

2009 ANNUAL REPORT

*Rethinking Waste to Support
Greener Communities*



Innovative Recycling & Outreach Programs

Curbside Battery & Cell Phone Recycling

RethinkWaste has continued to operate one of the largest and most convenient curbside battery and cell phone collection programs in the United States. Over 57,000 pounds of batteries and cell phones were collected curbside from single-family residences in 2009, bringing the total amount collected and recycled to more than 129,000 pounds since the program was launched in October 2007.

Community Event Recycling

Member Agencies took advantage of RethinkWaste's Special Events Recycling Trailer program to maximize diversion efforts at their community events in 2009. RethinkWaste recycling containers and staffing were provided to over 20 community events, including Menlo Park's Sunset Celebration, San Mateo's Wine Walk and Foster City's 4th of July celebration, to promote recycling at the events. These events generated 17,840 pounds of food scraps, 7,700 pounds of bottles and cans, and 18,860 pounds of cardboard and mixed paper.

Electronic Scrap Recycling & Community Shred Events

Approximately 10 E-Scrap and Community Shred Events were conveniently held in Member Agency communities throughout 2009. Approximately 72,000 pounds of computers, televisions and other electronics, and another 83,000 pounds of paper were recycled through these events. The Community Shred Events were introduced in 2009 and were extremely popular with attendees. The paper from the shredding events is recycled into "Kirkland" paper products sold at Costco stores.

San Carlos Food Scraps Program

The City of San Carlos, in partnership with RethinkWaste and Allied Waste Services of San Mateo County, rolled out the first weekly Food Scraps and Yard Trimmings collection program in the RethinkWaste service area to its single-family residents in March 2009.

The new program resulted in a 41.6% increase in tons of residential compostable materials collected from March through December in comparison to the previous year. In

addition, the "Feed the Pail, Feed the Planet" public education campaign developed for the program was a 2009 Davey Awards Gold Award Winner.

Website

The RethinkWaste interactive website, www.RethinkWaste.org, continues to serve as the main hub of information for the general public and customers on programs, updates and new information. On average, over 400 people visited the site each week throughout the year. The website features live web cams for viewing the construction progress of the Agency's future Shoreway Environmental Center.



RethinkWaste Rebranding

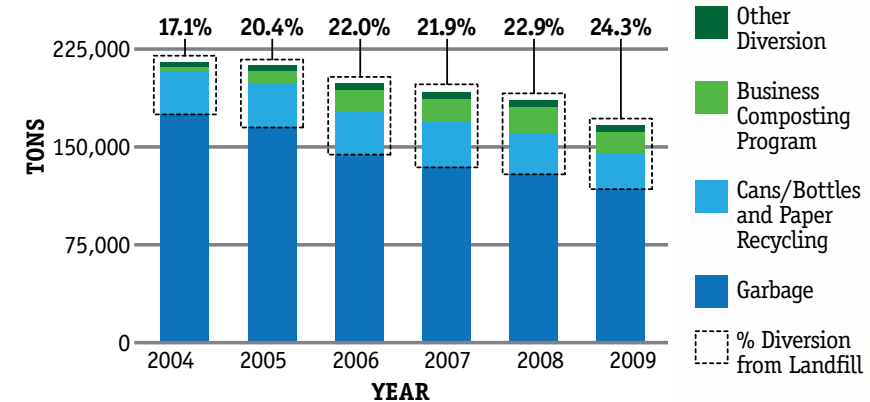
South Bayside Waste Management Authority (SBWMA) has embarked on a mission to rebrand itself "RethinkWaste" to better align with our mission and services. The rebranding effort includes the new logo seen here, as well as new colors, universally recognized as representing the environment and sustainability. The legal name of the Agency remains SBWMA.



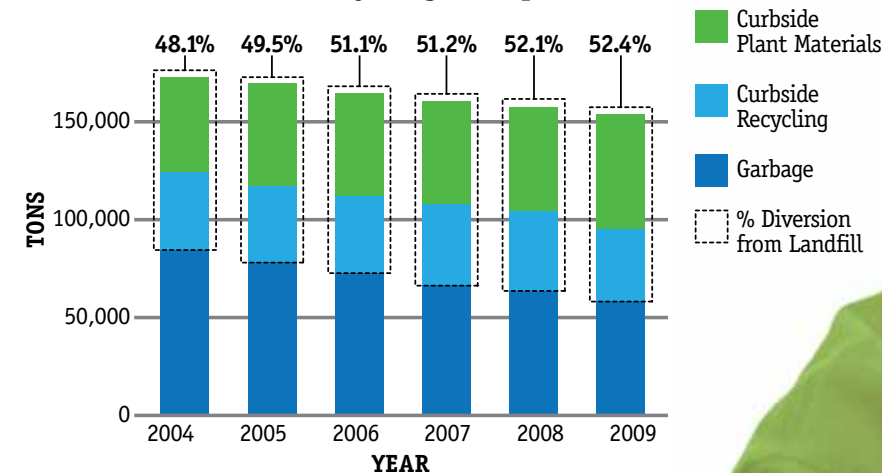
Recycling & Disposal Facts & Figures

- The commercial sector accounts for 64% of all garbage collected from the RethinkWaste Member Agencies' businesses and residents.
- Only 43,000 tons of material collected from businesses is currently recycled annually, with 134,500 tons disposed.
- The Business Composting Program, fully implemented in 2005, contributes over 13,000 tons annually to the commercial sector specific efforts to divert garbage from the landfill.
- Approximately 84,000 tons of material collected from residents is currently recycled annually, with 76,000 tons of garbage disposed.
- The RethinkWaste Member Agencies disposed of approximately 211,000 tons of garbage in 2009.
- Diversion in the residential and commercial sectors has remained relatively flat over the last 6 years. This is due in part to outdated programs and facilities, which have not kept up with the standards set by other Bay Area cities.

Commercial Recycling & Disposal



Residential Recycling & Disposal



OUR COMMUNITY PARTNERS

RethinkWaste is committed to supporting organizations that promote resource conservation and sustainability in San Mateo County and California, including:

- Acterra
- BayROC
- California Climate Registry
- California Product Stewardship Council
- California Resource Recovery Association
- Californians Against Waste
- Joint Venture Silicon Valley
- PG&E ClimateSmart
- San Mateo County Green Business Program
- Sustainable San Mateo County
- U.S. Green Building Council



Future Programs & Services

RethinkWaste Future Collection Services

RethinkWaste is preparing to transition to the future recycling, compost and solid waste collection services that will take place by January 1, 2011. Much of 2009 was spent finalizing the selection and negotiation process for collection services provider, Recology San Mateo County, on behalf of RethinkWaste's 12 Member Agencies.

Public education and outreach efforts for the new collection services, under the program name of "CartSMART," will be launched in the summer of 2010.

Shoreway Environmental Center

Demolition of RethinkWaste's Shoreway Recycling and Disposal Center in San Carlos began in November, marking the beginning of the major construction planned at the facility to transform it into the Shoreway Environmental Center – California's Greenest Recycling Center and Transfer Station.

The building that has been torn down was an existing 48,000-square-foot Materials Recovery Facility (MRF) where the recyclables from RethinkWaste's residential and commercial customers were being processed. In its place, a new 70,200-square-foot MRF is under construction to handle single stream (commingled) recyclables from residential and commercial customers. Once completed, the new MRF will house state-of-the-art recycling processing equipment designed specifically for the new collection services program.

RethinkWaste will also be expanding the existing 62,000-square-foot transfer station by an additional 14,780 square feet to increase unloading space for public customers and allow for more recovery of recyclables. The transfer station construction is expected to begin in August 2010. All construction is expected to be completed in spring 2011.

Other key features of the future facility include a relocated buy-back and free recycling drop-off center, major traffic improvements, "Green Building" features and a new environmental education center.

Shoreway Environmental Center Bond Financing

RethinkWaste successfully closed the sale of \$53.5 million in tax exempt solid waste revenue enterprise bonds and paid off existing tax-exempt debt of \$13.7 million over 10 years early in September 2009, using reserves generated over a multi-year periods as part of the Agency's long-term fiscal planning. Net proceeds from the sale of new debt, along with a \$3 million loan from the City of Burlingame, is what is being used to fund the construction of the future Shoreway Environmental Center.

CartSMART



FUTURE COLLECTION PROGRAMS HIGHLIGHTS

- Weekly garbage collection
- Weekly single-stream (commingled) recyclables collection
- Weekly yard trimmings/food scraps (compost) collection
- New wheeled carts for all services listed above for nearly all Member Agencies
- Used motor oil and oil filters collection
- Household batteries and cell phone collection

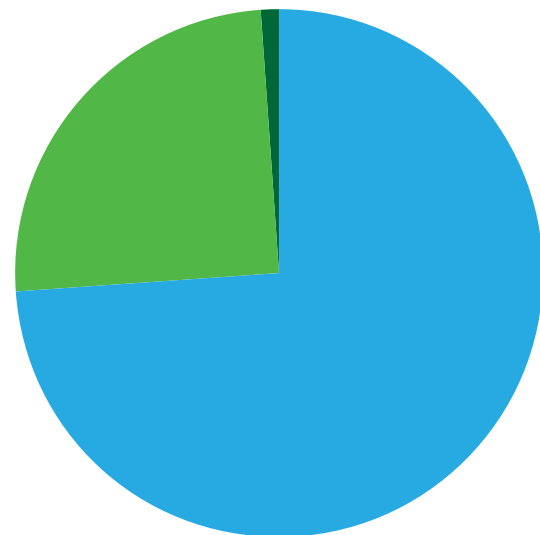


Visit www.RethinkWaste.org to view the Shoreway construction through our live webcams and to learn about updates on the new programs and services.

Fiscal Year 2010 RethinkWaste Operating Budget

Each year, the RethinkWaste Board of Directors approves a budget which includes revenues, expenditures and budget reserves. Sources of revenue include investment income, tipping fees charged at the Shoreway Recycling and Disposal Center, and the sale of recyclable commodities. These revenue sources fund program expenditures related to administration, franchise contract compliance and support, recycling programs, Shoreway operations (includes our contractor's operating budget), and capital improvements. The adopted FY 2009-10 budget was for \$36.7 million in revenues and expenditures of \$39.1 million; these figures are exclusive of capital expenditures.

The budgeted loss of \$2.4 million is primarily due to higher Shoreway facility net operating costs during construction of the new master plan improvements; the shutdown of our Materials Recovery Facility for 18 months requires us to ship recyclables offsite to other processing facilities in Oakland and San Jose. It is important to note that this was a planned operating deficit that will be covered through working capital from bond proceeds in FY 2010-11 and will provide \$4.6 million in cash flow to use for operating expenses and to help ensure sufficient reserves. RethinkWaste's long-term fiscal planning shows revenues exceeding expenditures, and a significant increase in reserves, keeping the Agency on track with Board priorities.

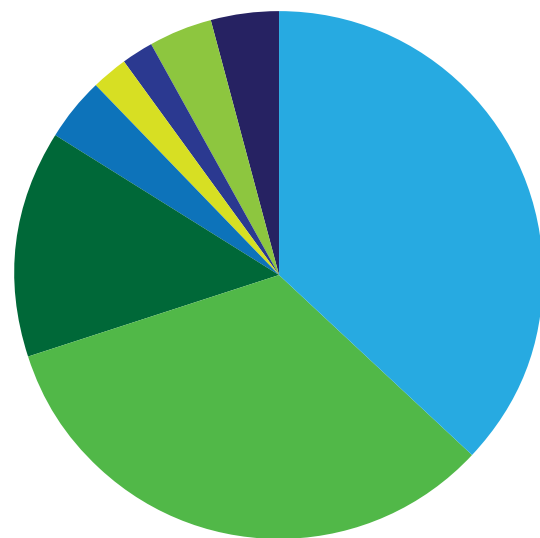


SBWMA 2010 Budget Revenue*

IN MILLIONS OF DOLLARS

- \$27.9 Shoreway Tip Fee Revenue
 - \$ 8.7 Shoreway Commodity Sales
 - \$ 0.1 SBWMA Investment Income
- \$36.7 TOTAL**

*Includes Shoreway Revenues



SBWMA 2010 Budget Expense*

IN MILLIONS OF DOLLARS

- \$14.5 Allied Waste Operating Contract
 - \$13.1 Shoreway Disposal Expense
 - \$ 5.2 Interim Operations Expense
 - \$ 1.5 SBWMA Administration Expense
 - \$ 0.9 SBWMA Contract Management
 - \$ 0.9 SBWMA Recycling & AB939
 - \$ 1.5 Franchise Fee & Other
 - \$ 1.5 Bond Interest Expense
- \$39.1 TOTAL**

*Includes Shoreway Operating Expenses, but Excludes Franchise Collection Costs

OUR STRATEGIC PLAN

About RethinkWaste

RethinkWaste is a joint powers authority in San Mateo County managing the collection and processing of garbage, recyclables and organic materials for the cities of Belmont, Burlingame, East Palo Alto, Foster City, Menlo Park, Redwood City, San Carlos and San Mateo; the towns of Atherton and Hillsborough, the County of San Mateo and the West Bay Sanitary District.

Our Strategic Priorities

1. Provide strategic oversight and direction to the environmental services companies that collect, process, recycle and dispose of residuals for the member agencies.
2. Ensure contractors' and RethinkWaste programs are managed cost effectively for the ratepayers with performance metrics for all programs.
3. Deliver strategic oversight and management of the Shoreway Environmental Center to meet financial, operational, and environmental goals.
4. Ensure compliance with environmental regulations governing the collection and processing of recyclables and organic materials and meet or exceed diversion goals.
5. Anticipate trends and implement innovative solutions for waste reduction, recycling and facility operations services.
6. Monitor and assess contractor performance so that customer satisfaction and service delivery meets or exceeds contractual requirements.
7. Adhere to best practices in office operations, operational infrastructure, procurement, human resource, IT and governance.
8. Support RethinkWaste programs and policies through relevant outreach, education, and focused communication.

For more information on RethinkWaste's vision, and key initiatives and milestones through 2009, visit <http://www.rethinkwaste.org/about/history-and-mission>.



Our Mission

RethinkWaste designs and implements sustainable waste reduction, recycling and facility operations services to achieve our member agencies environmental goals and requirements.



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www.RethinkWaste.org

MEMBER AGENCIES: Town of Atherton • City of Belmont • City of Burlingame • City of East Palo Alto • City of Foster City • Town of Hillsborough
City of Menlo Park • City of Redwood City • City of San Carlos • City of San Mateo • County of San Mateo • West Bay Sanitary District