

# PRELIMINARY FY1516 BUDGET



# Key Budget Assumptions

- **Revenue:**

- 3.8% increase assumed in franchise tipping fees effective January 1, 2016; 2016 collection rate impact estimated at 0.97%.
- Tonnage relatively flat overall (slightly higher franchise tons, and modestly lower public yards) compared to FY1415
- Commodity prices somewhat below historical averages

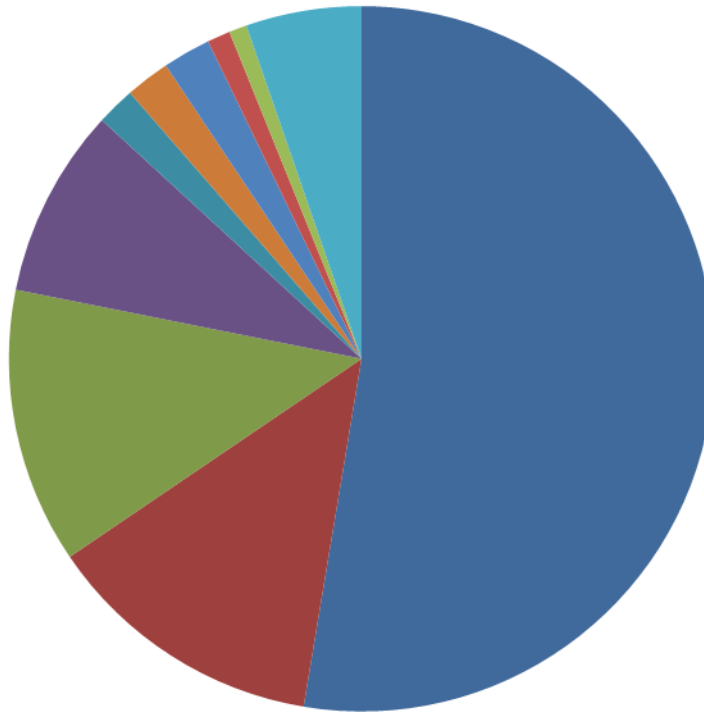
# Key Budget Assumptions

- **Expenditures:**

- Assumed fee increase to SBR on 1/1/2016 is 1.8% (half of the fiscal year)
- Contractually defined CPI adjustments on most third party processing and disposal agreements
- Incorporated Long Range Plan recommended projects in budget: program expense, and in five-year capital forecast
- Rebuilt each budget line item; did not assume any flat % increase over prior year except as related to personnel merit increase pool
- Personnel merit increase pool assumed to be 3%
- No changes to headcount or benefit plans

# Total Franchise Collection Expense Detail

## SBWMA Total Collection Expense Detail - Calendar Year 2015 (estimate)



- \$ 57.7 59% Recology Compensation
- \$ 14.1 14% Member Agency Franchise Fees
- \$ 13.9 14% Shoreway - SBR Operating Contract
- \$ 9.5 10% Shoreway - Disposal Expense
- \$ 1.9 2% Shoreway - County Fees @ Ox Mtn
- \$ 2.2 2.3% Shoreway - Bond Interest Expense
- \$ 2.4 2.5% SBWMA Program Expense
- \$ 1.2 1.2% Shoreway - Fr. Fees to City of San Carlos
- \$ 0.9 1% Shoreway - Other Operating Expense
- \$103.9 106% TOTAL OPERATING EXPENSE
- \$ -5.8 -6% Shoreway Net Commodity Revenue
- \$ 98.0 TOTAL COLLECTION EXPENSE

Figures above in \$ millions

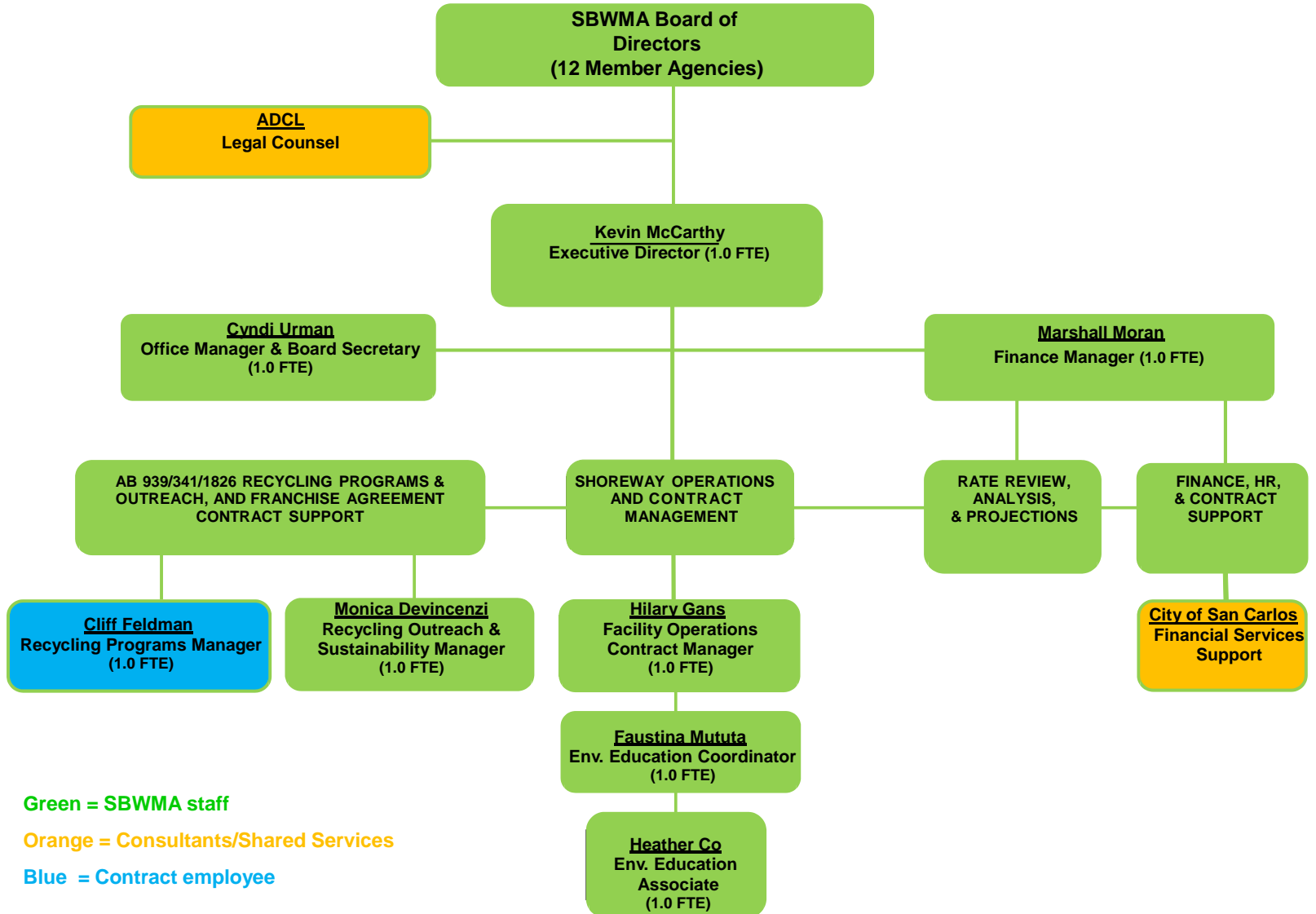
Total Shoreway costs less commodity revenue above is the disposal expense of our 12 member agencies (tons x tip fees)

Shoreway tip fees are based on Shoreway operating costs less net commodity revenue

Shoreway expenses allocated to public customers are not shown above

# Organization Chart - SBWMA

SBWMA Organization Chart (April 2015)



## Financial Summary

- Contributions to cash reserves (net income) at \$1.48 million (3.5% of revenue) as compared to \$2.16 million (5.2% of revenue) projected for FY1415
- Franchise solid waste and organics tipping fees are assumed to increase by 3.8% effective January 1, 2016 which affects half the fiscal year. Board typically reviews and considers calendar year tipping fee adjustments at November Board meeting.
- Fully funded cash reserves plus \$3.2 million in undesignated cash reserve

## Financial Summary Continued

- Proposed SBWMA program budget expenditures are 8% higher than FY1415 adopted budget. Only 0.11% higher if you exclude one-time costs associated with transition to new Finance Manager and the \$197,500 in additional spending proposed under the Long Range Plan. Program budget is 7.7% of total expense.
- Proposed Shoreway operating budget expenditures are 1.4% higher than FY1415 adopted budget. Expenditures are largely based on tonnage assumptions and projected compensation adjustments for SBR and third party disposal and processing vendors (e.g., Ox Mountain landfill). Shoreway budget is 90.6% of total expense.
- Proposed capital budget of \$1,362,750 of which \$510,000 is for proposed MRF tipping area canopy project carried over from FY1415.

# Proposed FY1516 Operating Budget

<b>FY1516 SUMMARY</b>					
<b>CATEGORIES</b>	<b>FY1415 Adopted Budget</b>	<b>FY1415 Mid-Year Budget</b>	<b>FY1516 Preliminary Budget</b>	<b><u>Better/(Worse)</u> <u>Variance</u></b>	<b>%</b>
Total Revenue	\$41,927,800	\$41,263,900	\$41,937,600	\$9,800	0%
Total Operating Expense	\$36,702,475	\$36,219,636	\$37,625,207	(\$922,732)	-3%
<b>Earnings Before Interest:</b>	<b>\$5,225,325</b>	<b>\$5,044,264</b>	<b>\$4,312,393</b>	<b>(\$912,932)</b>	<b>-17%</b>
Interest Expense	\$2,885,500	\$2,885,500	\$2,833,100	\$52,400	2%
<b>Contributions to Cash Reserves:</b>	<b>\$2,339,825</b>	<b>\$2,158,764</b>	<b>\$1,479,293</b>	<b>(\$860,532)</b>	<b>-37%</b>

Preliminary FY1516 budget figures produce estimated bond covenant requirement results of 1.01 for the break-even test (minimum of 1.0 required) and 1.45 for the debt coverage test (minimum of 1.4 is required).

# Cash Reserve Balance Projections

	ACTUAL FY1314	ADOPTED BUDGET FY1415	MID-YEAR BUDGET FY1415	PROPOSED BUDGET FY1516
<b>UNRESTRICTED:</b>				
RATE STABILIZATION (10% of expense)	\$ 3,021,726	\$ 3,906,648	\$ 3,845,988	\$ 3,979,201
EMERGENCY RESERVE (10% of total expense)	\$ 3,021,726	\$ 3,906,648	\$ 3,845,988	\$ 3,979,201
EQUIPMENT REPLACEMENT (ANNUAL)	\$ 1,130,726	\$ 1,542,328	\$ 1,542,328	\$ 1,499,514
UNDESIGNATED	\$ 5,952,546	\$ 2,530,236	\$ 4,527,022	\$ 3,197,366
<b>TOTAL UNRESTRICTED GENERAL RESERVES</b>	<b>\$ 13,126,724</b>	<b>\$ 11,885,859</b>	<b>\$ 13,761,325</b>	<b>\$ 12,655,281</b>
<b>COMMITTED:</b>				
BOND PRINCIPAL PAYMENT FUND	\$ 1,004,167	\$ 1,058,330	\$ 1,058,330	\$ 1,091,667
<b>TOTAL GENERAL RESERVES</b>	<b>\$ 14,130,891</b>	<b>\$ 12,944,189</b>	<b>\$ 14,819,655</b>	<b>\$ 13,746,947</b>
<i>proof</i>	\$ 14,130,891	\$ 12,944,189	\$ 14,819,655	\$ 13,746,947
<b>Other LT Projects (Fully Funded)</b>				
<b>SHOREWAY REMEDIATION PROJECT</b>	<b>\$ 1,289,283</b>	<b>\$ 1,209,283</b>	<b>\$ 1,209,283</b>	<b>\$ 1,239,800</b>

# Proposed New Projects and Services for FY1516

Preliminary FY1516 budget includes all recommended long range plan projects assumed for FY1516 totaling \$430,000 including:

- Implement every other week residential garbage collection pilot (**\$120,000**).
- Develop and implement public education and notification to residents participating in Recology residential split-body collection vehicle pilot project (**\$17,000**).
- Develop and implement enhanced commercial recycling outreach targeting businesses and multi-family (**\$60,000**).

# Proposed New Projects and Services for FY1516

Long Range Plan projects continued:

- Completion of conceptual designs for Shoreway Transfer Station mixed waste processing system to recover organics materials and other recyclables from residential and commercial solid waste **(\$183,000)**.
- Complete Recology administration building remodel design assessment to accommodate SBWMA offices **(\$25,000)**.
- Continuation of the public spaces recycling project with assumed budget of **(\$11,000)**.

# Proposed New Projects and Services for FY1516

- \$45,000 to complete financial analysis of Recology's and SBR's actual cost of operations (see agenda item 6A staff report for more details). Consultant(s) will assist staff with analyzing contractors actual costs vs. compensation. Budgeted figures are relatively modest based on assumption that both contractors are expected to share information on actual operational costs.
- Staff will continue to analyze JPA's cost of operations and to that end work activities are assumed as follows:
  - If applicable, manage the transition of a new vendor for the Annual Financial and Accounting Services contract. The timing of such a potential change is critical given the planned retirement of the current Finance Manager.
  - Evaluate the current model used for outsourced HR and payroll administration by a third party and make recommendations for changes if appropriate.

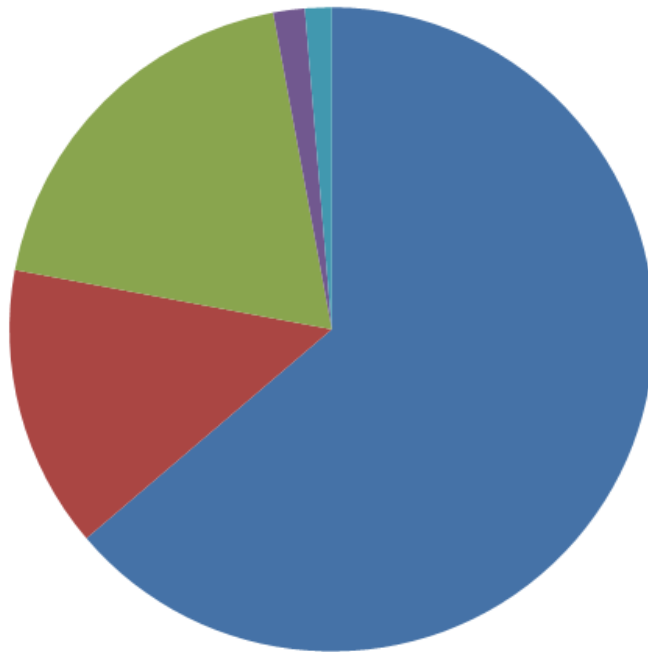
# Proposed New Projects and Services for FY1516

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

- Host three seasonal (summer, fall, spring) compost and mulch giveaway events at Shoreway. \$3,000 is included in budget for outreach to support the events.
- “America Recycles Day” event at Shoreway in November. The event will be modeled after our annual Earth Day event which typically draws 300-400 visitors. Estimated event cost of \$10,000 (costs included in Education Center budget line item).

# Proposed FY1516 Operating Budget - Revenue

## SBWMA FY1516 PROPOSED BUDGET REVENUE



### REVENUE

■	\$26.7	64%	Shoreway Franchise Revenue
■	\$ 5.9	14%	Shoreway Public Revenue
■	\$ 8.0	19%	Commodity Sales, Net
■	\$ 0.7	2%	HHW Revenue
■	\$ 0.5	1%	SBWMA Other Revenue
■	\$41.9		TOTAL REVENUE

# Operating Budget – Revenue by Source

FY1516 REVENUES					
Revenues	FY1415 Adopted Budget	FY1415 Mid-Year Projections	FY1516 Preliminary Budget	Better/(Worse) Variance	Variance %
Tip Fee Revenues	\$32,221,900	\$31,773,100	\$32,690,700	\$468,800	1.5%
Non Franchised	\$6,229,700	\$5,952,900	\$5,948,700	(\$281,000)	-4.5%
Franchised	\$25,992,200	\$25,820,200	\$26,742,000	\$749,800	2.9%
Net Commodity Sales Revenues*	\$8,674,800	\$8,272,300	\$8,022,900	(\$651,900)	-7.5%
MRF - Host Fees	\$361,800	\$390,400	\$416,500	\$54,700	15.1%
Interest Income	\$56,500	\$67,400	\$48,200	(\$8,300)	-14.7%
HHW and Other Revenue	\$612,800	\$760,700	\$759,300	\$146,500	23.9%
<b>Total Revenues:</b>	<b>\$41,927,800</b>	<b>\$41,263,900</b>	<b>\$41,937,600</b>	<b>\$9,800</b>	<b>0.0%</b>
*Gross commodity sales – 28% revenue share with SBR and buyback payments.					

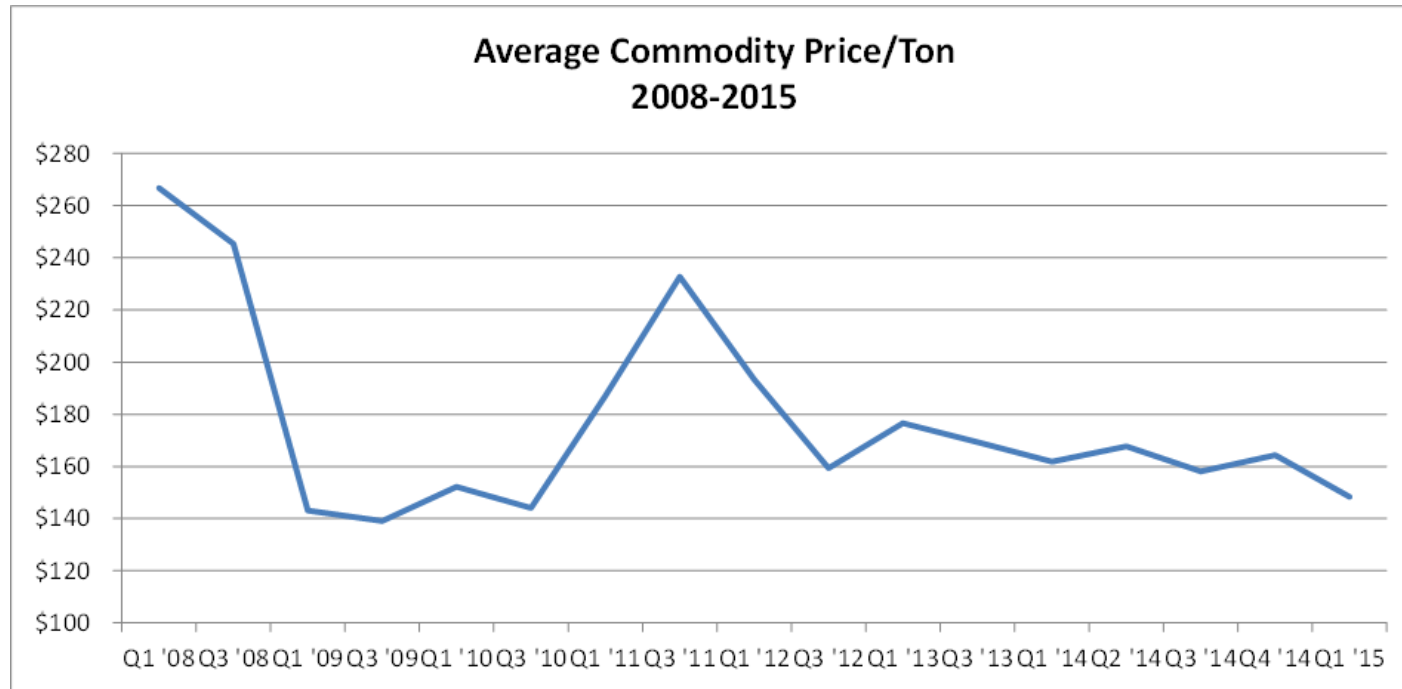
# Operating Budget – Revenue Detail (Tons/Yards)

	FY1415 Adopted Budget	FY1415 Mid-Year Projections	FY1516 Proposed Budget	2016 vs 2015 Budget Variance	%
<b>TIP FEE REVENUE</b>					
<b>Franchise</b>					
Tons	280,747	278,776	283,568	2,821	1.0%
Wtd Avg. Tip Fee	\$ 92.58	\$ 92.62	\$ 94.31	\$ 1.72	1.9%
Franchise Revenue	\$ 25,992,156	\$ 25,820,153	\$ 26,741,950	\$ 749,794	2.9%
<b>Public</b>					
Yards	182,976	170,994	170,058	-12,918	-7.1%
Wtd Avg. Tip Fee	\$ 34.05	\$ 34.81	\$ 34.98	\$ 0.93	2.7%
Public Revenue	\$ 6,229,698	\$ 5,952,860	\$ 5,948,662	\$ (281,036)	-4.5%
<b>Total Tip Fee Revenue</b>	<b>\$ 32,221,854</b>	<b>\$ 31,773,013</b>	<b>\$ 32,690,612</b>	<b>\$ 468,758</b>	<b>1.5%</b>

# Operating Budget – Commodity Revenue

<b>COMMODITY REVENUE</b>		<b>FY1415 Adopted Budget</b>	<b>FY1415 Mid-Year Projections</b>	<b>FY1516 Proposed Budget</b>	<b>2016 vs 2015 Budget Variance</b>	<b>%</b>
	Tons Sold	63,134	64,935	66,878	3,744	5.9%
	Wtd Avg. Price	\$ 171.26	\$ 162.75	\$ 150.67	\$ (20.58)	-12.0%
	<b>Gross Revenue</b>	<b>\$ 10,812,190</b>	<b>\$ 10,568,093</b>	<b>\$ 10,076,664</b>	<b>\$ (735,526)</b>	<b>-6.8%</b>
	Revenue Share w/ SBR	\$ (1,521,368)	\$ (1,407,569)	\$ (1,142,458)	378,910	-24.9%
	Buyback Payments	\$ (615,972)	\$ (888,242)	\$ (911,340)	-295,368	48.0%
	<b>Net Commodity Revenue</b>	<b>\$ 8,674,850</b>	<b>\$ 8,272,282</b>	<b>\$ 8,022,865</b>	<b>\$ (651,985)</b>	<b>-7.5%</b>
<b>Price / Volume Impact</b>			<b>Price</b>	<b>Volume</b>	<b>Total</b>	
	Tonnage Change		\$ 150.67	\$ 3,744	\$ 564,046	
	Price Change		\$ (20.58)	\$ 63,134	\$ (1,299,572)	
	<b>Total Change (Gross)</b>				<b>\$ (735,526)</b>	

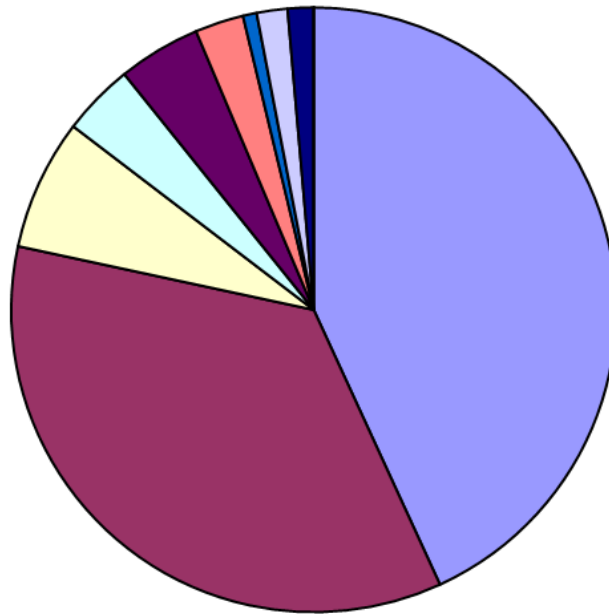
# Historical Commodity Prices



- Our projected average commodity revenue per ton of \$150.67 in FY1516 is somewhat below historical averages of around \$160-\$170/ton.

# Proposed FY1516 Operating Budget - Expense

## SBWMA FY1516 PROPOSED BUDGET EXPENSE



### EXPENSE

■	\$17.5	43%	SBR Operating Contract
■	\$14.3	35%	Shoreway Disposal Expense
□	\$ 2.8	7%	Bond Interest Expense
□	\$ 1.6	4%	Franchise Fee to City S Carlos
■	\$ 1.8	4%	SBWMA PROGRAM: Administration
■	\$ 1.1	3%	SBWMA PROGRAM: Recycling & AB939
■	\$ 0.3	1%	SBWMA PROGRAM: Contract Management
□	\$ 0.7	2%	HHW Collection Service
■	\$ 0.6	1%	Shoreway Other Operating Expense
■	\$40.5		<b>TOTAL EXPENSE</b>

**Shoreway operating expenses comprise 90% (78% of which comes from Shoreway operator and disposal and processing expense) of the total budget.**

# Operating Budget – Expense Summary

FY1516 EXPENSE SUMMARY						
EXPENSE CATEGORIES	FY1415 Adopted Budget	FY1415 Mid-Year Budget	FY1516 Preliminary Budget	FY1516 Preliminary Budget % of Total	Variance	%
SBWMA Program	\$2,901,375	\$2,893,175	\$3,134,407	7.7%	\$233,032	8.0%
HHW Collection	\$521,500	\$645,261	\$666,300	1.6%	\$144,800	27.8%
Shoreway Operations	\$31,732,800	\$31,168,200	\$32,267,800	79.8%	\$535,000	1.7%
Interest Expense	\$2,885,500	\$2,885,500	\$2,833,100	7.0%	(\$52,400)	-1.8%
Franchise Fees to San Carlos	\$1,546,800	\$1,513,000	\$1,556,700	3.8%	\$9,900	0.6%
<b>Total Expense</b>	<b>\$39,587,975</b>	<b>\$39,105,136</b>	<b>\$40,458,307</b>	<b>100.0%</b>	<b>\$870,332</b>	<b>2.2%</b>

# Operating Budget – Shoreway Expense

<b>FY1516 EXPENDITURE DETAIL FOR SHOREWAY OPERATIONS</b>					
<b>Expenditures</b>	<b>FY1415 Adopted Budget</b>	<b>FY1415 Mid-Year Projections</b>	<b>FY1516 Preliminary Budget</b>	<b>Variance</b>	<b>Variance %</b>
SBR Compensation*	\$17,061,200	\$17,015,900	\$17,455,900	\$394,700	2.3%
Disposal and Processing*	\$14,121,800	\$13,628,500	\$14,253,700	\$131,900	0.9%
Insurance Shoreway	\$213,400	\$213,000	\$221,400	\$8,000	3.7%
Education Center	\$75,000	\$60,000	\$60,000	(\$15,000)	-20.0%
Debt Service Bond Interest	\$2,885,500	\$2,885,500	\$2,833,100	(\$52,400)	-1.8%
Other Operating Expenses	\$226,000	\$216,000	\$241,000	\$15,000	6.6%
Taxes (Sewer)	\$35,400	\$34,800	\$35,800	\$400	1.1%
Franchise Fee (San Carlos)**	\$1,546,800	\$1,513,000	\$1,556,700	\$9,900	0.6%
<b>Total Shoreway Operations:</b>	<b>\$36,165,100</b>	<b>\$35,566,700</b>	<b>\$36,657,600</b>	<b>\$492,500</b>	<b>1.4%</b>
* Expense projection based on estimated facility tonnage					
** Expense projection based on estimated gate revenue (tipping fees x estimated tons)					

# Outreach Program Expenses

	<b>Preliminary FY1516 Budget</b>	<b>Per Account Cost/Year</b>	<b>Per Capita Cost/Year</b>	<b>% of Total Collection Costs</b>	<b>Cost/Household/ Month*</b>
<b>Outreach Program</b>					
Residential Outreach	\$240,000	\$2.55	\$0.55	0.24%	\$0.07
Door-to-Door HHW Program (resi.)	\$80,000	\$0.85	\$0.18	0.08%	\$0.02
School Busing for Shoreway Tours	\$19,000	\$0.20	\$0.04	0.02%	\$0.01
Commercial Outreach	\$245,000	\$23.26	\$0.56	0.25%	\$0.08
Recology Commercial Outreach Costs**	\$912,362	\$86.61	\$2.10	0.93%	\$0.28

\* Assumed average 32-gallon residential rate/month of \$30.00

\*\* Included in Recology's 2015 compensation for its commercial outreach team of 9 employees

Background data:

# Household Accounts in Service Area	94,225
# MFD/Commercial Accounts in Service Area	10,534
Service area population	435,000
2015 Estimated Total Collection Costs	\$98,000,000

# School Busing for Tour Program

<u>Year</u>	<u>Total 4-6th Grade Tours</u>	<u># of Bus Trips Funded</u>	<u># of Students Using Busing</u>	<u>% of total 4th-6th grade tours w/ bus</u>	<u>How many public school tours used bus</u>	<u>% Public tours using buses</u>	<u>Busing Costs</u>
2012	52	46	1,380	88%	40	87%	\$12,814.59
2013	69	62	1,860	90%	56	90%	\$16,654.91
2014	55	48	1,464	88%	38	79%	\$13,028.21

Note: 4th - 6th grade is the primary target audience for tours.

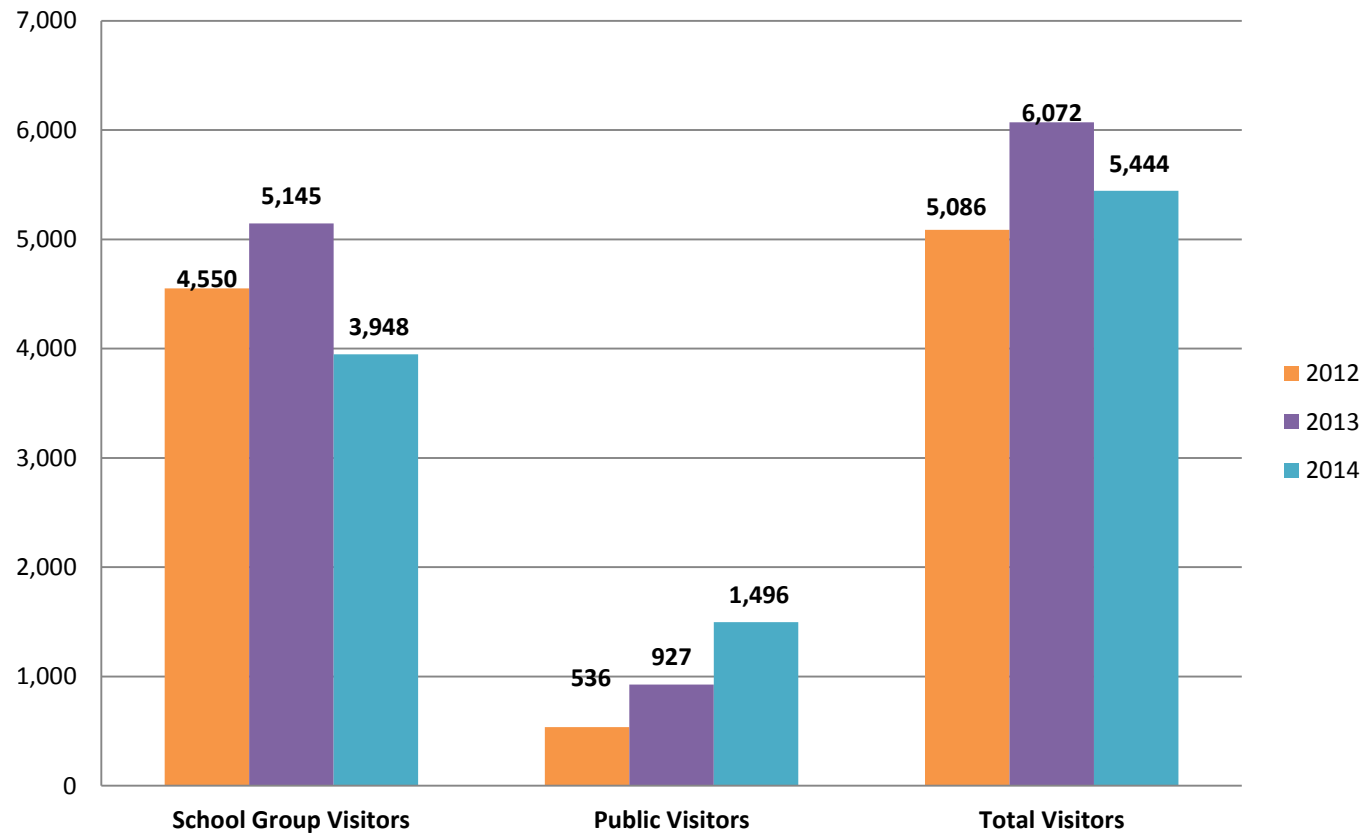
Tour totals dropped in 2014 due to staffing shortage this past fall for two months.

FY1516 tour busing budget based on 2013 trends and tour totals for past 4 months.

# Shoreway Environmental Center

Tour program managed by SBWMA

## School and Public Tour Program



# Questions



