



A Public Agency

ADMINISTRATION AND FINANCE

Agenda Item 5A

**Presentation by Kevin Civale, Bond Counsel on Board Federal Securities Disclosure
Law Training**

No Staff Report- Presentation Only at the April 25, 2019 Board Meeting

STAFF REPORT

To: SBWMA Board Members
From: Joe LaMariana, Executive Director
John Mangini, Senior Finance Manager
Date: April 25, 2019 Board of Director's Meeting
Subject: Resolution Recommending Member Agencies Approve the Issuance of up to \$64 million of Solid Waste Enterprise Bonds

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2019-25 attached hereto recommending its member agencies approve the issuance of up to \$64 million of solid waste enterprise bonds to refinance outstanding Series 2009A Bonds of the South Bayside Waste Management Authority and to finance certain improvements to the Solid Waste Facilities of the South Bayside Waste Management Authority.

Background

In August 2009, the SBWMA issued \$53,500,000 tax-exempt Solid Waste Enterprise Revenue Bonds, Series 2009A to fund improvements to the Shoreway Environmental Center. Currently, \$44,685,000 of the 2009A Bonds remains outstanding. The 2009A Bonds are callable on September 1, 2019 and, under tax law, can be refunded on a "current" basis on or after June 1, 2019 (90 days before the September 1 redemption date).

Given the interest rates on the 2009A Bonds were secured in a high interest rate environment and the opportunity afforded by the current low interest rate environment, a Bond Refunding Work Plan was approved by the SBWMA Board on September 27, 2018.

Through evaluation and analysis efforts under the Bond Refunding Work Plan, it was determined that the execution of a refunding transaction creates a one-time, unique opportunity for SBWMA to raise additional new money proceeds while accessing the capital markets at most favorable rates. With guidance from the SBWMA Finance Committee and support from the Board, a Plan of Finance was developed to generate additional resources to fund priority SBWMA capital projects (namely: the Materials Recovery Facility (MRF) Sorting Upgrades and the Organics-to-Energy projects) by: i) deploying refunding savings for capital and ii) issuing a modest amount of additional debt.

At its February 28th, 2019 Board of Directors Meeting, the Board provided direction to Staff via straw poll to proceed with the Plan of Finance consisting of a refunding of the 2009A Bonds to achieve debt service savings and a new money issuance to raise additional proceeds for capital projects. **The SBWMA Board formally approved of the Plan of Finance Approach at its March 28, 2019 Board Meeting.**

Overview of the 2019 Bond Issuance

Specifically, the proposed 2019 Bonds will be issued to (i) refund the SBWMA's Solid Waste Enterprise Revenue Bonds (Shoreway Environmental Center), Series 2009A (the "2019 Refunding Bonds") and (ii) pay the cost of certain improvements to the SBWMA's solid waste management facilities (the "2019 Revenue Bonds" and,

together with the 2019 Refunding Bonds, the “2019 Bonds”). The 2019 Bonds will also fund a deposit to the Reserve Account and pay costs of issuance on the 2019 Bonds.

The anticipated savings expected to be generated through the 2019 Refunding Bonds creates an opportunity for SBWMA to raise \$20M in new money proceeds by deploying the refunding savings to raise new money capital (approximately \$10.0M) in tandem with the issuance of additional debt (approximately \$10.0M) to fund priority capital projects of the SBWMA with minimal impact to the SBWMA’s current annual debt service payment obligations.

The not-to-exceed amount of \$64 million referenced in Resolution No. 2019-25 attach hereto and in the Member Agency approving resolutions is comprised of: i) the retirement of \$44.6M outstanding 2009A Bonds and ii) the issuance of \$20M new money obligations. Overall, the objective of the issuance of the 2019 Bonds is to maintain an aggregate average annual debt service payment near SBWMA’s current annual obligation on the 2009A Bonds (\$4.1M annually) while also extending the final maturity of the combined issuance by six (6) years (from September 1, 2036 to September 1, 2042) to allow for the additional new money capital.

Required Financing Approvals and Next Steps

A comprehensive package seeking the SBWMA Board approval of a resolution authorizing the issuance of the 2019 Bonds and the execution of certain documents, including the approval of an Official Statement, will be presented to the Board at the May 25th Board meeting.

Prior to the Board’s authorization and approval of the 2019 Bonds, the Agency’s guiding governance document, The Joint Exercise of Powers Agreement of the Authority, requires that the Member Agencies also provide approval of the issuance of any bonds of the Authority. In order to proceed with the proposed 2019 Bonds, two-thirds of the Member Agencies must provide approval (a total of eight Member Agencies).

During the week of April 8, SBWMA staff provided Member Agencies with an information packet on the 2019 Bonds, inclusive of a model staff report, model approving resolution, and additional information on the Plan of Finance and Capital Improvement Projects. The Member Agency information packet is provided as **Attachment A – E** to this report. In addition, talking points for Board Member use at their respective Member Agency meetings have been prepared and are included as **Attachment F**.

12 Member Agency meetings to provide approval of the 2019 Bonds will be held during the weeks of May 6 and May 13. **In advance of the Member Agency meetings, it is recommended that the SBWMA Board approve Resolution No. 2019-25 at its April 2019 Board meeting, attached hereto recommending its member agencies approve the issuance of up to \$64 million of solid waste enterprise bonds to carry out the Plan of Finance previously approved by the Board.**

Table 1 on the following page provides a timeline of the remaining necessary public decision-making steps that the SBWMA and its Member Agency’s are required to fulfil prior to the execution of the 2019 Bond offering in the bond marketplace.

**Table 1
Bond Refunding-Final Approval Process: Timeline of Next Steps**

Targeted Date/Meeting	Action Item / Approval
Week of April 8	<ul style="list-style-type: none"> • Model staff report and resolution approving the issuance of 2019 Bonds to Member Agencies
April 25: SBWMA Board Meeting	<ul style="list-style-type: none"> • Adopt SBWMA resolution# 2019-25 recommending approval of 2019 Bonds to individual Member Agencies
Week of May 6: Member Agency Meetings	<ul style="list-style-type: none"> • Adopt member agency resolution to approve the issuance of 2019 Bonds <p><u>May 6</u></p> <ul style="list-style-type: none"> • 6.30PM: City of Foster City • 7:00PM: City of Burlingame • 7:00PM: City of Redwood City • 7:00PM: City of San Mateo <p><u>May 7</u></p> <ul style="list-style-type: none"> • 6.30PM: City of East Palo Alto • 7:00PM: City of Menlo Park <p><u>May 8</u></p> <ul style="list-style-type: none"> • 7:00PM: West Bay Sanitary District
Week of May 13: Member Agency Meetings	<ul style="list-style-type: none"> • Adopt member agency resolutions to approve the issuance of 2019 Bonds <p><u>May 13</u></p> <ul style="list-style-type: none"> • 6:00PM: City of Hillsborough <p><u>May 14</u></p> <ul style="list-style-type: none"> • 9:00AM: County of San Mateo • 6:30PM: City of Belmont <p><u>May 8</u></p> <ul style="list-style-type: none"> • 7:00PM: City of Atherton
May 13: City of San Carlos Meeting	<ul style="list-style-type: none"> • 7:00PM • Hold public hearing as host City and for TEFRA* • Approve JPA financing as host City • Adopt TEFRA* approval

Targeted Date/Meeting	Action Item / Approval
	<ul style="list-style-type: none"> • Adopt resolution to approve the issuance of 2019 Bonds
May 23: SBWMA Board Meeting	<ul style="list-style-type: none"> • Adopt SBWMA resolution #2019-XX authorizing the issuance of 2019 Bonds (subject to not-to-exceed parameters) and approving financing documents (resolution, bond indenture, escrow agreement, official statement, continuing disclosure certificate, purchase contract)

* A public hearing required by JPA law and the IRS to be held before the Board can approve the issuance by SBWMA of tax-exempt private activity debt. The City of San Carlos has received separate model staff report and resolution outlining these additional requirements.

Fiscal Impact

There is no immediate financial or budget impact.

Attachments:

- Resolution 2019-25
- Attachment A – Member Agency Model Staff Report for Approval of the 2019 Bonds
- Attachment B – Member Agency Model Resolution Approving the Issuance of the 2019 Bonds
- Attachment C – February BOD Presentation on MRF Processing Equipment Upgrades
- Attachment D – Bond Plan of Finance Slides
- Attachment E – Capital Project Schedule
- Attachment F – Board Member Talking Points on the 2019 Bonds



RESOLUTION NO. 2019-25

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS RECOMMENDING ITS MEMBER AGENCIES APPROVE THE ISSUANCE OF UP TO \$64 MILLION OF SOLID WASTE ENTERPRISE BONDS TO REFINANCE OUTSTANDING BONDS OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY AND TO FINANCE CERTAIN IMPROVEMENTS TO THE SOLID WASTE MANAGEMENT FACILITIES OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

WHEREAS, the South Bayside Waste Management Authority (SBWMA) previously issued its Solid Waste Enterprise Revenue Bonds (Shoreway Environmental Center) Series 2009A (the 2009A Bonds), which are currently outstanding in the principal amount of \$44,685,000;

WHEREAS, refunding the currently outstanding 2009A Bonds is estimated to provide a net present value debt service savings of approximately \$10 million;

WHEREAS, there is a unique opportunity afforded by a low interest rate environment to issue additional \$20 million in new debt to fund much needed capital projects with minimal annual ratepayer impact;

WHEREAS, the SBWMA Board of Directors has approved the Plan of Finance Approach for the issuance of solid waste enterprise revenue bonds in one or more series to (i) refund the Authority’s Solid Waste Enterprise Revenue Bonds (Shoreway Environmental Center), Series 2009A, currently outstanding in the principal amount of \$44,685,000; (ii) pay the cost of certain improvements to the Authority’s solid waste management facilities, located in the City of San Carlos; (iii) fund a deposit to the reserve account; and (iv) pay costs of issuance of the bonds.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby recommends its member agencies approve the issuance of up to \$64 million of solid waste enterprise bonds to refinance outstanding bonds of the SBWMA and to finance certain improvements to the solid waste management facilities of the SBWMA.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 25th day of APRIL 2019, by the following vote:

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

I HEREBY CERTIFY that the foregoing Resolution No. 2019-25 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on April 25, 2019.

ATTEST:

Jess E (Jay) Benton, Chairperson of SBWMA

Cyndi Urman, Board Secretary

MODEL STAFF REPORT FOR MEMBER AGENCY USE

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TO: XXXX City Council

FROM: Member Agency Staff

DATE: May XX, 2019

Subject: A RESOLUTION OF THE [CITY COUNCIL OF THE CITY OF _____][BOARD OF THE WEST BAY SANITARY AUTHORITY][SAN MATEO COUNTY BOARD OF SUPERVISORS] APPROVING THE ISSUANCE OF UP TO \$64 MILLION OF SOLID WASTE ENTERPRISE BONDS TO REFINANCE OUTSTANDING BONDS OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY AND TO FINANCE CERTAIN IMPROVEMENTS TO THE SOLID WASTE MANAGEMENT FACILITIES OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

Recommendation

It is recommended that [City Council of the City of _____][Board of the West Bay Sanitary Authority][San Mateo County Board of Supervisors] approve Resolution No. [#####] attached hereto approving the issuance of up to \$64 Million of Solid Waste Enterprise Bonds to refinance outstanding Series 2009A bonds of the South Bayside Waste Management Authority and to finance certain improvements to the Authority-owned Solid Waste Facilities of the South Bayside Waste Management Authority.

Background

In August 2009, the SBWMA issued \$53,500,000 tax-exempt Solid Waste Enterprise Revenue Bonds, Series 2009A to fund improvements to the Shoreway Environmental Center. Currently, \$44,685,000 of the 2009A Bonds remains outstanding. A second offering (the Series 2009B Bonds) was also issued for \$3,000,000 in 2009 by the City of Burlingame. The Agency paid the 2009B Bonds off in full on September 1, 2014.

The 2009A Bonds were issued during a high interest rate period, and currently SBWMA is paying interest on the 2009A Bonds ranging from 5% to 6.25%. Given the current level of tax-exempt interest rates, a refunding of the 2009A Bonds produces strong present value savings as current borrowing rates, inclusive of transaction expenses, are significantly lower than when the 2009A Bonds were originally issued. Tax law stipulates that the 2009A Bonds must be refunded on a "current" basis (on or after 90 days before the September 1, 2019 call date). As such, the first possible date that the 2009A Bonds can be refunded is June 1, 2019. If refunded on June 1, 2019 as proposed, the outstanding 2009A Bonds would be redeemed with the proceeds of the proposed 2019 Refunding Bonds at their first optional redemption date, September 1, 2019.

Based on current market interest rates, a refunding of the 2009A Bonds is estimated to generate approximately \$10.0M in present value savings. The execution of a refunding transaction creates a one-time, unique opportunity for SBWMA to raise additional new money proceeds while accessing the capital markets by deploying refunding savings to raise new capital while also considering the issuance of additional debt.

A Bond Refunding Work Plan was approved by the SBWMA Board on September 27, 2018. **Table 1** below illustrates the subsequent equipment and financing project review milestones, culminating in the SBWMA Board's approval of the Plan of Finance Approach, as presented at its March 28, 2019 Board Meeting.

**Table 1
2019 Bond Issuance: SBWMA Milestones**

Date/Meeting	Action Item / Approval
September 27, 2018: Board Meeting	<ul style="list-style-type: none"> • Approval – Bond Refunding Work Plan
October 3 & 10, 2018: Zero Landfill Committee Meeting	<ul style="list-style-type: none"> • Presentation and Discussion – Organics to Energy (O2E) Project and AB1383
November 2, 2018	<ul style="list-style-type: none"> • Municipal Advisor RFQ Issued
November 5, 2018: Finance Committee Meeting	<ul style="list-style-type: none"> • Discussion – Capital Improvement Projects
November 15, 2018: Board Meeting	<ul style="list-style-type: none"> • Approval – Organics to Energy Pilot Project • Approval – Executive Director to Execute Contract for Municipal Advisor Services
January 4, 2019	<ul style="list-style-type: none"> • Contracted with KNN Public Finance to serve as Municipal Advisor.
January 10: Finance Committee Meeting	<ul style="list-style-type: none"> • Discussion – Capital Funding Plan • Presentation – MRF Equipment Upgrades
January 24: Board Meeting	<ul style="list-style-type: none"> • Presentation – Financing Objectives and Alternatives
February 14: Finance Committee Meeting	<ul style="list-style-type: none"> • Discussion – Plan of Finance • Study Session – MRF Equipment Upgrades
February 28: Zero Landfill Committee Meeting	<ul style="list-style-type: none"> • Study Session – MRF Equipment Upgrades
February 28: BOD Meeting	<ul style="list-style-type: none"> • Presentation – Financing Alternatives • Presentation – MRF Processing Equipment Upgrades • Favorable Straw Pole on Capital Improvements, Bond Refunding and New Money Issuance • Approval – Bond & Disclosure Counsel and Underwriter Appointment
March 28: Board Meeting	<ul style="list-style-type: none"> • Approval – Plan of Finance Approach
April 10	<ul style="list-style-type: none"> • Model staff report and resolution approving the issuance of 2019 Bonds to Member Agencies
April 11: Finance Committee (pending)	<ul style="list-style-type: none"> • Presentation - overview of financing documentation and issuance parameters
April 25: Board Meeting (pending)	<ul style="list-style-type: none"> • Adopt resolution recommending approval of the 2019 Bonds to Member Agencies

Overview of the 2019 Bond Issuance

The proposed bonds will be issued to (i) refund the SBWMA’s Solid Waste Enterprise Revenue Bonds (Shoreway Environmental Center), Series 2009A (the “2019 Refunding Bonds”) and (ii) pay the cost of certain improvements to the SBWMA’s solid waste management facilities (the “2019 Revenue Bonds” and, together with the 2019 Refunding Bonds, the “2019 Bonds”). The 2019 Bonds will also fund a deposit to the Reserve Account and pay costs of issuance on the 2019 Bonds.

The anticipated savings expected to be generated through the 2019 Refunding Bonds creates an opportunity for SBWMA to raise \$20M in new money proceeds by deploying the refunding savings to raise new money capital (\$10.0M) in tandem with the issuance of additional debt (approximately \$10.0M) to fund priority capital projects of the SBWMA with minimal impact to the SBWMA’s current annual debt service payment obligations.

Overall, the objective of the issuance of the 2019 Bonds is to maintain an aggregate average annual debt service payment near SBWMA’s current annual obligation on the 2009A Bonds (\$4.1M annually) while also extending the final maturity of the combined issuance by six (6) years (from September 1, 2036 to September 1, 2042) to allow for the additional new money capital. This issuance approach is supported by the SBWMA Finance Committee and SBWMA Board. **See Attachment B – Bond Plan of Finance Slides.**

SBWMA Capital Projects to be Financed with the 2019 Bonds

Table 2: Capital Projects and Source of Funds

Capital Projects and Source of Funds			
BOD Action	Project	Agency Cost	Payback (w/interest)
2019	MRF Sort System Upgrades	\$15.6M	6.3 years
2021	O2E Full-Scale Project	\$10.0M	Cost Neutral
Capital Projects Estimated Costs		\$25.6M	
Agency Source of Funds		Amount	Status
Capital Reserve		\$5.5M	Mid-Year 18/19 Budget projected balance
Bond Refunding Savings		\$10.0M	Pending refunding of 2009A Bonds
New Money Issuance		\$10.0M	Pending issuance with 2019 Refunding Bonds
Total Estimated Funds		\$25.5M	

Materials Recovery Facility (MRF) Equipment Upgrades (\$15.6M). The proposed equipment upgrades, consisting of Phase I and Phase II, provide strong operational enhancements that will financially benefit the SBWMA for the next twelve years. The Phase I Upgrades includes three projects: 1) Optical Sort of Small Fiber (\$4.2M); 2) Robotic Sorting of Residue/QC System (\$1.6M); and 3) Enhanced Glass Cleanup System (\$684K) – providing financial, commodity market, and operational enhancements. The Phase II Upgrades consist of six-optical sorters to be installed in place of some sort labor to significantly upgrade mixed paper to High-Grade paper and recover additional recyclables. Phase I Upgrades are designed to be installed prior to Phase II so that the improvements in commodity quality can be assessed in the final design of Phase II Upgrades.

The financial benefit over the 12-year useful life of the equipment is estimated to be \$29.6M, resulting in an estimated net financial benefit of \$14.1M (including equipment interest expense). See Table 3 below. The financial benefit is achieved through increased commodity capture (new revenue) and reduced labor expense. New revenue will be increased by improving commodity material sorting efficiency and accuracy, resulting in higher grade material that can be marketed at its maximum value. Manual sort labor expense will also be reduced by installing high efficiency optical and robotics sorting systems. In addition, the equipment will increase the plant's throughput of materials, achieve increased fire risk mitigation and protect from landfilling paper. A detailed description of the MRF Equipment Upgrades, associated benefits and third-party justification can be found in **Attachment A – February 2019 BOD Presentation on MRF Processing Equipment Upgrades**.

Table 3: MRF Estimated Financial Benefit

MRF Enhancement Cumulative Financial Benefit Summary	
Capital Improvement Cost	\$ 15,579,944
Revenue Benefit *	\$ 23,112,044
Cost Avoidance Benefit	\$ 6,529,164
Estimated Revenue & Cost Benefit (through 12 year useful life)	\$ 29,641,209
Cumulative Financial Benefit	\$ 14,061,265

* Revenue benefit decrease from **Attachment A - February BOD Presentation on MRF Processing Equipment Upgrades** due to potential softening of the high grade paper market over time.

Organics-to-Energy – Full-Scale Project (\$10.0M). At its November 2018 Board Meeting, the Board approved the Organics-to-Energy (O2E) Pilot Project and recommended funding the full scale O2E project after the O2E pilot project's proof-of-concept is (presumably) achieved. The O2E Full Scale Project is estimated to be cost neutral; reduced transportation and tip fee costs are expected to be offset by Shoreway processing and equipment costs. Project benefits include; estimated 25-30% reduction in landfill waste (SB1383), significant GHG emissions reduction as a result of reduced transportation and reduced commercial organics processing costs.

Fiscal Impact

The 2019 Bonds will be structured to achieve minimal annual rate payer impact over the current tip fee rates. Current annual debt service on the 2009A Bonds is approximately \$4.1 million. The 2019 Bonds will be structured such that annual debt service payments will not exceed \$4.3 million and will extend through September 1, 2042.

Attachments:

- Resolution No. [#####]
- Attachment A – February BOD Presentation on MRF Processing Equipment Upgrades
- Attachment B – Bond Plan of Finance Slides
- Attachment C – Capital Project Schedule

MODEL RESOLUTION FOR MEMBER AGENCY USE

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RESOLUTION NO. _____

A RESOLUTION OF THE [CITY COUNCIL OF THE CITY OF _____][BOARD OF THE WEST BAY SANITARY AUTHORITY] [SAN MATEO COUNTY BOARD OF SUPERVISORS] APPROVING THE ISSUANCE OF UP TO \$64 MILLION OF SOLID WASTE ENTERPRISE BONDS TO REFINANCE OUTSTANDING BONDS OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY AND TO FINANCE CERTAIN IMPROVEMENTS TO THE SOLID WASTE MANAGEMENT FACILITIES OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

WHEREAS, the _____ is one of twelve equity members of the South Bayside Waste Management Authority (herein referred to as the “Authority”); and

WHEREAS, the Authority has proposed the issuance of solid waste enterprise revenue bonds in one or more series to (i) refund the Authority’s Solid Waste Enterprise Revenue Bonds (Shoreway Environmental Center), Series 2009A, currently outstanding in the principal amount of \$44,685,000; (ii) pay the cost of certain improvements to the Authority’s solid waste management facilities, located in the City of San Carlos; (iii) fund a deposit to the reserve account; and (iv) pay costs of issuance of the bonds.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF [_____] [BOARD OF THE WEST BAY SANITARY AUTHORITY] [SAN MATEO COUNTY BOARD OF SUPERVISORS] DOES HEREBY RESOLVE AND ORDER AS FOLLOWS:

1. The City Council of the City of [_____] [Board of the West Bay Sanitary Authority] [San Mateo County Board of Supervisors] approves the issuance by the Authority of solid waste enterprise revenue bonds in an amount not to exceed \$64,000,000.

_____, [Mayor]

_____, [Board Chair]

I, _____, [City/Board] Clerk of the _____, do hereby certify that the foregoing resolution was introduced at a regular meeting of the [City Council] [Board] held on the __th day of _____, 2019, and was adopted thereafter by the following vote:

AYES: Councilmembers/Board Members:

NOES: Councilmembers/Board Members:

ABSENT: Councilmembers/Board Members:



STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Senior Contracts & Operations Manager
Date: February 28, 2019 Board of Directors Meeting
Subject: Presentation on MRF Processing Equipment Upgrades

Recommendation:

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

Summary

In the wake of the commodity market challenges and the need to improve fiber commodity quality to ensure market outlets, SBWMA and SBR staff have analyzed many options to improve material quality. Automation of MRF sorting has emerged as a key strategy towards this goal. The Bond Refunding process provides a unique window to access capital for these future capital projects.

MRF Phase I - Sort System Upgrade

Cost: \$7.3M (firm quote)

Equip. Useful Life: 12 Years; **ROI Payback:** 7.6-year payback (see attachment A)

Net Agency Benefit: 4.4 years

Designs have been completed and a quote for Phase I MRF Upgrade has been obtained from BHS. The Phase I Upgrades includes three projects with financial, commodity market, and operational enhancements that benefits the agency for the next decade. Phase I Upgrades are designed to be installed prior to Phase II so that the improvements in commodity quality can be assessed in the final design of Phase II Upgrades.

1. **Optical Sort of Small Fiber (\$4.2M)**

Description – BHS optical sort systems are used at Shoreway for high-speed separation of containers. This same optical sorting technology will be applied to sorting contamination out of mixed paper to capture more commodity revenues.

Benefits – Optical sorting will capture cardboard and containers that can be sold at a \$1.3M/year in additional revenues (these materials are currently lost to mixed paper), 2) mixed paper will be cleaned up to High-Grade paper that sells at a \$70 per ton premium (see **attachment B**).

2. **Robotic Sorting of Residue/QC System (\$1.6M)**

Description - BHS manufactures a robotic sorting system (Max-AI AQC) that utilize advanced recognition and AI technology to identify and sort a wide variety of materials. Applying this robotic system to the MRF residue will result in a reduction in sort labor expense and the capture of more recyclable materials that are currently "lost" to residue/disposal. Additionally, this recognition system will be installed at the end of

all fiber sort lines to identify, record, and report the fiber composition and quality so that the Phase II optical sort system will meet the fiber commodity quality standard for high grade paper.

Benefits - Robotic sort and quality control system benefits include: 1) reduced sorting expense of \$204K/year, increase capture of recyclables currently lost to residue, 3) data collection for used in design of Phase II fiber sort, and 4) ability to issue fiber-quality reports to buyers.

3. **Enhanced Glass Cleanup System (\$684,158)**

Description - The MRF glass commodity is created by breaking all the glass fed into the sorting system and then sifting fine material/glass out of the stream of recyclables. Currently this glass mix is contaminated with shredded paper, batteries, and small metals and plastic contaminates. The glass clean-up system will remove contaminates through a combination of magnets, screening and air. A key aspect of the project is to remove batteries and to reduce exposure to fires caused by batteries.

Benefits - 1) Reduced fire risk by removing batteries early in the sort line, 2) improved glass commodity sale price of \$4/ton, 3) other commodity revenue from metals and CRV recovery, 4) operational improvement from removal of shredded paper that is plugging the system causing plant stoppages.

MRF Phase II – Sort System Upgrades

Cost: \$8.2 M (firm quote)

Equip. Useful Life: 12 Years; **ROI Payback:** 5-year payback (see attachment A)

Net Benefit: 7 years

Description: In response to the China mixed paper import ban, the recycling industry is transitioning to highspeed optical sorting technology to remove contamination and meet new paper quality standards. Six-optical sorters will be installed in place of sort labor to upgrade mixed paper to High-Grade paper and recover additional recyclables.

Benefits: 1) High-Grade paper sells at a \$70 per ton premium over mixed paper (see **attachment B** - letters from SBR and Potential Industries) providing the SBWMA \$1.5M/year in additional revenues, 2) commodities currently lost to mixed paper will be sold at a premium, 3) reductions in sort labor will save \$487K/year.

Organics to Energy – Full-Scale Project (\$10M, Cost Neutral)

Description: In November 2018 the Board approved the O2E Pilot project and recommended funding the Full Scale O2E Project after proof-of-concept is achieved. Equipment design and layout has confirmed the cost of the project at ~\$10M. Board consideration of the O2E Full Scales is anticipated in 2021.

Benefits: 1) 25-30% reduction in waste to landfill, 2) significant GHG emissions reduction, 3) reduced commercial collection organics costs (estimated at over \$2M per year).

Attachments:

Attachment A: MRF Processing Equipment Upgrades Financials

Attachment B: Letters from SBR and Potential in support of MRF Upgrades to improve commodity revenues

Attachment A - MRF Processing Equipment Upgrades Financials

MRF Phase I Equipment Upgrade Project

Project Summary

Capital Expense				
Enhanced Glass Cleanup System	\$	684,158		
Max-AI Robotic Recovery	\$	1,635,000		
Third-Sort Optical	\$	4,548,094		
Package Discount	\$	(203,667)		
Subtotal	\$	6,663,585		
Project Contingency	\$	666,359	10.0%	
Total Capital	\$	7,329,944		\$ 7,329,944
Annual Financial Benefit			Interest	Net Benefit
1. Enhanced Glass Cleanup System	\$	67,883	\$ (28,570)	\$ 39,313
2. Max-AI Robotic Recovery	\$	204,637	\$ (68,276)	\$ 136,361
3. Third-Sort Optical	\$	978,982	\$ (189,925)	\$ 789,056
Package Discount				\$ -
Subtotal	\$	1,251,502	\$ (286,772)	\$ 964,730
<i>Interest Expense is 10 Year Average</i>				
Payback (Years)		5.86		7.60
ROI		17.1%		13.2%
Interest Rate on Bonds		4.5%		

MRF Phase II Equipment Upgrade Project

Project Summary

Capital Expense			
CAPITAL	\$	7,500,000	
Contingency	\$	750,000	10%
TOTAL CAPITAL	\$	8,250,000	

	<i>a</i>	<i>b</i>	<i>c</i>
	Annual Financial Benefit	Interest	Net Financial Benefit
Net Incremental Revenue	\$ 1,494,260		\$ 1,494,260
Net Labor Savings	\$ 487,084		\$ 487,084
Interest (10 Yr Avg.)		\$ (322,767)	\$ (322,767)
TOTAL SAVINGS	\$ 1,981,344	\$ (322,767)	\$ 1,658,576

Payback	4.2
ROI	24.0%
Interest Rate on Debt	4.5%
<i>includes Revenue Share</i>	
<i>excludes depreciation</i>	

Attachment B – Letters from SBR & Potential Industries



**Potential
Industries Inc**

720 East "E" Street
Wilmington, CA 90744
(310) 549-5901

February 13, 2019

SBWMA, RethinkWaste
Facility Operations Contracts Manager
Mr. Hilary Gans
610 Elm Street, Suite #202
San Carlos, CA 94070

Re: High Grade Paper (HGP) sorted from MRFs

Dear Mr. Gans,

As you know, Potential Industries, Inc. (PII) has been exporting recovered paper for over 40 years. In addition to our own MRF sorted paper, we also market sorted paper from over 20 MRFs throughout the USA.

Based on our many years' experience, and using our best professional judgment regarding paper sorted from single stream MRFs: (a) we have serious concerns about the long term viability of traditional mixed paper, and (b) we believe High Grade Paper will continue to not only be in demand, but also the price for it will be significantly higher than traditional mixed paper.

In 2018 the price of High Grade Paper was approximately \$75 per ton higher than traditional mixed paper, and in our opinion that premium is likely to continue. Although nobody in the industry can accurately predict future pricing, we strongly encourage MRFs to upgrade their mixed paper to High Grade Paper because this grade will continue be consumed by many paper mills.

Best Regards,

A handwritten signature in blue ink that reads "Daniel J. Domonoske".

Daniel J. Domonoske
Executive Vice President

February 12, 2019

SBWMA, RethinkWaste
Facility Operations Contracts Manager
Mr. Hilary Gans
610 Elm Street, Suite #202
San Carlos, CA 94070

Re: Fiber Market Explanation and Price Comparison

Dear Mr. Gans,

Recovered paper and cardboard, also known as fiber, represents approximately 50% of the commingled materials sorted in the MRF. SBR has some of the best fiber export marketing capabilities in the recycling industry, which remains dependent on export due to lack of domestic demand. As you know, end user mills throughout SE Asia have tightened up their quality requirements, and MRFs throughout CA are responding by making higher quality products.

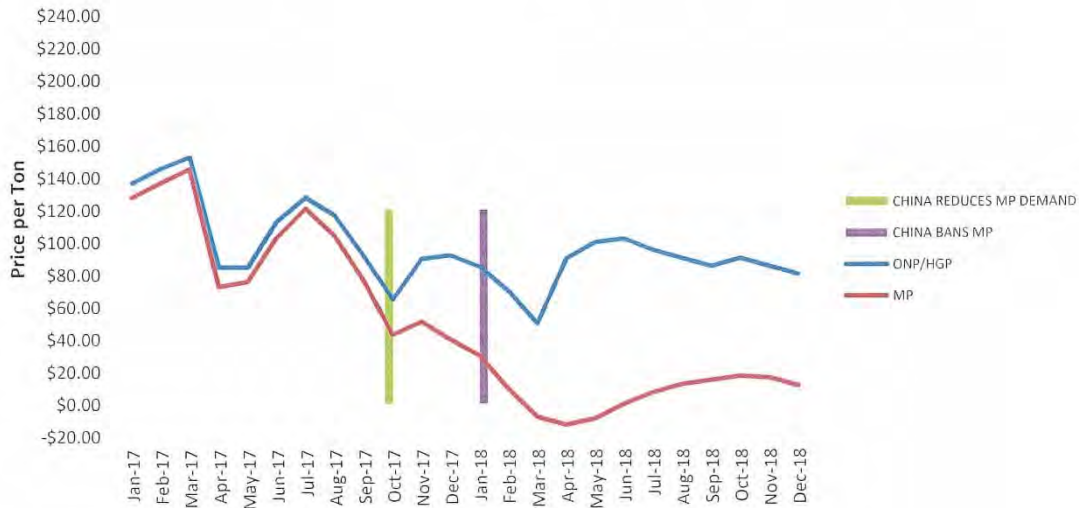
In 2018 China, then the largest end user of mixed paper in the world, banned the import of mixed paper. Although there are a few other markets in SE Asia for mixed paper, the price is very low. To make matters worse, there is trend in SE Asia for other countries to also ban mixed paper. By reducing the quantity of mixed paper being generated SBWMA has the opportunity to reduce their risk of having a sorted product without a market, either domestic or export. In addition, by creating a higher quality paper it can be sold at better pricing than Mixed Paper.

Graph #1 below shows the monthly price for High Grade Paper (formerly known as Old News Paper) compared to Mixed Paper. In 2017 those prices were quite close to each other. However, in Q4 2017 when it became clear that China would indeed ban Mixed Paper the gap between High Grade Paper and Mix Paper grew. The effective date of the ban was based on cargo arrival in China, as such the price gap accelerated in November and December 2017.

333 Shoreway Road | San Carlos, California 94070
Tel 650.802.8355 | Fax 650.412.2495 | SBRcycling.net

Graph #1

2017-2018 Price Comparison Old News Paper/High Grade Paper (ONP/HGP) v Mix Paper (MP)



In 2018 several haulers and MRFs were forced to send Mixed Paper to landfills. This was done either by stockpiling bales in hopes of a market resurgence only to find there was none, or no longer sorting it from the commingled stream and simply letting it go to residue without being sorted and baled in the MRF. In either case the outcome had negative impacts on diversion levels and public perception of recycling.

Today there is a unique opportunity available to SBWMA which is created by customer demand, technology developments for MRF processing equipment, and bond refinancing. These events provide SBWMA with a decision to make regarding the MRF: shall we invest in the future of our MRF?

In our professional opinion, by investing in the proposed MRF equipment upgrades there will be two changes to the fiber commodities: (1) less Mixed Paper being produced, and (2) more sorted fiber products being sold at higher pricing. These changes will increase the monthly revenues and also increase the number of end users that are interested in our fiber products.

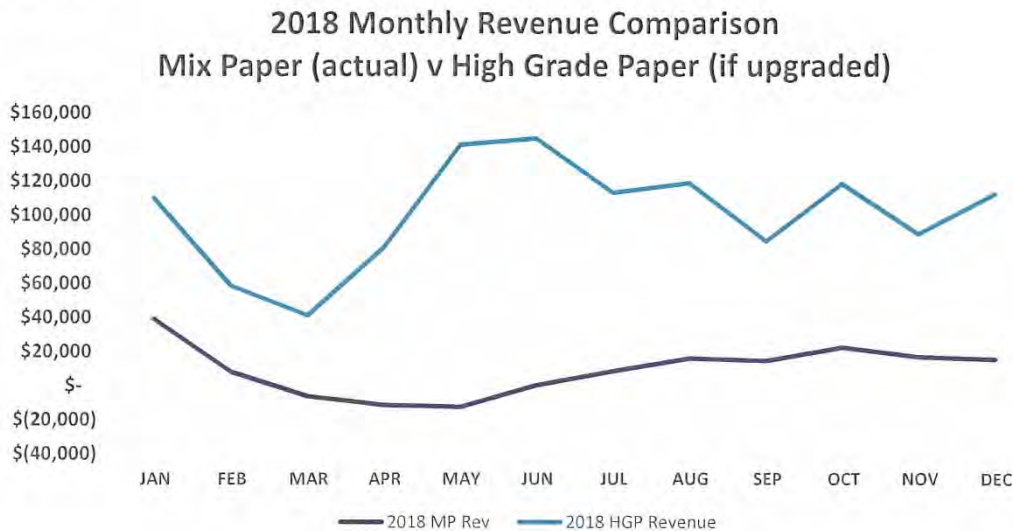
The initial economic benefit is producing a higher quality paper grade from the commingled materials which are collected in single family residential collection routes. That paper is mechanically screened on the residential sort line to create paper which is currently sold as Mixed Paper (a low value commodity). In addition to removing most of the cardboard, the proposed system will also remove contamination and

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containers from the Mixed Paper. As a result that paper will be higher quality and will be sold as High Grade Paper, at a premium price above Mixed Paper.

Graph #2 below shows the actual monthly revenue in 2018 for the paper which was sold as Mixed Paper (MP) compared to the monthly revenue for that same material if it was sold as High Grade Paper (HGP). The cumulative incremental economic benefit from selling those tons as HGP amounts to over \$1,100,000 in 2018, and that would have been achieved had the new equipment upgrade been installed and operational.

Graph #2



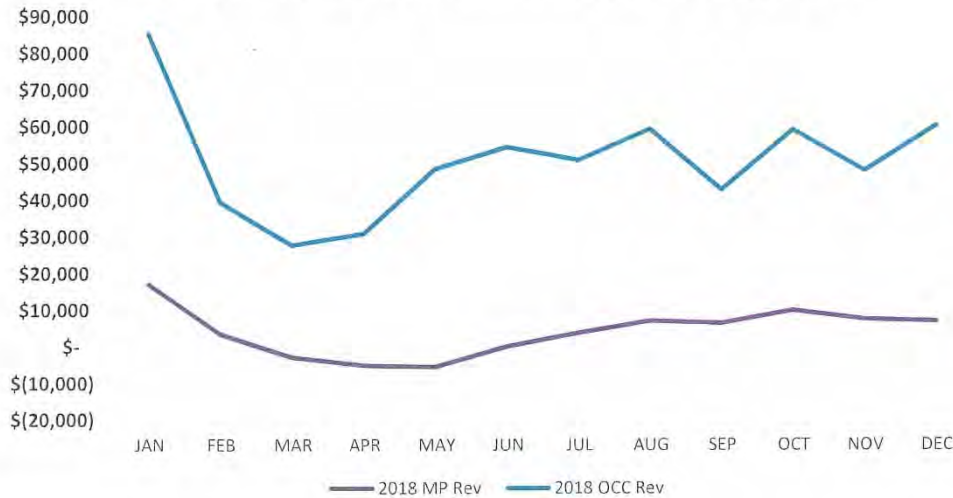
The other economic benefit from the proposed upgrade is increasing the amount of cardboard (aka Old Corrugated Containers, or OCC) being produced. Over the past 10 years there has been an increase in online shopping which results in households generating more cardboard, and those cardboard pieces are smaller in size and lighter in weight. As such a lot of that cardboard currently ends up in Mixed Paper. The proposed system will remove most of it from the Mix Paper (a low value commodity) and recover it as OCC cardboard (a higher value commodity).

Graph #3 below shows the actual monthly revenue in 2018 for the paper which was sold as Mixed Paper compared to the monthly revenue for that same material if it was sold as Old Corrugated Containers (OCC). The cumulative incremental economic benefit from selling those tons as OCC amounts to over \$500,000 in 2018, and that would have been achieved had the new equipment upgrade been installed and operational.

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Graph #3

2018 Monthly Revenue Comparison
Mix Paper (actual) v. Cardboard (OCC (if upgrade))



In addition to the economic benefits listed above, there will be significantly less paper being sold as Mixed Paper. This is important because the uncertain future demand for Mixed Paper causes many in the industry to wonder how long it will remain a viable product.

SBWMA is working with two of the best partners in the industry, SBR (facility operations) and BHS (equipment supplier), and together the team can implement the proposed projects to create value that provides long term economic and environmental benefits to Member Agencies.

Future recycling commodity market pricing and quality requirements cannot be precisely defined. However, there is a consensus within the industry that the facilities which are sustainable will be those that are capable of doing two things: (1) producing grades that are in demand, and (2) producing qualities that are better than the prevailing industry average.

Best Regards,

Daniel J. Domonoske
Vice President

CC: Dwight Herring, GM

333 Shoreway Road | San Carlos, California 94070
Tel 650.802.8355 | Fax 650.412.2495 | SBRecycling.net



South Bayside Waste Management Authority

Overview of the 2019 Bonds:

Refunding of Series 2009A Bonds and Financing Capital Improvements



1300 Clay Street, Suite 1000, Oakland, CA 94612
phone 510-839-8200 fax 510-208-8282

A Limited Liability Company

Market Rates Continue to Support a Refunding of the Series 2009A Bonds



*The Bond Buyer Revenue Bond Index consists of 25 various revenue bonds that mature in 30 years. The average rating is roughly equivalent to Moody's "A1" and S&P's "A+". Source: Bond Buyer Index: Bond Buyer. 10-year Treasury Yield Curve: The Department of the Treasury.

Overview of the 2019 Bonds

Plan of Finance Objective: Execute Bond Refunding and Raise \$20M New Money Proceeds through Savings and Additional Debt

- Refunds outstanding 2009A Bonds to achieve debt service savings
- Issues additional “new money” bonds in addition to redeploying savings for capital
- Extends term of refunding bonds to achieve a short-term “window” to structure new money debt service with shorter average life restrictions
- Maintains annual payments approximately equal to \$4.1MM **but** extends bond term another six years to September 1, 2042 (from September 1, 2036)

Key Assumptions for the 2019 Bonds

- **Offering Type:** Fixed rate, public issuance
- **Security Type:** Solid Waste Enterprise Revenue Bonds (consistent with Series 2009A Bonds)
- **Ratings:** A1 (Moody's) / A+ (S&P); 2019 Bonds transaction ratings to be confirmed
- **Interest Rates:** Current rates as of April 4, 2019 plus 0.25% interest rate cushion
- **Closing Date:** June 26, 2019
- **Call Date:** September 1, 2029 (10-year par call)
- **Final Maturity:** September 1, 2042 (extended from September 1, 2036)
- **Issuance Expenses:** COI of \$300,000 and UW Discount of \$3.50 per bond
- **Debt Service Reserve Fund (DSRF):** Contribution of cash DSRF associated with the Series 2009A Bonds at current amount
 - New cash DSRF sized for the 2019 Bonds

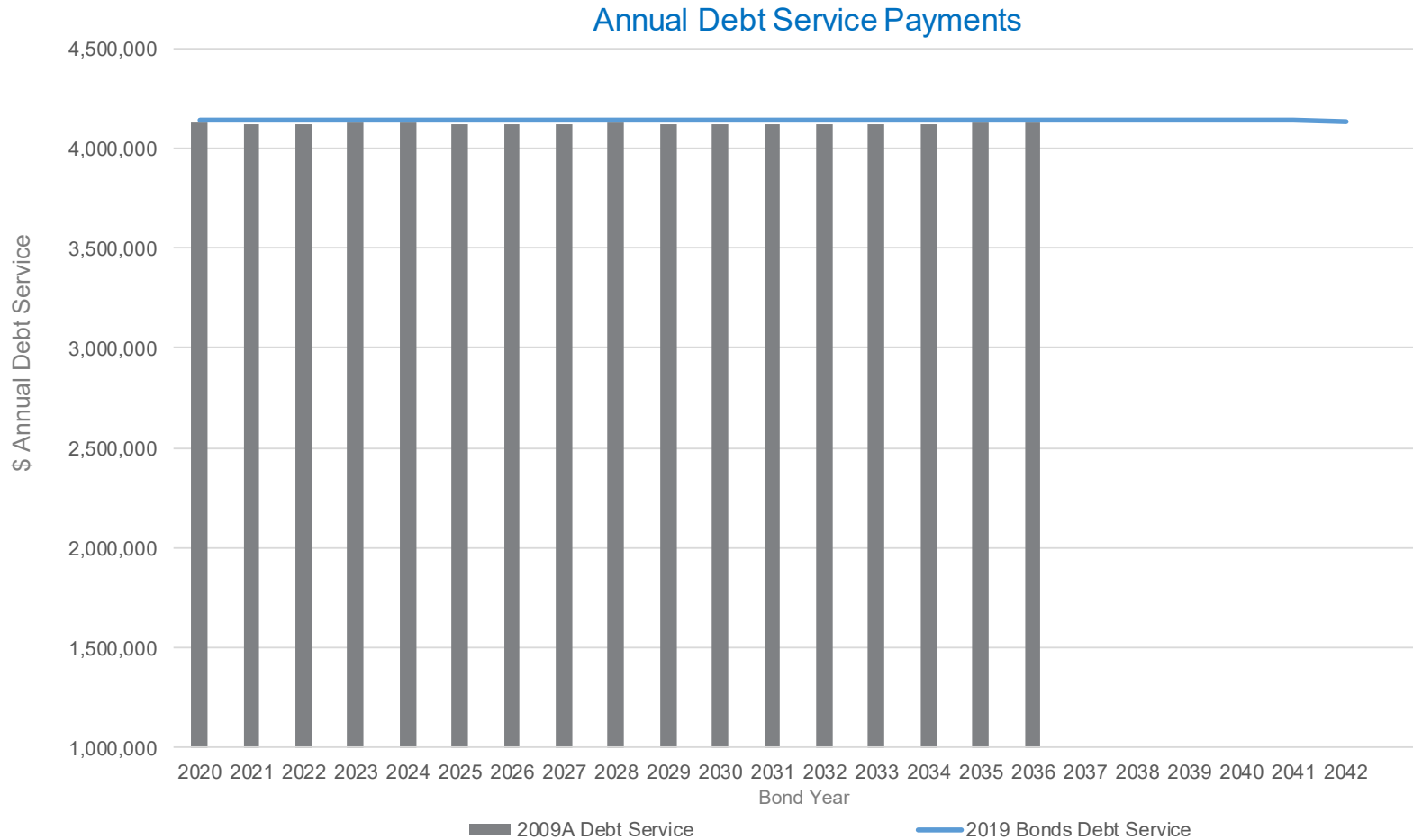
2019 Bonds Sources and Uses of Funds*

	Series 2019A: Refunding	Series 2019B: New Money	Series 2019: Total
<u>Sources:</u>			
Bond Proceeds:			
Par Amount	\$ 36,505,000	\$ 18,850,000	\$ 55,355,000
Premium	5,792,867	2,717,778	8,510,644
Total Bond Proceeds	42,297,867	21,567,778	63,865,644
2009A Bonds Funds on Hand	6,567,395	-	6,567,395
Total Sources	\$ 48,865,262	\$ 21,567,778	\$ 70,433,040
<u>Uses:</u>			
Project Fund Deposit	-	20,000,000	20,000,000
Refunding Escrow	45,796,867	-	45,796,867
Debt Service Reserve Fund	2,731,846	1,410,637	4,142,483
Cost of Issuance ¹	195,964	100,714	296,678
Underwriter's Discount	140,584	56,427	197,011
Total Uses	\$ 48,865,262	\$ 21,567,778	\$ 70,433,040

*Assumes current Authority credit ratings and market conditions as of 4/4/2019, plus 25 bps. Preliminary and subject to change based on tax-exempt interest rate movements.

¹Estimated Cost of Issuance includes fees for bond counsel, disclosure counsel, rating, municipal advisor, trustee printing, etc. Cost of issuance also includes bond rounding.

Debt Service Schedules: Status Quo (2009A Bonds) and 2019 Bonds



Detailed Debt Service Schedules

Status Quo (Series 2009A Bonds)				2019 Bonds *				Debt Service Difference from Status Quo
September 1,	Principal	Interest	Total Debt Service	September 1,	Principal	Interest	Total Debt Service	
2020	1,570,000	2,554,750	4,124,750	2020	875,000	3,267,483	4,142,483	17,733
2021	1,650,000	2,472,325	4,122,325	2021	1,415,000	2,724,000	4,139,000	16,675
2022	1,735,000	2,385,700	4,120,700	2022	1,485,000	2,653,250	4,138,250	17,550
2023	1,830,000	2,294,613	4,124,613	2023	1,560,000	2,579,000	4,139,000	14,388
2024	1,925,000	2,198,538	4,123,538	2024	1,640,000	2,501,000	4,141,000	17,463
2025	2,025,000	2,097,475	4,122,475	2025	1,720,000	2,419,000	4,139,000	16,525
2026	2,150,000	1,970,913	4,120,913	2026	1,805,000	2,333,000	4,138,000	17,088
2027	2,285,000	1,836,538	4,121,538	2027	1,895,000	2,242,750	4,137,750	16,213
2028	2,430,000	1,693,725	4,123,725	2028	1,990,000	2,148,000	4,138,000	14,275
2029	2,580,000	1,541,850	4,121,850	2029	2,090,000	2,048,500	4,138,500	16,650
2030	2,740,000	1,380,600	4,120,600	2030	2,195,000	1,944,000	4,139,000	18,400
2031	2,905,000	1,216,200	4,121,200	2031	2,305,000	1,834,250	4,139,250	18,050
2032	3,080,000	1,041,900	4,121,900	2032	2,420,000	1,719,000	4,139,000	17,100
2033	3,265,000	857,100	4,122,100	2033	2,540,000	1,598,000	4,138,000	15,900
2034	3,460,000	661,200	4,121,200	2034	2,670,000	1,471,000	4,141,000	19,800
2035	3,670,000	453,600	4,123,600	2035	2,800,000	1,337,500	4,137,500	13,900
2036	3,890,000	233,400	4,123,400	2036	2,940,000	1,197,500	4,137,500	14,100
				2037	3,090,000	1,050,500	4,140,500	4,140,500
				2038	3,245,000	896,000	4,141,000	4,141,000
				2039	3,405,000	733,750	4,138,750	4,138,750
				2040	3,575,000	563,500	4,138,500	4,138,500
				2041	3,755,000	384,750	4,139,750	4,139,750
				2042	3,940,000	197,000	4,137,000	4,137,000
	<u>43,190,000</u>	<u>26,890,425</u>	<u>70,080,425</u>		<u>55,355,000</u>	<u>39,842,733</u>	<u>95,197,733</u>	<u>25,117,308</u>

*Assumes current Authority credit ratings and market conditions as of 4/1/2019, plus 25 bps. Preliminary and subject to change based on tax-exempt interest rate movements.

Financing Results versus the Status Quo*

	<u>Status Quo:</u> Series 2009A Bonds	<u>2019 Bonds:</u> Refunding \$20MM Capital
Refunding Present Value Savings:		
Par Amount of Refunded Bonds:	--	\$44,685,000
Percentage Savings of Refunded Bonds¹:	--	14.307%
Net PV Savings¹:	--	\$6,393,095
Total Obligations and Debt Service Payments:		
Total Capital Proceeds Raised:	--	\$20,000,000
Estimated Par Amount Outstanding after 2019 Bond Issuance	\$44,685,000	\$55,355,000
Total Debt Service:	\$70,080,425	\$95,197,733
Difference from the Status Quo:		\$25,117,308
Average Annual Debt Service:	\$4,122,378	\$4,139,032
Difference from the Status Quo:		\$16,654
Final Debt Term:	9/1/2036	9/1/2042

*Assumes current Authority credit ratings and market conditions as of 4/1/2019, plus 25 bps. Preliminary and subject to change based on tax-exempt interest rate movements.

¹Assuming a refunding of only the 2009 Series A Bonds, estimated Net PV Savings would be \$10,794,614 or 24.16% savings of Refunded Bonds. The lower Net PV Savings values reflects structuring refinements to incorporate the new money issuance and required short-term amortization given average life restrictions.

Important Next Steps and Financing Approvals

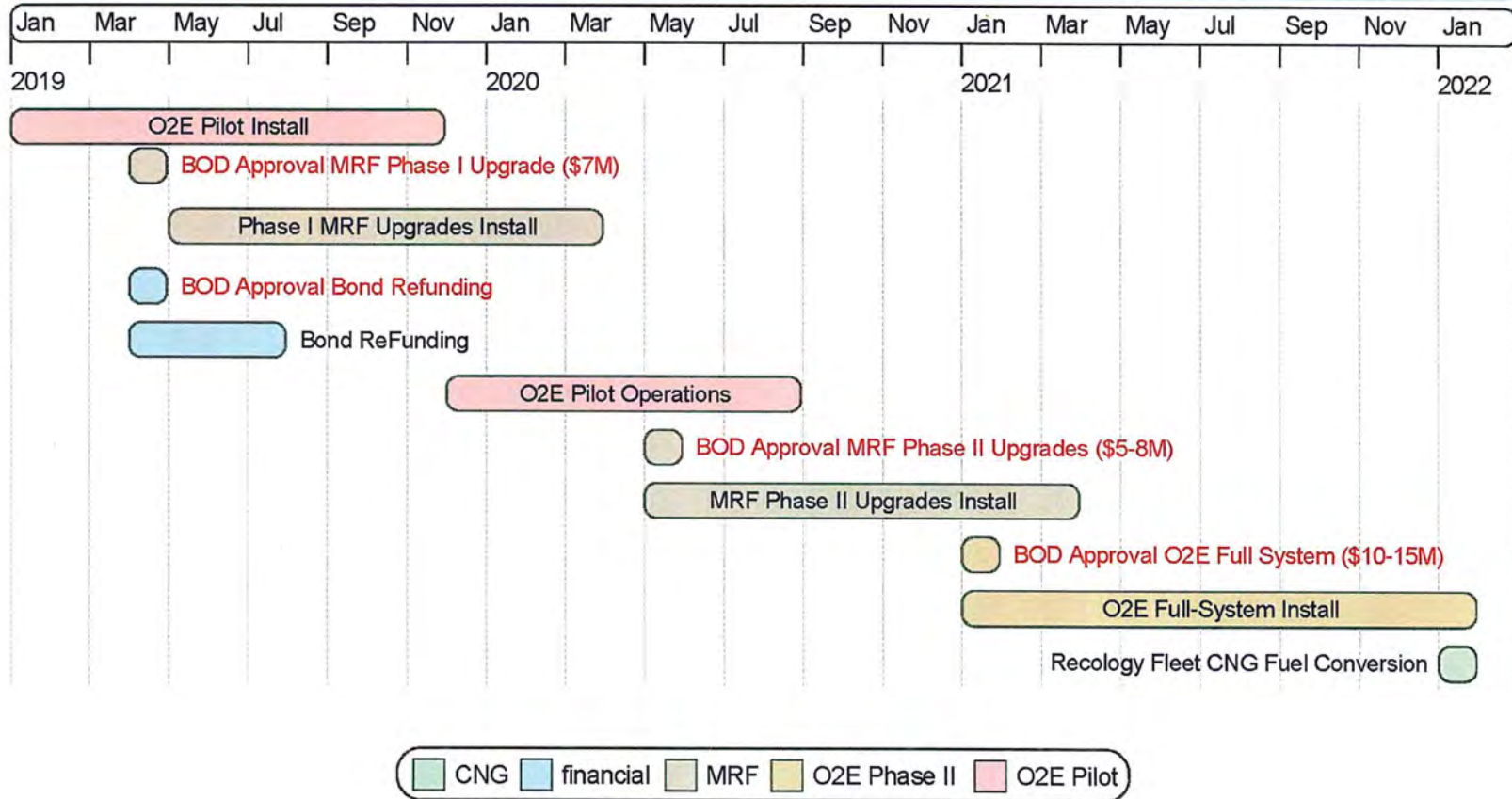
Targeted Date/Meeting	Action Item / Approval
April 11 SBWMA Finance Committee	<ul style="list-style-type: none"> • Receive overview of financing documentation and issuance parameters
April 5	<ul style="list-style-type: none"> • Model staff report and resolution approving the issuance of 2019 Bonds to Member Agencies
April 25 SBWMA Board Meeting	<ul style="list-style-type: none"> • Adopt resolution recommending approval of 2019 Bonds to Member Agencies • Adopt Reimbursement Resolution
Week of May 6 Member Agency Meetings	<ul style="list-style-type: none"> • Adopt resolution to approve the issuance of 2019 Bonds
Week of May 13 Member Agency Meetings	<ul style="list-style-type: none"> • Adopt resolution to approve the issuance of 2019 Bonds
May 13 City of San Carlos Meeting	<ul style="list-style-type: none"> • Hold public hearing as host City and for TEFRA* • Approve JPA financing as host City • Adopt TEFRA* approval • Adopt resolution to approve the issuance of 2019 Bonds
May 23 SBWMA Board Meeting	<ul style="list-style-type: none"> • Adopt resolution authorizing the issuance of 2019 Bonds (subject to not-to-exceed parameters) and approving financing documents (resolution, bond indenture, official statement, purchase contract)

* A public hearing required by the IRS to be held before the Board can approve the issuance by SBWMA of tax-exempt private activity debt.

Financing Timeline

Targeted Date	Action Item
January 2019	<ul style="list-style-type: none"> Assemble financing team (SBWMA, KNN, Bond/Disclosure Counsel, Underwriter, and other parties)
February 2019 – May 2019	<ul style="list-style-type: none"> SBWMA Board engagements on Plan of Finance approach Develop legal and disclosure documents necessary for issuance
Week of May 13	<ul style="list-style-type: none"> Rating Agency meetings
Week of May 27	<ul style="list-style-type: none"> Receive Bond credit ratings Post Preliminary Official Statement Market 2019 Bonds
Week of June 10	<ul style="list-style-type: none"> Price 2019 Bonds
Week of June 24	<ul style="list-style-type: none"> Close 2019 Bonds

Capital Project Approval & Implementation Schedule





South Bayside Waste Management Authority
Approval of \$64 Million Solid Waste Enterprise Revenue Bonds
Board Member Talking Points for Member Agency Council/Board Meetings

- The SBWMA previously issued \$53,500,000 tax-exempt Solid Waste Enterprise Revenue Bonds, Series 2009A Bonds (the 2009A Bonds) to fund constructing and equipping a new materials recovery facility and improvements to the Shoreway Environmental Center.
 - Current Outstanding Balance: \$44,685,000
 - Current Average Annual Debt Service Obligation: \$4,122,378
 - Current Final Maturity: September 1, 2036
 - Remaining Total Debt Service: \$70,080,425

- Over the last ten years, the SBWMA rate structure has been set to absorb all costs, including annual debt service payments obligations at the \$4.1 million level.

- Interest rates on the 2009A Bonds reflect a higher interest rate environment and the current low interest rate environment provides an opportunity to refinance the 2009A Bonds for savings. A standalone refunding of the 2009A Bonds is estimated to achieve (as of April 4, 2019):
 - Net Present Value Savings: \$10.79 million
 - Approximate Annual Debt Service Savings: \$980,000

- By taking advantage of the low interest rate environment and extending the debt service term, the SBWMA has approved a Plan of Finance that leverages savings for new projects:
 - Refunds 2009A Bonds -> achieves approximately \$10M in savings
 - Issues New Bonds -> fund approximately \$20M in improvements to the facility
 - Maintains \$4.1M annual debt payment structure through capacity created by refunding savings and debt maturity extension by six years (from 9/1/2036 to 9/1/2042)

- SBWMA Board approval of the 2019 Bonds will be subject to specific parameters to ensure minimal rate-payer impact:
 - Not to Exceed Par Amount: \$64M comprised of: i) the retirement of \$44.6M outstanding 2009A Bonds and ii) the issuance of \$20M new money obligations
 - Not to Exceed Maturity: December 31, 2042
 - Not to Exceed Annual Debt Service Payment: \$4.3M (worst-case scenario, with small additional cost)

- SBWMA projects funded by the capitalization of refunding savings (\$10M) and raising additional debt through maturity extension (\$10M) are expected to generate significant ratepayer benefit:
 - MRF Sort Upgrades: Net financial benefit estimated at \$14.1M (including equipment interest expense) over the 12-year useful life of the equipment. Increased commodity capture (new revenue) and reduced labor expense.
 - Organics-to-Energy – Full-Scale Project: Cost neutral. Estimated 25-30% reduction in landfill waste (SB1383), significant GHG emissions reduction as a result of reduced transportation, and reduced commercial organics processing costs.

STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Senior Contracts & Operations Manager
Date: April 25, 2019 Board of Directors Meeting
Subject: Resolution approving a contract with The Grant Farm for Grant Solicitation Services for Capital Intensive Diversion Infrastructure projects for a not to exceed amount of \$65,000.

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2019-26 attached hereto authorizing the following action: **Authorize the Executive Director to enter into a contract with The Grant Farm for Grant Solicitation Services for Capital Intensive Diversion Infrastructure projects for a not to exceed amount of \$65,000.**

Summary

The capital intensive MRF and organics diversion projects that the SBWMA is committing to through the 2019 Bond Refunding process are good candidates for grant assistance. Grant opportunities are coming up in 2019 and 2020 and Staff is interested in utilizing the professional grant writing services of the Grant Farm to pursue these opportunities.

Analysis

Staff has identified grant opportunities from State-level entities that fit into the scope of projects that the SBWMA is interested in developing. Specifically, there are three areas of funding and grants that will be targeted:

1. CalRecycle has annual grants program that currently is targeting projects diverting organics from landfill and mitigating greenhouse gas release (see **Attachment A** for a description of the CalRecycle grants).
2. California Energy Commission (CEC) grants devoted to green energy projects such as the O2E project and creation of green fuels.
3. Sales and Use Tax Exclusion (STE) Program that is provided through the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA). This opportunity fits the SBWMA's current capital projects in that it supports cutting-edge alternative energy and advanced transportation through sales and use tax exclusion. The STE program is currently authorized through 2020.

The Grant Farm has a demonstrated success in soliciting grants and STE for projects like the O2E (see **Attachment B, Projects**). For Example, Grant Farm was key in solicitation of the CalRecycle grant for the Anaergia equipment that was originally purchased by Recology and that we will repurpose for use at Shoreway for the O2E pilot project. Additionally, Anaergia has hired the Grant Farm and has successfully obtained grant funding for several of its projects in California including a \$100M large-scale anaerobic digestion facility outside of Los Angeles.

Staff plans to use a combination of internal staffing resources (particularly the new Management Analyst position) and the Grant Farm to pursue funding opportunities. In addition to \$50K for grant writing services, the scope of work being funded through this contract includes \$15K for the completion of the Sales Tax Exclusion Program application, which will potentially provide immediate savings to the agency through exemption on sales tax that would be paid for the CIP projects envisioned in 2019–2023. The Grant Farm scope of work is provided in **Attachment C**).

Background

Until recently, the SBWMA has not had staff resources or a need to pursue grants for large capital investment projects. With the Bond Refunding and Capital Improvement Projects planned for the next few years, there are opportunities for the Agency to seek matching funds from State agencies with environmental goals that align with the SBWMA's plans.

Fiscal Impact

The \$65,000 not to exceed time and materials contract with the Grant Farm will be paid out of the budget line for long range planning. There are enough budget funds in this line item to fund this expense.

Attachments:

Resolution 2019-26

Attachment A – CalRecycle Grant Description

Attachment B – Recent Grant Farm Awarded Projects

Attachment C – SBWMA Professional Services Agreement (PSA) with the Grant Farm for Grant Solicitation Services for Capital Intensive Diversion Infrastructure Projects.



RESOLUTION NO. 2019-26

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH THE GRANT FARM FOR GRANT SOLICITATION SERVICES FOR CAPITAL INTENSIVE DIVERSION INFRASTRUCTURE PROJECTS FOR A NOT TO EXCEED AMOUNT OF \$65,000.

WHEREAS, the SBWMA has plans to develop capital intensive projects with environmental benefits that are aligned with state grant opportunities,

WHEREAS, the SBWMA needs the expertise of technical grant writing and solicitation services,

WHEREAS, the Grant Farm has demonstrated expertise and success in grant solicitations with grants directly related to the areas that the SBWMA is pursuing,

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby Authorize the Executive Director to enter into a contract with The Grant Farm for Grant Solicitation Services for Capital Intensive Diversion Infrastructure projects for a not to exceed amount of \$65,000.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 25th day of April 2019, by the following vote:

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

I HEREBY CERTIFY that the foregoing Resolution No. 2019-26 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on April 25, 2019.

ATTEST:

Jess E (Jay) Benton, Chairperson of SBWMA

Cyndi Urman, Clerk of the Board

CalRecycle Greenhouse Gas Reduction Grant Programs

The Greenhouse Gas Reduction Fund (GGRF) was established in 2012 to receive Cap-and-Trade auction proceeds appropriated by the Legislature and Governor for projects that support the goals of AB 32. Eligible investments identified in Statute include reducing greenhouse gas emissions through increased in-state diversion of municipal solid waste from disposal through waste reduction, diversion, and reuse.

CalRecycle established the Greenhouse Gas Reduction Grant and Loan Programs to provide financial incentives for capital investments in infrastructure for aerobic composting, anaerobic digestion and recycling and manufacturing facilities that will reduce greenhouse gas emissions. A priority is to realize environmental and economic benefits in disadvantaged and low-income communities. These grants promote California infrastructure developments that achieve greenhouse gas emission reductions by diverting more materials from landfills and producing beneficial products such as soil amendments, renewable fuels or recycled-content products. Grants are targeted to build or expand organics infrastructure, such as composting and anaerobic digestion, or rescuing food to feed hungry people, as well as new or expanded infrastructure for manufacturing products with recycled content fiber, plastic, or glass.

These programs are part of California Climate Investments, a statewide program that puts billions of cap-and-trade dollars to work reducing greenhouse gas emissions, strengthening the economy and improving public health and the environment-- particularly in disadvantaged and low-income communities. The Cap-and-Trade program also creates a financial incentive for industries to invest in clean technologies and develop innovative ways to reduce pollution. California Climate Investments projects include affordable housing, renewable energy, public transportation, zero-emission vehicles, environmental restoration, more sustainable agriculture, recycling and much more. At least 35 percent of these investments are made in disadvantaged and low-income communities. For more information, visit [California Climate Investments](#).

- [Food Waste Prevention and Rescue Grant Program](#)
- [Organics Grant Program](#)
- [Recycled Fiber, Plastic, and Glass Grant Program](#)
- [Greenhouse Gas Reduction Loan Program](#)
- [Pilot Reuse Grant Program](#) (new)

Attachment B – Recent Grant Farm Awarded Projects

ADVANCED ENERGY

Largest High Solids Anaerobic Digester

Grant Farm has managed the development of more than \$14.8 million in grants, loans, and incentives and leveraged \$16 million in private capital for leading waste-to-energy company CleanWorld. This development has included the construction and scale-up of the Sacramento BioDigester—converting 36,500 tons per year of food waste per year into negative-carbon renewable natural gas that fuels the Atlas Disposal fleet—and the University of California, Davis Renewable Energy Anaerobic Digester (READ) facility—converting 20,000 tons per year of campus organic waste to electricity to meet campus renewable energy goals.

Smart Grid Deployment in Anaheim, California

Grant Farm teamed with the Auriga Corporation to successfully develop \$5.9 million in US Department of Energy funds for this \$12.1-million project to fund the installation of 35,000 new residential smart meters and thermostats—representing a quarter of the Anaheim’s homes. The project was critical to reducing the city’s peak load energy usage by 10 percent and limiting the need for stand-by power plants.

Largest Dairy Bioenergy Cluster in United States

Grant Farm has developed four innovative and award-winning submissions to the California Energy Commission and California Department of Food and Agriculture to provide \$12.8 million and leverage \$14.5 million in funds for the construction of 3 innovative California Bioenergy LLC dairy digesters that will convert dairy manure into more than 20 million kWh of electricity per year and deploy innovative new grid strategies to reduce emissions and utility reliance at Lakeview Farms Dairy, West Star North Dairy, and Carlos Echeverria & Sons Dairy.

Biodiesel Expansion in California

Grant Farm managed the public fund campaign for Crimson Renewable Energy to secure back-to-back successful grants totaling \$10M in only nine months for the increase of biodiesel production from 8 million to 22 million gallons per year at its Bakersfield, California production facility. This expansion will make Crimson the single largest producer of biodiesel in California and reduce water use at the facility by more than 50%.

Organic Waste-to Energy Microgrid Facilities

Grant Farm has managed \$13.5 million in successful solicitations for Recology, Inc. to construct the 250-ton-per-day Hay Road Anaerobic Digester—which will produce renewable natural gas—and a facility at Recology San Francisco to extract organic waste from municipal solid waste (MSW) to generate 7 MW of bioelectricity at East Bay Municipal Utility District. The projects leverage more than \$45 million in private funds, while demonstrating high-penetration, renewable-energy microgrid technology and ultra-low-

New Ultra-Low-Carbon Fuels

Grant Farm managed the development of the California In-State Sorghum Initiative by Pacific Ethanol, Aemetis, and Calgren and successfully solicited \$9 million to develop new low carbon, non-corn feedstocks for ethanol production in California in partnership with the University of California and California State University Fresno, leveraging an additional \$54 million in private investment and supporting California farmers with new low-water feedstocks for energy.



A Public Agency

AGREEMENT FOR PROFESSIONAL SERVICES

This Agreement is made and entered into as of the **26th day of April, 2019** by and between the **South Bayside Waste Management Authority** hereinafter "SBWMA", and **The Grant Farm** hereinafter "Consultant".

RECITALS

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

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

TERMS AND CONDITIONS

1. Services

The services to be performed by Consultant under this Agreement shall be to **(Task 1) to develop a proposal for the upcoming CalRecycle Organics program solicitation on South Bayside Waste Management Authority's behalf; and (Task 2) to develop and submit a proposal for CAEATFA on South Bayside Waste Management Authority's behalf** as outlined in Exhibit A.

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

2. Term of Agreement

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

3. Compensation

Payment under this Agreement shall be as per Exhibit A, not to exceed **\$65,000.00**. Invoices for payment shall be submitted monthly to SBWMA and shall contain the information shown in Exhibit B hereto.

4. Authorization and Termination

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

5. Reliance of Professional Skill of Consultant

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

6. Relationship to Parties

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

7. Nonassignment

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

8. Amendments

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

9. Validity

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

10. Government Law/Litigation

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

11. Mediation

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

12. Entire Agreement

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

13. Indemnity

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

14. Insurance

Consultant shall not commence work under this Agreement until all insurance required under this Paragraph has been obtained. Consultant shall furnish SBWMA with certificates of insurance evidencing the required coverage. The insurance shall be with a carrier that is licensed and in good standing in the State of California, and has an A.M. Best Co. rating of A/5 or better. The SBWMA will be named as additional insured in the policy. These certificates shall specify or be endorsed to provide that thirty (30) days notice must be given, in writing, to the SBWMA office of any pending change in the limits of liability or of any cancellation or modification of the policy.

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

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

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

b. Liability Insurance

Consultant shall take out and maintain during the life of this Agreement such bodily injury and property damage liability insurance as shall insure the Consultant and SBWMA, its employees, officers and member entities while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all claims due to consultant's negligence or willful misconduct for property damage which may arise from Consultant's work under this Agreement, whether such work be by Consultant or by any subcontractor or by anyone directly or indirectly employed by either of them. The amounts of such insurance shall be One Million and no/100 Dollars (\$1,000,000.00) combined single limit bodily injury and property damage for each occurrence.

15. Notice

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

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

Consultant: **Grant Farm**
Shawn Garvey, CEO
801 K Street
Sacramento, CA 95814
Phone: 916-444-3863
Email:shawn@thegrantfarm.com
hanna@thegrantfarm.com

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

SBWMA

BY: _____
Joe La Mariana, Executive Director, SBWMA

DATED: _____, **2019**

APPROVED AS TO FORM:

Jean Savaree, SBWMA ATTORNEY

DATED: _____, **2019**

CONSULTANT:

BY: _____
Shawn Garvey, CEO

DATED: _____, **2019**

NOTICE TO PROCEED

BY: _____
Cyndi Urman, Board Secretary

DATED: _____, **2019**



**South Bayside Waste Management Authority
TASK ORDER AUTHORIZATION**

Reference Agreement: South Bayside Waste Management Authority (Rethink Waste) General Consulting Agreement

Date: March 26, 2019

Objective: Grant Farm to develop a proposal for the upcoming CalRecycle Organics program solicitation on South Bayside Waste Management Authority's behalf.

Scope of Work:

- Gather or Prepare Basic Project Information
 - Complete Grant Farm Project Information Sheet
 - Provide up-to-date resumes for all Key Project Personnel
 - Provide up-to-date contact information for:
 - Proposed Project Manager
 - Proposed Administrative Contact
 - Proposed Legal Contact
 - Create list of past projects of a similar scope and scale and descriptions
- Schedule and complete a team kick-off meeting
- Attend all pre-solicitation and announcement workshops (if applicable)
- Create organizing site on Teamwork
- Develop the Pre-Proposal Abstract (if applicable)
- Support development of relationships in the local community and educational efforts to explain the project to the community, potentially through some type of a community meeting.
- Develop proposal strategy, including teaming and collaboration, scoring tactics, and outreach planning
- Draft template letters of support and commitment (as applicable)
- Develop proposal documents as requested. For public grant fund opportunities, this often includes:
 - Application Form
 - Executive Summary
 - Fact Sheet
 - Proposal Narrative
 - Project Team Form
 - Scope of Work, Project Schedule
 - Budget Forms
 - CEQA and/or NEPA Compliance Forms
 - References and Previous Work Product Forms
 - Contact Lists
- Gather feedback from key stakeholders and incorporate into new drafts, editing as needed until the client approves for submission



- Post-Submission Activities

Budget:

These services will be priced using Grant Farm's standardized Time and Materials rates.

2019 Rate Sheet	
Project Principal	\$295
Project Manager II	\$265
Project Manager I	\$205
Project Administrator II	\$205
Project Administrator I	\$155
Project Associate III	\$105
Project Associate II	\$85
Project Associate I	\$65

Authorized By:

Hilary Gans
Senior Facilities and Contracts Manager
610 Elm Street, Suite 202
Suite 202
San Carlos, CA 94070



**South Bayside Waste Management Authority
TASK ORDER AUTHORIZATION**

Reference Agreement: South Bayside Waste Management Authority (Rethink Waste) General Consulting Agreement

Date: March 26, 2019

Objective: Grant Farm to develop and submit a proposal for CAEATFA on South Bayside Waste Management Authority’s behalf.

Scope of Work:

- Prepare CAEATFA application for submission
- Finalize and print CAEATFA application
- Hand deliver CAEATFA submission to the California State Treasurer’s Office
- Provide SBWMA with delivery confirmation of both Part A and Part B of the CAEATFA submission
- Manage the delivery of the required wet signatures and application fee
 - Request Part A signatures from SBWMA
 - Request Part B signatures from SBWMA
 - Request Application Fee check from SBWMA
- Hand deliver necessary wet signatures and application fee check
- Provide SBWMA with delivery confirmation for wet signatures and application fee check
- Set up and host the post-submission review call to discuss next steps and key dates

Budget:

These services will be priced using Grant Farm’s standardized Time and Materials rates. The total budget for this service will be \$15,000.

2019 Rate Sheet	
Project Principal	\$295
Project Manager II	\$265
Project Manager I	\$205
Project Administrator II	\$205
Project Administrator I	\$155
Project Associate III	\$105
Project Associate II	\$85
Project Associate I	\$65



Authorized By:

Hilary Gans
Senior Facilities and Contracts Manager
610 Elm Street, Suite 202
Suite 202
San Carlos, CA 94070

EXHIBIT B (Sample Invoice)

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

INVOICE

Your Company Name
 Address
 City State Zip
 Phone Number

Date:
 Project Number:
 Invoice Number:

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

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

TASK 1 TITLE/Description

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

TOTAL THIS TASK: \$400

TASK 2 TITLE/Description

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

TOTAL THIS TASK: \$600.00

TOTAL THIS INVOICE \$1,000.00

BILLING LIMITS:

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

