



STAFF REPORT

To: SBWMA Board Members
From: Brian Ponty, Board Member & Financing Manager
Kevin McCarthy, Executive Director
Date: April 6, 2009 Study Session
Subject: Study Session Regarding Financing Plan for Shoreway Masterplan Improvements

Recommendation

This is an informational report and no action is necessary.

Background

In the fall of 2008 credit markets experienced significant disruption. Banks slowed their lending, debt investors experienced a flight to quality and stopped investing altogether in certain kinds of debt instruments and the U.S. economy began to show evidence of a slide into a deep recession. The SBWMA's projected cost of funds rose from the 5.75% estimated in June 2008 to an estimated 8% by November 2008.

In November 2008 the financing team began exploring alternative bond structures that might reduce our cost of funds. Variable rate demand bonds (VRDBs) and bond anticipation notes (BANs) were evaluated. VRDBs are long-term bonds with a variable interest rate (usually a weekly reset) and a "put" feature that allows investors to sell their bonds back to the issuer at par (100% of the nominal value) plus accrued interest on only 7 days' notice. VRDBs typically bear a much lower interest rate than long term bonds. The average interest cost for VRDBs since 1990 is 3.1% and the current interest rate on highly rated VRDBs is only .30%.

VRDBs require additional credit support in the form of a letter of credit (LOC). As a direct consequence of the auction rate securities market failure last spring and the credit market meltdown last fall, LOCs have become very difficult to obtain and quite expensive. The SBWMA financing team has submitted credit requests to seven banks. Four have declined and three are still processing our request. Two of the three still reviewing our credit, Comerica and Union Bank, have told us they will submit a joint proposal if our credit passes their review.

BANs followed by long term bonds entail two bond issuances. Because the amount of bonds required to implement this strategy exceeds the \$65.455 million bond authorization approved by member agencies, this alternative has been rejected.

The economic stimulus legislation passed in February 2009 included a provision that removed the imposition of an alternative minimum tax (ATM) calculation on the interest paid on exempt facility private activity bonds such as those to be issued by the SBWMA. The ATM exemption applies only to bonds issued in 2009 and 2010. This provided significant interest rate relief, reducing our estimated cost of funds on long term bonds from 8% to approximately 6.75%.

Long-term fixed rate bonds, VRDBs, and a combination of the two are being considered for the SBWMA plan of finance. This study session reviews the mechanics of fixed rate bonds and VRDBs, the pros and cons of each type of bond structure and compares the relative estimated costs of the financing plans under consideration.

Analysis

Risks and Benefits of Financing Options

Variable Rate Bonds – Variable rate bonds are likely to have a lower cost of funds than fixed rate bonds, which could translate into sizable savings over the term of the bonds. Further, they can be redeemed with surplus cash flow at any time with no prepayment penalty. However, they come with greater risks, not all of which can be reduced or eliminated. We would assume the following risks in exchange for potential interest cost savings:

- *Interest rate risk* – interest rates will vary and could spike sharply for short or extended periods. Interest rate risk can be managed by entering into an interest rate swap agreement or purchasing an interest rate cap, but certain risks will still remain, such as,
 - *Counter party risk* – the counter party may fail to make payments to the SBWMA as contractually obligated;
 - *Basis risk* – Payments to the SBWMA under the swap or cap agreement will be based on an index, not the SBWMA's actual interest rate. If that index deviates from our interest rate we may not be fully protected against interest rate fluctuations;
 - *Termination risk* – If we have to terminate a swap before its maturity date we could be subject to a termination payment;
- *Letter of credit risk* – The term of the LOC is shorter than that of the bonds. If the bank's rating is downgraded far enough or the LOC is not renewed and cannot be replaced, the bonds must be refinanced;
- *Remarketing agent risk* – The remarketing agent may be unable to remarket bonds, which could result in a draw on the LOC and an increase in interest costs;
- *Debt coverage ratio risk* – a prolonged period of high interest costs could cause the debt service coverage ratio to dip below required levels, necessitating unexpected increases in tipping fees. If surplus revenues in prior periods were sufficient to fund sufficient deposits to the rate stabilization fund, tipping fee increases would not be necessary.

Fixed Rate Bonds– Fixed rate bonds will have an interest cost that is fixed at the time of the bond sale for the life of the bond issue. They may be redeemed with surplus cash flow, but likely at significant extra cost during the first 10 years. After 10 years they could be redeemed at par with no prepayment premium. Fixed rate bonds have none of the risks associated with variable rate bonds, but have interest rates higher than VRDBs.

Interest Rates and Debt Service

Variable Rate Bonds – The 10-year average rate is approximately 2.50% and the average since 1990 is only 3.1%, although the current rate for highly rated bank LOCs is only approximately .3%. Our pro forma estimate for the cost of funds over the 27-year life of the financing uses **5.25%**, a conservative long-term cost of funds which is inclusive

of letter of credit and remarketing fees. The actual cost of funds will vary depending on the annual interest rate and program fees. Because interest rates will fluctuate over time, it is prudent to analyze a variable rate bond program using a conservative long-term average. Using the pro forma rate of 5.25%, the annual debt service cost would be approximately \$4,760,000, which translates into a collection rate impact of approximately **3.57%**.

The lower interest cost results in higher net operating surpluses. If allowed to accumulate as an operating reserve, the estimated fund balance after six years would be approximately \$19.965 million.

Fixed Rate Bonds – The current interest rate estimate is approximately **6.75%**. This translates into annual debt service of approximately \$5,490,000. The collection rate impact would be approximately **4.4%**.

The estimated accumulated operating reserve after six years would be approximately \$14.35 million.

Combined/Hybrid Option (70% fixed, 30% variable) – The diversity and quality of a borrower’s revenue sources and the amount of free cash flow it has (for public agencies, cash flow after operation and maintenance expenses, exclusive of depreciation) influences how much interest rate risk (and associated risks, see “Risks and Benefits of Options - Variable Rate Bonds” above) it can assume, and consequently, how much variable rate debt it should assume. Unlike corporate entities that take on variable rate debt, such as those in the solid waste business that have diverse revenue streams (i.e., multiple contracts) and strong free cash flow to support their debt. SBWMA has a narrow revenue stream from a single business enterprise to service its debt. But while SBWMA’s free cash flow is estimated to be quite limited through 2010 as a result of reduced commodity revenues and extraordinary off-site materials processing costs during construction of the new MRF, its free cash flow should increase substantially once the new MRF is completed. Together, these credit considerations suggest that a combination of fixed and variable rate debt could a viable financing option.

The SBWMA’s financing team of BankAmerica Securities, William Euphrat Municipal Finance and Brian Ponty has suggested that a debt combination of 70% fixed and 30% variable would be a reasonable debt profile. The larger proportion of fixed rate debt modulates against the potential of interest rate spikes on the variable rate debt, and makes the purchase of an interest rate derivative product, such as a swap or a cap, and the assumption of its attendant risks, less essential than would be the case with an all-variable rate debt profile. Additionally, should in the future the LOC not be renewed or the bank’s rating be downgraded sufficiently far to require the replacement of the LOC, resolving a \$20 million problem (less amortized debt) would expose the SBWMA to less risk than would having to resolve a \$65 million problem (less amortized debt).

Using the pro forma interest cost assumptions for each type of debt shown above, the estimated interest cost is approximately **6.3%** for a 70%/30% combination. Annual debt service would be approximately \$5.23 million. The collection rate impact would be approximately **4.1%**.

The estimated accumulated operating reserve after six years would be approximately \$16.195 million.

The following table compares these financing alternatives. Cash flow pro forma financing projections for each financing scenario are shown in **Attachment A**.

	<u>100% Fixed Rate Bonds</u>	<u>70% Fixed 30% Variable</u>	<u>100% Variable Rate Bonds</u>
Estimated Cost of Funds	6.75%	6.30%	5.25%
Estimated Annual Debt Service	\$5,490,000	\$5,270,000	\$4,760,000
Debt Service Savings Over Fixed Rate	N/A	\$220,000	\$730,000
Estimated Rate Impact	4.40%	4.10%	3.57%
Estimated 2015 Reserve Balance	\$14,345,000	\$16,195,000	\$19,965,000
Reserve Increase Over Fixed Rate	N/A	\$1,850,000	\$5,620,000

One of the more significant risks of a variable rate bond program that cannot be eliminated is that the LOC may not be renewed and that the bonds will have to be refinanced in the future. Most LOCs are currently being offered with a term of no more than 5 years, with 3 years as the more likely term. Assuming we were to keep a minimum operating reserve of \$4 million and the balance of our cash reserves was applied to reduce our debt, the following table shows the amount of debt we would have to refinance at the end of year six for the all-variable and combined variable & fixed scenarios. Six years is chosen here as it represents two full 3-year LOC periods.

	<u>100% Variable</u>	<u>30% Variable</u>
Original Issuance	\$65,455,000	\$20,000,000
Debt Remaining After 6 Years	61,268,000	18,721,000
Less Available Cash Balance	<u>15,965,000</u>	<u>12,195,000</u>
Debt Requiring Refinancing	\$45,303,000	\$6,526,000

If the LOC were cancelled after 6 years and a portion of cash reserves was applied as shown in the above table to pay down the outstanding debt, the balance would require refinancing at the prevailing interest rates. The following table shows the estimated new debt service under varying interest rate assumptions for the refinanced debt.

	<u>100% Variable</u>	<u>70% Fixed / 30% Variable</u>		
	<u>New Debt Service</u>	<u>New Debt Service</u>	<u>Existing Debt Service</u>	<u>Total New Debt Service</u>
6%	\$3,762,213	\$541,955	\$3,813,080	\$4,355,035
7%	\$4,095,653	\$589,988	\$3,813,080	\$4,403,068
8%	\$4,441,147	\$639,757	\$3,813,080	\$4,452,837
9%	\$4,797,814	\$691,136	\$3,813,080	\$4,504,216

Scheduling

Bond financings take approximately three months to document, sell and close. The following table shows the milestone events leading to a sale. In order to close a bond sale by August 1, the structure must be selected and documentation must begin by May 1.

<u>Date</u>	<u>Activity</u>
April 6	Study Session
April 16	Construction bids due
April 23	Board selects operator & financing structure
May – June	Financing team documents bonds and obtains ratings; additional member agency bond structure reviews and direction to Board representatives
June 25	SBWMA Board approves bond documents and bond issuance
July 9	Sell bonds
July 30	Close bonds

Attachment A

Projected Operating Results - 6.75% Cost of Funds														
San Carlos Transfer Station and Recyclery (The SBWMA Solid Waste System)														
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Operating Revenues	1	2	3	4	5	6	7	8	9	10	11	12	13	
Franchise Tip Fees	19,624,000	21,839,000	23,119,000	24,268,000	24,894,000	25,631,000	26,390,000	27,055,000	27,737,000	28,436,000	29,152,000	29,886,000	30,691,000	
Non-Franchise Tip Fees	693,000	739,000	785,000	822,000	840,000	630,000	649,000	665,000	682,000	699,000	717,000	735,000	754,000	
Public Tip Fee Revenue	6,005,000	6,771,000	7,538,000	7,959,000	8,236,000	8,480,000	8,731,000	8,951,000	9,177,000	9,408,000	9,645,000	9,888,000	10,154,000	
Public Other	325,000	334,000	344,000	355,000	365,000	376,000	388,000	399,000	411,000	423,532	436,000	449,000	463,000	
Sales of Recyclable Materials	7,847,000	9,082,000	11,861,000	12,459,000	13,089,000	13,286,000	13,486,000	13,689,000	13,895,000	14,104,000	14,316,000	14,532,000	14,750,000	
Total Operating Revenues	\$34,494,000	\$38,765,000	\$43,647,000	\$45,863,000	\$47,424,000	\$48,403,000	\$49,644,000	\$50,759,000	\$51,902,000	\$53,070,532	\$54,266,000	\$55,490,000	\$56,812,000	
<i>Tip Fee Revenue (only)</i>	<i>\$26,647,000</i>	<i>\$29,683,000</i>	<i>\$31,786,000</i>	<i>\$33,404,000</i>	<i>\$34,335,000</i>	<i>\$35,117,000</i>	<i>\$36,158,000</i>	<i>\$37,070,000</i>	<i>\$38,007,000</i>	<i>\$38,966,532</i>	<i>\$39,950,000</i>	<i>\$40,958,000</i>	<i>\$42,062,000</i>	
Operating Expenses Contractor													2.38%	
Contractor Operating Costs - Allied	15,936,083	16,569,000		15,183,000	15,757,000	16,378,000	16,801,000	17,237,000	17,690,000	18,157,000	18,643,000	19,147,000	19,671,000	20,265,000
Contractor Operating Costs - New Contractor														
Impact of Construction on Op Exp	(\$1,060,427)	(\$2,348,000)												
Cost Savings on Reduced Traffic Personnel	(\$126,165)	(\$262,000)												
Interim Off-Site Processing Cost	1,849,600	5,743,000												
MRF Equip. Maintenance >\$10k in new contract			40,000	108,000	112,000	116,000	120,000	124,000	129,000	133,000	138,000	141,000	145,000	
Recyclable Material Revenue Share	434,000	450,000	794,000	944,000	1,101,000	1,151,000	1,201,000	1,251,000	1,303,000	1,355,000	1,408,000	1,462,000	1,517,000	
Material Processing / Disposal Expense	12,510,000	12,528,000	13,572,000	13,877,000	14,127,000	14,591,000	15,105,000	15,606,000	16,125,000	16,660,000	17,211,000	17,776,000	18,331,000	
Buyback	900,000	900,000	909,000	918,000	927,000	937,000	946,000	955,000	965,000	975,000	984,000	994,000	1,004,000	
SBWMA Operating Budget	2,959,000	3,374,000	3,515,000	3,451,000	3,477,500	3,568,000	3,661,000	3,756,000	3,854,000	3,954,000	4,057,000	4,162,000	4,270,000	
Permit & Insurance	151,000	191,000	195,000	203,000	209,000	215,000	221,000	228,000	235,000	242,000	249,000	256,000	264,000	
Total Operating Expenses	\$33,553,091	\$37,145,000	\$34,208,000	\$35,258,000	\$36,331,500	\$37,379,000	\$38,491,000	\$39,610,000	\$40,768,000	\$41,962,000	\$43,194,000	\$44,462,000	\$45,796,000	
Net Operating Revenue	\$940,909	\$1,620,000	\$9,439,000	\$10,605,000	\$11,092,500	\$11,024,000	\$11,153,000	\$11,149,000	\$11,134,000	\$11,108,532	\$11,072,000	\$11,028,000	\$11,016,000	
Plus: Interest Income	1,097,200	833,000	413,000	384,000	583,000	592,000	601,000	610,000	619,000	628,000	637,000	647,000	657,000	
Plus: Capitalized Interest	840,922	3,815,895												
Plus: Transfer in from Rate Stabilization Fund	1,712,020													
Net Revenues	\$4,591,051	\$6,268,895	\$9,852,000	\$10,989,000	\$11,675,500	\$11,616,000	\$11,754,000	\$11,759,000	\$11,753,000	\$11,736,532	\$11,709,000	\$11,675,000	\$11,673,000	
Less: Debt Service - 2000 Bond	(1,279,783)													
Less: Debt Service - New Bond	(1,840,922)	(4,418,213)	(4,418,213)	(5,490,818)	(5,490,818)	(5,490,818)	(5,490,818)	(5,490,818)	(5,490,818)	(5,490,818)	(5,490,818)	(5,490,818)	(5,490,818)	
Debt Service Coverage Ratio	1.47	1.42	2.23	2.00	2.13	2.12	2.14	2.14	2.14	2.14	2.13	2.13	2.13	
Net Revenue Available After Debt Service	\$1,470,347	\$1,850,682	\$5,433,788	\$5,498,182	\$6,184,682	\$6,125,182	\$6,263,182	\$6,268,182	\$6,262,182	\$6,245,714	\$6,218,182	\$6,184,182	\$6,182,182	
less Franchise Fees	1,269,000	1,414,000	1,514,000	1,591,000	1,635,000	1,672,000	1,722,000	1,765,000	1,810,000	1,856,000	1,902,000	1,950,000	2,003,000	
Net Operating Cash Flow	\$201,347	\$436,682	\$3,919,788	\$3,907,182	\$4,549,682	\$4,453,182	\$4,541,182	\$4,503,182	\$4,452,182	\$4,389,714	\$4,316,182	\$4,234,182	\$4,179,182	
Beginning Reserve Balance (Unrestricted)	\$18,483,000	\$46,248,392	\$6,984,574	\$3,424,061	\$5,770,544	\$8,712,826	\$11,510,208	\$14,345,890	\$17,092,572	\$19,736,055	\$22,262,569	\$24,659,751	\$26,917,833	
Bond Proceeds, Net (less 2000 Bond redemption)	\$54,494,181													
Capital Project Payments	(10,502,500)	(39,443,000)	(7,215,100)											
Balancing Account Reimbursement to Allied	(2,132,000)													
Miscellaneous Capital Projects	(250,000)	(257,500)	(265,200)	(273,200)	(281,400)	(289,800)	(298,500)	(307,500)	(316,700)	(326,200)	(336,000)	(346,100)	(356,500)	
Changes to Rate Stabilization Reserve	(1,712,020)													
2000 Bonds Debt Service Reserve Fund	1,690,000													
2000 Bonds Redemption	(14,023,616)													
Changes to Equipment Replacement Reserve				(1,287,500)	(1,326,000)	(1,366,000)	(1,407,000)	(1,449,000)	(1,492,000)	(1,537,000)	(1,583,000)	(1,630,000)	(1,679,000)	
Ending Available Balance (Unrestricted)	\$46,248,392	\$6,984,574	\$3,424,061	\$5,770,544	\$8,712,826	\$11,510,208	\$14,345,890	\$17,092,572	\$19,736,055	\$22,262,569	\$24,659,751	\$26,917,833	\$29,061,515	
Rate Stabilization Reserve - End Balance			\$0	-	-	-	-	-	-	-	-	-	-	
Equipment Replacement Reserve - End Balance			\$0	1,287,500	2,613,500	3,979,500	5,386,500	6,835,500	8,327,500	9,864,500	11,447,500	13,077,500	14,756,500	
Volume Assumptions														
Franchised Solid Waste (tons)	214,354	208,995	186,006	181,356	176,822	177,706	178,594	179,487	180,385	181,287	182,193	183,104	184,020	
Franchised Green Waste (tons)	69,268	70,654	81,252	84,299	87,460	87,897	88,337	88,778	89,222	89,668	90,117	90,567	91,020	
Total Franchised Tons	283,622	279,649	267,258	265,654	264,282	265,603	266,931	268,266	269,607	270,955	272,310	273,671	275,040	
Non-Franchised Solid & Green Waste (tons)	9,180	9,180	9,180	9,180	9,180	6,721	6,755	6,789	6,823	6,857	6,891	6,925	6,960	
Public Solid Waste (cu yds)	144,522	137,296	133,863	130,517	127,254	127,890	128,530	129,172	129,818	130,467	131,120	131,775	132,434	
Public Green Waste (cu yds)	82,464	84,114	79,908	79,908	79,908	80,307	80,709	81,113	81,518	81,926	82,335	82,747	83,161	
Recyclable Materials Processed (tons)	57,794	59,000	74,022	74,392	74,764	75,138	75,514	75,891	76,271	76,652	77,035	77,420	77,807	
Tip Fees Assumptions														
Franchised Solid Waste Tipping Fee (\$/ton)	\$72.00	\$81.00	\$90.00	\$95.00	\$98.00	\$100.40	\$102.86	\$104.93	\$107.04	\$109.19	\$111.38	\$113.62	\$116.09	
Franchised Plant Material Tipping Fee (\$/ton)	\$60.50	\$69.50	\$78.50	\$83.50	\$86.50	\$88.62	\$90.79	\$92.61	\$94.48	\$96.37	\$98.31	\$100.28	\$102.47	
Non-Franchised Tip Fee (\$/ton)	\$75.50	\$80.50	\$85.50	\$89.50	\$91.50	\$93.74	\$96.04	\$97.97	\$99.94	\$101.94	\$103.99	\$106.08	\$108.39	
Public Solid Waste Tip Fee (\$/CY)	\$29.00	\$34.00	\$39.00	\$42.00	\$44.00	\$45.08	\$46.18	\$47.11	\$48.06	\$49.02	\$50.01	\$51.01	\$52.12	
Public Plant Material Tip Fee (\$/CY)	\$22.00	\$25.00	\$29.00	\$31.00	\$33.00	\$33.81	\$34.64	\$35.33	\$36.04	\$36.77	\$37.51	\$38.26	\$39.09	

Attachment A

Projected Operating Results													
VRDB Scenario, 5.25% Cost of Funds													
San Carlos Transfer Station and Recyclery													
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	1	2	3	4	5	6	7	8	9	10	11	12	13
Operating Revenues													
Franchise Tip Fees	19,624,000	21,839,000	23,119,000	24,268,000	24,894,000	25,631,000	26,390,000	27,055,000	27,737,000	28,436,000	29,152,000	29,886,000	30,691,000
Non-Franchise Tip Fees	693,000	739,000	785,000	822,000	840,000	830,000	849,000	865,000	882,000	899,000	917,000	935,000	954,000
Public Tip Fee Revenue	6,005,000	6,771,000	7,538,000	7,959,000	8,236,000	8,480,000	8,731,000	8,951,000	9,177,000	9,408,000	9,645,000	9,888,000	10,154,000
Public Other	325,000	334,000	344,000	355,000	365,000	376,000	388,000	399,000	411,000	423,532	436,000	449,000	463,000
Sales of Recyclable Materials	7,847,000	9,082,000	11,861,000	12,459,000	13,089,000	13,286,000	13,486,000	13,689,000	13,895,000	14,104,000	14,316,000	14,532,000	14,750,000
Total Operating Revenues	\$34,494,000	\$38,765,000	\$43,647,000	\$45,863,000	\$47,424,000	\$48,403,000	\$49,644,000	\$50,759,000	\$51,902,000	\$53,070,532	\$54,266,000	\$55,490,000	\$56,812,000
Operating Expenses Contractor													2.38%
Contractor Operating Costs - Allied	15,936,083	16,569,000											
Contractor Operating Costs - New Contractor			15,183,000	15,757,000	16,378,000	16,801,000	17,237,000	17,690,000	18,157,000	18,643,000	19,147,000	19,671,000	20,265,000
Impact of Construction on Op Exp	(\$1,060,427)	(\$2,348,000)											
Cost Savings on Reduced Traffic Personnel	(\$126,165)	(\$262,000)											
Interim Off-Site Processing Cost	1,849,600	5,743,000	0	0	0	0	0	0	0	0	0	0	0
MRF Equip. Maintenance >\$10k in new contract	0	0	40,000	108,000	112,000	116,000	120,000	124,000	129,000	133,000	138,000	141,000	145,000
Recyclable Material Revenue Share	434,000	450,000	794,000	944,000	1,101,000	1,151,000	1,201,000	1,251,000	1,303,000	1,355,000	1,408,000	1,462,000	1,517,000
Material Processing / Disposal Expense	12,510,000	12,528,000	13,572,000	13,877,000	14,127,000	14,591,000	15,105,000	15,606,000	16,125,000	16,660,000	17,211,000	17,776,000	18,331,000
Buyback	900,000	900,000	909,000	918,000	927,000	937,000	946,000	955,000	965,000	975,000	984,000	994,000	1,004,000
SBWMA Operating Budget	2,959,000	3,374,000	3,515,000	3,451,000	3,477,500	3,568,000	3,661,000	3,756,000	3,854,000	3,954,000	4,057,000	4,162,000	4,270,000
Permit & Insurance	151,000	191,000	195,000	203,000	209,000	215,000	221,000	228,000	235,000	242,000	249,000	256,000	264,000
Total Operating Expenses	\$33,553,091	\$37,145,000	\$34,208,000	\$35,258,000	\$36,331,500	\$37,379,000	\$38,491,000	\$39,610,000	\$40,768,000	\$41,962,000	\$43,194,000	\$44,462,000	\$45,796,000
Net Operating Revenue	\$940,909	\$1,620,000	\$9,439,000	\$10,605,000	\$11,092,500	\$11,024,000	\$11,153,000	\$11,149,000	\$11,134,000	\$11,108,532	\$11,072,000	\$11,028,000	\$11,016,000
Plus: Interest Income	1,097,200	833,000	413,000	384,000	583,000	592,000	601,000	610,000	619,000	628,000	637,000	647,000	657,000
Plus: Capitalized Interest	1,431,828	3,436,388	116,784										
Plus: Transfer in from Rate Stabilization Fund	1,712,020												
Net Revenues	\$5,181,958	\$5,889,388	\$9,968,784	\$10,989,000	\$11,675,500	\$11,616,000	\$11,754,000	\$11,759,000	\$11,753,000	\$11,736,532	\$11,709,000	\$11,675,000	\$11,673,000
Less: Debt Service - 2000 Bond	(1,279,783)												
Less: Debt Service - New Bond	(1,431,828)	(3,436,388)	(3,436,388)	(4,761,240)	(4,761,240)	(4,761,240)	(4,761,240)	(4,761,240)	(4,761,240)	(4,761,240)	(4,761,240)	(4,761,240)	(4,761,240)
Debt Service Coverage Ratio	1.91	1.71	2.90	2.31	2.45	2.44	2.47	2.47	2.47	2.47	2.46	2.45	2.45
Net Revenue Available After Debt Service	\$2,470,347	\$2,453,000	\$6,532,397	\$6,227,760	\$6,914,260	\$6,854,760	\$6,992,760	\$6,997,760	\$6,991,760	\$6,975,292	\$6,947,760	\$6,913,760	\$6,911,760
less Franchise Fees	1,269,000	1,414,000	1,514,000	1,591,000	1,635,000	1,672,000	1,722,000	1,765,000	1,810,000	1,856,000	1,902,000	1,950,000	2,003,000
Net Operating Cash Flow	\$1,201,347	\$1,039,000	\$5,018,397	\$4,636,760	\$5,279,260	\$5,182,760	\$5,270,760	\$5,232,760	\$5,181,760	\$5,119,292	\$5,045,760	\$4,963,760	\$4,908,760
Beginning Reserve Balance (Unrestricted)	\$18,483,000	\$47,248,427	\$8,586,927	\$6,125,024	\$9,201,084	\$12,872,944	\$16,399,905	\$19,965,165	\$23,441,425	\$26,814,486	\$30,070,578	\$33,197,338	\$36,184,998
Bond Proceeds	\$54,494,216												
Capital Project Payments	(10,502,500)	(39,443,000)	(7,215,100)										
Balancing Account Reimbursement to Allied	(2,132,000)												
Miscellaneous Capital Projects	(250,000)	(257,500)	(265,200)	(273,200)	(281,400)	(289,800)	(298,500)	(307,500)	(316,700)	(326,200)	(336,000)	(346,100)	(356,500)
Changes to Rate Stabilization Reserve	(1,712,020)												
2000 Bonds Debt Service Reserve Fund	1,690,000												
2000 Bonds Redemption	(14,023,616)												
Changes to Equipment Replacement Reserve				(1,287,500)	(1,326,000)	(1,366,000)	(1,407,000)	(1,449,000)	(1,492,000)	(1,537,000)	(1,583,000)	(1,630,000)	(1,679,000)
Ending Available Balance (Unrestricted)	\$47,248,427	\$8,586,927	\$6,125,024	\$9,201,084	\$12,872,944	\$16,399,905	\$19,965,165	\$23,441,425	\$26,814,486	\$30,070,578	\$33,197,338	\$36,184,998	\$39,058,258
Rate Stabilization Reserve - End Balance			\$0	-	-	-	-	-	-	-	-	-	-
Equipment Replacement Reserve - End Balance			\$0	1,287,500	2,613,500	3,979,500	5,386,500	6,835,500	8,327,500	9,864,500	11,447,500	13,077,500	14,756,500
Volume Assumptions													
Franchised Solid Waste (tons)	214,354	208,995	186,006	181,356	176,822	177,706	178,594	179,487	180,385	181,287	182,193	183,104	184,020
Franchised Green Waste (tons)	69,268	70,654	81,252	84,299	87,460	87,897	88,337	88,778	89,222	89,668	90,117	90,567	91,020
Total Franchised Tons	283,622	279,649	267,258	265,654	264,282	265,603	266,931	268,266	269,607	270,955	272,310	273,671	275,040
Non-Franchised Solid & Green Waste (tons)	9,180	9,180	9,180	9,180	9,180	6,721	6,755	6,789	6,823	6,857	6,891	6,925	6,960
Public Solid Waste (cu yds)	144,522	137,296	133,863	130,517	127,254	127,890	128,530	129,172	129,818	130,467	131,120	131,775	132,434
Public Green Waste (cu yds)	82,464	84,114	79,908	79,908	79,908	80,307	80,709	81,113	81,518	81,926	82,335	82,747	83,161
Recyclable Materials Processed (tons)	57,794	59,000	74,022	74,392	74,764	75,138	75,514	75,891	76,271	76,652	77,035	77,420	77,807
Tip Fees Assumptions													
Franchised Solid Waste Tipping Fee (\$/ton)	\$72.00	\$81.00	\$90.00	\$95.00	\$98.00	\$100.40	\$102.86	\$104.93	\$107.04	\$109.19	\$111.38	\$113.62	\$116.09
Franchised Plant Material Tipping Fee (\$/ton)	\$60.50	\$69.50	\$78.50	\$83.50	\$86.50	\$88.62	\$90.79	\$92.61	\$94.48	\$96.37	\$98.31	\$100.28	\$102.47
Non-Franchised Tip Fee (\$/ton)	\$75.50	\$80.50	\$85.50	\$89.50	\$91.50	\$93.74	\$96.04	\$97.97	\$99.94	\$101.94	\$103.99	\$106.08	\$108.39
Public Solid Waste Tip Fee (\$/CY)	\$29.00	\$34.00	\$39.00	\$42.00	\$44.00	\$45.08	\$46.18	\$47.11	\$48.06	\$49.02	\$50.01	\$51.01	\$52.12
Public Plant Material Tip Fee (\$/CY)	\$22.00	\$25.00	\$29.00	\$31.00	\$33.00	\$33.81	\$34.64	\$35.33	\$36.04	\$36.77	\$37.51	\$38.26	\$39.09

Attachment A

Projected Operating Results Hybrid Scenario, \$20 mm at 5.25% & \$45.455 mm at 6.75% San Carlos Transfer Station and Recyclery													
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Revenues	1	2	3	4	5	6	7	8	9	10	11	12	13
Franchise Tip Fees	19,624,000	21,839,000	23,119,000	24,268,000	24,894,000	25,631,000	26,390,000	27,055,000	27,737,000	28,436,000	29,152,000	29,886,000	30,691,000
Non-Franchise Tip Fees	693,000	739,000	785,000	822,000	840,000	630,000	649,000	665,000	682,000	699,000	717,000	735,000	754,000
Public Tip Fee Revenue	6,005,000	6,771,000	7,538,000	7,959,000	8,236,000	8,480,000	8,731,000	8,951,000	9,177,000	9,408,000	9,645,000	9,888,000	10,154,000
Public Other	325,000	334,000	344,000	355,000	365,000	376,000	388,000	399,000	411,000	423,532	436,000	449,000	463,000
Sales of Recyclable Materials	7,847,000	9,082,000	11,861,000	12,459,000	13,089,000	13,286,000	13,486,000	13,689,000	13,895,000	14,104,000	14,316,000	14,532,000	14,750,000
Total Operating Revenues	\$34,494,000	\$38,765,000	\$43,647,000	\$45,863,000	\$47,424,000	\$48,403,000	\$49,644,000	\$50,759,000	\$51,902,000	\$53,070,532	\$54,266,000	\$55,490,000	\$56,812,000
Operating Expenses Contractor													2.38%
Contractor Operating Costs - Allied	15,936,083	16,569,000											
Contractor Operating Costs - New Contractor			15,183,000	15,757,000	16,378,000	16,801,000	17,237,000	17,690,000	18,157,000	18,643,000	19,147,000	19,671,000	20,265,000
Impact of Construction on Op Exp	(\$1,060,427)	(\$2,348,000)											
Cost Savings on Reduced Traffic Personnel	(\$126,165)	(\$262,000)											
Interim Off-Site Processing Cost	1,849,600	5,743,000	0	0	0	0	0	0	0	0	0	0	0
MRF Equip. Maintenance >\$10k in new contract	0	0	40,000	108,000	112,000	116,000	120,000	124,000	129,000	133,000	138,000	141,000	145,000
Recyclable Material Revenue Share	434,000	450,000	794,000	944,000	1,101,000	1,151,000	1,201,000	1,251,000	1,303,000	1,355,000	1,408,000	1,462,000	1,517,000
Material Processing / Disposal Expense	12,510,000	12,528,000	13,572,000	13,877,000	14,127,000	14,591,000	15,105,000	15,606,000	16,125,000	16,660,000	17,211,000	17,776,000	18,331,000
Buyback	900,000	900,000	909,000	918,000	927,000	937,000	946,000	955,000	965,000	975,000	984,000	994,000	1,004,000
SBWMA Operating Budget	2,959,000	3,374,000	3,515,000	3,451,000	3,477,500	3,568,000	3,661,000	3,756,000	3,854,000	3,954,000	4,057,000	4,162,000	4,270,000
Permit & Insurance	151,000	191,000	195,000	203,000	209,000	215,000	221,000	228,000	235,000	242,000	249,000	256,000	264,000
Total Operating Expenses	\$33,553,091	\$37,145,000	\$34,208,000	\$35,258,000	\$36,331,500	\$37,379,000	\$38,491,000	\$39,610,000	\$40,768,000	\$41,962,000	\$43,194,000	\$44,462,000	\$45,796,000
Net Operating Revenue	\$940,909	\$1,620,000	\$9,439,000	\$10,605,000	\$11,092,500	\$11,024,000	\$11,153,000	\$11,149,000	\$11,134,000	\$11,108,532	\$11,072,000	\$11,028,000	\$11,016,000
Plus: Interest Income	1,097,200	833,000	413,000	384,000	583,000	592,000	601,000	610,000	619,000	628,000	637,000	647,000	657,000
Plus: Capitalized Interest	915,922	3,974,078											
Plus: Transfer in from Rate Stabilization Fund	1,712,020												
Net Revenues	\$4,666,051	\$6,427,078	\$9,852,000	\$10,989,000	\$11,675,500	\$11,616,000	\$11,754,000	\$11,759,000	\$11,753,000	\$11,736,532	\$11,709,000	\$11,675,000	\$11,673,000
Less: Debt Service - 2000 Bond	(1,279,783)												
Less: Debt Service - New Bond	(1,715,922)	(4,118,213)	(4,118,213)	(5,267,893)	(5,267,893)	(5,267,893)	(5,267,893)	(5,267,893)	(5,267,893)	(5,267,893)	(5,267,893)	(5,267,893)	(5,267,893)
Debt Service Coverage Ratio	1.56	1.56	2.39	2.09	2.22	2.21	2.23	2.23	2.23	2.23	2.22	2.22	2.22
Net Revenue Available After Debt Service	\$1,670,347	\$2,308,866	\$5,733,788	\$5,721,107	\$6,407,607	\$6,348,107	\$6,486,107	\$6,491,107	\$6,485,107	\$6,468,639	\$6,441,107	\$6,407,107	\$6,405,107
less Franchise Fees	1,269,000	1,414,000	1,514,000	1,591,000	1,635,000	1,672,000	1,722,000	1,765,000	1,810,000	1,856,000	1,902,000	1,950,000	2,003,000
Net Operating Cash Flow	\$401,347	\$894,866	\$4,219,788	\$4,130,107	\$4,772,607	\$4,676,107	\$4,764,107	\$4,728,107	\$4,675,107	\$4,612,639	\$4,539,107	\$4,457,107	\$4,402,107
Beginning Reserve Balance (Unrestricted)	\$18,483,000	\$46,448,427	\$7,642,793	\$4,382,280	\$6,951,687	\$10,116,895	\$13,137,202	\$16,195,809	\$19,165,416	\$22,031,824	\$24,781,263	\$27,401,370	\$29,882,377
Bond Proceeds	\$54,494,216												
Capital Project Payments	(10,502,500)	(39,443,000)	(7,215,100)										
Balancing Account Reimbursement to Allied	(2,132,000)												
Miscellaneous Capital Projects	(250,000)	(257,500)	(265,200)	(273,200)	(281,400)	(289,800)	(298,500)	(307,500)	(316,700)	(326,200)	(336,000)	(346,100)	(356,500)
Changes to Rate Stabilization Reserve	(1,712,020)												
2000 Bonds Debt Service Reserve Fund	1,690,000												
2000 Bonds Redemption	(14,023,616)												
Changes to Equipment Replacement Reserve				(1,287,500)	(1,326,000)	(1,366,000)	(1,407,000)	(1,449,000)	(1,492,000)	(1,537,000)	(1,583,000)	(1,630,000)	(1,679,000)
Ending Available Balance (Unrestricted)	\$46,448,427	\$7,642,793	\$4,382,280	\$6,951,687	\$10,116,895	\$13,137,202	\$16,195,809	\$19,165,416	\$22,031,824	\$24,781,263	\$27,401,370	\$29,882,377	\$32,248,985
Rate Stabilization Reserve - End Balance			\$0	-	-	-	-	-	-	-	-	-	-
Equipment Replacement Reserve - End Balance			\$0	1,287,500	2,613,500	3,979,500	5,386,500	6,835,500	8,327,500	9,864,500	11,447,500	13,077,500	14,756,500
Volume Assumptions													
Franchised Solid Waste (tons)	214,354	208,995	186,006	181,356	176,822	177,706	178,594	179,487	180,385	181,287	182,193	183,104	184,020
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Total Franchised Tons	283,622	279,649	267,258	265,654	264,282	265,603	266,931	268,266	269,607	270,955	272,310	273,671	275,040
Non-Franchised Solid & Green Waste (tons)	9,180	9,180	9,180	9,180	9,180	6,721	6,755	6,789	6,823	6,857	6,891	6,925	6,960
Public Solid Waste (cu yds)	144,522	137,296	133,863	130,517	127,254	127,890	128,530	129,172	129,818	130,467	131,120	131,775	132,434
Public Green Waste (cu yds)	82,464	84,114	79,908	79,908	79,908	80,307	80,709	81,113	81,518	81,926	82,335	82,747	83,161
Recyclable Materials Processed (tons)	57,794	59,000	74,022	74,392	74,764	75,138	75,514	75,891	76,271	76,652	77,035	77,420	77,807
Tip Fees Assumptions													
Franchised Solid Waste Tipping Fee (\$/ton)	\$72.00	\$81.00	\$90.00	\$95.00	\$98.00	\$100.40	\$102.86	\$104.93	\$107.04	\$109.19	\$111.38	\$113.62	\$116.09
Franchised Plant Material Tipping Fee (\$/ton)	\$60.50	\$69.50	\$78.50	\$83.50	\$86.50	\$88.62	\$90.79	\$92.61	\$94.48	\$96.37	\$98.31	\$100.28	\$102.47
Non-Franchised Tip Fee (\$/ton)	\$75.50	\$80.50	\$85.50	\$89.50	\$91.50	\$93.74	\$96.04	\$97.97	\$99.94	\$101.94	\$103.99	\$106.08	\$108.39
Public Solid Waste Tip Fee (\$/CY)	\$29.00	\$34.00	\$39.00	\$42.00	\$44.00	\$45.08	\$46.18	\$47.11	\$48.06	\$49.02	\$50.01	\$51.01	\$52.12
Public Plant Material Tip Fee (\$/CY)	\$22.00	\$25.00	\$29.00	\$31.00	\$33.00	\$33.81	\$34.64	\$35.33	\$36.04	\$36.77	\$37.51	\$38.26	\$39.09