



MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE FINANCE COMMITTEE
October 6 2020, 2020 12:00PM
Via Zoom Tele or Video Conference**

Call To Order: 12:04PM

1. Roll Call

| Member | Present | Absent |
|-------------------|----------------|---------------|
| Michael Brownrigg | X | |
| Carol Augustine | X | |
| Brenda Olwin | | X |
| Jay Benton | X | |
| Fran Dehn | X | |

SBWMA Staff Members Present: Joe La Mariana, John Mangini, Cyndi Urman, Jean Savaree, Hilary Gans, Matt Southworth, Grant Ligon, Julia Au,
Others Present: Derek Rampone, City of Redwood City; Mike Kelly, Recology.

2. Public Comment

Pursuant to Government Code Section 54954.3(a), members of the public wishing to address the Committee may do so, and the comments shall be limited to the Special Meeting notice topic(s). Speakers may join the Zoom meeting via the meeting link and using the “raise hand” feature and the Clerk of the Board will call on people.

None

3. Executive Director’s Welcome (Verbal Only)

Executive Director La Mariana welcomed everyone to the meeting and noted the two discussion topics for the meeting. He then gave the following updates:

- Staff is working with Atherton city staff to schedule the member agency council meetings.
- Regarding the Recology compensation application staff has met with both the County of San Mateo and the City of Belmont and are working towards getting those issues resolved so the Recology Comp App can be considered on October 15.
- The SBR request for compensation adjustment has been agenzized for the November board meeting.

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 12, 2020 Finance Committee Meeting
- B. Approval of a 2021 Finance Committee Meeting Calendar

Motion/Second: Dehn/Brownrigg

Roll Call Vote: 4-0-0-1

| Member | Yes | No | Abstain | Absent |
|-------------------|-----|----|---------|--------|
| Michael Brownrigg | X | | | |
| Carol Augustine | X | | | |
| Brenda Olwin | | | | X |
| Jay Benton | X | | | |
| Fran Dehn | X | | | |

5. Review of CY 2021 Operating Budget and Cap Ex Review

Executive Director La Mariana introduced the item and noted that this is the first time presenting a calendar year budget, which will go to the Board in draft form next week and then be presented for approval on November 19.

Staff Mangini then gave an overview of volume and revenue. He noted that in the last budget approved in June he had reduced volumes by 5% in solid waste, 5% in green waste, 35% reduction in food waste, and 10% reduction on C&D volumes. He noted that table E2 in the staff report had the projected volumes for CY2021, which still has a reduction in volumes of about 8% over the FY20 budget. He is budgeting for volumes to build back up toward the later part of 2021.

Member Benton asked why the organics is down from the previous budget of 85,000 tons.

Staff Mangini answered that the 85,000 was what was adopted in the FY21 budget, and did project a 5% decrease in franchise tons, based on projections during the early part of the pandemic, but that the 85,000 tons from the prior budget included 11,000 tons from Atherton which will go away.

Staff Mangini then gave an overview of the recommended tip fees and asked for committee feedback. In the budget approved in June the recommended CY2021 tip fees were \$47/ton for solid waste and \$47/ton for C&D, but in response to the RFP for green waste processing the recommendation for green waste tip fees is \$50/yard, which is 43% higher than what is was in 2020. He asked the committee if they should even out the tip fees across the board rather than raise green waste so dramatically.

Member Benton asked for further explanation between 3rd party tons and public tip fees. Staff Mangini answered that the public tip fee is all the material that comes in by the yard, and the 3rd party tons are customers that have accounts and are charged by the ton, like landscaping and roofing contractors.

Member Benton asked for the conversion between yards and tonnage and wondered if green waste disposal at \$50 per yard is similar to green waste disposal at \$139 per ton. Staff Mangini noted in the past two budget presentations there has been a table with the conversions which he can add into the budget, which does show that the public rate is higher than the franchised rate.

Member Brownrigg noted that he was okay with raising solid waste and C&D tip fees by \$1/ton if it meant keeping franchise tip fees and long-time customer fees lower. The committee gave direction to raise solid waste and C&D by \$2 per yard in January and leave green waste at \$50 per yard.

The committee then discussed commodity revenue. Staff Mangini noted that commodity revenue has been soft in recent years, and when you factor in the cost paid to SBR for processing, the Agency is underwater.

Member Brownrigg asked for a breakdown of how much of the price for commodities is set by international markets, and how much is set by the State of California bottle bill. He wondered if it was worth investing in lobbying for higher CRV, if a high percentage of our revenue was CRV material. He noted that this Agency needs to lobby harder in Sacramento both on CRV and on SB1383, we need to act like a business and start advocating more for our interests.

Staff Mangini said he would get those numbers to Member Brownrigg after the meeting. He then moved on to the cost side of the budget talking about disposal and processing costs.

Disposal costs are expected to go up by \$1.3M which is driven mainly by the organics processing cost increases from the recent RFP responses at the Recology location in Tracy Blossom Valley Organics (BVON).

Member Benton asked what percentage of the volume going to BVON is food waste versus green waste. Staff Mangini answered that 15-20% is food waste.

The Committee then discussed the programmatic costs of the SBWMA budget, Member Benton was concerned about the increase from \$3.8M to \$5.4M in two years which is a substantial increase and becoming a bigger part of the overall budget this year - it's 10% of the overall budget. The more expenses that get spread out over the member agencies that may not apply to all the member agencies is a concern after the Atherton exit. He asked for further explanation to the cost drivers for the member agency support contract compliance line item which has doubled. Staff Mangini answered that attachment F gives more detail, but the Shoreway projects are driving the increases.

Executive Director La Mariana explained that there are 2 line items with major increases 1) member agency support and contract compliance and 2) SB1383 expenses. Regarding SB1383, there is \$927,000 identified as year one implementation expenses. At the October 15 study session, Cal Recycle staff will give a presentation on SB1383 and their implementation position, followed by the HF&H action plan, which will lead into the budget discussion. This amount is the hard costs staff are projecting for the first year of implementing the law. He noted there is a lot of extra auditing and reporting required, some costs will go to Recology and require a scope of services change to the franchise agreements, and some of those services will be handled in-house globally on behalf of the member agencies, so you don't incur the cost directly at the member agency level. He added that part of that number includes a new Program Manager II position who would manage SB1383 compliance programs. He added that it is a very frustrating situation because of the economic situation, but Cal Recycle is not backing off. He encouraged Board and TAC Members to ask hard questions of Cal Recycle and let them know your strong thoughts about moving SB1383 in light of the COVID situation.

Member Brownrigg asked staff to give Board and TAC members to talking points ahead of the October 15 meeting. He also thought Board members should be talking to their senators and assembly members as well on this major budget impact, and the impact it could have on our rate payers.

Member Benton asked for the Cal Recycle staff members names and organization chart for the staff who will be speaking at the meeting.

Member Brownrigg asked if there aren't final regs yet, how do we come up with a compliance cost, and he also asked what the main complaint or ask to Cal Recycle should be, is it to delay the requirements or is it to ask them that O2E be a fulfillment of the law.

Executive Director La Mariana answered that the regs have gone to the Office of Administrative Services, and we have been told to prepare for those regs to be final, so that is what staff has planned for. Secondly, realistically the ask of Cal Recycle is to delay the deadlines or soften the requirements.

Member Dehn asked if the \$927,000 was a phased portion or the compliant portion.

Executive Director La Mariana answered that the number in the budget is HF&H estimate for year one preparation and compliance implementation, there will be ongoing costs going forward, and he would drill down and ask HF&H about those.

The committee then discussed the \$512,000 member agency support and contract compliance number. Member Benton asked how it is related to SB1383. Executive Director La Mariana answered that none of this line item is related to SB1383, this is cost for anticipated capital projects including design, engineering and legal costs related to re-assessing Shoreway. There are several tracks of projects that all intertwine. There is one track of projects that have to do with upgrading material handling and sorting capability, which are MRF Phase I and Phase II and the O2E pilot which are being funded from the escrow account from the bond refunding for the most part. He added that part of this line item will be spent on reviewing and analyzing the results of what has been done before recommending next steps that have been conceptually committed to.

Staff Mangini noted that the attachment F items are considered expenses at this point because they are soft costs before the start of the project. Executive Director La Mariana noted that the first four items on attachment F are related to the master plan. To date staff has been taking a project by project look at the site, so staff is recommending a master plan assessment to take a big picture look at site needs now and in the future. The second line item is related to an anticipated need for increased electrical power, both in terms of increased power needs for equipment at the MRF and O2E, and also with the possible electrification of the Recology fleet, so this line item is to perform an electric system capacity preliminary analysis. The third and fourth items relate to the airport feasibility discussion, to see there are alternative processes that can be done on site in a cost effective manner to reduce offsite transportation and processing costs, but that would require having parking moved to the airport site next door.

Member Benton expressed concern that none of this would be possible if getting the airport isn't possible, and asked when will the airport property be available after the Silicon Valley Clean Water (SVCW), and what are the odds that we can be successful in getting the County to allow us the use of the space.

Executive Director La Mariana answered that staff has a pretty good feeling that this could happen which has changed recently, and noted that SVCW will be out of the airport site sometime in 2023, and these design and feasibility projects lead up to being able to get access to the property.

Member Benton commented that it seems a lot of these costs are required to see if the space is even an option, but the master plan seems to convey the space already and lays out how it will be used. He did not want to start paying for master planning if we don't know for sure we will get the space. He noted it sticks out because it's a

staff cost not tied to collection and disposal, and he suggested spreading it out more since the space isn't available until 2023.

Staff Gans then gave an overview of the remaining Table F projects. The first item will come off, because he found out this morning that the SBWMA was not awarded the EPA Grant. The rest of the items are related to a successful O2E pilot and the analysis to build a case for the investment of the full O2E and MRF phase II, as well as contamination compliance in the franchise agreements.

Member Dehn asked to put a notation next to the \$50,000 SB1383 Other projects figure because it appears redundant. Staff Mangini noted that cost is for consultant work, not compliance programming.

Member Benton suggested tying Table F and Table A together more clearly.

The committee then discussed reserves. Staff Mangini noted that the budget is fairly lean: operating income to reserve is just over \$500,000. In past years, income has been budgeted more strongly. The plan was to not increase the regular SBWMA budget to coincide with the Recology increase in 2021. However, this budget is still going to eat into reserves, because the income level shown here is not enough to cover the principal on the bonds. So, reserves will be drawn down with this budget.

Member Benton asked how much would be pulled from reserves. Staff Mangini answered that approximately \$1.2M is needed to keep reserves level so about \$600,000 will be pulled from reserves. Member Benton asked how tipping fees would be affected if reserves weren't dipped into. Staff Mangini noted that if \$1 was added to every tipping fee item across the board both tons and yards it would be close to covering the amount needed from reserves about \$500,000. He suggested waiting to get the final results from FY2020, see what the income to reserve balance is and decide at the October Board meeting if further tip fee increases are needed. Member Benton said depending on what the results from FY2020 are, staff should be prepared to present alternatives for not dipping into reserves in 2021.

Member Brownrigg thanked staff for the comments that they are sensitive to layer on expenses to rate payers in the same year that they've had to swallow the resetting of the Recology contract and those costs. He noted that he also found it to be a helpful conversation about where the SBWMA is going, but he thought it would be necessary to work harder to avoid expenses particularly SB1383, he would like to see not just a one-year forecast for the expense, but what the long-run worst case scenario can be and what the agency should try to avoid for expenses with O2E and some other projects. He added that it is a much bigger number than \$1M, and \$1M is already a lot.

Member Benton asked if what was discussed today in terms of tipping fees was consistent with what is in the rate application.

Staff Mangini noted that the rate application only applies to the costs to the member agencies in the franchise tipping fees, so if we were to raise tipping fees beyond what is in the current rate application it would increase member agencies tipping fee costs for that material at Shoreway, and the rate application is reflected in the budget presented here.

6. Recology Fleet Replacement (2024-26): Zero Emission Vehicles (ZEV) Planning and PG&E Subsidy Application Process Discussion

Executive Director La Mariana introduced the item noting that California Air Resources Board (CARB) regulations that are coming have given clear direction that they want zero emission vehicles on future commercial fleets. He also noted that in the long-range plan staff had thought that bio-gas would be a very viable fuel option for the fleet transition. So, staff is transitioning the conversation from bio-gas to electric for the 50-70 Recology collection vehicles that will be replaced between 2024-2026.

Staff Southworth gave a PowerPoint presentation on collection fleet replacement with zero emission vehicles.

Member Benton asked if the site infrastructure cost premium listed in the presentation included the actual cost of electricity to recharge the trucks nightly.

Staff Southworth answered no, the electricity to charge the vehicles is referred to as fuel in the presentation, which the next line down in the table.

He continued the presentation noting the staff's dilemma is knowing how many vehicles to plan for, the 6 required by the law or more of the fleet that CARB is encouraging. He added that his recommendation would be to choose a number of vehicles that would maximize the subsidy available for PG&E probably 24. The subsidy is \$9,000 per truck for the charging station at Shoreway, and those charging stations cost between \$30K-100K.

Executive Director La Mariana noted that he had gotten very clear direction to maximize subsidy opportunities, and the regulations are driving the conversion of the fleet, and staff plans to be very aggressive in pursuing subsidy opportunities. These PG&E subsidies are not dollar for dollar but will chip away at the expense, so he intends to have an action item for consideration at the November board meeting to issue a letter of intent to PG&E that would hopefully qualify the Agency for the subsidy program on their end. He also noted that the CARB minimum is to convert 6 vehicles out of 144 in the collection fleet, and the PG&E subsidy goes up to 24, so staff's recommendation is to plan to replace 24 collection vehicles with electric vehicles, but Recology has 54 trucks that need to be replaced during the 2024-2026 time period so whether or not the Board wanted to consider replacing additional collection vehicles with electric vehicles would be a policy and economic decision because anything over 24 would not have the same subsidy. He added that this ties back into the airport property discussion from earlier because additional space is needed for additional solar panels to help with the increased power demands of electric vehicles and the new processing equipment.

Member Benton noted that electric collection vehicles would charge at night and thought the solar wouldn't help with that. Executive Director La Mariana noted that part of the trucks do charge during the day when they come off route at 2:30 to 5 in the afternoon.

Member Benton asked who manufactures the electric collection vehicles. Executive Director La Mariana that the test vehicles that are here right now is from a Chinese manufacturer called BYD, but we share the same concerns that Recology does about all of their replacement parts having to come from their facilities in China, which causes discomfort given the political tariff situation that exists between our countries. So, Recology has made a strong pitch to use their preferred manufacturer Autocar which is based in Indiana.

Member Dehn asked for clarification noting that Recology was going with Autocar for the two vehicle pilot coming in January of 2022, and asked if the letter of commitment to PG&E for the remaining 22 vehicles would also be with Autocar given that results of the January 2022 pilot will not be known at that time.

Staff Southworth answered that for the PG&E subsidy, there has to be a number of vehicles to be committed to but the manufacturer doesn't matter, the manufacturer is Recology's call, and the PG&E subsidy program is intended to encourage early adopters to go beyond the minimum.

Mike Kelly of Recology commented that the committee needs to be aware that the two pilot vehicles coming in January of 2022, are only here for a pilot in San Mateo, but will not be here to stay as part of a 6 truck purchase. He also wanted to the committee to be aware that because EV collection trucks are not as efficient as the current diesel trucks, there will be an additional cost. For every 3 routes that exist now, a 4th route will need to be added because of capacity problems with the EV trucks the battery takes up too much space. Each EV route added is an additional \$320,000. So if the SBWMA decides to replace 6 trucks with EV trucks Recology will need 2 additional routes, 24 truck replacement vehicles to EV would be an additional 8 routes.

Executive Director La Mariana commented that he hopes that by January 2022 there would be improvements to efficiency and battery space. He also noted that the PG&E subsidy expires in 2024, and there is a first in line first to get paid scenario so there is some urgency, and they've been told by PG&E if we have interest to get the letter in as soon as possible. The vehicles have to be in service by the end of the calendar year 2024, and the lead time is about a year.

7. Finance Committee Member Comments

8. Adjourn 2:07pm