

MINUTES

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

February 14, 2019 12:00N

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

Call To Order: 12:06PM

1. Roll Call

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

SBWMA Staff Members Present: Joe La Mariana, Hilary Gans, John Mangini, Cyndi Urman, Jean Savaree. Emi Hashizume, Grant Ligon, and Dwight Herring, SBR; Melissa Schick, KNN Public Finance; David Brodsky, KNN Public Finance

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 Update

Executive Director La Mariana discussed his conversation with Jeff Maltbie the City Manager of San Carlos regarding the host fee contract. He noted that if the discussion was going to go any further it would need to be at the Board level.

The Committee discussed whether this item should be taken any further. It was decided the Member Widmer would take a look at the contract and any further meetings would be political

Executive Director La Mariana made the following announcements:

- Grant Ligon will start March 4, and was at the meeting today as an observer.
- Staff Gans is working on the Organics to Energy pilot details, and to that end San Mateo has agendized the approval of the \$1M grant for March 26
- The Zero Landfill Committee will tour Silicon Valley Clean Water on February 21

- The Disposal RFP selection committee will meet on February 25 to make a final selection recommendation. This disposal cost will go in to considerations for the budget for the next ten years, and cost avoidance discussions when talking about the pilot programs.
- On March 14, there will be a TAC input session on the Long Range Plan refresh, and then on May 9th a draft Long Range Plan refresh will be presented to the TAC.
- The SBWMA S&P rating has gone up to an A+
- The February 28 Board of Directors meeting will have the Bond & Disclosure Counsel and Underwriting team on the agenda, and then the Bond refunding team will be complete.

4. **Consent Calendar**

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

A. Approval of Minutes from the January 10, 2019 Finance Committee Meeting

Motion/Second: Brownrigg/Widmer

Voice Vote: All in favor

5. **Bond Refunding Process Update: Recommendation of Bond and Disclosure Counsel**

Staff Mangini went over the report details, and noted these terms and conditions questions for counsel:

If term is extended is there an increase in costs

If the refunding is cancelled is the payment or is it a flat fee based on execution of the refunding

Motion/Second: Widmer/Brownrigg

Voice Vote: All in favor

6. **Study Session: Capital Improvement Project Recommendations**

This item was taken after item 7.

Staff Gans gave a presentation discussing the Capital Investment projects and why the upgrades were needed.

Member Widmer commented that he was skeptical about adding the extra \$10M in debt, but the refinance for the first \$10M coupled with the reserve of \$5M made sense. He asked if any similar facilities have a phase 1 system that could be looked at and studied and go directly to phase 2, as a cost saving measure.

Staff Gans explained the need to move from a commodity of mixed paper (currently the highest volume of the MRF which is currently selling at \$10/ton to alternative Asia markets) to a higher grade paper (with 3% or less contamination) which can be sold at a premium to these alternative markets. This change in paper grade can be accomplished via equipment upgrades.

The Committee asked how the additional sort labor has helped. Staff Gans answered that each sorter picks 300 pounds of contamination out of the paper per hour, but the paper is still mixed paper, the sorters are helping to move the paper and keep it from landfill. This equipment will make a higher grade paper that is being sold at a premium. The committee asked for the contamination percentage from before the sort labor to after the sort labor be sent out.

Member Widmer asked why cardboard is still in the mixed paper. Staff Gans noted that this is small bits of cardboard that are breaking up in the process. The phase I upgrade will remove the four inch minus that will

then recover the small bits of cardboard. The cardboard can be sold as a separate category that has a much higher value that then pays for the sorting process. Additionally the MRF upgrades (both phases) would reduce labor by 9 sorters, so there would be a labor savings. This allows for reduction of operating costs and increased revenue.

The committee discussed the projects in each phase and the cost assumptions associated with each individual project. The committee asked if each of the projects was independent of the other. Staff Gans answered yes, but not phase II before phase I.

Member Brownrigg commented that the Finance Committee is not on track to approve the Capital Plan today. Staff Gans noted that the Bond Refunding process is a fast moving train, and staff is trying to explain the benefits of these projects so they can be captured as part of the process.

Member Brownrigg commented that he is good with item 1, 2 and 3 in phase I, and that he thought those projects had already been settled. Member Benton noted that they were discussed, but not with enough facts that the Finance Committee was prepared to recommend the projects and financing to the Board. Member Brownrigg commented that he thought the Finance Committee was not the right committee to say yay or nay to a technology, but would help figure out how to pay for what does need to be built. Member Benton commented that in that case we have to look at Return on Investment and these projects have an 8-10 year payback and he had concerns about spending money on equipment that may be obsolete before it's even paid for.

Member Widmer reiterated that he would like to look at other facilities successes first before making the investment. Staff would work on getting access to the information.

Member Brownrigg asked for a high level difference between Phase I and II. Staff Gans answered that Phase I is a partial step but doesn't yield the higher grade of paper with 3% or less contamination that gets \$70 per ton for mixed paper. Member Benton asked if Phase I had to be done before Phase II. Staff Gans noted that Phase II would be designed around the product coming out of Phase I.

Member Brownrigg concluded that this presentation isn't enough to pull an additional \$10M in debt out during the bond refunding process. So, he wanted to get the cost implications of looking at a second set of bonds. He also noted that the Organics to Energy pilot may bring a result that the full project shouldn't move forward and then there would \$10M for the MRF upgrades. So the timing is an interesting question in this discussion.

The Committee agreed that the first \$10M via the refunding of the bonds without increasing the debt service was an easy ask. But extending the debt to \$20M is a much tougher sell and this presentation wasn't ready.

7. Finance Committee Discussion on Plan of Finance Recommendation to the Board of Directors

Staff Mangini showed a chart on debt services schedules and MRF project savings schedule, and discussed return on investments.

The committee discussed concerns about the investments. Noting that savings is a function of commodity prices that the SBWMA can't control, so there needs to be a range to avoid a coverage issue.

The committee wanted a better understanding of the impact to rate payers should the savings not pan out, they wanted to be comfortable moving debt services from \$4M to \$5M even if there were no savings.

The committee reviewed the reason for not going out 6 years as discussed at the last meeting, so that there was no increase in debt service. Staff noted that by extending the term, it gets into depreciation issues with the equipment being funded longer than its useful life.

The Committee asked how much additional would be borrowed if the debt service remained at \$4M. The answer is \$10M in surplus due to favorable rates.

The committee asked to verify that each of the projects could stand on their own and the timing of each project before making a decision on how to finance them.

Executive Director La Mariana noted that the projects are driven by both laws and mandates and by the markets, and the projects have been reviewed by the Zero Landfill Committee and the Board.

Staff Gans then gave a presentation on the projects (item 6 study session)

8. Approval of Finance and Accounting Services Contract Recommendation

Member Widmer would like to try a private elected official meeting first before the board makes this decision.

Motion/Second: Widmer (tentatively pending one more meeting)/Brownrigg

Voice Vote: All in favor

9. Finance Committee Member Comments

10. Adjourn 2:07PM