

SBWMA Budget Review:

Presentation of Preliminary FY 17-18 Budget



April 27th 2017
SBWMA Board of Directors Meeting

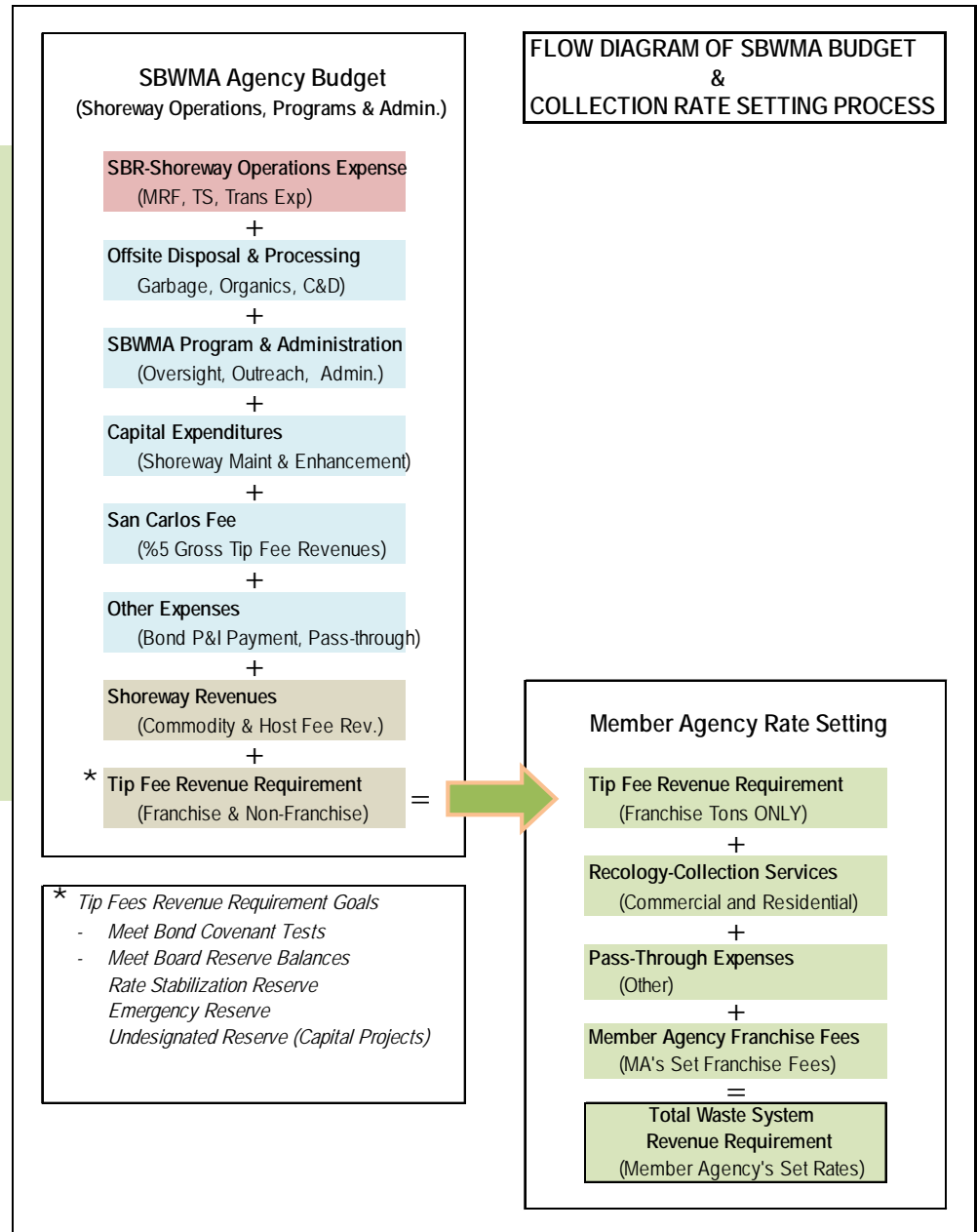
Budget Timeline

Key SBWMA Board Meeting Dates:

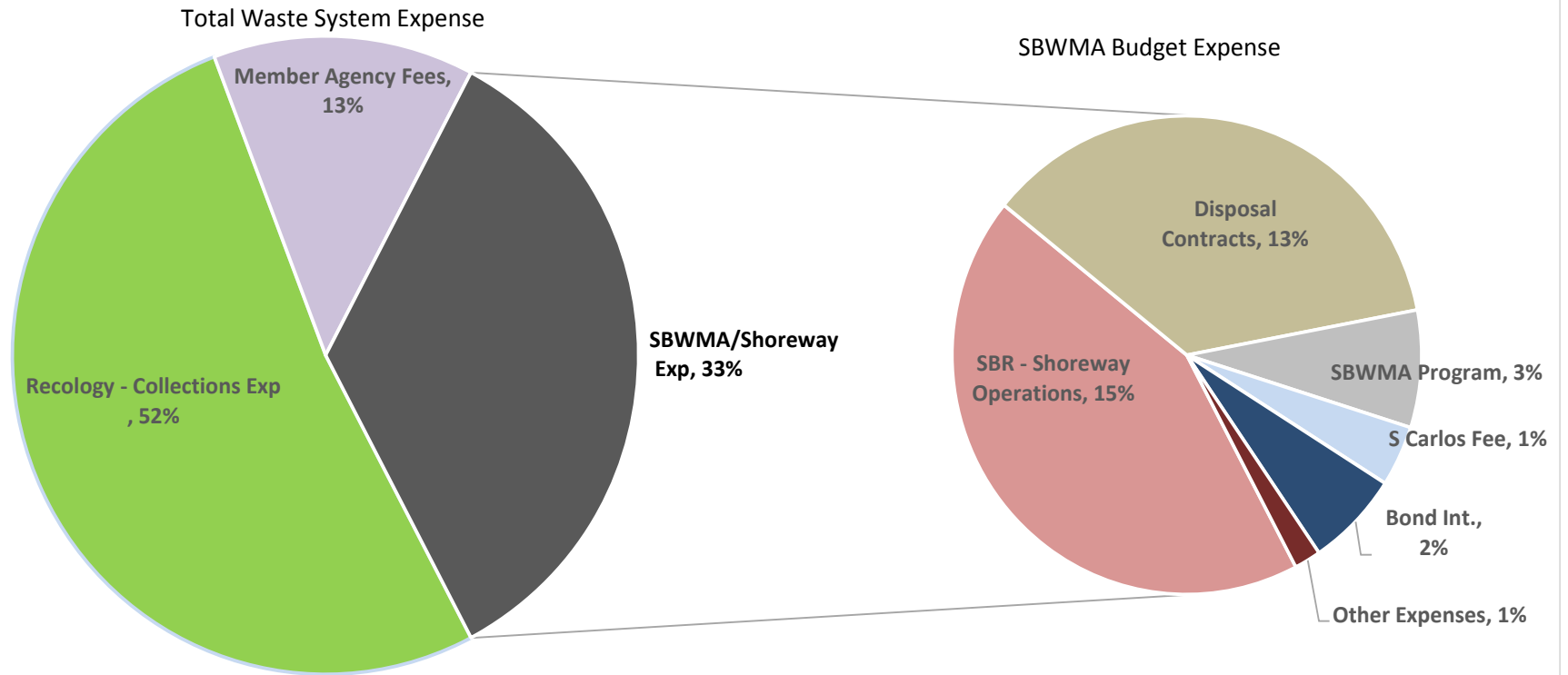
- April 4th: Finance Committee – Major Assumptions
- April 27th: Preliminary FY17/18 Budget Presentation
- May 25th: Final FY17/18 Budget (*Action*)
- Jan. 25th, 2018: Mid-Year Review (*Action*)



Budget & Collection Services Rate Setting Process



How is the SBWMA Budget Spent?



Note graph does not show that MRF commodity revenues netted against SBR Shoreway Operations Expense

Net Revenue Projections

FY17/18 PROFIT AND LOSS & CASH FLOW SUMMARY					
Categories	FY16/17 Adopted Budget	FY16/17 Mid-Year Projections	FY17/18 Preliminary Budget	FY18 vs. FY17 Adopted Budget	Variance %
Total Revenue	\$43,984,065	\$44,902,237	\$46,960,353	\$2,976,288	7%
Total Operating Expense	39,632,555	39,532,267	41,316,759	(1,684,204)	-4%
Net Income Before Interest	\$ 4,351,510	\$ 5,369,969	\$ 5,643,593	\$ 1,292,083	30%
Interest Expense	2,747,908	2,747,908	2,710,169	37,740	1%
Net Income	\$ 1,603,602	\$ 2,622,061	\$ 2,933,424	\$ 1,329,823	83%
Bond Principal Payment	(1,355,833)	(1,091,667)	(1,183,333)	172,500	-13%
Capital Expenditures, (adjusted) ²	(515,000)	(515,000)	(1,840,000)	(1,325,000)	257%
Net Cash flow (contribution to Reserve)	(\$267,231)	\$1,015,394	(\$89,909)	\$177,323	-66%
¹ Mid-year FY16/17 projection for capital spending is \$515,500 ² FY17/18 capital net of MRF equipment replacement fund of \$1,840,000					

Revenue Sources

No Tip Fee Revenue adjustments are recommended for FY 17-18, except a +\$1.81 per CY for C&D materials (*Non-Franchised*).

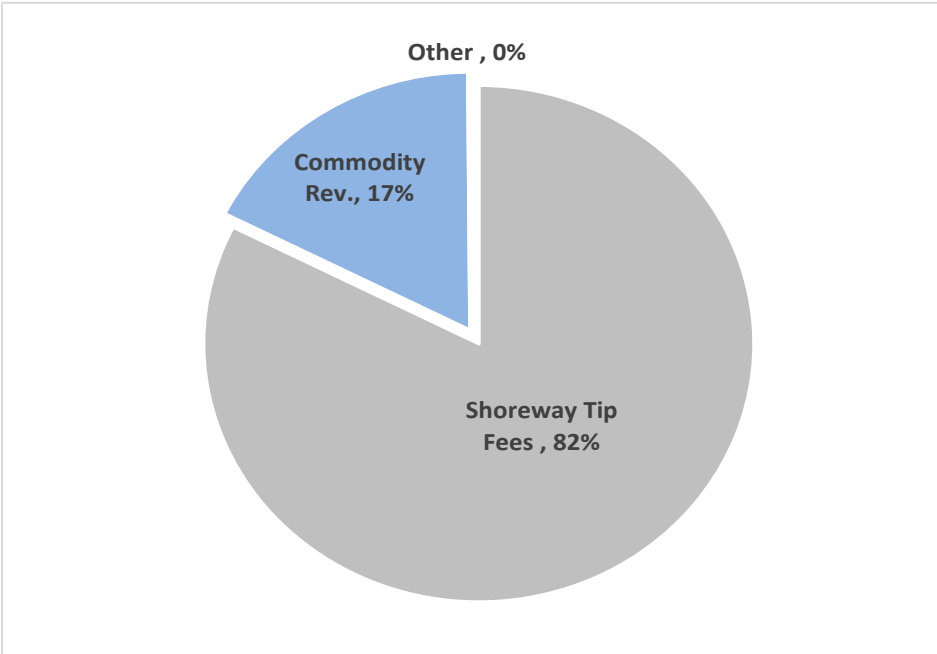


Table 2. FY17/18 Revenues

FY17/18 REVENUES					
Revenues	FY16/17 Adopted Budget	FY16/17 Mid-Year Projections	FY17/18 Preliminary Budget	FY18 vs. FY17 Adopted Budget	Variance %
Tip Fee Revenues	\$36,508,044	\$36,902,521	\$38,780,135	\$2,272,091	6%
Non Franchised	8,114,936	8,038,948	8,691,298	576,362	7%
Franchised	28,393,108	28,863,573	30,088,837	1,695,729	6%
Net Commodity Sales Revenues*	6,943,411	8,155,931	8,015,544	1,072,133	15%
MRF - Host Fees	403,070	172,672	-	(403,070)	-100%
Interest Income	78,940	97,576	106,580	27,640	35%
Other Revenue	50,600	61,101	58,094	7,494	15%
Sub Operation Revenue	\$43,984,065	\$45,389,801	\$46,960,353	\$ 2,976,288	7%
Fire Related Revenue:					
Commodity Sales Revenue	-	(3,159,624)	-	-	0%
Commodity revenue Sharing	-	885,327	-	-	0%
MRF Host Fees	-	(131,832)	-	-	0%
Single Stream Revenue	-	608,888	-	-	0%
Insurance Revenue Interruption	-	1,309,676	-	-	0%
Total Revenues:	\$43,984,065	\$44,902,237	\$46,960,353	\$2,976,288	7%

*Gross commodity sales – 28.02% revenue share with SBR and buyback payments.

Expense Summary

Table 3 FY17/18 EXPENSE SUMMARY					
EXPENSE CATEGORIES	FY16/17 Adopted Budget	FY16/17 Mid-Year Budget	FY17/18 Preliminary Budget	FY18 vs. FY17 Adopted Budget	FY17/18 Budget % of Total
Shoreway Operations	\$34,529,270	\$35,196,349	\$35,927,557	\$1,398,286	81.6%
SBWMA Program	3,364,772	3,066,220	3,542,493	177,721	8.0%
Interest Expense	2,747,908	2,747,908	2,710,169	(37,740)	6.2%
Franchise Fees to San Carlos	1,738,513	1,757,263	1,846,710	108,197	4.2%
Shoreway Fire Related Expenses	-	(487,565)	-	-	0.0%
Total Expense	\$42,380,463	\$42,280,176	\$44,026,928	\$1,646,465	100.0%

Expense Detail Projections

Table 4. FY17/18 SHOREWAY OPERATIONS EXPENSE DETAIL					
Expenditures	FY16/17 Adopted Budget	FY16/17 Mid-Year Projections	FY17/18 Preliminary Budget	FY18 vs. FY17 Adopted Budget	Variance %
SBR Compensation*	\$18,423,627	\$18,627,965	\$18,936,513	\$512,886	3%
Disposal and Processing*	15,329,602	15,845,562	15,859,397	529,795	3%
Insurance Shoreway	238,998	238,998	576,500	337,502	141%
Education Center	60,000	60,000	60,000	-	0%
Credit Cards Charges	173,710	120,491	140,600	(33,110)	-19%
Other Operating Expenses	242,690	242,690	292,690	50,000	21%
Taxes (Sewer)	60,643	60,643	61,856	1,213	2%
Fire Related expenses		(487,565)			0%
Total Shoreway Operations:	\$34,529,270	\$34,708,784	\$35,927,557	\$ 1,398,286	0%
Debt Service Bond Interest	2,747,908	2,747,908	2,710,169	(37,740)	-1%
Franchise Fee (San Carlos)**	1,738,513	1,757,263	1,846,710	108,197	6%
Total Shoreway Operating Expenses	\$39,015,692	\$39,213,956	\$40,484,435	\$ 1,468,744	4%
* Expense projection based on estimated facility tonnage					
** Expense projection based on estimated gate revenue (tipping fees x estimated tons)					

SBWMA Program & Administrative Projections

SBWMA PROGRAM BUDGET (*line 63*)
= \$3,542,493

- Y/Y variance -\$177,721 (-5.3%)
- **Collection RFP Consultant**
 - \$450K budgeted (*fallback*)
- **Re-energized Pub Ed Campaigns:**
 - Lithium Ion Batteries
 - Reactivate core Pub Ed program
- **Community-Based Projects Per LRP:**
 - Public Spaces Project
 - Schools Pilot—On-site support
- **Staffing:**
 - Headcount reduced by one
 - Two positions reclassified

Shoreway Operations Notable Budget Factors

SHOREWAY OPERATIONS BUDGET

= \$35,927,557 *(line 77)*

- Y/Y Variance--+\$1,398,286 (+4%)
- Shoreway Fire Insurance Premiums
- Recent Commodity Reductions (fibers)
- Loss of 3rd Party tons Revenue
- Living Wage Ordinance Compliance = +7.7%

Proposed Capital Budget

Capital Project Name	FY17/18	FY18/19	FY19/20	FY20/21	FY21/22	NOTES
Transfer station tipping floor resurfacing	\$ 225,000	\$ -	\$ 250,000	\$ -	\$ 250,000	Tipping floor repair
Site paving repairs and restriping	150,000	-	500,000	500,000	-	Recology area repaving
Truck shop building maintenance	25,000	25,000	25,000	25,000	25,000	Reserve for unplanned expenses
Transfer station building maintenance	50,000	50,000	50,000	50,000	50,000	Reserve for unplanned expenses
MRF building maintenance	50,000	50,000	50,000	50,000	150,000	Reserve for unplanned expenses
Administration building maintenance	75,000	40,000	40,000	200,000	40,000	New roof 17/18, building remodel 20/21
Site maintenance	50,000	50,000	50,000	50,000	50,000	Reserve for unplanned expenses
Enhanced fire suppression	225,000	200,000	50,000	100,000	-	Enhanced fire suppression (Fire Rover 17/18)
Repairs to landfill tipper	15,000	15,000	15,000	-	-	Ox Mtn contract exp 2019
Education center exhibits	15,000	-	-	30,000	-	Refresh of MRF tour exhibits
Electric vehicle charging station	15,000	-	15,000	-	-	Installation in public parking lot
Storm water treatment system	30,000	1,200,000	50,000	-	50,000	Continuous improvement plan items
Glass conveyance and loadout system	650,000	-	-	-	-	System for MRF glass handling
Enhancements to Public Recycling Center	200,000	-	-	-	-	Confidential doc shredder & PRC remodel
Polystyrene recycler/densifier	65,000	-	-	-	-	Equipment to densify PS packaging materials
Baler reline	-	-	-	-	175,000	MRF fiber baler
Transfer station building expansion ¹	-	2,865,437	-	-	-	Estimated 5,000 sqft for MWPS
MRF Equipment Replacement ⁴	-	-	-	1,206,940	470,000	
Total	\$ 1,840,000	\$ 4,495,437	\$ 1,095,000	\$ 2,211,940	\$ 1,260,000	
<i>Mixed waste processing equipment²</i>	-	13,984,400	-	-	-	Waste processing/organic to AD system
<i>Fueling system replacement³</i>	-	-	1,500,000	-	-	Replace USTs w/ code compliant ASTs
<i>MRF sorting equipment replacement⁴</i>	-	-	-	-	-	Scheduled component replacement
<u>Special Funding for Above Italic Items</u>						
1. Proposed funding from Capital Reserves (Mid-Year FY16/17 balance \$4.66M)						
2. Proposed funding through new JPA debt						
3. Proposed funding from Shoreway Remediation Fund (Mid-Year FY16/17 balance \$1.20M)						
4. MRF Equipment Replacement Reserve (Mid-Year FY16/17 balance \$1.5M)						

Projected Reserves Balances

Table 5. SBWMA RESERVES

	ACTUAL FY15/16	ADOPTED BUDGET FY16/17	MID-YEAR BUDGET FY16/17	PRELIMINARY BUDGET FY17/18	FY18 vs. FY17 Mid-Year Budget
UNCOMMITTED RESERVE:					
RATE STABILIZATON (10% of expense) ¹	\$ 4,174,238	\$ 4,237,586	\$ 4,228,018	\$ 4,402,693	\$ 174,675
EMERGENCY RESERVE (10% of total expens	4,174,238	4,237,586	4,228,018	4,402,693	174,675
CAPITAL RESERVE ²	3,737,529	2,968,453	4,657,718	4,750,055	92,337
TOTAL UNCOMMITTED RESERVES	\$ 12,086,005	\$ 11,443,626	\$ 13,113,753	\$ 13,555,440	\$ 441,687
COMMITTED RESERVE					
EQUIPMENT REPLACEMENT (ANNUAL) ³	\$ 1,736,098	\$ 1,723,744	\$ 1,723,744	\$ 1,192,148	\$ (531,596)
TOTAL COMMITTED RESERVES	\$ 1,736,098	\$ 1,723,744	\$ 1,723,744	\$ 1,192,148	\$ (531,596)
TOTAL GENERAL RESERVES	\$ 13,822,103	\$ 13,167,371	\$ 14,837,497	\$ 14,747,588	\$ (89,909)
SHOREWAY REMEDIATION PROJECT	\$ 1,233,640	\$ 1,233,640	\$ 1,233,640	\$ 1,233,640	\$ -

The End

