



NEW BUSINESS



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Date: January 27, 2011 Board of Director's Meeting
Subject: Election of New Officers for 2011

Recommendation

Staff recommends the following process for the Board to follow in electing a Chair and Vice Chair for 2011:

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 sec. 8.5 and 8.6).



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Marshall Moran, Finance Manager
Date: January 27, 2011 Board of Director's Meeting
Subject: Mid Year Review of FY2011 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 report for consideration and review with changes from the Board to be incorporated into a revised and final staff report for the February 24, 2011 Board meeting. **Attachment 1** 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 \$160,120 which is substantially below our approved budgeted net income of \$577,444. This negative variance of \$417,324 is due primarily to the following factors:

- \$733,800 lower projected tipping fee revenue due to lower inbound volumes (to the transfer station) and the Board's November 18, 2010 action to reduce the budgeted franchise solid waste tipping fee increase from \$9/ton to \$6/ton; this reduced tipping fee revenues by \$283,000.
- \$826,600 increase in interim offsite MRF processing costs (for Smurfit) due to a two-month delay in commencement of onsite MRF operations at Shoreway; this delay was already shared with the Board in prior staff updates and in the November 2010 bond proforma update

These negative variances are offset somewhat from higher projected commodity revenues of \$145,494, lower SBWMA program budget expenses of \$177,000, lower South Bay Recycling (SBR) operating expenses of \$315,600, and lower disposal and processing costs of \$278,800.

Background

On June 24, 2010 the South Bayside Waste Management Authority (SBWMA) Board of Directors adopted the FY 2011 Operating Budget.

Fiscal Impact

The following tables represent FY 2011 revenues and expenditures, actual receipts and payments through December 31, 2010, and year-end projections through June 30, 2011.

FY 2011 NET INCOME				
<u>Revenues</u>	<u>FY 2011 Adopted Budget</u>	<u>FY 2011 Year-to-date Totals</u>	<u>FY 2011 Year End Projections</u>	<u>Variance</u>
Total Revenues	\$41,486,600	\$14,853,238	\$40,996,770	(\$489,830)
Total Expenditures	\$40,909,156	\$15,343,974	\$40,836,650	\$72,506
Net Gain/(Loss):	\$577,444	N/A	\$160,120	(\$417,324)

FY 2011 REVENUES				
<u>Revenues</u>	<u>FY 2011 Adopted Budget</u>	<u>FY 2011 Year-to-date Totals</u>	<u>FY 2011 Year End Projections</u>	<u>Variance</u>
Tip Fee Revenues	\$30,177,400	\$11,920,300	\$29,443,600	(\$733,800)
Commodity Sales Revenues	\$10,788,200	\$2,648,180	\$10,933,694	\$145,494
Interest Income	\$200,900	\$91,582	\$223,600	\$22,700
HHW and Other Revenue	\$320,100	\$193,176	\$395,876	\$75,776
Total Revenues:	\$41,486,600	\$14,853,238	\$40,996,770	(\$489,830)

FY 2011 EXPENDITURES				
<u>Expenditures</u>	<u>FY 2011 Adopted Budget*</u>	<u>FY 2011 Year-to-date Totals</u>	<u>FY 2011 Year End Projections</u>	<u>Variance</u>
Administrative Expenses	\$1,628,750	\$765,770	\$1,617,850	\$10,900
Contract Compliance & Support	\$1,200,00	\$438,443	\$1,158,000	\$42,000
Recycling & AB 939 Compliance	\$949,000	\$240,701	\$788,000	\$161,000
Collection Operations	\$360,100	\$157,850	\$397,000	(\$36,900)
Total SBWMA Expenses:	\$4,137,850	\$1,602,764	\$3,960,850	\$177,000
Shoreway Operations**:	\$36,771,306	\$13,741,211	\$36,875,800	(\$104,494)
Total Expenses:	\$40,909,156	\$15,343,974	\$40,836,650	\$72,506
*Exclusive of capital project expenses				
** See breakout of expenses on the next page				

FY 2011 EXPENDITURE DETAIL FOR SHOREWAY OPERATIONS

<u>Expenditures</u>	<u>FY 2011 Adopted Budget</u>	<u>FY 2011 Year-to-date Totals</u>	<u>FY 2011 Year End Projections</u>	<u>Variance</u>
Allied Operating Contract	\$13,976,000	\$10,921,374	\$13,899,000	(77,000)
SBR Compensation	\$7,813,000	\$0	\$7,497,400	(315,600)
Disposal and Processing	\$6,642,700	\$0	\$6,363,900	(\$278,800)
Interim Offsite MRF Processing (Smurfit)	\$3,543,900	\$1,643,928	\$4,370,500	\$826,600
Insurance Shoreway	\$120,000	(43)	\$120,000	0
Shoreway Interim Ops.	\$15,806	\$0	\$0	(\$15,806)
Debt Service Bond Interest	\$3,177,900	\$579,644	\$3,177,900	0
Taxes (Sewer)	\$45,000	\$38,893	\$45,000	0
Franchise Fee (San Carlos)	\$1,437,000	\$557,415	\$1,402,100	(\$34,900)
Total Shoreway Operations:	\$36,771,306	\$13,741,211	\$36,875,800	(\$104,494)

The Allied Operating Contract expense includes the SBWMA paying off half or \$671,000 of the 2009 Balancing Account total amount owed to Allied of \$1,342,723 per the HF&H Consultants Operations Rate Report; the remaining portion of the 2009 balancing account will be paid off in the first half (i.e., July-December) of FY 2012. These payments will be made quarterly to Allied Waste.

None of the 2010 estimated Allied Waste Balancing Account of \$871,555 is included in FY2011 expense since the final amount is unknown and payment will begin after the final amount is approved by the Board in September 2011. As part of adoption of the FY2012 budget, staff will make a recommendation on the repayment schedule for the 2010 Allied Waste balancing account; it is likely to be a quarterly repayment schedule starting in the 2nd quarter of FY 2012.

Attachments:

Attachment 1 – FY2011 Mid Year Projections

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
REVENUE SUMMARY**

FY 2011 APPROVED BUDGET

REVENUES BY MAJOR CATEGORY					
REVENUE SUMMARY	APPROVED FY 2010-2011	Revenue YTD 12/2010	Mid Year Proj. FY 2010-2011	Variance	Notes
ADMINISTRATIVE REVENUES					
409100 INVESTMENT INCOME	200,900	91,582	223,600	22,700	
409101 INVESTMENT (GASB 31) MARKET VALUE ADJ					
409200 INTEREST INCOME					
TOTAL ADMINISTRATIVE	200,900	91,582	223,600	22,700	
OPERATIONS					
480007 TIPPING FEES	30,177,400	11,920,300	29,443,600	(733,800)	Lower SW Franchise Tip Fees vs. Budget (\$283k); lower tons
480023 COMMODITY SALES	10,788,200	2,648,180	10,933,694	145,494	w/ October '10 actual deduction (NA for FY2011)
480024 COMMODITY REVENUE SHARE - NEW OX MOUNTAIN				-	
480031 HHW DOOR TO DOOR COLLECTION SERVICE - NEW	320,100	166,300	357,000	36,900	incl: SC, Hills, Bel, CSM, MP, EPA, WB
				-	
480008 MISCELLANEOUS REVENUE		26,876	38,876	38,876	Difference between RSMC & Allied on Comm. Outreach Dept.
TOTAL OPERATIONS	41,285,700	14,761,656	40,773,170	(512,530)	
TOTAL OPERATING REVENUES	41,486,600	14,853,238	40,996,770	(489,830)	
MISCELLANEOUS - EQPT AUCTION					
TOTAL REVENUE	41,486,600	14,853,238	40,996,770	(489,830)	
NET OPERATING INCOME / <LOSS>	577,444		160,120	(417,324)	
PROGRAM SPECIFIC BUDGET					
SHOREWAY REMEDIATION MONITORING - NEW	250,000				Funds from Allied Settlement of \$1.5M FY10
	(250,000)				Estimated Environmental Costs for FY11
TOTAL PROGRAM SPECIFIC BUDGET	-				

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY							
EXPENDITURE SUMMARY			APPROVED FY 2010-2011	Spent to Date FY 2010-2011	Mid Year Proj. FY 2010-2011	Variance	Notes
ADMINISTRATIVE EXPENSES							
520305	520305	ADMINISTRATIVE STAFF	592,600	280,258	585,200	(7,400)	New hire declined medical benefit coverage
520306	520306	AB 939 PROGRAM STAFF	586,900	276,356	599,900	13,000	Unbudgeted PERS benefits added
520328	520328	EMPLOYEE RECRUITMENT/HR SUPPORT	5,000	1,438	5,000	-	
520337	520337	PEO COST (HR & PR FEES)	20,100	14,053	18,600	(1,500)	Reduced LGS fees
520312	520312	BOARD COUNSEL	60,000	11,623	45,000	(15,000)	
520300	520300	BOARD MEETINGS & RECORDINGS	6,000	1,286	5,000	(1,000)	Reduced Millbrae TV fees
520310	520310	ACCOUNTING SERVICES	110,000	50,000	110,000	-	
520334	520334	INFORMATION SYSTEMS	27,000	20,822	32,000	5,000	IT Upgrades (new server)
520338	520338	WEBSITE	10,100	7,582	10,100	-	
520301	520301	ANNUAL AUDIT	15,000	5,683	15,000	-	
520701	520701	INSURANCE	35,000	19,237	35,000	-	
520202	520202	BANK FEES	12,000	4,452	12,000	-	
520203	520203	RENT	50,000	23,722	50,000	-	
520204	520204	PRINTING AND POSTAGE	200	89	200	-	
520107	520107	UTILITIES & PHONE	18,000	6,589	18,000	-	
520905	520905	OFFICE/TENANT IMPROVEMENTS	3,000	2,876	3,000	-	
520201	520201	OFFICE SUPPLIES	18,000	12,338	18,000	-	
520215	520215	OFFICE EQUIPMENT COSTS	17,000	6,464	18,500	1,500	Increase in Ricoh copier lease
520504	520504	PUBLICATIONS & PUBLIC NOTICES	2,000	2,088	2,000	-	
520501	520501	PROFESSIONAL DUES & MEMBERSHIPS	2,000	110	2,000	-	
520801	520801	VEHICLE MILEAGE & TOLLS	350	111	350	-	
520105	520105	CELL PHONES	6,000	2,845	5,500	(500)	
520503	520503	CONFERENCE & MEETINGS	12,000	6,487	11,000	(1,000)	
520502	520502	TRAINING	5,000	1,263	4,000	(1,000)	
520511	520511	SPONSORSHIPS & DONATIONS	12,500	5,000	9,500	(3,000)	
522706	522706	COMPUTER PURCHASE	3,000	3,000	3,000	-	
TOTAL ADMINISTRATIVE			\$ 1,628,750	\$ 765,770	\$ 1,617,850	\$ (10,900)	
CONTRACT COMPLIANCE AND SUPPORT							
RATES							
520307	520307	RATE REVIEW	180,000	130,603	170,000	(10,000)	
TOTAL RATE REVIEW			180,000	130,603	170,000	(10,000)	
CONTRACTOR							
520308	520308	FACILITY IMPROVEMENT OVERSIGHT	40,000	10,913	35,000	(5,000)	David Langer
520309	520309	BUSINESS CONSULTANT/HF&H	-	-	-	-	
520309	520309	HCM01 CONTRACT MANAGEMENT SUPPORT	15,000	600	5,000	(10,000)	
520309	520309	HCN01 CONTRACT NEGOTIATIONS/LEGAL REVIEW	15,000	-	10,000	(5,000)	
520309	520309	HCS02 COLLECTION SERVICES RFP & IMPLEMENTATION	150,000	63,905	140,000	(10,000)	
520309	520309	HCS03 COLLECTION SERVICES PUBLIC EDUCATION FOR ROLLOUT	675,000	220,820	650,000	(25,000)	
520309	520309	HCS1B FACILITY RFP & IMPLEMENTATION	40,000	-	27,000	(13,000)	Joe Sloan Iris: For Q1 and Q2 budget amounts: Semiannual Groundwater Monitoring \$16,000, Administration Building Indoor Air Evaluation \$60,000, Other/Agency required response \$10,000.
520309	520309	HSHOR SHOREWAY REMEDIATION LEGAL & TECHNICAL	40,000	11,602	86,000	46,000	
520329	520329	ANNUAL ALLIED PERFORMANCE HEARING	-	-	-	-	
520336	520336	QUARTERLY LOAD CONTAMINATION MONITORING -- NEW	45,000	-	35,000	(10,000)	
TOTAL CONTRACTOR			1,020,000	307,839	988,000	(32,000)	
TOTAL CONTRACT COMPLIANCE & SUPPORT			\$ 1,200,000	\$ 438,443	\$ 1,158,000	\$ (42,000)	

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY						
EXPENDITURE SUMMARY	APPROVED	Spent to Date	Mid Year Proj.	Variance	Notes	
	FY 2010-2011	FY 2010-2011	FY 2010-2011			
RECYCLING - AB939 COMPLIANCE						
RECYCLING ADMINISTRATION						
520311 520311 CIWMB ANNUAL REPORTS	25,000	15,000	50,000	25,000	Increased \$25,000 for 2010 Annual Reports; work to commence this FY (prior budgeted amount is for review of 2009 Annual Reports).	
520341 520341 SBWMA ANNUAL REPORT	5,000	-	5,000	-		
520309 520309 HDV01 DIVERSION PROGRAM SUPPORT	10,000	-	5,000	(5,000)		
520604 520604 EVENT GIVEAWAYS	15,000	14,500	15,000	-		
TOTAL RECYCLING ADMINISTRATION	55,000	29,500	75,000	20,000		
LONG RANGE PLAN/DIVERSION PROGRAMS						
520340 520340 LONG RANGE PLAN UPDATE	20,000	418	7,500	(12,500)		
520340 520340 OPRFP ORGANICS PROCESSING -RFP	7,500	1,746	2,500	(5,000)		
520340 520340 MPOTR MASTER PLAN OUTREACH	25,000	4,155	25,000	-		
520344 520344 SOLAR SYSTEM ENGINEERING AND EVALUATION -- NEW	25,000	5,682	20,000	(5,000)		
TOTAL LONG RANGE PLAN/DIVERSION PROGRAMS	77,500	17,683	55,000	(22,500)		
COMMERCIAL PROGRAMS						
520331 520331 LARGE EVENT/VENUE CONSULTING	20,000	1,469	20,000	-		
520342 520342 LARGE EVENT/VENUE RECYCLING SERVICES	25,000	7,099	15,000	(10,000)		
520608 520608 CLIMATE CHANGE POLICY OPTIONS	10,000	850	5,000	(5,000)		
520604 520604 COE01 COMMERCIAL RECYCLING TECHNICAL ASSIST	315,000	26,205	225,000	(90,000)	CF: Reduced \$75,000 for mandatory comm recycling ordinance work that won't be pursued.	
520604 520604 CDRCY C&D RECYCLING PROGRAM	55,000	-	30,000	(25,000)	CF: Reduced \$15,000 to focus only on facility certifications.	
520604 520604 GREEN GREEN BUSINESS PROGRAM	10,000	344	5,000	(5,000)		
520604 520604 MF001 MULTI-FAMILY OUTREACH	20,000	1,835	20,000	-		
TOTAL COMMERCIAL PROGRAMS	455,000	37,802	320,000	(135,000)		
RESIDENTIAL PROGRAMS						
520604 520604 QLN01 QUARTERLY NEWLESTTER DESIGN/SETUP	10,000	2,783	10,000	-		
520604 520604 QNLPM QUARTERLY NEWLESTTER PRINTING/MAILING	205,000	129,111	230,000	25,000	Higher postage due to direct mailing SM newsletters	
520604 520604 RES01 RESIDENTIAL OUTREACH PROGRAMS	31,000	-	20,000	(11,000)		
520604 520604 COMPS COMPOST GIVEAWAY	10,000	989	6,000	(4,000)		
520604 520604 HHWUW HHW DOOR TO DOOR COLLECTION OUTREACH	90,000	22,123	60,000	(30,000)		
520335 520335 CURBSIDE HOUSEHOLD BATTERY OUTREACH	8,000	-	8,000	-		
520604 520604 ECE01 ELECTRONIC COLLECTIONS EVENTS	7,500	711	4,000	(3,500)		
TOTAL RESIDENTIAL PROGRAMS	361,500	155,717	338,000	(23,500)		
TOTAL RECYCLING - AB939 COMPLIANCE	\$ 949,000	\$ 240,701	\$ 788,000	\$ (161,000)		
SUBTOTAL SBWMA PROGRAM BUDGET	\$ 3,777,750	\$ 1,444,914	\$ 3,563,850	\$ (213,900)		

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY						
EXPENDITURE SUMMARY	APPROVED FY 2010-2011	Spent to Date FY 2010-2011	Mid Year Proj. FY 2010-2011	Variance	Notes	
COLLECTION OPERATIONS - NEW				-	incl: SC, Hills, Bel, CSM, MP, EPA, WB	
522710 522710 HHW DOOR TO DOOR COLLECTION SERVICES -- NEW	320,100	133,137	357,000	36,900		
520711 520711 CURBSIDE HOUSEHOLD BATTERY RECYCLING SERVICES -- NEW	40,000	24,713	40,000	-		
TOTAL COLLECTION OPERATIONS	360,100	157,850	397,000	36,900		
TOTAL SBWMA PROGRAM BUDGET	\$ 4,137,850	\$ 1,602,764	\$ 3,960,850	\$ (177,000)		
SHOREWAY OPERATIONS					SBR trailer rental & Hatcher Press Parking moved to MP capital.	
522701 522701 OPERATING CONTRACT - ALLIED	13,976,000	10,921,374	13,899,000	(77,000)		
522712 522712 OPERATOR COMPENSATION - SBR -- NEW	7,813,000	-	7,497,400	(315,600)		
522713 522713 DISPOSAL & PROCESSING COSTS -- NEW	6,642,700	-	6,363,900	(278,800)		
522708 522708 INTERIM OFFSITE MRF OPERATIONS	3,543,900	1,643,928	4,370,500	826,600		
520710 520710 INSURANCE SHOREWAY	120,000	(43)	120,000	-		
522714 522714 SHOREWAY FACILITY COST - NEW	15,806	-	-	(15,806)		
521104 521104 DEBT SERVICE BOND INTEREST	3,177,900	579,644	3,177,900	-		
521117 521117 AMORTIZATION OF BOND ISSUANCE				-		
521118 521118 Revenue Bond Arbitrage				-		
520320 520320 BOND REFINANCING	-			-		
520324 520324 TAXES (SEWER)	45,000	38,893	45,000	-		
522702 522702 FRANCHISE FEE	1,437,000	557,415	1,402,100	(34,900)		
520327 520327 ARBITRAGE FEES				-		
TOTAL SHOREWAY OPERATIONS	\$ 36,771,306	13,741,210	36,875,800	104,494		
TOTAL OPERATING EXPENSES	\$ 40,909,156	\$ 15,343,974	\$ 40,836,650	\$ (72,506)		



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Marshall Moran, Finance Manager
Date: January 27, 2011 Board of Director's Meeting
Subject: Discussion on Third Party (i.e., Non-Franchise) Pricing Approach for New MRF Tonnage

Recommendation

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

Analysis

Typical Pricing Approaches

Staff has prepared a market based pricing model as shown in **Attachment 1** for consideration and review by the Board. There are two primary pricing models or approaches used in the municipal recycling industry for single stream tons received at a materials recovery facility (MRF) as follows:

- The MRF operator pays the customer a **fixed price per ton** (e.g., \$30/ton) typically subject to some contractual outs if there's a substantial change in commodity markets, and assuming the materials meet some quality specification (i.e., composition and contamination levels).
- The MRF operator pays an agreed upon revenue share (e.g., 75% to the customer and 25% for operator) on actual commodity revenues received or based on a formula tied to market indices and then nets out an agreed upon processing fee per ton (e.g., the SBWMA pays Smurfit \$90/ton for single stream materials delivered from Shoreway). This arrangement also usually has contractual outs related to inbound material quality. This is really more a **market based approach** and is basically our current contractual arrangement with Smurfit.

The fixed price model was more common when single stream programs started in the mid to late 1990s as municipal customers were looking for security to find a market outlet for their recyclables and price stability and predictability. As single stream programs have matured and customers have become more sophisticated there has been more use of a market based approach.

The market based approach offers more upside revenue potential for the customer as commodity prices rise as they are currently doing. There is also little downside risk if a fair rate is negotiated on the processing fee and if the MRF operator is willing to offer a floor price.

Another consideration for any customer (supplier of materials to a MRF) is freight costs; what does it cost them to deliver the materials to the MRF or have a third party transport the materials. Smurfit has a third party ship our tons to one of two MRFs they own in the Bay Area. Our model assumes the material is delivered by the customer to Shoreway.

The table below captures actual figures from our contractual arrangement with Smurfit.

Smurfit Single Stream *					
<u>/ ton</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Avg</u>
Revenue	\$ 167.86	\$ 175.69	\$ 183.37	\$ 194.38	\$ 180.33
MRF Fee	(\$90.00)	(\$90.00)	(\$90.00)	(\$90.00)	(\$90.00)
Net Revenue*	\$ 77.86	\$ 85.69	\$ 93.37	\$ 104.38	\$ 90.33
<i>* excludes freight</i>					
Net after freight	\$65.90	\$73.36	\$80.84	\$90.84	\$77.74

The revenue figures shown are calculated based on a contractually agreed upon formula using published indices (e.g., 100% of Yellow Sheet high price for Los Angeles export market for OCC). The MRF Fee is the agreed upon processing fee. And the net after freight reflects deducting freight costs.

Shoreway MRF Pricing Approach

The pricing model in Attachment 1 has many of the same components as the Smurfit Agreement such as a revenue share and MRF processing fee but also has some unique components as follows:

- Since we don't operate the MRF we need to negotiate a MRF fee with SBR as any tons brought into the facility would be processed on a second shift and which results in a cost structure somewhat different (e.g., time and a half for MRF sorter wages, allocated overhead, etc.) from what we pay SBR to process franchise single stream recyclables on a first shift. We have shown a price of \$71 per ton that we think is close to what a final MRF fee will be. This compares to the 2011 SBR net MRF fee of \$66.45 per ton (\$70.55 before estimated residue deduction).
- A SBWMA MRF fee of \$4/ton which is essentially meant to cover our administrative costs for managing third party customer arrangements.
- The revenue share to the customer of 70-80% is industry standard. The commodity value will be based on the actual blended value of commodities sold by SBR from the processed single stream materials, net of residue costs. Please note since we have an effective floor price (i.e., guaranteed commodity revenue floor) in our Operating Agreement with SBR we can also limit the downside risk for any customers supplying us materials.
- A small revenue share with SBR is included to further incentivize them to maximize the value (price) they sell commodities at.

All total, the above factors result in a net revenue per ton paid to the customer that needs to be cost competitive for them and net revenue to the SBWMA that makes financial sense. The highlighted/shaded figures in the Attachment 1 worksheet reflect the results of our pricing model using current market conditions over the past four months and assuming we receive 15,000 tons of new material from third party customers. Further details on various scenarios will be discussed at the Board meeting.

Background

On July 23, 2009 the Board approved the Shoreway Operations Agreement with SBR. SBR will take over Shoreway Operations from Allied Waste effective January 1, 2011. SBR's 2011 compensation to manage the Shoreway facility was approved by the Board on September 23, 2010. Section 5.03 of this Agreement requires SBWMA prior written approval of receipt of any new materials accepted into the Shoreway facility by SBR or affiliated companies from Recology or other large third party customers.

On October 28, 2010 the Board approved amendments to the Shoreway Operations Agreement with South Bay Recycling. These Amendments don't become effective unless or until at least eight Member Agencies also approve them; to date seven agencies have approved the Amendments. One of the Amendments is to Section 5.03 and would clarify that acceptance of third party tons into the Shoreway facility would require a written agreement including "pricing terms and conditions." This would also apply to the SBWMA sourcing new tons as a MRF processing fee would need to be agreed upon with SBR.

Fiscal Impact

There is no fiscal impact associated with this item as it is for discussion only. Potential future Board approval of receipt and processing of third party tons into the Shoreway MRF is expected to have positive financial benefits to the SBWMA.

Attachments:

Attachment 1 - Worksheet on Potential Pricing Model for Third Party MRF Tons

MRF Processing Costs/ton			Commodity Revenue Scenarios	Customer				SBWMA / SBR											
SBR MRF Fee	SBWMA MRF Fee	Total	Commodity Revenue/Ton*	Revenue Share %	Revenue Share \$/Ton	Process Cost/Ton	Net/Ton	Total	Revenue Share %	Revenue Share \$/Ton	Total Fee/Ton	Gross Revenue/Ton	Net /Ton	Annual Commodity Revenue (assume 15,000 tons)					
				%	\$/Ton				%	\$/Ton			Net	SBWMA / SBR	SBR Share @ 15% of 20%	SBWMA Net	SBWMA MRF Fee	SBWMA TOTAL REVENUE	
\$71.00	\$4.00	\$75.00	\$87.81	80.00%	\$70.25	-\$75.00	-\$4.75	-\$71,280	20.00%	\$17.56	\$75.00	\$92.56	\$17.56	\$263,430	3.00%	\$39,515	\$223,916	\$60,000	\$283,916
\$71.00	\$4.00	\$75.00	\$100.00	80.00%	\$80.00	-\$75.00	\$5.00	\$75,000	20.00%	\$20.00	\$75.00	\$95.00	\$20.00	\$300,000	3.00%	\$45,000	\$255,000	\$60,000	\$315,000
\$71.00	\$4.00	\$75.00	\$110.00	80.00%	\$88.00	-\$75.00	\$13.00	\$195,000	20.00%	\$22.00	\$75.00	\$97.00	\$22.00	\$330,000	3.30%	\$49,500	\$280,500	\$60,000	\$340,500
\$71.00	\$4.00	\$75.00	\$120.00	80.00%	\$96.00	-\$75.00	\$21.00	\$315,000	20.00%	\$24.00	\$75.00	\$99.00	\$24.00	\$360,000	3.60%	\$54,000	\$306,000	\$60,000	\$366,000
\$71.00	\$4.00	\$75.00	\$130.00	80.00%	\$104.00	-\$75.00	\$29.00	\$435,000	20.00%	\$26.00	\$75.00	\$101.00	\$26.00	\$390,000	3.90%	\$58,500	\$331,500	\$60,000	\$391,500
\$71.00	\$4.00	\$75.00	\$140.00	80.00%	\$112.00	-\$75.00	\$37.00	\$555,000	20.00%	\$28.00	\$75.00	\$103.00	\$28.00	\$420,000	4.20%	\$63,000	\$357,000	\$60,000	\$417,000
\$71.00	\$4.00	\$75.00	\$150.00	80.00%	\$120.00	-\$75.00	\$45.00	\$675,000	20.00%	\$30.00	\$75.00	\$105.00	\$30.00	\$450,000	4.50%	\$67,500	\$382,500	\$60,000	\$442,500
\$71.00	\$4.00	\$75.00	\$160.00	80.00%	\$128.00	-\$75.00	\$53.00	\$795,000	20.00%	\$32.00	\$75.00	\$107.00	\$32.00	\$480,000	4.80%	\$72,000	\$408,000	\$60,000	\$468,000
\$71.00	\$4.00	\$75.00	\$170.00	80.00%	\$136.00	-\$75.00	\$61.00	\$915,000	20.00%	\$34.00	\$75.00	\$109.00	\$34.00	\$510,000	5.10%	\$76,500	\$433,500	\$60,000	\$493,500
\$71.00	\$4.00	\$75.00	\$180.00	80.00%	\$144.00	-\$75.00	\$69.00	\$1,035,000	20.00%	\$36.00	\$75.00	\$111.00	\$36.00	\$540,000	5.40%	\$81,000	\$459,000	\$60,000	\$519,000
\$71.00	\$4.00	\$75.00	\$190.00	77.50%	\$147.25	-\$75.00	\$72.25	\$1,083,750	22.50%	\$42.75	\$75.00	\$117.75	\$42.75	\$641,250	6.41%	\$96,188	\$545,063	\$60,000	\$605,063
\$71.00	\$4.00	\$75.00	\$200.00	77.50%	\$155.00	-\$75.00	\$80.00	\$1,200,000	22.50%	\$45.00	\$75.00	\$120.00	\$45.00	\$675,000	6.75%	\$101,250	\$573,750	\$60,000	\$633,750
\$71.00	\$4.00	\$75.00	\$210.00	75.00%	\$157.50	-\$75.00	\$82.50	\$1,237,500	25.00%	\$52.50	\$75.00	\$127.50	\$52.50	\$787,500	7.88%	\$118,125	\$669,375	\$60,000	\$729,375
\$71.00	\$4.00	\$75.00	\$220.00	75.00%	\$165.00	-\$75.00	\$90.00	\$1,350,000	25.00%	\$55.00	\$75.00	\$130.00	\$55.00	\$825,000	8.25%	\$123,750	\$701,250	\$60,000	\$761,250
\$71.00	\$4.00	\$75.00	\$230.00	72.50%	\$166.75	-\$75.00	\$91.75	\$1,376,250	27.50%	\$63.25	\$75.00	\$138.25	\$63.25	\$948,750	9.49%	\$142,313	\$806,438	\$60,000	\$866,438
\$71.00	\$4.00	\$75.00	\$240.00	70.00%	\$168.00	-\$75.00	\$93.00	\$1,395,000	30.00%	\$72.00	\$75.00	\$147.00	\$72.00	\$1,080,000	10.80%	\$162,000	\$918,000	\$60,000	\$978,000
\$71.00	\$4.00	\$75.00	\$250.00	70.00%	\$175.00	-\$75.00	\$100.00	\$1,500,000	30.00%	\$75.00	\$75.00	\$150.00	\$75.00	\$1,125,000	11.25%	\$168,750	\$956,250	\$60,000	\$1,016,250

*SBR Operating Agreement effective floor price of \$6.5 mil/74,022 = \$87.81/ton