A Public Agency

SPECIAL FINANCE COMMITTEE MEETING
BY CONFERENCE CALL
TUESDAY, MAY 7, 2019 at 12:00 p.m.

Dial in information: 712-770-5505
Access Code: 896-442

AGENDA

Members of the Public may attend the meeting at
610 Elm Street Suite 202, San Carlos CA 94070

1. **Call to Order/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 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.

3. **Executive Director's Update** **p 3**

4. **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 April 11, 2019 Finance Committee Meeting **p. 7**

5. **Discussion of the Preliminary FY2019/2020 SBWMA Budget** **p. 15**

6. **Review of Proposed Debt Policy** **p. 41**

7. **Review of the Draft Preliminary Official Statement (POS) for Bond Issuance** **p. 55**

8. **Discussion of OREX Grant, Bond Implications and Next Steps** **p. 115**

9. **Finance Committee Member Comments**

10. **Adjourn**

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Agenda Item 3

Executive Director's Update

No Staff Report:
Verbal Presentation Only at the 05/07/2019 Finance Committee Meeting

Rethink waste
South Bayside Waste Management Authority
A Public Agency

CONSENT CALENDAR

4A

DRAFT MINUTES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE FINANCE COMMITTEE
April 11, 2019 12:00N
SBWMA Conference Room, 610 Elm Street Suite 202, San Carlos, CA

Call To Order: 12:08PM

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, John Mangini, Cyndi Urman, Jean Savaree, and Grant Ligon, Others Present: Melissa Schick, KNN Public Finance; David Brodsly, KNN Public Finance via phone Kevin Civale Bond Attorney, Steve Sherman Consultant

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 welcomed the committee to the meeting and made some announcements.

- Staff is working to finalize the disposal contract terms and the action item for the new Landfill Disposal contract will be on the May Board Agenda as there are still deal points to be finalized.
- Member Brownrigg would like to cycle off the Finance Committee but will stay on the committee until the Bond decision is made.
- Long Range Plan refresh feedback will be the last item on today's agenda. All TAC members have been asked to respond to a survey about ½ have responded so far. The Pub Ed Committee, the Zero Landfill now Zero Waste committee, and the TAC Committee have all had to opportunity for input, and staff will be meeting with Recology and SBR for their input as well. The final Draft report

will be presented to the TAC on May 9, and the Board on May 23.

- Executive Director La Mariana presented on AB1509 to the state assembly committee of Environmental Safety and Toxic Materials. The bill passed that committee 6-0 and he will be presenting again on April 22 to the Natural Resources Committee.

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 February 14, 2019 Finance Committee Meeting

Motion/Second: Brownrigg/Benton
Voice Vote: All in Favor

5. Approval of 2017 Calendar Year Financial Statements

Staff Mangini gave an overview of the staff report. He noted that the bond covenant ratios were met without dipping into reserves as was the case last year due to the tip fee increases approved for 2019.

The committee discussed that the ratios were tight, Staff Mangini noted that typically the rates are set to just cover the bond covenant ratios. In January of 2019 tip fees were raised 13-14% which should help those ratios going forward.

The committee discussed the new Bond debt and if there would be a bond covenant issue going forward. Staff Mangini noted that by extending the term there is no increase in annual debt service which gives additional coverage to meet the bonds covenants, and that potential operational savings from the new equipment are not taken into account here but also provide additional debt coverage.

The committee discussed if the forthcoming new contracts with Recology and landfill would create pricing pressure and affect covenant ratios.

Executive Director La Mariana noted that the anticipated step up in 2021 with the Recology Franchise Agreement Extension is about 8.3% for their operation, which doesn't include a fuel pass through, so staff has been rounding up and saying about 10%, The Member Agencies have been asked to take this step up into consideration since last year as they set their rates for these last years of the current contract. He also noted that the landfill contract will be before the Board in May for decision but is expected to be an 18% increase next year, but that is only 15-20% of the entire operation. The total increase would be about 12% with the new contracts.

The committee discussed the Member Agency service level adjustment in the Amended and Restated Franchise Agreement that will affect rates going forward. This would be Member Agency specific based on growth. Staff Mangini explained that there would be a phased in approach to the service level adjustment and a 3-year rolling average so that rate increases would be softened.

Member Benton noted that he doesn't want to dip into reserves to meet coverage ratios, so with all the coming changes and the ratios so close he was nervous.

Staff noted that it is helpful to know that as the budget is prepared, but also noted that the commodity drop did add to the ratio drop this year. KNN will also being working on the debt policy, and ratio targets will be addressed in that policy.

Motion/Second: Brownrigg/Widmer with the correction on page 2 regarding the word pension to position.
Voice Vote: All in favor

6. Bond Refunding Process Update: Provide Overview and Review of Bond Documents and Financing Parameter

Staff Mangini introduced Kevin Civale on the phone who is the Bond Counsel and Kevin went over the key documents in the packet.

Kevin noted that the most important documents in the bond package

1) The JPA agreement which notes that the Member Agencies are obligated to bring their material to Shoreway.
2) The indenture of trust which notes that the authority agrees to pay
3) The Escrow Agreement which pays off the 2009 bonds when the 2019 close.
4) The Disclosure Certificate which requires annual notice of certain changes.
5) The Resolution

Member Benton noted that the debt service was driving the amount of the bonds but asked how they are protected. Melissa Schick of KNN noted that the resolution would include a not to exceed amount of annual debt service as well as a not to exceed final maturity.

The Committee discussed default responsibility to the directors. Executive Director noted that the JPA holds Director and Officers insurance. The committee asked to have that circulated, and that when new Board Members join, they get a copy. Jean Savaree added that Board Members and public officials have indemnity and immunity for actions as a public official.

Kevin Civale noted that Board Members should familiarize themselves with the POS document once it is ready.

Kevin noted that the resolution that approves the issuing of bonds cannot be approved until San Carlos' approval as the host city and that language is included in the resolution.

The Committee discussed the possibility of Member Agencies leaving the JPA and if that complicates the Bond issuance. Kevin Civale noted that it's worth mentioning, but not concerning as a disclosure issue, he also noted that the JPA agreement will still be in effect, so there will be a cost associated with exiting which will be in the new documents.

Member Benton asked what is required for the bond to get approved. Executive Director La Mariana noted that it is a super majority which is 8 of the 12. Member Benton noted that with the County and Atherton have not approved the Recology Agreement Ammendment there may be two Member Agencies not in the JPA for the long haul. Executive Director La Mariana noted that there has been no indication that the Bond wouldn't be supported by the Member Agencies.

The committee discussed the resolution. Member Brownrigg noted that to the lay person it looks like the Agency took on $57M in debt 10 years ago, and now the Agency is taking on $64M. Staff Mangini noted that the old debt all gets paid off, and the principal outstanding will be closer to $55M. Member Brownrigg clarified that the debt load for the Agency is $64M.

Member Brownrigg asked who would make the decision if these are green bonds. Kevin Civale noted that at the end of the day it's the Authority's decision. Member Brownrigg commented that he would like to call them out as Green bonds, that it leads to a higher quality of buyer, so if it's optional he would like to opt in.

Member Brownrigg asked how long before the bonds can be paid down, the answer was generally 10 years. Member Brownrigg noted that the Agencies borrowing capacity is impaired for a long time if something catastrophic were to happen. David Bordesley of KNN noted that there isn't a capacity issue, the Agency could take on additional debt.

Kevin Civale continued to go over the various documents that would get approved.

Member Benton asked for clarification on series A versus series B and if A was paying of the existing bond and B was new money, then why was B being paid off first.

Melissa Schick, KNN noted that overall the structure is designed to meet the Agencies objectives, the useful life of the projects being funded with the bond money would have been shorter than the bond, so it was structured to pay off the new money first which is paying for the new projects, and the refunded bonds are being paid off second.

The committee discussed the interest rate versus par. Member Brownrigg noted that it was a little odd to tell the public that the bonds were being financed at a lower rate but then the stated interest rate was 5%. David Brodsley noted that it's not an intuitive process, but the higher interest is on a lower par in exchange for a lower interest on a higher par. The true interest cost is 3.7%. However, if your buying the bonds your buying a 5% bond at a premium and the annual interest will be 5%.

The committee discussed arbitrage rules if more is borrowed than is used. Staff Mangini noted there will be a reimbursement resolution that staff will recommend that will protect the Agency.

The Finance Committee supported the documents and approach and moving forward to the full Board.

Staff Mangini noted that the POS which is the Bond marketing document is still an outstanding item and it will go to the Board for formal decision with all the Bond documents in May.

7. Finance Committee Discussion on Long Range Plan Refresh

Staff Ligon updated the Finance Committee and asked for feedback on the mission statement and guiding principles from the committee.

Member Widmer commented that all the items need to include a financial impact section, and zero waste should be a goal but not if it's cost prohibitive. He wanted a balance between advanced technologies and costs, and a flexible agile facility.

Member Benton asked if the solid waste principles mentioned in the "adhere to solid waste principles" were well documented.

Consultant Steve Sherman noted that there was a section in principles that bullet pointed solid waste principal definitions.

Member Widmer gave feedback that each of the projects should include benefits of how much material will be kept out of the waste steam by implementing the project.

8. Finance Committee Member Comments

The Committee discussed the May 7 Finance Committee meeting and with some availability issues the meeting was changed from an in-person meeting to a conference call.

9. Adjourn 2:14 PM

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REVIEW OF THE DRAFT FY2019/2020 BUDGET

Rethink waste
South Bayside Waste Management Authority
A Public Agency

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STAFF REPORT

To: SBWMA Board Members
From: Joe La Mariana - Executive Director
John Mangini - Senior Finance Manager
Date: May 23, 2019 SBWMA Board of Directors Meeting
Subject: Discussion of the Preliminary FY19/20 SBWMA Budget

Recommendation

This Preliminary FY19/20 SBWMA Budget is for discussion only and it will be brought to the Board in June for approval after Board review and comment.

Summary

The FY 19/20 SBWMA Budget reflects Staff's plan to manage revenues and expenses to meet bond covenant ratios and increase the capital reserve balance to ensure sufficient funding for future capital projects of the Agency. Staff is recommending no Franchise tip fee increases at the Shoreway gate. The large Franchise tip fee increase (12.2%) on January 1, 2019, combined with stronger expected commodity revenue projects to provide sufficient revenue to cover expenses while adding to capital reserves. Additionally, Staff is not recommending an increase in Non-Franchised tip fees. Actual tip fees are approved by the Board in November which allows time to re-evaluate the revenue projection at that time.

Fiscal Impact

The FY19/20 Budget forecasts a Net Income of $3,039,158 which is $0.7 million higher than FY18/19 Adopted Budget (see **Table 1** below). The Net Income projection is primarily a function of the following factors:

- **Higher franchise and non-franchised revenue of $1.8 million** (4%). The large tip fee increases (12.2%) on January 1, 2019 is maintained through FY19/20.
- **Higher net commodity revenues of $1.5 million** (+29%) from stronger projected container revenue. Container salvage value and CRV are conservatively projected to be $90/ton more than prior budget, while Mixed Paper is projected to be sold at a loss.
- **Higher Disposal & Processing expense of $1.2 million** primarily due to increased solid waste disposal tip fees in January 2020. The increase is partially offset by lower projected public yardage, mainly from C&D volumes.
- **Higher SBWMA Program expenses of $431,135** (12.8%) due to the addition of Management Analyst position and budgeting of two new proposed positions; *Outreach & Communications Coordinator* and a 5th *Fellowship* position. The Support and Compliance portion of the SBWMA Program budget is 13.2% lower than the prior budget due to a lesser need for Franchise Agreement consulting and work to be performed inhouse by the Management Analyst.
- **Higher SBR Operations expense of $767,984** (3.8%) due to adjusted cost assumptions and increased residual tonnage.

Table 1

FY19/20 NET INCOME					
Categories	FY18/19 Adopted Budget	FY18/19 Mid-Year Budget	FY19/20 Preliminary Budget	Variance to Adopted Budget	Variance %
Total Revenue	$51,694,168	$52,815,314	$55,117,884	$3,423,716	6.6%
Total Expenditures	$49,381,363	$49,497,264	$52,078,726	(2,697,362)	-5.5%
Net Income:	**$2,312,805**	**$3,318,050**	**$3,039,158**	**$726,353**	**31.4%**

Overview

Budget Process:

The schedule for this budget review includes the following:

- Finance Committee review – May 7
- Board review and feedback of preliminary budget – May 23
- Board discussion of the planned capital budget – May 23
- Final Board consideration of final budget – June 27

Organization of the Budget Report:

Attachment A: You will find the preliminary FY19/20 detailed operating budget (including cash reserve balances, revenues, and expense and capital budget). The expense detail in **Attachment A** has three main parts: the SBWMA Program budget (7% of total), the Shoreway Operations budget (83% of total) and the non-operating Expenses (10% of total).

Attachment B: You will find further detail of the Program budget: staff resources, key projects and work activities.

Attachment C: Provides the current organization chart and details on personnel related budget assumptions. Management Analyst was hired in March of 2019. This budget proposes the addition of a two staff positions; Recycling Outreach Coordinator and Fellowship position.

Attachment D: Provides back up detail on commodity revenue and prices.

Attachment E: Provides important back up to other financial and operational data.

Highlight of New Projects and Activities:

- **Franchise Agreement: Amendment #1**: Program modification discussions with Recology (Bulky Item Collection; Abandoned Waste Collection; inclusion of new anti-litter/storm water standards during collection operations).

- **Commodity Market Response**: Plan and implement short term/long term equipment modifications to allow SBWMA materials to remain at the front of the line in the global commodity markets in the future.

- **Zero Landfill Committee and Long-Range Plan**: Implement Mixed Waste Processing Pilot; Expanded Public Spaces, In-School and Pub Ed programs.

- **Capital/Site Long-term planning:** Intense planning to implement four (4) large-scale material handling projects--Organics-to-Energy Pilot and Scale-up Organics-to-Energy processing; and two large-scale automation and recyclable materials recovery projects for the Material Recovery Facility (MRF).

- **Agency Debt (Bond) Refunding project:** Refunding the agency's current bonds and an additional $10M in new money to 1) achieve more favorable current market lending rates and to 2) secure funding for new capital projects identified in above bullet.

  Mandated Communications, Public Education and Outreach Programs: Renewed emphasis on proper handling of battery disposal options; improve quality of recyclables received; expand commercial organics participation; increased residential food waste participation; and promotion of diversion programs.

2020-2024 Long Range Plan development: The agency's current 2015 Long Range Plan is at the end of it's five-year cycle. A new plan is currently being developed to establish and rank agency priorities and resource allocations during this new period.

Core Staff Responsibilities-Ongoing:

- <u>**Franchise Agreement Contract Administration:**</u> Continued oversight, contract administration and technical support for the 12 collection services agreements with Recology San Mateo County (RSMC) on behalf of member agencies. In 2018, the value of these 12 contracts had a total value of $56,906,852.

- **Shoreway Environmental Center—Facility and Contractor Oversight:** Manage all financial, operational, capital and maintenance needs, planning and compliance aspects of the agency-owned 16-acre solid waste facility through direct engagement or through the activities of our primary contractor, South Bay Recycling (SBR). In 2018, the total value of the SBR Operating Contract was $20,019,097. Facility oversight responsibilities includes: over 200,000 square feet of building management; a high-volume diesel fueling station (1M+ gallons/year); two industrial -scale vehicle maintenance facilities (for RSMC and SBR operations); and over $20M worth of equipment owned by the SBWMA. Additionally, 350+ employees and 150+ work vehicles are based on this site; and another 190 employee vehicles are also temporarily parked on-site during their shifts.

- **Materials Management:** Provide technical expertise in planning, compliance and management of all aspects of the agency's major contracts for the disposal and/or handling/processing of all MSW, organics, construction and demolition, and recyclable materials (through SBR). In 2018, this responsibility represented the proper handling of 472,716 tons of materials with a total contract value of over $19M.

- **Management of Annual Contractor's Compensation Adjustment Process (RSMC and SBR),** including review of the 2019 RSMC and SBR compensation applications and completion of final audit reports (Recology and SBR) for 2017.

- **Long-Term Program and Capital Planning---to Maintain Statutory Compliance of Expanding Solid Waste/Diversion Requirements:** On our member agency's behalf, agency staff is always forward-thinking on all levels of facility operations, contractor's scope of work and programmatic requirements to ensure that these goals are sufficiently satisfied on a cost-effective basis.

- **Manage Public Education and SBWMA-Planned Community program activities**: to provide technical support for the residential and multi-family unit collection services,and manage the development of the outreach materials for the commercial collection programs. In 2018, there were 18 SBWMA-planned community events (16 "Shred/E-Waste/Compost events; an Earth Day public event (April 21st and a Rethink Recycling Day public event (October 27th)). Over 700 members of the public attended these two "on-site" events, and many hundreds more enjoyed the Shred/E-Waste/Compost Events in their communities.

- **Management of the Shoreway Education Center Tour Program:** including the school and public tours. This program educates an average of over 5,000 tour visitors per year in about 250 facility tours.

Financial Summary:

Overall, <u>the Preliminary FY19/20 Budget reflects comparable financial results to the Mid-Year Budget without the need for a tip fee increase.</u> **Table 2** below provides a financial summary of operations.

Table 2

FY19/20 FINANCIAL SUMMARY					
Categories	**FY18/19 Adopted Budget**	**FY18/19 Mid-Year Budget**	**FY19/20 Preliminary Budget**	**Variance to Adopted Budget**	**Better/Worse %**
Total Revenue	**$51,694,168**	**$52,815,314**	**$55,117,884**	**$3,423,716**	**7%**
SBWMA Program	$3,375,781	$3,444,818	$3,806,916	$431,135	-13%
Shoreway Operations	$ 41,110,633	$ 41,189,305	$ 43,095,540	$1,984,907	-5%
Total Operating Expense	**44,486,414**	**44,634,123**	**46,902,456**	**$2,416,042**	-5%
Non-Operating Expense	4,894,949	4,863,141	5,176,269	281,320	-6%
Total Expense	**49,381,363**	**49,497,264**	**52,078,726**	**2,697,362**	**-5%**
Net Income to Reserve	**$ 2,312,805**	**$ 3,318,050**	**$ 3,039,158**	**$ 726,353**	**31%**

Revenue:

Table 3 below provides a summary of revenue by source with total revenues for FY19/20 increasing by $3,423,716 (7%) over the FY19/20 adopted budget. Stable tip fees and higher commodity revenue are partially offset by lower public volume; mainly C&D volume. At the urging of the Finance Committee, tip fees were raised to partially offset lower commodity prices to protect our reserves and maintain the bond covenant requirements. The prior year budget included a $14 increase (or a 12.2%) in Franchise solid waste and organics tip fees effective January 1, 2019, which effects only half of the prior fiscal year. This large FY18/19 tip fee increase projects to provide sufficient revenue to cover expenses while adding to capital reserves.

Table 3

FY19/20 REVENUE					
Revenue	**FY18/19 Adopted Budget**	**FY18/19 Mid-Year Budget**	**FY19/20 Preliminary Budget**	**Variance to Adopted Budget**	**Variance %**
Tip Fee Revenue	$47,324,987	$46,657,035	$49,142,560	$1,817,573	4%
Non Franchised	*12,317,344*	*12,036,827*	*12,112,251*	*(205,093)*	*-2%*
Franchised	*35,007,643*	*34,620,208*	*37,030,309*	*2,022,666*	*6%*
Net Commodity Sales Revenue*	4,128,936	5,695,522	5,598,516	1,469,580	36%
Interest Income	233,300	460,069	376,994	143,694	62%
Fire Insurance Proceeds		-			
Other Revenue	6,945	2,688	(187)	(7,132)	-103%
Total Revenue:	**51,694,168**	**52,815,314**	**55,117,884**	**3,423,716**	**7%**
*Gross commodity sales less 25% revenue share with SBR and buyback payments.					

Table 4 below summarizes the volume, tip fee and revenue change for franchise and public customers. Franchise tonnage is expected to decrease by 0.2% and with the consistent tip fees results in 5.8% higher revenue. Public customer volume,

especially C&D, will decrease 5.2% resulting in a 3% decrease in public yardage revenue. Weighed 3rd party customers, mostly from Recology San Bruno and other jurisdictions, with an expected 3.6% volume decrease based on current trends resulting in 2.3% revenue increase.

Table 4

TIP FEE REVENUE					
	FY18/19 Adopted Budget	**FY18/19 Mid-Year Budget**	**FY19/20 Proposed Budget**	**FY20 vs. FY19 Adopted Budget**	**Variance %**
Franchise Revenue					
Tons	298,398	295,756	297,890	(508)	-0.2%
Wtd Avg.Tip Fee	$ 117.32	$ 117.06	$ 124.31	$ 6.99	6.0%
Franchise Revenue	**$ 35,007,643**	**$ 34,620,208**	**$ 37,030,309**	**$ 2,022,666**	**5.8%**
Public Revenue					
Cu/Yards	218,953	206,639	207,466	(11,487)	-5.2%
Wtd Avg.Tip Fee	$ 41.89	$ 42.26	$ 42.88	$ 0.99	2.4%
Public Revenue Cu/YDS	$ 9,172,353	$ 8,731,784	$ 8,896,073	$ (276,279)	-3.0%
Tons (3rd party - mostly Recology)	27,410	28,057	26,415	(995)	-3.6%
Wtd Avg.Tip Fee	$ 114.74	$ 117.80	$ 121.75	$ 7.02	6.1%
Public Revenue Tons	$ 3,144,991	$ 3,305,043	$ 3,216,178	$ 71,186	2.3%
Public Revenue Total	**$ 12,317,344**	**$ 12,036,827**	**$ 12,112,251**	**$ (205,093)**	**-1.7%**
Total Tip Fee Revenue	**$ 47,324,987**	**$ 46,657,035**	**$ 49,142,560**	**$ 1,817,573**	**3.8%**

Table 5 below summarizes commodity revenue. Volume is 6.4% lower than the FY18/19 Adopted Budget based on the recent 9 month average tons. Weighted average commodity prices increase by 46.3% over the FY18/19 Budget. The global commodity market continues to impact the price of Mixed Paper, which is being budgeted to be sold at negative $9 per ton. Container salvage value and CRV are conservatively projected to be $90/ton more than prior budget and consistent with FY 18/19 Mid-Year Budget.

Table 5

COMMODITY REVENUE					
COMMODITY REVENUE	**FY18/19 Adopted Budget**	**FY18/19 Mid-Year Budget**	**FY19/20 Proposed Budget**	**FY20 vs. FY19 Adopted Budget**	**Variance %**
Tons Sold	63,272	62,729	59,249	(4,023)	-6.4%
Wtd Avg. Price	**$ 78.88**	**$ 112.36**	**$ 115.41**	**$ 36.53**	**46.3%**
Gross Revenue	**$ 4,991,022**	**$ 7,048,016**	**$ 6,838,073**	**$ 1,847,051**	**37.0%**
Revenue Share w/ SBR	$ -	$ (472,089)	$ (395,652)	$ (395,652)	
Buyback Payments	(862,086)	(880,404)	(843,906)	18,181	-2.1%
Net Commodity Revenue	**$ 4,128,936**	**$ 5,695,522**	**$ 5,598,516**	**$ 1,469,580**	**35.6%**
Price / Volume Impact		**Price**	**Volume**	**Total**	
Tonnage Change		$ 78.88	(4,023)	$ (317,339)	
Price Change		$ 36.53	59,249	2,164,391	
Total Change (Gross)				**$ 1,847,051**	

SBWMA Total Expense

Chart 1. SBWMA FY18/19 Major Expenses

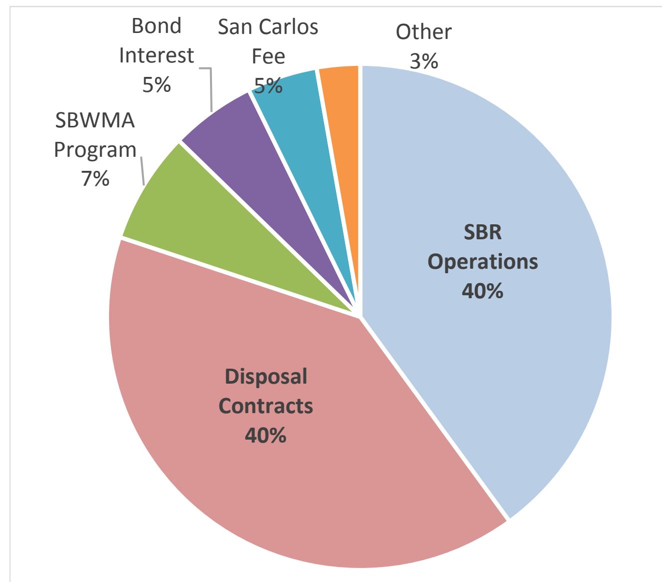


Table 6 below **and Chart 1** summarizes the total expenses for the FY19/20 Budget by major category. The Total Expense is projected to be $52,078,726 and is $2.7M (5%) higher than the FY18/19 Adopted Budget. Each expense category shown in the table below is discussed in more detail further on.

Table 6

FY19/20 TOTAL EXPENSE SUMMARY						
EXPENSE CATEGORIES	FY18/19 Adopted Budget	FY18/19 Mid-Year Budget	FY19/120 Preliminary Budget	FY20 vs. FY19 Adopted Budget	FY20 vs. FY19 Adopted Budget %	FY19/20 Budget % of Total
Shoreway Operations	$41,110,633	$41,189,305	$43,095,540	$1,984,907	5%	82.8%
SBWMA Program	3,375,781	3,444,818	3,806,916	431,135	13%	7.3%
Bond Interest Expense	2,641,333	2,641,333	2,836,101	194,767	7%	5.4%
Franchise Fees to San Carlos	2,253,616	2,221,808	2,340,169	86,553	4%	4.5%
Shoreway Fire Related Expenses	-	-	-	-		0.0%
Total Expense	**$49,381,363**	**$49,497,264**	**$52,078,726**	**$2,697,362**	**5%**	**100.0%**

As can be seen, Shoreway Operations expense is budgeted to increase by 5%, the SBWMA Program budget will increase by 13%, and franchise fees paid to the City of San Carlos will increase by 4% in line with the tip fee revenue increase per Table 4 and 5 above (the 5% franchise fee is unchanged). The changes are explained below.

Shoreway Operations Expense:

As shown in **Table 6** above, the Shoreway Operations expense represent 83% of the FY18/19 SBWMA Total Expense Budget. Shoreway Operations includes all South Bay Recycling (SBR) compensation, disposal and processing expenses and all other direct expenses related to the SBWMA's responsibilities and obligations as the owner of the facility such as property insurance. The Shoreway operating expenses are largely non-discretionary expenses and are variable to tonnage delivered to the Shoreway facility and subject to annual calendar year contractual CPI-based compensation adjustments. Operational detailed data for Shoreway revenue and expenses can be found in **Attachment D and E**.

Shoreway Operations Expense Detail

Table 7 below shows the Shoreway Operations Expense detail for FY18/19. The total expense for the Shoreway operations are projected to be $43,095,540 which is $2.0M (5%) over FY18/19 Adopted Budget. Variances for each expense line are discussed below:

Table 7

FY19/20 SHOREWAY OPERATIONS EXPENSE DETAIL					
Expenditures	**FY18/19 Adopted Budget**	**FY18/19 Mid-Year Budget**	**FY19/20 Preliminary Budget**	**Variance to Adopted Budget**	**Variance %**
SBR Compensation	$20,019,097	$20,509,892	$20,787,081	$767,984	4%
Disposal and Processing	19,675,134	19,228,596	20,870,708	1,195,574	6%
Property Insurance	884,803	884,803	882,174	(2,629)	0%
Education Center	60,000	60,000	65,000	5,000	8%
Credit Cards Charge	109,400	119,048	123,610	14,210	13%
Other Operating Expense	316,690	316,690	296,690	(20,000)	-6%
Sewer Charge	45,510	70,276	70,278	24,768	54%
Fire Related Expense		-			0%
Total Shoreway Operations:	**$ 41,110,633**	**$ 41,189,305**	**$ 43,095,540**	**$ 1,984,907**	5%
Bond Interest Expense	2,641,333	2,641,333	2,836,101	194,767	7%
Franchise Fee (San Carlos)	2,253,616	2,221,808	2,340,169	86,553	4%
Total Expense	**$ 46,005,582**	**$ 46,052,446**	**$ 48,271,810**	**$ 2,266,228**	**5%**

SBR Compensation Expense: There is a projected 4% increase in the expense paid to SBR to operate the Shoreway facility and transport outbound materials to the disposal and processing facilities. SBR is paid on a per ton basis. The budget assumes a 2.9% decrease in "paid" tons compared to the FY18/19 budget. The increase over prior year is due to a change in cost assumptions related to residue tons, which is consistent with FY18/19 Mid-Year Budget. SBR's fees per ton change with CPI indices and are estimated to increase 2.5% on January 1, 2020. Similar to the FY 18/19 budget, $503,022 is included for the cost of additional MRF sorters needed to clean the bales and improve the quality of fiber commodities in response to continued global market deterioration on the price of paper. See **Attachment E, Table E.3** for detail of SBR Operating Expense.

Disposal and Processing Expense: There is a projected $1.2 million increase in disposal and processing expense primarily due to increased solid waste disposal tip fees in January 2020. The increase is partially offset by lower projected public yardage, mainly from C&D volumes. This Staff Report is deliberately excluding disposal and processing expense detail due to the pending RFP for solid waste disposal.

Other Operating Expense (see Table 7):

- Property insurance premiums is being projected at a rate consistent with FY18/19, pending further cost information from the insurance broker.
- Education Center expense is to provide bus service for school children tours.
- Credit card transaction fees paid by SBR for public/non-franchise customer transactions and reimbursed by the Agency have increased by $14K due recent trend.

- Other Operating Expense includes primarily facility and equipment maintenance not covered by SBR in their contract.
- Sewer usage fees are based on the potable water usage (water meter) at the site. The FY18/19 fees increased 54% over the prior period. The FY19/20 budget reflects an expense consistent with the prior period.

Franchise Fee (to City of San Carlos): Under the terms of the land use permit at Shoreway granted by the City of San Carlos to the JPA, the SBWMA pays the City 5% of the total tip fee revenue. It is 4% higher than FY18/19 budget in line with higher tip fee revenue.

SBWMA Program & Administrative Expense:

The SBWMA Program & Administrative summary expense is shown in **Table 9** below and totals $3,806,916, 13% increase over the FY18/19 Adopted Budget. The FY19/20 SBWMA Program & Administrative Expense Budget Detail is shown in **Attachment A - FY19/20 Capital & Operating Budget Detail** with expense variances described in line-by-line detail. The increase is partially due to the addition of Management Analyst position and budgeting of two additional positions; Recycling Outreach Coordinator and Fellowship position.

Table 9

FY19/20 SBWMA PROGRAM EXPENDITURES						
Expenditures	FY17/18 Adopted Budget	FY18/19 Adopted Budget	FY18/19 Mid-Year Budget	FY19/20 Preliminary Budget	Variance to Adopted Budget	Variance %
Administrative Expense	$1,929,485	$1,980,851	$2,021,953	$2,420,666	$439,815	22%
Member Agency Support & Contract Compliance	$889,030	$514,430	$541,281	$446,750	($67,680)	-13%
State Manadated Public Education & Outreach	$834,500	$880,500	$881,585	$939,500	$59,000	7%
Total SBWMA Program Expense:	**$3,653,015**	**$3,375,781**	**$3,444,818**	**$3,806,916**	**$431,135**	**13%**

The SBWMA Program & Administrative budget includes the staff, administrative, and program related expenses to operate the JPA. The agency has employed a deliberate, consultant-based model to supplement staff time and expertise to fulfil the contract compliance, agency reporting, program and administrative functions to meet the goals established by the Board, the agency's contracts and regulatory bodies. This dual-tier resources approach strongly benefits the agency by maintaining critical institutional knowledge and in-house program continuity (staff), while strategically flexing (up or down) contractor use on an as-needed basis, without bearing the ongoing commitments associated with maintaining a larger staff.

The anticipated staff wage increase is 3% over prior year (adjustments are made on a calendar year basis). The SBWMA provides non-PERS benefits that are low-cost when compared to other public agencies.

Further staff expense detail and a discussion on staff wages and benefit costs can be found in **Attachment C** – Organization chart and Personnel Summary. SBWMA staff will be working to complete critical projects during the FY19/20 that are detailed in **Attachment B** – SBWMA Programmatic Detail**.** A summary of the key projects for FY19/20 include:

- Completing the public procurement process for disposal services beyond the expiration of the agency's current contract. This current term expires on December 31, 2019.

- Completion of a technical operations pilot and financial feasibility analysis of a waste processing system to recover organic materials and other recyclables from residential and commercial solid waste that will boost JPA diversion.

- Implementation of programs and projects that have been approved by the Board and that are part of the Long Range Plan and the Zero Landfill Workgroup efforts. These projects include implementation of the following:
  - Enhanced commercial recycling outreach targeting businesses and multi-family.
  - Environmental education program supporting in-school recycling and composting efforts.

- Piloting gasification technologies for green waste and MRF residue.

Capital Expenditures:

The FY18/19 Capital Expenditures budget is $6,389,972 including $2.3 million for an Organics to Energy Pilot Project and $3.7 million initial MRF Upgrade expenditure. A 5 year capital schedule of projects is included in **Attachment A - FY19/20 Capital & Operating Budget Detail**. The forecast includes the recommended capital projects presented in the Bond Issuance Plan of Finance and a new fueling system in the later years the 5 year schedule.

Reserve Balances and Bond Covenant Projections:

Reserve balances are calculated by adding (or subtracting) the Net Cash Flow to the Beginning Balance to arrive at the Ending Reserve Balance as shown in **Table 10** below. Net Cash Flow is the sum of Net Income, less bond principal payment, less capital expenditure, plus bond issuance proceeds. For FY19/20, net cash flow to reserves is ($16,649,186).

Table 10

FY19/20 Cash Flow to Reserve Balance					
Categories	**FY18/19 Adopted Budget**	**FY18/19 Mid-Year Budget**	**FY19/20 Preliminary Budget**	**Variance to Adopted Budget**	**Variance %**
Beginning Reserve Balance	**$ 14,675,560**	**$ 16,320,440**	**$16,960,990**	**$ 2,285,429**	
Net Income	$2,312,805	$3,318,050	$3,039,158	$726,353	**31%**
Bond Issuance Proceeds			$20,000,000	$20,000,000	
Bond Principal Payment	(1,482,500)	(1,482,500)	-	1,482,500	-100%
Capital Expenditures	(3,317,500)	(3,317,500)	(6,389,972)	(3,072,472)	93%
Net Cash Flow (to Reserve)	**($2,487,195)**	**($1,481,950)**	**$16,649,186**	**$19,136,381**	**-769%**
Ending Reserve Balance	**$12,188,365**	**$14,838,490**	**$33,610,175**	**$21,421,811**	

Once the Ending Reserve Balance is calculated, it is then distributed to each specific reserve in the priority established in the Board approved Reserve Policy: The objective of the Reserve Policy is to maintain an acceptable level of up to 10% of operating expenses for each of the Rate Stabilization and Emergency Reserve. The Total Reserve is budgeted at $33.6 million as shown in **Table 11** below. The bond covenants are expected to be achieved.

Table 11

FY18/19 BUDGET: RESERVE BALANCES					
	ACTUAL FY17/18	ADOPTED BUDGET FY18/19	MID-YEAR BUDGET FY18/19	PRELIMINARY BUDGET FY19/20	FY19 vs. FY18 Mid-Year Budget
UNCOMMITTED RESERVE:					
RATE STABILIZATON (9% of expense)	$ 4,764,699	$ 4,938,136	$ 3,464,808	$ 4,687,085	$ (1,473,328)
EMERGENCY RESERVE (9% of expense)	4,764,699	4,895,300	4,454,754	4,687,085	(440,546)
CAPITAL RESERVE	5,598,894	957,415	5,521,413	23,227,991	4,563,999
UNDESIGNATED RESERVE			-	-	
TOTAL UNCOMMITTED RESERVES	**$ 15,128,292**	**$ 10,790,851**	**$ 13,440,976**	**$ 32,602,162**	**$ 2,650,125**
COMMITTED RESERVE					
EQUIPMENT REPLACEMENT (ANNUAL)	$ 1,192,148	$ 1,397,514	$ 1,397,514	$ 1,008,014	$ -
TOTAL RESERVES	**$ 16,320,440**	**$ 12,188,365**	**$ 14,838,490**	**$ 33,610,175**	**$ 2,650,125**
SHOREWAY REMEDIATION PROJECT	**$ 1,233,640**	**$ 1,233,640**	**$ 1,233,640**	**$ 1,233,640**	**$ -**

Background

The SBWMA Budget is reviewed by the Board in May and will be considered for approval at the June Board meeting this year. On May 7, the Finance Committee reviewed the assumptions of the Preliminary FY19/20 SBWMA Budget. The Preliminary FY19/20 capital budget will also be discussed at the May Board meeting.

Attachments:

A. SBWMA FY19/20 Capital & Operating Budget Detail
B. SBWMA Programmatic Detail (Staff Resources and Description of Key Projects and Work Activities)
C. Organization Chart & Personnel Summary
D. Commodity Revenue
E. Supporting Financial and Operational Data (Tonnage, Fees & Rates, Other)

Attachment A - FY19/20 Budget Revenues by Major Source

	REVENUE SUMMARY	ACTUAL FY17/18	ADOPTED BUDGET FY18/19	MID-YEAR BUDGET FY18/19	PROPOSED BUDGET FY19/20	*Variance to Adopted Budget*	*Variance % to Adopted Budget*	Notes
1	ADMINISTRATIVE REVENUE:							
2	INVESTMENT INCOME	$ 263,256	$ 233,300	$ 460,069	$ 376,994	$ 143,694	61.6%	Higher balance and interest rates
3	INVESTMENT (GASB 31) MARKET VALUE ADJ		-	-		-	0.0%	
4	TOTAL ADMINISTRATIVE	*$ 263,256*	*$ 233,300*	*$ 460,069*	*$ 376,994*	*$ 143,694*	*61.6%*	
5	OPERATIONS REVENUE:							
6	SHOREWAY TIP FEES - Non Franchised	$ 11,308,540	$ 12,317,344	$ 12,036,827	$ 12,112,251	$ (205,093)	-1.7%	Projecting 11.5K (5%) less public cubic yardage than prior budget based on current trends.
7	SHOREWAY TIP FEES - Franchised	31,370,058	35,007,643	34,620,208	37,030,309	2,022,666	5.8%	Increase due to large January 2019 tip fee increase (12.5%) maintained though FY2020.
8	COMMODITY SALES REVENUE	8,008,016	4,991,022	7,048,016	6,838,073	1,847,051	37.0%	Mixed Paper budgeted at negative $9. Container revenue (including CRV) projected to be $90/ton above prior budget.
9	COMMODITY REVENUE SHARING W/ SBR	(725,800)	-	(472,089)	(395,652)	(395,652)		Commodity revenue share to SBR (25% above $5.6 million).
10	BUY BACK CENTER - Payment to Customers	(847,917)	(862,086)	(880,404)	(843,906)	18,181	-2.1%	
11	E-SCRAP COMMODITY REVENUES	-	-	-	(19,346)	(19,346)		E-waste commodity markets have a negative return
12	MRF HOST FEE - SBR Third-Party Contracted Tons	-	-	-	-	-		
13	COMMERCIAL RECYCLING ORDINANCE FEE	-	-	-	-	-		
14	MISCELLANEOUS REVENUE	29,392	6,945	2,688	19,160	12,215	175.9%	
15	**SUBTOTAL OPERATIONS REVENUE**	$ 49,142,289	$ 51,460,868	$ 52,355,245	$ 54,740,889	$ 3,280,021	6.4%	
16	FIRE RELATED REVENUE:							
17	NET INSURANCE PROCEEDS	87,030	-	$ -	$ -	$ -	0.0%	
18	TOTAL OPERATING REVENUES	$ 49,229,319	$ 51,460,868	$ 52,355,245	$ 54,740,889	$ 3,280,021	6.4%	
19	TOTAL REVENUE	$ 49,492,575	$ 51,694,168	$ 52,815,314	$ 55,117,884	$ 3,423,716	6.6%	
20	TOTAL OPERATING EXPENSES	$ 47,300,036	$ 49,381,363	$ 49,497,264	$ 52,078,726	$ 2,697,363	5.5%	
21	NET OPERATING INCOME	$ 2,192,539	$ 2,312,805	$ 3,318,050	$ 3,039,158	$ 726,353	31.4%	Bond covenants achieved

FY 19/20 Budget

line	EXPENDITURE SUMMARY	ACTUAL FY17/18	ADOPTED BUDGET FY18/19	MID-YEAR BUDGET FY18/19	YTD SPENT 03/29/2019	PROPOSED BUDGET FY19/20	*Variance to Adopted Budget*	*Variance % to Adopted Budget*	Notes
1	ADMINISTRATIVE EXPENSES								
2	ADMINISTRATIVE STAFF	$ 653,200	$ 648,000	$ 571,653	$ 400,690	$ 738,094	*$ 90,094*	*13.9%*	Increase due to New Management Analysis position. Interim Finance Manager was in the FY18/19 budget
3	MANDATED COMPLIANCE SUPPORT STAFF	615,944	772,600	858,668	571,727	1,010,341	*237,741*	*30.8%*	Includes: 1) approved new reclassifications per salary survey findings ($32k) 2) new proposed new FTEs (2.0)--Outreach/Communications ($100k/loaded)+ schools/tours fellow ($60k/loaded) to start 7/1/19 3) planned staff merit/benefit increases 4) Fellow retirement per legal ruling ($26k)
4	EMPLOYEE RECRUITMENT/HR SUPPORT	1,800	-	-	-	-	*-*	*#DIV/0!*	
5	BOARD COUNSEL	63,498	66,600	91,913	73,181	90,000	*23,400*	*35.1%*	Support for Executive Director/Agency in high volume work environment
6	BOARD MEETINGS	4,871	6,000	6,000	4,458	7,000	*1,000*	*16.7%*	$4K for Holiday lunch, and $2K for refreshments at Board meetings, community room rental fee
7	ACCOUNTING SERVICES	146,336	150,500	150,500	112,875	170,059	*19,559*	*13.0%*	New City of Redwood City agreement and one-time transition period expenses
8	INFORMATION SYSTEMS	34,617	31,000	31,000	21,559	31,775	*775*	*2.5%*	Three year contract to increase by CPI currently 2.5%
9	WEBSITE	11,933	42,400	42,400	6,034	40,000	*(2,400)*	*-5.7%*	Website maintenance ($10k); Overdue Website upgrade--outdated tech platform/improved design ($30k)
10	ANNUAL AUDIT	10,205	8,600	8,600	3,105	8,897	*297*	*3.5%*	Fees paid to auditors to prepare FY & CY financial statements
11	D&O INSURANCE	44,580	45,900	48,470	48,470	48,470	*2,570*	*5.6%*	Annual insurance premium for director's and officer's insurance
12	BANK FEES	5,290	8,700	8,700	3,134	6,271	*(2,429)*	*-27.9%*	Bank fees on checking account and fees paid to BNY as the Bond Trustee
13	RENT	54,847	55,900	55,900	41,615	58,000	*2,100*	*3.8%*	Office rent from the City of San Carlos with 3.5% increase every Jan.1.
14	PRINTING AND POSTAGE	249	350	350	83	300	*(50)*	*-14.3%*	
15	UTILITIES	29,167	17,000	17,000	12,486	41,480	*24,480*	*144.0%*	Includes phone and janitor services. Office phone system upgrade; current is obsolete.
16	OFFICE/TENANT IMPROVEMENTS	85,149	2,000	7,000	6,005	18,000	*16,000*	*800.0%*	Build out storage room to accommodate two workstations
17	OFFICE SUPPLIES	14,130	16,000	16,000	7,998	19,360	*3,360*	*21.0%*	Office supplies
18	OFFICE EQUIPMENT COSTS	19,391	11,600	11,600	7,212	11,300	*(300)*	*-2.6%*	Base copier lease is $600/month plus cost per copy
19	PUBLICATIONS & PUBLIC NOTICES	242	1,500	-	-		*(1,500)*	*-100.0%*	Estimate for one public notice
20	PROFESSIONAL DUES & MEMBERSHIPS	1,458	2,500	2,500	2,634	3,500	*1,000*	*40.0%*	Memberships to trade and community organizations (CRRA, SWMA, NCRA, CCAC)
21	VEHICLE MILEAGE & TOLLS	1,110	700	700	878	1,320	*620*	*88.6%*	Reimbursement for business use of personal cars (non-auto allowance-eligible employees/fellows).
22	CELL PHONES	932	1,000	1,000	831	1,000	*-*	*0.0%*	Cell phone business expense.
23	CONFERENCE & MEETINGS	15,029	15,000	15,000	13,283	18,000	*3,000*	*20.0%*	CRRA conference, progress seminar, SWANA meetings, lunch for SBWMA meetings, State of the City addresses
24	TRAINING	4,939	5,000	5,000	4,784	7,500	*2,500*	*50.0%*	Professional development opportunities. CCAC training, etc.
25	SPONSORSHIPS & DONATIONS	27,500	30,000	30,000	19,500	35,000	*5,000*	*16.7%*	Industry Sponsorships: CAW,CRRA,SWANA, Acterra, Sustainable San Mateo, CPSC, NCRA
26	LEGISLATIVE & REGULATORY ADVOCACY	16,900	30,000	30,000	12,520	45,000	*15,000*	*100.0%*	Mandated agency priorities include these initiatives : Extended Producer Responsibility (EPR); Product Stewardship; Source Reduction Initiatives; Lithium-ion Battery safety
27	COMPUTER PURCHASE	14,690	12,000	12,000	9,335	10,000	*(2,000)*	*-16.7%*	Adobe pro for 2 users, warranties for sonic wall and server computer, replacement PCs
28	TOTAL ADMINISTRATIVE	$ 1,878,006	$ 1,980,851	$ 2,021,953	$ 1,384,397	$ 2,420,666	*$ 439,816*	*22.2%*	
29	MEMBER AGENCY SUPPORT & CONTRACT COMPLIANCE								
30	RATE REVIEW	$ 50,339	$ 63,400	$ 14,251	$ 20,243	$ 31,520	*$ (31,880)*	*-50.3%*	Office temp support, Consultant Rate Application Support. Part of this activity brought in-house
31	FACILITY IMPROVEMENT OVERSIGHT	14,646	75,000	75,000	-	75,000	*-*	*0.0%*	Engineering and construction management support
32	CONTRACT ANNUAL AUDITING	24,490	51,030	51,030	-	51,030	*-*	*0.0%*	Annual Financial & Systems Audit of RSMC and SBR by R3 ($51k).
33	COLLECTION SERVICES FRANCHISE ADMIN.	31,513	50,000	50,000	39,403	50,000	*-*	*0.0%*	FA compliance $40k; Amendment #1 support (BIC/AW/ storm water) $50k
34	FINANCE ANALYSIS SUPPORT	570	-	76,000	69,838	19,200	*19,200*	*#DIV/0!*	On-Call consultant support as needed.
35	RECYCLING TECHNICAL CONSULTANT ASSISTANCE	47,364	60,000	60,000	-	90,000	*30,000*	*50.0%*	Diversion consultant support; AB1383 planning
36	WASTE CHARCTERIZATION SUPPORT	12,676	30,000	30,000	-	60,000	*30,000*	*100.0%*	Waste characterization studies to support OREX Pilot Project
37	COLLECTION CONSULTING SUPPORT	8,310	100,000	100,000	65,309	30,000	*(70,000)*	*100.0%*	Franchise Agreement technical consulting. Service Level Adjustment calculations, etc.
38	BATTERY MANAGEMENT PLANNING	38,796	85,000	85,000	21,392	40,000	*(45,000)*	*100.0%*	Consulting support for best-practices studying & recommend changes to collection programs
39	HHW DOOR TO DOOR COLLECTION OUTREACH	-	-	-	-		*-*	*200.0%*	
40	TOTAL MA SUPPORT & CONTRACT COMPLIANCE	$ 228,703	$ 514,430	$ 541,281	$ 216,185	$ 446,750	*$ (67,680)*	*-13.2%*	
							-		
41	STATE MANDATED PUBLIC EDUCATION & OUTREACH						*-*		
42	STATE'S REQUIRED ANNUAL REPORTS	$ 30,816	28,000	$ 28,000	$ 25,178	32,000	*$ 4,000*	*14.3%*	Annual AB 939 EAR submittal for 10-MAs. +$2K for possible Cal Recycle Reporting/Commodities (T+M only). Note: no consultant rate adjustment from 1999-2016.
43	SBWMA ANNUAL REPORT	-	5,000	5,000	-	2,500	*(2,500)*	*-50.0%*	Creation of annual report
44	DIVERSION PROGRAM SUPPORT	-	90,000	90,000	7,663	90,000	*-*	*0.0%*	Tech Data Capture Systems ($50k); Public spaces recycling assistance ($30k); Diversion program support ($10k)
45	GIVEAWAYS - SCHOOLS AND EVENTS	14,960	5,000	5,000	3,989	7,500	*2,500*	*50.0%*	

line	EXPENDITURE SUMMARY	ACTUAL FY17/18	ADOPTED BUDGET FY18/19	MID-YEAR BUDGET FY18/19	YTD SPENT 03/29/2019	PROPOSED BUDGET FY19/20	*Variance to Adopted Budget*	*Variance % to Adopted Budget*	Notes
46	DIVERSION; COMPLIANCE; ZERO WASTE PROGRAMS	217,976	185,000	185,000	151,667	105,000	*(80,000)*	*-43.2%*	Zero Waste initiatives-tech support ($55k); Compost events ($50k)
47	IN-SCHOOL ENVIRONMENTAL EDUCATION					65,000	65,000		Materials ($6K), storage/transportation ($12K), recognition ($5K), staff/tech support ($40K)
48	LARGE EVENT & VENUE SUPPORT	-	12,500	12,500	4,564	-	*(12,500)*	*-100.0%*	
49	CLIMATE ACTION PLANNING	14,060	25,000	25,000	12,871	25,000	-	*0.0%*	Annual climate register & Member Agency support.
50	RECYCLING TECHNICAL ASSISTANCE	-	40,000	40,000	1,324	85,000	*45,000*	*112.5%*	AB 1826 & AB 341 Compliance ($10k); SB 1383 compliance and planning ($35k); Promote reusables for businesses ($25k); Recycling Technical Assistance ($15k)
51	COMMERCIAL/MFD CONTAINERS	22,309	50,000	50,000	27,148	35,000	*(15,000)*	*-30.0%*	MFD recycle bags, internal R containers, MA containers per Franchise Agreements
52	MULTI-FAMILY OUTREACH	16,031	75,000	75,000	13,363	90,000	*15,000*	*20.0%*	Compliance with state laws; MFD Toolkit and other outreach; battery bucket supplies
53	MEMBER AGENCY & RATE PAYER EDUCATION	473	110,000	110,000	36,494	110,000	-	*0.0%*	Biannual newsletters to Member Agency residents.
54	RESIDENTIAL OUTREACH PROGRAMS	28,451	80,000	80,000	63,616	90,000	*10,000*	*12.5%*	Outreach per FA, Annual Service Notice FA
55	COMMUNITY EVENTS	5,571	20,000	20,000	15,760	52,500	*32,500*	*162.5%*	Earth Day ($15K), Rethink Recycling Day ($10K), Fixit Clinics ($25K), other workshops ($2.5K)
56	HHW PROGRAM OUTREACH	66,462	65,000	65,000	-	30,000	*(35,000)*	*-53.8%*	Annual promotion of local HHW disposal options for all ratepayers
58	CURBSIDE HOUSEHOLD BATTERY OUTREACH	22,237	75,000	76,085	76,617	90,000	*15,000*	*20.0%*	Educate customers about risk of battery fires and proper disposal options
59	SHRED & E-WASTE EVENT SERVICES	(2,651)	15,000	15,000	6,873	30,000	*15,000*	*100.0%*	Shred, e-waste, and compost events for Member Agencies (coordination, support, outreach, etc.) RFP for Shredding Services
60	TOTAL STATE MANDATED PUBLIC EDUCATION & OUTREACH	$ 436,694	$ 880,500	$ 881,585	$ 447,127	$ 939,500	$ 59,000	6.7%	
61	TOTAL SBWMA PROGRAM BUDGET	$ 2,543,403	$ 3,375,781	$ 3,444,818	$ 2,047,710	$ 3,806,916	$ 431,136	12.8%	
62	SHOREWAY OPERATIONS								
63	OPERATING CONTRACT - SBR OPERATIONS	$ 20,747,954	$ 20,019,097	$ 20,509,892	$ 12,221,809	$ 20,787,081	*$ 767,984*	*3.8%*	Adjusted cost assumptions from FY19 budget and increased residual tonnage
64	DISPOSAL	17,673,370	19,675,134	19,228,596	12,279,331	20,870,708	*1,195,574*	*6.1%*	Higher solid waste disposal rate effective January 1, 2020.
65	INSURANCE SHOREWAY	810,162	884,803	884,803	812,597	882,174	*(2,629)*	*-0.3%*	Property insurance premium estimated to be consistent with FY2019
66	SHOREWAY FACILITY COST	460,156	200,000	200,000	88,261	200,000	-	*0.0%*	Budget for unanticipated routine Shoreway maintenance items that are non-CapEx
67	CREDIT CARDS CHARGES	108,768	109,400	119,048	61,806	123,610	*14,210*	*13.0%*	SBR pass through their credit card fees from their bank from public customers.
68	SHOREWAY CHARGES	26,690	26,690	26,690	15,569	26,690	-	*0.0%*	Amortization of additional trailer cost added in 2015.
69	EDUCATION CENTER OPERATIONS	61,353	60,000	60,000	20,086	65,000	*5,000*	*8.3%*	Bus services ($32K), Poster and Trash to Art Contests ($7K), contractor services ($10K), materials and upgrades ($16K)
70	MAINTENANCE - OX MTN TIPPER	1,698	40,000	40,000	-	20,000	*(20,000)*	*-50.0%*	Maintenance expense for truck tipper located at Ox Mtn and owned by JPA
71	SHOREWAY MRF EQUIP. MAINTENANCE > $10k	-	50,000	50,000	-	50,000	-	*0.0%*	Unanticipated MRF equipment maintenance (non-CapEx) expense
72	SEWER FEES (PROPERTY TAX)	44,186	45,510	70,276	70,623	70,278	*24,768*	*54.4%*	Sewer fees paid for Shoreway operation.
73	SUB SHOREWAY OPERATIONS COST	$ 39,934,338	$ 41,110,633	$ 41,189,305	$ 25,570,083	$ 43,095,540	*$ 1,984,907*	*4.8%*	
74	FIRE RELATED EXPENSES:								
75	OPERATING CONTRACT - SBR - FIRE RELATED	$ -	$ -	$ -	$ -				
76	SUB FIRE COST	$ -	$ -	$ -	$ -	$ -	$ -	*0.0%*	
77	TOTAL SHOREWAY OPERATION	$ 39,934,338	$ 41,110,633	$ 41,189,305	$ 25,570,083	$ 43,095,540	$ 1,984,907	*4.8%*	
78	TOTAL OPERATING EXPENSES	$ 42,477,741	$ 44,486,414	$ 44,634,123	$ 27,617,792	$ 46,902,456	$ 2,416,043	5.4%	
79	NON-OPERATING EXPENSES						-		
80	LOSS ON SALE OF PROPERTY	*86,680*	-	-	-				
81	DEBT SERVICE BOND INTEREST	*$ 2,702,669*	$ 2,641,333	$ 2,641,333	$ 450,083	$ 2,836,101	*194,767*	*7.4%*	Solid Waste Enterprise Revenue Bond interest payments.
82	FRANCHISE FEE TO CITY OF SAN CARLOS	*2,032,946*	2,253,616	2,221,808	1,430,388	2,340,169	*86,553*	*3.8%*	5% Franchise Fees paid by JPA to the City of San Carlos on tip fee revenue.
83	TOTAL NON-OPERATING EXPENSES	$ 4,822,295	$ 4,894,949	$ 4,863,141	$ 1,880,472	$ 5,176,269	*$ 281,320*	*5.7%*	
84	TOTAL SHOREWAY OPERATING EXPENSES	$ 44,756,633	$ 46,005,582	$ 46,052,446	$ 27,450,555	$ 48,271,810	$ 2,266,228	*4.9%*	
85	TOTAL EXPENSES (SBWMA Program + All Shoreway Operations)	$ 47,300,036	$ 49,381,363	$ 49,497,264	$ 29,498,264	$ 52,078,726	$ 2,697,363	*5.5%*	
	1. Rolled 2018 budget for line 49 into line 38.								

FY19/20 BUDGET

CAPITAL EXPENDITURE BUDGET	Current	Year 1	Year 2	Year 3	Year 4	Year 5
Capital Project Name	Current Budget FY18/19	Proposed Budget FY19/20	Proposed Budget FY20/21	Proposed Budget FY21/22	Proposed Budget FY22/23	Proposed Budget FY22/23
Transfer Station (TS)Tipping floor resurfacing	-		300,000			
Site paving repairs and restriping[2]	-	45,000				
Truck shop building maintenance	25,000	25,000	25,000	25,000	25,000	25,000
TS building maintenance	50,000	50,000	50,000	50,000	50,000	50,000
MRF building maintenance	50,000	50,000	50,000	50,000	50,000	50,000
Admin building maintenance	40,000	40,000	40,000	40,000	40,000	40,000
Site maintenance	50,000	50,000	50,000	50,000	50,000	50,000
Fire suppression	200,000	100,000	100,000	100,000	100,000	
Repairs to landfill tipper	30,000	15,000	-	-	-	-
Storm Water Treatment System		50,000	50,000	50,000	50,000	50,000
Glass Conveyance & Loadout System	550,000					
Enhancements to Public Recycling Center	200,000	50,000	-	-	-	-
Shredding to Public Recycling Center	-		100,000			
CIP Projects (See detail)		5,914,972	12,664,972	10,500,000	2,500,000	2,500,000
Total Budget for Capital Projects	1,195,000	6,389,972	13,429,972	10,865,000	2,865,000	2,765,000

FUNDING SOURCE						
Bond Proceeds ($20M)		5,914,972	7,664,972	6,420,056	-	-
Capital Reserve	1,195,000	475,000	5,765,000	4,444,944	2,865,000	2,765,000
Total Funding Source	1,195,000	6,389,972	13,429,972	10,865,000	2,865,000	2,765,000

CIP Project Detail	Total	Year 1	Year 2	Year 3	Year 4	Year 5
Organics 2 Energy Pilot	2,250,000	2,250,000				
Phase I MRF Upgrades	7,329,944	3,664,972	3,664,972			
Phase II MRF Upgrades	8,000,000		4,000,000	4,000,000		
Organics 2 Energy Full Project	10,000,000		5,000,000	5,000,000		
Underground Storage Tank Removal	1,500,000			1,500,000		
New Biogas Fueling System	5,000,000				2,500,000	2,500,000
	$ 34,079,944	$ 5,914,972	$ 12,664,972	$ 10,500,000	$ 2,500,000	$ 2,500,000

Budget Expense Category	Description of Program for FY19/20: *(Proposed Expense Line Items 1-28)*

ADMIINISTRATIVE EXPENSE: $2,420,665 *(Proposed Expense line item 28)*

Staff Resources: Joe La Mariana, *Executive Director*; **John Mangini**, *Sr. Finance Manager*; **Grant Ligon**, *Management Analyst III*; **Cyndi Urman,** *Clerk of the Board/Executive Assistant*

Program Description/Justification: Provides for overall administrative operations of agency, including: personnel administration, budget development, financial projections, expense payment processing, fiscal management, Board of Directors administration, customer service, risk management, records retention, and IT.

Executive Director:

- Provide ongoing Executive Committee, Board Members, Member Agency Staff support in a timely, professional and accurate manner.
- Manage the agency's strategic vision and daily administrative operations through the support of staff, Board/TAC members and all stakeholders.
- Establish and maintain all agency financial goals and program standards.

Sr. Finance Manager:

- Review the prior year budget to identify budget variances and plan for a mid-year adjustment, if needed and prepare the following fiscal year's budget.
- Prepare two calendar year financial projections to facilitate Shoreway tip fee review/adjustment and "testing" of bond covenant requirements.
- Complete prior year financial audit and calendar year financial statements for bond reporting.
- Meet bond covenants and reporting requirements as specified in the Indenture to ensure compliance including the two debt coverage ratios.
- Verify South Bay Recycling (SBR) monthly reporting of tonnages per Operations Agreement, and monthly invoice and calculation of commodity revenue.
- Manage monthly cash transfers to/from SBR per Operations Agreement for commodity revenue, public revenue, and payments for operations.
- Manage monthly billings to and payments from Recology for tipping at Shoreway as prescribed in the Member Agency franchise agreements.
- Renew general insurance policies (property, general liability, EIL, D&O, etc.) and ensure proper coverage is maintained.
- Manage the payroll process and benefits administration, making payments to vendors for payroll, retirement plan, and HSA plan via set procedures.

Management Analyst III:

- Perform analysis, tracking and reporting on contractual responsibilities supporting the franchise agreement, SBR billing, and disposal/processing contracts.
- Manage the Agency's public procurement process for all proposals (RFP)/request for qualifications (RFQ), and related activities.
- Provide ongoing in-house solid waste program support and expertise to meet numerous deliverables, as required by new laws.
- Provide critical path support for broad-ranging agency initiatives, e.g. the Long Range Planning process and resulting programs.
- Identify, win and manage grants to mitigate the future cost impacts on ratepayers.

Clerk of the Board/Executive Assistant:

- Provide Board Packets to the Board of Directors, and Board committee/subcommittee packets, minutes and administrative support, accurately and on time.
- Maintain the Board of Directors webpage and, as needed, update the Board Member website resource portal feature.
- Maintain accurate and up-to-date records for the SBWMA, including Board meeting minutes, resolutions, ordinances and contracts.
- Update, as necessary, the Board of Directors JPA and Contracts Resources Binder.
- Manage compliance with record retention and other Board-adopted policies
- Process forms (e.g. annual Form 700), invoices and other documents in accordance with established procedures, checking for accuracy and completeness.
- Provide information and assistance regarding SBWMA programs, policies and procedures to the public, member agencies, vendors, and contractors.

Budget Expense Category	Description of Program for FY19/20 *(Proposed Expense Line Items 29- 40)*

MEMBER AGENCY SUPPORT & CONTRACT COMPLIANCE: $446,750 *(Proposed Expense Line Item 40)*

Staff Resources: Joe La Mariana, *Executive Director*; **Hilary Gans,** *Sr. Facilities & Contracts Manager*; **John Mangini,** *Sr. Finance Manager*; **Julia Au,** *Program Manager II (Outreach and Communications)*; **Grant Ligon**, *Management Analyst III*

Program Description/Justification: Provides technical support for mandated programs and contractual requirements through member agency staff (TAC); state regulators; and key agency contractors (South Bay Recycling (SBR) and Recology).

Key Details:

- Contract administration support for collection services franchise agreements including follow-up on audit findings, financial auditing, and amendment(s).
- Continued oversight of SBR's operations per the Shoreway Operations Agreement.
- Management of the annual SBR compensation application review process and completion of the final SBWMA financial report.
- Manage the annual Member Agency rate review process, including review of the annual Recology compensation application and completion of the SBWMA final reports reviewing the Recology compensation application and consolidated rate report.
- Initiate audit work and review of operational data included in the compensation applications.
- Review Annual Report from Recology, as required per Member Agency franchise agreements.
- Conduct rate (calendar) year audit of collection services and facility operations reports, tonnage data and customer service systems.
- Hire contractor to conduct rate year audit of financial systems (includes Recology's revenue reconciliation) of both contractors to verify financial risks to SBWMA and its Member Agencies.
- Implement audit findings, as appropriate, and follow up with Recology to ensure progress on implementing audit recommendations.
- Provide prompt responses to questions/issues/complaints from the public and Member Agencies regarding their franchise agreements/collection services.
- Provide prompt responses to questions/issues/complaints that are raised by the public and Member Agencies regarding their use of the Shoreway facility.
- Develop a Member Agency snapshot report and make presentations to Member Agency governing bodies upon request.
- Prepare financial analysis for projected revenue and total collection and pass-through costs to determine total rate adjustment for each Member Agency.
- Prepare a collection cost variance analysis by detailed cost categories by Member Agency to aid in understanding collection cost changes.
- Support Member Agencies with analysis of rate issues and attend rate hearings or rate related meetings as requested.
- Update 5-year collection cost projection by Member Agency for collection cost components: Recology cost, disposal expense and Member Agency fees.
- Review Recology's Revenue Reconciliation Report.
- With TAC member engagement, plan/promote 16 separate compost and shred events with Recology per the Franchise Agreement (electronic waste recycling and battery collection also included, but not required per Agreement).

New Efforts in FY19/20:

- Secure Board and Member Agency approvals of final "Amendment One" (Bulky Item Collection; Abandoned Waste; Storm Water/Litter Abatement) terms.
- Transitional planning from current Franchise Agreement terms to newly restated/amended terms in 2021.
- Plan full-scale expansion of Public Spaces Recycling Pilot project, based on data and other feasibility analysis.
- Provide proactive legislative and regulatory support for various agency priorities, including Lithium Ion battery handling.

Budget Expense Category	Description of Program for FY19/20 *(Proposed Expense line items 41-59)*

STATE MANDATED PUBLIC EDUCATION & OUTREACH: $939,500 *(Proposed Expense Line Item 59)*

Staff Resources: Joe La Mariana, *Executive Director;* **Julia Au,** *Program Manager II (Outreach and Communications)*; **Emi Hashizume,** *Program Manager II (Environmental Education and Non-Franchise Recyclables)*

Program Description/Justification: Staff services provided to ensure compliance with state-mandated laws promoting waste reduction, recycling, and reporting requirements per **AB 939**, **AB 341**, **AB 1826**, and **SB 1383** include: Development and implementation of public education and outreach strategies to promote residential and commercial waste reduction and recycling collection programs and services; oversight of collection services for Member Agencies; compliance with annual reporting required; and implementation of Long Range Plan projects.

Key Program Efforts:

- Develop, implement, and manage on-going outreach activities related to California State Laws, including but not limited to AB 1826, AB 341, and SB 1383, through production and distribution via various and appropriate print and media channels.
- Manage and promote outreach for CartSMART (residential) and BizSMART (commercial/multi-family) collection services to meet specific community needs.
- Develop, submit, and manage with Recology a Public Education and Outreach Plan including methods of tracking effectiveness and engagement levels on outreach campaigns and tools.
- Promote residential collection services through newsletters and bill inserts in collaboration with Recology.
- Continue publishing Agency annual report.

New Efforts in FY19/20:

- Manage Public Education and Outreach Subcommittee needs.
- Review and update core Pub Ed materials with Public Education and Outreach Subcommittee and Recology engagement.
- Continue ongoing next-gen media partnerships — BayROC; PenTV; News & Review.
- Finalize Agency Website redesign into modern technical platform, and leverage for new outreach campaigns with contractors.

Budget Expense Category	**Description of Program for FY19/20** *(Proposed Expense line items 61-76)*

SHOREWAY OPERATIONS: $43,095,540 *(Proposed Expense Line Item 76)*

Staff Resources: Hilary Gans, *Sr. Facilities & Contracts Manager*; **John Mangini,** *Sr. Finance Manager*; **Grant Ligon***, Management Analyst III*; **Emi Hashizume,** *Program Manager II (Environmental Education and Non-Franchise Recyclables)*; **Madison Guzman,** *Environmental Education Coordinator*

Program Description/Justification: SBWMA staff activities regarding Shoreway operations including: oversight of SBR operations and contract compliance and management of financial transactions relating to SBR; Shoreway facility capital repairs and maintenance; education center operations; management of disposal and processing contracts, including review and payment of invoices; facility insurance; and billing Recology for tons delivered to Shoreway.

Key Details:

- Ongoing operational oversight and contract compliance of MRF, transfer station, and transportation operations performed by SBR.
- Ongoing management of third party recycling and disposal contracts for solid waste, organics, and C&D debris.
- Manage organics processing contracts to meet operational, financial and environmental requirements.
- Oversee third party tonnage and host fee payment for third-party tons used to generate additional agency income and lower Shoreway operating costs.
- Ongoing management of Shoreway Facility capital and maintenance projects are at, or below, budget.
- Lead Transfer Station/MRF equipment and facility design to meet long range plan and rapidly changing market needs of program.
- Provide Zero Waste Committee with technical/administrative support.

Environmental Education and Community Events:

- Conduct the Shoreway schools and public tours program and meet goals to maintain or exceed number of tour participants relative to prior year.
- Manage the onsite community events to promote resource conservation including the following: Earth Day and Rethink Recycling Day events at Shoreway; Trash to Art and Poster contest; expansion of compost donation program throughout Member Agency Schools and community gardens.

New Efforts in FY19/20:

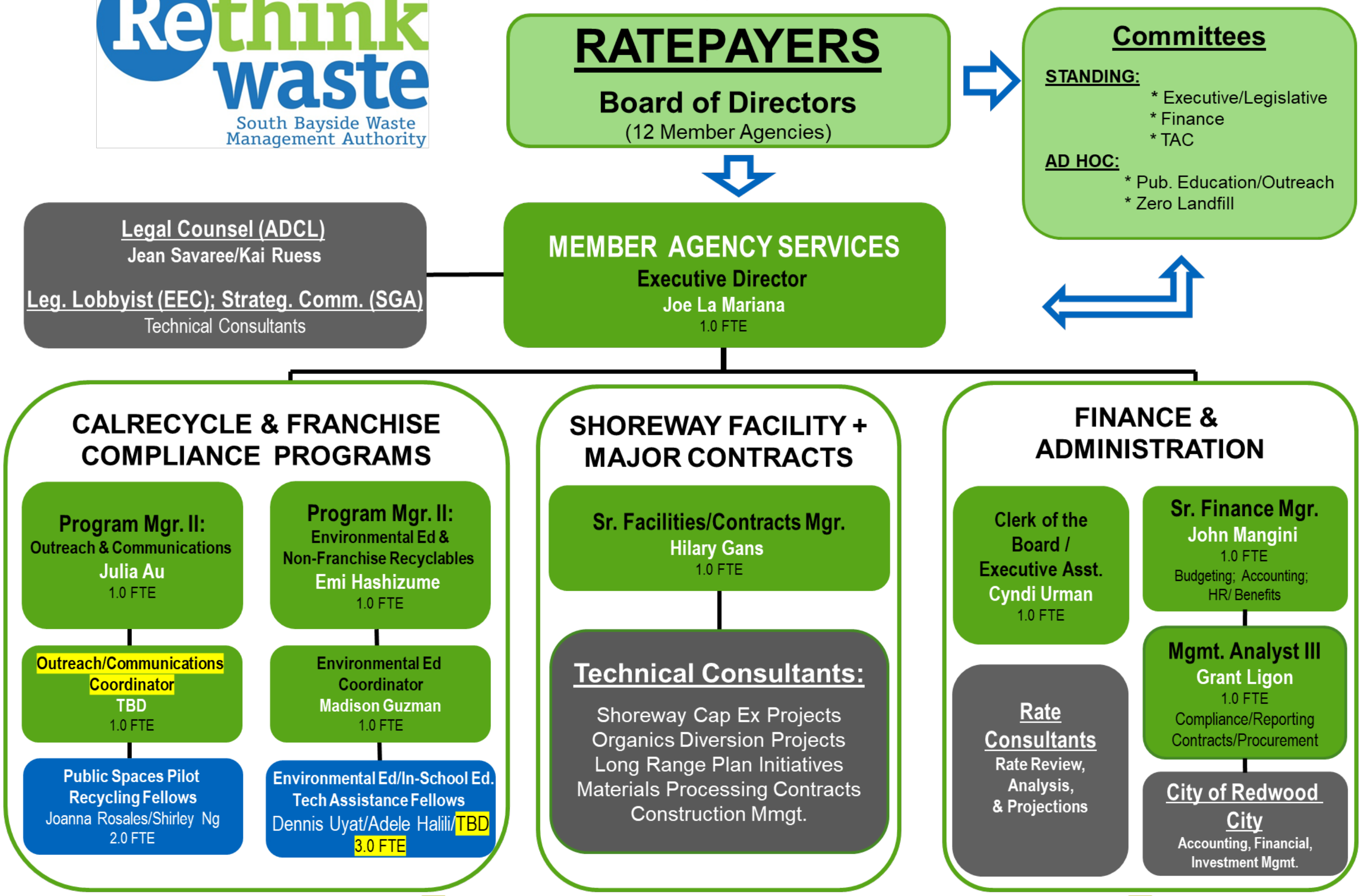
- Identify and plan new operating procedures and capital improvement projects to further the Agency's environmental goals and improve the quality of commodities for marketing purposes.
- Continue expansion of "In-School Compost and Recycling Program" (including no-cost infrastructure and materials, technical support, and education and training) currently in pilot phase to 10-15 schools in year 1 of a 5-year rollout.
- Identify, plan and implement new public environmentally-themed events at the Shoreway facility for the general public.
- Increase support of implementation of County of San Mateo Environmental Health's Food Share Table Program at schools in RethinkWaste service area.

ATTACHMENT D: Proposed Organization Chart/Personnel Summary for FY19/20

Rethink waste
South Bayside Waste Management Authority

SBWMA Organization Chart

July 1, 2019



FY 19/20: Green = SBWMA staff = 9.0 FTE Grey = Consultants/Shared Services Blue = Fellows *(Temporary; Ltd. Term)* = 5.0 FTE

FY 18/19: Green = SBWMA staff = 7.0 FTE Grey = Consultants/Shared Services Blue = Fellows *(Temporary; Ltd. Term)* = 4.0 FTE

FY19/20 Proposed Staffing

SBWMA staff provides comprehensive solid waste program and facility planning, compliance, public education, outreach and contract management services on behalf of its member agencies, while supporting the agency-owned Shoreway Environmental Center solid waste and recycling facility. This work is mandated by state law; by franchise agreement contractual obligation; and by virtue of the Agency's facility ownership. Delivery of Agency financial, environmental and service standard goals have historically been accomplished by a small group of experienced industry professionals (Staff) and highly-regarded technical contractors who provide supplemental support for the Agency on an "as-needed" basis.

In anticipation of 1) expanded Public Education and Outreach compliance requirements by SB1383; continued lithium-ion battery safety/EPR messaging; and an elevated commitment to waste diversion and source reduction Public Education and Outreach programs in the foreseeable future, and 2) the SBWMA-wide rollouts of the in-schools Environmental Education and Public Spaces programs, the proposed FY19/20 Staffing Plan includes two (2.0) new FTEs compared to the FY18/19 budget. One proposed FTE is a regular staff position, titled *"Outreach & Communications Coordinator"* and the second proposed FTE is an additional, limited term, non-benefitted "*Fellowship"* position. In terms of expenditures, both positions represent the most prudent possible additions to our staff while providing necessary program and tour coverage capacity to meet our mandated and agency-adopted commitments. Additionally, the proposed FY19/20 budget's Staffing Plan includes a Management Analyst III position that, although unbudgeted in FY18/19, received board-approval for additional in March of 2019 due to extreme deliverables associated with numerous programs and projects currently in the queue, and anticipated in the foreseeable future. This position was reactivated and reclassified from a previously authorized *"Recycling Programs Manager"* position that had been filled from 2007-2016 but had been vacant since September 2016.

Based on a salary survey completed in January 2019, the Board authorized the reclassification of three existing positions, effective July 1, 2019 on February 28, 2019. These positions will be titled *"Clerk of the Board/Executive Assistant"* and *"Program Manager II"* and these changes are reflected on the proposed organizational chart in this Staffing Plan (above) and in **Table 1** (below).

Table 1
SBWMA Staffing Plan by FY

Staff Position Title	**FY16/17** *Actual*	**FY17/18** *Actual*	**FY18/19** *Actual*	**FY19/20** *Proposed*
Executive Director	1.0	1.0	1.0	1.0
Sr. Facilities & Contracts Manager	1.0	1.0	1.0	1.0
Sr. Finance Manager	1.0	1.0	1.0	1.0
Program Manager II – Outreach and Communications *(Formerly Recycling Programs Outreach Manager)*	1.0	1.0	1.0	1.0
Management Analyst III *(Formerly Recycling Programs Manager)*	**1.0**	**0**	**0**	**1.0**
Clerk of the Board/Executive Assistant *(Formerly Board Secretary/Office Mgr.)*	1.0	1.0	1.0	1.0
Program Manager II – Env. Education and Non-Franchise Recyclables *(Formerly Environmental Education Manager)*	1.0	1.0	1.0	1.0
Environmental Education Coordinator	0	0	1.0	1.0
Outreach and Communications Coordinator	**0**	**0**	**0**	**1.0**
Environmental Programs Associate	**1.0**	**1.0**	**0**	**0**
Total Agency Staff *(Regular Status):*	**8.0**	**7.0**	**7.0**	**9.0**
Long Range Plan Fellowships *(Limited terms-1-3yrs.; Non-benefitted positions)*	0	4.0	4.0	5.0

Salary Ranges

The salary ranges for all Agency Staff positions (some are currently vacant) are presented below for FY19/20 (see **Table 2**). Historically, salary surveys are conducted every three years to ensure that Staff salaries and benefits are competitively priced within market. Salary ranges and benefits are evaluated to "like" solid waste public agencies and/or departments in the greater bay area. The last salary survey was conducted in April 2016. Therefore, a new salary survey was conducted by Steve Sherman Consulting in spring 2019 to establish the adjusted market-based salary ranges for each position.

Table 2 SBWMA Staff: Salary Ranges by Position	
Staff Position	**Current Salary Range/Yr.**
Executive Director *(Determined by professional services agreement)*	N/A
Sr. Facilities & Contracts Mgr.	$133,249 - $166,117
Sr. Finance Manager	$133,249 - $166,117
Management Analyst III	$112,196 - 140,245
Program Mgr. II *(Outreach and Communications)*	$100,976 - $126,220
Clerk of Board/Executive Assistant (Board Secret./Office Mgr.)	$77,000 - $96,250
Program Mgr. II *(Env Ed and Non-Franchise Recyclables)*	$100,976 - $126,220
Environmental Education Coordinator	$60,000 - 69,999
Outreach and Communications Coordinator	$60,000 - 69,999
Environmental Education Associate *(will be vacant in FY19/20)*	$52,208 - $59,999
Long Range Plan Fellowships* *(non-benefitted, limited term positions)*	$25.75/hr.

*The RethinkWaste Fellowship positions are fulltime. Each one can, by mutual agreement, be renewed annually for 1, 2 or 3 years. This program is modeled after the County of San Mateo's Office of Sustainability program. These positions provide environmental industry-based, independent work assignments for recent college grads while they help the agency achieve its critical long-term goals.

Budget Assumptions for Merit Increases

A merit increase pool of 3.0% of wages is assumed for all positions within the current salary ranges for January 1, 2019. Actual merit increases are awarded by the Executive Director on a calendar year basis per the Board-adopted Compensation Policy. NOTE: When Fellowship positions are renewed, a 3% increase is assumed (from $25.00/hr. to $25.75/hr).

Employee Benefits

No proposed changes in the employee benefit plans. Total benefit expense as percent of base compensation is estimated at 25.7% for FY19/20. A summary of the current benefits is as follows:

Deferred Compensation (Retirement):

SBWMA has adopted a self-directed retirement plan under Section 401(a) of the Internal Revenue Service Code to which the Employer contributes an amount equal to 10 percent of the employee's base salary. The plan is with ***John Hancock*** which holds all of the employee accounts. The employee vests in the 401(a) retirement plan immediately. SBWMA also has a 457b plan into which employees can voluntarily contribute. SBWMA matches the first 2% of employee contributions.

Employees may join both plans on the first of the month following the date of hire. The contribution amounts are subject to IRS limitations.

NOTE: SBWMA does not participate in the federal Social Security system. If the Agency were to participate in the Social Security system, the agency would incur an extra 6.2% of the staff's gross salaries, up to the statutory limit of $117,000 for each qualified employee. **In FY19/20, this annual savings for the Agency projects out to be $65,804.**

Group Health Insurance – General:

SBWMA strives to offer group insured plans for medical, dental, vision, life insurance, and long term disability insurance for the benefit of the employee and his/her family that are competitive with similar industry benefits. The health insurance is brokered through ***Arrow Benefits Group***.

Medical insurance:
The SBWMA currently offers a high deductible HSA medical plan with ***United Health Care*** for employees and their families. There is a 20% copay after the deductible has been met for most services. Currently, five employees participate in the plan and three employees have opted out. The premium is age based – the average premium is $824 per month plus the HSA average contribution of $458 per month per employee.

Dental insurance:
Dental insurance is provided by ***Premier Access*** for employees and their families. Basic care is covered 100% and major care (crowns, dentures) is covered at 60% up to the maximum annual benefit of $2,000. The average monthly premium per employee is $127.

Vision Plan:
Vision insurance is provided by ***Premier Access*** for employees and their families. A $10 copay applies to most services. Frames are covered up to $120 once per year. The average monthly premium per employee is $19.

Life Insurance:
Term life insurance is provided by ***Guardian Insurance.*** The employee is provided at 100% of salary up to $200,000. The average monthly premium per employee is $86.

HR and Payroll Support:
The SBWMA contracts with ***Modern HR***, a third party professional employment organization for the following scope of work:

(a) As needed, support for human resources issues including, but not limited to, hiring, firing and discipline.
(b) As needed, support for compliance with federal, state and local laws and ordinances regarding employment.
(c) As agreed upon, consult on various Client projects.
(d) Provide payroll and payroll tax filing services.
(e) Workers' Compensation insurance.

We pay $115/month per employee for their services.

FY19/20 BUDGET

COMMODITY REVENUE					
COMMODITY REVENUE	FY18/19 Adopted Budget	FY18/19 Mid-Year Budget	FY19/20 Proposed Budget	FY20 vs. FY19 Adopted Budget	Variance %
Tons Sold	70,869	64,296	62,461	(8,408)	-11.9%
Wtd Avg. Price	$ 70.43	$ 123.57	$ 109.48	$ 39.05	55.5%
Gross Revenue	$ 4,991,022	$ 7,944,839	$ 6,838,073	$ 1,847,051	37.0%
Revenue Share w/ SBR	$ -	$ (472,089)	$ (395,652)	$ (395,652)	#DIV/0!
Buyback Payments	(862,086)	(880,404)	(843,906)	18,181	-2.1%
Net Commodity Revenue	$ 4,128,936	$ 6,592,345	$ 5,598,516	$ 1,469,580	35.6%

Price / Volume Impact	Price	Volume	Total
Tonnage Change	$ 70.43	(8,408)	$ (592,164)
Price Change	$ 39.05	62,461	2,439,216
Total Change (Gross)			$ 1,847,051

Attachment E
Draft FY2020 Budget v4

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FY19/20 BUDGET

Table E.1

TIP FEE REVENUE					
	FY18/19 Adopted Budget	FY18/19 Mid-Year Budget	FY19/20 Proposed Budget	FY20 vs. FY19 Adopted Budget	Variance %
Franchise Revenue					
Tons	298,398	295,756	297,890	(508)	-0.2%
Wtd Avg.Tip Fee	$ 117.32	$ 117.06	$ 124.31	$ 6.99	6.0%
Franchise Revenue	$ 35,007,643	$ 34,620,208	$ 37,030,309	$ 2,022,666	5.8%
Public Revenue					
Cu/Yards	218,953	206,639	207,466	(11,487)	-5.2%
Wtd Avg.Tip Fee	$ 41.89	$ 42.26	$ 42.88	$ 0.99	2.4%
Public Revenue Cu/YDS	$ 9,172,353	$ 8,731,784	$ 8,896,073	$ (276,279)	-3.0%
Tons (3rd party - mostly Recology)	27,410	28,057	26,415	(995)	-3.6%
Wtd Avg.Tip Fee	$ 114.74	$ 117.80	$ 121.75	$ 7.02	6.1%
Public Revenue Tons	$ 3,144,991	$ 3,305,043	$ 3,216,178	$ 71,186	2.3%
Public Revenue Total	$ 12,317,344	$ 12,036,827	$ 12,112,251	$ (205,093)	-1.7%
Total Tip Fee Revenue	$ 47,324,987	$ 46,657,035	$ 49,142,560	$ 1,817,573	3.8%

Table E.2

TRANSFER STATION VOLUME						
Total TS Tonnage and Yards		FY18/19 Adopted Budget	FY18/19 Mid-Year Budget	FY19/20 Proposed Budget	FY20 vs. FY19 Adopted Budget	Variance %
Franchise tons						
SBWMA Solid Waste	tons	181,656	180,946	182,013	356	0.2%
SBWMA Organics	tons	86,361	85,447	88,121	1,761	2.0%
SBWMA Food Waste	tons	26,478	24,907	24,630	(1,848)	-7.0%
SBWMA Dirt, Inert, Other	tons	3,903	4,456	3,126	(777)	-19.9%
Sub-total Franchise		298,398	295,756	297,890	-508	-0.2%
Public tons						
Non-SBWMA SW	tons	2,890	3,363	4,161	1,271	44.0%
Non-SBWMA Scrap	tons	82	82	307	224	273.4%
Non-SBWMA FOOD	tons	6,392	4,856	4,766	(1,626)	-25.4%
Non-SBWMA C&D	tons	5,867	7,876	7,025	1,158	19.7%
Non-SBWMA ORGANIC	tons	308	407	368	59	19.2%
Non-SBWMA Asphalt Roofing	tons	2,082	1,762	1,568	(514)	-24.7%
Non-SBWMA Clean Wood	tons	118	0	0	(118)	-100.0%
Public Weighed Dirt	ton	9,672	9,793	8,221	(1,451)	-15.0%
Sub-Total Public tons		27,410	28,139	26,415	-995	-3.6%
Total Tons		325,808	323,895	324,305	-1,503	-0.5%
Public Cu/Yds.						
Public Solid Waste Yards	C/Yds	41,254	59,224	62,546	21,292	51.6%
Public Green Waste Yards	C/Yds	54,551	40,574	48,320	(6,230)	-11.4%
Public C&D	C/Yds	123,148	106,842	96,600	(26,549)	-21.6%
Total Cubic Yards		218,953	206,639	207,466	(11,487)	-5.2%

FY19/20 BUDGET

Table E.3

SBR OPERATING EXPENSE									
a. Summary		FY18/19 Adopted Budget		FY18/19 Mid-Year Budget		FY19/20 Proposed Budget		FY20 vs. FY19 Adopted Budget	Variance %
MRF	$	6,617,080	$	7,490,082	$	7,596,322	$	979,242	14.8%
Transfer Station		5,222,136		5,084,748		5,176,387		(45,749)	-0.9%
Transportation		8,101,388		7,856,568		7,973,486		(127,902)	-1.6%
Interest		78,493		78,493		40,885		(37,608)	-47.9%
TOTAL SBR EXPENSE	$	20,019,097	$	20,509,892	$	20,787,081	$	767,984	3.8%

b. SBR Expense Detail		FY18/19 Adopted Budget		FY18/19 Mid-Year Budget		FY19/20 Proposed Budget		FY20 vs. FY19 Adopted Budget	Variance %
MRF									
Tons, Inbound		72,457		76,477		72,150		(307)	-0.4%
Tons, residue		9,185		13,748		12,901		3,716	40.5%
Tons, net sold		63,272		62,729		59,249		(4,023)	-6.4%
Wtd Avg.Rate	$	104.58	$	119.40	$	119.72	$	15.14	14.5%
Expense	$	6,617,080	$	7,490,082	$	7,093,300	$	476,220	7.2%
MRF Additional Sorters					$	503,022	$	503,022	
Transfer Station									
Tons		392,587		380,761		377,631		(14,956)	-3.8%
Wtd Avg.Rate	$	13.30	$	13.35	$	13.71	$	0.41	3.0%
Expense	$	5,222,136	$	5,084,748	$	5,176,387	$	(45,749)	-0.9%
Transportation									
Tons		392,587		380,761		377,631		(14,956)	-3.8%
Wtd. Avg. Rate	$	20.64	$	20.63	$	21.11	$	0.48	2.3%
Expense	$	8,101,388	$	7,856,568	$	7,973,486	$	(127,902)	-1.6%
Interest	$	78,493	$	78,493	$	40,885	$	(37,608)	-15.6%
TOTAL SBR "PAID" TONS		848,445		824,252		814,510		(33,935)	-4.0%
TOTAL SBR EXPENSE	$	20,019,097	$	20,509,892	$	20,787,081	$	767,984	3.8%

A Public Agency

6

Agenda Item 6

Review of Proposed Debt Policy

No Staff Report Discussion on the attachment at the May 7, 2019 Finance Committee Meeting

Attachments:
Attachment A - South Bayside Waste Management Authority DRAFT DEBT MANAGEMENT POLICY

South Bayside Waste Management Authority

DEBT MANAGEMENT POLICY

DRAFT

[Date]

Table of Contents

South Bayside Waste Management Authority

Debt Management Policy

I. Introduction

The purpose of the South Bayside Waste Management Authority (the "Authority") Debt Management Policy (the "Policy") is to promote sound and uniform practices for issuing and managing bonds and other forms of indebtedness, to provide guidance to decision makers regarding the appropriate use of debt and other repayment obligations of the Authority.

The Policy is also intended to comply with California Government Code section 8855(i), which became effective January 1, 2017 which requires that governmental agencies that issue any form of debt have a "debt management policy" in place if any form of debt is being contemplated or anticipated.

II. Policy Objectives

The Policy objectives are as follows:

- To help maintain the financial stability of the Authority's solid waste management system by encouraging sound decision-making so that its long-term financing commitments are affordable and do not create undue risk or burden to the Enterprise or ratepayers.
- To protect the Authority's credit rating and minimize the Authority's borrowing costs.
- To meet the requirements of state and federal law and regulation, including state debt issuance reporting requirements and federal requirements regarding disclosure and administration of tax-exempt indebtedness.
- To incorporate best practices into the Authority's issuance and administration of its indebtedness.
- Ensure that the Authority's debt is consistent with the Authority's planning goals and objectives and capital improvement program or budget, as applicable.

III. Issuance Authority and Scope of Indebtedness

The Authority is a joint powers authority, operating and acting pursuant to the laws of the State of California, and is authorized pursuant to the Joint Exercise of Powers Act (commencing with Section 6500 of the California Government Code), including the Marks Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California

Government Code) to borrow money for the purpose of financing projects of the Authority.

The Authority is an infrequent issuer of debt, all of which has been and is expected to be in the form of enterprise revenue bonds. To the extent that the Authority were to consider alternative forms of indebtedness, this Policy may be amended to address issues particularly forms. [Confirm no vendor or other installment contracts.] [While this Policy does not specifically address vendor financing or other forms of installment contracts, to the extent the Authority were to consider such forms of financing, the spirit of these Policies would apply.]

IV. Debt Management Responsibility

The Senior Finance Manager is appointed as the Authority official responsible for the following:

- Debt issuance and management, recognizing that assigned staff may be charged with certain day-to-day responsibilities.
- Working with the Executive Director, Senior Facilities and Contracts Manager, and other staff deemed appropriate in formulating the Authority's debt management plans, seeking Board of Directors' approval to execute such plans, and ensuring the appropriate management of debt.
- Keeping the Board of Directors informed of the Authority's debt-related activities through informational reports, briefings, or workshops.

V. Uses and Limits on Indebtedness

Debt provides a tool for financing capital projects that are too large to accommodate as part of the annual budget, to share the cost of major improvements between current and future ratepayers and/or to accelerate the delivery of a project when compared to funding on a pay-as-you-go-basis. On the other hand, debt service represents a fixed cost that will compete with other expenditures in the Authority's budget and cannot be deferred in any given year.

In order to achieve the proper balance in its use of debt, the Authority will follow the following policy goals:

- The Authority will not use debt to finance operating expenses, except to alleviate cash-flow timing issues within a fiscal year. The Authority may consider use of debt in the event of an extraordinary expense, such as the financing of a major judgment.
- The Authority will plan for capital improvements and maintenance as part of its budgeting process, seeking to set funds aside in advance of need so that most capital projects can be financed on a "pay-as-you-go" basis. Debt financing will be reserved for extraordinary capital expenditures.

- The Authority believes that prudent amounts of debt can be an equitable and cost-effective means of financing infrastructure and capital project needs of the Authority. The Authority will evaluate the benefit and risks of each proposed issue of new debt on a case by case basis, considering such factors as the Authority's overall fiscal health, the potential impact of increased debt service on then current service levels, the offsetting benefits of the project on operating costs that may mitigate the cost of debt, and other long-term considerations.

In general, debt may be considered to finance such projects if it meets one or more of the following minimum criteria:

- It meets the Authority's goal of distributing the payments for the asset over its useful life so that benefits more closely match costs for both current and future residents.
- The need for the project is compelling in terms of on-going cost savings or the need for public safety or services, and the size of the project makes funding out of existing resources or near-term revenues is impractical.

VI. Rate-Setting and Debt Service

The Authority's debt service is secured by its net revenues; that is, its revenues after the payment of operation and maintenance expenses. The Authority covenants in its bond indenture that it will "fix, prescribe and collect rates, fees and charges… so as to yield Net Revenues during such Calendar Year equal to at least [1.40 times] the Debt Service in such Calendar Year." This requirement is referred to as a "rate covenant." Funds remaining after payment of operating and maintenances expenses and debt service can be used for pay-as-you-go capital improvements, held in reserve, or used for any other legal purpose

In setting its rates, the Authority will seek to maintain debt service coverage of [1.60 times] times, to provide capacity for reduced revenues or increased costs while still meeting its rate covenant. [Confirm rate covenant is appropriate]

In addition, the Authority will maintain a Rate Stabilization Fund, which can be used to meet the rate covenant in extraordinary events or to phase in large future rate increases. [discuss goals/minimum for fund]

VII. Financing Professionals

The Senior Finance Manager will be responsible for recommending the various professionals required for a financing, based on prior experience, recommendations or a request for proposal process, as he or she deems appropriate.

A. Bond and Disclosure Counsel

Bond counsel prepares the various legal documents for a transaction and renders a variety of opinions, including opinion regarding the tax-exemption of bonds. For all public sales of debt (that, is through the issuance of bonds or other securities sold to multiple investors), the Authority will retain the services of disclosure counsel to prepare the official statement. The Senior Finance Manager will also determine whether to select another law firm to provide the services of disclosure counsel or to assign such duties to bond counsel.

B. Municipal Advisor

A municipal financial advisor assists in evaluating financing options, structuring of its debt offerings, making recommendations as to the method of sale, conducting competitive bond sales, and assisting with bringing negotiated bond sales to market, including making recommendations to the Authority on proposed interest rates, prices and yields in light of market conditions and the characteristics of the bonds. The Authority will utilize a registered municipal advisor for its public debt offerings.

C. Underwriter

When the Authority issues its debt through a negotiated sale, it will select one or more underwriters. The basis for selection will primarily be the firm's experience in the solid waste and related utility sectors, and its perceived ability to secure the lowest cost of funds, including underwriter's fees and expenses.

D. Trustee and Fiscal Agent

The trustee or fiscal agent is a division of a commercial bank that services bonds and other financial instruments. The Senior Finance Manager shall have the discretion to select a commercial banking firm as trustee or fiscal agent, either through a request for qualifications process or by relying on existing banking relationships if deemed to be advantageous.

VIII. Structuring Debt Financing

A. Term and Structure

Long-term debt financing of capital projects will be amortized over a period no longer than the useful life of the assets being financed, and in no event should exceed thirty years.

Debt service will generally be structured to be level over the length of the bonds. Alternate debt structures may be used to wrap new debt around existing debt to create overall level debt service or to achieve other financial planning goals appropriate to the specific project.

B. Debt Service Reserve Fund

To the extent required by the market, the Authority may fund a debt service reserve fund out of bond proceeds no greater than the amount allowed under federal tax law. At the time of the adoption of this policy, a reserve fund is required for solid waste revenue bonds.

C. Capitalized Interest

Funding interest payments out of bond proceeds during construction is referred to as capitalized interest. The Authority may consider capitalizing interest when it is appropriate to begin the payment of debt service after project completion.

D. Variable Rate Debt

To maintain a predictable debt service burden, the Authority will give preference to debt that carries a fixed interest rate.

E. Call Provisions

In general, the Authority's securities will include a call feature, based on market conventions, which is typically at par ten (10) years from the date of delivery of tax-exempt bonds. The 2017 tax act stipulates that tax-exempt bonds can only be refunded on a tax-exempt basis 90 days before the call date and cannot be advance refunded with tax-exempt bond proceeds. The Authority may determine that a shorter call feature is appropriate balancing cost and/or the desire for increased future optionality.

F. Additional Bonds Test

Any new money debt issuance must not cause the Authority's debt service to be expected to exceed the level at which net revenues are less than [1.40 times] the maximum annual debt service for the aggregate outstanding revenue bonds including the debt service for the new issuance, calculated in accordance with the Indenture. This test shall not apply to refunding debt as long as there are debt service savings in any year

G. Credit Enhancement

The Authority will consider the use of credit enhancements such as bond insurance on a case-by-case basis. The cost-benefit of insurance will be evaluated through the final maturity and through the first optional call date, recognizing that municipal bonds are commonly refunded prior to maturity. The Authority will consider the use of a surety policy in lieu of a cash funded reserve, but in doing so will consider estimated earnings on a cash funded reserve and the cost of replacing that surety at the time of a potential refunding, if applicable.

H. Derivatives

The Authority will not use interest rate swaps in connection with its debt program unless a separate swap policy is prepared and approved by the Board of Directors. The Authority may use derivative-like investment products to invest bond funds, but only upon staff's analysis of the investment as part of the staff report transmitting the financing and specific approval as part of the Council action.

I. Disclosure

For all public sales of debt, the Authority will retain the services of disclosure counsel (who may also serve as bond counsel) to prepare the Official Statement to be used in connection with the offering and sale of debt. The Executive Director, Senior Finance Director and other appropriate staff will be asked to review this document to ensure that it is accurate and does not fail to include information that such staff and officials think might be material to an investor. The Authority will make every effort to ensure the fullest disclosure possible in the Authority's disclosure documents, including, as appropriate, seeking staff training in disclosure matters. A Preliminary Official Statement will be released to the market only after the completion of the "due diligence" meetings with appropriate staff and approval by the Board of Directors.

J. Credit Ratings

The Senior Finance Director, in consultation with the Municipal Advisor and other members of the financing team, will evaluate and make recommendations regarding the number of credit ratings to seek on any given bond issue. The Authority will work to maintain its current credit ratings and to increase ratings when the opportunity to do so exists. The Senior Finance Manager will periodically communicate with the agencies rating the Authority's debt so that they will remain well-informed

IX. Method of Sale

Bonds and other municipal securities can be sold at a public offering through either a competitive or negotiated sale:

<u>Competitive Sale:</u> Under a competitive sale, the terms of the bonds are determined by the Authority, with the assistance of its municipal advisor and bond counsel, and the sale is awarded to the underwriter judged to have submitted the lowest true interest cost, which takes into account interest rates and any discounts or premiums, including the underwriters' spread (their compensation).

<u>Negotiated Sale:</u> Under a negotiated sale, the Authority selects its underwriter in advance, based on proposals received or by other means. The Authority, its bond counsel and municipal advisor works with the underwriter in structuring, marketing and finally offering an issue to investors.

Because of a number of factors, including volatility in the recycled commodities market and court decisions that undermined certain flow control ordinances in the 1990s, the bond market is less receptive to solid waste revenue bonds than it is to most other municipal utility revenue bonds. Such bonds are considered a "story bond," where the ability to pre-market to potential investors is important to ensure a wide buyer base. As a result, most debt in this sectored is issued through a negotiated sale. The Authority expects to sell most of its debt in this matter unless market conditions change.

Private Placement: An alternative method of obtaining financing through the sale of bonds is through a private placement with a bank or other institution. The Authority will consider privately placing its debt for any small and or short-term borrowings or in instances where difficult credit or disclosure considerations or other special circumstances so warrant.

X. Refunding Bonds

In order to provide for the potential for refunding its bonds in the future, and absent compelling reasons to the contrary, the Authority will structure its bond issues with an optional call no longer than ten years from the date of issuance. Such compelling reasons to deviate from this policy, for example, could include a bond issue that would mature only a few years after the optional call date, making a refunding impractical. When structuring its bond issues, the Authority will take into account the coupon structure of its debt (i.e., discount bonds or premium bonds that mature after the call date) and its impact on its option to execute a refunding.

The Authority will periodically review its outstanding debt portfolio to identify opportunities to achieve net economic benefits from refunding its bonds. Recognizing that the Authority's ability to refund its debt is limited because of the market practice of making most fixed-rate bond issues non-callable for their first eight to ten years, and the elimination of the ability to refund bonds substantially before the call date (an "advance refunding," which was eliminated by the 2017 tax act), the Authority will seek to deploy its refunding options prudently. At a minimum, the Authority will seek to achieve net present value ("NPV") savings equal to at least three percent (3%) of the par amount of the bonds that are refunded.

The Authority may also consider a refunding for a non-economic purpose, including the retirement of an indenture for more desirable covenants, a change in tax status, or to change the type of debt instrument.

XI. Debt Administration

The Senior Finance Manager and his or her staff shall be responsible for ensuring that the Authority's debt is administered in accordance with its terms, federal and State law and regulations, and best industry practices.

A. Tax-Exemption

Tax-exempt bond issues are subject to various IRS rules and regulations regarding the use of bond proceeds. In most instances, the Authority's bonds will be considered "exempt private activity bonds" based on the nature of its long-term contracts with private entities; while the interest on these bonds is exempt from most federal income taxes, it is subject to the Alternative Minimum Tax (referred to as "AMT Bonds").The Authority will make sure that the use of facilities financed with tax-exempt bonds are not used for ineligible private activities, and will consult with bond counsel whenever it identifies a change in use, enters into a long-term contract involving the project, or otherwise undertakes an action that could change the tax-exempt status of its bonds.

The Authority shall periodically review and will comply with the specific post issuance compliance procedures identified in the tax documents for its tax-exempt financings. The Authority will retain an arbitrage rebate consultant to assist in calculating any earnings on bond proceeds in excess of the rate on its bonds, and to calculate whether arbitrage should be rebated to the Federal Government.

B. Continuing Disclosure

Under federal law, the Authority must commit to provide continuing disclosure to investors in any of its debt that is sold to underwriters to be offered to the public. All existing and future Authority debt should be compliant with the requirements of the Continuing Disclosure Certificates executed at the time of issuance, including the annual filing with the MSRB's Electronic Municipal Market Access ("EMMA") website of the Authority's Comprehensive Annual Financial Report and any other required reports; the filing of notices of the material events set out in the Continuing Disclosure Certificates; and the filing of any voluntary disclosures deemed material. All such filings will be made within the time requirements set forth in the Continuing Disclosure Certificates.

The Authority may retain a consultant to assist in preparing and filing required reports and notices.

C. Investment of Bond Proceeds

Investments of bond proceeds shall generally be consistent with the Authority's Investment Policy as modified from time to time, and with the requirements contained in the governing bond documents.

D. State Reporting Requirements

The Senior Finance Manager will file any reports required by State law, including the Annual Debt Transparency Report to the California Debt and Investment Advisory Commission required of all debt issued after January 1, 2017, pursuant to Government Code section 8855(k).

XII. Relationship of Debt to Capital Improvement Program and Budget

The Authority is committed to long-term capital planning. The Authority may issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in the Authority's capital improvement program. The Authority shall integrate its debt issuances with the goals of its capital improvement program by considering when projects are needed in furtherance of the Authority's public purposes in determining the timing of debt issuance.

The Authority shall seek to avoid the use of debt to fund recurring infrastructure and facilities improvements in circumstances when the sole purpose of such debt financing is to reduce annual budgetary expenditures.

XIII. Internal Control Procedures

The Senior Finance Manager or designee will monitor the expenditure of bond proceeds to ensure they are used for the purpose and authority for which the bonds were issued.

When reasonable, proceeds of debt will be held by a third-party trustee or fiscal agent and the Authority will submit written requisitions for such proceeds. The Authority will submit a requisition only after obtaining the signature of the Senior Finance Manager. In those cases where the proceeds of debt are not to be held by a third-party trustee or fiscal agent, the Senior Finance Manager shall be responsible for approving expenditures in the same manner as the approval for the expenditures for Authority revenues.

XIV. Conclusion

This Policy is intended to guide the Authority's issuance of debt. This Policy should be reviewed and updated periodically to reflect changes in the market, the identification of other best practices, and to incorporate the Authority's own experience or changing circumstances. Changes to the Policy are subject to review by the Finance Committee and approval by the Authority Board of Directors at a legally noticed and conducted public meeting.

While adherence to this Policy is generally required, it is recognized that changes in the capital markets and the Authority's needs and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy or will require modifications or exceptions to best achieve policy goals. Any deviations from this Policy that is recommended by staff should be highlighted in the staff report transmitting the resolution for approval of the financing.

Agenda Item 7

Review of the Draft Preliminary Official Statement (POS) for Bond Issuance

No Staff Report Discussion on the attachment at the May 7, 2019 Finance Committee Meeting

Attachments:
Attachment A – Preliminary Official Statement (POS) for Bond Issuance

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2019

NEW ISSUE – BOOK ENTRY ONLY

Ratings: Moody's: "__"
Standard & Poor's: "__"
See "RATINGS" herein.

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Series 2019A Bonds and the Series 2019B Bonds (together, the "Series 2019 Bonds") is excluded from gross income for federal income tax purposes, except for interest on any Series 2019 Bond for any period during which the Series 2019 Bond is held by a "substantial user" of any facilities financed with the proceeds of the Series 2019 Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2019A Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax, and interest on the Series 2019B Bonds is a specific item of tax preference for purposes of the federal individual alternative minimum tax. In the further opinion of Bond Counsel, interest on the Series 2019 Bonds is, under existing law, exempt from State of California personal income tax. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2019 Bonds. See "TAX MATTERS" herein.

$__________*
South Bayside Waste Management Authority
Solid Waste Enterprise Refunding Revenue Bonds
(Shoreway Environmental Center)
Series 2019A (Non-AMT)

$____________*
South Bayside Waste Management Authority
Solid Waste Enterprise Revenue Bonds
(Shoreway Environmental Center)
Series 2019B (AMT)

Dated: Date of Issuance

Due: September 1, as shown on inside cover

The South Bayside Waste Management Authority (the "Authority") $____________ Solid Waste Enterprise Refunding Revenue Bonds (Shoreway Environmental Center), Series 2019A (Non-AMT) (the "Series 2019A Bonds") and the $_______________ Solid Waste Enterprise Revenue Bonds (Shoreway Environmental Center), Series 2019B (AMT) (the "Series 2019B Bonds" and, together with the Series 2019A Bonds, the "Series 2019 Bonds") are being executed and issued pursuant to, and are secured under an Indenture of Trust dated as of June 1, 2019 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the ''Trustee"). The Series 2019A Bonds are being issued to (i) refund in full the Authority's Solid Waste Enterprise Revenue Bonds (Shoreway Environmental Center), Series 2009A; (ii) fund a deposit to the Reserve Fund; and (iii) pay costs of issuance of the Series 2019A Bonds. The Series 2019B Bonds are being issued to (i) pay certain costs incurred by the Authority in connection with the construction of various improvements and acquisition and installation of certain associated equipment (the "2019 Project") to the Authority's solid waste materials recovery facility and transfer station located in the City of San Carlos, California; (ii) fund a deposit to the Reserve Fund; and (iii) pay costs of issuance of the Series 2019B Bonds. See "PLAN OF FINANCE." The Authority is a joint exercise of powers authority, created pursuant to a Second Amended and Restated Joint Exercise of Powers Agreement (the "Authority Agreement"), dated as of June 19, 2013 (the "Authority Agreement") among the Cities of Belmont, Burlingame, East Palo Alto, Foster City, Menlo Park, Redwood City, San Carlos, San Mateo, the Towns of Atherton, Hillsborough, the West Bay Sanitary District and the County of San Mateo (each a "Member").

The principal, premium, if any, and interest due on the Series 2019 Bonds are payable solely from amounts pledged therefor, including certain revenues of the Authority, pursuant to the Indenture. The revenues of the Authority so pledged consist primarily of the Net Revenues (as defined herein) of the Authority's solid waste management system (the "Enterprise"), which generally consist of the tipping fees and recyclable materials sales revenues received by or imposed by the Authority in connection with the operation of the Enterprise and the provision of solid waste processing and disposal services, less the Maintenance and Operation Costs (as defined herein) of the Enterprise. Subject to satisfaction of the conditions set forth in the Indenture, the Authority may issue additional obligations which are payable on a parity with the Series 2019 Bonds ("Parity Obligations"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Additional Bonds or Other Parity Obligations."

THE OBLIGATION OF THE AUTHORITY TO MAKE THE DEBT SERVICE PAYMENTS TO THE SERIES 2019 BONDS ARE A SPECIAL OBLIGATION OF THE AUTHORITY PAYABLE SOLELY FROM THE MONEYS LEGALLY AVAILABLE AND PLEDGED THEREFOR THEREUNDER, DOES

* Preliminary; subject to change.

NOT CONSTITUTE A DEBT OF THE AUTHORITY, ITS MEMBER AGENCIES OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY FOR WHICH THE AUTHORITY OR ANY MEMBER AGENCY IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, ANY FORM OF TAXATION. THE BONDS DO NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY OR ITS MEMBER AGENCIES.

Interest on the Series 2019 Bonds is payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2020. The Series 2019 Bonds will be issued in book-entry form only and, when delivered, will he registered in the name or a nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issuable in the principal amount of $5,000 and any integral multiple thereof.

The Series 2019 Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity, as described herein.

This cover page contains certain information for quick reference only and is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "CERTAIN RISK FACTORS" herein for a description of certain of the risks associate with an investment in the Series 2019 Bonds.

The Series 2019 Bonds will be offered when, as and if executed and delivered, and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will he passed upon for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, Los Angeles, California and for the Authority by its Counsel, Aaronson Dickerson Cohn & Lanzone. It is anticipated that the Series 2019 Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about June __, 2019.

Raymond James

$___________*
South Bayside Waste Management Authority
Solid Waste Enterprise Refunding Revenue Bonds
(Shoreway Environmental Center)
Series 2019A (Non-AMT)

Maturity Schedule
$__________* Serial Series 2019A Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Yield or Price	CUSIP†

* Preliminary; subject to change.
† Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the registered owners of the Series 2019 Bonds. None of the Authority or the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness or as included herein.

$___________*
South Bayside Waste Management Authority
Solid Waste Enterprise Refunding Revenue Bonds
(Shoreway Environmental Center)
Series 2019B (AMT)

Maturity Schedule
$__________* Serial Series 2019B Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Yield or Price	CUSIP†

$____________ ___.___ Term Series 2019B Bonds due September 1, ____ — Yield: __.__% CUSIP†

$____________ ___.___ Term Series 2019B Bonds due September 1 __, ____ — Yield: __.__% CUSIP†

* Preliminary; subject to change.
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SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
BOARD OF DIRECTORS

Town of Atherton	Bill Widmer, Mayor
City of Belmont	Davina Hurt, Mayor
City of Burlingame	Michael Brownrigg, Council Member
City of East Palo Alto	Ruben Abrica, Council Member
City of Foster City	Herb Perez, Vice Mayor
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West Bay Sanitary District	Fran Dehn, President

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

Joe La Mariana, Executive Director
John Mangini, Senior Finance Manager
Hilary Gans, Senior Facilities and Contracts Manager

SPECIAL SERVICES

BOND COUNSEL
Stradling Yocca Carlson & Rauth, a Professional Corporation

MUNICIPAL ADVISOR
KNN Public Finance LLC

AUTHORITY COUNSEL
Aaronson Dickerson Cohn & Lanzone

TRUSTEE
The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2019 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the Members or the Underwriter.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2019 Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain of the information set forth herein has been obtained from official sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Enterprise since the date hereof. This Official Statement is submitted with respect to the sale of the Series 2019 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2019 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2019 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2019 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in the following information constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the Authority's forecasts in any way. Except as set forth in the Continuing Disclosure Agreement, a form of which is attached as Appendix E, the Authority does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

The Series 2019 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act. The Series 2019 Bonds have not been registered or qualified under the securities laws of any state.

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Series 2019A (Non-AMT)	**Series 2019B (AMT)**

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Series 2019 Bonds being offered and a brief description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions.

General Description

This Official Statement, including the cover and the Appendices attached hereto (the "Official Statement"), provides certain information concerning the sale and delivery of the South Bayside Waste Management Authority (the "Authority") $______________ Solid Waste Enterprise Refunding Revenue Bonds (Shoreway Environmental Center), Series 2019A (Non-AMT) (the "Series 2019A Bonds") and the $________________ Solid Waste Enterprise Revenue Bonds (Shoreway Environmental Center), Series 2019B (AMT) (the "Series 2019B Bonds" and, together with the Series 2019A Bonds, the "Series 2019 Bonds"). The Series 2019 Bonds will be issued pursuant to an Indenture of Trust between the Authority and BNY Western Trust Company, as Trustee, dated as of June 1, 2019 (the "Indenture").

The Series 2019A Bonds are being issued to (i) refund in full the Authority's Solid Waste Enterprise Revenue Bonds (Shoreway Environmental Center), Series 2009A (the "Refunded Bonds"); (ii) fund a deposit to the Reserve Fund; and (iii) pay costs of issuance of the Series 2019A Bonds. The Series 2019B Bonds are being issued to (i) pay certain costs incurred by the Authority in connection with the construction of various improvements and acquisition and installation of certain associated equipment (the "2019 Project") to the Authority's solid waste materials recovery facility and transfer station located in San Mateo County, California; (ii) fund a deposit to the Reserve Fund; and (iii) pay costs of issuance of the Series 2019B Bonds. See "PLAN OF FINANCE."

The Series 2019 Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2019 Bonds is payable semiannually on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing on March 1, 2020, computed at the respective rates of interest set forth on the cover page of this Official Statement. The Series 2019 Bonds will be issuable in denominations of $5,000 or any integral multiple thereof.

The Authority

The Authority is a joint exercise of powers authority created pursuant to Section 6500 et seq. of the California Government Code and a Second Amended and Restated Joint Exercise of Powers Agreement (the "Authority Agreement"), dated as of June 19, 2013 among the Cities of Belmont, Burlingame, East Palo Alto, Foster City, Menlo Park, Redwood City, San Carlos, San Mateo, the towns of Atherton, Hillsborough, the West Bay Sanitary District and the County of San Mateo (the "Members"). The Authority has been in existence since 1999. Pursuant to the Authority Agreement, the purpose of the Authority is to provide for the joint ownership, financing, administration, and operation of regional solid waste management facilities, and for the joint planning, adoption, financing, administration, management, review, monitoring, enforcement and

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* Preliminary; subject to change.

reporting of solid waste, recyclable material and plant material collection activities. Pursuant to its terms, the Authority Agreement may not be terminated while the Series 2019 Bonds are outstanding. See “THE SYSTEM - The Authority” herein.

Security and Sources of Payment for the Series 2019 Bonds

The Authority’s obligation to make payments of principal and interest on the Series 2019 Bonds is a special obligation of the Authority payable solely from amounts pledged therefor, including certain revenues of the Authority under the Indenture and will be on a parity with additional Bonds or Parity Obligations (as hereinafter defined) of the Authority issued or executed under the Indenture subject to the application of such revenues as permitted by the Indenture. The revenues of the Authority so pledged consist primarily of the Net Revenues of the Authority’s solid waste management system (the “Enterprise”), which generally are tipping fees and recyclable materials sale revenues received by or imposed by the Authority in connection with the operation of the Enterprise or the provision of solid waste processing and disposal services in any Fiscal Year, less the Maintenance and Operation Costs (as herein defined) of the Enterprise for such Fiscal Year. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2019 Bonds” herein.

Book Entry System

The Series 2019 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of a nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series 2019 Bonds. Individual purchases of the Series 2019 Bonds will be made in book-entry form only. Purchasers of the Series 2019 Bonds will not receive certificates representing their ownership interests in the Series 2019 Bonds purchased. The Series 2019 Bonds will be issuable in the principal amount of $5,000 and any integral multiple thereof. Principal and interest payments on the Series 2019 Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial Owners of the Series 2019 Bonds. See “THE SERIES 2019 Bonds - General” and Appendix F - “BOOK- ENTRY SYSTEM.”

Redemption

The Series 2019 Bonds are subject to optional, mandatory and extraordinary redemption prior to their stated maturities. See “THE SERIES 2019 Bonds - Redemption.”

Reserve Fund

A fund (the “Reserve Fund”) will be held under the Indenture in order to secure the payment of principal of and interest on the Series 2019 Bonds and any additional Series of Bonds (together with the Series 2019 Bonds, the “Bonds”) in an amount equal to the Reserve Requirement, which, as of the date of issuance of the Series 2019 Bonds is $_________. The Reserve Requirement will be satisfied through the use of a portion of the proceeds of the Series 2019 Bonds. The Indenture provides that, in replacement of moneys then on deposit in the Reserve Fund, the Authority, without the consent of the Owners, may deliver to the Trustee a surety bond or insurance policy issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company’s insurance policies) are rated, at the time of delivery, in one of the two the highest rating category of Moody’s or S&P (without regard to qualifier), in an amount, together with moneys on deposit in the Reserve Fund equal to the Reserve Requirement. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2019 Bonds - Reserve Fund” herein.

Additional Bonds or Other Parity Obligations

The Indenture provides that the Authority may at any time issue or execute additional bonds or other Parity Obligations payable from the Net Revenues and secured by a lien and charge upon the Net Revenues equal to and on a parity with the lien and charge securing the Series 2019 Bonds theretofore issued hereunder, subject to the satisfaction of certain conditions specified in the Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2019 Bonds - Additional Bonds or Other Parity Obligations" herein. The Indenture also provides that the Authority may at any time execute or issue Subordinate Obligations, contracts, bonds or other indebtedness of the Authority payable from the Revenue Fund on a subordinated basis to the payment of the Debt Service Payments ("Subordinate Obligations").

Rate Covenant

Pursuant to the Indenture, the Authority is required, at all times while any of the Bonds remain Outstanding, to fix, prescribe and collect rates, fees and charges, and collect such other revenues in connection with the Enterprise which, when added to the Additional Revenues, will yield Revenues in each Calendar Year at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts due in each Calendar Year in the order below set forth:

(1) All current Maintenance and Operation Costs.

(2) The interest on and principal of the Bonds and any Parity Obligations as they become due and payable.

(3) All payments required for compliance with the terms hereof, including restoration of the Reserve Fund to an amount equal to the Reserve Requirement, and of any documents providing for the issuance of Parity Obligations pursuant to Article II hereof.

(4) All payments to meet any other obligations of the Authority which are charges, liens or encumbrances upon, or payable from, the Revenues.

In addition to the foregoing requirements, the Indenture provides that the Authority will, at all times while any of the Bonds remain Outstanding, fix, prescribe and collect rates, fees and charges in connection with the Enterprise for each Calendar Year so as to yield Net Revenues during such Calendar Year equal to at least 1.40 times the Debt Service in such Calendar Year plus scheduled principal and interest payments on or with respect to any Parity Obligations. For purposes of this calculation, Revenues may include any amounts appropriated to the Revenue Fund by the Authority from the Rate Stabilization Fund in accordance with the Indenture.

"Additional Revenues" means amounts not already counted as Revenues under the Indenture which are on deposit in the Revenue Fund or other funds of the Authority (including a Rate Stabilization Fund) and which are legally available for payment of Debt Service.

See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2019 BONDS – Rate Covenant" herein.

Limited Liability

THE OBLIGATION OF THE AUTHORITY TO MAKE THE DEBT SERVICE PAYMENTS WITH RESPECT TO THE SERIES 2019 BONDS AND THE OTHER AMOUNTS DUE UNDER THE INDENTURE IS A SPECIAL OBLIGATION OF THE AUTHORITY PAYABLE SOLELY FROM THE MONEYS LEGALLY AVAILABLE AND PLEDGED THEREFOR THEREUNDER, DOES NOT CONSTITUTE A DEBT OF THE AUTHORITY, ITS MEMBER AGENCIES OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY FOR WHICH THE AUTHORITY OR ANY MEMBER AGENCY IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, ANY

FORM OF TAXATION. THE BONDS DO NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY OR ITS MEMBER AGENCIES.

Continuing Disclosure

The Authority has covenanted to provide certain financial information and operating data relating to the Authority and to provide notices of the occurrence of certain enumerated events. See "CONTINUING DISCLOSURE" herein and APPENDIX E- "FORM OF CONTINUING DISCLOSURE AGREEMENT."

Miscellaneous

The descriptions herein of the Indenture, the Authority Agreement and any other agreements relating to the Series 2019 Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2019 Bonds are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. See Appendix C- "SUMMARY OF THE INDENTURE."

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Indenture. See Appendix C- "SUMMARY OF THE INDENTURE" for definitions of certain words and terms used but not otherwise defined herein.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

PLAN OF FINANCE

The Series 2019A Bonds are being issued to (i) refund the Refunded Bonds; (ii) fund a deposit to the Reserve Fund; and (iii) pay costs of issuance of the Series 2019A Bonds. The Series 2019B Bonds are being issued to (i) pay the costs of the 2019 Project; (ii) fund a deposit to the Reserve Fund; and (iii) pay costs of issuance of the Series 2019B Bonds.

Refunding

Concurrently with the issuance and delivery of the Series 2019A Bonds, the Authority shall utilize a portion of the proceeds thereof, together with other available funds of the Authority, to purchase certain direct obligations of the United States of America the maturing principal and interest with respect to which, together with other available moneys, will satisfy the debt service payment obligations with respect to the Refunded Bonds until their redemption date. These direct obligations shall be deposited in an escrow account held by the Trustee as escrow agent for the Refunded Bonds (the "Escrow Agent") under an escrow agreement, dated as of June 1, 2019 (the "Escrow Agreement"), that will require the Escrow Agent to apply the principal of, and interest on such obligations, together with other moneys held by the Escrow Agent, to the payment of interest on the Refunded Bonds when due and redemption of the Refunded Bonds on the redemption date of September 1, 2019 at the redemption price equal to 100% of the principal amount to be redeemed plus interest accrued thereon.

Upon such irrevocable deposit with the Escrow Agent the Refunded Bonds will be defeased and will no longer be entitled to the pledge of and charge and lien upon the revenues pursuant to the indenture under which the Refunded Bonds were issued. Amounts held by the Escrow Agent pursuant to the Escrow Agreement will not be available for payment of debt service on the Series 2019 Bonds.

In connection with the defeasance of the Refunded Bonds, Causey Demgen & Moore P.C., independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the amounts deposited pursuant to the Escrow Agreement to pay the principal of, and interest on, the Refunded Bonds on their payment and redemption date. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

The following table contains certain information related to the Refunded Bonds.

South Bayside Waste Management Authority
Solid Waste Enterprise Refunding Revenue Bonds
(Shoreway Environmental Center)
Series 2009A

Maturity Date (September 1)	Principal Amount	Interest Rate	CUSIP†† Number
2019	$ 1,495,000	5.00%	83646AAH6
2024	8,710,000	5.25	83646AAJ2
2029	11,470,000	6.25	83646AAK9
2036	23,010,000	6.00	83646AAL7

The 2019 Project

The 2019 Project generally consists of construction of various improvements and acquisition and installation of certain associated equipment to the Shoreway Environmental Center, as more particularly described below. The total cost of the Project, which will be funded from a portion of the proceeds of the 2019B Bonds and other available funds of the Authority, is projected to be approximately $20 million, consisting of the following components:

Project Component	Cost (millions)
Materials Recovery Facility	$15.58
Organics-to-Energy Pilot	2.25
Other	2.17
Total	$20.00

Materials Recovery Facility Equipment Improvements

Optical Sorting Machine: This part of the 2019 Project consists of an optical sort system to be used for high-speed separation of contamination out of mixed paper to capture more commodity revenues. The Authority projects that optical sorting will (i) capture additional cardboard and containers and (ii) result in the recovery of higher quality paper materials that are expected to be sold at higher prices than currently achieved.

Robotic Residue Sorting Equipment/Quality Control System: This part of the 2019 Project consists of a robotic sorting system that utilizes advanced recognition and artificial intelligence technology to identify and sort a wide variety of materials. The Authority believes that applying this robotic system to residue generated from the Materials Recovery Facility residue will result in a reduction in sort labor expense and the capture of recyclable materials which are currently disposed. Additionally, this robotic sorting system will be installed at

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the end of all fiber sort lines to identify, record, and report the fiber composition and quality. This information can be used in connection with the installation of the optical sort system to be implemented in the additional sort system improvements described below to maximize the ability of the Materials Recovery Facility to meet the fiber commodity quality standard for high grade paper.

Enhanced Glass Cleanup System: The glass cleanup system is designed to remove contaminates through a combination of magnets, screening and air. The Authority anticipates that the enhanced glass cleanup system increase the quality of the glass recovered by reducing contamination with shredded paper, batteries, and small metals and plastic contaminates. In addition, the system is expected to remove batteries and to reduce exposure to fires caused by batteries.

Sort System Upgrades: This part of the 2019 Project consists of high speed optical sorting technology to remove contamination and meet new paper quality standards. Six-optical sorters will be installed to replace manual sorting by Authority employees in order to increase the quality of materials recovered and recover additional recyclables. The Authority anticipates that this will result in increased revenues and a reduction in labor costs.

Organics-to-Energy Pilot Project

This part of the 2019 Project consists of the acquisition and installation of equipment that will process approximately 75 tons of organics materials per day. The organic materials to be processed include approximately 50 tons per day of source-separated organic materials delivered from commercial establishments and approximately 25 tons of solid waste material. The solid waste material is first fed into a bag opening machine and then sent to separate machinery where the material is subjected to high compression to extract the organic material. Plastic and grit are removed from the extracted material, and water is added to make a slurry. The slurry will then be pumped to storage tanks prior to being transported to third parties for organics digestion. The Authority has entered into memoranda of understanding with East Bay Municipal Utilities District and Silicon Valley Clean Water to accept the material delivered. (East Bay Municipal Utilities District and Silicon Valley Clean Water both operate wastewater treatments facilities which utilize organic materials for the generation of electricity.) [[DOES AUTHORITY HAVE TO PAY A FEE FOR DELIVERING ORGANICS?]]

Other Capital Projects

Approximately $2.17 million of the proceeds of the Series 2019 Bonds will be used to pay the initial costs of a compressed natural gas fueling station (the "CNG Fueling Station"). The CNG Fueling Station is particularly described in "THE ENTERPRISE – Future Capital Improvements."

2019 Project Schedule

Installation of the Single Optical Sorting Equipment, Robotic Sorting Equipment, and Enhanced Glass Cleanup System is expected to commence in June 2019, and is expected to be completed by April 2020. Installation of the Sort System Upgrades is expected to commence in May 2020, and is expected to be completed by April 2021. Installation of the Organics to Energy Pilot is scheduled to commence in May 2019, and is expected to be completed by April 2020.

The estimated costs of, and the projected schedule for, the 2019 Project are subject to a number of uncertainties. The ability of the Authority to complete the 2019 Project may be adversely affected by various factors. See "CERTAIN RISK FACTORS – Construction Risk."

The Indenture permits the Authority to change the specifications of the 2019 Project (so long as such change does not substantially alter the nature of the Project), and to designate an alternate project ("Alternate Project").

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are set forth below:

	2019A Bonds	2019B Bonds
Estimated Sources of Funds:		
Par Amount		
Net Original Issue Premium		
Available Amounts from Refunded Bonds		
Total Sources		
Estimated Uses of Funds:		
2019 Project Fund		
Escrow Account		
Reserve Fund		
Costs of Issuance(1)		
Total Uses		

(1) Includes rating agency, legal, municipal advisor, verification agent and trustee fees, underwriter's discount and printing costs and other costs of issuance incurred in connection with the issuance of the Series 2019 Bonds.

THE SERIES 2019 BONDS

General

The Series 2019 Bonds shall be dated the date of issuance, shall bear interest (computed on the basis of a 360-day year consisting of twelve 30-day months) at the rates per annum (payable semiannually on March 1 and September 1 in each year, commencing on March 1, 2020) and shall mature and become payable on March 1 in each of the years in the principal amounts set forth on the cover page hereof. The Series 2019 Bonds shall be issued as fully registered bonds in denominations of five thousand dollars ($5,000) or any integral multiple thereof. The Series 2019 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of a nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2019 Bonds. See "Book-Entry System" below and Appendix F— "BOOK-ENTRY SYSTEM."

Redemption

Optional Redemption. The Series 2019 Bonds maturing on or before September 1, 20__ are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 20__ are subject to optional redemption on any date on or after September 1, 20__, in whole or in part, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest to the redemption date, without premium.

Mandatory Redemption. The Series 2019A Bonds maturing September 1, 20__ shall be subject to mandatory sinking fund redemption in part, by lot, commencing on September 1, 20__, from mandatory sinking fund payments set aside in the Payment Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in the aggregate respective principal amounts and on the dates set forth below:

Redemption Date (September 1)	**Redemption Amount**
(Maturity)	

The Series 2019B Bonds maturing September 1, 20__ shall be subject to mandatory sinking fund redemption in part, by lot, commencing on September 1, 20__, from mandatory sinking fund payments set aside in the Payment Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, in the aggregate respective principal amounts and on the dates set forth below:

Redemption Date (September 1)	**Redemption Amount**
(Maturity)	

Extraordinary Optional Redemption. The Series 2019 Bonds are subject to redemption, in whole or in part on any date, from the Net Proceeds of insurance or condemnation with respect to the Enterprise, which Net Proceeds are deposited in the Payment Fund and credited towards the prepayment of the Debt Service Payments, at a redemption price equal to the principal amount of the Series 2019 Bonds to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Selection of 2019 Bonds for Redemption. In the event that part, but not all, of the Series 2019 Bonds are to be redeemed (except for mandatory sinking fund redemption), the Bonds to be redeemed shall be selected by the Trustee among maturities as designated in writing by the Authority and by lot within a maturity; provided, however, that, as shall be set forth in a Certificate of the Authority, the Bonds may be redeemed by any maturity or maturities selected by the Authority, and by lot within a maturity. For the purpose of the selection described in this Section, all Bonds registered in the name of the same Owner shall be aggregated and treated as a single Bond held by such Owner. Notwithstanding any of the foregoing, in any such partial redemption the Trustee shall call the Bonds in integral multiples of $5,000.

Notice of Redemption. When redemption is authorized or required pursuant to the Indenture, the Trustee shall give notice (the “Redemption Notice”), at the expense of the Authority, of the redemption of the Series 2019 Bonds. Such Redemption Notice shall specify: (a) the Series 2019 Bonds or designated portions thereof (in the case of redemption of the Series 2019 Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of any paying agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Series 2019 Bonds to be redeemed, (f) if less than all the Series 2019 Bonds of a maturity are to be redeemed, the certificate numbers of the Series 2019 Bonds to be redeemed and, in the case of any 2019 Bond to be redeemed in part only, the amount of such 2019 Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each 2019 Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each 2019 Bond or portion thereof being redeemed the redemption price, together with interest accrued to the redemption date, and that from and after such date interest with respect thereto shall cease to accrue and be payable. Such notice in respect of optional or extraordinary casualty redemption shall not be provided unless there has been deposited with the Trustee funds sufficient to pay such redemption price (except in the case of redemption resulting from the issuance of refunding obligations).

Subject to the provisions stated above, the Trustee shall take the following actions with respect to such Redemption Notice:

(a) (i) At least thirty (30) but not more than forty-five (45) days prior to the redemption date or (ii) immediately upon receipt of Net Proceeds from insurance or condemnation awards which are to be used to redeem Bonds, the Trustee shall cause Redemption Notices to be given to the respective Owners of 2019 Bonds designated for redemption by first class mail, postage redeemed, at their addresses appearing on the Bond Register maintained by the Trustee.

(b) At least thirty (30) days prior to the redemption date, such Redemption Notice shall be given to each of the Securities Depositories.

Neither failure to receive any Redemption Notice nor any defect in such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of such Bonds. Each check or other payment method used by the Trustee for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

The Authority shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Series 2019 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Purchase in Lieu of Redemption. In lieu, or partially in lieu, of such call and redemption, moneys of the Authority may be used to purchase Outstanding Bonds in the manner hereinafter provided. Purchases of Outstanding Bonds may be made by the Authority prior to the selection of Bonds for redemption by the Trustee, at public or private sale as and when and at such prices as the Authority may in its discretion determine but only at prices (including brokerage or other expenses) of not more than par plus applicable accrued interest and redemption premiums, and any accrued interest payable upon the purchase of Bonds may be paid from the amount in the Payment Fund for payment of interest on the following Interest Payment Date.

Book-Entry System

DTC will act as securities depository for the Series 2019 Bonds, and the Series 2019 Bonds will be registered in the name of Cede & Co. (DTC's nominee). One fully-registered certificate will be issued for each maturity of the Series 2019 Bonds in the aggregate principal amount of such maturity and will be deposited with DTC. So long as Cede & Co. is the registered owner of the Series 2019 Bonds, references herein to the Owners of the Series 2019 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners.

The Authority cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the Series 2019 Bonds received by DTC or its nominee as the registered Owner, or any prepayment or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement.

See Appendix F for a further description of DTC and its book-entry system. The information presented therein is based solely on information provided by DTC.

DEBT SERVICE SCHEDULE

Following is the debt service schedule with respect to the Series 2019A Bonds, and the Series 2019B Bonds:

Year Ending December 31	2019A Bonds Principal	2019A Bonds Interest	2019B Bonds Principal	2019B Bonds Interest	Total Debt Service
Totals:					

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS

Generally

The Authority's obligation under the Indenture to make payments of principal and interest on the Series 2019 Bonds is a special obligation of the Authority payable solely from amounts pledged therefor, including certain revenues of the Authority under the Indenture and will be on a parity with additional Bonds or other Parity Obligations (as hereinafter defined) of the Authority issued or executed under the Indenture subject to the application of such revenues as permitted by the Indenture. The revenues of the Authority so pledged consist primarily of the Net Revenues of the Enterprise. The Net Revenues consist of Revenues of the Authority in any Calendar Year, less the Maintenance and Operation Costs of the Enterprise for such Calendar Year.

"Revenues" means all gross income and revenue received or receivable by the Authority from the ownership or operation of the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges received by the Authority for the Enterprise and the other services of the Enterprise, revenues from sale of commodities and all proceeds of insurance covering business interruption loss relating to the Enterprise and all other income and revenue howsoever derived by the Authority from the ownership or operation of the Enterprise or arising from the Enterprise, amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to the Indenture, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Indenture, but excluding any (i) amounts transferred from the Revenue Fund to the Rate Stabilization Fund pursuant to the Indenture, (ii) any specific charges levied for the express purpose of reimbursing others for all or a portion of the cost of the acquisition or construction of specific facilities, (iii) grants which are designated by the grantor for a specific purpose and are therefore not available for other purposes, or (iv) customers' deposits or any other deposits subject to refund until such deposits have become the property of the Authority, which shall not constitute Revenues.

"Maintenance and Operation Costs" of the Enterprise means all reasonable and necessary costs paid or incurred by the Authority for maintaining and operating the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including payments due under or pursuant to the Operation Agreement, disposal costs, all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and including all administrative costs of the Authority that are charged directly or apportioned to the operation of the Enterprise, such as salaries and wages of employees (including any payments related to retirement or post-retirement benefits then-currently payable), overhead, taxes (if any) and insurance premiums, and including all other reasonable necessary costs of the' Authority or charges required to be paid by it to comply with the terms hereof or of any Supplemental Indenture, such as compensation, reimbursement and indemnification of the Trustee and fees and expenses of Independent Consultants; but excluding in all cases (i) Debt Service on the Bonds, Parity Obligations and Subordinate Obligations, (ii) the fee payable to the City of San Carlos pursuant to Section 12.6 of the Agreement, (iii) capital improvements to the Enterprise, (iv) depreciation, replacement and obsolescence charges or reserves therefor, and (v) amortization of intangibles or other bookkeeping entries or a similar nature.

"Parity Obligations" means all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the Authority, payable from and secured by a pledge of and lien upon any of the Net Revenues incurred on a parity with the payment of the Debt Service Payments pursuant to the Indenture. See "Additional Bonds or Other Parity Obligations" below.

Indenture of Trust

The Indenture authorizes the execution of and secures the payment of Bonds, including the Series 2019 Bonds. "Bonds" consist of all solid waste revenue bonds of the Authority authorized and issued by the Authority under the Indenture and under any Supplemental Indenture.

The Indenture contains various covenants and agreements of the Authority relating to financial and operational aspects of the Enterprise, including covenants relating to the provision of solid waste management services by the Authority and the setting and collection of rates and charges at specified levels. See "Rate Covenant" below. The Indenture also contains covenants relating to the following matters, among others: the establishment of accounts and payment priorities for Maintenance and Operation Costs and other expenses of the Enterprise; the preparation of an annual budget and reconciliation thereof; the maintenance of specified reserves; the prudent operation and maintenance of the Enterprise; compliance with laws; and adherence to insurance requirements.

The Indenture provides that the Authority may, subject to the terms of the Indenture (including, with certain exceptions, certain financial tests), issue one or more series of additional Bonds or other Parity Obligations, as necessary or desirable to discharge the Authority's purposes in connection with solid waste management and any amount payable in accordance with such additional Bonds or other Parity Obligations would be payable on a parity with the Series 2019 Bonds. See "Additional Bonds or Other Parity Obligations" below.

Net Revenues; Flow of Funds

Pursuant to the Indenture, the Authority pledges the Net Revenues to the punctual payment of the Debt Service Payments and such Net Revenues shall not be used for any other purpose while any of the Bonds remain outstanding, except as provided in the Indenture (including payments with respect to Parity Obligations). The pledge of the Net Revenues pursuant to the Indenture shall constitute a first lien on the Net Revenues for the payment of the Debt Service Payments and payments with respect to Parity Obligations, and payments in accordance with the terms of the Indenture.

Pursuant to the provisions of the Indenture, the Authority is required to deposit all Revenues into the Revenue Fund upon receipt. The Revenue Fund is held by the Authority. The Indenture provides that all Revenues in each of such accounts shall be held in trust and will be accounted for and held in trust for the benefit of Bond Owners and for payments with respect to Parity Obligations in the Revenue Fund and shall be applied, used and withdrawn only for the purposes authorized in the Indenture at the specified times and in the following order of priority:

(1) Maintenance and Operation Costs. The Authority shall pay all Maintenance and Operation Costs of the Enterprise (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs of the Enterprise, the payment of which is not then immediately required) from the Revenue Fund as they become due and payable.

(2) Debt Service Funds. Debt Service Payments and all other payments relating to principal and interest on or with respect to Parity Obligations, shall be paid in accordance with the terms of the Indenture and of such Parity Obligations, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

On or before the third to last Business Day of each month which precedes an interest payment date with respect to the Series 2019 Bonds or any Parity Obligations, the Authority shall transfer from the Revenue Fund for deposit with the Trustee in the Debt Service Account (with respect to the Series 2019 Bonds) or any debt service account established with respect to any Parity Obligations, an amount of Revenues equal to the amount of interest becoming due and payable on the Outstanding Series 2019 Bonds or Parity Obligations on the Interest Payment Date without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference. No deposit need be made into the Debt Service Account if the amount contained therein is at least equal to the interest to become due on the Series 2019 Bonds on the next Interest Payment Date.

On or before the third to last Business Day of each month which precedes a principal payment date with respect to the Series 2019 Bonds or any Parity Obligations, the Authority shall transfer from the Revenue Fund for deposit with the Trustee in the Debt Service Account (with respect to the Series 2019 Bonds) or debt service account established with respect to Parity Obligations, an amount of Revenues equal to the aggregate amount of principal becoming due and payable on the Series 2019 Bonds or Parity Obligations on the next principal payment date without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference. No deposit need be made into the Debt Service Account if the amount contained therein is at least equal to the principal to become due on all Series 2019 Bonds on the next principal payment date.

(3) Reserve Funds. Payments required pursuant to the Indenture, or with respect to Parity Obligations, to replenish debt service reserve funds established for Parity Obligations shall be made in accordance with the terms of the Indenture and such Parity Obligations, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference. On or before the last Business Day of each month, the Authority shall transfer from the Revenue Fund for deposit with the Trustee in the Series 2019 Reserve Fund such amount of Revenues as shall be required to restore the Series 2019 Reserve Fund to an amount equal to the Reserve Requirement in twelve equal monthly installments.

General Expenditures; Surplus. All Revenues not required to be withdrawn pursuant to the provisions of (1) through (3) above shall be used for expenditure for any lawful purpose of the Authority, including but not limited to payment of Maintenance and Operation Costs of the Enterprise, payment of any rebate requirement or payment of any Subordinate Obligation, or for deposit into a Rate Stabilization Fund or other reserve funds.

Rate Covenant

Pursuant to the Indenture, the Authority is required, at all times while any of the Bonds remain Outstanding, to fix, prescribe and collect rates, fees and charges, and collect such other revenues in connection with the Enterprise which, when added to the Additional Revenues, will yield Revenues in each Calendar Year at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts due in each Calendar Year in the order below set forth:

(1) All current Maintenance and Operation Costs.

(2) The interest on and principal of the Bonds and any Parity Obligations as they become due and payable.

(3) All payments required for compliance with the terms hereof, including restoration of the Series 2019 Reserve Fund to an amount equal to the Reserve Requirement, and of any documents providing for the issuance of Parity Obligations pursuant to Article II hereof.

(4) All payments to meet any other obligations of the Authority which are charges, liens or encumbrances upon, or payable from, the Revenues.

In addition to the foregoing requirements, the Indenture provides that the Authority will, at all times while any of the Bonds remain Outstanding, fix, prescribe and collect rates, fees and charges in connection with the Enterprise for each Calendar Year so as to yield Net Revenues during such Calendar Year equal to at least 1.40 times the Debt Service in such Calendar Year plus scheduled principal and interest payments on or with respect to any Parity Obligations. For purposes of this calculation, Revenues may include any amounts appropriated to the Revenue Fund by the Authority from a Rate Stabilization Fund in accordance with the Indenture.

The Authority may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of the Indenture.

If the Authority violates the covenants described above, such violation shall not, in and of itself, be a default under the Indenture and shall not give rise to a declaration of an Event of Default if (i) the Revenues do not decrease below 1.00 times annual Debt Service on the Bonds, Parity Obligations, amounts sufficient to maintain the Series 2019 Reserve Fund at the Reserve Requirement, and Maintenance and Operation Costs of the Enterprise, and (ii) within 120 days after the date such violation is discovered, the Authority hires an Independent Consultant to review the revenues and expenses of the Enterprise and abides by such consultant's recommendations to revise the schedule of rates, fees and charges and to revise any Maintenance and Operation Costs of the Enterprise insofar as practicable and to take such other actions as are necessary so as to produce Net Revenues to cure such violation for future compliance; provided, however, that if the Authority does not cure such violation within twelve (12) months succeeding the date such violation is discovered, an Event of Default shall be deemed to have occurred under the Indenture.

Additional Parity Obligations

The Indenture provides that, so long as any Series 2019 Bonds are Outstanding, the Authority shall not issue or incur any obligations payable from Net Revenues senior or superior to the Debt Service Payments and interest thereon. The Authority may issue or incur any such Parity Obligations subject to the following specific conditions:

(1) No Event of Default shall have occurred and be continuing (unless the express purpose of the Parity Obligations is to cure such Event of Default);

(2) The Net Revenues for twelve consecutive months out of the eighteen months preceding the date of the issuance of the Parity Obligations, as shown in a written certificate of the Authority on file with the Trustee; plus

(i) An allowance for Net Revenues for such twelve month period from any additions, betterments or improvements to the Enterprise which have been made from any source but which, during all or any part of such period, were not in service, in an amount equal to one hundred per cent (100%) of the amount by which the Net Revenues would have been increased if such addition, betterment or improvement had been in service during the whole of such twelve month period, as shown by a written certificate of the Authority on file with the Trustee; and

(ii) An allowance for increased Net Revenues arising from any increase in the rates, fees and charges for the Enterprise which became effective prior to the date of the issuance of such additional Series of Bonds or Parity Obligations but which, during all or any part of such twelve month period, was not in effect, in an amount equal to one hundred per cent (100%) of the amount by which the Net Revenues would have been increased if such increase in rates, fees and charges had been in effect during the whole of such period, as shown by a written certificate of the Authority on file with the Trustee, shall have produced a sum equal to at least 1.40 times the Maximum Annual Debt Service on all then Outstanding Bonds and any Parity Obligations; provided, that in the event all or any portion of the Parity Obligations is to be issued for the purpose of refunding any Bonds or Parity Obligations then Outstanding, interest and principal payments on the Bonds or Parity Obligations to be so refunded from the proceeds of such Parity Obligations being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service.

(3) With respect to any additional Parity Obligation, the Authority may, in its sole discretion (but is not required to), establish a reserve fund in an amount not to exceed the limits set forth in the Indenture.

The provisions of subsection (2) described above shall not apply to any Parity Obligations issued for the purpose of refunding or prepaying the principal of and interest and premium (if any) on any Outstanding Series 2019 Bonds or on outstanding Parity Obligations, if at the time of the incurring of such Parity Obligations, the Authority certifies in writing that maximum annual debt service on such Parity Obligations will not exceed Maximum Annual Debt Service on the Outstanding Series 2019 Bonds or Parity Obligations to be refunded.

Subordinate Obligations

The Indenture provides that the Authority may at any time execute or issue Subordinate Obligations contracts, bonds or other indebtedness of the Authority payable from the Revenue Fund on a subordinated basis to the payment of the Debt Service Payments.

Series 2019 Reserve Fund

The Indenture establishes a Series 2019 Reserve Fund held by the Trustee for the payment of the Series 2019 Bonds which is required to be initially funded with proceeds of the Series 2019 Bonds at the Reserve Requirement. The Series 2019 Reserve Fund shall initially be funded, and shall continuously be funded, in an amount equal to the Reserve Requirement. The Trustee shall hold the Series 2019 Reserve Fund in trust and shall apply moneys in the Series 2019 Reserve Fund in accordance with the following provisions.

Amounts on deposit in the Series 2019 Reserve shall only be used for the payment of debt service with respect to the Series 2019 Bonds, and are not available for the payment of any other Parity Obligation

If, two (2) Business Days prior to any Interest Payment Date, the money in the Payment Fund does not equal the amount required to be paid to the Series 2019 Bond Owners on such date, the Trustee shall transfer from the Series 2019 Reserve Fund to the Payment Fund the amount of such insufficiency; provided, if the Series 2019 Reserve Fund is funded with a surety bond, insurance policy or other comparable credit facility as described below, the Trustee shall take such action as is necessary to make a claim under the surety bond or insurance policy, respectively, so that the amount of such insufficiency is paid or available to the Trustee on such Interest Payment Date under the terms of such instrument.

If, following valuation or calculation thereof, the amount available and contained in the Series 2019 Reserve Fund (valued as provided in Indenture) exceeds the Reserve Requirement and if the Trustee does not have actual knowledge of an Event of Default hereunder, the Trustee shall withdraw the amount of such excess from the Series 2019 Reserve Fund. The Trustee shall deposit such amount in the Debt Service Account. For purposes of determining the amount on deposit in the Series 2019 Reserve Fund, the Trustee shall make a valuation of the Series 2019 Reserve Fund as of June 30 of each year. Except for such withdrawals, all money in the Series 2019 Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making the payments of principal and interest on the Bonds in the event that amounts on deposit in the Payment Fund are insufficient for such purposes.

If amounts on deposit in the Series 2019 Reserve Fund shall, at any time, be less than the applicable Reserve Requirement, such deficiency shall be made up by the Authority from the first available Net Revenues after required payment of Debt Service Payments over a twelve (12) month period, in twelve (12) substantially equal payments, as provided in the Indenture, and the Series 2019 Reserve Fund shall be valued monthly until amounts on deposit therein equal the Reserve Requirement.

In lieu of making the Series 2019 Reserve Fund deposits in compliance with Section 3.06, or in replacement of moneys then on deposit in the Series 2019 Reserve Fund, the Authority may, without the consent of the Owners, and with an opinion of nationally recognized bond counsel that such delivery complies with the provisions hereof, deliver to the Trustee a surety bond or an insurance policy securing an amount, together with moneys on deposit in the Series 2019 Reserve Fund, equal to the Reserve Requirement. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated, at the time of delivery, in one of the two the highest rating category of Moody's or S&P (without regard to qualifier). Such surety bond or insurance policy shall have a term of no less than the final maturity of the Bonds.

The Trustee shall, on a pro rata basis with respect to the portion of the Series 2019 Reserve Fund held in the form of surety bonds and insurance policies (calculated by reference to the maximum amounts of such surety bonds and insurance policies and the amount of the initial deposit of such cash), draw under each surety bond or insurance policy, in a timely manner and pursuant to the terms of such surety bond or insurance policy to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed as required herein.

Following the replacement of moneys then on deposit in the Reserve Fund by a surety bond or insurance policy as provided herein, any moneys on deposit in the Reserve Fund in excess of the Reserve Requirement shall be transferred by the Trustee to the Payment Fund or the Project Fund, at the written direction of the Authority, to be credited as provided herein.

Limited Liability

THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL AND INTEREST ON THE SERIES 2019 BONDS IS A LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY FROM THE AMOUNTS PLEDGED THEREFOR AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY FOR WHICH THE AUTHORITY OR THE MEMBERS ARE OBLIGATED TO LEVY OR PLEDGE OR HAVE LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2019 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE MEMBERS, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA, ANY STATUTORY DEBT LIMITATIONS OR OTHERWISE, OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY OR THE MEMBERS.

THE ENTERPRISE

The Authority

The South Bayside Waste Management Authority (the "Authority") was originally formed in 1999, among the Cities of Belmont, Burlingame, East Palo Alto, Foster City, Menlo Park, Redwood City, San Carlos, San Mateo, the towns of Atherton, Hillsborough, the West Bay Sanitary District and the County of San Mateo (the "Members") pursuant to Articles 1 through 4, commencing with Section 6500 of Chapter 5, Division 7, Title 1 of the California Government Code. The Authority is the successor entity to the South Bayside Transfer Station Authority ("SBTSA") a joint exercise of powers authority, created pursuant to a joint exercise of powers agreement dated as of June 22, 1982, among the same agencies to generally provide an adequate flow of municipal solid waste to the San Carlos Transfer Station. Pursuant to the Authority

Agreement, the purpose of the Authority is to provide for the joint ownership, financing, administration, and operation of regional solid waste management facilities, and for the joint planning, adoption, financing, administration, management, review, monitoring, enforcement and reporting of solid waste, recyclable material and plant material collection activities. Pursuant to its terms, the Authority Agreement may not be terminated while any Series 2019 Bonds are outstanding.

Pursuant to the Authority Agreement, the Authority is authorized to, among other things, enter into agreements to operate solid waste, recyclable material and plant material transfer, transport and processing facilities; plan, design and implement programs that address transfer, processing and diversion requirements; enter into franchise agreements for the use of the transfer station; require Members to direct all of their solid waste, recyclable materials and plant materials to the system for processing and transfer. As a requirement of membership in the Authority, each Member must at all times (i) have the authority to grant solid waste collections franchises; (ii) agree to commit to direct the flow of solid waste, recycling and plant material generated within the respective jurisdiction to those facilities specified in the Authority Agreement, so long as the Series 2019 Bonds remain outstanding; and (iii) have the authority to set rates sufficient to provide for the financing and operations of the Enterprise. Pursuant to the Authority Agreement, the Authority can require Members to deliver waste, plant material and recyclable materials collected through their respective franchisees to the Enterprise.

The Authority Agreement provides that a Member may not withdraw from the Authority unless and until that Member achieves the following:

a. The liquidation in full of the Member's proportion of any and all existing debts, obligations, and liabilities incurred, earned, or expected to be earned by the date of withdrawal, as determined by the Board.

b. The provision to the Authority of a written notice of intent to withdraw from the Authority at least six (6) months prior to the end of the current Rate Year, specifying the date on which the Member intends to withdraw.

c. The approval of such withdrawal by a 4/5 affirmative vote of Equity Members. (All of the current Members of the Authority are Equity Members.)

Organization and Management

The Authority is governed by a twelve member governing board, consisting of one Director for each Member agency. The current Chair of the Board is the representative from the Town of Hillsborough. The Authority has seven employees, including an Executive Director. The Authority has also entered into arrangements with the [CONFIRM City of San Carlos], as well as consulting and other firms, to provide support services to the Authority.

Service Area

Economy in the Authority Service Area. The service area of the Authority consists of the geographical area of the Members. Major employers in the Authority service area include those in county government, financial services, education, health care, electronics and food services. A map of the Authority service area in [on the next page]. See Table 1 for population information concerning the Members of the Authority.

[INSERT SERVICE AREA MAP]

Population in the Authority Service Area. The following table contains population information concerning the Members of the Authority:

TABLE 1
POPULATION INFORMATION RELATING TO THE AUTHORITY MEMBERS

Member Agency	2014	2015	2016	2017	2018
City of San Mateo	100,403	101,608	103,006	103,465	104,490
City of Redwood City	82,775	84,204	86,079	86,271	86,380
Unincorporated Area[(1)]	64,539	64,925	65,282	65,450	65,828
City of Menlo Park	32,667	32,902	32,976	34,789	35,268
City of Foster City	32,736	32,954	33,087	33,287	33,490
City Burlingame	29,817	29,992	30,182	30,207	30,294
City of San Carlos	29,425	29,489	29,534	29,681	29,897
City of Belmont	26,940	27,184	27,371	27,343	27,388
City of East Palo Alto	29,928	30,450	30,604	30,718	30,917
Hillsborough	11,159	11,186	11,216	11,389	11,543
Atherton	7,007	7,041	7,074	7,100	7,135
Total SBWMA	752,700	760,343	766,589	770,256	774,155
Annual Growth Rate					

[(1] Not all the unincorporated area is served by SBWMA.
Source: The Authority

Waste Collection Practices of the Members; Exclusive Franchise Arrangements

Following a competitive process undertaken by the Authority on behalf of the Members, in 2019 each Member of the Authority has entered into its own contractual arrangement for solid waste collection within its respective jurisdiction. The Authority does not provide collection services to the Members. Pursuant to exclusive franchise agreements (each, an "Exclusive Franchise") between each Member Agency and Recology San Mateo County ("Recology"), Recology is obligated to (i) provide all waste collection services for residential, commercial, and industrial customers in the Authority service area; (ii) pay the Member a franchise fee calculated on the basis of gross revenues generated by Recology in each respective jurisdiction; (iii) to meet required diversion program levels in order to comply with the Members' State mandated requirements relating to recycling and waste diversion. The term of each Exclusive Franchise expires on December 31, 2034, except for the Exclusive Franchise between the City of Atherton and Recology, which expires on ________, 2019, and the Exclusive Franchise between the County and Recology, which expires on ________, 20__.

Generally, Recology directly bills residences and commercial establishments to which Recology provides solid waste collection services, and Recology is responsible for collection of such amounts. Recology is also responsible for the payment of tipping fees for the use of the Shoreway Recycling and Disposal Center, which Recology pays directly to the Authority.

Components of the Enterprise

The Enterprise currently consists of the 16-acre Shoreway Recycling and Disposal Center located at 225 and 333 Shoreway Road, in San Carlos, California, which includes a transfer station, materials recovery facility, administration building, operation and maintenance facilities, a diesel fueling station, employee parking and pavement areas, and elated equipment. The Enterprise also has various contractual arrangements made by the Authority for the acceptance and processing of materials, the sale of recovered materials, and the disposal of solid waste which is not recycled.

Transfer Station. The transfer station ("Transfer Station") provides a central location to which Recology's collection vehicles deliver solid waste and organic materials for transfer. Solid waste remaining after processing at the Shoreway Environmental Center is delivered (using long-haul transport vehicles) for disposal at the Ox Mountain Landfill. Organic materials are delivered to third parties for composting processing. [DESCRIBE CONTRACTS FOR COMPOSTING]. (A portion of the organics materials will be processed through the Organics-to-Energy Pilot Project to be funded from a portion of the proceeds of the Series 2019 Bonds, and additional amounts may be processed through the full scale organics-to-energy project in the event that Authority determines to implement it.)

The permitted capacity of the Transfer Station is 3,000 tons per day. For the year ended December 31, 2018, the Authority estimates that the Transfer Station accepted approximately 1100 tons per day of solid waste and approximately 460 tons per day of organic materials. The Transfer Station accepts all non-hazardous solid waste material produced by residential, commercial, municipal, industrial and/or agricultural activities that would be acceptable in a Class II disposal site, excluding sludge from wastewater treatment plants.

The Transfer Station is currently operated by South Bay Recycling (the "South Bay Recycling") pursuant to an [Operations Agreement] dated July __, 2009 (the "Operations Agreement") between the Authority and South Bay Recycling. Pursuant to the Operations Agreement, South Bay Recycling is obligated operate and maintain the Transfer Station and the Materials Recovery Facility, accept solid waste delivered to the Transfer Station and transfer and dispose of such waste, all in accordance with applicable law. Pursuant to the Operations Agreement, the Authority will pay South Bay Recycling a fee for providing such operations services, which may be adjusted upward or downward (within specified limits) to reflect actual throughput and waste diversion at the Transfer Station and Materials Recovery Facility. The Operations Agreement also provides that South Bay Recycling will be reimbursed for a number of pass through costs incurred by South Bay Recycling, including the actual disposal fees paid by South Bay Recycling for the disposal of solid waste delivered to the Transfer Station. [[WHEN DOES OPERATIONS AGREEMENT EXPIRE?]]

[[CONFIRM PAYMENT ARRANGEMENTS DESCRIBED IN THIS PARAGRAPH]] The Authority imposes a per ton tipping fee on persons delivering solid waste to the Enterprise (including Recology in its role as franchise hauler for each of the Members). The tipping fee is currently $121 per ton for solid waste, and $126 per ton for plant materials. Pursuant to the Operations Agreement, South Bay Recycling will collect tipping fees from self haulers on behalf of the Authority and deposit such amounts on a monthly basis to an account established by the Authority. Pursuant to the Exclusive Franchises, Recology pays tipping fees with respect to waste collected pursuant to the Exclusive Franchise directly to the Authority, rather than the facility operator). Tipping fees collected at the Project will constitute the most significant portion of overall revenues of the Authority, and were approximately $32.3 million in 2018 (or approximately 63% of total revenues).

The projected operating results include increases to tipping fees of 2.4%, 2.4%, and 2.5%, respectively, for 2020, 2021, and 2022 (with similar increases in future years). Such increases must be approved by the Board of the Authority.

Material Recovery Facility. The materials recovery facility ("Materials Recovery Facility") building is adjacent to the Transfer Station and occupies a 70,000 square foot industrial building. The Materials Recovery Facility provides a central processing facility for recyclable material collected from the buy-back, residential curbside and commercial recycling programs of the Member Agencies. The Materials Recovery Facility is currently operated by South Bay Recycling and currently handles an average of approximately 275 tons of recyclable materials per day (or approximately 70,000 tons per year). A portion of the proceeds of the Series 2019 Bonds will be used to pay the cost of various improvements to the Materials Recovery Facility.

[[DOES SOUTH BAY ACTUALLY SELL THE MATERIALS ALSO?]] The Operations Agreement provides South Bay Recycling with a number of financial incentives to maximize the recycling and diversion from landfill disposal of recyclable materials delivered to the Materials Recovery Facility. Revenues from the sale of recyclable materials constitute an important portion of the projected overall revenues of the Authority. The market price of recyclable materials has been subjected to wide cyclical fluctuations in the past. In the last few years, prices of recycled materials have declined significantly. See "Historical Financial Results" and "RISK FACTORS – Fluctuation in Revenues from the Sale of Recyclable Materials." Certain of the improvements to the Materials Recovery Facility to be funded with a portion of the proceeds of the Series 2019 Bonds are expected to increase the amount of materials recovered, as well as the marketability of recovered materials.

Disposal Services - Ox Mountain Landfill. [[UPDATE TO REFLECT EXTENSION]] Pursuant to an agreement (the "Landfill Agreement") between the Authority and Browning Ferris Industries of North America, Inc. ("BFI") dated ____________, 2019, the Authority utilizes the Ox Mountain Landfill for the disposal of solid waste delivered to the Enterprise. The Ox Mountain Landfill is owned and operated by BFI. It is one of only two landfills in San Mateo County and is the principal disposal site for waste generated in the County. The Landfill Agreement specifies a per-ton tipping fee for the disposal of solid waste at the Ox Mountain Landfill, which is currently approximately $42 per ton.

South Bay Recycling delivers waste collected at the Transfer Station (and not otherwise processed or disposed pursuant to the Authority's other arrangements described below) to the Ox Mountain Landfill and pays the disposal fee. Pursuant to the Operations Agreement, the Authority will reimburse the operator South Bay Recycling for the disposal fees so paid. The Authority's budget for Fiscal Year 2018-19 projects that the cost to the Authority the Landfill Agreement will be approximately $9.0 million.

In May 2019, the Authority entered into an extension of the Landfill Agreement following a competitive procurement for landfill disposal services. The extended term of the Landfill Agreement is through ______. The Landfill Agreement provides for a tipping fee of $___ in [Fiscal Year 2019-2020], which will escalate annually [[DESCRIBE ESCALATION RATE GENERALLY]].

The Authority has covenanted in the Indenture to continue to provide capacity for the disposal of a sufficient amount of solid waste so as to enable the Authority to meet the Rate Covenant. However, there can be no assurance that, in the event that the Ox Mountain Landfill was not available for any reason, the use of alternative disposal sites would not significantly increase the Enterprise's costs of transportation and disposal of waste. See "RISK FACTORS – Disposal Capacity" herein.

<u>Other Contractual Arrangements</u>. The Authority has entered into other contractual arrangements, for the processing and/or disposal of materials delivered to the Shoreway Environmental Center, as well as the sale of materials recovered. These arrangements include the following:

Green Waste/Organics Processing. Green waste and other organic materials recovered at the Shoreway Environmental Center are delivered to [two] different facilities operated by third party private operators, where the organics are composted. The Authority expects that processing at these facilities will be reduced as the Authority's Organics to Energy Pilot Project and O2E Full Scale Project are implemented over the new few years. The Authority's budget for Fiscal Year 2018-19 projects that the cost to the Authority under such contracts will be approximately $6.7 million.

C&D Debris Processing. Construction and demolition ("C&D") debris recovered at the Shoreway Environmental Center is delivered to a facility operated by [Zanker], where the C&D debris is processed for reuse or disposal. The Authority's budget for Fiscal Year 2018-19 projects that the cost to the Authority under such contracts will be approximately $3.8 million.

<u>Recovered Materials Sales</u>. Recyclable materials recovered at the Shoreway Environmental Center are delivered to a facility operated by [Zanker], pusaunt to a _________ Agreement, dated as of _____, 20__ (the "Recyclable Sales Agreement"). Pursuant to the Recyclable Sale Agreement [[DESCRIBE RELEVNT

PROVISIONS – HOW IS THE PRICE ZANKER PAYS ESTABLISHED? ARE THERE MATERIALS QUALITY SPECIFICATIONS THE AUTHORITY HAS TO MEET? WHAT IS THE ORDER OF MAGNITUDE ZANKER PAYS ANNUALLY.

Permits. Operation of the Shoreway Environmental Center is subject to regulation by local, state and federal regulatory authorities. See "REGULATION." In particular, the Authority is required to maintain a Solid Waste Facilities Permit, issued by the State of California Department of Resources Recycling and Recovery ("CalRecycle") and the [City of San Carlos], as local enforcement agency. In accordance with State law, the Solid Waste Facilities Permit is subject to renewal every five years. The current Solid Waste Facilities Permit for the Shorewood Environmental Center expires in 2020. See "CERTAIN RISK FACTORS – Statutory and Regulatory Impact."

Future Capital Improvements

In order to plan effectively for future requirements of the Enterprise, the Authority has developed a five-year capital plan which contains various projects and facility upgrades (the "Capital Plan"). The Capital Plan budget for calendar years 2019 through 2023 is approximately $36.3 million, which includes the 2019 Project to be funded with the Series 2019B Bonds. See "PLAN OF FINANCE – The 2019 Project."

The projects within the Capital Plan (in addition to the 2019 Project) primarily consist of the Full Scale Organics to Energy ("O2E") and the installation of a new Compressed Natural Gas ("CNG") Fueling System at the Shoreway Environmental Center, as more particularly described below.

Full Scale O2E Project: The 2019 Project consists of the Full Scale O2E project, which the Authority currently estimates will cost approximately $10 million. The Authority anticipates proceeding with the Full Scale O2E Project in 20120 in the event that the Organics-to-Waste Pilot Project is successfully implemented. A significant additional long term goal of the Full Scale O2E project is to produce compressed natural gas ("CNG") to be utilized by Recology for new collection vehicles which Recology is expected to begin to implement in 2023.

CNG Fueling System: In connection with new CNG collection vehicles to be purchased by Recology through 2023, the Capital Plan includes infrastructure enhancements and the installation of a new CNG fueling system at Shoreway Environmental Center to change the fuel used to run the collection fleet from biodiesel to CNG. This project is currently expected to cost approximately $6.5 million (of which approximately $2.17 is espected to be paid from a portion of the Series 2019 Bonds). This project also involves the closeout of the existing underground storage tank ("UST") system and the addition of one new above ground storage tank ("AST") for diesel for South Bay Recycling transfer trailers. Costs incurred through the closeout of old diesel system, installation of new AST diesel system for South Bay Recycling and installation of new CNG system is expected over a three year period from Calendar Year 2021 to Calendar Year 2023 prior to the purchase and delivery of new CNG connection vehicles by Recology. The Authority estimates that the project will reduce greenhouse gas emission by approximately 20% - 23% and will eliminate future potential groundwater contamination at Shoreway Environmental Center from fueling operations.

Funding Sources. The Capital Plan contemplates that these projects will be financed through a combination of methods, including use of funds previously deposited in the Capital Reserve of the Authority and the accumulation of additional deposits in the Capital Reserve over the five year period. Although the Indenture provides that the Authority may issue or incur additional Parity Obligations (subject to satisfaction of the conditions set forth therein), the Capital Plan does not contemplate the execution of any additional Parity Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS – Additional Parity Obligations" and APPENDIX B — "SUMMARY OF THE INDENTURE."

Historical Waste Deliveries to Transfer Station and Materials Recovery Facility

UPDATE NARRATIVE

Solid waste generated in the jurisdictions of the Authority Members has historically been delivered to the Transfer Station since 1984. Such waste generally can be divided into three distinct categories: (i) waste delivered pursuant to solid waste franchise agreements between the individual Members and their franchise hauler ("Franchise Tons") (which, as described herein, must be delivered to the Enterprise by the franchise hauler as a contractual obligation of the hauler pursuant to the franchise agreement; see "Waste Collection Practices of the Members" herein); (ii) waste which is not contractually obligated to be delivered to the Enterprise, but which is collected by the franchise hauler in Members' jurisdictions ("Non-Franchise Tons"); and (iii) waste which is not contractually obligated to be delivered to the Enterprise, but which is delivered by the general public ("General Public Tons"). Although the Authority believes that Non-Franchise Tons and General Public tons will continue to be delivered to the Enterprise because of the convenience and economic competitiveness of the Enterprise, haulers of Non-Franchise Tons and General Public tons are not legally or contractually obligated to utilize the Enterprise. See "–Competition" and "RISK FACTORS – Competition" herein. The following table shows historical waste deliveries to the Enterprise.

The Projected Operating Results in Table __ assume that total deliveries to the Enterprise will [DESCRIBE WASTE GROWTH ASSUMPTIONS]

TABLE 2
HISTORICAL WASTE VOLUMES RECEIVED
AT THE TRANSFER STATION

Calendar Year	Franchise Tons[(a)]	Non-Franchise Tons[(b)]	General Public Tons	Other[(c)]	Total Tons In
2011	341,923	76	47,076	7,200	396,275
2012	349,907	1,026	57,593	7,744	416,270
2013	345,903	84	67,421	7,832	421,239
2014	346,590	0	56,856	13,171	416,617
2015	349,307	3,542	69,010	14,221	436,080
2016	361,843	7,267	73,304	8,779	451,193
2017	368,992	14,869	76,601	11,231	471,693
2018	368,417	17,384	68,936	13,563	468,300

(a) Solid waste, plant materials and recycling received from the SBWMA service area.
(b) Recology San Mateo County solid waste and plant materials collected from non-franchise areas, primarily.
(c) Other diversion including cardboard, metals, aggregates, tires, e-waste, carpet and MRF residue brought to the Transfer Station.
(d) Other diversion including metals, aggregates, tires, e-waste, and carpet.
Source: Authority.

The following table shows waste collected from each Member in 2018. [[Table 3 includes waste delivered directly to the Ox Mountain Landfill by self-haulers.]][[DOES THIS INLY INCLUDE AMOUNTS COLLECTED BY FRANCHISE HAULER OR IS SELF HAUL INCLUDED?]]

TABLE 3
SBWMA WASTE GENERATION BY MEMBER AGENCY
(Calendar Year 2018)

Member Agency	Disposed (tons)(a)	Diverted (tons)(b)	Diverted (%)	Total Generated (tons)	% of Total Tons
Atherton	2,187	9,777	81.72%	11,964	3.2%
Belmont	7,813	9,376	54.54%	17,189	4.7%
Burlingame	24,990	16,880	40.32%	41,870	11.4%
East Palo Alto	11,724	7,306	38.39%	19,030	5.2%
Foster City	10,177	10,667	51.17%	20,843	5.7%
Hillsborough	2,594	7,431	74.13%	10,025	2.7%
Menlo Park	17,414	26,837	60.65%	44,251	12.0%
Redwood City	37,891	32,666	46.30%	70,558	19.2%
San Carlos	12,711	14,381	53.08%	27,092	7.4%
San Mateo	42,107	36,213	46.24%	78,320	21.3%
North Fair Oaks	5,970	4,668	43.88%	10,638	2.9%
West Bay Sanitary	1,566	3,867	71.18%	5,432	1.5%
Other Unincorporated	4,044	7,156	63.90%	11,200	3.0%
SBWMA Total	181,188	187,225	50.82%	368,413	100%

(a) Includes solid waste residential, self-haul and commercial to Transfer Station.
(b) Includes residential & commercial collected recycling brought to the MRF, self-haul diversion at TO the MRF & organics materials brought to the Transfer Station.
Source: Authority

Competition

The Authority believes that the tipping fees charged by the Authority are, and will continue to be competitive with other transfer stations or waste disposal sites which potentially could be utilized by waste haulers in the Authority service area, particularly in light of the additional transportation cost that would be incurred in the event any such alternate disposal sites outside of the Enterprise were utilized by such waste haulers. The following table contains a comparison of the disposal cost at certain currently available alternate sites with the currently applicable disposal costs at the Enterprise. These estimates are based on the current tipping fees charged at the closest available transfer stations and disposal facilities in the adjacent counties, as well as the imputed additional transportation cost, based on the distance of such facilities from the Shoreway Environmental Center. For most of the competing facilities, the "posted" tipping fee, or tipping fee available to the general public at the competing facilities. There can be no assurances that negotiated tipping fees would not be lower than the amounts specified in the table.

Although the Authority has contractual arrangements with the Members designed to assure delivery of certain waste generated in the Authority service area to the Enterprise, haulers of a significant amount of solid waste projected to be delivered to the Authority are not contractually or otherwise obligated to utilize the Enterprise. Although the Authority believes that the Enterprise will continue to charge economically competitive tipping fees throughout the term of the Series 2019 Bonds, factors outside of the control of the Authority could affect the relation of the tipping fees applicable at the Enterprise to those generally prevailing at potentially available alternate transfer and disposal locations, and facilities outside of the Enterprise (including, any future alternate transfer stations that might be located in the Authority service area) could represent a more cost effective disposal location for haulers of non-franchise waste generated in the Authority Service Area. The existence of a more cost effective disposal location for haulers of waste generated in the Enterprise could have a material adverse impact on the ability of the Authority to generate Net Revenues in the levels required by the Indenture and to pay Debt Service with respect to the Series 2019 Bonds. See "CERTAIN RISK FACTORS – Competition" herein.

ANALYSIS OF COST AT COMPETITIVE FACILITIES

Facility	Location	Estimated Current Operations (tpd)	Estimated Available Capacity (tpd)	Permitted Capacity (tpd)	Estimated Round Trip Mileage (1)	Estimated Round Trip Cost Per Load (2)	Public Gate Solid Waste Tipping Fee Per Yard (3)	Solid Waste Disposal Total Estimated Cost Per Trip (4)
Current Transfer Facility								
Shoreway Environmental Center	San Carlos	1,155	1,845	3,000	0	N/A	$44.00	$76.56
Alternative Transfer Facilities								
Berkeley Solid Waste Transfer Station	Berkeley	420	140	560	68.7	$39.85	$29.00	$90.31
Blue Line MRF and Transfer Station*	South SF	800	400	2,400	31.4	$18.21	$29.36	$69.29
Davis Street TS and Resource Recovery*	San Leandro	N/A	N/A	9,600	50.2	$29.12	$35.43	$90.76
Fremont Recycling and TS*	Fremont	N/A	N/A	2,400	41.9	$24.30	$31.16	$78.53
San Bruno Transfer Station	San Bruno	N/A	N/A	768	27.8	$16.12	N/A	N/A
SF Solid Waste Transfer and Recycling Center*	San Francisco	N/A	N/A	5,000	38.2	$22.16	53.89	$115.92
Sunnyvale MRF and Transfer Station	Sunnyvale	925	575	1,500	39.4	$22.85	$20.00	$57.65
Alternative Disposal Facilities								
Altamont Landfill and Resource Recovery	Livermore	N/A	N/A	11,150	94.4	$54.75	$28.49	$104.33
Guadalupe Sanitary Landfill	San Jose	1,000	2,650	3,650	67.0	$38.86	$38.00	$104.98
Kirby Canyon	San Jose	N/A	N/A	2,600	76.0	$44.08	$25.22	$87.97
Newby Island Landfill*	Milpitas	N/A	N/A	4,000	50.1	$29.06	$54.00	$123.02
Ox Mountain Landfill*	Half Moon Bay	N/A	N/A	3,598	30.4	$17.63	$34.00	$76.79
Vasco Road Sanitary Landfill	Livermore	N/A	N/A	2,518	93.7	$54.35	$38.00	$120.47
Zanker Road Sanitary Landfill	San Jose	1,700	900	2,600	45.2	$26.22	$33.00	$83.64

(Notes on following page.)

Notes:

* Denotes a viable alternative facility for general public waste based on proximity to the Authority service area and acceptance of such waste.

1. Based on mileage from Shoreway Environmental Center. Location chosen as central location in service area. Assumes population evenly dispersed throughout area.

2. Assumes 2019 IRS estimated operating cost per mile ($.580). No additional cost for wait and tip time, assumes wait and tip time at each facility the same.

3. When only per ton tipping fees were available they were converted to per yard using 570 pounds per cubic yard.

4. Per trip cost equals round trip mileage cost plus the per cubic yard disposal rate times the average yard per load of 1.74 yards.

2016 Fire at the Shoreway Environmental Center

On September 7, 2016, a four-alarm fire at the Shoreway Environmental Center caused considerable damage to the Materials Recovery Facility sorting equipment. As a result of the damage caused by the fire, the Authority ceased materials processing operations for the remainder of the 2016 Calendar Year through most of January 2017. During that time, the Authority made alternate contractual arrangements for the processing of materials at alternate facilities owned by private parties.

Prior to the fire the Authority had procured a casualty insurance policy and, pursuant to the insurance policy, the Authority was reimbursed by the insurer for lost revenues during the period the Material Recovery Facility was inoperable as well as costs of repairs to the Materials Recovery Facility. Total insurance proceeds received by the Authority were approximately $8.8 million, consisting of $1.3 million attributable to lost revenues from the sale of recovered materials and $7.5 million attributable to repair and replacements costs. In accordance with the indenture pursuant to which the Series 2009 Bonds the $1.3 million attributable to lost revenues were considered "Revenues" for purposes of satisfying the Rate Covenant. See Table 4 in "Historical Financial Results."

While the cause of the fire was initially inconclusive, it was later determined that the fire that was likely caused by a rechargeable lithium-ion battery that was wrongly included in a recycling cart. Since the fire, the Authority has added significant new fire suppression equipment within the building, provided enhanced safety training for employees, made significant changes in designed household battery collection and handling programs and conducted extensive public outreach and education efforts to encourage residential households to dispose of batteries safely and responsibly in the Authority service area.

Financial and Management Aspects of the Enterprise

In accordance with the Indenture, all revenues of the Enterprise are deposited in the Revenue Fund for application in accordance with the Indenture. The Indenture contains detailed provisions relating to the financial and operational aspects of the Enterprise. See Appendix C — "SUMMARY OF THE INDENTURE."

Reserve Policy

In 2018, the Authority adopted a revised Reserve Policy and established a Capital Reserve to more closely plan for future capital needs. The Reserve Policy establishes the priority for funding each reserve and how funds in each reserve could be spent. The Reserve Policy may be amended from time to time at the discretion of the Board of the Authority. Following is a description of the various funds described in the Reserve Policy.

- **Rate Stabilization Reserve**. The Rate Stabilization Account is established and maintained pursuant to the Indenture, and is intended to help minimize Authority tip fee increases resulting from significant short-term revenue shortfalls due to commodity price decreases or other reasons. The Indenture does not contain a specific requirement with respect to the amount to be maintained in the Rate Stabilization Account, but the Reserve Policy contemplates that the Rate Stabilization Fund will not exceed 10% of annual Maintenance and Operation Costs.

- **Emergency Reserve.** The Emergency Reserve is established to fund emergency capital repairs and reconstruct the Shoreway Environmental Center buildings and infrastructure that may be damaged by natural disasters, acts of war or terrorism, or other community emergency scenarios that are not covered by existing insurance policies. The Reserve Policy contemplates that the Emergency Reserve will not exceed 10% of annual Maintenance and Operation Costs.

- **Equipment Replacement Reserve. The Equipment Replacement Reserve is established** to replace processing equipment at the Shoreway Environmental Facility based on a 12 year replacement schedule as recommended by the manufacturer.

- **Capital Project Reserve.** The Capital Project Reserve is established to fund future capital projects that need to be funded over a term longer than one year and cannot be absorbed by one budget period, in amounts established by the Board of the Authority annually as part of the update of the Authority's capital plan.

- **Undesignated Reserve.** The Undesignated Reserve will be used to hold excess funds after the above reserves are fully funded.

The following table shows the amounts for each reserve as set forth in the Authority's Fiscal Year 2018-19 Budget. Funding of reserves in any particular amount is not contractually or legally required. In addition, amounts in any of the reserves may be used for any lawful purpose of the Authority at the discretion of the Board of the Authority.

[DISCUSS: THIS PRESENTATION SEEMS HARD TO FOLLOW. ALSO IT IS A THREE YEAR PRESENTATION WHEN THE TEXT ABOVE SAYS THAT THIS RESEVRE STRUCTURE WAS ONLY ESTABLISHED THIS PAST YEAR.]. ALSO AUTHORITY SHOULD CONFIRM THAT RESERVES ARE ACTUALLY AT OR ABOVE THE SPECIFIED AMOUNTS.

Authority Reserves
Fiscal Year 2018-19 Adopted Budget

Reserve	Amounts
Uncommitted Reserve:	
Rate Stabilization (10% of expense)	$ 4,938,136
Emergency Reserve (10% of expense)	4,895,300
Capital Reserve (Undesignated)	957,415
Total Uncommitted Reserves	$ 10,790,851
Committed Reserve	
Equipment Replacement (Annual)	1,397,514
Total Reserves	$ 12,188,365

Source: The Authority.

Historical Financial Results

The following table contains historical financial results for the Enterprise, shown on a calendar year basis. The Authority's fiscal year is from July 1 to June 30. The Indenture provides that, for purposes of the Series 2019 Bonds, compliance with the rate covenant contained in the Indenture and certain other matters will be determined on a calendar year basis.

Table 4 below provides historical revenues, expenses, and debt service coverage as calculated pursuant to the rate covenant contained in the indenture pursuant to which the Series 2009 Bonds were issued (the "2009 Indenture"). As described in "2016 Fire at the Shoreway Environmental Center," $1.3 million of casualty insurance proceeds were considered "Revenues" for purposes of satisfying the Rate Covenant in calendar year 2016 in accordance with the 2009 Indenture, and other insurance proceeds, as well as all of the costs of repair, were excluded from "Revenues" and "Maintenance and Operations Costs". (In the Authority's audited financial statements for Fiscal Year 2016-17, consistent with generally accepted accounting practices, additional insurance proceeds of approximately $7.5 million related to the Shoreway facility fire were characterized as revenues and fire facility repair and replacement costs of $4.5 million were characterized as expenses.)

TABLE 4
SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
HISTORICAL REVENUES, EXPENSES AND DEBT SERVICE COVERAGE

(Calendar Year)

	2015	**2016**	**2017**	**2018**
Revenues				
Tip Fee Revenues	$33,101,404	35,983,650	$41,853,590	$43,858,039
Sales of Recyclable Materials (1)	7,554,876	5,984,528	7,658,656	6,314,707
Interest Income	75,228	123,952	160,924	387,779
Other (2)	1,206,329	2,291,633	121,296	14,992
Transfer from Rate Stabilization Fund (3)	920,000	-	-	-
Total Revenues	**$42,857,837**	**$44,383,763**	**$49,794,466**	**$50,575,517**
Maintenance and Operations Costs				
Shoreway Operations	$25,453,630	$26,930,669	$29,286,880	$32,029,251
Landfill	8,428,172	8,834,974	8,721,880	8,690,448
SBWMA Administrative Costs	2,468,412	2,160,652	2,346,164	2,954,676
Total Maintenance and Operations Costs	**$36,350,214**	**$37,926,295**	**$40,354,924**	**$43,674,375**
Total Net Revenues	$6,507,623	$6,457,468	$9,439,543	$6,901,142
Debt Service	$4,110,546	$4,103,446	$4,104,175	$4,096,833
Debt Service Coverage	1.58x	1.57x	2.30x	1.68x
Ending Unreserved Fund Balance	$13,819,913	$13,532,497	$15,520,391	$15,848,248

(1) The decrease in Revenues from the Sales of Recyclable Materials from Calendar Year 2015 to Calendar Year 2016 is largely attributable to the fire at the Shoreway facility in September 2016 which caused considerable damage and halted processing of recyclable materials for a four month period.

(2) Includes revenues from Household Hazardous Waste, Host Fees, and other miscellaneous revenues. The Authority discontinued its Household Hazardous Waste program in 2017. The increase in Calendar Year 2016 includes insurance proceeds of $1.3M related to business interruption claims as a result of the Shoreway facility fire.

(3) Reflects the shortfall of net commodity revenues in 2015.

Source: The Authority

Projected Revenues and Financial Results

The following table contains a projection of the revenues and overall financial results (the "Projected Operating Results") of the Enterprise prepared by the Authority. Significant assumptions utilized by the Authority in the preparation OF THE Projected Operating Results include the following:

Waste Generation. [DESCRIBE ASSUMPTION]

Tipping Fees. [DESCRIBE ASSUMPTION]

Recovered Materials Revenues. [DESCRIBE ASSUMPTION]

ANY INCREASES IN O&M EXPECTED TO RESULT FROM 2019 PROJECT?

ANY SIGNIFICANT NEW REGULATORY REQUIREMENTS EXPECTED?

OTHER MAJOR ASSUMPTIONS?

While the Authority believes these assumptions to be reasonable, actual future conditions may vary significantly from actual conditions due to unanticipated events and circumstances, and such variances may result in material and adverse impacts on the Authority's financial conditions. See "CERTAIN RISK FACTORS."

[[ADD PROJECTION TABLE]]

REGULATION

The Enterprise is subject to a variety of regulations, certain of which are described below.

California Integrated Waste Management Act of 1989

Among other requirements, the State Integrated Waste Management Act of 1989, California Public Resources Code Section 40000 et. seq, ("CIWMA"), which became effective on January 1, 1990, directs all California cities and counties to implement source reduction, recycling and composting options in order to reduce the amount of solid waste that must be disposed of by transformation (through waste-to-waste energy projects or other processes) and landfill disposal. As a result of CIWMA, solid waste management has been changed to an integrated solid waste management approach in which source reduction and recycling play an integral role in the waste management strategy.

Under CIWMA, each city and county (a "local agency") in the State were mandated to achieve a 25% diversion in solid waste disposed of in landfills or by incineration through waste reduction or recycling by January 1, 1995, and a 50% reduction by the year 2000 and thereafter. Furthermore, under AB 341, the State's diversion goal will increase to 75% by 2020. Local agencies are responsible for these goals whether or not they control disposal of waste generated within their jurisdiction. Local agencies may face monetary fines of up to $10,000 per day if the California Department of Water Resources Recycling and Recovery ("CalRecycle") deems local plans to be inadequate or if localities fail to satisfactorily implement plans to achieve the 25% and 50% reduction goals. [[The Authority is directly responsible for providing recycling or diversion within the Authority service area. The Authority believes that ten of the twelve member agencies have met state diversion levels. Two others, San Carlos and Foster City, are expected to come into compliance by the next state reporting period. No assurances can be made as to the actual level of diversion, or as to whether Member's diversion efforts will result in compliance with the CIWMA.]]

Solid Waste Disposal Regulations

The Enterprise is regulated by local, state and federal law. The California Integrated Waste Management Board has primary oversight and regulatory responsibilities of the Enterprise and has designated the County of San Mateo Environmental Health Department as the local enforcement agency ("LEA"). The LEA makes regular inspections at the Materials Recovery Facility and the Transfer Station to ensure that they are in compliance with regulatory requirements as set forth by the Environmental Protection Agency and the State of California.

Since its enactment in 1976, the federal Resource and Conservation Recovery Act ("RCRA") included authority for the United States Environmental Protection Agency ("USEPA") to control the disposal of solid waste ("Subtitle D"), as well as the management of hazardous waste ("Subtitle C"). California's regulatory program enforces the federal RCRA provisions.

California Senate Bill 1383

Senate Bill No. 1383 ("SB 1383") enacted in September, establishes targets to achieve a 50% reduction in the level of the statewide disposal of organic waste from the 2014 level by 2020 and a 75% reduction by 2025. SB 1383 grants CalRecycle the regulatory authority required to achieve the organic waste disposal reduction targets and establishes an additional target that not less than 20% of currently disposed edible food is recovered for human consumption by 2025. CalRecycle is currently developing a regulatory approach that divides implementation responsibilities across the waste sector and includes requirements for generators, industry, local governments, and other entities.

SB 1383 codifies the California Air Resources Board's Short-Lived Climate Pollutant Reduction Strategy, established pursuant to Senate Bill No. 605 to achieve reductions in the statewide emissions of short-lived climate pollutants. SB 1383 requires a 40% reduction in methane, a 40% reduction on hydrofluorocarbon gases and a 50% reduction in anthropogenic black carbon by 2030 relative to 2013 baseline levels.

Air and Water Quality Regulations

Solid waste management facilities are closely monitored to protect air and water quality. Under the Porter-Cologne Water Quality Control Act (California Water Code Section 3000 *et. seq*) ("**Porter-Cologne**"), the Authority is required to report waste discharges that could affect water quality. Porter-Cologne is administered and enforced by the State Water Resources Control Board and Regional Water Quality Control Board (the "Regional Board"). The System is regulated by the [[California Central Coast]] Regional Water Quality Control Board.

Pursuant to Porter-Cologne, the Regional Board issues waste discharge requirements ("**WDRs**") containing terms and conditions of permitted discharges for the landfills. The WDRs typically mandate a regular self-monitoring program to detect pollutants. In the event of a violation of a WDR, the Regional Board may issue either a cease and desist order or a cleanup and abatement order that mandate deadlines for remedial action. A landfill operator's failure to comply with a Regional Board order or reporting requirements may result in administrative or judicial civil liabilities ranging up to $27,500 a day.

Porter-Cologne also instituted the Solid Waste Assessment Testing program which requires an analysis of surface and groundwater under and within a one mile radius of a designated landfill for leakage of hazardous waste. If leakage outside of the landfill occurs, operators of the landfill must notify the State Department of Health Services and CalRecycle. These agencies will impose remedial action upon the landfill.

The California Clean Air Act and the Lewis-Presley Air Quality Management Act authorize the adoption of rules and regulations for air quality permits and govern the enforcement of those permits and rules. These Acts are both administered and enforced by the [[Monterey Bay Unified Air Pollution Control District]]. Various rules apply to landfill operations, including rules which relate to methane gas monitoring and migration, as well as rules which relate to specific equipment and machinery, above ground fuel tanks and fugitive dust emissions. The Authority conducts periodic inspections of the Enterprise and, in a fashion similar to the Regional Board's, may impose civil liabilities for permit violations.

CERTAIN RISK FACTORS

The following factors, which represent certain major risk factors, should be considered along with all other information in this Official Statement by potential investors in evaluating the Series 2019 Bonds. There can be no assurance made that other major risk factors do not currently exist or will not become evident at any future time.

Certain Factors Affecting Solid Waste Disposal Facilities Generally

In the solid waste service industry there are often unforeseeable risks and potentially substantial cost exposures associated with the establishment, ownership and operation of solid waste sanitary landfill sites and other types of waste processing and disposal facilities. These risk factors include, but are not limited to: (i) the challenges of obtaining permits to expand or establish new sites and facilities and public and private opposition to the location, expansion and operation of these facilities, (ii) increasing political activities at all levels that seek to restrict the operation of disposal facilities as well as the movement of waste for disposal, (iii) substantial regulatory compliance expenditures, fines or other sanctions and civil damage liabilities, (iv) demonstrating financial responsibility and conforming to prescribed or changing standards and methods of operation, (v) judicial and administrative proceedings regarding alleged possible adverse environmental and health effects of landfills or treatment and disposal facilities, and (vi) legislation that requires additional waste recycling, minimizing and incineration.

Rate Covenant Not a Guarantee; Failure to Meet Projections

The ability of the Authority to make debt service payments with respect to the Series 2019 Bonds depends on the ability of the Enterprise to generate Net Revenues in the levels required by the Indenture. Although, as more particularly described herein, the Authority expects that sufficient revenues will be generated through the imposition and collection of tipping fees, contract payments and other Revenues described herein (including revenues from the sale of recyclable materials), there is no assurance that such imposition of tipping fees or other Revenues will result in the generation of Net Revenues in the amounts required by the Indenture. As a result, the Authority may be unable to comply with the covenants under the Indenture regarding generation of revenues and the Authority's covenant does not constitute a guarantee that sufficient Net Revenues will be available to make debt service payments on the Series 2019 Bonds. In addition, the Authority's financial projections are based on a number of assumptions, including timely receipt of various payments from its private contractors (including franchise haulers, facility operators and landfill operators) under contracts with the Authority. Changes in circumstances, including but not limited to failure of the private contractors to make these payments in a timely manner (for any reason, including but not limited to the bankruptcy of such private contractors or the existence of a contract dispute between the private contractors and the Authority or its Members) could have a material adverse impact on the ability of the Authority to make debt service payments with respect to the Series 2019 Bonds.

Competition

Generally, the ability of the Authority to generate Net Revenues in the amounts contemplated by the Indenture depends on the continuing delivery to the Enterprise of solid waste generated in the Authority in the amounts anticipated by the Authority. Substantially all of the solid waste generated in the Authority service area has for many years been disposed at the facilities which now comprise the Enterprise. In addition, each Member of the Authority has entered into the Authority Agreement pursuant to which each Member is obligated to cause the delivery of solid waste to the Enterprise. However, a number of alternative transfer or disposal sites outside the Enterprise currently exist, and additional alternative transfer sites (which potentially could be located in the Authority service area) or disposal sites may become available from time to time in the future. See "THE SYSTEM – Competition" herein. If competing transfer or disposal sites in the future represent a more economical or convenient alternative for collectors and/or generators of a significant amount of waste generated in the Authority service area and such collectors or generators elect not to utilize the Enterprise, the use of alternative transfer or disposal sites outside of the Enterprise by such waste collectors and/or generators could have a material adverse impact on the ability of the Authority to generate Net Revenues in the amounts required by the Indenture and to pay Debt Service on the Series 2019 Bonds.

Disposal Capacity

The Authority believes that its rights to utilize the Ox Mountain Landfill pursuant to the Landfill Agreement, provides it with sufficient capacity for the disposal of all waste generated by the Member Agencies through 2025, which is earlier than the maturity of the Series 2019 Bonds in 2043. The Authority has covenanted in the Indenture to provide for or cause the provision of sufficient capacity for the disposal of solid waste generated in the Authority Service Area so as to enable the Authority to comply with the Rate Covenant contained in the Indenture. The Indenture provides that the Authority may provide such capacity by making available disposal facilities owned and operated by the Authority, or by making contractual arrangements for the use of disposal facilities (either inside or outside the geographical boundaries of the political subdivisions comprising the membership of the Authority) owned or operated by persons other than the Authority. However, in the event that the Ox Mountain Landfill were not available for the disposal of solid waste delivered to the Enterprise, there can be no assurances that the use of alternative disposal sites would not significantly increase the Enterprise's Costs of transportation and disposal of the waste and materially adversely affect the ability of the Authority to generate Net Revenues in the amounts required by the Indenture and to pay Debt Service on the Series 2019 Bonds.

Fluctuation in Revenues from the Sale of Recyclable Materials

Revenues from the sale of recyclable materials by the Authority declined significantly as a result of a change in import policy by countries that have traditionally imported large quantities of recyclable materials. The projected operating results anticipate the receipt by the Authority of significant revenues in each year from the sale of recyclable materials delivered to the Enterprise. Such revenues are anticipated to be approximately $6.4 million in 2019 (or approximately 11.7% of the total revenues of the Enterprise). Those revenues are based on the currently prevailing market price paid by purchasers of recyclable materials. Market prices for such materials have historically fluctuated significantly from time to time, and there can be no assurance that market prices will not significantly decrease in the future, with the result that the Authority will not realize revenues from the sale of such materials at the projected levels.

Construction Risk

As described herein, the Authority is undertaking a significant capital improvement program with respect to the Enterprise. The Authority has entered into and will enter into agreements for the construction of such capital improvements. See "THE 2019 PROJECT." The Authority anticipates that such contracts will be subject to adjustment for a variety of circumstances, including higher than anticipated costs of labor and materials or subcontractor bids, changes in scope, unforeseen site conditions and force majeure events. The estimated costs of, and the projected schedule for, the Project are subject to a number of uncertainties. The ability of the Authority to complete the Project may be adversely affected by various factors including but not limited to: (1) estimating errors, (2) design and engineering errors, (3) changes to the scope of the 2019 Project, (4) delays in contract awards, (5) material and/or labor shortages, (6) unforeseen site conditions, (7) adverse weather conditions and other force majeure events, (8) contractor defaults, (9) labor disputes, (10) unanticipated levels of inflation and (11) environmental issues. No assurance can be made that the 2019 Project will not cost more than the current budget for the Project. Any schedule delays or cost increases could result in the need to issue additional indebtedness and may result in increased costs, thereby making Enterprise less economically competitive. There can be no assurances that significant increases in costs over the amounts projected by the Authority will not materially adversely affect the financial condition or operations of the Enterprise.

Risk of Nonperformance or Bankruptcy by Major Authority Contractors

The Authority intends to meet many of its obligations under the Indenture by contracting with various private sector service providers. In particular, the Authority currently contracts with [OPERATOR] to operate and maintain the Transfer Station and Materials Recovery Facility. In addition, the Authority provides disposal capacity for solid waste delivered to the Enterprise through an Agreement for Landfill Operation with the operator of the Ox Mountain Landfill. In addition to the Authority's use of contractors, each of the Members has entered into separate solid waste collection franchise agreements, pursuant to which the Members' solid waste is required to be delivered to the Project. The Authority has agreed in the Indenture to enforce its rights under agreements relating to the Enterprise (including the Operations Agreement). In the event that any of the Authority's or Member's contractors fails to meets it obligations under the various agreements, it would be subject to damages and, if the nonperformance was material and continued for an extended period of time, termination. There can be no assurances that the private contractors will provide services in accordance with their contractual commitments. The extended failure of any of the private contractors to meet their obligations under contracts with the Authority or the Members could materially adversely affect the ability of the Authority to generate Revenues in the amounts required pursuant to the Indenture.

In the event of the bankruptcy of a major contractor of the Authority, the automatic stay provisions of the United States Bankruptcy Code (the "Bankruptcy Code") could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by such contractor to the Authority or any action to enforce any obligation of the contractor to the Authority. With the authorization of the bankruptcy court, the contractor may be able to repudiate some or all of its agreements with the Authority (including, in the case of the operator of the Transfer Station and Materials Recovery Facility) the obligation to pay to the Authority tipping fees which the contractor has collected, and to stop performing its obligations (including payment obligations) under such agreements. Such a repudiation could also excuse the other parties to such agreements from performing any of their obligations. The contractor may be able, without the consent and over the objection of the Authority, the Trustee, and the holders of the Series 2019 Bonds, to alter the terms, including the payment terms, of its agreements with the Authority, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, the contractor may be able to assign its rights and obligations under any of its agreements with the Authority to another entity, despite any contractual provisions prohibiting such an assignment.

Projections

The Projected Operating Results are not necessarily indicative of future performance. In addition, certain assumptions with respect to future business and financing decisions of the Authority are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Series 2019 Bonds are cautioned not to place undue reliance upon any projections or requirements for projections. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues may be materially less than expected and consequently, the ability of the Authority to make timely payment of the principal of and interest on the Series 2019 Bonds may be materially adversely affected.

Neither the Authority's independent auditors, nor any other independent accountants have compiled, examined or performed any procedures with respect to the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenue forecast.

Statutory and Regulatory Impact

Laws and regulations governing solid waste management are enacted and promulgated by government agencies on the federal, state and local levels. These laws and regulations address the design, construction, operation, maintenance, closure and post-closure maintenance of various types of facilities; acceptable and prohibited waste types; and inspection, permitting, environmental monitoring and solid waste recycling requirements. Laws and regulations at both the State and federal levels impose retroactive liability, particularly with respect to cleanup activities, relating to any transfer or disposal facilities owned or operated by the Authority. Compliance with these laws and regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs will likely increase. Claims against the Authority with respect to Authority-operated sites (or sites at which waste delivered by or on behalf of the Authority was disposed) could be significant. Such claims are payable from assets of the Enterprise or from other legally available sources. Although tipping fees are the major source of funding for regulatory costs and the Authority has covenanted in the Indenture to establish such tipping fees as are necessary to enable the Authority to make all payments required to be made pursuant to 2019 Bonds, including Debt Service with respect to the Series 2019 Bonds, no assurance can be given that the cost of compliance with such laws and regulations will not materially adversely affect the ability of the Authority to generate Net Revenues in the amounts required by the Indenture and to pay Debt Service with respect to the Series 2019A Bonds.

Hazardous Waste

Although the Authority has implemented a hazardous waste inspection program at the Project to monitor the waste stream and prevent the inadvertent or intended disposal of hazardous wastes, hazardous waste may be delivered to and inadvertently accepted at the Project. In the event that hazardous waste is discovered at any facility within the Enterprise, the Authority, as owner of such facilities, would have primary financial responsibility for the cleanup of such hazardous waste under various state and federal laws, including the Comprehensive Environmental Responsibility Compensation and Liability Act (i.e., "Superfund"). In addition, if any site to which the Authority has delivered waste becomes the subject of regulatory action (including any such action brought pursuant to the Superfund statutes or related statutes), the Authority could be required to contribute significant amounts towards remediation activities at such site. The Authority's financial and operating projections do not provide for expenditure of these costs. If the Authority incurs significant unanticipated costs pursuant to these state or federal laws, such circumstance could have a material adverse impact of the ability of the Authority to pay Debt Service with respect to the Series 2019 Bonds.

Earthquake or Other Natural Disasters

The occurrence of an earthquake or other natural disaster which resulted in the temporary or permanent closure of major components of the Enterprise (or facilities used by the Authority pursuant to contractual arrangements) or resulted in significantly increased costs could materially adversely affect the ability of the Authority to operate the Enterprise or to generate Net Revenues at the levels required by the Indenture.

Climate Change

The Authority and its Members may be particularly vulnerable to impacts associated with sea level rise due to their proximity to San Francisco Bay. The Authority is unable to predict whether sea level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the financial condition of the Authority, its Members or the local economy in general.

Cybersecurity

The Authority relies on technology to conduct its operations and faces multiple cybersecurity threats, including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other networks and systems. Cybersecurity incidents could result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain access for the purposes of misappropriating assets or information or causing operational disruption and damage. [[To mitigate the risk of business operations impact and damage from cybersecurity incidents or cyber-attacks, the Authority invests in cybersecurity and operational safeguards, which are periodically tested.]] However, no assurance can be given by the Authority that such measures will ensure against cybersecurity threats and attacks. Cybersecurity breaches could damage computing and other networks and systems used in the operation of the Enterprise and could damage the Authority's finances and operations. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the District to material litigation and other legal risks which could cause the Authority to incur material costs related to such legal claims or proceedings.

Certain Limitations on the Ability of the Member Agencies to Impose Taxes, Fees and Charges

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments, including the District, to levy and collect both existing and future taxes, assessments, fees and charges.

Section 3 of Article XIIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIIC to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996.

"Fees" and "charges" are not expressly defined in Article XIIIC or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIIC and Article XIIID ("SB 919"). However, on July 24, 2006, the California Supreme Court ruled in Bighorn-Desert View Water Agency v. Virjil (Kelley) (the "Bighorn Decision") that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIIID and are also fees or charges within the meaning of Section 3 of Article XIIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIIC.

In the Bighorn Decision, the Supreme Court did state that nothing in Section 3 of Article XIIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters within the service area of the District will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges.

Article XIIID defines a "fee" or "charge" as any levy other than an ad valorem tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A "property-related service" is defined as "a public service having a direct relationship to a property ownership." In the Bighorn Decision, the California Supreme Court held that a public water agency's charges for ongoing water delivery are fees and charges within the meaning of Article XIIID. Article XIIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government's ability to increase such fee or charge may be limited by a majority protest.

The Authority believes that its Member agencies have complied with the applicable notice and protest procedures of Article XIIID for all increases in its rates and charges approved since the effective date of Article XIIID, and that the Bighorn decision will not require any changes in the procedures utilized. The Authority is not aware of any past or pending challenge to any of the Member agencies' solid waste collection fees and charges approved since the effective date of Proposition 218.]]

In addition, Article XIIID also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

The Authority has covenanted in the Indenture to prescribe and collect rates, fees and charges for the use of the Enterprise at specified levels. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Rate Covenant" herein. The ability of the Authority to collect such fees depends in part on the ability of the Member agencies to establish rates, fees and charges for solid waste collection service provided to collection customers within their respective jurisdictions. In the event that proposed increased service charges cannot be imposed by one or more of the Member agencies as a result of a majority protest, such circumstances may adversely effect the ability of the Enterprise to generate revenues in the amounts required by the Indenture, and to pay principal and interest with respect to the Series 2019 Bonds.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel to the Authority ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2019 Bond for any period during which such Series 2019 Bond is held by a "substantial user" of any facilities financed with the proceeds of the Series 2019 Bonds or by a "related person" as such terms are used in Section 147(a) of the Code. Interest on the Series 2009A Bonds is not an item of tax preference and interest on the Series 2019B Bonds is an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion that interest on the Series 2019 Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Series 2019 Bond (the first price at which a substantial amount of the Series 2019 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Series 2019 Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a beneficial owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a beneficial owner will increase the beneficial owner's basis in the applicable Series 2019 Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the beneficial owner of the Series 2019 Bond is excluded from gross income of such beneficial owner for federal income tax purposes except for any period during which the Series 2019 Bond is held by a "substantial user" of any facilities financed with the proceeds of the Series 2019 Bonds or a "related person" within the meaning of Section 147(a) of the Code, is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals with respect to the Series 2019B Bonds but not Series 2019A Bonds, and is exempt from State of California personal income tax.

The amount by which a beneficial owner's original basis for determining loss on sale or exchange in the applicable Series 2019 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the beneficial owner's basis in the applicable Series 2019 Bond (and the amount of Series 2019 interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a beneficial owner realizing a taxable gain when a Series 2019 Bond is sold by the beneficial owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2019 Bond to the beneficial owner. Purchasers of the Series 2019 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinion as to the exclusion from gross income of interest on the Series 2019 Bonds is based upon certain representations of fact and certifications made by the Authority, and others and is subject to the condition that the Authority complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Series 2019 Bonds, to assure that interest on the Series 2019 Bonds will not become included in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest on the Series 2019 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2019 Bonds. The Authority has covenanted to comply with all such requirements.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2019 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2019 Bonds might be affected as a result of such an audit of the Series 2019 Bonds (or by an audit of other similar bonds). No assurance can be given that, in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2019 Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Series 2019 Bonds or their market value.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the Closing Date. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Series 2019 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest on the Series 2019 Bonds for federal income tax purposes with respect to any Series 2009 Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes provided the Authority continue to comply with certain requirements of the Code, the ownership of the Series 2019 Bonds and the accrual or receipt of interest with respect to the Series 2019 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series 2019 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2019 Bonds.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2019 BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE SERIES 2019 BONDS OR THE MARKET VALUE OF THE SERIES 2019 BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2019 BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2019 BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE SERIES 2019 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES 2019 BONDS.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery by the Authority of the Series 2019 Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the Authority. The proposed form of the opinion of Bond Counsel is set forth in Appendix D to this Official Statement. Certain legal matters will be passed upon for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, Los Angeles, California, and for the Authority by its counsel, Aaronson Dickerson Cohn & Lanzone, California.

LITIGATION

To the best knowledge of the Authority there is no action, suit or proceeding known to be pending or threatened restraining or enjoining the execution or delivery of the Series 2019 Bonds, the Indenture or any other document relating to the Series 2019 Bonds, or in any way contesting or affecting the validity of the foregoing.

RATINGS

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Services ("Moody's") have assigned the Series 2019 Bonds ratings of "__" and "__" respectively. Such ratings reflect only the view of such organizations and an explanation of the significance of such ratings may be obtained only from the respective rating agency. There is no assurance that such ratings will continue for any given period of time or that any or all of such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of either or both such ratings may have an adverse effect on the market price of the Series 2019 Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C., the Verification Agent, will verify, from the information provided to them, the mathematical accuracy of the computations contained in the provided schedules to determine that the amounts to be held in the Escrow Funds, will be sufficient to pay the principal and redemption price of and interest on the Refunded Bonds on September 1, 2019.

FINANCIAL STATEMENTS

The audited financial statements of the Authority set forth in Appendix A in the Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018 have been examined by __________________, independent certified public accountants, for the periods indicated and to the extent set forth in their report thereon and should be read in their entirety. _________ has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by _______ with respect to any event subsequent to the date of its report. The audited financial statements of the Authority are prepared on the basis of the Authority's fiscal year, which ends June 30. As described herein, compliance with the Rate Covenant and other aspects of the Indenture are determined on a calendar year basis.

UNDERWRITING

The Series 2019 Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2019 Bonds at a purchase price of $__________ (representing the principal amount of the Series 2019 Bonds, plus an original issue premium of $_________ less an underwriter's discount of $__________). The purchase contract relating to the Series 2019 Bonds provides that the Underwriter will purchase all of the Series 2019 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell the Series 2019 Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriter.

MUNICPAL ADVISOR

KNN Public Finance LLC has served as Municipal Advisor to the Authority. The fee of the financial advisor is contingent upon the successful sale and delivery of the Series 2019 Bonds.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of Owners and beneficial owners of the Series 2019 Bonds to provide certain financial information and operating data relating to the Authority by not later than May 1st of each year (the "Annual Report"), commencing with the Annual Report for [Fiscal Year] 2019-20, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events will be filed by the Authority with the Municipal Securities Information Repository through its EMMA system. The specific information to be contained in the Annual Report and the events which may require notice are included in APPENDIX E – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). In the last five years, the Authority failed to _________________.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the Series 2019 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

By:________________________________

Executive Director

APPENDIX A

AUDITED FINANCIAL REPORT FOR THE AUTHORITY FOR THE FISCAL YEAR ENDING JUNE 30, 2018

APPENDIX B

SUMMARY OF THE INDENTURE

APPENDIX C

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX E

BOOK ENTRY SYSTEM

The information in this Appendix concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC and neither the Authority nor the Underwriter take any responsibility for the completeness or accuracy thereof. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The information in this section regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the Authority and the Underwriter take no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully–registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2019 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2019 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2018 Bond documents. For example, Beneficial Owners of Series 2019 Bonds may wish to ascertain that the nominee holding the Series 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Series 2019 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2019 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2019 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2019 Bonds will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Underwriter believe to be reliable, but the Authority and the Underwriter do not take any responsibility for the accuracy thereof.

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Agenda Item 8

Discussion of the OREX Grant, Bond Implications and Next Steps

No Staff Report Discussion item only at the May 7, 2019 Finance Committee Meeting