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www.lopezsolidwaste.org/

2013 Annual Report

SUMMARY

Wonderful job everyone. We can report a successful first year of operation including progress towards our goal of zero-waste, reintroducing free self-separated recycling, lowered garbage fees, improved flow of items through the Take It or Leave It and a positive cash return. Other 2013 highlights include: purchase of a roll-off truck (bought on a 5-year loan), purchase of the backhoe (through generous local contributions), and passage of the second Lopez Solid Waste Levy with 79.47 percent in favor. Add to this the critical work by our partner organization Solid Waste Alternatives Program, (SWAP), including hosting events such as the Trashion Fashion show and local fund-raising efforts including selling Junk Bonds. Success continues to build—in large part due to the tireless efforts of so many Lopezians who volunteer, and customers who sort their recycling and participate wholeheartedly in reducing waste. These actions result in increased services and ever more impressive steps towards zero waste.

FINANCIALS

We have prepared the following income statement, showing the financial results of our first year of operation:

Income Statement Jan. 1 - Dec. 31, 2013

CASH BASIS -- UNAUDITED

	BUDGET	ACTUAL	Note
	12 months	12 months	
<u>REVENUE:</u>			
Beginning Cash	50,000	47,000	
Tax Levy Revenue	100,000	96,544	1
Excise Tax Revenue	47,000	49,013	
Garbage Tip Fee Revenue	180,087	125,387	2
Recyclables Sales Revenue	29,650	16,087	3
Recyclables Tip Fee Revenue	7,840	11,020	
Donations	-	27,363	4
Misc. Revenue (Expenditure)	-	16	
Refuse Tax	-	4,503	
Proceeds of Long-Term Debt--other	46,500	46,500	5
Total Revenue	411,077	376,433	
Total Revenue and Beginning Cash	\$461,077	\$423,433	
<u>EXPENDITURES:</u>			
Wages & Benefits	93,500	87,191	6
Office & Operating Supplies	-	4,644	
Fuel	-	3,971	
Small Tools & Equipment	3,300	387	
Accounting and Professional Services	19,250	1,453	
SJC Admin. and Legacy Fees	39,781	38,190	
Communications	-	1,732	
Taxes, Other	6,258	6,919	
Insurance	18,150	17,141	
Utility Services	4,290	1,869	
Garbage Tip Fees Paid	50,051	40,192	7
Garbage Transportation Expenditure	23,625	7,408	
Recyclables Tip Fees Paid	1,500	6,924	
Recyclables Transportation Exp.	21,488	10,365	
Repairs and Maintenance	8,690	2,045	
Volunteer Expenditure	8,096	21	
Hazardous Waste Expense Allowance	3,564	-	
Permits and Licenses	8,000	802	
Ballot and Levy Measures	2,500	-	
Debt Service: Principal	50,000	50,000	
Interest Expense	2,325	653	
Computer and Software Expenditure	4,844	154	
Machinery and Equipment	57,865	63,043	8
Total Expenditures	427,077	345,104	
Ending Cash	34,000	78,329	9
Total Expenditures and Ending Cash	\$461,077	\$423,433	

Notes to Income Statement Jan. 1 - Dec. 31, 2013

During 2013, we faced three significant financial challenges. First we started with zero working capital. We needed to create a surplus as quickly as possible to have adequate, crucial working capital to ride out any ups and downs in our business cycle, yet we also resolved to reduce garbage and gate fees and add additional no-fee recycling services. To walk this financial tightrope and manage our cash flow throughout the year, we created a monthly budget and reviewed our monthly income statements within 10 days of the close of the month to allow timely responses.

Second, despite historical data from San Juan County and our best-guess projections, it became clear early on in 2013 that we would fall short of our projected 540 tons of garbage (we ended the year with 425 tons). Some of that shortfall was due to our expanded recycling options that reduce Lopezians' garbage. (Which is our overriding goal!) By cutting or streamlining costs early on we were able to maintain a healthy financial position.

Third, when the County approved our initial budget in 2012, they also approved 6-year financing for the backhoe, forklift, and dump boxes we bought. When it became clear in mid-2013 that we would instead have to pay for the equipment within two years, we had to get creative. Thus, the Buy-the-Backhoe campaign in the summer of 2013, in which our partner organization Solid Waste Alternatives Program, SWAP, raised \$10,128 from generous Lopezians so we could pay off the backhoe.

In 2013 we substantially expanded recycling options and made real progress on working toward zero waste. We ran a clean and efficient operation thanks to our two hard-working, dedicated part-time workers (including our visionary Neil Hanson), and thanks to our dozens of talented and generous volunteers. Operations, logistics, and administrative systems are working well. After a year of experience and gathering data, we have honed our budget process. The Lopez community again approved the District's tax levy, showing broad support. And with \$78,329 cash on hand at year-end, we now have working capital reserves to cover two or more months of expenditures.

This statement has not been subjected to outside review or audit. However, each of the revenue and expenditure lines and totals has been reconciled with financial records maintained by San Juan County. The following notes explain certain lines on the income statement.

1. Tax Levy Receivable (unpaid taxes) as of Dec. 31, 2013 was \$3,685.
2. While garbage tonnage was 79% of budget, garbage revenue was only 70%. This was due to average garbage revenues (including tax) yielding only \$353/ton, compared to our budgeted \$400/ton. The lower rate per ton reflects garbage not paid for (left on site, noxious weeds, Thrift Shop, and such) and a more realistic average weight per garbage can.

3. Recyclables Sale Revenue, the amounts we receive from buyers for recyclable materials was less than budgeted because: we did not have historical data to base this budget on, some market prices (like plastics) dropped significantly, and more customers than expected chose the fee-based commingled recycling option.
4. Almost all of these donations were received directly from our partner organization Solid Waste Alternatives Program, SWAP, as a result of their programs. SWAP also donated nearly \$2,000 in materials, and many hours toward recruitment and support of volunteers and other District needs, neither of which are reflected in this statement.
5. We borrowed \$46,500 from three Lopezians for five years, to pay for our garbage truck.
6. Not reflected in this statement are the 3,450 volunteer hours logged on site; or volunteer labor by board members, staff, SWAP, and other community members.
7. Garbage expenditures (amounts the District paid to dispose of the garbage) were at 80%, which is comparable to the tonnage collected, at 79%.
8. Purchase of our garbage truck plus the first of two payments to the county for our equipment.
9. As of Dec. 31, 2013, in addition to cash we had an Accounts Receivable balance of \$1,879. This amount was not recorded as 2013 revenue because we are on a cash-basis. There were no inventories or Accounts Payable as of year-end. A list of assets is available upon request.

OPERATIONS

A glance at 2013 through numbers (this will get more interesting as we sail through the years and make comparisons):

- 3,450 hours of on-site volunteer hours - YES that is an average of 66 hours per week!
- 425 tons of garbage actually hauled (540 tons of garbage originally projected)
Almost all this garbage was hauled by our roll-off truck which made 47 trips last year each delivering on average 8.7 tons to the Skagit County Transfer Station.
- Lopezians continue to remove more recyclable items from the garbage stream:

Cardboard	48.0 tons
Mixed paper	81.5 tons
Newsprint	5.5 tons
Plastics.....	14.0 tons
Aluminum cans.....	2.7 tons
Other non-ferrous metal	1.4 tons
Ferrous metal	30.5 tons

Glass 110.5 tons (1)
Commingled recyclables 14.5 tons
E-waste..... 5 tons

(1) A new program started in November 2013 has sent 15 tons of this glass to a local sand and gravel pit as part of a reclamation program.

***Total annual recyclables and garbage 738.6 tons**

• Of the 738.6 tons 425 tons were garbage and 313.6 were recyclables. Recyclables equaled 42% of the total mix. The state and county have a goal of meeting a 50% recycling/reduce rate. It is within our reach. It may be that we have already surpassed the 50% mark because of Take It or Leave It but at this point we do not have scales to measure that tonnage.

OUTLOOK

Activities planned for 2014: improving the recycling plaza by creating some simple coverage over the totes, seriously looking into introducing a green waste recycling program, improved signage and some surprises. Stay tuned.

One of our main challenges, looking forward, is to ensure adequate revenue as we succeed at reducing garbage volumes. The garbage economics in this country are geared toward high volume and work against a small operation like ours. However, with fair and reasonable fees, the levy, community donations via SWAP, generous volunteers, and careful cost management, we aim to remain financially strong well into the future.

Thank you Lopezians – you’re the best.

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