



A Public Agency

MINUTES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
 STUDY SESSION MEETING OF THE BOARD OF DIRECTORS AND THE
 TECHNICAL ADVISORY COMMITTEE

September 12, 2019 – 2:00PM.

San Carlos Library Conference Room A

Call to Order: 2:06PM

1. Roll Call Board Members:

| 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 | |

Roll Call TAC Members:

| 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

1. Executive Director's Update

Executive Director La Mariana commented on the need for the regularly scheduled TAC Meeting to become a joint Board/TAC study session. The September TAC meeting is typically the time the TAC reviews the next rate year's compensation applications (in this case rate year 2020), this year staff has prepared a planning projection for the franchise agreement step-up costs that will occur between the end

of the current term of the contract (12/31/2020) and the amended and restated agreement beginning on 1/1/ 2021. He also noted that today's presentation will include (non-binding) projections on a new service level adjustment calculation that will be applied in 2021, and staff thought because these two new elements each have important cost and rate implications to our member agencies, we felt that it was a valuable discussion to engage both the Board and the TAC members early on in this discussion.

Meetings through the end of the year:

The October 24, 2019 Board Meeting will be cancelled, there will be no meetings in October.

There will be another joint Board/TAC study session on November 7 to discuss the SB1383 gap analysis findings by HF&H Consultants, as well as discuss Amendment One and the Agency's proposed 2020 Long-Range Plan. November 21 will be the final board meeting of the year, complete with our historic Thanksgiving-themed pre-meeting lunch that begins at 12:30pm in our administrative offices.

He then gave an update on Agency activities since the last Board Meeting in June:

- The 2020 Bond refunding project is completely done.
- The decision was made to suspend Buyback center operations on August 16. On August 5th, a major recycler that operated a number of Buyback centers in the county (and 284 sites throughout the state) unexpectedly closed due to bankruptcy, and their customers were diverted to the limited number of remaining, non-affiliated buyback centers remaining, including our Shoreway facility. The resulting traffic seriously impacted Recology and SBR trucks coming in and out of the facility, impacted our neighbors and it created an unsafe zone for the customers and the Recology and SBR drivers. At the September 26 Board Meeting there will be an in-depth discussion on the issue and the new financial realities/options that confront us for opening the Buyback center back up.
- The Organics-to-Energy Pilot is moving forward as planned. There are 4 very large containers in the Shoreway visitors parking lot that will eventually take the slurry product produced by the project to the wastewater treatment plants. This equipment arrived 6 weeks early. Unfortunately, due to limited parking because of the equipment being in the parking lot and the related installation equipment and worker's vehicles, the Shoreway public tours have been cancelled for the time being. This temporary cancellation is roughly estimated to be through the end of spring 2020. School group tours which arrive on a bus are continuing.
- There is a significant storm water capital project in development for our facility's 16-acre site that will also have a major impact on the site operations. There will be more to report on this soon.
- The Bay Area Air Quality Management District (BAAQMD) has started to go public with their intent to adjust their handling material handling standards for all organics collection and processing facilities, including the Shoreway facility. The BAAQMD has stated that, upon approval by their Board (anticipated by December 2019), they will implement regulations 13-2 and 13-3 which will require significant capital improvements to our transfer station. Which would mean there would need to be rapid close doors on each end of the transfer station to trap the gasses that the organic materials naturally emit, and a vapor capture system to filter out 85% of those gasses. He also noted that they've been told that once the regulations are final facilities like Shoreway will have 6 months to implement, which would mean a large unplanned and unbudgeted capital project.
 - Board Member Widmer asked if there were any Board Members on the Air Board who could be engaged with on the issue. Executive Director answered that there are 3 BAAQMD Board members (out of 26) from the SBWMA service area. Member Widmer asked for staff to draft a letter that Board Members and Member Agencies could send to

their representative on the Air Board. (NOTE: An SBWMA letter was submitted to the BAAQMD on October 3, 2019—see attached).

- The Recology Blossom Valley Organics processing contract is expiring at the end of 2020, so post-contract planning has begun. Based on current market conditions and the state of regional organic material processing capacity, staff is projecting significant increases on this line item in our FY2020/21 budget planning, and beyond.
- First talks with Recology about alternative fuel vehicles in their next purchase of fleet vehicles has been scheduled. Per the terms of our Restated and Amended Franchise Agreement, Recology will be transitioning its fleet of 150 collections vehicles between 2022-2025. These discussions will determine the mix of cleaner burning, locally-sourced alternative fuels to power these vehicles in the future. These complex vehicles require about a one-year lead time to manufacture and deliver so this is the right time for these discussions.
- A successful and smooth transition of financial and accounting services from the City of San Carlos to the City of Redwood City is now complete.
- AB 1509 passed the Assembly 63 to 0, but the State Senate asked for revised language, and the bill has become a 2-year bill, so staff is working on support for the bill in the Senate before it is heard in the February/March timeframe.
- Assembly Member Kevin Mullin and his local district and Sacramento staff hosted their team's annual team retreat at Shoreway on July 31. Mullin is the co-author of AB1509, and it was a great opportunity for their team to see first-hand the dangers of Lithium Ion batteries to our workers and facilities. It was also a terrific opportunity to showcase our agency's operations and the valuable services that we provide to our community. This was a tremendously mutually beneficial event.
- There have been recent staffing changes at RethinkWaste. Joanna Rosales has been promoted to Outreach and Communications Coordinator (previously a Public Spaces Fellow), and Adele Hallii has been promoted to Environmental Education Associate (previously an Environmental Education Fellow). Joanna's position was newly created, and Adele's position replaces Madison Guzman who will not be returning to work after giving birth to a son in June. A new cohort of four new Fellows will start in October.

2. 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 June 6, 2019 TAC Meeting

B. Approval of the 2020 TAC Meeting Calendar

C. Approval of Board/TAC Study Session on November 7, 2019(2-4PM)

- Review of 2020 Long-Range Plan
- SB1383 Action Plan Presentation by HF&H Consultants
- Review and Discussion on Amendment One to the Model Amended and Restated Franchise Agreement with Recology San Mateo County

Motion/Second: TAC Member Murray/TAC Member D. Lee

Voice Vote: All in favor

3. Review of the SBWMA Draft Report Reviewing the 2020 Recology San Mateo County Compensation Application Including

- Service Level Adjustments for Rate Year 2021 Mock Calculations

- Rate Year 2021 Restated and Amended Franchise Agreement Cost Projections

Staff Mangini gave a PowerPoint presentation and an explanation of the new service level adjustment calculations that were estimated for 2020 but will go into effect in 2021. **Staff Mangini and Executive Director La Marina underscored the need for Member Agencies to increase revenue this year to help build a reserve and soften the increases coming in 2021 and beyond.**

Board Member Widmer asked for further explanation of the 3-year rolling average with the service level adjustments. Executive Director noted that this year is a dry run for the increases that will go into effect next year, and that it would be calculated on a 3-year rolling average to smooth systems costs which will minimize rate impacts to each member agency in the future.

TAC Vice Chair Murray commented that this doesn't include any of the increased costs associated with the anticipated amendment one or the \$2M in unplanned improvements to the MRF due to the BAAQMD's anticipated regulations 13-2 and 13-3. Executive Director La Marina noted that was correct, and he also indicated that anticipated SB1383 implementation costs are also expected to stack on top of the costs of the amended and restated Recology Agreement and service level adjustments. He added that the current Organics-to-Energy project and MRF improvements would be capitalized and don't affect rates in the same dollar-for-dollar way.

Board Member Bonilla asked why the large increase for the North Fair Oaks County area. Staff Mangini noted that the compensation to Recology hasn't increased in the last few years and is now catching up. Staff Mangini noted that he'd be happy to sit down with individual Agencies to walk through individual Agency calculations.

Board Chair Benton asked where the 2021 Recology compensation number comes from. Staff Mangini noted that it is the number that was negotiated in the model franchise agreement. Executive Director La Mariana added that a large portion of the increase is because Recology will need to replace their entire fleet to provide proper service for the new 15-year term of the Restated and Amended Franchise Agreement. Once the fleet is replaced, the system cost structure will be index based as is the case today.

TAC Member Lucky confirmed that the 2021 base compensation included the indices plus the capital purchase for the new fleet. Executive Director La Mariana noted that the new depreciation level in the amended and restated agreement steps up then.

Member Lucky asked if the surpluses Member Agencies have been obtaining over the last 3 years could be applied. Staff Mangini answered yes, but if the revenue requirement isn't being met all of the surplus will be used in the first year, so the following year another surplus will be needed.

Board Chair Benton asked to see Table One again and concluded that Agency wide the base compensation to Recology is going up 2.8% which is what is on the Board Agenda for approval in two weeks.

4. Review of the SBWMA DRAFT Report Reviewing the 2020 South Bay Recycling Compensation Application

Staff Mangini gave an overview of the South Bay Recycling 2020 compensation application. He noted that there are two outstanding items that SBR is being asked to adjust on their 2020 compensation

application and those changes would mean a 2% increase not a 2.8%. One of those is the VRS compensation it appears that profit has been applied twice so staff is asking them to adjust that calculation. The second is that the supervisor compensation should be 3% per the contract not the amount in the Compensation application. He concluded that the final review would be in the next few days, and a final report would go out with the Board packet next week.

TAC Vice Chair Murray asked to discuss the SBR Contract Extension.

Executive Director La Mariana answered that the SBR contract is set to expire on 12/31/2020. He noted that at the direction from TAC and Board discussion there will be a recommended action item on the September Board agenda to extend the existing Operating Agreement with SBR through 12/31/2023 under the same terms and conditions. After the completion of its legal review, Staff will present agency options for Board consideration in the near future about how to proceed with the Operating Agreement on 1/1/2024, and beyond.

Board Member Widmer asked if the compensation numbers included the sharing of the costs of the equipment for improving the paper quality. Staff Mangini answered that it hasn't been discussed yet, so this Compensation application is status quo.

Board Chair Benton asked if the new Ox Mountain contract would affect 2020 rates. Staff Mangini answered yes, the new contract prices for Ox Mountain go into effect in 2020 and have been included the 2020 calculations.

Board Member Bonilla noted that the transport section of the report has no percentage increase and asked for clarification. Staff Mangini thought this was an oversight, and he would correct it in the final version that is presented for Board consideration on 9/26/2019.

5. MRF Phase I BHS Equipment Review

Staff Gans gave a presentation providing background and highlighting why the proposed MRF Phase I equipment purchase to upgrade the facility would be recommended at the September 26 Board Meeting. He noted that this equipment would sort recyclables better, improve material quality, improve commodity market revenue and improve overall facility efficiency. This recommendation is driven by the significant waste stream changes that have occurred in the last 10 years since the MRF was built and the radical change in global commodity market conditions that occurred in 2018.

TAC Member Danielle Lee asked if further changes to the waste stream were projected in the future. Staff Gans answered yes, plastics have increased, paper is now plastic laminated, and many items are made from multiple materials. Additionally, mechanical sorting is being replaced by computer optics, and sorting using artificial intelligence. He showed a graph of what is currently winding up in mixed paper that can't be sorted out.

A Board quorum was lost at 3:20PM discussion continued.

Board Alternate Royse asked if the annual financial benefit was due to reduced labor cost. Staff Gans answered not in Phase I, the labor benefit is in Phase II. The major financial benefit in this round is largely from increased commodity revenue.

TAC Member Lucky advocated for a two pronged approach, noting that this equipment costs a lot of money that the rate payers are paying for, but corporations making the packaging that has become a huge part of the waste stream are not being held responsible for being better stewards of waste management.

The group discussed ideas on the topic. Noting that it is hard to get through to corporations, but many groups are working on it through legislative channels. The California Product Stewardship Council is currently working an Extended Producer Responsibility on this issue but is frustrated by lack of communication with industry. Others noted working with college design programs so future generations or package designers would design packaging with an environmental focus. And, making packaging out of fully recyclable materials and getting rid of plastics 3-7.

Staff Gans concluded that the industry is soul searching especially about plastics as the public grows more concerned about the issue.

6. Contractor Updates

- A. Recology – No Report
- B. South Bay Recycling – No Report

7. TAC Member Comments

Member Lucky asked to talk illegal dumping on a future agenda. Noting that it is an increasing problem, and the problem is taking a lot of staff time, many departments are involved, it affects stormwater issues, and increases Recology costs to the Member Agencies. She asked to look at costs to dispose at the transfer station, and other issues that could be causing the increase and ways to help alleviate the problem.

TAC Member Danielle Lee announced that there are now 16 cities in San Mateo County who've joined with the County on the disposable foodware ordinance. Executive Director La Mariana voiced his and the agency's strong support for this initiative and noted that it is in direct alignment with the SBWMA's waste reduction goals.

8. Adjourn 3:40PM