

## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Kevin McCarthy, Executive Director  
Marshall Moran, Finance Manager  
**Date:** January 22, 2009 Board Meeting  
**Subject:** Update on Shoreway Masterplan Costs and Plan of Finance

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### Overview

This is an informational item and no formal action is required by the Board. The purpose of this staff report is to update the Board on the Shoreway masterplan revised project cost, bond proforma, and plan of finance. While the plan of finance has continued to evolve since the Board's June 2008 approval of the bond issuance, key revenue and expense assumptions, project costs, reserve balance projections, etc. have not been updated in the past six months. The bond proforma and plan of finance are expected to be updated again in early April 2009 if in fact there's a scheduled Board action to approve final issuance of bonds for the Shoreway masterplan.

Information from this staff update will also be shared with all elected officials in the SBWMA service area. A staff presentation will be made at the January 22, 2009 elected official briefing session and staff is available to attend governing body meetings for study sessions, committee meetings and/or formal action on approval of the bonds. It is important that all key stakeholders engaged in this approval process understand the masterplan details and associated financing issues.

Staff will also reach out to Board members to schedule some intensive briefings on the bond proforma that is the basis for arriving at the five-year cash flow projections summarized in this staff report. The staff presentation to accompany this staff report should be viewed as a starting point for the discussion. One to two briefings of three hours each will be scheduled in the next few weeks.

To date, the following five member agencies have approved the bond financing:

Redwood City approved 7-0 on September 8th  
City of San Mateo approved 5-0 on October 6th  
City of Foster City approved 3-2 on October 6th  
City of San Carlos approved 3-1 on October 13th  
City of East Palo Alto approved 4-1 on December 16th

More specifically, what each of these five cities adopted is a resolution approving, authorizing and directing the issuance of debt by the SBWMA in the maximum amount of \$65,455,000. This authorization includes an amount estimated to be sufficient to fund the Shoreway master plan improvements needed to handle future tonnage from the rollout of new franchised collection services for member agencies. The authorization of new debt is net of cash reserves the SBWMA will contribute to the project, a portion of which will be used to redeem the SBWMA's 2000 bonds. Pursuant to the SBWMA joint powers agency agreement, at least two-thirds (eight) of the member agencies are required to approve any debt sold by the SBWMA.

The key findings from this updated and revised analysis of the Shoreway masterplan costs and plan of finance are as follows:

- It is recommended that the requested authorization for issuance of debt remain at \$65.455 million. This recommendation is based on the following key factors:
  - While there appears to be two viable alternatives for financing the Shoreway improvements, there remains too much volatility in the credit markets to commit to a lower bond issuance amount.
  - SBWMA's available reserve balances have been impacted due to the substantial recent decline in commodity revenues. The current bond proforma assumes use of \$16.9 million in cash reserves vs. \$18.9 million previously assumed. Higher tipping fees have also been projected to compensate for \$14.1 million in lower commodity revenues over the next four years (2008-2012).
  - The updated project cost estimates, based on 100% complete engineering plans, are not appreciably lower than the June 2008 cost estimates. This is due in part to higher than expected engineering fees.
  - An overall project contingency of 10% (\$5.38 million) is still assumed; this can be reevaluated in April 2009 when construction bids are received for the MRF and Transfer Station construction work.

### **Analysis**

Below is a series of tables summarizing information from the revised (January 2009) bond proforma and the previous June 2008 version. Many of the key assumptions used to prepare the revised bond proforma were reviewed with the bond financing team (Financial Advisor – William Euphrat Municipal Finance - William Euphrat, Underwriter – Bank of America Securities LLC, and Refunding Manager – Brian Ponty from Redwood City) and the masterplan project team (Hilary Gans/SBWMA facility manager, our A&E firm JR Miller, and Construction Manager- The Covello Group).

Key information addressed below includes project capital cost estimates, and five-year (i.e., 2009-2013) financial projections for revenues, expenses, and reserve balances. The proforma was also updated to reflect the most current plan of finance options which are described in more detail below.

**PROJECT CAPITAL COST ESTIMATES** -- The revised cost estimate for the Shoreway master plan improvements, including a new MRF building with single stream recycling equipment, is **\$59.151 million** (see **Table 1** for details and a comparison to the June 2008 estimates). This figure includes a 10% contingency on top of the estimated project costs. The updated cost estimates for site work, transfer station building retrofit and MRF building are based on 100% complete engineering plans; the current cost estimates were prepared by Analytical Planning Services Inc. (APSI) and are included in a report dated December 8, 2008. The June 2008 estimates were based on 40% complete engineering plans. Overall, the January 2009 total project cost estimate is about \$206,000 less than the June 2008 estimate.

NOTE: the current proforma is on a calendar year basis to coincide with the rate year and contracts. The previous proforma was prepared on a fiscal year basis.

**TABLE 1  
SHOREWAY CAPITAL PROJECT COST ESTIMATE (000's)**

Date of Project estimate:	<b>JUNE 2008</b>	<b>JAN 2009</b>
	<b><u>COST</u></b>	<b><u>COST</u></b>
<b>BASE CONSTRUCTION</b>		
Planning & Design <sup>1</sup>	1,669.3	2,269.1
Scales <sup>2</sup>	1,955.5	2,195.0
Site Work (includes bldg demo and earthwork)	4,533.2	4,135.9
"Soft Costs" <sup>3</sup>	1,606.7	1,461.0
Transfer Station Building Retrofit	8,200.9	8,636.6
MRF Building	16,357.3	14,896.0
Construction Management	<u>1,859.5</u>	<u>2,223.3</u>
<b>Building sub-total</b>	<b>\$36,182.4</b>	<b>\$35,816.9</b>
MRF Equipment Purchase <sup>4</sup>	15,000.0	15,117.1
MRF Equipment Installation <sup>5</sup>	<u>2,779.0</u>	<u>2,840.2</u>
<b>TOTAL BUILDING &amp; EQUIPMENT</b>	<b>\$53,961.4</b>	<b>\$53,774.2</b>
Additional Contingency @ 10%	5,396.1	5,377.4
<b>TOTAL PROJECT</b>	<b>\$59,357.5</b>	<b>\$59,151.6</b>

<sup>1</sup> Includes JR Miller A&E design fees.

<sup>2</sup> Rodan Builders bid award with construction started in December 2008.

<sup>3</sup> "Soft costs" include LEED fees; and other construction costs such as landscaping, site signage, PG&E transformer, repainting the exterior of the transfer station, transfer station roof replacement, telecom and security, etc.

<sup>4</sup> Average cost of equipment proposals from SBR and HBC, including some limited equipment options.

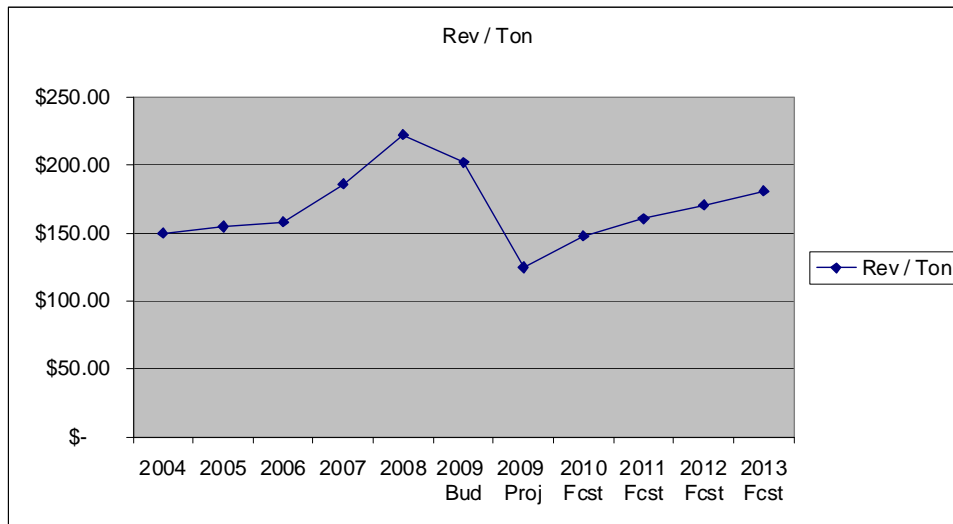
<sup>5</sup> Assumes the SBWMA separately bids out and oversees this work. SBWMA to prequalify firms. The costs will be adjusted for inflation from 2008 dollars to 2010 dollars when installation will occur.

**REVENUE PROJECTIONS**

**Tables 2A and 2B** on the next page summarize the five-year revenue projections prepared in January 2009 and June 2008. It's important to note that the most current revenue projections for 2009 are \$5,4 million below those prepared six months ago due to the substantial decline in commodity revenues.

**Figure 1** shows historical commodity revenues from 2004-2008 and projected for 2009-2013.

**Figure 1 SBWMA Commodity Revenue per Ton History**



<b>TABLE 2A</b>		<b>Shoreway Facility Cash Flow Analysis - Revenue Projections 2009-2013</b>						
<b>Jan 2009 Bond Proposal</b>								
<b>Revenue</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>New Contract</b>		<b>2013</b>	<b>2008-2012</b>	
				<b>2011</b>	<b>2012</b>		<b>Cumulative</b>	
Tip Fee Revenue, w/ volume only change	\$23,828,309	\$24,478,977	\$27,474,863	\$29,574,238	\$32,384,651	\$34,708,775		
New Revenues from Tip Fee Price Increases	\$1,434,798	\$3,178,136	\$3,347,299	\$3,100,308	\$2,608,666	\$1,496,644		
Total Tip Fee Revenue	\$25,263,107	\$27,657,113	\$30,822,162	\$32,674,546	\$34,993,317	\$36,205,419	\$151,410,264	
Investment Income	\$416,470	\$1,182,366	\$831,620	\$516,362	\$486,524	\$674,028	\$3,533,361	
Repayable Commodities Revenue, Gross	\$11,955,227	\$6,966,841	\$8,537,334	\$12,542,646	\$13,317,663	\$14,140,736	\$50,105,314	
Revenue Sharing - Existing & New Contract	(\$430,000)	(\$434,000)	(\$450,000)	(\$853,321)	(\$1,047,075)	(\$1,252,844)		
<b>Net Revenue</b>	<b>\$37,204,803</b>	<b>\$35,372,339</b>	<b>\$39,841,115</b>	<b>\$44,880,233</b>	<b>\$47,750,448</b>	<b>\$49,767,339</b>	<b>\$205,048,939</b>	
	<b>% change vs prior year</b>	<b>-4.9%</b>	<b>12.6%</b>	<b>12.6%</b>	<b>6.4%</b>	<b>4.2%</b>		

Notes: Cumulative 2008-2012 commodity revenue figure shown is net of revenue sharing

<b>TABLE 2B</b>		<b>Shoreway Facility Cash Flow Analysis - Revenue Projections 2009-2012</b>						
<b>June 2008 Bond Proposal</b>								
<b>Revenue</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>New Contract</b>		<b>2012</b>	<b>2008-2012</b>	
				<b>2011</b>	<b>2012</b>		<b>Cumulative</b>	
Tip Fee Revenue, w/ volume only change	\$24,400,309	\$24,705,206	\$26,222,605	\$28,446,457	\$30,970,795			
New Revenues from Tip Fee Price Increases	\$81,994	\$2,036,889	\$2,842,195	\$3,403,057	\$3,427,774			
Total Tip Fee Revenue	\$25,382,303	\$26,742,095	\$29,064,801	\$31,849,513	\$34,398,569		\$147,437,281	
Investment Income	\$85,164	\$1,195,118	\$1,280,775	\$501,032	\$418,704		\$4,380,793	
Repayable Commodities Revenue, net	\$12,800,000	\$11,950,000	\$11,750,000	\$13,250,000	\$14,500,000		\$64,250,000	
<b>Net Revenue</b>	<b>\$39,167,468</b>	<b>\$39,887,212</b>	<b>\$42,095,576</b>	<b>\$45,600,595</b>	<b>\$49,317,323</b>		<b>\$216,088,174</b>	
	<b>% change vs prior year</b>	<b>1.8%</b>	<b>5.5%</b>	<b>8.3%</b>	<b>8.2%</b>			

Notes: Lower commodity pricing is the main driver of revenue change and higher tipping fees  
 Annual change in net commodity revenue: (\$1,274,773) (\$5,417,159) (\$3,662,666) (\$1,560,725) (\$2,229,462) (\$14,144,785) Total:

The cumulative projected revenues for 2008-2012 are over \$11 million less, despite higher assumed tipping fees as detailed in **Tables 3A and 3B**. These tables show the projected tipping fee increases each year (Table 3A) and the projected gate rates (Table 3B) assuming these tipping fee increases. Cumulative revenue for 2008-2012 from tipping fees is assumed to be \$4 million higher than previously assumed. Notably, franchised green waste tipping fees are projected to increase significantly in anticipation of much higher composting costs in 2011.

<b>TABLE 3A Shoreway Tipping Fee Increases 2009-2013 (Per ton or yard)</b>							<b>% Increase in Tipping Fee vs Previous Year</b>					
<b>Jan. 2009 Bond Proforma</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>08 vs 07</b>	<b>09 vs 08</b>	<b>10 vs 09</b>	<b>11 vs 10</b>	<b>12 vs 11</b>	<b>13 vs 12</b>
	<b>Actual</b>	<b>Proposed</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>1/1/2008</b>	<b>1/1/2009</b>	<b>1/1/2010</b>	<b>1/1/2011</b>	<b>1/1/2012</b>	<b>1/1/2012</b>
<b>Shoreway Tip Fee Increases</b>	eff 2/15/08	eff 2/01/09	eff 1/1/10	eff 1/1/11	eff 1/1/12	eff 1/1/13						
SBWMA Solid Waste Tons	\$2.00	\$9.00	\$8.00	\$8.00	\$6.00	\$4.00	3.3%	14.3%	11.1%	10.0%	6.8%	4.3%
SBWMA Green Waste Tons	\$4.00	\$8.00	\$8.50	\$8.00	\$7.00	\$3.00	8.2%	15.3%	14.0%	11.6%	9.1%	3.6%
Non-SBWMA Tons	\$2.00	\$4.00	\$4.50	\$6.00	\$5.00	\$2.00	2.9%	5.6%	6.0%	7.5%	5.8%	2.2%
Public Solid Waste Yards	\$3.00	\$4.00	\$5.00	\$4.00	\$4.00	\$2.00	13.6%	16.0%	17.2%	11.8%	10.5%	4.8%
Public Green Waste Yards	\$2.50	\$3.00	\$3.00	\$3.00	\$3.00	\$2.00	15.2%	15.8%	13.6%	12.0%	10.7%	6.5%
<b>Shoreway Tipping Fee Increases 2009-2012 (Per ton or yard)</b>							<b>% Increase in Tipping Fee vs Previous Year</b>					
<b>June 2008 Bond Proforma</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>		<b>08 vs 07</b>	<b>09 vs 08</b>	<b>10 vs 09</b>	<b>11 vs 10</b>	<b>12 vs 11</b>	
	<b>Actual</b>	<b>Proposed</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>		<b>1/1/2008</b>	<b>1/1/2009</b>	<b>1/1/2010</b>	<b>1/1/2011</b>	<b>1/1/2012</b>	
<b>Shoreway Tip Fee Increases</b>	eff 2/15/08	eff 1/1/09	eff 1/1/10	eff 1/1/11	eff 1/1/12							
SBWMA Solid Waste Tons	\$2.00	\$6.00	\$7.50	\$8.50	\$8.00		3.3%	9.5%	10.9%	11.1%	9.4%	
SBWMA Green Waste Tons	\$4.00	\$5.00	\$7.00	\$8.50	\$8.00		8.2%	9.5%	12.1%	13.1%	10.9%	
Non-SBWMA Tons	\$2.00	\$3.50	\$4.00	\$4.00	\$4.00		2.9%	4.9%	5.3%	5.1%	4.8%	
Public Solid Waste Yards	\$3.00	\$3.00	\$4.00	\$4.50	\$4.00		13.6%	12.0%	43.0%	14.1%	11.0%	
Public Green Waste Yards	\$2.50	\$2.00	\$3.00	\$3.50	\$3.00		12.3%	8.8%	12.1%	12.6%	9.6%	
<b>TABLE 3B Shoreway Gate Rates 2009-2013 (Per ton or yard)</b>												
<b>Jan. 2009 Bond Proforma</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>						
	<b>Actual</b>	<b>Proposed</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>						
<b>Shoreway Gate Rates</b>	eff 2/15/08	eff 2/1/09	eff 1/1/10	eff 1/1/11	eff 1/1/12	eff 1/1/13						
SBWMA Solid Waste Tons	\$63.00	\$72.00	\$80.00	\$88.00	\$94.00	\$98.00						
SBWMA Green Waste Tons	\$52.50	\$60.50	\$69.00	\$77.00	\$84.00	\$87.00						
Non-SBWMA Tons	\$71.50	\$75.50	\$80.00	\$86.00	\$91.00	\$93.00						
Public Solid Waste Yards	\$25.00	\$29.00	\$34.00	\$38.00	\$42.00	\$44.00						
Public Green Waste Yards	\$19.00	\$22.00	\$25.00	\$28.00	\$31.00	\$33.00						
<b>Shoreway Gate Rates 2009-2012 (Per ton or yard)</b>												
<b>June 2008 Bond Proforma</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>							
	<b>Actual</b>	<b>Proposed</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>							
<b>Shoreway Gate Rates</b>	eff 2/15/08	eff 1/1/09	eff 1/1/10	eff 1/1/11	eff 1/1/12							
SBWMA Solid Waste Tons	\$63.00	\$69.00	\$76.50	\$85.00	\$93.00							
SBWMA Green Waste Tons	\$52.50	\$57.50	\$64.50	\$73.00	\$81.00							
Non-SBWMA Tons	\$71.50	\$75.00	\$79.00	\$83.00	\$87.00							
Public Solid Waste Yards	\$25.00	\$28.00	\$32.00	\$36.50	\$40.50							
Public Green Waste Yards	\$19.00	\$21.00	\$24.00	\$27.00	\$30.00							

**EXPENSE PROJECTIONS**

**Tables 4A and 4B** summarize the five-year expense projections prepared in January 2009 and June 2008. Cumulative expenses for 2008-2012 are assumed to be \$4.2 million lower than previously assumed due primarily to reduced disposal expenditures and SBWMA program costs. There are a number of significant line item variances between the January 2009 and June 2008 expense projections due solely to different plans of finance.

<b>TABLE 4A Shoreway Facility Cash Flow Analysis- Expenses Projections 2009-2013</b>							
<b>Jan. 2009 Bond Proforma</b>							
<b>Expenses</b>	<b>Actual</b>			<b>New contract</b>			<b>2008-2012</b>
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Cumulative</b>
Total Operating Costs	\$15,821,600	\$16,652,491	\$19,399,985	\$15,264,613	\$15,937,508	\$16,604,515	\$83,076,197
Disposal	\$14,987,162	\$14,136,790	\$14,243,148	\$15,605,425	\$15,958,790	\$16,276,235	\$74,931,314
Franchise Fee (paid from SBWMA to San Carlos)	\$1,203,005	\$1,317,006	\$1,467,722	\$1,555,931	\$1,666,350	\$1,724,068	\$7,210,014
SBWMA Program Cost (Budget)	\$2,766,095	\$2,708,000	\$3,408,000	\$3,515,000	\$3,451,000	\$3,589,040	\$15,848,095
Property Taxes, Insurance	\$130,780	\$151,000	\$190,640	\$195,466	\$203,284	\$208,504	\$871,170
Current Debt Service - Interest, bi-annually	\$820,144	\$525,709					\$1,345,853
Current Debt Service - Principal, annually	\$840,000	\$880,000		\$0			\$1,720,000
Capitalized Interest		(\$1,709,900)	(\$2,749,100)				(\$4,459,000)
Additional Debt Service on new Bond		\$1,709,900	\$3,419,800	\$5,490,400	\$5,490,400	\$5,490,400	\$16,110,500
<b>Total Expense &amp; Debt Service</b>	<b>\$36,568,786</b>	<b>\$36,370,995</b>	<b>\$39,380,196</b>	<b>\$41,626,834</b>	<b>\$42,707,332</b>	<b>\$43,892,761</b>	<b>\$196,654,143</b>
	<b>% change vs prior year</b>	-0.5%	8.3%	5.7%	2.6%	2.8%	
Surplus/(Shortfall)	\$636,018	(\$998,656)	\$460,920	\$3,253,399	\$5,043,116	\$5,874,578	\$8,394,796
NOTES: 2009 OPERATING COSTS INCLUDE A \$1.18 MILLION INCREASE IN COSTS DUE TO MASTERPLAN CONSTRUCTION IMPACTS 2010 OPERATING COSTS INCLUDE A \$3.13 MILLION INCREASE IN COSTS DUE TO MASTERPLAN CONSTRUCTION IMPACTS 2010 and 2011 SBWMA PROGRAM COSTS REFLECT ONE-TIME AND ONGOING COSTS FOR ROLLOUT OF NEW COLLECTION SERVICES							

<b>TABLE 4B Shoreway Facility Cash Flow Analysis- Expenses Projections 2009-2012</b>							
<b>June 2008 Bond Proforma</b>							
<b>Expenses</b>	<b>Actual</b>			<b>New contract</b>			<b>2008-2012</b>
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>		<b>Cumulative</b>
Total Operating Costs	\$14,536,842	\$16,657,271	\$17,254,379	\$17,242,070	\$16,694,285		\$82,384,848
Disposal	\$15,063,158	\$15,037,921	\$15,043,508	\$15,597,750	\$15,803,169		\$76,545,506
Franchise Fee (paid from SBWMA to San Carlos)	\$1,208,681	\$1,273,433	\$1,384,038	\$1,516,644	\$1,638,027		\$7,020,824
SBWMA Program Cost (Budget)	\$2,882,800	\$3,241,500	\$4,000,000	\$4,500,000	\$3,750,000		\$18,374,300
Property Taxes, Insurance	\$30,780	\$151,000	\$190,640	\$195,466	\$203,284		\$771,170
Current Debt Service - Interest, bi-annually	\$840,724	\$333,333					\$1,174,057
Current Debt Service - Principal, annually	\$840,000						\$840,000
Interest only on 2 Yr Note		\$1,267,574	\$2,172,984	\$905,410			\$4,345,968
Capitalized Interest							\$0
Additional Debt Service on new Bond				\$2,874,346	\$6,355,758		\$9,230,104
<b>Total Expense &amp; Debt Service</b>	<b>\$35,402,985</b>	<b>\$38,114,445</b>	<b>\$40,134,754</b>	<b>\$42,725,920</b>	<b>\$44,444,523</b>		<b>\$200,822,627</b>
	<b>% change vs prior year</b>	7.7%	5.3%	6.5%	4.0%		
Surplus/(Shortfall)	\$3,764,483	\$1,772,768	\$1,960,821	\$2,874,675	\$4,872,800		\$15,245,547

### **RESERVE PROJECTIONS**

The reserve balance projections are captured below in Tables 5A and 5B. Of note, the current proforma assumes a fairly low reserve balance in 2011 and balance levels increasing in 2012 and 2013. The Board will need to revisit the current reserve policies to address the appropriate minimum reserve levels and other issues such as establishing a capital replacement schedule for any new MRF equipment installed at Shoreway.

<b>TABLE 5A</b>		<b>Shoreway Facility Cash Flow Analysis- Reserve Balance Projections 2009-2013</b>					
<b>Jan. 2009 Bond Proforma</b>		<b>New contract</b>					
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	
<b>Beginning Reserve Balance (Unrestricted)</b>	\$21,333,826	\$19,978,844	\$46,566,288	\$7,334,208	\$3,122,507	\$7,915,623	
Add Cash Flow from Operations	\$636,018	(\$998,656)	\$460,920	\$3,253,399	\$5,043,116	\$5,874,578	
Less: Pmt. for Facility Capital Improvements (Masterplan)	\$ (1,991,000)	\$ (10,502,500)	\$ (39,443,000)	\$ (7,215,100)			
Less: Net Applied to Redeem 2000 Bonds		(\$13,876,700)					
Less: SB/WMA Balancing Account Surplus/(Shortfall)		(\$2,132,000)					
Less: Miscellaneous Capital Projects		(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	
New Bond Issuance, net	\$0	\$4,347,300	\$0	\$0			
<b>Ending Reserve Balance (Unrestricted)</b>	<b>\$19,978,844</b>	<b>\$46,566,288</b>	<b>\$7,334,208</b>	<b>\$3,122,507</b>	<b>\$7,915,623</b>	<b>\$13,540,201</b>	
Reserve Target	\$5,200,000	\$2,300,000	\$2,800,000	\$3,300,000	\$4,000,000	\$5,000,000	
Surplus/(Shortfall)	\$14,778,844	\$44,266,288	\$4,534,208	(\$177,493)	\$3,915,623	\$8,540,201	

<b>TABLE 5B</b>		<b>Shoreway Facility Cash Flow Analysis- Reserve Balance Projections 2009-2012</b>				
<b>June 2008 Bond Proforma</b>		<b>New contract</b>				
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	
<b>Beginning Reserve Balance (Unrestricted)</b>	\$17,938,377	\$20,643,860	\$40,569,695	\$14,427,085	\$5,680,048	
Add Cash Flow from Operations	\$3,764,483	\$1,772,768	\$1,960,821	\$2,874,675	\$4,872,800	
Less: Pmt. for Facility Capital Improvements (Masterplan)	\$ (1,060,000)	\$ (19,863,362)	\$ (26,813,357)	\$ (11,621,711)	\$ -	
Less: SB/WMA Balancing Account Surplus/(Shortfall)		(\$2,132,000)	(\$1,040,075)			
Less: Miscellaneous Capital Projects		(\$250,000)	(\$250,000)			
New Bond Issuance, net	\$0	\$40,398,430	\$0	\$0		
<b>Ending Reserve Balance (Unrestricted)</b>	<b>\$20,642,860</b>	<b>\$40,569,695</b>	<b>\$14,427,085</b>	<b>\$5,680,048</b>	<b>\$10,552,848</b>	
Reserve Target	\$5,200,000	\$4,000,000	\$4,000,000	\$4,000,000	\$5,000,000	
Surplus/(Shortfall)	\$15,443,860	\$36,569,695	\$10,427,085	\$1,680,048	\$5,552,848	

**PLAN OF FINANCE**

The SBWMA financial advisors are currently considering two plans of finance: Variable Rate Demand Bonds (VRDB) and Bond Anticipation Notes (BAN) followed by Long Term Bonds. Please see **Table 6** for a summary of the project funding scenarios. Both of these types of securities are in high demand and both carry interest rates that are lower than the current long-term bond cost estimate of 8.5%.

The previous plan of finance, first developed in May 2008, recommended that the SBWMA sell long-term, fixed rate bonds to take advantage of the then relatively low estimated interest cost of approximately 5.75% for tax exempt bonds subject to the alternative minimum tax (AMT). Since then credit markets have become completely dysfunctional. The current interest cost estimate for AMT bonds is approximately 8.5% and so other plans of finance are preferred. The plan anticipates the sale of debt in May 2009.

**TABLE 6  
SBWMA PLAN OF FINANCE**

<i>Jan '09</i>	<i>(000's)</i>	<b>Oct '08</b>	<b>Jan-09</b>	<b>Jan '09</b>
Type of Debt		<b><u>AMT</u></b>	<b><u>VRDB PLAN</u></b>	<b><u>BAN / LT</u></b>
Project Cost		59,357.4	59,151.6	59,151.6
Redemption of 2000 Bonds		14,990.0	13,876.7	13,876.7
2000 Bonds DSRF		(1,690.0)	(1,690.0)	(1,690.0)
SBWMA Capital Reserves		(18,959.0)	(16,991.0)	(16,991.0)
<b>Net Funding Requirement</b>		<b>\$53,698.4</b>	<b>\$54,347.3</b>	<b>\$54,347.3</b>
Issuance Costs		1,397.7	332.5	530.0
Capitalized Interest		3,865.0	4,459.0	4,459.0
Original Issue Discount		900.2	818.1	1,941.9
Debt Service Reserve Fund		5,593.7	5,490.4	5,894.7
<i>rounding</i>			2.7	2.1
<b>Total Bonds Issued</b>		<b>\$65,455.0</b>	<b>\$65,450.0</b>	<b>\$67,175.0</b>
<b>Long Term Bond</b>				
Term (# Years)		20	25	25
Interest Rate		5.75%	5.23%	7.25%
Annual Payment		\$5,593.7	\$5,490.4	\$5,894.7
<b>Short Term Note</b>				
Term (# Years)				2
Interest Rate				5.00%
Annual Interest Payment				\$3,271.5

*Refunding of 2000 Bonds included in all Finance Plans.*

*Two plans of Finance are presented for 2009. Final selection will depend on actual market conditions in place at the time of the planned sale of debt.*

**VRDBs** are long term bonds that are priced as extremely short term debt. The interest rate changes weekly and investors have the opportunity to sell their bonds back to the issuer at par. An essential security feature is a bank letter of credit (LOC). A remarketing agent re-sells bonds as needed. Current interest rates on VRDBs are under 1%, although rates have averaged closer to 3% since 1990. Total annual costs include the LOC (approximately 1.50%), the remarketing agent (approximately .125%) and variable interest costs (3.06% average since 1990). We have used a 5% total cost in our financing assumptions.

VRDBs are considered a long-term funding mechanism, although they do carry certain risks. In exchange for lower interest rates, issuers must accept interest rate fluctuation risk, credit provider downgrade risk, and tax risk. To partially mitigate interest rate risk, it is recommended that the rate stabilization fund be more fully endowed and used as needed for this purpose.

**BANs** are short-term funding obligations issued prior to permanent, long-term debt. They generally pay interest only, with their full principal amount coming due upon their maturity. Because their term is short (usually 1 to 3 years), they bear a lower rate of interest than long-term bonds. They must be either re-issued (“rolled”) or refunded with another type of debt, usually permanent, long-term funding, upon maturity to avoid default. For issuers with long-term ratings in the “a” category or higher, fixed rate BANs may be issued without a supporting letter of credit.

While a one year term carries the lowest interest cost (approximately 2% in the present market), it also carries greater risk that credit markets will not have returned to normalcy and the note will have to be rolled for another year or two before it can be refunded into a long term bond issue. This would entail an extra set of issuance costs (legal, financial, ratings, underwriting, etc.). Unless the note has to be rolled because long-term funding is not available, it is expected that the note would be refunded with long-term bonds upon its maturity in two years. The expectation is fairly high that a BAN sale could be implemented, even in the present very difficult market.

**Recommendations** – If a letter of credit can be obtained on reasonable terms, a VRDB has the prospect of providing long-term funding at a lower cost than would a BAN followed by long-term bonds, and is therefore recommended as the first alternative. Furthermore, it is estimated to require less debt than would a two step bond sale, due principally to the issuance cost savings. Sale of a 2-year BAN followed by a long-term bond refunding is the second recommended alternative, and would be implemented if a letter of credit to support VRDBs could not be obtained on satisfactory terms.

Please see the full analysis of plan of finance options in **Attachment 1**.

### **Background**

**Master Plan** -- In April 2007 the SBWMA Board (the “Board”) approved a Shoreway Master Plan detailing transfer station building retrofits, the construction of a new materials recovery facility (MRF) building, purchase of new MRF single stream processing equipment, and traffic and other miscellaneous environmental improvements; the Board approved a preferred master plan option which became the starting point for designing the project. Please see **Attachment 2** for a summary of key master plan milestones to date.

**Operating Agreement Restriction** -- The transfer station operating agreement, entered into in 2000, is set to expire at the end of 2010. Because the 2000 bonds were sold on a tax exempt basis as essential purpose governmental bonds, the formula for determining compensation to a private enterprise operator of the facility is restricted by federal tax rules, and in particular, may not be based on net operating profit. This limitation does not provide adequate incentives to the contractor for superior performance (e.g., increasing the quantity of materials recovered, reducing MRF residuals, increasing the quality of the recyclable materials, increasing the revenue per ton received for commodities, etc.) and in effect caps the operator’s profit. Such a “profit-cap” is unusual in these types of operating contracts.

On June 28, 2007 the SBWMA Board approved the 2011-2020 facility operations RFP and associated Operating Agreement with a compensation structure to reflect a more standard industry compensation arrangement based on net operating profit. This change in the operating agreement will require that the Authority’s tax-exempt 2000 bonds either be replaced by January 2011 with taxable bonds when the new operating agreement becomes effective or be redeemed with available cash reserves. Debt sold to fund new construction may be tax-exempt after January 2011, although it will be characterized as “exempt facility” debt and be subject to the payment of alternative minimum taxes (AMT). Because more than 25% of the acquisition cost of the transfer station in 2000 was for land, the 2000 bonds do not qualify for refunding with tax-exempt AMT bonds.

Operating Agreement RFPs Issued -- Between July and October 2007 all 12 member agencies approved the facility operations RFP documents. The final RFP and Operating Agreement were publicly released to potential proposers on November 1, 2007 and December 1, 2007, respectively.

On March 4, 2008 the SBWMA received 7 proposals in response to its facility operations RFP. Proposals were received from the following companies:

- Allied Waste Services of San Mateo County
- Bayside Environmental Services & Transfer (joint venture of Peninsula Sanitary Group, South San Francisco Scavenger Company, Green Waste Recovery and Zanker Road Resource Management)
- Greenstar, LLC
- Hudson Baylor Corp with Waste Solutions Group
- Norcal Waste Systems of San Mateo County
- Republic Services, Inc.
- South Bay Recycling, LLC (joint venture of Community Recycling & Resource Recovery and Potential Industries)

On July 24, 2008 the Board approved 10-0 the selection committee recommendation to shortlist Hudson Baylor Corp. and South Bay Recycling for further negotiations. The Board will ultimately select one of these two companies as the facility operator. At the January 22, 2009 Board meeting there will be a discussion regarding the selection committee’s preliminary recommendation to select South Bay Recycling as the future operator. A final Board vote on selecting the operator is expected at the March 26, 2009 meeting. The final contract to be negotiated with the selected operator will be subject to approval of two-thirds of the member agencies; this item is expected to be brought to member agencies in the summer 2009.

**Fiscal Impact**

The sale of bonds will increase debt service obligations of the SBWMA. All debt issued by the SBWMA will be secured solely by the net revenues of the SBWMA (total revenues less operating expenses exclusive of debt service and depreciation). Annual debt service for the SBWMA will increase after 2010 by an estimated \$3.235 million (VRDB - see **Table 7**). Tipping fees will have to increase by an amount sufficient to produce net system revenues that are at least 1.75 times interest-only debt service during construction and 2.0 times maximum annual debt service by the first full year of stabilized operations, FY2011-12. The current bond proforma produces debt coverage of 2.03 in 2011, 2.41 in 2012 and 2.61 in 2013.

The estimated one-time collection rate impact associated with the new debt service using AMT bonds was previously estimated at 4.89% on 2008 revenue; as shown in Table 7 as 4.54% (AMT) as more current collection rate revenue figures were used from the approved 2009 rate application. The current rate impact estimates range from **4.42% to 4.89%** depending upon the assumed plan of finance. Once again, this is the rate impact associated solely with the new debt service.

As part of completing the updated bond proforma a collection rate impact was also calculated taking into consideration the projected annual tipping fee increases at Shoreway and the new debt service.

*Projected Total Collection Rate Impact:*

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
% Increase from Tip Fees & New Debt	4.34%	4.39%	3.91%	3.02%	1.67%
% Increase from collection operations	<u>4.50%</u>	<u>4.50%</u>	<u>9.96%*</u>	<u>3.50%</u>	<u>3.50%</u>
Total:	8.84%	8.89%	13.87%	6.52%	5.17%

\*Estimated rate impact from rollout of new collection services by Norcal Waste.

**TABLE 7**  
**Incremental Collection Rate Impact of New Debt Service**

<i>January 2009</i>	(000's)	<b>MAXIMUM CASE</b>		
Date of Project estimate		<u>Oct '08</u>	<u>Jan '09</u>	<u>Jan '09</u>
Type of Debt		<u>AMT</u>	<u>VRDB</u>	<u>BAN/LT</u>
Project Cost to Fund		\$59,357	\$59,152	\$59,152
<b>TOTAL BOND SIZE</b>		<b>\$65,455</b>	<b>\$65,450</b>	<b>\$67,175</b>
<b>Total Annual Debt Service</b>		<b>\$5,594</b>	<b>\$5,490</b>	<b>\$5,895</b>
Less Current 2000 Bonds Debt Service		( <u>\$1,685</u> )	-1,685	-1,685
Incremental Debt Service		\$3,909	\$3,805	\$4,210
<b>Incremental Debt Service - Franchise (85%)</b>		<b>\$3,322</b>	<b>\$3,235</b>	<b>\$3,578</b>
Current (2009) Collection Rate Revenue		\$73,237	\$73,237	\$73,237
<b>SBWMA Collection Rate Impact</b>		<b>4.54%</b>	<b>4.42%</b>	<b>4.89%</b>
<b>Additional Shoreway Tip Fee Increase on Higher Bond Size</b>				<b>1.10%</b>

DSRF - debt service reserve fund annual debt service held in reserve & applied to the final year of debt service

Under the terms of the existing JPA Agreement, a member agency may withdraw from the JPA after paying off its respective share of any outstanding SBWMA debt. Each member's pro rata share of the SBWMA's outstanding debt will increase once the 2009 bonds are issued. Please see **Table 8** for a breakout of the debt obligations by member agencies. To be clear, SBWMA debt is not a general fund obligation of Member Agencies.

**Table 8  
2009 BOND ALLOCATION TO MEMBER AGENCIES  
ESTIMATE (January 2009)**

	(000's)		<u>2000 Bond (2009 Balance)<sup>1</sup></u>	<u>2009 Bond</u>	<u>Incremental Bond Amount</u>
Balance		% of	<u>\$13,877</u>	<u>\$65,450</u>	<u>\$51,573</u>
<u>2007 Solid Waste Tonnage</u>		<u>Total</u>			
Atherton	3,117	1.4%	\$191	\$901	\$710
Belmont	12,181	5.4%	\$747	\$3,521	\$2,775
Burlingame	29,623	13.1%	\$1,816	\$8,563	\$6,748
EPA	12,802	5.7%	\$785	\$3,701	\$2,916
Fair Oaks	8,218	3.6%	\$504	\$2,376	\$1,872
Foster City	16,039	7.1%	\$983	\$4,636	\$3,653
Hillsborough	4,097	1.8%	\$251	\$1,184	\$933
Menlo Park	21,187	9.4%	\$1,299	\$6,125	\$4,826
RWC	47,854	21.1%	\$2,933	\$13,833	\$10,900
San Carlos	17,397	7.7%	\$1,066	\$5,029	\$3,963
San Mateo	51,509	22.7%	\$3,157	\$14,890	\$11,733
West Bay	<u>2,391</u>	1.1%	\$147	\$691	\$545
<b>TOTAL</b>	<u><b>226,415</b></u>	<b>100.0%</b>	<u><b>\$13,877</b></u>	<u><b>\$65,450</b></u>	<u><b>\$51,573</b></u>

Based on estimated maximum 2009 bond amount.

Allocation method is same as used to allocate the \$11.6M Allied 2004 settlement which was based on SRDC inbound solid waste tons. 2008 tons not available (1/18/09)

<sup>1</sup> -Includes accrued interest to 5/21/09 and 2% redemption fee

If 5 of the 12 SBWMA member agencies fail to approve the resolution, the SBWMA will not have sufficient funding to proceed with the Shoreway Master Plan as currently proposed. Depending on how the master plan might be revised, this will either delay or prevent the implementation in 2011 of weekly residential collection of single stream recyclables, weekly residential collection of organics (plant materials and food scraps), and rollout of single stream collection for commercial businesses.

**Attachments:**

- 1 - Plan of Finance Update
- 2 - Shoreway Master plan (Shoreway Environmental Center) Critical Milestones

## **Attachment 1 PLAN OF FINANCE UPDATE**

The plan of finance, first developed in May 2008, recommended that the SBWMA sell long-term, fixed rate bonds to take advantage of the then relatively low estimated interest cost of approximately 5.75% for tax exempt bonds subject to the alternative minimum tax (AMT). Since then credit markets have become completely dysfunctional: banks have stopped lending, institutional bond investors have not had cash to invest and individual investors have flocked to short-term treasuries, driving yields to near zero. Underwriters are struggling to sell all but the best municipal credits and AMT bonds are very difficult to market. The current interest cost estimate for AMT bonds is approximately 8.5%.

Except for retail investors, who are largely limiting their purchases to AA and higher rated general obligation and essential purpose bonds, there are very few buyers for long-term bonds. Demand for short-term bonds, however, remains robust as buyers of all stripes have shortened their investment horizons and cash has poured into the tax-exempt money market funds. Due to lack of demand, short-term AMT paper trades at a wider spread to non-AMT paper than it has done so historically (i.e., .25% more expensive instead of only .05%).

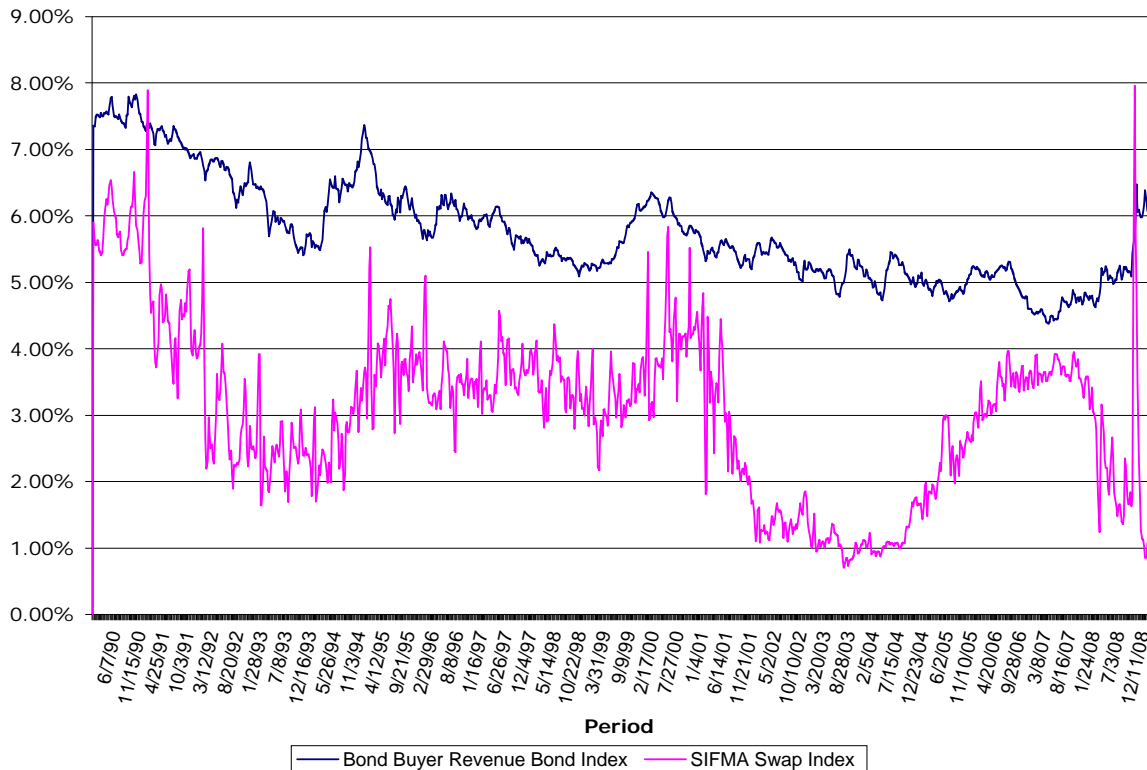
As a result of these developments, the SBWMA's team of financial professionals recommends that the SBWMA shift its plan of finance to the sale of either variable rate demand bonds (VRDBs) or short-term bond anticipation notes (BANs) followed by long term fixed rate bonds. Both of these types of securities are in high demand, and both carry interest rates that are lower than the current long-term bond cost estimate of 8.5%.

### **VRDBs**

**Summary** -- VRDBs are long term bonds that are priced as extremely short term debt. The rate changes weekly and investors have the opportunity to sell their bonds back to the issuer at par (a "put") on any interest payment date with only 7 day's notice. The put is secured by a bank letter of credit (LOC), which is an essential security feature. A remarketing agent re-sells bonds that are put. Current interest rates on VRDBs are under 1%, although rates have averaged closer to 3% since 1990. Total annual costs include the LOC (approximately 1.50%), the remarketing agent (approximately .125%) and variable interest costs (3.06% average since 1990).

The chart below compares tax-exempt weekly rates to long-term tax-exempt rates for the period from 1990 to December 2008.

## Short Term Tax Exempt v. Long Term Tax Exempt Yields



**The Letter of Credit** – During 2008 demand for letters of credit was very high as issuers rushed to refund auction rate securities (which had their own meltdown last spring), VRDBs secured by bond insurers (all of which have had their ratings downgraded, in some cases to junk bond levels, due to credit exposure to collateralized mortgage obligations) and DEPFA Bank letters of credit (downgraded below marketable levels). As a result, LOCs from highly rated banks are in short supply and fees have risen dramatically.

**Total VRDB Costs** -If an LOC could be obtained, SBWMA could expect to pay 1.25% - 1.75% annually for a letter of credit<sup>1</sup>. Remarketing fees would be around .125% annually. The AMT penalty on VRDBs is usually around .05%, but is currently about .25%. When these program expenses are added to the 5-year average cost of funds of 3.1%, SBWMA could expect VRDB annual costs, on average, in the range of 4.52% - 5.22%, although they are currently much less.

**Risks** –shift short term tax exempt rates higher), and credit renewal risk (that the letter of credit cannot be renewed and must be replaced, or the bonds refunded). Interest rate fluctuation risk can be managed in several ways. Derivative products, such as an interest rate cap or an interest rate swap, can be purchased. They come with their own set of risks, such as basis risk (that the index upon which the swap is based does not move in tandem with the VRDB rate) and counter-party risk (that the counter party fails to make payments to the bond issuer). A solution that avoids some of this risk would be to appropriate amounts to the rate stabilization fund at closing and additionally deposit annual interest rate savings (the annual debt service appropriation will be at some reasonably conservative assumed interest rate) to the rate

<sup>1</sup> Although the bonds are long term, the letter of credit will usually only have a term of 3-5 years (three is more likely in the current market), and the letter of credit must be either renewed or replaced prior to its termination. Alternatively, the bonds can be refunded or converted to a fixed interest rate. If none of these events takes place by the time the letter of credit expires, the letter of credit is used to purchase all of the bonds and the bonds convert to a term loan with the bank, usually with a prime-plus rate and a very short amortization period (5-10 years).

stabilization fund in order to accumulate a balance that can be used to self insure against unexpected interest cost spikes or other program expenses (such as the cost of replacing a letter of credit or converting bonds to a fixed rate).

## **BANs**

**Summary** – BANs are short-term funding obligations issued prior to permanent, long-term debt. They generally pay interest only, with their full principal amount coming due upon their maturity. Because their term is short (usually 1 to 3 years), they bear a lower rate of interest than long-term bonds. They must be either re-issued (“rolled”) or refunded with another type of debt, usually permanent, long-term funding, upon maturity to avoid default. For issuers with long-term ratings in the “a” category or higher, fixed rate BANs may be issued without a supporting letter of credit.

**Interest Cost** – While a one year term carries the lowest interest cost (approximately 2% in the present market), it also carries greater risk that credit markets will not have returned to normalcy and the note will have to be rolled for another year or two before it can be refunded into a long term bond issue. This would entail an extra set of issuance costs (legal, financial, ratings, underwriting, etc.). A 2-year term (5% interest rate sold at a premium to yield 4.25%) or a 3-year term (approximately 4.5%) allows more time for the economy to recover and credit markets to return to historically normal conditions. Unless the note has to be rolled because long-term funding is not available, it is expected that the note would be refunded with long-term bonds upon its maturity. The expectation is fairly high that a BAN sale could be implemented, even in the present very difficult market.

**Recommendations** – If a letter of credit can be obtained on reasonable terms, a VRDB has the prospect of providing long-term funding at a lower cost than would a BAN followed by long-term bonds, and is therefore recommended as the first alternative. Furthermore, it is estimated to require less debt than would a two step bond sale, due principally to the issuance cost savings. Sale of a 2-year BAN followed by a long-term bond refunding is the second recommended alternative, and would be implemented if a letter of credit to support VRDBs could not be obtained on satisfactory terms. A table comparing key expected sources and uses of funds, costs and other assumptions for the two alternatives follows on the next page. These numbers are for illustration and not final to the SBWMA project plan of finance:

	<u>Alternative 1</u>	<u>Alternative 2</u>	
	<u>VRDB</u>	<u>BAN</u>	<u>Refunding LT Bonds</u>
<b><u>Sources of Funds</u></b>			
Bonds	62,215,000	61,485,000	64,510,000
Original Issue (Discount) Premium	-	1,192,194	(1,861,759)
Prior DSRF	-	-	<u>6,148,500</u>
Total Sources	62,215,000	62,677,194	68,796,741
<b><u>Uses of Funds</u></b>			
Project Fund	52,585,133	52,585,133	-
Refund BANs	-	-	61,485,000
Costs of Issuance	333,155	254,461	277,741
Capitalized Interest Allowance	3,300,000	3,074,250	-
Underwriter's Discount	777,688	614,850	1,290,200
Debt Service Reserve Fund (DSRF)	<u>5,219,024</u>	<u>6,148,500</u>	<u>5,743,801</u>
Total Uses	62,215,000	62,677,194	68,796,741
<b><u>Assumptions</u></b>			
Interest	5.23%	5.00%	7.25%
Yield	5.23%	4.25%	7.50%
Debt Service	5,219,024	3,074,250	5,743,801
Term to Maturity	25	2	25
Budget debt service at	6.500%	5.00%	7.25%
LOC	1.750%		
Remarketing	0.125%		
Average Interest	3.100%		
AMT Penalty	<u>0.250%</u>		
Average Annual Cost	5.225%		

Despite its risks, a VRDB structure anticipates only one set of issuance costs from the outset. A BAN anticipates at least two sets of issuance costs. The expected long-term average total annual cost of funds with a VRDB is in the range of 4.5% - 5.25% (rounded). The expected annual cost of funds with a BAN would be approximately 4.25% (2-year term), followed by a range of approximately 6% – 7.25% for long term funds. While 6% corresponds to the Bond Buyer Revenue Bond Index average since 1990, adjusted for an AMT penalty, and is a reasonable estimate of the future cost of funds, 7.25% is a more prudent planning number that demonstrates the SBWMA's ability to service debt even if interest rates remain stubbornly high well into the future.

In the present market, letters of credit are difficult to obtain. Banks are so near their credit capacity (or simply unwilling to lend credit) that they are unwilling to provide credit except to those to whom they already provide banking services. Several member agencies, including the

SBWMA itself, have banking relationships with Wells Fargo Bank, and the SBWMA has an investment banking relationship with Bank of America. Both are highly rated banks that provide letters of credit for VRDBs on a select basis, and letters of credit would be solicited from each if the Board directs staff to further investigate the feasibility of structuring a VRDB.

Regardless of whether the SBWMA pursues a VRDB structure or a BAN/long-term bond structure, the SBWMA must plan on showing investors that it will be able to repay its debt. Although a VRDB sale may not require the \$65.455 million authorization requested, a BAN followed by a long-term bond refunding may need the entire authorization or more. It is recommended that the requested authorization remain at \$65.455 million.

**Attachment 2**  
**Shoreway Master plan (Shoreway Environmental Center)**  
**Critical Milestones**

<b><u>Date</u></b>	<b><u>Key Item/Milestone</u></b>
March 22, 2007	<b>Informational report</b> to update the Board on the Shoreway Recycling and Disposal Center (SRDC) master plan work and seek Board input on final master plan concepts. Input from this Board meeting, along with some pending related work efforts, will be used to recommend a <b>preferred master plan alternative</b> for consideration at the April 26, 2007 Board meeting.
April 26, 2007	<b>Board approval of a master plan preferred alternative</b> consisting of the materials recovery facility ( <b>MRF Alternative 2</b> ) plus the transfer station site improvements to address traffic improvements, self haul tipping, and improved safety and service convenience for public buyback and drop-off recycling. In total, these projects will comprise a "preferred master plan alternative.
September 27, 2007	<b>Board approval</b> to begin work scope and cost negotiations with the Design team of JR Miller/HDR Engineering for the Shoreway Environmental Center improvements.
October 25, 2007	<b>Board approval</b> of the JRMA scope and budget for the <b>architectural and engineering work</b> for the Shoreway Recycling and Disposal Center (SRDC) master plan. JRMA scope of work includes the completion of the facility design programming, production of architectural and engineering drawings that will serve as the basis for construction bidding, and construction services administration.
November 1, 2007	Shoreway <b>facility operations RFP released</b> , which included conceptual site plans for master plan improvements.
February 11, 2008	<b>Conditional Use Permit application</b> submitted to the City of San Carlos for Shoreway master plan improvements.
March 4, 2008	<b>Seven proposals received in response to the facility operations RFP.</b> These proposals included firm cost proposals for the purchase and installation of single stream processing equipment. This is the first time the SBWMA had such firm cost proposals.
April 24, 2008	Staff presentation and report on the <b>Shoreway Master Plan and Financing Update.</b> This detailed an updated analysis of the financing plan for the Shoreway Environmental Center (the new name for the SRDC after the improvements are completed) capital improvements, including the Material Recovery Facility (MRF) processing equipment. As noted in the staff report, a very preliminary financial assessment was completed a year ago as part of the approval process for the Shoreway master plan preferred alternative. This April 2008 updated and much more thorough analysis was completed step-wise as follows: <ul style="list-style-type: none"><li>▪ Prepared an estimated capital budget for the Shoreway improvements based on:</li></ul>

- Revised planning level (**not a firm construction cost estimate based on a certain % complete engineering drawings**) cost estimate for building improvements.
- MRF processing equipment cost estimate derived from the Shoreway Operations RFP responses.
- MRF processing equipment installation cost estimate derived from the Shoreway Operations RFP responses.

June 26, 2008	Board approval of a resolution authorizing issuance of revenue obligations and requesting member agencies to adopt resolutions approving the sale of bonds to finance improvements to the Shoreway facility <b>and to refund the bonds issued by SBWMA in 2000.</b>
July 21, 2008	City of San Carlos Planning Commission <b>approval of CUP</b> <u>and</u> approval of mitigated negative declaration.
July 24, 2008	<b>Board approval</b> to shortlist South Bay Recycling and Hudson Baylor Corp. for further negotiations as the future operator of the Shoreway Environmental Center.
October 23, 2008	Board approved contract award for scale house construction. This represents Phase 1 of construction activities as part of the Shoreway master plan improvements.
December 2008	Phase I Construction started. This is construction of traffic improvements only.
January 22, 2009	Update on Shoreway masterplan costs and financing plan.  Selection committee preliminary recommendation re: future Shoreway operator.
Jan./Feb./Mar. 2009	Member Agency consideration of bond approval.
February 26, 2009	Board consideration of approval of bid documents for Phase 2 Shoreway master plan improvements.
March 26, 2009	Board consideration of approval of final selection of a Shoreway operations contractor.
April 23, 2009	Board consideration of approval of sale of bonds (contingent on two-thirds of member agencies approving bond issuance).  Board consideration of approval of contract award for transfer station and MRF construction. This represents Phase 2 of construction activities as part of the Shoreway master plan improvements.
June/July 2009	Phase 2 construction begins. Improvements completed spring 2011.
Spring/Summer 2009	Member Agency consideration of approval of Operations Agreement for the new Shoreway operator.