



MINUTES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
 MEETING OF THE BOARD OF DIRECTORS
 July 23, 2015 – 2:00 p.m.
 San Carlos Library Conference Room A/B

Call To Order: 2:01 PM

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 to Government Code Section 54954.5: Public Employee Performance Evaluation: Executive Director

Regular Session Call To Order: 2:58 PM

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	

3. Report from Closed Session

Chair Widmer noted that the Board gave direction to the Chair and the Vice Chair to meet with the Executive Director to go over the Boards response.

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 noted that he would be hiking the Sierras for three weeks, and noted that he would send an email about who to contact while different members of the JPA staff are on vacation.

Executive Director McCarthy also presented Marshall Moran with a plaque and recognition in honor of his retirement.

Chair Widmer asked for an update on the hiring of a new Recycling Outreach and Sustainability Manager.

Executive Director McCarthy answered that he had received about 10 resumes so far, and some screening interviews of 3 candidates would take place next week, and in September a committee that includes TAC Member Murray from San Mateo, and Tammy Del Bene from Recology along with staff will conduct the final interviews.

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. Approve the June 25, 2015 BOD Meeting Minutes
- B. Resolution Approving Agreement with S. Groner Associates, Inc. for Public Education and Outreach Collateral and Campaign Development and Social Media Services

Member Brownrigg made a motion to approve the consent items.

Member Stone seconded the motion

Voice Vote: All in favor, Foster City Abstained from 6A due to absence at the June 2015 meeting

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		X(6A)		County of San Mateo				X
Hillsborough				X	West Bay Sanitary Dist.	X			

7. Administration and Finance:

- A. Staff Update on 2016 Contractor Compensation Adjustment Applications (Discussion item)

Staff Feldman gave an overview of the staff report which was meant to give a high level update and review of the compensation application review process. He also noted the due dates listed in the staff report.

Member Olbert asked why some of the cost factors in table 3 went up by around 2%, while a number of them didn't change at all or went down.

Staff Moran answered that both contractor's contracts are adjusted by the same index, but they have a different weight of the various cost components. He gave the example that Recology is much more affected

by fuel index which went down 18%, and has much larger depreciation expense which has no change so it helped to flatten Recology's adjustment compared to SBR.

B. Review of Unrestricted Cash Reserve Policy (Discussion item)

Executive Director McCarthy noted that at the request of the Board, staff looked at the 3 reserve categories to answer questions raised around reserving the right amount and why the reserve policy doesn't have a minimum. He noted that two particular reserve categories have raised these questions, the rate stabilization reserve, and the emergency reserve. Both are funded based on a percentage of operating expense. He added that the conclusion that staff drew during this review is that 10% of operating expenses has historically given the right amount of money, and it's probably not the right way to determine the reserve amount. He noted that the rate stabilization reserve is largely about commodity revenue impacts, reserve levels should be around looking at historical trends in the commodity prices. He added that there seems to be an opportunity to lower what is reserved in the rate stabilization reserve if it is based on these historical trends. He also noted that more research would need to be done around what a minimum reserve level would be. He then noted that 10% of operating expense is probably a fair way to calculate the emergency reserve fund. He added that the most likely scenario where those funds would be needed would be a seismic event, and that staff will continue to do modeling around what the impact of a seismic event would be.

Member Olbert asked if there was hypothetically another crash in commodity prices in the middle of a fiscal year what would be the JPA's obligations to SBR.

Executive Director McCarthy gave background that SBR has a commodity revenue guarantee of \$5.5M. He explained that when SBR sells the commodities the money is wired to the JPA, until SBR meets the \$5.5M guarantee; they don't get any share in the commodity revenue, above that they get a 28% share in the revenue. He noted that SBR has always met the guarantee, but that the timing issue is crucial depending on whether or not the \$5.5M guarantee had been met. He added that in the 4th quarter of 2008 was the last time the JPA experienced a commodity price crash, and the fiscal year had a \$3.56M drop. He also noted that it could also be a timing issue with meeting the bond covenant requirements, so there are a lot of variables in place.

Member Olbert commented that he was glad to hear staff was looking into getting information on seismic insurance.

Executive Director McCarthy noted that the MRF building and part of the transfer station are brand new, and commented that part of the building that is of concern in an earthquake is the tunnels and columns where the trash is processed and if there was a collapse there we need to determine what those capitol repairs might look like.

Member Brownrigg asked for clarification if the rate stabilization reserve fund and emergency reserve fund were balances being held and don't have an impact on the budget unless there was an adjustment, but the equipment replacement fund is an annual charge to the budget, and the undesignated fund is a general fund.

Executive Director McCarthy answered yes, but only if the funds are used for capitol repairs, and the undesignated reserve is the excess above what the Board designates as the reserve level needed.

Member Brownrigg noted that he would not recommend reducing the reserve balances because in the case of the rate stabilization fund, as the Agencies move toward a renegotiation of contracts, having a healthy reserve could be valuable in a future scenario where rates could jump, and secondly having a reserve that already

exists and maintaining it so that if the Agency wanted to invest in future technologies to achieve future goals would be useful.

Chair Widmer commented that he thought a minimum balance should be maintained, and the Board should identify what that would be especially in an emergency situation. He thought the minimum should be revisited after the staff does the seismic research to have a better understanding of what the minimum reserve levels should be.

Member Olbert asked what scenarios would trigger board decision in an emergency if there was no rate stabilization fund.

Executive Director McCarthy answered the real world situation is the commodity prices, because it is the most volatile part of the business, but noted that commodity revenue is only about 25% of the total revenue. He also noted that the current adopted budget just meets the bond covenant test requirement, so if there was a shock to commodity prices a transfer from the reserve would be required. He also noted that with the current contracts there is a lot of protection around cost containment, but certainly with future contracts it's an open issue.

Member Olbert commented that he supported going forward with consideration of decreasing the rate stabilization fund.

Member Bonilla commented that he would like to maintain current levels because in cases when it needs to be dealt with swiftly the SBWMA could act quickly.

Chair Widmer commented that the rate stabilization fund is a buffer against the commodity prices, which is different from each Member Agency setting up a fund to protect themselves from the Recology costs.

Executive Director McCarthy added that historically before the Recology contracts there were years when tipping fees went up \$6 to \$8 or dropped \$3 to \$4. Because there was a cost plus contract, so there was a see sawing of rates.

Executive Director McCarthy also commented regarding a seismic event that there could be costs associated with huge amounts of material from damage that are not budgeted and who pays for that effort, and he thought county wide it was something all the communities need to think more about, and do some more planning on what that might look like.

Member Brownrigg commented that he found the average commodity price chart to be interesting, and noted that he would like to see an axis on income added to that chart, and he thought that would help Board Members understand the relevance of commodity prices.

8. Collection and Recycling Program Support and Compliance:

- A. No items

9. Shoreway Operations and Contract Management:

- A. Update on SBR Compliance with Terms and Conditions Associated with Board Approval of Consent to Assignment of Majority Interest in South Bay Recycling, LLC to Recology, Inc. (Discussion item)

Executive Director McCarthy gave an introduction of the item and introduced Dan Domonoske from SBR and asked him to give an overview of the attachment to the staff report.

Member Abrica now absent 3:29PM

Dan Domonoske summarized the letter and attachment giving background that for the first three years of SBR's contract the VRS program worked pretty well, but there were times when the program was unable to supply sufficient workers, and during the contract's renegotiation some conditions were added to the contract including liquidated damages for failure to deliver the right number of workers, and increasing the rate of pay for the VRS workers. He noted that since that renegotiation, the VRS partnership is greatly improved. He added SBR is here to serve the needs to the Member Agencies, and SBR remains indifferent with respect to the labor that is used in the MRF.

Chair Widmer added that during the negotiations with the County VRS program it was pointed out that there is a substantial amount of overhead cost associated with the VRS contract, so the Board asked SBR to fully explore what other local low cost labor sources are available.

Dan Domonoske commented that there was a shared disappointment in the inability to achieve some conditions that were hoped for, and therefore there is an ongoing interest in keeping options open to meet the needs of the Member Agencies.

Member Bronitsky asked what the next steps would be.

Chair Widmer noted that it was just an update and SBR will continue to research any alternative available, and if your Agency has a group that might be interested in providing labor they would be interested in exploring that possibility, but noted that it needs to be a low cost labor force.

10. Informational Items Only (no action required)

- A. 2015 Finance and Rate Setting Calendar
- B. Check Register for June 2015
- C. Technical Consulting Contracts for 2nd Quarter 2015
- D. Potential Future Board Agenda Items

Vice Chair Dehn noted that during Staff Feldman's presentation he noted a special meeting in September, but that it the agenda item was listed in September and she asked for clarification if there would be a special meeting in September.

Executive Director McCarthy answered that last year there was a special meeting to discuss the compensation adjustments, but currently there is not a special meeting planned, it would be discussed at the September TAC meeting.

11. Board Member Comments

Member Brownrigg noted that he was appreciative of the Board's support of an adhoc group on future zero landfill, and would like to work with Executive Director McCarthy to set up a meeting schedule. He asked if the group had been comprised at this point.

Executive Director McCarthy noted that he had 5 board members interested in joining the committee - Member Brownrigg, Bill Widmer, Fran Dehn, Charles Stone and Rick Bonilla - and he noted the calendaring

process could be started in his absence.

Member Brownrigg noted that he would connect with Executive Director McCarthy upon his return and discuss what he would like to see accomplished in the first few meetings.

Chair Widmer asked if Member Brownrigg would be the chair of the adhoc subcommittee.

Member Brownrigg answered yes, he would be the chair.

12. Adjourn 3:39PM