

MINUTES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
MEETING OF THE BOARD OF DIRECTORS  
September 27, 2012 – 2:00 p.m.  
San Carlos Library Conference Room A/B

1. **Call to Order at 2:06 PM**  
**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 54957: Public Employee Performance Evaluation: Executive Director; pursuant to Government Code Section 54956.9(A): Conference with Legal Counsel - anticipated litigation – one case.

**The Regular Portion of the meeting called to order at 2:45 PM**

3. **Report from Closed Session**

No Report

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. **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 September 12, 2012 Special BOD Meeting Minutes
- B. Approval of Quarterly Investment Report as of 6/30/12
- C. Receipt of Recology and SBR Monthly Reports

Motion/Second: Nava/Moura

Voice Vote: All in Favor; Member Oskoui abstained from Agenda item 5A

6. **New Business:**

A. Resolution Approving 2013 South Bay Recycling Compensation Application

Staff Gans gave an overview of the compensation application. He noted the SBR's basic compensation excludes disposal costs outside of the facility, which are paid for by the SBWMA.

Vice Chair Nava asked for the top two reasons SBR costs went up 5%.

Staff Gans explained that the main reason is labor, and added that on page 6 of Exhibit A of the Staff report table 4 listed the adjustment percentages by line item.

Member Oskoui asked if SBR's compensation was built into the tipping fees.

Executive Director McCarthy explained that tipping fee assumptions are in the fiscal year budget that gets approved, but are actually approved for the following calendar year in November.

Vice Chair Nava asked if power and fuel costs were adjusted by indices.

Staff Gans answered that they anticipate PG&E's rate increase from year to year, and then increase the compensation based on the actual rate increase. The Solar PPA is based on indices and is 3½% over 20 years.

Member Fotu asked how much the solar offsets the cost of power.

Staff Gans answered roughly 50% of the total facility's needs or 100% of the MRF processing equipment.

Member Masbad asked for an explanation of what the buy back line item is, and why there is no change in the budget from last year.

Staff Gans explained that it is a pass through and SBR doesn't make profit. The SBWMA reimburses SBR for the amount of money that they pay out to customers at the buyback center. He also noted that the projections are based on tonnage and it is anticipated that the tonnage at the buyback center will remain the same.

Staff Moran added that for these projection purposes in the rate application the tons have been kept flat, so that the board will only be looking at the price change.

Member Masbad asked if there is any revenue associated with the organics, or is it just a cost only.

Staff Gans answered that everything that moves through the Transfer Station is a cost; the SBWMA has to pay to get rid of those materials.

Motion/Second: Hardy Doughty

Roll Call Vote: 11-1-0-0

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 District	X			

## B. Resolution Approving 2013 Recology San Mateo County Compensation Application

Staff Feldman noted that this Resolution is to approve Recology's compensation for rate year three of the contract, calendar year 2013. He also noted that if this Board votes on compensation it is binding amongst all the Agencies. He added that what was being voted on included the Contractor's base compensation, which is about \$55.8M, and two significant one-time adjustments; the incentive/disincentive payments of approximately \$770,000, and the service level adjustment payment of \$910,000.

Staff Moran gave an overview of cost adjustments slides presented at a prior meeting to give the Board a refresher as to the overall adjustment process, and the relationship of Recology and SBR to the total collection system. He noted that costs to operate the facility, debt covenant, and reserve funds levels approved by the board are all analyzed to figure out the total amount of revenue needed, and the combination of costs and revenue is how tip fees are determined.

Member Masbad asked if the CBA agreements that are having their final adjustment in 2014 included benefits.

Staff Moran answered yes.

Staff Moran noted that page 7 of 16 of the Recology report lists the total cost adjustment by cost category. He added that after the costs are adjusted they are then allocated, and noted that pages 11 and 12 of the same report lists the basis for the allocation for each cost category. He noted that the primary basis is route labor hours.

Staff Feldman gave an overview of the onetime issues. He noted that this year would be the second and final service level adjustment, and that table 1 of appendix C summarized the two service level adjustments in 2011 and 2012.

Vice Chair Nava asked for clarification on what amounts the service level adjustment would be across each service type, and how it was determined.

Staff Feldman answered that it is based on the operational metrics. Commercial data went down between the 2007/08 data and the 2010 data, and now it is moving back up, which is why the adjustment.

Vice Chair Nava verified that going forward the number of lifts is set for the remainder of the contract.

Staff Feldman answered that costs are fixed even if lifts change. The only time it can be brought up again during the life of the contract is if there is a 2% change up or down, either party can initiate a special compensation review.

Member Fotu asked if the service level adjustment change in lifts or numbers of accounts has been verified.

Staff Feldman noted that the HF&H audit looked at how Recology compiles the metrics, and whether or not the systems are sound in reporting these metrics, noting that staff is confident that the systems they use to compile these numbers are sound.

Member Masbad asked for reasons for large variance in the service level adjustments in the single family residential category.

Staff Feldman answered that the \$153,400 service level adjustment is from Allied data in 2008 to Allied data in 2010. In those two years there was a 0.8% increase in single family residential accounts, which equated to \$153,400 in Recology's proposed costs. The additional \$290,000 is related to about a 3,300 account difference system wide between the number of accounts that was handed over by Allied and the number of accounts Recology needed to service.

Executive Director McCarthy added that there is revenue associated with these accounts, it's not just costs.

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Member Fotu asked for clarification on whether service level is measured by bin lifts or accounts.

Staff Feldman answered that the single family residential accounts were measured by accounts because it's fixed, those accounts all get service once a week, and commercial accounts were measured by lifts because an account can have multiple lifts.

Mark Arsenault of Recology noted that administrative costs are allocated based on accounts, and the labor is allocated based on lifts.

Member Fotu added that she would like to see it measured consistently all the way through.

Staff Feldman noted other stand-alone items including; Agency Facility costs, incentive/disincentive per the HF&H audit discussed at the May Board meeting, data clean up, request for change in capitol, and reduction in administrative costs that have been included in good faith but will be discussed at the October board meeting as possible amendments to the Franchise Agreements.

Staff Feldman also noted that table 2 of appendix C was not a one-time item, it is related to revenue reconciliation and will be brought back throughout the contract. It reconciles the imbalance of revenues received in 2011.

Member Scott asked if the amounts they've been paying from the Allied account to Recology have been accounted for, and noted that he didn't see them accounted for in the appendix C table 2 calculations, he also noted he didn't understand the math of the interest rate.

Staff Moran acknowledged that West Bay's numbers looked odd, and he would get back to him outside of the meeting.

Staff Moran explained Appendix E and F variance analysis, noting that the total variance has a 4% rate impact.

Vice Chair Nava asked if the disposal and processing fees were SBR's cost.

Staff Moran answered that SBR is less than 1/3 of the total cost, there are many factors less commodity revenue and the net result is a 4.4% variance.

Member Scott noted that making agency wide statements can be misleading.

Staff Moran explained that there are 12 different stories, and noted that the cost side is pretty close over all; it's the revenue side where there are large differences.

Vice Chair Nava asked for Staff Moran to walk the Board through a City as an example

Staff Moran walked the Board members through Burlingame's rate impact story.

Member Galli asked Staff Moran to explain how appendix E relates to appendix F.

Staff Moran explained the revenue side of the story of Appendix F. He noted that the total rates need to be raised by \$1.793M; the shortfall was \$1.8M. He added that this will just cover the costs, Agency fees get added on top of that which has an additional \$347,000. Those two combined have a 2.3% rate impact.

Staff Moran also noted that there is a revenue shortfall, which Agency wide is owed to Recology. Recology was paid \$3.4M less than what was owed to them, plus the agency fees associated with this rate increase, which has an additional 3.7% rate impact Agency wide. In total there is a 5.9% rate adjustment which covers 2013 and 2011 revenue shortfall.

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Member Oskoui noted that there was a bit of disconnect because Belmont is included in the revenue side, but not included in the rate requirement side.

Staff Moran explained that Belmont has a unique contract, and rates are set differently. Adding that staff didn't want to publish what we would say is your rate adjustment when you have your own process to adjust rates.

Staff Feldman added that the numbers presented aren't reflective of Belmont's specific contract, they are relative to the overall system. Belmont's numbers have to stay in the overall cost of the systems operations and that is what is reflected in the staff report.

Vice Chair Nava asked for clarification that Burlingame's surplus doesn't include payments to Allied.

Staff Moran answered correct.

Member Galli asked if the end result of Appendix E can be summarized in line A1. She also added that if that is the case why does it show up again in Appendix D line F, and she wanted to make sure it was not double counted.

Staff Moran answered that it's not being double counted, it's being carried over.

Member Doughty noted that there is a discrepancy in the numbers for their agency which they have been trying to get addressed. He noted that it will result in some adjustments to all the agencies. He then thanked Marshall for his time in working with EPA staff to talk about the issues.

Member La Mariana gave an explanation as to why the county was not ready to vote on the Recology Rate Application, and gave a list of issues affecting their vote. He noted that they would like to get these issues right before the contract levels off to CPI on the all the CBAs.

Vice Chair Nava made a motion to accept the recommendation of staff on the 2013 Recology Rate Application.

Member Masbad seconded the motion.

Discussion:

Member Fotu requested that accounts and bin lifts be included in attachment N, and that we look at the data each year to see if there is anything out of place. She also commented that Menlo Park is still analyzing the revenue forecast, so Menlo Park doesn't necessarily agree with the proposed rate.

Member Della Santa noted that Atherton hasn't had enough time to properly review the data, so Atherton would be voting against.

Chair Porter noted that based on his staff's work, the county would be abstaining from the vote.

Roll Call Vote: 8-0-4-0

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 District	X			

D. Results of 2012 Second Quarter Recology Franchise Agreement(s) Quarterly Contamination Measurement for Loads of Recyclable Materials, Organic Materials and Plant Materials

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Staff Feldman noted that even though this process is still called quarterly contamination, it's only being done twice this fiscal year; these are the results of the second quarter of 2012. He also noted that the results are a great story, there was only one category that exceeded, which was commercial plant organics, and that is a very small piece of the overall tonnage. That category was exceeded by 1.8% and the fiscal impact will be about a \$1200 payment from Recology.

Vice Chair Nava suggested calling it Semi Annual Quarterly Contamination Measurement going forward.

**7. Old Business:**

A. RSMC Franchise Agreement Operational and Contract Administration Update

Gino Gasparini of Recology noted that Recology's Coats of Kids program would be starting up, and asked the agencies to participate.

B. SBR Shoreway Operational and Contract Administration Update

Dwight Herring of SBR has no report.

Vice Chair Nava asked for information on commodity prices

Dwight explained that commodity prices have come down, due to the economic downturn in Europe. China isn't exporting as much, and they've got a lot in storage. He added that we don't expect any major up turns through the first quarter of next year.

Staff Gans added that for the month of September the price that we're getting for fiber hasn't changed over August, but there was a big drop in July.

**8. Staff Updates**

- a) Update on Recology Commercial Recycling Outreach Efforts
- b) Recycling and Outreach Programs Update
- c) Shoreway Construction Update
- d) Update on 2012/2013 Franchise Rate Setting Process
- e) Preview of Upcoming Board meetings

**9. Board Member Comments**

**10. Adjourn: 4:06 PM**

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