



NEW BUSINESS



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Date: January 24, 2013 Board of Director's Meeting
Subject: Election of New Officers for 2013

Recommendation

Staff recommends the following process for the Board to follow in electing a Chair and Vice Chair for calendar year 2013:

1. Chair calls for nominations for the position of Chair (nominations do not require a second).
2. Motion is adopted to close nominations.
3. Board votes on nominations in the order in which the nominations were made until a Chair is elected.
4. Sections 8.5 and 10.8 of the JPA Agreement require the successful vote to be by 2/3 of the Directors present.
5. The new Chair (if the current Chair is not re-elected) takes the gavel and assumes the office and calls for nominations for Vice-Chair and the same procedure is followed for electing the Vice Chair.

Background

The SBWMA Joint Powers Agreement was amended in 2005 to provide for the annual election of a Chair and Vice Chair from amongst the SBWMA Board members. (JPA Agreement Sections 8.5 and 8.6).



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Marshall Moran, Finance Manager
Date: January 24, 2013 Board of Director's Meeting
Subject: Mid-Year Review of FY 2013 Annual Operating Budget

Recommendation

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors. Staff is presenting a draft mid-year budget document for consideration and review with changes from the Board to be incorporated into a revised and final staff report for the February 28, 2013 Board meeting. **Attachment A** contains budget worksheets providing line item detail for all projected revenues and expenditures. Capital spending is not addressed in this mid-year review.

Analysis

Staff has conducted a thorough analysis of year-to-date revenues and expenditures. As originally budgeted and based on the projections detailed below, staff is not expecting any required Board action for revenue transfers from reserves to meet bond covenant requirements.

Budget Variances

As detailed under "Fiscal Impact" we are projecting net income of \$1,400,291 which is \$396,291 above our adopted budget net income of \$1,004,000. This positive variance of \$396,291 is due primarily to the following factors:

- Higher franchised solid waste and organics tons generating an additional \$599,000 in tipping fee revenue.
- Higher franchised recyclables tons and higher than expected commodity fiber pricing generating additional net commodity revenue (gross commodity revenue – 28% revenue share due to SBR, the Shoreway facility operator) of \$552,300.
- Higher revenue offset partially by \$446,500 in higher SBR facility operating expenses and \$334,100 in higher disposal and processing expense from more franchised tons.

The SBWMA program budget, before collection operations, is projected at slightly below budget. Collection operations, which are pass through costs 100% offset by revenue (fees paid by Member Agencies), are higher by \$51,200 due to the pending rollout of the door-to-door HHW services in Burlingame on February 1, 2013. This results in the overall SBWMA program budget coming in \$50,509 higher than budget which will require Board approval.

Background

On September 12, 2012 the South Bayside Waste Management Authority (SBWMA) Board of Directors adopted the FY 2013 Operating Budget.

Fiscal Impact

The tables on the following page represent FY 2013 budgeted revenues and expenditures, and year-end projections through June 30, 2013.

FY 2013 NET INCOME			
<u>Revenues</u>	<u>FY 2013 Adopted Budget</u>	<u>FY 2013 Year End Projections</u>	<u>Variance</u>
Total Revenues	\$39,242,600	\$40,336,500	\$1,093,900
Total Expenditures	\$38,238,600	\$38,936,209	(\$697,609)
Net Gain/(Loss):	\$1,004,000	\$1,400,291	\$396,291

FY 2013 REVENUES			
<u>Revenues</u>	<u>FY 2013 Adopted Budget</u>	<u>FY 2013 Year End Projections</u>	<u>Variance</u>
Tip Fee Revenues	\$30,479,200	\$31,097,900	\$618,700
Net Commodity Sales Revenues*	\$7,979,400	\$8,531,700	\$552,300
Interest Income	\$181,600	\$79,800	(\$101,800)
HHW and Other Revenue	\$602,400	\$626,500	\$24,100
Total Revenues:	\$39,242,600	\$40,336,500	\$1,093,900
*Gross commodity sales – 28% revenue share with SBR.			

FY 2013 EXPENDITURES			
<u>Expenditures</u>	<u>FY 2013 Adopted Budget*</u>	<u>FY 2013 Year End Projections</u>	<u>Variance</u>
Administrative Expenses	\$1,599,200	\$1,631,009	(\$31,809)
Contract Compliance & Support	\$342,000	\$362,000	(\$20,000)
Recycling & AB 939 Compliance	\$780,500	\$728,000	\$52,500
Collection Operations	\$442,400	\$493,600	(\$51,200)
Total SBWMA Expenses:	\$3,164,100	\$3,214,609	(\$50,509)
Shoreway Operations:	\$35,074,500	\$35,721,600	(\$647,100)
Total Expenses:	\$38,238,600	\$38,936,209	(\$697,609)

FY 2013 EXPENDITURE DETAIL FOR SHOREWAY OPERATIONS			
<u>Expenditures</u>	<u>FY 2013 Adopted Budget</u>	<u>FY 2013 Year End Projections</u>	<u>Variance</u>
Allied Operating Contract*	\$320,500	\$160,300	(\$160,200)
SBR Compensation	\$15,401,800	\$15,848,300	\$446,500
Disposal and Processing	\$13,762,000	\$14,096,100	\$334,100
Buyback Payments	\$563,500	\$583,800	\$20,300
Insurance Shoreway	\$197,300	\$193,100	(\$4,200)
Education Center	\$60,000	\$60,000	0
Debt Service Bond Interest	\$3,150,500	\$3,150,500	0
Other Operating Expenses	\$185,000	\$125,000	(\$60,000)
Taxes (Sewer)	\$27,700	\$23,600	(\$4,100)
Franchise Fee (San Carlos)	\$1,406,200	\$1,480,900	\$74,700
Total Shoreway Operations:	\$35,074,500	\$35,721,600	\$647,100

Attachments: A – FY 2013 Mid-Year Projections

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
REVENUE SUMMARY**

FY 2013 PROPOSED BUDGET

			revised 8/29/12	1/17/13		
REVENUE SUMMARY	APPROVED BUDGET FY 2011-2012	ACTUAL FY 2011-2012	APPROVED BUDGET FY 2012-2013	YTD SPENT Dec 17, 2012	MID-YEAR PROJECTION FY 2012-2013	Variance
ADMINISTRATIVE REVENUES						
409100 INVESTMENT INCOME	114,200	200,323	181,600	27,905	79,800	(101,800)
409101 INVESTMENT (GASB 31) MARKET VALUE ADJ		1,595				-
409200 INTEREST INCOME		7,586		632	600	600
TOTAL ADMINISTRATIVE	114,200	209,504	181,600	28,538	80,400	(101,200)
OPERATIONS						
480026 TIPPING FEES - Non Franchised	4,109,000	4,467,606	4,789,900	2,145,244	4,809,600	19,700
480027 TIPPING FEES - Franchised	24,863,200	24,772,600	25,689,300	10,735,333	26,288,300	599,000
480028 COMMODITY SALES	11,796,200	11,124,160	9,068,600	3,335,064	9,988,900	920,300
480029 COMMODITY REVENUE SHARE	(1,228,600)	(1,040,025)	(1,089,200)	(693,556)	(1,457,200)	(368,000)
480024 OX MOUNTAIN						-
480025 E-RECYCLING REVENUE	70,000	95,764	70,000	21,830	65,500	(4,500)
480033 MRF Host Fee - NEW		57,125	65,000	9,267	55,900	(9,100)
480031 HHW DOOR TO DOOR COLLECTION SERVICE	408,600	407,866	442,400	22,384	493,600	51,200
480032 PERFORMANCE INCENTIVE / DISINCENTIVE	-	25,790	25,000	1,191	11,200	(13,800)
480008 MISCELLANEOUS REVENUE		9,278		278	300	300
TOTAL OPERATIONS	40,018,400	39,920,165	39,061,000	15,577,033	40,256,100	1,195,100
TOTAL REVENUE	40,132,600	40,129,669	39,242,600	15,605,570	40,336,500	1,093,900
NET OPERATING INCOME / <LOSS>	3,641,950	3,707,052	1,004,000	2,361,981	1,400,291	396,291
% OF REVENUE						0.99%

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REVENUES

FY2013
REVENUES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
EXPENSE DETAIL BY PROGRAM

FY 2013 PROPOSED BUDGET

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY								
EXPENDITURE SUMMARY		APPROVED BUDGET FY 2011-2012	ACTUAL FY 2011-2012	APPROVED BUDGET FY 2012-2013	YTD SPENT Dec 17, 2012	MID-YEAR PROJECTION FY 2012-2013	Variance	Notes
ADMINISTRATIVE EXPENSES								Variance highlighted in yellow.
520305	ADMINISTRATIVE STAFF	491,600	499,532	501,000		492,000	(9,000)	
520306	AB 939 PROGRAM STAFF	684,100	670,724	662,200	90,367	671,800	9,600	Reflects adjustments denoted in staffing plan
520328	EMPLOYEE RECRUITMENT / HR SUPPORT	5,000	1,796	5,000	-	5,000	-	
520337	PEO COST (HR & PR FEES)	21,600	18,846	16,500	3,000	19,300	2,800	
520312	BOARD COUNSEL	40,000	27,262	50,000	62,484	85,000	35,000	Legal counsel, outside investigator and trade
520300	BOARD MEETINGS & RECORDINGS	5,000	4,911	6,000	2,160	6,000	-	
520310	ACCOUNTING SERVICES (City of San Carlos)	105,000	115,766	125,000	31,259	125,000	-	
520334	INFORMATION SYSTEMS	29,500	33,380	32,000	6,259	32,000	-	
520338	WEBSITE	10,100	10,454	10,100	2,872	10,100	-	
520301	ANNUAL FINANCIAL AUDIT	8,500	4,640	9,100	4,176	9,100	-	FY & Calendar year audit
520701	D&O INSURANCE	35,000	22,798	31,500	24,792	24,800	(6,700)	
520202	BANK FEES	5,000	7,475	6,800	5,709	7,109	309	BNY Fees not included
520203	RENT	48,000	48,475	50,100	24,995	50,100	-	\$4068.28/mo. for Jan-June
520204	PRINTING AND POSTAGE	200	77	150	-	150	-	
520107	UTILITIES & PHONE	17,000	12,112	15,000	7,236	15,000	-	Phone \$520/mo. & janitorial is approx. \$2000
520905	OFFICE/TENANT IMPROVEMENTS	3,000	2,040	1,500	557	1,500	-	
520201	OFFICE SUPPLIES	17,000	18,766	15,000	8,425	15,000	-	
520215	OFFICE EQUIPMENT COSTS	18,500	25,262	25,500	11,633	25,500	-	Copier \$17360/yr., postage machine \$1527/y
520504	PUBLICATIONS & PUBLIC NOTICES	2,000	2,685	1,000	-	1,000	-	
520501	PROFESSIONAL DUES & MEMBERSHIPS	2,000	1,263	1,500	1,090	1,800	300	
520801	VEHICLE MILEAGE & TOLLS	350	312	250	-	250	-	
520105	CELL PHONES	5,500	5,280	4,000	1,950	4,000	-	
520503	CONFERENCE & MEETINGS	10,000	12,720	8,000	4,077	8,000	-	
520502	TRAINING	4,000	9,511	8,000	788	7,500	(500)	
520511	SPONSORSHIPS & DONATIONS	9,500	7,500	6,000	2,500	6,000	-	Acterra, SSMC, CAW
522706	COMPUTER PURCHASE	6,500	14,018	8,000	4,685	8,000	-	Critical hardware upgrades
TOTAL ADMINISTRATIVE		\$ 1,583,950	\$ 1,577,607	\$ 1,599,200	\$ 301,014	\$ 1,631,009	\$ 31,809	
CONTRACT COMPLIANCE AND SUPPORT RATES								
520307	RATE REVIEW	30,000	52,817	50,000	18,920	70,000	20,000	Acctg. temp, rate support, mods. to rate repo
TOTAL RATE REVIEW		30,000	52,817	50,000	18,920	70,000	20,000	
CONTRACTOR								
520308	FACILITY IMPROVEMENT OVERSIGHT	30,000		20,000	-	10,000	(10,000)	Project support at Shoreway
520309	BUSINESS CONSULTANT/HF&H	-			-		-	
520309	HCM01 CONTRACT MANAGEMENT SUPPORT	-		60,000	600	60,000	-	Financial systems review for RSMC & SBR
520309	HCN01 CONTRACT NEGOTIATIONS/LEGAL REVIEW	30,000		15,000	-	15,000	-	Outside legal support for franchise agreement
520309	HCS02 COLLECTION SERVICES FRANCHISE ADMIN.	165,000	164,437	120,000	-	130,000	10,000	Includes \$10k additional for annual systems
520309	HCS03 PUBLIC EDUCATION FOR COLLECTION SVCS ROLLOUT	-	2,032				-	
520309	HCS1B FACILITY RFP & IMPLEMENTATION	-					-	
520309	HSHOR SHOREWAY REMEDIATION LEGAL & TECHNICAL	-	(8,409)				-	Remediation cost charged to Remediation Re
520329	ANNUAL RSMC PERFORMANCE HEARING	-					-	
520336	QUARTERLY LOAD CONTAMINATION MONITORING	120,000	95,176	77,000	24,915	77,000	-	Two quarters vs. four quarters plus QGIP auc
TOTAL CONTRACTOR		345,000	253,235	292,000	25,515	292,000	-	
TOTAL CONTRACT COMPLIANCE & SUPPORT		\$ 375,000	\$ 306,052	\$ 342,000	\$ 44,435	\$ 362,000	\$ 20,000	

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
EXPENSE DETAIL BY PROGRAM

FY 2013 PROPOSED BUDGET

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY							
EXPENDITURE SUMMARY	APPROVED BUDGET FY 2011-2012	ACTUAL FY 2011-2012	APPROVED BUDGET FY 2012-2013	YTD SPENT Dec 17, 2012	MID-YEAR PROJECTION FY 2012-2013	Variance	Notes
RECYCLING - AB939 COMPLIANCE							
RECYCLING ADMINISTRATION							
520311 CIWMB ANNUAL REPORTS	25,000	10,250	25,000	25,000	25,000	-	
520341 SBWMA ANNUAL REPORT	5,000	0	5,000	2,976	5,000	-	
520309 HDV01 DIVERSION PROGRAM SUPPORT	20,000		30,000	-	30,000	-	Consultant staff support on outreach projects
520604 EVENT GIVEAWAYS	7,500	11,863	1,500	-	1,500	-	
TOTAL RECYCLING ADMINISTRATION	57,500	22,113	61,500	27,976	61,500	-	
LONG RANGE PLAN/DIVERSION PROGRAMS							
520340 LONG RANGE PLAN ALTERNATIVES	50,000	17,410	50,000	19,415	50,000	-	Technology analysis, disposal and program cost fr
520340 OPRFP ORGANICS PROCESSING RFP	-					-	
520340 MPOTR MASTER PLAN OUTREACH	20,000	29,762		207		-	
520344 SOLAR SYSTEM ENGINEERING AND EVALUATION	-	5,075				-	
TOTAL LONG RANGE PLAN/DIVERSION PROGRAMS	70,000	52,247	50,000	19,621	50,000	-	
COMMERCIAL PROGRAMS							
520331 LARGE EVENT/VENUE CONSULTING	0	515	10,000	2,100	5,000	(5,000)	Update brochure, program tracking
520342 LARGE EVENT/VENUE RECYCLING SERVICES	25,000	3,023		-		-	No events participated in
520608 CLIMATE CHANGE REPORTING & POLICY OPTIONS	15,000	9,441	15,000	4,141	15,000	-	Added expense of facility operations and rep
520604 COE01 COMMERCIAL RECYCLING TECHNICAL ASSIST	300,000	142,850	190,000	11,943	170,000	(20,000)	
520604 CDCRY C&D RECYCLING PROGRAM	35,000	7,036	25,000	-	12,500	(12,500)	Industry wide template nearing completion
520604 GREEN GREEN BUSINESS PROGRAM	5,000	1,209	0	-		-	
520604 MF001 MULTI-FAMILY OUTREACH	40,000	26,493	85,000	334	85,000	-	
TOTAL COMMERCIAL PROGRAMS	420,000	190,567	325,000	18,518	287,500	(37,500)	
RESIDENTIAL PROGRAMS							
520604 QLN01 QUARTERLY NEWLESTTER DESIGN/SETUP	20,000	375	10,000	225	10,000	-	
520604 QNLPM QUARTERLY NEWLETTER PRINTING/MAILING	230,000	106,183	110,000	108,421	110,000	-	Assumes three newsletters per year vs. four.
520604 RES01 RESIDENTIAL OUTREACH PROGRAMS	166,000	88,490	140,000	13,746	130,000	(10,000)	
520604 COMPS COMPOST GIVEAWAY	6,000	2,408	3,000	779	3,000	-	
520604 HHWUW HHW DOOR TO DOOR COLLECTION OUTREACH	85,000	8,579	75,000	-	70,000	(5,000)	Ongoing outreach to increase participation in existing ntr
520335 CURBSIDE HOUSEHOLD BATTERY OUTREACH	8,000	0	5,000	-	5,000	-	
520604 ECE01 ELECTRONIC COLLECTIONS EVENTS	4,000	0	1,000	-	1,000	-	
TOTAL RESIDENTIAL PROGRAMS	519,000	206,035	344,000	123,170	329,000	(15,000)	
TOTAL RECYCLING - AB939 COMPLIANCE	\$ 1,066,500	\$ 470,962	\$ 780,500	\$ 189,286	\$ 728,000	\$ (52,500)	
SUBTOTAL SBWMA PROGRAM BUDGET	\$ 3,025,450	\$ 2,354,621	\$ 2,721,700	\$ 534,735	\$ 2,721,009	\$ (691)	
COLLECTION OPERATIONS							
522710 HHW DOOR TO DOOR COLLECTION SERVICES	408,600	374,298	442,400	148,204	493,600	51,200	added Burlingame starting 2/1/13
522711 CURBSIDE HOUSEHOLD BATTERY RECYCLING SERVICES	60,000	0				-	Included in disposal and processing line item
TOTAL COLLECTION OPERATIONS	468,600	374,298	442,400	148,204	493,600	51,200	
TOTAL SBWMA PROGRAM BUDGET	\$ 3,494,050	\$ 2,728,920	\$ 3,164,100	\$ 682,938	\$ 3,214,609	\$ 50,509	

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
EXPENSE DETAIL BY PROGRAM

FY 2013 PROPOSED BUDGET

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY							
EXPENDITURE SUMMARY	APPROVED BUDGET FY 2011-2012	ACTUAL FY 2011-2012	APPROVED BUDGET FY 2012-2013	YTD SPENT Dec 17, 2012	MID-YEAR PROJECTION FY 2012-2013	Variance	Notes
SHOREWAY OPERATIONS							
522701	1,109,500	1,154,189	320,500	160,257	160,300	(160,200)	Only one payment in FY13, assumed two.
522712 OPERATOR COMPENSATION - SBR	13,569,200	13,971,093	15,401,800	5,189,126	15,848,300	446,500	Payments to SBR for TS, MRF, and Transpo
522713 DISPOSAL & PROCESSING COSTS	12,083,300	13,355,474	13,762,000	5,789,985	14,096,100	334,100	Tip fees paid by SBWMA to third parties
522717 BUYBACK PAYMENTS	1,099,100	583,297	563,500	206,925	583,800	20,300	Payments to public for CRV materials
522718 EDUCATION CENTER OPERATIONS	80,000	44,578	60,000	18,269	60,000	-	Supplies and materials, \$30k for busing, outreach
522716 MAINTENANCE - OX MTN TIPPER	40,000	-	25,000	20,941	25,000	-	
522708 INTERIM OFFSITE MRF OPERATIONS	-	-	-	-	-	-	
520710 INSURANCE SHOREWAY	281,500	140,083	197,300	119,390	193,100	(4,200)	
522714 SHOREWAY FACILITY COST	90,000	(20,887)	160,000	28,043	100,000	(60,000)	Facility maintenance expenses for truck shop, TS, MRF.
520901 SHOREWAY MRF EQUIPMENT MAINTENANCE > \$10k	40,000	-	-	-	-	-	
521104 DEBT SERVICE BOND INTEREST	3,177,900	3,027,863	3,150,500	529,644	3,150,500	-	
521116 2009 DEBT SERVICE BOND INTEREST	-	-	-	-	-	-	
521117 AMORTIZATION OF BOND ISSUANCE	-	22,222	-	-	-	-	
521118 Revenue Bond Arbitrage	-	-	-	-	-	-	
520320 BOND REFINANCING	-	-	-	-	-	-	
520324 TAXES (SEWER)	46,400	26,977	27,700	11,783	23,600	(4,100)	
522702 FRANCHISE FEE	1,379,700	1,388,809	1,406,200	486,288	1,480,900	74,700	5% of gate fees paid to San Carlos
520327 ARBITRAGE FEES	-	-	-	-	-	-	
520602 PUBLIC NOTICE	-	-	-	-	-	-	
520901 EQUIPMENT MAINTENANCE	-	-	-	-	-	-	
520901 SF014 EQUIPMENT MAINTENANCE	-	-	-	-	-	-	
TOTAL SHOREWAY OPERATIONS	\$ 32,996,600	\$ 33,693,697	\$ 35,074,500	\$ 12,560,651	\$ 35,721,600	\$ 647,100	
TOTAL OPERATING EXPENSES	\$ 36,490,650	\$ 36,422,617	\$ 38,238,600	\$ 13,243,590	\$ 38,936,209	\$ 697,609	



STAFF UPDATE

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Marshall Moran, Finance Manager
Date: January 24, 2013 Board of Directors Meeting
Subject: Discussion on 2013/2014 Solid Waste Rate Setting Process

Recommendation

This is an informational report and no action is necessary.

Analysis

In an effort to improve the rate setting process, Staff has been discussing with Recology ways to improve the company's Annual Compensation Application. Staff has recently shared a list of improvements with Recology and we plan to meet in the coming weeks to discuss this effort. Included in this list were several comments made by Board members, as follows:

- *Executive Summary (ES) should be a true ES summary and not just cut and pasting text from the body of the report.*
 - *Each section of the ES should be one to two short paragraphs. For example, the key point of a given section should be emphasized such as the total value or cost impact of the issue should be explained.*
 - *The body of Application should have the detailed explanations including the full cost tables, calculations, etc.*
- *A new section is needed in the beginning of the Application that captures all "Notes and Assumptions." See example from Allied Waste rate application submittal document.*
 - *This section will explain all key assumptions used throughout the Application.*
- *The Application needs to incorporate better labeling and cross-referencing of the information in the report text to all tables/Appendices.*
 - *This in part includes numbering all tables and schedules in the text for easier referencing.*

In addition, Staff's comments cover various areas of improvement from including new helpful sections to more analysis of the information provided. For example, including the following new sections has been requested:

- *Initial Agency Specific Cost Adjustments Section – This section is intended to memorialize the Rate Year One (i.e., 2011) adjustments for the following:*
 - *Hillsborough Organics carts (i.e., purchase of Allied green waste carts)*
 - *San Carlos kitchen pails*
 - *Menlo Park billing*
 - *With clear references to Attachment N*

- *Cost Allocation Description Section* – This section is intended to include a clear description of how the cost allocation works in a “user manual” approach. Its narrative will include a detailed example for one Member Agency (MA) that will break down all of the details used in the allocation process for that specific Member Agency.
- *Total Cost Allocation Variance Section #1* – A new section on “Cost Allocation Variances to SBWMA Service Area” needs to be included that provides a detailed description of the “significant” variances for any Member Agencies in comparison to the total variance for all SBWMA Member Agencies.
 - This section needs to include tables to help explain the variances.
 - RSMC needs to explain in text any significant variances in service metrics and how this related to other MAs. For example, why would residential route hours be going down in aggregate for the entire service area vs. a particular MA that varies significantly from that trend.
- *Ongoing Cost Adjustments Section* – A section needs to be included that memorializes any agreed upon and ongoing cost adjustments (e.g., staff reductions, pension on WC employs, etc.) and where they show up in Attachment N.

In addition, Staff and Recology have been discussing modifying the schedule to submit and review the company's Annual Compensation Application. The Franchise Agreement(s) with the Member Agencies prescribe a schedule that is tied to calendar days irrespective of when these days fall relative to business days or the Labor Day holiday. In 2012, the result was the Member Agencies only had a five business day window to review the SBWMA's compensation application review report. Modifying the schedule will provide the Member Agencies more time for their review. In addition, modifying the schedule will result in Recology issuing its Application earlier, thus allowing for a longer overall review period.

The Franchise Agreement(s) provide the SBWMA, with Recology's cooperation, the flexibility to modify how the compensation application submittal and review process is conducted without a need for amending the contract(s). Specifically, the following language is included in section 1 of Attachment K – Contractor's Compensation and Rate Setting Process:

“SBWMA and Contractor may agree to modifications in the procedures and schedules in this Attachment in order to adapt them to changed circumstances or to improve their efficiency and timeliness. Such modifications shall not change the methodology for allocation of costs among Member Agencies. Before implementing any such modifications, SBWMA will provide at least thirty (30) days prior written notice to Agency and all other Member Agencies. The notice will include an explanation of the reason(s) for the proposed modification(s) and the section(s) of this Attachment that would be affected by the proposed modification(s).”

Therefore, it is Staff's position that the SBWMA has the latitude to modify the schedule. Staff has worked with Recology and both parties believe the schedule provided in **Table 1** on the next page is feasible and will significantly improve the process for 2013.

Table 1
Proposed 2013/2014 Rate Setting Process Schedule

<u>Date</u>	<u>Milestone</u>
April 15 to May 12, 2013 (Current Schedule: April 29 – May 26, 2013)	Recology Will Conduct its Annual Route Assessment to Compile Operational Metrics/Statistics
June 14, 2013 (Current Schedule: July 1, 2013)	Recology Compensation Application Released to Member Agencies and SBWMA
June 17 – July 8	Member Agency and SBWMA Questions; Recology Answers and Revisions to Application
June 24 – July 8, 2013	SBWMA and Recology Meet with Member Agencies as Requested
July 30, 2013	Recology Revised Compensation Application Released
August 16, 2013 (Current Schedule: September 1, 2013)	SBWMA Draft Rate Report Released to Member Agencies
August 30, 2013 (Current Schedule: September 10, 2013)	Member Agencies Comments Due to SBWMA
Sept. 19, 2013	SBWMA Draft Final Report Released in Board packet
Sept. 26, 2013	SBWMA Board Meeting – Consideration of SBWMA Report

This schedule will provide the Member Agencies a full ten business day window to review the SBWMA Report on review of the 2014 Recology Compensation Application. Recology has conveyed this schedule is feasible with adjustments to the schedule for submitting its May 2013 Monthly Report and 2nd Quarter 2013 Report.

This revised schedule had to take into consideration several factors including: trying to minimize the change in the time period in which the operational statistics are collected, not changing the time period in which year over year comparisons are made in the U.S. Dept. of Labor indices, and the timing in which regular monthly and quarterly reports are submitted. Any significant change in the above factors could unduly impact the rate calculations and allocations.

Per Board direction, Staff will include in the February Board meeting agenda a resolution for Board consideration modifying the Recology compensation application review process for 2013.

Staff is also expecting, with the support of Recology, to present a revised Recology Compensation Application Report format to the Board for discussion and review at the April 25, 2013 BOD meeting.

Background

Commencing with the November 17, 2011 Board meeting, staff has provided the Board with monthly updates on the timing, schedule of events and issues affecting Member Agencies during the 2013 Compensation Application review (performed in 2012) and the Recommended Rate Adjustment process for the 2013 Rate Year (i.e., establishing rates for January 1-December 31, 2013). Staff's goal has been to provide and update pertinent information for Member Agencies to effectively plan for and manage communications regarding the next year's compensation application and rate setting process. An revised monthly staff update will be shared starting in March 2013.