

MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE FINANCE COMMITTEE**

November 5, 2018 – 11:00AM.

SBWMA Conference Room, 610 Elm Street Suite 202, San Carlos, CA

Call To Order: 11:05AM

1. Roll Call

Agency	Present	Absent
Bill Widmer	X	
Michael Brownrigg	X	
Carol Augustine	X	
Jay Benton	X	

SBWMA Staff Members Present: Joe La Mariana, Hilary Gans, John Mangini, Cyndi Urman, Jean Savaree

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. Executive Director's Report

Executive Director La Mariana noted that there was strong support at the Board Meeting for the Capital projects discussed at the study session in October, the Finance Committee would be the group to take a deeper look at longer term multi-year projects and this approach would be implemented with the next budget cycle for FY2019/2020.

The Committee went over today's agenda items, and noted that an outstanding issue of the San Carlos host fee amount would be discussed at the January Finance Committee meeting, and information San Carlos requested on the issue was being gathered and analyzed.

4. 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. Approval of Minutes from the May 10, 2018 Finance Committee Meeting

B. Approval of 2019 Finance Committee Meeting Dates

Member Augustine noted that she would be out of town for the January 10th meeting date that was proposed, but after conversation about possible other dates the committee decided to approve the proposed dates and Member Augustine would call into the January meeting

Motion/Second: Benton/Widmer

Voice Vote: All in favor.

5. Reserve Policy Review

Staff Member Mangini noted that the Board had requested the Finance Committee review the reserve policy, to ensure proper reserve levels, and create a Capital Reserve. His recommended changes include:

- Adding a new Capital Reserve based on the Agency's five-year capital plan, with approval during the budget approval process.
- Setting a range of funding from 7% to 10% vs. the prior policy of "up to a maximum of 10%" that had no minimum for the Rate Stabilization and Emergency Reserve.
- Defining operating expense for reserve funding purposes.
- Setting the priority of funding for each reserve.
- Establishing how funds in each reserve could be spent.

The Finance Committee suggested more clarity in the staff report being distributed to the full Board, including defining the operating budget more clearly so that what percentage amounts are being taken from what total are clearer.

The Finance Committee debated the percentage amounts in the reserve categories. Member Benton noted that he didn't like minimums and expressed concerns that if money was taken out it would immediately need to be put back in during the next budget cycle. The Finance Committee concluded that the policy should state that the reserves are up to 10% of the operation budget and if in deficit the Agency will replenish them over a 3 year period.

The Committee discussed the newly proposed Capital Reserve Fund. They noted that the policy states that it is based on a 5-year CIP, but it doesn't say how, and that the Agency's visibility was shorter than five years. Member Benton noted that very large long term capital projects would need independent funding sources outside of the reserve policy, but there is currently no funding mechanism for smaller routine capital projects.

The committee recommended having a capital reserve available with no capital plan, that way when a project comes up the Agency has the ability to act without going to each Member Agency for public debt. The question was raised, how big should the Capital fund be allowed to get. The committee's consensus was to change the policy to have a maximum of 10% for the Emergency Reserve and Rate Stabilization fund, and the funds will be cumulative year over year unless depleted for a purpose, and if below the minimum amount the Board would not be forced to replenish it within one year, but have 3 budget cycles to replenish unless the Board directs otherwise. They also wanted the policy to be clearer about what the operating budget is, and therefore what percentage the reserves funds are being funded from. The Committee wanted to keep an eye on the Emergency Reserve noting if they can lower the amount of the emergency reserve in the future they would, but that the staff report should justify the amount due to the operation being capital intensive.

Member Augustine also added that the terminology has changed for governmental fund balances and she suggested checking with San Carlos on the terminology in the policy.

6. Accounting Services RFQ

Staff Member Mangini noted that this process has been restarted. There were two responses to the RFP last year, one the incumbent San Carlos, and the other the City of Redwood City. At the time the responses were received the Agency was in transition to a new Finance Manager so a one year extension was executed with the City of San Carlos that goes through June 30, 2018. The evaluation process has been restarted and the plan is to have a recommendation to the Board in January so that each of the proposers can plan for it in their budgets.

7. 2019 Proposed Tip Fee Review

Staff Mangini explained the tables in the staff report, noting that for calendar year 2018 the SBWMA is barely meeting the bond covenant requirements and some money might need to be designated from reserves into operations in order to meet the bond covenants. He added that with the tip fee increases set to take place in January the Bond Covenants are quite healthy. So staff recommends leaving the tip fees the way they were adopted in the FY18/19 budget.

Suggestions of changes to the staff report before it would be presented to the Board were discussed. The suggested franchised tons versus public tons pricing, be more comparable for tons versus cubic yards, even if it was just an estimated amount in order to compare the two in the staff report. The committee asked that the word net income be removed and changed to replenishing reserves.

The committee recommended having the report go to the Board as an informational item on Bond Covenant requirements, not an action item.

8. Bond Refinance Update

Staff Mangini noted that the RFQ was issued on Friday, and Carol Augustine and Thomas Fil will be the technical team to help our staff with the review process.

The Committee discussed Certificates of Participation as a financing methodology, and staff noted that it would be discussed with the chosen financial advisor to see if that is a viable option, but it would allow the Agency to do some of this financing without having to go to each Member Agency.

The Committee discussed if refinancing in June would still be a financial benefit. There would be a pre-payment penalty before June, and the cost of the financial advisor would be conditional based on actual refunding. There are couple of non- conditional items that would be costs separate from the refunding including if a consultant was needed to determine the financial health of the Agency \$60-80K potentially.

The Committee discussed having a special Board Meeting to approve a contract with a Municipal Finance Advisor in December or having an up to dollar amount that would give staff and the technical committee the ability to make the decision after the November meeting without a special Board Meeting. The Committee recommended the November option.

9. Upcoming CIP Projects – Plan of Finance Review:

- a. Glass Load Out Project and Optional Shredding**
- b. Organics to Energy Projects (Phase 1 & 2)**
- c. MRF Enhancements**

The committee discussed the financing for the four upcoming capital projects.

1. The Glass Load Out project has been budgeted at \$350,000. But the bids came in higher than what was budgeted and the remaining balance would come from the newly established capital reserve.
2. Organics to Energy phase 1 is part of the budget and includes grant funding
3. MRF Enhancements– If the change in reserve policy is approved funds could be redirected from the rate stabilization reserve in to the capital reserve and use that money to fund the \$3.6M phase one project, and
4. The \$494,623 phase 2 project.

Member Widmer commented that if SBR is the beneficiary of the phase 2 MRF enhancements then SBR should help fund the project. Staff will talk to SBR.

The Committee discussed the optional shredder addition to the glass load out project. The decision was made to pull it off at mid-year add it into the next budget, and have the service be a paid service not free.

Discussion was had on why approve the MRF enhancements now instead of with the annual budget. Staff Gans noted that the manufacturer will warrant a 2-year recovery rate, and it takes a year to get equipment designed and installed, and given the current commodity market the sooner the better. Staff Gans noted if the Board wanted to move forward at the November meeting he would come back with enhanced composition studies and review and a firm quote from the vendor before proceeding.

The committee agreed to have the MRF Enhancement project go to the Board in January with firm quotes and after speaking the SBR about shared costs. In June with the budget the Board would need to have a capital planning conversation.

10. Finance Committee Member Comments

11. Adjourn 1:11PM