recommended Rates Effective January 1st, 2018

| Material Category | Current rate | Proposed rate | Difference (\$) | Difference (%) |
|--------------------------|--------------|---------------|-----------------|----------------|
| Franchised Organics | \$96/ton | \$112/ton | +6/ton | +5.7 |
| Public Clean Plants/Wood | \$29/cy* | \$31/cy | +2/cy | +6.9 |
| Public C+D | \$38/cy | \$40/cy | +2/cy | +5.3% |

*CY=Cubic Yard

All other rates remain unchanged.

Summary

Newby has increased the organics process rate by \$12.27 per ton effective January 1st, 2018 and that is for 58,406 tons of the total 138,080 organics tons that we receive at Shoreway. This change will cause an unfavorable hit to our profit and loss position of \$716,642. To cover for this shortfall, the staff is proposing an increase of \$6 per ton for franchise organics and \$2 per cubic yard for all public organics, effective January 1st, 2018. In addition, the staff is proposing \$2 increase for public C&D which has already been approved during the FY2017/2018 budget plus \$.12 per cubic yard to accommodate the \$.33 per ton rate increase for additional fuel tax that was enacted by the California Franchise Tax Board. Finally, commodity revenues are down by \$1,322,465 due to a drop in commodity prices using October 2017 to date actuals and overall covenant ratios are projected at 1.01 for breakeven and 1.66 for debt coverage for year 2018.

Analysis

When evaluating potential adjustments to the Shoreway facility tipping fees, staff prepares and reviews the following information:

- Updated calendar year 2017 and 2018 financial projections to capture any changes in forecasted inbound tonnage and yardage from franchise and non-franchise customers, commodity revenue, and operating expenses.
- Review the projected net operating surplus/shortfall for 2017 assuming various tipping fee adjustment (per ton and per yard rates) scenarios. We start first with the base case scenario of what tipping fees were assumed in the Board adopted FY17/18 budget and then "test" this and other scenarios against compliance with bond debt covenant requirements (i.e., break even test 1.0 and debt coverage ratio of 1.4). Basically, we see if using the base case tipping fees still keep us in compliance with the bond covenants and to what extent any changes are needed or can be made to the base case tipping fees.

In completing the updated financial projections, we also take a preliminary look at how the projected net income affects our cash reserve balances. Capital cash reserve is tracking below what we last projected per the adopted FY17/18 Budget figures by \$397K due to the large drop in commodity prices.

Updated SBWMA Financial Projections for Calendar Year 2017 and 2018

Updated financial projections for calendar year 2017 and 2018 are shown in **Table 1** below. The 2018 projection for franchise and public revenue is based on the recommended tipping fees for 2018. See the notes below the table that explain notable variances in the table.

Table 1

| | Calendar Year | | Calendar Year | | % Change | % of Total |
|--|------------------------|-------------------|---------------|---|---------------|---------------|
| | Act. 01-09, Est. 10-12 | Estimate | Estimate | Estimate | | |
| | 2017 | Projection | 2018 | Projection | | |
| Operating Revenue | | | | | | |
| ¹ Franchise Revenue | \$ | 30,917,041 | \$ | 31,967,595 | 3.4% | 61.9% |
| ² Public Revenue | | 10,838,483 | | 11,653,262 | 7.5% | 23.6% |
| Commodity Material Sales | | 8,664,945 | | 6,919,932 | -20.1% | 14.0% |
| Commodity Revenue Sharing | | (854,029) | | (365,425) | -57.2% | -0.7% |
| Buyback Payment (moved from Shoreway e | | (825,258) | | (891,314) | 8.0% | -1.8% |
| ³ Commodity Sales, Net | \$ | 6,985,658 | \$ | 5,663,192 | -18.9% | 11.5% |
| Other Revenue | | 64,443 | | 36,463 | -43.4% | 0.1% |
| ⁴ Fire Insurance reimbursement | | 287,023 | | - | -100.0% | 0.0% |
| Total Operating Revenue | \$ | 49,092,648 | \$ | 49,320,512 | 0.5% | 100.0% |
| Operating Expenses | | | | | | |
| ⁵ SBR Operating Expense | \$ | 19,024,718 | \$ | 19,262,606 | 1.3% | 40.7% |
| ⁶ Disposal Expense | | 17,630,209 | | 18,959,427 | 7.5% | 40.1% |
| Shoreway Facility & Maintenance | | 197,405 | | 219,065 | 11.0% | 0.5% |
| Total Operating Expense | \$ | 36,852,333 | \$ | 38,441,097 | 4.3% | 77.9% |
| SBWMA Program Budget | \$ | 3,450,639 | \$ | 3,367,461 | -2.4% | 7.1% |
| Franchise Fee | | 1,988,000 | | 2,077,000 | 4.5% | 4.4% |
| ⁷ Other Expense | | 600,947 | | 891,689 | 48.4% | 1.9% |
| Total Other Expense | \$ | 6,039,587 | \$ | 6,336,150 | 4.9% | 13.4% |
| Total Expense | \$ | 42,891,919 | \$ | 44,777,247 | 4.4% | 94.7% |
| Non-Operating | | | | | | |
| Interest (Income) | \$ | (157,846) | \$ | (168,608) | 6.8% | -0.4% |
| Interest Expense | | 2,739,175 | | 2,676,833 | -2.3% | 5.7% |
| Subtotal | | 2,581,329 | | 2,508,225 | -2.8% | 5.3% |
| Total Expense | \$ | 45,473,248 | \$ | 47,285,473 | 4.0% | 100.0% |
| Net Operating Income | \$ | 3,619,400 | \$ | 2,035,039 | -43.8% | |
| Other Payments | | | | | | |
| Shoreway Capital Expenditures | \$ | 350,000 | \$ | 322,804 | -7.8% | |
| Miscellaneous | | - | | - | 0.0% | |
| Bond Principal Payments | | 1,365,000 | | 1,420,000 | 4.0% | |
| Net Cash Flow | \$ | 1,904,400 | \$ | 292,236 | -84.7% | |
| Designated Reserve Funding | | 800,557 | | 392,109 | | |
| Undesignated Cash Flow | \$ | 1,103,843 | \$ | (99,873) | | |
| Bond Covenant Requirements | | | | | | |
| ⁸ Break Even 1 | | | | 1.05 | 1.01 | |
| ⁹ Debt Coverage 2 | | | | 2.03 | 1.66 | |
| ⁸ Required to be 1.0 or greater | | | | = Total Revenues/ Total Expenses | | |
| ⁹ Required to be 1.4 or greater | | | | = Net Revenue/Debt Services | | |

See description of subscripts below:

1. Franchise price increase of 1.6% for \$506.8K and volume increase of 1.8% for \$543.7K.
2. Public price increase of 3.1% for \$339K and volume increase of 4.4% for \$475K.
3. Commodity revenue is lower due to a drop in commodity prices.
4. No fire insurance reimbursement in 2018.
5. SBR operating cost increase is due to rate increase of 2.2% for \$412K and (-.92%) is volume decrease for (\$174K).
6. Disposal is mainly due to rate increase of 8.2% for \$1.249K and .5% in volume increase for \$.784K.
7. Other expense is due to increase in property insurance coverage for the 2nd half of 2017 and the full year of 2018.

The projected net income for calendar year 2018 results in meeting both bond covenant tests of break-even ratio of 1.01 and debt coverage ratio of 1.66. The drop is due to \$1.322 million in commodity revenues and increase in other expenses of \$291K due to the increase in property insurance charge.

Attachment A provides a series of tables with back-up detail on operating revenue and expense information used in the 2017 and 2018 financial projections.

Table 2 below shows the revenue generated from each rate category. Overall, the a significant share of our tipping fee revenue comes from franchise sources at nearly 74% with self haul customers delivering materials to our Shoreway facility making up the balance at 26%.

Table 2 (Calendar Year)

| | 2018 PROJECTION | | | |
|----------------------------|-----------------|----------------|----------------------|---------------|
| FRANCHISE | Yards | Tons | Revenue | % of Total |
| Solid Waste | | 183,014 | \$ 19,033,428 | 43.6% |
| Residential Organics | | 84,441 | 9,457,370 | 21.7% |
| Commercial Food Waste | | 25,360 | 2,992,485 | 6.9% |
| C&D | | 7 | 686 | 0.0% |
| Dirt, Inert | | 2,414 | 219,634 | 0.5% |
| Other | | 2,644 | 263,992 | 0.6% |
| Total Franchise | | 297,879 | \$ 31,967,595 | 73.3% |
| SELF-HAUL | | | | |
| Solid Waste | 55,778 | | \$ 2,286,913 | 5.2% |
| Green Waste | 50,097 | | 1,552,993 | 3.6% |
| C&D | 112,764 | | 4,510,571 | 10.3% |
| Public Dirt | | 8637 | 820,487 | 1.9% |
| Non-SBWMA SW (Tons) | | 2629 | 289,137 | 0.7% |
| Non-SBWMA SCRAP (Tons) | | 115 | 6,876 | 0.0% |
| Non-SBWMA FOOD (Tons) | | 8130 | 959,322 | 2.2% |
| Non-SBWMA C&D (Tons) | | 5197 | 540,495 | 1.2% |
| Non-SBWMA ORGANIC (Tons) | | 688 | 77,035 | 0.2% |
| Non-SBWMA Assphalt Roofing | | 2476 | 257,512 | 0.6% |
| Non-SBWMA Clean Wood | | 1311 | 100,957 | 0.2% |
| Got Junk - Misc Recycl | | | 250,964 | 0.6% |
| Total Public | 218,639 | 29,182 | \$ 11,653,262 | 26.7% |
| TOTAL | 218,639 | 327,061 | \$ 43,620,857 | 100.0% |

Background

The recommended \$2 per cubic yard increase for the public C&D tipping fee is similar to what was assumed in the adopted FY1718 budget due to Zanker's rate increase of \$5 per ton. In addition, staff proposed an increase of

\$6.00 per ton for organics to the franchise customers and \$2 per cubic yard to the public customers to compensate for the \$12.27 per ton increase by BFI (Newby) effective January 1st, 2018 (see Table 3 below detailing the impact of BFI - Newby rate increase).

Table 3.

| Newby Rate Increase Impact On Organics Tipping Fees: | | | | | | |
|---|-----------------|--|----------|-----------------|------------|--|
| Increase from \$52.73 to \$65.00 per ton. | | | | | | |
| | Before Increase | | Increase | After Newby | % Increase | |
| | | | Per Ton | Per Ton | | |
| Tipping Fees 2017 | \$ 106.00 | | \$ 6.00 | \$ 112.00 | 5.7% | |
| Disposal | \$ 43.87 | | | \$ 49.28 | 12.3% | |
| Transportation | 27.66 | | | 27.66 | | |
| Gross Margin | \$ 34.47 | | | \$ 35.06 | | |
| Overhead cost | | | | | | |
| Shoreway | \$ 13.17 | | | \$ 13.17 | | |
| SBWMA | 9.34 | | | 9.34 | | |
| Interest & FF | 11.65 | | | 11.65 | | |
| Overhead cost | \$ 34.16 | | | \$ 34.16 | | |
| Net Margin | \$ 0.31 | | | \$ 0.90 | | |

Overall, we are forecasting slightly higher tonnage in 2018 vs. 2017 to reflect the September YTD actual received at Shoreway plus projected tons for October through December for 2017, and projections for the entire 2018. The increase in tons are mostly due to projected increase in food waste tons. In addition, we are forecasting higher SBR cost of 1.3% due the 2018 annual compensation and higher disposal cost of 7.4% due to the BFI rate increase for organics and the Zanker's increase for C&D processing cost. These increases are added to the regularly assumed CPI increases for the rest of the disposal and processing vendors. Net operating income is projected to decrease by (43.8%) (See Table 1 on p. 3 of the staff report). Given all the above, the assumed tipping fee increases are needed to maintain our minimum bond debt covenant requirements (i.e. break even test of 1.0 and debt coverage of 1.4 ratios) and a healthy capital reserve.

Figure 1 below captures how tipping fees are incorporated into the collection revenue requirement for Member Agency annual solid waste setting.

Figure 1

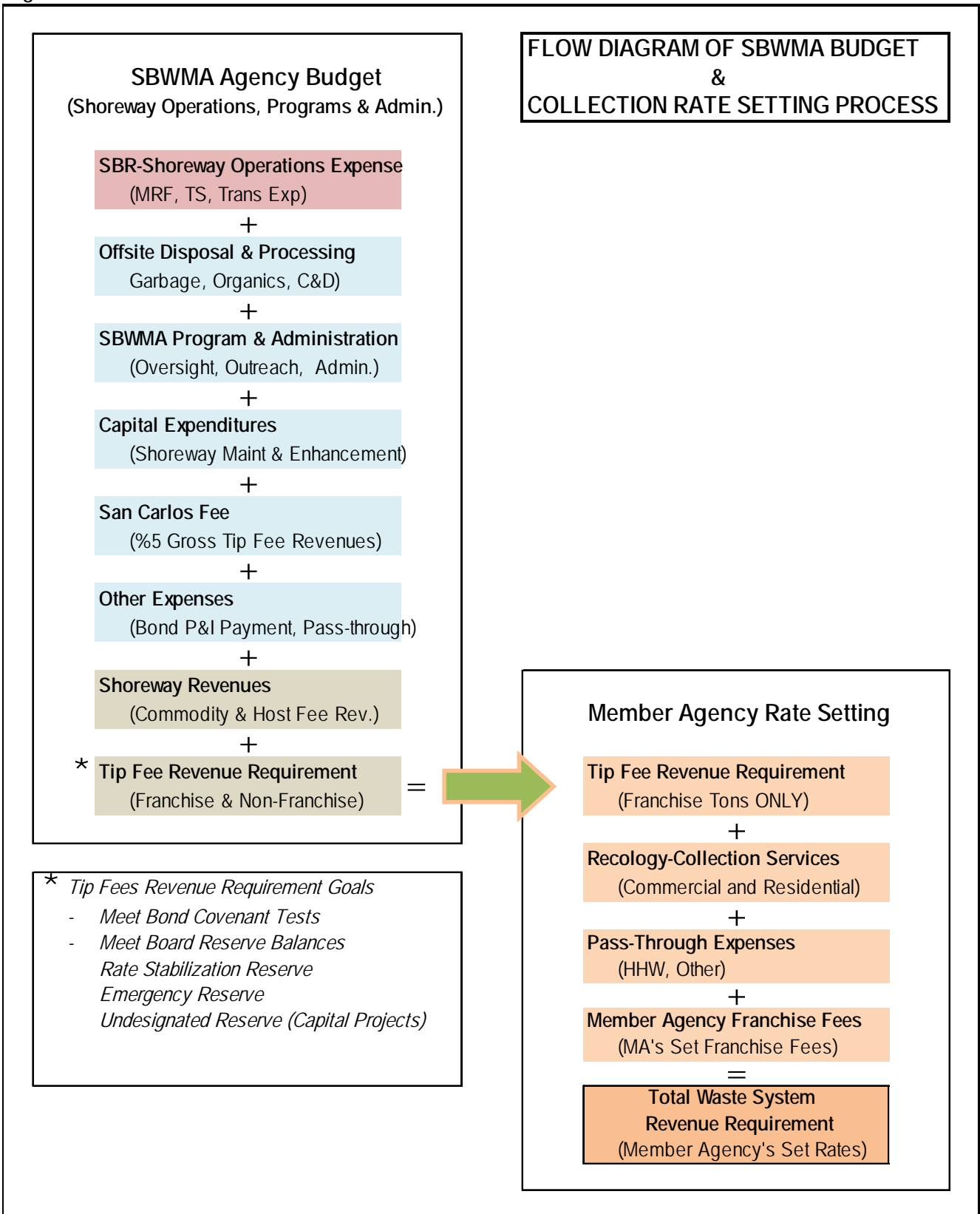


Table 4 Historical tipping fees at the Shoreway facility are summarized below including proposed tipping fee increases on January 1st, 2018.

Table 4

| Effective Dates: | 1/1/2012 | 1/1/2013 | 1/1/2014 | 1/1/2015 | 1/1/2016 | 7/1/2016 | 1/1/2017 | 1/1/2018 | 1/1/2018 |
|------------------------------|----------|----------|----------|-----------|----------|-----------|----------|----------|----------|
| Description/Rates | | | | | | Approved | Approved | Approved | Proposed |
| Franchised Solid Waste (Ton) | \$88 | \$91 | \$92 | No Change | \$94 | No Change | \$104 | \$104 | |
| Franchised Organics (Ton) | \$89 | \$92 | \$94 | No Change | \$96 | No Change | \$106 | \$106 | \$112 |
| Franchised Food Waste (Ton) | \$101 | \$104 | \$107 | No Change | \$107 | No Change | \$118 | \$118 | |
| Public weighed dirt (Ton) | \$81 | \$81 | \$81 | No Change | \$83 | \$90 | \$95 | \$95 | |
| Public Solid Waste (Cyd) | \$33 | \$34 | \$35 | No Change | \$36 | \$38 | \$41 | \$41 | |
| Public C&D (Cyd) | \$29 | \$30 | \$32 | No Change | \$33 | \$35 | \$38 | \$38 | \$40 |
| Public Green Waste (Cyd) | \$22 | \$23 | \$24 | No Change | \$25 | \$27 | \$29 | \$29 | \$31 |

Fiscal Impact

The recommended tipping fee adjustments for Organics have the effect of increasing SBWMA franchise revenue by \$716,642 which has an approximate .7% impact increase on residential customer solid waste collection rates.

Table 4 below shows the .7% 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 and uses 2017 collection rates).

Table 4

| Shoreway Franchise Tip Fee Increase: January 1, 2018 - .7% - \$12.27 Per ton for Organics only - Estimate | | | |
|--|---------------------|---|-------------------------------|
| 2016 Collection Rate Impact | % Increase * | Residential Monthly Rate Impact (32 gal.) Cost/Month | 2017 32 gal. rate / mo |
| Atherton | 0.8% | \$ 0.44 | \$ 55.00 |
| Belmont | 0.6% | \$ 0.20 | \$ 33.50 |
| Burlingame | 0.8% | \$ 0.18 | \$ 23.85 |
| East Palo Alto ¹ | 0.9% | \$ 0.36 | \$ 40.77 |
| Foster City | 0.8% | \$ 0.17 | \$ 22.00 |
| Hillsborough | 0.6% | \$ 0.31 | \$ 48.22 |
| Menlo Park | 0.7% | \$ 0.17 | \$ 23.40 |
| N. Fair Oaks | 0.7% | \$ 0.21 | \$ 28.05 |
| Redwood City | 0.8% | \$ 0.21 | \$ 27.30 |
| San Carlos | 0.6% | \$ 0.20 | \$ 31.80 |
| City San Mateo | 0.7% | \$ 0.13 | \$ 19.65 |
| West Bay Sanitary | 0.7% | \$ 0.26 | \$ 40.23 |
| County San Mateo (CFA) | 0.6% | \$ 0.23 | \$ 36.98 |
| TOTAL SBWMA AVERAGE | 0.7% | \$ 0.24 | |
| 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. | | | |

Newby increase from \$52.73 to \$65.00 (\$12.27) per ton for organics.

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Scenario 2:

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2017-37 attached hereto authorizing the following actions:

Scenario 2: Recommended Rates Effective January 1st, 2018

| Material Category | Current rate | Proposed rate | Difference (\$) | Difference (%) |
|--------------------------|--------------|---------------|-----------------|----------------|
| Franchised Solid Waste | \$104/ton | \$107/ton | +3/ton | +2.9 |
| Franchise Organics | \$96/ton | \$112/ton | +6/ton | +5.7 |
| Franchised Food Waste | \$118/ton | \$121/ton | +3/ton | +2.5 |
| Public Solid Waste | \$41/cy | \$42/cy | +1/cy | +2.5 |
| Public Clean Plants/Wood | \$29/cy | \$31/cy | +2/cy | +6.9 |
| Public C+D | \$38/cy | \$40cy | +2/cy | +5.3 |
| Public Weighed Dirt | \$95/ton | \$98/ton | +3/ton | +3.2 |

*CY=Cubic yard

Summary

Newby has increased the organics process rate by \$12.27 per ton and that is for 58,406 tons of the total 138,080 organics tons that we receive at Shoreway. This change will cause an unfavorable hit to our profit and loss position of \$716,642. To cover for this shortfall, the staff is proposing an increase of \$6 per ton for franchise organic tons and \$2 per cubic yard for all public organics, effective January 1st, 2018. In addition, the staff is proposing \$2 increase for public C&D which has already been approved during the FY2017/2018 budget plus \$.12 per cubic yard to accommodate the \$.33 per ton rate increase for additional fuel tax that was enacted by the California Franchise Tax Board. Commodity revenues are down by \$1,322,465 due to a drop in commodity prices using October 2017 to date actuals and staff are recommending an overall increase of \$3 per ton for all franchise tons and \$1 per cubic yard for public solid waste cubic yards. Overall covenant ratios stand at 1.03 for breakeven and 1.85 for debt coverage for year 2018.

Analysis

When evaluating potential adjustments to the Shoreway facility tipping fees, staff prepares and reviews the following information:

- Updated calendar year 2017 and 2018 financial projections to capture any changes in forecasted inbound tonnage and yardage from franchise and non-franchise customers, commodity revenue, and operating expenses.
- Review the projected net operating surplus/shortfall for 2017 assuming various tipping fee adjustment (per ton and per yard rates) scenarios. We start first with the base case scenario of what tipping fees were assumed in the Board adopted FY1718 budget and then "test" this and other scenarios against compliance with bond debt covenant requirements (i.e., break even test 1.0 and debt coverage ratio of 1.4). Basically, we see if using the base case tipping fees still keep us in compliance with the bond covenants and to what extent any changes are needed or can be made to the base case tipping fees.

In completing the updated financial projections, we also take a preliminary look at how the projected net income affects our cash reserve balances. Capital cash reserve is tracking above what we last projected per the adopted FY17/18 Budget figures by \$381K due to the proposed tipping fees increases which offset the big drop in commodity prices.

Updated SBWMA Financial Projections for Calendar Year 2017 and 2018

Updated financial projections for calendar year 2017 and 2018 are shown in **Table 1** below. The 2018 projection for franchise and public revenue is based on the recommended tipping fees for 2018. See the notes below the table that explain notable variances in the table.

Table 1

| | | Calendar Year Act. 01-09, Est. 10-12 | | Calendar Year Estimate | | | |
|-----------------------------------|--|---|-------------------|---------------------------|-------------------|---------------|---------------|
| | | 2017 | Projection | 2018 | Projection | % Change | % of Total |
| Operating Revenue | | | | | | | |
| 1 | Franchise Revenue | \$ | 30,917,041 | \$ | 32,607,093 | 5.5% | 61.9% |
| 2 | Public Revenue | | 10,838,483 | | 11,796,241 | 8.8% | 23.5% |
| | Commodity Material Sales | | 8,664,945 | | 6,919,932 | -20.1% | 13.8% |
| | Commodity Revenue Sharing | | (854,029) | | (365,425) | -57.2% | -0.7% |
| | Buyback Payment (moved from Shoreway e | | (825,258) | | (891,314) | 8.0% | -1.8% |
| 3 | Commodity Sales, Net | \$ | 6,985,658 | \$ | 5,663,192 | -18.9% | 11.3% |
| | Other Revenue | | 64,443 | | 36,463 | -43.4% | 0.1% |
| 4 | Fire Insurance reimbursement | | 287,023 | | - | -100.0% | 0.0% |
| | Total Operating Revenue | \$ | 49,092,648 | \$ | 50,102,990 | 2.1% | 100.0% |
| Operating Expenses | | | | | | | |
| 5 | SBR Operating Expense | \$ | 19,024,718 | \$ | 19,262,606 | 1.3% | 40.7% |
| 6 | Disposal Expense | | 17,630,209 | | 18,959,427 | 7.5% | 40.1% |
| | Shoreway Facility & Maintenance | | 197,405 | | 219,065 | 11.0% | 0.5% |
| | Total Operating Expense | \$ | 36,852,333 | \$ | 38,441,097 | 4.3% | 76.7% |
| | SBWMA Program Budget | \$ | 3,450,639 | \$ | 3,367,461 | -2.4% | 7.1% |
| | Franchise Fee | | 1,988,000 | | 2,114,000 | 6.3% | 4.5% |
| 7 | Other Expense | | 600,947 | | 891,689 | 48.4% | 1.9% |
| | Total Other Expense | \$ | 6,039,587 | \$ | 6,373,150 | 5.5% | 13.5% |
| | Total Expense | \$ | 42,891,919 | \$ | 44,814,247 | 4.5% | 94.7% |
| Non-Operating | | | | | | | |
| | Interest (Income) | \$ | (157,846) | \$ | (168,608) | 6.8% | -0.4% |
| | Interest Expense | | 2,739,175 | | 2,676,833 | -2.3% | 5.7% |
| | Subtotal | | 2,581,329 | | 2,508,225 | -2.8% | 5.3% |
| | Total Expense | \$ | 45,473,248 | \$ | 47,322,473 | 4.1% | 100.0% |
| | Net Operating Income | \$ | 3,619,400 | \$ | 2,780,517 | -23.2% | |
| Other Payments | | | | | | | |
| | Shoreway Capital Expenditures | \$ | 350,000 | \$ | 322,804 | -7.8% | |
| | Miscellaneous | | - | | - | 0.0% | |
| | Bond Principal Payments | | 1,365,000 | | 1,420,000 | 4.0% | |
| | Net Cash Flow | \$ | 1,904,400 | \$ | 1,037,713 | -45.5% | |
| | Designated Reserve Funding | | 800,557 | | 399,509 | | |
| | Undesignated Cash Flow | \$ | 1,103,843 | \$ | 638,204 | | |
| Bond Covenant Requirements | | | | | | | |
| 8 | Break Even 1 | | 1.05 | | 1.03 | | |
| 9 | Debt Coverage 2 | | 2.03 | | 1.85 | | |
| 8 | Required to be 1.0 or greater | = Total Revenues/ Total Expenses | | | | | |
| 9 | Required to be 1.4 or greater | = Net Revenue/Debt Services | | | | | |

See description of subscripts below:

8. Franchise price increase of 3.7% for \$1138.4K and volume increase of 1.8% for \$552K.
9. Public price increase of 4.4% for \$482K and volume increase of 4.4% for \$476K.
10. Commodity revenue is lower due to a drop in commodity prices.
11. No fire insurance reimbursement in 2018.
12. SBR operating cost increase is due to rate increase of 2.2% for \$412K and (-.92%) is volume decrease for (\$174K).
13. Disposal is mainly due to rate increase of 8.2% for \$1.249K and .5% in volume increase for \$.784K.
14. Other expense is due to increase in property insurance coverage for the 2nd half of 2017 and the full year of 2018.

The projected net income for calendar year 2018 results in meeting both bond covenant tests of break-even ratio of 1.03 and debt coverage ratio of 1.85. The drop is due to \$1.322 million in commodity revenues and increase in other expenses of \$291K due to the increase in property insurance charge.

Attachment A provides a series of tables with back-up detail on operating revenue and expense information used in the 2017 and 2018 financial projections.

Table 2 below shows the revenue generated from each rate category. Overall, the a significant share of our tipping fee revenue comes from franchise sources at nearly 74% with self haul customers delivering materials to our Shoreway facility making up the balance at 26%.

| | 2018 PROJECTION | | | |
|----------------------------|-----------------|----------------|----------------------|---------------|
| FRANCHISE | Yards | Tons | Revenue | % of Total |
| Solid Waste | | 183,014 | \$ 19,582,469 | 44.1% |
| Residential Organics | | 84,441 | 9,457,370 | 21.3% |
| Commercial Food Waste | | 25,360 | 3,068,565 | 6.9% |
| C&D | | 7 | 706 | 0.0% |
| Dirt, Inert | | 2,414 | 226,875 | 0.5% |
| Other | | 2,644 | 271,924 | 0.6% |
| Total Franchise | | 297,879 | \$ 32,607,909 | 73.4% |
| SELF-HAUL | | | | |
| Solid Waste | 55,778 | | \$ 2,342,691 | 5.3% |
| Green Waste | 50,097 | | 1,552,993 | 3.5% |
| C&D | 112,764 | | 4,510,571 | 10.2% |
| Public Dirt | | 8637 | 846,397 | 1.9% |
| Non-SBWMA SW (Tons) | | 2629 | 297,023 | 0.7% |
| Non-SBWMA SCRAP (Tons) | | 115 | 6,876 | 0.0% |
| Non-SBWMA FOOD (Tons) | | 8130 | 983,712 | 2.2% |
| Non-SBWMA C&D (Tons) | | 5197 | 556,087 | 1.3% |
| Non-SBWMA ORGANIC (Tons) | | 688 | 79,098 | 0.2% |
| Non-SBWMA Assphalt Roofing | | 2476 | 264,940 | 0.6% |
| Non-SBWMA Clean Wood | | 1311 | 104,891 | 0.2% |
| Got Junk - Misc Recycl | | | 250,964 | 0.6% |
| Total Public | 218,639 | 29,182 | \$ 11,796,241 | 26.6% |
| TOTAL | 218,639 | 327,061 | \$ 44,404,150 | 100.0% |

Background

The recommended \$2 per cubic yard increase for the public C&D tipping fee is similar to what was assumed in the adopted FY17/18 budget due to Zanker's rate increase of \$5 per ton. In addition, staff proposed an increase of \$6 per ton for organics to our franchise customers and \$2 per cubic yard to the public customers to compensate for the \$12.27 per ton increase by BFI (Newby) effective January 1, 2018 (see Table 3 below detailing the impact of

BFI – Newby rate increase). Moreover, staff are recommending a \$3 per ton increase to all franchised tons and \$1 per cubic yard for solid waste public cubic yards to compensate for the big loss from commodities of \$1.322 million.

Table 3.

| Newby Rate Increase Impact On Organics Tipping Fees: | | | | | | |
|---|----|-----------------|--|----------|-------------|------------|
| Increase from \$52.73 to \$65.00 per ton. | | | | | | |
| | | Before Increase | | Increase | After Newby | % Increase |
| | | | | Per Ton | Per Ton | |
| Tipping Fees 2017 | \$ | 106.00 | | \$ 6.00 | \$ 112.00 | 5.7% |
| Disposal | \$ | 43.87 | | | \$ 49.28 | 12.3% |
| Transportation | | 27.66 | | | 27.66 | |
| Gross Margin | \$ | 34.47 | | | \$ 35.06 | |
| Overhead cost | | | | | | |
| Shoreway | \$ | 13.17 | | | \$ 13.17 | |
| SBWMA | | 9.34 | | | 9.34 | |
| Interest & FF | | 11.65 | | | 11.65 | |
| Overhead cost | \$ | 34.16 | | | \$ 34.16 | |
| Net Margin | \$ | 0.31 | | | \$ 0.90 | |

Overall, we are forecasting slightly higher tonnage in 2018 vs. 2017 to reflect the September YTD actual received at Shoreway plus projected tons for October through December for 2017, and projections for the entire 2018. The increase in tons are mostly due to projected increase in food waste tons. In addition, we are forecasting higher SBR cost of 1.3% due the 2018 annual compensation and higher disposal cost of 7.4% due to the BFI rate increase for organics and the Zanker’s increase for C&D processing cost. These increases are added to the regularly assumed CPI increases for the rest of the disposal and processing vendors. Net operating income is projected to decrease by (23.2%) (See Table 1 on p. 10 of the staff report). Given all the above, the assumed tipping fee increases are needed to maintain our minimum bond debt covenant requirements (i.e. break even test of 1.0 and debt coverage of 1.4 ratios) and a healthy capital reserve.

Figure 1 below captures how tipping fees are incorporated into the collection revenue requirement for Member Agency annual solid waste setting.

Figure 1

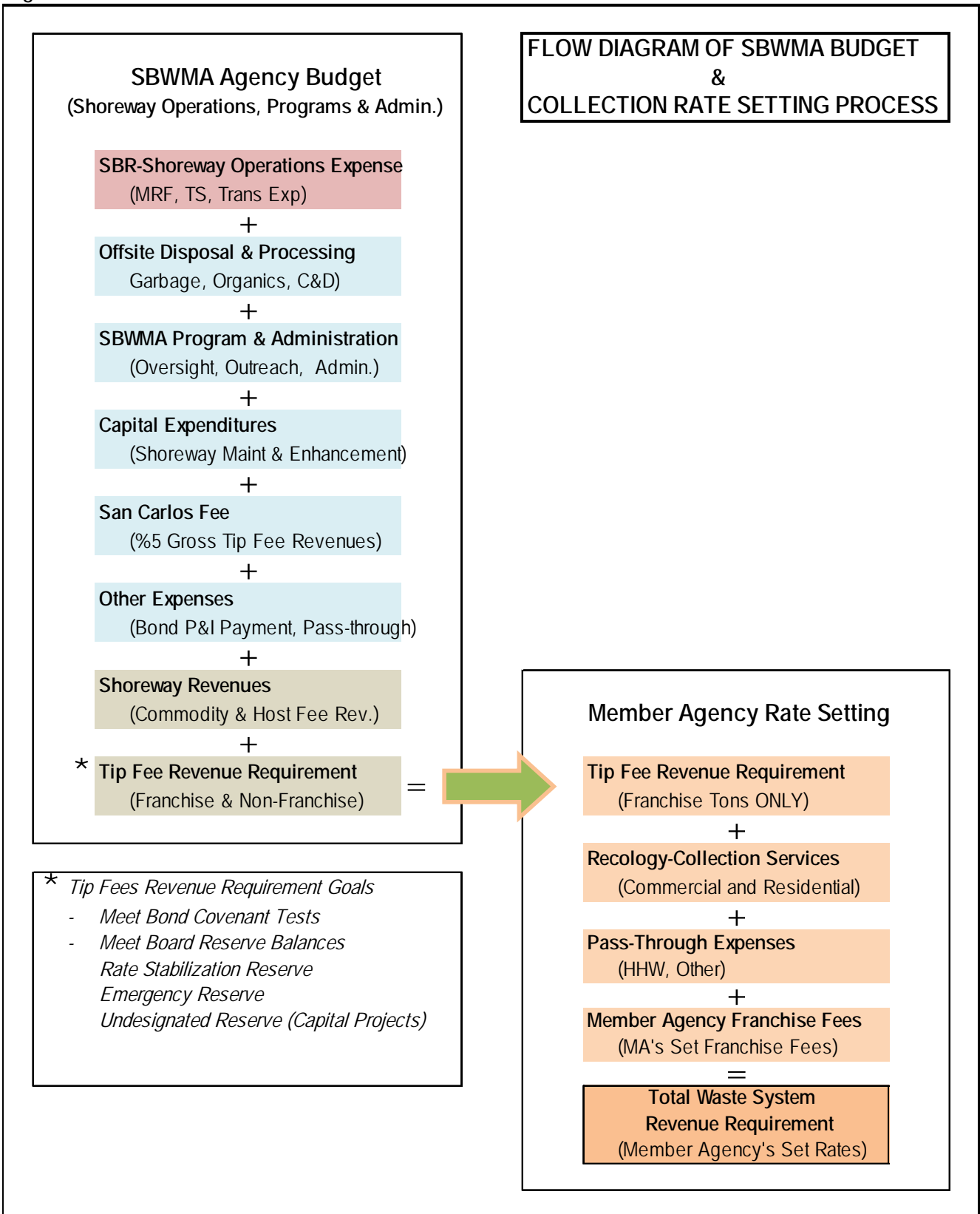


Table 4 Historical tipping fees at the Shoreway facility are summarized below including proposed tipping fee increases on January 1st, 2018.

Table 4

| Effective Dates: | 1/1/2012 | 1/1/2013 | 1/1/2014 | 1/1/2015 | 1/1/2016 | 7/1/2016 | 1/1/2017 | 1/1/2018 | 1/1/2018 |
|------------------------------|----------|----------|----------|-----------|----------|-----------|----------|----------|----------|
| Description/Rates | | | | | | Approved | Approved | Approved | Proposed |
| Franchised Solid Waste (Ton) | \$88 | \$91 | \$92 | No Change | \$94 | No Change | \$104 | \$104 | \$107 |
| Franchised Organics (Ton) | \$89 | \$92 | \$94 | No Change | \$96 | No Change | \$106 | \$106 | \$112 |
| Franchised Food Waste (Ton) | \$101 | \$104 | \$107 | No Change | \$107 | No Change | \$118 | \$118 | \$121 |
| Public weighed dirt (Ton) | \$81 | \$81 | \$81 | No Change | \$83 | \$90 | \$95 | \$95 | \$98 |
| Public Solid Waste (Cyd) | \$33 | \$34 | \$35 | No Change | \$36 | \$38 | \$41 | \$41 | \$42 |
| Public C&D (Cyd) | \$29 | \$30 | \$32 | No Change | \$33 | \$35 | \$38 | \$38 | \$40 |
| Public Green Waste (Cyd) | \$22 | \$23 | \$24 | No Change | \$25 | \$27 | \$29 | \$29 | \$31 |

Fiscal Impact

The recommended tipping fee adjustments have the effect of increasing SBWMA franchise revenue by \$1.138 million which has an approximate 1.1% impact increase on residential customer solid waste collection rates.

Table 4 below shows the 1.1% 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 and uses 2017 collection rates).

Table 4

| Shoreway Franchise Tip Fee Increase: January 1, 2018 - 1.1% - for organics and overall \$3 per ton increase. | | | | |
|--|---------------------|---|-------------------------------|--|
| 2016 Collection Rate Impact | % Increase * | Residential Monthly Rate Impact (32 gal.) Cost/Month | 2017 32 gal. rate / mo | |
| Atherton | 1.3% | \$ 0.69 | \$ 55.00 | |
| Belmont | 1.0% | \$ 0.32 | \$ 33.50 | |
| Burlingame | 1.2% | \$ 0.29 | \$ 23.85 | |
| East Palo Alto ¹ | 1.4% | \$ 0.57 | \$ 40.77 | |
| Foster City | 1.2% | \$ 0.27 | \$ 22.00 | |
| Hillsborough | 1.0% | \$ 0.49 | \$ 48.22 | |
| Menlo Park | 1.1% | \$ 0.27 | \$ 23.40 | |
| N. Fair Oaks | 1.2% | \$ 0.33 | \$ 28.05 | |
| Redwood City | 1.2% | \$ 0.33 | \$ 27.30 | |
| San Carlos | 1.0% | \$ 0.32 | \$ 31.80 | |
| City San Mateo | 1.1% | \$ 0.21 | \$ 19.65 | |
| West Bay Sanitary | 1.0% | \$ 0.42 | \$ 40.23 | |
| County San Mateo (CFA) | 1.0% | \$ 0.37 | \$ 36.98 | |
| TOTAL SBWMA AVERAGE | 1.1% | \$ 0.37 | | |
| 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 2017-37

Attachment A - Scenario 1: Back-up Financial and Operational Data
Attachment B - Scenario 2: Back-up Financial and Operational Data



RESOLUTION NO. 2017-37

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING SHOREWAY FACILITY TIPPING FEE ADJUSTMENTS EFFECTIVE JANUARY 1, 2018

WHEREAS, staff has submitted a report to the Board, dated November 16, 2017 recommending adjustments to the tipping fees charged at the Shoreway Environmental Center (the Tipping Fees); and

WHEREAS, the SBWMA Board has reviewed the suggested changes to the Tipping Fees, and recommends the following adjustments as of January 1, 2018:

| Material Category | Current rate | Proposed rate | Difference (\$) | Difference (%) |
|--------------------------|--------------|---------------|-----------------|----------------|
| Franchised Solid Waste | \$104/ton | \$107/ton | +3/ton | +2.9 |
| Franchise Organics | \$96/ton | \$112/ton | +6/ton | +5.7 |
| Franchised Food Waste | \$118/ton | \$121/ton | +3/ton | +2.5 |
| Public Solid Waste | \$41/cy | \$42/cy | +1/cy | +2.5 |
| Public Clean Plants/Wood | \$29/cy | \$31/cy | +2/cy | +6.9 |
| Public C+D | \$38/cy | \$40cy | +2/cy | +5.3 |
| Public Weighed Dirt | \$95/ton | \$98/ton | +3/ton | +3.2 |

NOW, THEREFORE, BE IT RESOLVED that the SBWMA Board approves the adjustments to the Tipping Fees as recommended above.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the this 16th day of November, 2017, by the following vote:

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

I HEREBY CERTIFY that the foregoing Resolution No. 2017-37 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on November 16, 2017.

ATTEST:

Bob Grassilli, Chairperson of SBWMA

Cyndi Urman, Board Secretary

Attachment A

Back-up Financial and Operational Data Scenario 1

This attachment provides additional supporting data for the 2017 and 2018 financial projections in the staff report.

Scenario 1:

Operating Revenue

1. Table 1 provides tonnage, yardage and weighted average tip fee data for 2017 and 2018.

Table 1 (Calendar Year)

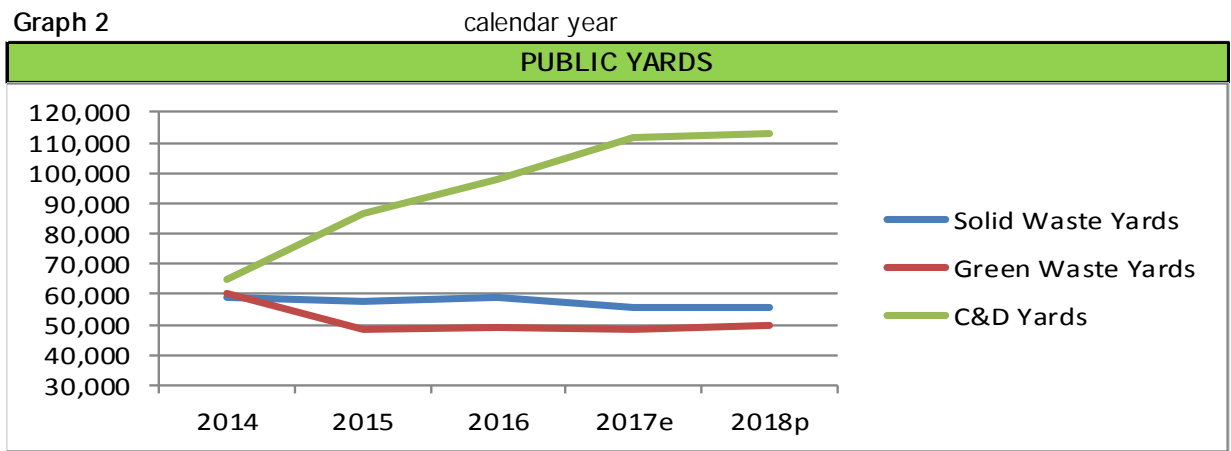
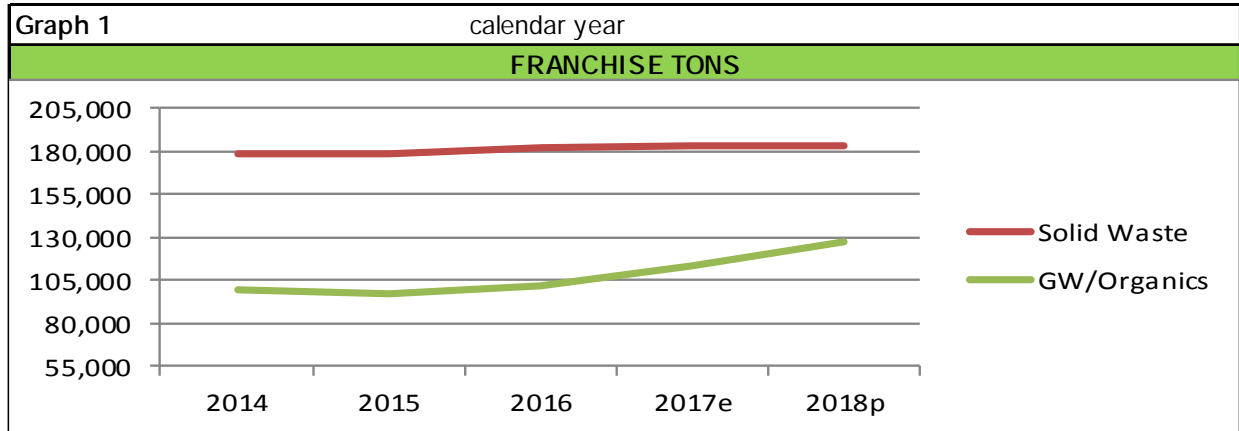
| <u>TIP FEE REVENUE</u> | | 2016 | 2017 | 2018 | 18 vs 17 | % |
|------------------------|--|---------------|---------------|---------------|--------------|-------|
| Franchise | | | | | | |
| Tons | | 289,048 | 294,468 | 297,879 | 3,411 | 1.2% |
| Wtd Avg. Tip Fee | | \$ 94.39 | \$ 105.00 | \$ 107.33 | \$ 2.32 | 2.2% |
| Franchise Revenue | | \$ 27,279,739 | \$ 30,917,041 | \$ 31,967,595 | \$ 1,050,554 | 3.4% |
| Public | | | | | | |
| Tons | | 16,518 | 25,455 | 29,182 | 3,727 | 14.6% |
| Wtd Avg. Tip Fee | | \$ 92.81 | \$ 105.01 | \$ 104.58 | \$ (0.44) | -0.4% |
| Sub Total | | \$ 1,533,060 | \$ 2,673,132 | \$ 3,051,821 | \$ 378,688 | 14.2% |
| Cubic Yards | | | | | | |
| Tons | | 205,427 | 215,996 | 218,639 | 2,643 | 1.2% |
| Wtd Avg. Tip Fee | | \$ 33.93 | \$ 37.80 | \$ 39.34 | \$ 1.54 | 4.1% |
| Sub Total | | \$ 6,970,783 | \$ 8,165,351 | \$ 8,601,441 | \$ 1,194,568 | 14.6% |
| Public Revenue | | \$ 8,503,843 | \$ 10,838,483 | \$ 11,653,262 | \$ 814,778 | 7.5% |
| Total Tip Fee Revenue | | \$ 35,783,581 | \$ 41,755,524 | \$ 43,620,857 | \$ 1,865,332 | 4.5% |

2. Table 2 provides historical and projected detail on inbound tonnage and yardage by material type to the Transfer Station (excludes recyclables tonnage to MRF).

Table 2 (Calendar Year)

| <u>Total TS Tonnage and Yardage</u> | | 2016 | 2017 | 2018 | 17 vs 16 | 18 vs 17 |
|-------------------------------------|----------|----------------|----------------|----------------|-------------|-------------|
| Franchise | | | | | | |
| SBWMA Solid Waste | tons | 182,364 | 183,335 | 183,014 | 0.5% | -0.2% |
| SBWMA Green Waste | tons | 101,666 | 94,784 | 84,169 | -6.8% | -11.2% |
| SBWMA Food Waste | tons | 0 | 12,680 | 25,360 | 100.0% | 100.0% |
| SBWMA C&D | tons | 4 | 4 | 7 | -11.3% | 85.9% |
| SBWMA Dirt, Inert | tons | 4,289 | 2,449 | 2,414 | -42.9% | -1.5% |
| SBWMA Wood | tons | 111 | 110 | 272 | -1.3% | 148.2% |
| SBWMA Other, BI | tons | 614 | 1,107 | 2,644 | 80.5% | 138.8% |
| sub-total Franchise | | 289,048 | 294,468 | 297,879 | 1.9% | 1.2% |
| Non-SBWMA SW | tons | 3,076 | 2,893 | 2,629 | -5.9% | -9.2% |
| Non-SBWMA SCRAP | tons | 172 | 175 | 115 | 2.1% | -34.4% |
| Non-SBWMA FOOD | tons | 587 | 6,689 | 8,130 | 1039.6% | 21.5% |
| Non-SBWMA C&D | tons | 5,705 | 5,128 | 5,197 | -10.1% | 1.3% |
| Non-SBWMA ORGANIC | tons | 22 | 81 | 688 | 268.4% | 748.9% |
| Non-SBWMA Assphalt Roofing | tons | 1,251 | 2,004 | 2,476 | 60.2% | 23.6% |
| Non-SBWMA Clean Wood | tons | 12 | 207 | 1,311 | 1676.4% | 532.5% |
| Public Dirt (tons) | tons | 5,694 | 8,277 | 8,637 | 45.4% | 4.3% |
| Total Tons | | 305,566 | 319,923 | 327,061 | 4.7% | 2.2% |
| Public | | | | | | |
| Public Solid Waste Yards | c. yards | 58,778 | 55,728 | 55,778 | -5.2% | 0.1% |
| Public Green Waste Yards | c. yards | 48,855 | 48,719 | 50,097 | -0.3% | 2.8% |
| Public C&D | c. yards | 97,795 | 111,549 | 112,764 | 14.1% | 1.1% |
| Total Yards | | 205,427 | 215,996 | 218,639 | 5.1% | 1.2% |

3. The following tables chart the change in volume from Graph 1.



4. Table 3 provides supporting data on commodity revenue projections.

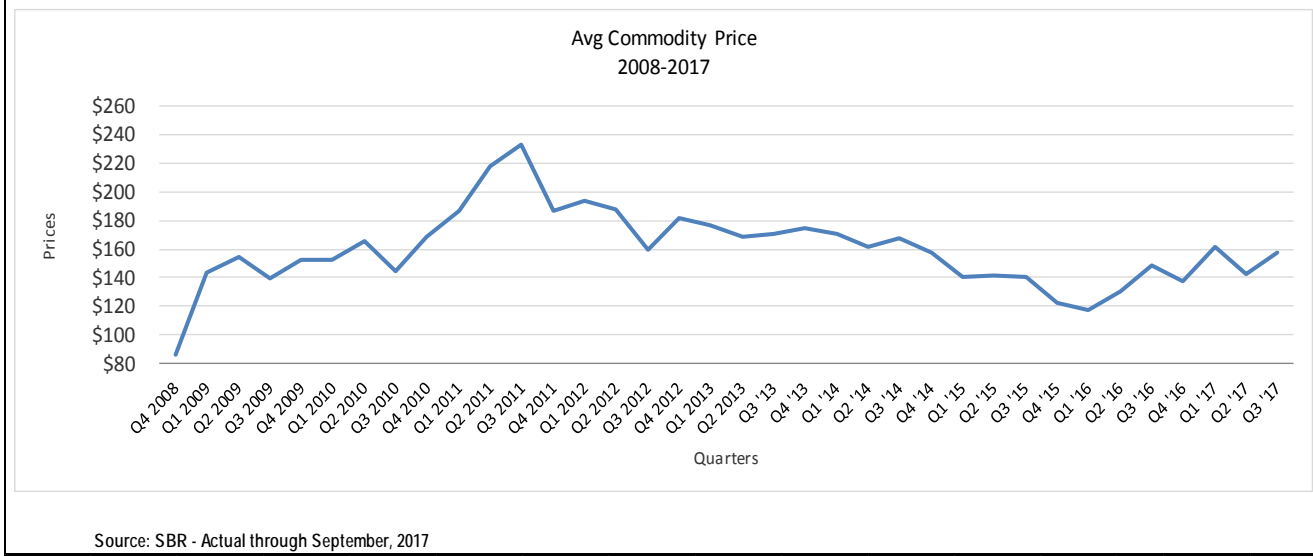
Table 3

(Calendar Year)

| COMMODITY REVENUE | | 2016 | 2017 | 2018 | 18 vs 17 | % |
|-------------------|-----------------------|--------------|--------------|--------------|----------------|---------|
| | Tons | 48,892 | 60,574 | 60,574 | 0 | 0.0% |
| | Wtd Avg. Price | \$ 138.50 | \$ 143.05 | \$ 114.24 | \$ (28.81) | -20.1% |
| | Gross Revenue | \$ 6,771,391 | \$ 8,664,945 | \$ 6,919,932 | \$ (1,745,013) | -20.1% |
| | Revenue Share w/ SBR | (305,599) | (854,029) | (365,425) | 488,604 | -142.8% |
| | Buyback Payments | (877,781) | (825,258) | (891,314) | (66,056) | 8.0% |
| | Net Commodity Revenue | \$ 5,588,011 | \$ 6,985,658 | \$ 5,663,192 | \$ (1,322,465) | -18.9% |

5. The following **Graph 3** 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.

Graph 3 - Price Trend Graph



Operating Expenses

6. **Table 4** provides supporting data for SBR’s operating expense.

Table 4

(Calendar Year)

| SBR OPERATING & TRANSPORTATION EXPENSE | | | | | |
|---|----------------------|----------------------|----------------------|-------------------|-------------|
| a. Summary | 2016 | 2017 | 2018 | 18 vs 17 | % |
| MRF ¹ | \$ 2,319,366 | \$ 5,542,477 | \$ 5,865,754 | \$ 323,277 | 5.8% |
| Transfer Station | 4,871,655 | 5,106,392 | 5,198,743 | 92,352 | 1.8% |
| Transportation ² | 7,365,102 | 7,872,811 | 8,002,171 | 129,360 | 1.6% |
| Other | 264,008 | 503,038 | 195,937 | (307,101) | -61.0% |
| TOTAL SBR EXPENSE | \$ 14,820,132 | \$ 19,024,718 | \$ 19,262,606 | \$ 237,887 | 1.3% |
| b. Detail | 2016 | 2017 | 2018 | 18 vs 17 | % |
| MRF | | | | | |
| Tons | 30,820 | 72,298 | 69,693 | (2,605) | -3.6% |
| Rate | \$ 75.26 | \$ 76.66 | \$ 84.17 | \$ 7.50 | 9.8% |
| Expense | \$ 2,319,366 | \$ 5,542,477 | \$ 5,865,754 | \$ 3,223,111 | 5.8% |
| Transfer Station | | | | | |
| Tons | 379,471 | 395,232 | 394,877 | (355) | -0.1% |
| Rate | \$ 12.84 | \$ 12.92 | \$ 13.17 | \$ 0.25 | 1.9% |
| Expense | \$ 4,871,655 | \$ 5,106,392 | \$ 5,198,743 | \$ 92,352 | 1.8% |
| Transportation | | | | | |
| Tons | 379,471 | 395,232 | 394,877 | (355) | -0.1% |
| Rate | \$ 19.41 | \$ 19.92 | \$ 20.26 | \$ 0.35 | 1.7% |
| Expense | \$ 7,365,102 | \$ 7,872,811 | \$ 8,002,171 | \$ 129,360 | 1.6% |
| Other | \$ 264,008 | \$ 503,038 | \$ 195,937 | \$ (307,101) | -61.0% |
| TOTAL SBR EXPENSE | \$ 14,820,132 | \$ 19,024,718 | \$ 19,262,606 | \$ 237,887 | 1.3% |

¹ MRF cost is higher in year 2018 due to the increase in VRS compensation.

² Due to higher volume.

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

Table 5 (Calendar Year)

| DISPOSAL & PROCESSING EXPENSE | | | | | |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|-------------|
| | 2016 | 2017 | 2018 | 18 vs 17 | % |
| Summary | | | | | |
| TS Tons | 379,471 | 395,232 | 394,877 | -355 | -0.1% |
| Wtd Avg.Rate | \$ 42.43 | \$ 44.61 | \$ 48.01 | \$ 3.41 | 7.6% |
| Disposal Expense | \$ 16,101,432 | \$ 17,630,209 | \$ 18,959,427 | \$ 1,329,218 | 7.5% |
| Detail - 2018 | | | | | |
| | | Tons | Price | Expense | |
| Ox Mountain MSW | | 205,852 | \$ 41.84 | \$ 8,613,713 | |
| Ox Mountain Aggregates | | | | \$ - | |
| Organics | | 138,061 | \$ 48.72 | \$ 6,725,757 | |
| Food | | | | \$ - | |
| C&D | | 50,964 | \$ 64.91 | \$ 3,308,288 | |
| Other | | | | \$ 311,670 | |
| TOTAL - 2018 | - | 394,877 | | \$ 18,959,427 | |

Operating Margin for Transfer Station Only

8. Table 6 details the operating margin for the various rate categories (material types) for the Transfer Station only.

Table 6 (Calendar Year)

| Transfer Station Margin | | | | | | |
|-------------------------------|-------------|-----------------------------|-------------------------------|------------------------------|---------|---|
| FRANCHISE | | 2018 Cost / Ton (Estimated) | 2018 Tip Fee / Ton (Proposed) | Net Income / Ton (Estimated) | # Tons | 2018 Total Operating Margin (Estimated) |
| Solid Waste | | \$ 92.07 | \$ 104.00 | \$ 11.93 | 183,014 | \$ 2,183,857 |
| Residential Organics | | \$ 110.02 | \$ 112.00 | \$ 1.98 | 84,441 | \$ 167,222 |
| Commercial Food Waste | | \$ 107.20 | \$ 118.00 | \$ 10.80 | 25,360 | \$ 273,869 |
| Inerts | | \$ 78.66 | \$ 91.00 | \$ 12.34 | 2,420 | \$ 29,874 |
| SELF-HAUL | | 2018 Cost / Ton (Estimated) | 2018 Tip Fee / Ton (Proposed) | Net Income / Ton (Estimated) | Units # | 2017 Total Operating Margin (Estimated) |
| Solid Waste - | Cubic Yards | \$ 23.02 | \$ 41.00 | \$ 17.98 | 55,778 | \$ 1,003,073 |
| Green Waste - | Cubic Yards | \$ 25.32 | \$ 31.00 | \$ 5.68 | 50,097 | \$ 284,432 |
| C&D - | Cubic Yards | \$ 28.85 | \$ 40.00 | \$ 11.15 | 112,764 | \$ 1,256,955 |
| Public Dirt - | Tons | \$ 78.66 | \$ 95.00 | \$ 16.34 | 8,637 | \$ 141,158 |
| Non-SBWMA SW - | Tons | \$ 92.07 | \$ 104.00 | \$ 11.93 | 2,629 | \$ 31,365 |
| Non-SBWMA Food - | Tons | \$ 107.20 | \$ 118.00 | \$ 10.80 | 8,130 | \$ 87,796 |
| Non-SBWMA C&D - | Tons | \$ 78.66 | \$ 91.00 | \$ 12.34 | 5,197 | \$ 64,152 |
| Non-SBWMA Organic - | Tons | \$ 110.02 | \$ 112.00 | \$ 1.98 | 688 | \$ 1,362 |
| Non-SBWMA Assphalt Roofing - | Tons | \$ 78.66 | \$ 104.00 | \$ 25.34 | 2,476 | \$ 62,753 |
| Non-SBWMA Clean Wood - | Tons | \$ 50.34 | \$ 77.00 | \$ 26.66 | 1,311 | \$ 34,952 |
| Other Drop Off, etc. | | | | | n/a | \$ 212,924 |
| Total Transfer Station | | | | | | \$ 5,835,745 |

Attachment B

Back-up Financial and Operational Data Scenario 2

This attachment provides additional supporting data for the 2017 and 2018 financial projections in the staff report.

Scenario 2:

Operating Revenue

- Table 1 provides tonnage, yardage and weighted average tip fee data for 2017 and 2018.

Table 1 (Calendar Year)

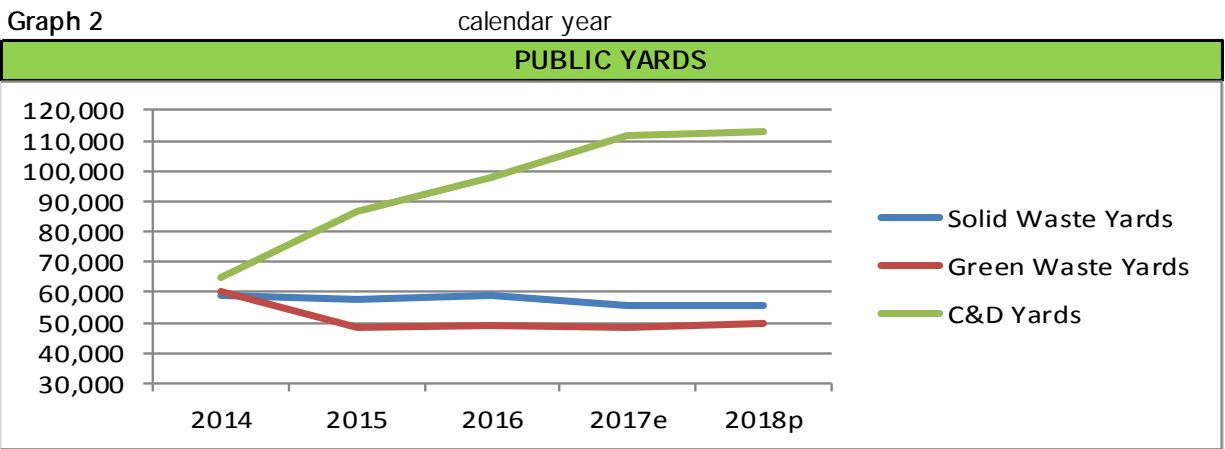
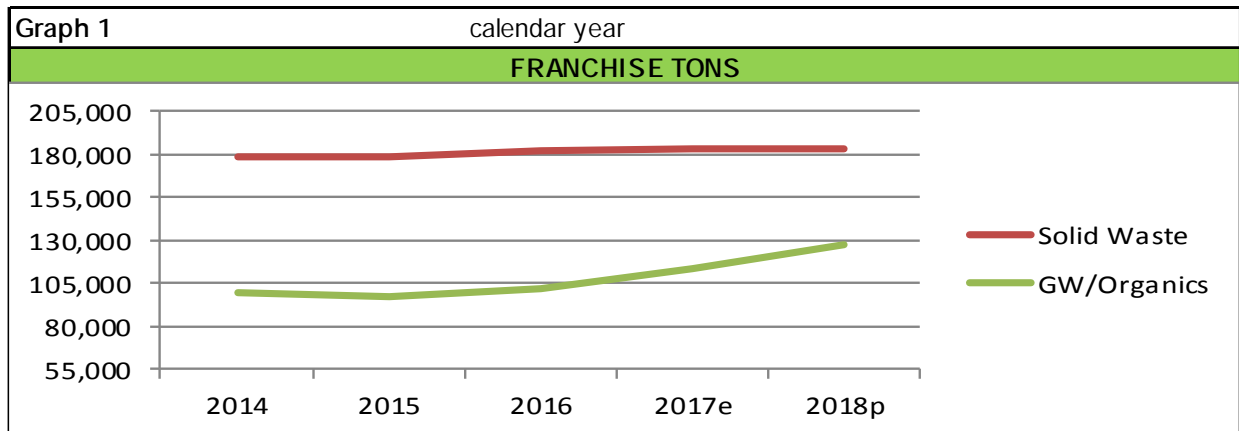
| <u>TIP FEE REVENUE</u> | 2016 | 2017 | 2018 | 18 vs 17 | % |
|------------------------------|----------------------|----------------------|----------------------|---------------------|-------------|
| Franchise | | | | | |
| Tons | 289,048 | 294,468 | 297,879 | 3,411 | 1.2% |
| Wtd Avg. Tip Fee | \$ 94.39 | \$ 105.00 | \$ 109.47 | \$ 4.47 | 4.3% |
| Franchise Revenue | \$ 27,279,739 | \$ 30,917,041 | \$ 32,607,093 | \$ 1,690,052 | 5.5% |
| Public | | | | | |
| Tons | 16,518 | 25,455 | 29,182 | 3,727 | 14.6% |
| Wtd Avg. Tip Fee | \$ 92.81 | \$ 105.01 | \$ 107.57 | \$ 2.55 | 2.4% |
| Sub Total | \$ 1,533,060 | \$ 2,673,132 | \$ 3,139,022 | \$ 465,890 | 17.4% |
| Cubic Yards | | | | | |
| Tons | 205,427 | 215,996 | 218,639 | 2,643 | 1.2% |
| Wtd Avg. Tip Fee | \$ 33.93 | \$ 37.80 | \$ 39.60 | \$ 1.79 | 4.7% |
| Sub Total | \$ 6,970,783 | \$ 8,165,351 | \$ 8,657,219 | \$ 1,194,568 | 14.6% |
| Public Revenue | \$ 8,503,843 | \$ 10,838,483 | \$ 11,796,241 | \$ 957,758 | 8.8% |
| Total Tip Fee Revenue | \$ 35,783,581 | \$ 41,755,524 | \$ 44,403,334 | \$ 2,647,810 | 6.3% |

- Table 2 provides historical and projected detail on inbound tonnage and yardage by material type to the Transfer Station (excludes recyclables tonnage to MRF).

Table 2 (Calendar Year)

| <u>Total TS Tonnage and Yardage</u> | | | 2016 | 2017 | 2018 | 17 vs 16 | 18 vs 17 |
|-------------------------------------|---------|--|----------------|----------------|----------------|-------------|-------------|
| Franchise | | | | | | | |
| SBWMA Solid Waste | tons | | 182,364 | 183,335 | 183,014 | 0.5% | -0.2% |
| SBWMA Green Waste | tons | | 101,666 | 94,784 | 84,169 | -6.8% | -11.2% |
| SBWMA Food Waste | tons | | 0 | 12,680 | 25,360 | 100.0% | 100.0% |
| SBWMA C&D | tons | | 4 | 4 | 7 | -11.3% | 85.9% |
| SBWMA Dirt, Inert | tons | | 4,289 | 2,449 | 2,414 | -42.9% | -1.5% |
| SBWMA Wood | tons | | 111 | 110 | 272 | -1.3% | 148.2% |
| SBWMA Other, BI | tons | | 614 | 1,107 | 2,644 | 80.5% | 138.8% |
| sub-total Franchise | | | 289,048 | 294,468 | 297,879 | 1.9% | 1.2% |
| Non-SBWMA SW | tons | | 3,076 | 2,893 | 2,629 | -5.9% | -9.2% |
| Non-SBWMA SCRAP | tons | | 172 | 175 | 115 | 2.1% | -34.4% |
| Non-SBWMA FOOD | tons | | 587 | 6,689 | 8,130 | 1039.6% | 21.5% |
| Non-SBWMA C&D | tons | | 5,705 | 5,128 | 5,197 | -10.1% | 1.3% |
| Non-SBWMA ORGANIC | tons | | 22 | 81 | 688 | 268.4% | 748.9% |
| Non-SBWMA Assphalt Roofing | tons | | 1,251 | 2,004 | 2,476 | 60.2% | 23.6% |
| Non-SBWMA Clean Wood | tons | | 12 | 207 | 1,311 | 1676.4% | 532.5% |
| Public Dirt (tons) | tons | | 5,694 | 8,277 | 8,637 | 45.4% | 4.3% |
| Total Tons | | | 305,566 | 319,923 | 327,061 | 4.7% | 2.2% |
| Public | | | | | | | |
| Public Solid Waste Yards | c yards | | 58,778 | 55,728 | 55,778 | -5.2% | 0.1% |
| Public Green Waste Yards | c yards | | 48,855 | 48,719 | 50,097 | -0.3% | 2.8% |
| Public C&D | c yards | | 97,795 | 111,549 | 112,764 | 14.1% | 1.1% |
| Total Yards | | | 205,427 | 215,996 | 218,639 | 5.1% | 1.2% |

3. The following tables chart the change in volume from Graph 1.



4. Table 3 provides supporting data on commodity revenue projections.

Table 3 (Calendar Year)

| COMMODITY REVENUE | | 2016 | 2017 | 2018 | 18 vs 17 | % |
|-----------------------|--|--------------|--------------|--------------|----------------|---------|
| Tons | | 48,892 | 60,574 | 60,574 | 0 | 0.0% |
| Wld Avg. Price | | \$ 138.50 | \$ 143.05 | \$ 114.24 | \$ (28.81) | -20.1% |
| Gross Revenue | | \$ 6,771,391 | \$ 8,664,945 | \$ 6,919,932 | \$ (1,745,013) | -20.1% |
| Revenue Share w/ SBR | | (305,599) | (854,029) | (365,425) | 488,604 | -142.8% |
| Buyback Payments | | (877,781) | (825,258) | (891,314) | (66,056) | 8.0% |
| Net Commodity Revenue | | \$ 5,588,011 | \$ 6,985,658 | \$ 5,663,192 | \$ (1,322,465) | -18.9% |

5. The following **Graph 3** 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.



Operating Expenses

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

Table 4

(Calendar Year)

| SBR OPERATING & TRANSPORTATION EXPENSE | | | | | |
|--|----------------------|----------------------|----------------------|-------------------|-------------|
| a. Summary | 2016 | 2017 | 2018 | 18 vs 17 | % |
| MRF ¹ | \$ 2,319,366 | \$ 5,542,477 | \$ 5,865,754 | \$ 323,277 | 5.8% |
| Transfer Station | 4,871,655 | 5,106,392 | 5,198,743 | 92,352 | 1.8% |
| Transportation ² | 7,365,102 | 7,872,811 | 8,002,171 | 129,360 | 1.6% |
| Other | 264,008 | 503,038 | 195,937 | (307,101) | -61.0% |
| TOTAL SBR EXPENSE | \$ 14,820,132 | \$ 19,024,718 | \$ 19,262,606 | \$ 237,887 | 1.3% |
| b. Detail | 2016 | 2017 | 2018 | 18 vs 17 | % |
| MRF | | | | | |
| Tons | 30,820 | 72,298 | 69,693 | (2,605) | -3.6% |
| Rate | \$ 75.26 | \$ 76.66 | \$ 84.17 | \$ 7.50 | 9.8% |
| Expense | \$ 2,319,366 | \$ 5,542,477 | \$ 5,865,754 | \$ 3,223,111 | 5.8% |
| Transfer Station | | | | | |
| Tons | 379,471 | 395,232 | 394,877 | (355) | -0.1% |
| Rate | \$ 12.84 | \$ 12.92 | \$ 13.17 | \$ 0.25 | 1.9% |
| Expense | \$ 4,871,655 | \$ 5,106,392 | \$ 5,198,743 | \$ 92,352 | 1.8% |
| Transportation | | | | | |
| Tons | 379,471 | 395,232 | 394,877 | (355) | -0.1% |
| Rate | \$ 19.41 | \$ 19.92 | \$ 20.26 | \$ 0.35 | 1.7% |
| Expense | \$ 7,365,102 | \$ 7,872,811 | \$ 8,002,171 | \$ 129,360 | 1.6% |
| Other | \$ 264,008 | \$ 503,038 | \$ 195,937 | \$ (307,101) | -61.0% |
| TOTAL SBR EXPENSE | \$ 14,820,132 | \$ 19,024,718 | \$ 19,262,606 | \$ 237,887 | 1.3% |

¹ MRF cost is higher in year 2018 due to the increase in VRS compensation.

² Due to higher volume.

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

Table 5

(Calendar Year)

| DISPOSAL & PROCESSING EXPENSE | | | | | |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|-------------|
| | 2016 | 2017 | 2018 | 18 vs 17 | % |
| Summary | | | | | |
| TS Tons | 379,471 | 395,232 | 394,877 | -355 | -0.1% |
| Wtd Avg.Rate | \$ 42.43 | \$ 44.61 | \$ 48.01 | \$ 3.41 | 7.6% |
| Disposal Expense | \$ 16,101,432 | \$ 17,630,209 | \$ 18,959,427 | \$ 1,329,218 | 7.5% |
| Detail - 2018 | | | | | |
| | | Tons | Price | Expense | |
| Ox Mountain MSW | | 205,852 | \$ 41.84 | \$ 8,613,713 | |
| Ox Mountain Aggregates | | | | \$ - | |
| Organics | | 138,061 | \$ 48.72 | \$ 6,725,757 | |
| Food | | | | \$ - | |
| C&D | | 50,964 | \$ 64.91 | \$ 3,308,288 | |
| Other | | | | \$ 311,670 | |
| TOTAL - 2018 | - | 394,877 | | \$ 18,959,427 | |

Operating Margin for Transfer Station Only

8. Table 6 details the operating margin for the various rate categories (material types) for the Transfer Station only.

Table 6

(Calendar Year)

| Transfer Station Margin | | | | | |
|----------------------------------|-----------------------------|-------------------------------|------------------------------|---------|---|
| FRANCHISE | 2018 Cost / Ton (Estimated) | 2018 Tip Fee / Ton (Proposed) | Net Income / Ton (Estimated) | # Tons | 2018 Total Operating Margin (Estimated) |
| Solid Waste | \$ 92.07 | \$ 104.00 | \$ 11.93 | 183,014 | \$ 2,183,857 |
| Residential Organics | \$ 110.02 | \$ 112.00 | \$ 1.98 | 84,441 | \$ 167,222 |
| Commercial Food Waste | \$ 107.20 | \$ 118.00 | \$ 10.80 | 25,360 | \$ 273,869 |
| Inerts | \$ 78.66 | \$ 91.00 | \$ 12.34 | 2,420 | \$ 29,874 |
| SELF-HAUL | 2018 Cost / Ton (Estimated) | 2018 Tip Fee / Ton (Proposed) | Net Income / Ton (Estimated) | Units # | 2017 Total Operating Margin (Estimated) |
| Solid Waste - Cubic Yards | \$ 23.02 | \$ 41.00 | \$ 17.98 | 55,778 | \$ 1,003,073 |
| Green Waste - Cubic Yards | \$ 25.32 | \$ 31.00 | \$ 5.68 | 50,097 | \$ 284,432 |
| C&D - Cubic Yards | \$ 28.85 | \$ 40.00 | \$ 11.15 | 112,764 | \$ 1,256,955 |
| Public Dirt - Tons | \$ 78.66 | \$ 95.00 | \$ 16.34 | 8,637 | \$ 141,158 |
| Non-SBWMA SW - Tons | \$ 92.07 | \$ 104.00 | \$ 11.93 | 2,629 | \$ 31,365 |
| Non-SBWMA Food - Tons | \$ 107.20 | \$ 118.00 | \$ 10.80 | 8,130 | \$ 87,796 |
| Non-SBWMA C&D - Tons | \$ 78.66 | \$ 91.00 | \$ 12.34 | 5,197 | \$ 64,152 |
| Non-SBWMA Organic - Tons | \$ 110.02 | \$ 112.00 | \$ 1.98 | 688 | \$ 1,362 |
| Non-SBWMA Asphalt Roofing - Tons | \$ 78.66 | \$ 104.00 | \$ 25.34 | 2,476 | \$ 62,753 |
| Non-SBWMA Clean Wood - Tons | \$ 50.34 | \$ 77.00 | \$ 26.66 | 1,311 | \$ 34,952 |
| Other Drop Off, etc. | | | | n/a | \$ 212,924 |
| Total Transfer Station | | | | | \$ 5,835,745 |