



MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE BOARD OF DIRECTORS
June 23, 2016 – 2:00 p.m.
San Carlos Library Conference Room A/B**

Call To Order: 2:09PM

1. Roll Call

Agency	Present	Absent	Agency	Present	Absent
Atherton	X		Menlo Park		X
Belmont		X	Redwood City	X	
Burlingame	X		San Carlos	X	
East Palo Alto	X		San Mateo	X	
Foster City		X	County of San Mateo	X	
Hillsborough		X	West Bay Sanitary District	X	

2. Public Comment

Persons wishing to address the Board on matters NOT on the posted agenda may do so.

Each speaker is limited to two minutes. If there are more than five individuals wishing to speak during public comment, the Chairman will draw five speaker cards from those submitted to speak during this time. The balance of the Public Comment speakers will be called upon at the end of the Board Meeting.

If the item you are speaking on is not listed on the agenda, please be advised that the Board may briefly respond to statements made or questions posed as allowed under The Brown Act (Government Code Section 54954.2). The Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report and formal public discussion and input at that time.

None

3. Adjourn to Closed Session – Pursuant to Government Code Section 54957: Public Employee Appointment - Executive Director

The Regular session of the meeting was called to order at 2:27PM

4. Roll Call

Agency	Present	Absent	Agency	Present	Absent
Atherton	X		Menlo Park		X
Belmont		X	Redwood City	X	
Burlingame	X		San Carlos	X	
East Palo Alto	X		San Mateo	X	
Foster City		X	County of San Mateo		X
Hillsborough		X	West Bay Sanitary District	X	

5. Report from Closed Session

None

6. 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. Adopt the May 26, 2016 BOD Meeting Minutes

Member Bonilla made a motion to accept the consent calendar

Member Brownrigg seconded the motion

Voice Vote: All in Favor

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

7. Administration and Finance

A. Resolution Adopting FY16/17 Operating Budget (Approval item)

Chair Grassilli asked the board if they wanted to see the presentation again, or just discuss the budget.

Member Widmer asked if there were any changes, noting that it has been seen three times.

Staff Fakira answered that there are no changes.

Chair Widmer commented that he didn't need to see the presentation and charts again. He then commented that the commodities have come back, and he is concerned about the tip fee and how it is applied. He noted that he would like to see the public tip fee be higher than the franchise tip fee, because the member agencies are the largest part of the business, built the facility, are paying for the facility and thus should have favored nation status. He also added that the self-haul material is mostly construction and demolition which is more expensive and dirtier to recycle, and so therefore their rate should be higher.

Chair Grassilli asked Member Widmer if he had an amount in mind.

Member Widmer noted that he would like to see the Franchise tip fee at \$9 and everyone else at \$10.

Chair Grassilli asked how changing the tip fee allocation would affect the budget, and if there would be any problems with keeping track.

Staff Fakira answered that a one dollar difference would be about \$130,000, and that the accounting would be simple.

Member Brownrigg commented that he likes the idea of subsidizing from outsiders to insiders, but asked what the impact on the business would be.

Staff Fakira answered that self-haul is about 18% of revenue so raising that rate will not bring the SBWMA that much revenue.

Member Widmer commented that raising the rates to make self-haul cost prohibitive might cause savings with the disposal cost, due to the fact that self-haul material is not as clean as the franchised material, and if it went away completely it might be beneficial.

Staff Fakira noted that the additional revenue that is gained from self-haul helps to reduce rates overall. If that revenue is removed all of the burden of the costs would fall on the Member Agencies.

Member Bonilla asked how many trips of self-haul customers come in to the facility.

Staff Fakira stated that he didn't have the trips but that it was about 18% of total revenue.

Member Bonilla asked where the competitors facilities are, where do self-haul customers go.

Staff Fakira answered that there are 3 or 4 competitors not that far away, and in the past when Shoreway rates have been raised the self-haul revenue dropped.

Member Bonilla commented that he was concerned about greenhouse gas emissions when customers are taking longer trips. He added that he would like to make sure raising self-haul tip fees is done reasonably so that the environment is also taken into account.

Chair Grassilli commented that the reason the \$10 tip fee was proposed is because commodity revenue was going down, and this would make up the difference.

Staff Fakira clarified that yes commodity revenues were going down, but there weren't any tip fee increases for two years so there was a structural gap in the cost to revenue structure, so staff recommends closing that gap, and replenishing the reserves.

Chair Grassilli asked for clarification that a \$10 tip fee loss would only be \$130,000.

Staff Fakira answered yes, but it goes into the same line item.

Member Dehn commented that she liked the idea of giving some concession to the jurisdictions, but doesn't want to burden them in such a way that causes upset but there should be some balance.

Member Brownrigg clarified that a \$10 tip fee increase doesn't lead to only a \$130,000 difference. That is the difference in the \$1 franchised fee decrease Member Widmer is suggesting, between a \$10 or \$9 increase.

Staff Fakira stated yes at \$10 increase is about \$1.7M in revenue.

Member Brownrigg commented that he heard disparity in assessment in whether the third party tons are a profit or loss. He noted that Member Widmer was saying that if the self-haul tons went away it wouldn't make a difference, but Staff Fakira was saying those tons contribute to overhead costs. He noted that it was very difficult for him as a board member to come to an opinion because of that.

Member Widmer noted that the finance committee reviewed the tip fees at varying levels, and discussed building the reserves for future capital improvements. He also noted that in SBRs latest report commodities have recovered, so that shouldn't be as big of a concern.

Member Brownrigg commented that he was asking a distinct question about whether 3rd parties, non-franchised party's tons were a profit or a loss center.

Member Widmer noted that some of the 3rd party tons are Recology, and they now pay \$14 per ton for the use of the facility, but further investment was made in developing the MRF canopy. So for him that was a loss because \$14 wouldn't cover wear and tear on the facility and the building of the canopy. So he discussed it with the Interim Executive Director, and both thought if the 3rd party tons went away the SBWMA finances would be better off.

Staff Fakira noted that staff did an analysis of the self-haul tons and it is a breakeven but a larger base of customers reduces overhead that gets applied to the Agencies. He also added, that it is the same thing with commodities, they help reduce the rates we charge to the Member Agencies, because it reduces the revenue requirement.

Member Brownrigg asked to Member Bonilla's point if tip fees are raised at what point do customers go somewhere else.

Staff Fakira answered that based on past experience the current projection is that there will be a 15 to 20% customer loss.

Chair Grassilli asked if the Board approved \$10 for the public and \$9 for the Member Agencies how much would that cost.

Staff Fakira noted that at \$10 the projection is to break even.

Member Widmer commented that commodity revenue has not been adjusted since the first look at the budget, and they have recovered.

Staff Fakira commented that they haven't bounced back as much as you anticipate.

Chair Grassilli asked what percentage is the outside and what percentage is the inside.

Staff Fakira answered that 18% is self-haul.

Member Widmer recommended that the Board ask the Finance Director to adjust the budget such that the Franchisees are paying at least one dollar less than non-franchisees, and if necessary to balance the budget raise the non-franchisee fee even higher, and have a policy that the Franchisees are always cheaper.

Member Brownrigg commented that the simple math is if non-franchised is 20% of the business if franchised is dropped by one dollar non-franchised has to be raised by four dollars, and that if we raise fees an additional four dollars a lot of customers will be lost. He commented that the reason to raise tip fees is to invest in the plant and to him the \$10 increase makes sense. He suggested a \$9 increase to Franchisees and an \$11 increase to Non Franchisees to build up the reserves for investment. He asked how management felt about that concept.

Staff Fakira commented that staff was hoping the budget would get approved so that half of the tip fee adjustment could be applied on July 1st to the self-haul customers.

Member Widmer suggested approving the budget with the change of \$11 and \$9 tip fees.

Member Aguirre commented that she thought more information and graphs and more Board Members were needed, and asked that the discussion be brought back.

Chair Grassilli noted the options, the Board could approve the budget with the tip fee changes suggested, or the Board could not approve the budget and have a continuing resolution.

Counsel Savaree added that the Board could also approve the budget with an order that the tip fee discussion come back, and if necessary do a budget amendment.

Member Aguirre made a motion to approve the budget as is, with an order to bring the tip fee discussion back, and amend the budget if necessary.

Member Dehn seconded the motion.

Member Brownrigg commented that he was ok with that.

Member Widmer asked to include that 50% of the \$10 increase gets applied to the public as planned on July 1.

Member Aguirre agreed.

Roll call vote: 7-0-0-5

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

Chair Grassilli asked Staff Fakira to return next month with more information on the impact of changing the tip fee.

B. Update on Joint Effort to Pursue Franchise Agreement Extension Negotiations with Recology San Mateo County (Staff update)

Member Brownrigg commented that he would like to understand the City of San Mateo's position, and if it makes sense to increase the expenses incurred. He noted that San Mateo has asked that in addition to staff, a professional negotiator be brought in who is supported by a consultant, and he wanted to understand San Mateo's rationale for the request.

Member Bonilla commented that this is a structure request coming from San Mateo City Manager Larry Patterson based on prior negotiations, and based on certain dynamics he has observed, and what he felt would be the best procedure. He added that by having an outside negotiator it's neutral and makes things fair.

Member Widmer commented that there was already money in the budget for consulting, so he thought the only additional cost would be the professional negotiator.

Member Brownrigg asked how San Mateo's request is different than what was planned.

Staff Feldman commented that he didn't foresee a need to change the budget, there is about \$100,000 in the budget that would cover a professional negotiator and consultant, and that could be used for potential legal support. He added that he didn't foresee a need for significant legal support.

Member Dehn commented that the letter seemed like it was a preference on the part of the City of San Mateo, and as negotiations get closer it would be up to the Board to determine what would be applied.

Member Widmer asked for clarification that San Mateo's City Manager would be on the negotiations committee.

Chair Grassilli answered yes he is on the committee.

Member Widmer commented that with his involvement he will be able to change his mind based on how things are going.

Member Dehn added that West Bay voted last night to be a part of negotiations.

8. Collection and Recycling Program Support and Compliance

A. Status Report on Implementation of Commercial Recycling Hauler Reporting System Ordinance (Staff update)

Staff Feldman noted that the quarterly report is a little late due to agenda scheduling conflicts, but that there aren't any significant changes in tonnage that is being reported. He also noted that there is a lot of give and take with the businesses to get the reports in and the tonnage has stayed relatively the same about 20,000 tons per quarter. He also noted that about half of the businesses registered have not reported, and there are still many businesses that need to register. He added that it is still a grind to get the businesses to report, and to get non-compliant businesses to register. He also added that he had a list of about 60 businesses, and that staff would be reaching out to Member Agencies to seek assistance in getting these business to comply with registration and reporting. He noted that he has been hesitant to take the approach of a letter from the Member Agency on City letterhead, but after several phone calls and emails it's been pressed to the point to take the next step.

Chair Grassilli asked if it would be the City Managers who would send these letters.

Staff Feldman answered that staff would work through the TAC.

Member Widmer asked if it would be a joint letter, as discussed.

Staff Feldman answered that it's structured to go on the City's letterhead, staff is preparing the template and the mail merge to make it simple, but it would reference RethinkWaste so it is a joint effort.

9. Shoreway Operations and Contract Management

No Items

10. Informational Items Only (no action required)

- A. 2016 Finance and Rate Setting Calendar
- B. May 2016 Check Register Detail
- C. Potential Future Board Agenda Items

11. Board Member Comments

Chair Grassilli encouraged Board Members who see their colleagues who couldn't come to let them know next

month's Board Meeting is very important, and hopefully all 12 Member Agencies will be present.

Member Aguirre suggested bolding and moving to the top the note to Board Members to RSVP to make a stronger request to ensure a quorum.

12. Adjourn: 3:01PM