

Southeastern Public Service Authority

Proposed Operating and Capital Budget FY 2011

February 24, 2010

FY 2011 Proposed Budget

- Revenues = Expenses for a Total of \$77,227,305
- A 33% decrease from FY 2010 or \$38,656,324
- Municipal Tipping Fee \$170 per ton
(without one-time deferral of fees paid to Va. Beach, FY 2010 tipping rate would have been \$262 per ton)

Change in Budgeting Practice

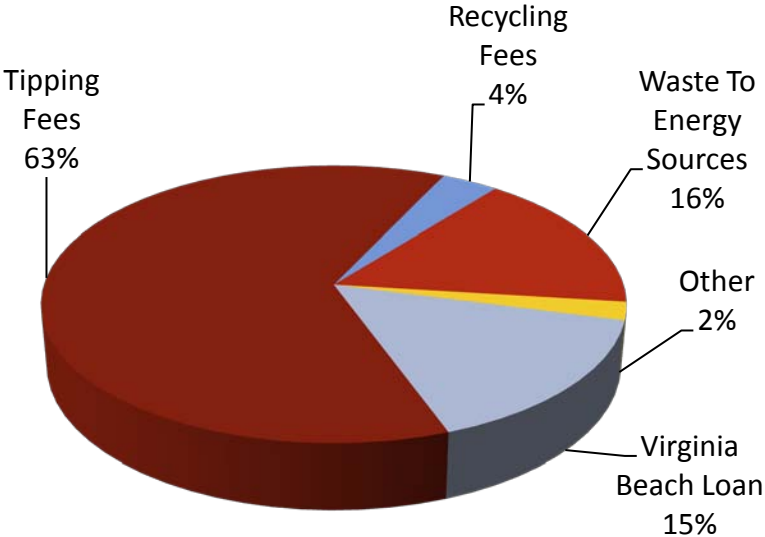
- Tipping Fees Paid by Va. Beach are included in Revenues at the full \$170 rate (\$26.8 million)
- Tipping Fees in excess of capped rate are included under expenses (\$18,010,420)
- Subtracting the \$18 million from expenses results in a “Real” reduction in the budget of \$56.7 million

Budget Highlights

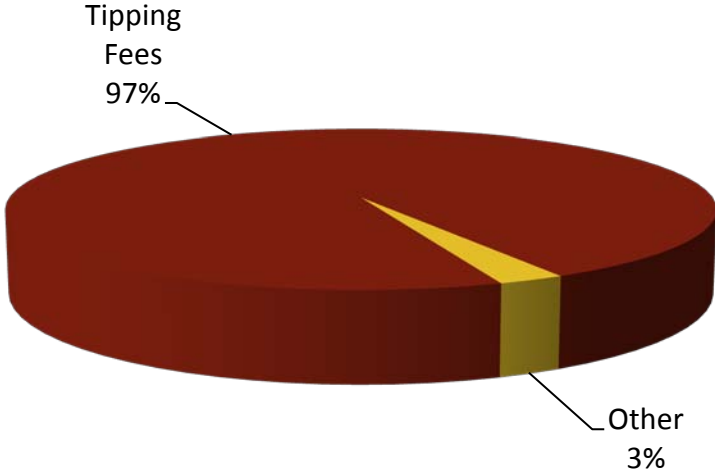
- Assumes Sale of WTE Facilities
- Termination of Recycling Services
- No Increase in Employee Salaries / Wages
- 15% Increase in Employee Healthcare Costs (to be paid by SPSA)
- An \$8.2 Million Cash Funded Capital Improvement / Equipment Replacement Plan
- A \$3.4 Million Contribution to the Landfill Closure Fund
- No Funding for the Development of Cell VII at Landfill

Revenue Sources

FY 2010 Budget

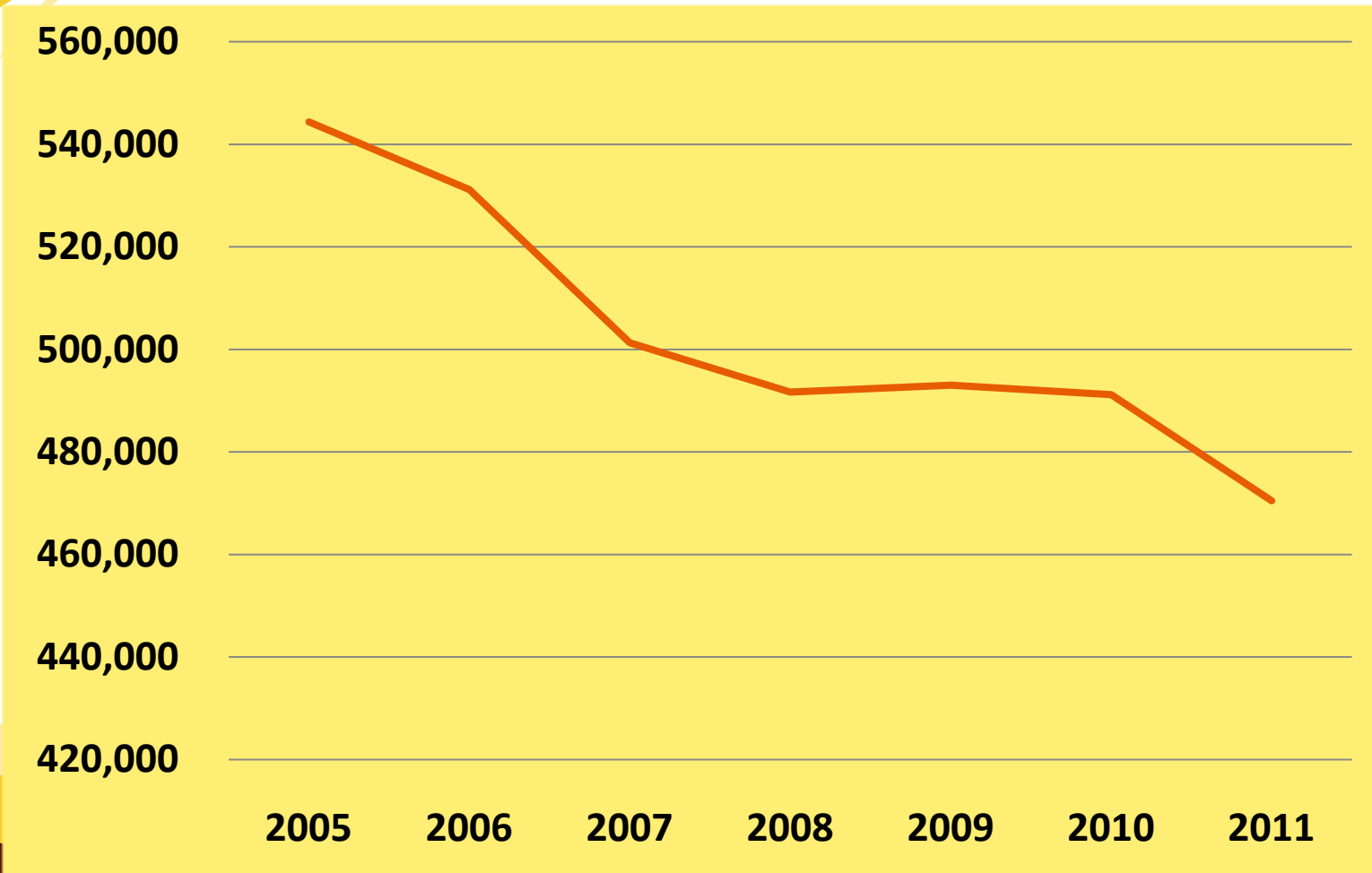


FY 2011 Budget



Primary Revenue Source is Tipping Fees

Municipal Tonnage – Projected 5% Decrease



Major Reductions in Revenues

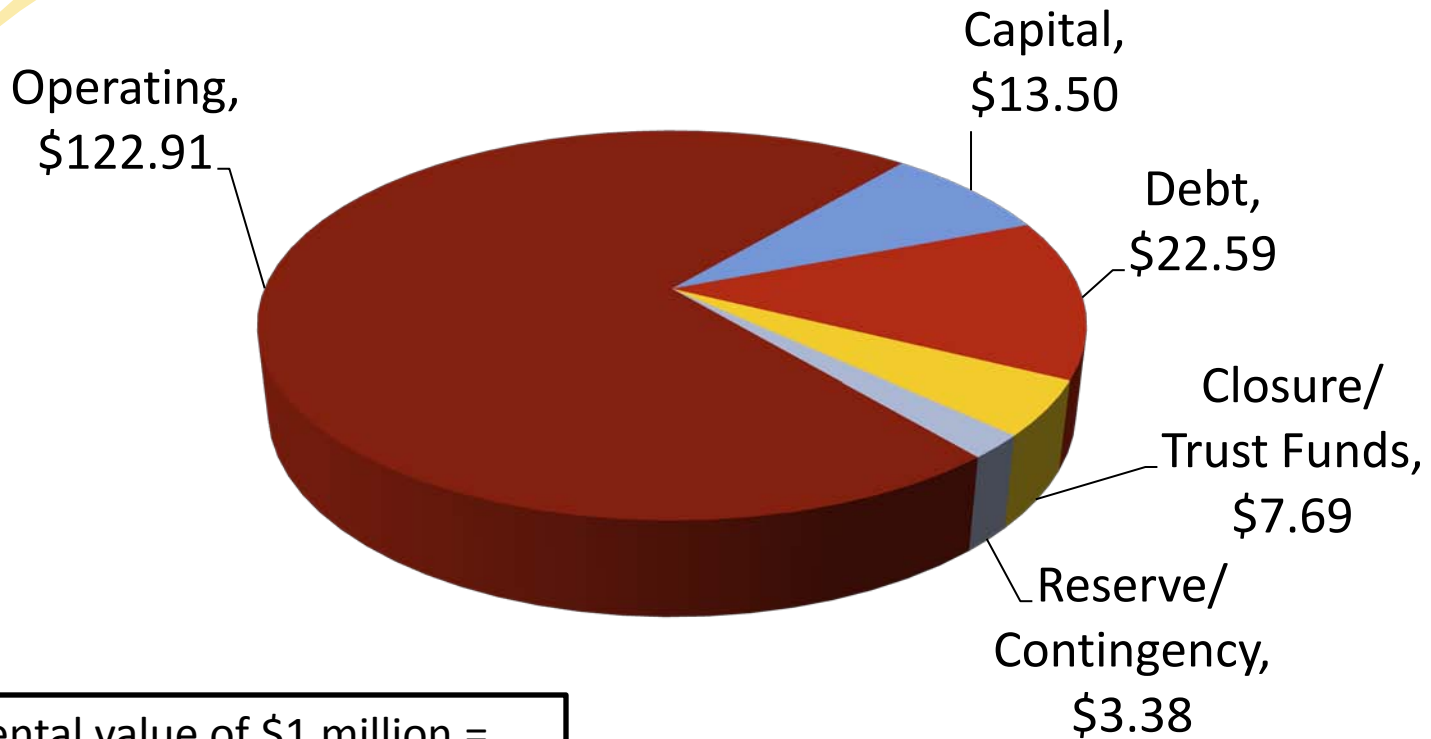
- \$450,000 Reduction in Interest Earnings (due to economy, not due to cash balances)
- \$150,000 Reduction in White Goods (due to economy)
- Reduced Waste Stream from Navy (10,000 tons)
 - Possibly Due to Change in Contract – Navy must designate hauler
- \$370,000 in Sludge from Norfolk Water Treatment Plant

\$ Change in Expenses

Excluding Excess Tipping Fees Paid by Va. Beach

➤ Reduction in Operating Expenses	- \$ 17.7 million
➤ Reduction in Capital	- \$ 9.7 million
➤ Reduction in Annual Debt Service	- \$ 22.4 million
➤ Reduction in Operating Reserve	- \$ 7.5 million
➤ Increase in Deposit to Landfill Closure	+ \$ 1.9 million
➤ Reduction in Contingency	<u>- \$ 1.3 million</u>
	- \$ 56.7 million

\$170 Municipal Tipping Fee



Incremental value of \$1 million =
\$4 on the tipping fee based on
projected municipal tonnages

Budget Variables (TBD)

- Projected Fund Balance (and use of)
 - Dependent on Closing on Sale of WTE Facilities
 - IRS Penalty vs. Volume Cap
- Final Debt Retirement Plan
- SB 235 - \$2 Per Ton Tax on Waste Disposal
 - Equivalent to \$8 on the tipping fee
- Landfill Gas – Royalty Payments

What's Next

- Set a Budget Work Session – March 8, 2010
- Public Hearing on Tipping Fee Schedule
- Adopt Budget – ready for adoption at any time