



To: SBWMA Board Members
From: Hilary Gans, Interim Executive Director
Farouk Fakira, Finance Manager
Date: June 23, 2016 Board of Directors Meeting
Subject: Adoption of the FY16/17 SBWMA Budget

Recommendation

It is recommended that the SBWMA Board of Directors approve **Resolution No. 2016-24** attached hereto authorizing the following action:

Adoption of the FY16/17 SBWMA Budget

Adoption of the FY16/17 Budget would approve the Capital and Operations Budgets presented in **Exhibit 2, Attachment A**, of the FY16/17 SBWMA Budget.

If the Board decides to not approve the Final FY16/17 SBWMA Budget a *Budget Continuation Resolution* is also attached.

Summary

The FY16/17 SBWMA Budget which was presented at the April 28th Board Meeting has not been altered or changed and is included in this staff report as **Exhibit 2, FY16/17 SBWMA Budget** for consideration for adoption by the Board.

Prior to requesting adoption of the FY16/17 SBWMA Budget, staff has presented information to the Board on the following dates:

April 19th - The Preliminary FY16/17 Budget was provided to the Board with the April Board Packet.

April 28th - The Interim Executive Director presented the FY16/17 Budget (presentation was posted on the Agency's website).

May 11th & 12th - FY16/17 Budget Workshops were held to answer questions and receive budget input from stakeholders.

Questions/Comments raised by attendees at the May 11th & 12th Budget Workshops were recorded and are presented in **Exhibit 1, FY16/17 Budget Question/Comments and Responses May 11th&12th Budget Workshops**. The questions/comments consisted mostly of: 1) clarifications of the budget detail, and 2) broad-based comments that are beyond the scope of the annual budget process and could be addressed by the Board as changes in Policy (e.g., changes to Agency Reserves). No changes were made to the FY16/17 SBWMA Budget nor to the recommendation to raise the Shoreway Tip Fees as a result of the Workshop questions/comments.

Attachments:

Resolution 2016-24

Exhibit 1 -FY16/17 Budget Question/Comments and Responses May 11th&12th Budget Workshops

A. May 2013 staff report describing the Board's Reserve Policy on the Undesignated Reserve

Exhibit 2 - FY16/17 SBWMA Budget Report (as presented on April 28th, 2016)

A. Capital & Operating Budget Detail

B. SBWMA Programmatic Detail (Staff Resources, Key Projects and Work Activities)

C. Organization Chart & Personnel Summary

D. Commodity Price Information

E. Supporting Financial and Operational Data (Tonnage, Commodities, Other)



RESOLUTION NO. 2016-24
RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
BOARD OF DIRECTORS
ADOPTING THE FY16/17 SBWMA BUDGET

WHEREAS, the South Bayside Waste Management Authority (SBWMA) proposed budget as presented is balanced and provides 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 FY16/17 SBWMA 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 23rd day of June, 2016, 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. 2016-24 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 23, 2016.

ATTEST:

 Bob Grassilli, Chairperson of SBWMA

 Cyndi Urman, Board Secretary



RESOLUTION NO. 2016-25
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 FY16/17 will not be ready for review and approval by the Board of Directors until after the start of FY16/17; and

WHEREAS, there is a continued need to conduct business by the SBWMA after the start of FY16/17 budget year.

THEREFORE, BE IT RESOLVED that the Board grants the Interim Executive Director continued authority for appropriations and expenditures at the current level for the first sixty (60) days of FY16/17 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 23rd day of June, 2016, 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. 2016-25 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 23, 2016.

ATTEST:

 Bob Grassilli, Chairperson of SBWMA

 Cyndi Urman, Board Secretary

Exhibit 1.
FY16/17 Budget Question/Comments and Responses
May 11th&12th Budget Workshops

- 1.) Member Brownrigg, asked if the whole \$106M budget sum, including the Recology 54% portion and the 13% Agencies fees, that the SBWMA manages in total would be presented in the budget and not only the 33% SBWMA budget which includes SBR expenses?

Member Bonilla commented that he would like to see the Collection and Shoreway Operations cost in one presentation since Recology now owns SBR.

Member Dehn asked if the timing could be changed so there could be one presentation on rates and budget.

The above comments relate to structure of the Collection Rate Setting and the SBWMA Budget process. While staff concurs that the Collection Rate Setting process and SBWMA Budget process could be simplified, this is a Board Policy issue that is beyond the scope of FY16/17 Budget approval process. Note that the FY16/17 Budget Report and April budget presentation did provide information and charts that summarizes the Collection Rate Setting and the SBWMA Budget process and the linkage between the two.

- 2.) Member Dehn asked if the Recology Public Education budget is included in the SBWMA Budget and stated that she would like them merged so they are not looking for them in two separate places.

In approving the FY16/17 Budget, the Board is approving the outreach and public education performed and directed by the SBWMA only. Regarding "merging" the outreach budgets, these are two distinct entities and budgets, one managed by the SBWMA and one by Recology and it would not be appropriate to combine the budgets in the FY16/17 Budget process. However, at the Board's direction, staff can present an analysis of the total expenditures on public education by both Recology and the SBWMA. Note that question #14 on the potential overlap of Recology and SBWMA public education efforts is a related topic.

- 3.) TAC Member Murray asked about the host fee revenue. She wanted to know how the host fees from the second-shift were impacted by the down commodity revenues and increased depreciation of the equipment. She questioned whether depreciation was covered by the host fee applied.

The Host Fees paid to the SBWMA by SBR for MRF tons that are delivered from outside of the service area are charged a flat-fee and are not impacted by commodity price fluctuations. The Host Fee rate was approved by the Board on July 24th, 2014 (resolution 2014-18). The Staff Report associated with this resolution, provides support for the establishment of the Host Fee amount. The Fiscal Impact section of the report indicates that the Host Fee is meant to cover: 1) construction of a \$411,151 MRF canopy tipping floor roof extension to enclose the additional third-party tons (the Host Fee was increased from \$10.30 to \$13.00 to cover the added cost of this project), and 2) MRF equipment and building expenses associated with increased wear and MRF equipment and building depreciation and interest expense.

- 4.) TAC Member Ramirez asked how we can be ensured that Recology's operations are running efficiently.

Recology's contract is not a "cost-plus" but closer to a "fixed-price" format contract so the company is incentivized to operate efficiently to maintain profitability. To ensure that Recology is operating in a manner that provides excellent service, the SBWMA staff oversees Recology's performance and ensures that the company is providing the scope of service and quality that is outlined in the Collection Services Agreement. Regarding accuracy and compliance of financial and performance reporting, SBWMA staff and consultants conduct an annual operational audit and financial audit of Recology (as well as SBR) to validate the accuracy of the information provided (other operational and financial reporting includes an annual Revenue Reconciliation and an annual Application for Contractor's Compensation Adjustment which are reviewed by SBWMA staff and consultants). On a high-level, the SBWMA conducts an annual Solid Waste Rates Survey (Staff Update 9.A., April 2016 Board Packet) which provides collection rates comparisons for waste collection services provided to cities throughout the Bay Area so that Member Agencies can benchmark the rates charged by Recology.

- 5.) **Member Dehn asked why self-haul customers can't pay credit card transaction fees. She requested that the credit card fees to be called out in the Budget report.**

California law prohibits the merchant from charging the customer specifically for credit cards fees so it is not possible to directly charge the customer for the credit card transaction fees.

Regarding part two of the question, the credit cards transaction expense is discussed in the Budget Report, page 8, Other Operating Expense: "there is a new expense for credit card transaction fees paid by SBR and reimbursed by the Agency for public/non-franchise customer transactions of approximately \$175,000" and the credit card transaction fees are itemized separately FY16/17 Budget, Attachment A, on line 142, Expenses. Note that self-haul tip fees for FY16/17 have been set so to include the total cost of material handling as well as the new credit card transaction costs.

- 6.) **Member Dehn asked what the delta was between the contract with Marshall and the overlap of the two finance managers in this year's budget, and asked for clarification that the headcount doesn't change, but the dollar amount does.**

The fiscal impact of the position overlap affecting the FY15/16 Budget is \$43,700 (the overlap during the transition from Marshall Moran to Farouk Fakira, July-September 7th, 2015). The Agency has a consulting contract with Marshall Moran for on-call assistance that started on April 4th, 2016. To date, Marshall Moran has provided assistance to the agency with preparation of the FY16/17 Budget for a total expenditure of \$3,300. The FY16/17 Budget includes \$35,000 for Financial Support with the expectation that Marshall Moran will support the current Finance Manager in the Recology Reconciliation and Rate Setting process.

- 7.) **Member Bonilla commented that we represent to the public that we are making money selling recyclables and if we are not making money, then the message needs to change.**

The revenues from commodity sales are an important contribution to Agency's total revenues and more than pay for the processing fee charged by SBR to sort the materials at the MRF. Collection services are provided to customers as a cost and the commodity revenues do also help offset some of that cost. For reference, the "Revenue" section of the FY16/17 Budget presents the Agency's revenues by source (commodity revenue represents 16% of the total revenue for the Agency, public tip fee revenue is 18%,

franchise tip fee revenue 64% and other revenue is 6%). The Mid-Year Budget projection forecasts current year Commodity Revenues at \$6.99M and a similar amount for FY16/17 (FY16/17 Budget Report, Table 5).

8.) TAC Member Murray noted that we are getting more tons, but making less money.

This is a similar question to that raised by Board Member Benton during the Mid-Year Budget discussion at the February Board meeting. As stated in the FY16/17 Budget Report and in the April Budget presentation, past tip fee increases have not kept pace with expenses. The Summary section of the FY16/17 Budget report states that there is a "structural gap between revenues and expenses created over the past three years when tip fees were not increased sufficiently to cover expenses and declining commodity revenues".

9.) Member Brownrigg asked if the equipment replacement reserve contribution of \$1.7M was an annual contribution and how much the total reserve was at this point.

The \$1.7 M is not a cumulative total but rather an annual forecast of the amount of money needed to cover capital repairs and replacement for the MRF equipment in that year. The forecasted dollar amounts were developed in 2013, with recommendations from BHS the sorting equipment manufacturer, in response to a Board request that a 5-year capital projection be provided in the budget. As indicated in the comment below, the equipment has performed well with no need for large capital repairs.

10.) Member Bonilla asked how much is paid annually to repair the equipment, and how much it would cost to replace the equipment?

In FY15/16 no capital from the Equipment Replacement Fund was spent on repairs or replacement of the MRF equipment. Note that a "glass clean-up system" to maintain the quality of the MRF glass commodity to an acceptable level was considered (estimated at ~\$2M) but was postponed.

11.) Member Dehn commented that she didn't think there was enough of a safety net in the Equipment Reserve Fund, and she asked to see a total amount in all of the reserves and the policy on what those reserves are used for.

*The \$4.2M in the Emergency Reserve Fund could be used to address urgent equipment needs, to meet some immediate needs. As discussed in the comment above, there is an Annual Equipment Replacement fund (FY16/17 Budget, Attachment A) that is used to pay for major capital repairs and replacement of parts/components of the MRF sorting equipment. A decision to create a MRF Sort System Replacement Fund to accumulate cash for a future replacement of the entire sorting system could be considered by the Board. Please see **Exhibit 1 Attachment A**, May 2013 staff report and "Resolution Approving Modifications to Unrestricted Cash Reserve Policy" which describes the Board's Reserve Policy on the Undesignated Reserve.*

12.) Separate from the MRF equipment, Member Bonilla asked how the new Mixed Waste Processing System equipment will be paid for.

A "Plan of Finance" has not been developed or considered by the Board to pay for the estimated \$12M Mixed Waste Processing System. This system is presented in the Long Range Plan as a key component in

achieving the State's goal of 75% diversion. Purchasing of the Mixed Waste Processing Equipment is planned for FY18/19.

- 13.) Member Widmer asked if the annual financial audit would cover the same items for both Recology and SBR. He noted that with Recology's purchase of Community Recycling's 60% portion of SBR there are now shared costs and he questioned how SBR's numbers are looked at to make sure there is no double counting. He asked for a better understanding of how things are allocated now that SBR is under Recology.

The annual contractor financial audit process is currently being conducted by R3 Consulting and includes both Recology's and SBR's financial systems. Staff has raised the concern about shared ownership with R3 Consulting so that the issue of potential "double-counting" gets particular focus during the audit process. Note that SBR is an independent entity with its own Board of Directors that includes both Potential Industries and Recology.

- 14.) Member Widmer commented there are \$1 million in outreach costs on the Recology side and similarly there is cost for outreach on the SBWMA administrative side.

This is correct. Recology has a contractual obligation to provide Commercial Recycling Assistance to businesses in the service area. The company employs eight WasteZero representatives and a manager (Tamera Del Bene) to perform this outreach function. The SBWMA's outreach responsibilities include providing content, creative direction, and coordination for all outreach to residential, MFD, and business customers. While there is a clear connection between the two efforts, there is no redundancy between the two programs.

- 15.) Member Widmer commented that he didn't think that the number budgeted for HHW after December was enough and that the costs would be higher than a 3% increase in 2017.

The May Board Packet includes an Agenda item discussing the HHW contract expiration and anticipated costs to the member Agencies in 2017. Regarding the impact of HHW on the SBWMA's Budget, this is a pass-through item (the SBWMA simply acts as the middle-man, collecting HHW usage fees from the Member Agencies and paying the HHW contractor) so HHW does not have an impact on the Net Cash presented in the FY16/17 Budget.

- 16.) Chair Grassilli asked what the \$175,000 delta in other costs were for?

Self-Haul credit card transaction expenses represent \$175,000 of the variance presented in the "Other Operating Expenses" shown in Table 7 of the FY16/17 Budget report. Comments on this item are also addressed in Question #5.

- 17.) Chair Widmer asked if the Host Fee rate charged is enough to cover the cost of depreciation of the equipment, because when we agreed to the Recology tons coming in to the MRF the host fee was going to cover the cost of the MRF canopy in 3-4 years, but not the depreciation.

See answer for question #3 (from the May 11th Budget Workshop session).

- 18.) Member Widmer commented that the Long Range Plan doesn't cover the replacement of the equipment and he thinks it should.

See answer to question #11. The Long Range Plan does not include funds to replace the MRF equipment. The need for long-term capital planning is an important policy consideration for the Board and Finance Committee.

- 19.) Chair Grassilli asked to make sure the SBWMA is accruing enough money in the equipment reserve fund.

See answer to question #11.

- 20.) TAC Member Abrams asked if the equipment replacement period was correct in the schedule.

The MRF equipment has a depreciation schedule of 12 years and an annual capital MRF Equipment Repair and Replacement fund was developed to address incremental equipment capital expenditure needs but does not consider a complete MRF Sort System replacement. Year 2016 represents the midpoint in the depreciation life of the MRF sort system equipment. At the end of 2016, staff plans to conduct a "Sort System Wear Assessment and Condition Report" on the MRF equipment to determine the wear to-date and to assist in evaluating the longevity of the MRF equipment. The results of this assessment will provide important information for a policy discussion relating to the need to set up a new long-term capital reserve that could be used to accumulate cash for a future replacement of the MRF sort system.



A Public Agency

STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Interim Executive Director
Farouk Fakira, Finance Manager
Date: April 28, 2016 Board Meeting
Subject: Discussion of the Preliminary FY16/17 SBWMA Budget

Recommendation

This Preliminary FY16/17 SBWMA Budget is for discussion and it will be brought back to the Board in May for approval after Board review and comment.

Summary

The unpredictability of commodity revenues over the past two years has created a situation that requires a tip fee increase to provide revenues sufficient to maintain financial health of the JPA. The Preliminary FY16/17 SBWMA Budget reflects staff's efforts to manage expenses and build revenues to recover from a drop in commodity revenues and a structural gap between revenues and expenses created over the past three years when tip fee revenues were not increased sufficiently to cover expense increases and declining commodity revenues. This budget recommends raising Shoreway tip fee revenues to put the agency in a stronger financial position and to build the Undesignated reserve so that future capital projects can be funded by the agency.

Overview

Budget Process

The process being followed in the presentation of this FY16/17 budget has been structured to provide Board members several opportunities to participate in the budget review and approval process. In addition to budget presentations at the April and May Board meetings, staff has engaged the Finance Committee in a preliminary review of the assumptions used in developing the budget (meeting on March 24th) and Board members are being provided two voluntary Budget Workshop dates (May 11&12th) to provide an opportunity for detailed discussions with staff about the Budget prior to the May Board meeting where Budget approval will be sought. Due to the complexity of the SBWMA's Budget, Board members are encouraged to contact staff directly with questions prior to the April and May Board meetings.

Budget's Relationship to the Rate Setting process

With the approval of the FY16/17 SBWMA Budget, the Board is approving funding the necessary funds to operate the Agency (Shoreway Operations and SBMWA Program & Administrative) as well as the Shoreway tip fees that generate approximately 82% of the agency's revenues. Setting the Shoreway tipping fees is the first step in the overall process of determining the Member Agency collection rate adjustment for calendar year 2017. The collection rates that are paid by each residential and commercial customer and are used to pay two main categories of expenses; 1) the cost to tip the blue/green/black cart materials at Shoreway and 2) payments to Recology for collection services. The Member Agency rate setting process will occur in the Fall of 2016 and at that time the SBWMA Operations revenue requirement will added to the Collection Services

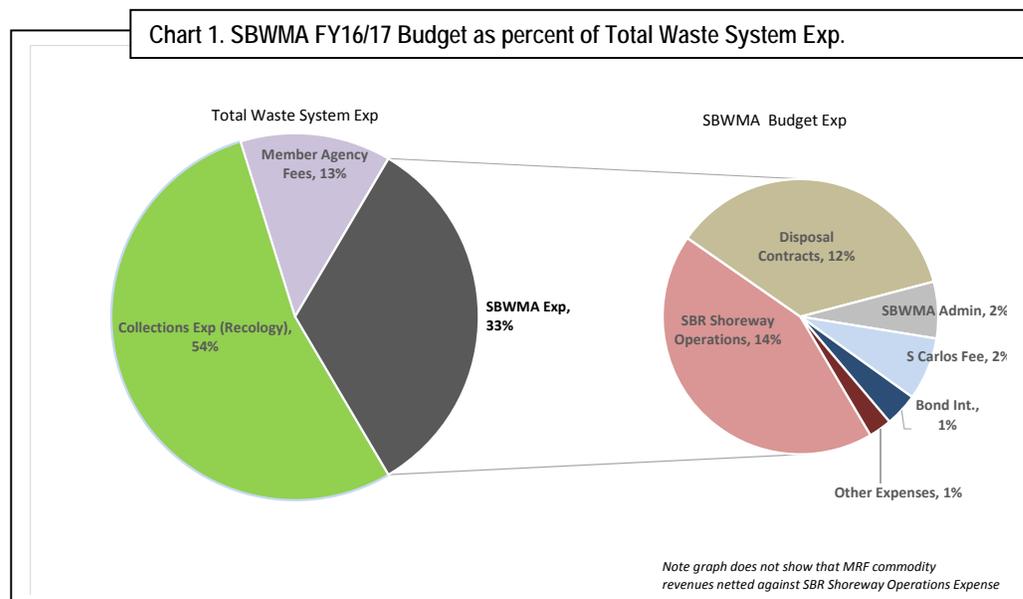
revenue requirement to arrive at the collection rates for approval by the Member Agency's governing bodies prior to January 2017.

Organization of the Budget Report

This Preliminary FY16/17 SBWMA Budget report is organized into sections that correspond to sections in the SBWMA budget spreadsheet provided in **Attachment A**. This report provides analysis of the major budget variance in the report sections titled *Net Income, Reserve Balances & Bond Covenant, Budget Revenues*; and *Budget Expense*. Additional details and support information are included in the attachments that are referred to within the body of this report. The Budget expenses include the following major cost components:

- The cost to own and maintain the Shoreway facility
- The cost to pay SBR to operate the facility
- The cost of off-site disposal and processing of materials
- SBWMA program & administrative expenses
- Debt service, and other expenses.

Chart 1 presents the total expense of the "Waste System" and shows how the SBWMA Budget relates to the Recology collection services expenses and Member Agencies' Fees. An understanding of the relative proportion of each item in the Budget and its relationship to the overall rate structure, provides a good framework for understanding how best to manage the Waste System expenses and rate impacts.



A case in point, is the fact that the agency is embarking on a Collection Services contract negotiations process that affects **58%** of the total waste system rate structure and is tied to future Collections Services commitments that will likely exceed \$60M per year or close to a billion dollars over the full term of the new Collection Services contact. Also notable is the fact that:

- 1) Most of the Waste System expenses are under contract and as such, the annual adjustments are determined by contractually established indexes such as CPI that help provide rate predictability and stability.
- 2) The SBWMA Program & Administration expense represents **2.6%** of the total Waste System and has a minor impact on the Member Agencies' residential and commercial rates.
- 3) The Member Agency franchise fees are part of the collection rates and represent approximately **13%** of total Waste System expense.

SBWMA Budget Analysis

| FY16/17 SUMMARY | | | | | |
|---|------------------------------|------------------------------------|----------------------------------|----------------|------------|
| Categories | FY15/16 Adopted Budget | FY15/16 Mid-Year Projections | FY16/17 Preliminary Budget | Variance | Variance % |
| Total Revenue | \$42,523,900 | \$42,383,083 | \$44,667,519 | \$2,143,619 | 5% |
| Total Operating Expense | \$38,169,914 | \$38,895,171 | \$40,316,009 | \$ (2,146,095) | -6% |
| Interest Expense | 2,833,100 | 2,833,100 | 2,747,908 | 85,192 | 3% |
| Total Expense | \$41,003,014 | \$41,728,271 | \$43,063,917 | \$ (2,060,903) | -5% |
| Net Income | \$ 1,520,886 | \$ 654,811 | \$ 1,603,601 | \$ 82,715 | 5% |
| Bond Principal Payment | (1,303,000) | (1,303,000) | (1,355,833) | (52,833) | 4% |
| Capital Expenditures, (adjusted) ² | (1,204,000) | (1,204,000) | (515,000) | 689,000 | -57% |
| Net Cash Flow (Contribution to Reserves) | \$ (986,114) | \$ (1,852,189) | \$ (267,232) | \$ 718,882 | -73% |

¹ Mid-year FY15/16 projection for capital spending is \$1,317,750.
² FY16/17 capital net of MRF equipment replacement fund of \$515,000.

Table 1 above presents a high-level summary of the Preliminary FY16/17 SBWMA Budget and the variances for major categories from prior year's adopted and mid-year budgets.

Net Income, Reserve Balances, and Bond Covenant

As Shown in Table 1, the SBWMA is experiencing its third year of negative Net Cash Flow (Contribution to Reserves). Over the current FY15/16 revenues have not met budget expectations due largely to declining commodity revenues which has necessitated that the agency make a revenue transfer from the Rate Stabilization reserve of \$920,000 to comply with the 2015 calendar-year bond covenant tests.

The Finance Committee met on 3/24/16 to review; 1) the revenue transfer from the Rate Stabilization reserve, 2) to review the major assumptions of the FY16/17 SBWMA Budget, 3) and to consider an appropriate Shoreway tip fee increase to meet the future needs of the agency. Included in the tip fee consideration was the goal of generating sufficient net income to: 1) cover the agency's expenses, 2) meet the bond covenant obligations, 3) maintain reserves at levels that meets Board policy, and 4) maintain reserves to meet the future capital needs of the agency. In evaluating the appropriate tip fee increase for FY16/17, Staff presented multiple tip fee scenarios to the Finance Committee and projected the budget effects of each scenario. Staff is recommending a \$10.00 per ton Shoreway franchise tip fee increase to generate sufficient net Cash Flow to meet the future financial obligations of the agency and to build the agency's Undesignated reserve (the Undesignated reserve serves similarly to an agency "savings account" which can be built-up over a multi-year period to pay for large capital projects). Table 2 below shows the FY16/17 SBWMA Budgeted reserves.

| | ACTUAL FY14/15 | ADOPTED BUDGET FY15/16 | MID-YEAR BUDGET FY15/16 | ADOPTED BUDGET FY16/17 | VARIANCE |
|---|----------------------|---------------------------|----------------------------|---------------------------|---------------------|
| Uncommitted Reserves | | | | | |
| RATE STABILIZATON (10% of expense) ¹ | \$ 3,887,542 | \$ 4,033,671 | \$ 3,186,197 | \$ 4,237,586 | \$ 1,051,389 |
| RATE STABILIZATON - APPLIED ¹ | | - | 920,000 | - | \$ (920,000) |
| EMERGENCY RESERVE (10% of total expense) | 3,887,542 | 4,033,671 | 4,106,197 | 4,237,586 | \$ 131,389 |
| UNDESIGNATED ² | 6,082,032 | 4,266,685 | 3,722,694 | 2,968,453 | (754,241) |
| TOTAL UNCOMMITTED RESERVES | \$ 13,857,116 | \$ 12,334,028 | \$ 11,935,089 | \$ 11,443,626 | \$ (491,462) |
| Committed Reserves: | | | | | |
| EQUIPMENT REPLACEMENT (ANNUAL) ³ | 1,429,675 | 1,499,514 | 1,499,514 | 1,723,744 | 224,231 |
| TOTAL COMMITTED RESERVES | \$ 1,429,675 | \$ 1,499,514 | \$ 1,499,514 | \$ 1,723,744 | \$ 224,231 |
| TOTAL GENERAL RESERVES ⁴ | \$ 15,286,791 | \$ 13,833,541 | \$ 13,434,602 | \$ 13,167,371 | \$ (267,232) |
| SHOREWAY REMEDIATION PROJECT | \$ 1,289,283 | \$ 1,209,283 | \$ 1,209,283 | \$ 1,233,640 | \$ 24,357 |

Table 3 provides a more detailed examination of the Undesignated reserve and shows that the Undesignated reserve balance has declined from \$5.95M in FY13/14 to a projected \$2.97M in FY16/17 (this projected balance assumes a Shoreway tip fee increase as proposed in the FY16/17 SBWMA Budget).

| | FY13/14 Actual | FY14/15 Actual | FY15/16 Adopted | FY16/17 Proposed |
|--|-----------------------|--------------------------|--|---------------------------------|
| Undesignated Reserve Balance | \$ 5,952,546 | \$ 5,023,699 | \$ 3,175,018 | \$ 2,968,453 |
| Net Change in Reserves | \$ - | \$ (928,847) | \$ (1,848,681) | \$ (206,565) |
| Approved tip fee increase | 3.2% tip fee increase | No tip fee increase | 2% tip fee increase | 10% (\$10.00) tip fee increase |
| Collection Rate Impact of tip fee change | Unreported | 0.00% | 0.60% | 2.80% |
| Reason for change in net income | Unreported | Expenses exceed revenues | Expenses exceed revenues, Comm. price drop midyear | Low commodity prices forecasted |

Table 4 shows the estimated impact of the proposed \$10.00 per ton tip fee increase on Member Agency average Collection Services rates. The average 2016 rate for a residential 32 gallon trash container is \$33.18 per month and is forecast to increase \$.93 (2.8%) to a projected \$34.11 per month under the proposed \$10.00 per ton Shoreway tip fee increase.

| 2016 Collection Rate Impact | % Increase * | Resi. Rate Impact (32 gal.) Cost/Mo. |
|-----------------------------|--------------|--------------------------------------|
| Atherton | 3.1% | \$ 1.72 |
| Belmont | 2.3% | \$ 0.81 |
| Burlingame | 2.8% | \$ 0.67 |
| East Palo Alto ¹ | 3.5% | \$ 1.44 |
| Foster City | 2.8% | \$ 0.61 |
| Hillsborough | 2.3% | \$ 1.19 |
| Menlo Park | 2.8% | \$ 0.66 |
| N. Fair Oaks | 3.2% | \$ 0.87 |
| Redwood City | 3.0% | \$ 0.81 |
| San Carlos | 2.5% | \$ 0.79 |
| City San Mateo | 2.7% | \$ 0.58 |
| West Bay Sanitary | 2.7% | \$ 1.00 |
| County San Mateo (CFA) | 2.6% | \$ 0.92 |
| TOTAL SBWMA AVERAGE | 2.8% | \$0.93 |

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.

The Board has approved the long range plan (LRP) that included a capital project of expanding the transfer station to install a waste sorting system. However, since this project has not been fully reviewed or approved by the Board, it has been moved from the FY16/17 to the FY17/18 Capital Budget in **Attachment A**. (The Shoreway transfer station building expansion construction is estimated at a cost of \$2.65M and is a necessary first-step in the development of a waste processing system to divert recyclable and organic materials to meet the State's recycling goals).

By closely managing expenses and increasing the Shoreway tip fee revenues to cover commodity revenue declines, the FY16/17 SBWMA Budget achieves a Net Cash Flow that:

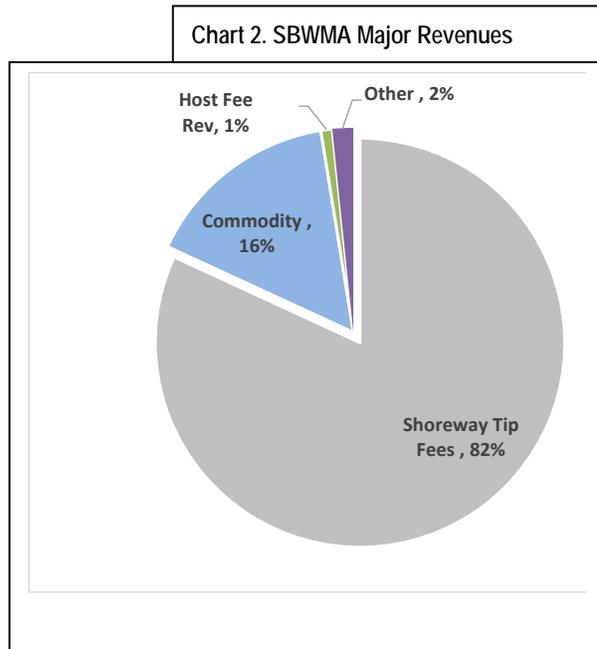
- 1) *Provides sufficient revenues to cover expenses.* The SBWMA's largest budget expenses are tied to the operations of the Shoreway facility and disposal costs that are under contracts which contain specific cost adjustment provisions (e.g., CPI). The SBWMA must adjust tip fees to meet the financial obligation of these contracts. While the Shoreway tip fees were raised in FY15/16 to offset these cost increases, there was an unexpected drop in commodity revenues that occurred midyear and that decreased the agency's revenues. The proposed tip fees and projected net income in this Preliminary FY16/17 Budget are sufficient to cover expenses in the face of lower commodity prices.
- 2) *Meets the bond covenant tests* - Commodity revenues for FY15/16 fell below budget expectations and in order to meet the terms of the bond covenant, the Board is considering approval of a transfer of funds from the Rate Stabilization reserve at the April Board Meeting (see agenda item *7C Resolution Approving the Revenue Transfer*

from Reserves for Calendar Year 2015). The amount of the transfer is \$920,000 from the Rate Stabilization reserve (this is a non-cash transaction done for reporting purposes only to meet the bond covenants).

- 3) *Maintains reserve levels that meet Board policy and the future needs of the agency* - The FY16/17 Budget provides enough net income to meet the bond covenant test at the end of the calendar year so that another Revenue Transfer from the Rate Stabilization reserve will not need be needed. The Undesignated reserve balance is anticipated to decrease to \$2.96M (from a FY15/16 Adopted Budget amount of \$4.27M and a Mid-Year Budget amount of \$3.72M).

SBWMA Revenues

Chart 2 illustrates the major SBWMA revenues by source and that most of the Agency's revenue is derived from Shoreway tip fees and to a lesser extent commodity revenues, host fees and other revenues. These tip fees are paid by Recology and the public/non-franchise customers for each ton of material delivered to the Shoreway facility (different tip fee amounts are charged for different material types). (Note that the SBWMA has the goal of aligning each tip fee with the costs for handling/ disposing each of the different material types delivered by franchise and public customers). An important part of correctly forecasting tip fee and commodity revenues is estimating the quantity of tons by material type that will be delivered in the fiscal year. This process is completed by trending-forward actual tonnage received in the prior year and making adjustments to the trend based on known changes in inbound tons.



| Revenues | FY15/16 Adopted Budget | FY15/16 Mid-Year Projections | FY16/17 Preliminary Budget | Variance | Variance % |
|-------------------------------|------------------------|------------------------------|----------------------------|--------------------|------------|
| Tip Fee Revenues | \$33,602,300 | \$34,171,148 | \$36,508,044 | \$2,905,744 | 9% |
| Non Franchised | 6,982,300 | 7,434,730 | 8,114,936 | 1,132,636 | 16% |
| Franchised | 26,620,000 | 26,736,417 | 28,393,108 | 1,773,108 | 7% |
| Net Commodity Sales Revenues* | 7,668,100 | 6,999,627 | 6,943,411 | (724,689) | -9% |
| MRF - Host Fees | 443,500 | 400,000 | 403,070 | (40,430) | -9% |
| Interest Income | 48,200 | 54,508 | 78,940 | 30,740 | 64% |
| HHW and Other Revenue | 761,800 | 757,800 | 734,054 | (27,746) | -4% |
| Total Revenues: | \$42,523,900 | \$42,383,083 | \$44,667,519 | \$2,143,619 | 5% |

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

Table 5 above provides a summary and variance of all the agency's revenue streams from actual and midyear FY15/16. Total Revenues for the agency are expected to be \$2.14M higher than prior year. Major variances for each revenue line are discussed below:

Tip Fee Revenues – Tip fees are charged at Shoreway on each ton of material entering the facility (the total tons times the tip fee equals the agency's tip fee revenues). For FY16/17, there are no large changes in anticipated inbound franchise tonnage. The total FY16/17 tip fee revenues of \$36.51M shown in the table are based on a \$10.00 ton increase

over the current tip fees - - effective on January 1, 2017 on all franchise material streams and a lower tip fee increases for public yardage (\$3.41 per cubic yard for all material types except inert materials which is \$9.20 ton). More specifically:

- The current franchise tip fee for solid waste delivered to the Shoreway facility by Recology is \$94. The proposed new tip fee to be implemented on January 1, 2017 will be \$104 per ton. The franchise tip fee increase for FY16/17 will be included in the collection rate setting process conducted with the member agencies participation in the Fall.
- The public/non-franchised customers are charged based on yardage/volume rather than tons. Since public/non-franchise tonnage is particularly price-sensitive (in the past, when Shoreway's rates have increased, customers have sought other dump locations in pursuit of lower tip fees). In order to minimize potential rate-shock, the proposed public tip fee increase will be implemented in two-stepped increases - one in July 2016 and one in January 2017.

Net Commodity Sales Revenues - In the middle of FY15/16, commodity prices dropped roughly 20% over what was forecasted in the Adopted FY15/16 Budget. Depressed commodity prices have persisted into the second-half the current fiscal year. The FY16/17 budget forecasts commodity prices to be stable-to-increasing from current price levels. The depressed commodity revenues for the FY16/17 Budget are forecast to be \$724,689 lower than commodity revenues in the FY15/16 Budget (see **Attachment D – Commodity Price Information** for detail on commodity price trends and projections).

MRF Host fees - The efficiency of the MRF processing system has allowed SBR to process all of the franchise recyclables in one-shift of operations. In 2015 the SBWMA approved that SBR could run a second-shift to process out-of-area recyclable materials in exchange for paying the SBWMA a Host Fee. The host fee payment is adjusted annually according to a CPI index. The FY16/17 Host Fee will be \$13.72 per ton. The third party materials that generate host fee revenues are processed by SBR and are under contracts with Recology that expire in 2020. For FY16/17 the host tonnage is forecast slightly lower than prior year resulting in a negative variance of \$40k based on current tonnage trends.

Interest Income - Interest income revenue is generated from the interest on the Agency's invested reserves. The reserves are invested in funds that emphasize stability of principle (San Mateo County Fund, LAIF). The revenues are a function of interest rates and the amount of money held in reserve.

HHW and Other - House hold hazardous waste (HHW) revenues are a pass-through for the SBWMA between the service provider (WM Curbside Inc.) and the Member Agencies that reimburse the SBWMA for HHW services. For FY16/17, the total HHW expense/revenue is budgeted to be \$734,054 for the year. A variance of \$27,746 in Other revenues from decreased sale revenues from other non-MRF recyclables (e.g., electronics, scrap steel from the transfer station).

SBWMA Expense Budget

As shown in Chart 3, the Shoreway Operations and Disposal Contracts items represent the majority of the FY16/17 SBWMA Budget expense (approximately 80%). Important points about these major expenses include that they are:

- 1) Variable according to the quantity of material delivered to the Shoreway facility.
- 2) Under contract with cost increases indexed so the year-over-year variance is predictable and stable,
- 3) Linked to offsetting revenues collected from tip fees on inbound tons to the facility.

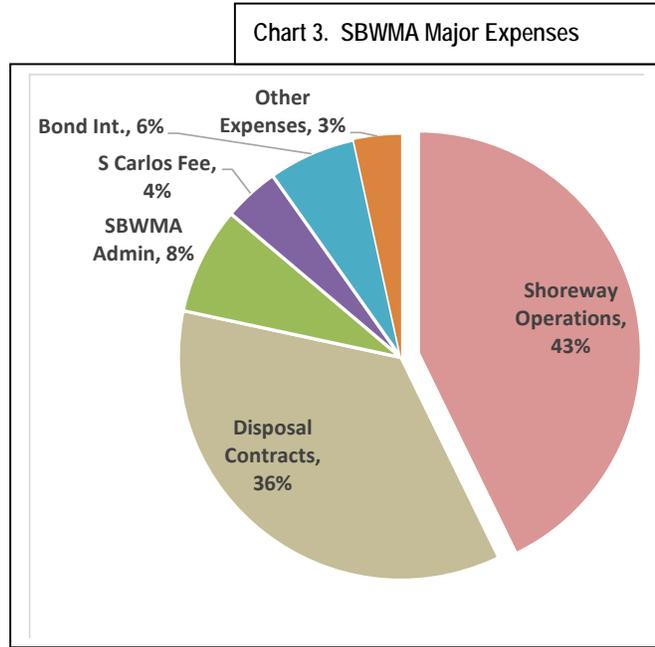


Table 6 below summarizes the expenses for the FY16/17 Budget by major category. The Total Expense is projected to be \$43,063,917 and is \$2.06M (5%) higher than the FY15/16 Adopted Budget. Each expense category show in the table below is discussed in more detail under section titles matching the expense category line in the Expense Summary below.

| Table 6 FY16/17 Expense Summary | | | | | |
|---------------------------------|------------------------|-------------------------|---------------------|--------------------|---------------------------|
| Expense Categories | FY15/16 Adopted Budget | FY15/16 Mid-Year Budget | FY16/17 Budget | | FY16/17 Budget % of Total |
| | | | | Variance | |
| Shoreway Operations | \$32,760,200 | \$33,444,370 | \$34,529,270 | \$1,769,070 | 80.2% |
| SBWMA Program | 3,148,814 | 3,157,271 | 3,360,172 | 211,358 | 7.8% |
| Interest Expense | 2,833,100 | 2,833,100 | 2,747,908 | (85,192) | 6.4% |
| Franchise Fees to San Carlos | 1,594,600 | 1,627,230 | 1,738,513 | 143,913 | 4.0% |
| HHW Collection | 666,300 | 666,300 | 688,054 | \$21,754 | 1.6% |
| Total Expense | \$41,003,014 | \$41,728,271 | \$43,063,917 | \$2,060,903 | 100.0% |

| Table 7. FY16/17 Shoreway Operations Expense Detail | | | | | |
|---|------------------------|------------------------------|----------------------------|---------------------|------------|
| Expenditures | FY15/16 Adopted Budget | FY15/16 Mid-Year Projections | FY16/17 Preliminary Budget | Variance | Variance % |
| SBR Compensation* | \$17,739,700 | \$17,888,761 | \$18,423,627 | \$683,927 | 4% |
| Disposal and Processing* | 14,472,300 | 14,986,225 | 15,329,602 | 857,302 | 6% |
| Insurance Shoreway | 211,400 | 210,637 | 238,998 | 27,598 | 13% |
| Education Center | 60,000 | 60,000 | 60,000 | - | 0% |
| Other Operating Expenses | 241,000 | 241,000 | 416,400 | 175,400 | 73% |
| Taxes (Sewer) | 35,800 | 57,747 | 60,643 | 24,843 | 69% |
| Total Shoreway Operations: | \$ 32,760,200 | \$ 33,444,370 | \$ 34,529,270 | \$ 1,769,070 | 5% |
| Debt Service Bond Interest | 2,833,100 | 2,833,100 | 2,747,908 | (85,192) | -3% |
| Franchise Fee (San Carlos)** | 1,594,600 | 1,627,230 | 1,738,513 | 143,913 | 9% |
| Total Shoreway Operating Expenses | \$ 37,187,900 | \$ 37,904,700 | \$ 39,015,692 | \$ 1,827,792 | 5% |
| * Expense projection based on estimated facility tonnage | | | | | |
| ** Expense projection based on estimated gate revenue (tipping fees x estimated tons) | | | | | |

Shoreway Operations Expense Detail

Table 7 above shows the Shoreway Operations Expense Detail for FY16/17. The total expense increase for the Shoreway operations are projected to be \$39,015,692 which is \$1.8M (5%) over FY15/16 Adopted Budget. Variances for each expense line are discussed below:

SBR Compensation Expense: There is a projected 4% increase in the fees paid to SBR to operate the Shoreway facility and transport outbound materials to the disposal and processing facilities. Following the contractual indexing procedures in the Operation Agreement, SBR's 2017 payment expense will increase an estimated \$683,927 which includes slightly more tons (**Attachment E**, see Table 4).

Disposal and Processing Expense: There is 6% increase in disposal and processing expense which is based on a combination of a 4.88% estimated increase in January 1, 2017 rates and an increase in tons of 2,145. The increase in disposal rates are the result of contractual indexing procedures for disposal, composting, C&D and other processors. Rates are also higher due to the prior-year's budget forecast of cheaper green waste composting that was never realized and a projected C&D (Zanker) rate increase of 30% (from \$50-to-\$68 ton). *In addition to making the cost increases predictable, the contractual indexing of cost increases has worked well to contain cost increases and keep rates low for the Member Agencies. This said, there is however, the potential for large cost increases at the expiration of the existing contracts in 2019. The SBWMA staff attempts to manage the Agency's contracts to achieve the best negotiated arrangement for the Member Agencies. During the FY16/17 budget year, the only contract to expire is with Zanker Road Resource Recovery for C&D processing. Based on preliminary analysis of C&D market conditions and conversations with Zanker, staff included an estimated C&D disposal cost increase of 30% (from \$50-\$65 per ton) to occur in February 2017 (Since C&D is a public/non-franchise material stream, the actual increase in C&D costs will be targeted to that stream and will have no impact on franchise tip fees).* (See Table 5, **Attachment E**).

Other Operating Expense: There is a new expense for credit card transaction fees paid by SBR and reimbursed by the Agency for public/non-franchisee customer transactions of approximately \$175k. This is the result of a historical accounting error by SBR that is being adjusted in FY16/17. *SBR had incorrectly been paying credit card transaction/service fees of nearly 4% of the transaction amount, and those have been reassigned to the SBWMA.*

Taxes (sewer): There has been an increased site sweeping and cleaning being performed by Recology and SBR to comply with the storm water regulations and the water usage at the facility has increased during the current year. This increase in water usage has been forecast in next year's FY16/17 budget. *Sewer usage fees paid on the property tax bill are based on the potable water usage (water meter) at the site. Water conserving measures are being considered for next year to reduce the sewer tax.*

Franchise Fee (San Carlos): Under the terms of the land use permit granted by the City of San Carlos to the JPA, the SBWMA is obligated to pay the City 5% of the total Shoreway tip fee revenue. With a projected 10% tip fee increase in the budget, the franchise fee paid to San Carlos are shown increasing correspondingly.

SBWMA Program & Administrative Expense

The totals expense SBWMA Program & Administrative is shown in **Table 7** and totals \$3,360,172 (exclusive of \$688k in HHW collection program pass-through expense). The FY16/17 SBWMA Program & Administrative Expense Budget Detail is shown in **Attachment A - FY16/17 Capital & Operating Budget Detail** with expense variances described in line-by-line detail in the budget.

The SBWMA Program & Administrative budget includes the staff, administrative, and program related expenses to operate the JPA. (The agency uses consultants to supplement staff time and expertise to fulfil the contract compliance, agency reporting, program and administrative functions to meet the goals established by the Board, the agency's contracts and regulatory bodies). The anticipated wage and benefit increase is 3% over prior year. The staff merit increase pool assumes a 3% increase on total wages (adjustments are made on a calendar year basis). The SBWMA provides non-PERS benefits that are low-cost when compared to other public agencies. (It should also be noted that due to substantial staff turnover, the Executive Director, the Outreach Manager and the Facility Operations Manager positions have all been open for extended periods of time during the current year and some staffing gaps will likely extend into FY16/17. While not desirable, this has and will have the effect of reducing staff expenses).

Further staff expense detail and a discussion on staff wages and benefit costs can be found in **Attachment C – Organization chart and Personnel Summary**. SBWMA staff will be working to complete critical projects during the FY16/17 that are detailed in **Attachment B – SBWMA Programmatic Detail**. A summary of the key projects for FY16/17 include:

- Conducting the Collection Services contract negotiations process with Recology and providing support to the Member Agencies relating to the collection contract extension.
- Completing a financial analysis of Recology's actual cost of operations to aid in the negotiations process.
- Completion of a technical and financial feasibility analysis of a waste processing system to recover organic materials and other recyclables from residential and commercial solid waste that will boost JPA diversion.
- Renegotiation of contracts with: Zanker Road Resource Recover for C&D processing; Curbside Inc. for door-to-door HHW services; and starting the negotiations process for compost and landfill services.
- Implementation of programs and projects that have been approved by the Board and that are part of the Long Range Plan and the Zero Landfill Workgroup efforts. These projects include implementation of the following:
 - Every-other-week residential garbage collection pilot.
 - Enhanced commercial recycling outreach targeting businesses and multi-family.
 - Environmental education program supporting in-school recycling and composting efforts.
 - Piloting gasification technologies for green waste and MRF residue.

Capital Expenditures

The FY16/17 Capital Expenditures budget is \$515,000 and is included in **Attachment A - FY16/17 Capital & Operating Budget Detail**. Per Board feedback, staff is forecasting capital spending on a five-year basis. The forecast includes the recommended capital projects presented in the 2015 Long Range Plan.

Background

The SBWMA Budget is reviewed by the Board in April and is considered for approval at the May Board meeting each year. On March 24, 2016, the Finance Committee reviewed the assumptions of the Preliminary FY16/17 SBWMA Budget. The Preliminary FY16/17 budget will be brought back to the Board at the May meeting for approval. Any changes made to the Preliminary FY16/17 Budget after the April Board meeting will be shown in the document for reference.

Fiscal Impact

The FY16/17 Budget forecasts a Net Income of \$1,603,601 which is \$82k higher than FY15/16 Adopted Budget (see Table 1 on page 3 of the staff report). The Net Income projection are primarily a function of the following factors:

- Lower commodity revenues of \$1,614k from lower commodity prices that is partially offset by increases in volume of \$549k.
- Higher Total Shoreway Operations expense of \$1,769,070 primarily due to annual cost adjustments included in the SBR and Disposal & Processing contracts, and \$434,289 due to tonnage increase.

The Shoreway tip fee increase is estimated to increase residential franchise collection services rates by 2.8% on-average effective January 1, 2017.

Attachments:

- A. SBWMA FY16/17 Capital & Operating Budget Detail
- B. SBWMA Programmatic Detail (Staff Resources and Description of Key Projects and Work Activities)
- C. Organization Chart & Personnel Summary
- D. Commodity Price Information
- E. Supporting Financial and Operational Data (Tonnage, Commodities, Other)

Attachment A - FY16/17 Capital Expendature Budget

| Capital Project Name | Adopted FY15/16 | Forecast FY16/17 | Forecast FY17/18 | Forecast FY18/19 | Forecast FY19/20 |
|---|---------------------|---------------------|----------------------|---------------------|---------------------|
| Transfer Station (TS) Tipping floor resurfacing | \$ 100,000 | \$ 100,000 | \$ 100,000 | \$ 100,000 | \$ 100,000 |
| Site paving repairs and restriping ¹ | - | - | 600,000 | - | 1,400,000 |
| Truck shop building maintenance | 20,000 | 110,000 | 20,000 | 20,000 | 20,000 |
| TS building maintenance | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| MRF building maintenance | 225,000 | 125,000 | 125,000 | 125,000 | 125,000 |
| Admin building maintenance | 20,000 | 115,000 | 40,000 | 40,000 | 40,000 |
| Site maintenance | 65,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| Fire suppression | 15,000 | - | 15,000 | - | - |
| Repairs to landfill tipper | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Education center exhibits | - | - | 15,000 | - | - |
| MRF tip area canopy | 450,000 | - | - | - | - |
| Electric charging station | - | - | 15,000 | - | - |
| Replace diesel fuel storage and dist. System ² | - | - | - | - | 275,000 |
| CNG fueling station ³ | - | - | - | - | 1,312,500 |
| Baler reline | - | - | 120,000 | - | - |
| Mixed waste processing equipment ² | - | - | 10,984,400 | - | - |
| Transfer Station building improvements ² | - | - | 2,665,437 | - | - |
| LED Lighting retrofit | 274,000 | - | - | - | - |
| Total Capitial Expendature Budget | \$ 1,204,000 | \$ 515,000 | \$ 14,764,837 | \$ 350,000 | \$ 3,337,500 |

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

| Attachment A - SBWMA Reserve Balance | | | | | |
|---|----------------------|---------------------------|----------------------------|---------------------------|---------------------|
| | ACTUAL FY14/15 | ADOPTED BUDGET FY15/16 | MID-YEAR BUDGET FY15/16 | ADOPTED BUDGET FY16/17 | VARIANCE |
| Uncommitted Reserves | | | | | |
| RATE STABILIZATON (10% of expense) ¹ | \$ 3,887,542 | \$ 4,033,671 | \$ 3,186,197 | \$ 4,237,586 | \$ 1,051,389 |
| RATE STABILIZATON - APPLIED ¹ | | - | 920,000 | - | \$ (920,000) |
| EMERGENCY RESERVE (10% of total expense) | 3,887,542 | 4,033,671 | 4,106,197 | 4,237,586 | \$ 131,389 |
| UNDESIGNATED ² | 6,082,032 | 4,266,685 | 3,722,694 | 2,968,453 | (754,241) |
| TOTAL UNCOMMITTED RESERVES | \$ 13,857,116 | \$ 12,334,028 | \$ 11,935,089 | \$ 11,443,626 | \$ (491,462) |
| Committed Reserves: | | | | | |
| EQUIPMENT REPLACEMENT (ANNUAL) ³ | 1,429,675 | 1,499,514 | 1,499,514 | 1,723,744 | 224,231 |
| TOTAL COMMITTED RESERVES | \$ 1,429,675 | \$ 1,499,514 | \$ 1,499,514 | \$ 1,723,744 | \$ 224,231 |
| TOTAL GENERAL RESERVES⁴ | \$ 15,286,791 | \$ 13,833,541 | \$ 13,434,602 | \$ 13,167,371 | \$ (267,232) |
| SHOREWAY REMEDIATION PROJECT | \$ 1,289,283 | \$ 1,209,283 | \$ 1,209,283 | \$ 1,233,640 | \$ 24,357 |

RESERVE BALANCE

Attachment A - FY16/17 Budget Revenues by Major Source

| REVENUE SUMMARY | ACTUAL FY14/15 | BUDGET FY15/16 | MID-YR FY15/16 | PROPOSED FY 16/17 | Variance 15/16v16/17 | Variance % | Notes |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|---------------|--|
| ADMINISTRATIVE REVENUES | | | | | | | |
| INVESTMENT INCOME | \$ 70,405 | \$ 48,200 | \$ 54,508 | \$ 78,940 | \$ 30,740 | 63.8% | Investment market earning is up by .04%. |
| INVESTMENT (GASB 31) MARKET VALUE ADJ | | | | | - | #DIV/0! | |
| TOTAL ADMINISTRATIVE | \$ 70,405 | \$ 48,200 | \$ 54,508 | \$ 78,940 | \$ 30,740 | 38.2% | |
| OPERATIONS REVENUES | | | | | | | |
| SHOREWAY TIP FEES - Non Franchised | \$ 6,528,891 | \$ 6,982,300 | \$ 7,434,730 | \$ 8,114,936 | \$ 1,132,636 | 16.2% | Tip fee increase 01/01/2017 |
| SHOREWAY TIP FEES - Franchised | 26,140,918 | 26,620,000 | 26,736,417 | 28,393,108 | 1,773,108 | 6.7% | Tip fee increase 01/01/2017 |
| COMMODITY SALES REVENUE | 10,722,198 | 9,630,400 | 8,958,419 | 8,565,216 | (1,065,184) | -11.1% | Drop MRF commodity markets |
| COMMODITY REVENUE SHARING W/ SBR | (1,846,342) | (1,064,400) | (1,070,551) | (825,285) | 239,115 | -22.5% | In line with the drop in commodities |
| BUY BACK CENTER - Payment to Customers | (879,726) | (897,900) | (888,242) | (796,519) | 101,381 | -11.3% | In line with the drop in commodities |
| OX MOUNTAIN | - | - | - | - | - | #DIV/0! | |
| ESCRAP COMMODITY REVENUES | 66,085 | 50,000 | 50,000 | 5,600 | (44,400) | -88.8% | Drop E-waste commodity markets |
| MRF HOST FEE - SBR Third-Party Contracted Tons | 456,509 | 443,500 | 400,000 | 403,070 | (40,430) | -9.1% | contracted change |
| HHW COLLECTION SERVICE EXP PASSTHOUGH | 546,029 | 662,800 | 662,800 | 683,454 | 20,654 | 3.1% | Atherton, RWC started eff. 3/1/15. |
| COMMERCIAL RECYCLING ORDINANCE FEE | 4,500 | 25,000 | 15,000 | 15,000 | (10,000) | -40.0% | Ordinance fee rev. paid by comm.recycler |
| MISCELLANEOUS REVENUE | 29,240 | 24,000 | 30,000 | 30,000 | 6,000 | 25.0% | CA Paint Care program payments |
| TOTAL OPERATIONS | \$ 41,768,302 | \$ 42,475,700 | \$ 42,328,574 | \$ 44,588,579 | \$ 2,112,879 | 5.0% | |
| SUBTOTAL OPERATING BUDGET REVENUES | \$ 41,838,707 | \$ 42,523,900 | \$ 42,383,083 | \$ 44,667,519 | \$ 2,143,619 | 5.0% | |
| NON-OPERATING RECEIPTS | | | | | | | |
| 520509 | | | | | - | | |
| | | | | | - | | |
| | | | | | - | | |
| NON-OPERATING RECEIPTS | - | - | - | - | - | | |
| TOTAL REVENUE | \$ 41,838,707 | \$ 42,523,900 | \$ 42,383,083 | \$ 44,667,519 | \$ 2,143,619 | 5.0% | |
| NET OPERATING INCOME | \$ 2,438,047 | \$ 1,520,886 | \$ 654,811 | \$ 1,603,601 | \$ 82,715 | 5.4% | |
| DEPRECIATION EXPENSE | \$ 3,337,059 | \$ 3,306,785 | \$ 3,306,785 | \$ 3,165,277 | \$ (141,508) | -4.3% | |
| NET CASH FLOW AFTER DEPRECIATION | \$ (899,012) | \$ (1,785,899) | \$ (2,651,974) | \$ (1,561,675) | \$ 224,224 | -12.6% | |

REVENUE

| Attachment A. FY16/17 Budget Expense Detail | | | | | | | | | | |
|---|--|-------------------|-------------------------------|-------------------------------|-------------------------|-------------------------------|----------------------------------|------------------------------------|-------|--|
| line | EXPENDITURE SUMMARY | ACTUAL FY14/15 | ADDOPTED BUDGET FY15/16 | MID-YEAR BUDGET FY15/16 | YTD SPENT 01/31/2016 | PROPOSED BUDGET FY16/17 | Variance to Adopted Budget | Variance % to Adopted Budget | Staff | Notes |
| 1 | ADMINISTRATIVE EXPENSES | | | | | | | | | |
| 2 | ADMINISTRATIVE STAFF | \$ 582,448 | \$ 565,798 | \$ 572,764 | \$ 328,789 | \$ 547,648 | \$ (18,150) | -3.2% | FF | Savings of previous Finance Manager's Salary for two months. |
| 3 | AB 939 PROGRAM STAFF | 646,298 | 731,661 | 715,342 | 478,287 | 738,889 | 7,228 | 1.0% | FF | \$19K PTO, less \$12K savings from previous Recycling Outreach and Sustainability Mgr. |
| 4 | EMPLOYEE RECRUITMENT/HR SUPPORT | 37,801 | 5,000 | 7,500 | 421 | 5,000 | - | 0.0% | CU/FF | |
| 6 | PEO COST (RGS/ILGS ADMIN FEES) | 9,000 | 19,900 | 19,900 | 6,232 | 11,400 | (8,500) | -42.7% | FF | Fees paid to contract HR and payroll service provider. |
| 7 | BOARD COUNSEL | 34,616 | 55,000 | 45,000 | 11,431 | 65,000 | 10,000 | 18.2% | CU | Legal expenses |
| 8 | BOARD MEETINGS | 2,710 | 3,000 | 3,000 | 2,235 | 4,500 | 1,500 | 50.0% | CU | Includes Board meeting and Event food |
| 9 | ACCOUNTING SERVICES | 131,900 | 136,530 | 136,530 | 68,265 | 139,929 | 3,399 | 2.5% | FF | Payment to City San Carlos for account services contracted-out |
| 10 | INFORMATION SYSTEMS | 25,096 | 28,000 | 27,000 | 19,665 | 27,000 | (1,000) | -3.6% | CU | Expenses to maintain the information system |
| 12 | WEBSITE | 12,578 | 11,500 | 12,100 | 8,555 | 12,100 | 600 | 5.2% | CU | Expenses to maintain the information system |
| 13 | ANNUAL AUDIT | 9,000 | 9,300 | 9,300 | 5,500 | 10,216 | 916 | 9.8% | FF | Fees paid to auditors to complete FY & Calendar year financial statements. |
| 14 | D&O INSURANCE | 34,570 | 39,000 | 42,888 | 42,898 | 48,200 | 9,200 | 23.6% | FF | Annual insurance premium for director's and officer's insurance |
| 15 | BANK FEES | 7,312 | 8,000 | 8,000 | 4,088 | 8,492 | 492 | 6.2% | FF | Bank fees inclusive of fees paid to BNY as the Bond Trustee. |
| 16 | RENT | 52,419 | 54,300 | 53,500 | 31,189 | 55,073 | 773 | 1.4% | CU | Rent for the office from the City of San Carlos |
| 17 | PRINTING AND POSTAGE | 219 | 150 | 150 | 123 | 150 | - | 0.0% | CU | |
| 20 | UTILITIES | 16,299 | 17,500 | 17,500 | 7,093 | 17,500 | - | 0.0% | CU | Includes phone and janitor invoices |
| 21 | OFFICE/TENANT IMPROVEMENTS | 1,034 | 1,000 | 1,000 | 400 | 1,000 | - | 0.0% | CU | Office cleaning and improvements etc. |
| 22 | OFFICE SUPPLIES | 16,904 | 15,500 | 15,000 | 6,071 | 15,500 | - | 0.0% | CU | Misc. |
| 23 | OFFICE EQUIPMENT COSTS | 19,544 | 24,300 | 24,300 | 9,872 | 15,000 | (9,300) | -38.3% | CU | Includes Copier \$600 per mo. base lease and \$200 per month for copies |
| 24 | PUBLICATIONS & PUBLIC NOTICES | 970 | 3,000 | 3,000 | 49 | 3,000 | - | 0.0% | CU | Estimate for two public notices if doing more than one public bid this item will need to go up |
| 25 | PROFESSIONAL DUES & MEMBERSHIPS | 1,311 | 2,300 | 2,000 | 624 | 2,000 | (300) | -13.0% | CU | Memberships to trade and community organizations (CRRRA, SWMA, NCRA, CCAAC) |
| 26 | VEHICLE MILEAGE & TOLLS | 39 | 75 | 75 | 37 | 75 | - | 0.0% | CU | Auto allowance. |
| 27 | CELL PHONES | 4,131 | 4,500 | 4,000 | 1,674 | 4,500 | - | 0.0% | CU | |
| 28 | CONFERENCE & MEETINGS | 6,300 | 10,500 | 9,500 | 6,468 | 10,500 | - | 0.0% | CU | |
| 29 | TRAINING | 1,724 | 5,500 | 5,000 | 1,299 | 5,000 | (500) | -9.1% | CU | |
| 31 | SPONSORSHIPS & DONATIONS | 8,500 | 9,500 | 9,500 | 7,000 | 9,500 | - | 0.0% | CU | |
| 33 | COMPUTER PURCHASE | 8,610 | 6,000 | 6,000 | 3,098 | 6,000 | - | 0.0% | CU | |
| 34 | TOTAL ADMINISTRATIVE | \$ 1,671,334 | \$ 1,766,814 | \$ 1,749,849 | \$ 1,051,365 | \$ 1,763,172 | \$ (3,642) | -0.2% | | |
| 36 | CONTRACT COMPLIANCE AND SUPPORT | | | | | | | | | |
| 38 | RATE REVIEW | \$ 13,501 | \$ 25,000 | \$ 15,000 | \$ 7,610 | \$ 60,000 | \$ 35,000 | 140.0% | FF | 30k financial auditing office temp support, \$30k support to align rates and cost. |
| 39 | TOTAL RATE REVIEW | \$ 13,501 | \$ 25,000 | \$ 15,000 | \$ 7,610 | \$ 60,000 | \$ 35,000 | 140.0% | | |
| 41 | CONSULTANT SUPPORT | | | | | | | | | |
| 43 | FACILITY IMPROVEMENT OVERSIGHT | \$ 23,641 | \$ 50,000 | \$ 50,000 | \$ 8,405 | 50,000 | - | 0.0% | HG | Engineering and construction management support |
| 44 | CONTRACT MANAGEMENT SUPPORT | 52,627 | 55,000 | 55,000 | | 55,000 | - | 0.0% | FF | Annual Financial Audit of RSMC and SBR at \$40K. \$15K for reviewing annual route assessment. |
| 45 | COLLECTION SERVICES FRANCHISE ADMIN. | 54,653 | 80,000 | 80,000 | 6,963 | 180,000 | 100,000 | 125.0% | CF | FA compliance \$40k; call center \$15k; operational assessment \$25k; consultant for FA negotiations \$100k) |
| 46 | FINANCE MANAGER SUPPORT | - | 35,000 | 15,000 | | 70,000 | 35,000 | 100.0% | FF | On-Call consultant support as needed MM \$35k; FA negotiations financial analysis and support \$35k. |
| 47 | QUARTERLY LOAD CONTAMINATION MONITORING | 43,895 | 46,000 | 46,000 | 46,000 | 50,000 | 4,000 | 8.7% | HG/CF | Bi-Annual contamination monitoring required per FA |
| 50 | TOTAL CONSULTANT | \$ 174,816 | \$ 266,000 | \$ 246,000 | \$ 61,368 | \$ 405,000 | \$ 139,000 | 52.3% | | |
| 52 | TOTAL CONTRACT COMPLIANCE & SUPPORT | \$ 188,317 | \$ 291,000 | \$ 261,000 | \$ 68,978 | \$ 465,000 | \$ 174,000 | 59.8% | | |
| 53 | | | | | | | | | | |
| 54 | RECYCLING - AB939 COMPLIANCE | | | | | | | | | |
| 56 | RECYCLING ADMINISTRATION | | | | | | | | | |
| 57 | CIWMB ANNUAL REPORTS | \$ 25,000 | \$ 25,000 | \$ 25,000 | \$ 19,734 | 25,000 | \$ - | 0.0% | CF | Annual AB 939 submittal of EARs for 10-MAs. |
| 58 | SBWMA ANNUAL REPORT | 8,010 | 5,000 | 5,000 | 270 | 5,000 | - | 0.0% | CL | Expense for report printing and postage |
| 59 | DIVERSION PROGRAM SUPPORT | 4,643 | 45,000 | 45,000 | - | 50,000 | 5,000 | 11.1% | | |
| 60 | RECYCLING REPORTING ORDINANCE EXPENSES | 200 | 15,000 | 15,000 | 8,896 | 15,000 | - | 0.0% | CF | |
| 63 | EVENT GIVEAWAYS | - | 1,500 | 1,500 | | 2,500 | 1,000 | 66.7% | CL | |
| 67 | TOTAL RECYCLING ADMINISTRATION | \$ 37,853 | \$ 91,500 | \$ 91,500 | \$ 28,899 | \$ 97,500 | \$ 6,000 | 6.6% | | |
| 69 | LONG RANGE PLAN/DIVERSION PROGRAMS | | | | | | | | | |
| 70 | LONG RANGE PLAN UPDATE | \$ 146,600 | \$ 460,000 | \$ 515,422 | \$ 129,270 | 495,000 | \$ 35,000 | 7.6% | ALL | See detail of LRP/ZLF efforts in FY16/17 Budget. Attachment B. SBWMA Administration & Program Detail |
| 83 | TOTAL LONG RANGE PLAN/DIVERSION PROGRAMS | \$ 146,600 | \$ 460,000 | \$ 515,422 | | \$ 495,000 | \$ 35,000 | 7.6% | | |
| 85 | COMMERCIAL PROGRAMS | | | | | | | | | |
| 88 | LARGE EVENT/VENUE CONSULTING | \$ - | \$ 7,500 | \$ 7,500 | | 7,500 | \$ - | 0.0% | CF | |
| 91 | CLIMATE CHANGE POLICY OPTIONS | 15,636 | 27,000 | 27,000 | 13,090 | 27,000 | - | 0.0% | CL | |
| 92 | COMMERCIAL RECYCLING TECHNICAL ASSIST | 35,885 | 75,000 | 75,000 | 3,473 | 70,000 | (5,000) | -6.7% | CF/CL | Comm. acc. assess \$20; AB1826&341 Compliance \$30k; Commercial Toolkit per FA \$20k. |
| 93 | PURCHASE COMM/FD CONTAINERS FOR RECOLOGY | 21,440 | 60,000 | 60,000 | 18,717 | 60,000 | - | 0.0% | CF | MFD recycle bags \$20; internal R containers \$20 MA containers \$20 per Franchise Agreements. |
| 94 | MULTI-FAMILY OUTREACH | 14,729 | 50,000 | 50,000 | | 50,000 | - | 0.0% | CF/CL | AB341&1826 Compliance \$10; MFD Toolkit \$20; Battery phones subscription \$10; Annual MFD awards \$10 |
| 97 | TOTAL COMMERCIAL PROGRAMS | \$ 87,690 | \$ 219,500 | \$ 219,500 | | \$ 214,500 | \$ (5,000) | -2.3% | | |

EXPENSES

| line | EXPENDITURE SUMMARY | ACTUAL FY14/15 | ADDOPTED BUDGET FY15/16 | MID-YEAR BUDGET FY15/16 | YTD SPENT 01/31/2016 | PROPOSED BUDGET FY16/17 | Variance to Adopted Budget | Variance % to Adopted Budget | Staff | Notes |
|------|---|-------------------|-------------------------------|-------------------------------|-------------------------|-------------------------------|----------------------------------|------------------------------------|-------|--|
| 99 | RESIDENTIAL PROGRAMS | | | | | | | | | |
| 100 | QUARTERLY NEWLESTTER DESIGN/SETUP | \$ 11,176 | \$ 20,000 | \$ 20,000 | \$ 2,593 | 20,000 | \$ - | 0.0% | | |
| 101 | QUARTERLY NEWLESTTER PRINTING/MAILING | 80,016 | 90,000 | \$ 90,000 | 59,092 | 90,000 | - | 0.0% | CL | |
| 102 | RESIDENTIAL OUTREACH PROGRAMS | 74,030 | 120,000 | \$ 120,000 | 51,173 | 120,000 | - | 0.0% | CL | Outreach per FA \$70k; Annual Service Notice FA \$12k; website &S media \$15k; M phone app \$23k |
| 103 | COMMUNITY EVENTS | 675 | 5,000 | \$ 5,000 | | 5,000 | - | 0.0% | CL | Community events support \$2k; Compost and shred events support \$3k |
| 104 | HHW DOOR TO DOOR COLLECTION OUTREACH | 121,438 | 80,000 | \$ 80,000 | 11,991 | 80,000 | - | 0.0% | CL | |
| 107 | CURBSIDE HOUSEHOLD BATTERY OUTREACH | 3,200 | 5,000 | \$ - | 4,098 | 5,000 | - | 0.0% | CL | |
| 109 | ELECTRONIC COLLECTIONS EVENTS | 945 | - | - | - | - | - | - | CL | |
| 111 | TOTAL RESIDENTIAL PROGRAMS | \$ 291,481 | \$ 320,000 | \$ 320,000 | | \$ 325,000 | \$ 5,000 | 1.6% | | |
| 113 | TOTAL RECYCLING - AB939 COMPLIANCE | \$ 563,624 | \$ 1,091,000 | \$ 1,146,422 | | \$ 1,132,000 | \$ 41,000 | 3.8% | | |
| 114 | SUBTOTAL SBWMA PROGRAM BUDGET | \$ 2,423,275 | \$ 3,148,814 | \$ 3,157,271 | | \$ 3,360,172 | \$ 211,358 | 6.7% | | |
| 115 | COLLECTION OPERATIONS | | | | | | | | | |
| 116 | HHW/U-WASTE ON-CALL COLLECTION SERVICES | \$ 545,327 | \$ 662,800 | \$ 662,800 | \$ 375,277 | \$ 683,454 | \$ 20,654 | 3.1% | FF | Pass through - has no net budget effect, offset by payments by Mas to SBWMA for HHW Services |
| 117 | SHRED EVENT SERVICE | 2,278 | 3,500 | 3,500 | 4,459 | 4,600 | 1,100 | 31.4% | FF | Shred and E Waste event costs net of sales of goods revenues. |
| 118 | TOTAL COLLECTION OPERATIONS | \$ 547,605 | \$ 666,300 | \$ 666,300 | \$ 379,736 | \$ 688,054 | \$ 21,754 | 3.3% | | |
| 119 | TOTAL SBWMA PROGRAM BUDGET | \$ 2,970,880 | \$ 3,815,114 | \$ 3,823,571 | \$ 379,736 | \$ 4,048,226 | \$ 233,112 | 6.1% | | |
| 120 | SHOREWAY OPERATIONS | | | | | | | | | |
| 122 | OPERATING CONTRACT - SBR OPERATIONS | \$ 17,445,438 | \$ 17,739,700 | \$ 17,888,761 | \$ 10,685,800 | \$ 18,423,627 | \$ 683,927 | 3.9% | FF | Payment per ton by JPA to SBR for Facility Operations services per Ops. Agreement. |
| 123 | DISPOSAL | 14,059,470 | 14,472,300 | \$ 14,986,225 | 8,930,121 | 15,329,602 | 857,302 | 5.9% | FF | Payment per ton by JPA to disposal & processing contractors e.g., Ox Mtn LF, GW composters, etc. |
| 126 | INSURANCE SHOREWAY | 211,439 | 211,400 | 210,637 | 167,160 | 238,998 | 27,598 | 13.1% | FF | Annual insurance premiums paid by SBWMA for Shoreway property and liability insurance. |
| 127 | SHOREWAY FACILITY COST | 154,939 | 175,000 | 175,000 | 70,631 | 150,000 | (25,000) | -14.3% | HG | Budget for unanticipated routine Shoreway maintenance items that are non-CapEx |
| 129 | SHOREWAY MAINTENANCE - NEW | 13301 | - | - | - | - | - | 0.0% | | |
| 130 | EDUCATION CENTER OPERATIONS | 42,315 | 60,000 | 60,000 | 29,846 | 60,000 | - | 0.0% | CL | Expense for Shoreway tours program and busing. (w/o staff expense) |
| 131 | MAINTENANCE - OX MTN TIPPER | 30,021 | 36,000 | 36,000 | 6,319 | 36,000 | - | 0.0% | HG | Maintenance expense for truck tipper located at Ox Mtn and owned by JPA |
| 132 | SHOREWAY MRF EQUIP. MAINTENANCE > \$10k | 18,501 | 30,000 | 30,000 | - | 30,000 | - | 0.0% | HG | Unanticipated MRF equipment maintenance (non-CapEx) expense |
| 133 | EQUIPMENT CHARGES | | | | | 26,690 | 26,690 | | FF | Expense paid to SBR for SBWMA approved trailer purchase |
| 134 | CREDIT CARDS CHARGES | | | | | 173,710 | 173,710 | | FF | Credit card transaction fees (-4% of amount) for self-haul customers (SBR paid until 2016 until error was de |
| 135 | SEWER FEES (PROPERTY TAX) | 33,630 | 35,800 | 57,747 | 57,747 | 60,643 | 24,843 | 69.4% | FF | Sewer fees paid as part of property tax for Shoreway operation. Potable water meter reading. |
| 137 | | | | | | | | | | |
| 138 | TOTAL SHOREWAY OPERATIONS | \$ 32,009,054 | \$ 32,760,200 | \$ 33,444,370 | \$ 19,947,623 | \$ 34,529,270 | \$ 1,769,070 | 5.4% | | |
| 139 | | | | | | | | | | |
| 140 | TOTAL OPERATING EXPENSES | \$ 34,979,935 | \$ 36,575,314 | \$ 37,267,941 | \$ 21,447,703 | \$ 38,577,496 | \$ 2,002,182 | 5.5% | | |
| 141 | | | | | | | | | | |
| 142 | NON-OPERATING EXPENSES | | | | | | | | | |
| 143 | DEBT SERVICE BOND INTEREST | \$ 2,865,404 | \$ 2,833,100 | \$ 2,833,100 | \$ 475,894 | \$ 2,747,908 | (85,192) | -3.0% | FF | Solid Waste Enterprise Revenue Bond interest payments. |
| 144 | FRANCHISE FEE | 1,555,322 | 1,594,600 | 1,627,230 | 935,475 | 1,738,513 | 143,913 | 9.0% | FF | 5% Franchise fees paid by JPA to the City of San Carlos. (amount changes as Shoreway tip fees change) |
| 146 | NON-OPERATING EXPENSES | \$ 4,420,726 | \$ 4,427,700 | \$ 4,460,330 | \$ 1,411,369 | \$ 4,486,421 | \$ 58,721 | 1.3% | | |
| 147 | | | | | | | | | | |
| 149 | TOTAL SHOREWAY OPERATING EXPENSES | \$ 36,429,780 | \$ 37,187,900 | \$ 37,904,700 | \$ 21,358,992 | \$ 39,015,692 | \$ 1,827,792 | 4.9% | | |
| 150 | | | | | | | | | | |
| 151 | TOTAL OPERATING EXPENSES (SBWMA Program + Shore | \$ 39,400,661 | \$ 41,003,014 | \$ 41,728,271 | \$ 21,738,728 | \$ 43,063,917 | \$ 2,060,903 | 5.0% | | |

EXPENSES

Attachment B. FY16/17 Budget SBWMA Administration & Programs Detailed

SBWMA Budget Section: SBWMA ADMINISTRATION

Staff Resources: Hilary Gans, Interim Executive Director; Farouk Fakira, Finance Manager; and Cyndi Urman, Office Manager.

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." Key efforts include:

Budget and Financial Analysis

- Review the prior year budget to identify budget variances and plan for a mid-year adjustment if needed.
- Prepare the FY17/18 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 tipping fee adjustments.

Accounting and Fiscal Management

- Complete prior year financial audit and calendar year financial statements for bond reporting.
- Maximize use of competitive bidding for technical consulting services particularly for scopes of work exceeding \$25,000.
- 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 prior to payment.
- 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 billings to and payments from Recology for tipping 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.
- 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.

Board of Directors and Member Agency 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.
- Provide Board Packets to the Board of Directors accurately and on time.
- Manage 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.
- Provide high quality customer service to members of the public that contact the SBWMA, including providing helpful, accurate and timely information.

Attachment B – SBWMA Programmatic Detail

New FY16/17 Projects/Activities

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

SBWMA Budget Section: CONTRACT COMPLIANCE AND SUPPORT

Staff Resources: Cliff Feldman, Recycling Programs Manager; Farouk Fakira, Finance Manager; Recycling Outreach Manager; and Hilary Gans, Facility Operations Manager.

Description: Key efforts include:

Contract Administration

- Contract administration support for collection services franchise agreements including follow-up work on audit findings, financial auditing and contract extension amendments support.
- 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 2017 Recology and SBR compensation applications, and completion of the SBWMA final reports reviewing the Recology and SBR compensation applications and consolidated rate report for 2017.
- Initiate audit work and review of operational data included in the 2017 compensation applications.
- Review 2016 Annual Report from Recology required per the Member Agency franchise agreements.
- Hire contractor to conduct 2016 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 2016 rate year audit findings as appropriate.
- Hire contractor to conduct 2016 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 as significant ongoing financial transactions are conducted between the companies.
- Implement 2016 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 to ensure 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 contractor compliance.
- Provide prompt responses to questions/issues/complaints from the public and Member Agencies regarding their franchise agreements and the collection services. 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 use of the Shoreway facility.
- Develop a Member Agency snapshot report for 2016 and make presentations to Member Agency governing bodies upon request.

Rate Review, Analysis and Projections

- Complete SBWMA final reports providing a review of the Recology and SBR compensation applications and 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.
- Provide direction and support to Recology with making changes or improvements to their Annual Compensation Application.
- Analyze the very detailed cost adjustments in the Compensation Applications from Recology and SBR and conduct a detailed review of special issues if needed.
- Prepare financial analysis for projected revenue and total collection and pass-through costs to determine total rate adjustment for each Member Agency.
- Prepare a collection cost variance analysis by detailed cost categories by Member Agency to aid in understanding collection cost changes.
- Support Member Agencies with analysis of rate issues and attend rate hearings or rate related meetings as requested.
- Update 5-year collection cost projection by Member Agency for collection cost components: Recology cost, disposal expense and Member Agency fees.
- Review Recology's Revenue Reconciliation Report. Recology's report is self-reported and is important to determining revenue requirement needed to establish rates for

Attachment B – SBWMA Programmatic Detail

Recology's annual compensation increase.

New FY16/17 Projects/Activities

- Provide rate related support to assist Member Agencies with implementing rate changes, aligning rates with costs, and diversion incentives.
- Implement the Plan and Process for Supporting Member Agencies with Negotiating a Potential Franchise Agreement Extension with Recology.

| Budget Expense Detail | Description of Program for FY16/17 |
|---|---|
| Contract Compliance and Support – Consultant Support | |
| Rate Review and Support | <ul style="list-style-type: none"> • Rate analysis and support for MA including outside support for accounting temporary worker (\$25,000); analysis to align rates and cost (\$30,000). |
| Facility Improvement Oversight | <ul style="list-style-type: none"> • Preparation of a disaster management plan related to the Shoreway facility structures (\$15k). • Develop storm water impact mitigations to maintain compliance with new water board requirements (\$15k). |
| Contract Management Support | <ul style="list-style-type: none"> • Annual financial audit of Recology to review distribution of franchise and other fees to MA, annual revenue reconciliation (\$40,000). • Limited route auditing related to Annual Route Assessments (\$15,000). |
| Collection Services Franchise Administration | <ul style="list-style-type: none"> • Support MA with Franchise contract compliance including: auditing Recology's reporting systems and customer service functions (\$40,000) • Customer service Call Center monitoring and data self-reported related to performance incentives/disincentives and liquidated damages (\$15,000). • Follow-up analysis of operational and cost assessment of collection services operations (\$25,000). • Consultant and outside counsel support for franchise agreements negotiations (\$100,000). |
| Finance Manager Support | <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 (\$35,000). • Franchise Agreement extension negotiations analysis and support (\$35,000). |
| Contamination Monitoring | <ul style="list-style-type: none"> • Twice per year contamination monitoring of various material categories (e.g., Resi, Comm., MFD) (\$50,000). |

SBWMA Budget Section: RECYCLING PROGRAM COMPLIANCE & OUTREACH

Staff Resources: Recycling Outreach and Sustainability Manager, Cliff Feldman, Recycling Programs Manager.

Description: Staff services provided to ensure compliance with state-mandated waste reduction, recycling and reporting requirements per AB939, AB341, and AB1826 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 Collection services for Member Agencies; compliance with annual reporting required; and implement Long Range Plan projects. Key efforts include:

Public Education and Outreach

- Develop, implement and manage new AB1826 and ongoing AB341 outreach activities, including producing and distributing brochures, inserts and letters of non-compliance for Member Agency and Recology use.
- SBWMA cost effectively manages on behalf of all Member Agencies public education efforts for mandatory commercial recycling law AB341 and commercial organics collection AB1826.
- Develop, submit and manage with Recology a Public Education Plan including an evaluation of most cost-effective ongoing outreach activities and tools.
- Promote residential collection services through three *Rethinker* newsletters, five bill inserts and events in collaboration with Recology.
- Develop and implement outreach for CartSMART (residential) and BizSMART (commercial) collection services to meet specific community needs.

Attachment B – SBWMA Programmatic Detail

- Promote HHW Collection programs to all twelve Member Agencies.
- 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 recycling efforts.
- Provide compost giveaways and shred & E-scrap recycling events with Recology.
- Provide three seasonal compost giveaway events to be held at Shoreway.

Recycling (Diversion Programs)

- Implementation of commercial recycling reporting ordinance to gain awareness of recycling activity carried out by the private sector.
- Implement ongoing outreach to multi-family in coordination with Recology.
- Manage the annual audit of Recology's performance – the self-reported data has financial and performance standards impacts.

New FY16/17 Projects/Activities

Long Range Plan

- Implementation of public space recycling project to increase convenient and cost-effective recycling in public spaces (e.g., parks).
- Develop and implement the Enhanced Residential Public Education and Outreach Pilot Program
- Develop and implement a sector-specific focused Commercial Recycling Outreach Pilot Program targeting businesses
- Implement the Commercial Recycling Subscription & Participation Compliance Status Report and Commercial Recycling Outreach Program
- Implement an in-schools recycling and environmental education enhancement Program.
- Completion of financial and technical validation of Shoreway Transfer Station expansion and waste processing system to recover organics materials and other recyclables from residential and commercial solid waste
- Complete research and start implementation of pilots recommended by Zero Landfill workgroup

Attachment B – SBWMA Programmatic Detail

| Budget Expense Category | Description of Program for FY16/17 |
|---|--|
| Recycling Outreach and Programs – AB939 & AB341 Compliance | |
| CalRecycle Annual Report | <ul style="list-style-type: none"> • SBWMA annually submits State mandated annual reports for Member Agencies to comply with AB 939. |
| SBWMA Annual Report | <ul style="list-style-type: none"> • Agency annual report that provides a snapshot of key metrics and milestones for the prior year. (\$5,000). |
| Diversion Program Support | <ul style="list-style-type: none"> • MA assistance with diversion related programs as needed; implementation of Public Spaces Recycling project an opportunity to recycle at parks and other public spaces and provide Member Agency assistance with as needed. (\$45,000). |
| Recycling Reporting Ordinance | <ul style="list-style-type: none"> • Continue implementation of the Commercial Recycling Reporting Ordinance to collect diversion data that is currently unavailable. |
| 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). |
| Long Range Plan / Zero Landfill Workgroup | <ul style="list-style-type: none"> • Long Range Plan & Zero Landfill Workgroup Projects (\$495,000) <ul style="list-style-type: none"> - Every Other Week residential garbage collection pilot - Enhanced Residential Recycling Outreach - Commercial Subscription and Participation Compliance Reporting - Enhanced Commercial Recycling Outreach - Commercial Focused Outreach - Stakeholder engagement process on education and outreach project - Residential and Commercial Mixed Waste Processing system project development - Recology administration building design assessment - Zero Landfill Working Group research on policy and technology options |
| 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). |
| Large Event Recycling Services | <ul style="list-style-type: none"> • Use of trailers limited compared to prior years – expense not anticipated (\$0). |
| Climate Change Reporting | <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). |
| Commercial Recycling Assistance | <ul style="list-style-type: none"> • Collection services assessment and research to confirm utilization of services and commercial recycling outreach effectiveness (\$20,000); • AB 341 & 1826 outreach and education to commercial/MFD sector (\$30,000). • Conduct annual Business Awards Program recognizing businesses for their 2015 diversion efforts (\$10,000). • Maintain commercial Toolkit with Recology (\$20,000). |
| Commercial/MFD Containers | <ul style="list-style-type: none"> • Purchase internal containers for commercial and multi-family dwelling customers eg. Buddy Bags(\$20,000) & MA containers (\$20,000). |
| 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. |

Attachment B – SBWMA Programmatic Detail

| | |
|--------------------------------------|---|
| Multi-Family Outreach | <ul style="list-style-type: none"> • AB 341 & 1826 outreach and education to the commercial/MFD sector (\$10,000). • Provide outreach materials in the form of the toolkit to Recology (\$20,000). • 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). |
| Rethinker Newsletter | Develop and issue the <i>Rethinker</i> newsletter to single family and multi-family residents published 3 times per year. (Development of the newsletter content and layout (\$20,000). Printing and mailing/insertion of 3 issues (\$90,000). |
| Residential Outreach Programs | <ul style="list-style-type: none"> • Outreach support/maintenance for existing collection programs through brochures, posters, flyers (\$70,000). • Update annual residential Service Notice that will provide key program and services related information (\$12,000). • RethinkWaste website and social media outreach, includes maintenance and updates to keep current and relevant (\$15,000). • Mobile Phone App annual fee (\$23,000). |
| Community Events | <ul style="list-style-type: none"> • 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). |
| 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). |
| Curbside Household Battery Outreach | <ul style="list-style-type: none"> • Con 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) |
| 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 |

SWMA Budget Section: COLLECTION OPERATIONS & HHW

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

Description: Staff services provided to ensure compliance with state-mandated Universal Waste regulations through HHW services and household batteries and cell phone collection services provided by Recology. Key efforts include:

- 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, 2016.
- Identify alternatives to the contract with WM Curbside, LLC.
- 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.

New FY16/17 Projects/Activities: None.

Attachment B – SBWMA Programmatic Detail

| Budget Expense Line | Description of Program for FY1617 |
|-------------------------|---|
| HHW Collection Services | <ul style="list-style-type: none"> 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. |
| Shred Event Services | <ul style="list-style-type: none"> Expenses to pay vendor for shred services at events. |

SBWMA Budget Section: SHOREWAY OPERATIONS

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

Description: Includes SBWMA staff activities regarding Shoreway operations including: oversight of SBR operations and contract compliance and management of financial transactions relating to SBR; Shoreway facility capital repairs and maintenance; education center operations (staff wages and benefits are included in the Administration portion of the budget); management of disposal and processing contracts, including review and payment of invoices; facility insurance; and billing Recology for tons delivered to Shoreway.

Contract Administration

- Continued operational oversight and contract compliance of MRF, transfer station, and transportation operations performed by SBR.
- Ongoing management of third party recycling and disposal contracts for solid waste, organics, and C&D.
- Manage organics processing contracts to meet operational, financial and environmental requirements.
- Oversee third party tonnage and host fee payment for third-party tons used to generate additional agency income and lower Shoreway operating costs.

Management of Facility Infrastructure and Improvements

- Ongoing management of Shoreway Facility capital and maintenance projects at or below budget.

Tour Program

- Conduct the Shoreway schools and public tours program and meet goals to increase tour number of visitors 5% over prior year.
- Conduct onsite community events to promote resource conservation including the following: Earth Day and America Recycles Day events at Shoreway; Recycled Art and Poster contest; School compost donation program; and Night at Shoreway two times per year.

New FY16/17 Projects/Activities

- Completion of designs for a Shoreway transfer station processing system to recover organics materials and other recyclables.
- Complete a Disaster and Emergency Management Plan analyzing Shoreway's structures and operations. Develop and implement a storm water mitigation plan for the Shoreway.

| Budget Expense Line | Description of Program for FY16/17 |
|-------------------------------|--|
| Shoreway Operations | |
| 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. Reimbursement of pass-through costs for supplemental processing fees, buyback payments, U-waste disposal, compost backhaul charges, etc.). |
| Disposal and Processing Costs | <ul style="list-style-type: none"> Tipping fees paid by SBWMA to third party vendors for disposal and processing for composting. Contract rate change calculations and monitoring include per ton rates subject to annual CPI adjustments. |

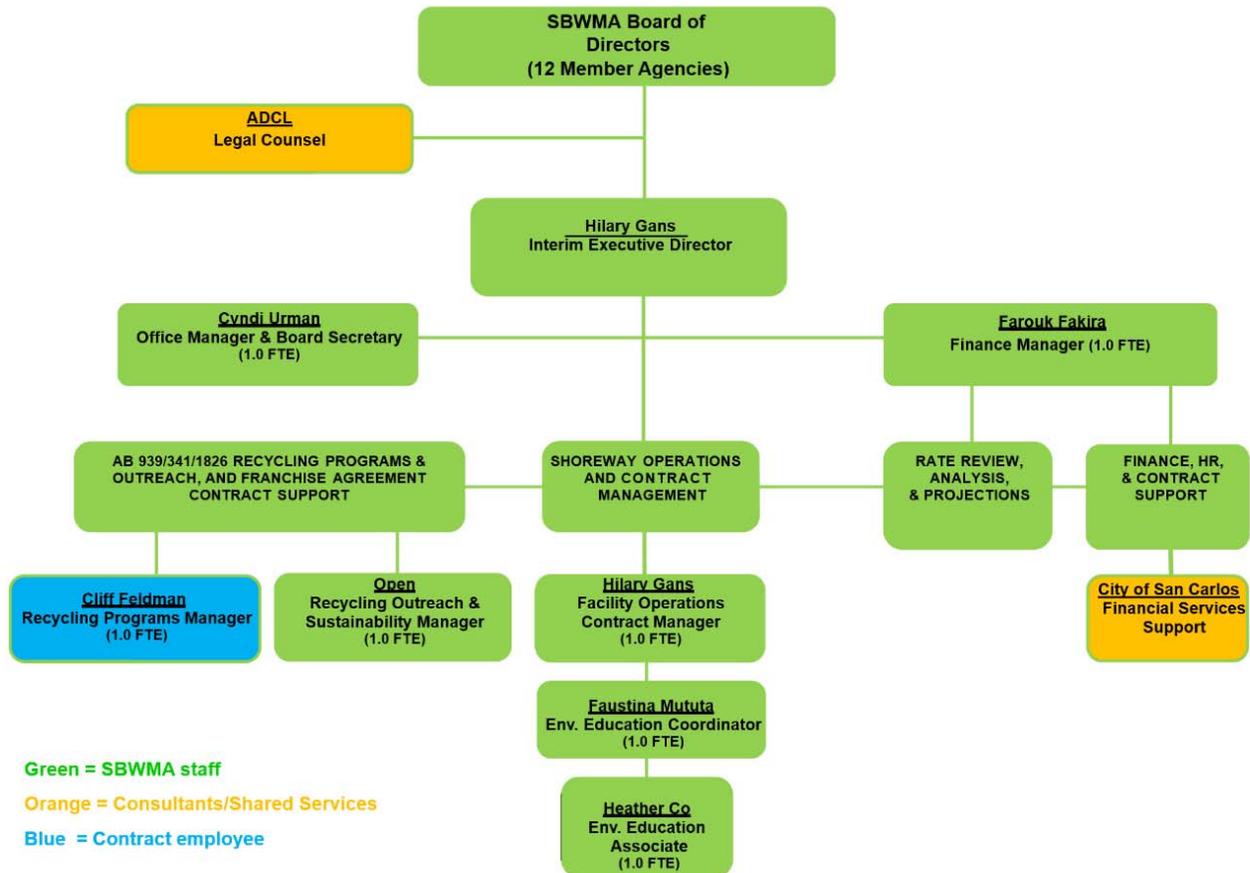
Attachment B – SBWMA Programmatic Detail

| | |
|------------------------------------|--|
| 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. |
| 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. |
| Education Center Operations | <ul style="list-style-type: none"> Non labor related expenses to manage Shoreway facility school and public visitor tour program (includes busing assistance, Trash to Art Contest, Earth Day event and America Recycles Day events, compost donations to schools, safety equipment and supplies, and outreach materials. |
| Maintenance – Ox Mountain Tipper | <ul style="list-style-type: none"> Maintenance expenses associated with tipper owned by SBWMA, but operated by Republic at their Ox Mtn. landfill. |
| Shoreway MRF Equipment Maintenance | <ul style="list-style-type: none"> Unplanned MRF equipment repairs greater than \$10k are the responsibility of JPA per the Operations Agreement with SBR. |
| Taxes (sewer) | <ul style="list-style-type: none"> Sewer fees paid to the City of San Carlos. |
| Shoreway Other | |
| 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. |
| Franchise Fee | <ul style="list-style-type: none"> Review and pay fee to San Carlos 5% of gate (tipping) fee revenue (but not on commodity revenues). |

Attachment B – SBWMA Programmatic Detail

ATTACHMENT C – Organization Chart and Personnel Summary for FY16/17

SBWMA Organization Chart (April 2016)



FY16/17 Proposed Staffing

There are no proposed changes to headcount.

| <u>Staff:</u> | <u>FY15/16</u> | <u>FY16/17</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.

Salary Ranges

The salary ranges for the Staff Positions are presented below for FY15/16. An updated survey will be completed for FY16/17.

| <u>Position</u> | <u>Current Salary Range/Year</u> |
|---|----------------------------------|
| Executive Director | N/A |
| Finance Manager (new hire eff. 6/1/15) | \$112,196 - \$140,245 |
| Facility Operations Contract Manager | \$112,196 - \$140,245 |
| Recycling Program Manager ¹ | \$112,196 - \$140,245 |
| Recycling Outreach & Sustainability Manager | \$100,976 - \$126,220 |
| Office Manager/Board Secretary | \$59,659 - \$74,573 |
| Environmental Education Coordinator | \$65,267 - \$81,580 |
| Environmental Education Associate | \$52,208 - \$65,250 |

Budget Assumptions for Merit Increases

A merit increase pool of 3.0% of wages is assumed for all positions 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 2017.

Employee Benefits

No proposed changes in the employee benefit plans. Total benefit expense as percent of base compensation is estimated at 35.7% for FY16/17. 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 United Health Care 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 the employee is provided at 100% of salary up to \$200,000. The average monthly premium per employee is \$96.

HR and Payroll Support:

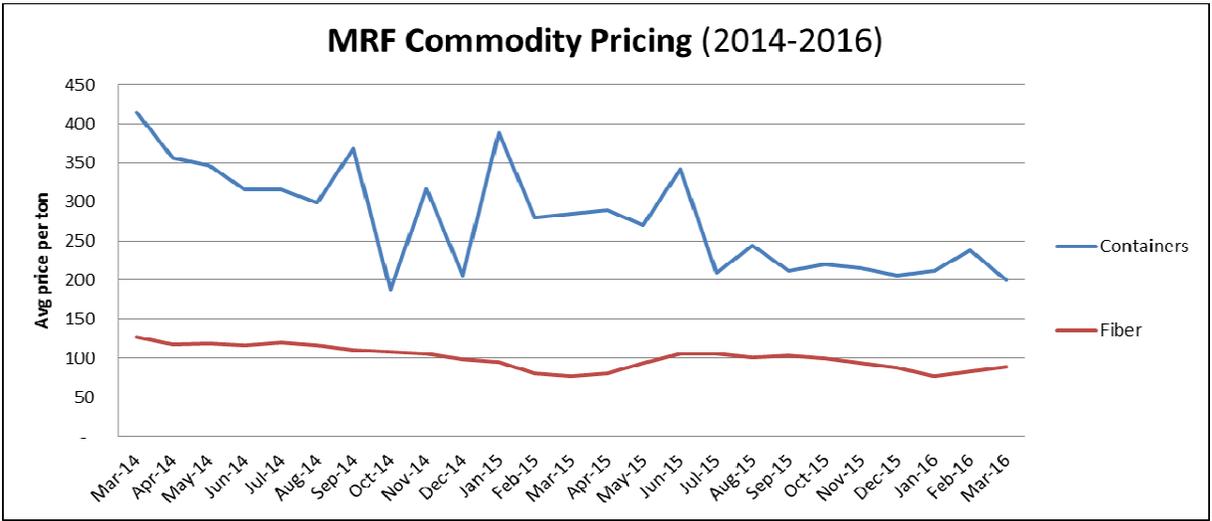
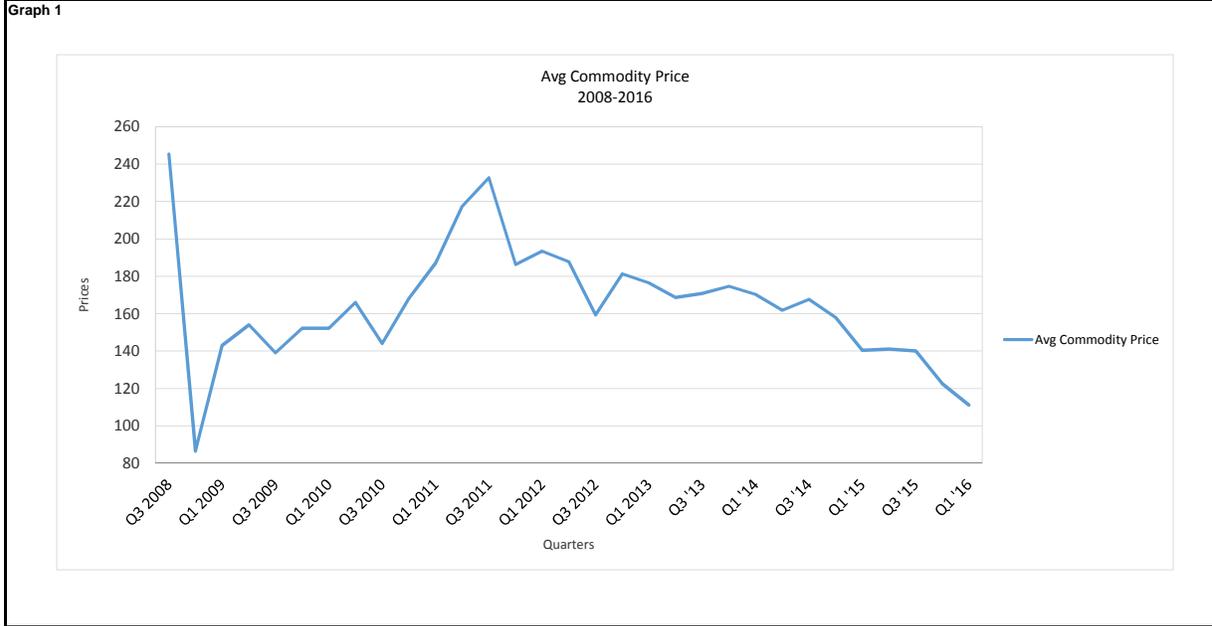
The SBWMA currently utilizes a Modern HR, a third party professional employment organization for the following scope of work:

- (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.

Attachment D. Commodity Price Information

Price Tend Graphs



February 11, 2016

SBWMA, Rethink Waste
Interim Executive Director
Mr. Hilary Gans
610 Elm Street, Suite #202
San Carlos, CA 94070

Re: Commodity Pricing

Dear Mr. Gans

During the January 2016 SBWMA BOD meeting SBR was asked to prepare a letter to serve as an update to commodity pricing as it relates to the Shoreway facility. This letter, combined with the attached appendix, is provided in response to that request.

Commodity scrap values represent slightly over half of the value for the monthly recyclable revenues that flow through the facility, with the other portion being California Refund Value (CRV) payments from CalRecycle. The attached page one includes information from CalRecycle's most recent Quarterly Report (bottom right of page) which indicates that in the future there may be a proportional reduction to some CRV payments. Several years ago there was a proportional reduction to some CRV payments, but the impact to Shoreway revenues was minor. As such we do not anticipate any material reduction to CRV payments from CalRecycle in 2016.

The other information found on page one comes from Recycling Resources magazine and refers to scrap values. I have underlined sections which essentially confirm that current pricing is a bit on the low side of historical averages. To put this in perspective it is helpful to keep in mind that paper fiber (Cardboard, Old Newspaper, and Mix Paper) comprise approximately 90% of SBWMA's scrap revenue, with the other 10% coming from plastic, metal, and glass scrap values combined.

The attached pages two through five provide information from Recycling Today magazine for scrap values for paper fiber, plastics, non-ferrous metal, and ferrous metal. Once again I have underlined sections which clarify the current state of scrap commodity markets for materials generated at the Shoreway facility.

Although paper fiber scrap pricing today is about 10% lower than it was a year ago, it is still substantially higher than where it has dipped to over the past 10 years. Paper fiber pricing in February 2016 is slightly higher than it was in January of 2016, and many in the industry believe the average paper fiber scrap pricing for 2016 will be slightly higher than where it is today.

Best Regards,



Dan Domonoske
Vice President

Encl: 5 page Appendix of market information

333 Shoreway Road | San Carlos, California 94070
Tel 650.802.8355 | Fax 650.412.2495 | SBRrecycling.net

Attachment E - FY16/17 Budget Support Files (tonnage & rate calculations)

Update: February 2016

Summary Tables

| | FY15/16 Adopted Budget | FY15/16 year | Mid- FY16/17 Proposed Budget | 15/16 vs 16/17 Variance | % |
|------------------------------|---------------------------|-----------------|------------------------------------|----------------------------|---------|
| Commodity Revenue | | | | | |
| Tons Sold | 67,488 | 63,594 | 71,336 | 3,848 | 5.7% |
| Wtd Avg. Price | \$ 142.70 | \$ 140.87 | \$ 120.07 | \$ (22.63) | -15.9% |
| Gross Revenue | \$ 9,630,400 | \$ 8,958,419 | \$ 8,565,216 | \$ (1,065,184) | -11.1% |
| Revenue Share w/ SBR | \$ (1,064,400) | \$ (1,070,551) | \$ (825,285) | 239,115 | -22.5% |
| Buyback Payments | \$ (897,900) | \$ (888,242) | \$ (796,519) | 101,381 | -11.3% |
| Net Commodity Revenue | \$ 7,668,100 | \$ 6,999,627 | \$ 6,943,411 | \$ (724,689) | -9.5% |
| Price / Volume Impact | | Price | Volume | Total | |
| Tonnage Change | | \$ 142.70 | 3,848 | \$ 549,052 | |
| Price Change | | \$ (22.63) | 71,336 | \$ (1,614,236) | |
| Total Change (Gross) | | | | \$ (1,065,184) | |
| SBR Operating Expense | | | | | |
| a. Summary | | | | | |
| MRF | \$ 5,976,840 | \$ 5,632,003 | \$ 6,447,162 | \$ 470,322 | 7.9% |
| Transfer Station | 4,544,231 | 4,574,290 | 4,655,284 | 111,054 | 2.4% |
| Transportation | 7,022,945 | 7,486,784 | 7,172,876 | 149,931 | 2.1% |
| Port Slowdown Extra Cost | | - | - | - | 0.0% |
| Canopy Construction Impact | 15,000 | 15,000 | - | (15,000) | -100.0% |
| Interest | 180,684 | 180,684 | 148,305 | (32,379) | -17.9% |
| Total SBR Expense | \$ 17,739,700 | \$ 17,888,761 | \$ 18,423,627 | \$ 683,928 | 3.9% |
| b. SBR Expense Detail | | | | | |
| MRF | | | | | |
| Tons, net | 67,488 | 63,594 | 71,336 | 3,848 | 5.7% |
| Rate | \$ 88.56 | \$ 88.56 | \$ 90.38 | \$ 1.82 | 2.1% |
| Expense | \$ 5,976,840 | \$ 5,632,003 | \$ 6,447,162 | \$ 470,322 | 7.9% |
| Transfer Station | | | | | |
| Tons | 357,760 | 360,228 | 359,905 | 2,145 | 0.6% |
| Rate | \$ 12.70 | \$ 12.70 | \$ 12.93 | \$ 0.23 | 1.8% |
| Expense | \$ 4,544,231 | \$ 4,574,290 | \$ 4,655,284 | \$ 111,054 | 2.4% |
| Transportation | | | | | |
| Tons | 357,760 | 360,228 | 359,905 | 2,145 | 0.6% |
| Wtd. Avg. Rate | \$ 19.63 | \$ 20.78 | \$ 19.93 | \$ 0.36 | 1.5% |
| Expense | \$ 7,022,945 | \$ 7,486,784 | \$ 7,172,876 | \$ 149,931 | 2.1% |
| Port Slowdown Extra Cost | \$ - | \$ - | \$ - | \$ - | |
| Interest | \$ 180,684 | \$ 180,684 | \$ 148,305 | \$ (32,379) | -13.4% |
| Canopy Construction Impact | 15,000 | 15,000 | - | (15,000) | -100.0% |
| TOTAL SBR EXPENSE | \$ 17,739,700 | \$ 17,888,761 | \$ 18,423,627 | \$ 683,928 | 3.9% |

Attachment E - FY16/17 Budget Support Files (tonnage & rate calculations)

Update: February 2016

Summary Tables

| DISPOSAL & PROCESSING EXPENSE | | | | | | |
|--|-----------------------------------|-------------------------|---|------------------------------------|-------------|--|
| | FY15/16 Adopted Budget | FY15/16 year | Mid- FY16/17 Proposed Budget | 15/16 vs 16/17 Variance | % | |
| a. Summary | | | | | | |
| Solid Waste | \$ 8,751,538 | \$ 8,638,190 | \$ 8,827,484 | \$ 75,946 | 0.9% | |
| Organics | \$ 4,106,324 | \$ 4,472,914 | \$ 4,573,610 | \$ 467,286 | 11.4% | |
| C&D, dirt | \$ 1,630,185 | \$ 1,774,744 | \$ 1,868,966 | \$ 238,781 | 14.6% | |
| Other | \$ 289,141 | \$ 391,259 | \$ 365,703 | \$ 76,562 | 26.5% | |
| Subtotal | \$ 14,777,188 | \$ 15,277,106 | \$ 15,635,763 | \$ 858,575 | 5.8% | |
| Paid by SBR | \$ (304,887) | \$ (290,881) | \$ (306,161) | \$ (1,274) | 0.4% | |
| TOTAL DISPOSAL EXPENSE | \$ 14,472,300 | \$ 14,986,225 | \$ 15,329,602 | \$ 857,301 | 5.9% | |
| B. Detail | | | | | | |
| Solid Waste (Ox Mtn) | | | | | | |
| Tons, net | 218,915 | 216,115 | 218,717 | (198) | -0.1% | |
| Rate | \$ 39.98 | \$ 39.97 | \$ 40.36 | \$ 0.38 | 1.0% | |
| Expense | \$ 8,751,538 | \$ 8,638,190 | \$ 8,827,484 | \$ 75,946 | 0.9% | |
| Organics (Newby, Grover) | | | | | | |
| Tons, net | 106,705 | 109,670 | 109,571 | 2,865 | 2.7% | |
| Rate | \$ 38.48 | \$ 40.79 | \$ 41.74 | \$ 3.26 | 8.5% | |
| Expense | \$ 4,106,324 | \$ 4,472,914 | \$ 4,573,610 | \$ 467,286 | 11.4% | |
| C&D (Zanker) | | | | | | |
| Tons, net | 32,139 | 34,443 | 31,616 | (522) | -1.6% | |
| Rate | \$ 50.72 | \$ 51.53 | \$ 59.11 | \$ 8.39 | 16.5% | |
| Expense | \$ 1,630,185 | \$ 1,774,744 | \$ 1,868,966 | \$ 238,781 | 14.6% | |
| Other | | | | | | |
| Tires | 5,319 | 4,913 | 7,507 | 2,188 | 41.1% | |
| Mattresses | 27,316 | 16,672 | 23,962 | (3,354) | -12.3% | |
| Appliances | 17,661 | 26,228 | 19,900 | 2,239 | 12.7% | |
| Hazardous Waste | 233,833 | 339,057 | 308,461 | 74,626 | 31.9% | |
| Misc. | 5,013 | 4,390 | 5,874 | 861 | 17.2% | |
| Expense | \$ 289,141 | \$ 391,259 | \$ 365,703 | \$ 76,562 | 26.5% | |
| Summary | | | | | | |
| TS Tons | 357,760 | 360,228 | 359,905 | 2,145 | 0.6% | |
| Wtd Avg. Rate | \$ 40.45 | \$ 41.60 | \$ 42.59 | \$ 2.14 | 5.3% | |
| Disposal Expense | \$ 14,472,300 | \$ 14,986,225 | \$ 15,329,602 | \$ 857,301 | 5.9% | |
| Detail Rates | | | | | | |
| | FY15/16 Rate | FY15/16 Rate | FY16/17 Rate | 15/16 vs 16/17 | % | |
| Ox Mountain MSW | \$ 39.98 | \$ 39.97 | \$ 40.36 | \$ 0.38 | 1% | |
| Ox Mountain Aggregates | \$ - | \$ - | \$ - | \$ - | 0% | |
| Organics (wtd avg) | \$ 38.48 | \$ 40.79 | \$ 41.74 | \$ 3.26 | 8% | |
| C&D | \$ 50.72 | \$ 51.53 | \$ 59.11 | \$ 8.39 | 17% | |