



CONSENT CALENDAR

DRAFT MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE BOARD OF DIRECTORS
November 15, 2018– 2:00 p.m.
San Carlos Library Conference Room A/B**

Call To Order: 2:00PM

1. 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	San Mateo	X	
Foster City	X		County of San Mateo		X
Hillsborough	X		West Bay Sanitary District	X	

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 Ratter 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. Adjourn to Closed Session – PUBLIC EMPLOYEE PERFORMANCE EVALUATION (Government Code Section 54957) Title: Executive Director

4. Call to Order/Roll Call (Public Session)

Call to Order: 2:10PM

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	San Mateo	X	
Foster City	X		County of San Mateo		X
Hillsborough	X		West Bay Sanitary District	X	

5. Public Comment (Public Session)

None

No Report from closed session

6. Executive Director's Report

Executive Director La Mariana thanked the Board and TAC Members for their time this year and especially in the last few months since there have been an unusual amount of requests for demands on your time. He noted a few updates:

- The FAX Committee will meet on November 29 to discuss the Franchise Agreement Amendment One options, and provide final recommendations for Board consideration on the January Agenda.
- RFPs and RFQs currently out:
 - The RFQ for Municipal Finance Advisor Services to help with the Bond Refunding went out to 9 different firms. Thomas Fil from Belmont (City Finance Director) and TAC Member Carol Augustine (City Finance Director) will serve as the Advisory Committee in choosing which firm to award the contract to.
 - Phase II responses to the Disposal RFP are due November 28 from the proposers who were asked to respond with additional services.
 - There is a joint RFQ out with StopWaste for legislative and regulatory support services (registered lobbyist). At this point there is a finalist that staff will work with the Executive Committee on, and he would like to have them in place by January because February starts the new 2-year legislative cycle.
- Public Education and Outreach Activities
 - The 2017 Annual Report has been completed and is now on posted on the agency's website (in digital format only).
 - The Holiday Rethinker Newsletter distributes next week.
- There is an updated battery count happening at the Shoreway MRF facility now and will last for 6 weeks. There will be an update at the January meeting on battery numbers.
- Commodity Market update:
 - Beverage and containers markets are domestic and are not affected by global crisis.
 - Fiber has been affected, and recently Taiwan and Vietnam which are two of the alternate markets have banned low grades of mixed paper.
- He noted that on today's agenda there is a recommendation to approve new equipment in the MRF that will take about half of the mixed paper and upgrade it to a much more marketable material in the global market place.
- Staff Member Hilary Gans was a keynote speaker at the CalRecycle workshop on Lithium Ion Batteries.
- The Solid Waste Association of North America had their legislative task force work session and a lot of the organization's priorities align with our Agencies, including
 - Organics Infrastructure
 - Plastics extended producer responsibility
 - Lithium Ion Batteries extended producer responsibility
 - Building domestic processing capacity

Mike Kelly, general manager of Recology, noted the Holiday schedule collection change should Board Members get asked. He noted Thanksgiving will be a normal collection day with regular service. The week of Christmas and New Year's the collection schedule is the following:

- Monday customer's service day will remain Monday
- Tuesday customer's service day will be Wednesday
- Wednesday customer's service day will be Thursday
- Thursday customer's service day will be Friday

- Friday customer's service day will be Saturday

He noted that tree collection will begin December 26, and go through January. There is an 8ft limit.

7. 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.*

- Approval of Minutes from the October 25, 2018 Board of Directors Meeting
- Resolution Approving 2019 Merit Pool Increase for unrepresented employees
- Resolution Authorizing the Executive Director to Execute a Contract for Municipal Finance Advisor Services To Manage the SBWMA's 2009A Series Bond Refunding Process in 2018/19 in An Amount Not-to-Exceed \$75,000
- Resolution to Authorize Funding for an Unbudgeted Management Analyst III Position to be filled on January 1, 2019, or beyond
- Approval of 2019 Board of Directors Meeting Calendar
- Approval of Quarterly Investment Report

Member Widmer commented on item 7D that it should not have been on consent, since it was an out of sequence request but he spoke to Joe and he agrees and understands the issue.

Motion/Second: Bonilla/Brownrigg

Roll Call Vote: 9-0-0-3

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			

8. Administration and Finance

- Resolution approving Revised Reserve Policy

Staff Mangini presented the item and noted that staff recommends a revised reserve policy that:

- Establishes a capital reserve that is a cumulative fund that is built on each year to be used for capital only
- Sets priority for funding each of the reserves
- Establishes how each reserve fund can be spent, and how the spend can be initiated
- Establishes a methodology for replenishing a reserve that has been utilized over a three year period.

Motion/Second: Grassilli/Bonilla

Roll Call Vote: 9-0-0-3

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			

B. Discussion on Discontinuing Ordinance No. 002 (2014), Regarding Reporting Requirements for Non-Franchised Recycling Haulers

Executive Director La Mariana noted that as the staff report notes due to current state law, this a previous ordinance that is no longer needed and staff would like Board feedback today to consider discontinuing the ordinance.

There were no comments and it was recommended to put this item on the January agenda for action.

9. Collection and Recycling Program Support and Compliance

No Items

10. Shoreway Operations and Contract Management

A. Resolution Approving Glass Loadout and Public Recycling Center Modifications Projects

Staff Gans noted that this is one of the items that was talked about at the October study session, there was an update to the staff report in removing the shredder from this portion of the project and it will come back for future consideration. The project contains two contracts with a combined not to exceed amount of \$522,000. The budget for this item in the FY18/19 was \$350,000 the remaining \$172,000 will be drawn from the newly established capital reserve fund.

Member Bonilla asked why there was only one bidder. Staff Gans noted that the construction management firm worked very hard to try and get additional bidders, but for small projects it is hard to get interest and this situation is a function of our current marketplace.

Member Brownrigg commended staff for continually looking at ways to upgrade the facility and pull more items out for useful end products and do it more efficiently, is a win-win.

Motion/Second: Widmer/Bonilla

Roll Call Vote: 9-0-0-3

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			

B. Resolution Approving Organics to Energy Pilot Project

Staff Gans noted this project was discussed in detail at the October meeting. There is \$2,250,000 of SBWMA money being put toward this \$5M project, with the balance coming from a CalRecycle grant. He noted that the purpose of turning food waste into energy has been done before, but the partnership with the waste water treatment plant is new. He noted that staff is looking forward to proving the concept and finances, and that the project wouldn't move forward until the CalRecycle grant funding is received.

Yaniv Scherson from Anaergia (Managing Director, Western USA) introduced himself and the company. Anaergia is the technical partner for the organics to energy pilot the manufacturer of the Orex press.

Member Dehn commented that in South San Francisco they are processing food waste, but in this project we were told there is not enough moisture content in food waste. Staff Gans answered that the food waste is the part that is making the gas, and the facilities that are processing are ending up taking the food waste out of the final product and paying to compost it, which leads to double to the cost because it's processed twice.

Member Benton suggested that there be a Board tour of the San Jose and/or South San Francisco site to see the other facilities working.

Chair Bronitsky thanked Staff Gans for his hard work, and out of the box technical thinking.

The Zero Landfill Committee Members all thanked staff and each other for getting the SBWMA ready to take this step and Anaergia for partnering with the SBWMA.

Motion/Second: Widmer (pending receipt of grant funding)/Hurt

Roll Call Vote: 9-0-0-3

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			

11. Informational Items Only (no action required)

- A. Update on Civil Grand Jury Action Item; 2017 RethinkWaste Annual Report

Regarding the 2017 annual report, Vice Chair Benton asked why the MRF tonnage went down in 2017 compared to 2016. Staff Gans answered that, yes, the tonnage at the MRF has gone down, partially because Recology is no longer bringing the 3rd party tons, and the fire closed the facility for 3 months at which point there was no material coming in. Staff Au noted she would note the reasons for the decrease in the Annual Report.

Member Aguirre noted that it's a great report and everyone should share it with their councils.

- B. Informational Update: Tipping Fee Increases Effective 1/1/19
- C. Final 2018 Legislative Update
- D. Check Register Detail for October 2018
- E. Potential Future Board Agenda Items

12. Board Member Comments

Vice Chair Benton announced that 3 Board Members would be stepping down: Donna Rutherford, Bob Grassilli, and Board Chair Charlie Bronitsky.

Executive Director presented a certificate of appreciation and gift to the 3 Board Members.

Member Grassilli thanked the Board and noted he liked spending time on this Board because the Board is willing to spend money and work hard and get things done.

Chair Bronitsky thanked all including the Contractors, and thanked the Board members for the honor of working with them and level of commitment to public service.

13. Adjourn 3:04PM

STAFF REPORT

To: SBWMA Board Members
From: John Mangini, Senior Finance Manager
Date: January 24, 2019 Board of Directors Meeting
Subject: Resolution Accepting the FY1718 Audited Financial Statements

Board Action

It is recommended that the SBWMA Board of Directors approve Resolution No. 2019-01 attached hereto authorizing the following action:

Accept the South Bayside Waste Management Authority's audited Annual Financial Statements (see **Exhibit A to the Resolution**) for the fiscal year ending June 30, 2018 as prepared by the SBWMA's audit firm, Maze & Associates.

Summary

The purpose of the financial statements is to present a summary of the financial position of the Authority for the fiscal year. These reports have been reviewed by the Board Finance Committee which recommends approval. The final step in the formal process of preparing these financial statements is to transmit them to the Board for its acceptance.

Analysis

The financial statements of the SBWMA for fiscal year ending June 30, 2018, have been prepared by the City of San Carlos Administrative Services Department and examined by the independent auditing firm of Maze & Associates and SBWMA staff. It is the **unqualified opinion** of the audit firm that the financial statements present fairly the financial position of the SBWMA as of June 30, 2018, and that the financial statements were prepared in conformity with generally accepted accounting principles. No exceptions or qualifications were found.

Financial Condition Summary

As shown in Table 1 below, the FY18 net position (net income/loss) is a loss of \$1.4 million compared to income of \$2.8 million in FY17. Excluding the net Fire Related insurance proceeds less recovery expense of \$2.8 million in FY17, the FY18 loss of \$1.4 million is compared to FY17 breakeven of \$0.0 million.

Table 1 – Net Position restated for Fire Related net revenue

	FY2018	FY2017	Variance
			Better / (Worse)
Net excl. Fire Related	\$ (1,379,114)	\$ 628	\$ (1,379,742)
Fire Related, net		\$ 2,816,152	\$ (2,816,152)
NET POSITION	\$ (1,379,114)	\$ 2,816,780	\$ (4,195,894)
<i>per Table 2 in Audit Report with Fire Related revenue and expense netted out</i>			

The Unrestricted Reserves increased slightly by \$0.2 million to \$16.3 million as of June 30, 2018 (see Table 4 in the Audit report). Unrestricted net assets are used to fund the Board designated reserves.

General Operating Results

The operating results for FY1718 are compared to FY1617 in Table 2 below:

Table 2 – Operating Results

	<u>FY2018</u>	<u>FY2017</u>	<u>Variance</u>
			<u>Better / (Worse)</u>
Tip Fee Revenue	\$ 42,707,990	\$ 38,925,676	\$ 3,782,314
Commodity Revenue	\$ 7,282,216	\$ 6,939,608	\$ 342,608
Other Revenue ¹		\$ 584,250	\$ (584,250)
Total Revenues	\$ 49,990,206	\$ 46,449,534	\$ 3,540,672
Shoreway Operations Expense	41,208,573	36,784,182	(4,424,391)
SBWMA Program Expense	2,543,223	2,163,289	(379,934)
Franchise Fees	2,032,946	1,853,604	(179,342)
Depreciation Expense	3,145,332	2,985,261	(160,071)
Total Expenses	\$ 48,930,074	\$ 43,786,336	\$ (5,143,738)
Operating Income	\$ 1,060,132	\$ 2,663,198	\$ (1,603,066)
Investment Income, Other	\$ 263,423	\$ 97,176	\$ 166,247
Interest Expense	(2,702,669)	(2,759,746)	57,077
SubTotal excl. Fire Related	\$ (1,379,114)	\$ 628	\$ (1,379,742)
Fire Related, net		\$ 2,816,152	\$ (2,816,152)
NET POSITION	\$ (1,379,114)	\$ 2,816,780	\$ (4,195,894)
1 - HHW & 3rd Party Host Fee			
<i>per Table 2 in Audit Report with Fire Related revenue and expense netted out</i>			

Comparison between the two fiscal years is very challenging due to the impact of the fire at Shoreway in September 2016 (FY17) that closed the facility for four months, disrupting operations and impacting commodity revenue. Other changes include the cessation of 3rd party volume at the MRF from Recology in October 2017 (FY 2018).

Variance explanations:

- Higher property insurance premiums of **\$574,000** as a result of the Shoreway fire claim.
- The SBWMA Program budget increased in FY18 by **\$0.4 million** primarily due to the negotiations with Recology for their contract extension and work on the disposal contract renewal.
- Franchise Fees paid to the City of San Carlos increased \$0.2 million due to the increased tip fee revenue.
- While commodity revenue increased in FY18, this is only because the facility was closed for four months in FY17. If FY17 was a normal year, commodity revenue would show a large decrease in FY18 due to the higher standards set by China resulting in lower commodity prices.

Long-Term Debt

At the end of the current fiscal year, the SBWMA had bond debt outstanding of \$46,239,747.

	<u>FY2018</u>	<u>FY2017</u>
Revenue Bonds 2009A	\$46,239,747	\$47,612,247

Payment of principal on the 2009A bonds began on September 1, 2013. Additional information on the SBWMA's long-term debt can be found in the notes (5) to the accompanying financial statements.

Note: Early redemption of bonds cannot start until after September 1, 2019 per the bond indenture.

Fiscal Impact

There is no financial impact associated with the adoption of this Resolution.

Attachments:

Resolution 2019-01. Accepting the Authority's FY1817 Financial Statements

Exhibit A – SBWMA FY1817 Audited Annual Financial Statements



RESOLUTION NO. 2019-01

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS ACCEPTING THE FISCAL YEAR 2017-2018 ANNUAL FINANCIAL STATEMENTS

WHEREAS, the South Bayside Waste Management Authority contracted with the audit firm of Maze & Associates to conduct an audit of the Agency’s financial records in accordance with Governmental Accounting Standards Board (GASB) Statement 34; and

WHEREAS, the financial statements for the fiscal year ending June 30, 2018 as prepared by said firm have been completed and are attached as **Exhibit A**; and

WHEREAS, it is recommended that the Board accept the financial statements.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the Annual Financial Report as prepared by Maze & Associates for the fiscal year ending June 30, 2018.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 24th day of January, 2019, by the following vote:

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

I HEREBY CERTIFY that the foregoing Resolution No. 2019-01 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on January 24, 2019.

ATTEST:
SBWMA

Jay Benton, Interim Chairperson of

Cyndi Urman, Board Secretary

**SOUTH BAYSIDE WASTE
MANAGEMENT AUTHORITY**

BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2018

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**SOUTH BAYSIDE WASTE
MANAGEMENT AUTHORITY**

**BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

To Members of the Board of Directors of the
South Bayside Waste Management Authority
San Carlos, California

Report on the Financial Statements

We have audited the accompanying financial statements of the South Bayside Waste Management Authority (Authority), California as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
October 19, 2018

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
Management's Discussion and Analysis
June 30, 2018

The Management's Discussion and Analysis (MD&A) section presents an overview and analysis of the financial performance of the South Bayside Waste Management Authority (SBWMA) for the fiscal year (FY) ended June 30, 2018. It should be read in conjunction with the audited financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The SBWMA's financial statements include:

Statement of Net Position presents information on the SBWMA's assets and liabilities as of year-end, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position presents the results of the SBWMA's operations over the course of the fiscal year and information as to how the net position changed during the year. These statements can be used as an indicator of the extent to which the Authority has successfully recovered its costs through user fees and other charges.

Statement of Cash Flows presents changes in cash and cash equivalents resulting from operational, capital, non-capital, and investing activities. The statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt and exclude non-cash accounting measures of depreciation or amortization of assets.

Notes to Financial Statements provide information that is essential to a full understanding of the financial statements that is not displayed on the face of the financial statements.

FINANCIAL ANALYSIS

The following table summarizes the Authority's change in net position from last year to this year

Table 1
Comparative Net Position
June 30, 2018 and 2017

	FY 2018	FY 2017	\$ Change	% Change
Current and other assets	\$ 28,446,570	\$ 26,256,369	\$ 2,190,201	8.3%
Capital assets, net of depreciation	46,060,056	49,041,382	(2,981,326)	-6.1%
Total assets	<u>74,506,626</u>	<u>75,297,751</u>	<u>(791,125)</u>	<u>-1.1%</u>
Long-term debt outstanding	46,239,747	47,612,247	(1,372,500)	-2.9%
Other liabilities	7,995,729	6,035,240	1,960,489	32.5%
Total liabilities	<u>54,235,476</u>	<u>53,647,487</u>	<u>587,989</u>	<u>1.1%</u>
Net position:				
Net investment in capital assets	3,950,710	5,562,069	(1,611,359)	-29.0%
Unrestricted	<u>16,320,440</u>	<u>16,088,195</u>	<u>232,245</u>	<u>1.4%</u>
Total net position	<u>\$ 20,271,150</u>	<u>\$ 21,650,264</u>	<u>\$ (1,379,114)</u>	<u>-6.4%</u>

Net Position

The total net position decreased by \$1.4 million or 6.4% from the prior fiscal year. This decrease is comprised of a \$1.6 million decrease in net investment in capital assets and a \$0.2 million increase in unrestricted net position.

The total liabilities increased by \$0.6 million or 1.1%. The decrease of \$1.4 million or 2.9% in long-term debt is associated with the \$1.4 million principal payment made on the 2009A bonds. This change is later explained in the “*Long-term Debt*” section. The increase of \$2 million or 32.5% in other liabilities is related to the timing of payments for the Shoreway operations.

The largest portion of the Authority’s assets is its investment in net capital assets totaling \$46 million. These assets are comprised of land, buildings, equipment and infrastructure, less accumulated depreciation, and are primarily located at the Shoreway Environmental Center. The actual year-over-year comparison of the capital assets, net of accumulated depreciation, shows a decrease of \$3 million or 6.1% due to an increase in accumulated depreciation. These changes are explained further in the “*Capital Assets*” section.

The net investment in capital assets is \$4 million as of June 30, 2018. It represents the Authority’s investment in infrastructure and other capital assets, net of amounts borrowed to finance that investment. It should be noted that these funds are not available for spending because the capital assets cannot be liquidated to settle liabilities. Therefore, the resources needed to repay the debt must be provided from other sources. Unrestricted net position totaling \$16.3 million represents the part of net position that can be used to finance operations.

Results of Operations

The following table summarizes the Authority's revenues, expenses, and changes in net position.

Table 2
Comparative Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	<u>FY 2018</u>	<u>FY 2017</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Charges for services	42,678,598	38,925,676	3,752,922	9.6%
Commodity revenue	7,282,216	6,939,608	342,608	4.9%
Other operating revenues	29,392	584,250	(554,858)	-95.0%
Net Insurance Proceeds	88,592	7,542,055	(7,453,463)	-98.8%
Investment Income	263,255	97,176	166,079	170.9%
Total Revenues	<u>50,342,053</u>	<u>54,088,765</u>	<u>(3,746,712)</u>	<u>-6.9%</u>
Expenses				
Operating expenses	48,930,074	43,786,336	5,143,738	11.7%
Fire-related expenses	88,424	4,725,903	(4,637,479)	-98.1%
Interest expense	2,702,669	2,759,746	(57,077)	-2.1%
Total Expenses	<u>51,721,167</u>	<u>51,271,985</u>	<u>449,182</u>	<u>0.9%</u>
Increase (decrease) in net position	(1,379,114)	2,816,780	(4,195,894)	149.0%
Beginning net position	<u>21,650,264</u>	<u>18,833,484</u>	<u>2,816,780</u>	<u>15.0%</u>
Ending net position	<u>20,271,150</u>	<u>21,650,264</u>	<u>(1,379,114)</u>	<u>-6.4%</u>

While the Statement of Net Position (Table 1) shows the change in financial position, the Statement of Activities (Table 2 above) provides answers as to the nature and sources of the changes.

Charges for services, also known as tipping fee revenue, increased by \$3.8 million or 9.6%, from \$38.9 million in FY17 to \$42.7 million in FY18. \$1.8 million of the revenue growth was due to an increase in "self-haul" public solid waste and the remaining revenue growth of \$2 million was due to an increase in franchise waste. Public revenue is the revenue generated from non-franchised waste that is delivered to the Shoreway facility by members of the public, while franchise revenue is from solid waste and organic materials collected by Recology San Mateo County from customers of SBWMA's member agencies and delivered to the Shoreway facility. FY18 was a challenging year for recyclable commodities due to the crash in commodity market price for mixed paper as a result of China's tightening of contamination standards. As a result, Commodity revenue only increased by \$0.3 million when compared to FY17, the period in which the fire at the Shoreway Center halted intake of commodities for a four month period. Compared to FY16, Commodity revenue is down \$0.8m. As a result of the fire in September 2016, net residual proceeds of \$0.1m were received in FY18 which were used to cover cost of repairs to the Center and replace damaged capital assets. Other operating revenues decreased by \$0.6m largely due to cessation of the Household Hazardous Waste Collection Service. Investment income was \$0.2m higher in FY18 than FY17 due to stronger performance by both the Local Agency Investment Fund (LAIF) and San Mateo County Investment Pool, as well as the Bond payment and reserve balances being invested for the full year in the higher yielding Blackrock Treasury funds.

The primary component of operating expenses (84%) is related to the Shoreway operations that

include contractually obligated costs incurred to pay the Shoreway operator, and disposal and processing expenses. The Shoreway operations expense (Table 3) increased by \$4.4 million in FY18 compared to the prior year due to increases in both volume, and processing and disposal costs.

Table 3 below shows just the operating results of the Authority. It excludes all revenue and expenditure not directly associated with operating activities such as investment income, interest expense and depreciation. For the current fiscal year, operating results were \$4.2 million compared to \$5.6 million for the prior year.

Table 3
Operating Results
For the Years Ended June 30, 2018 and 2017

	<u>FY 2018</u>	<u>FY 2017</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue				
Charges for Services	\$ 42,678,598	\$ 38,925,676	\$ 3,752,922	9.6%
Commodity Fee	7,282,216	6,939,608	342,608	4.9%
Other Operating Revenue	29,392	584,250	(554,858)	-95.0%
Total Operating Revenue	<u>49,990,206</u>	<u>46,449,534</u>	<u>3,540,672</u>	<u>7.6%</u>
Operating Expense (excl Depn.)				
Shoreway Operations	(41,208,573)	(36,784,182)	(4,424,391)	12.0%
Program Admin	(2,543,222)	(2,163,289)	(379,933)	17.6%
Franchise Fee	(2,032,946)	(1,853,604)	(179,342)	9.7%
Total Operating Expense (excl Depn.)	<u>\$(45,784,741)</u>	<u>\$(40,801,075)</u>	<u>(4,983,666)</u>	<u>12.2%</u>
Total Operating Results	<u>4,205,465</u>	<u>5,648,459</u>	<u>(1,442,994)</u>	<u>-25.5%</u>

Reserves

Table 4 below reflects the amount of reserves that have been designated by the Board in the fiscal years 2018 and 2017.

Table 4
Unrestricted Reserves Balances

	<u>FY 2018</u>	<u>FY 2017</u>
Rate Stabilization Reserve	\$ 4,764,699	\$ 4,242,701
Emergency Reserve	4,764,699	4,242,701
Equipment Replacement	1,192,148	991,791
2009 A Bond Repayment	1,183,333	1,137,500
Undesignated	4,415,561	5,473,502
Total Unrestricted Reserves	<u>\$ 16,320,440</u>	<u>\$ 16,088,195</u>

In 2002, the SBWMA Board established a reserve policy to set aside certain portions of unrestricted net position for specific uses in order to protect the short and long-term financial operation of the Authority. In May 2013 the Board revised the Cash Reserve Policy to accomplish the goal of more clearly defining the Reserve accounts. It replaced the existing Operating Reserve with an Emergency Reserve Account. The Emergency Reserve is to address unexpected and sudden capital needs or significant one-time increases in Shoreway operating expenses associated with “damage by natural disasters, acts of war or terrorism, or other community emergency scenarios that are not covered by existing insurance policies”. The new Policy also changed the priority order of the accounts so the Rate Stabilization Reserve is first in priority followed by the Emergency Reserve. The Rate Stabilization Reserve & Emergency Reserve is calculated as 10% of Operating expenses. Operating expenses include Shoreway Operations expenses, SBWMA program expenses, 2009A bond interest expense, and franchise fees. Operating expenses exclude depreciation, buyback, and household hazardous waste payments.

Capital Assets

The following table summarizes changes in the Authority’s capital assets.

Table 5
Capital Assets, Net of Depreciation
For the Years Ended June 30, 2018 and 2017

	<u>FY 2018</u>	<u>FY 2017</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 14,000,000	\$ 14,000,000	\$ -	0.0%
Buildings and systems	35,704,825	35,679,927	24,898	0.1%
Machinery and equipment	23,480,648	23,439,074	41,574	0.2%
Construction in progress	-	-	-	0.0%
Total accumulated depreciation	<u>(27,125,417)</u>	<u>(24,077,619)</u>	<u>(3,047,798)</u>	<u>12.7%</u>
Total Net Capital Assets	<u>\$ 46,060,056</u>	<u>\$ 49,041,382</u>	<u>\$ (2,981,326)</u>	<u>-6.1%</u>

The net capital assets decreased by \$3 million or 6.1% from \$49 million in FY17 to \$46 million in FY18. This decrease is the net of the annual \$3.1 million depreciation charge, a one-off asset write-off (impairment) of \$0.1m due to damaged assets caused by the fire, and \$0.2m in additional capital expenditure to replace damaged assets and to replace the Admin Building roof.

Additional information on the capital assets can be found in Note (4) of the financial statements.

Long-term Debt

At the end of the current fiscal year, the Authority had \$46.2 million total debt outstanding.

Table 6
Outstanding Debt, Net of Amortized Costs
June 30, 2018 and 2017

	<u>FY2018</u>	<u>FY2017</u>	<u>\$ Change</u>	<u>% Change</u>
2009A Revenue Bond	\$ 46,105,000	\$ 47,470,000	\$ (1,365,000)	-2.9%
Net Premium 2009A	134,747	142,247	(7,500)	-5.3%
Total	<u>\$ 46,239,747</u>	<u>\$ 47,612,247</u>	<u>\$ (1,372,500)</u>	<u>-2.9%</u>

Long-term debt consists of the Revenue Bond Series 2009A that was issued to finance the construction and renovation of a solid waste materials recovery facility and transfer station as well as related equipment.

Additional information on the Authority's long-term debt can be found in Note (5) to the accompanying financial statements.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our member agencies, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the revenues and expenses in the course of doing business. If you have questions about this report or need additional financial information, contact the Executive Director, South Bayside Waste Management Authority, 610 Elm Street, San Carlos, California 94070.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

**STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS	
Current Assets:	
Cash and investments for operations (Note 2)	\$17,064,706
Accounts receivable	4,725,837
Interest receivable	69,547
Prepaid items	<u>133,743</u>
Total Current Assets	<u>21,993,833</u>
Noncurrent Assets:	
Cash and investments with fiscal agent (Note 2)	6,452,737
Capital assets (Note 4):	
Land	14,000,000
Building	35,704,825
Equipment	23,480,648
Less Accumulated Depreciation	<u>(27,125,417)</u>
Net capital assets	<u>46,060,056</u>
Total Noncurrent Assets	<u>52,512,793</u>
Total Assets	<u>74,506,626</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	5,511,777
Accrued liabilities	252,493
Interest payable	900,167
Current portion of compensated absences	70,450
Long-term debt due in one year (Note 5)	<u>1,420,000</u>
Total Current Liabilities	<u>8,154,887</u>
Noncurrent Liabilities:	
Compensated absences due in more than one year	27,202
Accrued liabilities (Note 7)	1,233,640
Long-term debt due in more than one year (Note 5)	<u>44,819,747</u>
Total Noncurrent Liabilities	<u>46,080,589</u>
Total Liabilities	<u>54,235,476</u>
NET POSITION	
Net investment in capital assets	3,950,710
Unrestricted	<u>16,320,440</u>
Total Net Position	<u><u>\$20,271,150</u></u>

See accompanying notes to the financial statements

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

OPERATING REVENUES:	
Charges for services	\$42,678,598
Commodity revenue	7,282,216
Other	29,392
	<hr/>
Total Operating Revenues	49,990,206
OPERATING EXPENSES:	
Shoreway operations	41,208,573
SBWMA program administration	2,543,223
Franchise fee - transfer station	2,032,946
Depreciation (Note 4)	3,145,332
	<hr/>
Total Operating Expenses	48,930,074
	<hr/>
Operating Income	1,060,132
NONOPERATING REVENUES (EXPENSES):	
Insurance reimbursement (Net of Impairment loss - Note 4)	88,592
Investment income	263,255
Fire-related expenses	(88,424)
Interest expense	(2,702,669)
	<hr/>
Net Nonoperating Revenue (Expense)	(2,439,246)
	<hr/>
Change in Net Position	(1,379,114)
NET POSITION AT BEGINNING OF YEAR	21,650,264
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NET POSITION AT END OF YEAR	\$20,271,150
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See accompanying notes to the financial statements

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$49,879,709
Payments to suppliers	(42,309,769)
Payments to employees	<u>(1,249,461)</u>
Net Cash Flows (used for) Operating Activities	<u>6,320,479</u>
CASH FLOWS FROM NONCAPITAL AND FINANCING ACTIVITIES	
Fire-related payments	(88,424)
Insurance proceeds	<u>175,273</u>
Net Cash Flows (used for) Noncapital and Financing Activities	<u>86,849</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>229,886</u>
Net Cash Flows from Investing Activities	<u>229,886</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital assets additions	(250,687)
Retirement of long-term debt	(1,365,000)
Interest paid	<u>(2,729,506)</u>
Net Cash Flows (Used for) Capital and Related Financing Activities	<u>(4,345,193)</u>
Net Cash Flows	2,292,021
Cash and investments for operations - beginning of year	<u>21,225,422</u>
Cash and investments - end of year	<u><u>\$23,517,443</u></u>
Reconciliation of operating income to net cash flows from operating activities:	
Operating income (loss)	\$1,060,132
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation	3,145,332
Loss on disposal of capital asset	
Net change in:	
Accounts receivable	(110,497)
Prepays	(133,023)
Inventory	378,709
Accounts payable	1,916,782
Accrued liabilities	65,837
Compensated absences	<u>(2,793)</u>
Net Cash Flows from Operating Activities	<u><u>\$6,320,479</u></u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Amortization related to long-term debt	\$7,500
Impairment loss	(86,680)

See accompanying notes to the financial statements

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SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies

a. Organization

The South Bayside Waste Management Authority (the Authority) is a joint powers authority formed on October 13, 1999 for the purpose of joint ownership, financing and administration of the Facilities, currently the Shoreway Environmental Center in San Carlos; and the planning, administration management, review, monitoring, enforcement and reporting of solid waste, recyclable material and plant material collection activities within Authority's service area.

Members of the Authority currently include the towns of Atherton and Hillsborough, and the cities of Belmont, Burlingame, East Palo Alto, Foster City, Menlo Park, Redwood City, San Carlos, San Mateo, as well as the West Bay Sanitary District and the County of San Mateo.

The Authority is controlled by a twelve member board consisting of one elected representative from each member. None of the member entities exercise specific control over the budgeting and financing of the Authority's activities beyond their representation on the board. Accounting services are provided by the City of San Carlos.

Based on the franchise agreements with each member agency and Recology effective January 1, 2011, the Authority collects service fees from Recology for the processing and disposal of collected materials. The facility operator, South Bay Recycling, also collects fees from public customers which are remitted to the Authority. South Bay Recycling is paid by the Authority to operate the facility and transport materials to disposal and processing facilities on a per ton basis pursuant to the Operations Agreement. The compensation to both contractors is adjusted annually based primarily on various CPI indices. The Authority also directly pays for disposal and processing of solid waste and organics materials to vendors such as BFI/Republic, Recology Grover, Zanker Road, and Bio-Fuel Systems.

b. Enterprise Fund Accounting

The Authority is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and the sale of commodities.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 1: Summary of Significant Accounting Policies (Continued)

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded on its balance sheet, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred. Enterprise fund equity includes retained earnings and contributed capital.

c. Net Position Flow Policy

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is used.

d. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Expenditures which materially increase the value or life of capital assets are capitalized and depreciated over the remaining useful life of the asset. The Authority's policy is to capitalize all assets with costs exceeding the \$10,000 threshold and a useful life of more than one year.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method; meaning the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Authority has assigned the useful lives of capital assets by type as listed below:

Building	10 - 40 years
Improvements	5 - 20 years
Equipment	5 - 15 years

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

e. Compensated Absences

Compensated absences comprise unpaid vacation which is accrued as earned. All employees who hold full-time regular positions are entitled to 15 working days' vacation pay upon successful completion of their first year of continuous service. The accrual rate increases as length of service exceeds 5 years. Maximum accumulation of vacation is two years' vacation accrual. Upon termination or retirement, full-time employees are entitled to receive compensation at their current base salary for all unused vacation and 50% of their sick leave balance. The liability for compensated absences is determined annually.

f. Retirement and Deferred Compensation Plans

The Authority offers its employees a retirement plan created in accordance with Internal Revenue Code Section 401a. The employer contribution to the 401a is 10% plus a match up to 2% of the employee contribution.

The Authority also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457b. Pursuant to the IRC subsection (g), all amounts of compensation deferred under the deferred compensation plan, all property, or rights are solely the property and rights of the employee and beneficiaries of the Plan. Deferred compensation funds are not subject to the claims of the Authority's general creditors; consequently, the assets and related liabilities of the plan are not included within the Authority's financial statements.

g. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Authority has no items that qualify for reporting in this category.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has no items that qualify for reporting in this category.

h. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Note 2: Cash and Investments

The Authority pools cash from all sources except cash and investments held by fiscal agents so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

Note 2: Cash and Investments (Continued)

a. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Authority's name and places the Authority ahead of general creditors of the institution. The Authority Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC.

The Authority invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the Authority employs the Trust Department of a bank as the custodian of certain Authority managed investments, regardless of their form.

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

b. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Authority debt instruments or agreements.

<u>Statement of Net Position</u>	
Cash and investments for operations	\$ 17,064,706
Cash and investments with fiscal agent	<u>6,452,737</u>
Total Cash and Investments	<u>\$ 23,517,443</u>

Cash and investments for operations is used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: Cash and Investments (Continued)

c. Investment Authorized by the California Government Code and the Authority's Investment Policy

The Authority's Investment Policy and the California Government Code allow the Authority to invest in the following, provided the credit ratings of the issuers are acceptable to the Authority; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Authority's Investment Policy when the Authority's Investment Policy is more restrictive.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum in Portfolio</u>	<u>Maximum Investment In One Issuer</u>
State Local Agency Investment Fund	Upon Demand	N/A	50% to 70% of the investment portfolio, as approved by the SBWMA Board but no more than \$65 million permitted by LAF	\$65 million per account
San Mateo County Investment Pool	Upon Demand	N/A	30% to 50% of the investment portfolio, as approved by the SBWMA Board	N/A
U.S. Treasury Bonds, Notes and Bills	5 Years	N/A	100%	N/A
U.S. Government Agency and Federal Agency Securities	5 Years	N/A	100%	N/A
Bankers Acceptances	180 Days	N/A	40%	(B)
Commercial Paper	270 Days	Highest letter and number rating by an NRSRO	25%	(A)
Negotiable Certificates of Deposit	5 Years	N/A	30%	(A)
Time Certificates of Deposit - Banks or Savings and Loans	5 Years	N/A	30%	(A)
Medium Term Corporate Notes	5 Years	A	30%	(A)

- (A) 10% of outstanding paper of issuing corporation and 10% of the portfolio in one corporation
- (B) No more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: Cash and Investments (Continued)

d. Investments Authorized by Debt Agreements

The Authority must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the Authority fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Authority resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Minimum Credit Quality
Direct obligations of the Department of the Treasury of the United States	None
Obligations issued or guaranteed by FMHA, FHA, General Services Administration, GNMA, U.S. Maritime Administration, HUD, and backed by the full faith and credit of the United States of America	None
Direct obligations of FHLB, FHLMC, FNMA, REFCORP, Farm Credit Enterprise, Federal Agriculture Mortgage Association, Tennessee Valley Authority	None
Money Market Fund	AA
U.S. dollar denominated Certificates of Deposit, savings accounts, deposit accounts	None
Investment agreements, including GIC's forward purchase agreements and reserve fund put agreements	None
Commercial Paper	A-1
General obligations of States or municipalities	AAA
Bankers acceptances	A-1+
Medium Term Notes	AAA
State of California Local Agency Investment Fund	None
San Mateo County Investment Pool	None

e. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity or earliest call date:

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

Note 2: Cash and Investments (Continued)

Investment Type	12 Months or less	Total
California Local Agency Investment Fund	\$ 10,024,899	\$ 10,024,899
San Mateo County Investment Pool	5,923,433	5,923,433
Cash and Cash Equivalents with Fiscal Agent:		
Money Market Fund	6,452,737	6,452,737
Total Investments	\$ 22,401,069	22,401,069
Total Cash in Bank and Cash on Hand		1,116,374
Total Cash and Investments		\$ 23,517,443

Local Agency Investment Fund

The Authority is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

San Mateo County Investment Fund

The Authority is a voluntary participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of San Mateo. The Authority reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The Authority reports its investments in SMCIF at the fair value amounts provided by SMCIF, which is the same as the value of the pool share.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 2: Cash and Investments (Continued)

f. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in California Local Agency Investment Fund and San Mateo County Investment Pool are not rated and therefore no rating is shown.

Presented below is the actual rating as of June 30, 2018, for each investment type as provided by S&P ratings:

<u>Investment Type</u>	<u>AAAm</u>	<u>Total</u>
Cash and Cash Equivalents with Fiscal Agent:		
Money Market Fund	<u>\$ 6,452,737</u>	<u>\$ 6,452,737</u>
Totals	<u>\$ 6,452,737</u>	6,452,737
Not rated:		
California Local Agency Investment Fund		10,024,899
San Mateo County Investment Pool		5,923,433
Total Investments		<u>22,401,069</u>
Total Cash in bank and cash on hand		<u>1,116,374</u>
Total Cash and Investments		<u>\$ 23,517,443</u>

g. Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

Note 2: Cash and Investments (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the Authority as of June 30, 2018:

Investment Type	Exempt	Total
Investments by Fair Value:		
California Local Agency Investment Fund	\$ 10,024,899	\$ 10,024,899
San Mateo County Investment Pool	5,923,433	5,923,433
Total Investments at Fair Value	\$ 15,948,332	15,948,332
Investments Measured at Amortized Cost:		
Money Market Fund		6,452,737
Total Investments		22,401,069
Cash in banks		1,116,374
Total Cash and Investments		\$ 23,517,443

Both the California Local Agency Investment Fund and the San Mateo County Investment Pool are external investment pools and exempted in the fair value hierarchy, under GASB 72.

h. Concentration of Credit Risk

The Authority's Investment Policy contains certain limitations on the amount that can be invested in any one issuer. In certain categories, these limitations surpass those required by California Government Code Sections 53600 et seq. Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total Entity-wide investments. There were no such investments at June 30, 2018.

Note 3: Capital Assets and Facilities Operations

Pursuant to a sales agreement with Republic Services, Inc., the Authority purchased land, and buildings and personal property amounting to \$14 million and \$5.228 million, respectively. These facilities comprise the Shoreway Environmental Center in San Carlos. The Authority signed an agreement to lease back the facilities to Republic Services, Inc. to operate them. This agreement expired on December 31, 2006 and the Authority had extended the agreement until December 31, 2010. The Authority signed a new agreement effective January 1, 2011 with South Bay Recycling to operate the facility. For the year ended June 30, 2018, the Authority paid \$20,747,954 to South Bay Recycling to operate the Facility.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 4: Capital Assets

Changes in capital assets were as follows for fiscal year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018
Capital assets not being depreciated:				
Land	\$ 14,000,000	\$ -	\$ -	\$ 14,000,000
Total non-depreciable assets	14,000,000	-	-	14,000,000
Capital assets being depreciated:				
Buildings	35,679,927	49,065	(24,167)	35,704,825
Equipment	23,439,074	201,622	(160,048)	23,480,648
Total capital assets being depreciated	59,119,001	250,687	(184,215)	59,185,473
Less accumulated depreciation for:				
Buildings	(11,931,435)	(1,237,283)	24,167	(13,144,551)
Equipment	(12,146,184)	(1,908,049)	73,367	(13,980,866)
Total accumulated depreciation	(24,077,619)	(3,145,332)	97,534	(27,125,417)
Net capital assets being depreciated	35,041,382	(2,894,645)	(86,681)	32,060,056
Capital assets, net	<u>\$ 49,041,382</u>	<u>\$(2,894,645)</u>	<u>\$ (86,681)</u>	<u>\$ 46,060,056</u>

Note 5: Revenue Bonds

The Authority's debt issues and transactions are summarized below and discussed in detail thereafter.

	Balance June 30, 2017	Retirements	Balance June 30, 2018	Due Within One Year
2009A Solid Waste				
System Revenue Bonds	\$ 47,470,000	\$ (1,365,000)	\$ 46,105,000	\$ 1,420,000
Bond premiums	142,247	(7,500)	134,747	-
	<u>\$ 47,612,247</u>	<u>\$ (1,372,500)</u>	<u>\$ 46,239,747</u>	<u>\$ 1,420,000</u>

a. Solid Waste Enterprise Revenue Bonds Series 2009A

On September 2, 2009, the Authority issued \$53,500,000 of Solid Waste Enterprise Revenue Bonds Series 2009A. The 2009A Bonds were issued to pay for the construction and renovation of a solid waste materials recovery facility and transfer station and related equipment, to fund a Reserve Fund, to fund capitalized interest, and to fund certain working capital and pay other costs, including issuance costs.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

Note 5: Revenue Bonds (Continued)

The series 2009A bonds are solely payable from and secured by the net revenues and debt service reserve fund held by the Authority's trustee, as defined under the bond indenture. Net Revenues means, for any period, all of the revenues during such period less all of the maintenance and operation costs during such period. Revenues mean all gross income and revenue received or receivable by the Authority.

Principal payments are payable annually on September 1, commencing September 1, 2012. The bond bears interest at 3.5%-6.0% which is payable semi-annually on September 1 and March 1, commencing on March 1, 2010.

b. Revenue Pledge

The bonds are secured by a pledge of the Authority's Net Revenue as defined under the bond indenture. For the 2009A bonds, the pledge of future net revenue ends upon repayment of the 2009A bonds in the amount of \$83 million in remaining debt service on the bonds which is scheduled to occur in fiscal year 2037.

According to the Rate Covenant in the 2009A Bond Indenture, the Authority will maintain a Net Revenue to Debt Service coverage ratio of 1.40. As of the Fiscal Year 2018, the Net Revenues to Debt Service Coverage ratio was 1.58.

c. Debt Service Requirements

Annual debt service requirements on the bonds are shown below with specified repayment terms:

For the Year Ending June 30	Principal	Interest	Total
2019	\$ 1,420,000	\$ 2,665,000	\$ 4,085,000
2020	1,495,000	2,592,125	4,087,125
2021	1,570,000	2,554,750	4,124,750
2022	1,650,000	2,554,750	4,204,750
2023	1,735,000	2,554,750	4,289,750
2024 - 2028	10,215,000	11,173,288	21,388,288
2029 - 2033	13,735,000	7,978,313	21,713,313
2034 - 2037	14,285,000	4,832,100	19,117,100
Total	<u>\$ 46,105,000</u>	<u>\$ 36,905,076</u>	<u>\$ 83,010,076</u>

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

Note 6: Insurance

The Authority purchases commercial insurance policies to protect itself from claims arising from the following types of losses:

Type of Coverage	Coverage Limits
General Aggregate Limit	\$ 2,000,000
General Liability deductible	2,500 SIR
Environmental Impact Liability aggregate	2,000,000
Environmental Liability deductible	25,000 SIR
Hired & Non-Owned Auto Limit	1,000,000
Employee Benefits Liability	1,000,000
Excess Liability	10,000,000

Note 7: Pollution Remediation

In 2000 the South Bay Waste Management Authority (SBWMA) purchased the property located at 225/333 Shoreway Road in San Carlos. The property had pre-existing ground water contamination issues and the former property owner Allied Waste (now Republic Services) was identified as the responsible party. The ground water contamination is the result of hydrocarbon and petroleum products. Both Allied Waste and the SBWMA have managed a remediation effort under supervision from the County of San Mateo Department of Environmental Health.

The San Mateo County Health System (SMCHS) and the California Regional Water Quality Control Board (RWQCB) have reviewed and approved the SBWMA's "Closure Report" submitted on January 29, 2013 to close the Shoreway Environmental Center ("Shoreway") groundwater remediation project and issued a NOTICE OF CASE CLOSURE on April 29, 2014. This case closure letter is the final step in the Shoreway remediation closure and "no further remediation action" is required at the Shoreway facility. While no further remediation effort was deemed necessary, due to concerns about potential residual contamination, the property has a deed restriction requiring it to remain industrially zoned.

In March of 2010, the SBWMA received a lump sum settlement payment of \$1,500,000 from Republic Services (formerly Allied Waste and BFI). This money was deposited into a SBWMA account dedicated to the ongoing clean-up efforts at Shoreway (the remediation cost estimate was negotiated with Allied per methods approved by County regulators and based on input from environmental engineers). At the close of remediation efforts on April 29, 2014 the Shoreway Remediation Fund had an unspent balance of \$1,239,826. The unspent balance as of June 30, 2018 is \$1,233,640 and is reported as accrued liabilities.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

Note 8: Net Position

Designations

The Authority has designated \$11,904,879 of the unrestricted net position for several reserves which include: \$4,764,699 for rate stabilization, \$4,764,699 for emergency reserve, \$1,192,148 for equipment replacement, \$1,183,333 for the payment of 2009A bonds. These designations may be modified, amended or removed by Authority Board action.

Note 9: Commitments and Contingent Liabilities

Litigation

SBWMA is subject to litigation arising in the normal course of business. In the opinion of legal counsel there is no pending litigation, which is likely to have a material adverse effect on the financial position of SBWMA.

Construction Commitments

There are no significant construction commitments as of June 30, 2018.

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of the Board of Directors
South Bayside Waste Management Authority
San Carlos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the South Bayside Waste Management Authority (Authority), as of and for the year ended June 30, 2018, and have issued our report thereon dated October 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated October 19, 2018 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze & Associates

Pleasant Hill, California
October 19, 2018

STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Senior Contracts & Operations Manager
Date: January 24, 2019 Board of Directors Meeting
Subject: Resolution Approving Additional SBR Sort Labor Reimbursement

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2019-02 attached hereto authorizing the following action: **Resolution Approving the Cost of Additional Fiber Sort Labor to be Split with SBR for a Period of Three Months (January 1 – March 31, 2019).**

Background

The use of additional sort labor has been viewed by all parties as a short-term solution to ensure that Shoreway fiber commodities continued to find markets. SBR requested reimbursement for additional sort labor that the company had been paying for since the fiber market collapse in January 2018. At the March and June 2018 meetings, the Board discussed the need for additional sort labor in order to keep fiber from being rejected from overseas mills and the decision was made to split the additional sort labor cost with SBR. The Board requested that staff bring this item back for consideration every three-months for their review and funding reauthorization.

Analysis

Under normal MRF operations, the SBWMA reimburses SBR for 24-sorters at the MRF. To meet the new fiber market conditions, SBR requested six additional VRS sorters. The actual number of sorters hired by SBR to meet market standards has been less than originally anticipated and has averaged \$14,363 per month (see Table 1, that shows historical SBWMA Additional Sort Labor Cost). The SBWMA splits this monthly cost with SBR and it is anticipated that the expense for January-March will be similar to historical average shown in table 1.

Month	Nelson Staffing	VRS	Total
JAN	\$ 17,281		\$ 17,281
FEB	\$ 10,393		\$ 10,393
MAR	\$ 12,547		\$ 12,547
APR	\$ 9,321		\$ 9,321
MAY	\$ 8,297	\$ 2,094	\$ 10,391
JUN	\$ 7,258	\$ 6,530	\$ 13,788
JUL	\$ 9,527	\$ 6,283	\$ 15,810
AUG	\$ 8,108	\$ 4,805	\$ 12,913
SEP	\$ 12,316	\$ 1,633	\$ 13,949
OCT	\$ 10,725	\$ 6,832	\$ 17,557
NOV	\$ 13,261	\$ 3,942	\$ 17,203
DEC	\$ 16,737	\$ 4,467	\$ 21,204
		Average	\$ 14,363

Fiscal Impacts

The FY18/19 Budget includes an additional estimate of \$560,000 (\$47K month) to cover additional sort labor costs in the upcoming year. The actual costs have been running significantly lower than originally anticipated.



RESOLUTION NO. 2019-02

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING ADDITIONAL SBR SORT LABOR REIMBURSEMENT

WHEREAS, SBR has requested reimbursement for additional MRF sort labor,

WHEREAS, additional sort labor is the only short-term means for the agency to meet new commodity market standards,

WHEREAS, meeting new commodity standards is necessary to ensure that recyclables have a market outlet and are not landfilled.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves a Resolution Approving SBR Sort Labor Reimbursement and authorizes staff to split (pay one-half) the additional sort labor incurred by SBR for three months (January 1 – March 31, 2019) and return to the Board for future direction.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California, by the following vote:

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

I HEREBY CERTIFY that the foregoing Resolution No. 2019-02 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on January 24, 2019.

ATTEST:

Jay Benton, Interim Chairperson of SBWMA

Cyndi Urman, Board Secretary

STAFF REPORT

To: SBWMA Board Members
From: John Mangini, Senior Finance Manager
Date: January 24, 2019 Board of Director's Meeting
Subject: Resolution Approving Revised SBWMA Investment Policy for 2019

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2019-03 attached hereto authorizing the adoption of the Investment Policy for 2019. See **Exhibit A** to the Resolution for the proposed 2019 Investment Policy.

Summary

The Investment Policy states that the policy shall be reviewed and adopted by resolution of the Board on an annual basis. It was last approved by the Board on January 25, 2018. The 2019 policy has been reviewed by the Board Finance Sub-Committee (comprised of Board Members Bill Widmer, Michael Brownrigg, and Jay Benton and Carol Augustine) which recommends approval. The recommended minor changes to the policy are shown in the attached redline version (see **Exhibit A**). The changes involve updating and cleaning up the text to be consistent with California Code. There are no substantial changes to the policy.

Analysis

On August 24, 2000, the Board approved the first Investment Policy based on the City of San Carlos' Investment Policy. The Board has since approved revisions on an annual basis. The attached 2019 Investment Policy is fully compliant with California Code and is similar to the policy that is used by the City of San Carlos which serves as the Financial Agent for the Authority. City staff has also reviewed this proposed policy. The primary objective of the Investment Policy is safety of principal, while meeting the cash flow needs of the JPA, through prudent investment of surplus cash.

Background

In January 2015, the Audit Committee reviewed the mix of investments between the County Pool and the state LAIF fund. The Audit Sub-Committee agreed to increase the County Fund to 30% to 50% while keeping the state LAIF Fund at 50% to 70%. This change was approved by the Board at the January 22, 2015 Board meeting.

Fiscal Impact

There is no fiscal impact associated with approving the attached revised Investment Policy.

Attachments:

Resolution 2019-03

Exhibit A – Investment Policy (red-line version)



A Public Agency

RESOLUTION NO. 2019-03

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING A REVISED INVESTMENT POLICY FOR 2019

WHEREAS, the South Bayside Waste Management Authority (SBWMA) and the City of San Carlos has reviewed and revised the SBWMA's current Investment Policy;

WHEREAS, the Board's Finance Sub-Committee has also reviewed the Policy and supports the recommended changes;

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the 2019 SBWMA Investment Policy document as shown in Exhibit A.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 24th day of January, 2019, by the following vote:

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

I HEREBY CERTIFY that the foregoing Resolution No. 2019-03 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on January 24, 2019.

ATTEST:

Jay Benton, Interim Chairperson of SBWMA

Cynthia Urman, Board Secretary

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY INVESTMENT POLICY

January ~~2018~~2019

POLICY

The investment of the funds of the South Bayside Waste Management Authority (SBWMA) is directed to the goals of safety, liquidity and yield. This Investment Policy incorporates the policies defined by the certified investment policy standards recommended by the ~~Association of Public Treasurers~~California Debt and Investment Advisory Commission (CDIAC). The authority governing investments for municipal governments is set forth in the California Government Code, Sections 53601 through ~~53659~~53686.

The primary objective of the investment policy of the South Bayside Waste Management Authority is SAFETY OF PRINCIPAL. Investments shall be placed in those securities as outlined by type and maturity sector in this document. Effective cash flow management and resulting cash investment practices are recognized as essential to good fiscal management and control. The SBWMA's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local law. Portfolio management requires continual analysis and as a result the balance between the various investments and maturities may change in order to give the SBWMA the optimum combination of necessary liquidity and optimal yield based on cash flow projections.

SCOPE

The investment policy applies to all financial assets of the South Bayside Waste Management Authority as accounted for in the Annual Financial Statements. Policy statements outlined in this document focus on the SBWMA's pooled funds and debt-related funds held by the trustee/ fiscal agent.

PRUDENCE

The standard to be used by investment officials shall be that of a "prudent investor" and shall be applied in the context of managing all aspects of the overall portfolio. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

It is the SBWMA's full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars.

However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. It is further recognized that in a well-diversified investment portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit analysis. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long-term rate of return.

The Administrative Services Director of the City of San Carlos (City) and other individuals assigned, as approved by the SBWMA Executive Director and SBWMA Senior Finance Manager to manage the SBWMA investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

OBJECTIVES

Safety of Principal

Safety of principal is the foremost objective of the South Bayside Waste Management Authority. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker-dealer default or erosion of market value. The SBWMA shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the SBWMA's capital base and cash flow.

Market risk, defined as market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by limiting the average maturity of the SBWMA's investment portfolio to two years, the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity and avoiding the purchase of long term securities for the sole purpose of short term speculation.

Liquidity

Historical cash flow trends are compared to current cash flow requirements on an ongoing basis in an effort to ensure that the SBWMA's investment portfolio will remain sufficiently liquid to enable the SBWMA to meet all reasonably anticipated operating requirements.

MATURITY MATRIX

Maturities of investments will be selected based on liquidity requirements to minimize interest rate risk and maximize earnings. Current and expected yield curve analysis will be monitored and the portfolio will be invested accordingly. The weighted average maturity of the pooled portfolio should not exceed two years and the following percentages of the portfolio should be invested in the following maturity sectors:

Maturity Range	Suggested Percentage
1 day to 7 days	10 to 50%
7 days to 180	10 to 30%
180 days to 360 days	10 to 30%
1 year to 2 years	10 to 20%
2 years to 3 years	0 to 20%
3 years to 4 years	0 to 20%
4 years to 5 years	0 to 20%
Over 5 years	Board Authorization Required *

* One exception does exist regarding the investment of bond reserve funds. If, in the opinion of the ~~City Administrative Services Director~~ Executive Director or the SBWMA Board of Directors, matching the segregated investment portfolio of the bond reserve fund with the maturity schedule of an individual bond issue is prudent given current economic analysis, the investment policy authorizes extending beyond the five year maturity limitation as outlined in this document.

PERFORMANCE EVALUATION

Investment performance is monitored and evaluated by the Investment Advisory Committee, whose membership is outlined in the following section. Investment performance statistics and activity reports are generated on a quarterly basis for presentation to the Investment Advisory Committee and to the SBWMA Board of Directors. Annually, a statement of investment policy, and any proposed changes to the policy, will be rendered to the Investment Advisory Committee and to the SBWMA Board of Directors for Board consideration at a public meeting.

The SBWMA's investment portfolio is designed to at least attain a market average rate of return through economic cycles. The market average rate of return is defined as average return on the Local Agency Investment Fund (assuming the State does not adversely affect LAIF's returns due to budget constraints).

DELEGATION OF AUTHORITY

The Joint Powers Authority Agreement of the South Bayside Waste Management Authority and the authority granted by SBWMA Board assign the responsibility of investing unexpended cash to the City's Administrative Services Director. Daily management responsibility of the investment program may be delegated to the City's Financial Services Manager, who shall establish procedures for the operation consistent with this investment policy.

INVESTMENT COMMITTEE

An investment committee consisting of the City of San Carlos Treasurer, City Manager, and Administrative Services Director shall be established to provide general oversight and direction concerning the policy related to management of the SBWMA's investment pool. The Financial Services Manager shall not be a member of the committee but shall serve in a staff and advisory capacity. The committee shall review and approve quarterly investment reports prepared by the Finance Department and reviewed by the Financial Services Manager or meet as necessary to discuss changes to the report or the investment strategy. The Investment Committee serving as the legislative body of the Investment Policy will have the quarterly reports for their review within thirty (30) days following the end of the quarter covered by the report as per Section 53646 (b)(1) of the California Government Code.

ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Additionally the City's Administrative Services Director and the Financial Services Manager are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC).

SAFEKEEPING OF SECURITIES

To protect against fraud or embezzlement or losses caused by collapse of an individual securities dealer, all securities owned by the SBWMA shall be held in safekeeping by a third party bank trust department, acting as agent for the SBWMA under the terms of a custody agreement. All trades executed by a dealer will settle delivery versus payment (DVP) through the SBWMA's safekeeping agent.

Securities held custody for the SBWMA shall be monitored by the City's Administrative Services Director to verify investment holdings.

All exceptions to this safekeeping policy must be approved by the City's Administrative Services Director in written form and included in the quarterly reporting to the Investment Committee and the SBWMA Board of Directors.

INTERNAL CONTROL

Separation of functions between the City's Administrative Services Director or Financial Services Manager and/or the Senior Accountant is designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Investment decisions are made by the City's Administrative Services Director, executed by the Administrative Services Director or Financial Services Manager and confirmed by the Senior Accountant. All wire transfers initiated by the Administrative Services Director or Financial Services Manager must be reconfirmed by the appropriate financial institution to the Senior Accountant. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliation is conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Senior Accountant on a monthly basis. An independent analysis by an external auditor shall be conducted annually to review and perform procedure testing on the Agency's cash and investments that have a material impact on the financial statements. The Administrative Services Director and/or Investment Committee shall review and assure compliance with investment process and procedures.

REPORTING

The City's Administrative Services Director shall review and render quarterly reports to the Investment Advisory Committee and to the Board of Directors which shall include the face amount of the cash investment, the classification of the investment, the name of the institution or entity, the rate of interest, the maturity date, the current market value and accrued interest due for all securities. The quarterly reports will be submitted to the Investment Committee within thirty (30) days following the end of the quarter covered by the report as per Section 53646 (b)(1) of the California Government Code. Once approved by the Investment Committee, the quarterly reports shall be placed on the Board of Director's meeting agenda for its review and approval no later than 60 days after the quarter ends. If there are no Board of Director meetings within the 60-day period, the

quarterly report shall be presented to the Board of Directors at the soonest possible meeting thereafter.

QUALIFIED BROKER/DEALERS

The SBWMA shall transact business only with banks, savings and loans, and with broker/dealers. The broker/dealers should be primary or regional dealers. The City currently does not maintain a list of broker/dealers approved to do business with the City. When necessary, the City shall go through the Request for Proposal processes to select the broker/dealers. The City's Administrative Services Director will make exceptions only upon written authorization. Investment staff shall investigate dealers wishing to do business with the SBWMA to determine if they are adequately capitalized, have pending legal action against the firm or the individual broker and make markets in the securities appropriate to the SBWMA's needs. The SBWMA's investment policy shall be made available on the Authority's website for broker/dealers' review.

COLLATERAL REQUIREMENTS

Collateral is required for investments in certificates of deposit. In order to reduce market risk, the collateral level will be at least 110% of market value of principal and accrued interest.

AUTHORIZED INVESTMENTS

Investment of SBWMA funds is governed by the California Government Code Sections 53600 et seq. Within the context of the limitations, the following investments are authorized, as further limited herein:

1. United States Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.
2. Local Agency Investment Fund (LAIF) which is a State of California managed investment pool, and San Mateo County Investment pool, may be used up to the maximum permitted by California State Law. A review of the pool/fund is required when they are part of the list of authorized investments, with the knowledge that the pool/fund may include some investments allowed by statute but not explicitly identified in this investment policy.
3. Most mortgage-backed securities are obligations issued by the Government National Mortgage Association (GNMA), the Federal Farm Credit System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA), and the Federal Home Loan Mortgage Corporation (FHLMC). There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable. A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer rated in a rating category

of "A" or its equivalent or better for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchase of securities authorized by this subdivision shall not exceed 20 percent of the agency's surplus moneys that may be invested pursuant to this section.

4. ~~4.~~—Bills of exchange or time drafts drawn on and accepted by commercial banks, otherwise known as banker's acceptances. Banker's acceptances purchased may not exceed 180 days to maturity or 40% of the cost value of the portfolio. Also, no more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.

~~Investments detailed in items 5 through 10 are further restricted to a percentage of the cost value of the portfolio in any single issuer name to a maximum of 10%. The total value invested in any one issuer shall not exceed 10% of the issuers net worth. Again, a five-year maximum maturity limitation is applicable unless further restricted by this policy.~~

5. Commercial paper ranked the highest letter and number rating by a nationally recognized statistical rating organization (NRSRO), such as Standard and Poor's Ratings Services, Fitch Ratings, Inc. or Moody's Investors Services, ~~and~~ issued by domestic corporations having assets in excess of \$500,000,000 and having an A or better rating on its' long term debentures as provided by NRSRO. Purchases of eligible commercial paper may not exceed 270 days to maturity nor represent more than ~~54~~0% of the outstanding paper of the issuing corporation. Purchases of commercial paper may not exceed 25% of the cost value of the portfolio.
6. Negotiable Certificates of Deposit issued by nationally or state chartered banks (FDIC insured institutions) or state or federal savings institutions. Purchases of negotiable certificates of deposit may not exceed 30% of total portfolio. A maturity limitation of five years is applicable.
7. Time deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 30% of the investment portfolio may be invested in this investment type. A maturity limitation of five years is applicable.
8. Medium Term Corporate Notes, with a maximum maturity of five years may be purchased. Securities eligible for investment shall be rated A or better by an NRSRO. Purchase of medium term notes may not exceed 30% of the market value of the portfolio and no more than 5% of the market value of the portfolio may be invested in notes issued by one corporation. ~~Commercial paper holdings should also be included when calculating the 1510% limitation.~~
9. Ineligible investments are those that are not described herein, including but not limited to, common stocks and long term (over five years in maturity) notes and bonds are prohibited from use in this portfolio. It is noted that special circumstances arise that necessitate the purchase of securities beyond the five-year limitation. On such occasions, requests must be approved by Board of Directors prior to purchase.

10. Various daily money market funds administered for or by trustees, paying agents and custodian banks contracted by the SBWMA may be purchased as allowed under State of California Government Code. Only funds holding U.S. Treasury or Government agency obligations can be utilized.

The following summary of maximum percentage limits, by instrument, is established for the SBWMA's total pooled funds portfolio:

Authorized Investment Type	Government Code	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	16429.1	Upon Demand	N/A	50% to 70% of the investment portfolio, as approved by the SBWMA Board but no more than \$65 million permitted by LAIF	N/A
San Mateo County Investment Pool	53684	Upon Demand	N/A	30% to 50% of the investment portfolio, as approved by the SBWMA Board	N/A
Treasury Obligations (bills, notes & bonds)	53601(b)	5 Years	N/A	100%	N/A
US Government Agency and Federal Agency Securities	53601(f)	5 Years	N/A	100%	N/A
<u>Mortgage Pass-Through Securities or Mortgage-Backed Securities</u>	<u>53601(o)</u>	<u>5 Years</u>	<u>(A)</u>	<u>20%</u>	<u>N/A</u>
Bankers' Acceptances	53601(g)	180 Days	N/A	40%	<u>30%</u> (B)
Commercial Paper	53601(h)	270 Days	Highest letter and number rating by an NRSRO	25%	<u>5%</u> (A)
Negotiable Certificates of Deposit	53601(i)	5 Years	N/A	30%	<u>5%</u> (A) <u>N/A</u>

Time Certificates of Deposit – Banks or Savings and Loans	53601.8	5 Years	N/A	30%	(A) N/A
Medium Term Corporate Notes	53601(k)	5 Years	<u>Rating category “A” by NRSRO</u>	30%	<u>5%</u> (A) N/A

~~(A) 10% of outstanding paper of issuing corporation, and 10% of the portfolio in one corporation~~

~~— No more than 30% of the agency’s money may be in bankers’ acceptances of any one commercial bank.~~

~~(B)~~(A) Issued by an issuer rated in a rating category of “A” or its equivalent or better for the issuer’s debt as provided by an NRSRO and rated in a rating category of “AA” or its equivalent or better by an NRSRO.

DERIVATIVE INVESTMENTS

Derivatives are investments whose value is "derived" from a benchmark or index. That benchmark can be almost any financial measure from interest rates to commodity and stock prices. The use of derivatives is prohibited under this policy.

LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will be incorporated into the South Bayside Waste Management Authority's Investment Policy and supersede any and all previous applicable language.

INTEREST EARNINGS

All moneys earned and collected from investments authorized in this policy shall be allocated quarterly to various fund accounts based on the cash balance in each fund at quarter end as a percentage of the entire pooled portfolio.

LIMITING MARKET VALUE EROSION

The longer the maturity of securities, the greater their market price volatility. Therefore, it is the general policy of the SBWMA to limit the potential effects from erosion in market values by adhering to the following guidelines:

All immediate and anticipated liquidity requirements will be addressed prior to purchasing all investments.

Maturity dates for long-term investments will coincide with significant cash flow requirements where possible, to assist with short term cash requirements at maturity.

All long-term securities will be purchased with the intent to hold all investments to maturity under then prevailing economic conditions. However, economic or market conditions may change, making it in the SBWMA's best interest to sell or trade a security prior to maturity.

PORTFOLIO MANAGEMENT ACTIVITY

The investment program shall seek to augment returns consistent with the intent of this policy, identified risk limitations and prudent investment principals. These objectives will be achieved by use of the following strategies:

Active Portfolio Management. Through active fund and cash flow management, taking advantage of current economic and interest rate trends, the portfolio yield may be enhanced with limited and measurable increases in risk by extending the weighted maturity of the total portfolio.

Portfolio Maturity Management. When structuring the maturity composition of the portfolio, the SBWMA shall evaluate current and expected interest rate yields and necessary cash flow requirements. It is recognized that in normal market conditions longer maturities produce higher yields. However, the securities with longer maturities also experience greater price fluctuations when the level of interest rates change.

Security Swaps. The SBWMA may take advantage of security swap opportunities to improve the overall portfolio yield. A swap, which improves the portfolio yield, may be selected even if the transactions result in an accounting loss. Documentation for swaps will be included in the SBWMA permanent investment file documents.

Competitive Bidding. It is the policy of the SBWMA to require competitive bidding for investment transactions that are not classified as "new issue" securities. For the purchase of non-"new issue" securities and the sale of all securities at least three bidders must be contacted. Competitive bidding for security swaps is also suggested, however, it is understood that certain time constraints and broker portfolio limitations exist which would not accommodate the competitive bidding process. If a time or portfolio constraining condition exists, the pricing of the swap should be verified to current market conditions and documented for auditing purposes.

POLICY REVIEW

The South Bayside Waste Management Authority's investment policy shall be adopted by resolution of the Board on an annual basis. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to Board for approval.

Glossary of Terms

Accrued Interest- Interest earned but not yet received.

Active Deposits- Funds which are immediately required for disbursement.

Amortization- An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Annual Financial Report - The official annual financial report for the SBWMA. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles (GAAP).

Asked Price- The price a broker dealer offers to sell securities.

Basis Point- One basis point is one hundredth of one percent (.01).

Bid Price- The price a broker dealer offers to purchase securities.

Bond- A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Bond Swap – Selling one bond issue and buying another at the same time in order to create an advantage for the investor. Some benefits of swapping may include tax-deductible losses, increased yields, and an improved quality portfolio.

Book Entry Securities – Securities, such stocks held in “street name,” that are recorded in a customer’s account, but are not accompanied by a certificate. The trend is toward a certificate-free society in order to cut down on paperwork and to diminish investors’ concerns about the certificates themselves. All the large New York City banks, including those that handle the bulk of the transactions of the major government securities dealers, now clear most of their transactions with each other and with the Federal Reserve through the use of automated telecommunications and the “book-entry” custody system maintained by the Federal Reserve Bank of New York. These banks have deposited with the Federal Reserve Bank a major portion of their government and agency securities holdings, including securities held for the accounts of their customers or in a fiduciary capacity. Virtually all transfers for the account of the banks, as well as for the government securities dealers who are their clients, are now effected solely by bookkeeping entries. The system reduces the costs and risks of physical handling and speeds the completion of transactions.

Bearer and Registered Bonds - In the past, bearer and registered bonds were issued in paper form. Those still outstanding may be exchanged at any Federal Reserve Bank or branch for an equal amount of any authorized denomination of the same issue. Outstanding bearer bonds are interchangeable with registered bonds and bonds in “book-entry” form. That is, the latter exist as computer entries only and no paper securities are issued. New bearer and registered bonds are no longer being issued. Since August 1986, the Treasury’s new issues of marketable notes and bonds are available in book-entry form only. All Treasury bills and more than 90% of all other marketable securities are now in book-entry form. Book-entry obligations are transferable only pursuant to regulations prescribed by the Secretary of the Treasury.

Book Value- The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Broker – In securities, the intermediary between a buyer and a seller of securities. The broker, who usually charges a commission, must be registered with the exchange in which he or she is trading, accounting for the name registered representative.

Certificate of Deposit- A deposit insured up to \$250,000 by the FDIC at a set rate for a specified period of time.

Collateral- Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

Constant Maturity Treasury (CMT) - An average yield of a specific Treasury maturity sector for a specific time frame. This is a market index for reference of past direction of interest rates for the given Treasury maturity range.

Coupon- The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Analysis- A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield- The interest paid on an investment expressed as a percentage of the current price of the security.

Custody- A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

Delivery vs. Payment (DVP) - Delivery of securities with a simultaneous exchange of money for the securities.

Discount- The difference between the cost of a security and its value at maturity when quoted at lower than face value.

Diversification- Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Duration- The weighted average maturity of a bond's cash flow stream, where the present value of the cash flows serve as the weights; the future point in time at which on average, an investor has received exactly half of the original investment, in present value terms; a bond's zero-coupon equivalent; the fulcrum of a bond's present value cash flow time line.

Fannie Mae- Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.

Federal Reserve System- The central bank of the U.S. that consists of a seven member Board of Governors, 12 regional banks and approximately 3,05,700 commercial banks that are members.

Federal Deposit Insurance Corporation (FDIC) - Insurance provided to customers of a subscribing bank that guarantees deposits to a set limit (currently \$250,000) per account.

Fed Wire- A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Freddie Mac- Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Ginnie Mae- Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

Inactive Deposits- Funds not immediately needed for disbursement.

Interest Rate- The annual yield earned on an investment, expressed as a percentage.

Investment Agreements- An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Liquidity- Refers to the ability to rapidly convert an investment into cash.

Market Value- The price at which a security is trading and could presumably be purchased or sold.

Maturity- The date upon which the principal or stated value of an investment becomes due and payable.

Nationally Recognized Statistical Rating Organizations (NRSRO): A U.S. Securities & Exchange Commission registered agency that assesses the creditworthiness of an entity or specific security. NRSRO typically refers to Standard and Poor's Ratings Services, Fitch Ratings, Inc. or Moody's Investors Services.

New Issue- Term used when a security is originally "brought" to market.

Perfected Delivery- Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

Portfolio- Collection of securities held by an investor.

Primary Dealer- A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Purchase Date- The date in which a security is purchased for settlement on that or a later date.

Rate of Return- The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (REPO) - A transaction where the seller (bank) agrees to buy back from the buyer (SBWMA) the securities at an agreed upon price after a stated period of time.

Reverse Repurchase Agreement (REVERSE REPO) - A transaction where the seller (SBWMA) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.

Risk- Degree of uncertainty of return on an asset.

Safekeeping- see custody.

Sallie Mae- Trade name for the Student Loan Marketing Association (SLMA), a U.S. sponsored corporation.

Secondary Market- A market made for the purchase and sale of outstanding issues following the initial distribution.

Settlement Date- The date on which a trade is cleared by delivery of securities against funds.

Time Deposit – A deposit in an interest-paying account that requires the money to remain on account for a specific length of time. While withdrawals can generally be made from a passbook account at any time, other time deposits, such as certificates of deposit, are penalized for early withdrawal.

Treasury Obligations- Debt obligations of the U.S. Government that are sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

U.S. Government Agencies- Instruments issued by various US Government Agencies most of which are secured only by the credit worthiness of the particular agency.

Yield- The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity- The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

Yield Curve- The yield on bonds, notes or bills of the same type and credit risk at a specific date for maturities up to thirty years.

STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Senior Contracts & Operations Manager
Date: January 24, 2019 Board of Directors Meeting
Subject: Resolution Approving Change Order #1 with HF&H for Landfill Disposal RFP Services

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2019-04 attached hereto authorizing the following action: **Change Order #1 with HF&H Consultants for Landfill Disposal RFP services.**

Background

The current landfill 15-year term contract with Ox Mountain Landfill owned by Republic Services expires on December 31, 2019. The SBWMA hired HF&H in 2018 to manage a competitive public procurement for the Agency’s landfill disposal services for the next 10+ years. The objective of the process is to select a disposal vendor and negotiate an agreement for services well in advance of the commencement of services on January 1, 2020.

Analysis

The current contract with HF&H to complete the landfill procurement services is for an amount of \$48,064. The anticipated schedule is to complete the RFP and selection process in early 2019 (the Landfill Selection Committee is being convened in late January to select a landfill vendor for Board consideration at the March or April Board meeting). The level of effort completed by HF&H and their technical subcontractors has exceeded their original budget estimates and the company is requesting additional funds to complete the remaining scope of work which includes preparation of a final selection report and assisting the SBWMA in drafting a new disposal contract.

Board approval is being sought for the additional funds (change order #1, new amount: \$28,780) to complete this project because the total contract amount of \$76,844 will now exceed the Executive Director’s spending authority.

Original Contract Amount	\$48,064	See Attachment 1
Change Order #1 Amount	<u>\$28,780</u>	<u>See Attachment 2</u>
New Total	\$76,844	

Fiscal Impacts

The new total cost for the landfill RFP Services is within the budgeted funds for consulting services within the FY18/19 Budget.

Attachments

- Attachment A - Original HGH Contract
- Attachment B - Change Order #1 cost table



RESOLUTION NO. 2019-04

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING CHANGE ORDER #1 WITH HF&H CONSULTANTS FOR LANDFILL DISPOSAL RFP SERVICES

WHEREAS, SBR has hired HFH Consultants to manage the landfill RFP and selection process,

WHEREAS, additional funds are needed to supplement the original budget to cover the additional consulting work related to the RFP,

WHEREAS, HFH has provided a cost estimated (change order) to complete the landfill selection process.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves a Resolution Approving Change Order #1 with HF&H Consultants for Landfill Disposal RFP Services for a total contract amount of \$76,844.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California, by the following vote:

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

I HEREBY CERTIFY that the foregoing Resolution No. 2019-04 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on January 24, 2019.

ATTEST:

Jay Benton, Interim, Chairperson of SBWMA

Cyndi Urman, Board Secretary



A Public Agency

AGREEMENT FOR PROFESSIONAL SERVICES

This Agreement is made and entered into as of the **30th Day of May, 2018** by and between the **South Bayside Waste Management Authority** hereinafter "SBWMA", and **HF&H Consultants** hereinafter "Consultant".

RECITALS

This Agreement is entered into with reference to the following facts and circumstances:

- A. That SBWMA desires to engage Consultant to render certain professional services in the SBWMA jurisdictions;
- B. That Consultant is qualified to provide such services to the SBWMA; and
- C. That SBWMA has elected to engage the services of Consultant upon the terms and conditions as hereinafter set forth.

TERMS AND CONDITIONS

1. Services

The services to be performed by Consultant under this Agreement shall be to **Disposal Procurement Services**.

Performance of the work specified above is hereby made an obligation of Consultant under this Agreement, subject to any changes that may be made subsequently hereto upon the mutual written agreement of said Parties.

2. Term of Agreement

Said services shall commence on execution and shall continue for completion of tasks within one year (12 month period). The term of the Agreement may be extended upon written agreement by both parties. Agreement can be terminated by either party with written thirty (30) day notice.

3. Compensation

Payment under this Agreement shall be as per Exhibit A, not to exceed **\$ 48,064.00**. Invoices for payment shall be submitted monthly to SBWMA and shall contain the information shown in Exhibit B hereto.

4. Authorization and Termination

This Agreement becomes effective when endorsed by both Parties in the space provided below.

5. Reliance of Professional Skill of Consultant

Consultant represents that it has the necessary professional skills to perform the services required and SBWMA shall rely on such skills of the Consultant to do and perform the work.

6. Relationship to Parties

It is understood that the relationship of Consultant to SBWMA is that of an independent contractor and all persons working for or under the direction of Consultant are its agents or employees and not agents or employees of the SBWMA.

7. Nonassignment

This Agreement is not assignable either in whole or in part.

8. Amendments

This Agreement may be amended or modified only by written agreement signed by both Parties.

9. Validity

The invalidity, in whole or in part, of any provisions of this Agreement shall not void or affect the validity of any other provisions of this Agreement.

10. Government Law/Litigation

This Agreement shall be governed by the laws of the State of California and any suit or action initiated by either party shall be brought in the County of San Mateo, California. In the event of litigation between the Parties hereto over the terms or performance of this agreement the prevailing party shall be entitled to reasonable attorneys fees and costs..

11. Mediation

Should any dispute arise out of this Agreement, the Parties shall meet in mediation and attempt to reach a resolution with the assistance of a mutually acceptable mediator. Neither Party shall be permitted to file legal action without first meeting in mediation and making a good faith attempt to reach a mediated resolution. The costs of the mediator, if any, shall be paid equally by the Parties. If a mediated settlement is reached, neither Party shall be deemed the prevailing party for purposes of the settlement, and each Party shall bear its own legal costs. Mediation shall occur within 30 days of notice by either party, and if it does not occur within that period of time a legal action shall be permitted to be filed.

12. Entire Agreement

This Agreement, including Exhibit A, comprises the entire Agreement.

13. Indemnity

Consultant shall defend, indemnify and hold SBWMA and its officers, employees and agents harmless from any and all claims, damages, losses and expenses related to or as a result of intentional or negligent acts for which Consultant or its agents and employees are responsible.

14. Insurance

Consultant shall not commence work under this Agreement until all insurance required under this Paragraph has been obtained. Consultant shall furnish SBWMA with certificates of insurance evidencing the required coverage. The insurance shall be with a carrier that is licensed and in good standing in the State of California, and has an A.M. Best Co. rating of A/5 or better. The SBWMA will be named as additional insured in the policy. Consultant shall provide thirty (30) days notice, in writing, to the SBWMA office prior to any planned nonpayment of premium or planned reduction in coverage of any of the insurance policies relating to this contract.

a. Worker's Compensation and Employer's Liability Insurance

Consultant shall have in effect during the entire life of this Agreement Worker's Compensation and Employer's Liability Insurance providing full statutory coverage. In signing this Agreement, Consultant makes the following certification, required by Section 1861 of the California Labor Code:

I am aware of the provisions of Section 37900 of the California Labor Code which require every employer to be insured against liability for worker's compensation or to undertake self-insurance in accordance with the provisions of the Code, and I will comply with such provisions before commencing the performance of the work of this Agreement.

b. Liability Insurance

Consultant shall take out and maintain during the life of this Agreement such bodily injury and property damage liability insurance as shall insure the Consultant and SBWMA, its employees, officers and member entities while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all claims



due to consultant's negligence or willful misconduct for property damage which may arise from Consultant's work under this Agreement, whether such work be by Consultant or by any subcontractor or by anyone directly or indirectly employed by either of them. The amounts of such insurance shall be One Million and no/100 Dollars (\$1,000,000.00) combined single limit bodily injury and property damage for each occurrence.

15. Notice

All notices required by this Agreement shall be given to SBWMA and Consultant in writing, by first class mail, postage prepaid, addressed as follows:

SBWMA: **Joe La Mariana, Executive Director**
South Bayside Waste Management Authority
610 Elm Street, Suite 202
San Carlos, CA 94070
Phone: (650) 802-3500
Fax: (650) 802-3501

Consultant: **Marva Sheehan, CPA, Vice President**
HF&H Consultants
201 North Civic Drive Suite 230
Walnut Creek, CA 94596
Phone: (925) 977-6952
Fax: (925) 977-6955

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed on the date first written by their respective officers duly authorized in that behalf.

SBWMA

BY: *Hilary Gans*

DATED: June 1, 2018

Hilary Gans, Senior Facilities & Contracts Manager
For Joe La Mariana

APPROVED AS TO FORM:
Jean B. Savaree

DATED: June 5, 2018, 2018

Jean B. Savaree, SBWMA ATTORNEY

CONSULTANT:

BY: *Rob Hilton*

DATED: MAY 30, 2018

Rob Hilton, President HF&H Consultants

NOTICE TO PROCEED

BY: *Cyndi Urman*
Cyndi Urman, Board Secretary

DATED: 6/5, 2018



EXHIBIT A SCOPE OF WORK DISPOSAL PROCUREMENT SERVICES

HF&H will manage a competitive procurement for the SBWMA for landfill disposal services. The objective of the process will be to identify and negotiate an agreement with a landfill company to provide disposal services commencing January 1, 2020, following the expiration of the SBWMA's current 15-year contract with Ox Mountain Landfill. The timeline for the project anticipates completion of the initial procurement, evaluation of proposals, contractor selection, and final negotiations by the end of 2018. This schedule allows for the cost of future disposal services (and related transfer hauling services) to be incorporated into the SBWMA's FY 19/20 budget.

This Exhibit A includes a description of the scope of work, timeline, and budget for the project. HF&H will engage SCS Engineers (SCS) as a subcontractor to provide input on the landfill technical requirements within the RFP and evaluation of the technical aspects of the landfill disposal proposals.

Scope of Work

Task 1 - Relevant Document Review

HF&H will review: SBWMA's current landfill disposal agreement with Ox Mountain Landfill; the most-recent annual report from the company reflecting tonnages received; and, other background documents to understand the current conditions and future needs.

Deliverable: None.

Task 2 - Kick-off and Design Intake Meeting

HF&H will facilitate a kick-off and design intake meeting with SBWMA and SCS. SBWMA may include its consultant, HDR, in the meeting as well. The purpose of the meeting will be to review SBWMA's goals and objectives for the disposal procurement and design the procurement process. We will collaborate with the SBWMA to understand and share ideas on the necessary items to be addressed in the RFP such as the structure of the RFP documents, the form of the rate proposals, and key terms and conditions of the disposal agreement. SCS will bring a list of items to include in the RFP requirements in order to request sufficient information from proposers to determine if they are responsible and financially sound. These items will be discussed during the kick-off meeting to establish SBWMA priorities on the technical aspects of the RFP. We will also agree on whether to draft the future disposal agreement using the SBWMA's current disposal agreement as the starting point or another disposal agreement HF&H can provide. Lastly, we will agree on the roles of all parties involved in the disposal procurement including SBWMA, HF&H, SCS, and other consultants (e.g., Tim Raibley, HDR Vice President).

Deliverable: Meeting agenda and summary meeting notes.

Task 3 - Initial Draft Mini RFP and Disposal Agreement

Following the design intake meeting, HF&H will prepare a first draft of a "Mini RFP" and Disposal Agreement. The RFP will be structured to be a very streamlined document, although it will cover the critical elements of an RFP including:

- Overview of the RFP and SBWMA goals and objectives;
- Description of desired services;
- Proposal submittal requirements;
- Rate proposal form;
- Disposal agreement; and,
- Other related attachments, if necessary.

The approach to providing a Mini RFP is to produce a slimmed-down version of a traditional RFP (usually 5-10 pages for a Mini RFP rather than 50+ pages). In this approach, the proposers can respond much more quickly (3 to 4 weeks instead of 8 weeks) and we are likely to get more competition as a result of the lower barrier to entry.

SCS will provide input on the proposal submittal requirements in the RFP to ensure that the RFP solicits the regulatory and technical information needed to evaluate these elements for the proposed landfill sites. The following list provides a sample of the items that will be included within the RFP, with a focus on requiring documentation to show the proposed landfill sites are in compliance with all Federal, State, Local, and any other site-specific requirements and are financially stable.

1. Remaining Life Assessment Report, which is typically submitted annually to California Department of Resources Recycling and Recovery (CalRecycle) by each landfill site.
2. Closure and Post-Closure Care Costs and Financial Assurance Documents.
3. Solid Waste Facility Permit.
4. Regulatory Compliance reports for the past 2-years including:
 - a. Quarterly monitoring reports supporting compliance with California Code of Regulations Title 27 (CCR Title 27).
 - b. Reports related to compliance with surface emissions regulations established through the New Source Performance Standards (NSPS – federal guidelines), Assembly Bill 32 Landfill Methane Rule (if applicable), other State regulations, and local-level requirements.
 - c. Reports regarding compliance with gas collection and control systems (GGCCS) such as Operations, Monitoring and Maintenance (OM&M) reports, quarterly reports, semi-annual and/or annual monitoring reports. These reports typically include equipment monitoring data, GCCS Start-up, Shutdown and Malfunction (SSM) forms, extraction wells status updates, Destruction or Removal Efficiency test reports, and any other information pertinent to the compliance status of the landfill.
 - d. Reports related to compliance with Groundwater Monitoring Standards including quarterly and/or annual reports that identify any contaminants that have impacted the ground water, and if any corrective actions have been implemented.
 - e. Reports related to compliance with Storm Water Standards including Storm Water Pollution Prevention Plan (SWPPP), Storm Water Monitoring Plan, and two years of annual reports, which detail inspections and sampling results.

The RFP will request that proposers provide landfill pricing based on the proposed disposal agreement and present a marked-up agreement, identifying any exceptions that they wish to negotiate.

Deliverable: Initial Draft Mini RFP and Disposal Agreement.

Task 4 - Revised Draft Mini RFP and Disposal Agreement

HF&H requests that SBWMA staff and legal counsel review the Initial Draft RFP and Disposal Agreement and provide one set of consolidated comments in redline format. HF&H will then incorporate SBWMA comments and provide a Revised Draft RFP and Disposal Agreement. If needed, SCS will support the RFP revision effort to address issues on the required landfill information.

Deliverable: Revised Draft Mini RFP and Disposal Agreement.

Task 5 - Final Draft Mini RFP and Disposal Agreement

In Task 5, HF&H anticipates incorporating any final, minor edits provided by SBWMA, performing a final proof read and consistency check, and delivering a Final Mini RFP and Disposal Agreement for release to prospective proposers. At SBWMA's option, HF&H will post the RFP documents on a dedicated HF&H webpage and email an announcement of the release of the RFP to landfill companies.

Deliverable: Final Mini RFP and Disposal Agreement.

Task 6 - Respond to Written Questions

HF&H will support the SBWMA and its legal counsel in responding to questions received by proposers. HF&H anticipates that the SBWMA will compile the questions received and prepare preliminary responses to the questions they are comfortable addressing. HF&H will review the initial draft responses prepared by the SBWMA, and provide suggested revisions and responses to any unanswered questions. The SBWMA can then finalize the response to questions for distribution to prospective proposers. If the SBWMA requests, HF&H will distribute the responses to all interested parties. Alternatively, the SBWMA will distribute the responses to companies.

Deliverable: Redline edits to the SBWMA's draft response to proposer questions.

Task 7 - Evaluate Responses

Upon receipt of the disposal services proposals, a quick preliminary review of the pricing and contract terms will be performed and the top two proposers will be identified. HF&H will hold a conference call to brief the SBWMA on the initial proposal review and work with the SBWMA to come to mutual agreement on the top two proposers.

To provide an assessment of the disposal cost proposals, HF&H will summarize the disposal rates proposed by companies and estimated transportation costs to deliver material to each landfill site. It is anticipated that the SBWMA will request from South Bay Recycling (SBR) estimates of the transportation costs to the proposed landfill facilities.

At this point, SCS will begin the due diligence process on the disposal sites presented by the two top-ranked proposers. SCS will review all landfill compliance and reporting information provided by each proposer and defined during the kick-off meeting. A written assessment for each proposer will be provided and will include analysis of the different compliance and capacity data, what this data means to

the SBWMA, any concerns that should be noted, and overall input regarding the technical aspect of the landfill disposal services proposal.

As part of SCS' technical evaluation, SCS will perform the following:

1. Remaining Life Assessment Report. SCS will review this to help understand the remaining life of the landfill, and confirm the remaining capacity of the Site.
2. Closure and Post-Closure Care Costs and Financial Assurance Documents. CS will review this information to help understand if the landfill operator has adequate financial means to responsibly close their landfill and manage the closure process as well as the post-closure monitoring requirements for a mandatory period of 30 years.
3. Solid Waste Facility Permit Review. SCS will review the permitted capacity of the Site and compare to the annual waste acceptance data reported to State or County. This information will help determine if the Site has adequate capacity to accept new waste from SBWMA.
4. Due-diligence for Regulatory Compliance for a period of 2-years. SCS will review a variety of reports submitted by the each proposer for the landfill site and provide a summary of the compliance status of the landfill at the Federal, State, Local, and site-specific levels. Documents reviewed, will include but not be limited to the following:
 - a. Compliance with California Code of Regulations Title 27 (CCR Title 27). A review of the quarterly monitoring reports submitted by the landfill will help the SBWMA understand if the landfill is compliant with CCR Title 27 standards. The quarterly monitoring reports include data on perimeter probe and structure monitoring results which provide information on the levels of methane at these locations.
 - b. Compliance with surface emissions regulations established through the New Source Performance Standards (NSPS – federal guidelines), Assembly Bill 32 Landfill Methane Rule (if applicable), other State regulations, and local-level requirements.
 - c. Compliance with Gas Collection and Control Systems (GCCS) requirements. A review of the Operations, Monitoring, and Maintenance (OM&M) reports, quarterly reports, semi-annual and/or annual monitoring reports which will help understand if the landfill is in compliance with Federal, State, Local, and any other site-specific requirements. These reports typically include equipment monitoring data, GCCS Start-up, Shutdown and Malfunction (SSM) forms, extraction wells status updates, Destruction or Removal Efficiency test reports, and any other information pertinent to the compliance status of the landfill.
 - d. Compliance with Groundwater Monitoring Standards. A review of the quarterly and/or annual reports will be performed to determine if there are any landfill and/or LFG impacts to the groundwater. Specifically, the reports will identify any contaminants that have impacted the ground water, and if any corrective actions have been implemented.
 - e. Compliance with Storm Water Standards. SCS will review the site's Storm Water Pollution Prevention Plan (SWPPP), Storm Water Monitoring Plan, and two years of annual reports which detail inspections and sampling results to confirm compliance with storm water standards. SCS will also identify any storm water discharge events, as noted in these reports.

Deliverable: (i) Two-page summary of the proposals received identifying proposed rates and key contract exceptions. (ii) Two- to three-page summary of the technical assessment, which will focus on identifying any concerns for the top two proposers' disposal sites.

Task 8 - Negotiate with Two Short-Listed Proposers (2 Meetings Each)

Simultaneous to the technical assessment, HF&H recommends entering parallel negotiations with the two top-ranked companies over pricing and any contract terms to which they took exception. The negotiation meetings with each company will be limited to two, 3-hour sessions. The budget anticipates that the meetings with the two companies will be scheduled on the same day, and that each meeting will be preceded by a 1-hour meeting with SBWMA negotiating team. A key objective will be to negotiate resolution of all contract exceptions during these meetings. The process envisions that HF&H will incorporate contract changes during the meetings so that no additional time outside of the meetings is needed to revise the Disposal Agreements. In many cases, this is possible for landfill disposal services as proposers' contract exceptions are typically not extensive, and proposers often want to clear up any issues by the end of the last meeting to ensure that they are not rated negatively.

Deliverable: Agendas for negotiating meetings; one revised draft version of the Disposal Agreement for each short-listed proposer.

Task 9 - Draft Recommendation Staff Report and Board Presentation

Following the two meetings and the technical assessment, HF&H will work with SBWMA to form a recommendation for the preferred service provider. The recommendation will be based on the best deal reflecting the results of the two negotiating sessions, costs for services, and technical considerations. Typically, at this stage in a disposal services procurement process, a clear winner stands out with only a handful of logistical/operational details to iron out.

HF&H will support the SBWMA in presenting the recommended disposal services provider and negotiated terms. HF&H will review and comment on the SBWMA's draft Board report and presentation.

Deliverable: Comments on draft Board report and presentation.

Task 10 - Assist in Presentation of Report to Board

HF&H will attend the Board meeting, present the recommendations to the Board, and respond to Board questions.

Deliverable: None.

Task 11 - Finalize Negotiations of Remaining Business Terms

Following Board direction, HF&H can assist the SBWMA in resolving any open contractual items through additional negotiating meeting(s) and can be available to prepare revised drafts and a final version of the disposal agreement. The scope of this task and related budget has not been reflected in this Exhibit. If SBWMA requests our assistance to finalize its future disposal agreement, HF&H and SBWMA will agree on the scope and budget at that time.

Deliverable: To be determined at a later date.

Timeline

The table below presents the proposed timeline for completing each task in the project. The process anticipates presenting a recommended landfill disposal services provider and negotiated deal to the Board in November; and, completion of the final disposal agreement by the end of 2018. The parties will agree to changes in the schedule, as needed, to accommodate various factors and considerations that arise.

Target Disposal Procurement Timeline

	Target Completion Date
Task 1 - Relevant Document Review	5/31/2018
Task 2 - Kick-off and Design Intake Meeting	6/22/2018
Task 3 - Initial Draft Mini RFP and Disposal Agreement	7/6/2018
SBWMA comments on Initial Draft	7/17/2018
Task 4 - Revised Draft Mini RFP and Disposal Agreement	7/25/2018
SBWMA comments on Revised Draft	8/1/2018
Task 5 - Final Mini RFP and Disposal Agreement	8/6/2018
SBWMA approves Final RFP/Agreement	8/7/2018
RFP released to prospective proposers	8/10/2018
Proposer submittal of questions on the RFP	8/17/2018
Task 6 - Respond to Written Questions	8/24/2018
Proposer submittal of proposals	9/12/2018
Task 7 - Evaluate Responses	10/2/2018
Task 8 - Negotiate w/ 2 Short-listed Proposers (2 Meetings Each)	10/19/2018
Task 9 - Draft Recommendation Staff Report	10/26/2018
Draft Board Presentation	11/5/2018
Task 10 - Assist in Presentation of Report to Board	11/15/2018
Task 11 - Finalize Negotiations of Remaining Business Terms	1/31/2019

Budget

HF&H's scope of work will be conducted on a time-and-materials basis, not to exceed \$48,064. The following table below presents the budgeted labor hours, costs, and expenses by task and by person.

Budget for Disposal Services Procurement

	HF&H Consultants						SCS Engineers						Labor and Expenses										
	Rob \$280	Hilton \$260	Marva \$260	Sheehan \$260	Tracy \$240	Swanborn \$145	Associate \$145	Analyst \$100	Administrative \$100	Staff	Pat Sullivan \$315	Joe Miller \$260	Michelle \$260	Leonard \$247	Wayne Pearce \$210	Tracie Bills \$165	Jonathan \$165	Meronek	Labor	Labor	Expenses	Total	
Task 01 - Relevant Document Review																							
Task 02 - Kick-off and Design Intake Meeting																							
Task 03 - Initial Draft Mini RFP and Disposal Agreement																							
Task 04 - Revised Draft Mini RFP and Disposal Agreement																							
Task 05 - Final Draft Mini RFP and Disposal Agreement																							
Task 06 - Respond to Written Questions																							
Task 07 - Evaluate Responses																							
Task 08 - Negotiate w/ 2 Short-listed Proposers (2 Meetings Each)																							
Task 09 - Draft Recommendation Staff Report and Board Presentation																							
Task 10 - Assist in Presentation of Report to Board																							
Task 11 - Finalize Negotiations of Remaining Business Terms																							
TOTAL - ALL TASKS	44	6	82	4	20	2	25	2	15	2	2	2	2	2	2	2	2	204	\$ 47,764	\$ 300	\$ 48,064		

EXHIBIT B (Sample Invoice)

Items highlighted yellow must be included on the invoice for approval format of invoice is just a sample

INVOICE

Your Company Name
Address
City State Zip
Phone Number

Date:
Project Number:
Invoice Number:

RethinkWaste
Attn: Project Manager
610 Elm Street, Suite 202
San Carlos, CA 94070

SBWMA Project: Project Title Purchase Order Number: PO Number
Invoice for Professional Services from 1/1/15 to 1/31/15

TASK 1 TITLE/Description

Professional Personnel:	Hours:	Rate:	Amount:
John Doe	1.5	\$200.00	\$300.00
Jane Smith	1.0	\$100.00	\$100.00
TOTALS:	2.0		\$400.00

TOTAL THIS TASK: \$400

TASK 2 TITLE/Description

Professional Personnel:	Hours:	Rate:	Amount:
John Doe	3.0	\$200.00	\$600.00
TOTALS:	3.0		\$600.00

TOTAL THIS TASK: \$600.00

TOTAL THIS INVOICE \$1,000.00

BILLING LIMITS:

Total Contract Amount		\$10,000.00
Prior Invoices	0%	\$0.00
Current Contract Balance	100%	\$10,000.00
This Invoice	10%	\$1,000.00
Contract Balance	90%	\$9,000.00

**SBWMA Disposal Procurement Process
Request for Budget Amendment**

	Original Budget	Amendment			Revised Budget	Notes
		Rob Hilton	Tracy Swanborn	Total		
		\$ 280	\$ 240			
Task 01 - Relevant Document Review	\$0	0	0	\$0	\$0	
Task 02 - Kick-off and Design Intake Meeting	\$2,960	0	0	\$0	\$2,960	
Task 03 - Initial Draft Mini RFP and Disposal Agreement	\$10,047	0	0	\$0	\$10,047	
Task 04 - Revised Draft Mini RFP and Disposal Agreement	\$4,020	0	0	\$0	\$4,020	
Task 05 - Final Draft Mini RFP and Disposal Agreement	\$3,900	0	0	\$0	\$3,900	
Task 06 - Respond to Written Questions	\$3,150	0	0	\$0	\$3,150	
Task 07 - Evaluate Responses	\$10,647	2	6	\$2,000	\$12,647	Expanded effort for Phase 2
Task 08 - Negotiate w/ 2 Short-listed Proposers (2 Meetings Each)	\$6,400	8	10	\$4,640	\$11,040	Expanded effort for Phase 2
Task 09 - Draft Recommendation Staff Report and Board Presentation	\$5,520	6	16	\$5,520	\$11,040	Expanded effort to include Eval Committee
Task 10 - Assist in Presentation of Report to Board	\$1,120	0	0	\$0	\$1,120	
Task 11 - Finalize Negotiations with Selected Contractor (2 Meetings)	\$0	12	24	\$9,120	\$9,120	New task
Task 12 - Ad Hoc Committee Preparation and Attendance	\$0	12	16	\$7,200	\$7,200	New task
Expenses	\$300	0	0	\$300	\$600	
Total	\$48,064	40	72	\$28,780	\$76,844	

Summary of New Tasks/Expanded Effort	
Evaluation committee, October 2018 (included in Task 8)	\$5,520
Ad hoc meeting, February 2019 (Task 12)	\$7,200
Final negotiations with selected contractor (Task 11)	\$9,120
Phase 2 efforts	\$6,640
Related expenses	<u>\$300</u>
Total	\$28,780