

MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE BOARD OF DIRECTORS
November 16, 2017 – 2:00 p.m.
San Carlos Library Conference Room A/B**

Call To Order: 2:02PM

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. 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 opened the meeting, and invited the Board and anyone in the audience to attend America Recycles Day on Saturday, November 18, at the Shoreway Environmental Center. He also noted that the 2018 calendar for household hazardous waste temporary collection events has been published and 10 of the events are in the SBWMA service area. He then introduced new SBWMA staff members: Julia Au; Recycling Outreach Programs Manager, as well as 4 fellows: Nicole Lee and Dennis Uyat; Public Education, and Carlos Moreno and Joanna Rosales; Public Spaces. He then noted the status of the Franchise Agreement extensions. 3 have been formally approved and the remaining are expected to take place in the January/February 2018 time frame. He noted that after the agreements are formally approved at all of the remaining Member Agencies, discussions will begin on the outstanding items of Bulky Item Collection, Abandoned Waste, and Storm Water, and these will become amendment number one to the restated and amended contract. He also noted that there is a change in collection day for Monday customers on Christmas day and New Year's Day. Monday customers will have collection on the Saturday before. He noted that a postcard is being mailed to the affected customers as well as newspaper ads, and robo calls.

Member Widmer asked if the trucks' collection times would be adjusted to be running later since it was a Saturday collection.

Executive Director La Mariana noted he would work with Recology on that issue.

4. 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. Approval of Minutes from the September 28, 2017 Board of Directors Meeting
- B. Resolution Approving Live Scan Process for SBWMA Employees

Member Bonilla made a motion to approve the consent calendar

Member Aguirre seconded the motion

Roll Call Vote: A: 8-0-2-2, B: 10-0-0-2

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	B		A		West Bay Sanitary District	B		A	

5. Administration and Finance

- A. Approval of 2018 Board of Directors Meeting Calendar

Executive Director La Mariana explained that, at the request of several Board Members staff, has looked at a number of alternative meeting location options, and gave an overview of the staff report noting that none of those options will not fulfill the Agency’s needs. He added that the driving motivation for the request was parking challenges, and SBWMA staff working with City of San Carlos staff has learned that one of the larger construction projects will be completed in late spring of 2018. When this project is completed many additional spots in downtown San Carlos will become available, and this should relieve parking constraints at the library. He concluded that staff’s recommendation is to continue to meet at the San Carlos Library.

Member Benton made a motion to approve staff’s recommendation

Member Bonilla seconded the motion

Roll Call Vote: 10-0-0-0

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 First Amendment to the Executive Director’s Employment Agreement

Counsel Savaree noted that on September 28, the Board met and evaluated the Executive Director’s performance and based on that evaluation for the Board’s consideration is an adjustment to the Executive Director’s base contract in the amount of 3.2% from \$185,000 to \$190,920 per year effective August 1, 2017. She also noted that this amendment includes a 5% bonus of \$9,250. And an additional change to the contract required by state law that states the Executive Director would have to repay in severance received if he is ever convicted of a crime involving an abusive of his office.

Member Bonilla made a motion to approve the contract amendment

Member Aguirre seconded the motion

Roll Call Vote: 10-0-0-0

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			

C. Resolution approving Tipping Fee Increases Effective 1/1/18 to Maintain Bond Covenant Requirements

Executive Director La Mariana noted that normally this discussion would have waited until the mid-year budget review in January, but there are a couple of things concerning staff and so this item is being brought forward now with recommended action to avoid getting into a deeper hole. He noted that normally the Finance Committee would review this item before it came to the Board, but calendar availability didn't work out with the earlier November Board meeting date. He added that the good news is the projections are that the required bond covenant ratios will be met, but there are three items that are influencing staff's recommendation to increase tipping fees. One, the increase in the Zanker contract for C&D processing which was budgeted and is a pass through cost. Two, the new Organics processing agreement, which is the result of an RFP, but the prices that came back through the RFP process are much higher than what was projected in the budget and the difference is \$716,000 per year. Three, the commodity market revenues have gone down very steeply because of recent (and unexpected) political direction relating to recyclable import standards by the Chinese government, and that is a projected difference of \$745,000 per year at this point. He also added that there was an error in the staff report in table 1. The number should have been \$106/ton, not \$96/ton.

Staff Fakira then explained the breakeven debt coverage ratio projections for the two different tip fee increase options listed in the staff report. In option 1 the breakeven test ratio would be 1.01, and the debt coverage test ratio 1.66. In scenario two, the breakeven test ratio would be 1.03 and the debt coverage ratio 1.85. The required ratios are 1.0 for breakeven ratio, and 1.4 for the debt ratio. He then noted the two major issues confronting the tip fee issue. One, the \$12.27 per ton increase at Newby, and the anticipated budget increase was \$3. Two, the commodity revenue drop of about \$55.87 per ton blended average. In September commodity prices averaged \$150.24 per ton, and they have since dropped to \$94.36. He noted that the current commodity value drop risk is approximately \$1.3M, but due to the sensitivity of the rate payers, the recommended tip fee increase is \$3 which will recover about \$750,000 of the \$1.3M potential shortfall. He then noted that the rate impact would be about \$0.37 per month on a 32 gallon account. He concluded by noting that staff is recommending scenario 2 because that will enable the Agency to ensure healthy covenant ratios, and capital reserve balance.

Member Benton asked if the expense side was looked at in reviewing these options. Noting that this staff report is only looking at the revenue side to make up the difference. He asked about the Newby contract only being a portion of the green waste, and how it compares to the other portion, and he asked if there are any other commodity markets other than China.

Executive Director La Mariana answered that an RFP went out to close to 10 organics processors earlier this year. There were two responses. The second RFP response (from Recology's Blossom Valley Organics division) was not recommended because their proposed rate was a much higher cost, than the response that was recommended to the Board, and he didn't see a lot of movement in that area.

Member Benton asked if 100% of the collected organic waste was now going to Newby.

Executive Director La Mariana answered that it's about 50%, and the other 50% goes to Blossom Valley Organics (BVO) in the central valley. He noted that their prices on the other 50% of the organics material are fixed until 2020, and the Newby increase was \$12.27 per ton, so blended together there is a \$6 increase to the gate customer.

Member Benton asked what the difference would be to take additional tons to the current BVO contract.

Staff Gans answered that the current BVO contract is cheaper per ton, but with transportation it's about the same as the new Newby contract, but BVO responded to the RFP that was recently awarded to Newby, and BVO responded much higher than their current price.

Executive Director La Mariana noted that the second part of Member Benton's question was around commodity options, and he noted that for the last 30 years the market has gravitated towards China, and there are not a lot of other options, and there has been a trend of paper mills closing for years in the US.

Member Carlton asked why there were only two responses to the RFP.

Executive Director La Mariana answered that it is unknown, but it could be capacity issues, because our programs generate a very large amount of material. He added that this is a very regulated industry and if their permit doesn't allow them to take additional tons they wouldn't be able to respond, but the RFP was split up into different ton amounts to deal with that issue.

Staff Gans added that there aren't many of these facilities around, and there are site issues, and permit issues so people don't want them in populated areas. He added that it's a huge issue for the state that is trying to divert more and more from the landfills, but there aren't enough organics facilities for all the material.

Member Carlton commented that there was a conversation at the Board level about converting organics into energy some years ago, and asked to look into alternative options to compost facilities to defray the cost.

Staff Gans noted that the Zero Landfill working group is on this, and the technology doesn't exist now, but there is promise.

Member Brownrigg commented that, with the fire and limited staff time, staff time has been devoted to getting the facility up and running, but this is the Zero Landfill working group's goal. He also stated that there have been investments in expanding the floor to be able to get to where we'd like to get on this issue.

Member Carlton noted that she met a gentleman who has a company in LA who does this work and she would pass his name on to staff.

Member Widmer commented that he agrees with maintaining a clear view to covering the bond covenant ratios requirement but wished that the discussion had waited until the mid-year review, because it's a reaction to the fiber number going down. He added that Staff Fakira noted that all commodities were going down in his presentation, but in the SBR letter that went out says that commodity values are up. He noted that the presentation quoted \$90/ton, and the SBR letter says it's up 7% at \$184. So, he was concerned that the commodity issue had not been cleanly vetted, and he asked for more analysis before the tip fees were raised. Secondly he noted that the organics per ton tip fee is going to be more expensive than the landfill, so it's going to be cheaper for people to put it in the trash. So, he suggested increasing solid waste and not organics as much so people wouldn't put organics in the landfill.

Staff Fakria listed the commodity prices for fiber, July \$151, August \$137, September \$108, and October \$59.76.

Chair Grassilli asked for Dwight Herring to come up and speak to the pricing discrepancy and asked if it was apples to apples or apples to oranges.

Dwight Herring commented that the \$189 per ton in the letter was container pricing not fiber pricing, and fiber is down to \$59.62, so Staff Fakria is giving a blended rate, and the letter had it broken out.

Staff Fakria gave the non-fiber items pricing in September was \$264, and now it is down to \$191 per ton, and the blended average of the two, in September it was \$153.23, and in October it is down to \$94.36.

Member Widmer noted that yesterday's letter said that non fiber was up, and he thought the Board needed more time to go through the numbers more thoroughly.

Member Brownrigg commented that there has been a delta on green carts versus black carts for a long time, and he didn't think diversion behavior was based on that delta. People react to the rate that is charged on the bill not the cost Recology, SBR and the SBWMA charge, they are oblivious to those costs. He noted that he is trying to make a decision between scenario one and scenario two, and he agreed that it is frustrating to be bouncing the rates around, because it's frustrating to business who are planning and budgeting for costs, and it's frustrating for politicians to explain to residents why their rates keep ticking up. He thought there should be some sort of a buffer to draw on when commodity prices go down, because the constant toggle because one line item comes in lower is difficult.

Executive Director La Mariana commented that there is another option of taking some of reserves and moving them to address the shortfall.

Member Brownrigg commented that he didn't think there were enough reserves to do that at this time, but asked that it be considered for the future, because business and politicians don't like non-predictability.

Chair Grassilli asked when rates were raised last year.

Member Widmer commented that the last increase is expected to go into effect in January for the last budget discussion.

Executive Director La Mariana commented that it was in February and April of 2017.

Chair Grassilli asked why now instead of waiting until budget time.

Executive Director La Mariana answered that the biggest variable is the organics contract that was an unbudgeted and unpredictable increase. He did note that commodity values tend to go up and down, but there are signals that it might be deeper and longer than the typical ebb and flow.

Chair Grassilli noted that he was leaning towards scenario one because of the uncertainty.

Member Benton asked for clarity on scenario one versus scenario two.

Executive Director La Mariana explained that the key difference is that scenario one is a pass through of the new C&D rates, and organics only. Scenario two is scenario one plus a buffer for commodity values, and affects a lot more line items.

Member Benton asked for clarification on the bond covenant ratios for scenario one versus scenario two.

Staff Fakira reiterated the two different projected ratios, scenario one, the breakeven test ratio would be 1.01, and the debt coverage test ratio 1.66. In scenario two, the breakeven test ratio would be 1.03 and the debt coverage ratio 1.85. The required ratios are 1.0 for breakeven, and 1.4 for the debt ratio.

Member Benton commented that scenario one is barely above breakeven, and there is no room for error. He then asked what the trigger date when the ratios are measured.

Staff Fakira answered that the bond covenants are reported in March, so if there is more slip in commodity there is risk of not meeting the ratios.

Member Benton commented that he thought scenario two was the only option to give wiggle room, and scenario one was the bare minimum.

Member Brownrigg asked how the \$6 per ton increase in organics was recommended.

Staff Fakira answered that the increased price was on about half of the tonnage so the increase was split over all the tonnage. He noted that table 3 in the staff report showed this calculation.

Member Bonilla made a motion to approve scenario two

Member Aguirre seconded the motion

Roll Call Vote: 9-1-0-2

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			

Chair Grassilli commented that he didn't like this process and these kinds of items have to go to the finance committee first to make for a better process.

Member Brownrigg commented that he would like to see better analysis, as option one added \$250,000 to the total revenue and option two adds \$1M, and he found it uncomfortable to be going to \$1M, and instead of focusing on the line items, he would like to see more analysis on the big picture.

6. Collection and Recycling Program Support and Compliance

No items

7. Shoreway Operations and Contract Management

A. Discussion of New Residential Battery Handling and Collection Recommendations

Staff Gans gave a Power Point presentation on batteries, noting that the issue involves the entire recycling industry and it's a complicated topic, and he wanted the Board to have an understanding of the issue first, before discussing solutions. He noted that even though there is a video of the fire, no industry experts have been able to diagnose the cause of the fire, but he believes it was a Lithium Ion (LI) battery pack. He noted a clear trend of

increased fires, and fires caused by LI batteries. He noted that attachment C to the staff report is a deep dive into batteries, and a study on how batteries are affecting the recycling industry.

Member Carlton commented that generally you have to make things easy for people, and it's very difficult to get rid of something that has a battery inside when it breaks.

Chair Grassilli noted that solutions would be discussed at the end.

Member Widmer asked of the fires that have occurred since 2013, and were they in the MRF or the Transfer Station.

Staff Gans answered both, but 90% are in the MRF.

Staff Gans continued the presentation noting that the current battery collection program of putting batteries into a bag and putting them on top of the blue bin is collecting 40% of batteries, and that is a very successful collection rate compared to other battery collection programs. He added that the problem is that 25% are going into the blue bin, and as LI batteries replace Cadmium battery technology the problem is growing.

Member Brownrigg asked if these are household batteries or items with a battery inside like a Roomba.

Staff Gans answered that batteries come in all forms, from as small to button cell batteries, to large drone batteries and both need to not be put in the blue bin.

Staff Gans then noted that staff has broken solutions into three different areas. One, hardening the Shoreway facility to fires and fire damage. Two, a programmatic approach, and looking at an outreach plan to prevent batteries from getting into the building. Three, a policy discussion to get the manufacturers involved in solving the problem.

Executive Director La Mariana then discussed operational ideas staff, and asked for the Board's feedback so that at the January Board meeting, there could be a work plan with costs for the Board's consideration. He noted that there is about \$120,000 left in this year's budget in two line items that are earmarked for the battery program, both in outreach and consultants. He added that staff's position is to reposition the current battery collection program. The current program is to place batteries in a zip type bag and place them on top of the blue bin. Two things happen, one, people think batteries are recyclable and they put them inside the cart, and two if in the dark or cloudy weather the Recology driver might not pull them off and the batteries placed on top end up in the truck. So staff's recommendation is to change the way batteries are collected, and have a significant outreach plan to go with that change. He noted that the program would include a brightly colored bag, likely orange, that would include an RFID tag. That way there would be two levels of being able to catch batteries that ended up in the recycling. One visual with the brightly colored bag, and two with the RFID tag sensor that would alert SBR that there was a battery bag in the pile.

Member Boilla asked if it would be possible for the truck to also have an RFID sensor as well.

Staff Gans answered yes, anything is possible with enough money.

Member Carlton noted that she would like to see a reminder on the lids of the blue containers that batteries are not to go inside, and if we are asking people to change their behavior they'll need more than one reminder.

Member Aguirre recommended a short video on the hazard of batteries, in a way that educated them, but doesn't scare them. She suggested including the video on the tours as well as to the general public. She also noted that it's important to start working with the legislators on this topic.

Member Carlton suggested putting the LI battery demonstration video on Facebook and sharing it with all the Cities to get the word out.

Executive Director La Mariana noted that there would be a marketing campaign and an enhancement to the campaign via social media as part of this battery plan.

Member Widmer noted that he has seen bags like this before, and suggested that they include some reflective coating to help the Recology drivers see the bag. He also suggested hanging the bag from the front of the cart and the bag is always there, and the Recology driver empties it, or the RFID tag alerts the driver that the bag is there.

Member Brownrigg asked how the customer would get the bag.

Executive Director La Mariana answered that right now we're looking at doing it similar to the swap out with used motor oil is done now, when you use a bag it is then replaced when Recology collects it. Also having them available at Shoreway and the County for pick up.

There was a general consensus from the Board that was too hard, and the bags should be placed in the billing statements.

Executive Director La Mariana concluded his portion of the presentation noting that several Board members have commented on the importance of working with local legislatures on this issue. He noted that it is staff's intention to work with Recology on this topic as well as leveraging relationships with important statewide industry advocacy organizations like the California Product Stewardship Council (CPSC), the Solid Waste Association of North America (SWANA), and Californian's Against Waste (CAW) to raise the issue.

Member Brownrigg asked if batteries have any recovery value.

Staff Gans answered that steel cased batteries have some value because they have steel, but batteries have very little value. He added that LI batteries are very complex to extract the Lithium to be able to reuse it. He added that there are no LI battery recyclers in North America, there is one in South Korea and one in Holland.

Member Benton asked where are the 100 tons of batteries collected at Shoreway going.

Staff Gans answered that most of the batteries collected are lead acid, or alkaline batteries. They are recycled, they are incinerated and the metal is recovered. He added that batteries are considered hazardous waste, and they are illegal to put into landfills in the state, so the SBWMA can't close its door to batteries and not give residents any options.

Member Brownrigg asked if one request is to add a CRV type charge to batteries that then pays for responsible handling.

Executive Director La Mariana answered yes, that's the extended producer responsibility (EPR) piece of this plan, and it's consistent with the SBWMA's mission as well.

B. Resolution Approving Memorandum of Understanding with the City of San Leandro Water Plant, and East Bay MUD Regarding an Organic Waste Conversion Project

Staff Gans noted that this is similar to the MOU passed with the local waste water treatment plant, to take the organic slurry made at Shoreway and have it processed at the waste water treatment plant. With these signed MOUs, there would be three waste water treatment plants that have expressed interest in taking the organic slurry material that would be made at Shoreway to then anaerobically digest it and make energy at the waste water treatment plants. He noted that these MOUs are not that big of a commitment, they are just a statement of interest and intent, but if the Board were to move forward there would need to be conversations about where to take it, and how reliable the markets for the material are, so this is a part of shoring up the end markets.

Member Aguirre made a motion to approve

Member Widmer seconded the motion

Roll Call Vote: 10-0-0-2

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			

C. Shoreway Environmental Center Update

Executive Director La Mariana noted that the key items had already been touched on in previous discussions.

Member Widmer asked about the food waste test press pilot that was coming out of the solid waste containers, versus the food waste that is in the organics containers. He asked if it would come from solid waste or organics containers.

Staff Gans noted that 29% of residential and commercial solid waste tons is still food waste, and this pilot is intended to see if that 29% can be extracted from solid waste.

Member Widmer commented that didn't make sense to him and both the green and the black cans should be used for the pilot.

8. **Informational Items Only (no action required)**

- A. 2017 Rate Setting Calendar
- B. Check Register Detail for September and October 2017
- C. Quarterly Update on Technical Consulting Contracts for Q3 2017
- D. Potential Future Board Agenda Items

9. **Board Member Comments**

10. **Adjourn 3:34PM**