



NEW BUSINESS



## STAFF REPORT

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To: SBWMA Board Members  
From: Kevin McCarthy, Executive Director  
Marshall Moran, Finance Manager  
Date: February 25, 2010 Board of Director's Meeting  
Subject: Resolution Approving Mid-Year Budget Adjustments

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### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2010-07 attached hereto authorizing the following actions:

1. Transfers of \$3,796,281 from reserves to help offset a projected operating deficit of \$3,696,000 and provide a small contingency.
2. Adjustment in staffing levels to reflect the 0.8 FTE Administration Assistant position becoming a full-time position effective April 15, 2010.

### Analysis

On June 25, 2009 the South Bayside Waste Management Authority (SBWMA) Board of Directors adopted the FY 2010 Operating Budget. As part of the mid-year review, Staff has conducted a thorough analysis of year-to-date revenues and expenditures. Based on the projections detailed below, staff is recommending Board action to formally recognize the transfer of funds from the reserves that have already been implicitly approved in the bond proforma to address the operating deficit.

### *Proposed Adjustments to Budget*

As detailed under "Fiscal Impact" we are projecting a \$1,319,996 higher net loss due to significant Shoreway operating budget variances. These variances relate primarily to unbudgeted balancing account (compensation shortfall) payments to Allied for 2006 and 2008 totaling \$1,296,281 and an additional \$459,788 in 2000 bond debt interest payments. These variances are offset somewhat from higher revenues of \$353,499, lower interim operations (shipment and processing of MRF recyclables offsite by Smurfit) expenses of \$627,117, and \$188,561 in lower SBWMA program expenses.

The compensation shortfall payments in FY2009 are \$996,281 for 2006 and \$300,000 for 2008. The \$996,281 was budgeted as a cash flow adjustment to the reserve balance and not as a current operating expense which is where it is being recorded. The \$300,000 payment was revealed in the 2009 HF&H Rate Report and therefore not included previously in reserve balance forecasts.

The bond debt service higher expense is due to accrued interest and early redemption of the 2000 bonds. From a cash flow perspective, these funds came out of Bank of New York (trustee for bond proceeds) accounts and not the SBWMA operating account so this variance does not affect our reserve balances.

The \$3,796,281 transfer from reserves includes amounts previously presented to the Board: \$2,800,000 in working capital transfer from bond proceeds and the 2006 underpayment of \$996,281 as an adjustment to the reserve balance in the bond proforma. Because the bond proforma is on a calendar year and the operating budget is on a fiscal year, trying to relate the two is very difficult and the amounts will not match exactly.

### ***Staffing and Position Changes***

Two staffing changes are expected to be implemented effective March 1, 2010 with Cathy Hidalgo filling the vacant Recycling Coordinator position and Jeannene Minnix Kingston filling the Recycling Specialist/Board Secretary position currently filled by Cathy. These changes are within the discretion of the Executive Director. Staff is requesting an adjustment in staffing levels to reflect the 0.8 FTE Administration Assistant position becoming a full-time position effective April 15, 2010.

### **Fiscal Impact**

The mid-year projections reflect an operating deficit of \$3.696 million due to the Shoreway operating budget variances previously described; this projection is a \$1.319 million higher operating loss than budgeted. The adopted budget assumed use of working capital from bond proceeds to augment cash flow given projected operating deficits.

After the issuance of new debt in August 2009 \$2.8 million in working capital was transferred to the SBWMA's cash reserves along with reimbursement of internal funds previously used by the SBWMA for Shoreway masterplan improvements. The net result is the SBWMA has higher reserve balances than budgeted. At the March Board meeting staff will present further details on our bond proforma projections, including calendar year reserve balances and a reserve transfer for calendar year 2009.

The following tables represent FY 2010 revenues and expenditures, actual receipts and spending through December 31, 2009, and year-end projections.

| <b>FY 2010 NET INCOME</b> |                                       |   |  |                        |
|---------------------------|---------------------------------------|---|--|------------------------|
| <b><u>Revenues</u></b>    | <b><u>FY 2010 Adopted Budget*</u></b> | <b><u>FY 2010 Year-to-date Totals</u></b> | <b><u>FY 2010 Year End Projections</u></b> | <b><u>Variance</u></b> |
| Total Revenues            | \$36,719,300                          |   | \$37,072,799                               | \$353,499              |
| Total Expenditures        | \$39,095,109                          |   | \$40,768,604                               | (\$1,673,495)          |
| <b>Net Gain/(Loss)</b>    | <b>(\$2,375,809)</b>                  |   | <b>(\$3,695,805)</b>                       | <b>(\$1,319,996)</b>   |

Projected revenues are \$353,499 higher than budgeted due to modestly higher tip fee receipts, and commodity revenues. Also, we received a one-time gain of \$197,800 from the sale of the old MRF processing equipment.

| <b>FY 2010 REVENUES</b>          |                                       |   |  |                        |
|----------------------------------|---------------------------------------|---|--|------------------------|
| <b><u>Revenues</u></b>           | <b><u>FY 2010 Adopted Budget*</u></b> | <b><u>FY 2010 Year-to-date Totals</u></b> | <b><u>FY 2010 Year End Projections</u></b> | <b><u>Variance</u></b> |
| Tip Fee Revenues                 | \$27,937,300                          | \$13,206,182                              | \$28,045,328                               | \$108,028              |
| Commodity Sales Revenues         | \$8,661,500                           | \$4,273,061                               | \$8,735,841                                | \$74,341               |
| Interest Income & Other Revenues | \$120,500                             |   | \$93,830                                   | (\$26,670)             |
| Non-Operating Receipts**         |                                       |   | \$197,800                                  | \$197,800              |
| <b>Total Revenues:</b>           | <b>\$36,719,300</b>                   |   | <b>\$37,072,799</b>                        | <b>\$353,499</b>       |

\* Exclusive of non-operating receipts from new debt funding received in September 2009  
 \*\* Net revenue from the sale of the used MRF processing equipment.

FY 2010 expenditure projections are \$1,673,495 higher than budgeted due to Shoreway operating budget variances. Line item detail within the Shoreway operating budget is provided below.

The SBWMA program budget is \$188,561 lower than budgeted.

**FY 2010 EXPENDITURES**

| <u>Expenditures</u>           | <u>FY 2010 Adopted Budget*</u> | <u>FY 2010 Year-to-date Totals</u> | <u>FY 2010 Year End Projections</u> | <u>Variance</u>      |
|-------------------------------|--------------------------------|------------------------------------|-------------------------------------|----------------------|
| Administrative Expenses       | \$1,531,109                    | \$719,356                          | \$1,500,548                         | \$30,561             |
| Contract Compliance & Support | \$875,000                      | \$352,124                          | \$895,000                           | (\$20,000)           |
| Recycling & AB 939 Compliance | \$948,500                      | \$227,656                          | \$770,500                           | \$178,000            |
| <b>Total SBWMA Expenses</b>   | <b>\$3,354,609</b>             | <b>\$1,299,136</b>                 | <b>\$3,166,048</b>                  | <b>\$188,561</b>     |
| <b>Shoreway Operations**</b>  | <b>\$35,740,500</b>            |                                    | <b>\$37,602,518</b>                 | <b>(\$1,862,099)</b> |
| <b>Total Expenses:</b>        | <b>\$39,095,109</b>            |                                    | <b>\$40,768,604</b>                 | <b>(\$1,673,495)</b> |

\*Exclusive of capital project expenses  
 \*\* See breakout of expenses below

**FY 2010 EXPENDITURE DETAIL FOR SHOREWAY OPERATIONS**

| <u>Expenditures</u>                      | <u>FY 2010 Adopted Budget*</u> | <u>FY 2010 Year-to-date Totals</u> | <u>FY 2010 Year End Projections</u> | <u>Variance</u>    |
|--|--------------------------------|------------------------------------|-------------------------------------|--------------------|
| Operating Contract                       | \$27,553,700                   | \$15,483,955                       | \$29,513,600                        | (\$1,959,900)      |
| Interim Operations                       | \$5,160,800                    |                                    | \$4,533,700                         | \$627,100          |
| Insurance Shoreway                       | \$130,000                      |                                    | \$130,000                           | 0                  |
| Debt Service Bond Interest (old and new) | \$1,521,600                    |                                    | \$2,045,700                         | (\$524,100)        |
| Taxes (Property, Possessory Interest)    | \$44,000                       |                                    | \$44,000                            | 0                  |
| Franchise Fee                            | \$1,330,400                    |                                    | \$1,335,518                         | (\$5,118)          |
| <b>Total Shoreway Operations:</b>        | <b>\$35,740,500</b>            |                                    | <b>\$37,602,518</b>                 | <b>(1,862,018)</b> |

**Attachment:**

Budget Worksheets for Revenues and Expenditures  
 Resolution 2010-07

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
REVENUE SUMMARY**

**FY 2009 MID-YEAR PROJECTION**

**REVENUES BY MAJOR CATEGORY AND SOURCE**

| REVENUE SUMMARY   | APPROVED<br>FY 2009-2010 | YE PROJECTION<br>FY 2009-2010 |
|---|--------------------------|-------------------------------|
| <b>ADMINISTRATIVE REVENUES</b>  |                          |                               |
| 409100                    409100    INVESTMENT INCOME                     | 120,500                  | 93,830                        |
| 409101                    409101    INVESTMENT (GASB 31) MARKET VALUE ADJ |                          |                               |
| 409200                    409200    INTEREST INCOME                       |                          |                               |
| <b>TOTAL ADMINISTRATIVE</b>   | <b>120,500</b>           | <b>93,830</b>                 |
| <br><b>OPERATIONS</b>   |                          |                               |
| 480007                    480007    TIP FEE                               | 27,937,300               | 28,045,308                    |
| 480023                    480023    COMMODITY SALES                       | 8,661,500                | 8,735,841                     |
| 480008                    480008    MISCELLANEOUS REVENUE                 |                          |                               |
| 440110  |                          |                               |
| <b>TOTAL OPERATIONS</b>   | <b>36,598,800</b>        | <b>36,781,150</b>             |
| <br><b>TOTAL OPERATING REVENUES</b>                                       | <b>36,719,300</b>        | <b>36,874,980</b>             |
| <br><b>NON OPERATING REVENUE</b>  |                          | 197,800                       |
| 520509 MISCELLANEOUS - EQPT AUCTION                                       |                          | 197,800                       |
| <br><b>TOTAL REVENUES</b>   | <b>36,719,300</b>        | <b>37,072,780</b>             |

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
EXPENSE DETAIL BY PROGRAM**

**FY 2010 PROJECTION**

| <b>GENERAL OPERATING EXPENSES BY MAJOR CATEGORY AND SOURCE</b> |                                 |                     |                           |                                |
|--|---------------------------------|---------------------|---------------------------|--------------------------------|
|  |                                 | <b>APPROVED</b>     | <b>MID YEAR<br/>SPENT</b> | <b>YEAR END<br/>PROJECTION</b> |
| <b>EXPENDITURE SUMMARY</b>                                     |                                 | <b>FY 2009-2010</b> | <b>DEC 2009</b>           | <b>FY 2009-2010</b>            |
| <b>ADMINISTRATIVE EXPENSES</b>                                 |                                 |                     |                           |                                |
| 520305   | ADMINISTRATIVE STAFF            | 560,764             | 273,008                   | 563,200                        |
| 520306   | AB 939 PROGRAM STAFF            | 553,570             | 227,865                   | 488,600                        |
| 520328   | EMPLOYEE RECRUITMENT/HR SUPPORT | 8,000               | 3,163                     | 8,000                          |
| 520337   | PEO COST (LGS ADMIN FEES)       | 13,200              | 6,000                     | 11,250                         |
| 520312   | BOARD COUNSEL                   | 50,000              | 40,789                    | 75,000                         |
| 520300   | BOARD ADMINISTRATION            | 12,600              | 5,050                     | 12,600                         |
| 520310   | ACCOUNTING SERVICES             | 98,000              | 49,000                    | 108,000                        |
| 520334   | INFORMATION SYSTEMS             | 22,500              | 12,767                    | 22,500                         |
| 520338   | WEBSITE                         | 11,000              | 5,055                     | 11,000                         |
| 520301   | ANNUAL AUDIT                    | 10,300              | 2,400                     | 15,000                         |
| 520701   | INSURANCE                       | 22,000              | 30,223                    | 30,223                         |
| 520202   | BANK FEES                       | 12,000              | 4,375                     | 12,000                         |
| 520203   | RENT                            | 48,500              | 23,722                    | 48,500                         |
| 520204   | PRINTING AND POSTAGE            | 200                 | 77                        | 200                            |
| 520107   | UTILITIES                       | 17,000              | 6,681                     | 17,000                         |
| 520905   | OFFICE/TENANT IMPROVEMENTS      | 10,000              | 553                       | 7,000                          |
| 520201   | OFFICE SUPPLIES                 | 22,500              | 8,103                     | 17,000                         |
| 520215   | 'OFFICE EQUIPMENT COSTS__       | 12,600              | 5,957                     | 12,600                         |
| 520504   | PUBLICATIONS & PUBLIC NOTICES   | 2,000               | 940                       | 2,000                          |
| 520501   | PROFESSIONAL DUES & MEMBERSHIPS | 2,000               |                           | 2,000                          |
| 520801   | VEHICLE MILEAGE & TOLLS         | 500                 | 17                        | 500                            |
| 520105   | CELL PHONES                     | 5,000               | 2,569                     | 5,000                          |
| 520503   | CONFERENCE & MEETINGS           | 15,000              | 6,044                     | 12,000                         |
| 520502   | TRAINING                        | 4,375               |                           | 4,375                          |
| 520511   | SPONSORSHIPS & DONATIONS        | 12,500              | 5,000                     | 12,500                         |
| 522706   | COMPUTER PURCHASE               | 5,000               |                           | 2,500                          |
| <b>TOTAL ADMINISTRATIVE</b>                                    |                                 | <b>\$ 1,531,109</b> | <b>\$ 719,356</b>         | <b>\$ 1,500,548</b>            |

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
EXPENSE DETAIL BY PROGRAM**

**FY 2010 PROJECTION**

| <b>GENERAL OPERATING EXPENSES BY MAJOR CATEGORY AND SOURCE</b>          |                     |                       |                            |
|---|---------------------|-----------------------|----------------------------|
|   | <b>APPROVED</b>     | <b>MID YEAR SPENT</b> | <b>YEAR END PROJECTION</b> |
| <b>EXPENDITURE SUMMARY</b>  | <b>FY 2009-2010</b> | <b>DEC 2009</b>       | <b>FY 2009-2010</b>        |
| <b>CONTRACT COMPLIANCE AND SUPPORT</b>                                  |                     |                       |                            |
| 520307 RATE REVIEW  | 180,000             | 133,824               | 175,000                    |
|   | <b>180,000</b>      | <b>133,824</b>        | <b>175,000</b>             |
| 520308 SF017 FACILITY IMPROVEMENT OVERSIGHT                             | 75,000              | 37,142                | 75,000                     |
| 520309 BUSINESS CONSULTANT/HF&H   | 5,000               |                       | 5,000                      |
| 520309 HCM01 CONTRACT MANAGEMENT SUPPORT                                | 10,000              | 600                   | 10,000                     |
| 520309 HCN01 CONTRACT NEGOTIATIONS/LEGAL REVIEW                         | 30,000              | 50,414                | 60,000                     |
| 520309 HCS02 COLLECTION RFP RESPONSE REVIEW & ANALYSIS & IMPLEMENTATION | 65,000              | 8,847                 | 65,000                     |
| 520309 HCS03 COLLECTION SERVICES PUBLIC EDUCATION FOR ROLLOUT           | 450,000             | 83,355                | 450,000                    |
| 520309 HCS1B FACILITY RFP RESPONSE REVIEW & ANALYSIS & IMPLEMENTATION   | 25,000              | 21,250                | 25,000                     |
| 520309 HSHOR SHOREWAY INVESTIGATIONS                                    | 30,000              | 16,691                | 30,000                     |
| 520329 ANNUAL ALLIED PERFORMANCE HEARING                                | 5,000               |                       | -                          |
|   | <b>695,000</b>      | <b>218,300</b>        | <b>720,000</b>             |
| <b>TOTAL CONTRACT COMPLIANCE &amp; SUPPORT</b>                          | <b>\$ 875,000</b>   | <b>\$ 352,124</b>     | <b>\$ 895,000</b>          |

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
EXPENSE DETAIL BY PROGRAM**

**FY 2010 PROJECTION**

| <b>GENERAL OPERATING EXPENSES BY MAJOR CATEGORY AND SOURCE</b> |  |                     |                           |                                |
|--|--|---------------------|---------------------------|--------------------------------|
|  |  | <b>APPROVED</b>     | <b>MID YEAR<br/>SPENT</b> | <b>YEAR END<br/>PROJECTION</b> |
| <b>EXPENDITURE SUMMARY</b>                                     |  | <b>FY 2009-2010</b> | <b>DEC 2009</b>           | <b>FY 2009-2010</b>            |
| <b>RECYCLING - AB939 COMPLIANCE</b>                            |  |                     |                           |                                |
| 520311   | CIWMB ANNUAL REPORTS                         | 25,000              | 19,927                    | 25,000                         |
| 520341   | SBWMA ANNUAL REPORT (NEW)                    | 7,500               |                           | 7,500                          |
| 520309 HDV01   | DIVERSION PROGRAM SUPPORT                    | 20,000              |                           | 20,000                         |
| 520604 EVG01   | EVENT GIVEAWAYS                              | 15,000              |                           | 10,000                         |
|  |  | <b>67,500</b>       | <b>19,927</b>             | <b>62,500</b>                  |
| 520340 LRP01   | LONG RANGE PLAN UPDATE                       | 45,000              | 4,343                     | 35,000                         |
| 520340 OPRFP   | ORGANICS PROCESSING RFP                      | 20,000              | 2,124                     | 20,000                         |
| 520340 MPOTR   | MASTER PLAN OUTREACH                         | 30,000              | 9,993                     | 25,000                         |
|  |  | <b>95,000</b>       | <b>16,460</b>             | <b>80,000</b>                  |
| 520331   | LARGE EVENT/VENUE CONSULTING                 | 25,000              | 4,590                     | 20,000                         |
| 520342   | LARGE EVENT/VENUE RECYCLING SERVICES (NEW)   | 60,000              | 1,092                     | 50,000                         |
| 520608   | CLIMATE CHANGE POLICY OPTIONS                | 20,000              | 1,281                     | 10,000                         |
| 520604 COE01   | COMMERCIAL RECYCLING TECHNICAL ASSIST        | 180,000             | 36,439                    | 125,000                        |
| 520604 CDRCY   | C&D RECYCLING PROGRAM (NEW)                  | 22,000              | 706                       | 5,000                          |
| 520604 GREEN   | GREEN BUSINESS PROGRAM (NEW)                 | 15,000              | 1,563                     | 10,000                         |
| 520604 MF001   | MULTI-FAMILY OUTREACH                        | 30,000              |                           | 10,000                         |
|  |  | <b>352,000</b>      | <b>45,671</b>             | <b>230,000</b>                 |
| 520604 QNL01   | QUARTERLY NEWLESTTER DESIGN/SETUP            | 40,000              | 17,276                    | 40,000                         |
| 520604 QNLPM   | QUARTERLY NEWLESTTER PRINTING/MAILING        | 150,000             | 73,334                    | 150,000                        |
| 520604 RES01   | RESIDENTIAL OUTREACH PROGRAMS                | 36,000              | 13,636                    | 20,000                         |
| 520604 COMPS   | COMPOST GIVEAWAY (NEW)                       | 20,000              | 312                       | 5,000                          |
| 520604 HHWYW   | HHW/U-WASTE ON-CALL COLLECTION PROGRAM (NEW) | 125,000             | 7,088                     | 125,000                        |
| 520335   | CURBSIDE HOUSEHOLD BATTERY COLLECTION        | 48,000              | 27,157.80                 | 48,000                         |
| 520604 ECE01   | ELECTRONIC COLLECTIONS EVENTS                | 15,000              | 6,796                     | 10,000                         |
|  |  | <b>434,000</b>      | <b>145,598</b>            | <b>398,000</b>                 |
| <b>TOTAL RECYCLING - AB939 COMPLIANCE</b>                      |  | <b>\$ 948,500</b>   | <b>\$ 227,656</b>         | <b>\$ 770,500</b>              |
|  |  | <b>\$ 3,354,609</b> | <b>\$ 1,299,136</b>       | <b>\$ 3,166,048</b>            |



**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
EXPENSE DETAIL BY PROGRAM**

**FY 2010 PROJECTION**

| <b>GENERAL OPERATING EXPENSES BY MAJOR CATEGORY AND SOURCE</b> |                                      |                      |                           |                                |
|--|--------------------------------------|----------------------|---------------------------|--------------------------------|
|  |                                      | <b>APPROVED</b>      | <b>MID YEAR<br/>SPENT</b> | <b>YEAR END<br/>PROJECTION</b> |
| <b>EXPENDITURE SUMMARY</b>                                     |                                      | <b>FY 2009-2010</b>  | <b>DEC 2009</b>           | <b>FY 2009-2010</b>            |
| <b>SHOREWAY OPERATIONS</b>                                     |                                      |                      |                           |                                |
| 522701   | OPERATING CONTRACT                   | 27,553,700           | 15,484,000                | 29,513,600                     |
| 522708   | INTERIM OPERATIONS                   | 5,160,800            | 1,912,860                 | 4,533,700                      |
| 520710   | INSURANCE SHOREWAY (March 1 Renewal) | 130,000              |                           | 130,000                        |
| 521104   | DEBT SERVICE BOND INTEREST           | 1,521,600            | 459,787                   | 2,045,700                      |
| 520324   | SEWER FEES ON PROPERTY TAX BILL      | 44,000               | 17,296                    | 44,000                         |
| 522702   | FRANCHISE FEE                        | 1,330,400            | 651,846                   | 1,335,518                      |
| <b>TOTAL SHOREWAY OPERATIONS</b>                               |                                      | <b>\$ 35,740,500</b> | <b>\$ 18,525,789</b>      | <b>\$ 37,602,518</b>           |
| <b>TOTAL OPERATING EXPENSES</b>                                |                                      | <b>\$ 39,095,109</b> | <b>\$ 19,824,926</b>      | <b>\$ 40,768,566</b>           |



## RESOLUTION NO. 2010-07

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING MID YEAR BUDGET ADJUSTMENTS FISCAL YEAR 2009/2010

**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**, by the Board of Directors of the South Bayside Waste Management Authority that Board approves the adjustments to the fiscal year 2009/2010 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 this 25<sup>h</sup> day of February, 2010, 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. 2010-07 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on February 25, 2010.

ATTEST:

\_\_\_\_\_  
Jim Porter, Chairperson of SBWMA

\_\_\_\_\_  
Cathy Hidalgo, Board Secretary