

MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE FINANCE COMMITTEE**

January 10, 2019 12:30PM

SBWMA Conference Room, 610 Elm Street Suite 202, San Carlos, CA

Call To Order: 12:32PM

1. Roll Call

Agency	Present	Absent
Bill Widmer	X	
Michael Brownrigg	X	
Carol Augustine	X	
Jay Benton	X	

Member Augustine was present via phone

SBWMA Staff Members Present: Joe La Mariana, Hilary Gans, John Mangini, Cyndi Urman, Jean Savaree

Presenters: Maria Munoz, Maze and Associates; Melissa Schick, KNN Public Finance; David Brodsky, KNN Public Finance via phone; Rebecca Mendenhall, City of San Carlos

2. 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

3. Executive Director's Welcome

Executive Director La Mariana welcomed everyone to the meeting, and gave a few opening remarks regarding the topics to be discussed at the meeting and other updates.

He discussed the selection of KNN Public Finance for the Bond Refunding process, and that Staff Gans would present today on Capital Funding needs that is tied to the bond refunding and noted that at today's discussion staff is seeking feedback from the Finance Committee on which pathway to proceed on the bond refunding.

The RFP for disposal is winding down, the selection committee will be meeting at the end of February and a recommendation will be presented at the March meeting.

Interviews for the Management Analyst III position would be tomorrow and staff hopes to have the position filled within 30 days.

Lastly, he took a moment to acknowledge Kathy Anderson, a former SBWMA Board Member from Atherton who passed away over the weekend.

4. 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. Approval of Minutes from the November 5, 2018 Special Finance Committee Meeting

Motion/Second: Benton/Brownrigg

Voice Vote: All in Favor

5. Approval of Annual Fiscal Year FY17/18 Financial Audit by Maze and Associates

Maria Munoz, Audit Supervisor with Maze and Associates, at the request of the Finance Committee presented the audit findings. She noted there were no audit findings and they issued an unmodified opinion which is the best opinion.

The Finance Committee asked if the City of San Carlos was also audited and if they were also with an unmodified opinion. They also asked who takes care of the oversight of Recology's fees being transparent. Staff Mangini noted that that was done by SBWMA staff and an independent contractor during the rate application and review process each year. The Finance Committee asked to have access to the Recology KPMG Audit that they do each year. Executive Director La Mariana noted that it is an attachment in the rate application each year. Lastly the Finance Committee asked if there were any accounting pronouncements that they should be aware of down the road. Maria noted she would check, but most were related to pensions.

The Finance Committee asked that as the audit starts next year check in with the Finance Committee to see if there is anything they'd like the audit to focus on. Maria noted that typically the Audit is in March and September, so that would be the time to go over the audit scope.

Member Brownrigg made a motion to recommend approval of the audit findings to the full board.

Member Widmer seconded

Voice Vote: All in favor

6. Mid-Year Budget and Cap-Ex Review

Staff Mangini went over the budget results, and noted that staff continues to be conservative with commodities, but there has been a slight positive uptick in commodity revenue. He also asked to draw attention to the reserve levels, he is suggesting going to 7% for the rate stabilization.

Member Widmer suggested a marketing campaign to change plastics 3-7 into the black bin now instead of the blue bin, because it's costing a lot of money.

Member Widmer made a motion to approve recommendation of the mid-year budget to the Board.

Member Benton seconded

Voice Vote: all in favor

Brownrigg absent.

7. Adoption of Annual Investment Policy Recommendation

Member Benton asked if the changes in the Investment Policy are uniform.

Rebecca Mendenhall answered that for each agency it does change slightly depending on how they want to have their investments, they did start as one template but over the years they've become less alike. However, the changes made to the SBWMA policy were to align the SBWMA Investment Policy with the California code changes and those are universal.

Staff Managini noted that there was one change staff made. California is allowing 10% investment in any one corporation, but staff's recommendation is to limit that to 5%.

Member Benton made a motion to recommend approval of the policy to the Board. Member Widmer seconded.

Voice Vote: All in Favor

Member Brownrigg now absent

8. Staff Update on San Carlos Host Fee Discussions

Executive Director La Mariana reminded the committee that at his initial discussion with Jeff Maltbie, the City Manager of San Carlos, he was asked to do some market research to see what other facilities are paying in host fees, but Mr. Maltbie didn't think his council would be open to changing this long standing contract. Executive Director La Mariana noted that HF&H and R3 Consultants were brought in to help collect the data, and it was difficult to find the comparable information needed. He passed out a handout with a list of 8 comparable agencies, and now he would be going back to Mr. Maltbie with this information.

Staff Mangini noted that the host fee is currently based on revenue from all categories of material and this year that is estimated to be \$392K.

Member Brownrigg commented that the reason to have a host fee, is because the host city is being impacted by large trucks on their roads, and garbage in the air. Because of that, he thought that the host fee percentage should be based on tons not revenue as it is now. If the tons go up, the impact on the City hosting the facility increases, and the impact to the host City should be mitigated. In the last nine years of the contract, the total volume of tons has gone up 19%, and the host fee has gone up 72% because it's hinged to revenue. However, the revenue has gone up because the commodity markets fell apart and all of the residents have to pay more to cover the loss from the sale of commodities, and that has happened with no impact to the City of San Carlos.

Staff Mangini noted that in the comparative analysis most similar facilities the host fee is based on tons not revenue.

The Finance Committee gave direction to staff to re-open the conversation with the San Carlos City Manager.

9. Approval of Administrative Services Contract Recommendation

Executive Director La Mariana gave the contract background that is expiring on June 30, 2019.

The committee went over the comparative of the costs between the two proposers. Executive Director La Mariana noted that the incumbent does know the true costs of the service provided, that being said, over the life of the contract there is a \$144,000 difference. Points the Committee discussed:

- San Carlos can now move to a calendar year versus a fiscal year

- The contract is a fixed cost contract not transactional based, and there would be additional per hour costs for additional services requested
- There is an advantage to having the service be next door to the SBWMA office

Rebecca Mendenhall the Administrative Services Director for the City of San Carlos, noted that there is a soft close at the calendar year now to meet the bond covenant, it's more a software issue, and our software can do a calendar year close now.

Member Widmer commented that he didn't think the convenience factor was a big enough issue not to go for the better deal, and he thought the rate payers deserved the best deal possible.

Executive Director noted that there is a number of ways the SBWMA interacts with the City of San Carlos, this contract is just one of them, so there is a political sensitivity to the issue.

Member Benton commented that Redwood City's proposal includes that there are going to be upgrading to better systems, and that is never easy so don't discount that, and it's less than \$40K a year when you factor in the startup costs.

The Finance Committee gave direction to negotiate the two things together to see if there was any movement on the host fee.

10. Review of MRF Enhancements Capital Funding Plan

Staff Gans gave a presentation on future capital needs that ties into Bond Refunding decisions. He handed out a two page handout and the Finance Committee discussed funding sources and timelines for future capital projects.

The Finance Committee asked if it was realistic that the full scale organics to energy system would be able to be implemented in a year in 2020, given the pilot just started. Staff Gans answered that by this time next year he would have the answers that he would need to move forward with the full scale project and assuming approval of the project the equipment would take 4-6 months to build.

The Finance Committee discussed the other future projects that go out 4-5 years and are estimated to be \$35-40M. The suggestion from the committee was to make sure that the return on investment for each project was clear so that the amount being borrowed is clear.

Member Widmer reiterated that he would like to discuss these projects with SBR to see if they would be able to assist with the cost since they get the revenue share. Staff Gans noted that he discussed an annual return number with SBR and sharing that because the contract extension is unknown, and their contract expires next year, and SBR was interested in that arrangement.

Member Benton suggested the Bond refunding presentation to the Board start with the base case of just refunding the current date and give alternatives to pull out funds for capital projects with the goal of leaving rates flat. They suggested a series of presentations to help get the Board comfortable with all of the upcoming capital projects in conjunction with the Bond refunding.

11. Staff Update on Municipal Advisor Selection

Staff Mangini spoke about the process for choosing the Bond Refunding firm including the selection criteria in the RFP. And how the process lead the selection committee in choosing KNN Public Finance as their number one choice. He also noted key dates:

- February 28 BOD Meeting-Approving contracts with an underwriter and Bond disclosure counsel.
- March 28 BOD Meeting Capital Discussion and direction refunding options
- April 25 BOD Meeting – Board Consideration of recommending the bond refunding to the Member Agencies
- April 29 to May 15 – Individual Council consideration for approval to proceed with refunding of the Bond which requires a super majority which is 8 of 12 Member Agencies.

The Committee wondered if individual Member Agency Council approval was needed if the Agency was not taking on more debt. Counsel Savaree noted she would look into it.

Melissa Schick of KNN Public Finance gave a presentation on the numbers, and options for refunding approach.

Member Brownrigg asked how much more money could be borrowed without increasing payments. Melissa Schick answered roughly \$10M at a 17 year term, but if the term was extended out to 30 years, more could be borrowed.

The Finance Committee suggested meeting again for a Special meeting in February to discuss the options around new debt during this refunding process. A meeting date poll will go out and a February meeting will be set.

Rebecca Mendenhall noted that the costs are based on her staff's actual time, and on the hourly rates that are on their published schedule, so how the cost of the proposal was determined is transparent.

12. Review Recology's cost proposal for Amendment One Modifications to the Franchise Agreements

Moving to February

13. Results of the 2018 Salary Survey

This item is in process and discussion will be moved to February closed session.

14. Finance Committee Member Comments

15. Adjourn 2:46PM