



Memorandum

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Reviewed by WKM Date 2/7/08
General Manager

DATE: February 6, 2008
TO: General Manager
FROM: Finance Manager
SUBJECT: Midyear Review of the 2007-2008 Fiscal Year Budget

DISCUSSION

The District's midyear estimate shows a reduction in net income of \$567,000 from budget. The District's budget has a net income of \$1,858,000 and a reduction in unrestricted cash of \$408,500. Based on activity through midyear, staff now anticipates net income of \$1,291,000, a reduction in unrestricted cash of \$405,000. The attached tables provide estimates by classification groupings.

REVENUES

Staff estimates operating revenues will be \$985,000 less than budgeted. Staff had projected receiving 262,000 tons of refuse and now projects receiving 235,000 tons, a 10.3% decrease. The District is not receiving the anticipated tonnage from the demolition projects on the former Ft. Ord and has experienced a significant reduction in tonnage from commercial and industrial customers. Sales of metal and other recyclable materials continue to be strong and are expected to exceed budget by \$150,000 in aggregate. Revenues from the recycling of e-waste is stronger than expected and are projected to be \$75,000 above budget due to the increased number of units being turned in. Non-operating Revenues and Expenses will be above budget due primarily to higher interest income due to reduced capital expenditures and reductions in operating expenses.

EXPENDITURES

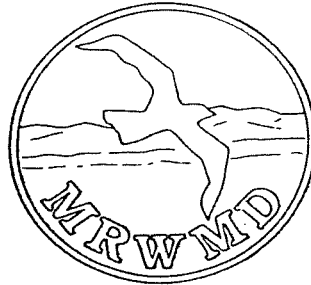
Total expenditures are expected to be below budgeted figures by \$340,000. The District is anticipating reductions in Salaries and Benefits - \$42,000, Office Expenses - \$40,000, Professional Services - \$70,000, Public Awareness - \$30,000, Repairs & Maintenance - \$115,000, Safety Supplies - \$25,000 and Taxes/Surcharges/Permits - \$53,000. These savings will be offset by increases in Fuel and Oil - \$15,000, Power Project R&M - \$25,000, and Recycling Services - \$45,000.

CAPITAL OUTLAY

Capital outlay is expected to be \$621,500 below budget for a total capital spending of \$2,524,000. Staff has responded to the reduction in refuse tonnage by deferring all projects that will not cause significant operational interruptions.

Chuck Rees

***MONTEREY REGIONAL WASTE
MANAGEMENT DISTRICT***



**MIDYEAR BUDGET
REVIEW**

FISCAL YEAR 2007-2008

FEBRUARY 15, 2008

Table 1

| MIDYEAR OPERATING & CASH SUMMARY FOR FY 2007-2008 | | | |
|---|--------------------|--------------------|--------------------|
| DESCRIPTION | BUDGET | ESTIMATE | VARIANCE |
| Operating Revenues | 18,700,000 | 17,715,000 | (985,000) |
| Operating Expenses | (16,864,000) | (16,524,000) | 340,000 |
| Non-Operating Revenues/(Expenses) | 22,000 | 100,000 | 78,000 |
| NET INCOME (LOSS) | \$1,858,000 | \$1,291,000 | (\$567,000) |
| Adjustments to Cash * | 2,535,000 | 2,520,000 | (15,000) |
| Capital Outlay | (3,145,500) | (2,524,000) | 621,500 |
| Dept Reduction | (1,588,000) | (1,624,000) | (36,000) |
| Increase in Restricted Reserves | (68,000) | (68,000) | 0 |
| CHANGE IN CASH | (\$408,500) | (\$405,000) | \$3,500 |
| * Includes Depreciation/Amortization and Closure/Post Closure Expenses. | | | |
| Unrestricted Cash at Start of Fiscal Year (per Audit) | | \$6,810,710 | |
| FY 07/08 Change in Cash | | (\$405,000) | |
| Unrestricted Cash at End of Fiscal Year | | \$6,405,710 | |
| <i>25 % of Estimated Operating Expenses (Reserve)</i> | | <i>\$4,131,000</i> | |

Table 2

| MIDYEAR OPERATING REVENUE ESTIMATE FOR FY 2007 - 2008 | | | |
|---|-----------------------|-------------------------|----------------------|
| DESCRIPTION | FISCAL YEAR BUDGET | FISCAL YEAR ESTIMATE | FY VARIANCE |
| TIPPING FEES | | | |
| Mixed Waste | 12,875,000 | 11,860,000 | (1,015,000) |
| Sludge | 1,000,000 | 1,000,000 | 0 |
| Liquid Waste | 0 | 50,000 | 50,000 |
| Greenwaste | 780,000 | 700,000 | (80,000) |
| SUBTOTAL | \$14,655,000 | \$13,610,000 | (\$1,045,000) |
| SALES | | | |
| Last Chance Resale | 500,000 | 540,000 | 40,000 |
| Sand | 300,000 | 225,000 | (75,000) |
| Metal | 500,000 | 600,000 | 100,000 |
| Mulch/Compost/Topsoil | 135,000 | 100,000 | (35,000) |
| Woodchips | 200,000 | 150,000 | (50,000) |
| Mixed Containers/Cardboard/Paper | 50,000 | 100,000 | 50,000 |
| Other Sales | 5,000 | 5,000 | 0 |
| SUBTOTAL | \$1,690,000 | \$1,720,000 | \$30,000 |
| POWER PLANT SALES | | | |
| Power Sales | 2,000,000 | 2,000,000 | 0 |
| LFG O&M Reimbursement | 75,000 | 70,000 | (5,000) |
| SUBTOTAL | \$2,075,000 | \$2,070,000 | (\$5,000) |
| MISCELLANEOUS | | | |
| Operational Services | 180,000 | 140,000 | (40,000) |
| Hazardous Waste Fees | 100,000 | 175,000 | 75,000 |
| SUBTOTAL | \$280,000 | \$315,000 | \$35,000 |
| TOTAL OP REVENUE | \$18,700,000 | \$17,715,000 | (\$985,000) |

Table 3

| MIDYEAR OPERATING EXPENSE ESTIMATE FOR FY 2007 - 2008 | | | |
|---|-----------------------|-------------------------|--------------------|
| DESCRIPTION | FISCAL YEAR BUDGET | FISCAL YEAR ESTIMATE | FY VARIANCE |
| Salaries | 6,156,000 | 6,200,000 | 44,000 |
| Benefits | 3,734,000 | 3,648,000 | (86,000) |
| SUBTOTAL | \$9,890,000 | \$9,848,000 | (\$42,000) |
| Amortization/Depreciation | 2,400,000 | 2,400,000 | 0 |
| Closure/Postclosure Costs | 135,000 | 120,000 | (15,000) |
| Contractual Services | 125,000 | 125,000 | 0 |
| Director Fees | 7,000 | 7,000 | 0 |
| Environmental Services | 110,000 | 100,000 | (10,000) |
| Fuels and Oil | 635,000 | 650,000 | 15,000 |
| Hazardous Waste Disposal | 110,000 | 110,000 | 0 |
| Insurance | 190,000 | 180,000 | (10,000) |
| Office Expenses | 140,000 | 100,000 | (40,000) |
| Operating Supplies | 100,000 | 100,000 | 0 |
| Other Expense | 20,000 | 20,000 | 0 |
| Power Project Gas Purchase | 75,000 | 70,000 | (5,000) |
| Power Project R&M | 350,000 | 375,000 | 25,000 |
| Professional Services | 340,000 | 270,000 | (70,000) |
| Public Awareness | 180,000 | 150,000 | (30,000) |
| Recycling Services | 275,000 | 320,000 | 45,000 |
| Repairs & Maintenance | 815,000 | 700,000 | (115,000) |
| Safety Equipment/Supplies | 140,000 | 115,000 | (25,000) |
| Taxes/Surcharges/Permits | 705,000 | 652,000 | (53,000) |
| Training/Education/Meetings | 60,000 | 50,000 | (10,000) |
| Utilities | 62,000 | 62,000 | 0 |
| SUBTOTAL | \$6,974,000 | \$6,676,000 | (298,000) |
| TOTAL OP EXPENSES | \$16,864,000 | \$16,524,000 | (\$340,000) |
| MIDYEAR NON-OPERATING REVENUE/EXPENSE EST FOR FY 2007 - 2008 | | | |
| DESCRIPTION | FISCAL YEAR BUDGET | FISCAL YEAR ESTIMATE | FY VARIANCE |
| Interest Income | 320,000 | 400,000 | 80,000 |
| Rents & Leases | 80,000 | 78,000 | (2,000) |
| Finance Charges | 15,000 | 20,000 | 5,000 |
| Other Income | 5,000 | 5,000 | 0 |
| Equipment Purchase - Interest | (44,000) | (48,000) | (4,000) |
| Revenue Bonds - Interest | (354,000) | (355,000) | (1,000) |
| TOTAL NON- OP REV/EXP | \$22,000 | \$100,000 | \$78,000 |

Table 4

| MIDYEAR CAPITAL OUTLAY ESTIMATE FOR FY 2007-2008 | | | |
|--|--------------------|--------------------|--------------------|
| DESCRIPTION | BUDGET | ESTIMATE | VARIANCE |
| EQUIPMENT | | | |
| Capital Equipment Repair | 450,000 | 350,000 | (100,000) |
| Woodline Upgrade | 600,000 | 600,000 | - |
| Roll-Off Boxes | 40,000 | 15,000 | (25,000) |
| Computer Hardware/Software | 25,000 | 5,000 | (20,000) |
| Work Station Configuration for Accounting/MRF Supervisors/Safety/Shop) | 35,000 | 30,000 | (5,000) |
| Replace 744H Wheel Loader - 2000 | 350,000 | - | (350,000) |
| Waste Inspection Vehicle 4x4 with Ancillary Support Equipment | 30,000 | - | (30,000) |
| "Tink" Bucket Replacement for CAT 938 Loader | 20,000 | 20,000 | - |
| Grapple Claw Replacement for 230 CLC Excavator | 12,000 | 24,000 | 12,000 |
| Light Tower Replacement | 10,000 | 5,500 | (4,500) |
| Replace Forklift Motor Mast | 6,500 | 6,500 | - |
| Miscellaneous Equipment | 50,000 | 50,000 | - |
| TOTAL - EQUIPMENT | 1,628,500 | 1,106,000 | (522,500) |
| FACILITY IMPROVEMENTS | | | |
| MRF Capital Repairs | 365,000 | 300,000 | (65,000) |
| Installation of Fire Protection Pumps and Appurtenances | 200,000 | 240,000 | 40,000 |
| Covered LCM Processing Area | 32,000 | 24,000 | (8,000) |
| Sliver Fill Construction / Final Cover | 25,000 | 34,000 | 9,000 |
| Site Paving - Maintenance/Equipment Shop Area | 25,000 | 25,000 | - |
| Emergency Lighting for MRF | 10,000 | 10,000 | - |
| Upgrade Air Handling Unit - MRF | 20,000 | - | (20,000) |
| MRF Parts/Tools/Equipment Storage | 10,000 | 10,000 | - |
| MRF Supervisor Office | 10,000 | - | (10,000) |
| Landfill Gas Collection System | 50,000 | 190,000 | 140,000 |
| Secondary Filter System for Gas Skid | 40,000 | 40,000 | - |
| Backup Gas Skid for LFG | 300,000 | 310,000 | 10,000 |
| Unit 1: 2006 Cat Generator Set (1 mW) Overhaul | 100,000 | 105,000 | 5,000 |
| Unit 2: 2002 Jenbacher J320 (1 mW) Rebuild | 100,000 | 100,000 | - |
| Unit 4: 1997 Jenbacher J320 (1 mW) Replacement (Lease Financing) | 200,000 | - | (200,000) |
| Miscellaneous Facilities Improvements | 30,000 | 30,000 | - |
| TOTAL - SITE IMPROVEMENTS | 1,517,000 | 1,418,000 | (99,000) |
| TOTAL CAPITAL OUTLAY | \$3,145,500 | \$2,524,000 | (\$621,500) |
| REDUCTION OF LONG TERM DEBT: 2007-2008 | | | |
| PRINCIPAL PAYMENTS | BUDGET | ESTIMATE | VARIANCE |
| 2005 Equipment Purchase (D9 Bulldozer) | 150,000 | 150,000 | 0 |
| 2006 Equipment Purchase (627 Scraper) | 230,000 | 230,000 | 0 |
| 2007 Equipment Purchase (836H Compactor) | 85,000 | 121,000 | 36,000 |
| 1998 Revenue Bonds | 1,123,000 | 1,123,000 | 0 |
| TOTAL DEBT REDUCTION | \$1,588,000 | \$1,624,000 | \$36,000 |