



NEW BUSINESS



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Marshall Moran, Finance Manager
Date: May 26, 2011 Board of Director's Meeting
Subject: Review of Draft FY 2012 Budget

Recommendation

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors. Based on Board feedback a final budget will be brought back to the June 23rd Board meeting for consideration.

Analysis

Attached you will find a Budget Message providing an overview of the proposed FY 2012 budget (including revenues, expenditures, staffing, and program priorities). The actual proposed FY 2012 budget is **Attachment A** to the Budget Message. The proposed 5-year capital budget is not included in this draft budget. The capital budget and cash reserve balances will be included in the final budget documents.

Our financial results are expected to be substantially improved in FY 2012 as compared to FY 2011 for several reasons as follows:

- Continued higher than expected commodity revenues due to pricing.
- Lower Shoreway operating expenses with the new Operations Agreement starting January 1, 2011; expenses are 10.6% lower as compared to our mid year projections for FY 2011.
- Completion of masterplan construction activities resulting in the cessation of interim operations, notably the offsite processing of recyclables.
- Lower SBWMA program expenses due to the elimination of one-time expenses (e.g., the public education outreach campaign for the rollout of new collection services); expenses are 11.6% lower as compared to our mid year projections for FY 2011.

The proposed budget does not include any recommended changes to budget policy, or a net change in headcount, though there are proposed changes in staffing. We are proposing to combine two hourly administrative positions, thus eliminating one FTE, and create one new salaried position to manage the Shoreway education center and tour program; the net effect is no change to total headcount of eight. **Attachment B** to the Budget Message provides a breakout on current staffing and budget assumptions related to salary and benefits. Salary expenses will be discussed in closed session.

Fiscal Impact

The FY 2012 proposed operating budget includes revenues of \$40,181,200 and operating expenses of \$36,571,050 resulting in an operating surplus of \$3,610,150. This compares to a projected net operating income in FY 2011 of \$270,695. The major explanations for the \$3,339,455 improvement are:

- Lower Shoreway operating expense of \$3,927,984; this is net after payments for the Allied balancing account of \$1,109,500 for half of final 2009 and half of estimated 2010.

- Lower SBWMA program budget of \$331,800

The improvements above are partially offset by:

- Lower revenue of \$880,329

For additional financial overview information, please refer to the attached Budget Message and/or the various summary sections in the attached proposed budget document.

Attachments:

- A. Budget Message (includes attachments for the Proposed FY 2012 Budget, Personnel Summary, and Organization Chart).



May 20, 2011

SBWMA Board of Directors
South Bayside Waste Management Authority

Dear Chair and Members of the Board:

I am pleased to present for your consideration the proposed fiscal year (FY) 2012 Operating Budget (see **Attachment A**) for the South Bayside Waste Management Authority (SBWMA). The operating budget includes revenues and expenditures, including the SBWMA program budget and the Shoreway operating budget. The proposed 5-year capital budget and cash reserve balances will be included in the final budget documents for consideration at the June 23rd Board meeting.

This budget document addresses key agency priorities and reflects our vision as detailed in our Strategic Plan approved on March 27, 2008. This budget reflects the culmination of the five plus year contractor selection process for rollout of new franchised collection services and new Shoreway operations, and final completion of the Shoreway master planning process initiated in 2006. Notably, with completion of the Shoreway facility masterplan improvements we will now begin to realize the projected cost savings anticipated when the Board approved the sale of bonds in the summer of 2009. Shoreway operating expenses will be further reduced in FY 2013 as we will only have half of the 2010 Allied balancing to pay off.

As in the past four budgets developed during my tenure, all budget line items have been built from the bottom up; we zero out each line item and rebuild the detail. This approach allows for a more thorough analysis of budget priorities and helps avoid any unnecessary cost inflationary pressures year over year. We also are able to modulate up or down the consultant support we need each year for major projects such as supporting the rollout of new collection services and the switch-over to a new Shoreway facility operator.

Attachment B provides a breakout on current staffing, and budget assumptions related to salary and benefits.

Key Priorities

The proposed budget funds the following key priorities:

- Continued oversight and contract administration support for the twelve collection services franchise agreements with Recology San Mateo County (RSMC).
- Continued oversight of the South Bay Recycling (SBR) Shoreway operations.
- Management of the Shoreway masterplan construction activities with key milestones including completion of the Transfer Station expansion, installation of residue conveyor between the MRF and Transfer Station buildings, Shoreway education center, solar panel installation on the MRF building, facility parking, landscaping and signage, and public demonstration areas in front of the Transfer Station.
- Management of the annual rate setting process, including review of the 2012 RSMC and SBR rate applications, review of the Allied Waste 2010 rate closeout applications, and completion of final rate reports (Allied for 2010, RSMC, SBR and consolidated report) for 2012.
- Support of existing recycling programs, notably ongoing residential public outreach; launch of a commercial recycling outreach campaign; seasonal events such as e-waste collection, venue and events recycling support, and compost give-away days; and oversight of the HHW door to door collection services for eight Member Agencies.

- Management of all ongoing capital repairs at Shoreway.
- Oversight of Shoreway remediation activities.
- Assessment of alternatives to upgrade the Shoreway fueling system.
- Evaluation of additional diversion opportunities in the Transfer Station.

FY 2012 BUDGET HIGHLIGHTS (Revenues and Expenditures)

The table below summarizes key FY 2012 Budget highlights. A discussion on revenues and expenditures is provided later in this document.

FY 2012 OPERATING BUDGET HIGHLIGHTS

Overall Revenues Totaling \$40.18 million

- **\$29.03 million** from Shoreway tipping fees, assumes tipping fee increases on Jan. 1st per the schedule shown on p. 6.
- **\$10.57 million** from Shoreway net commodity revenues (**\$11.796 in gross revenue minus \$1.23 million in commodity revenue share with SBR**).
- **\$0.47 million** in dedicated revenue sources (i.e., HHW program fees and e-recycling revenue).
- **\$0.11 million** in investment income.

Shoreway Expenditures Totaling \$33.02 million

- Shoreway Operating Budget consisting of **\$13.57 million** for SBR compensation, **\$12.1 million** for disposal costs, **\$3.18 million** for debt service bond interest, **\$1.38 million** for franchise fees to San Carlos, **\$1.1 million** for payments to buyback customers (previously included in Allied Waste pass through costs), **\$1.1 million** for Allied Waste balancing account payments, **\$0.31 million** for other operating expenses, and **\$0.29 million** for insurance expenses.

SBWMA Expenditures (program budget) Totaling \$3.56 million

- **Administrative Expenses (\$1.61 million, 45% of SBWMA program budget)**
 - No change in net headcount. Eliminating one position and adding one new position.
 - \$2,900 decrease in expenses compared to FY 2011.
- **Contract Compliance and Consultant Support (\$0.365 million, 10% of SBWMA program budget)**
 - Substantial reduction in consultant's rate review expense from \$180,000 in FY2011 to \$25,000 in FY2012 due to completion of Allied Waste closeout rate work and new contracts' rate review to be done in-house.
 - \$165,000 for auditing of new customer service systems, billing, and reports and related contract compliance support for Member Agencies.
 - \$120,000 for quarterly load contamination monitoring per the franchise agreements.
- **Recycling (diversion) Programs and Long Range Planning (\$1.11 million, 31% of SBWMA program budget)**
 - \$300,000 for commercial recycling technical assistance.
 - \$250,000 for quarterly newsletter design, set-up and distribution.
 - \$166,000 for residential outreach programs.
 - \$100,000 for outreach to support current HHW door to door collection programs.
 - \$55,000 for supporting enhancement of Member Agency C&D ordinances.
 - \$50,000 for long range plan alternative analysis, including transfer station waste composition study and mixed waste processing options.
- **Collection Operations (\$0.47 million, 13% of SBWMA program budget)**
 - \$408,600 for HHW door to door collection services fees for existing programs (see offsetting revenue account).
 - \$60,000 for curbside household battery recycling services.

FY 2011 FINANCIAL PERFORMANCE

Based on the Board approved mid-year financial projections we expect our financial performance in FY 2011 to be as follows:

Revenues:	\$41,061,529
Expenditures:	<u>\$40,790,834</u>
Operating Surplus/(Deficit)	<u>\$270,695</u>

FISCAL YEAR 2012 BUDGET OVERVIEW

The FY 2012 operating budget includes revenues of \$40.18 million and operating expenses of \$36.57 million leaving a \$3.6 million surplus for FY 2012.

SBWMA 2011 GENERAL OPERATING BUDGET (in millions of dollars)			
	<u>FY2011 Adopted</u>	<u>FY2011 Mid Year</u>	<u>FY2012 Proposed Budget</u>
Revenues	41.49	41.06	40.18
Expenditures	<u>40.91</u>	<u>40.79</u>	<u>36.57</u>
Shoreway Operations	36.77*	37.6**	33.02***
Administration	1.63	1.62	1.61
Contract Compliance	1.2	1.1	0.37
Recycling Programs	0.95	0.79	1.11
Collection Operations	<u>0.36</u>	<u>0.40</u>	<u>0.47</u>
Operating Surplus/(Deficit)	0.58	0.27	3.61
*Includes \$3.54 million for offsite MRF processing costs.			
**Includes \$4.37 million for offsite MRF processing costs.			
***Includes \$0 for offsite MRF processing costs			
Debt service expense is also included in Shoreway Operations expenditures.			

REVENUES

Revenues for FY 2012 are expected to be slightly lower due to lower tipping fee revenues (due to reduced volumes), and the reduction of retained commodity revenues due to the initiation of commodity revenue sharing with SBR. Our assumed solid waste tipping fee increases do not assume any change in the County's AB 939 fee (disposal surcharge) at Ox Mountain Landfill.

Proposed tipping fee adjustments effective January 1, 2012 are shown in the table below. At the Board meeting, staff will present some different alternatives for adjustments reflective of an ongoing substantial reduction in self haul solid waste and green waste volumes.

PROPOSED TIPPING FEES PER TON OR CUBIC YARD		
<u>Transfer Station Tip Fee Increases</u>	<u>Current Rates</u>	<u>Proposed Rates (1/1/12)</u>
SBWMA Solid Waste, <i>Franchise</i>	\$90.00 per ton	\$92.50 per ton
SBWMA Green Waste, <i>Franchise</i>	\$79.00 per ton	\$87.00 per ton
Non-SBWMA Weighed Tons (Dirt, concrete, asphalt, roofing), <i>non-Franchise</i>	\$90.00 per ton	No change
Public Solid Waste Yards, <i>non-Franchise</i>	\$40.00 per yard	No change
Construction and Demolition, <i>non-Franchise</i>	\$29.00 per yard	No change
Public Green Waste Yards, <i>non-Franchise</i>	\$29.00 per yard	No change

Tip fee revenue is budgeted to decreased \$0.41 million or 1.4% over FY 2011 levels. Actual price increases will generate \$1.74 million in revenue but this is offset from lower tonnages which will decrease revenues by \$2.15 million.

Gross (before commodity revenue sharing) commodity revenues are projected to increase by \$862,506 from FY 2011 levels.

Tip Fees

A major source of revenue for the SBWMA is the revenue collected from solid waste delivered to the Shoreway facility which are consolidated and then transferred to disposal or processing sites. For the FY 2012 budget, tip fee revenue is projected to be approximately \$29.03 million.

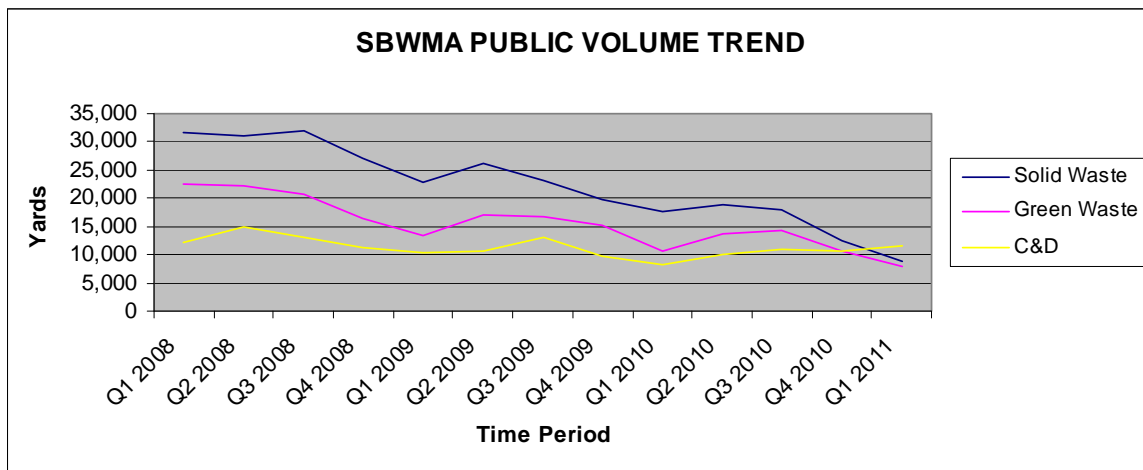
The table below summarizes the projected source and contribution percentage of the tip fee revenue at the Shoreway facility for the FY2012.

<u>Revenue Source</u>	<u>Amount (in millions)</u>	<u>% of Total</u>
SBWMA – Solid Waste	\$16.7	57%
SBWMA – Organics	\$8.1	28%
Non-SBWMA Weighed Tons	\$0.2	1%
Non-SBWMA Weighed Tons	\$0.03	0%
Public Solid Waste Yards	\$1.5	5%
Public Green Waste Yards	\$1.1	4%
Public - Other	\$1.4	5%
Total	\$29.03	100.00%

It's important to note that public volumes for solid waste and green waste have continued a precipitous decline due to the current economic contraction and our substantial increase in yardage rates over the past three years. Ongoing Shoreway construction activities may also be a contributing factor. The table on the next page shows the annual yardage for 2007-2010 and the first quarter 2011 volumes.

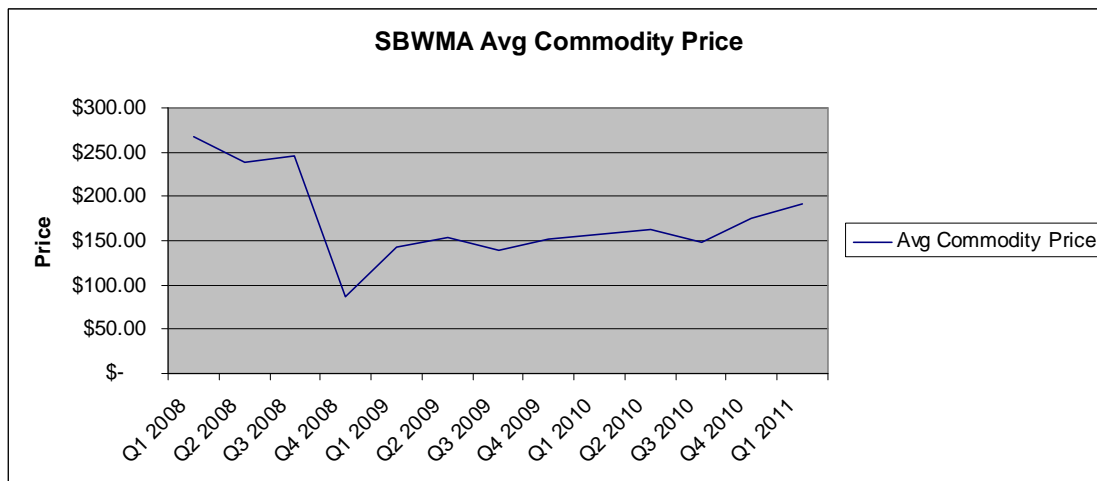
	<u>Total 2007</u>	<u>Total 2008</u>	<u>Total 2009</u>	<u>Total 2010</u>	<u>Q1 2011</u>
Total Public Yardage					
Solid Waste	152,580	121,833	91,928	67,053	8,822
Green Waste	98,115	82,152	62,254	49,395	7,816
C&D	55,695	51,249	43,651	40,126	11,716

These trends are also captured in the chart on the next page for the 2008 thru 1st quarter 2011 period.



Commodity Revenues

Commodity revenue is projected to be approximately \$11.8 million. Commodity prices have rebounded significantly since the collapse in financial markets in fall 2008 with current average revenue per ton of approximately \$192.25/ton compared to \$99/ton in November 2008. Average revenue per ton peaked at \$278 in August 2008. An ongoing concern is the reduction in commercial recycling tonnages which were down 12.3% percent in the 1st quarter 2011 vs. the comparable period in 2010.



EXPENDITURES

Shoreway operating expenses comprise 90% of our total budget with the balance from the SBWMA program budget. Significant year over year differences in our expenses include:

- Lower Shoreway operating expenses with the new Operations Agreement starting January 1, 2011; expenses are 10.6% lower as compared to our mid year projections for FY 2011. We have transitioned from a cost plus model to a variable cost / payment per ton model with indexed price adjustments providing greater rate stabilization.
- Completion of masterplan construction activities resulting in the cessation of interim operations, notably the offsite processing of recyclables.
- Lower SBWMA program expenses due to the elimination of one-time expenses (e.g., the public education outreach campaign for the rollout of new collection services); expenses are 11.6% lower as compared to our mid year projections for FY 2011.

STAFFING

Effective October 1, 2008 the SBWMA became the employer of record for all employees currently under contract with RGS. One employee, Cliff Feldman, remains on the LGS payroll to maintain his Calpers benefits. We will continue to contract out for HR/payroll administration. **Attachment B** provides a breakout on current staffing and budget assumptions related to salary and benefits. Please also see **Attachment C** for a current organization chart and the proposed organization chart effective July 2011.

The SBWMA continues to have a very sustainable and cost effective business model for how the Agency manages its employee costs with key points as follows:

- The SBWMA is a non-PERs agency. Our six current full-time employees are offered a self-directed 401(a) and 457(b) plans, very similar to private sector 401(k) plans. We have no employee pensions and thus no long term pension obligations.
- All employees are non-represented; we have no collective bargaining agreements with our employees.
- There are no automatic salary adjustments for employees such as a COLA adjustment. Employee performance is evaluated each year and merit increases are granted on a calendar year basis.

SBWMA JURISDICTION COMPLIANCE WITH AB 939 AND WASTE DIVERSION STATUS

All of our twelve Member Agencies are in compliance with the state mandated AB 939 diversion requirements.

CONCLUSION

In summary, the SBWMA has successfully moved through a difficult financial period given construction related impacts on cash flows. We are now entering a new phase of projected positive cash flows resulting from lower Shoreway operating expenses and lower SBWMA program expenses. We are also benefitting from a recovery in commodity pricing. Finally, we have managed to retain all of our senior staff during these past three years of exceptional workload and stress on the organization.

We do face some short and long-term challenges including substantially reduced self haul customer business and lower commercial recycling tonnages. We also need to continue to offer competitive salary and benefits for our salaried staff if we want to retain them long-term.

The Board, staff and our customers should be pleased with our significant achievements and a bright future ahead.

Respectfully Submitted,

Kevin McCarthy, Executive Director

Attachments

- A. Proposed FY 2012 Budget
- B. Personnel Summary
- C. Organization Chart

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
REVENUE SUMMARY**

FY 2012 PROPOSED BUDGET

REVENUE SUMMARY	ACTUAL	APPROVED	Mid Year Proj.	PROPOSED	Variance
	FY 2009-2010	FY 2010-2011	FY 2010-2011	FY 2011-2012	
ADMINISTRATIVE REVENUES					
409100 INVESTMENT INCOME	79,010	200,900	223,600	114,200	(109,400)
409101 INVESTMENT (GASB 31) MARKET VALUE ADJ	(63,342)				
409200 INTEREST INCOME					
TOTAL ADMINISTRATIVE	15,668	200,900	223,600	114,200	(109,400)
OPERATIONS					
480007 TIPPING FEES	27,479,290	30,177,400	29,443,600	29,030,800	(412,800)
480023 COMMODITY SALES	8,691,557	10,788,200	10,933,694	11,796,200	862,506
COMMODITY REVENUE SHARE - NEW				(1,228,600)	(1,228,600)
480024 OX MOUNTAIN					-
480025 E-RECYCLING REVENUE - NEW			64,759	60,000	(4,759)
480031 HHW DOOR TO DOOR COLLECTION SERVICE	32,079	320,100	357,000	408,600	51,600
PERFORMANCE INCENTIVE / DISINCENTIVE - NEW				-	-
480008 MISCELLANEOUS REVENUE	86,724		38,876		(38,876)
TOTAL OPERATIONS	36,289,650	41,285,700	40,837,929	40,067,000	(770,929)
TOTAL OPERATING REVENUES	36,305,318	41,486,600	41,061,529	40,181,200	(880,329)
MISCELLANEOUS - EQPT AUCTION	257,500				
TOTAL REVENUE	36,562,818	41,486,600	41,061,529	40,181,200	(880,329)
NET OPERATING INCOME / <LOSS>	(1,615,492)	577,444	270,695	3,610,150	3,339,455

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY						
EXPENDITURE SUMMARY	ACTUAL	APPROVED	Mid Year Proj.	PROPOSED		
	FY 2009-2010	FY 2010-2011	FY 2010-2011	FY 2011-2012	Variance	
ADMINISTRATIVE EXPENSES						
520305 ADMINISTRATIVE STAFF	573,088	592,600	585,200	491,600	(93,600)	
520306 AB 939 PROGRAM STAFF	497,178	586,900	599,900	705,100	105,200	
520328 EMPLOYEE RECRUITMENT/HR SUPPORT	8,025	5,000	5,000	5,000	-	
520337 PEO COST (HR & PR FEES)	11,250	20,100	18,600	21,600	3,000	
520312 BOARD COUNSEL	90,453	60,000	45,000	40,000	(5,000)	
520300 BOARD MEETINGS & RECORDINGS	12,360	6,000	5,000	5,000	-	
520310 ACCOUNTING SERVICES	108,407	110,000	110,000	115,000	5,000	
520334 INFORMATION SYSTEMS	24,015	27,000	32,000	29,500	(2,500)	
520338 WEBSITE	10,109	10,100	10,100	10,100	-	
520301 ANNUAL AUDIT	5,048	15,000	15,000	8,500	(6,500)	
520701 D&O INSURANCE	30,223	35,000	35,000	35,000	-	
520202 BANK FEES	5,803	12,000	12,000	5,000	(7,000)	
520203 RENT	47,444	50,000	50,000	48,000	(2,000)	
520204 PRINTING AND POSTAGE	955	200	200	200	-	
520107 UTILITIES & PHONE	18,227	18,000	18,000	17,000	(1,000)	
520905 OFFICE/TENANT IMPROVEMENTS	7,995	3,000	3,000	3,000	-	
520201 OFFICE SUPPLIES	19,188	18,000	18,000	17,000	(1,000)	
520215 OFFICE EQUIPMENT COSTS	10,903	17,000	18,500	18,500	-	
520504 PUBLICATIONS & PUBLIC NOTICES	1,138	2,000	2,000	2,000	-	
520501 PROFESSIONAL DUES & MEMBERSHIPS	510	2,000	2,000	2,000	-	
520801 VEHICLE MILEAGE & TOLLS	27	350	350	350	-	
520105 CELL PHONES	6,309	6,000	5,500	5,500	-	
520503 CONFERENCE & MEETINGS	11,312	12,000	11,000	10,000	(1,000)	
520502 TRAINING	2,820	5,000	4,000	4,000	-	
520511 SPONSORSHIPS & DONATIONS	12,750	12,500	9,500	9,500	-	
522706 COMPUTER PURCHASE	3,211	3,000	3,000	6,500	3,500	
TOTAL ADMINISTRATIVE	\$ 1,518,748	\$ 1,628,750	\$ 1,617,850	\$ 1,614,950	\$ (2,900)	
CONTRACT COMPLIANCE AND SUPPORT						
RATES						
520307 RATE REVIEW	174,544	180,000	182,000	25,000	(157,000)	
TOTAL RATE REVIEW	174,544	180,000	182,000	25,000	(157,000)	
CONTRACTOR						
520308 FACILITY IMPROVEMENT OVERSIGHT	42,103	40,000	35,000	30,000	(5,000)	
520309 BUSINESS CONSULTANT/HF&H	8,236	-	-	-	-	
520309 HCM01 CONTRACT MANAGEMENT SUPPORT	7,407	15,000	5,000	-	(5,000)	
520309 HCN01 CONTRACT NEGOTIATIONS/LEGAL REVIEW	53,281	15,000	10,000	25,000	15,000	
520309 HCS02 COLLECTION SERVICES RFP & IMPLEMENTATION FRANCHISE ADMIN.	36,772	150,000	140,000	165,000	25,000	
520309 HCS03 PUBLIC EDUCATION FOR COLLECTION SVCS ROLLOUT	200,644	675,000	650,000	-	(650,000)	
520309 HCS1B FACILITY RFP & IMPLEMENTATION	22,862	40,000	27,000	-	(27,000)	
520309 HSHOR SHOREWAY REMEDIATION LEGAL & TECHNICAL	112,821	40,000	-	-	-	
520329 ANNUAL RSMC PERFORMANCE HEARING	-	-	-	-	-	
520336 QUARTERLY LOAD CONTAMINATION MONITORING	-	45,000	35,000	120,000	85,000	
TOTAL CONTRACTOR	484,126	1,020,000	902,000	340,000	(562,000)	
TOTAL CONTRACT COMPLIANCE & SUPPORT	\$ 658,670	\$ 1,200,000	\$ 1,084,000	\$ 365,000	\$ (719,000)	

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY						
EXPENDITURE SUMMARY	ACTUAL FY 2009-2010	APPROVED FY 2010-2011	Mid Year Proj. FY 2010-2011	PROPOSED FY 2011-2012	Variance	
RECYCLING - AB939 COMPLIANCE						
RECYCLING ADMINISTRATION						
520311 CIWMB ANNUAL REPORTS	31,316	25,000	50,000	50,000	-	
520341 SBWMA ANNUAL REPORT	4,669	5,000	5,000	5,000	-	
520309 HDV01 DIVERSION PROGRAM SUPPORT		10,000	5,000	20,000	15,000	
520604 EVENT GIVEAWAYS	1,658	15,000	15,000	7,500	(7,500)	
TOTAL RECYCLING ADMINISTRATION	37,643	55,000	75,000	82,500	7,500	
LONG RANGE PLAN/DIVERSION PROGRAMS						
520340 LONG RANGE PLAN ALTERNATIVES	25,748	20,000	7,500	50,000	42,500	
520340 OPRFP ORGANICS PROCESSING RFP	11,616	7,500	2,500	-	(2,500)	
520340 MPOTR MASTER PLAN OUTREACH	13,406	25,000	25,000	20,000	(5,000)	
520344 SOLAR SYSTEM ENGINEERING AND EVALUATION		25,000	20,000	-	(20,000)	
TOTAL LONG RANGE PLAN/DIVERSION PROGRAMS	50,770	77,500	55,000	70,000	15,000	
COMMERCIAL PROGRAMS						
520331 LARGE EVENT/VENUE CONSULTING	16,304	20,000	20,000	0	(20,000)	
520342 LARGE EVENT/VENUE RECYCLING SERVICES	15,788	25,000	15,000	25,000	10,000	
520608 CLIMATE CHANGE REPORTING & POLICY OPTIONS	5,703	10,000	5,000	15,000	10,000	
520604 COE01 COMMERCIAL RECYCLING TECHNICAL ASSIST	97,635	315,000	225,000	300,000	75,000	
520604 CDRCY C&D RECYCLING PROGRAM		55,000	30,000	35,000	5,000	
520604 GREEN GREEN BUSINESS PROGRAM	2,938	10,000	5,000	5,000	-	
520604 MF001 MULTI-FAMILY OUTREACH	3,949	20,000	20,000	40,000	20,000	
TOTAL COMMERCIAL PROGRAMS	142,317	455,000	320,000	420,000	100,000	
RESIDENTIAL PROGRAMS						
520604 QLN01 QUARTERLY NEWLESTTER DESIGN/SETUP	35,351	10,000	10,000	20,000	10,000	
520604 QNLPM QUARTERLY NEWLESTTER PRINTING/MAILING	151,809	205,000	230,000	230,000	-	
520604 RES01 RESIDENTIAL OUTREACH PROGRAMS	16,816	31,000	20,000	166,000	146,000	
520604 COMPS COMPOST GIVEAWAY	616	10,000	6,000	6,000	-	
520604 HHWUW HHW DOOR TO DOOR COLLECTION OUTREACH	79,470	90,000	60,000	100,000	40,000	
520335 CURBSIDE HOUSEHOLD BATTERY OUTREACH	42,960	8,000	8,000	8,000	-	
520604 ECE01 ELECTRONIC COLLECTIONS EVENTS	7,896	7,500	4,000	4,000	-	
TOTAL RESIDENTIAL PROGRAMS	334,918	361,500	338,000	534,000	196,000	
TOTAL RECYCLING - AB939 COMPLIANCE	\$ 565,648	\$ 949,000	\$ 788,000	\$ 1,106,500	\$ 318,500	
SUBTOTAL SBWMA PROGRAM BUDGET	\$ 2,743,066	\$ 3,777,750	\$ 3,489,850	\$ 3,086,450	\$ (403,400)	
COLLECTION OPERATIONS						
522710 HHW DOOR TO DOOR COLLECTION SERVICES		320,100	357,000	408,600	51,600	
522711 CURBSIDE HOUSEHOLD BATTERY RECYCLING SERVICES		40,000	40,000	60,000	20,000	
TOTAL COLLECTION OPERATIONS	-	360,100	397,000	468,600	71,600	
TOTAL SBWMA PROGRAM BUDGET	\$ 2,743,066	\$ 4,137,850	\$ 3,886,850	\$ 3,555,050	\$ (331,800)	

GENERAL OPERATING EXPENSES BY MAJOR CATEGORY					
EXPENDITURE SUMMARY	ACTUAL FY 2009-2010	APPROVED FY 2010-2011	Mid Year Proj. FY 2010-2011	PROPOSED FY 2011-2012	Variance
SHOREWAY OPERATIONS					
522701 OPERATING CONTRACT - ALLIED	29,165,796	13,500,600	13,423,600	1,109,500	(12,314,100)
522712 OPERATOR COMPENSATION - SBR		7,172,700	6,907,400	13,569,200	6,661,800
522713 DISPOSAL & PROCESSING COSTS		6,642,700	6,363,900	12,083,300	5,719,400
BUYBACK PAYMENTS -- NEW 7/1/11		1,115,700	1,065,400	1,099,100	33,700
EDUCATION CENTER OPERATIONS -- NEW 7/1/11				90,000	90,000
522716 MAINTENANCE - OX MTN TIPPER - NEW 2/11/11			9,000	40,000	31,000
522708 INTERIM OFFSITE MRF OPERATIONS	4,333,922	3,543,900	4,370,500	-	(4,370,500)
520710 INSURANCE SHOREWAY	90,937	120,000	120,000	288,200	168,200
522714 SHOREWAY FACILITY COST		15,806	19,184	90,000	70,816
522901 SHOREWAY MRF EQUIPMENT MAINTENANCE > \$10,000				40,000	
521104 DEBT SERVICE BOND INTEREST	469,722	3,177,900	3,177,900	3,177,900	-
520324 TAXES (SEWER)	34,593	45,000	45,000	46,400	1,400
522702 FRANCHISE FEE	1,248,318	1,437,000	1,402,100	1,382,400	(19,700)
520327 ARBITRAGE FEES					-
TOTAL SHOREWAY OPERATIONS	\$ 35,435,244	\$ 36,771,306	36,903,984	33,016,000	(3,927,984)
TOTAL OPERATING EXPENSES	\$ 38,178,310	\$ 40,909,156	\$ 40,790,834	\$ 36,571,050	\$ (4,259,784)

PERSONEL AND BENEFIT ASSUMPTIONS FOR FY 2012

Proposed changes in staffing as follows:

	Mid Year Budget <u>FY 2011</u>	Proposed <u>FY 2012</u>
Administrative Assistant (<i>hourly</i>)	1.0	0.0
Executive Director	1.0	1.0
Facility Operations Contract Manager	1.0	1.0
Finance Manager	1.0	1.0
Board Secretary/Recycling Specialist*	1.0	1.0
Recycling Coordinator	1.0	1.0
Recycling Outreach & Sustainability Manager	1.0	1.0
Recycling Programs Manager**	1.0	1.0
Environmental Education Coordinator	<u>N/A</u>	<u>1.0</u>
	8.0	8.0

* Position currently vacant. Proposed to reclass to original position of Board Secretary/Office Manager as hourly position and fill with current Administrative Assistant.

** Contract employee employed by Local Government Services, a public joint powers agency.

FY 2012 Proposed Position Changes

Combine Administrative Assistant and Board Secretary positions into one position, Board Secretary/Office Manager; this results in the elimination of 1 FTE.

Creation of new position of Environmental Education Coordinator to manage the Shoreway Environmental Center education center program. Also, hire a part-time contractor (seasonal) as an Environmental Education Coordinator to conduct tours. This **seasonal** position would be at \$20/hr for 20-25 hrs per week between mid-August and mid-June. No benefits.

These changes create one new salaried position and one part-time seasonal position.

Budget Assumptions for Salary and Wages

The average salary adjustment assumed for six of our seven non represented employees (no contracts) and one contract employee is 2%. Assume a one-time 2% bonus for the Finance Manager in lieu of a raise. Assume a salary increase of 5% on July 1st for the promotion of Cyndi Urman into the Board Secretary/Office Manager position.

The proposed new positions with salary ranges developed from the April 2011 total compensation survey are highlighted below as follows:

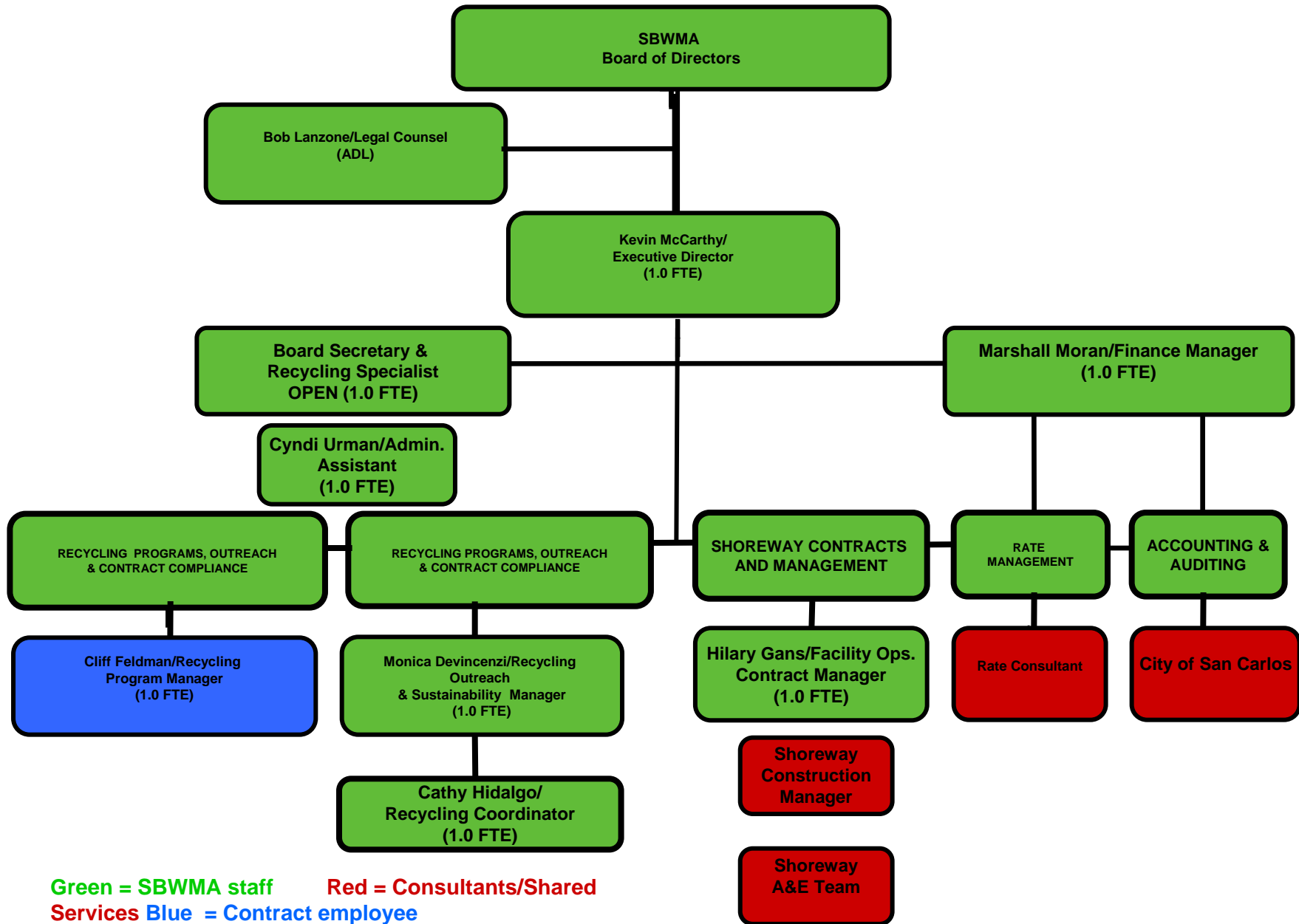
Position	Salary Range/Yr	Max Salary/Mo
Finance Manager	\$102,998 - \$128,748	\$10,729
Facility Operations Contract Manager	\$102,998 - \$128,748	\$10,729
Recycling Program Manager*	\$102,998 - \$128,748	\$10,729
Recycling Outreach & Sustainability Manager	\$92,698 - \$115,873	\$9,656
Recycling Coordinator	\$78,793 - \$98,492	\$8,208
Env. Education Coordinator	\$59,916 - \$74,892	\$6,241
Office Manager/Board Secretary	\$54,768 - \$68,460	\$5,705
Administrative Assistant	\$49,296 - \$61,630 (\$23.70-\$29.63/hr)	\$5,136
Env. Education Associate	\$20/hr 20-25 hrs/week	

	New Position
	Reclass
	New contract (seasonal) position

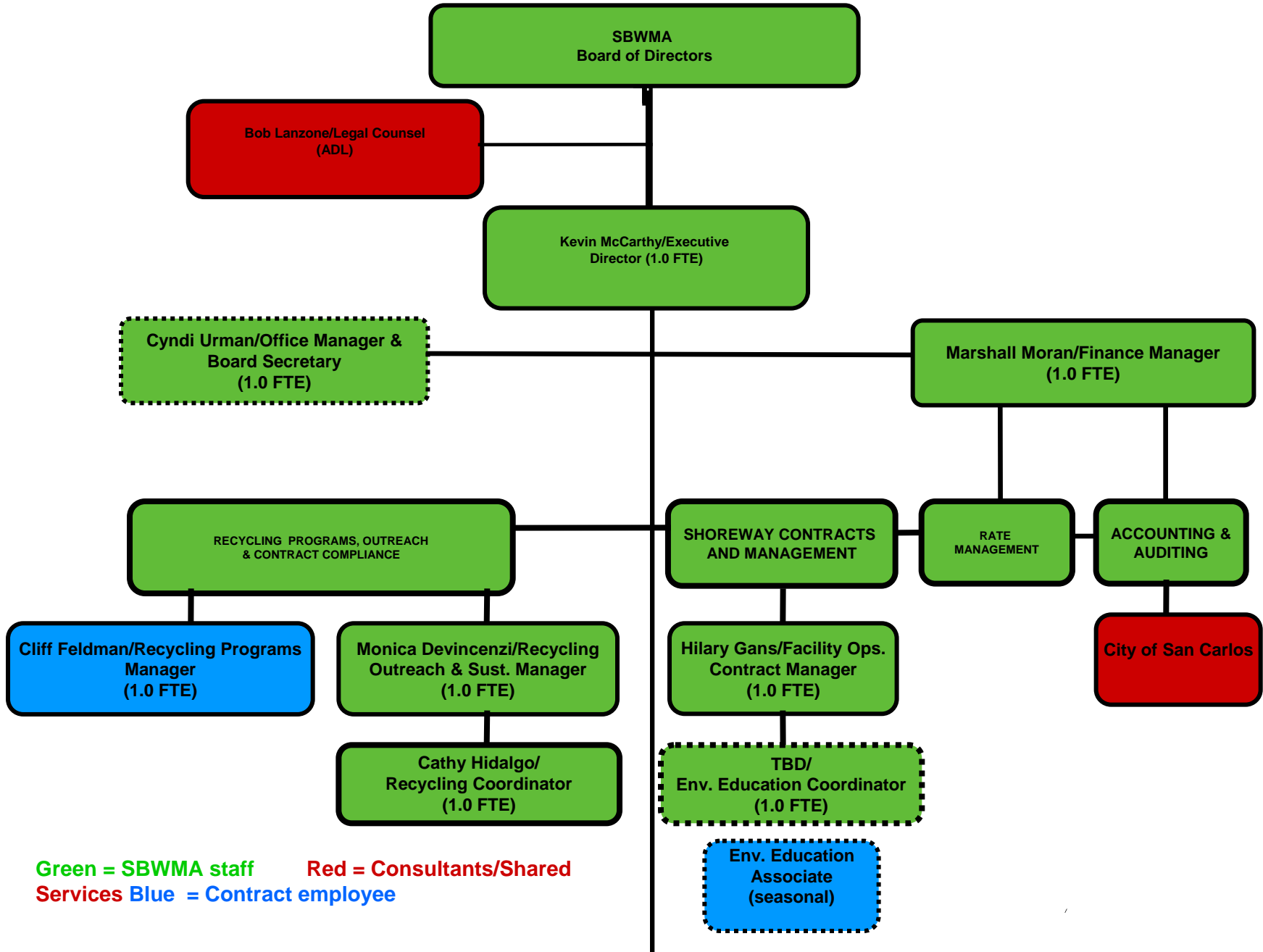
All other salary ranges remained unchanged per Board direction.

No proposed changes in employee benefits.

SBWMA Organization Chart (May 2011)



SBWMA Organization Chart (July 2011)



Green = SBWMA staff Red = Consultants/Shared Services
 Blue = Contract employee



STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Facility Operations Contracts Manager
Date: May 26, 2011 Board of Director's Meeting
Subject: Resolution Approving Modifications to the Purchase Agreement with Bulk Handling Systems (BHS) for Materials Recovery Facility Processing Equipment Design, Fabrication, and Installation to Modify the Amount of the Payment Bond

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2011-07 attached hereto authorizing the following action:

- Resolution Approving Modifications to the Purchase Agreement with Bulk Handling Systems (BHS) for Materials Recovery Facility Processing Equipment Design, Fabrication, and Installation to Modify the Amount of the Payment Bond.

Analysis

The Single Stream Equipment purchase contract with BHS (Section 5.02 Payment Bond) and California Civil Code required BHS to procure a Payment Bond to cover the installation cost of the system over the life of the installation period as a surety against claims from sub-contractors for non-payment by BHS. BHS has completed procurement and the installation of 88% of the single stream equipment and the system is operational. The remaining 12% of the system that is pending installation relates to a conveyor system designed to move residue generated in MRF operations to the transfer station floor. Due to delays in the construction of the transfer station building, the installation of this conveyor system was postponed from April, 2011 until July, 2011.

Since the majority of the system has been installed and the delay of the installation of the remaining system components are the result of construction delays, BHS has suggested that the dollar value of the Payment Bond be reduced to cover only the portion of the system yet to be installed. The reduction in the Payment Bond reduces the cost to the SBWMA for the extended term of the Payment Bond from the (original installation contract dollar amount of \$2,462,000 to approximately \$300,000). This change is expected to reduce the cost to the SBWMA of the extended Payment Bond from approximately \$38,000 to \$2,500 for the three month extension.

Background

A Payment Bond is required by California Civil Code Section 3247. Since the SBWMA is a public agency and a public agency can not be liened, the Payment Bond provides security for payment by BHS and or its subcontractors for all persons covered in Civil Code Section 3181 for cost of materials, equipment, supplies and labor furnished in the course of the installation component of the contract. The Payment Bond is also a requirement of the Single Stream System purchase contract with BHS. The contract modification will require BHS to provide SBWMA with Releases from all supplier, contractors and subcontractors who have furnished materials and/or services to the project, including BHS. It will also require BHS to indemnify, defend and hold SBWMA harmless from any claims that may be presented from any such suppliers, contractors and subcontractors to the project that would otherwise have been covered under the original Payment Bond. Finally staff will have to verify before it releases the original payment bond, that the new Payment Bond is issued, and that there are no Stop Work notices received on the project from anyone.

Fiscal Impact

The cost for the extension of the "reduced value" of the Payment Bond for roughly 3 months is estimated at \$2,500. Upon Board approval to amend the Payment Bond level in the contract, this expense will be taken from the Equipment Contingency line item in the Master Plan budget

Attachments:

Resolution 2011-07



RESOLUTION NO. 2011-07

Resolution Approving Modifications to the Purchase Agreement with Bulk Handling Systems for Materials Recovery Facility Processing Equipment Design, Fabrication, and Installation to Modify the Amount of the Payment Bond

WHEREAS, On October 21, 2009 the SBWMA Board approved a contract with Bulk Handling Systems (BHS) for the purchase and installation of a single stream processing system; and

WHEREAS, the Contract for Single Stream Equipment includes a provision in Section 5.02 of the Agreement for BHS to maintain a Payment Bond in the amount of the installation component of the contract value of \$2,462,000 and

WHEREAS, it is recommended that the Board approve a reduction in the value of the Payment Bond to \$300,000 so to save expense related to maintaining the Payment Bond for an extended contract duration.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby directs staff to make modifications to the purchase agreement with Bulk Handling Systems for materials recovery facility processing equipment design, fabrication, and installation to reduce the amount of the Payment Bond to \$300,000 in value, provided BHS furnishes SBWMA releases from all suppliers, contractors and subcontractors to the Project, including a release from BHS; and that staff verifies prior to release by SBWMA of the original Payment Bond that no Stop Work notices have been filed with SBWMA, and that BHS agrees in the Agreement modifications to hold harmless, indemnify and defend the SBWMA against any and all claims that would have been covered under the original Payment Bond; and threat the Agreement modification is to the satisfaction of the SBWMA's legal counsel; and the Executive Director is authorized to sign such an Agreement modification.

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 26th day of May 2011, 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. 2011-07 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on May 26, 2011.

ATTEST:

Brian Moura, Chairperson of SBWMA

Cathy Hidalgo, Acting Board Secretary



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Date: May 26, 2011 Board of Director's Meeting
Subject: Discussion on SBWMA Legal Counsel Support Services

Recommendation

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

Analysis

The Executive Committee wanted to bring forward for discussion whether or not a competitive procurement process is needed for the SBWMA's legal counsel services. These services are currently provided by Bob Lanzone with the firm Aaronson, Dickerson, Cohn & Lanzone. Mr. Lanzone's firm has provided such services for the SBWMA since 1995 and this relationship really started as an outgrowth of the City of San Carlos role in management of the SBTSA; Aaronson, Dickerson, Cohn & Lanzone has been the long standing firm providing contract City Attorney services for the City of San Carlos.

Staff is not aware of these services being subject to a competitive procurement process in the past.

The Board had previously discussed doing a competitive process within the past five years but the feeling was it wouldn't make sense to potentially change legal firms while the SBWMA was in the middle of its contractor selection process. Staff has also relied extensively on other outside legal counsel for specific needs (e.g., contractor selection process, Shoreway masterplan issues, Shoreway remediation, etc.)

It should also be noted that the annual expense for this contract legal service has dropped significantly over the past five years from approved budget amounts of up to \$70,000 to the proposed FY2012 budget of \$40,000.

Fiscal Impact

There is no fiscal impact associated with this item.