



**BOARD OF DIRECTORS**  
**THURSDAY, January 25, 2018 at 2:00 p.m.**

San Carlos Library, Conference Room A/B  
 610 Elm Street, San Carlos, CA 94070

**AGENDA**

Member Jay Benton representing Hillsborough  
 will be attending via phone from:  
 50 Orange Court, Hillsborough, CA 94010

**1. Roll Call**

**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 Chair will draw five speaker cards from those submitted to speak during this time. The balance of the Public Comment speakers will be called upon at the end of the Board Meeting. If the item you are speaking on is not listed on the agenda, please be advised that the Board may briefly respond to statements made or questions posed as allowed under The Brown Act (Government Code Section 54954.2). The Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report and formal public discussion and input at that time.

**3. Adjourn to Closed Session – Pursuant to Government Code Section 54957.6 – Conference with Labor Negotiator Agency Designated Representative: Joe La Mariana  
 Unrepresented Employees: Finance Manager**

**THE REGULAR PORTION OF THE MEETING IS ANTICIPATED TO BEGIN AT 2:15PM**

**4. Roll Call (Public Session)**

**5. Additional Public Comment**

**6. Executive Director's Report**

p. 5

**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.*

- A. Approval of Minutes from the November 16, 2017 Board of Directors Meeting **ACTION p. 11**
- B. Resolution Approving 2018 Merit Pool for Unrepresented Employees **ACTION p. 21**
- C. Resolution Accepting the FY1617 Annual Financial Audit Statements **ACTION p. 25**
- D. Resolution Approving Investment Policy **ACTION p. 95**
- E. Approval of Quarterly Investment Report **ACTION p. 111**

**8. Administration and Finance**

- A. Election of 2018 Board Chair and Vice Chair **ACTION p. 119**
- B. Resolution Approving FY1718 Mid-Year Budget Adjustments **ACTION p. 121**
- C. Resolution Approving 3-Year Contract with R3 Consulting Group for the Annual Financial and Operational Audits **ACTION p. 133**
- D. Resolution Approving the formation and members of the Public Education and Outreach Subcommittee **ACTION p. 149**

**9. Collection and Recycling Program Support and Compliance**

No Items

MEMBER AGENCIES

ATHERTON \* BELMONT \* BURLINGAME \* EAST PALO ALTO \* FOSTER CITY \* HILLSBOROUGH \* MENLO PARK \* REDWOOD CITY  
 \* SAN CARLOS \* SAN MATEO \* COUNTY OF SAN MATEO \* WEST BAY SANITARY DISTRICT

**10. Shoreway Operations and Contract Management**

- A. Resolution Approving Proposed Battery Collection Modifications Work Plan
- B. Shoreway Operations Update

**ACTION** p. 155  
p. 167

**11. Informational Items Only (no action required)**

- A. Check Register Details for November and December 2017
- B. 2018 Finance and Rate Setting Calendar
- C. Potential Future Board Agenda Items

p. 173  
p. 193  
p. 195

**12. Board Member Comments**

**13. Adjourn**

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MEMBER AGENCIES

ATHERTON \* BELMONT \* BURLINGAME \* EAST PALO ALTO \* FOSTER CITY \* HILLSBOROUGH \* MENLO PARK \* REDWOOD CITY  
\* SAN CARLOS \* SAN MATEO \* COUNTY OF SAN MATEO \* WEST BAY SANITARY DISTRICT



# EXECUTIVE DIRECTOR'S REPORT



## STAFF REPORT

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To: SBWMA Board Members  
From: Joe La Mariana, Executive Director  
Date: January 25, 2018 Board of Directors Meeting  
Subject: Executive Director's Report

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Welcome back from an enjoyable and extremely active holiday season. The following projects and initiatives highlight staff efforts since the last Board meeting:

### 1. Administration & Finance:

#### A. Finance Committee Meeting Update

The Finance Committee held its first of two scheduled meetings this year on January 9<sup>th</sup> (the second meeting is scheduled for April 10<sup>th</sup> to preview the Agency's proposed FY18-19 Operating Budget). The agenda included:

- Mid-Year Budget review
- Agency 2018 investments policies, future options and 2017 performance results
- FY16-17 Financial Audit results by Maze & Associates
- An update on China's Green Fence initiative, and how it could affect the Agency
- Preliminary 2018 Merit Pool recommendations

#### B. 2017 Legislative Update

Last May, your Board supported seven proposed relevant bills that were then in legislative queue in Sacramento. Our batting average was excellent in terms of getting them passed into law or continuing to discuss these important environmental-themed topics during the second year of this current 2017-18 legislative session. Here's the status of the bills we choose to support:

- **AB 1158** California's Carpet Stewardship Act of 2017 (*passed into law*)
- **AB 1219** California's Good Samaritan Food Donation Act (*passed into law*)
- **AB 954** Food Waste Reduction (*passed into law*)
- **AB 1288** Tip Fee Reform (for CalRecycle agency's funding) (*still in play*)
- **AB 1036** Composting Goal Adjustments Between State Agencies (*still in play*)
- **SB 75** Safe and Sustainable Takeout Packaging (Styrofoam ban) (*still in play*)
- **AB 1504** Ocean Plastic Prevention/Takeout Food Packaging (*merged into SB 75*)

This session's full slate of bills will become clearer as we approach the bill submittal deadline of February 16<sup>th</sup>. Staff will provide an update once the dust has settled. Staff is also working on the Agency's first annual Legislative Platform to be presented for Board consideration in April. Staff has engaged San Mateo County's Legislative Staff to explore areas of common interest and support during the Legislative Platform development process. Please be assured that our Agency's voice will be heard in Sacramento on issues that matter to us most.

### C. Long Range Plan Activities

- **Public Spaces Initiative:** Member Agency engagement and planning is in full motion by our fellow team (Joanna Rosales and Carlos Moreno) and their Staff supervisor, Recycling Outreach Programs Manager, Julia Au. An interim project update will be provided by the team at the TAC March 8<sup>th</sup> meeting, and to the Board in April--along with FY1819 budget planning considerations.
- **In-School Pilot Program:** Steve Sherman (in lieu of Staff member Faustina Mututa's LOV) and Madison Guzman are working closely with four Redwood City schools to further green their campus and provide solid-waste based environmental presentations to 3<sup>rd</sup>-5<sup>th</sup> graders. An interim project update will be provided by the team at the TAC March 8<sup>th</sup> meeting, and to the Board in April -- along with FY1819 budget planning considerations

### D. New Admin Office Phone System

Staff's continuing effort to critically review costs have resulted in our Mid-December transition for the Agency's administrative office from Birch Communications over to Comcast Business Services. This has resulted in about a \$5k annual savings. Although this is not a large number, I purposefully call it to your attention to demonstrate Staff's relentless commitment to evaluate all expenses--large and small--to honor our fiduciary duties in support of the RethinkWaste mission. I'd like to acknowledge Cyndi Urman's role in identifying this opportunity and, after a bit of technical angst in working with two very different service providers, making this happen. A job well done Cyndi!

## 2. Collection and Recycling Program Support and Compliance:

### A. Franchise Agreement Negotiations—Five Member Agencies Complete; Seven to Go!

The Franchise Agreement approval process is right back on track after the reduced council meeting schedules in December. As of this writing, five Franchise Agreements have been formally approved (San Mateo; Hillsborough; San Carlos; Foster City and Burlingame) and sixth Member Agency (West Bay Sanitary District) has agendized this item for January 24<sup>th</sup> (the day before this Board meeting). If this action occurs as expected, we will be only two votes away from the necessary eight required to ratify the SBWMA's master governance document—*The Second Amendment and Restated Joint Exercise of Powers Agreement* per section 7.1.1. Attachment A reflects the current known status of the remaining six Member Agency's approval schedules. No significant obstacles have been identified that might impede our goal to complete this process well before June 30, 2018.

As previously noted, three important value-added programs remain unresolved and, at Board and FAX Committee direction, will be addressed through a series of special TAC-level study sessions facilitated by SBWMA Staff in conjunction with Recology's senior management team to find mutual agreement. These programs are:

1. **The Bulky Item Collection program (BIC)**
2. **The Abandoned Waste/Illegal Dumping program (AW)**
3. **Storm Water Pollution Prevention—Litter Reduction Actions (SMCWPPP)**

Recology's senior management has publicly committed to working with SBWMA and Member Agency staff to properly address the outstanding issues in these programs to both party's mutual satisfaction immediately upon the conclusion of the full execution of the Franchise Agreements. Once agreement is achieved, it is envisioned that these three modified items will be bundled together for inclusion into each individual Member Agency's Franchise Agreements in the form of a proposed Amendment #1. This proposed Amendment #1 would still coincide with the January 1, 2021 start date of the restated and amended contract term. By adopting this strategy, SBWMA Board's timeline will be honored, while taking the time to fully resolve these complex issues to evaluate the best practice solutions that work best for our Member Agencies.

- B. **Holiday Garbage, Recycling & Compost Collection Schedule and Christmas Tree Recycling:** The Christmas and New Year's Holiday-adjusted collection schedule, by all accounts, went quite smoothly. A strong collaborative outreach effort was credited that included a special holiday mailer that was sent to all 20,761 affected residents (SBWMA Staff) and newspaper ads (Recology). Christmas tree recycling continues through January 31<sup>st</sup>.
- C. **Commercial Container Utilization Technology Pilot:** In late December, pilot notification letters were mailed to SBWMA Board/TAC members, City Managers, and, of course, about 200 participating customers throughout the service area. Installation of 400 technical units to selected organics rich generating accounts (restaurants, grocery stores, tech campus food service centers, etc.) will be completed by the Board meeting. Data capture will begin immediately thereafter. School facilities have also been discussed as potential pilot sites in the future. A final report and recommendations will be presented at the April Board meeting. If the results are favorable, recommendations could be incorporated in the draft FY1819 budget.
3. **Shoreway Operations and Contract Management-*China's Green Fence Initiative Continues to Unfold***
- A. **EBMUD Pilot Project:**  
Staff met with East Bay Municipal Utility District (EBMUD) on January 11<sup>th</sup> to discuss the potential for a pilot project where SBWMA would process commercial food waste into an organic slurry and EBMUD would digest this food waste slurry into energy using their waste water anaerobic digesters. This pilot project is a candidate for grant funding from CalRecycle (\$1.2M) and it will help create a stepping-stone towards a full-scale system to sort food waste from the SBMWA's garbage for conversion into green energy. More information is provided in staff report 10B and will be brought to the Board for consideration at the February meeting.
- B. **China and Commodity Market Summary:**  
China is the primary market for recycled commodities from the US. With the goal of improving the environment the Chinese government has signaled a tightening of quality standards for the importation of commodities – particularly in the case of mixed paper. While the implementation of China's new customs policies is yet to clarified, SBR and SBWMA staff are proactively addressing the quality of commodities to mitigate the risk of potential and costly export rejections. Towards this goal, a combination of sorting equipment enhancements and increase sort labor are being evaluated.

Respectfully submitted,



Joe La Mariana  
Executive Director

Attachments:

- A. Franchise Agreement Execution Status by Member Agency: Elected Body Consideration Tracker

**Attachment 1**

**Franchise Agreement Execution Status by Member Agency:  
Elected Body Consideration Tracker**

<b>SBWMA Member Agency</b>	<b>City Council Consideration Date</b>	<b>Status/Comments</b>
City of San Mateo	November 6, 2017	Council approved: 5-0
Hillsborough	November 13, 2017	Council approved: 5-0
San Carlos	November 13, 2017	Council approved: 5-0
Foster City	November 20, 2017	Council approved: 5-0
Burlingame	January 16, 2018	Council approved: 5-0
West Bay Sanitary District	January 24, 2018	Currently agendized per TAC member Phil Scott. Staff report review completed by Joe La Mariana on 1/16/2018.
Menlo Park	February 6 or 20, 2018	Exact date to be confirmed by TAC member Rebecca Lucky.
East Palo Alto	February 20, 2018 March 6, 2018	Study session w/Council per TAC member Michelle Daher City Council consideration (TBC)
Belmont	March 20, 2018	To be agendized by "end of March" per TAC member Afshin Oskoui.
Redwood City	March 26, 2018	To be agendized for this date per TAC member Ramana Chinnakotla.
Atherton	TBD	Discussion in progress. Council consideration date yet unknown per TAC member George Rodericks.
County of San Mateo	TBD	Awaiting confirmation.

**\*Notes:**

1. JPA Agreement states that each member agency's individual Franchise Agreement be fully executed by June 30, 2018.

2. Per the section 7.1.1 of the *"Second Amended and Restated Joint Exercise of Powers Agreement, South Bayside Waste Management Authority"* (aka *"JPA Governance Agreement"*) "two thirds of the members agencies (or 8 member agencies) are required to approve this Franchise Agreement for it to become ratified.



# CONSENT CALENDAR





**DRAFT MINUTES**

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
MEETING OF THE BOARD OF DIRECTORS  
November 16, 2017 – 2:00 p.m.  
San Carlos Library Conference Room A/B**

Call To Order: 2:02PM

**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 Brown Act (Government Code Section 54954.2). The Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report and formal public discussion and input at that time.

None

**3. Executive Director's Report**

Executive Director La Mariana opened the meeting, and invited the Board and anyone in the audience to attend America Recycles Day on Saturday, November 18, at the Shoreway Environmental Center. He also noted that the 2018 calendar for household hazardous waste temporary collection events has been published and 10 of the events are in the SBWMA service area. He then introduced new SBWMA staff members: Julia Au; Recycling Outreach Programs Manager, as well as 4 fellows: Nicole Lee and Dennis Uyat; Public Education, and Carlos Moreno and Joanna Rosales; Public Spaces. He then noted the status of the Franchise Agreement extensions. 3 have been formally approved and the remaining are expected to take place in the January/February 2018 time frame. He noted that after the agreements are formally approved at all of the remaining Member Agencies, discussions will begin on the outstanding items of Bulky Item Collection, Abandoned Waste, and Storm Water, and these will become amendment number one to the restated and amended contract. He also noted that there is a change in collection day for Monday customers on Christmas day and New Year's Day. Monday customers will have collection on the Saturday before. He noted that a postcard is being mailed to the affected customers as well as newspaper ads, and robo calls.

Member Widmer asked if the trucks' collection times would be adjusted to be running later since it was a Saturday collection.

Executive Director La Mariana noted he would work with Recology on that issue.

**4. Approval of Consent Calendar**

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- A. Approval of Minutes from the September 28, 2017 Board of Directors Meeting
- B. Resolution Approving Live Scan Process for SBWMA Employees

Member Bonilla made a motion to approve the consent calendar

Member Aguirre seconded the motion

Roll Call Vote: A: 8-0-2-2, B: 10-0-0-2

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	B		A		West Bay Sanitary District	B		A	

**5. Administration and Finance**

- A. Approval of 2018 Board of Directors Meeting Calendar

Executive Director La Mariana explained that, at the request of several Board Members staff, has looked at a number of alternative meeting location options, and gave an overview of the staff report noting that none of those options will not fulfill the Agency's needs. He added that the driving motivation for the request was parking challenges, and SBWMA staff working with City of San Carlos staff has learned that one of the larger construction projects will be completed in late spring of 2018. When this project is completed many additional spots in downtown San Carlos will become available, and this should relieve parking constraints at the library. He concluded that staff's recommendation is to continue to meet at the San Carlos Library.

Member Benton made a motion to approve staff's recommendation

Member Bonilla seconded the motion

Roll Call Vote: 10-0-0-0

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 First Amendment to the Executive Director's Employment Agreement

Counsel Savaree noted that on September 28, the Board met and evaluated the Executive Director's performance and based on that evaluation for the Board's consideration is an adjustment to the Executive Director's base contract in the amount of 3.2% from \$185,000 to \$190,920 per year effective August 1, 2017.

She also noted that this amendment includes a 5% bonus of \$9,250. And an additional change to the contract required by state law that states the Executive Director would have to repay in severance received if he is ever convicted of a crime involving an abusive of his office.

Member Bonilla made a motion to approve the contract amendment

Member Aguirre seconded the motion

Roll Call Vote: 10-0-0-0

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

C. Resolution approving Tipping Fee Increases Effective 1/1/18 to Maintain Bond Covenant Requirements

Executive Director La Mariana noted that normally this discussion would have waited until the mid-year budget review in January, but there are a couple of things concerning staff and so this item is being brought forward now with recommended action to avoid getting into a deeper hole. He noted that normally the Finance Committee would review this item before it came to the Board, but calendar availability didn't work out with the earlier November Board meeting date. He added that the good news is the projections are that the required bond covenant ratios will be met, but there are three items that are influencing staff's recommendation to increase tipping fees. One, the increase in the Zanker contract for C&D processing which was budgeted and is a pass through cost. Two, the new Organics processing agreement, which is the result of an RFP, but the prices that came back through the RFP process are much higher than what was projected in the budget and the difference is \$716,000 per year. Three, the commodity market revenues have gone down very steeply because of recent (and unexpected) political direction relating to recyclable import standards by the Chinese government, and that is a projected difference of \$745,000 per year at this point. He also added that there was an error in the staff report in table 1. The number should have been \$106/ton, not \$96/ton.

Staff Fakira then explained the breakeven debt coverage ratio projections for the two different tip fee increase options listed in the staff report. In option 1 the breakeven test ratio would be 1.01, and the debt coverage test ratio 1.66. In scenario two, the breakeven test ratio would be 1.03 and the debt coverage ratio 1.85. The required ratios are 1.0 for breakeven ratio, and 1.4 for the debt ratio. He then noted the two major issues confronting the tip fee issue. One, the \$12.27 per ton increase at Newby, and the anticipated budget increase was \$3. Two, the commodity revenue drop of about \$55.87 per ton blended average. In September commodity prices averaged \$150.24 per ton, and they have since dropped to \$94.36. He noted that the current commodity value drop risk is approximately \$1.3M, but due to the sensitivity of the rate payers, the recommended tip fee increase is \$3 which will recover about \$750,000 of the \$1.3M potential shortfall. He then noted that the rate impact would be about \$0.37 per month on a 32 gallon account. He concluded by noting that staff is recommending scenario 2 because that will enable the Agency to ensure healthy covenant ratios, and capital reserve balance.

Member Benton asked if the expense side was looked at in reviewing these options. Noting that this staff report is only looking at the revenue side to make up the difference. He asked about the Newby contract only being a portion of the green waste, and how it compares to the other portion, and he asked if there are any other commodity markets other than China.

Executive Director La Mariana answered that an RFP went out to close to 10 organics processors earlier this year. There were two responses. The second RFP response (from Recology's Blossom Valley Organics division) was not recommended because their proposed rate was a much higher cost, than the response that was recommended to the Board, and he didn't see a lot of movement in that area.

Member Benton asked if 100% of the collected organic waste was now going to Newby.

Executive Director La Mariana answered that it's about 50%, and the other 50% goes to Blossom Valley Organics (BVO) in the central valley. He noted that their prices on the other 50% of the organics material are fixed until 2020, and the Newby increase was \$12.27 per ton, so blended together there is a \$6 increase to the gate customer.

Member Benton asked what the difference would be to take additional tons to the current BVO contract.

Staff Gans answered that the current BVO contract is cheaper per ton, but with transportation it's about the same as the new Newby contract, but BVO responded to the RFP that was recently awarded to Newby, and BVO responded much higher than their current price.

Executive Director La Mariana noted that the second part of Member Benton's question was around commodity options, and he noted that for the last 30 years the market has gravitated towards China, and there are not a lot of other options, and there has been a trend of paper mills closing for years in the US.

Member Carlton asked why there were only two responses to the RFP.

Executive Director La Mariana answered that it is unknown, but it could be capacity issues, because our programs generate a very large amount of material. He added that this is a very regulated industry and if their permit doesn't allow them to take additional tons they wouldn't be able to respond, but the RFP was split up into different ton amounts to deal with that issue.

Staff Gans added that there aren't many of these facilities around, and there are site issues, and permit issues so people don't want them in populated areas. He added that it's a huge issue for the state that is trying to divert more and more from the landfills, but there aren't enough organics facilities for all the material.

Member Carlton commented that there was a conversation at the Board level about converting organics into energy some years ago, and asked to look into alternative options to compost facilities to defray the cost.

Staff Gans noted that the Zero Landfill working group is on this, and the technology doesn't exist now, but there is promise.

Member Brownrigg commented that, with the fire and limited staff time, staff time has been devoted to getting the facility up and running, but this is the Zero Landfill working group's goal. He also stated that there have been investments in expanding the floor to be able to get to where we'd like to get on this issue.

Member Carlton noted that she met a gentleman who has a company in LA who does this work and she would pass his name on to staff.

Member Widmer commented that he agrees with maintaining a clear view to covering the bond covenant ratios requirement but wished that the discussion had waited until the mid-year review, because it's a reaction to the fiber number going down. He added that Staff Fakira noted that all commodities were going down in his presentation, but in the SBR letter than went out says that commodity values are up. He noted that the presentation quoted \$90/ton, and the SBR letter says it's up 7% at \$184. So, he was concerned that the commodity issue had not been cleanly vetted, and he asked for more analysis before the tip fees were raised. Secondly he noted that the organics per ton tip fee is going to be more expensive than the landfill, so it's going to be cheaper for people to put it in the trash. So, he suggested increasing solid waste and not organics as much so people wouldn't put organics in the landfill.

Staff Fakria listed the commodity prices for fiber, July \$151, August \$137, September \$108, and October \$59.76.

Chair Grassilli asked for Dwight Herring to come up and speak to the pricing discrepancy and asked if it was apples to apples or apples to oranges.

Dwight Herring commented that the \$189 per ton in the letter was container pricing not fiber pricing, and fiber is down to \$59.62, so Staff Fakira is giving a blended rate, and the letter had it broken out.

Staff Fakira gave the non-fiber items pricing in September was \$264, and now it is down to \$191 per ton, and the blended average of the two, in September it was \$153.23, and in October it is down to \$94.36.

Member Widmer noted that yesterday's letter said that non fiber was up, and he thought the Board needed more time to go through the numbers more thoroughly.

Member Brownrigg commented that there has been a delta on green carts versus black carts for a long time, and he didn't think diversion behavior was based on that delta. People react to the rate that is charged on the bill not the cost Recology, SBR and the SBWMA charge, they are oblivious to those costs. He noted that he is trying to make a decision between scenario one and scenario two, and he agreed that it is frustrating to be bouncing the rates around, because it's frustrating to business who are planning and budgeting for costs, and it's frustrating for politicians to explain to residents why their rates keep ticking up. He thought there should be some sort of a buffer to draw on when commodity prices go down, because the constant toggle because one line item comes in lower is difficult.

Executive Director La Mariana commented that there is another option of taking some of reserves and moving them to address the shortfall.

Member Brownrigg commented that he didn't think there were enough reserves to do that at this time, but asked that it be considered for the future, because business and politicians don't like non-predictability.

Chair Grassilli asked when rates were raised last year.

Member Widmer commented that the last increase is expected to go into effect in January for the last budget discussion.

Executive Director La Mariana commented that it was in February and April of 2017.

Chair Grassilli asked why now instead of waiting until budget time.

Executive Director La Mariana answered that the biggest variable is the organics contract that was an unbudgeted and unpredictable increase. He did note that commodity values tend to go up and down, but there are signals that it might be deeper and longer than the typical ebb and flow.

Chair Grassilli noted that he was leaning towards scenario one because of the uncertainty.

Member Benton asked for clarity on scenario one versus scenario two.

Executive Director La Mariana explained that the key difference is that scenario one is a pass through of the new C&D rates, and organics only. Scenario two is scenario one plus a buffer for commodity values, and affects a lot more line items.

Member Benton asked for clarification on the bond covenant ratios for scenario one versus scenario two.

Staff Fakira reiterated the two different projected ratios, scenario one, the breakeven test ratio would be 1.01, and the debt coverage test ratio 1.66. In scenario two, the breakeven test ratio would be 1.03 and the debt coverage ratio 1.85. The required ratios are 1.0 for breakeven, and 1.4 for the debt ratio.

Member Benton commented that scenario one is barely above breakeven, and there is no room for error. He then asked what the trigger date when the ratios are measured.

Staff Fakira answered that the bond covenants are reported in March, so if there is more slip in commodity there is risk of not meeting the ratios.

Member Benton commented that he thought scenario two was the only option to give wiggle room, and scenario one was the bare minimum.

Member Brownrigg asked how the \$6 per ton increase in organics was recommended.

Staff Fakira answered that the increased price was on about half of the tonnage so the increase was split over all the tonnage. He noted that table 3 in the staff report showed this calculation.

Member Bonilla made a motion to approve scenario two

Member Aguirre seconded the motion

Roll Call Vote: 9-1-0-2

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			

Chair Grassilli commented that he didn't like this process and these kinds of items have to go to the finance committee first to make for a better process.

Member Brownrigg commented that he would like to see better analysis, as option one added \$250,000 to the total revenue and option two adds \$1M, and he found it uncomfortable to be going to \$1M, and instead of focusing on the line items, he would like to see more analysis on the big picture.

## 6. Collection and Recycling Program Support and Compliance

No items

## 7. Shoreway Operations and Contract Management

### A. Discussion of New Residential Battery Handling and Collection Recommendations

Staff Gans gave a Power Point presentation on batteries, noting that the issue involves the entire recycling industry and it's a complicated topic, and he wanted the Board to have an understanding of the issue first, before discussing solutions. He noted that even though there is a video of the fire, no industry experts have been able to diagnose the cause of the fire, but he believes it was a Lithium Ion (LI) battery pack. He noted a clear trend of increased fires, and fires caused by LI batteries. He noted that attachment C to the staff report is a deep dive into batteries, and a study on how batteries are affecting the recycling industry.

Member Carlton commented that generally you have to make things easy for people, and it's very difficult to get rid of something that has a battery inside when it breaks.

Chair Grassilli noted that solutions would be discussed at the end.

Member Widmer asked of the fires that have occurred since 2013, and were they in the MRF or the Transfer Station.

Staff Gans answered both, but 90% are in the MRF.

Staff Gans continued the presentation noting that the current battery collection program of putting batteries into a bag and putting them on top of the blue bin is collecting 40% of batteries, and that is a very successful collection rate compared to other battery collection programs. He added that the problem is that 25% are going into the blue bin, and as LI batteries replace Cadmium battery technology the problem is growing.

Member Brownrigg asked if these are household batteries or items with a battery inside like a Roomba.

Staff Gans answered that batteries come in all forms, from as small to button cell batteries, to large drone batteries and both need to not be put in the blue bin.

Staff Gans then noted that staff has broken solutions into three different areas. One, hardening the Shoreway facility to fires and fire damage. Two, a programmatic approach, and looking at an outreach plan to prevent batteries from getting into the building. Three, a policy discussion to get the manufacturers involved in solving the problem.

Executive Director La Mariana then discussed operational ideas staff, and asked for the Board's feedback so that at the January Board meeting, there could be a work plan with costs for the Board's consideration. He noted that there is about \$120,000 left in this year's budget in two line items that are earmarked for the battery program, both in outreach and consultants. He added that staff's position is to reposition the current battery collection program. The current program is to place batteries in a zip type bag and place them on top of the blue bin. Two things happen, one, people think batteries are recyclable and they put them inside the cart, and two if in the dark or cloudy weather the Recology driver might not pull them off and the batteries placed on top end up in the truck. So staff's recommendation is to change the way batteries are collected, and have a significant

outreach plan to go with that change. He noted that the program would include a brightly colored bag, likely orange, that would include an RFID tag. That way there would be two levels of being able to catch batteries that ended up in the recycling. One visual with the brightly colored bag, and two with the RFID tag sensor that would alert SBR that there was a battery bag in the pile.

Member Boilla asked if it would be possible for the truck to also have an RFID sensor as well.

Staff Gans answered yes, anything is possible with enough money.

Member Carlton noted that she would like to see a reminder on the lids of the blue containers that batteries are not to go inside, and if we are asking people to change their behavior they'll need more than one reminder.

Member Aguirre recommended a short video on the hazard of batteries, in a way that educated them, but doesn't scare them. She suggested including the video on the tours as well as to the general public. She also noted that it's important to start working with the legislators on this topic.

Member Carlton suggested putting the LI battery demonstration video on Facebook and sharing it with all the Cities to get the word out.

Executive Director La Mariana noted that there would be a marketing campaign and an enhancement to the campaign via social media as part of this battery plan.

Member Widmer noted that he has seen bags like this before, and suggested that they include some reflective coating to help the Recology drivers see the bag. He also suggested hanging the bag from the front of the cart and the bag is always there, and the Recology driver empties it, or the RFID tag alerts the driver that the bag is there.

Member Brownrigg asked how the customer would get the bag.

Executive Director La Mariana answered that right now we're looking at doing it similar to the swap out with used motor oil is done now, when you use a bag it is then replaced when Recology collects it. Also having them available at Shoreway and the County for pick up.

There was a general consensus from the Board that was too hard, and the bags should be placed in the billing statements.

Executive Director La Mariana concluded his portion of the presentation noting that several Board members have commented on the importance of working with local legislatures on this issue. He noted that it is staff's intention to work with Recology on this topic as well as leveraging relationships with important statewide industry advocacy organizations like the California Product Stewardship Council (CPSC), the Solid Waste Association of North America (SWANA), and Californian's Against Waste (CAW) to raise the issue.

Member Brownrigg asked if batteries have any recovery value.

Staff Gans answered that steel cased batteries have some value because they have steel, but batteries have very little value. He added that LI batteries are very complex to extract the Lithium to be able to reuse it. He added that there are no LI battery recyclers in North America, there is one in South Korea and one in Holland.

Member Benton asked where are the 100 tons of batteries collected at Shoreway going.

Staff Gans answered that most of the batteries collected are lead acid, or alkaline batteries. They are recycled, they are incinerated and the metal is recovered. He added that batteries are considered hazardous waste, and they are illegal to put into landfills in the state, so the SBWMA can't close its door to batteries and not give residents any options.

Member Brownrigg asked if one request is to add a CRV type charge to batteries that then pays for responsible handling.

Executive Director La Mariana answered yes, that's the extended producer responsibility (EPR) piece of this plan, and it's consistent with the SBWMA's mission as well.

B. Resolution Approving Memorandum of Understanding with the City of San Leandro Water Plant, and East Bay MUD Regarding an Organic Waste Conversion Project

Staff Gans noted that this is similar to the MOU passed with the local waste water treatment plant, to take the organic slurry made at Shoreway and have it processed at the waste water treatment plant. With these signed MOUs, there would be three waste water treatment plants that have expressed interest in taking the organic slurry material that would be made at Shoreway to then anaerobically digest it and make energy at the waste water treatment plants. He noted that these MOUs are not that big of a commitment, they are just a statement of interest and intent, but if the Board were to move forward there would need to be conversations about where to take it, and how reliable the markets for the material are, so this is a part of shoring up the end markets.

Member Aguirre made a motion to approve

Member Widmer seconded the motion

Roll Call Vote: 10-0-0-2

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

C. Shoreway Environmental Center Update

Executive Director La Mariana noted that the key items had already been touched on in previous discussions.

Member Widmer asked about the food waste test press pilot that was coming out of the solid waste containers, versus the food waste that is in the organics containers. He asked if it would come from solid waste or organics containers.

Staff Gans noted that 29% of residential and commercial solid waste tons is still food waste, and this pilot is intended to see if that 29% can be extracted from solid waste.

Member Widmer commented that didn't make sense to him and both the green and the black cans should be used for the pilot.

8. **Informational Items Only (no action required)**
  - A. 2017 Rate Setting Calendar
  - B. Check Register Detail for September and October 2017
  - C. Quarterly Update on Technical Consulting Contracts for Q3 2017
  - D. Potential Future Board Agenda Items
9. **Board Member Comments**
10. **Adjourn 3:34PM**

## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Joe La Mariana, Executive Director  
**Date:** January 26, 2018 Board of Directors Meeting  
**Subject:** Consideration of Approval of 2018 Merit Increase Pool for Unrepresented Employees

---

### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution 2018-01 hereto authorizing the following action:

- Approval of the merit pool for calendar year 2018 of 3% of wages as assumed in the adopted FY1718 budget, effective January 1, 2018.

### Analysis

SBWMA employees are eligible for consideration of a merit increase at least annually per a process delineated in the employee compensation policy, usually on January 1. Per the policy an employee is considered for a merit increase (or not) based on the following these factors:

- a. The employee's annual written performance appraisal measured against predetermined goals and objectives.
- b. The employees current position within the existing salary range, and his/her salary relative to internal and external comparable positions.
- c. Merit increases shall, in aggregate, not exceed the budget allocations for salary increases as defined in the annual budget unless approved by the Board of Directors.
- d. The Executive Director's compensation is subject to Board review through a separate employment contract and is, therefore, not included in this discussion.

The Executive Director completes annual performance reviews using an employee evaluation and performance plan. Employees also submit regular goal status updates to the Executive Director.

The SBWMA's 12 Technical Advisory Committee (TAC) members responded to a survey in December 2017 and January 2018 to identify each agency's planned salary adjustments in 2018 (non-public sector CBA employees). Based on the survey results, the average salary adjustment being implemented for non-public safety sector employees is 3.04% which is consistent the Staff recommendation.

### Background

The employee compensation policy was adopted by the Board of Directors on November 19, 2009. Salary ranges are reviewed periodically by the Board and last adjusted per Board approval on November 17, 2016. **Table 1** (below) summarizes approved merit increase pools over the past six years.

Table 1 Board Approved Merit Increase Pool Historical Review <i>(By Calendar Year)</i>					
2012	2013	2014*	2015	2016	2017
2%	1.5%	4.5%	3%	3%	3%

The current Board approved salary ranges, by position, are included in **Table 2** (below):

Table 2 Open SBWMA Positions and Their Salary Ranges <i>(Approved by Board, November 17, 2016)</i>	
Position:	Current Salary Range/Year
Executive Director	N/A
Senior Facility Operations & Contract Manager	\$133,249-166,117
Finance Manager	\$112,196-140,245
Recycling Outreach Programs Manager	\$100,976-126,220
Environmental Education Manager	\$65,267-\$81,580
Office Manager/Clerk of the Board	\$59,659-\$74,573
Environmental Education Associate	\$53,602-\$65,250

### Fiscal Impact

The adopted FY1718 budget assumes a fiscal year total amount for merit increases of all unrepresented staff is \$25,515. The total adopted FY1718 SBWMA Administrative Program budget is \$3,653,015.

The assumed annual merit increase pool of 3% wages has been adjusted to reflect one staff vacancy for 10 months in 2017 (Recycling Outreach & Sustainability Manager). The adjusted merit increase totals \$20,919 for calendar year 2018, or half this amount which is \$10,549 for FY1718.

### Attachments:

Resolution 2018-01



## RESOLUTION NO. 2018-01

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING A 2018 MERIT INCREASE POOL FOR UNREPRESENTED EMPLOYEES

**WHEREAS**, the Board of Directors finds that a merit increase pool of three percent (3%) of wages is reasonable and consistent with the 2017-18 Budget for the Authority; and

**WHEREAS**, the Board of Directors finds that a merit increase pool of three percent (3%) of wages is consistent with the average amount (3.04%) that is being implemented in 2018 throughout the SBWMA's 12-member agencies; and

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves a merit increase pool of three percent (3%) of wages for 2018 for unrepresented employees.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 25<sup>th</sup> day of January 2018, 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. 2018-01 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on January 25, 2018.

ATTEST:

\_\_\_\_\_  
Bob Grassilli, Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Board Secretary



## STAFF REPORT

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To: SBWMA Board Members  
From: Farouk Fakira, Finance Manager  
Date: January 25, 2018 Board of Directors Meeting  
Subject: Resolution Accepting the FY1617 Annual Financial Statements

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### Board Action

It is recommended that the SBWMA Board of Directors approve Resolution No. 2018-02 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, 2017 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 Adhoc Audit Subcommittee 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, 2017, 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, 2017, and that the financial statements were prepared in conformity with generally accepted accounting principles. No exceptions or qualifications were found.

### *Financial Condition Highlights*

As shown in Table 2 on page 5 of the Audit report, ending net position increased by \$2.8 million to \$21.7 million in FY17 from \$18.8 million in FY16. That is due to the following:

1. Higher actual franchise revenue of \$2.4 million is due to favorable volumes of \$.6 million in solid waste and green waste and higher tipping fees increase of \$1.8 million due to \$10 per ton increase in tipping fees in January of 2017.
2. Higher actual of \$1.9 million in self haul revenue is due to \$.9 million in higher volume in green waste and C&D and \$1 million is due to favorable tipping fees increase per cubic yards of \$2.50 effective July 1st, 2016 and \$2.50 effective January 1<sup>st</sup>, 2017.
3. That was offset by a decrease of \$1.1 million in commodity revenue due to a drop in volume because of the fire at Shoreway of 27.8K tons for \$3.730 million, which was offset by favorable blended rate delta of \$29.96 (\$157.55 vs. \$127.59 for 2016) for \$1.303 million, lower sharing revenues to SBR of \$.640 million and in favorable single stream revenue for \$.641 million.

4. Lower host fees revenue and other is mainly due to the discontinuation of the contract with Recology for \$551K.
5. Favorable net insurance proceeds of \$7.5 million.

All were more than offset by higher Shoreway operating expense of \$4.7 million. That is due to the following:

1. This is mainly due to \$4.7 million in fire related expenses.
2. Higher disposal of \$.756 million, higher SBR operation expenses of \$.243 million were offset with savings from the discontinuation of HHW services of (\$.320) million, (\$.323) million in depreciation write off due to fire and (\$.195) million in lower public education expenses and other misc. expenses.

The unrestricted net assets (Unrestricted Reserves) increased by \$2.3 million to \$16.1 million as of June 30, 2017 (see Table 1 in the Audit report). Net position income increased by \$5.4 million (see Table 2 in Audit report). Unrestricted net assets are used to fund the Board designated reserves as shown in Table 4 of the Audit report.

**General Operating Results**

The operating results for FY1617 and FY1516 are as follows:

	<u>FY2017</u>	<u>FY2016</u>	<u>Variance</u> Better / (Worse)
Operating Revenues	\$ 46,546,710	\$ 43,914,951	\$ 2,631,759
Insurance Proceeds	7,542,055	-	7,542,055
<b>Total Revenues</b>	<b>\$ 54,088,765</b>	<b>\$ 43,914,951</b>	<b>\$ 10,173,814</b>
Operating Expenses	40,801,075	40,424,253	(376,822)
Fire-Related Expense	4,725,903	-	(4,725,903)
Depreciation Expense	2,985,261	3,308,421	323,160
<b>Total Expenses</b>	<b>\$ 48,512,239</b>	<b>\$ 43,732,674</b>	<b>\$ (4,779,565)</b>
<b>Operating Income &lt;Loss&gt;</b>	<b>\$ 5,576,526</b>	<b>\$ 182,277</b>	<b>\$ 5,394,249</b>
Interest Expense	(2,759,746)	(2,810,821)	51,075
<b>Net Asset Change</b>	<b>\$ 2,816,780</b>	<b>\$ (2,628,544)</b>	<b>\$ 5,445,324</b>
<i>per Table 2 in Audit Report</i>			

**Long-Term Debt**

At the end of the current fiscal year, the SBWMA had bond debt outstanding of \$47,612,247.

**Outstanding Debt  
Activities**

	<u>FY2017</u>	<u>FY2016</u>
Revenue Bonds 2009A	\$47,612,247	\$48,929,747

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 2018-02. Accepting the Authority's FY1617 Financial Statements

Exhibits AI, II & III – SBWMA FY1617 Audited Annual Financial Statements



## RESOLUTION NO. 2018-02

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS ACCEPTING THE FISCAL YEAR 2016-2017 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, 2017 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, 2017.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 25<sup>th</sup> day of January, 2018, 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. 2018-02 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on January 25, 2018.

ATTEST:

\_\_\_\_\_  
Bob Grassilli, Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Board Secretary

**SOUTH BAYSIDE WASTE  
MANAGEMENT AUTHORITY  
BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2017**

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**SOUTH BAYSIDE WASTE  
MANAGEMENT AUTHORITY**

**BASIC FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2017**

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position .....	9
Statement of Revenues, Expenses and Changes In Net Position .....	10
Statement of Cash Flows .....	11
Notes to Basic Financial Statements .....	13
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT'S PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	27

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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) as of and for the year ended June 30, 2017, 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.

**Accountancy Corporation**  
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## **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, 2017, 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 November 9, 2017 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  
November 9, 2017

# SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

## Management's Discussion and Analysis

June 30, 2017

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, 2017. 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, 2017 and 2016**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 26,256,369	\$ 26,613,281	\$ (356,912)	-1.3%
Capital assets, net of depreciation	49,041,382	49,811,020	(769,638)	-1.5%
Total assets	<u>75,297,751</u>	<u>76,424,301</u>	<u>(1,126,550)</u>	<u>-1.5%</u>
Long-term debt outstanding	47,612,247	48,929,747	(1,317,500)	-2.7%
Other liabilities	6,035,240	8,661,067	(2,625,827)	-30.3%
Total liabilities	<u>53,647,487</u>	<u>57,590,814</u>	<u>(3,943,327)</u>	<u>-6.8%</u>
Net position:				
Net investment in capital assets	5,562,069	5,011,381	550,688	11.0%
Unrestricted	16,088,195	13,822,106	2,266,089	16.4%
Total net position	<u>\$ 21,650,264</u>	<u>\$ 18,833,487</u>	<u>\$ 2,816,777</u>	<u>15.0%</u>

## ***Net Position***

The total net position increased by \$2.8 million or 15% from the prior fiscal year. This increase is comprised of a \$0.5 million increase in net investment in capital assets and a \$2.3 million increase in unrestricted net position.

The total liabilities decreased by \$3.9 million or 6.8%. The decrease of \$1.3 million or 2.7% in long-term debt is associated with the \$1.4 million principal payment made on the 2009A bonds. This change is explained further in the “*Long-term Debt*” section below. The decrease of \$2.6 million or 30.3% 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 \$49 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 \$0.8 million or 1.5% due to an increase in accumulated depreciation. This decrease is lower than the previous fiscal year due to a large investment in capital assets to repair the Shoreway Center following the fire in September 2016. These changes are explained further in the “*Capital Assets*” section below.

The net investment in capital assets is \$5.6 million as of June 30, 2017. 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 capital assets cannot be used to liquidate these liabilities. Therefore, the resources needed to repay this debt must be provided from other sources. Unrestricted net position totaling \$16.1 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, 2017 and 2016**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues</b>				
Charges for services	38,925,676	34,644,943	4,280,733	12.4%
Commodity revenue	6,939,608	8,036,208	(1,096,600)	-13.6%
Other operating revenues	584,250	1,125,875	(541,625)	-48.1%
Net Insurance Proceeds	7,542,055	-	7,542,055	-
Investment Income	97,176	107,925	(10,749)	-10.0%
<b>Total Revenues</b>	<u>54,088,765</u>	<u>43,914,951</u>	<u>10,173,814</u>	<u>23.2%</u>
<b>Expenses</b>				
Operating expenses	43,786,336	43,732,674	53,662	0.1%
Fire-related expenses	4,725,903	-	4,725,903	-
Interest expense	2,759,746	2,810,821	(51,075)	-1.8%
<b>Total Expenses</b>	<u>51,271,985</u>	<u>46,543,495</u>	<u>4,728,490</u>	<u>10.2%</u>
Increase (decrease) in net position	2,816,780	(2,628,544)	5,445,324	207.2%
Beginning net position	18,833,484	21,462,029	(2,628,545)	-12.2%
Restatements			-	100.0%
Beginning net position, restated	<u>18,833,484</u>	<u>21,462,029</u>	<u>(2,628,545)</u>	<u>-12.2%</u>
Ending net position	<u>21,650,264</u>	<u>18,833,485</u>	<u>2,816,779</u>	<u>15.0%</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 \$4.3 million or 12.4%, from \$34.6 million in FY16 to \$38.9 million in FY17. \$1.9 million of the revenue growth was due to an increase in "self-haul" public solid waste, split by \$0.9 million due to an increase in volumes and \$1.0 million due to a tipping fee increase. The remaining revenue growth of \$2.4 million was due to an increase in franchise waste, split by \$0.6 million due to an increase in volumes and \$1.8 million due to an increase in franchise tip fees. 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. Commodity Revenues decreased by \$1.1 million in FY17 compared to FY16 due to the fire at the Shoreway Center in September 2016 which caused considerable damage and halted intake of commodities for a four month period. This was offset by insurance proceeds of \$1.4m received for lost revenue. The remainder of the \$8.9m total insurance proceeds covered cost of repairs to the Center and replacement of damaged capital assets. Other operating revenues decreased by \$0.5m largely due to cessation of the Household Hazardous Waste Collection Service in December 2016. Investment income was static compared to FY16 at \$0.1m.

The primary component of operating expenses is related to the Shoreway operations that constitute about 84% of non-discretionary, contractually obligated costs incurred to pay the Shoreway operator, and disposal and processing expense. The Shoreway operations expense increased only slightly by \$0.4 million in FY17 compared to the prior year.

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 and expense, and depreciation. For the current fiscal year, operating results were \$5.6 million compared to \$3.4 million for the prior year.

**Table 3**  
**Operating Results**  
**For the Years Ended June 30, 2017 and 2016**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue				
Charges for Services	\$ 38,925,676	\$ 34,644,943	\$ 4,280,734	12.4%
Commodity Fee	6,939,608	8,036,208	(1,096,600)	-13.6%
Other Operating Revenue	584,250	1,125,875	(541,625)	-48.1%
Total Operating Revenue	<u>46,449,534</u>	<u>43,807,025</u>	<u>2,642,508</u>	<u>6.0%</u>
Operating Expense (excl Depn.)				
Shoreway Operations	(36,784,182)	(36,344,429)	(439,753)	1.2%
Program Admin	(2,163,289)	(2,430,066)	266,777	-11.0%
Franchise Fee	(1,853,604)	(1,649,758)	(203,846)	12.4%
Total Operating Expense (excl Depn.)	<u>\$(40,801,075)</u>	<u>\$(40,424,253)</u>	<u>(376,822)</u>	<u>0.9%</u>
Total Operating Results	<u>5,648,459</u>	<u>3,382,772</u>	<u>2,265,687</u>	<u>67.0%</u>

### ***Reserves***

Table 4 below reflects the amount of reserves that have been designated by the Board in the fiscal years 2017 and 2016.

**Table 4**  
**Unrestricted Reserves Balances**

	<u>FY 2017</u>	<u>FY 2016</u>
Rate Stabilization Reserve	\$ 4,242,701	\$ 4,174,238
Emergency Reserve	4,242,701	4,174,238
Equipment Replacement	991,791	1,736,098
2009 A Bond Repayment	1,137,500	1,091,667
Undesignated	<u>5,473,502</u>	<u>2,645,859</u>
Total Unrestricted Reserves	<u>\$ 16,088,195</u>	<u>\$ 13,822,103</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, 2017 and 2016**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 14,000,000	\$ 14,000,000	\$ -	-
Buildings and systems	35,679,927	35,359,894	320,033	0.9%
Machinery and equipment	23,439,074	22,574,212	864,862	3.8%
Construction in progress	-	126,347	(126,347)	-100.0%
Total accumulated depreciation	<u>(24,077,619)</u>	<u>(22,249,433)</u>	<u>(1,828,186)</u>	<u>8.2%</u>
Total Net Capital Assets	<u>\$ 49,041,382</u>	<u>\$ 49,811,019</u>	<u>\$ (769,637)</u>	<u>-1.5%</u>

The net capital assets decreased by \$0.8 million or 1.5% from \$49.8 million in FY16 to \$49 million in FY17. This decrease is the net of the annual \$3 million increase in accumulated depreciation, a one-off asset write-off (impairment) of \$1.3m due to damaged assets caused by the fire, and \$3.5m in additional capital expenditure to replace damaged assets and to upgrade various buildings at the Center, as well as retrofit all light installations with LED lighting.

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 has \$47.6 million total debt outstanding.

**Table 6**  
**Outstanding Debt, Net of Amortized Costs**  
**June 30, 2017 and 2016**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>\$ Change</u>	<u>% Change</u>
2009A Revenue Bond	\$ 47,470,000	\$ 48,780,000	\$ (1,310,000)	-2.7%
Net Premium 2009A	142,247	149,747	(7,500)	-5.0%
Total	<u>\$ 47,612,247</u>	<u>\$ 48,929,747</u>	<u>\$ (1,317,500)</u>	<u>-2.7%</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, 2017**

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ASSETS	
Current Assets:	
Cash and investments for operations (Note 2)	\$14,861,163
Accounts receivable	4,615,340
Interest receivable	36,178
Inventory	378,709
Prepaid items	720
	<hr/>
Total Current Assets	19,892,110
	<hr/>
Noncurrent Assets:	
Cash and investments with fiscal agent (Note 2)	6,364,259
Capital assets (Note 4):	
Land	14,000,000
Building	35,679,927
Equipment	23,439,074
Less Accumulated Depreciation	(24,077,619)
	<hr/>
Net capital assets	49,041,382
	<hr/>
Total Noncurrent Assets	55,405,641
	<hr/>
Total Assets	75,297,751
	<hr/>
LIABILITIES	
Current Liabilities:	
Accounts payable	3,594,995
Accrued liabilities	186,656
Interest payable	919,504
Current portion of compensated absences	75,925
Long-term debt due in one year (Note 5)	1,365,000
	<hr/>
Total Current Liabilities	6,142,080
	<hr/>
Noncurrent Liabilities:	
Compensated absences due in more than one year	24,520
Accrued liabilities (Note 7)	1,233,640
Long-term debt due in more than one year (Note 5)	46,247,247
	<hr/>
Total Noncurrent Liabilities	47,505,407
	<hr/>
Total Liabilities	53,647,487
	<hr/>
NET POSITION	
Net investment in capital assets	5,562,069
Unrestricted	16,088,195
	<hr/>
Total Net Position	\$21,650,264
	<hr/> <hr/>

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, 2017**

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OPERATING REVENUES:

Charges for services	\$38,925,676
Commodity revenue	6,939,608
Other	584,250

Total Operating Revenues 46,449,534

OPERATING EXPENSES:

Shoreway operations	36,784,182
SBWMA program administration	2,163,289
Franchise fee - transfer station	1,853,604
Depreciation (Note 4)	2,985,261

Total Operating Expenses 43,786,336

Operating Income 2,663,198

NONOPERATING REVENUES (EXPENSES):

Insurance proceeds (Net of Impairment - Note 4)	7,542,055
Investment income	97,176
Fire-related expenses	(4,725,903)
Interest expense	(2,759,746)

Net Nonoperating Revenue (Expense) 153,582

Change in Net Position 2,816,780

NET POSITION AT BEGINNING OF YEAR 18,833,484

NET POSITION AT END OF YEAR \$21,650,264

See accompanying notes to the financial statements

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from customers	\$45,967,487
Payments to suppliers	(42,470,796)
Payments to employees	(930,339)
Inventory	(378,709)
	<hr/>
Net Cash Flows (used for) Operating Activities	2,187,643
	<hr/>
<b>CASH FLOWS FROM NONCAPITAL AND FINANCING ACTIVITIES</b>	
Insurance proceeds	8,852,902
Fire-related expenses	(4,725,903)
	<hr/>
Net Cash Flows (used for) Noncapital and Financing Activities	4,126,999
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	84,016
	<hr/>
Net Cash Flows from Investing Activities	84,016
	<hr/>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital assets additions	(3,535,493)
Retirement of long-term debt	(1,310,000)
Interest paid	(2,784,713)
	<hr/>
Net Cash Flows (Used for) Capital and Related Financing Activities	(7,630,206)
	<hr/>
Net Cash Flows	(1,231,548)
	<hr/>
Cash and investments for operations - beginning of year	22,456,970
	<hr/>
Cash and investments - end of year	\$21,225,422
	<hr/> <hr/>
Reconciliation of operating income to net cash flows from operating activities:	
Operating income (loss)	\$2,663,198
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation	2,985,261
Loss on disposal of capital asset	9,023
Net change in:	
Accounts receivable	(482,047)
Prepays	(720)
Inventory	(378,709)
Accounts payable	(2,688,304)
Accrued liabilities	30,255
Compensated absences	49,686
	<hr/>
Net Cash Flows from Operating Activities	\$2,187,643
	<hr/> <hr/>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>	
Amortization related to long-term debt	\$7,500
Loss on disposal of capital asset	(9,023)
Impairment loss	(1,310,847)

See accompanying notes to the financial statements

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# SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

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### 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, 2017**

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**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, 2017**

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**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.

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.

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**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.

**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.

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**Note 2: Cash and Investments (Continued)**

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	\$ 14,861,163
Cash and investments with fiscal agent	<u>6,364,259</u>
Total Cash and Investments	<u>\$ 21,225,422</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.

**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.

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 2: Cash and Investments (Continued)**

<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 LAIF	\$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%	(A), (B)
Commercial Paper	270 Days	A-1	25%	(A), (B)
Negotiable Certificates of Deposit	5 Years	N/A	30%	(A), (B)
Time Certificates of Deposit - Banks or Savings and Loans	5 Years	N/A	30%	(A), (B)
Medium Term Corporate Notes	5 Years	A-1	30%	(A), (B)

- (A) 5% of outstanding paper of issuing corporation
- (B) 5% of the portfolio in one corporation

**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:

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**Note 2: Cash and Investments (Continued)**

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, 2017**

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**Note 2: Cash and Investments (Continued)**

Investment Type	12 Months or less	Total
California Local Agency Investment Fund	\$ 6,836,659	\$ 6,836,659
San Mateo County Investment Pool	6,814,034	6,814,034
Cash and Cash Equivalents with Fiscal Agent:		
Money Market Fund	6,364,259	6,364,259
Total Investments	\$ 20,014,952	20,014,952
Total Cash in Bank and Cash on Hand		1,210,470
Total Cash and Investments		\$ 21,225,422

**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, 2017**

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**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, 2017, for each investment type as provided by S&P ratings:

Investment Type	AAAm	Total
Cash and Cash Equivalents with Fiscal Agent:		
Money Market Fund	\$ 6,364,259	\$ 6,364,259
Totals	\$ 6,364,259	6,364,259
Not rated:		
California Local Agency Investment Fund		6,836,659
San Mateo County Investment Pool		6,814,034
Total Investments		20,014,952
Total Cash in bank and cash on hand		1,210,470
Total Cash and Investments		\$ 21,225,422

**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, 2017**

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**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, 2017:

Investment Type	Exempt	Total
<b>Investments by Fair Value:</b>		
California Local Agency Investment Fund	\$ 6,836,659	\$ 6,836,659
San Mateo County Investment Pool	6,814,034	6,814,034
Total Investments at Fair Value	\$ 13,650,693	13,650,693
<b>Investments Measured at Amortized Cost:</b>		
Money Market Fund		6,364,259
Total Investments		20,014,952
<i>Cash in banks</i>		1,210,470
Total Cash and Investments		\$ 21,225,422

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, 2017.

**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, 2017, the Authority paid \$18,518,805 to South Bay Recycling to operate the Facility.

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 4: Capital Assets**

Changes in capital assets were as follows for fiscal year ended June 30, 2017:

	Balance at June 30, 2016	Additions	Retirements	Transfers	Balance at June 30, 2017
Capital assets not being depreciated:					
Land	\$ 14,000,000	\$ -	\$ -	\$ -	\$ 14,000,000
Construction in Progress	126,347	-	-	(126,347)	-
Total non-depreciable assets	14,126,347	-	-	(126,347)	14,000,000
Capital assets being depreciated:					
Buildings	35,359,894	250,265	(56,579)	126,347	35,679,927
Equipment	22,574,212	3,285,227	(2,420,365)	-	23,439,074
Total capital assets being depreciated	57,934,106	3,535,492	(2,476,944)	126,347	59,119,001
Less accumulated depreciation for:					
Buildings	(10,701,382)	(1,277,610)	47,557	-	(11,931,435)
Equipment	(11,548,051)	(1,707,651)	1,109,518	-	(12,146,184)
Total accumulated depreciation	(22,249,433)	(2,985,261)	1,157,075	-	(24,077,619)
Net capital assets being depreciated	35,684,673	550,231	(1,319,869)	126,347	35,041,382
Capital assets, net	<u>\$ 49,811,020</u>	<u>\$ 550,231</u>	<u>\$ (1,319,869)</u>	<u>\$ -</u>	<u>\$ 49,041,382</u>

In September 2016, a Fire at the Shoreway Environmental Center caused considerable damage to the Material Recycling Facility sorting equipment. A calculation was made to determine the impairment required to be made to the damaged sorting system asset. This was calculated to be \$1.3m and is treated in the table above and in the financial statements as a proportionate reduction of both the reported value of the asset and accumulated depreciation, based on the notion that the impairment represents the effective retirement of a portion of the asset. It is also shown in the Statement of Revenues, Expenses and Changes in Net Position netted against Insurance Proceeds, the total received of which was \$8.8m. Net proceeds after deduction of the impairment were \$7.5m.

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Note 5: Revenue Bonds**

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

	Balance June 30, 2016	Retirements	Balance June 30, 2017	Due Within One Year
2009A Solid Waste				
System Revenue Bonds	\$ 48,780,000	\$ (1,310,000)	\$ 47,470,000	\$ 1,365,000
Bond premiums	149,747	(7,500)	142,247	-
	<u>\$ 48,929,747</u>	<u>\$ (1,317,500)</u>	<u>\$ 47,612,247</u>	<u>\$ 1,365,000</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.

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 \$87.1 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 2016, the Net Revenues to Debt Service Coverage ratio was 1.47 .

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**Note 5: Revenue Bonds (Continued)**

**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
2018	\$ 1,365,000	\$ 2,729,506	\$ 4,094,506
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 - 2027	9,665,000	11,630,563	21,295,563
2028 - 2032	12,940,000	8,695,188	21,635,188
2033 - 2037	17,365,000	6,212,700	23,577,700
Total	<u>\$ 47,470,000</u>	<u>\$ 39,634,582</u>	<u>\$ 87,104,582</u>

**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

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**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, 2017 is \$1,233,640 and is reported as accrued liabilities.

**Note 8: Net Position**

Designations

The Authority has designated \$10,614,693 of the unrestricted net position for several reserves which include: \$4,242,701 for rate stabilization, \$4,242,701 for emergency reserve, 991,791 for equipment replacement, \$1,137,500 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, 2017.

**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, 2017, and have issued our report thereon dated November 9, 2017.

***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.

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## ***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 November 9, 2017 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.



Pleasant Hill, California  
November 9, 2017

**SOUTH BAYSIDE WASTE  
MANAGEMENT AUTHORITY  
MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**SOUTH BAYSIDE WASTE  
MANAGEMENT AUTHORITY  
MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS**

**For The Year Ended June 30, 2017**

**Table of Contents**

	<b><u>Page</u></b>
<i>Memorandum on Internal Control</i> .....	1
<i>Required Communications</i> .....	3
Significant Audit Findings:	
Accounting Policies.....	3
Unusual Transactions, Controversial or Emerging Areas.....	3
Accounting Estimates.....	3
Disclosures .....	4
Difficulties Encountered in Performing the Audit .....	4
Corrected and Uncorrected Misstatements .....	4
Disagreements with Management .....	4
Management Representations .....	4
Management Consultations with Other Independent Accountants.....	5
Other Audit Findings or Issues .....	5
Other Information Accompanying the Financial Statements .....	5

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## MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the basic financial statements of the South Bayside Waste Management Authority (Authority) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'Maze &amp; Associates'.

Pleasant Hill, California  
November 9, 2017

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## REQUIRED COMMUNICATIONS

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

We have audited the basic financial statements of the South Bayside Waste Management Authority (Authority) for the year ended June 30, 2017. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards*.

### **Significant Audit Findings**

#### ***Accounting Policies***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

#### ***Unusual Transactions, Controversial or Emerging Areas***

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### ***Accounting Estimates***

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Authority's financial statements were):

*Estimated Fair Value of Investments:* As of June 30, 2017, the Authority held approximately \$14.9 million of cash and investments as measured by fair value as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2017. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2017.

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*Estimate of Depreciation:* Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 1 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimate of Compensated Absences:* Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 1e to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

### ***Disclosures***

The financial statement disclosures are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the Authority's financial reporting process.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Authority Board.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in a management representation letter dated November 9, 2017.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Authority’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Information Accompanying the Financial Statements**

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

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This information is intended solely for the use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.



Pleasant Hill, California  
November 9, 2017

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**CITY OF SAN CARLOS, CALIFORNIA  
MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS**

**FOR THE YEAR ENDED JUNE 30, 2017**

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**CITY OF SAN CARLOS, CALIFORNIA  
MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS**

**For The Year Ended June 30, 2017**

**Table of Contents**

	<b><u>Page</u></b>
<b><i>Memorandum on Internal Control</i></b> .....	1
Schedule of Other Matters .....	3
<b><i>Required Communications</i></b> .....	17
Significant Audit Findings:	
Accounting Policies.....	17
Unusual Transactions, Controversial or Emerging Areas.....	17
Accounting Estimates.....	18
Disclosures .....	19
Difficulties Encountered in Performing the Audit .....	19
Corrected and Uncorrected Misstatements .....	19
Disagreements with Management .....	19
Management Representations .....	19
Management Consultations with Other Independent Accountants.....	19
Other Audit Findings or Issues .....	20
Other Information Accompanying the Financial Statements .....	20

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## MEMORANDUM ON INTERNAL CONTROL

To the City Council of  
The City of San Carlos, California

In planning and performing our audit of the basic financial statements of the City of San Carlos (City) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

This communication is intended solely for the information and use of management, City Council, others within the organization, and agencies and pass-through entities requiring compliance with *Government Audit Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

*Maze & Associates*

Pleasant Hill, California  
October 26, 2017

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## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### **NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE**

##### **EFFECTIVE FISCAL YEAR 2017/18:**

##### ***GASB 75 – Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions***

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### DEFINED BENEFIT OPEB

Defined Benefit OPEB That Is Provided through OPEB Plans That Are Administered through Trusts That Meet the Specified Criteria

For OPEB that is administered through a trust that meets the specified criteria, requirements differ based on the number of employers whose employees are provided with OPEB through the OPEB plan and whether OPEB obligations and OPEB plan assets are shared by the employers. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit OPEB through single-employer OPEB plans—OPEB plans in which OPEB is provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit OPEB through agent multiple-employer OPEB plans—OPEB plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans—OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

#### Measurement of the OPEB Liability to Employees for Benefits

This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

The total OPEB liability generally is required to be determined through an actuarial valuation. However, if fewer than 100 employees (active and inactive) are provided with OPEB through the plan, use of a specified alternative measurement method in place of an actuarial valuation is permitted. An actuarial valuation or a calculation using the specified alternative measurement method of the total OPEB liability is required to be performed at least every two years, with more frequent valuations or calculations encouraged. If an actuarial valuation or a calculation using the alternative measurement method is not performed as of the measurement date, the total OPEB liability is required to be based on update procedures to roll forward amounts from an earlier actuarial valuation or alternative measurement method calculation (performed as of a date no more than 30 months and 1 day prior to the employer's most recent fiscal year-end). Unless otherwise specified by this Statement, all assumptions underlying the determination of the total OPEB liability and related measures set forth by this Statement are required to be made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

Projections of benefit payments are required to be based on claims costs, or age-adjusted premiums approximating claims costs, and the benefit terms and legal agreements existing at the measurement date. For purposes of evaluating the benefit terms, consideration is required to be given to the written plan document, as well as other information, including other communications between the employer and employees and an established pattern of practice with regard to the sharing of benefit-related costs with inactive employees. Certain legal or contractual caps on benefit payments to be provided are required to be considered in projections of benefit payments.

This Statement requires that projections of benefit payments incorporate the effects of projected salary changes (if the OPEB formula incorporates future compensation levels) and service credits (if the OPEB formula incorporates periods of service), as well as projected automatic postemployment benefit changes, including automatic cost-of-living-adjustments (COLAs). The effects of ad hoc postemployment benefit changes (including ad hoc COLAs), if they are considered to be substantively automatic, also are required to be included in the projections. This Statement also requires that projections of benefit payments include certain taxes or other assessments expected to be imposed on the benefit payments.

Projected benefit payments are required to be discounted to their actuarial present value using the single rate that reflects (1) a long-term expected rate of return on OPEB plan investments to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and OPEB plan assets are expected to be invested using a strategy to achieve that return and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met.

This Statement requires that the actuarial present value of projected benefit payments be attributed to periods of employee service using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay. The actuarial present value is required to be attributed for each employee individually, from the first period in which the employee provides service under the benefit terms, through the period in which the employee exits active service.

#### **Alternative Measurement Method**

This Statement includes an option for the use of a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through an OPEB plan in which fewer than 100 employees (active and inactive) are provided with OPEB through the plan. The alternative measurement method is an approach that includes the same broad measurement steps as an actuarial valuation (projecting benefit payments, discounting projected benefit payments to a present value, and attributing the present value of projected benefit payments to periods using an actuarial cost method). However, it permits simplification of certain assumptions.

#### **SINGLE AND AGENT EMPLOYERS**

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a single or agent employer that does not have a special funding situation is required to recognize a liability equal to the net OPEB liability. The net OPEB liability is required to be measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year (the measurement date), consistently applied from period to period.

The OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB that are required to be reported by an employer primarily result from changes in the components of the net OPEB liability—that is, changes in the total OPEB liability and in the OPEB plan's fiduciary net position.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

This Statement requires that most changes in the net OPEB liability be included in OPEB expense in the period of the change. For example, changes in the total OPEB liability resulting from current-period service cost, interest on the total OPEB liability, and changes of benefit terms are required to be included in OPEB expense immediately. Projected earnings on the OPEB plan's investments also are required to be included in the determination of OPEB expense immediately.

In circumstances in which the net OPEB liability is determined based on the results of an actuarial valuation, the effects of certain other changes in the net OPEB liability are required to be included in OPEB expense over the current and future periods. The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period.

Under all means of determining the net OPEB liability, the effect on the net OPEB liability of differences between the projected earnings on OPEB plan investments and actual experience with regard to those earnings is required to be included in OPEB expense in a systematic and rational manner over a closed period of five years, beginning in the current period.

Changes in the net OPEB liability that have not been included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB.

Employer contributions subsequent to the measurement date of the net OPEB liability are required to be reported as deferred outflows of resources.

In governmental fund financial statements, a net OPEB liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. OPEB expenditures are required to be recognized equal to the total of (1) amounts paid by the employer to the OPEB plan, including amounts paid for OPEB as the benefits come due, and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

#### **Notes to Financial Statements**

This Statement requires that notes to financial statements of single and agent employers include descriptive information, such as the types of benefits provided and the number and classes of employees covered by the benefit terms. Single and agent employers also are required to disclose information that includes the following, as applicable:

- For the current year, sources of changes in the net OPEB liability
- Significant assumptions and other inputs used to calculate the total OPEB liability, including those about inflation, the healthcare cost trend rate, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and inputs to the discount rate, as well as certain information about mortality assumptions and the dates of experience studies

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

- The date of the actuarial valuation or calculation using the alternative measurement method used to determine the total OPEB liability, information about changes of assumptions or other inputs and benefit terms, the basis for determining employer contributions to the OPEB plan, and information about the purchase of allocated insurance contracts, if any.

#### Required Supplementary Information

This Statement requires single and agent employers to present in required supplementary information the following information, determined as of the measurement date, for each of the 10 most recent fiscal years:

- Sources of changes in the net OPEB liability
- The components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

If an actuarially determined contribution is calculated for a single or agent employer, the employer is required to present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes information about the actuarially determined contribution, contributions to the OPEB plan, and related ratios. If a single or agent employer does not have information about an actuarially determined contribution but has a contribution requirement that is established by statute or contract, the employer is required to present a schedule covering each of the 10 most recent fiscal years that includes information about the statutorily or contractually required contribution rates, contributions to the OPEB plan, and related ratios.

Significant methods and assumptions used in calculating the actuarially determined contributions, if applicable, are required to be presented as notes to required supplementary information. In addition, the employer is required to explain certain factors that significantly affect trends in the amounts reported in the schedules.

#### Cost-Sharing Employers

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net OPEB liability (of all employers for benefits provided through the OPEB plan)—the collective net OPEB liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the OPEB plan are determined. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.

A cost-sharing employer is required to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB.

In addition, the effects of (1) a change in the employer's proportion of the collective net OPEB liability and (2) differences during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

OPEB liability are required to be determined. These effects are required to be recognized in the employer's OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees). The portions of the effects not recognized in the employer's OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB. Employer contributions to the OPEB plan subsequent to the measurement date of the collective net OPEB liability also are required to be reported as deferred outflows of resources related to OPEB.

In governmental fund financial statements, the cost-sharing employer's proportionate share of the collective net OPEB liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. OPEB expenditures are required to be recognized equal to the total of (1) amounts paid by the employer to the OPEB plan, including amounts paid for OPEB as the benefits come due, and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

This Statement requires that notes to financial statements of cost-sharing employers include descriptive information about the OPEB plans through which the OPEB is provided. Cost-sharing employers are required to identify the discount rate and assumptions made in the measurement of their proportionate shares of net OPEB liabilities, similar to the disclosures about those items that should be made by single and agent employers. Cost-sharing employers, like single and agent employers, also are required to disclose information about how their contributions to the OPEB plan are determined.

This Statement requires cost-sharing employers to present in required supplementary information 10-year schedules containing (1) the net OPEB liability and certain related ratios and (2) if applicable, information about statutorily or contractually required contributions, contributions to the OPEB plan, and related ratios.

#### Defined Benefit OPEB That Is Provided through OPEB Plans That Are Not Administered through Trusts That Meet the Specified Criteria

For employers that provide insured benefits—defined benefit OPEB through an arrangement whereby premiums are paid or other payments are made to an insurance company while employees are in active service, in return for which the insurance company unconditionally undertakes an obligation to pay the OPEB of those employees—this Statement requires recognition of OPEB expense/expenditures equal to the amount of premiums or other payments required in accordance with their agreement with the insurance company. In addition to the amount of OPEB expense/expenditures recognized in the current period, a brief description of the benefits provided through the arrangement is required to be disclosed.

For defined benefit OPEB, other than insured benefits, that are provided through OPEB plans that are not administered through trusts that meet the specified criteria, this Statement requires an approach to measurement of OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB parallel to that which is required for OPEB provided through OPEB plans that are administered through trusts that meet the specified criteria. Similar note disclosures and required supplementary information are required to be presented. However, the requirements incorporate modifications to reflect the absence of OPEB plan assets for financial reporting purposes.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### DEFINED CONTRIBUTION OPEB

This Statement requires an employer whose employees are provided with defined contribution OPEB to recognize OPEB expense for the amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period, net of forfeited amounts that are removed from employees' accounts. A change in the OPEB liability is required to be recognized for the difference between amounts recognized in expense and amounts paid by the employer to (or benefit payments through) a defined contribution OPEB plan. In governmental fund financial statements, OPEB expenditures are required to be recognized equal to the total of (1) amounts paid by the employer to (or benefit payments through) an OPEB plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. An OPEB liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Notes to financial statements of an employer with a defined contribution plan are required to include descriptive information about the OPEB plan and benefit terms, contribution rates and how they are determined, and amounts attributed to employee service and forfeitures in the current period.

#### SPECIAL FUNDING SITUATIONS

In this Statement, special funding situations are defined as circumstances in which a nonemployer entity is legally responsible for providing certain forms of financial support for OPEB of the employees of another entity. Relevant forms of financial support are contributions directly to an OPEB plan that is administered through a trust that meets the specified criteria, including benefit payments as OPEB comes due for OPEB provided through such a plan, or making benefit payments directly as the OPEB comes due in circumstances in which OPEB is provided through an OPEB plan that is not administered through a trust that meets the specified criteria. Such support is a special funding situation if either (1) the amount of contributions or benefit payments, as applicable, for which the nonemployer entity legally is responsible is not dependent upon one or more events unrelated to the OPEB or (2) the nonemployer entity is the only entity with a legal obligation to make contributions directly to an OPEB plan or to make benefit payments as OPEB comes due, as applicable.

This Statement requires an employer that has a special funding situation for defined benefit OPEB to recognize an OPEB liability and deferred outflows of resources and deferred inflows of resources related to OPEB with adjustments for the involvement of nonemployer contributing entities. The employer is required to recognize its proportionate share of the collective OPEB expense, as well as additional OPEB expense and revenue for the OPEB support of the nonemployer contributing entities. This Statement requires that the employer disclose in notes to financial statements information about the amount of support provided by nonemployer contributing entities and present similar information about the involvement of those entities in 10-year schedules of required supplementary information.

The approach that is required by this Statement for measurement and recognition of liabilities, deferred outflows of resources and deferred inflows of resources, and expense by a governmental nonemployer contributing entity in a special funding situation for defined benefit OPEB is similar to the approach required for cost-sharing employers.

The information that is required to be disclosed in notes to financial statements and presented in required supplementary information of a governmental nonemployer contributing entity in a special funding situation depends on the proportion of the collective net OPEB liability that it recognizes. In circumstances in which a governmental nonemployer contributing entity recognizes a substantial

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

proportion of the collective net OPEB liability, requirements for note disclosures and required supplementary information are similar to those for cost-sharing employers. Reduced note disclosures and required supplementary information are required for governmental nonemployer contributing entities that recognize a less-than-substantial portion of the collective net OPEB liability.

This Statement also establishes requirements related to special funding situations for defined contribution OPEB.

#### *Effective Date*

This Statement is effective for fiscal years beginning after June 15, 2017.

#### *How the Changes in This Statement Improve Financial Reporting*

The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information, as follows:

- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of OPEB measurements.
- Explanations of how and why the OPEB liability changed from year to year will improve transparency.
- The summary OPEB liability information, including ratios, will offer an indication of the extent to which the total OPEB liability is covered by resources held by the OPEB plan, if any.
- For employers that provide benefits through OPEB plans that are administered through trusts that meet the specified criteria, the contribution schedules will provide measures to evaluate decisions related to contributions.

The consistency, comparability, and transparency of the information reported by employers and governmental nonemployer contributing entities about OPEB transactions will be improved by requiring:

- The use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return
- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations
- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes of benefit terms

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

- Recognition of OPEB expense that incorporates deferred outflows of resources and deferred inflows of resources related to OPEB over a defined, closed period, rather than a choice between an open or closed period.

#### ***GASB 81 – Irrevocable Split-Interest Agreements***

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

#### ***Effective Date***

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

#### ***How the Changes in This Statement Improve Financial Reporting***

This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission.

#### ***GASB 85 – Omnibus 2017***

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

#### *Effective Date*

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

#### *How the Changes in This Statement Improve Financial Reporting*

The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

#### **EFFECTIVE FISCAL YEAR 2018/19:**

##### **GASB 83 – Certain Asset Retirement Obligations**

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

#### *Effective Date*

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

## MEMORANDUM ON INTERNAL CONTROL

### SCHEDULE OF OTHER MATTERS

#### *How the Changes in This Statement Will Improve Financial Reporting*

This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

#### **EFFECTIVE FISCAL YEAR 2019/20:**

##### **GASB 84 – Fiduciary Activities**

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

#### ***Effective Date***

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

**MEMORANDUM ON INTERNAL CONTROL**

**SCHEDULE OF OTHER MATTERS**

***How the Changes in This Statement Will Improve Financial Reporting***

The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.

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## REQUIRED COMMUNICATIONS

To the City Council of  
The City of San Carlos, California

We have audited the basic financial statements of the City of San Carlos for the year ended June 30, 2017. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards*.

### **Significant Audit Findings**

#### ***Accounting Policies***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

#### **GASB 82 – Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73**

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The pronouncement became effective, but did not have a material effect on the financial statements or the footnotes. It only affected the Pension-related Required Supplementary Information.

#### ***Unusual Transactions, Controversial or Emerging Areas***

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

## *Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the City's financial statements were:

*Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net pension assets and liabilities and deferred outflows/inflows of resources are disclosed in Note 10 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the City. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimated Net OPEB Asset:* Management's estimate of the net OPEB Asset is disclosed in Note 11 to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the City. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimated Fair Value of Investments:* As of June 30, 2017, the City held approximately \$132.1 million of cash and investments as measured by fair value as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2017. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2017.

*Estimate of Depreciation:* Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 1 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimate of Compensated Absences:* Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 8 to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimated Claims Liabilities:* Management's estimate of the claims liabilities payable is disclosed in Note 12 to the financial statements and is based on the claims experience of the City. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

***Disclosures***

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the City's financial reporting process.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the City Council.

***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in a management representation letter dated October 26, 2017.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Information Accompanying the Financial Statements**

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information which accompany the financial statements, but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and Statistical Sections which accompany the financial statements, but are not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

\*\*\*\*\*

This information is intended solely for the use of City Council and management and is not intended to be, and should not be, used by anyone other than these specified parties.

*Maze & Associates*

Pleasant Hill, California  
October 26, 2017



## STAFF REPORT

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To: SBWMA Board Members  
From: Farouk Fakira, Finance Manager  
Date: January 25, 2018 Board of Director's Meeting  
Subject: Resolution Approving Revised SBWMA Investment Policy for 2018

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### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2018-03 attached hereto authorizing the adoption of the Investment Policy for 2018. See **Exhibit A** to the Resolution for the actual 2018 Investment Policy.

### Summary

As stated in the Investment Policy, the Investment Policy shall be adopted by resolution of the Board on an annual basis. It was last approved by the Board in January 26, 2017. It has been reviewed by the Board Adhoc Finance Sub-Committee (comprised of Board Members Bill Widmer, Michael Brownrigg, and Jay Benton. Committee member and Burlingame City Treasurer, Carol Augustine was not able to participate in this discussion due to a conflict) which recommends approval. The minor changes to the policy that have been recommended are shown in the attached redline version (see **Exhibit B**). It should be noted that the Finance Committee has expressed a strong interest in evaluating alternative, higher-performing investment options for a portion of the Agency's overall investment portfolio. This topic will be discussed further at upcoming Finance Committee meetings a report back will be provided to the Board of any recommendations that emerge from this process.

### Analysis

On August 24, 2000, the Board approved utilization of the City of San Carlos' Investment Policy for the SBWMA Investment Policy. This decision was based on the Authority's need to have policies in place. The Board has approved annual revisions. The attached SBWMA Investment Policy (see **Exhibit A**) is fully compliant with California Code and is the similar to the policy that is used by the City of San Carlos who 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 unexpended 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.

The Audit Sub-Committee also recommended that staff evaluate an option for more active management of the investment funds, including an option for hiring an investment advisor. Staff released an RFP, which was sent to all companies that had responded to other similar RFPs released by other Member Agency, and only received

one response. Staff decided to not pursue this recommendation further given the limited response and also inability to discern any financial value from this approach.

Staff have prepared an analysis that will be presented to the Board Adhoc Finance Sub Committee separately addressing the potential use of an Asset Management firm to manage the funds that are currently been invested with the County of San Mateo.

**Fiscal Impact**

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

**Attachments:**

Resolution 2018-03

Exhibit A – Investment Policy

Exhibit B – [Redline version of Investment Policy showing changes \(available online only at www.rethinkwaste.org\)](http://www.rethinkwaste.org)



A Public Agency

**RESOLUTION NO. 2018-03**

**RESOLUTION OF THE SOUTH BAYSIDE WASTE  
MANAGEMENT AUTHORITY BOARD OF DIRECTORS  
APPROVING A REVISED INVESTMENT POLICY FOR 2018**

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

**WHEREAS**, the Board's Adhoc. Audit 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 2018 SBWMA Investment Policy document as shown in Exhibits A and B.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 25<sup>th</sup> day of January, 2018, 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. 2018-03 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on January 25, 2018.

ATTEST:

\_\_\_\_\_  
Bob Grassilli, Chairperson of SBWMA

\_\_\_\_\_  
Cynthia Urman, Board Secretary

## **SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY INVESTMENT POLICY**

January 2018

### **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. The authority governing investments for municipal governments is set forth in the California Government Code, Sections 53601 through 53659.

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 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, 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. 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.
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 10% 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.
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 15% 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
Bankers Acceptances	53601(g)	180 Days	N/A	40%	(B)
Commercial Paper	53601(h)	270 Days	Highest letter and number rating by an NRSRO	25%	(A)
Negotiable Certificates of Deposit	53601(i)	5 Years	N/A	30%	(A)
Time Certificates of Deposit – Banks or Savings and Loans	53601.8	5 Years	N/A	30%	(A)
Medium Term Corporate Notes	53601(k)	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.

## 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 5,700 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: Farouk Fakira, Finance Manager  
 Date: January 25, 2018 Board of Directors Meeting  
 Subject: Approval of Quarterly Investment Report for the Quarter Ended September 30, 2017 and Investment options for SBWMA County Investment Fund

I. Quarterly Investment:

Recommendation

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

Analysis

The primary objective of the Investment Policy for the SBWMA is safety of principal, while meeting the cash flow needs of the Authority, through prudent investment of unexpended cash. As of September 30, 2017, the investment portfolio was in compliance with the Investment Policy. The portfolio contains sufficient liquidity to meet the next six months of expected expenditures by the Authority as well as by other third parties.

Fiscal Impact

The attached Investment Portfolio Summary indicates that as of September 30, 2017, funds in the amount of \$19,263,603 were invested, producing a weighted average yield of 0.91%.

Below is a summary of the changes from the last quarter.

	Qtr Ended 9/30/17	Qtr Ended 6/30/17	Increase (Decrease)
Total Portfolio	\$ 19,263,603	\$ 20,029,774	\$ (766,171)
Weighted Average Return	0.91%	0.72%	0.19%
Interest/Dividends Earnings	\$ 55,349	\$ 42,152	\$ 13,197

The total quarter-end portfolio balance decreased by \$766,171. The decrease is due to the annual Bond principal repayment and biannual Bond interest payment which were made in September. While the quarter-end portfolio balance was lower, higher total liquid investment balances (LAIF/County Pool) during the quarter and stronger performances by all the funds resulted in greater interest and dividend earnings.

A table comparison of the portfolio components is provided below:

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

	9/30/2017 Balance	% of Total	6/30/2017 Balance	% of Total	Change over Prior Quarter
SM County Pool	\$ 6,141,927	32%	\$ 6,821,606	34%	\$ (679,679)
LAIF	8,458,145	44%	6,843,909	34%	1,614,236
Bond Account	4,663,531	24%	6,364,259	32%	(1,700,728)
<b>Total Portfolio</b>	<b>\$ 19,263,603</b>	<b>100%</b>	<b>\$ 20,029,774</b>	<b>100%</b>	<b>\$ (766,171)</b>

Due to arbitrage restrictions, bond investments are not included in our LAIF rate or investment pool comparison. As of September 30, 2017, the bond reserve and payment accounts of approximately \$4.7 million were invested with the trustee in short-term investments.

As of September 30, 2017, investments in the County Investment Pool totaled 42% of SBWMA's funds available for investment pools (see Attachment 1). The percentage is within the range specified by the SBWMA Board.

The average yield of the portfolio in the quarter excluding the bond proceeds was 1.13%. LAIF is used as a benchmark and the average LAIF yield for the quarter ending September 30, 2017, was 1.07%. The San Mateo County Pool average yield for the quarter was 1.21%.

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

#### **Review of Alternate Investment Options for County Pool Fund**

Acting on the Finance Committee's request and in the ongoing spirit of fiscal due diligence regarding all agency monies, Staff evaluated higher yielding investment opportunities for the SBWMA's idle cash than the County pool can offer, three agencies within the SBWMA JPA were surveyed for portfolio yield comparisons. This amount is currently valued at \$6,141,927. Survey results indicated that by redirecting agency funds into any of the three options evaluated increases in yield might be achieved. Unfortunately, among the two most favorable of the three options evaluated one was not available for agency participation due to a large minimum capital requirement that significantly exceeds this fund's historical balance. The second one was self-managed but had an investment committee that helped in managing the fund. SBWMA does not have an investment committee.

These survey results were reviewed with the Finance Committee on January 9<sup>th</sup> and it was agreed that no change in the placement of agency investment funds would occur at this time.

#### **Attachments**

- A – Summary of All Investments for Quarter Ending September 30, 2017
- B – Investment Portfolio 09/30/2017 - Chart
- C – Historical Summary of Investment Portfolio

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

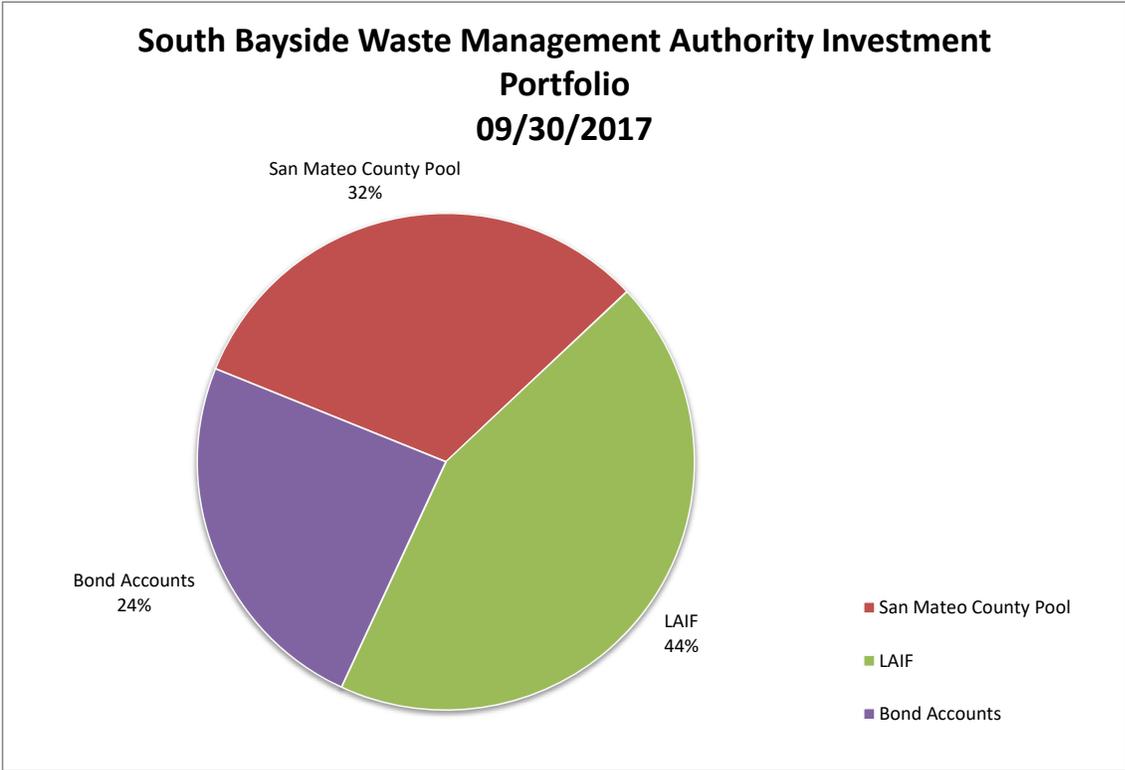
**SUMMARY OF ALL INVESTMENTS**  
For Quarter Ending September 30, 2017

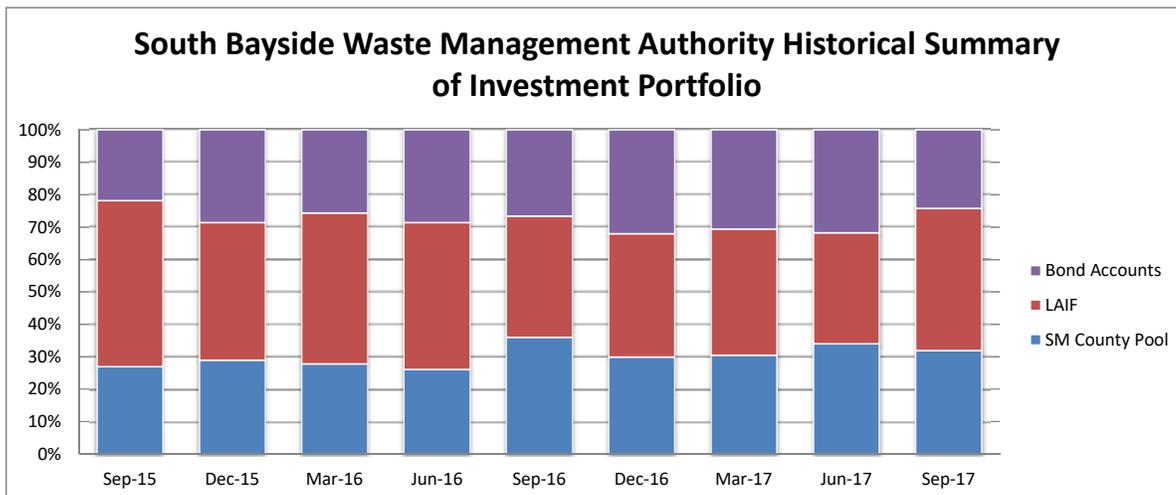
Category	Weighted Average Return	Historical Book Value	% of Portfolio	GASB 31 ADJ Market Value*	Interest/ Dividend Earned
<b>Liquid Investments:</b>					
San Mateo County Investment Pool (COPOOL)	1.21%	\$ 6,141,927	42%	\$ 6,141,927	\$ 18,331
Local Agency Investment Fund (LAIF)	1.07%	8,458,145	58%	8,450,043	23,866
<b>Total - Investments</b>	<b>1.13%</b>	<b>14,600,072</b>	<b>100.00%</b>	<b>14,591,970</b>	<b>42,197</b>
<b>Bond Accounts - Cash with Fiscal Agents</b>					
BNY Western Trust - Blackrock Treasury Trust Instl 62 2009A Reserve Fund Account	0.20%	4,127,780		4,127,780	8,315
BNY Western Trust - Blackrock Treasury Trust Instl 62 2009A Payment Fund Account	0.48%	535,751		535,751	4,837
<b>Total - Bond Accounts</b>	<b>0.23%</b>	<b>4,663,531</b>		<b>4,663,531</b>	<b>13,152</b>
<b>GRAND TOTAL OF PORTFOLIO</b>	<b>0.91%</b>	<b>\$ 19,263,603</b>		<b>\$ 19,255,501</b>	<b>\$ 55,349</b>
<b>Total Interest/ Dividend Earned This Quarter</b>				<b>55,349</b>	
<b>Total Interest/ Dividend Earned Fiscal Year-to-Date</b>				<b>55,349</b>	

**Note: SBWMA Board approved the following investment mix at its January 22, 2015 meeting:**

LAIF - 50% to 70%  
COPOOL - 30% to 50%

\*Difference in value between Historical Value and Market Value may be due to timing of purchase. Investments in the investment pools may have been purchased when interest rates were lower or higher than the end date of this report. As interest rates increase or decrease, the value of the investment pools will decrease or increase accordingly. However, interest rate fluctuations does not have any impact to SBWMA's balance in the investment pools. The market values are presented as a reference only.





**South Bayside Waste Management Authority Portfolio**

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
SM County Pool	5,728,746	5,739,190	5,750,398	5,762,103	6,274,875	5,289,351	5,306,369	6,821,606	6,141,927
LAIF	10,878,169	8,385,354	9,593,633	10,003,104	6,513,338	6,723,255	6,782,867	6,843,909	8,458,145
Bond Accounts	4,631,288	5,662,254	5,289,337	6,320,831	4,636,705	5,669,053	5,325,786	6,364,259	4,663,531
<b>Grand Total</b>	<b>\$ 21,238,203</b>	<b>\$ 19,786,798</b>	<b>\$ 20,633,368</b>	<b>\$ 22,086,038</b>	<b>\$ 17,424,918</b>	<b>\$ 17,681,659</b>	<b>\$ 17,415,022</b>	<b>\$ 20,029,774</b>	<b>\$ 19,263,603</b>





# ADMINISTRATION AND FINANCE



## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Jean Savaree, Deputy General Counsel  
**Date:** January 25, 2018 Board of Directors Meeting  
**Subject:** Election of Board Officers for 2018

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### Recommendation

The Board is required to annually elect a Board Chair and Vice Chair per Article 8, Governance, of the JPA Agreement, Sections 8.5 and 8.6 which provide:

8.5 Chair. The Board shall annually select a Chair, by a vote taken in accordance with Section 10.8 of this Agreement, who shall serve without compensation at the pleasure of the Board. The duties of the Chair include, but are not limited to the following:

- a. Conduct Board meetings.
- b. Review and set meeting agendas with the Executive Director.
- c. Sign any and all SBWMA official documents.

8.6 Vice Chair. The Board shall annually select a Vice Chair, by a vote taken in accordance with Section 10.8 of this Agreement, who serves without compensation at the pleasure of the Board. The Vice Chair shall act in the absence of the Chair, with full powers of the Chair.

This selection traditionally occurred at the Board's January meeting. Staff recommends that the Board now select the Chair and Vice Chair for 2018.

In addition to the duties enumerated in Section 8.5, as a matter of practice, the Board Chair and Vice Chair along with the Executive Director, General Counsel and Board Clerk have traditionally met on a monthly basis as the "Executive Committee" to conduct Board meeting agenda planning and discuss major items of note related to JPA operations. The Executive Director also updates the Executive Committee on a regular basis on any major issues that may come up in the course of day-to-day operations.

### Background

Staff recommends the following process for the Board to follow in electing a Chair and Vice Chair for calendar year 2018:

1. Chair calls for nominations for the position of Chair (nominations do not require a second).
2. Motion is adopted to close nominations.
3. Board votes on nominations in the order in which the nominations were made until a Chair is elected.

4. Sections 8.5 and 10.8 of the JPA Agreement require the successful vote to be by 2/3 of the Directors present.
5. The new Chair takes the gavel and assumes the office and calls for nominations for Vice Chair and the same procedure is followed for electing the Vice Chair.

**Fiscal Impact**

None.

**Attachments:**

None.

## STAFF REPORT

**To:** SBWMA Board Members  
**From:** Farouk Fakira, Finance Manager  
**Date:** January 25, 2018 Board of Directors Meeting  
**Subject:** Resolution Accepting Mid-Year Review of FY17/18 Annual Operating Budget

### Board Action

It is recommended that the SBWMA Board of Directors approve Resolution No. 2018-04 attached hereto authorizing the following action:

Approval of the Mid-Year Budget Adjustments for FY17/18.

### Analysis

Staff has conducted a thorough analysis of year-to-date revenues and expenditures. These findings were reviewed and discussed by the SBWMA Finance Committee at its January 9<sup>th</sup> meeting, **Attachment A** has been prepared to provide the Board with key budget and related information as follows:

- **Attachment A** contains budget worksheets providing line item detail for all projected revenues, expenditures and capital spending.

FY17/18 SUMMARY NET INCOME				
Revenues	Approved Budget	Mid-Year Projections	Variance	Variance %
Total Revenues	\$ 46,960,353	\$ 49,180,563	\$ 2,220,211	4.7%
Total Expenditures	44,137,464	47,569,865	3,432,401	7.8%
<b>Net Income</b>	<b>\$ 2,822,888</b>	<b>\$ 1,610,698</b>	<b>\$ (1,212,190)</b>	<b>-42.9%</b>

Net Income is projected at \$1,610,698 which is (\$1,212,190) less than was projected in the Approved FY17/18 Budget (see **Table 1**).

As shown in **Table 1** and **Table 2** below, there was a Total positive Revenue variance of \$2,220,211 due to the following:

1. A favorable increase of \$2.73 million in non- franchise revenue is due to a volume increase of 15,492 tons and 27,844 in cubic yards mainly in food waste and C&D and a favorable price variance of \$.13 million as a result of the projected tip fee increase in January of 2018.
2. A favorable increase in volume of \$.33 million in franchise revenue is due to volume increase and \$.53 million is due to the projected tip fee increase in January of 2018.
3. Unfavorable commodity revenue of (\$2.102) million is due to unfavorable rate variance of (\$1.1) million as a result of unfavorable blended rate of \$18.20 (\$123.57 vs. \$141.76 as budgeted) and unfavorable volume variance of (\$1.170) million due to decrease in volume of 6,573 tons.

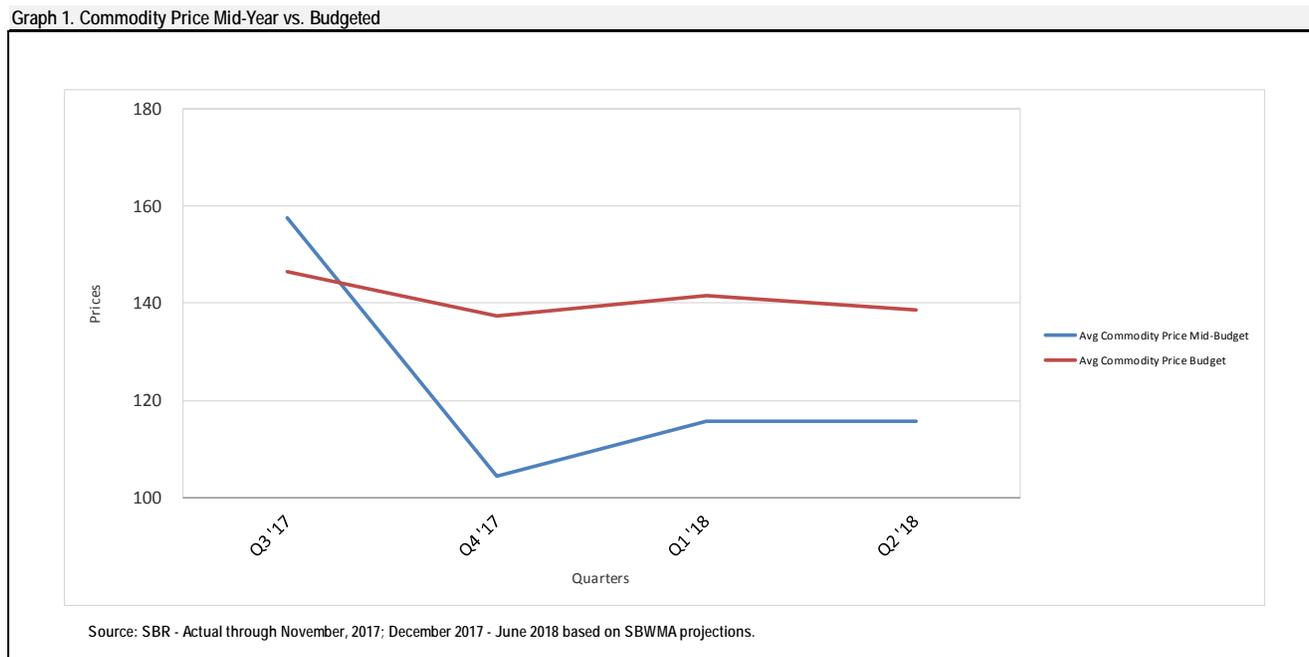
4. Favorable commodity shared revenue to SBR of \$.244 million in line with the commodity revenue decrease.
5. Lower buyback expenses than budgeted of \$.013 million.

Higher than budgeted Expenditures of \$3,432,401 million are primarily due to the following (see **Table 4**):

1. Unfavorable administrative cost of \$.035 million is due to merit increase and management coverage for Faustina.
2. SBR compensation is higher due to higher rate of \$.320 million caused mainly by higher residue at 12% vs. 6.96% budgeted and \$.295 million is due to higher disposal volume than budgeted.
3. Higher disposal and processing cost of \$2.188 million is mainly due to \$.297 million in higher disposal rates than budgeted and \$1.891 million due to higher volume in line with the higher revenue.

## Revenues

The graph below shows the drop in blended (weighted average) value (\$18.20) per ton for commodities as compared to the budgeted blended rate (\$123.57 vs. \$141.76 budgeted).



The positive revenue was supported mostly by an increase in tip fee revenues resulting from higher than budgeted volume into Shoreway and projected tip fees increases in the month of January, 2018 see **Table 2**.

FY17/18 REVENUE SUMMARY				
Revenues	Approved Budget	Mid-Year Projections	Variance	Variance %
Tip Fee Revenues	\$ 38,780,135	\$ 42,508,115	\$ 3,727,980	9.6%
<i>Non Franchised</i>	8,691,298	11,559,769	2,868,471	33.0%
<i>Franchised</i>	30,088,837	30,948,346	859,509	2.9%
Net Commodity Sales Revenues*	8,015,544	6,170,872	(1,844,672)	-23.0%
Interest Income	106,580	175,079	68,499	100.0%
Other Revenue	58,094	67,990	9,896	17.0%
<b>Sub Revenue</b>	<b>\$ 46,960,353</b>	<b>\$ 48,922,055</b>	<b>\$ 1,961,703</b>	<b>4.2%</b>
<b>Fire Related Revenues:</b>				
Insurance Proceeds	-	\$ 258,508	\$ 258,508	100.0%
<b>Sub Fire Revenue</b>	<b>\$ -</b>	<b>\$ 258,508</b>	<b>\$ 258,508</b>	<b>100.0%</b>
<b>Total Revenues</b>	<b>\$ 46,960,353</b>	<b>\$ 49,180,563</b>	<b>\$ 2,220,211</b>	<b>4.7%</b>

\*Gross commodity sales less 25.00% revenue share with SBR and buyback payments. See Attachment B - Table 2.

### Expenditures

Table 3 below shows that the higher than budgeted Shoreway Operations expense of \$3.396 million mostly is due to \$2.188 million in higher disposal and processing cost caused by higher disposal rates and higher projected volume, higher SBR compensation of \$.616 million, higher franchise fees in line with higher revenue volume, higher insurance charges of \$.203 million and fire expenses of \$.259 million.

Table 3

Expenditures	Approved Budget	Mid-Year Projections	Variance	Variance %
SBR Compensation*	\$ 18,936,520	\$ 19,551,983	\$ 615,463	3.3%
Disposal and Processing*	15,859,400	18,047,130	2,187,730	13.8%
Insurance Shoreway	576,500	780,000	203,500	35.3%
Education Center	60,000	60,000	-	0.0%
Credit Cards Charges	140,600	112,000	(28,600)	-20.3%
Debt Service Bond Interest	2,710,170	2,710,170	-	0.0%
Other Operating Expenses	292,690	292,690	-	0.0%
Taxes (Sewer)	61,860	44,186	(17,674)	-28.6%
Franchise Fee (San Carlos)**	1,846,710	2,024,236	177,526	9.6%
<b>Sub Shoreway Expenses:</b>	<b>\$ 40,484,450</b>	<b>\$ 43,622,394</b>	<b>\$ 3,137,945</b>	<b>7.8%</b>
<b>Fire Related Expenses:</b>				
SBR Compensation		\$ 258,508	\$ 258,508	100.0%
<b>Sub Fire Expenses</b>		<b>\$ 258,508</b>	<b>\$ 258,508</b>	<b>100.0%</b>
<b>Total Shoreway Operations:</b>	<b>\$ 40,484,450</b>	<b>\$ 43,880,902</b>	<b>\$ 3,396,453</b>	<b>8.4%</b>

\* Expense projection based on estimated facility tonnage  
 \*\* Expense projection based on estimated gate revenue (tipping fees x estimated tons)

As shown in Table 4 below, the SBWMA administrative expense budget has a Mid-Year Budget variance increase of \$.035 million due a merit increase and management coverage expense for Faustina who is on medical leave.

Table 4

FY17/18 EXPENDITURE SUMMARY				
Expenditures	Approved Budget	Mid-Year Projections	Variance	Variance %
Administrative Expenses	\$ 1,729,485	\$ 1,765,433	\$ 35,948	2.1%
MEMBER AGENCY SUPPORT & CONTRACT COMPLIANCE	889,030	889,030	-	0.0%
STATE MANDATED PUBLIC EDUCATION & OUTREACH	1,034,500	1,034,500	-	0.0%
<b>Total SBWMA Expenses</b>	<b>\$ 3,653,015</b>	<b>\$ 3,688,963</b>	<b>\$ 35,948</b>	<b>1.0%</b>
Shoreway Operations	\$ 40,484,450	\$ 43,880,902	\$ 3,396,453	8.4%
<b>Total Expenses</b>	<b>\$ 44,137,464</b>	<b>\$ 47,569,865</b>	<b>\$ 3,432,401</b>	<b>7.8%</b>

### Capital Spending

No change in projected capital spending. Please see **Attachment A** for a worksheet on our capital projects.

### Reserve Balances

Table 5 below captures the Mid-Year reserve balance projections for FY17/18 compared to the Approved Budget reserve balance. The projected Total Uncommitted Reserve favorable variance of \$.038 million is primarily due an increase in the beginning balance by \$1.250 million from the actuals for FY16/17 vs. the budgeted balance and that was offset by the unfavorable decrease in net income of \$1.212 million.

Table 5

RESERVE BALANCE					
	ACTUAL FY1617	APPROVED BUDGET FY1718	MID-YEAR BUDGET FY1718	Variance	Variance%
<b>Uncommitted Reserves:</b>					
RATE STABILIZATON (10% of expense)	\$ 4,242,701	\$ 4,413,746	\$ 4,756,987	\$ 343,240	7.8%
EMERGENCY RESERVE (10% of total expense)	\$ 4,242,701	\$ 4,413,746	\$ 4,756,987	\$ 343,240	7.8%
CAPITAL RESERVE	\$ 6,611,002	\$ 4,617,411	\$ 3,969,439	\$ (647,972)	-14.0%
<b>TOTAL UNCOMMITTED RESERVES</b>	<b>\$ 15,096,404</b>	<b>\$ 13,444,904</b>	<b>\$ 13,483,412</b>	<b>\$ 38,508</b>	<b>0.3%</b>
<b>Committed Reserves:</b>					
EQUIPMENT REPLACEMENT (ANNUAL)	\$ 991,791	\$ 1,192,148	\$ 1,192,148	\$ -	0.0%
<b>TOTAL COMMITTED RESERVES</b>	<b>\$ 16,088,195</b>	<b>\$ 14,637,052</b>	<b>\$ 14,675,560</b>	<b>\$ 38,508</b>	<b>0.3%</b>
<i>proof</i>	\$ 16,088,195	\$ 14,637,052	\$ 14,675,560	\$ -	\$ 38,508
<b>Other LT Projects (Fully Funded)</b>					
<b>SHOREWAY REMEDIATION PROJECT</b>	<b>\$ 1,233,640</b>	<b>\$ 1,233,640</b>	<b>\$ 1,233,640</b>		

Table 6 is showing the components that make up the insurance revenue claims due for the period from July, 2017 to date.

Table 6		
Insurance Outstanding Claims		
Account	Amount	Comments
SBR Hauling Charges For Residue	\$ 81,001	Hauling charges for residue from MRF to T.S.
Misc. Equipment Charges and other	177,507	Misc. charges.
<b>Total Insurance Claim</b>	<b>\$ 258,508</b>	<b>Total claim to insurance</b>

**Fiscal Impact**

The Mid-Year Budget for FY17/18 shows Net Income of \$1.611 million which is \$1.212 lower than the Approved FY17/18 Budget.

**Attachments:**

Resolution 2018-04

Attachment A – FY17/18 Budget Worksheets

Attachment B – Mid-Year Budget Tables



## RESOLUTION NO. 2018-04

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS ACCEPTING MID-YEAR REVIEW OF FY1718 ANNUAL OPERATING BUDGET

WHEREAS, the South Bayside Waste Management Authority proposed budget adjustments as presented is balanced and provided sufficient funds for normal operations.

NOW THEREFORE, BE IT RESOLVED, the South Bayside Waste Management Authority hereby approves the adjustments to the fiscal year 2017/2018 operating budget.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 25<sup>th</sup> day of January, 2018, 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. 2018-04 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on January 25, 2018.

ATTEST:

\_\_\_\_\_  
Bob Grassilli, Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Board Secretary

	REVENUE SUMMARY	ACTUAL FY16/17	APPROVED BUDGET FY17/18	YTD EARNED 11/30/17	MID-YEAR BUDGET FY17/18	Variance to Adopted Budget	Variance % to Adopted Budget	Notes
1	<b>ADMINISTRATIVE REVENUES</b>							
2	INVESTMENT INCOME	\$ 97,176	\$ 106,580	\$ 64,656	\$ 175,079	\$ 68,499	64.3%	County yield improved.
3	INVESTMENT (GASB 31) MARKET VALUE ADJ	-	-	-	-	-		
4	<b>TOTAL ADMINISTRATIVE</b>	<b>\$ 97,176</b>	<b>\$ 106,580</b>	<b>\$ 64,656</b>	<b>\$ 175,079</b>	<b>\$ 68,499</b>	<b>64.3%</b>	
5	<b>OPERATIONS REVENUES</b>							
6	SHOREWAY TIP FEES - Non Franchised	\$ 9,575,945	\$ 8,691,298	\$ 4,830,689	\$ 11,559,769	\$ 2,868,471	33.0%	Favorable price variance of \$.13 million due to tip fee increase, \$2.73 million is due to favorable volume (food waste & C&D).
7	SHOREWAY TIP FEES - Franchised	\$ 29,349,731	\$ 30,088,837	\$ 12,924,418	\$ 30,948,346	\$ 859,509	2.9%	Favorable price variance of \$.53 Million is due Tip fee increase on 01/01/2018, and \$.33 million due to volume increase.
8	COMMODITY SALES REVENUE	\$ 7,375,505	\$ 10,046,673	\$ 3,101,594	\$ 7,944,839	\$ (2,101,834)	-20.9%	Unfavorable price variance of (\$1.1) million is due to a drop in blended rate of \$18.19 per ton and unfavorable volume variance of \$1.4 million due to a decrease in volume of 9,657 tons.
9	COMMODITY REVENUE SHARING W/ SBR	(435,897)	(1,139,814)	(528,195)	(895,767)	244,047	-21.4%	In line with the decrease in commodities reveue.
10	BUY BACK CENTER - Payment to Customers	(812,243)	(891,314)	365,917	(878,200)	13,114	-1.5%	Slightly under budget in line with the drop in commodities.
11	E-SCRAP COMMODITY REVENUES	15,367	13,094	3,709	8,902	(4,192)	-32.0%	Lower ES revenue than budgeted.
12	MRF HOST FEE - SBR Third-Party Contracted Tons	\$ 90,575	\$ -	\$ 14,088	\$ 14,088	\$ 14,088	0.0%	Recology continued to bring a smaller volume of tons till the month of October.
13	HHW ON-CALL COLLECTION SERVICE - NEW	335,028	-	-	-	-	0.0%	Contract discontinued.
14	COMMERCIAL RECYCLING ORDINANCE FEE	6,723	15,000	-	15,000	-	0.0%	Ordinance fee rev. paid by comm.recycler
15	MISCELLANEOUS REVENUE	136,557	30,000	-	30,000	-	0.0%	CA Paint Care program
16	<b>SUB OPERATIONS</b>	<b>\$ 45,637,291</b>	<b>\$ 46,853,773</b>	<b>\$ 20,712,220</b>	<b>\$ 48,746,977</b>	<b>\$ 1,893,204</b>	<b>4.0%</b>	
17	<b>FIRE RELATED REVENUE:</b>							
22	NET INSURANCE PROCEEDS	\$ 7,542,055	-	-	\$ 258,508	258,508	0.0%	Residue hauling charges and Misc. charges
23	<b>SUB FIRE REVENUE</b>	<b>\$ 7,542,055</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 258,508</b>	<b>\$ 258,508</b>	<b>0.0%</b>	
24	<b>TOTAL OPERATING REVENUES</b>	<b>\$ 53,179,346</b>	<b>\$ 46,853,773</b>	<b>\$ 20,712,220</b>	<b>\$ 49,005,485</b>	<b>\$ 2,151,712</b>	<b>4.6%</b>	
25	<b>TOTAL REVENUE</b>	<b>\$ 53,276,522</b>	<b>\$ 46,960,353</b>	<b>\$ 20,776,876</b>	<b>\$ 49,180,563</b>	<b>\$ 2,220,211</b>	<b>4.7%</b>	
26	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 41,732,971</b>	<b>\$ 44,137,464</b>	<b>\$ 42,280,176</b>	<b>\$ 47,569,865</b>	<b>\$ 3,432,401</b>	<b>7.8%</b>	
27	<b>NET OPERATING INCOME</b>	<b>\$ 11,543,551</b>	<b>\$ 2,822,888</b>	<b>\$ (21,503,300)</b>	<b>\$ 1,610,698</b>	<b>\$ (1,212,190)</b>	<b>-42.9%</b>	
28	<b>DEPRECIATION EXPENSE</b>	<b>\$ 3,337,059</b>	<b>\$ 3,144,496</b>	<b>\$ 3,144,496</b>	<b>\$ 3,144,496</b>	<b>\$ -</b>	<b>0.0%</b>	
28	<b>NET OPERATING INCOME AFTER DEPRECIATION</b>	<b>\$ 8,206,492</b>	<b>\$ (321,608)</b>	<b>\$ (24,647,796)</b>	<b>\$ (1,533,798)</b>	<b>\$ (1,212,190)</b>	<b>376.9%</b>	

MID-YR-REVENUES 2018

Attachment A. FY17/18 Budget Expense Detail

line	EXPENDITURE SUMMARY	ACTUAL FY16/17	APPROVED BUDGET FY17/18	YTD SPENT 11/30/17	MID-YEAR BUDGET FY17/18	Variance to Approved Budget	Variance % to Approved Budget	Staff	Notes
1	ADMINISTRATIVE EXPENSES								
2	ADMINISTRATIVE STAFF	\$ 512,106	\$ 538,710	\$ 231,771	\$ 549,645	\$ 10,935	2.0%	FF	Merit increase
3	MANDATED COMPLIANCE SUPPORT STAFF	538,683	569,370	245,379	593,858	24,488	4.3%	FF	Management coverage for Faustina
4	EMPLOYEE RECRUITMENT/HR SUPPORT	1,625	15,000	325	15,000	-	0.0%	CU/FF	On call human resources planning, organization development services
6	PEO COST (RGS/LGS ADMIN FEES)	2,366	-	-	-	-	0.0%	FF	Discontinuation of administrative service for the recycling manager contract position.
7	BOARD COUNSEL	105,023	65,000	21,583	65,000	-	0.0%	CU	Legal expenses
8	BOARD MEETINGS	4,274	5,000	4,028	5,000	-	0.0%	CU	Includes Board meeting and Event food
9	ACCOUNTING SERVICES	139,950	145,000	72,500	145,000	-	0.0%	FF	Payment to City San Carlos for account services contracted-out
10	INFORMATION SYSTEMS	25,886	30,240	16,428	30,240	-	0.0%	CU	Expenses to maintain the information system
12	WEBSITE	12,000	12,100	8,983	12,100	-	0.0%	CU	Expenses to maintain the Web information system
13	ANNUAL AUDIT	5,735	8,860	2,588	8,860	-	0.0%	FF	Fees paid to auditors to complete FY & Calendar year financial statements.
14	D&O INSURANCE	44,890	45,890	44,580	45,890	-	0.0%	FF	Annual insurance premium for director's and officer's insurance
15	BANK FEES	7,046	9,240	3,297	9,240	-	0.0%	FF	Bank fees inclusive of fees paid to BNY as the Bond Trustee.
16	RENT	54,847	56,000	22,853	56,000	-	0.0%	CU	Rent for the office from the City of San Carlos
17	PRINTING AND POSTAGE	171	500	95	500	-	0.0%	CU	Prints and postage
20	UTILITIES	17,174	20,000	10,499	20,000	-	0.0%	CU	Includes phone and janitor services.
21	OFFICE/TENANT IMPROVEMENTS	31,267	50,000	55,375	50,000	-	0.0%	CU	Tennant improvement & office services
22	OFFICE SUPPLIES	13,567	16,000	4,550	16,000	-	0.0%	CU	Office supplies
23	OFFICE EQUIPMENT COSTS	16,517	30,000	4,401	30,000	-	0.0%	CU	Includes Copier \$600 per mo. base lease and \$200 per month for copies
24	PUBLICATIONS & PUBLIC NOTICES	-	3,000	-	3,000	-	0.0%	CU	Estimate for two public notices if doing more than one public bid this item will need to go up
25	PROFESSIONAL DUES & MEMBERSHIPS	4,034	2,500	371	2,500	-	0.0%	CU	Memberships to trade and community organizations (CRRA, SWMA, NCRA, CCAC )
26	VEHICLE MILEAGE & TOLLS	54	75	271	600	525	700.0%	CU	Auto allowance.
27	CELL PHONES	993	5,000	-	5,000	-	0.0%	CU	Cell phone business expense.
28	CONFERENCE & MEETINGS	12,496	20,000	4,203	20,000	-	0.0%	CU	CRRA conference, progress seminar, SWANA meetings, lunch for SBWMA meetings, State of the City addresses.
29	TRAINING	2,420	10,000	199	10,000	-	0.0%	CU	Staff training opportunities.
31	SPONSORSHIPS & DONATIONS	14,000	30,000	9,000	30,000	-	0.0%	CU	CAW, CRRA, SWANA, Acterra, Sustainable San Mateo, CPSC, NCRA conference and meetings.
32	LEGISLATIVE & REGULATORY ADVOCACY	-	30,000	-	30,000	-	100.0%	JL	Extend producer responsibilities ( battery safety & diversion program support).
33	COMPUTER PURCHASE	4,354	12,000	10,501	12,000	-	0.0%	CU	Computer for Farouk, Ed Center and two new hires.
34	<b>TOTAL ADMINISTRATIVE</b>	<b>\$ 1,571,478</b>	<b>\$ 1,729,485</b>	<b>\$ 773,779</b>	<b>\$ 1,765,433</b>	<b>\$ 35,948</b>	<b>2.1%</b>		
35	<b>MEMBER AGENCY SUPPORT &amp; CONTRACT COMPLIANCE</b>								
36	RATE REVIEW	\$ 13,861	\$ 59,030	\$ 34,561	\$ 59,030	\$ -	0.0%	FF	30k financial auditing office temp support, \$30k support to align rates and cost.
37	FACILITY IMPROVEMENT OVERSIGHT	37,143	100,000	11,760	100,000	-	0.0%	HG	Engineering and construction management support
38	CONTRACT ANNUAL AUDITING	24,966	70,000	70,000	70,000	-	0.0%	FF	Annual Financial & Reporting Audit of RSMC and SBR at \$40K. \$15K for reviewing annual route assessment.
39	COLLECTION SERVICES FRANCHISE ADMIN.	301,953	55,000	6,230	55,000	-	0.0%	JL	FA compliance \$40k; call center \$15k;
40	FINANCE ANALYSIS SUPPORT	2,251	40,000	140	40,000	-	0.0%	FF	On-Call consultant support as needed to support Member Agency.
41	WASTE CHARACTERIZATION SUPPORT	27,110	30,000	12,676	30,000	-	0.0%	HG/JL	Characterization support
42	COLLECTION RFP CONSULTING SUPPORT	-	450,000	-	450,000	-	0.0%	JL	Placeholder amount if Recology Contract Negotiations are not successful
43	BATTERY MANAGEMENT PLANNING	-	85,000	3,150	85,000	-	0.0%	JL	
44	HHW DOOR TO DOOR COLLECTION OUTREACH	329,064	-	-	-	-	0.0%	JL	Program discontinued.
45	<b>TOTAL MEMBER AGENCY SUPPORT &amp; CONTRACT COMPLIANCE</b>	<b>\$ 736,348</b>	<b>\$ 889,030</b>	<b>\$ 68,517</b>	<b>\$ 889,030</b>	<b>\$ -</b>	<b>0.0%</b>		
46	<b>STATE MANDATED PUBLIC EDUCATION &amp; OUTREACH</b>								
47	STATE'S REQUIRED ANNUAL REPORTS	\$ 19,960	\$ 28,000	\$ 28,000	28,000	\$ -	0.0%	JL	Annual AB 939 submittal of EARs for 10-MAs .
48	SBWMA ANNUAL REPORT	-	10,000	-	10,000	\$ -	0.0%	JL	Expense for report printing and postage
49	DIVERSION PROGRAM SUPPORT	10,545	50,000	-	50,000	\$ -	0.0%	JL	Support with diversion programs \$10k and public spaces recycling assistance \$40k.
50	RECYCLING REPORTING EXPENSES <sup>1</sup>	420	-	-	-	\$ -	0.0%	JL	
51	EVENT GIVEAWAYS	-	15,000	3,711	15,000	\$ -	0.0%	JL	
52	DIVERSION AND COMPLIANCE PROGRAMS	47,907	395,000	106,825	395,000	\$ -	0.0%	JL	See detail of Diversion and LRP programs to be implemented in fiscal year
53	LARGE EVENT/VENUE SUPPORT/SHREDDING	-	12,500	-	12,500	\$ -	0.0%	JL	Shredding support
54	CLIMATE ACTION PLANNING	12,204	29,000	7,675	29,000	\$ -	0.0%	JL	Annual climate register & Member Agency support.
55	RECYCLING TECHNICAL ASSISTANCE	-	30,000	-	30,000	\$ -	0.0%	JL	AB1826 & 341 Compliance
56	COMMERCIAL/MFD CONTAINERS	31,253	60,000	-	60,000	\$ -	0.0%	JL	MFD recycle bags \$20, internal R containers \$20 MA containers \$20 per Franchise Agreements.
52	MULTI-FAMILY OUTREACH	1,545	50,000	-	50,000	\$ -	0.0%	JL	AB341&1826 Compliance \$10: MFD Toolkit \$20: Battery phones subscription \$10: Annual MFD awards \$10
58	MEMBER AGENCY & RATE PAYER EDUCATION	-	110,000	-	110,000	\$ -	0.0%	JL	Quarterly news letters to Agencies.
59	RESIDENTIAL OUTREACH PROGRAMS	6,806	65,000	9,441	65,000	\$ -	0.0%	JL	Outreach per FA \$40k: Annual Service Notice FA \$10k; website & Social media \$15k;
60	COMMUNITY EVENTS	-	20,000	-	20,000	\$ -	0.0%	JL	Community events support
61	HHW PROGRAM OUTREACH	40,619	80,000	-	80,000	\$ -	0.0%	JL	Education letters regarding HHW disposition.
62	CURBSIDE HOUSEHOLD BATTERY OUTREACH	-	75,000	-	75,000	\$ -	0.0%	JL	New program to educate customers about risk of battery fires and recycling options
63	SHRED EVENT SERVICE	4,318	5,000	9,654	5,000	\$ -	0.0%	JL	
64	<b>TOTAL STATE MANDATED PUBLIC EDUCATION &amp; OUTREACH</b>	<b>\$ 175,577</b>	<b>\$ 1,034,500</b>	<b>\$ 165,306</b>	<b>\$ 1,034,500</b>	<b>\$ -</b>	<b>0.0%</b>		

MID-YR-EXPENSES - 2018

Attachment A. FY17/18 Budget Expense Detail

line	EXPENDITURE SUMMARY	ACTUAL FY16/17	APPROVED BUDGET FY17/18	YTD SPENT 11/30/17	MID-YEAR BUDGET FY17/18	Variance to Approved Budget	Variance % to Approved Budget	Staff	Notes
65	<b>TOTAL SBWMA PROGRAM BUDGET</b>	\$ 2,483,403	\$ 3,653,015	\$ 1,007,603	\$ 3,688,963	\$ 35,948	1.0%		
66	<b>SHOREWAY OPERATIONS</b>								
67	OPERATING CONTRACT - SBR OPERATIONS	18,518,805	18,936,520	8,986,563	19,551,983	615,463	3.3%	FF	Unfavorable rate variance of \$ .320 million due to higher residue percentage of 12% vs. 7% budgeted, and unfavorable volume variance of \$.295 million due to higher volume.
68	DISPOSAL	16,513,386	15,859,400	7,376,159	18,047,130	2,187,730	13.8%	FF	Unfavorable price variance of \$.297 million due to increase in disposal rates and unfavorable volume variance of \$1.891 million due to higher volume of 28,707 tons mostly in food waste and C&D.
69	INSURANCE SHOREWAY	206,052	576,500	384,509	780,000	203,500	35.3%	FF	Noticable increase in property insurance due to fire.
70	SHOREWAY FACILITY COST	131,514	200,000	178,652	200,000	-	0.0%	HG	Budget for unanticipated routine Shoreway maintenance items that are non-CapEx
71	SHOREWAY MAINTENANCE - NEW	28,221	-	-	-	-	0.0%	HG	
72	CREDIT CARDS CHARGES	104,283	140,600	46,624	112,000	(28,600)	-20.3%	FF	Averaging lower bank charges than budgeted.
73	SHOREWAY CHARGES	26,690	26,690	11,121	26,690	-	0.0%	FF	Amortization of trailer cost
74	EDUCATION CENTER OPERATIONS	44,486	60,000	21,661	60,000	-	0.0%	JL	Expense for Shoreway tours program and busing, (w/o staff expense)
75	MAINTENANCE - OX MTN TIPPER	18,110	36,000	1,698	36,000	-	0.0%	HG	Maintenance expense for truck tipper located at Ox Mtn and owned by JPA
76	SHOREWAY MRF EQUIP. MAINTENANCE > \$10k	-	30,000	-	30,000	-	0.0%	HG	Unanticipated MRF equipment maintenance (non-CapEx) expense
77	SEWER FEES (PROPERTY TAX)	60,351	61,860	22,093	44,186	(17,674)	-28.6%	FF	Property tax for Shoreway operation are down due to the running of only one shift in 2018.
78	<b>SUB SHOREWAY OPERATIONS COST</b>	\$ 35,651,898	\$ 35,927,570	\$ 17,029,079	\$ 38,887,988	\$ 2,960,418	8.2%		
79	<b>FIRE RELATED EXPENSES:</b>								
80	OPERATING CONTRACT - SBR - FIRE RELATED	\$ 4,725,903	\$ -	\$ -	\$ 258,508	\$ 258,508		FF	Hauling charges for residue from MRF to TS and other miscellaneous fire expenses.
83	<b>SUB FIRE COST</b>	\$ 4,725,903	\$ -	\$ -	\$ 258,508	\$ 258,508	0.0%		
84	<b>TOTAL SHOREWAY OPERATION</b>	\$ 40,377,801	\$ 35,927,570	\$ 17,029,079	\$ 39,146,496	\$ 3,218,926	9.0%		
85	<b>NON-OPERATING EXPENSES</b>								
86	DEBT SERVICE BOND INTEREST	\$ 2,759,746	\$ 2,710,170	\$ 459,752	\$ 2,710,170	\$ -	0.0%	FF	Solid Waste Enterprise Revenue Bond interest payments.
87	FRANCHISE FEE	1,853,604	1,846,710	845,481	2,024,236	177,526	9.6%	FF	5% Franchise fees paid by JPA to the City of San Carlos.(amount changes as Shoreway tip fees change)
88	<b>TOTAL NON-OPERATING EXPENSES</b>	\$ 4,613,350	\$ 4,556,880	\$ 1,305,233	\$ 4,734,406	\$ 177,526	3.9%		
89	<b>TOTAL SHOREWAY OPERATING EXPENSES</b>	\$ 44,991,151	\$ 40,484,450	\$ 18,334,312	\$ 43,880,902	\$ 3,396,453	8.4%		
90	<b>TOTAL OPERATING EXPENSES (SBWMA Program + Shoreway Operations)</b>	\$ 47,474,554	\$ 44,137,464	\$ 19,341,915	\$ 47,569,865	\$ 3,432,401	7.8%		

## Attachment A. FY17/18 Mid-YR Capital Budget

Capital Project Name	FY17/18	FY18/19	FY19/20	FY20/21
Transfer station tipping floor resurfacing	\$ 225,000	\$ -	\$ 250,000	\$ -
Site paving repairs and restriping	50,000	-	500,000	500,000
Transfer station building maintenance	50,000	50,000	50,000	50,000
Administration building maintenance	75,000	40,000	40,000	200,000
Site maintenance	150,000	50,000	50,000	50,000
Enhanced fire suppression	325,000	200,000	50,000	100,000
Repairs to landfill tipper	15,000	15,000	15,000	-
Education center exhibits	15,000	-	-	30,000
Storm water treatment system	30,000	1,200,000	50,000	-
Glass conveyance and loadout system	550,000	-	-	-
Transfer station building expansion <sup>1</sup>	-	2,865,437	-	-
MRF Equipment Replacement <sup>4</sup>	-	-	-	1,206,940
<b>Total</b>	<b>\$ 1,840,000</b>	<b>\$ 4,495,437</b>	<b>\$ 1,095,000</b>	<b>\$ 2,211,940</b>
<i>Mixed waste processing equipment</i> <sup>2</sup>	-	13,984,400	-	-
<i>Fueling system replacement</i> <sup>3</sup>	-	-	1,500,000	-
<i>MRF sorting equipment replacement</i> <sup>4</sup>	-	-	-	-
<u>Special Funding for Above Italic Items</u>				
1. Proposed funding from Capital Reserves (Mid-Year FY16/17 balance \$4.66M)				
2. Proposed funding through new JPA debt				
3. Proposed funding from Shoreway Remediation Fund (Mid-Year FY16/17 balance \$1.20M)				
4. MRF Equipment Replacement Reserve (Mid-Year FY16/17 balance \$1.5M)				

MID-YEAR-CAPITAL - 2018

**ATTACHMENT B - Mid Budget FY 2018**

Update: January 2018

Summary Tables

Table 1

<b>TIP FEE REVENUE</b>	<b>FY1718 Proposed Budget</b>	<b>FY1718 Mid-Year Projections</b>	<b>2018 Mid-Year vs. Budget Variance</b>	<b>%</b>
<b>Franchise</b>				
Tons	287,850	288,283	433	0.2%
Wtd Avg. Tip Fee	\$ 104.53	\$ 107.35	\$ 2.82	2.7%
Franchise Revenue	\$ 30,088,837	\$ 30,948,346	\$ 859,509	2.9%
<b>Public</b>				
Tons	13,058	28,550	15,492	118.6%
Wtd Avg. Tip Fee	\$ 101.47	\$ 106.54	\$ 5.08	5.0%
Public Revenue (Tons)	\$ 1,324,957	\$ 3,041,853	\$ 1,716,897	129.6%
Yards	192,232	220,076	27,844	14.5%
Wtd Avg. Tip Fee	\$ 38.32	\$ 38.70	\$ 0.38	1.0%
Public Revenue (CY)	\$ 7,366,342	\$ 8,517,916	\$ 1,151,574	15.6%
Total Public	\$ 8,691,298	\$ 11,559,769	\$ 2,868,471	33.0%
<b>Total Tip Fee Revenue</b>	<b>\$ 38,780,135</b>	<b>\$ 42,508,115</b>	<b>\$ 3,727,980</b>	<b>9.6%</b>

Table 2

<b>COMMODITY REVENUE</b>	<b>FY1718 Proposed Budget</b>	<b>FY1718 Mid-Year Projections</b>	<b>2018 Mid-Year vs. Budget Variance</b>	<b>%</b>
Tons Sold	70,869	64,296	(6,573)	-9.3%
Wtd Avg. Price	\$ 141.76	\$ 123.57	\$ (18.20)	-12.8%
Gross Revenue	\$ 10,046,673	\$ 7,944,839	\$ (2,101,834)	-20.9%
Revenue Share w/ SBR	\$ (1,139,814)	\$ (895,767)	244,047	-21.4%
Buyback Payments	\$ (891,314)	\$ (878,200)	13,114	-1.5%
Net Commodity Revenue	\$ 8,015,544	\$ 6,170,872	\$ (1,844,672)	-23.0%

Table 3

<b>SBR OPERATING EXPENSE</b>				
<b>a. Summary</b>	<b>FY1718 Proposed Budget</b>	<b>FY1718 Mid-Year Projections</b>	<b>2018 Mid-Year vs. Budget Variance</b>	<b>%</b>
MRF	\$ 6,940,933	\$ 6,617,893	\$ (323,040)	-4.7%
Transfer Station	\$ 4,736,799	\$ 5,110,956	374,157	7.9%
Transportation	\$ 7,144,512	\$ 7,708,865	564,353	7.9%
Interest	\$ 114,277	\$ 114,270	(7.00)	0.0%
<b>TOTAL SBR EXPENSE</b>	<b>\$ 18,936,520</b>	<b>\$ 19,551,983</b>	<b>\$ 615,463</b>	<b>3.3%</b>
<b>b. SBR Expense Detail</b>	<b>FY1718 Proposed Budget</b>	<b>FY1718 Mid-Year Projections</b>	<b>2018 Mid-Year vs. Budget Variance</b>	<b>%</b>
<b>MRF</b>				
Tons, net	76,171	73,281	(2,890)	-3.8%
Rate	\$ 91.12	\$ 90.31	\$ (0.81)	-0.9%

Expense	\$ 6,940,933	\$ 6,617,893	\$ (323,040)	-4.7%
<b>Transfer Station</b>				
Tons	363,382	392,090	28,707	7.9%
Rate	\$ 13.04	\$ 13.04	\$ (0.00)	0.0%
Expense	\$ 4,736,799	\$ 5,110,956	\$ 374,157	7.9%
<b>Transportation</b>				
Tons	363,382	392,090	28,707	7.9%
Wtd. Avg. Rate	\$ 19.66	\$ 19.66	\$ (0.00)	0.0%
Expense	\$ 7,144,512	\$ 7,708,865	\$ 564,353	7.9%
<b>Interest</b>	114,277	114,270	\$ (7)	0.0%
<b>TOTAL SBR EXPENSE</b>	\$ 18,936,520	\$ 19,551,983	\$ 615,463	3.3%

Table 4

DISPOSAL & PROCESSING EXPENSE				
	FY1718 Proposed Budget	FY1718 Mid-Year Projections	2018 Mid-Year vs. Budget Variance	%
<b>Summary</b>				
TS Tons	363,382	392,090	28,707	7.9%
Wtd Avg.Rate	\$ 43.64	\$ 46.03	\$ 2.38	5.5%
<b>Disposal Expense</b>	<b>\$ 15,859,400</b>	<b>\$ 18,047,130</b>	<b>2,187,730</b>	<b>13.8%</b>
Detail - 2018 Budget	FY1718 Budget Rate	FY1718 Mid-Budget Rate	FY1718 Mid-Budget Expense	% of Total
Ox Mountain MSW	\$ 41.43	\$ 41.42	\$ 8,537,845	47%
Ox Mountain Aggregates	\$ 27.96	\$ 27.96	\$ -	0%
Organics (Newby)	\$ 53.22	\$ 58.87	\$ 2,946,031	16%
Organics (Grover)	\$ 36.27	\$ 36.29	\$ 2,826,214	16%
C&D	\$ 62.02	\$ 62.26	\$ 3,613,794	20%
Other (misc disposal less MRF & 3rd party residue paid by SBR)	\$ -	\$ -	\$ 123,246	1%
<b>TOTAL</b>	<b>\$ 43.13</b>	<b>\$ 45.71</b>	<b>\$ 18,047,130</b>	<b>100%</b>



## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Joe La Mariana, Executive Director  
**Date:** January 25, 2018 Board of Directors Meeting  
**Subject:** Resolution Approving Agreement with R3 Consulting Group, Inc. to Conduct a Review of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems for Calendar Years 2017, 2018 and 2019

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### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2018-05 attached hereto authorizing the following action:

Authorize the Executive Director to execute a contract with R3 Consulting Group, Inc. (R3) for:

1. A Review of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems for audit (calendar) years 2017, 2018 and 2019, and
2. A Financial Systems Audit of the SBWMA Collection Services and Facilities Operations Contractors for audit (calendar years 2017, 2018 and 2019).

These services will be provided to the SBWMA on a not-to-exceed annual budget for their services basis \$49,830, or a total of \$149,490. The Agency reserves the right to bring all or portions of this work in-house during this period, the contract language will be reflected accordingly.

### Summary

The purpose of this annual audit is to verify for completeness and accuracy the self-reported data and information for each audit (calendar) year 2017, 2018 and 2019 provided by our two main contractors, Recology San Mateo County (Recology) and South Bay Recycling (SBR). This self-reported information affects the compensation paid to the contractors and the disincentive payments and liquidated damages paid by the contractors to the Member Agencies. These assessments—particularly the financial systems audits--provide independent, third-party review and verification of the SBWMA's two primary contractor's financial and core operational data that directly feed into the Agency's cost structure which, in turn, an important conduit into the Member Agency's annual rate setting calculations. These audits provide an important financial integrity step for the rate payer's funds that our Agency is fiduciarily tasked with managing. It is noted that Staff envisions a potential future scenario in which the Collection Services and Facility Operations audit (not the Financial Systems audit) is conducted in-house on annual basis.

Each of these three audits will be conducted independently, on an annual basis, in the year after the audit period. For example, the 2017 audit will be conducted in the spring of 2018. These audits will focus on the data included in each audit year. Including Annual Reports issued by the contractors and their various functions related to compiling, maintaining and reporting this data. Thus, the audit work will verify that both Recology and SBR are accurately obtaining, compiling and reporting the information included in their Annual Report(s) to the Member

Agencies and the SBWMA per the requirements prescribed in the Franchise Agreement(s) and the Shoreway Facility Operations Agreement, respectively.

**Analysis**

The SBWMA is seeking to contract with R3 to perform an audit of data and information related to the 2017, 2018 and 2019 Annual Report(s) of our two contractors, Recology and SBR. In 2014, the SBWMA issued a Request for Proposal (RFP) for a Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Auditing Project to five potential proposers which were likely qualified to perform the requested audit work. Based on the results of that RFP process, staff then recommended contracting with R3 to perform this work for audit (calendar) year 2014 and R3 has since conducted these annual audits on the Agency's behalf. In 2016, R3 provides the SBWMA a 15% discount by bundling both the Annual Report Review and the Financial Systems audit with their firm.

Today, the SBWMA continues to benefit from R3's increasing familiarity of the assigned work and their strong interest in working with the Agency as demonstrated in an eight (8) year comparative table of historical costs for that the SBWMA has incurred (and is currently proposed) in **Table 1** (below). It is important to note that R3 has also proposed to fix their not-to-exceed costs for providing these audit services for the three-year duration of the proposed term (2017-2019).

Table 1. SBWMA Financial and Operational Systems Audit Costs: Historical Comparatives								
Contractor	2012	2013	2014	2015	2016	2017	2018	2019
	HF&H	HFH(Finance) R3 (Operations)	R3	R3	R3	R3 (Proposed)	R3 (Proposed)	R3 (Proposed)
Financial System Audit Cost	\$56,881	\$47,792	\$38,131	\$35,743	\$24,985	\$25,575	\$25,575	\$25,575
Operational Systems Audit Cost	\$47,030	\$48,000	\$37,000	\$34,816	\$24,640	\$24,255	\$24,255	\$24,255
Total Audit Cost Per Year	\$103,911	\$95,792	\$75,131	\$70,559	\$49,625	\$49,830	\$49,830	\$49,830

To summarize the scope of work, the Annual Report Review will entail a thorough assessment and verification of Recology and SBR's 2017, 2018 and 2019 Annual Report(s) which includes verifying tonnage allocation, liquidated damages, performance incentives and disincentives, customer service call center data and billing. The full scope of work is provided in the R3 proposal (**Exhibit A**).

**Background**

The Member Agencies Collection Services Franchise Agreements with Recology prescribe numerous reporting requirements that ultimately have a direct effect on Member Agency garbage collection rates charged to their customers. It is very important that the self-reported data and information included in the contractor's annual reports is correctly verified by the Member Agencies. Numerous components of these reports are included in the company's respective applications for an adjustment to contractor's compensation due in June/July each year.

**Fiscal Impact**

The SBWMA FY17-18 budget includes \$70,000 for "Contract Annual Auditing" (line item 38). The contract with R3 Consulting for a not-to-exceed amount of \$49,830 for the 2017 set of audits will be paid with these funds.

**Attachments:**

Resolution 2018-05

Exhibit A –R3's Proposal for 2017 Annual Audits of Recology and South Bayside Recycling



**RESOLUTION NO. 2018-05**

**RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A CONTRACT WITH R3 CONSULTING GROUP FOR A COLLECTION SERVICES AND FACILITY OPERATIONS REPORTS, TONNAGE DATA AND CUSTOMER SERVICE SYSTEMS AUDIT AND A FINANCIAL SYSTEMS AUDIT OF COLLECTION SERVICES AND FACILITY OPERATIONS CONTRACTORS FOR AUDIT (CALENDAR) YEARS 2017, 2018 AND 2019**

WHEREAS, the South Bayside Waste Management Authority (SBWMA) Board of Directors has considered entering into a contract with R3 Consulting Group for the purpose of providing a Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Auditing Project for 2017, 2018 and 2019; and a Financial Systems Auditing Project for 2017, 2018, and 2019, and

WHEREAS, the R3 Consulting Group has the appropriate qualifications and experience in the industry and with the SBWMA, and with the unique scope of work required to conduct the 2017, 2018, and 2019 auditing work; and

WHEREAS, attached as **Exhibit A** hereto is the R3 proposal with the scope of work.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby authorizes Executive Director to execute an Agreement with R3 Consulting Group with a not-to-exceed budget of \$49,830 annually for three years, with a total not to exceed amount of \$149,140 over the 3 year period.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 25<sup>th</sup> day of January 2018, 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. 2018-05 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on January 18, 2018.

ATTEST:

\_\_\_\_\_  
Bob Grassilli, Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Board Secretary

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1512 Eureka Road, Suite 220, Roseville, CA 95661  
Tel: 916-782-7821 | Fax: 916-782-7824

2600 Tenth Street, Suite 424, Berkeley, CA 94710  
Tel: 510-647-9674

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627 S. Highland Avenue, Suite 300, Los Angeles, CA 90036  
Tel: 323-559-7470

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January 12, 2018

Mr. Joseph La Mariana, Executive Director  
South Bayside Waste Management Authority  
610 Elm Street, #202  
San Carlos, CA 94070

**Subject: Proposal for 2017 Annual Audits of Recology and South Bay Recycling**

Dear La Mariana:

R3 Consulting Group, Inc. (R3) is pleased to submit this proposal to conduct the 2017, 2018 and 2019 Collection Services and Facility Operations Reports, Tonnage, Data and Customer Service Systems Auditing Project and Financial Systems Audit of Collection Services and Facility Operations Contractors (Annual Audits) for the South Bayside Waste Management Authority (RethinkWaste).

Established in 2002, R3 is a solid waste management consulting firm that has been in business for 15 years. ***We work exclusively for municipal agencies responsible for solid waste management*** – we do not work for private solid waste management service providers. One of R3’s core services is assisting public agencies, like RethinkWaste, that manage private sector service providers with a review of the rates, finances and operations of those service providers. We believe that our qualifications and ability to conduct a high-quality review for RethinkWaste is most effectively demonstrated by our repeated selection to conduct detailed and complex financial audits and rate analyses for jurisdictions throughout California. Those projects include:

- The past three Financial Systems Audits and the past four Annual Report Audits for RethinkWaste;
- The 2017 detailed rate review of Recology’s rate application to the City of San Francisco;
- Our detailed rate review projects for the City of San Jose;
- Our multiple (over two dozen) contractor compliance reviews and billing and fee audits;
- Our hauler tonnage and fee audits conducted annually for the past five years for the cities of Citrus Heights, Elk Grove, Rancho Cordova and Sacramento and Sacramento County; and
- Our financial audit of the City of Fresno’s contracted transfer station operator.

R3 gained considerable insight into both Recology’s and SBR’s monthly, quarterly, and annual reports and internal controls as part of conducting the 2013, 2014, 2015 and 2016 Review of Collection Services and Facility Operations Reports, Tonnage, Data and Customer Service Systems Auditing Project for RethinkWaste, as well as the 2014, 2015 and 2016 Financial Systems Audits. During those prior audits, we became intimately familiar with SBR’s “PC Scales” tonnage tracking system as well as Recology’s internal “TQR4 reports” customer service and operations ticketing software. Based on our prior reviews, we have

Mr. Joseph La Mariana  
January 12, 2018  
Proposal for 2017 Annual Audits of Recology and South Bay Recycling  
Page 2 of 12

recommended improvements to SBR and Recology general reporting contents, Recology customer service center call coding and complaint documentation processes, and Recology billing audit data tracking.

## Recommendations for 2017 Annual Audits

Prior Annual Audits have found that RethinkWaste’s contracts (Recology and South Bay Recycling) maintain logical, consistent, and mathematically accurate financial and reporting systems relative to the annual revenue and other reports they are required to provide. As a result, these annual audits have yielded limited adjustments in recent years; in R3’s opinion, this is a testament to the effectiveness of the reporting and auditing processes, which ensure that information submitted by the contractors is verified and accurate. It is important for RethinkWaste to recognize that both contractors maintain complex financial systems that handle and allocate millions of dollars each year. These systems have generally been functioning well, but their accuracy depends on the institutional experience of the individuals maintaining those systems, with the potential for human error being significant (especially if there are changes in contractor personnel). Annually ensuring that these systems are functioning as intended remains an important means of preventing reporting and financial errors and protecting the interests of RethinkWaste, its member agencies, and ratepayers.

Prior Annual Audit work scopes have had limited flexibility to pursue anomalies, if detected. This year, we suggest that RethinkWaste consider including a contingency on these audits to allow for a more thorough review of anomalies in key areas of the contractors’ annual reports and financial systems in addition to continuing the same audit function as in prior years. For example, this contingency may be used to follow-up on and document implementation status of recommendations in prior years’ audits, to perform additional analysis on items of importance to RethinkWaste, and/or to further investigate anomalies that are identified during the audit process. To that end, this proposal includes a suggested contingency for additional tasks (as of yet unidentified) which are intended to focus on key areas of interest that will be identified during the course of conducting this year’s Annual Audits. We welcome RethinkWaste staff input into that process. We suggest that this be achieved via a thorough review of previous work papers and a meeting with RethinkWaste staff to discuss and confirm focus areas for this year’s Annual Audits.

## Project Team

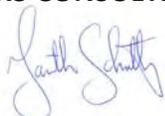
The project team for this engagement will be me (Garth Schultz), William Schoen, Emily Ginsburg, Rose Radford, and Claire Wilson. I, William, Emily and Rose have all participated in prior Annual Audits for RethinkWaste, and Claire will be joining our team this year to provide additional support to other analysts.

\* \* \* \* \*

We appreciate the opportunity to submit our proposal to RethinkWaste. Should you have any questions regarding our proposal, or need any additional information, please contact me by phone at (510) 292-0853 or by email at [gschultz@r3cgi.com](mailto:gschultz@r3cgi.com).

Sincerely,

**R3 CONSULTING GROUP**



Garth Schultz | Principal

## Scope of Work

### Annual Report Audit

#### Task 1 Annual Report Audit Data Request

Upon receiving “Authorization to Proceed” from RethinkWaste staff, R3 will schedule kick-off calls with RethinkWaste and contractor staff, as appropriate. Prior to the calls, R3 will review the work papers from our prior audit and schedule a conference call with RethinkWaste staff. The calls will allow the R3 project team, RethinkWaste staff, and contractor staff to discuss the Scope of Work, project goals and objectives, deliverable due dates, and also address the findings and recommendations from last year’s audit. R3 will provide requests for information to be issued to each of the contractors.

R3 project team members will be available to provide status updates via conference call throughout the duration of the project.

Task 1 will include:

- Prior to the kick-off calls, preparing and sending separate requests for information to the contractors (Recology and SBR) to provide background on topics to be discussed:
  - Requesting a narrative of Recology and SBR’s step-by-step procedures for allocating tons and identifying variances from the prior year;
  - Preparing an agenda and scheduling calls with RethinkWaste and the contractors to discuss the goals and objectives of the audit and to reach agreement on the roles and responsibilities of RethinkWaste, the contractors and consultant; and
  - Discussing the content of the final report and reaching an agreement on a project timeline, including deliverable due dates for information needed from the contractors.

#### Task 2 Verify Completeness and Mathematical Accuracy of 2017 Quarterly and Annual Reports

R3 will verify that Recology’s and SBR’s 2017 quarterly/annual reports are complete, mathematically accurate, and logically consistent. Reporting requirements are specified in Article 9 (Record Keeping and Reporting) of Recology’s franchise agreements and Article 9 (Contractor Records/Reports) of SBR’s operating agreement.

Task 2 will include:

- Confirming quarterly and annual reports submitted by the contractors contain complete information (broken down by month) for each of the reporting categories required in accordance with Article 9.06 of the Recology Franchise Agreement(s) and Article 9.5 of the SBR Operating Agreement; and
- Verifying the mathematical accuracy of the calculations contained in the reports:
  - Requesting missing information from the appropriate contractor.

### Task 3 Interview Contractors to Determine Sources of Reported Data

R3 will interview SBR and Recology staff to determine the sources of reported data and the process for inputting and handling data. This will include all reported tonnage data, customer service data, and liquidated damage, incentive, and disincentive occurrences.

Task 3 will include:

- Communicating with contractors to discuss the source documents used to populate each section of their quarterly reports;
- Tracing at least one data point of each section to verify the documents stated to be the source do in fact tie to the data point:
  - If data does not tie, R3 will request clarification until the ultimate source documents have been accurately determined and obtained.

### Task 4 Verify Accuracy of Tonnage Data Reported Quarterly by Recology

R3 will verify the accuracy of quarterly tonnage data reported by Recology in 2017. Recology’s quarterly tonnage data is based on Monthly Tonnage Reports that allocate franchised tonnages among each of the member agencies for the following categories:

- Commercial;
- Multi-Family Dwelling (MFD);
- Roll-Off; and
- Residential.

The Monthly Tonnage Report figures are electronically linked to data reported in supporting workbook spreadsheets for solid waste targeted recyclables and organic materials, all of which contain hard-coded inputs (i.e., are not electronically linked to the supporting data source). Each spreadsheet reports tonnages for the following categories:

- Single-Family (Residential);
- Multi-Family (MFD);
- Commercial;
- Agency Facilities (Commercial);
- Drop Box (Commercial);
- Venues and Events (Commercial);
- On-Call Single-Family (Residential);
- On-Call Multi-Family (MFD); and
- On-Call Agency Facilities (Commercial).

As part of this task, R3 will gather supporting documentation to test the calculation and application of Recology’s tonnage allocation methodology in each category of the tonnage report spreadsheets.

Task 4 will include:

- Testing one (1) month of data for each Member Agency of the tons reported and verifying the amounts tie to the supporting documents;
- Testing the accuracy of supporting documentation:
  - Testing the accuracy of Recology’s tonnage allocation methodology. Documents may include tonnage reports, customer account data, list of vehicles assigned to which routes, etc.; and
  - Reviewing the reasonableness of the tonnage allocation methodology.

- Verifying accuracy of tonnage allocation for each Member Agency – monthly, quarterly and annual totals.
  - Determining if tons reported by Recology consistently tie to SBR scale system records and requesting explanations for variances.

## Task 5      Verify Accuracy of Customer Service Data Reported

R3 will verify the accuracy of customer service data reported by Recology in 2017. In Section D of their quarterly and annual reports, Recology reports customer service data (i.e., “Inquiry, Service Request and Complaint Data”) in the following categories:

- Single Family Initial Missed Pick-Up;
- Complaints;
- Single-Family Missed Pick-Up;
- Collection Events\*;
- Excessive Noise\*;
- Discourteous Behavior\*;
- Property Damage\*;
- Spills\*;
- On-Call Bulky Item Collection;
- Extra/Overage Requests;
- Recycling Tote-Bag Requests;
- Information Requests; and
- Billing Concerns.

\* *Categories marked above with an asterisk have associated Liquidated Damages and/or Performance Incentives and Disincentives. As such, the accuracy of these reporting items will also be reviewed as part of R3’s review of Recology Liquidated Damages/Performance Incentive and Disincentive Payments.*

For all items above, R3 will test two (2) months of data for each Member Agency to verify that the reported number of “occurrences” ties to the supporting documents.

Task 5 will include:

- Testing two (2) months for each Member Agency of customer service data reported and verifying that data ties to the supporting documents;
- Testing that Recology customer service representatives (CSR) statistics reported annually tie to the supporting call center reports;
- Testing the accuracy of CSR’s coding calls:
  - R3 will take a statistically valid sampling (minimum of 380 for each month) of CSR transactions (for specific call types) from two (2) different months and verify that each transaction has been properly coded. This will entail reading the CSR’s comments and verifying they match the coding used to generate the statistics reported quarterly.
- Extrapolating all identified customer service data discrepancies to the entire RethinkWaste service area for 2017 in order to project the actual correct customer service data totals, and associated Liquidated Damages and/or Performance Incentives and Disincentives.

## Task 6      Verify Accuracy of Liquidated Damages, Incentive, and Disincentive Payments

R3 will verify the accuracy of Recology’s calculated liquidated damages, incentive and disincentive payments. Provisions for liquidated damages and performance incentives/disincentives are provided in

Attachment J and Attachment I of Recology's franchise agreements, respectively. Calculations of each liquidated damage and performance incentive/disincentive item are provided by Recology as part of their quarterly and annual reports, with the exception of the incentive/disincentive for diversion, which is only calculated as part of the annual report.

Task 6 will include:

- Verifying that liquidated damages, incentive, and disincentive payments have been properly calculated and tie to the events reported:
  - Requesting explanations for any discrepancies.
- Verifying and explaining Recology's procedures to identify and report events which would trigger liquidated damages and performance incentives/disincentives.

### Task 7      Verify Accuracy of In-Bound Tonnage Data Reported

R3 will verify the accuracy of in-bound tonnage quantities reported by SBR. Currently all incoming franchised vehicles (Recology) and Member Agency Vehicles, as well as self-haul C&D/Inert loads, are weighed on SBR's scales when those loads enter the facility. All other self-haul loads are not weighed and are charged based on estimated volume and material type.

Task 7 will include:

- Verifying SBR's reported data (from franchised services) is consistent with Recology's reports;
- Verifying all other SBR tonnage is also accurate:
  - Sampling various tons reported for each Member Agency and verify the amounts tie to the supporting documents.
- Verifying liquidated damages payments have been properly calculated in accordance with the Operating Agreement and tie to the reported events:
  - Requesting explanations for any discrepancies.
- Verifying and explaining SBR's procedures to identify and report events which would trigger liquidated damages.

### Task 8      Draft and Final Report

Based on the results of Tasks 1 through 7 above, R3 will prepare a draft report that includes preliminary audit findings and recommendations for review with RethinkWaste and the contractors. Our proposed project budget includes one (1) conference call to review the draft report's findings and recommendations. Based on comments and any additional information provided by RethinkWaste and the contractors, R3 will prepare and issue a final report. Following the issuance of the final report, R3 staff will be available to attend one (1) meeting of the RethinkWaste Board to present the audit's findings and recommendations, upon request.

Task 8 will include:

- Preparing a draft report of preliminary findings and recommendations:
  - Providing an explanation of the auditing process and data analyzed;
  - Providing a detailed analysis supporting findings and recommendations;

Mr. Joseph La Mariana

January 12, 2018

Proposal for 2017 Annual Audits of Recology and South Bay Recycling

Page 7 of 12

- Including recommendations for revised reporting and tracking documents and additional written procedures for administering and enforcing the Franchise Agreement(s) and Operating Agreement; and
  - Including the monetary impact of the preliminary findings and recommendations. For example, if the call center coding is determined to be done inaccurately, then the monetary results of extrapolating the error rate will be quantified.
- Including the results of any third-party or RethinkWaste customer service call center monitoring work in the report:
  - Details will be included as an appendix with the highlights captured in the body of the report. The scope of the information to include in the report will be provided by RethinkWaste.
- Conducting a conference call with RethinkWaste and contractors to review the preliminary findings:
  - Conducting additional analysis per feedback from RethinkWaste.
- Reviewing and discussing the contractors' comments and any additional information requested:
  - Based on comments and/or additional information provided, R3 will perform additional analyses and adjust the preliminary findings (if warranted) to ensure that all matters have been satisfactorily reviewed.
- Preparing and distributing a final report documenting the findings and recommendations;
- Providing the report for review by RethinkWaste and contractors. The report will include:
  - A matrix summarizing pertinent sections of the Franchise Agreement(s) and Operating Agreement regarding record keeping, data management, and reporting; how the contractor(s) performed in regard to each section (providing qualitative and quantitative support); and, any recommendations for revised procedures.
  - A narrative of findings and recommendations regarding the reasonableness and accuracy of the Member Agency tonnage allocations by SBR and Recology.
  - A similar narrative regarding Recology CSR call coding.
- Reviewing comments and facilitating follow-up discussion with RethinkWaste and potentially the contractors; and
- Attending one (1) meeting of the RethinkWaste Board to present the findings, upon request.

## Financial Systems Audit

### Task 9 Financial Systems Audit Data Requests

Upon receiving "Authorization to Proceed" from RethinkWaste staff, R3 will schedule one kick-off call with RethinkWaste. The kick-off call will allow the R3 project team and RethinkWaste staff to discuss the Financial Audit, project goals and objectives, deliverable due dates, and address the findings and recommendations from last year's audit. For the kick-off call, R3 will provide a call agenda, as well as requests for information to be issued to each of the contractors.

In addition to the kick-off call, R3 project team members will be available to provide status updates via conference call throughout the duration of the project.

## **Task 10      Audit of Collection Service Contractor (Recology)**

For this Task, the R3 project team will conduct an audit of Recology's annual Revenue Reconciliation for 2017, submitted in accordance with Section 11.03 and Attachment K of Recology's Franchise Agreement for Collection Services with San Mateo County. This audit will include:

- Determining if Recology has accurately calculated each Member Agency's revenue surplus/shortfall for its franchised services;
- Confirming that Recology's billings are consistent with the approved rate schedules and that reported revenues tie to accounting records;
- Verifying net revenue calculations and adjustments; and
- Verifying that Contractor's Compensation ties to each Member Agency's approved compensation.

R3 will also confirm that Recology retained the correct amounts for Attachment Q "unscheduled services," review how additional cart fees are reported, and verify that backyard services revenue is passed through to each Member Agency unless an excess of 20% of customers request such services.

For each subtask below, R3 will request and verify Recology data for all RethinkWaste Member Agencies. All Task 10 subtasks will involve working closely with Recology to determine the source documentation and reporting process for each data category, and then verifying the mathematical accuracy and logical consistency of the company's reported values.

### **Task 10.1      Annual Revenue Reconciliation for 2017**

Task 10.1.1 – R3 will confirm that the residential and commercial revenue amounts reported as billed (by Member Agency) for calendar year 2017 ties to the accounting records, including unbilled and deferred revenue adjustments.

Task 10.1.2 – R3 will verify the following annual amounts and data reported in the Revenue Reconciliation, and will verify that the calculations used to derive the amounts and data are properly reported for each Member Agency:

1. Billed Revenue;
2. Collection Expense;
3. Member Agency Fees (will also confirm that fees are properly calculated and paid for each Member Agency); and
4. Disposal expense and tonnage data.

Task 10.1.3 – R3 will verify the calculation of net revenue retained by Recology (i.e., gross revenue billed, as adjusted, less agency fees paid and less disposal expense paid equals net revenue) in total and by Member Agency.

Task 10.1.4 – R3 will review and validate all adjustments in the Revenue Reconciliation.

Task 10.1.5 – R3 will verify that the net surplus or shortfall balance owed to/from Recology by Member Agency is accurate.

Mr. Joseph La Mariana  
January 12, 2018  
Proposal for 2017 Annual Audits of Recology and South Bay Recycling  
Page 9 of 12

Task 10.1.6 – R3 will verify the Contractor’s Compensation ties to their approved compensation by Member Agency.

Task 10.1.7 – R3 will require explanation from contractor for all unusual adjustments in the Revenue Reconciliation.

**Task 10.2 Revenue Reconciliation: Revenue Billed to Customers for Attachment Q –  
Unscheduled Services**

Task 10.2.1 – R3 will confirm that the amount of Attachment Q revenue reported as billed by Member Agency ties to the records for each different type of charge.

Task 10.2.2 – R3 will explain how the additional cart fees charged by some Member Agencies (Atherton, Hillsborough, and County) are reported in the revenue and excluded from Recology’s compensation, accruing to the benefit of these Member Agencies.

Task 10.2.3 – R3 will verify that the credit for the first 20% of residential backyard service customers is accurately reported. (Resolution No. 6178 amended the Recology Franchise Agreement to state that: “Each Agency shall retain the revenue for the first twenty (20) percent of Backyard Service Customers that subscribe to this service.”)

Task 10.2.4 – R3 will report any issues or concerns on how Attachment Q services are calculated and reported by Recology for both the revenue calculation and the cost calculation, and explain how each is separately reported.

**Task 11 Audit of Facility Operations Contractor (SBR)**

For this Task, the R3 project team will conduct a financial audit of South Bay Recycling (SBR), RethinkWaste’s Facility Operations Contractor. Subtasks will involve coordinating with SBR to determine the source documentation and data tracking process for each reporting category. This will include determining how 2017 public revenues, commodity revenues, SEC buyback center payments, and weight ticket information (including route number and material types) are recorded using SBR’s “PC Scales” tracking system, and then verifying the mathematical accuracy and logical consistency of the company’s reported values. In addition, R3 will conduct an in-depth review of scale house procedures as compared to the SBR Facility Procedure Manual, and test weight tickets to verify that SBR’s procedures are effective and accurate.

**Task 11.1 Verify Public Self-Haul Revenue**

R3 will verify that the 2017 public revenue transferred monthly to RethinkWaste ties to the accounting records.

**Task 11.2 Verify Commodity Revenue**

R3 will verify that the gross 2017 commodity revenue as reported on their December monthly report ties to the accounting records. R3 will not verify the allocated amount attributed to RethinkWaste as this is done by RethinkWaste.

**Task 11.3 Verify SEC Buyback Center Payments**

R3 will verify that amounts of payments to SEC Buyback Center customers by SBR and reimbursed by RethinkWaste ties to accounting records.

## Task 12 Draft and Final Reports

### Task 12.1 Draft Report

Based on the results of the Financial Audit Tasks above, R3 will prepare a draft report of preliminary findings and recommendations. As part of the draft report, R3 will:

- Provide explanation of the auditing process and data analyzed;
- Provide charts to summarize findings (with particular attention paid to Recology);
- Provide detailed support of findings and recommendations;
- Include the monetary impact of all findings and recommendations; and
- Obtain feedback from the contractors as to their agreement or disagreement with the findings, and their explanation of specific findings if warranted.

### Task 12.2 Final Report and Board Meeting

Based on the feedback received from the contractors and/or RethinkWaste staff, R3 will prepare a Final Report. R3 staff will also attend one (1) RethinkWaste Board meeting to be available to answer any questions from RethinkWaste staff and/or Board members.

## Contingency for Additional Analysis and Investigation

### Task 13 Project Contingency for Additional Tasks as Directed

As described in the introduction to this proposal, R3 suggests a project contingency to allow for additional analysis, investigation, and follow-up on the status of prior year's recommendations. Our Proposed Cost for the project includes a modest contingency for this purpose, which would be at the direction of RethinkWaste staff.

## Schedule

Table 1 below includes the tentative project schedule, which is subject to change. R3 will notify and discuss any potential schedule changes with RethinkWaste.

**Table 1**  
**Tentative Schedule**

Key Task	Start Date	End Date
Annual Report Audit	March 1, 2018	May 30, 2018
Financial Systems Audit	April 2, 2018	June 15, 2018

## Proposed Cost

R3 proposes to complete the proposed scope of work for a total, not-to-exceed amount of **\$59,730** annually for the 2017, 2018 and 2019 Annual Audits (to be performed in 2018 through 2020), for a total 3-year contract cost of \$179,190. The project cost includes labor, travel, and project expenses, and includes the work and deliverables as listed in this proposal.

**Table 2  
 Project Cost**

Task # and Description		Hours	Cost
<b>Annual Report Audit</b>			
1	Annual Report Audit Data Request	5	\$ 825
2	Verify Completeness and Mathematical Accuracy of 2017 Quarterly and Annual Reports	14	\$ 2,310
3	Interview Contractors to Determine Sources of Reported Data	8	\$ 1,320
4	Verify Accuracy of Tonnage Data Reported Quarterly by Recology	14	\$ 2,310
5	Verify Accuracy of Customer Service Data Reported	26	\$ 4,290
6	Verify Accuracy of Liquidated Damages, Incentive, and Disincentive Payments	26	\$ 4,290
7	Verify Accuracy of In-Bound Tonnage Data Reported	14	\$ 2,310
8	Draft and Final Report	40	\$ 6,600
<b>Financial Systems Audit</b>			
9	Financial Systems Audit Data Requests	5	\$ 825
10	Audit of Collection Service Contractor (Recology)	60	\$ 9,900
11	Audit of Facility Operations Contractor (SBR)	50	\$ 8,250
12	Draft and Final Reports	40	\$ 6,600
<b>13</b>	<b>Project Contingency for Additional Analysis / Investigation as Directed</b>	60	\$ 9,900
<b>Total</b>		<b>362</b>	<b>\$ 59,730</b>

## Billing Rates

**Table 3**  
**Billing Rates**

Category	Hourly Rate
Principal / Project Director	\$205 per hour
Senior Project Manager	\$185 per hour
Project Manager	\$160 per hour
Senior Project Analyst	\$145 per hour
Project Analyst	\$135 per hour
Associate Analyst	\$120 per hour
Administrative Support	\$100 per hour
<b>Reimbursable Costs (Included in Hourly Rates)</b>	
Consultants/Subcontractors	Cost plus 10%
Lodging and meals	Direct cost
Travel — Private or company car	\$0.535 per mile
Travel — Other	Direct cost
Delivery and other expenses	Direct cost

## Payments

Unless otherwise agreed in writing, fees will be billed monthly at the first of each month for the preceding month and will be payable within 30 days of the date of the invoice.





## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Julia Au, Recycling Outreach Programs Manager  
**Date:** January 25, 2018 Board of Directors Meeting  
**Subject:** Resolution approving to re-activate the Public Education and Outreach Subcommittee with recommended committee members

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### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2018-06 attached hereto authorizing the following action:

Re-activate the Agency's Ad Hoc Public Education and Outreach Subcommittee consisting of the following recommended TAC or Alternate TAC members and critical stakeholders:

1. **Andra Lorenz**, Senior Management Analyst, City of Foster City
2. **Roxanne Murray**, Solid Waste/Recycling Programs Coordinator, City of San Mateo
3. **Gordon Tong**, Sustainability Program Manager, County of San Mateo Office of Sustainability
4. **Open slot**--tbd
5. **Open slot**--tbd
6. **Julia Au**, Recycling Outreach Programs Manager, RethinkWaste, Staff lead
7. **Mia Rossi**, Zero Waste Program Manager, Recology

Similar to the Finance Committee, this committee's composition may consist of either Board or TAC Members and can consist of up to five general committee members, plus Recology's Zero Waste Program Manager and RethinkWaste's Recycling Outreach Programs Manager serving the committee as the Staff lead. Please note that this proposal currently has two subcommittee positions that have been expressly left open to accommodate additional Board or TAC Members who are interested in being engaged in these activities.

### Summary

The purpose of this report is to inform the Board of the re-formation of SBWMA's Public Education and Outreach Subcommittee, its intended purpose, and approval of the recommended members of the subcommittee.

### Analysis

Staff has received feedback from Member Agencies regarding the reconvening of the Public Education and Outreach Subcommittee and has determined it will reconstitute this Ad Hoc subcommittee starting in February 2018. The subcommittee will provide needed guidance and feedback on public outreach education campaigns and related projects. Immediate emphasis will be placed on the upcoming lithium-ion battery recycling and public spaces outreach projects, as well as to provide input on the annual public education and outreach plan. Staff recommends three TAC Members to be part of the subcommittee due to their interest and relevant experience. Staff recommends that this subcommittee may also consist of up to two Board Members, RethinkWaste staff, and Recology staff. Subcommittee members will assist the SBWMA in making sound outreach and education

decisions as it moves forward. Interested parties are encouraged to state their interest to Julia Au before, or during the January 25<sup>th</sup> Board meeting, so a complete subcommittee roster can be considered at this time.

**Background**

A Public Education and Outreach Subcommittee was formed many years ago to discuss public education and outreach campaigns and assisted in formulating the Public Education and Outreach Plan, amongst other tasks. The subcommittee has not held a meeting since December 2015.

**Fiscal Impact**

There is no specific fiscal impact associated with this item.

**Attachments:**

Resolution No. 2018-06



## RESOLUTION NO. 2018-06

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING THE FORMATION OF THE AD DOC PUBLIC EDUCATION AND OUTREACH SUBCOMMITTEE

**WHEREAS**, the SBWMA previously convened a public education and outreach subcommittee, but hasn't met since December 2015; and,

**WHEREAS**, Member Agencies and the SBWMA have requested that this subcommittee be re-convened to meet, discuss, and receive feedback on public outreach education campaigns and projects.

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves the formation of an Ad Hoc Public Education and Outreach Subcommittee consisting of:

1. Andra Lorenz, Senior Management Analyst, City of Foster City
2. Roxanne Murray, Solid Waste/Recycling Programs Coordinator, City of San Mateo
3. Gordon Tong, Sustainability Program Manager, County of San Mateo Office of Sustainability
- 4.
- 5.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 25<sup>th</sup> day of January, 2018, 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. 2018-06 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on January 25, 2018.

ATTEST:

\_\_\_\_\_  
Bob Grassilli, Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Board Secretary





# SHOREWAY OPERATIONS AND CONTRACT MANAGEMENT



## STAFF REPORT

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To: SBWMA Board Members  
From: Joe La Mariana, Executive Director  
Hilary Gans, Senior Facility and Contract Manager  
Julia Au, Recycling Outreach Programs Manager  
Date: January 25, 2018 Board of Directors Meeting  
Subject: Residential and Multi-Family Battery Handling, Collection and Communication Work Plan

---

### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2018-07 attached hereto authorizing the following actions:

1. Reduce/eliminate the presence of lithium ion batteries in the recycling stream at the Shoreway MRF.
2. Approve the plan total of \$430,760, which includes \$116,000 of funding already included in the FY17-18 Budget.
3. Approve the expenditure of the unbudgeted difference (\$314,760) necessary to implement this recommended plan from the FY17-18 Budget, Line 42, titled *Collection RFP Contract Support* to fund this unanticipated program to achieve no negative variance to the FY17-18 Budget. This line item currently has \$450,000 budgeted.

### Summary

Following the fire on September 7, 2016, efforts began to reduce or eliminate the presence of batteries in the recycling stream at the Shoreway MRF. This Staff Report recommends an Action Plan to accomplish that goal. The plan consists of three components:

- 1) **Hardening of the facility, fire suppression and staff training**
  - Prevent fires that do occur at the Shoreway facilities from causing damage to the buildings and equipment.
- 2) **New handling, collection, and communication work plan**
  - Prevent businesses and residents from putting batteries in the recycling and waste carts
  - Prevent batteries from entering the MRF and transfer station.
- 3) **Long term Extended Producer Responsibility (EPR) and local ordinance measures**

### Analysis

Staff has identified six core action item sub-categories within the aforementioned three identified categories. Action items are summarized in Table 1 (on the next page).

Table 1. Battery Fire Solution Areas, Recommended Stakeholders and Action Steps	
<i>1. Hardening of the Facility, Fire Suppression and Staff Training</i>	
Stakeholder	SBWMA Action Steps
a. SBR/Shoreway	Enhance Shoreway fire suppression and employee training to prevent battery fires from damaging the MRF and transfer station.
<i>2. New Battery Handling, Collection, and Communication Work Plan</i>	
b. Recology	Coordinated outreach and enforcement to ensure that battery collection is performed according to the battery collection program guidelines.
c. Residents & Businesses	Engage residents and businesses in the redesign and pilot of a new curbside battery collection program that eliminates batteries inside the Blue Bin.
<i>3. Long Term Extended Producer Responsibility (EPR) and Local Ordinance Measures</i>	
a. Battery Industry	Work with lithium-ion battery manufacturer to: 1) procure battery program grant funds to cover Agency handling costs, 2) make batteries safe to handle in MRFs and "self-identifying" through RFID chips when discarded into solid waste collection and processing systems.
b. Local Gov's.	Collaborate and build a coalition with other Bay Area governments to build support for local battery ordinances and extended producer responsibility (EPR) regulations.
c. State Gov.	Support California Product Stewardship Council and others in expanding EPR to include batteries and have costs and risks assigned to battery manufacturers.

### 1. Hardening of the Facility, Fire Suppression and Staff Training

Staff has worked collaboratively with SBR and industry experts to identify and implement best practices related to enhancing Shoreway's operational and facility fire safety and suppression capabilities. This multi-year continuous effort has been cataloged in a report titled "Shoreway Fire Hazard Mitigation Plan." This plan was originally provided to the Board in 2014 and as the report has been updated, (most recently in 2017) it has been provided to the Board. A summary of the enhancements include:

#### Shoreway Environmental Center: Facility Enhancements - Operational:

- Development of **Fire Hazard Mitigation Plan** (addition to SBR's Emergency Response Plan).
- **Sorter training** on lithium-ion battery hazard and response.
- Enhance **all-employee fire safety training** depth and frequency.
- **Discontinue second-shift** MRF processing.
- Policy to **minimize material storage "fuel"** at MRF and Transfer Station.
- Policy of **daily clearing of all materials** from MRF sort system at end of shift.
- **Rigorous housekeeping** program implemented.
- **24/7 onsite coverage** - security service patrol on weekends and off-hours.
- **PENDING: Consideration of onsite firefighting service support off-hours.**
- 

#### Shoreway Environmental Center Facility Enhancements – Structural:

- **Building Fire Suppression System** – advanced water and foam overhead sprinkler system for MRF and Transfer Station.
- **Multiple Fire Expert review** of fire systems and recommendations
- **Structural Enhancements:**

- 30 new handheld fire extinguishers added to supplement minimum required by Building Code.
- 10 water-drops with hose reels added around MRF and Transfer Station for location-based firefighting.
- Five F-500 Carts added to the MRF and TS tip floor for location based firefighting.
- F-500 Fire Suppression Agent added to fire extinguishers.
- Building sprinkler system extended into areas of MRF Equipment where materials are stored (e.g., paper bunkers, plastic bunkers).
- Building sprinkler system extended into MRF screens (where fire occurred).
- PENDING: Consideration of Remote Fire monitoring system (Fire Rover-type system)

2. **Battery Handling, Collection, and Communication Action Plan**

***2A. Battery Handling and Collection Procedures***

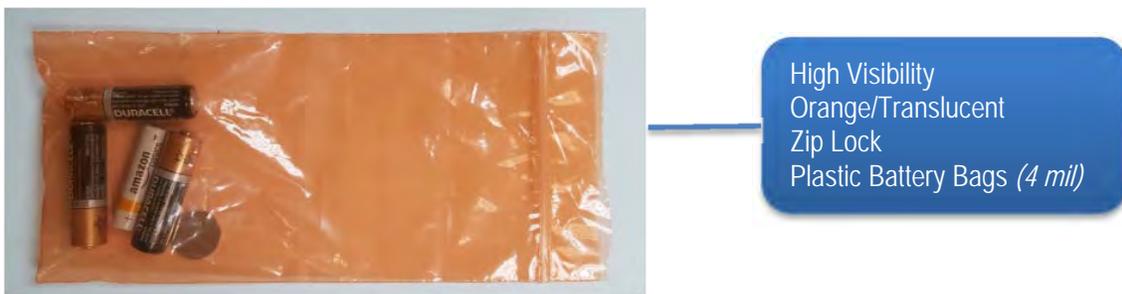
Battery handling and collection procedures will be modified to ensure reduction or even elimination of lithium-ion batteries at Shoreway. Recommended modifications are in the following areas:

- Battery bag modifications
- RFID scanning procedures
- Battery bag distribution
- Battery drop-off location expansion
- Multi-family (MFD) dwelling battery bucket expansion and outreach

**2A.1 Battery Bag Modifications** *(Est. Cost: \$80,000)*

The current curbside battery collection procedure allows residents to place batteries in any household zip lock bag on top of their recycling cart. A major modification of residential requirements will provide residents with 8"x10", 4 millimeters thick, high visibility, translucent plastic zip lock bags equipped with RFID tags. Bags will be easily visible due to the orange color and the translucency will allow Recology drivers to easily identify the contents of the bag. Bilingual artwork on the bag will be clearly visible and consist of easily understood guidelines for the use of the bag. Graphic 1 (below) shows a bag similar to the yet to be purchased SBWMA bag.

**Graphic 1:** *Sample High-Visibility, Translucent Battery Bag*



2A.2 RFID Scanning Procedures (Est. Cost: \$80,500)

Scanning of RFID tags will help with the identification of battery bags inside blue recycling carts at the point of collection. Scanners will be placed on the lift arm of the residential side loading trucks. Drivers would be alerted to RFID bags inside the cart at the point of collection. Carts would not be serviced, but a tag would be left informing residents of the problem. Recology has 73 residential automated side loading vehicles and 24 residential side loading recycling routes. Initial installation would be on the 24 vehicles normally assigned to residential recycling routes.

**Graphic 2: Residential Recycling Automated Side Loader Arm**



RFID Scanner to be Installed on Lift Arm of Residential Recycling Automated Side Loader (24 trucks)

2A.3 Battery Bag Distribution

The purpose of the high visibility RFID bag for battery collection is to allow SBWMA, SBR, and Recology to intercept improperly placed battery bags before cycling through the Shoreway MRF. Having initial distribution and replenishment procedures in place is critical so the program will continue beyond the kickoff date. See Attachment A: *Battery Bag Distribution Matrix*, for ongoing distribution and replenishment opportunities of battery bags for SBWMA residents.

2A.4 Battery Drop-off Location Expansion

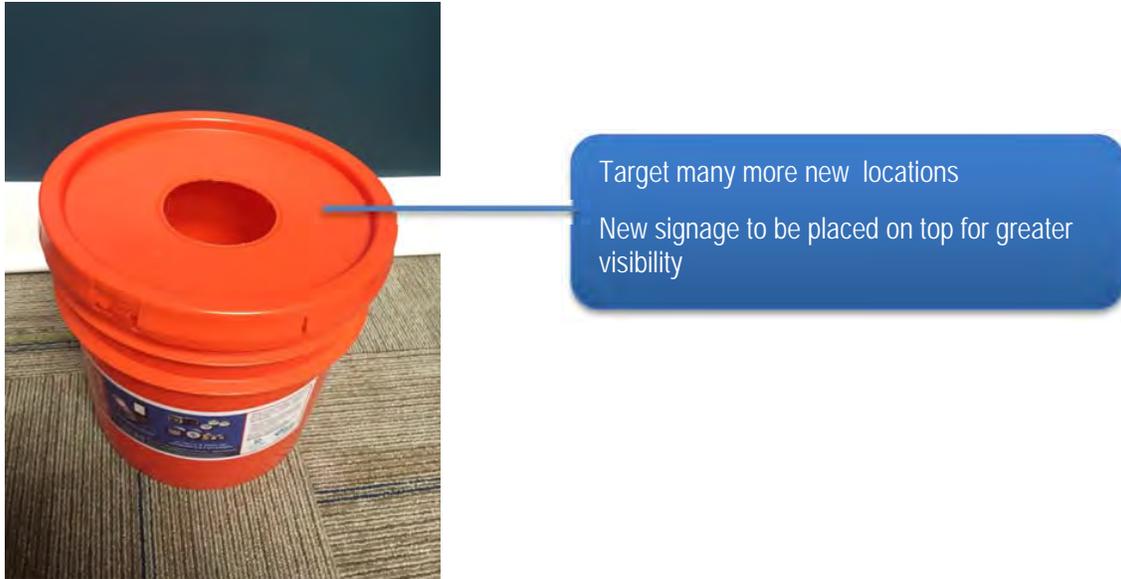
Batteries dropped off at collection points throughout the SBWMA service area, by definition, will not end up in the MRF. There are currently 21 battery drop-off locations in the SBWMA service area. These include seven Call2Recycle locations as well as County and independently sponsored drop-off locations. Working collaboratively with Call2Recycle and member agencies, the goal of drop-off location expansion is to double the number of locations in 2018. Attachment B shows *Map 1, locations of the 21 drop-off locations*, and *Map 2, potential expansion drop-off locations*, including independent and corporate retail businesses in the SBWMA service area.

2A.5 Multi-Family Dwellings (MFD) Battery Bucket Expansion and Outreach

The current MFD battery recycling program is in place at 93 out of approximately 3,000 locations in the SBWMA service area. Over 100 three-gallon buckets have been placed at these locations. Recology's role in this process includes purchasing, inventorying, prepping and distributing the buckets. Recology staff swaps out the full containers for an empty one upon property manager request. Changes to this program include the goal of doubling the number of participating locations and enhancing outreach efforts in 2018. Staff intends to produce new multi-lingual signage that would be displayed on the lid of the buckets, and send literature about the program to property managers. Additionally, the Rethinker

newsletter educating residents about proper battery disposal (to be used as a bill insert for residential accounts) will also be mailed directly to MFD residents who do not receive a bill.

**Graphic 3: Multi-Family (MFD) Battery Bucket**



### ***2B Communicating Safe Procedures***

Communicating safe procedures for handling lithium-ion batteries is essential to the success of a plan to reduce or eliminate the incidence of lithium-ion batteries in the recycling stream. Target audiences for a multi-lingual public education plan include single-family and multi-family residences. Components of the recommended public education plan, along with cost and timeframe, are listed below in Table 2. Discussion of each follows.

#### **Recommended Battery Public Education Plan Components**

##### 2B.1 Program launch direct mail, including letter with RFID bags, and magnet (Est. Cost: \$88,000)

SBWMA will send a letter to all households (approximately 92,000) explaining the curbside battery recycling procedure, emphasizing any changes in the program, and lithium-ion battery hazards. Two RFID bags provided to residents and businesses for curbside battery recycling will accompany the letter. Also included will be a magnet reminding residents to recycle batteries, including a phone number and website for information.

##### 2B.2 Newspaper insert (Est. Cost: \$18,000)

An eight-page full-color newspaper insert is being developed by N+R Publishing to bring journalistic attention to the issue of lithium-ion battery fires. SBWMA will be able to purchase reprints for its public education campaign for insertion in the San Mateo Daily Journal. Many extras will be available to distribute at all Member Agency venues, community, and temporary events.

##### 2B.3 Website update

A new webpage will be developed outlining battery recycling program guidelines to emphasize safe handling of all batteries with special emphasis on the fire danger of improperly handled lithium-ion

batteries. The page will also feature all battery recycling options, including the San Mateo County HHW facility, Call2Recycle locations, and all other battery recycling locations in the SBWMA area. A battery recycling link will also be easily visible on the home page of the SBWMA website.

2B.4 Advertising (Est. Cost: \$15,000)

SBWMA will promote the upcoming changes to the curbside battery program in addition to safe and proper disposal of batteries via advertisements in local newsletters.

2B.5 Rethinker newsletter (Est. Cost: \$8,000)

SBWMA will use the Rethinker newsletter to provide information about upcoming changes to the curbside battery recycling program. The newsletter will be sent via a bill insert to residential bills payers, and direct mail to multi-family residents.

2B.6 Social media postings (Est. Cost: \$100)

SBWMA will post and boost awareness of upcoming changes to the curbside battery recycling program and the importance of battery recycling. SBWMA will also work with Member Agencies and contractor's and their social media and networking accounts including, but not limited to Facebook, Twitter, and Nextdoor, to include important battery handling information. .

2B.7 Member Agency outreach

SBWMA will work with Member Agencies to promote the safe handling and disposal of household batteries using messages printed directly onto bills, city newsletters, and other local methods of dissemination. There is no cost associated.

2B.8 Brochures and other outreach pieces (Est. Cost: \$1,000)

Brochures containing information about battery recycling will be updated to include new procedures and emphasize lithium-ion battery dangers.

2B.9 Pub Ed Safe Handling/Proper Disposal Tips video (Est. Cost: \$5,000)

A short (30 second) video will be produced for use as a public service announcement, public access channel, social media posting, and as a tool for presentations to educate residents about properly disposing of unwanted household batteries.

2B.10 Recology truck signage (Est. Cost: \$12,000)

Frames and signs promoting proper handling of batteries will be purchased for installation on Recology residential recycling trucks. There are 24 residential recycling routes. Frames and signs will be placed on 12 of these trucks.

2B.11 Multi-Family Dwellings: Program Expansion and Outreach (Est. Cost: \$34,000)

SBWMA and Recology will work to expand the number of MFD battery buckets in the SBWMA service area and provide direct outreach on safe battery handling.

## Communication Action Plan Timeline

The timeline for the project is divided by Pre-Launch and Launch timeframes. Launch of the program will coincide with the mass mailing to approximately 92,000 single-family residences, currently scheduled for April 2018. Rollout of the program will run from April through September, with some outreach and expansion efforts continuing open-ended after that. See Attachment C, *Communication Action Plan Timeline*, for proposal timeline.

Proposed Budget

<b>Table 2</b>		
<b>Proposed Battery Collection &amp; Communications Work Plan Budget</b>		
	<b>ITEM</b>	<b>COSTS</b>
2A.1	<b>RFID bags</b>	\$80,000
	*250,000 bags (\$15,000)	
	*250,000 RFID tags (\$50,000)	
	*Adhering RFID tags (\$15,000)	
2A.2	<b>RFID scanning procedures</b>	\$80,500
	*RFID scanner (mounted on 24 trucks/use at MRF) (\$80,000)	
	*Driver tags (on carts for program non-compliance) (\$500)	
2B.1	<b>Direct mail (to 92,000 single-family residents accounts)</b>	\$88,000
	*Printing/kit assembly (\$35,000)	
	*Postage to 92,000 HH (\$45,000)	
	*Fridge magnet - 100,000 units (\$8,000)	
2B.2	<b>Newspaper insert (50,000 printed)</b>	\$18,000
	*Design/Writing/Printing (\$16,000)	
	*Insertion Cost— (Daily Journal SBWMA zones) (\$2,000)	
2B.4	<b>Advertising</b>	\$15,000
2B.5	<b>Rethinker Newsletter (SFR bill insert)</b>	\$8,000
2B.6	<b>Social media postings</b>	\$100
2B.8	<b>Brochures and other outreach pieces</b>	\$1,000
2B.9	<b>Safe Handling/Proper Disposal Tips video</b>	\$5,000
2B.10	<b>Recology truck signage: 24 Signs (3' x 5')</b>	\$12,000
2B.11	<b>Multi-Family Dwellings: Program Expansion and Outreach</b>	\$34,000
	*Bucket sticker (\$1,000)	
	*Rethinker direct mail to MFDs (\$33,000)	
	<b>Community-based social marketing (CBSM)</b> to affect long term behavioral change *Placeholder number/anticipating RFQ w/Pub Ed/Outreach Committee engagement	\$50,000*
	<b>SUBTOTAL:</b>	<b>\$391,600</b>
	Contingency (10%):	\$39,160
	<b>Proposed Budget-GRAND TOTAL:</b>	<b>\$430,760*</b>
	<b>Current Budgeted Amount (FY17-18):</b>	<b>&lt;\$116,000&gt;</b>
	<b>Net Cost of Recommended Battery Plan:</b>	<b>\$314,760</b>

3. Long term Extended Producer Responsibility (EPR) and local ordinance measures.

At Board direction, Staff is actively pursuing numerous strategic partnerships and long-term measures to create a solid waste industry-wide, environmentally responsible approach to handling lithium batteries at their end-of-life. The end goal is to use an Extended Producer Responsibility (EPR) approach to create a sustainable, self-funding model to identify, separate, process, and dispose of these materials with the collaboration of the battery

manufacturing industry. This strategy is in alignment with SBWMA policy and is critical alliance with Agency goals to protect worker safety and protect Agency assets. Many of these alliances are outlined in Table 3 (below).

Table 3			
Long Term EPR and Ordinance Initiatives and Partnerships: Local and State Governments			
	Organization	Action Item	Comments
1.	San Mateo County Office of Sustainability	Develop Lithium Battery Ordinance	Concept discussion has occurred in December
2.	San Mateo County Household Hazardous Waste	To be confirmed	Awaiting program and financial commitments
3.	San Mateo County Legislative Director	Lithium-ion Battery briefing.	12/21/17 Requires SBWMA's SMC support
4.	California Product Stewardship Council (CPSC)	*CPSC Board incorporated Lithium-Ion Battery EPR in 2018 Workplan.  *SBWMA/CPSC Co-Hosted a Lithium-ion Battery Summit w/ 22 industry leaders to discuss EPR issues, strategies, and public education messaging.	12/20/17
5.	Solid Waste Association of North America (SWANA)	*California Legislative Task Force: *Lithium-Ion Battery EPR was added to LTF's 2018 Legislative Platform *Lithium-Ion Battery Fire Presentation-- *Statewide/Nat.advocacy opportunities	12/1/17 Strong support; Legislative Advocate ready to act

**Background**

Following the September 7, 2016 Shoreway MRF fire, Staff determined that lithium-ion batteries were the likely cause. On October 26, 2017, Staff and the TAC discussed possible solutions and discovered that: 1) lithium-ion batteries are inherently unstable and likely to ignite into fire if damaged, 2) they are currently arriving in the single stream recycling at a rate of five-per hour, 3) they have caused fire incidents on a regular basis since 2013, and 4) the danger presented by these batteries is predicted to significantly increase over time due to ever-growing demand for mobile and portable devices. It is critical to minimize or eliminate the causes of fires as the MRF and Transfer Station for the long term successful operation of the facility.

**Fiscal Impact**

Total estimated cost for implementation of the Residential and Multi-Family Battery Handling, Collection and Communication Work Plan is \$430,760. Of this total, \$116,000, or 27%, is already included in the adopted FY17-18 budget. If the plan is approved in its entirety, Staff recommends that the remaining unbudgeted total (\$314,760) be funded by redirecting this amount from FY17-18 adopted budget, line 42 titled "Collection RFP Consulting Support," which does not appear to be needed for this intended use. By using this strategy, there will be no negative variance to the FY17-18 budget. This is a unique, one-time opportunity.

**Attachments:**

Resolution 2018-07

Attachment A – Battery Bag Distribution Matrix

Attachment B – Current and Potential Battery Drop-off Locations

Attachment C – Communication Action Plan Timeline



**RESOLUTION NO. 2018-07**  
**RESOLUTION OF THE SOUTH BAYSIDE WASTE**  
**MANAGEMENT AUTHORITY BOARD OF DIRECTORS**

**WHEREAS**, the SBWMA is responsible for the operation of the Shoreway Environmental Center for the benefit of member agencies.

**WHEREAS**, there exists a growing threat of fire due to the increasing presence of lithium-ion batteries in the recycling stream.

**WHEREAS**, another similar-scale fire like the one that occurred on September 7, 2016 would seriously hinder SBWMA's ability to obtain insurance, and, therefore, could potentially halt recycling operations in the facility. Should this situation occur, significant rate payer financial assets would be stranded and overall recycling activities would be at-risk.

**WHEREAS**, if recycling activities ceased at the Shoreway site, significantly higher costs would be passed through to SBWMA rate payers to transport these materials to alternative sites for processing which could also put the Agency program at risk for non-compliance of state mandates,

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves the Executive Director's recommendation of the Residential and Multifamily Battery Handling, Collection and Communication Work Plan at the Not-To-Exceed amount of \$430,760.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 25<sup>th</sup> day of January, 2018, 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. 2018-07 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on January 25, 2018.

ATTEST:

\_\_\_\_\_  
 Bob Grassilli, Chairperson of SBWMA

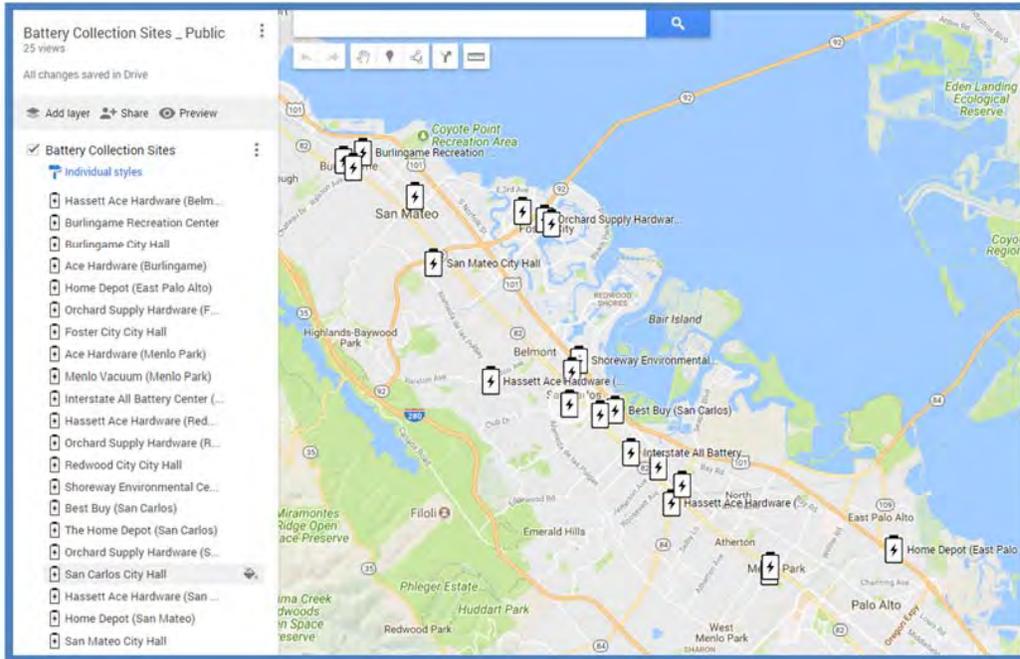
\_\_\_\_\_  
 Cyndi Urman, Board Secretary

Attachment A

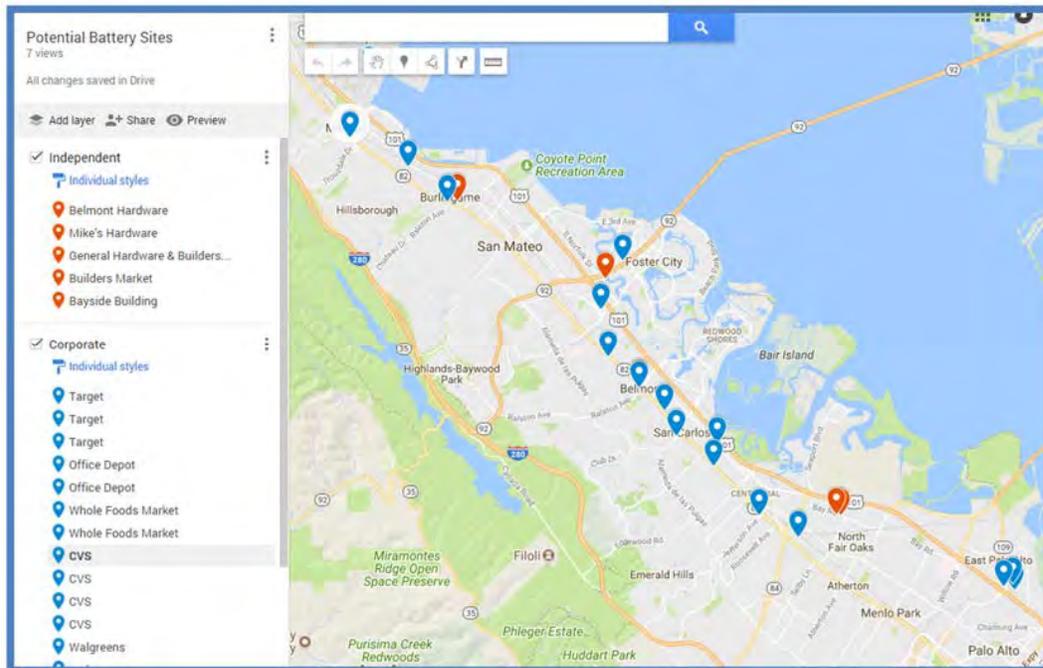
BATTERY BAG DISTRIBUTION MATRIX			
#	<i>RESIDENT ACTION</i>	<i>RESPONDING PARTY</i>	<i>ACTION ITEM</i>
<i>Program Launch: Initial Mailing</i>			
1.	No Action required	SBWMA	<b>Program launch kit includes:</b> letter, 2 battery bags and fridge magnet.
<i>Replenishment Method</i>			
2.	Call Recology Customer Service Center for replacement bags	Recology Customer Service Rep	Replacement bags are mailed out.
3.	Drop off full battery bag at Shoreway Environmental Center	Shoreway site staff	Replacement bags are handled out.
4.	Bring full battery bag to San Mateo County's HHW Collection Facility @ Tower Road	San Mateo County's HHW staff	a. Confirm that resident is in SBWMA area and accept full bags. b. If so, provide distribute bags.
5.	Attend any one of the 10 San Mateo County-hosted temporary HHW drop-off events in SBWMA Service Area	San Mateo County HHW staff	Distribute upon request.
6.	Attend any one of the 17 Member Agency-hosted E-waste/shred events (SBWMA staff coordinated)	Member agencies	Distribute upon request.
7.	*Attend SBWMA Earth Day Event *Attend SBWMA America Recycles Day event	SBWMA staff	Distribute upon request.
8.	Attend numerous SBWMA service area community events	Recology staff	Distribute upon request.

Attachment B

Map 1. Current battery drop-off locations



Map 2. Potential expansion battery drop-off locations



Attachment C

Communication Action Plan Timeline

LITHIUM ION BATTERY PROJECT TIMELINE (2018)									
TASK\DATE	January	February	March	April	May	June	July	August	September
<b>PRE-LAUNCH</b>									
<b>Materials</b>									
*Battery bags/RFID									
**RFID production	■	■	■						
**Bag production		■	■						
**Adhere RFID tags to bags		■	■						
*Facility distribution		■	■						
<b>Communication Plan</b>									
*Develop outreach messaging		■	■						
*Train affected internal parties		■	■						
**Recology			■	■					
**SBR			■	■					
**San Mateo County HHW facility			■	■					
**Member agencies			■	■					
<b>LAUNCH</b>									
*Direct mail (letter, bags, magnet)				■	■				
*Newspaper insert				■	■				
*Website update			■	■					
*Advertising			■	■	■	■	■	■	■
*Rethinker newsletter			■	■	■	■	■	■	■
*Social media postings			■	■	■	■	■	■	■
*Member agency outreach			■	■	■	■	■	■	■
*Video			■	■	■	■	■	■	■
*Truck signage			■	■	■	■	■	■	■
*MFD program expansion/outreach		■	■	■	■	■	■	■	■

## STAFF REPORT

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To: SBWMA Board Members  
From: Hilary Gans, Senior Contracts and Operations Manager  
Date: January 25, 2018 Board of Directors Meeting  
Subject: Shoreway Operations Update

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### Recommendation

This staff report is for informational and discussion purposes only and no formal action is required by the Board of Directors.

#### 1. Food Waste to Energy Pilot with EBMUD

At the November meeting the SBWMA Board approved an MOU to advance a Food Waste to Energy project with East Bay Municipal Utility District (EBMUD). Located in Oakland, EBMUD operates one of the largest waste water treatment plants in the Bay Area. Over the past 5+ years, EBMUD has been receiving food waste from solid waste haulers/municipalities and generating power from the anaerobic digestion process. Currently EBMUD is seeking \$1.2M in grant funding from CalRecycle and is looking to the SBWMA as a supply-partner for food waste. The CalRecycle grant funds are being directed to EBMUD specifically for a food waste to energy project and EBMUD is looking to the SBWMA as the sole provider of the food waste for the pilot project. The timetable of the Cal Recycle grant has accelerated the pilot project discussion require both parties to commit to the project early in 2018.

SBWMA Board members are familiar with staff's research into sorting SBWMA garbage to extract food waste for transportation to a waste water treatment plant for anaerobic digestion and this potential pilot project with EBMUD is a "half-step" towards implementing this larger project. The feedstock for the pilot would primarily consist of redirecting commercial food waste that is currently being composted to EBMUD, who for their part, will digest the food waste into energy. A financial proforma is currently being developed and will be brought to the Board in February along with a detailed project description for their consideration. Current estimates are that the cost of the pilot would be comparable to the agency's current cost of composting and the capex will be \$1.5-\$2M and no building modifications are required. The value of the pilot project to the SBWMA is that it will:

- 1) Give the SBWMA and EBMUD (as well as other waste water treatment plants that the SBWMA as an MOU with) an opportunity to build a food waste to energy supply relationship.
- 2) Analyze and test the proforma for a full-scale waste sorting and anaerobic digestion system.
- 3) Provide an opportunity to test-drive processing equipment and develop material quality specifications.
- 4) Build a track record of success that will support future grant requests to CalRecycle to fund a full-scale waste sorting system.

Currently SBWMA staff is working to:

- 1) Refine the pilot project cost proforma and capital costs.
- 2) Develop materials specification for materials shipped from SBWMA to EBMUD.

- 3) Develop and define a core-terms sheet that will serve as the basis for a supply agreement between SBWMA and EBMUD.
- 4) Receive an equipment proposals for the pilot project that will be needed remove contamination from commercial food waste and produce an organic slurry.
- 5) Negotiate grant terms and conditions with CalRecycle.

## **2. Fire Restoration Cost Recovery**

The SBWMA expense for the 2016 Shoreway fires is currently at zero balance and all expense have been fully reimbursed by Hanover for costs incurred by the SBMWA in the MRF and transfer station restoration efforts. The MRF restoration project is complete and the transfer station is undergoing one small final project before closure can be reached with Hanover Insurance.

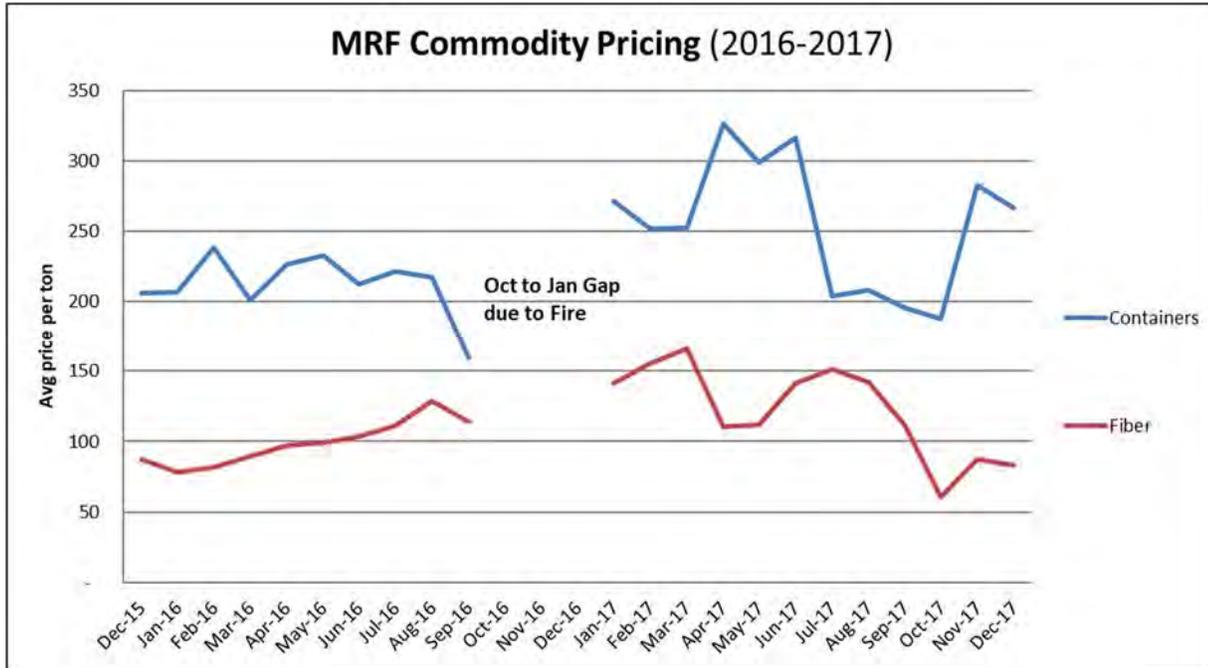
## **3. Update on Commodity Markets and Pricing**

While marketing challenges with recycled materials exported to China are not new, the Chinese government is strongly signaling that “this time is different”. One outcome of the October 2017 People’s Congress meeting is that environmental issues are going to be a top priority for the Chinese government in 2018 and that the “importation of waste” will not be allowed. While the commodities produced by the Shoreway MRF are not “waste”, the standards for commodities imported by China are tightening and there is an increased risk of rejection for all US recyclers. In the case of mixed paper, this risk is a particularly acute because of the large volume of this commodity exported, because China is the primary consumer for this commodity worldwide and, because of the stringent quality-standards being enforced by China (1% contamination and 2% brown paper).

The “market-risk” of SBWMA mixed paper loads being rejected is costly and can be as high as \$500,000 (exported paper is sold into China in groupings of ~20 containers and if a load is rejected, customs will typically reject all containers in the grouping). Due to the high cost of rejections, SBR and SBMWA staff are taking a precautionary step of hiring additional sorters to clean paper shipped to Chinese to try to meet the quality standards. SBR has keep the SBWMA staff informed about the change in market conditions and the need to improved mixed paper quality and there has been a cooperative effort address the problem. Unfortunately, the current BHS system does not allow SBR to meet China’s quality-standard. SBR and SBWMA are analyzing the following options and will be bringing recommendations back to the Board for consideration. Current steps being taken to maintain exports to China include the following:

- 1) Close monitoring of fiber quality manufactured by the Shoreway MRF.
- 2) Exploring alternative paper markets in addition to China.
- 3) Monitoring standards and rejections of commodities by China.
- 4) Tuning-up the performance of the existing sort line to sort for maximum effectiveness.
- 5) Evaluate the need for additional and ongoing sort labor.
- 6) Additional MRF sorting equipment is being considered.

Fiber commodity sales price reached its lowest point in two years which is a direct result of the China’s changes to the mixed paper market - - specifically, mixed paper sold by the SBWMA dropping from a 2017 high of \$121 in July to \$40 per ton in December. Mixed paper is the largest commodity sold from the Shoreway MRF so this dramatic decline in price is effecting the blended average revenue (see chart below for a two year tend on pricing for containers and fiber commodities).



Market Summary for ED Report -

China is the primary market for recycled commodities from the US. In the cause improving the environmental the Chinese government has signaled a tightening of quality standards for the importation of commodities – particularly in the case of mixed paper. While the implementation of China’s new customs policies is yet to clarified, SBR and SBWMA staff are being proactively addressing the quality of commodities exported from the MRF to mitigate the risk of potential and costly export rejections. Towards this goal, a combination of sorting equipment enhancements and increase sort labor are being evaluated.

EBMUD Summary for ED Report -

Staff met with East Bay Municipal Utility District (EBMUD) on January 11<sup>th</sup> to discuss the potential for a pilot project where SBWMA would process commercial food waste into an organic slurry and EBMUD would digest this food waste slurry into energy using their waste water anaerobic digesters. This potential pilot is a candidate for partial grant funding from CalRecycle (\$1.2M) and could serve as a crucial stepping-stone towards the development of a full-scale system to sort food waste from the SBMWA’s garbage for conversion to green energy. More information is provided in staff report 7C and will be brought to the Board for consideration at the February BOD.





# INFORMATIONAL ITEMS ONLY



## STAFF REPORT

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To: SBWMA Board Members  
From: Farouk Fakira, Finance Manger  
Date: January 25, 2018 Board of Directors Meeting  
Subject: Check Register for November and December 2017

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### Recommendation

This is an informational item only and no action is required. This report was requested by the Board members.

### Summary

The purpose of this report is to provide transparency to the Board and the public on the actual spending by the SBWMA. All payments made by check issued in November and December 2017 are listed on the attached report for review.

### Analysis

The SBWMA has a contract with the City of San Carlos for accounting services including the issuing of all payments and deposit of all receipts. In accordance with the City of San Carlos' policies, checks are normally issued every two weeks. All SBWMA invoices are approved for payment by the program manager and then by the Executive Director or Finance Manager. Total A/P spending for November 2017 was \$3,932,496.51, and for December 2017 was \$2,042,123.40 as detailed in **Attachment A**. SBR's monthly billing for \$1,958,120.13 for the month of November did not make it to the check register in December, 2017, therefore, it will be posted in January 2018.

Certain ACH transactions such as payroll and some benefit payments are drawn directly from the bank and are therefore not included in these A/P reports.

If you have any questions on this, please contact Cyndi Urman or Farouk Fakira. The format of the check registers is limited to what is available from the city's MUNIS accounting system.

### Attachments:

Attachment A – November and December 2017 Check Registers

SB

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A/P CASH DISBURSEMENTS JOURNAL S110917

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CASH ACCOUNT: S000	110020	WELLS FARGO BANK							
CHECK NO	CHK DATE	TYPE	VENDOR NAME	VOUCHER	INVOICE	INV DATE	PO	CHECK RUN	NET
7831	11/09/2017	WIRE	3622 WELLS FARGO PAYMENT		102617	10/26/2017			6,332.91
			Invoice: 102617			CC REIMBURSEMENTS			
						CHECK		7831 TOTAL:	6,332.91
7832	11/09/2017	EFT	3 AARONSON DICKERSON C		1017039-SB	10/25/2017		S110917	2,091.50
			Invoice: 1017039-SB			BOARD COUNSEL			
						CHECK		7832 TOTAL:	2,091.50
7833	11/09/2017	EFT	2659 CRYSTAL SPRINGS CATE		E03805	11/01/2017		S110917	3,635.34
			Invoice: E03805			BOARD MEETINGS			
						CHECK		7833 TOTAL:	3,635.34
7834	11/09/2017	EFT	5058 EMERGING ACQUISITION		192642	10/16/2017		S110917	3,544.21
			Invoice: 192642			MRF FIRES			
						CHECK		7834 TOTAL:	3,544.21
7835	11/09/2017	EFT	7624 KBA DOCUSYS INC		INV599444	10/25/2017		S110917	353.82
			Invoice: INV599444			OFFICE EQIPT. COSTS			
						CHECK		7835 TOTAL:	353.82
7836	11/09/2017	EFT	725 CITY OF SAN CARLOS		12226	10/30/2017		S110917	2,741.97
			Invoice: 12226			UTILITIES & PHONE			
					1981113	10/26/2017		S110917	423.18
			Invoice: 1981113			BANK FEES			
						CHECK		7836 TOTAL:	3,165.15
7837	11/09/2017	PRTD	776 AT&T		65059671467049-10131	10/13/2017		S110917	487.38
			Invoice: 65059671467049-10131			SHOREWAY FACILITY COST			
						CHECK		7837 TOTAL:	487.38
7838	11/09/2017	PRTD	5412 BIRCH COMMUNICATIONS		25020304	10/20/2017		S110917	1,057.18
			Invoice: 25020304			UTILITIES & PHONE			
						CHECK		7838 TOTAL:	1,057.18

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CASH ACCOUNT: S000 110020 WELLS FARGO BANK

CHECK NO	CHK DATE	TYPE	VENDOR NAME	VOUCHER	INVOICE	INV DATE	PO	CHECK RUN	NET
						INVOICE DTL DESC			
7839	11/09/2017	PRTD	7504 E-RECYCLING OF CALIF		75012	10/27/2017		S110917	993.76
	Invoice: 75012					SHRED/EVENTS-SAN CARLOS			
						CHECK		7839 TOTAL:	993.76
7840	11/09/2017	PRTD	7802 KBA DOCUSYS INC		41250213-102517	10/25/2017		S110917	502.27
	Invoice: 41250213-102517					OFFICE EQUIPT. COST			
						CHECK		7840 TOTAL:	502.27
7841	11/09/2017	PRTD	2426 MAZE & ASSOCIATES IN		25955	10/04/2017		S110917	2,588.00
	Invoice: 25955					ANNUAL FINANCIAL AUDIT			
						CHECK		7841 TOTAL:	2,588.00
7842	11/09/2017	PRTD	8705 PROGRESSIVE PLUMBING		1068	10/04/2017		S110917	9,000.00
	Invoice: 1068					PLMR FOR KITCHEN SINK 2ND FLR			
						CHECK		7842 TOTAL:	9,000.00
7843	11/09/2017	PRTD	8706 RUBY CANYON ENGINEER		RCE 17-300	10/26/2017		S110917	625.00
	Invoice: RCE 17-300					CLIMATE CHANGE REPORTING			
						CHECK		7843 TOTAL:	625.00
7844	11/09/2017	PRTD	680 SAN MATEO COUNTY		293045	08/08/2017		S110917	1,469.00
	Invoice: 293045					DISPOSAL FEES			
						CHECK		7844 TOTAL:	1,469.00
7845	11/09/2017	PRTD	3022 SCS ENGINEERS		0310687	11/01/2017 2599		S110917	1,905.00
	Invoice: 0310687					CLIMATE REGISTRY REPORTING			
					0310685	11/01/2017 1030		S110917	900.00
	Invoice: 0310685					AB 939 PROGRAMS STAFF			
						CHECK		7845 TOTAL:	2,805.00
7846	11/09/2017	PRTD	8427 STEVEN SHERMAN CONSU		2017-SBWMA-06	10/31/2017 2779		S110917	3,582.66
	Invoice: 2017-SBWMA-06					LONG RANGE PLAN			
						CHECK		7846 TOTAL:	3,582.66

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CASH ACCOUNT: S000 110020 WELLS FARGO BANK  
CHECK NO CHK DATE TYPE VENDOR NAME VOUCHER INVOICE

INV DATE PO CHECK RUN NET  
INVOICE DTL DESC

7847 11/09/2017 PRD 6156 SHRED WORKS INC 163351 10/14/2017 S110917 558.00  
Invoice: 163351 SHRED EVENT-SAN CARLOS

CHECK 7847 TOTAL: 558.00

7848 11/09/2017 PRD 5443 SPECIALTY'S CAFE & B T2423-17647647 10/26/2017 S110917 93.76  
Invoice: T2423-17647647 CONFERENCES & MEETINGS-TAC

T2423-17647628 10/25/2017 S110917 117.43  
CONFERENCES & MEETINGS

Invoice: T2423-17647628

CHECK 7848 TOTAL: 211.19

NUMBER OF CHECKS 18 \*\*\* CASH ACCOUNT TOTAL \*\*\* 43,002.37

	COUNT	AMOUNT
TOTAL PRINTED CHECKS	12	23,879.44
TOTAL WIRE TRANSFERS	1	6,332.91
TOTAL EFT'S	5	12,790.02

\*\*\* GRAND TOTAL \*\*\* 43,002.37

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ARP	<input checked="" type="checkbox"/>
EFT	<input type="checkbox"/>
Enroll	<input type="checkbox"/>

PREPARED BY: SJP DATE: 11/9/17  
 REVIEWED BY: ay DATE: 11/9/17  
 FUNDS TRANSFERRED BY: ay DATE: 11/9/17

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CASH ACCOUNT:	5000	110020	WELLS FARGO BANK	VOUCHER	INVOICE	INV DATE	PD	CHECK RUN	NET
7849	11/22/2017	WIRE	8579 IPFS CORPORATION		NJN-668141 #5	11/13/2017			65,852.43
		Invoice:	NJN-668141 #5						
				65,852.43	S0113010 520710				
						INVOICE DTL DESC			
						SHOREWAY INSURANCE PREMIUM			
						INSURANCE SHOREWAY			
						CHECK	7849 TOTAL:		65,852.43
7850	11/21/2017	WIRE	2223 THE BANK OF NEW YORK		DEC 2017-2009A	11/21/2017			343,375.00
		Invoice:	DEC 2017-2009A						
				343,375.00	S011 114467	DEC 2017 BNY BOND 2009A			
						INVESTMENT BNY 2009AB INTEREST			
						CHECK	7850 TOTAL:		343,375.00
7851	11/22/2017	EFT	5556 BFI OF CALIFORNIA IN		4227-000048646	10/31/2017		S112217	730,201.35
		Invoice:	4227-000048646						
				730,201.35	S0113010 522713	DISPOSAL PROCESS-OX OCT 2017			
						DISPOSAL & PROCESSING COSTS			
						CHECK	7851 TOTAL:		730,201.35
7852	11/22/2017	EFT	152 NEWBY ISLAND COMPOST		4278-100003987	10/31/2017		S112217	226,478.07
		Invoice:	4278-100003987						
				226,478.07	S0113010 522713	DISPOSAL NEWBY - OCT 2017			
						DISPOSAL & PROCESSING COSTS			
						CHECK	7852 TOTAL:		226,478.07
7853	11/22/2017	EFT	2659 CRYSTAL SPRINGS CATE		E03805A	11/16/2017		S112217	254.95
		Invoice:	E03805A						
				254.95	S0113010 520300	BOARD MTGS BAL			
						BOARD ADMINISTRATION			
						CHECK	7853 TOTAL:		254.95
7854	11/22/2017	EFT	8201 DUDISH CONSULTING LL		6	11/08/2017 814		S112217	350.00
		Invoice:	6						
				350.00	S0113010 520340LRPU1	LONG RANGE PLAN			
						LONG RANGE PLAN			
						CHECK	7854 TOTAL:		350.00
7855	11/22/2017	EFT	8372 RESOURCE RECYCLING S		729744	10/31/2017 3039		S112217	2,100.73
		Invoice:	729744						
				2,100.73	S0113010 520340LRPU1	LONG RANGE PLAN			
						LONG RANGE PLAN			
						CHECK	7855 TOTAL:		2,100.73
7856	11/22/2017	EFT	725 CITY OF SAN CARLOS		79951216	11/02/2017		S112217	4,570.56
		Invoice:	79951216						
				4,570.56	S0113010 520203	RENT			
						RENT			

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CASH ACCOUNT: S000 110020 WELLS FARGO BANK  
CHECK NO CHK DATE TYPE VENDOR NAME VOUCHER INVOICE INV DATE PO CHECK RUN NET

				INVOICE DTL DESC				
				CHECK	7856 TOTAL:			4,570.56
7857	11/22/2017 EFT Invoice: 2017-10	5512 SOUTH BAY RECYCLING	2017-10	11/15/2017	S112217			1,730,322.14
				OPERATING EXPENSES				
		-81.95	S0113010 480033	MRF 3RD PARTY PROCESSING FEE				
		29,879.86	S0113010 522713	DISPOSAL & PROCESSING COSTS				
		-35,503.63	S0113010 522713	DISPOSAL & PROCESSING COSTS				
		74,987.78	S0113010 522717	BUYBACK PAYMENTS				
		8,432.96	S0113010 522714	SHOREWAY FACILITY COST				
		2,224.17	S0113010 520207	EQUIPMENT CHARGES				
		9,145.35	S0113010 520202SHORE	BANK FEES AND SERVICES				
		1,641,237.60	S0113010 522712	OPERATOR COMPENSATION SBR				
				CHECK	7857 TOTAL:			1,730,322.14
7858	11/22/2017 EFT Invoice: 217-088	7976 TANNER PACIFIC INC	217-088	11/06/2017 2	S112217			1,440.00
		1,440.00	S0113010 520308	FY 17-18 CONSTRUCTION MANAGMEN FACILITIES AND OPS CONSULTANT				
				11/06/2017	S112217			5,850.00
				TS FLOOR REPAIR				
		5,850.00	S2251000 570300SF044	FACILITIES IMPROVEMENTS				
				11/06/2017	S112217			5,505.00
				MECHANICS SHOP CANOPY				
		5,505.00	S2251000 570300SF053	FACILITIES IMPROVEMENTS				
				CHECK	7858 TOTAL:			12,795.00
7859	11/22/2017 EFT Invoice: 201710381	5558 ZANKER ROAD RESOURCE	201710381	10/31/2017	S112217			297,285.00
		297,285.00	S0113010 522713	DISPOSAL ZANKER OCT 2017 DISPOSAL & PROCESSING COSTS				
				CHECK	7859 TOTAL:			297,285.00
7860	11/22/2017 PRD Invoice: 3144P NO.1	7955 AMERICAN RESTORE INC	3144P NO.1	10/30/2017	S112217			245,997.37
		245,997.37	S2251000 570300SF044	TIPPING FLOOR RESURFACING FACILITIES IMPROVEMENTS				
				11/16/2017	S112217			12,947.23
				FLOOR REPAIR				
		12,947.23	S2251000 570300SF044	FACILITIES IMPROVEMENTS				
				CHECK	7860 TOTAL:			258,944.60

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A/P CASH DISBURSEMENTS JOURNAL S112217

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CASH ACCOUNT: 5000	110020	WELLS FARGO BANK							
CHECK NO	CHK DATE	TYPE	VENDOR NAME	VOUCHER	INVOICE	INV DATE	PO	CHECK RUN	NET
INVOICE DTL DESC									
7861	11/22/2017	PRTD	88 READYREFRESH BY NEST		17K0028452035	11/10/2017		S112217	16.87
			Invoice: 17K0028452035						
				16.87	S0113010 520201	OFFICE SUPPLY OFFICE SUPPLIES			
						CHECK		7861 TOTAL:	16.87
7862	11/22/2017	PRTD	776 AT&T		65059671467049-11131	11/13/2017		S112217	487.15
			Invoice: 65059671467049-11131						
				487.15	S0113010 522714	SHOREWAY COST SHOREWAY FACILITY COST			
						CHECK		7862 TOTAL:	487.15
7863	11/22/2017	PRTD	5342 DAILY POST		65953	11/08/2017		S112217	750.00
			Invoice: 65953						
				750.00	S0113010 522718	ED CENTER-ARD EDUCATION CENTER OPERATIONS			
						CHECK		7863 TOTAL:	750.00
7864	11/22/2017	PRTD	7504 E-RECYCLING OF CALIF		75045	10/27/2017		S112217	1,565.92
			Invoice: 75045						
				1,565.92	S0113010 522719	COMM EVENT-SAM MATEO 102117 SHRED EVENT SVCS (PASS THRU)			
			Invoice: 75420						
				1,138.10	S0113010 522719	FOR MENLO PARK 11/4/17 SHRED EVENT SVCS (PASS THRU)			
						CHECK		7864 TOTAL:	2,704.02
7865	11/22/2017	PRTD	8721 ECO PROMOTIONAL PROB		101817	10/18/2017		S112217	1,125.50
			Invoice: 101817						
				1,125.50	S0113010 522705	EVENT GIVE AWAYS DIVERSION PROGRAM DEVELOPMENT			
						CHECK		7865 TOTAL:	1,125.50
7866	11/22/2017	PRTD	8719 ENPLUG, INC.		17289	11/09/2017		S112217	3,024.00
			Invoice: 17289						
				3,024.00	S0113010 522718	ED CENTER EDUCATION CENTER OPERATIONS			
			Invoice: 17290						
				631.13	S0113010 522718	ED CENTER EDUCATION CENTER OPERATIONS			
						CHECK		7866 TOTAL:	3,655.13

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CASH ACCOUNT: S000		110020	WELLS FARGO BANK						
CHECK NO	CHK DATE	TYPE	VENDOR NAME	VOUCHER	INVOICE	INV DATE	PO	CHECK RUN	NET
						INVOICE DTL DESC			
7867	11/22/2017	PRTD	8718 MADISON GUZMAN		111517MG	11/15/2017		S112217	39.69
	Invoice: 111517MG			39.69	S0113010 522718	CRAFT SUPPLIES FOR RECYCLES DAY EDUCATION CENTER OPERATIONS			
						CHECK		7867 TOTAL:	39.69
7868	11/22/2017	PRTD	1496 HF&H CONSULTANTS LLC		9715088	11/06/2017	90	S112217	382.50
	Invoice: 9715088			382.50	S0113010 520307	FY 17-18 RATE ANALYSIS CONSULT RATE REVIEW (HFH)			
						CHECK		7868 TOTAL:	382.50
7869	11/22/2017	PRTD	7763 PEOPLEOLOGIE		111717	11/17/2017		S112217	400.00
	Invoice: 111717			400.00	S0113010 522718	ED CENTER ARD EDUCATION CENTER OPERATIONS			
						CHECK		7869 TOTAL:	400.00
7870	11/22/2017	PRTD	5557 RECOLOGY BLOSSOM VAL		171031	11/03/2017		S112217	196,147.17
	Invoice: 171031			196,147.17	S0113010 522713	DISPOSAL BVO - OCT 2017 DISPOSAL & PROCESSING COSTS			
						CHECK		7870 TOTAL:	196,147.17
7871	11/22/2017	PRTD	747 SAN MATEO DAILY JOUR		110917	11/09/2017		S112217	2,277.00
	Invoice: 110917			2,277.00	S0113010 522718	AMERICA RECYCLES DAY 2017 EDUCATION CENTER OPERATIONS			
						CHECK		7871 TOTAL:	2,277.00
7872	11/22/2017	PRTD	5875 SCAPES INC		17774	10/31/2017		S112217	315.00
	Invoice: 17774			315.00	S0113010 522714	SHOREWAY MAINTENANCE SHOREWAY FACILITY COST			
						CHECK		7872 TOTAL:	315.00
7873	11/22/2017	PRTD	3022 SCS ENGINEERS		0312455	10/31/2017	2599	S112217	1,890.00
	Invoice: 0312455			1,890.00	S0113010 520608	GREEN HOUSE GAS-CLIMATE REGISTER CLIMATE CHANGE POLICY OPTIONS			
	Invoice: 0312453			400.00	S0113010 520306	AB 939 PROGRAM STAFF AB939 PROGRAM STAFF			400.00

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A/P CASH DISBURSEMENTS JOURNAL S112217

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CASH ACCOUNT: S000	110020	WELLS FARGO BANK							
CHECK NO	CHK DATE	TYPE	VENDOR NAME	VOUCHER	INVOICE	INV DATE	PO	CHECK RUN	NET
						INVOICE DTL DESC			
						CHECK		7873 TOTAL:	2,290.00
7874	11/22/2017	PRTD	6156 SHRED WORKS INC	163621		10/21/2017		S112217	650.00
			Invoice: 163621			FOR SAN MATEO 10/21/17			
				650.00	S0113010 522719	SHRED EVENT SVCS (PASS THRU)			
						10/21/2017		S112217	650.00
			Invoice: 163620			SAN MATEO 10/21/17 2ND TRUCK			
				650.00	S0113010 522719	SHRED EVENT SVCS (PASS THRU)			
						CHECK		7874 TOTAL:	1,300.00
7875	11/22/2017	PRTD	4519 SHRED-IT USA	8123505131		11/07/2017		S112217	107.75
			Invoice: 8123505131			OFFICE SUPPLY			
				107.75	S0113010 520201	OFFICE SUPPLIES			
						CHECK		7875 TOTAL:	107.75
7876	11/22/2017	PRTD	5443 SPECIALTY'S CAFE & B	T2423-17826314		11/16/2017		S112217	94.76
			Invoice: T2423-17826314			BOARD MEETINGS			
				94.76	S0113010 520300	BOARD ADMINISTRATION			
						CHECK		7876 TOTAL:	94.76
7877	11/22/2017	PRTD	8638 TEODORO CAAMAL	0003		11/01/2017		S112217	723.77
			Invoice: 0003			OFFICE REMODEL			
				723.77	S0113010 520905	TENANT IMPROVEMENTS			
						CHECK		7877 TOTAL:	723.77
7878	11/22/2017	PRTD	8720 WOJCIECH PATKOWSKI	197		11/14/2017		S112217	2,300.00
			Invoice: 197			OFFICE TENANT IMPROVEMENT			
				2,300.00	S0113010 520905	TENANT IMPROVEMENTS			
						CHECK		7878 TOTAL:	2,300.00
7879	11/22/2017	PRTD	5648 SBWMA PETTY CASH/CYN	103117CU		11/17/2017		S112217	480.00
			Invoice: 103117CU			SB PETTY CASH			
				134.67	S0113010 520201	OFFICE SUPPLIES			
				289.88	S0113010 520503	CONFERENCES & MEETINGS			
				19.00	S0113010 522718	EDUCATION CENTER OPERATIONS			
				19.10	S0113010 520905	TENANT IMPROVEMENTS			
				17.35	S0113010 520300	BOARD ADMINISTRATION			

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CASH ACCOUNT: S000 110020 WELLS FARGO BANK  
CHECK NO CHK DATE TYPE VENDOR NAME VOUCHER INVOICE INV DATE PO CHECK RUN NET

INVOICE DTL	DESC	CHECK	TOTAL	NET
		7879	480.00	
7880	11/22/2017 PRD 8722 V. N. PRODUCTS, INC. 70275	11/15/2017 S112217	1,368.00	1,368.00
Invoice: 70275				
1,368.00 S0113010 522705EVG01 EVENT GIVE AWAYS DIVERSION PROGRAM DEVELOPMENT				
		7880	1,368.00	

NUMBER OF CHECKS 32 \*\*\* CASH ACCOUNT TOTAL \*\*\* 3,889,494.14

	COUNT	AMOUNT
TOTAL PRINTED CHECKS	21	475,908.91
TOTAL WIRE TRANSFERS	2	409,227.43
TOTAL EFT'S	9	3,004,357.80

\*\*\* GRAND TOTAL \*\*\* 3,889,494.14

CP	✓
ARP	✓
EFT	✓

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CASH ACCOUNT: S000		110020	WELLS FARGO BANK						
CHECK NO	CHK DATE	TYPE	VENDOR NAME	VOUCHER	INVOICE	INV DATE	PO	CHECK RUN	NET
7893	12/08/2017	PRTD	7504 E-RECYCLING OF CALIF		75457	11/17/2017		S120817	200.94
	Invoice: 75457								
				200.94	S0113010 480025	E-RECYCLING E-RECYCLING			
						CHECK		7893 TOTAL:	200.94
7894	12/08/2017	PRTD	8721 ECO PROMOTIONAL PROD		17322	11/22/2017		S120817	979.20
	Invoice: 17322								
				979.20	S0113010 522705EVG01	EVENT GIVE AWAYS DIVERSION PROGRAM DEVELOPMENT			
						CHECK		7894 TOTAL:	979.20
7895	12/08/2017	PRTD	435 FEDEX		5-997-75050	11/17/2017		S120817	32.62
	Invoice: 5-997-75050								
				32.62	S0113010 520201	OFFICE SUPPLY HHW CLOSE OUT PAPERWORK OFFICE SUPPLIES			
						CHECK		7895 TOTAL:	32.62
7896	12/08/2017	PRTD	8733 GIANNA LA MARIANA		0001	11/23/2017		S120817	526.83
	Invoice: 0001								
				526.83	S0113010 520905	OFFICE REFRESH TENANT IMPROVEMENTS			
						CHECK		7896 TOTAL:	526.83
7897	12/08/2017	PRTD	7802 KBA DOCUSYS INC		4868952	11/25/2017		S120817	502.27
	Invoice: 4868952								
				502.27	S0113010 520215	OFFICE EQUIPT COST OFFICE EQUIPMENT COSTS			
						CHECK		7897 TOTAL:	502.27
7898	12/08/2017	PRTD	8095 JOE LA MARIANA		113017JLM	11/30/2017		S120817	4,336.81
	Invoice: 113017JLM								
				3,662.04	S0113010 520905	REIMBURSEMENT FOR JOE LA MARIANA TENANT IMPROVEMENTS			
				608.64	S0113010 520503	CONFERENCES & MEETINGS			
				66.13	S0113010 520201	OFFICE SUPPLIES			
						CHECK		7898 TOTAL:	4,336.81
7899	12/08/2017	PRTD	8690 NICOLE LEE		112917NL	11/29/2017		S120817	90.74
	Invoice: 112917NL								
				90.74	S0113010 520801	VEHICLE REIMBURSEMENT MILEAGE REIMBURSEMENT			
						CHECK		7899 TOTAL:	90.74

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CASH ACCOUNT: S000 110020 WELLS FARGO BANK  
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						INVOICE DTL DESC			
7900	12/08/2017	PRTD	8548 CERTAPRO PAINTERS OF	S8598480195	103017	10/31/2017	S120817	630.00	
		Invoice: SB598480195 103017				OFFICE REMODEL			
				630.00	S0113010 520905	TENANT IMPROVEMENTS			
						CHECK	7900 TOTAL:	630.00	
7901	12/08/2017	PRTD	449 PITNEY BOWES GLOBAL	3101715583		11/21/2017	S120817	128.00	
		Invoice: 3101715583				OFFICE SUPPLY			
				128.00	S0113010 520201	OFFICE SUPPLIES			
						CHECK	7901 TOTAL:	128.00	
				NUMBER OF CHECKS	21	*** CASH ACCOUNT TOTAL ***		104,676.04	

	COUNT	AMOUNT
TOTAL PRINTED CHECKS	14	26,041.12
TOTAL EFT'S	7	78,634.92

\*\*\* GRAND TOTAL \*\*\* 104,676.04

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APP	<input checked="" type="checkbox"/>
EFT	<input checked="" type="checkbox"/>
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CASH ACCOUNT: S000 110020 WELLS FARGO BANK

CHECK NO CHK DATE TYPE VENDOR NAME VOUCHER INVOICE INV DATE PO CHECK RUN NET

					INVOICE DTL DESC	
7902	12/15/2017	WIRE	3622 PAYMENT REMITTANCE C	112717	11/27/2017	9,228.54
			Invoice: 112717		CREDIT CARD PAYMENT NOV 2017	
				244.68	S0113010 522706	COMPUTER PURCHASE FOR OFFICE
				906.54	S0113010 522706	COMPUTER PURCHASE FOR OFFICE
				2,214.42	S0113010 522706	COMPUTER PURCHASE FOR OFFICE
				134.50	S0113010 520905	TENANT IMPROVEMENTS
				27.50	S0113010 520905	TENANT IMPROVEMENTS
				-27.50	S0113010 520905	TENANT IMPROVEMENTS
				158.39	S0113010 520905	TENANT IMPROVEMENTS
				120.61	S0113010 520201	OFFICE SUPPLIES
				46.89	S0113010 520905	TENANT IMPROVEMENTS
				31.50	S0113010 520905	TENANT IMPROVEMENTS
				-216.75	S0113010 520905	TENANT IMPROVEMENTS
				961.09	S0113010 522706	COMPUTER PURCHASE FOR OFFICE
				84.78	S0113010 520905	TENANT IMPROVEMENTS
				76.61	S0113010 520905	TENANT IMPROVEMENTS
				47.50	S0113010 520905	TENANT IMPROVEMENTS
				-23.90	S0113010 520905	TENANT IMPROVEMENTS
				217.50	S0113010 520905	TENANT IMPROVEMENTS
				47.88	S0113010 520905	TENANT IMPROVEMENTS
				61.29	S0113010 520905	TENANT IMPROVEMENTS
				6.46	S0113010 520905	TENANT IMPROVEMENTS
				-6.33	S0113010 520905	TENANT IMPROVEMENTS
				38.85	S0113010 520905	TENANT IMPROVEMENTS
				300.00	S0113010 522718	EDUCATION CENTER OPERATIONS
				146.71	S0113010 520905	TENANT IMPROVEMENTS
				70.56	S0113010 520905	TENANT IMPROVEMENTS
				11.99	S0113010 522718	EDUCATION CENTER OPERATIONS
				38.24	S0113010 520905	TENANT IMPROVEMENTS
				117.99	S0113010 520905	TENANT IMPROVEMENTS
				97.36	S0113010 522718	EDUCATION CENTER OPERATIONS
				1,292.50	S0113010 522718	EDUCATION CENTER OPERATIONS
				49.05	S0113010 522718	EDUCATION CENTER OPERATIONS
				189.98	S0113010 522718	EDUCATION CENTER OPERATIONS
				756.00	S0113010 522718	EDUCATION CENTER OPERATIONS
				-32.70	S0113010 522718	EDUCATION CENTER OPERATIONS
				410.00	S0113010 522718	EDUCATION CENTER OPERATIONS
				38.13	S0113010 522718	EDUCATION CENTER OPERATIONS
				400.00	S0113010 522718	EDUCATION CENTER OPERATIONS
				199.00	S0113010 520502	TRAINING
				-47.78	S0113010 520905	TENANT IMPROVEMENTS
				39.00	S0113010 520202	BANK FEES AND SERVICES

CHECK 7902 TOTAL: 9,228.54

7903 12/22/2017 WIRE 2223 THE BANK OF NEW YORK JAN 2018-2009A  
 Invoice: JAN 2018-2009A 343,375.00 S011 114467

12/18/2017 343,375.00  
 JAN 2018 BNY BOND 2009A  
 INVESTMENT BNY 2009AB INTEREST

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|P 2  
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CASH ACCOUNT: S000	110020	WELLS FARGO BANK							
CHECK NO	CHK DATE	TYPE	VENDOR NAME	VOUCHER	INVOICE	INV DATE	PO	CHECK RUN	NET
						INVOICE DTL DESC			
						CHECK	7903	TOTAL:	343,375.00
7904	12/22/2017	WIRE	8579 IPFS CORPORATION		NJN-668141 #6	12/18/2017			65,852.43
			Invoice: NJN-668141 #6			SHOREWAY INSURANCE PREMIUM			
				65,852.43	S0113010 520710	INSURANCE SHOREWAY			
						CHECK	7904	TOTAL:	65,852.43
7905	12/22/2017	EFT	5524 KATHLEEN B BENTON		2016913	12/06/2017		S122217	254.50
			Invoice: 2016913			RESIDENTIAL OUTREACH PROGM			
				254.50	S0113010 520604RES01	PUBLIC EDUCATION/OUTREACH/WORK			
						CHECK	7905	TOTAL:	254.50
7906	12/22/2017	EFT	5556 BFI OF CALIFORNIA IN		4227-000048834	11/30/2017		S122217	775,616.57
			Invoice: 4227-000048834			DISPOSAL-OX NOV 2017			
				775,616.57	S0113010 522713	DISPOSAL & PROCESSING COSTS			
						CHECK	7906	TOTAL:	775,616.57
7907	12/22/2017	EFT	152 BROWNING FERRIS IND		4278-100004074	11/30/2017		S122217	147,365.58
			Invoice: 4278-100004074			DISPOSAL-NOV 2017 NEWBY			
				147,365.58	S0113010 522713	DISPOSAL & PROCESSING COSTS			
						CHECK	7907	TOTAL:	147,365.58
7909	12/22/2017	EFT	8201 DUDISH CONSULTING LL		7	12/05/2017 814		S122217	850.00
			Invoice: 7			CREEK CLEAN UP MAILING			
				850.00	S0113010 520340LRPU1	LONG RANGE PLAN			
						CHECK	7909	TOTAL:	850.00
7910	12/22/2017	EFT	8061 DTE NETWORKS		0736	12/14/2017		S122217	1,620.00
			Invoice: 0736			IT-OUTSIDE OF SCOPE PHONE			
				1,620.00	S0113010 520334	TRANSITION			
						CHECK	7910	TOTAL:	1,620.00
7911	12/22/2017	EFT	1419 THE OFFICE CITY		IN-1468234	12/07/2017		S122217	26.09
			Invoice: IN-1468234			OFFICE SUPPLY			
				26.09	S0113010 520201	OFFICE SUPPLIES			
			Invoice: IN-1467992						
				405.99	S0113010 520201	OFFICE SUPPLY			
						CHECK	7911	TOTAL:	405.99



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CITY OF SAN CARLOS  
A/P CASH DISBURSEMENTS JOURNAL S122217

P 4  
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CASH ACCOUNT:	S000	110020	WELLS FARGO BANK	VOUCHER	INVOICE	INV DATE	PO	CHECK RUN	NET
CHECK NO	CHK DATE	TYPE	VENDOR NAME			INVOICE DTL	DESC		
						CHECK	7918	TOTAL:	487.09
7919	12/22/2017	PRTD	8741 CARLOS MORENO	121417CM		12/14/2017		S122217	122.57
	Invoice: 121417CM				122.57	S0113010	520801	VEHICLE MILEAGE MILEAGE REIMBURSEMENT	
						CHECK	7919	TOTAL:	122.57
7920	12/22/2017	PRTD	4841 COMCAST CABLE COMMUN	0447972-120617		12/06/2017		S122217	311.35
	Invoice: 0447972-120617				311.35	S0113010	520107	UTILITIES & PHONE UTILITIES & PHONE	
						CHECK	7920	TOTAL:	311.35
7921	12/22/2017	PRTD	8624 COMPOLOGY, INC	1109		08/29/2017	354	S122217	20,000.00
	Invoice: 1109				20,000.00	S0113010	520340LRPUI	PILOT USE OF COMPOLOGY TECHNOL LONG RANGE PLAN	
						CHECK	7921	TOTAL:	20,000.00
7922	12/22/2017	PRTD	7504 E-RECYCLING OF CALIF	75560		11/30/2017		S122217	112.74
	Invoice: 75560				112.74	S0113010	480025	E-RECYCLING E-RECYCLING	
						CHECK	7922	TOTAL:	112.74
7923	12/22/2017	PRTD	8721 ECO PROMOTIONAL PROD	17380		12/12/2017		S122217	238.05
	Invoice: 17380				238.05	S0113010	522705EVG01	EVENT GIVE AWAYS DIVERSION PROGRAM DEVELOPMENT	
						CHECK	7923	TOTAL:	238.05
7924	12/22/2017	PRTD	8739 ROBERT FIGONI	1-001		12/13/2017	1490	S122217	3,150.00
	Invoice: 1-001				3,150.00	S0113010	520309BATT	PROJ MGR ENVIRONMENTAL CONSULT BUSINESS CONSULTANT (HFH)	
						CHECK	7924	TOTAL:	3,150.00
7925	12/22/2017	PRTD	5557 RECOLOGY BLOSSOM VAL	171130		12/05/2017		S122217	276,765.36
	Invoice: 171130				276,765.36	S0113010	522713	DISPOSAL BVO NOV 2017 DISPOSAL & PROCESSING COSTS	
						CHECK	7925	TOTAL:	276,765.36

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CASH ACCOUNT: S000 110020 WELLS FARGO BANK			VOUCHER	INVOICE	INV DATE	PO	CHECK RUN	NET
CHECK NO	CHK DATE	TYPE	VENDOR NAME		INVOICE DTL	DESC		
7926	12/22/2017	PRTD	5875 SCAPES INC	17867	11/30/2017		S122217	315.00
			Invoice: 17867	315.00	S0113010	522714	SHOREWAY MAINTENANCE SHOREWAY FACILITY COST	
							CHECK	7926 TOTAL:
								315.00
7927	12/22/2017	PRTD	3022 SCS ENGINEERS	0304680	06/30/2017		S122217	900.00
			Invoice: 0304680	900.00	S0113010	520306	AB 939 JUNE 2017 AB939 PROGRAM STAFF	
							CHECK	7927 TOTAL:
								900.00
7928	12/22/2017	PRTD	8427 STEVEN SHERMAN CONSU	2017-SBWMA-07	12/03/2017	2779	S122217	1,438.44
			Invoice: 2017-SBWMA-07	1,438.44	S0113010	520340LRPUI	LONG RANGE PLAN LONG RANGE PLAN	
			Invoice: PO1072-01-SBWMA	7,271.10	S0113010	520305	PO1072-01-SBWMA PUBLIC EDUCATION COVERAGE ADMINISTRATIVE STAFF	
							CHECK	7928 TOTAL:
								8,709.54
7929	12/22/2017	PRTD	6156 SHRED WORKS INC	165272	11/18/2017		S122217	650.00
			Invoice: 165272	650.00	S0113010	522718	ARD SHREDDING TRUCK2 EDUCATION CENTER OPERATIONS	
			Invoice: 165271	650.00	S0113010	522718	ARD SHREDDING TRUCK1 EDUCATION CENTER OPERATIONS	
			Invoice: 165359	650.00	S0113010	522719	SHRED EVENT MENLO PARK 11/4/17 SHRED EVENT SVCS (PASS THRU)	
							CHECK	7929 TOTAL:
								1,950.00
7930	12/22/2017	PRTD	4519 SHRED-IT USA	8123703951	12/07/2017		S122217	108.73
			Invoice: 8123703951	108.73	S0113010	520201	OFFICE SUPPLY OFFICE SUPPLIES	
							CHECK	7930 TOTAL:
								108.73
7931	12/22/2017	PRTD	5443 SPECIALTY'S CAFE & B	T2423-17948403	12/08/2017		S122217	203.86
			Invoice: T2423-17948403	203.86	S0113010	520503	CONFERENCE & MTGS CONFERENCES & MEETINGS	

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CASH ACCOUNT: S000 110020 WELLS FARGO BANK  
CHECK NO CHK DATE TYPE VENDOR NAME VOUCHER INVOICE INV DATE PO CHECK RUN NET

				INVOICE DTL DESC				
				CHECK	7931 TOTAL:		203.86	
7932	12/22/2017 PRD	8223 SWEETSER & ASSOCIATE	1435	11/06/2017	S122217		840.00	
	Invoice: 1435		840.00	S0113010 520306	AB 939 PROGRAM AB939 PROGRAM STAFF			
			1426	10/03/2017	S122217		630.00	
	Invoice: 1426		630.00	S0113010 520306	AB 939 PROGRAM AB939 PROGRAM STAFF			
				CHECK	7932 TOTAL:		1,470.00	
7933	12/22/2017 PRD	4326 THE CLIMATE REGISTRY	CBR6128	11/30/2017	S122217		1,200.00	
	Invoice: CBR6128		1,200.00	S0113010 520608	CLIMATE REGISTRY CLIMATE CHANGE POLICY OPTIONS			
				CHECK	7933 TOTAL:		1,200.00	
NUMBER OF CHECKS				31	*** CASH ACCOUNT TOTAL ***		1,937,447.36	

	COUNT	AMOUNT
TOTAL PRINTED CHECKS	17	316,049.24
TOTAL WIRE TRANSFERS	3	418,455.97
TOTAL EFT'S	11	1,202,942.15

\*\*\* GRAND TOTAL \*\*\* 1,937,447.36

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ASP	✓
EFI	✓
EFT	✓

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## STAFF REPORT

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To: SBWMA Board Members  
From: Farouk Fakira, Finance Manager  
Date: January 25, 2018 Board of Directors Informational Packet  
Subject: 2018 Finance and Rate Setting Calendar

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### Recommendation

This is an informational report and no action is necessary.

### Summary

The purpose of this staff report is to keep the Board and Member Agency staff informed on the schedule of important financial and rate setting events in 2018. This staff report is updated as necessary and included in the Board packet each month.

### *Schedule of Finance, Contractor Compensation and Rate Adjustment Activities in 2018:*

#### January 2018

- Approval of FY16/17 audited Financial Statement.
- Mid-Year review of FY17/18 Operating Budget.

#### March 2018

- Recology submittal of the unaudited 2017 Revenue Reconciliation Report (March 31).

#### April 2018

- Review of Preliminary 18/19 SBWMA Budget at April 26, 2018 Board meeting.
- Approval of unaudited 2017 calendar year financial statement for bond reporting requirements.

#### May 2018

- Review and approval of Final FY18/19 SBWMA Operating Budget at May 24, 2018 Board meeting.

#### June 2018

- Recology's 2018 Compensation Application due to the SBWMA and Member Agencies (*June 15*).
- SBWMA and Member Agency comments are due to Recology on its 2018 Compensation Application (*June 29*).
- SBWMA issues a letter requesting feedback from all Member Agencies on estimated 2019 Member Agency fees (e.g., franchise fees) to be included in their 2019 solid waste rates.
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#### July 2018

- Review of the Revenue Reconciliation Report from the Financial Systems audit report on Recology.
- SBR's 2019 Compensation Application due to the SBWMA (*July 5*).
- Recology revised 2019 Compensation Application due to SBWMA & Member Agencies (*July 20*).
- SBWMA issues the following reports to the Board and Member Agency staff for review and comment:
  - Estimated 2018 and 2019 residential and commercial base revenue.
  - Estimated collected tonnage for 2018 and 2019.

- 2018 Residential rates vs cost analysis.
- Estimated residential revenue changes due to cart migration (i.e., lost revenue) by Member Agency since 2017.
- Summary of 2019 Member Agency fees to be used in the 2019 cost projections based on Member Agency feedback.

#### August 2018

- SBWMA issues Draft Report Reviewing Recology's 2019 Compensation Application, recommended total Revenue Requirement, and Rate Adjustment (*August 10*).
- SBWMA issues the Draft Report Reviewing SBR's 2019 Compensation Application (August 15).
- Comments due back from Member Agencies on draft Reports Reviewing Recology's & SBR's 2019 Compensation Application (*August 24*).

#### September 2018

- SBWMA issues Pre Final Report Reviewing Recology's 2019 Compensation Application including the recommended total Collection Rate Adjustment for 2019 by email (September 13).
- SBWMA issues Final Report Reviewing Recology's 2019 Compensation Application including the recommended total Collection Rate Adjustment for 2019. (*September BOD Packet*).
- SBWMA issues Final Report Reviewing SBR's 2019 Compensation Application. (*September BOD Packet*).
- Approval of the SBR 2018 Compensation Application (*September 27 BOD Meeting*).
- Approval of the Recology 2019 Compensation Application and total recommended Revenue Requirement (*September 27 BOD Meeting*).

#### September – December 2018

- Member Agencies issue Prop. 218 notices and approve their final 2019 solid waste rates.

#### November 2018

- SBWMA issues report to Board on recommended January 1, 2019 Shoreway tip fee adjustments (includes calendar year 2018 & 2019 SBWMA financial projections with assumed tip fee and cash reserve balances).



## STAFF UPDATE

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### Potential Future Board Agenda Items *(Meetings at San Carlos Library Conference Room)*

#### February 22, 2018

- Report on Franchise Agreement Approval Status
- Approval of final mid-year budget projections
- Approval of Zero Landfill Working Group Recommendations and Capital Improvement Plan
- 2017 Public Education Programs Review
- 2017 Revenue Reconciliation

#### March 22, 2018

- TBD

#### April 26, 2018

- Presentation of preliminary FY1819 SBWMA Operating Budget
- FY1819 Shoreway Insurance Recommendations
- Legislative and Regulatory Update
- Approval of 2018 Legislative Platform
- Final Report and Findings from Compology Pilot Program
- Discussion on Future of Commercial Recycling Hauler Reporting System Ordinance

#### May 24, 2018

- Review of FY1819 Budget (Budget Workshop)
- Annual Solid Waste Rate Survey Results
- Approval of 5-year Capital Improvement Plan (CIP) Recommendations
- Resolution Approving Findings and Recommendations from the Annual Operations and Financial Audits
- Approval of Fellow Positions for year-two
- Approval of 2018 Public Education Plan
- Quarterly Technical Consulting Contracts Report

#### June 28, 2018

- Quarterly Investment Report
- Resolution Adopting FY1819 SBWMA Budget and Tip Fee Adjustments for 2019
- Resolution Adopting Property Insurance Renewal for FY1819
- Public Education and Outreach Committee Report
- Report on Public Spaces Pilot Program
- Approval of 3-year Administrative Services Contracts

**July 26, 2018**

- TBD

**August, 2018 – No Board Meeting**

**September 27, 2018**

- Resolution Approving 2019 Recology Compensation Application
- Resolution Approving 2019 South Bay Recycling Compensation Application
- Annual Review of Executive Director's goals
- Report on In-School Recycling Pilot Program
- Quarterly Technical Consulting Contracts Report

**October 25, 2018**

- TBD

**November 15, 2018**

- Annual Board and TAC Holiday Thank You Lunch
- Resolution approving 2019 Merit Pool Increase for unrepresented employees
- Approval of SBWMA Legislative Priorities for 2019
- Approval of 2019 Public Education Plan
- Approval of results of the Landfill Disposal RFP

**December, 2018 – No Board Meeting**