

# MID-YEAR FY14 BUDGET UPDATE



# Preliminary Budget Schedule

- **January Board Mtg. and TAC**– share preliminary mid-year budget adjustments for the current fiscal year. Board reviews and staff brings back a final set of adjustments, if applicable, to the next Board meeting.
- **February Board Mtg. and TAC**– Board considers approval of mid-year adjustments if needed.
- **April Board Mtg. and TAC**– staff presents draft of program budget priorities (proposed budget items for next fiscal year). This is a higher level programmatic discussion with no proposed budget numbers.
- **May Board Mtg. and TAC**– preliminary FY15 budget presented to Board with budget message, revenues and expenditures, capital spending, and projected cash reserve balances for the next fiscal year.
- **June Board Mtg. and TAC** - Board considers approval of FY15 budget.

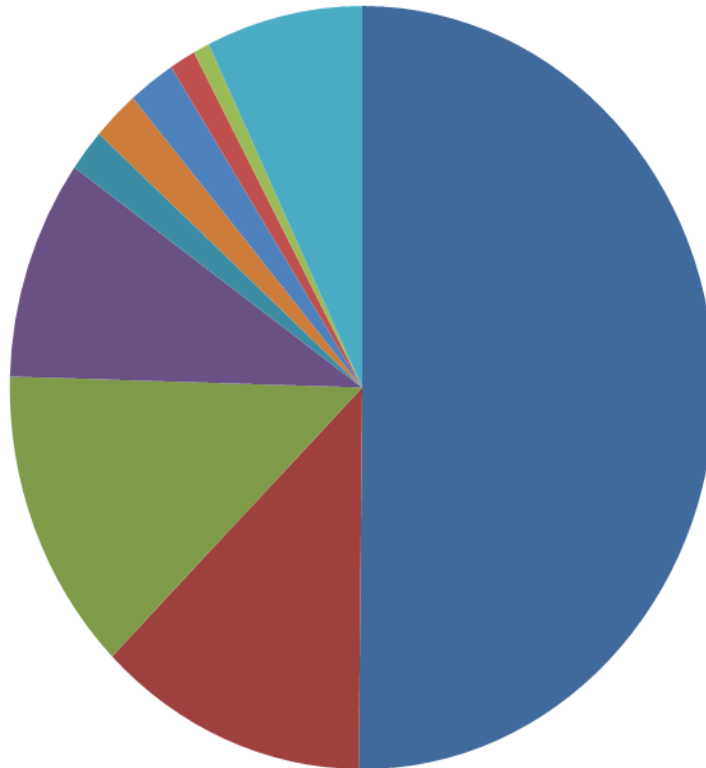
# How SBWMA Operating Budget Effects Collection Rates

SBWMA SERVICE AREA - TOTAL REVENUE REQUIREMENT INCLUDING SHOREWAY - 2014 (estimate)							
<b>SBWMA Agreement with South Bay Recycling to Operate the Shoreway Facility &amp; SBWMA Board of Directors Setting of Tip Fees for the Shoreway Facility</b>	<b>SHOREWAY SETS TIP FEES</b>						
	<i>Figures below are for Franchise Only, excludes Public customers volume</i>						
	SBR Operating Cost	+	Other Operating Costs	-	Commodity Revenue Net	=	Franchise Tip Fee Revenue
	\$14 million (54%)	+	\$20 million (76%)	-	\$8 million (-30%)	=	\$26 million (100%)
	<div style="border: 1px solid black; padding: 5px; margin: 5px;">                     * Disposal (Ox Mtn.) &amp; Compost Processing                      *SBWMA Program exp.                      *Debt servcie payments                      *Franchise Fees Paid to City of San Carlos                 </div>			<div style="border: 1px solid black; padding: 5px; margin: 5px;">                     Tip Fees set to meet:                      1) Revenue Requirement                      2) Bond Covenants quirements; and,                      3) Reserve Fund levels per Board policy                 </div>			
<b>Member Agency Individual Franchise Agreements with Recology for Collection Services</b>	<b>COLLECTION COST &amp; RATES</b>						
	Recology Operating Cost	+	Disposal Expense at Shoreway	+	Agency Fees	=	Revenue Requirement to RSMC
	\$58 million (59%)	+	\$26 million (26%)	+	\$14 million (14%)	=	\$98 million (100%)
	<div style="border: 1px solid black; padding: 5px; margin: 5px;">                     Disposal:                      Estimated tons                      x Shoreway Tip Fee                 </div>			<div style="border: 1px solid black; padding: 5px; margin: 5px;">                     Customer Rates set by each Agency to Meet Revenue Requirement                 </div>			
	<p><i>Note: Simplified - for illustration only.</i></p>						

Figures above are calendar year estimates. Board approved 2014 tip fees at November 21, 2013 Board meeting.

# Total Franchise Collection Expense Detail

## SBWMA Total Collection Expense Detail - Calendar Year 2014 (estimate)



- \$ 57.6 59% Recology Compensation
- \$ 14.2 14% Member Agency Franchise Fees
- \$ 14.8 15% Shoreway - SBR Operating Contract
- \$ 10.7 11% Shoreway - Disposal Expense
- \$ 2.1 2% Shoreway - County Fees @ Ox Mtn
- \$ 2.5 2.5% Shoreway - Bond Interest Expense
- \$ 2.5 2.5% SBWMA Program Expense
- \$ 1.4 1% Shoreway - Fr. Fees to City of San Carlos
- \$ 0.9 1% Shoreway - Other Operating Expense
- \$106.5 108% TOTAL OPERATING EXPENSE
- \$ -8.2 -8% Shoreway Net Commodity Revenue
- \$ 98.3 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

# Overview

- **FY13 Final Results Much Stronger Than Budget**
  - Net income of \$3.1 million vs. budget of \$1 million
- **\$2.7 Million Higher Ending Cash Reserve Balance for FY13**
  - Results in projected FY14 undesignated cash reserve balance \$2.5 million higher than budgeted
- **For FY14, the SBWMA program expense budget, exclusive of Shoreway operations and HHW collection services, is projected at \$24,821 better (less) than budget**
- **For FY14, projected capital spending of \$465,000 is \$105,000 less than the adopted budget amount of \$570,000**

# Annual Operating Budget

- Fiscal year budget
- Revenues primarily from tipping fees and commodity revenue
- Expenditures comprised of a program budget + Shoreway operating budget

Program budget (largely discretionary) includes:

Administration (4.2% of total expense)

Contract Compliance and Support (0.7%)

AB 939 and AB 341 Compliance (2.2%)

Collection Operations (pass thru expenses for door-to door HHW collection program) (1.3%)

= FY14 adopted program budget of \$3,295,950 = 8.5% of total operating expenses

# Annual Operating Budget Continued

- Shoreway Operations (largely non-discretionary) includes:
  - SBR Compensation\* (42% of total operating expenses)
  - Disposal and Processing\* (37%)
  - Debt Service Bond Interest (7.6%)
  - Franchise Fee (San Carlos)\*\* (3.9%)
  - Insurance Shoreway (0.5%)
  - Other Operating Expenses (0.4%)
  - Education Center (0.15%)
  - Taxes (Sewer) (0.06%)

= FY14 adopted Shoreway operations budget of \$35,427,100 = 91.5% of total operating expenses

\* Expense projection based on estimated facility tonnage

\*\* Franchisee fee expense projection based on estimated gate revenue (tipping fees x estimated tons)



# FY13 Financial Performance

- Final FY 2013 results (adopted budget vs. final results) as follows:

	<u>Adopted</u>	<u>Final</u>	<u>Variance</u>
Revenues:	\$38,679,100	\$40,752,210	\$2,073,110
Expenditures:	<u>\$37,675,100</u>	<u>\$37,623,840</u>	<u>(\$51,260)</u>
Operating Income/ (Loss):	\$1,004,000	\$3,128,370	\$2,124,370

- This compares favorably to budgeted net income of \$1,004,000. The 212% increase in net income is largely due to higher than expected commodity revenue, lower SBWMA program expense and lower disposal expense.



# Projected FY14 - Summary

FY1314 NET INCOME			
<u>Revenues</u>	FY1314 Adopted <u>Budget</u>	FY1314 Year End <u>Projections</u>	<u>Variance</u>
Total Revenues	\$41,579,200	\$42,071,600	\$492,400
Total Expenditures	\$38,723,050	\$39,365,029	\$641,979
Net Income:	\$2,856,150	\$2,706,571	(\$149,579)

# FY14 Operating Budget - Summary

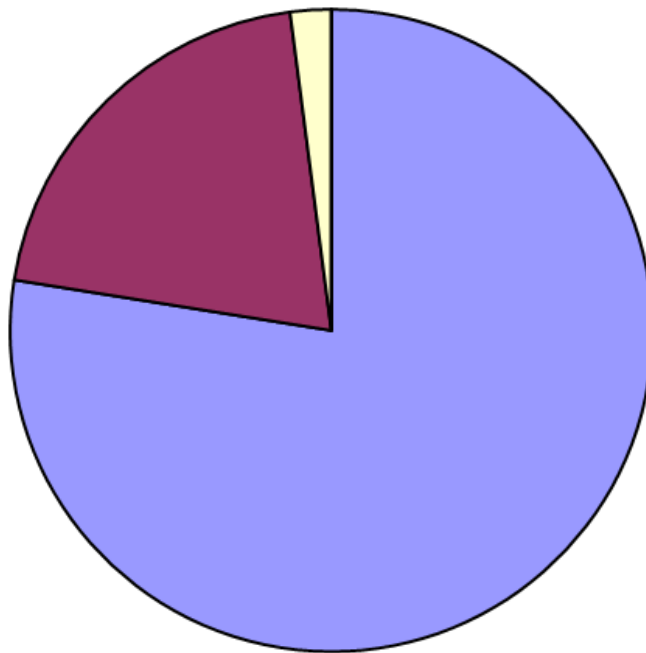
<u>SBWMA FY14 GENERAL OPERATING BUDGET (in millions of dollars)</u>			
	<u>FY2013 Final</u>	<u>FY2014 Adopted</u>	<u>FY2014 Mid-Year</u>
Revenues	40.75	41.58	42.07
Expenditures	<u>37.62</u>	<u>38.72</u>	<u>39.37</u>
Shoreway Operations Budget*	34.94	35.43	36.1
SBWMA Program Budget	2.69	3.3	3.27
Administration	1.60	1.64	1.71
Contract Compliance	0.18	0.30	0.25
Recycling Programs	0.45	0.86	0.82
Collection Operations **	<u>0.46</u>	<u>0.50</u>	<u>0.50</u>
Operating Income/(Loss)	3.13	2.86	2.71
<p>* Debt service expense is included in Shoreway Operations expenditures.  ** Pass thru for disposal and processing expenses for the Door-to-Door HHW program for 10 Member Agencies.</p>			

# FY14 Operating Budget – Projected Revenue

<b>FY1314 REVENUES</b>			
<u>Revenues</u>	<u>FY1314 Adopted Budget</u>	<u>FY1314 Year End Projections</u>	<u>Variance</u>
Tip Fee Revenues	\$32,148,400	\$32,614,600	\$466,200
Net Commodity Sales Revenues*	\$8,723,100	\$8,593,100	(\$130,000)
Interest Income	\$55,900	\$160,700	\$104,800
HHW and Other Revenue	\$651,800	\$703,200	\$51,400
<b>Total Revenues:</b>	<b>\$41,579,200</b>	<b>\$42,071,600</b>	<b>\$492,400</b>
*Gross commodity sales – 28% revenue share with SBR and buyback payments.			

# FY14 Operating Budget – Projected Revenue

SBWMA FY2014 MID-YEAR BUDGET REVENUE\*



## REVENUE

■ \$32.1	77%	Shoreway Tip Fee Revenue
■ \$ 8.7	21%	Commodity Sales, Net
■ \$ 0.7	2%	SBWMA Other Revenue
■ \$42.1		TOTAL REVENUE

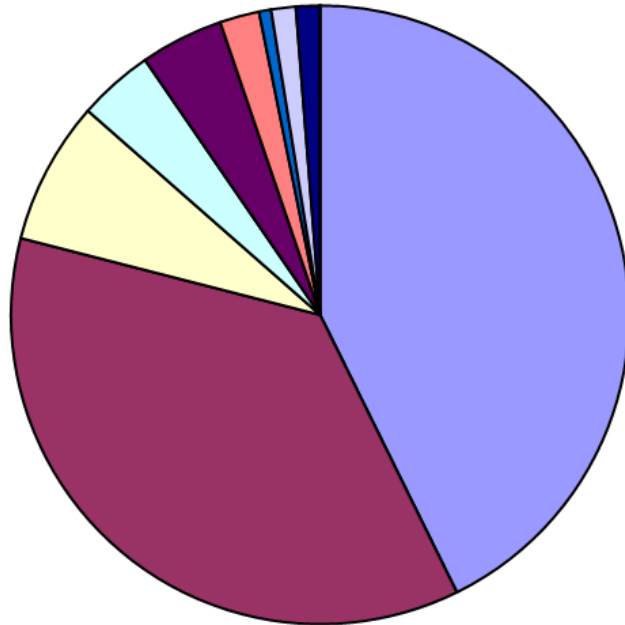
# FY14 Operating Budget – Projected Expense

FY1314 EXPENDITURES			
<u>Expenditures</u>	<u>FY1314 Adopted Budget*</u>	<u>FY1314 Year End Projections</u>	<u>Variance</u>
Administrative Expenses	\$1,639,850	\$1,710,029	\$70,179
Contract Compliance & Support	\$300,600	\$248,600	(\$52,000)
Recycling & AB 939 Compliance	\$858,500	\$815,500	(\$43,000)
Collection Operations	\$497,000	\$497,000	\$0
<b>Total SBWMA Expenses:</b>	<b>\$3,295,950</b>	<b>\$3,271,129</b>	<b>(\$24,821)</b>
<b>Shoreway Operations:</b>	<b>\$35,427,100</b>	<b>\$36,093,900</b>	<b>\$666,800</b>
<b>Total Expenses:</b>	<b>\$38,723,050</b>	<b>\$39,365,029</b>	<b>\$641,979</b>

FY1314 EXPENDITURE DETAIL FOR SHOREWAY OPERATIONS			
<u>Expenditures</u>	<u>FY1314 Adopted Budget</u>	<u>FY1314 Year End Projections</u>	<u>Variance</u>
SBR Compensation*	\$16,274,400	\$16,810,800	\$536,400
Disposal and Processing*	\$14,238,500	\$14,283,800	\$45,300
Insurance Shoreway	\$204,200	\$208,100	\$3,900
Education Center	\$65,000	\$65,000	\$0
Debt Service Bond Interest	\$2,944,400	\$2,944,400	\$0
Other Operating Expenses	\$145,000	\$195,000	\$50,000
Taxes (Sewer)	\$24,700	\$33,700	\$9,000
Franchise Fee (San Carlos)**	\$1,530,900	\$1,553,100	\$22,200
<b>Total Shoreway Operations:</b>	<b>\$35,427,100</b>	<b>\$36,093,900</b>	<b>\$666,800</b>
* Expense projection based on estimated facility tonnage			
** Expense projection based on estimated gate revenue (tipping fees x estimated tons)			

# FY14 Operating Budget – Projected Expense

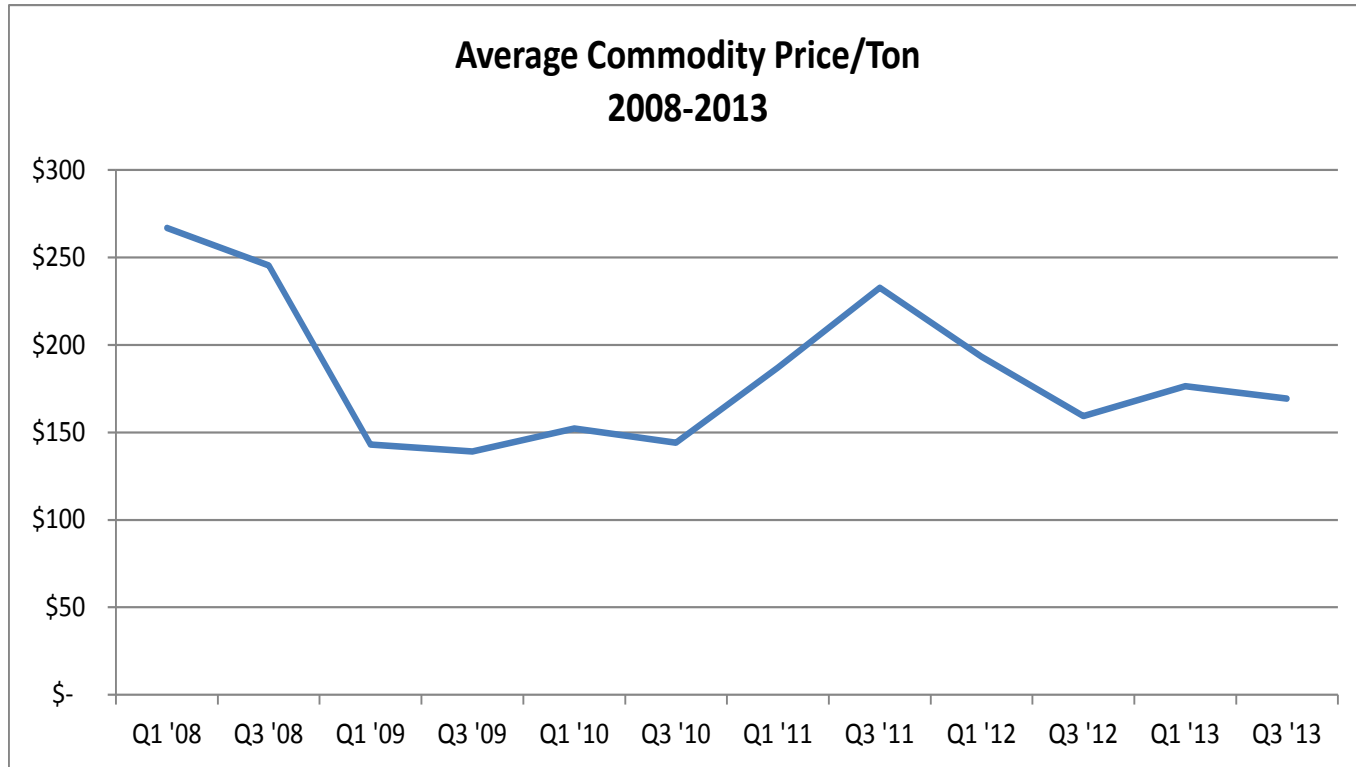
**SBWMA FISCAL YEAR 2014 MID-YEAR BUDGET EXPENSE\***



## EXPENSE

- \$16.3 42% SBR Operating Contract
- \$14.2 37% Shoreway Disposal Expense
- \$ 3.1 8% Bond Interest Expense
- \$ 2.0 5% Franchise Fee to City S Carlos
- \$ 1.6 4% SBWMA PROGRAM: Administration
- \$ 0.9 2% SBWMA PROGRAM: Recycling & AB939
- \$ 0.3 1% SBWMA PROGRAM: Contract Management
- \$ 0.5 1% Shoreway Other Operating Expense
- \$ 0.5 1% HHW Collection Service
- \$39.4 TOTAL EXPENSE

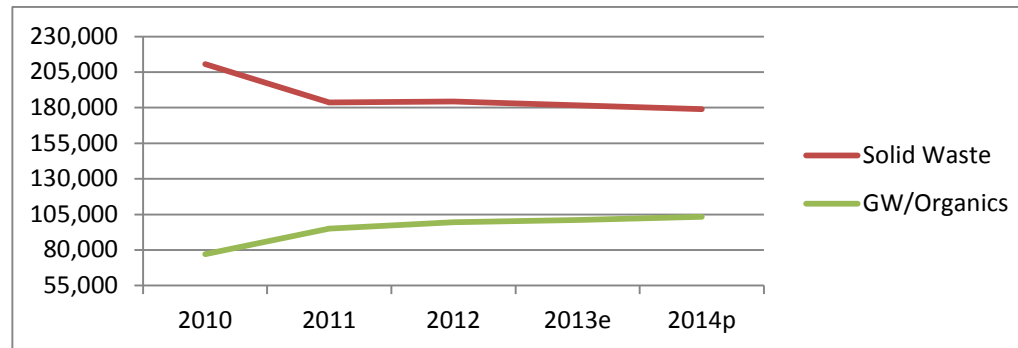
# Historical Commodity Prices



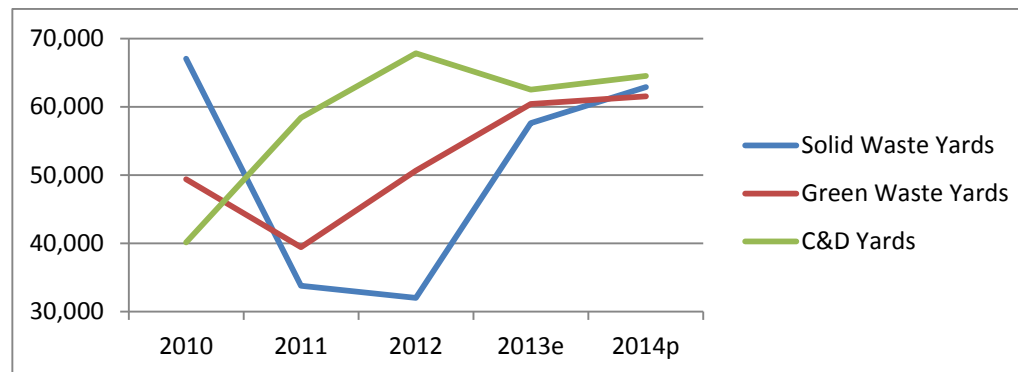


# Customer Volumes into Shoreway Facility

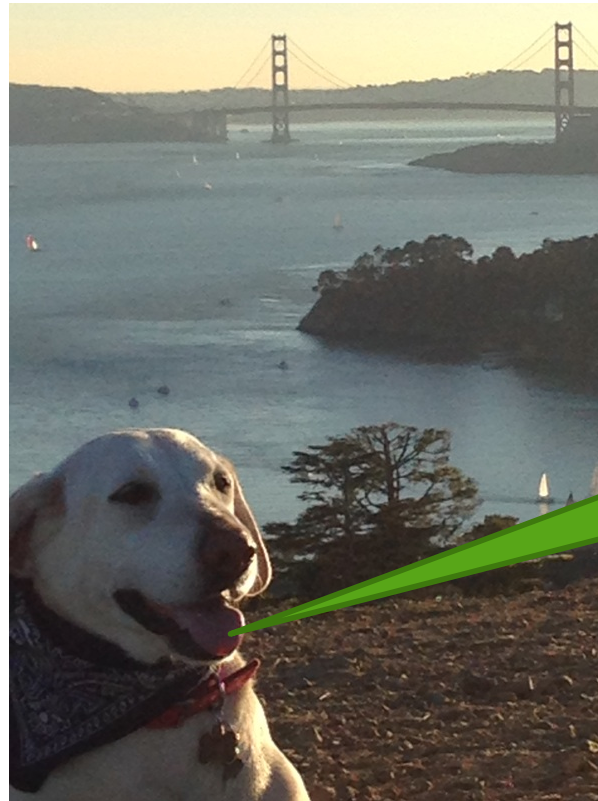
## Franchise Tons



## Public Yards



# Questions



Any  
Questions?