



MINUTES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
 MEETING OF THE BOARD OF DIRECTORS
 June 25, 2015 – 2:00 p.m.
 San Carlos Library Conference Room A/B

Call To Order: 2:00PM

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. Adjourn to Closed Session** – Pursuant Government Code Section 54956.9(A): Conference with Legal Counsel – anticipated litigation – one case.

Regular Session Call To Order 2:15 PM – Attendance remained the same

3. Report from Closed Session

Direction was given, but no action was taken during the closed session.

4. 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

5. Executive Director's Report

Executive Director McCarthy welcomed Farouk Fakira, the JPA's new Finance Manager, who is shadowing Staff Moran for a few months. He also noted that staff Devincenzi has taken a job in the northern part of the County and is leaving the JPA and we wish her well. He added that at the last Board meeting there were questions about the cash reserve balances and a request for an update in the Executive Director's report but noted that those questions have been answered in the budget staff report, and will be included in that discussion.

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 28, 2015 BOD Meeting Minutes
- B. Resolution Approving Annual Contract with Aaronson, Dickerson, Cohn & Lanzone for Legal Counsel Services for FY1516
- C. Resolution Approving Three-Year Contract with the City of San Carlos for Accounting and Financial Services
- D. Resolution Approving Annual Contract with T324 for Information Technology and Website Services for FY1516
- E. Resolution Approving Property Insurance Policy Renewal
- F. Resolution Approving Capital Expenditure for Landfill Tipper Engine Replacement

Member Bonilla made a motion to approve the Consent Calendar

Member Stone Seconded the Motion

Voice Vote: All in Favor, Chair Widmer and Member Olbert abstained from item 6C, and 6A

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Atherton	X		6C		Menlo Park				X
Belmont	X				Redwood City	X			
Burlingame	X				San Carlos	X		6A, 6C	
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 Approving 2015 Long Range Plan (*Approval item*)

Executive Director McCarthy noted that there would be no formal staff presentation because the Long Range Plan had been presented and discussed many times over the last three months. He highlighted the changes in the document from last month. First, he commented that diversion numbers from the Commercial Recycling Reporting Ordinance have been folded into the diversion projections in the Long Range Plan, and even though it is currently a limited data pool, with the diversion information received so far the diversion projection does go up from 68% to 70%. He also added that staff is still tracking down businesses that haven't filed information, and that if there are still challenges with any of the businesses a request to the Member Agencies for assistance will be initiated. Second, he noted that at the suggestion on Member Brownrigg a Zero Landfill Working Group has been added to the Long Range Plan, and \$30,000 has been included in the FY1516 budget for supplemental research. He added that all of the projects in the Long Range Plan that are recommended in the FY1516 fiscal year have been included in the budget, and that there are other projects for future years.

Chair Widmer noted that Member Brownrigg suggested a Board subcommittee be created as the Zero Landfill Working Group, and asked that Board Members who would like to be on the committee email him before the next Board meeting and the subcommittee would be announced at the next Board meeting. Member Brownrigg, Member Stone, and Member Bonilla volunteered to be on the committee. Member Brownrigg commented that he was grateful to the Board for supporting the Zero Landfill concept, and that he thought we have a great County to make Zero Landfill a great aspiration today, and a reality sooner than elsewhere in the Country.

Member Brownrigg made a motion to approve the Long Range Plan.

Member Stone 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			

Chair Widmer noted that Atherton takes some exception to the execution of some of the items in the report and will explore those further with the Executive Director, but other than that Atherton agrees with the plan and congratulates the staff on a good job.

B. Resolution Adopting FY1516 Operating Budget (*Approval item*)

Executive Director McCarthy noted the changes since to the budget since May. He stated that with the updated tonnage figures the budget results were improved, and the gains in the budget were used to lower the assumed tipping fee to an increase of 2.16% in November instead of 3.7%. He also noted that \$30,000 had been added to the budget for the Zero Landfill Working Group work. He also answered some previous questions regarding the cash reserve balances noting that the differences in the cash reserve balance were in part due the closing the fiscal year with a much higher balance than projected, and also due to a calculation error that was found which led to the wrong amounts being put into some of the reserve categories. He added that the error has been corrected. He also noted that the overall collection rate impact of the budget with the assumed tipping fees would be 0.6%.

Chair Widmer commented that he received a letter from Hillsborough noting their concern over continued growth in the service area and the impact on operating expense in future years.

Member Brownrigg made a motion to approve FY1516 Budget.

Member Bonilla 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			

Chair Widmer commented that Atherton agrees with the budget but takes exception to a number of items and will explore contractual remedies with the Executive Director to exclude itself from some of those.

Member Brownrigg asked for further explanation for Chair Widmer's comments, and noted that it sounded like Atherton was trying to check out of paying for SBWMA.

Chair Widmer noted that there are certain things that Atherton feels other jurisdictions are asking for, and in reviewing the contract Atherton would like to opt out.

Member Olbert asked if there was a financial impact to the other Member Agencies or the JPA would an approval item come to the Board before being implemented.

Executive Director McCarthy stated yes, anything that would have financial impact to the Member Agencies would come before the Board for approval. He also used the example of the pilot programs in the current budget noting that those are being paid for by the group because there is potential savings in the future for the group, but if later a recommendation came out of a pilot and some Member Agencies decided they didn't want that service in their jurisdiction then it wouldn't be included in the Franchise Agreement and then that jurisdiction wouldn't pay for that. He added that the JPA doesn't have an a la carte budget system.

Chair Widmer added that Atherton believes that in the future franchise agreements there should be a la carte service choices, and that he wanted to be open with his opinion so that if there is an option to change something in the future he has had the chance to express that request.

Member Aguirre commented that she was concerned about these issues not being addressed before the budget was adopted, and noted that this felt very last minute regardless of conversations had with the Executive Director the decision to go to an a la carte system should involve the whole Board not just two people.

Executive Director McCarthy noted that nothing in the budget had changed based on the Chair sharing this thought. He explained that changes in the possible future Franchise Agreement with Recology could be made on a per agency basis, but that the JPA itself is not set up for a la carte budgeting.

Vice Chair Dehn asked for clarification that both the budget and the Long Range Plan have pilot programs that have been approved in the next year, and after those pilot programs have been completed there will be discussion on whether or not those programs should be implemented across all jurisdictions or if individual jurisdictions would like to implement them.

Executive Director McCarthy stated that this was correct.

C. Resolution Approving Findings from Review of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Audits *(Approval item)*

Staff Feldman noted that this audit is completed in order to review critical self-reporting information provided by Recology and SBR including tonnage information, performance related metrics, liquidated damages, and performance incentives and disincentives. He added that these audits are the only systematic confirmation of the self-reported information provided by the contractors which is very critical in determining compensation to Recology and hence Member Agency rates. He noted that frequently there are questions about how much money is gotten back from the audits, and even though this is not the focus of the audit he noted that the amounts have ranged from \$110,000 in 2011 to \$21,000 this year. He pointed out that this is audit is not about pointing out lapses in the contractor's performance it is about the service to the rate payers, these are performance driven contracts and this audit is the only systematic approach to measure how the contractors are performing.

Chair Widmer noted that last year when this was looked at there was a minimal return on the audits, and based on that feedback the audit was scaled back. He questioned if the audits still needed to be done every year since less and less problems are found.

Staff Feldman noted that the scope of the audit is not to find mistakes to offset the cost of the audit, the scope is to review the self-reported data provided by the contractor and he didn't see value in doing the audit less than annually.

Chair Widmer thought there should be some threshold of acceptable error on the part of the contractor, and as long as the threshold is low he thought the audit was something that had diminishing returns. He asked that staff follow up with a letter that stated what the percentage of error was, and then look at how the percentage of error changes next year and look at less auditing. He also noted that he thought this was going to be the case for this year's audit after last year's audit conversation.

Vice Chair Dehn asked for further explanation of call center monitoring costs in Table 1 of the staff report noting that last year she recalled significant coding errors which Recology was working toward correcting. She asked if those had been corrected and the cost listed in Table 1 was the cost of doing the audit or what was owed to the JPA.

Staff Feldman answered that Table 1 represented the errors that were found through the call center monitoring effort. Noting that they were either miscoded or misinterpreted.

Vice Chair Dehn commented that Mario Puccinelli spoke to the Board at the time of last year's audit and Recology was going to make some changes in coding so there was more clarification for the call center. She wanted to make sure the codes were descriptive and accurate, so the Board is not looking at the same issues year after year.

Staff Feldman noted the Recology continues to refine the codes that are used, and in addition there is another layer of documentation for certain liquidated damages codes, and that Recology has made improvements in that area.

Member Aguirre made a motion to approve the audit findings

Member Olbert 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			

D. Resolution Approving Findings from 2014 Financial and Accounting Systems Audit of Recology and SBR (*Approval item*)

Staff Moran noted that the financial systems audit covered both SBR and Recology's payments and billings to the SBWMA as well as what is billed to the customers. He noted that no errors were found, but there were some operational recommendations. He also noted that the main purpose of the audit on the Recology side is to verify the revenue reconciliation balance for 2014, which is now confirmed and in total

the surplus is \$3.1M. He added that once it is approved by the Board those agencies with a surplus balance must request a refund of their surplus by July 31, 2015, but noted that this is rate payer's money and should be kept separate.

Member Brownrigg asked for verification if the same audit company performed both audits, and asked if it was done as a single RFP.

Staff Moran answered that yes R3 did both audits, and that separate RFPs were issued and R3 was very competitive for both. He noted that staff asked R3 if they combined the audits would there be a discount, and there was a 15% discount.

Chair Widmer noted that when this was discussed last year there was an interest question that wasn't addressed, and he noted that it needed to be included in the agreement.

Executive Director McCarthy commented that this issue was raised after the MOU was signed, and that he would work with Recology on a letter confirming that if an Agency uses their own money to pay the difference they could avoid the interest charge.

Member Stone made a motion to approve the financial audit findings.

Member Bonilla 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			

8. Collection and Recycling Program Support and Compliance:

A. No items

9. Shoreway Operations and Contract Management:

A. No items

10. Informational Items Only (no action required)

A. 2015 Finance and Rate Setting Calendar

B. Check Register for May 2015

C. Public Spaces Pilot Project Update

Member Stone commented that he thought this was a great pilot and he is looking forward to seeing how it goes.

D. Potential Future Board Agenda Items

11. Board Member Comments

Member Bonilla volunteered for the zero landfill working group.

Member Aguirre asked how many committee members were needed.

Chair Widmer answered no more than six members.

Executive Director McCarthy said that the group would start meeting in the fall.

Vice Chair Dehn noted that she was more than willing to be on the committee if another Board Member was needed.

12. Adjourn 2:48PM