

Southeastern Public Service Authority

Proposed Annual Financial Plan

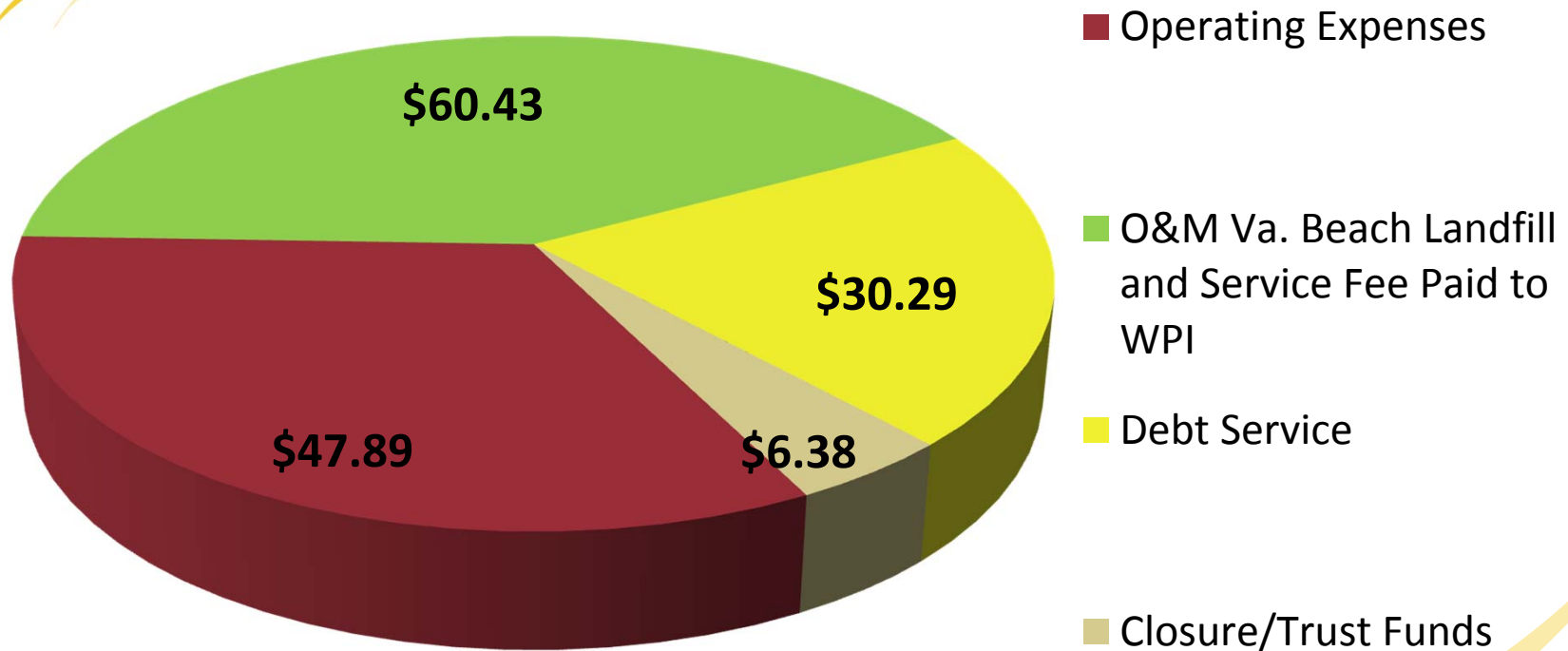
FY 2012

March 23, 2010

FY 2012 Proposed Budget

- Revenues = Expenses for a Total of \$49,218,574
- A 13% decrease from FY 2011 or \$7,114,601
 - \$2.359 million decrease is representative of capital projects
 - \$4.755 million decrease due to decline in tonnages
- Municipal Tipping Fee \$145 per ton
- Va. Beach Capped Rate = \$65.01 vs. \$56.01

FY 2012 ~ \$145 Municipal Tipping Fee



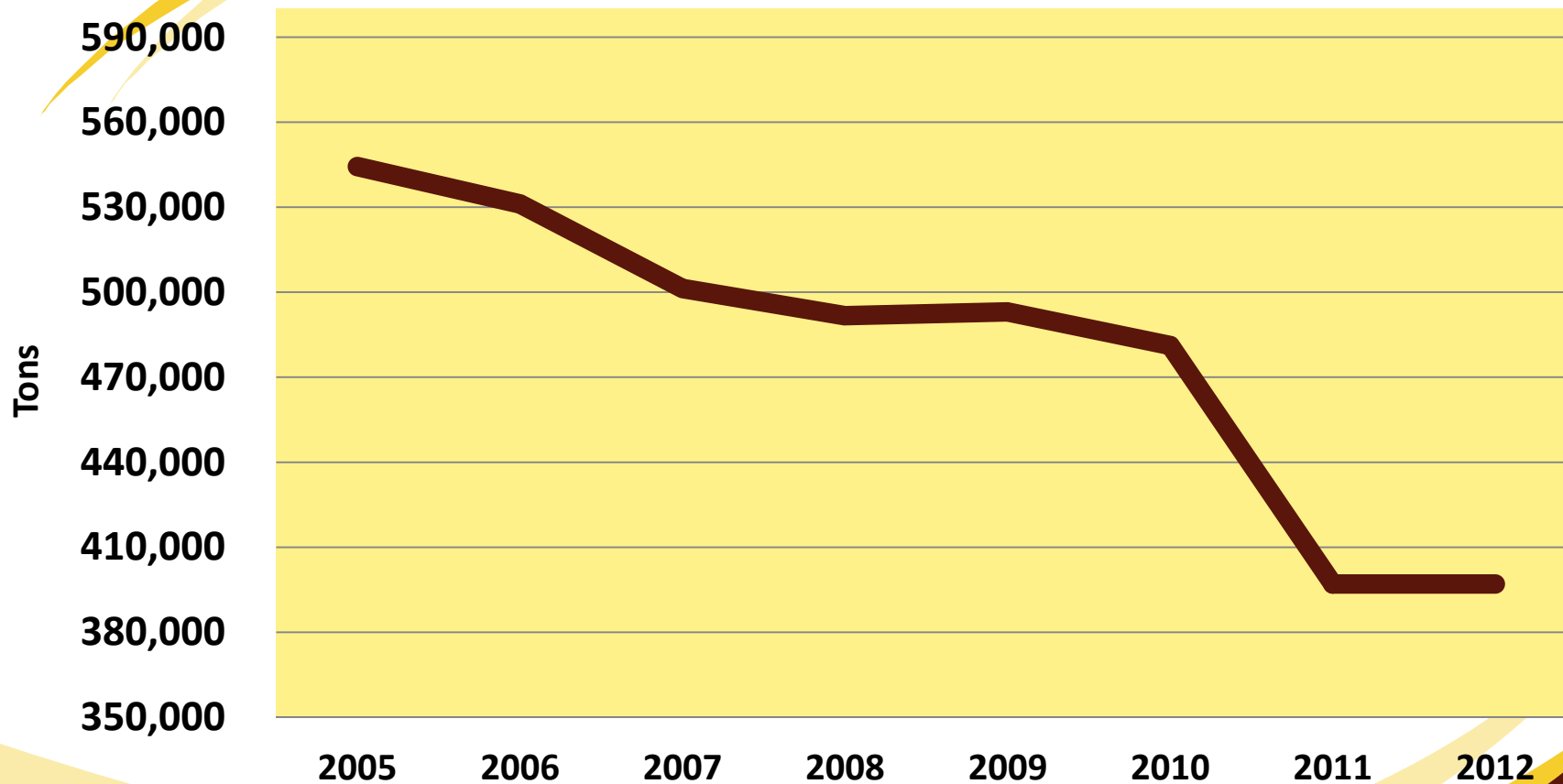
Incremental value of \$1 million =
\$4.40 on the tipping fee based on
projected municipal tonnages

Revenues

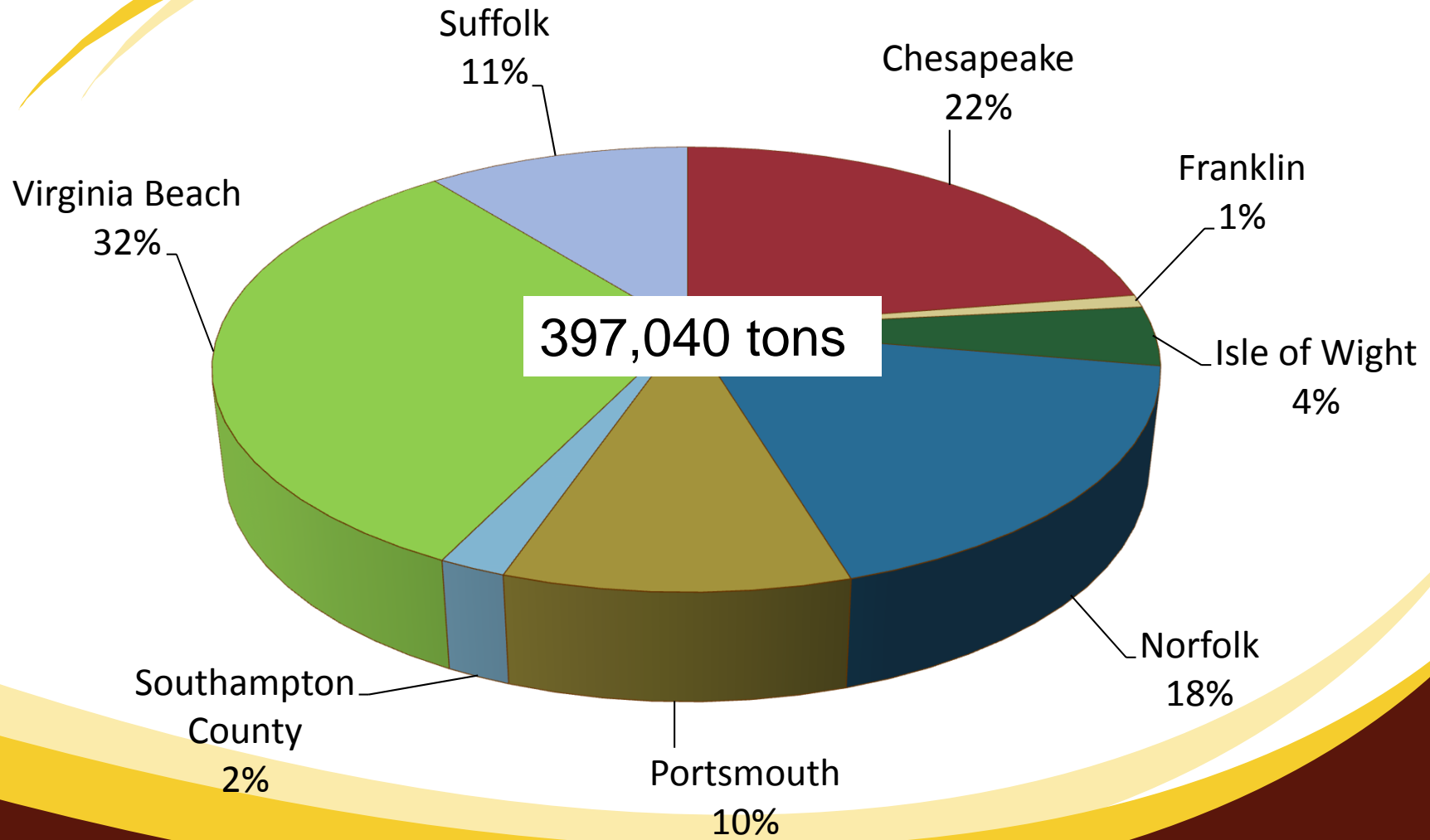
- Tipping Fees represent 89% of budget
- FY 2012 municipal tipping fees are projected at \$41.275 million or 84% of budget compared to ..
- FY 2011 municipal tipping fees of \$45.847 million, a decrease of \$4.6 million due to decline in tonnages
- Royalties from sale of landfill gas = \$550,000 vs \$775,000
- Assumes contract for Navy waste disposal renews July 1
- Interest earnings = \$95,000 vs. \$250,000 budgeted

Municipal Tonnage – Projected 17% Decrease

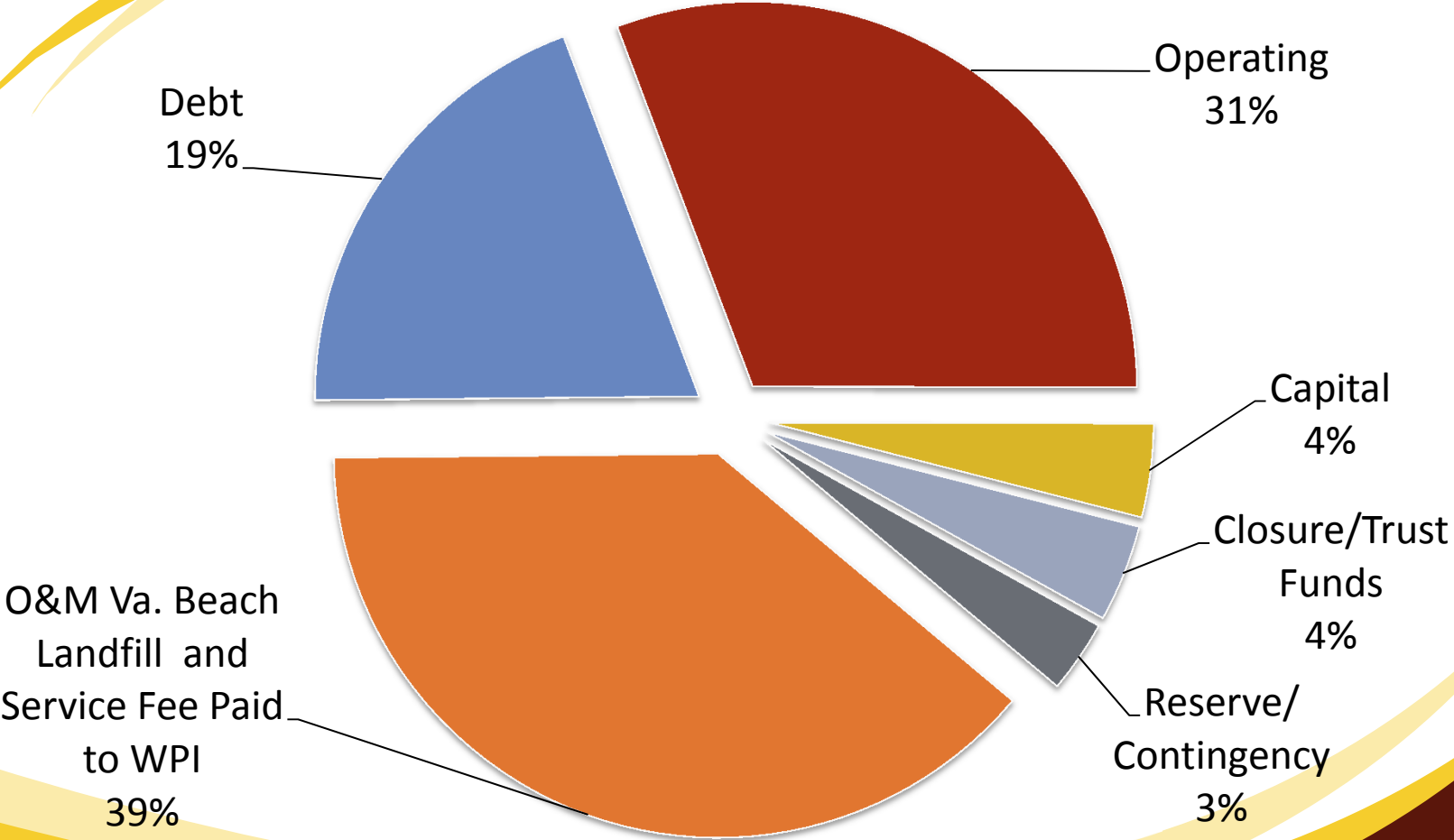
Compared to FY 2010 Actual



FY 2012 Municipal Waste



Expense Breakdown



Expenses – Keep in Mind That...

- 58% or \$28.7 million of budget are FIXED/contractual expenses
 - Debt Service, WPI, Va. Beach O&M
- 42% or \$20.5 million of budget is basically required costs at current service levels
 - Operating expenses are \$15.1 million as compared to the \$16.8 million budgeted in FY 2011 – funded with operating revenue, i.e. municipal tipping fee
 - Deposit to landfill closure is \$2 million – funded with operating revenue
 - Capital and equipment replacement expenses are \$1.94 million - funded with unexpended cash from FY 2011
 - Contingency is \$1.5 million - funded by \$10 million operating reserve

Operating Expenses – Employee Salaries/Benefits

- Total Salaries/Employee Benefits = \$9.31 million compared to \$9.29 million budgeted in FY 2011 (net increase of \$23,612)
- Proposed budget includes a 3% increase in salary/wages
 - Last salary adjustment was July 1, 2008
- Estimates a 10% increase in health insurance – to be absorbed by SPSA
- No Change in VRS rates
- Estimates worker's compensation insurance increases 5%

Operating Expenses – Increases / Decreases

Major Increases

- Fuel Costs – \$1.38 million a 19% increase
 - \$3.50 per gallon versus \$2.25
- DEQ Permits increase \$43,000 – change in legislation
- Leachate Treatment increases \$30,000

Major Decreases

- Annual Audit - \$97,500
- IT related expenses - \$295,000
- Property insurance - \$346,000
- Equipment Maintenance - \$477,000

Other Expenses

- Capital/Equipment Replacement decreased nearly \$3.9 million to \$1.9 million
- O&M Va. Beach Landfill increased by \$306,000 to \$2.97 Million
- Service Fee Paid to WPI decreased by \$690,000 to \$16.11 million
 - Primarily due to fuel surcharge and completion of first year of contract
 - Does not include increase in real estate taxes due to increase in City assessment of which SPSA is responsible for a pro-rata amount in excess of \$1 million

Budget Highlights - Recap

- No change in the municipal tipping fee of \$145 per ton;
- Assumes \$2.4 million of sale proceeds in current fiscal year is applied to debt service before July 1, 2011;
- Municipal tonnage projections remain flat as compared to the current fiscal year projection;
- A \$10 per ton increase (\$40 per ton versus \$30) in the CDD rate
- A 3% increase in employee salaries and wages;
- Projected increase in health insurance of approximately 10%;
- Projects the average price per gallon for diesel fuel at \$3.50 versus \$2.25;
- A \$2 million contribution to the landfill closure fund.

Future Years Tipping Fees

- In the process of fine tuning future year projections
- Inverse relationship between tonnages and price per ton
 - Similar to law to supply and demand
- As tonnages decrease, the price per ton increases
- If tonnages do not return to FY 2010 levels, service reductions will be required in order to maintain level tipping fee.

What's Next ...

- Board reviews and asks questions about annual financial plan
 - April 27, 2011 Updates Provided
 - Meet with individual Board members
- May 25, 2011 - Public Hearing on Tipping Fee Schedule
- May 25, 2011 – First Opportunity to Adopt Budget