



MINUTES
SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE BOARD OF DIRECTORS
 June 26, 2014 – 2:00 p.m.
 RethinkWaste Board Room at the Shoreway Environmental Center

Call To Order:

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	

Redwood City Council Member Jeff Gee attended for Member Aguirre
 Alternate Member Deal attended for Burlingame

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

Chair Widmer announced that the closed session prior to the July Board meeting would need to be moved, and asked the Board Secretary to send an email to the Board asking for availability.

Chair Widmer also announced that due to some Board members needing to leave early, agenda item 5A would be taken before Old Business.

3. 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 22, 2014 BOD Meeting Minutes

- B. Resolution Approving Annual Contract with Aaronson, Dickerson, Cohn & Lanzone for Legal Counsel Services for FY1415
- C. Resolution Approving Annual Contract with the City of San Carlos for Accounting and Financial Services for FY1415
- D. Resolution Approving Property Insurance Policy Renewal
- E. Resolution Approving Agreement with Cosco Fire Protection for Installation of Fire Protection Controls in Shoreway Environmental Center Buildings

Chair Widmer asked regarding 3C how many transactions go through the City of San Carlos, noting that there was just a dollar number and not any indication how much work there was.

Staff Moran answered that he would get back to the Chair.

Member Bronitsky asked what the contract amount for the contract on agenda item 3E was, noting that he would like to see a copy of the contract.

Staff Gans noted that the contract is roughly \$49,000, which is under the Executive Director's discretion amount of \$50,000 but close enough that legal counsel recommended putting on the agenda.

Chair Widmer asked if the annual audit was included in the contract with San Carlos for financial services.

Staff Moran answered that the audit is an additional cost in the \$3,000 to \$5,000 range.

Member Benton made a motion to approve consent items A through E.

Member Carlton 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			

4. Old Business:

- A. Update on Additional Third Party Tons into the Shoreway Environmental Center MRF

Staff Gans gave an update on the 3rd party tonnage discussion noting that in February the Board granted an interim processing arrangement for 6 months which expires at the end of July. He added that there is no resolution at this time because there is not yet a contract between SBR and Recology, and the VRS staffing contract is still being discussed.

Member Benton commented that he doesn't want to penalize or enrich the two contractors that are being allowed to benefit from the use of the SBWMA facility, and he wants to ensure that the SBWMA is being

rewarded for having the facility; it was his understanding that the reward was only about \$100,000 per year.

Staff Gans answered that the current arrangement of a \$10.31 host fee is about \$100,000 per year to the SBWMA, but the new agreement would be approximately 26,000 tons at a \$14 per ton host fee which would be \$365,000 to the SBWMA. He added the contract issues between SBR and Recology are market economics, the contractors are coming to an agreement and we are adding an additional cost on top of that for the use of the facility. He noted that the SBWMA does want to be rewarded for use of the facility, but it has to be at a dollar figure where Recology wants to bring the material to the facility.

Vice Chair Dehn asked if any of the \$450,000 enhancement to the apron of the building would be done if there were not any additional tons coming to the facility, and what was the depreciation.

Staff Gans answered no, the apron structure would not be needed unless additional tons are coming in, and that the structure would be depreciated over 15 years, but the payback would be about 3 years.

Chair Widmer asked if the commodity revenue would come back to the SBWMA.

Staff Gans answered that the commodity revenue would go to Recology, since it is their material.

Chair Widmer asked if there was any comingling.

Staff Gans answered that the materials are comingled to some degree, but that a value for the commodity mix that is SBWMA material has already been established, so if the new material coming in from Recology is more or less contaminated, it won't affect the SBWMA commodity revenue.

Chair Widmer asked if there was a minimum amount of tonnage required in the contract.

Staff Gans answered that he wasn't aware of a minimum tonnage being a part of the negotiation between SBR and Recology.

Chair Widmer noted that in order to guarantee payback of the cost of the apron in 3 years, a minimum tonnage requirement should be added to the contract.

Staff Gans noted that he would have that included in the negotiations.

Member Benton asked if the Board was comfortable with the comingled question and asked for clarification. He also wondered if there should be a maximum amount of tons accepted as opposed to the minimum amount discussed earlier.

Staff Gans noted that there are core terms to the use agreement that were presented to the Board when the interim agreement was granted in February, and as part of that the commodity mix volume is accounted for based on the scale.

Executive Director McCarthy added that the material SBR is getting from the 3rd party is lower quality than the franchised tons, noting the importance of having the historical data. He also added that just like franchised tons Recology's 3rd party tons could go up or down every year, and those changes are out of Recology's control.

Chair Widmer asked that the July staff report and resolution be clear about all the options.

B. Results of Public Education Survey of Residents

Staff Devincenzi gave a Power Point presentation on the results of the Public Education Survey. She noted that due to the results of the newsletter question on the survey two of the three Rethinker newsletters will be direct mailed and the 3rd will be bill insert in Recolgy's bills which reduced the newsletter budget accordingly.

Chair Widmer asked how it was cheaper.

Staff Devincenzi answered that they would only be direct mailing 2 in the FY1415 budget year and the third would go in the bill which is cheaper, but last year all 3 were direct mailed.

Staff Devincenzi then talked about the survey questions around why people visited Shoreway noting that staff thinks there is an opportunity to draw attention to the facility as a community resource.

Vice Chair Dehn asked if it is known if the people who do not come to Shoreway nor have gone to any other facility need to go to a facility, are their needs being met by the curbside programs.

Staff Devincenzi answered that the question wasn't asked.

Vice Chair Dehn would like to know if people need to use a facility before emphasis is put on using Shoreway, and people get in their cars and use gasoline.

Chair Widmer commented that it would be more relevant to him to have the responses in relation to the whole service area, rather than just the responses based on those that answered yes to a previous question.

Member Carlton added that she thought a question should be added to the nonreaders of the newsletter about why it wasn't read, so that the numbers would be less askew.

Staff Devincenzi noted that that would be a useful question, but budget and being respectful of residents' time was the reason the survey was the length that it was.

Member Olbert commented that he would like to see the survey be service focused and not business focused, and he thought that might make the information more useful especially since the end goal is to increase diversion.

Chair Widmer added that questions about where to go or who to call would probably be more pertinent.

Staff Devincenzi noted that in 2012 a more comprehensive survey was done and those kinds of questions were the focus of the survey. She added that this survey was really focused on public outreach and messaging so that staff can then focus outreach to be the most effective.

Executive Director McCarthy added that he agreed with Member Olbert's characterization, which is why there is no money in the budget to build brand awareness. He noted that the focus is to provide public education to support the programs. He also noted that knowing if people know how to get here and utilize the assets helps the financial picture.

Member Bronitsky asked if the SBWMA had the ability to monitor what goes into single family resident's carts.

Executive Director McCarthy answered no, unlike other counties.

Member Bronitsky asked if it is unknown what is in the carts then how can a recognition program for excellent diversion be developed.

Staff Devincenzi answered that auditing would happen with agreement to participate in the recognition program.

Member Bronitsky noted that if money is going to be spent, there needs to be assurances that it is incentivizing people to do better, and some realistic way of knowing what the return is. He added that he would like it to be part of the rates.

Executive Director McCarthy noted that is essentially the system in place. Where costs are based on the size of the black can and you can save money by getting a smaller black can, but there are revenue issues with that.

Chair Widmer asked that before the incentive program details are finalized that it comes back to the Board for final go ahead.

Member Stone asked Chair Widmer to explain his concerns over including the total population in the percentages, noting that he didn't see the value add in doing so.

Chair Widmer answered that when a certain percentage of yes answers get the next question then those answers aren't relevant to the total.

Member Stone asked if that number has any value add, noting that he thought there was a gain in knowing what the people who read it thought of it.

Chair Widmer added that he would like the percent relative to the total when considering how much money is being spent on outreach.

Member Carlton summarized that Chair Widmer is asking for more clarity so that someone couldn't just glance at the numbers and get the wrong idea.

Staff Devincenzi noted that she was trying to keep the presentation short given the Board meeting time constraints, and knowing that the background detail was in the Godbe Topline report.

Member Gee wondered if the residential survey implied that diversion goals can be achieved through the residential customers only.

Executive Director McCarthy answered that it wasn't meant to be implied that diversion goals could be reached exclusively through residential customers. He noted that this survey was a follow up to the 2012 survey that had already gone to residents and was intended to help focus our public outreach.

Member Gee then asked how much effort should be applied residentially when diversion is already increased, should other customers be looked at.

Executive Director McCarthy agreed, and noted that as part of the long range plan staff would be looking at the relative cost effectiveness of applying effort to different sectors. He noted that the survey may imply that residential incremental gains are possible.

Chair Widmer suggested doing a survey that looks only at the commercial side.

Member Carlton reminded the Board of the bill currently going through the state legislature which would require restaurants to compost, which will positively affect diversion, but will also affect the cost side. She noted that if the bill passes that will be a major change with a major impact.

Vice Chair Dehn asked if the survey included multi family.

Staff Devincenzi answered that only single family residences were called.

Vice Chair Dehn asked if multifamily outreach and single family outreach should be combined into one group.

Executive Director McCarthy answered that the commercial outreach (BizSmart) is managed by the SBWMA, the piece that isn't managed by the SBWMA is the Recology Waste Zero specialists that actually go out and set businesses and multifamily units up for service and do the waste audits. SBWMA staff produces the collateral that Recology's staff uses.

Member Carlton added that it is important to make sure that when working with multifamily housing staff is talking to the decision maker, she asked if it was possible to have multifamily composting be mandatory.

Staff Devincenzi answered that Recology is following up with the decision makers, and using resident interest as an in to have discussion with the property owner.

Staff Feldman noted that multifamily compost is a subscription service so mandatory compost would mean additional cost.

5. New Business:

A. Resolution Adopting FY1415 Budget

Staff Moran noted that there were a couple of small changes made since the Board discussed the budget last month in detail. He also noted that a capital project was moved from the current year to the FY15 budget, and so that increased the capital expenses. He noted that table 1 in the staff report summarized the budget picture and that the bottom line is there is a net contribution to the cash reserves of about \$210,000, which is slightly breaking even on a cash flow basis. He also added that the biggest factor in this budget is that no tip fee increases are being proposed, noting that the undesignated reserves are large enough that there is no need to increase tip fees.

Chair Widmer asked why a tip fee increase was not included at least for 3rd party.

Staff Moran answered that in the budget process the tip fees are assumptions for the following calendar year, but that in November the Board will make the final decision on tip fees and it could be discussed then, but that it wasn't needed from a cash flow standpoint.

Member Olbert asked what the role of the TAC was in reviewing the budget.

Executive Director McCarthy noted that there was no role for the TAC which was discussed at the Executive Committee.

Chair Widmer added that the TAC members regularly attend the Board meetings, and to have TAC members spend time at two meetings on exactly the same thing was an inappropriate use of their time.

Member Olbert asked that the TAC be asked if they would like to review on their own at a separate meeting prior to next year's budget process.

Chair Widmer noted that the role of the TAC would continue to be discussed at a future Board meeting, so that there could be as little overlap as possible.

Chair Widmer noted that he would like to see the total dollar budget amounts a month before, so that they can be discussed in more detail.

Member Bronitsky asked if anyone had approached San Carlos about the possibility of capping the franchise fee.

Executive Director McCarthy answered that it hadn't been discussed in a few years, the amount was negotiated in a separate agreement with San Carlos and 2/3 of the member agencies had to approve it. He noted that at the time the amount was set at 5%. He added that the question has been raised before but not recently.

Member Bronitsky asked if there was an estimate for what the consultant support would cost in reviewing the operations.

Executive Director McCarthy answered that there are not estimates yet, and that in this coming fiscal year staff will come up with a scope of work. He added that the idea would be to try and determine what the actual costs of the operation are before getting into negotiations. In terms on consultant costs, it could be large or small depending on what information Recology gives the SBWMA on their operation.

Member Gee asked staff to walk through Table 1 of the staff report, particularly the variance column.

Staff Moran answered that the revenue is going to increase by about \$349,000, most of which is due to higher 3rd party host fees, but costs are going up by \$923,000. He explained that the differential is that there is no tip fee increase of franchised and public material.

Member Benton noted that even though there is no tip fee increase the budget still estimates a surplus of about \$200,000.

Member Benton made a motion to approve Resolution 2014-13 to adopt the FY1415 budget.

Member Deal 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			

B. Resolution Approving Findings from Review of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Audits

Member Carlton now absent 3:26PM

Staff Feldman gave an overview of the staff report noting that the audit provides opportunity for critical analysis of information included in Recology's annual report. He noted that over the last few years, less has been spent on the audit, based on findings from the previous years and tightening down the scope of the audit. He added that the results are a series of recommendations, which have been fully vetted by Recology, and that there a quite a few recommendations for Recology and none for SBR. The total fiscal impact is \$8,700, \$7,000 is distributed to the Member Agencies, and \$1,700 goes to the SBWMA in the area of contamination monitoring.

Member Olbert questioned if audits could be done less frequently given the low rate of error, and then increase the cost of noncompliance.

Staff Feldman answered that it could be negotiated with Recology, but that it wasn't part of the current contract. He noted that if you defer looking at the data it would make the rate application process more complicated.

Chair Widmer noted that he liked the idea of doing less frequent audits, and suggested getting certification in certain areas where there aren't any errors, so that those wouldn't be audited again unless there was a compliant.

Staff Feldman noted that staff is looking at heading in that direction by looking at Recology's management systems in critical areas.

Chair Widmer asked if Recology has agreed to all of the recommendations.

Staff Feldman answered yes, they have been signed off by Recology.

Member Gee asked for clarification if all of the findings are based on the agreement requirements.

Staff Feldman answered that this was a contractual compliance audit, not a regulatory audit.

Member Gee then asked if all of the recommendations are of equal weight.

Staff Feldman answered that there are no consequences with the recommendations and that the intent is for Recology to improve their best management practices to mitigate the problems found in the audit, but based on the findings there are some that are weighted more heavily than others.

Member Gee asked what the value add in doing the audit is, if the weighted importance of the findings is not included.

Staff Feldman answered that without looking critically at the information that is self-reported by Recology the Member Agencies are put at financial risk.

Member Gee asked if there is a zero tolerance policy with the audit.

Executive Director McCarthy noted that there is another audit which does have zero tolerance because it's financial based, and that there is a portion of this audit that is financial based that is also zero tolerance, but the rest is subjective, most of the recommendations measure best practice standards.

Member Olbert commented that the \$8,000 in adjustments owed by Recology versus the \$46,000 cost of the audit may mean looking at a more cost effective way of completing the audit work.

Executive Director McCarthy agreed that the trend should be to continue to reduce the scope and costs of doing these audits, but noted that he would like to be clear what the Board's priorities are in terms of scope for a future audit, and suggested bringing it back for future discussion.

Member Bronitsky added that he agreed with Member Olbert and that the numbers say 2 things. 1) the issues caught when these audits were first done are getting better with time, and 2) these are systemic issues at this point. He liked the idea of doing the audit every other year, and bringing it back to the board to look at the scope.

Chair Widmer added that scope would be discussed at a future meeting before any more audits were conducted.

Member Olbert made a motion to approve Resolution 2014-14.

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			

C. Resolution Approving Findings from 2013 Financial and Accounting Systems Audit of Recology and SBR

Member Olbert now absent 3:46 PM

Member Deal now absent 3:46 PM

Staff Moran explained the staff report and noted that there were no major findings in Recology revenue reconciliation. He noted that a major issue was found with tare weights, Recology and SBR had tare

weight issues, and in both cases there will be improvements in the way tare weights are monitored and recorded, and they will be updated quarterly instead of annually going forward.

Chair Widmer asked if this included everything that Recology was billing, including the administrative fee.

Staff Moran answered that whatever each agency puts in their rates is what Recology bills, and it totals \$99M, but Recology only bills the rates that each Member Agency gives them to bill to the customers.

Executive Director McCarthy added that the assumptions that are used for the revenue projections are shared with the Member Agencies before they are finalized, and those will come out in July. He added that the biggest variances every year have to do with commercial billed revenue.

Member Benton asked Staff Moran to explain figure 2.8 in the staff report, and asked what the shortfall meant, and he asked what was driving the approximately \$300,000 differential.

Staff Moran answered that in their calculation of disposal expense Recology had used the food waste rate and should have used the organics rate for certain classes of tonnage. He noted that it was quickly caught, and the adjustment was made.

Staff Moran added that every year, the first thing looked at is to verify that what Recology is billed is what they charge back to the agencies, to make sure the numbers tie.

Chair Widmer asked about any surplus that isn't reflected in these findings, and if any surplus would cover any overage.

Staff Moran noted that this is just 2013, it doesn't include any other year, and it is a trueing up and closing out of 2013. It does include paying back 2011.

Executive Director McCarthy added that in August the Board will see all of these numbers in the draft rate report, and will get the full picture.

Member Bronitsky made a motion to approve Resolution 2014-15.

Member Benton 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			

6. Staff Updates:

- a) Potential Future Board Agenda Items
- b) Check Register for May 2014
- c) Technical Consulting Contracts – 2nd Quarter 2014

- d) Update on 2014/15 Franchise Rate Setting Process
- e) Recycling and Outreach Programs Update
- f) Shoreway Facility Operations and Maintenance Update
- g) Receipt of Recology and SBR Monthly Reports

7. Board Member Comments

8. Adjourn 3:59PM