
MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE BOARD OF DIRECTORS
November 18, 2010 – 2:00 p.m.
San Carlos Library, Conference Room A
610 Elm Street, San Carlos, California**

1. **Roll Call:** CTO 2:06 p.m.

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.

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 are 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 October 28, 2010 BOD Meeting Minutes
- B. Approval of Quarterly Investment Report as of 9/30/10
- C. Approval of 2011 Board Meeting Calendar
- D. Receipt of Allied Monthly Metrics

M/S LaMariana/DeBry approve Consent Calendar.

Motion passes 9-0-0-3 (Absent: Burlingame, San Mateo, West Bay Sanitary District)

4. **New Business:**

- A. Resolution Approving Shoreway Facility Tipping Fee Adjustments Effective 1/1/11

Discussion

Member Costa Sanders asked staff to clarify the difference in Allied's Balancing Account numbers between \$4.67 per ton and \$4.19 per ton.

Executive Director McCarthy explained that the \$4.67 represents the total of all the 2009 numbers and one quarter of the 2010 numbers. The \$2.73 is achieved by taking the \$4.67 and subtracting what we estimate we will be paying in 2012 to pay off the remaining balancing account. The difference between the \$4.67 and \$2.73 is the 2012 number.

Member Fil asked staff to confirm that the \$4.67 is a one time cost that is approximately 5% of the balancing account.

Executive Director McCarthy clarified that the one time cost is \$4.19, not \$4.67, and clarified that it is actually less than 5%.

Member Fil asked how much money is actually raised in increasing the tipping fees?

Executive Director McCarthy replied that \$1.7 million will be raised specifically from the increase in franchise solid waste rates.

Member Fil asked what the logic is for paying off one quarter of the 2010 numbers in 2011.

Executive Director McCarthy explained that the Board will be acting on the final Allied Rate Application in September 2011. We will know the final Balancing Account number in late spring or summer; these numbers will be brought to the Board in September and the clock will start ticking one year from that point. At that time if you pay 3 months it will be one quarter.

The remaining quarters will be paid off in 2012. We will bring back a projected schedule in January 2012 with a couple of scenarios. We had to make an assumption for our projections and the assumption was that one quarter would be paid for in 2011.

Member Costa Sanders asked staff if they looked at only raising the public solid waste rate and not the franchise solid waste rate, and if so, how much would it generate?

Executive Director Kevin McCarthy replied that staff only looked at the \$9.00 increase on solid waste rates. If we raised the rates of residential organics and commercial organics to \$79 per ton we would still be under our costs. Staff did not feel there was any more room to raise these rates based on what other facilities are charging. We have already seen a substantial drop in our public revenue. Not increasing the franchise solid waste rates would put us in negative cash flow which puts us in a precarious situation.

McCarthy continued saying that we have reserves to use but doing so puts us in a compromised position in terms of the review of our debt. We need to be concerned about our credit rating. If we do not have an increase this would get us close to a negative cash flow position and we would have to live off of reserve balances. We don't have to do that and staff would recommend against it. But ultimately it is up to the Board.

Member DeBry stated that she did not feel there was a need to raise franchise garbage rates because we are covering our costs; she does not think that we should raise our customer rates. In addition she does not think that customer rates should subsidize C&D rates. DeBry understands that staff does not want to lose the tons but if we are losing money with each ton, why are we doing this?

Executive Director McCarthy explained that if we raise our C&D rates by another \$3 to \$93 it really won't affect the overall rates, but it would cover the C&D costs. Staff was concerned with taking rates from \$83 to \$90.

Member DeBry stated that on the organics side of the rates we should be charging agencies what it costs. She does not think that some agencies should subsidize other agencies organics. The cost of the organics should be reflected in the rates. DeBry asked why we should subsidize public tons and a loss even if it is nominal. From an agency that will have the highest increase DeBry can not justify adding another 2-3% increase.

Member Scott agreed with Member DeBry and added that if we are not legally bond to increase our rates than the priority at this time is to consider the economy. Scott said that a 2-3% increase is not necessary and would be a tough sell for his district.

Scott continued by asking staff why we were considering setting tipping fees at this time of the year when we just considered rates in July?

Executive Director McCarthy replied that we usually set tipping fees in January. We considered fees this past July because of the increase in county fees that we did not anticipate. Historically fees are set in January and not at mid year unless there was a tipping fee adjustment.

Member Moura stated that we are getting close on the break even tests in the bond metrics; however our debt coverage is going from 2.7 to 1.5 and that concerns him. This decrease may concern rating agencies. Moura asked if Executive Director McCarthy and Financial Manager Moran have a feel for what this does for us short term?

Executive Director McCarthy informed the Board that during the rating process we always tried to stay above 2.25 rating. We have to look at relative changes and if we are significantly going in the wrong direction that could cause concern even if we have money to cover it.

Member Fil asked if we set the rates to cover costs would we be discouraging good behavior? Are there reasons to include the subsidies? Are there other factors to consider besides money?

Executive Director McCarthy replied that the recommendations are based on projections for the bond performance. In 2009 when the projections were made we did not have knowledge of the 2011 SBR and Recology Rate Applications. All we had at that time were Allied Waste numbers. Now we are looking at the actual costs and the right policy is to set rates by cost.

McCarthy continued saying that setting rates depends on what the Board's goal is. If the goal is to reduce the rate impact then some of these numbers need to be lowered.

Member Fil stated that if we had a long term plan to phase in rates over a few years it would make sense to keep the rates lower. Fil asked staff if there is any reason not to increase the C&D rates to \$93 a ton, as an example?

Executive Director McCarthy replied that there is no reason not to do it as it only adds a small amount to our overall numbers. The question is more philosophical about how to set rates.

Member Hardy stated that there are two competing interests: the fiduciary responsibility we have to the bond and proformas for setting rates; and the impact on rate payers.

Member Hardy asked staff what alternatives the Board has if we find that at mid year we are not making our ratios because we did not raise rates? We have a covenant that we would pass rates sufficient to meet ratios and fund them. Would we have to do a mid year adjustment? How would this work?

Executive Director McCarthy replied that staff would come back to the Board at mid year and give an estimate of where we are and where we need to be financially. We would look at the cash in the bank and determine how much we need to transfer to cover the deficit. This would be in effect the same process we went through last year with the county fees.

Member DeBry stated that she did not feel there is enough data to make a good decision and proposed making the decision in January when staff could provide more solid recommendations and more choices. DeBry stated that Hillsborough does not have commercial organics and she did not feel it was fair for her agency to subsidize others that do. She did not feel it was fair for agencies who are mainly residential to subsidize the commercial activities of other agencies.

M/S DeBry/Costa Sanders to table approving the Resolution Approving Shoreway Facility Tipping Fee Adjustments Effective 1/1/11 until the January Board Meeting when there will be more information on the rate impact.

Motion fails 4-6-0-2 (Burlingame, San Mateo)

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			

Vice Chair Moura asked if there were other motions.

New motion. M/S Hardy/LaMariana to accept the Resolution Approving Shoreway Facility Tipping Fee Adjustments Effective 1/1/11 with staff recommendations to change the C&D rate from \$90 to \$93.

Motion does not pass. 5-5-0-2 (Burlingame, San Mateo)

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		

Vice Chair Moura asked if there were other motions.

Member DeBry made a new motion to table the item to January and direct staff to adjust rates to reflect cost. There was no second.

Member Scott made a new motion to increase solid waste rates by \$4.50 instead of \$9.00 bringing the rate to \$88.50; and to leave the other rates at \$79. There was no second.

Discussion

Member Fil stated that he is in favor of making adjustments to the rates. He asked Executive Director McCarthy for a recommendation on setting rates that will get us to our target numbers while not changing customer behavior.

Executive Director McCarthy asked what is an acceptable rate impact for each agency?

Member DeBry replied that the rates need to reflect the actual costs and that our agency should be charging the costs for rates.

Vice Chair Moura asked for an informal vote around the table to see if the Board was close to an agreement.

Member Fil stated that he supports staff recommendation to increase the tipping fees.

Member LaMariana echoed Member Fil with one comment that we do not want to negatively alter the behavior of customers. If the solid waste rate is above the rates of the recycling options he is not in favor as he feels it will have a negative impact on customer behavior.

Member Hardy stated that he felt the same as the two prior speakers.

Alternate Davis stated that he was sitting in for Member Gordon and that he could not make a decision at this time as he felt there was not enough information or time to do so.

Executive Director McCarthy responded by saying that the numbers presented today have been available since the spring of 2010; they were shared at the July 2010 Board Meeting and included in the estimates at the September and October 2010 Board Meetings. At these meetings the Board did not have policy discussions as to covering or subsidizing costs.

Member Gibbons stated that his agency already sent out their Prop 218 notice and that he could not support numbers that were above those in the notice.

Member DeBry reiterated her position; she would not support the rate increases.

Member Costa Sanders stated that based on the jurisdiction she represents she could not support the rate increases.

Alternate Fotu stated that she supports staff recommendations to increase the rates.

Member Scott stated that his preference is to keep rates as low as possible; 1.8% increase is his preference. If the Board decides to raise the rates then his second preference is for a cost recovery program.

Vice Chair Moura stated that it did not appear there were 7 votes for any scenario.

Member Fil asked staff how much additional revenue there would be if the organics rates were increased to full cost coverage.

Executive Director McCarthy replied \$772,000 would be generated from residential organics; \$434,000 for commercial organics for a total of \$1.1 million.

Member Fil asked what the rate increase would be if we increased the solid waste revenue to \$600,000.

Executive Director McCarthy replied that it would be a \$4.00 rate increase.

Member DeBry requested a 5 minute break while staff calculated numbers.

The Board meeting broke for 5 minutes.

Executive Director McCarthy informed the Board that revenues would increase by \$65,000 if we increased the tipping fees to \$89 across the board; this would be a 3% rate impact agency wide. McCarthy continued saying that he could not tell at this time if individual agency rates would be higher.

Member Gibbons asked if this increase would affect Redwood City's Prop 218 notice.

Executive Director McCarthy replied that the actual increase is 3.02% which may not be material to the notice.

Alternate Fotu asked staff if an increase in residential composting would impact the revenue if we kept the rates at \$79.

Executive Director McCarthy replied that there will be an impact to the rates depending on each agency's customer base; the numbers currently in the schedule are not relative to impact.

New motion. M/S Hardy/LaMariana to accept the Resolution Approving Shoreway Facility Tipping Fee Adjustments Effective 1/1/11 as follows:

	<u>Staff Proposed Rate</u>	<u>Board Approved</u>
Franchised solid waste	\$93.00/ton	\$90.00/ton
Franchised organics	\$79.00/ton	\$79.00/ton
Public C&D materials	\$88.00/ton	\$90.00/ton
Public solid waste	\$40.00/cubic yard	\$40.00/cubic yard
Public plant material	\$29.00/cubic yard	\$29.00/cubic yard
Public C&D	\$28.00/cubic yard	\$29.00/cubic yard

Motion passes 7-2-1-2 (Burlingame, San Mateo)

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			

Executive Director McCarthy asked the Board if the direction they want to take is to see costs covered by the rates.

Vice Chair Moura replied that it sounds like there is interest to explore this option. He suggested that we discuss a long term strategy of where we want to take the four different rates in the next couple of years.

- B. Resolution Approving BFI of California's Compost Overs Plan at the Newby Island Compost Facility for Processing of Organics Materials from the SBWMA

M/S DeBry/Hardy accepting the Resolution Approving BFI of California's Compost Overs Plan at the Newby Island Compost Facility for Processing of Organics Materials from the SBWMA.

Voice Vote: All in Favor

Motion passes 10-0-0-2 (Burlingame, San Mateo)

- C. Resolution Approving SBWMA Consent to Assignment of the Agreement Between SBWMA and Curbside Inc. for Household Hazardous Waste (HHW), Universal Waste (U-Waste), Electronic Scrap (E-Scrap), Sharps and Medicine Door-to-Door Collection Service to WM Curbside LLC.

Discussion

Member Fil asked staff if Waste Management is going to provide any other services that we currently do not have with Curbside, Inc.; is there any potential for expansion?

Recycling Programs Manager Feldman replied that expansion may be possible; for now we are signing the contract "as is"; there are no changes.

Bill Anderson, President of Curbside Inc informed the Board that Waste Management hired the entire Curbside Inc staff. Waste Management has been buying companies similar to Curbside; companies with significant growth and potential. Waste Management is letting the businesses run themselves. In the future Waste Management intends to offer additional services and increase the hazardous waste items that are accepted.

M/S Fil/DeBry approving Resolution Approving SBWMA Consent to Assignment of the Agreement Between SBWMA and Curbside Inc for Household Hazardous Waste (HHW), Universal Waste (U-Waste), Electronic Scrap (E-Scrap), Sharps and Medicine Door-to-Door Collection Service to WM Curbside LLC.

Voice Vote: All in Favor

10-0-0-2 (Burlingame, San Mateo)

Member Hardy asked to address Agenda Item 4A: Hardy requested staff to redo the rate charts with the actual numbers so we can see the final ratios and what the increase will be for each agency.

Executive Director McCarthy replied that the charts and reports will be sent to the Board by Monday, if not sooner.

5. Old Business

- A. Presentation by Recology San Mateo County on Implementation Milestones for Rollout of New Collection Services Effective 1/1/11
- B. Presentation by South Bay Recycling on Implementation Milestones for Start-Up of Shoreway Facility Operations Effective 1/1/11

6. Staff Updates

- a) Update on Allied Contract Compliance
- b) Shoreway Construction Update
- c) Bond Proforma Update
- d) Update on Rollout of New Collection Services
- e) Update on Recology Commercial Recycling Outreach Efforts
- f) Recycling and Outreach Programs Update
- g) Preview of Upcoming Board meetings

6. Board Member Comments

None.

- 7. **Adjourn** 4:44 p.m.
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