



MINUTES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY MEETING OF THE FINANCE COMMITTEE

May 7, 2019 12:00N

Via Conference Call, Public could attend at:

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

Call To Order: 12:08PM

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, John Mangini, Cyndi Urman, Jean Savaree, Grant Ligon, and Julia Au

Others Present: Melissa Schick, KNN Public Finance; David Brodsky, KNN Public Finance via phone Kevin Civale Bond Attorney, Steve Sherman Consultant

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 Update

Executive Director La Mariana welcomed everyone and made the following announcements:

- Last night was the first night that the Bond decision was considered at 4 different City councils – Foster City, Redwood City, Burlingame and San Mateo and all 4 passed.
 - Member Benton asked if there were any questions or concerns at the councils.
 - Executive Director La Mariana answered no -it was straight forward, but San Carlos would be different because the facility is in San Carlos, they are required to have a TEFRA hearing.
 - Member Brownrigg asked about the County's Franchise Agreement Status.
 - Executive Director La Mariana answered that the County is scheduled for June 4th. He didn't think the fact that the County hasn't yet voted on their Franchise Agreement would prevent them from voting on the Bonds next Tuesday.
 - Member Brownrigg suggested Chair Benton call Member Groom before the County's vote just to see if she if they have any questions or concerns.

- Member Benton said he would reach out to Member Groom first to see how she thought the Board of Supervisors was feeling about the item.

- The final Disposal Contract will be an action item at the May Board meeting.
- SBR's Operations Contract terminates on June 30, 2020. There will be a study session at the June Board Meeting. There will need to be a letter from the Agency with notice of intent to open negotiations regarding exercising the options of the 3-year period.
 - Member Widmer noted that it would likely be cheaper to extend for 3 years, rather than renegotiate at this time.
 - Executive Director La Mariana noted that he would work with Counsel to put the Agency in the best position in the letter to open up discussions.
- Staff Au has been working hard on the website redesign and the demo of the new website will be at the September Board meeting.

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 April 11, 2019 Finance Committee Meeting

Member Widmer noted that he would like to amend the minutes to note that Atherton may not be part of the Bonds decision making, and the possibility of SBR sharing in the cost for upgrading the equipment. He also corrected a misspelling in the minutes.

Motion/Second as amended: Benton/Widmer

Voice Vote: All in favor

5. Discussion of the Preliminary FY2019/2020 SBWMA Budget

Staff Mangini went over the budget reports, and noted the net forecasted income is just over \$3M, without increasing tip fees. This also takes into account the increase in disposal fees to the agency with the new contract beginning in January of 2020.

Member Widmer asked about the weighted average tip fees and why they look like they are going up, but they text says they are not going up. Staff Mangini answered that tip fees were increased mid-year so when the increase is carried through for the full year the weighted average goes up by \$7. Member Widmer asked why the Franchised tip fee was higher than the non-franchised tip fee, noting that the Member Agencies should always have the most favorable rates. Staff Mangini noted that there are different material types that come in via the third party tons, but he would investigate what was driving the difference and look into that further and report back.

Staff Mangini noted that there have been some updates on insurance and SBR's CPI since the packet came out, and insurance is going to be 10-12% more than what is currently in the budget, and SBR's CPI adjustments will increase their compensation \$200,000-250,000 more than originally budgeted. He noted that the insurance increases are industry wide, due to increased fire risk.

Member Widmer asked about the substantial increase in Board Counsel, and Technical Assistance expenses, and asked if there were any plans for additional fire suppression for this upcoming budget year.

Executive Director La Mariana noted that there have been an increased number of projects that staff has needed legal counsel for including the disposal agreement, Franchise Agreement's Amendment One, the Orex press

purchase etc. So staff felt the need for additional legal support. He noted that the technical assistance increase is a result in work load, along with SB1383.

Member Widmer asked for a list of projects that would provide back up for the increases in these line items.

Member Benton asked if the increase in the average commodity revenue price going from \$78-\$115 was conservative enough. Staff Mangini answered that the CRV container value is conservatively budgeted for lower than what we've been getting for the last 9 months, so it is the container value that is driving the \$115, and he felt like that was a conservative number.

The Committee discussed if any of the numbers budgeted took into account the increase in commodity revenues projected with the new equipment. Staff Mangini answered no, because the equipment is not due to be installed until Q4 of FY19/20, so those increases in commodities will be included in the next budget cycle.

Member Augustine asked for an explanation as to why the sewage usage fees were up 50%. Staff Mangini noted he would include an explanation in the staff report and investigate further.

Member Benton asked what was driving the decrease in projected tons, and the increase in additional sort labor cost. Staff Mangini answered that assumptions on residue in the current year's budget were not accurate and this number corrects that. Staff Mangini answered that the sort labor has been fairly cost consistent, but the increase is due to needing to go to outside staffing, because SBR can't get enough sorters through VHS.

Member Augustine noted that she would help with how to properly capture the bond proceeds.

Member Widmer noted that this budget relied to heavily on consultant support.

The Committee talked about the 5-year Capital Improvement Plan, Executive Director noted that the Cal Recycle Grant is official as of Friday, and the County \$1M grant will be official as of June 4., and the CIP includes those grant dollars.

The Committee discussed the proposed two new positions proposed in the budget. Member Widmer wanted more explanation of the work they'll do and noted that the table reflected 3 new positions. Executive Director La Mariana, noted that the proposal is for one new FTE Outreach Coordinator, and one new fellow for a total of 3 fellows not 3 new people. Table 1 needs to be changed to reflect that it's two new people not three.

The Committee thanked Staff Mangini for his work on the Bond and budget. Member Brownrigg thanked Staff Mangini and Executive Director La Marina for guiding the SBWMA to become leaders in waste reduction and potential sources of new clean fuel, and doing it without raising rates to the customer, and being sound financial stewards of the public's resources.

6. Review of Proposed Debt Policy

Staff Mangini noted that part of the California government code for bond issuance is the need to have a corresponding debt policy, that is formally approved by the governing agency.

Melissa Schick added that the aim of the document is to be set guiding principles for the outstanding obligation of the bonds, and that it is intended to memorialize existing practices for future staff over the life of the bonds.

The committee discussed that this a new policy, that was created in response to the new law that was passed in 2017.

The committee discussed that there is a different coverage ratio in the policy than what exists today and asked about the effect on covenants with the different ratios. Melissa Schick answered that the finance team is zeroing in on a debt service coverage ratio of 1.45, which is the current rate covenant associated with the 2009 bonds. David Brodsky added that 1.45 is viewed favorably for the markets.

The committee debt coverage ratios are the instance where money was transferred from the rate stabilization account to the revenue account in order to meet bond covenant ratios, and Kevin Civalle noted that it was fully permitted, and is fully described in the official statement. David Brodsky added that it's fully acceptable in the market, which is why they recommended maintaining a rate stabilization fund. He also noted that the combination of a relatively high rate covenant and a healthy rate stabilization fund is probably the right balance. Melissa Schick added that changing the coverage ratio on the policy could change the rating of the new issuance.

KNN suggested Staff Mangini share the projections that will be part of the final POS with the Finance Committee.

7. Review of the Draft Preliminary Official Statement (POS) for Bond Issuance

Staff Mangini introduced the item and noted that staff has been working on this document with Kevin Civalle, and that this POS document is the document that all Board Members should be familiar with.

Kevin Civalle noted that the Board Members should focus on the section titled Enterprise, and the POS is meant to provide a full blown overview of the agency with both the positives and the potential risks.

The committee discussed the potential for them being green bonds. David Brodsky answered that green bond language is still being worked on with an outside consultant, and the POS would evolve to include that change as the language happened.

Member Widmer brought up the potential for Atherton's exit, he didn't want their exit and, therefore, lost of waste stream to mean the covenants were violated. Kevin Civalle, said that there are clear requirements for withdrawal, and that with that procedure in place if Atherton exited following those procedures the covenant would not be violated.

The committee asked to have the formal names of Board Members on the documents.

8. Discussion of OREX Grant, Bond Implications and Next Steps

This item was discussed during the ED report. No further discussion.

9. Finance Committee Member Comments

10. Adjourn 1:25PM