



# ADMINISTRATION AND FINANCE



## STAFF REPORT

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To: SBWMA Board Members  
From: Robert J. Lanzone, General Counsel  
Date: January 22, 2015 Board of Directors Meeting  
Subject: Election of Board Officers for 2015

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### Recommendation

The Board is required to annually elect a Board Chair and Vice Chair per Article 8 of the JPA Agreement.

### Background

Staff recommends the following process for the Board to follow in electing a Chair and Vice Chair for calendar year 2015:

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 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.

As a matter of practice, the Board Chair and Vice Chair along with the Executive Director, General Counsel and Board Clerk meet on a monthly basis as the "Executive Committee" to conduct Board meeting agenda planning and discuss major items of note related to JPA operations. The Executive Director also updates the Executive Committee on a regular basis on any major issues that may come up in the course of day-to-day operations.

### Fiscal Impact

None.

### Attachments:

None.



A Public Agency

## STAFF REPORT

To: SBWMA Board Members  
 From: Kevin McCarthy, Executive Director  
 Marshall Moran, Finance Manager  
 Date: January 22, 2015 Board of Directors Meeting  
 Subject: Resolution Accepting Mid-Year Review of FY1415 Annual Operating Budget

### Board Action

It is recommended that the SBWMA Board of Directors approve Resolution No. 2015-02 attached hereto authorizing the following action:

Approval of the Mid-Year Budget Adjustments for FY1415

More specifically, Board approval would include a change to the Environmental Education Associate position from a 32-hour per week position to a 40-hour per week position effective February 1, 2015. Board approval would also cover the \$175,000 estimated change in SBR's compensation due to additional costs associated with offsite storage of baled commodities; this is an estimated cost for about two-weeks of additional offsite storage capacity. Staff will come back to the Board if such costs are projected to go higher than \$175,000.

### Analysis

Staff has conducted a thorough analysis of year-to-date revenues and expenditures. One attachment has been prepared to provide the Board with key budget and related information as follows:

- **Attachment A** contains budget worksheets providing line item detail for all projected revenues, expenditures, cash reserve balances and capital spending.

### *Financial Summary*

Contributions to Cash Reserves (formerly known as "net income") are projected at \$2,158,764 (see **Table 1**) which is \$181,061 less than budgeted (7.7% or 0.4% of revenue). As explained further under the "fiscal impact" section of this staff report, this is largely due to estimated one-time SBR operating expenses of \$175,000 for offsite storage of baled commodities due to a slow-down of Port of Oakland operations.

Table 1

<u>FY1415 CONTRIBUTION TO CASH RESERVES</u>				
<u>Revenues</u>	<u>FY1415 Adopted Budget</u>	<u>FY1415 Mid-Year Projections</u>	<u>Variance</u>	<u>Variance %</u>
Total Revenues	\$41,927,800	\$41,263,900	(\$663,900)	-1.6%
Total Expenditures	\$39,587,975	\$39,105,136	(\$482,839)	-1.2%
Contributions to Cash Reserves:	\$2,339,825	\$2,158,764	(\$181,061)	-7.7%

## Revenues

Total operating revenues (see **Table 2**) for FY1415 are projected to be \$663,900 (1.6%) lower than our adopted FY1415 budget. Public revenue (non-franchise) is projected to be down 4.4% in part due to continued reduced green waste volumes resulting from drought conditions persisting through nearly all of 2014. Commodity prices have also softened somewhat. HHW and other revenue (e-scrap revenue) is up largely due to additional projected revenue of \$120,000 from the start-up of door-to-door HHW collection services in Atherton and Redwood City on March 1, 2015; these HHW revenues are 100% offset by expenses paid to the service provider.

**Table 2**

<b>FY1415 REVENUES</b>				
<u>Revenues</u>	<u>FY1415 Adopted Budget</u>	<u>FY1415 Mid-Year Projections</u>	<u>Variance</u>	<u>Variance %</u>
Tip Fee Revenues	\$32,221,900	\$31,773,100	(\$448,800)	-1.4%
Non Franchised	\$6,229,700	\$5,952,900	(\$276,800)	-4.4%
Franchised	\$25,992,200	\$25,820,200	(\$172,000)	-0.7%
Net Commodity Sales Revenues*	\$8,674,800	\$8,272,300	(\$402,500)	-4.6%
MRF - Host Fees	\$361,800	\$390,400	\$28,600	7.9%
Interest Income	\$56,500	\$67,400	\$10,900	19.3%
HHW and Other Revenue	\$612,800	\$760,700	\$147,900	24.1%
<b>Total Revenues:</b>	<b>\$41,927,800</b>	<b>\$41,263,900</b>	<b>(\$663,900)</b>	<b>-1.6%</b>
*Gross commodity sales – 28% revenue share with SBR and buyback payments.				

## Expenditures

The SBWMA program expense budget (see **Table 3**), exclusive of Shoreway operations and HHW collection services, is projected at \$8,200 better than budget. The AB 939 program staff budget line is \$10,700 lower than budgeted after accounting for assumed higher costs of \$5,539 associated with changing the Environmental Education Associate position from a 32-hour per week position to a 40-hour per week position effective February 1, 2015. This overall lower costs for the AB 939 program staff line item is due to cost savings associated with an employee leave of absence for the Environmental Education Coordinator position.

**Table 3**

<b>FY1415 EXPENDITURES</b>				
<u>Expenditures</u>	<u>FY1415 Adopted Budget</u>	<u>FY1415 Mid-Year Projections</u>	<u>Variance</u>	<u>Variance %</u>
Administrative Expenses	\$1,762,475	\$1,754,275	(\$8,200)	-0.5%
Contract Compliance & Support	\$257,400	\$257,400	\$0	0.0%
Recycling & AB 939 Compliance	\$881,500	\$881,500	\$0	0.0%
Collection Operations	\$521,500	\$645,261	\$123,761	23.7%
<b>Total SBWMA Expenses (w/o Collection Operations):</b>	<b>\$2,901,375</b>	<b>\$2,893,175</b>	<b>(\$8,200)</b>	<b>-0.2%</b>
<b>Total SBWMA Expenses:</b>	<b>\$3,422,875</b>	<b>\$3,538,436</b>	<b>\$115,561</b>	<b>3.4%</b>
<b>Shoreway Operations:</b>	<b>\$36,165,100</b>	<b>\$35,566,700</b>	<b>(\$598,400)</b>	<b>-1.7%</b>
<b>Total Expenses:</b>	<b>\$39,587,975</b>	<b>\$39,105,136</b>	<b>(\$482,839)</b>	<b>-1.2%</b>

The recommendation for the change to the Environmental Education Associate position is based on merit and performance and the need for additional staffing to meet our needs.

The Shoreway operations budget (see **Table 4**) reflects lower operating expense in terms of payments to SBR (“SBR compensation” line item) and disposal expense (payments to offsite disposal and processing facilities). Such lower operating expenses which total \$538,600 are in line with lower tipping fee revenues (see **Table 2**) of \$448,800 resulting from reduced facility tonnage.

The SBR compensation line item includes an estimated \$175,000 in one-time expense related to extra handling costs (i.e., offsite storage) for baled commodities due to impacted Port of Oakland operations. The staff report for agenda item 7B provides the explanation and background for this situation.

Other projected lower expense items include the education center budget at \$15,000 and San Carlos franchise fee payments at \$33,800 on lower revenue. The education center projection is lower due to a staff vacancy (from an employee leave) partially offset by a part-time temporary employee.

**Table 4**

<b>FY1415 EXPENDITURE DETAIL FOR SHOREWAY OPERATIONS</b>				
<b>Expenditures</b>	<b>FY1415 Adopted Budget</b>	<b>FY1415 Mid-Year Projections</b>	<b>Variance</b>	<b>Variance %</b>
SBR Compensation*	\$17,061,200	\$17,015,900	(\$45,300)	-0.3%
Disposal and Processing*	\$14,121,800	\$13,628,500	(\$493,300)	-3.5%
Insurance Shoreway	\$213,400	\$213,000	(\$400)	-0.2%
Education Center	\$75,000	\$60,000	(\$15,000)	-20.0%
Debt Service Bond Interest	\$2,885,500	\$2,885,500	\$0	0.0%
Other Operating Expenses	\$226,000	\$216,000	(\$10,000)	-4.4%
Taxes (Sewer)	\$35,400	\$34,800	(\$600)	-1.7%
Franchise Fee (San Carlos)**	\$1,546,800	\$1,513,000	(\$33,800)	-2.2%
<b>Total Shoreway Operations:</b>	<b>\$36,165,100</b>	<b>\$35,566,700</b>	<b>(\$598,400)</b>	<b>-1.7%</b>
* Expense projection based on estimated facility tonnage				
** Expense projection based on estimated gate revenue (tipping fees x estimated tons)				

**Capital Spending**

Projected capital spending is \$15,000 less than the adopted budget amount of \$925,000 due to elimination of a small capital project related to the education center. Please see **Attachment A** for a worksheet on our capital projects.

**Reserve Balances**

**Table 5** on the next page captures the reserve balance projections for FY1415 compared to the approved budget reserve balance. The projected unrestricted general reserve balance is significantly higher at \$13.1 million vs. the adopted budget at \$11.9 million due to a much higher ending balance for undesignated cash for FY1314. Staff is currently estimating an undesignated cash balance of \$3.9 million for FY1415.

**Table 5**

	<b>ACTUAL FY1314</b>	<b>ADOPTED BUDGET FY1415</b>	<b>MID-YEAR BUDGET FY1415</b>
<b>UNRESTRICTED:</b>			
RATE STABILIZATON (10% of expense)	\$ 3,021,726	\$ 3,906,648	\$ 3,845,988
EMERGENCY RESERVE (10% of total expense)	\$ 3,021,726	\$ 3,906,648	\$ 3,845,988
EQUIPMENT REPLACEMENT (ANNUAL)	\$ 1,130,726	\$ 1,542,328	\$ 1,542,328
UNDESIGNATED	\$ 5,952,546	\$ 2,530,236	\$ 3,882,022
<b>TOTAL UNRESTRICTED GENERAL RESERVES</b>	<b>\$ 13,126,724</b>	<b>\$ 11,885,859</b>	<b>\$ 13,116,325</b>
<b>COMMITTED:</b>			
BOND PRINCIPAL PAYMENT FUND	\$ 1,004,167	\$ 1,058,330	\$ 1,058,330
<b>TOTAL GENERAL RESERVES</b>	<b>\$ 14,130,891</b>	<b>\$ 12,944,189</b>	<b>\$ 14,174,655</b>

**Background**

On June 26, 2014 the SBWMA Board of Directors adopted the FY1415 Annual Operating Budget.

The large increase in the Collection Operations portion of the budget is for the new door-to-door HHW collection program in Atherton and Redwood City. This is a pass through expense which is 100% offset by revenues collected from these Member Agencies for the program and therefore exempt from Board approval per the policy below:

The transfer of funds portion of our budget policy was amended on March 28, 2013 to read:

“Any appropriations, with the exception of pass through expenses that are 100% offset by revenue from the same source, in excess of the total expenditures (sum of all four programs areas) included in the adopted budget are subject to Board approval. In the case of pass through expenses, the Executive Director shall provide an update at a Board meeting notifying the Board of the planned expenditures.”

**Fiscal Impact**

Contributions to cash reserves (formerly known as “net income”) are projected at \$2,158,764 (see **Table 1**) which is \$181,061 less than budgeted (7.7% or 0.4% of revenue). This small variance is largely due to estimated one-time SBR operating expenses of \$175,000 for offsite storage of baled commodities due to a slow-down of Port of Oakland operations. It should be noted that the SBWMA has significant cash reserves in place, see **Table 5**, to address any major operational upsets such as an extended Port of Oakland shutdown, major commodity revenue drops, natural disasters, etc. These reserves buffer Member Agencies from any rate impacts associated with such extraordinary situations.

Approval of the change to Environmental Education Associate position increases staff costs by \$5,539 this fiscal year and an estimated \$12,971 in future fiscal years.

**Attachments:**

Resolution 2015- 02

Exhibit A – FY1415 Budget Worksheets



## RESOLUTION NO. 2015-02

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS ACCEPTING MID-YEAR REVIEW OF FY1415 ANNUAL OPERATING BUDGET

**WHEREAS**, the South Bayside Waste Management Authority proposed budget adjustments as presented is balanced and provided sufficient funds for normal operations.

**NOW THEREFORE, BE IT RESOLVED**, the South Bayside Waste Management Authority hereby approves the adjustments to the fiscal year 2014/2015 operating 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 22<sup>nd</sup> day of January, 2015, by the following vote:

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Atherton					Menlo Park				
Belmont					Redwood City				
Burlingame					San Carlos				
East Palo Alto					San Mateo				
Foster City					County of San Mateo				
Hillsborough					West Bay Sanitary Dist.				

I HEREBY CERTIFY that the foregoing Resolution No. 2015-02 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on January 22, 2015.

ATTEST:

\_\_\_\_\_  
Bill Widmer, Chairperson of SBWMA

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Cyndi Urman, Board Secretary

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
RESERVE SUMMARY**

**FY1415 MID-YEAR BUDGET**

	<b>ACTUAL FY1314</b>	<b>ADOPTED BUDGET FY1415</b>	<b>MID-YEAR BUDGET FY1415</b>
<b>UNRESTRICTED:</b>			
RATE STABILIZATON (10% of expense)	\$ 3,021,726	\$ 3,906,648	\$ 3,845,988
EMERGENCY RESERVE (10% of total expense)	\$ 3,021,726	\$ 3,906,648	\$ 3,845,988
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UNDESIGNATED	\$ 5,952,546	\$ 2,530,236	\$ 3,882,022
<b>TOTAL UNRESTRICTED GENERAL RESERVES</b>	<b>\$ 13,126,724</b>	<b>\$ 11,885,859</b>	<b>\$ 13,116,325</b>
<b>COMMITTED:</b>			
BOND PRINCIPAL PAYMENT FUND	\$ 1,004,167	\$ 1,058,330	\$ 1,058,330
<b>TOTAL GENERAL RESERVES</b>	<b>\$ 14,130,891</b>	<b>\$ 12,944,189</b>	<b>\$ 14,174,655</b>

RESERVES CASH FLOW



**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
REVENUE SUMMARY**

**FY1415 MID-YEAR BUDGET**

	ACTUAL FY1314	ADOPTED BUDGET FY1415	YTD 1/9/15	MID-YEAR PROJECTION FY1415	Variance to Adopted Budget	Variance to Appvd Bud %
<b>REVENUE SUMMARY</b>						
<b>ADMINISTRATIVE REVENUES</b>						
409100 INVESTMENT INCOME	155,458	56,500	14,355	67,400	10,900	19.5%
409101 INVESTMENT (GASB 31) MARKET VALUE ADJ					-	
409200 INTEREST INCOME	8292				-	
<b>TOTAL ADMINISTRATIVE</b>	<b>163,750</b>	<b>56,500</b>	<b>14,355</b>	<b>67,400</b>	<b>10,900</b>	<b>19.5%</b>
<b>OPERATIONS</b>						
480026 TIPPING FEES - Non Franchised	6,096,285	6,229,700	2,881,501	5,952,900	(276,800)	-4.9%
480027 TIPPING FEES - Franchised	25,605,623	25,992,200	10,660,221	25,820,200	(172,000)	-0.6%
480028 COMMODITY SALES	10,739,075	10,812,200	3,766,232	10,568,100	(244,100)	-2.3%
480029 COMMODITY REVENUE SHARE	(1,235,181)	(1,521,400)	1,148,671	(1,407,600)	113,800	-7.6%
522717 BUYBACK PAYMENTS	(762,049)	(616,000)	(313,622)	(888,200)	(272,200)	46.0%
480025 E-SCRAP REVENUE	70,287	66,300	2,554	94,500	28,200	40.3%
480033 MRF Host Fee - 3RD PARTY TONS	203,848	361,800	129,766	390,400	28,600	38.2%
480031 HHW DOOR TO DOOR COLLECTION SERVICE	492,980	521,500	286,533	641,200	119,700	24.1%
480032 PERFORMANCE INCENTIVE / DISINCENTIVE		-			-	0.0%
480008 MISCELLANEOUS REVENUE	888	25,000	500	25,000	-	
<b>TOTAL OPERATIONS</b>	<b>41,211,756</b>	<b>41,871,300</b>	<b>18,562,357</b>	<b>41,196,500</b>	<b>(674,800)</b>	<b>-1.6%</b>
<b>TOTAL REVENUE</b>	<b>41,375,506</b>	<b>41,927,800</b>	<b>18,576,712</b>	<b>41,263,900</b>	<b>(663,900)</b>	<b>-1.6%</b>
<b>CONTRIBUTION TO CASH RESERVES</b>	<b>3,854,831</b>	<b>2,339,825</b>		<b>2,158,764</b>	<b>(181,061)</b>	<b>-6.3%</b>
% OF REVENUE		5.6%			-0.43%	

REVENUES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
EXPENSE DETAIL BY PROGRAM

FY1415 MID-YEAR BUDGET

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY							
		ACTUAL	ADOPTED	YTD SPENT	MID-YEAR	Variance to	Notes
EXPENDITURE SUMMARY		FY1314	BUDGET	1/9/15	PROJECTION	Adopted	
ADMINISTRATIVE EXPENSES		FY1415	FY1415		FY1415	Budget	
520305	ADMINISTRATIVE STAFF	463,454	566,900	257,900	567,500	600	Staff wages and benefits for Exec. Dir., Finance Manager & Board Sec. Three month overlap with new Finance Manager (April-June); estimated cost of \$43,000.
520306	AB 939 PROGRAM STAFF	701,035	703,000	338,900	692,300	(10,700)	Staff wages and benefits for Recycling, Outreach, Compliance and Shoreway. Reflects adjustment for Env. Education Associate position from 32 hrs/week to 40hrs/week.
520328	EMPLOYEE RECRUITMENT / HR SUPPORT		25,000	-	25,000	-	Recruitment cost for new Finance Manager.
520337	PEO COST (HR & PR FEES)	18,408	19,000	6,876	19,400	400	Fees paid to contract HR and payroll service provider.
520312	BOARD COUNSEL	115,565	65,000	17,411	65,000	-	Contracted legal counsel services. Reflects small increase in hourly rate.
520300	BOARD MEETINGS	6,903	3,000	2,006	3,000	-	
520310	ACCOUNTING SERVICES (City of San Carlos)	128,036	131,900	65,950	131,900	-	Fees paid to City of San Carlos for annual accounting and finance support.
520334	INFORMATION TECHNOLOGY	26,999	27,000	18,822	27,000	-	Fees paid to IT service provider.
520338	WEBSITE	12,578	15,000	9,433	15,000	-	Fees paid to website management service provider.
520301	ANNUAL FINANCIAL AUDIT	11,730	9,700	4,950	9,700	-	Fees paid to auditors to complete FY & calendar year financial statements.
520701	D&O INSURANCE	43,817	32,500	34,570	34,600	2,100	Annual insurance premium for Director's and Officer's insurance.
520202	BANK FEES	5,364	7,900	4,973	7,900	-	Bank fees exclusive of fees paid to BNY as the Bond Trustee.
520203	RENT	46,925	53,000	30,578	52,450	(550)	
520204	PRINTING AND POSTAGE	112	150	71	150	-	
520107	UTILITIES & PHONE	15,213	17,000	6,184	17,000	-	City going out to bid for new janitorial services but currently approx. \$2,000/qtr.
520905	OFFICE/TENANT IMPROVEMENTS	395	1,000	-	1,000	-	
520201	OFFICE SUPPLIES	14,594	17,000	7,750	17,000	-	
520215	OFFICE EQUIPMENT COSTS	21,365	25,500	11,204	25,500	-	This may change if we need to change phones with new service.
520504	PUBLICATIONS & PUBLIC NOTICES	1,440	3,000	-	3,000	-	Assumes notice for 2 bids.
520501	PROFESSIONAL DUES & MEMBERSHIPS	2,187	2,300	584	2,300	-	
520801	VEHICLE MILEAGE & TOLLS		125	-	75	(50)	
520105	CELL PHONES	3,667	4,000	1,899	4,000	-	Reimbursement for employee work related cell phone costs.
520503	CONFERENCE & MEETINGS	7,973	10,000	4,666	10,000	-	Higher participation at conferences assumed due to long range planning.
520502	TRAINING	2,387	6,500	1,250	6,500	-	Includes employee professional development and education.
520511	SPONSORSHIPS & DONATIONS	9,000	9,000	3,000	9,000	-	Sponsorships for Acterra, SSMC, CAW and CPSC.
522706	COMPUTER PURCHASE	7,902	8,000	6,555	8,000	-	
<b>TOTAL ADMINISTRATIVE</b>		<b>\$ 1,667,049</b>	<b>\$ 1,762,475</b>	<b>\$ 835,530</b>	<b>\$ 1,754,275</b>	<b>\$ (8,200)</b>	
<b>CONTRACT COMPLIANCE AND SUPPORT</b>							
520307	RATE REVIEW	32,179	40,000	6,377	40,000	-	
<b>TOTAL RATE REVIEW</b>		<b>32,179</b>	<b>40,000</b>	<b>6,377</b>	<b>40,000</b>	<b>-</b>	
<b>CONSULTANT SUPPORT</b>							
520308	FACILITY IMPROVEMENT OVERSIGHT		30,000	-	30,000	-	Disaster Management Plan.
520309	HCM01 CONTRACT MANAGEMENT SUPPORT	58,914	66,400	13,686	66,400	-	Annual financial audit of RSMC and SBR.
520309	HCS02 COLLECTION SERVICES FRANCHISE ADMIN.	53,353	75,000	10,913	75,000	-	\$15k call center monitoring; \$60k annual audit.
520336	QUARTERLY LOAD CONTAMINATION MONITORING	41,801	46,000	21,533	46,000	-	Bi-annual Recology contamination sampling.
<b>TOTAL CONSULTANT</b>		<b>154,068</b>	<b>\$ 217,400</b>	<b>\$ 46,132</b>	<b>\$ 217,400</b>	<b>\$ -</b>	
<b>TOTAL CONTRACT COMPLIANCE &amp; SUPPORT</b>		<b>\$ 186,247</b>	<b>\$ 257,400</b>	<b>\$ 52,509</b>	<b>\$ 257,400</b>	<b>\$ -</b>	

EXPENDITURES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
EXPENSE DETAIL BY PROGRAM

FY1415 MID-YEAR BUDGET

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY						
EXPENDITURE SUMMARY	ACTUAL FY1314	ADOPTED BUDGET FY1415	YTD SPENT 1/9/15	MID-YEAR PROJECTION FY1415	Variance to Adopted Budget	Notes
<b>RECYCLING - AB939 AND AB 341 COMPLIANCE</b>						
<b>RECYCLING ADMINISTRATION</b>						
520311 CIWMB ANNUAL REPORTS	20,311	25,000	19,750	25,000	-	CalRecycle Electronic Annual Report for 10 Member Agencies.
520341 SBWMA ANNUAL REPORT	3	5,000	-	5,000	-	
520309 HDV01 DIVERSION PROGRAM SUPPORT	17,534	60,000	-	60,000	-	\$35k pilot public spaces recycling project, \$25k for pilot code enforcement.
520604 EVENT GIVEAWAYS		1,500		1,500	-	
<b>TOTAL RECYCLING ADMINISTRATION</b>	<b>37,848</b>	<b>91,500</b>	<b>19,750</b>	<b>91,500</b>	<b>-</b>	
<b>LONG RANGE PLAN/DIVERSION PROGRAMS</b>						
520340 LONG RANGE PLAN ALTERNATIVES	51,358	232,500	38,410	247,500	15,000	\$45K organics recovery study (SVCW MOU) including technology analysis, and operational pilot and testing; \$207.5k for development of Long Range Plan. Transferred \$15k from line item 520604 as Home diversion calculator project cancelled.
520340 MPOTR MASTER PLAN OUTREACH					-	
520344 SOLAR SYSTEM ENGINEERING AND EVALUATION					-	
<b>TOTAL LONG RANGE PLAN/DIVERSION PROGRAMS</b>	<b>51,358</b>	<b>232,500</b>	<b>38,410</b>	<b>247,500</b>	<b>15,000</b>	
<b>COMMERCIAL PROGRAMS</b>						
520331 LARGE EVENT/VENUE CONSULTING		7,500	-	7,500	-	Repurpose 2nd trailer as mobile education trailer, will explore grant funding opportunities.
520608 CLIMATE CHANGE REPORTING	26,909	23,000	2,924	23,000	-	Incorporating all of Shoreway requires much more reporting requirements and review by outside auditors.
520604 COE01 COMMERCIAL RECYCLING TECHNICAL ASSIST.	48,766	85,000	4,830	85,000	-	\$15k-AB341 Compliance Outreach; \$20K commercial toolkit; \$10k-business awards program; \$25k-Reporting System Ordinance; \$15k-website upgrade for Reporting System
520604 COE02 PURCHASE COMM/MFD CONTAINERS FOR RECOLOGY	35,894	60,000	3,800	60,000	-	\$10k for buddy bags, \$10k for other commercial containers, \$20k for municipal bldgs., \$20k for other public spaces (downtowns, parks). All purchases for Recology.
520604 CDRCY C&D RECYCLING PROGRAM		-	-	-	-	
520604 MF001 MULTI-FAMILY OUTREACH	15,346	50,000	3,821	50,000	-	Includes \$30K MFD toolkit updates/additions; \$10K battery/cell outreach; \$10K-MFD awards program.
<b>TOTAL COMMERCIAL PROGRAMS</b>	<b>126,915</b>	<b>225,500</b>	<b>15,374</b>	<b>225,500</b>	<b>-</b>	
<b>RESIDENTIAL PROGRAMS</b>						
520604 QNL01 QUARTERLY NEWLESTTER DESIGN/SETUP	1,455	15,000	15,139	20,000	5,000	Design/produce 3 newsletters - pricing based on Pub ED RFQ/Cost proposals. (Adjusted to reflect actual spend; invoice had additional \$8K for this line item when it should be charged against printing of newsletter. Adj. budget by \$5K to reflect pricing from RFQ.)
520604 QNLPM QUARTERLY NEWLETTER PRINTING/MAILING	82,248	95,000	18,962	90,000	(5,000)	Assumes 2 direct mail newsletters and one sent via bill insert. Will be adjusted to reflect findings of residential phone survey. Adjusted to reflect actual spend (added \$8K to this line item for corrected invoice. Adjusted budget by \$5K to reflect pricing from RFQ)
520604 RES01 RESIDENTIAL OUTREACH PROGRAMS	136,895	135,000	34,625	120,000	(15,000)	Includes \$70K on-going outreach/support for existing programs; \$12K annual residential service notice development; \$15K website/social media maintenance and updates; \$23,000 mobile phone app annual fee. Removed \$15K for home diversion calculator promotion.
520604 COMPS COMPOST GIVEAWAY		1,000	675	1,000	-	Transferred \$15K to LRP line item.
520604 HHWUW HHW DOOR TO DOOR COLLECTION OUTREACH	69,778	80,000	17,629	80,000	-	Ongoing promotion for existing Member Agencies (MAs) in program, includes direct mail, print and outdoor advertisements; also includes budget (\$25k) for new MAs joining program.
520335 CURBSIDE HOUSEHOLD BATTERY OUTREACH	2,866	5,000	-	5,000	-	Ongoing outreach to promote our curbside battery and cell phone collection services.
520604 ECE01 ELECTRONIC COLLECTIONS EVENTS		1,000	945	1,000	-	
<b>TOTAL RESIDENTIAL PROGRAMS</b>	<b>293,242</b>	<b>332,000</b>	<b>87,975</b>	<b>317,000</b>	<b>(15,000)</b>	
<b>TOTAL RECYCLING - AB939 AND AB 341 COMPLIANCE</b>	<b>\$ 509,363</b>	<b>\$ 881,500</b>	<b>\$ 161,508</b>	<b>\$ 881,500</b>	<b>\$ -</b>	
<b>SUBTOTAL SBWMA PROGRAM BUDGET</b>	<b>\$ 2,362,659</b>	<b>\$ 2,901,375</b>	<b>\$ 1,049,548</b>	<b>\$ 2,893,175</b>	<b>\$ (8,200)</b>	
<b>COLLECTION OPERATIONS</b>						
522710 HHW DOOR TO DOOR COLLECTION SERVICES	490,847	521,500	163,616	641,200	119,700	Added Atherton and Redwood City effective 3/1/15. This is a pass through expense 100% offset by revenue.
522719 SHRED EVENT SERVICE - NEW ACCOUNT			1,692	4,061	4,061	
522711 CURBSIDE HOUSEHOLD BATTERY RECYCLING SERVICES						<i>Budget line inactive</i>
<b>TOTAL COLLECTION OPERATIONS</b>	<b>490,847</b>	<b>521,500</b>	<b>165,308</b>	<b>645,261</b>	<b>123,761</b>	Included in disposal and processing costs line item.
<b>TOTAL SBWMA PROGRAM BUDGET</b>	<b>\$ 2,853,506</b>	<b>\$ 3,422,875</b>	<b>\$ 1,214,856</b>	<b>\$ 3,538,436</b>	<b>\$ 115,561</b>	

EXPENDITURES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
EXPENSE DETAIL BY PROGRAM

FY1415 MID-YEAR BUDGET

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY							
		ACTUAL	ADOPTED	YTD SPENT	MID-YEAR	Variance to	Notes
EXPENDITURE SUMMARY		FY1314	BUDGET	1/9/15	PROJECTION	Adopted	
		FY1415	FY1415		FY1415	Budget	
<b>SHOREWAY OPERATIONS</b>							
522712	OPERATOR COMPENSATION - SBR	16,359,877	17,061,200	5,646,530	17,015,900	(45,300)	Payments per ton by JPA to SBR for facility operations services per Ops. Agreement. Added \$175k in expense related to extra handling costs for commodities due to impacted Port of Oakland operations. Incurring extra costs for offsite storage of baled commodities.
522713	DISPOSAL & PROCESSING COSTS	13,357,426	14,121,800	5,620,435	13,628,500	(493,300)	
520710	INSURANCE SHOREWAY	203,081	213,400	135,299	213,000	(400)	Payments per ton by JPA to third party disposal and processing vendors such as Ox. Mtn. landfill, organics processors, etc.
522714	SHOREWAY FACILITY COST	171,369	160,000	72,000	160,000	-	
570300	SHOREWAY MAINTENANCE - New	25,219				-	Facility repair and maintenance projects not treated as "capital" projects.
522701	ALLIED WASTE BALANCING ACCOUNT						
<i>Budget line inactive</i>							
522718	EDUCATION CENTER OPERATIONS	38,589	75,000	13,325	60,000	(15,000)	Budget for tour supplies, special events such as Earth Day and America Recycles Day, outreach materials, school compost, trash to art contest, and school busing (\$25k). Lower spending due to reduced staffing YTD.
522716	MAINTENANCE - OX MTN TIPPER	28,421	36,000	13,245	36,000	-	
520901	SHOREWAY MRF EQUIP. MAINTENANCE > \$10k		30,000	-	20,000	(10,000)	Unplanned MRF equipment repairs greater than \$10k are responsibility of JPA.
520324	TAXES (SEWER)	32,540	35,400	16,815	34,800	(600)	
<b>SUBTOTAL SHOREWAY OPERATIONS</b>		<b>\$ 30,216,522</b>	<b>\$ 31,732,800</b>	<b>\$ 11,517,648</b>	<b>\$ 31,168,200</b>	<b>\$ (564,600)</b>	
<b>SHOREWAY OTHER</b>							
521104	DEBT SERVICE BOND INTEREST	2,943,529	2,885,500	485,935	2,885,500	-	Solid Waste Enterprise Revenue Bond interest payments.
522702	FRANCHISE FEE	1,507,118	1,546,800	517,846	1,513,000	(33,800)	5% franchise fee payments by JPA to City of San Carlos.
<b>SUBTOTAL SHOREWAY OTHER</b>		<b>\$ 4,450,647</b>	<b>\$ 4,432,300</b>	<b>\$ 1,003,781</b>	<b>\$ 4,398,500</b>	<b>\$ (33,800)</b>	
<b>TOTAL SHOREWAY OPERATING EXPENSE</b>		<b>\$ 34,667,169</b>	<b>\$ 36,165,100</b>	<b>\$ 12,521,429</b>	<b>\$ 35,566,700</b>	<b>\$ (598,400)</b>	
<b>TOTAL OPERATING EXPENSES (SBWMA Program + Shoreway Operations)</b>		<b>\$ 37,520,675</b>	<b>\$ 39,587,975</b>	<b>\$ 13,736,284</b>	<b>\$ 39,105,136</b>	<b>\$ (482,839)</b>	
<i>excludes non-cash items such as depreciation</i>							

EXPENDITURES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
CAPITAL BUDGET**

**FY1415 MID-YEAR BUDGET**

			CAPITAL PROJECTS						
PROJECT DESCRIPTION			ADOPTED BUDGET FY1314	ADOPTED BUDGET FY1415	MID YEAR PROJECTION FY1415	FORECAST FY1516	FORECAST FY1617	FORECAST FY1718	FORECAST FY1819
570300	SF044	Transfer Station (TS)Tipping floor resurfacing	150,000	200,000	200,000	100,000	100,000	100,000	100,000
570300	SF045	Site paving repairs and restriping						600,000	
570300	SF047	Site signage	40,000	40,000	40,000				
570300	SF049	Truck shop building maintenance	25,000	20,000	20,000	20,000	20,000	20,000	20,000
570300	SF050	TS building maintenance	25,000	20,000	20,000	20,000	20,000	20,000	20,000
570300	SF051	MRF building maintenance	25,000	25,000	25,000	125,000	125,000	125,000	125,000
570300	SF052	Admin building maintenance	40,000	40,000	40,000	40,000	115,000	40,000	40,000
570300	SF053	Site maintenance	25,000	25,000	25,000	25,000	25,000	25,000	25,000
570300	SF055	Fire suppression	140,000						
570300	SF056	Repairs to landfill tipper	80,000	70,000	70,000				
570300	SF060	Education center exhibits	20,000	15,000	-			15,000	
570300	new	MRF tip area canopy		450,000	450,000				
570300	new	Electric charging station		20,000	20,000			15,000	
570300	new	Replace fuel storage and distribution system							1,000,000
570300	new	Energy storage system							
570300	new	Baler reline							120,000
570300	new	CNG fueling station							
570300	new	Organics to energy					5,000,000		
<b>SUBTOTAL CAPITAL PROJECTS</b>			<b>570,000</b>	<b>925,000</b>	<b>910,000</b>	<b>330,000</b>	<b>5,405,000</b>	<b>960,000</b>	<b>1,450,000</b>

CAPITAL



## STAFF REPORT

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To: SBWMA Board Members  
From: Kevin McCarthy, Executive Director  
Date: January 22, 2015 Board of Directors Meeting  
Subject: Executive Director Status Report on Goal Progress

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### Recommendation

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors.

### Analysis

At the request of the Board Chair and Vice Chair, the Executive Director has prepared a status report (see **Attachment A**) on progress towards meeting his FY1415 goals as adopted by the Board on September 25, 2014. These goals were also discussed in closed session on August 28, 2014 and September 11, 2014.

As shown in **Attachment A**, substantial progress has been made on nearly all of the goals and the Executive Director looks forward to answering any questions about this at the Board meeting.

### Background

The Executive Director's goals were developed through a collaborative, multi-step process that captured feedback from all Board Members and from the Executive Director. Board feedback was provided through a Board adhoc subcommittee and through discussions at two closed sessions. Feedback from the Executive Director was through discussions with the Board Chair.

The goals cover the full scope of the JPA's legal obligations and responsibilities to manage a nearly \$100 million per year recycling, composting and solid waste collection system including ownership of the nationally recognized Shoreway Environmental Center in San Carlos. The goals also address future long range planning efforts, a review of major policies, and enhanced engagement between the Executive Director and Board Members.

### Fiscal Impact

There is no fiscal impact associated with this item.

### Attachments:

A – Executive Director FY1415 Goals – Status Report

**ATTACHMENT A**  
**FY 1415 Executive Director Goals – Status Report**

1. **Long Range Plan Visioning Workshop**: Plan and host a one-day “Visioning” workshop which will provide SBWMA Board Members and other key stakeholders in our service area insight into future waste reduction, recycling and composting policies, programs and technologies to meet the state’s 75% diversion goal by 2020.

***Results Achieved:*** The Executive Director with strong support from his staff, organized and hosted a very successful “Visioning” workshop held on November 6, 2014. The workshop had 7 speakers on three panels and a keynote speaker whose presentation was widely praised. The workshop was well attended by Board Members, TAC Members and other key stakeholders. A home page for the workshop can be found on our website at <http://www.rethinkwaste.org/about/board-of-directors/long-range-plan>.

2. **Strategic Plan Development**: Prepare and gain board approval of a 10-year strategic plan for effective waste collection, processing and overall waste reduction plus include steps necessary to meet the state’s 75% diversion goal by 2020. The plan will address emerging technologies and major capital improvements anticipated over the time period.

Each project shall have a descriptive explanation (e.g., project purposes, goals, etc.), projected initial costs as well as lifetime costs and an ROI as appropriate. The capital projects will be individually discussed with the Board. The project details will be available prior to April 2015, assuming Board approval of the Plan in March or April 2015 so as to be included in the FY1516 Budget CIP.

***Results Achieved:*** The Executive Director with strong support from his staff has met all milestones to date in development of the Long Range Plan including: preparing and getting Board approval on September 11, 2014 of the Guiding Principles for the LRP; active engagement of our contractors (i.e., Recology and SBR) through hosting two half day meetings in September to discuss program ideas and service enhancements and ongoing communications; organizing and hosting the Visioning Workshop on November 6, 2014; and providing a status report to the Board on November 20, 2014. Staff is on schedule to present a draft Long Range Plan to the Board at the March 26, 2015 Board meeting.

3. **Efficient and effective management**: Provide management of the RethinkWaste Team to ensure efficient operation of the organization, applicable project coordination and execution and budget control. Manage the Shoreway facility, Recology contract and other major contracts.

***Results Achieved:*** Staff have been effectively managed to clearly defined performance goals and all major projects are on track. Contract administration and support is ongoing for the franchise agreements and Shoreway Operations Agreement with successful completion of 2013 audits (completed in 2014), and 2015 annual compensation adjustment process for both contractors. The majority of our Member Agencies had no rate adjustments for the third year in a row. New contracts were negotiated for our organics processing vendors with overall costs projected below the adopted FY1415 budget figures.

Mid-year budget review completed and to be presented at the January 22, 2015 Board meeting; SBWMA program budget projected to be under budget for full fiscal year. All unrestricted general reserves (rate stabilization, emergency reserve and equipment replacement) are fully funded and undesignated cash balances are higher than projected.

A special item came up with regards to the SBR request for consent to Assignment and this was handled in a timely, thorough and financially and operationally beneficial manner. With the Board's approval on December 17, 2014 of the consent to Assignment, the JPA have retained the significant financial value of the SBR contract, met all legal requirements, added new value with the pending hiring of a senior finance position by Recology and negotiated some short-term financial savings. Further savings may accrue in the future pending required follow-up information by SBR.

**4. Budget Control:** Develop and manage overall budgets effectively. Ensure budget development is initiated such that all Board presentations on budget and CIP items are completed by May 2015 to allow the Board adequate time to evaluate and consider all aspects. The FY1516 Budget shall also include a 2016-2020 capital budget projection. Identify any risks to budget within 30 days of identification and present alternatives and projections to the next scheduled Board meeting or call a special Board meeting as needed.

**Results Achieved:** The budget process for FY1516 has effectively started with staff completion of the mid-year budget review for FY1415 which is before the Board on January 22, 2015. Staff has also committed to preparing the draft FY1516 budget with actual budget figures in time for the April 23, 2015 Board meeting.

In the FY1415 mid-year budget review, staff has identified a risk item relating to the one-time costs associated with a slow-down of Port of Oakland operations; the slow-down is impacting SBR's ability to export baled commodities so offsite bale storage has occurred. Staff is in daily contact with SBR regarding this issue and will keep the Board apprised if the issue continues for an extended period of time or threatens daily MRF operations.

**5. Policies/Procedures Review:** Periodically review existing SBWMA policies with the Board for input and/or revisions. All major agency policies (e.g., purchasing, cash reserve, employee policies, etc.) shall be reviewed at least every three years unless other considerations are documented that would require a shorter or longer review timeframe. During FY1415, the Board will review the Purchasing and Employee Compensation policies.

**Results Achieved:** Staff will be reviewing a number of polices and seeking Board input. At the January 22, 2015 Board meeting, the Investment Policy will be reviewed. The Employee Handbook and Employee Compensation policy will be reviewed at the February 26, 2015 Board meeting; such policies are being reviewed in lieu of the Purchasing Policy which will be reviewed next fiscal year.

**6. Evaluate Outsourced Services:** Other than any long-term contracts (e.g., franchise agreements, Operations Agreement, disposal and processing contracts, etc.), review other vendor contracts and recommend to the Board an appropriate strategy for whether and when to conduct a competitive procurement process. During FY1415, staff will evaluate the office lease and accounting and finance contracts and conduct a competitive procurement process as necessary.

**Results Achieved:** Staff has reviewed the office lease with the City of San Carlos and is recommending a short-term extension of 6-12 months so additional options can be reviewed by the Board. Staff did meet with a local commercial real estate broker regarding how competitive the SBWMA's current lease rate was and determined that we have a very competitive rate. Staff also found out that the San Carlos Chamber of Commerce's new lease rate, they just recently moved into space at the San Carlos Library, is lower at \$1.70/sq. ft. than the SBWMA's lease rate of \$1.80/sq. ft. The Long Range Plan will include options and preliminary costs for creating administrative space at the Shoreway Environmental Center to house the SBWMA staff.

Staff is in the process of determining the best long-term options for its accounting and finance services. The City of San Carlos has expressed interest in a longer-term contract. One other Member Agency, the Town of Atherton, has also expressed interest in providing the service. Staff, however, doesn't feel it makes sense to make any



changes to our service provider in the next six-nine months given the planned hiring of a new Finance Manager this spring.

**7. Plan for Future Franchise Agreements: Develop plan and decision support model (process) for how to prepare Member Agencies for the 2017 decision to extend or not the current franchise agreement with Recology.** The plan will address how to review the existing uniform franchise agreement, how to develop the future scope of work for collection services, and how to develop a proforma model to benchmark current and future projected collection costs.

**Results Achieved:** Staff is preparing an agenda item for the February 26, 2015 Board meeting to address this goal.

**8. Work effectively with the Board:** Invite each Board member to meet at least two times per year outside of Board meetings. In staff reports for Board meetings, include options and/or alternatives to issues and decision items. Staff reports should provide more of an executive summary and staff recommendation, followed by analysis with alternate options as applicable with drill down detail (such as on budgets) following or as links.

**Results Achieved:** The Executive Director meets at least monthly with the Board Chair and Vice Chair. To date, the Executive Director has also met with nine of the other ten Board Members at least once. The Executive Director has also engaged with the adhoc Audit Subcommittee (Board Members Widmer, Benton and Brownrigg) twice so far this fiscal year. Future engagement will occur with Board Members participating on the adhoc subcommittee to interview Recology GM candidates and a separate subcommittee that will be created to interview SBWMA Finance Manager candidates. The Executive Director will also continue to invite Board Members to meet as needed to address specific items or concerns that may come up.

The Executive Director and staff have worked diligently to streamline staff presentations and staff reports. Major staff reports have a new "summary" section to provide the Board a brief snapshot of what the purpose of the item is, and what action or feedback is requested of the Board. The analysis section of staff reports will continue to serve the purpose of providing a rationale for any recommended action and state any alternatives to the recommendation as appropriate. These changes in total have reduced the length (# of pages) of the Board packets, too.

Starting with the November 2014 Board meeting agenda, it is now structured around the JPA's key functional areas (Administration and Finance, Collection and Recycling Programs, and Shoreway Operations). Staff updates have been eliminated and an Executive Director's Report created to better communicate critical information including sharing industry news or stories of interest. Informational items have been grouped together at the end of the agenda.

**9. Perform independent and confidential employee self-evaluation and share results with Board.** Include in Board report feedback and any suggestions for improvement.

**Results Achieved:** A 360 degree survey was provided to employees in August 2014 with feedback tabulated on August 29, 2014. The results were very positive and will be shared with the Board at a future Board meeting in the next 60-90 days.