



CONSENT CALENDAR

DRAFT MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
SPECIAL MEETING OF THE BOARD OF DIRECTORS
September 12, 2012 – 2:00 p.m.
San Carlos Library Conference Room A/B**

**1. Call to Order at 2:06 PM
Roll Call**

Agency	Present	Absent	Agency	Present	Absent
Atherton	X		Menlo Park	X	
Belmont		X	Redwood City	X	
Burlingame	X		San Carlos	X	
East Palo Alto	X (open session)		San Mateo	X	
Foster City	X		County of San Mateo	X	
Hillsborough	X		West Bay Sanitary District	X	

2. Adjourn to Closed Session - pursuant to Government Code Section Govt. Code Sec. 54957.6: Conference with Labor Negotiator: Unrepresented employees- (All employees); pursuant to Government Code Section 54956.9(A): Conference with Legal Counsel - anticipated litigation – one case; pursuant to Government Code Section 54957: Public Employee Performance Evaluation: Executive Director.

Open Session Called to order at 3:31 PM

3. Report from Closed Session

None

4. Public Comment

Persons wishing to address the Board on matters NOT on the posted agenda may do so.

Each speaker is limited to two minutes. If there are more than five individuals wishing to speak during public comment, the Chairman will draw five speaker cards from those submitted to speak during this time. The balance of the Public Comment speakers will be called upon at the end of the Board Meeting.

If the item you are speaking on is not listed on the agenda, please be advised that the Board may briefly respond to statements made or questions posed as allowed under The Brown Act (Government Code Section 54954.2). The Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report and formal public discussion and input at that time.

None

5. Approval of Consent Calendar:

Consent Calendar item(s) are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Board, staff or public request specific items be removed for separate action. *Items removed from the Consent Calendar will be moved to the end of the agenda for separate discussion.*

- A. Adopt the July 26, 2012 BOD Meeting Minutes
- B. Adopt the August 22, 2012 Special BOD Minutes

Motion/Second: Nava/Jones

Voice Vote: All in Favor

6. **New Business:**

A. Resolution Adopting FY 2013 Budget

Executive Director McCarthy commented that this was the 3rd version of the FY2013 budget presented to the Board. He noted that the main difference between the budget presented in June and this budget is that the Agency's net income has dropped substantially due to a drop in commodity revenue. There are some serious implications to the drop in net income. First, the Agency won't meet Board approved cash reserve levels. He noted that the Board created a subcommittee in June to address this issue. Secondly, the Agency is at risk of not meeting the bond covenant requirements. Currently we are projecting we will be right at the 1.4 number required. He also added that this budget has an additional \$90,000 worth of cuts, and that it is 10% lower than last year's budget.

Member Masbad asked if there was any mention of the debt coverage test in the staff report, and does the projection meet the 1.4 test.

Executive Director McCarthy stated yes the discussion is on page 4, and we are closely watching the 1.4 test.

Member Fotu asked for an explanation as to why the commodity revenues had dropped so low over the last few quarters, and also where our fiber is sold.

Executive Director McCarthy stated that the commodity revenue drop is due to the European recession, there is less demand for product, and because there is less worldwide demand for products, there is less demand for boxes to put the product in. He added that almost all of the fiber sold worldwide goes to China; there is an oversupply of recycled fiber so the price has gone down. He also added that Dan Domonoske from SBR believes the prices will get a bit better by the end of the year.

Member Masbad expressed appreciation to staff for making efforts to cut the budget, and noted that these efforts will help address the increased tipping fee issue. She asked why there is such a big increase between FY 10/11 and 11/12, and why there is such a big increase in the mid-year projection. She added that she knows there was an increase in tonnage, but it was small change and wondered if there was any other reason for the increase.

Executive Director McCarthy answered that in the budget documents there is greater than projected franchised tons, compared to what we originally projected. He noted the difference between volume and tonnage, stating that volumes have dropped less than we expected which is causing higher projected tons.

Member Masbad asked for further clarification after the Board meeting.

Vice Chair Nava asked for further description of the staff changes to the budget.

Executive Director McCarthy stated that the changes are listed on attachment C of the staff report.

Vice Chair Nava asked how much more staff resources will the Education Center take in the future.

Executive Director McCarthy stated that two people are needed to run the Education Center. This is similar to the industry standard, and he sees it as staying static.

Member Scott added that he's not sure he agrees with the Agency's role in providing education but is willing to support the budget.

Member Masbad clarified if the Agency is allowed to do a cash transfer on the debt service coverage.

Staff Moran answered yes provided there is money to transfer.

Vice Chair Nava asked if we adopt the budget it assumes an increase in tip fees, he asked how a change in tip fees affects our budget.

Executive Director answered that a \$1 change in the franchise solid waste rate equals approximately \$300,000 in the budget.

Member Moura made a motion to adopt the budget that staff proposed.

Member Jones seconded the motion.

Roll Call Vote:

Motion passes: 11-0-0-1

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Atherton	X				Menlo Park	X			
Belmont				X	Redwood City	X			
Burlingame	X				San Carlos	X			
East Palo Alto	X				San Mateo	X			
Foster City	X				County of San Mateo	X			
Hillsborough	X				West Bay Sanitary District	X			

C. Discussion on Draft 2013 Rate Reports for Recology San Mateo County and South Bay Recycling

Executive Director McCarthy noted that this agenda item was an opportunity for the Board to provide feedback to staff and the contractors on the rate reports.

Vice Chair Nava commented that he finds it extremely hard to do this work, and that it's hard to know what exactly to look for. He noted that the Board has to rely on SBWMA staff, and needs to have a high degree of confidence in that work. He added that anything in future years that can assist the Board in raising that level of confidence would be appreciated.

Member Masbad gave positive feedback to the staff for satisfactory responses from SBWMA and Recology.

Member Fotu asked that there be an increase in working days to complete the rate review, and asked if there was a prescribed way to project revenue.

Staff Moran answered that the revenue is broken down between residential and commercial, then the monthly actual revenue billed through July is averaged, and then a projection is done for the rest of the year and into the following year. That projection is based on 7 months average, but if there is anything strange in a given month then that month is thrown out, and a 6 month average is used.

Executive Director McCarthy added that based on Board feedback what was different this year was staff gave you the revenue and tonnage assumptions a month or more before the rate report went out. The point was to give Agencies the data early, because there are so many layers that go into this report, staff has tried to get you some of the important layers early so that that feedback could be included in the report. He also acknowledged that the process is complicated, and staff has given the Agencies a lot of data, and more data can lead to more confusion.

Member Scott agreed with Member Fotu and expressed difficulty with the 10 day turn around.

Executive Director McCarthy acknowledged that it is a sprint for Recology to get it done in the time period allowed, but noted that they are getting better at it and that staff would see if there is any way to free up sometime in the schedule.

Mario Puccinelli noted that everyone understands the process and the contracts better, and that he thought the product would improve next year.

Executive Director McCarthy added that what we don't want to do every year is add a new variable to the rate application. If we ask the company to start using April data instead of May data, it may create a variable if the data is comparable so we want to watch this sort of tradeoff.

Chair Porter echoed that he would like to look at ways to expand the review period so it's not such a mad dash moving forward.

Vice Chair Nava noted that we are getting to a place where the contracts will be indices based, and added that he thought that should simplify the review process.

Chair Porter noted that each Agency will still have to verify the numbers, so he didn't think the process would change that much.

Executive Director McCarthy added that it won't be a simple process, but it will be simpler.

Lillian Clark asked for clarity of where table numbers in the rate application came from. She asked for footnotes to be added so that reference to other documents can be made, and that any supporting documents are included with the rate application. She also asked that staff put together a workshop when the application is nearly out next year, so that cost-drivers can be discussed ahead of time.

Vice Chair Nava asked if it was possible to get a list of indicators for each agency to help the Board members explain the adjustment levels to their Councils, and asked if the Board would be approving the revenue requirement at the next Board meeting.

Executive Director McCarthy stated that Appendix E is high level detail explaining the cost indicators, and that yes, the September 27th Board meeting would be the Revenue Requirement vote.

Staff Moran added that at the next meeting the Board would be approving the rate application for Recology, the rate application for SBR and one for the total.

7. Board Member Comments

None

8. Adjourn: 4:23 PM



STAFF REPORT

To: SBWMA Board Members
 From: Marshall Moran, Finance Manager
 Date: September 27, 2012 Board of Director's Meeting
 Subject: Approval of Quarterly Investment Report for the Quarter Ended June 30, 2012

Recommendation

It is recommended that the SBWMA Board review and accept the Quarterly Investment Report.

Analysis

The primary objective of the Investment Policy for the SBWMA is safety of principal, while meeting the cash flow needs of the Authority, through prudent investment of unexpended cash. As of June 30, 2012, the investment portfolio was in compliance with the Investment Policy. The portfolio contains enough liquidity to meet the next six months of expected expenditures by the Authority as well as by other third parties.

Fiscal Impact

The attached Investment Portfolio Summary indicates that on June 30, 2012, funds in the amount of \$19,040,171 were invested producing a weighted average yield of 0.315%.

Accrued interest earnings this quarter totaled \$35,684 including regular interest of \$12,578 and a **Lehman Brothers recovery payment of \$23,106**. The decrease in regular interest earnings is due to the Federal Home Loan Mortgage (FHLM) in the bond reserve account that matured on March 5, 2012 and is waiting to be reinvested. Below is a summary of the changes in the portfolio.

	Qtr Ended 6/30/12	Qtr Ended 3/31/12	Increase (Decrease)
Total Portfolio	\$ 19,040,171	\$ 16,544,554	\$ 2,495,617
Wgtd Avg Yield	0.32%	0.34%	-0.02%
Interest Earnings	\$ 12,578	\$ 44,569	\$ (31,991)
Lehman Recovery Payment	\$ 23,106	\$ -	\$ 23,106

The increase in the total portfolio of \$2,495,617 is primarily due to transfer of \$2.0 million from the SBWMA liquid checking account to the investment portfolio LAIF account at the end of the quarter. Additionally, funds are transferred monthly as required by the bond documents for the payment of future debt service. A table comparison of the portfolio components is provided below:

	6/30/2012 Balance	% of Total	3/31/12 Balance	% of Total	Change over prior qtr
SM County Pool	\$ 2,116,407	11%	\$ 2,088,589	13%	\$ 27,818
LAIF	10,730,281	56%	8,722,866	53%	2,007,415
Bond Account	6,193,483	33%	5,733,099	35%	460,384
Total Portfolio	\$ 19,040,171	100%	\$ 16,544,554	100%	\$ 2,495,617

Note: There may be minor differences in totals as individual amounts are rounded to the nearest dollar

The average yield of the portfolio in the quarter excluding the bond proceeds was 0.47%. The Local Agency Investment Fund (LAIF) is used as a benchmark and the average LAIF yield for the quarter ending June 30, 2012, was 0.36%. The San Mateo County Pool average yield for the quarter was 1.02%.

Due to arbitrage restrictions, bond investments are not included in our LAIF rate comparison. As of June 30, 2012, the bond reserve and payment accounts of approximately \$6.2 million were invested with the trustee in cash and short-term investments.

In August 2009, SBWMA's investment in the San Mateo County Pool suffered a loss of \$382,132 related to investments with Lehman Brothers that filed for bankruptcy in 2008. As a member of the Ad Hoc Creditors Group of the Lehman estate, it was announced in September 2011 that SBWMA is expected to recover at least 21.1% of the original amount lost, or an estimated \$80,629. The first of four settlement payments was distributed in April 2012 by the San Mateo County Treasurer-Tax Collector and SBWMA's portion totaled \$23,106, or 6% of the total amount lost. The distribution calculation to determine the amount due to each agency is based on the average daily balance during the period of 7/1/2008 to 9/30/2008.

The Investment Advisory Committee, consisting of Jeff Maltbie, City Manager of San Carlos; Brian Moura, Assistant City Manager of San Carlos; Michael Galvin, City Treasurer for San Carlos; and Rebecca Mendenhall, Administrative Services Director, have reviewed this report before presentation to the Board.

Attachments

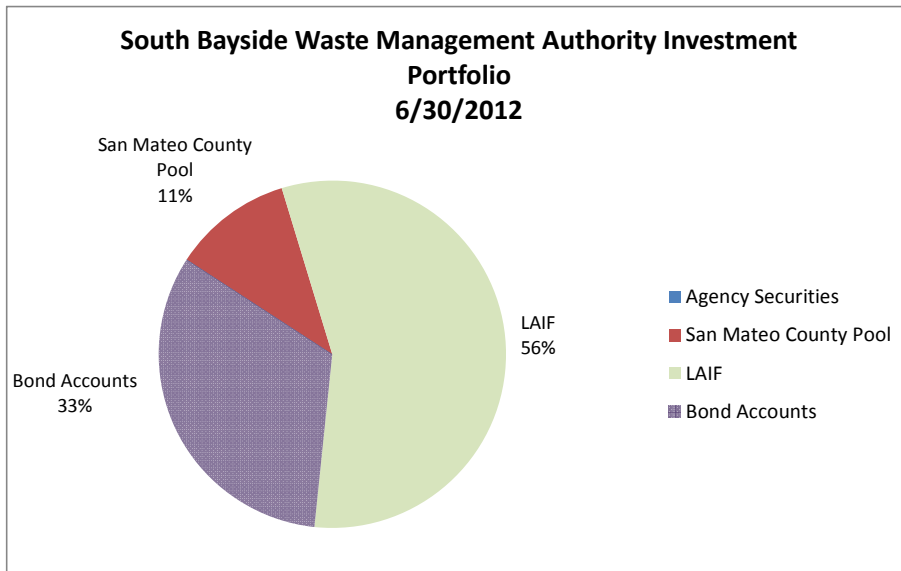
- 1 – Investment Portfolio Summary for the Quarter Ended June 30, 2012
- 2 – Historical Summary of Investment Portfolio

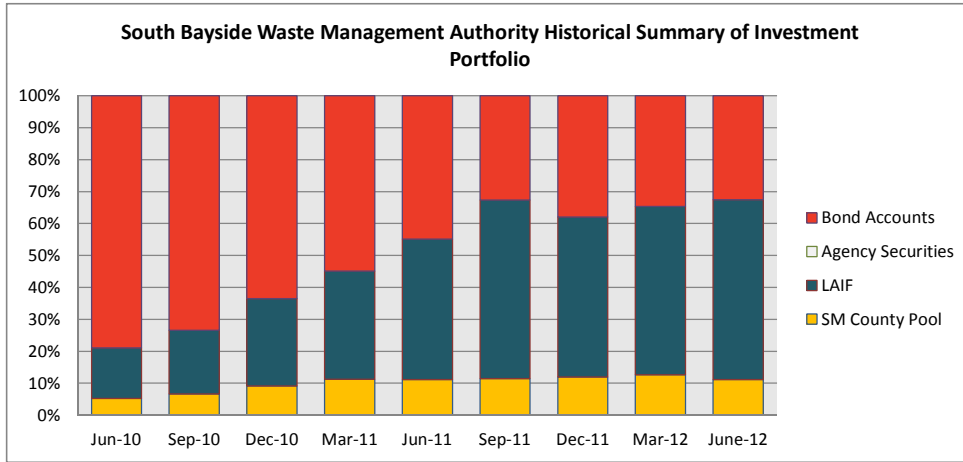
SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

SUMMARY OF ALL INVESTMENTS
For Quarter Ending June 30, 2012

Category	Weighted Average Interest Rate	HISTORICAL Book Value	GASB 31 ADJ Market Value	Interest Earned
Liquid Investments:				
San Mateo County Investment Pool (COPOOL)	1.02%	2,093,301	2,125,381	4,765
County of San Mateo-Lehman recovery pymt		23,106	23,106	-
Local Agency Investment Fund (LAIF)	0.36%	10,730,281	10,743,368	7,813
Total - Investments	0.467%	12,846,688	12,891,855	12,578
Bond Proceeds Accounts - Cash with Fiscal Agents				
BNY Western Trust - LAIF 2009 Project Fund Account	0.36%	-	-	-
BNY Western Trust - Dreyfus Cash Mgmt 670 Inv 2009 Project Fund Account	0.00%	-	-	-
BNY Western Trust - Dreyfus Payment Fund 2009B Payment Fund Account	0.00%	-	-	-
BNY Western Trust - Dreyfus Cash Mgmt 670 Inv 2009A Reserve Fund Account	0.00%	4,240,375	4,240,375	
BNY Western Trust - Federal Home Loan Bank 2009A Reserve Fund Account	0.00%	-	-	-
BNY Western Trust - Dreyfus Cash Mgmt 670 Inv 2009A Payment Fund Account	0.00%	1,953,108	1,953,108	
Total - Bond Accounts	0.000%	6,193,483	6,193,483	-
GRAND TOTAL OF PORTFOLIO	0.315%	19,040,171	19,085,338	12,578

Total Accrued Interest this Quarter 12,578
 Total Accrued Interest Fiscal Year to Date 176,915





South Bayside Waste Management Authority Portfolio

	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	June-12
SM County Pool	2,048,690	2,053,315	2,060,200	2,065,675	2,070,798	2,077,198	2,083,418	2,088,589	2,116,407
LAIF	6,166,777	6,174,485	6,182,460	6,189,561	8,197,304	10,206,329	8,714,239	8,722,866	10,730,281
Agency Securities	-	-	-	-	-	-	-	-	-
Bond Accounts	30,856,257	22,690,918	14,335,911	10,045,187	8,341,931	5,940,947	6,611,970	5,733,099	6,193,483
Grand Total	\$ 39,071,723	\$ 30,918,719	\$ 22,578,571	\$ 18,300,423	\$ 18,610,033	\$ 18,224,474	\$ 17,409,627	\$ 16,544,554	\$ 19,040,171



STAFF REPORT

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Hilary Gans, Facility Operations Contracts Manager
Date: September 27, 2012 Board of Directors Meeting
Subject: Receipt of Recology and SBR Monthly Reports

Recommendation

This is an informational report and no action is necessary.

Analysis

Recology San Mateo County (Recology) and South Bay Recycling (SBR) are required to submit monthly reports. Both companies submitted their Monthly Reports on time. These Monthly Reports are due 15 days after the end of each month. Recology's and SBR's reports for the months of July and August 2012 are attached.

It's important to note that the tonnage information presented in Recology's Monthly Report is derived from data compiled by SBR as the Shoreway Environmental Center facility operator. Therefore, regarding the reporting of tonnage, the Recology and SBR reports are redundant. In addition, the SBR report provides details on the transfer station and buy-back center activities and therefore includes more facility tonnage data than the Recology Monthly Report. Recology's report includes collection data, monthly updates on various operations, and call center complaint/inquiry related metrics.

Background

Article 9, section 9.05 of the Member Agencies Franchise Agreement(s) with RSMC require the company to prepare and submit a monthly report. Similarly, Article 8, section 8.07 of the Operations Agreement between the SBWMA and SBR requires the company to submit a monthly report. The guidelines and reporting requirements for each company are specified in their respective Agreements.

Attachments:

Attachment A - Recology July 2012 Monthly Report
Attachment B - SBR July 2012 Monthly Report
Attachment C - Recology August 2012 Monthly Report
Attachment D - SBR August 2012 Monthly Report



Agenda Item 5C
Receipt of Recology and SBR Monthly Reports

- Attachment A: July 2012 Recology Monthly Report**
Attachment B: July 2012 SBR Monthly Report
Attachment C: August 2012 Recology Monthly Report
Attachment D: August 2012 SBR Monthly Report
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- Files too large to be included in packet
Posted on Website: www.rethinkwaste.org
- Attachment A: July 2012 Recology Monthly Report
- Attachment B: July 2012 SBR Monthly Report
- Attachment C: August 2012 Recology Monthly Report
- Attachment D: August 2012 SBR Monthly Report