MEMBER AGENCIES
BELMONT  *  BURLINGAME  *  EAST PALO ALTO  *  FOSTER CITY  *  HILLSBOROUGH  *  MENLO PARK  *  REDWOOD CITY
*  SAN CARLOS  *  SAN MATEO  *  COUNTY OF SAN MATEO  *  WEST BAY SANITARY DISTRICT

PURSUANT TO GOVERNOR NEWSOM’S EXECUTIVE ORDER N-29-20, THE MEETING WILL BE HELD BY TELECONFERENCE AND/OR VIDEO CONFERENCE ONLY. THE PUBLIC MAY PARTICIPATE BY JOINING THE ZOOM MEETING
https://us02web.zoom.us/j/87163067767?pwd=bXAwS1VCW5VckRkRDhHQ2lvR2lkUT09
AND SUBMITTING THEIR PUBLIC COMMENTS IN A LIVE MEETING FORMAT. ANY EMAILS SENT TO RETHINKER@RETHINKWASTE.ORG WILL BE PROVIDED TO THE COMMITTEE PRIOR TO THE MEETING.

TELECONFERENCE PARTICIPANTS
ALL COMMITTEE MEMBERS WILL PARTICIPATE BY TELECONFERENCE AND/OR VIDEO CONFERENCE PURSUANT TO GOVERNOR NEWSOM’S EXECUTIVE ORDER N-25-20

PURSUANT TO RALPH M. BROWN ACT, GOVERNMENT CODE SECTION 54953, ALL VOTES SHALL BE BY ROLL CALL DUE TO ALL MEMBERS PARTICIPATING BY TELECONFERENCE AND/OR VIDEO CONFERENCE

ANY REQUEST FOR REASONABLE ACCOMMODATION SHOULD BE ADDRESSED TO CYNDI URMAN AT CURMAN@RETHINKWASTE.ORG.

AGENDA

1. Roll Call

2. Public Comment
   Persons wishing to address the Committee 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 Meeting. If the item you are speaking on is not listed on the agenda, please be advised that the Committee may briefly respond to statements made or questions posed as allowed under The Brown Act (Government Code Section 54954.2). The Committee’s general policy is to refer items to staff for attention, or have a matter placed on a future agenda for a more comprehensive action or report and formal public discussion and input at that time.

3. Executive Director’s Welcome  p. 3

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 Committee, 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 October 6, 2020 Finance Committee Meeting p. 7

5. Review and recommendation of approval of final audited fiscal year financial statements for FY19/20 p. 17

6. Review and recommendation of approval of 2021 Investment Policy p. 53

7. Commodity Update – CRV vs. Scrap Revenue and Current Fiber Transportation issues p. 73

8. Finance Committee Member Comments

9. Adjourn
EXECUTIVE DIRECTOR’S UPDATE

Agenda Item 3 is a verbal report only at the 01/12/2021 SBWMA Finance Committee Meeting
CONSENT CALENDAR
Call To Order: 12:04PM
1. Roll Call

<table>
<thead>
<tr>
<th>Member</th>
<th>Present</th>
<th>Absent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Brownrigg</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Carol Augustine</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Brenda Olwin</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Jay Benton</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Fran Dehn</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

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 agenized 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

<table>
<thead>
<tr>
<th>Member</th>
<th>Yes</th>
<th>No</th>
<th>Abstain</th>
<th>Absent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Brownrigg</td>
<td></td>
<td>X</td>
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<td>Carol Augustine</td>
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<td>Brenda Olwin</td>
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<td>Jay Benton</td>
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<tr>
<td>Fran Dehn</td>
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<td>X</td>
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</tr>
</tbody>
</table>

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 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 is 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 an 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 a 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.

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. Four 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
Review and recommendation of approval of final audited fiscal year financial statements for FY19/20
To: SBWMA Board Members  
From: John Mangini, Senior Finance Manager  
Date: January 12, 2021 Finance Committee Meeting  
Subject: DRAFT: Resolution Accepting the FY19/20 Audited Financial Statements

**Board Action**
It is recommended that the SBWMA Board of Directors approve Resolution No. 2020-XX attached hereto authorizing the following action:

Accept the South Bayside Waste Management Authority’s audited Annual Financial Statements (see Exhibit A to the Resolution) for the fiscal year ending June 30, 2020 as prepared by the SBWMA’s audit firm, Maze & Associates.

**Summary**
The purpose of the financial statements is to present a summary of the financial position of the Authority for the fiscal year. These reports have been reviewed by the Board Finance Committee which recommends approval. The final step in the formal process of preparing these financial statements is to present them to the Board for its acceptance.

**Analysis**
The financial statements of the SBWMA for fiscal year ending June 30, 2020, have been prepared by the City of Redwood City Administrative Services Department and examined by the independent auditing firm Maze & Associates and SBWMA staff. It is the unqualified opinion of the audit firm that the financial statements present fairly the financial position of the SBWMA as of June 30, 2020, and that the financial statements were prepared in conformity with generally accepted accounting principles. No exceptions or qualifications were found.

**Financial Condition Summary**
As shown in Table 1 of the Audit report, total net position increased by $1.2 million to $22.6 million. The unrestricted net assets (Unrestricted Reserve) remained flat at $16.2 million at June 30, 2020 (see Tables 1 and 4 in the Audit report). Operating income including depreciation increased $0.8 million.

**General Operating Results**
The operating results for FY19/20 are compared to FY18/19 in Table 1 below:
Table 1 – Operating Results

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2020</th>
<th>Variance</th>
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<tbody>
<tr>
<td></td>
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<td>Better / (Worse)</td>
</tr>
<tr>
<td>Tip Fee Revenue</td>
<td>$46,377,395</td>
<td>$45,660,060</td>
<td>$(717,335)</td>
</tr>
<tr>
<td>Commodity Revenue</td>
<td>$6,140,314</td>
<td>$5,856,511</td>
<td>$(283,803)</td>
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<tr>
<td>Other Revenue 1</td>
<td>$28,329</td>
<td>$19,299</td>
<td>$(9,030)</td>
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<tr>
<td><strong>Total Revenues</strong></td>
<td>$52,546,038</td>
<td>$51,535,870</td>
<td>$(1,010,168)</td>
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<tr>
<td>Shoreway Operations Expense</td>
<td>42,195,199</td>
<td>40,325,760</td>
<td>(1,869,439)</td>
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<td>SBWMA Program Expense</td>
<td>3,019,870</td>
<td>3,199,159</td>
<td>179,289</td>
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<tr>
<td>Franchise Fees</td>
<td>2,206,790</td>
<td>2,178,179</td>
<td>(28,611)</td>
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<td>Depreciation Expense</td>
<td>3,075,887</td>
<td>3,011,979</td>
<td>(63,908)</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td>$50,497,746</td>
<td>$48,715,077</td>
<td>$(1,782,669)</td>
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<tr>
<td>Operating Income</td>
<td>$2,048,292</td>
<td>$2,820,793</td>
<td>$772,501</td>
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<td>Investment Income, Other</td>
<td>621,287</td>
<td>768,838</td>
<td>$147,551</td>
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<td>Loss on sale of capital assets</td>
<td>-</td>
<td>(34,134)</td>
<td>$(34,134)</td>
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<tr>
<td>Interest Expense</td>
<td>(2,633,833)</td>
<td>(2,802,192)</td>
<td>(168,359)</td>
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<td>Grant Revenue</td>
<td>1,020,000</td>
<td>500,000</td>
<td>(520,000)</td>
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<td><strong>NET POSITION</strong></td>
<td>$1,055,746</td>
<td>$1,253,305</td>
<td>$197,559</td>
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</table>

Variance explanations:

- Lower Tip Fee Revenue mainly due to "self-haul" public tipping fee decline of $1.0 million, offset by $0.3 million increase in franchise tipping fees. The decline in public tipping fees is a result of the closure of the Shoreway Facility to public customers from mid-March 2020 to early May 2020 due to the COVID-19 Shelter-in-Place Order.
- Commodity Revenue decreased $0.3 million. The closure of the Buyback Center is estimated to have a $0.7 million negative impact on commodity revenue, which is offset by decreased payment to Buyback Center customers. Commodity markets continue to be soft due to China’s tightening of contamination standards.
- Lower Shoreway Operations Expense primarily due to $1.1 million decrease in SBR compensation from the reduced material volume. Buyback Center payments to customers reduced $0.7 million due to the closure of the Buyback Center.
- Franchise Fees paid to the City of San Carlos decreased slightly due to the decrease tip fee revenue.
- Investment income increased due to higher balances and interest rates.
- Interest expense increased due to the issuance of new debt as part of the 2019 Bond Refunding.
- The agency received Grant Revenue from The County of San Mateo to help fund the Organics to Energy Project.

**Long-Term Debt**

At the end of the current fiscal year, the SBWMA had bond debt outstanding of $59,519,033, an increase of $14.7 million. Long-term debt consists of Series 2019A and 2019B Refunding Revenue Bonds that were issued to refund
the 2009A Revenue Bonds and to finance the construction of various improvements and acquisition of certain associated equipment to the material recovery facility and transfer station.

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2020</th>
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<tbody>
<tr>
<td>Revenue Bonds 2009A</td>
<td>$44,812,247</td>
<td>$59,519,033</td>
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</table>

Payment of principal on the 2019 bonds began on September 1, 2020. Additional information on the SBWMA’s long-term debt can be found in note (4) to the accompanying financial statements.

**Fiscal Impact**

There is no financial impact associated with the adoption of this Resolution.

**Attachments:**

- Resolution 2020-XX. Accepting the Authority’s FY19/20 Financial Statements
- Exhibit A – SBWMA FY19/20 Audited Annual Financial Statements
RESOLUTION NO. 2021-XX
RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS
ACCEPTING THE FISCAL YEAR 2019-2020 ANNUAL FINANCIAL STATEMENTS

WHEREAS, the South Bayside Waste Management Authority contracted with the audit firm Maze & Associates to conduct an audit of the Agency’s financial records in accordance with Governmental Accounting Standards Board (GASB) Statement 34; and

WHEREAS, the financial statements for the fiscal year ending June 30, 2020 as prepared by said firm have been completed and are attached as Exhibit A; and

WHEREAS, it is recommended that the Board accept the financial statements.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the Annual Financial Report as prepared by Maze & Associates for the fiscal year ending June 30, 2020.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 28th day of January, 2021, by the following vote:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Yes</th>
<th>No</th>
<th>Abstain</th>
<th>Absent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belmont</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Burlingame</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>East Palo Alto</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foster City</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hillsborough</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Menlo Park</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redwood City</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>San Carlos</td>
<td></td>
<td></td>
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<tr>
<td>San Mateo</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County of San Mateo</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Bay Sanitary Dist.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

I HEREBY CERTIFY that the foregoing Resolution No. 2021-XX was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on January 28, 2021.

ATTEST: ________________________________  Alicia Aguirre, Interim Chairperson of SBWMA

_____________________________________
Cyndi Urman, Board Secretary
INDEPENDENT AUDITOR’S REPORT

To Members of the Board of Directors of the
South Bayside Waste Management Authority
San Carlos, California

Report on the Financial Statements

We have audited the accompanying financial statements of the South Bayside Waste Management Authority (Authority), California, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the Table of Contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2020, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 1, 2021 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority’s internal control over financial reporting and compliance.

Pleasant Hill, California
January 1, 2021
The Management’s Discussion and Analysis (MD&A) section presents an overview and analysis of the financial performance of the South Bayside Waste Management Authority (SBWMA) for the fiscal year (FY) ended June 30, 2020. It should be read in conjunction with the audited financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The SBWMA’s financial statements include:

*Statement of Net Position* presents information on the SBWMA’s assets and liabilities as of the fiscal year-end, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

*Statement of Revenues, Expenses, and Changes in Net Position* presents the results of the SBWMA’s operations over the course of the fiscal year and information as to how the net position changed during the fiscal year. These statements can be used as an indicator of the extent to which the Authority has successfully recovered its costs through user fees and other charges.

*Statement of Cash Flows* presents changes in cash and cash equivalents resulting from operational, capital, non-capital, and investing activities. The statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt and exclude non-cash accounting measures of depreciation or amortization of assets.

*Notes to Financial Statements* provide information that is essential to a full understanding of the financial statements that is not displayed on the face of the financial statements.

FINANCIAL ANALYSIS

The following table summarizes the Authority’s change in net position from last fiscal year to this fiscal year.

<table>
<thead>
<tr>
<th></th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and other assets</td>
<td>$29,127,137</td>
<td>$39,417,871</td>
<td>$10,290,734</td>
<td>35.3%</td>
</tr>
<tr>
<td>Capital assets, net of depreciation</td>
<td>45,604,576</td>
<td>50,518,853</td>
<td>4,914,277</td>
<td>10.8%</td>
</tr>
<tr>
<td>Total assets</td>
<td>74,731,713</td>
<td>89,936,724</td>
<td>15,205,011</td>
<td>20.3%</td>
</tr>
<tr>
<td>Long-term debt outstanding</td>
<td>44,812,247</td>
<td>59,519,033</td>
<td>14,706,786</td>
<td>32.8%</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>8,592,570</td>
<td>7,837,490</td>
<td>(755,080)</td>
<td>-8.8%</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>53,404,817</td>
<td>67,356,523</td>
<td>13,951,706</td>
<td>26.1%</td>
</tr>
<tr>
<td>Net position:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>5,008,608</td>
<td>6,407,940</td>
<td>1,399,332</td>
<td>27.9%</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>16,318,288</td>
<td>16,172,261</td>
<td>(146,027)</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Total net position</td>
<td>$21,326,896</td>
<td>$22,580,201</td>
<td>$1,253,305</td>
<td>5.9%</td>
</tr>
</tbody>
</table>
**Net Position**

The total net position increased by $1.3 million or 5.9% from the prior fiscal year. This increase is comprised solely of an increase in net investment in capital assets of $1.4 million.

Total liabilities increased by $14.0 million or 26.1%. This increase is primarily attributed to the issuance of the 2019A and 2019B series bonds, which refunded the 2009 bonds and generated an additional $20 million in additional funds to be used for improvements. More information on this is later explained in the “Long-term Debt” section. The decrease of $.8 million or 8.8% in other liabilities is primarily related to a decrease in accounts payable, which is a result of the timing of payments for the Shoreway operations.

The largest portion of the Authority’s assets is its investment in net capital assets totaling $50.5 million. These assets are comprised of land, buildings, equipment and infrastructure, less accumulated depreciation, and are primarily located at the Shoreway Environmental Center. The actual year-over-year comparison of the capital assets, net of accumulated depreciation, shows an increase of $4.9 million or 10.8% due to capital asset additions of $6.6 million in construction in progress and $1.4 million in buildings, improvements, and equipment, which are partially offset by annual depreciation expense of $3.0 million. These changes are explained further in the “Capital Assets” section.

The net investment in capital assets is $6.4 million as of June 30, 2020. It represents the Authority’s investment in infrastructure and other capital assets, net of amounts borrowed to finance that investment. It should be noted that these funds are not available for spending because the capital assets cannot be liquidated to settle liabilities. Therefore, the resources needed to repay the debt must be provided from other sources. Unrestricted net position totaling $16.2 million represents the part of net position that can be used to finance operations.

**Results of Operations**

The following table summarizes the Authority’s revenues, expenses, and changes in net position.

<table>
<thead>
<tr>
<th></th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$46,377,395</td>
<td>$45,660,060</td>
<td>($717,335)</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Commodity revenue</td>
<td>6,140,314</td>
<td>5,856,511</td>
<td>(283,803)</td>
<td>-4.6%</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>28,329</td>
<td>19,299</td>
<td>(9,030)</td>
<td>-31.9%</td>
</tr>
<tr>
<td>Grant revenue</td>
<td>1,020,000</td>
<td>500,000</td>
<td>(520,000)</td>
<td>-51.0%</td>
</tr>
<tr>
<td>Investment Income</td>
<td>621,287</td>
<td>768,838</td>
<td>147,551</td>
<td>23.7%</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>54,187,325</td>
<td>52,804,708</td>
<td>(1,382,617)</td>
<td>-2.6%</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>50,497,746</td>
<td>48,715,077</td>
<td>(1,782,669)</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Loss on sale of capital assets</td>
<td>-</td>
<td>34,134</td>
<td>34,134</td>
<td>n/a</td>
</tr>
<tr>
<td>Interest expense</td>
<td>2,633,833</td>
<td>2,802,192</td>
<td>168,359</td>
<td>6.4%</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>53,131,579</td>
<td>51,551,403</td>
<td>(1,580,176)</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Increase (decrease) in net position</td>
<td>1,055,746</td>
<td>1,253,305</td>
<td>197,559</td>
<td>18.7%</td>
</tr>
<tr>
<td>Beginning net position</td>
<td>20,271,150</td>
<td>21,326,896</td>
<td>1,055,746</td>
<td>5.2%</td>
</tr>
<tr>
<td>Ending net position</td>
<td>$21,326,896</td>
<td>$22,580,201</td>
<td>$1,253,305</td>
<td>5.9%</td>
</tr>
</tbody>
</table>
While the Statement of Net Position (Table 1) shows the change in financial position, the Statement of Activities (Table 2 above) provides answers as to the nature and sources of the changes.

Charges for services, also known as tipping fee revenue, decreased by $.7 million or 1.5%, from $46.4 million in FY19 to $45.7 million in FY20. $1.0 million of the revenue decline was due to a decrease in “self-haul” public tipping fees, which was offset by a $.3 million increase in franchise tipping fees. Public revenue is the revenue generated from non-franchised waste that is delivered to the Shoreway facility by members of the public, while franchise revenue is from solid waste and organic materials collected by Recology San Mateo County from customers of SBWMA’s member agencies and delivered to the Shoreway facility. Commodity revenue decreased by $.3 million, or 4.6% from $6.1 million in FY19 to $5.8 million in FY20. This decrease was driven by the closure of the CRV Buyback Center, which is estimated to have a $.7 million negative impact on commodity revenue and is offset by decreased payments to Buyback Center customers. FY20 was another challenging year for recyclable commodities due to the continued softness in commodity market prices for mixed paper as a result of China’s tightening of contamination standards. Other operating revenues were virtually unchanged from FY19 to FY20. Investment income, which is nonoperating revenue, was $.1 million higher in FY20 than FY19 due to increased market values of currently held investments. This is common in a market with declining interest rates. The Authority also received a grant in the amount of $.5 million in FY20 from the County of San Mateo, as part of the CalRecycle program, for the Organics to Energy Project.

The primary component of operating expenses (82.8%) is related to the Shoreway operations that include contractually obligated costs incurred to pay the Shoreway operator, and disposal and processing expenses. The Shoreway operations expense (Table 3) decreased by $1.9 million, or 4.4%, from FY19 to FY20.

Table 3 below shows just the operating results of the Authority (excluding depreciation). It excludes all revenue and expenditure not directly associated with operating activities such as investment income, grant revenue, and interest expense. For the current fiscal year, operating results were $5.8 million compared to $5.1 million for the prior fiscal year, an increase of 13.8%.

<table>
<thead>
<tr>
<th>Table 3</th>
<th>Operating Results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For the Fiscal Years Ended June 30, 2019 and 2020</td>
</tr>
<tr>
<td>FY 2019</td>
<td>FY 2020</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>$46,377,395</td>
</tr>
<tr>
<td>Commodity Fee</td>
<td>6,140,314</td>
</tr>
<tr>
<td>Other Operating Revenue</td>
<td>28,329</td>
</tr>
<tr>
<td>Total Operating Revenue</td>
<td>52,546,038</td>
</tr>
<tr>
<td>Shoreway Operations</td>
<td>42,195,199</td>
</tr>
<tr>
<td>Program Admin</td>
<td>3,019,870</td>
</tr>
<tr>
<td>Franchise Fee</td>
<td>2,206,790</td>
</tr>
<tr>
<td>Total Operating Expense (excl Depn.)</td>
<td>$47,421,859</td>
</tr>
<tr>
<td>Total Operating Results (excl Depn.)</td>
<td>$5,124,179</td>
</tr>
</tbody>
</table>
Reserves

Table 4 below reflects the amount of reserves that have been designated by the Board as of June 30, 2019 and 2020.

<table>
<thead>
<tr>
<th>Reserves</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Stabilization Reserve</td>
<td>$4,100,000</td>
<td>$4,615,999</td>
</tr>
<tr>
<td>Emergency Reserve</td>
<td>4,454,754</td>
<td>4,729,984</td>
</tr>
<tr>
<td>Equipment Replacement Reserve</td>
<td>1,397,514</td>
<td>766,789</td>
</tr>
<tr>
<td>Capital Fund Reserve</td>
<td>4,886,222</td>
<td>6,059,489</td>
</tr>
<tr>
<td>Undesignated Reserve</td>
<td>1,479,798</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Unrestricted Reserves</strong></td>
<td><strong>$16,318,288</strong></td>
<td><strong>$16,172,261</strong></td>
</tr>
</tbody>
</table>

In 2002, the SBWMA Board established a cash reserve policy to set aside certain portions of unrestricted net position for specific uses in order to protect the short and long-term financial operation of the Authority. In May 2013, the Board revised the Cash Reserve Policy to accomplish the goal of more clearly defining the reserve accounts. In November 2018, the Board further revised the Cash Reserve Policy to include a Capital Reserve Fund to fund future capital projects that cannot be absorbed in one budget period. The current policy consists of a Rate Stabilization Reserve, Emergency Reserve, Equipment Replacement Reserve, Capital Fund Reserve, and Undesignated Reserve. The Rate Stabilization Reserve & Emergency Reserve are calculated at up to 10% of operating expenses. Operating expenses include Shoreway Operations expense, SBWMA program expenses, bond interest expense, and franchise fees. Operating expenses exclude depreciation, buyback, and household hazardous waste payments. The Emergency Reserve is to address unexpected and sudden capital needs or significant one-time increases in Shoreway operating expenses associated with “damage by natural disasters, acts of war or terrorism, or other community emergency scenarios that are not covered by existing insurance policies”. The current policy prioritizes the order of the accounts so the Rate Stabilization Reserve is first in priority followed by the Emergency Reserve.

All reserve fund levels are approved by the Board each year as part of the adoption of the fiscal year budget.

Capital Assets

The following table summarizes changes in the Authority’s capital assets.

Table 5

<table>
<thead>
<tr>
<th>Capital Assets, Net of Depreciation</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$14,000,000</td>
<td>$14,000,000</td>
<td>$-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>2,435,552</td>
<td>8,739,355</td>
<td>6,303,803</td>
<td>258.8%</td>
</tr>
<tr>
<td>Buildings and systems</td>
<td>35,884,604</td>
<td>36,441,591</td>
<td>556,987</td>
<td>1.6%</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>23,579,722</td>
<td>24,333,572</td>
<td>753,850</td>
<td>3.2%</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>(30,295,302)</td>
<td>(32,995,665)</td>
<td>(2,700,363)</td>
<td>8.9%</td>
</tr>
<tr>
<td>Total Net Capital Assets</td>
<td>$45,604,576</td>
<td>$50,518,853</td>
<td>$4,914,277</td>
<td>10.8%</td>
</tr>
</tbody>
</table>
The net capital assets increased by $4.9 million, or 10.8%, from $45.6 million in FY19 to $50.5 million in FY20. This increase is the net of the annual $3.0 million depreciation charge, and $8.0 million in capital expenditures to replace equipment, numerous upgrades to the Shoreway facility and Material Recovery Facility, and the continuation of the Organics-to-Energy pilot project.

Additional information on the capital assets can be found in Note (4) of the financial statements.

**Long-term Debt**

At the end of the current fiscal year, the Authority had $59.5 million total debt outstanding, an increase of $14.7 million, or 32.8%, from $44.8 million in FY 19.

### Table 6

**Outstanding Debt, Net of Amortized Costs**

<table>
<thead>
<tr>
<th></th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009A Revenue Bond</td>
<td>$44,685,000</td>
<td>-</td>
<td>$(44,685,000)</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Net Premium 2009A</td>
<td>127,247</td>
<td>(127,247)</td>
<td></td>
<td>-100.0%</td>
</tr>
<tr>
<td>2019A Refunding Revenue Bond</td>
<td>31,860,000</td>
<td>31,860,000</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>2019B Refunding Revenue Bond</td>
<td>16,915,000</td>
<td>16,915,000</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Net Premium 2019A/B</td>
<td>10,744,033</td>
<td>10,744,033</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$44,812,247</td>
<td>$59,519,033</td>
<td>$14,706,786</td>
<td>32.8%</td>
</tr>
</tbody>
</table>

Long-term debt consists of Series 2019A and 2019B Refunding Revenue Bonds that were issued to refund the 2009A Revenue Bonds and to finance the construction of various improvements and acquisition of certain associated equipment to the Authority’s solid waste materials recovery facility and transfer station located in the City of San Carlos, CA.

Additional information on the Authority’s long-term debt can be found in Note (5) to the accompanying financial statements.

**CONTACTING THE AUTHORITY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our member agencies, investors and creditors with a general overview of the Authority’s finances and to show the Authority’s accountability for the revenues and expenses in the course of doing business. If you have questions about this report or need additional financial information, contact the Executive Director, South Bayside Waste Management Authority, 610 Elm Street, San Carlos, California 94070.
SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS

Current Assets:
- Cash and investments for operations (Note 2) $19,075,585
- Accounts receivable 4,843,154
- Interest receivable 65,992
- Prepaid items 988

Total Current Assets 23,985,719

Noncurrent Assets:
- Cash and investments with fiscal agent (Note 2) 15,432,152
- Capital assets (Note 4):
  - Land 14,000,000
  - Construction in progress 8,739,355
  - Building 36,441,591
  - Equipment 24,333,572
  - Less Accumulated Depreciation (32,995,665)

Net capital assets 50,518,853

Total Noncurrent Assets 65,951,005

Total Assets 89,936,724

LIABILITIES

Current Liabilities:
- Accounts payable 5,639,558
- Interest payable 812,917
- Current portion of compensated absences 81,031
- Long-term debt due in one year (Note 5) 1,338,365

Total Current Liabilities 7,871,871

Noncurrent Liabilities:
- Compensated absences due in more than one year 70,344
- Accrued liabilities (Note 6) 1,233,640
- Long-term debt due in more than one year (Note 5) 58,180,668

Total Noncurrent Liabilities 59,484,652

Total Liabilities 67,356,523

NET POSITION

Net investment in capital assets 6,407,940
Unrestricted 16,172,261

Total Net Position $22,580,201

See accompanying notes to the financial statements
Operating Revenues:
- Charges for services: $45,660,060
- Commodity revenue: 5,856,511
- Other: 19,299

Total Operating Revenues: 51,535,870

Operating Expenses:
- Shoreway operations: 40,325,760
- SBWMA program administration: 3,199,159
- Franchise fee - transfer station: 2,178,179
- Depreciation (Note 4): 3,011,979

Total Operating Expenses: 48,715,077

Operating Income: 2,820,793

Nonoperating Revenues (Expenses):
- Grant revenue: 500,000
- Investment income: 768,839
- Interest expense: (2,802,193)
- Gain/(loss) on disposal of capital assets: (34,134)

Net Nonoperating Revenue (Expense): (1,567,488)

Change in Net Position: 1,253,305

Net Position at Beginning of Fiscal Year: 21,326,896

Net Position at End of Fiscal Year: $22,580,201

See accompanying notes to the financial statements
**STATEMENT OF CASH FLOWS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

### CASH FLOWS FROM OPERATING ACTIVITIES
- Cash receipts from customers: $51,135,170
- Payments to suppliers: (44,952,105)
- Payments to employees: (1,442,516)

Net Cash Flows (used for) Operating Activities: $4,740,549

### CASH FLOWS FROM INVESTING ACTIVITIES
- Interest received: 817,960

Net Cash Flows from Investing Activities: 817,960

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
- Capital assets additions: (7,960,391)
- Retirement of revenue bonds: (45,300,612)
- Issuance of refunding bonds: 60,007,398
- Interest paid: (2,865,775)

Net Cash Flows (Used for) Capital and Related Financing Activities: 3,880,620

Net Cash Flows: 9,439,129

Cash and investments for operations - beginning of fiscal year: 25,068,608

Cash and investments - end of fiscal year: $34,507,737

Reconciliation of operating income to net cash flows from operating activities:
- Operating income (loss): $2,820,793
- Adjustments to reconcile operating income to cash flows from operating activities:
  - Depreciation: 3,011,979
  - Net change in:
    - Accounts receivable: (400,700)
    - Prepads: (26)
    - Accounts payable: (719,896)
    - Compensated absences: 28,399

Net Cash Flows from Operating Activities: $4,740,549

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**
- Amortization related to long-term debt: $488,365
- Loss on sale of capital assets: (34,134)

See accompanying notes to the financial statements
Note 1: Summary of Significant Accounting Policies

a. Organization

The South Bayside Waste Management Authority (the Authority) is a joint powers authority formed on October 13, 1999 for the purpose of joint ownership, financing and administration of the Facilities, currently the Shoreway Environmental Center in San Carlos; and the planning, administration management, review, monitoring, enforcement and reporting of solid waste, recyclable material and plant material collection activities within Authority’s service area.

Members of the Authority currently include the towns of Atherton and Hillsborough, and the cities of Belmont, Burlingame, East Palo Alto, Foster City, Menlo Park, Redwood City, San Carlos, San Mateo, as well as the West Bay Sanitary District and the County of San Mateo.

The Authority is controlled by a twelve member board consisting of one elected representative from each member. None of the member entities exercise specific control over the budgeting and financing of the Authority’s activities beyond their representation on the board. Accounting services are provided by the City of San Carlos.

Based on the franchise agreements with each member agency and Recology effective January 1, 2011, the Authority collects service fees from Recology for the processing and disposal of collected materials. The facility operator, South Bay Recycling, also collects fees from public customers which are remitted to the Authority. South Bay Recycling is paid by the Authority to operate the facility and transport materials to disposal and processing facilities on a per ton basis pursuant to the Operations Agreement. The compensation to both contractors is adjusted annually based primarily on various CPI indices. The Authority also directly pays for disposal and processing of solid waste and organics materials to vendors such as BFI/Republic, Recology Grover, Zanker Road.

b. Enterprise Fund Accounting

The Authority is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and the sale of commodities.
Note 1: Summary of Significant Accounting Policies (Continued)

An enterprise fund is used to account for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded on its balance sheet, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred. Enterprise fund equity includes retained earnings and contributed capital.

c. Net Position Flow Policy

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted – net position to have been depleted before unrestricted – net position is used.

d. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Expenditures which materially increase the value or life of capital assets are capitalized and depreciated over the remaining useful life of the asset. The Authority’s policy is to capitalize all assets with costs exceeding the $10,000 threshold and a useful life of more than one year.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method; meaning the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Authority has assigned the useful lives of capital assets by type as listed below:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>10 - 40 years</td>
</tr>
<tr>
<td>Improvements</td>
<td>5 - 20 years</td>
</tr>
<tr>
<td>Equipment</td>
<td>5 - 15 years</td>
</tr>
</tbody>
</table>
Note 1: Summary of Significant Accounting Policies (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

e. Compensated Absences

Compensated absences comprise unpaid vacation which is accrued as earned. All employees who hold full-time regular positions are entitled to 15 working days' vacation pay upon successful completion of their first year of continuous service. The accrual rate increases as length of service exceeds 5 years. Maximum accumulation of vacation is two years' vacation accrual. Upon termination or retirement, full-time employees are entitled to receive compensation at their current base salary for all unused vacation and 50% of their sick leave balance. The liability for compensated absences is determined annually.

f. Retirement and Deferred Compensation Plans

The Authority offers its employees a retirement plan created in accordance with Internal Revenue Code Section 401a. The employer contribution to the 401a is 10% plus a match up to 2% of the employee contribution.

The Authority also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457b. Pursuant to the IRC subsection (g), all amounts of compensation deferred under the deferred compensation plan, all property, or rights are solely the property and rights of the employee and beneficiaries of the Plan. Deferred compensation funds are not subject to the claims of the Authority’s general creditors; consequently, the assets and related liabilities of the plan are not included within the Authority's financial statements.

g. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has no items that qualify for reporting in this category.
h. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Note 2: Cash and Investments

The Authority pools cash from all sources except cash and investments held by fiscal agents so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

a. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Authority's name and places the Authority ahead of general creditors of the institution. The Authority Treasurer may waive the collateral requirement for deposits that are fully insured up to $250,000 by the FDIC.

The Authority invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the Authority employs the Trust Department of a bank as the custodian of certain Authority managed investments, regardless of their form.

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.
b. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Authority debt instruments or agreements.

<table>
<thead>
<tr>
<th>Statement of Net Position</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments for operations</td>
<td>$19,075,585</td>
</tr>
<tr>
<td>Cash and investments with fiscal agent</td>
<td>15,432,152</td>
</tr>
<tr>
<td>Total Cash and Investments</td>
<td>$34,507,737</td>
</tr>
</tbody>
</table>

Cash and investments for operations is used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

c. Investment Authorized by the California Government Code and the Authority’s Investment Policy

The Authority's Investment Policy and the California Government Code allow the Authority to invest in the following, provided the credit ratings of the issuers are acceptable to the Authority; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Authority's Investment Policy when the Authority's Investment Policy is more restrictive.

<table>
<thead>
<tr>
<th>Authorized Investment Type</th>
<th>Maximum Maturity</th>
<th>Minimum Credit Quality</th>
<th>Maximum Credit Quality</th>
<th>Maximum Investment In One Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>Upon Demand</td>
<td>N/A</td>
<td>50% to 70% of the investment portfolio, as approved by the SBWMA Board but no more than $75 million permitted by LAIF</td>
<td>N/A</td>
</tr>
<tr>
<td>San Mateo County Investment Pool</td>
<td>Upon Demand</td>
<td>N/A</td>
<td>30% to 50% of the investment portfolio, as approved by the SBWMA Board</td>
<td>N/A</td>
</tr>
<tr>
<td>U.S. Treasury Bonds, Notes and Bills</td>
<td>5 Years</td>
<td>N/A</td>
<td>100%</td>
<td>N/A</td>
</tr>
<tr>
<td>U.S. Government Agency and Federal Agency Securities</td>
<td>5 Years</td>
<td>N/A</td>
<td>100%</td>
<td>N/A</td>
</tr>
<tr>
<td>Bankers Acceptances</td>
<td>180 Days</td>
<td>N/A</td>
<td>40%</td>
<td>(B)</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>270 Days</td>
<td>Highest letter and number rating by an NRSRO</td>
<td>25%</td>
<td>(A)</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>5 Years</td>
<td>N/A</td>
<td>30%</td>
<td>(A)</td>
</tr>
<tr>
<td>Time Certificates of Deposit - Banks or Savings and Loans</td>
<td>5 Years</td>
<td>N/A</td>
<td>30%</td>
<td>N/A</td>
</tr>
<tr>
<td>Medium Term Corporate Notes</td>
<td>5 Years</td>
<td>A</td>
<td>30%</td>
<td>(A)</td>
</tr>
</tbody>
</table>

(A) 5% of outstanding paper of issuing corporation and 10% of the portfolio in one corporation
(B) No more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.
Note 2: Cash and Investments (Continued)

d. Investments Authorized by Debt Agreements

The Authority must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the Authority fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Authority resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<table>
<thead>
<tr>
<th>Authorized Investment Type</th>
<th>Minimum Credit Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct obligations of the Department of the Treasury of the United States</td>
<td>None</td>
</tr>
<tr>
<td>Obligations issued or guaranteed by FMHA, FHA, General Services Administration, GNMA, U.S. Maritime Administration, HUD, and backed by the full faith and credit of the United States of America</td>
<td>None</td>
</tr>
<tr>
<td>Direct obligations of FHLB, FHLMC, FNMA, REFCORP, Farm Credit Enterprise, Federal Agriculture Mortgage Association, Tennessee Valley Authority</td>
<td>None</td>
</tr>
<tr>
<td>Money Market Fund</td>
<td>AA</td>
</tr>
<tr>
<td>U.S. dollar denominated Certificates of Deposit, savings accounts, deposit accounts</td>
<td>None</td>
</tr>
<tr>
<td>Investment agreements, including GIC's forward purchase agreements and reserve fund put agreements</td>
<td>None</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>A-1</td>
</tr>
<tr>
<td>General obligations of States or municipalities</td>
<td>AAA</td>
</tr>
<tr>
<td>Bankers acceptances</td>
<td>A-1+</td>
</tr>
<tr>
<td>Medium Term Notes</td>
<td>AAA</td>
</tr>
<tr>
<td>State of California Local Agency Investment Fund</td>
<td>None</td>
</tr>
<tr>
<td>San Mateo County Investment Pool</td>
<td>None</td>
</tr>
</tbody>
</table>

e. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity or earliest call date:
Note 2: Cash and Investments (Continued)

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>12 Months or less</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Local Agency Investment Fund</td>
<td>$ 9,538,212</td>
<td>$ 9,538,212</td>
</tr>
<tr>
<td>San Mateo County Investment Pool</td>
<td>7,520,126</td>
<td>7,520,126</td>
</tr>
<tr>
<td>Cash and Cash Equivalents with Fiscal Agent:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Market Fund</td>
<td>15,432,152</td>
<td>15,432,152</td>
</tr>
<tr>
<td>Total Investments</td>
<td>$ 32,490,490</td>
<td>32,490,490</td>
</tr>
<tr>
<td>Total Cash in Bank and Cash on Hand</td>
<td></td>
<td>2,017,247</td>
</tr>
<tr>
<td>Total Cash and Investments</td>
<td>$ 34,507,737</td>
<td></td>
</tr>
</tbody>
</table>

Local Agency Investment Fund

The Authority is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF’s investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

San Mateo County Investment Fund

The Authority is a voluntary participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of San Mateo. The Authority reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF’s investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The Authority reports its investments in SMCIF at the fair value amounts provided by SMCIF, which is the same as the value of the pool share.
Note 2: Cash and Investments (Continued)

f. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in California Local Agency Investment Fund and San Mateo County Investment Pool are not rated and therefore no rating is shown.

Presented below is the actual rating as of June 30, 2020, for each investment type as provided by S&P ratings:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>AAAm</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents with Fiscal Agent:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Market Fund</td>
<td>$15,432,152</td>
<td>$15,432,152</td>
</tr>
<tr>
<td>Totals</td>
<td>$15,432,152</td>
<td>15,432,152</td>
</tr>
<tr>
<td>Not rated:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>California Local Agency Investment Fund</td>
<td>9,538,212</td>
<td></td>
</tr>
<tr>
<td>San Mateo County Investment Pool</td>
<td>7,520,126</td>
<td></td>
</tr>
<tr>
<td>Total Investments</td>
<td>32,490,490</td>
<td></td>
</tr>
<tr>
<td>Total Cash in bank and cash on hand</td>
<td>2,017,247</td>
<td></td>
</tr>
<tr>
<td>Total Cash and Investments</td>
<td>$34,507,737</td>
<td></td>
</tr>
</tbody>
</table>

g. Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.
Note 2: Cash and Investments (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the Authority as of June 30, 2020:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Exempt</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investments by Fair Value:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>California Local Agency Investment Fund</td>
<td>$9,538,212</td>
<td>$9,538,212</td>
</tr>
<tr>
<td>San Mateo County Investment Pool</td>
<td>7,520,126</td>
<td>7,520,126</td>
</tr>
<tr>
<td><strong>Total Investments at Fair Value</strong></td>
<td>$17,058,338</td>
<td>17,058,338</td>
</tr>
<tr>
<td><strong>Investments Measured at Amortized Cost:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Market Fund</td>
<td></td>
<td>15,432,152</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td></td>
<td>32,490,490</td>
</tr>
<tr>
<td>Cash in banks</td>
<td></td>
<td>2,017,247</td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td></td>
<td>$34,507,737</td>
</tr>
</tbody>
</table>

Both the California Local Agency Investment Fund and the San Mateo County Investment Pool are external investment pools and exempted in the fair value hierarchy, under GASB 72.

h. Concentration of Credit Risk

The Authority's Investment Policy contains certain limitations on the amount that can be invested in any one issuer. In certain categories, these limitations surpass those required by California Government Code Sections 53600 et seq. Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total Entity-wide investments. There were no such investments at June 30, 2020.

Note 3: Capital Assets and Facilities Operations

Pursuant to a sales agreement with Republic Services, Inc., the Authority purchased land, and buildings and personal property amounting to $14 million and $5.228 million, respectively. These facilities comprise the Shoreway Environmental Center in San Carlos. The Authority signed an agreement to lease back the facilities to Republic Services, Inc. to operate them. This agreement expired on December 31, 2006 and the Authority had extended the agreement until December 31, 2010. The Authority signed a new agreement effective January 1, 2011 with South Bay Recycling to operate the facility. For the fiscal year ended June 30, 2020, the Authority paid $19,883,901 to South Bay Recycling to operate the Facility.
Note 3: Capital Assets and Facilities Operations (Continued)

Changes in capital assets were as follows for fiscal year ended June 30, 2020:

<table>
<thead>
<tr>
<th></th>
<th>Balance at June 30, 2019</th>
<th>Additions</th>
<th>Deletions</th>
<th>Transfers</th>
<th>Balance at June 30, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets not being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$14,000,000</td>
<td>-</td>
<td>- $</td>
<td>- $</td>
<td>$14,000,000</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>2,435,552</td>
<td>6,579,431</td>
<td>-</td>
<td>(275,628)</td>
<td>8,739,355</td>
</tr>
<tr>
<td>Total non-depreciable assets</td>
<td>14,000,000</td>
<td>6,579,431</td>
<td>-</td>
<td>(275,628)</td>
<td>22,739,355</td>
</tr>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>35,884,604</td>
<td>281,359</td>
<td>-</td>
<td>275,628</td>
<td>36,441,591</td>
</tr>
<tr>
<td>Equipment</td>
<td>23,579,722</td>
<td>1,099,600</td>
<td>(345,750)</td>
<td></td>
<td>24,333,572</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>59,464,326</td>
<td>1,380,959</td>
<td>(345,750)</td>
<td>275,628</td>
<td>60,779,163</td>
</tr>
<tr>
<td>Less accumulated depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>(14,319,951)</td>
<td>(1,175,775)</td>
<td>-</td>
<td>-</td>
<td>(15,495,726)</td>
</tr>
<tr>
<td>Equipment</td>
<td>(15,975,351)</td>
<td>(1,836,204)</td>
<td>311,616</td>
<td>-</td>
<td>(17,499,939)</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>(30,295,302)</td>
<td>(3,011,979)</td>
<td>311,616</td>
<td>-</td>
<td>(32,995,665)</td>
</tr>
<tr>
<td>Net capital assets being depreciated</td>
<td>29,169,024</td>
<td>1,380,959</td>
<td>(345,750)</td>
<td>275,628</td>
<td>27,779,498</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>$45,604,576</td>
<td>4,948,411</td>
<td>(34,134)</td>
<td>-</td>
<td>$50,518,853</td>
</tr>
</tbody>
</table>

Note 4: Revenue Bonds

The Authority’s debt issues and transactions are summarized below and discussed in detail thereafter.

<table>
<thead>
<tr>
<th></th>
<th>Balance at June 30, 2019</th>
<th>Additions</th>
<th>Retirements</th>
<th>Balance at June 30, 2020</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009A Solid Waste System Revenue Bonds</td>
<td>$44,685,000</td>
<td>-</td>
<td>(44,685,000)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2009A Bond premiums</td>
<td>127,247</td>
<td>-</td>
<td>(127,247)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2019A Sol  Solid Waste</td>
<td></td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Enterprise Refunding Revenue Bonds</td>
<td>-</td>
<td>31,860,000</td>
<td>-</td>
<td>31,860,000</td>
<td>-</td>
</tr>
<tr>
<td>2019A Bond premiums</td>
<td>-</td>
<td>11,232,398</td>
<td>(488,365)</td>
<td>10,744,033</td>
<td>488,365</td>
</tr>
<tr>
<td>2019B Solid Waste Enterprise Revenue Bonds</td>
<td>-</td>
<td>16,915,000</td>
<td>-</td>
<td>16,915,000</td>
<td>850,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>60,007,398</td>
<td>(45,300,612)</td>
<td>59,519,033</td>
<td>1,338,365</td>
</tr>
</tbody>
</table>

|                              | $46,239,747              | $60,007,398 | (45,300,612)| $59,519,033               | $1,338,365           |

a. Solid Waste Enterprise Revenue Bonds Series 2009A

On September 2, 2009, the Authority issued $53,500,000 of Solid Waste Enterprise Revenue Bonds Series 2009A. The 2009A Bonds were issued to pay for the construction and renovation of a solid waste materials recovery facility and transfer station and related equipment, to fund a Reserve Fund, to fund capitalized interest, and to fund certain working capital and pay other costs, including issuance costs. The bonds were fully refunded by 2019 revenue bonds as disclosed in Note 4b below. As a result, the refunded bonds are fully defeased in September 2019, and the liability has been removed from the statement of Net Position.

On July 9, 2019 SWBMA issued Solid Waste Enterprise Refunding Revenue Bonds, Series 2019A, Non-Alternative Minimum Tax Green Bonds in the amount of $31.86 million and Solid Waste Enterprise Revenue Bonds, Series 2019B, Alternative Minimum Tax Green Bonds in the amount of $16.915 million. The Series 2019A Bonds were issued to refund, in full, the Series 2009A bonds, pay a portion of the cost of a debt reserve insurance policy, and pay costs of issuance of the Series 2019A Bonds, including a portion of the cost of a municipal bond insurance policy. The Series 2019B Bonds were issued to pay certain costs incurred by SBWMA in connection with the construction of various improvements and acquisition of certain associated equipment to SBWMA’s solid waste materials recovery facility and transfer station located in the City of San Carols, CA, pay a portion of the cost of the Reserve Policy, and pay costs of issuance of the California series 2019B Bonds, including a portion of the cost of a municipal bond insurance policy.

The refunding resulted in an overall debt service savings of $3,454,784. The net present value of the debt service savings is called an economic gain and amounted to $9,873,987.

The series 2019 bonds are solely payable from and secured by the net revenues and debt service reserve fund held by the Authority’s trustee, as defined under the bond indenture. Net Revenues means, for any period, all of the revenues during such period less all of the maintenance and operation costs during such period. Revenues mean all gross income and revenue received or receivable by the Authority.

The bond covenants contain events of default that require the revenue of the Authority to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Authority to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Authority; or if any court or competent jurisdiction shall assume custody or control of the Authority. There were no such events occurred during the fiscal year ending June 30, 2020.

c. Revenue Pledge

The bonds are secured by a pledge of the Authority’s Net Revenue as defined under the bond indenture. For the 2019A bonds, the pledge of future net revenue ends upon repayment of the 2019A bonds in the amount of $82,167,375 in remaining debt service on the bonds which is scheduled to occur in fiscal year 2043.

According to the Rate Covenant in the 2019A Bond Indenture, the Authority will maintain a Net Revenue to Debt Service coverage ratio of 1.40. As of the Fiscal Year 2019, the Net Revenues to Debt Service Coverage ratio was 3.06.
Note 4: Revenue Bonds (Continued)

d. Debt Service Requirements

Annual debt service requirements on the bonds are shown below with specified repayment terms:

<table>
<thead>
<tr>
<th>For the Fiscal Year Ending June 30,</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$850,000</td>
<td>$2,417,500</td>
<td>$3,267,500</td>
</tr>
<tr>
<td>2022</td>
<td>$1,245,000</td>
<td>$2,365,125</td>
<td>$3,610,125</td>
</tr>
<tr>
<td>2023</td>
<td>$1,305,000</td>
<td>$2,301,375</td>
<td>$3,606,375</td>
</tr>
<tr>
<td>2024</td>
<td>$1,370,000</td>
<td>$2,234,500</td>
<td>$3,604,500</td>
</tr>
<tr>
<td>2025</td>
<td>$1,440,000</td>
<td>$2,164,250</td>
<td>$3,604,250</td>
</tr>
<tr>
<td>2026 - 2030</td>
<td>$8,365,000</td>
<td>$9,636,125</td>
<td>$18,001,125</td>
</tr>
<tr>
<td>2031 - 2035</td>
<td>$10,670,000</td>
<td>$7,268,000</td>
<td>$17,938,000</td>
</tr>
<tr>
<td>2036 - 2040</td>
<td>$13,620,000</td>
<td>$4,246,250</td>
<td>$17,866,250</td>
</tr>
<tr>
<td>2041 - 2043</td>
<td>$9,910,000</td>
<td>$759,250</td>
<td>$10,669,250</td>
</tr>
<tr>
<td>Total</td>
<td>$48,775,000</td>
<td>$33,392,375</td>
<td>$82,167,375</td>
</tr>
</tbody>
</table>

Unamortized Bond Premium  

$10,744,033 | - | - |

Total  

$59,519,033 | $33,392,375 | $82,167,375 |

Note 5: Insurance

The Authority purchases commercial insurance policies to protect itself from claims arising from the following types of losses:

<table>
<thead>
<tr>
<th>Type of Coverage</th>
<th>Coverage Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Aggregate Limit</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>General Liability deductible</td>
<td>$2,500 SIR</td>
</tr>
<tr>
<td>Environmental Impact Liability aggregate</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Environmental Liability deductible</td>
<td>$25,000 SIR</td>
</tr>
<tr>
<td>Hired &amp; Non-Owned Auto Limit</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Employee Benefits Liability</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Excess Liability</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Property &amp; Equipment Loss</td>
<td>$60,000,000</td>
</tr>
<tr>
<td>Property &amp; Equipment deductible</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Directors &amp; Officers, Employment Practices, and Fiduciary Liabilities Aggregate for all loss combined, including defense costs</td>
<td>$7,000,000</td>
</tr>
<tr>
<td>Directors &amp; Officers Liability Retention</td>
<td>$50,000</td>
</tr>
<tr>
<td>Employment Practices Liability Retention</td>
<td>$75,000</td>
</tr>
<tr>
<td>Fiduciary Liability Retention</td>
<td>$2,500</td>
</tr>
</tbody>
</table>
Note 6: Pollution Remediation

In 2000 the South Bay Waste Management Authority (SBWMA) purchased the property located at 225/333 Shoreway Road in San Carlos. The property had pre-existing ground water contamination issues and the former property owner Allied Waste (now Republic Services) was identified as the responsible party. The ground water contamination is the result of hydrocarbon and petroleum products. Both Allied Waste and the SBWMA have managed a remediation effort under supervision from the County of San Mateo Department of Environmental Health.

The San Mateo County Health System (SMCHS) and the California Regional Water Quality Control Board (RWQCB) have reviewed and approved the SBWMA’s “Closure Report” submitted on January 29, 2013 to close the Shoreway Environmental Center (“Shoreway”) groundwater remediation project and issued a NOTICE OF CASE CLOSURE on April 29, 2014. This case closure letter is the final step in the Shoreway remediation closure and “no further remediation action” is required at the Shoreway facility. While no further remediation effort was deemed necessary, due to concerns about potential residual contamination, the property has a deed restriction requiring it to remain industrially zoned.

In March of 2010, the SBWMA received a lump sum settlement payment of $1,500,000 from Republic Services (formerly Allied Waste and BFI). This money was deposited into a SBWMA account dedicated to the ongoing clean-up efforts at Shoreway (the remediation cost estimate was negotiated with Allied per methods approved by County regulators and based on input from environmental engineers). At the close of remediation efforts on April 29, 2014 the Shoreway Remediation Fund had an unspent balance of $1,239,826. The unspent balance as of June 30, 2020 is $1,233,640 and is reported as accrued liabilities.

Note 7: Net Position

The Authority has designated $16,172,261 unrestricted net position for several reserves which include: $4,615,999 for rate stabilization, $4,729,984 for emergency reserve, $766,789 for equipment replacement, and $6,059,489 for capital items. These designations may be modified, amended or removed by Authority Board action.

Note 8: Commitments and Contingent Liabilities

Litigation

SBWMA is subject to litigation arising in the normal course of business. In the opinion of legal counsel there is no pending litigation, which is likely to have a material adverse effect on the financial position of SBWMA.

Construction Commitments

There are no significant construction commitments as of June 30, 2020.
Note 9: Subsequent Events

Effective December 31, 2020, the town of Atherton has withdrawn from the Authority. The Town of Atherton has paid approximately $2.2 million in costs associated with the withdrawal.
INDEPENDENT AUDITOR’S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Members of the Board of Directors
South Bayside Waste Management Authority
San Carlos, California

We have audited, in accordance with the auditing standards generally accepted in the United
States of America and the standards applicable to financial audits contained in Government
Auditing Standards issued by the Comptroller General of the United States, the basic financial
statements of the South Bayside Waste Management Authority (Authority), as of and for the year
ended June 30, 2020, and have issued our report thereon dated January 1, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s
internal control over financial reporting (internal control) to determine the audit procedures that
are appropriate in the circumstances for the purpose of expressing our opinions on the financial
statements, but not for the purpose of expressing an opinion on the effectiveness of the
Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of
the Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow
management or employees, in the normal course of performing their assigned functions, to
prevent, or detect and correct, misstatements on a timely basis. A material weakness is a
deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable
possibility that a material misstatement of the Authority’s financial statements will not be
prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency,
or a combination of deficiencies, in internal control that is less severe than a material weakness,
yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph
of this section and was not designed to identify all deficiencies in internal control that might be
material weaknesses or significant deficiencies. Given these limitations, during our audit we did
not identify any deficiencies in internal control that we consider to be material weaknesses.
However, material weaknesses may exist that have not been identified.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We have also issued a separate Memorandum on Internal Control dated January 1, 2021, which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pleasant Hill, California
January 1, 2021
Review and recommendation of approval of 2021 Investment Policy
STAFF REPORT

To: SBWMA Board Members
From: John Mangini, Senior Finance Manager
Date: January 28, 2021 Board of Director’s Meeting
Subject: DRAFT: Resolution Approving the SBWMA Investment Policy for 2021

Recommendation
It is recommended that the SBWMA Board of Directors approve Resolution No. 2020-XX attached hereto authorizing the adoption of the Investment Policy for 2021. See Exhibit A to the Resolution for the proposed 2021 Investment Policy.

Summary
The Investment Policy states that the policy shall be reviewed and adopted by resolution of the Board on an annual basis, typically at the January BOD Meeting. It was last approved by the Board on May 28, 2020. The 2021 policy has been reviewed by the Board Finance Sub-Committee which recommends approval. There are no recommended changes from the 2020 policy. Redwood City Staff and Redwood City’s investment advisory firm, PFM Consulting, also reviewed the investment policy confirming the policy is compliant with California Code and no edits from the 2020 policy are necessary. See Attachment A – Communication from PFM Consulting.

Analysis
On August 24, 2000, the Board approved the first Investment Policy based on the City of San Carlos’ Investment Policy. The Board has since approved revisions on an annual basis. The attached 2021 Investment Policy is fully compliant with California Code. The primary objective of the Investment Policy is safety of principal, while meeting the cash flow needs of the JPA, through prudent investment of surplus cash.

Background
In January 2015, the Audit Committee reviewed the mix of investments between the County Pool and the state LAIF fund. The Audit Sub-Committee agreed to increase the County Fund to 30% to 50% while keeping the state LAIF Fund at 50% to 70%. This change was approved by the Board at the January 22, 2015 Board meeting.

At Board request, environmentally responsible investment language was added to the adopted 2020 investment policy and this language continues forth in the recommended 2021 policy.

Fiscal Impact
There is no fiscal impact associated with approving the attached Investment Policy.

Attachments:
- Resolution 2021-XX
- Exhibit A – Investment Policy
- Attachment A – Communication from PFM Consulting
RESOLUTION NO. 2021-XX

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS
APPROVING A REVISED INVESTMENT POLICY FOR 2021

WHEREAS, the South Bayside Waste Management Authority (SBWMA), the City of Redwood City and PFM Consulting have reviewed the SBWMA’s current Investment Policy; and

WHEREAS, the Board’s Finance Sub-Committee has also reviewed the Policy and supports the recommendation; and

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the 2021 SBWMA Investment Policy document as shown in Exhibit A.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 28th day of January 2021, by the following vote:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Yes</th>
<th>No</th>
<th>Abstain</th>
<th>Absent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belmont</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Burlingame</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>East Palo Alto</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Foster City</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hillsborough</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Menlo Park</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Redwood City</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Carlos</td>
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</tr>
<tr>
<td>San Mateo</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County of San Mateo</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Bay Sanitary Dist.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

I HEREBY CERTIFY that the foregoing Resolution No. 2021-XX was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on January 28, 2021.

ATTEST: Alicia Aguirre, Interim Chairperson of SBWMA

Cynthia Urman, Board Secretary
SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
INVESTMENT POLICY

January 2021

POLICY

The investment of the funds of the South Bayside Waste Management Authority (SBWMA) is directed to the goals of safety, liquidity and yield. This Investment Policy incorporates the policies defined by the certified investment policy standards recommended by the California Debt and Investment Advisory Commission (CDIAC). The authority governing investments for municipal governments is set forth in the California Government Code, Sections 53600 through 53686.

The primary objective of the investment policy of the South Bayside Waste Management Authority is SAFETY OF PRINCIPAL. Investments shall be placed in those securities as outlined by type and maturity sector in this document. Effective cash flow management and resulting cash investment practices are recognized as essential to good fiscal management and control. The SBWMA's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local law. Portfolio management requires continual analysis and as a result the balance between the various investments and maturities may change in order to give the SBWMA the optimum combination of necessary liquidity and optimal yield based on cash flow projections.

SCOPE

The investment policy applies to all financial assets of the South Bayside Waste Management Authority as accounted for in the Annual Financial Statements. Policy statements outlined in this document focus on the SBWMA's pooled funds and debt-related funds held by the trustee/ fiscal agent.

PRUDENCE

The standard to be used by investment officials shall be that of a "prudent investor" and shall be applied in the context of managing all aspects of the overall portfolio. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

It is the SBWMA's full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars.

However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. It is further recognized that in a well-diversified investment portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit analysis. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long-term rate of return.
The Assistant City Manager and Administrative Services Director, Financial Services Manager, and Principal Analyst of the City of Redwood City (RWC) and other individuals assigned, as approved by the SBWMA Executive Director and SBWMA Senior Finance Manager to manage the SBWMA investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

OBJECTIVES

Safety of Principal
Safety of principal is the foremost objective of the South Bayside Waste Management Authority. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker-dealer default or erosion of market value. The SBWMA shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the SBWMA’s capital base and cash flow.

Market risk, defined as market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by limiting the average maturity of the SBWMA's investment portfolio to two years, the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity and avoiding the purchase of long term securities for the sole purpose of short term speculation.

Liquidity
Historical cash flow trends are compared to current cash flow requirements on an ongoing basis in an effort to ensure that the SBWMA's investment portfolio will remain sufficiently liquid to enable the SBWMA to meet all reasonably anticipated operating requirements.

MATURITY MATRIX
Maturities of investments will be selected based on liquidity requirements to minimize interest rate risk and maximize earnings. Current and expected yield curve analysis will be monitored and the portfolio will be invested accordingly. The weighted average maturity of the pooled portfolio should not exceed two years and the following percentages of the portfolio should be invested in the following maturity sectors:

<table>
<thead>
<tr>
<th>Maturity Range</th>
<th>Suggested Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 day to 7 days</td>
<td>10 to 50%</td>
</tr>
<tr>
<td>7 days to 180</td>
<td>10 to 30%</td>
</tr>
<tr>
<td>180 days to 360 days</td>
<td>10 to 30%</td>
</tr>
<tr>
<td>1 year to 2 years</td>
<td>10 to 20%</td>
</tr>
<tr>
<td>2 years to 3 years</td>
<td>0 to 20%</td>
</tr>
<tr>
<td>3 years to 4 years</td>
<td>0 to 20%</td>
</tr>
<tr>
<td>4 years to 5 years</td>
<td>0 to 20%</td>
</tr>
<tr>
<td>Over 5 years</td>
<td>Board Authorization Required *</td>
</tr>
</tbody>
</table>
* One exception does exist regarding the investment of bond reserve funds. If, in the opinion of the Executive Director or the SBWMA Board of Directors, matching the segregated investment portfolio of the bond reserve fund with the maturity schedule of an individual bond issue is prudent given current economic analysis, the investment policy authorizes extending beyond the five year maturity limitation as outlined in this document.

**PERFORMANCE EVALUATION**

Investment performance is monitored and evaluated by the Investment Advisory Committee; whose membership is outlined in the following section. Investment performance statistics and activity reports are generated on a quarterly basis for presentation to the Investment Advisory Committee and to the SBWMA Board of Directors. Annually, a statement of investment policy, and any proposed changes to the policy, will be rendered to the Investment Advisory Committee and to the SBWMA Board of Directors for Board consideration at a public meeting.

The SBWMA's investment portfolio is designed to at least attain a market average rate of return through economic cycles. The market average rate of return is defined as average return on the Local Agency Investment Fund (assuming the State does not adversely affect LAIF’s returns due to budget constraints).

**DELEGATION OF AUTHORITY**

The Joint Powers Authority Agreement of the South Bayside Waste Management Authority and the authority granted by SBWMA Board assign the responsibility of investing unexpended cash to the City's Assistant City Manager and Administrative Services Director or Principal Analyst. Daily management responsibility of the investment program may be delegated to the City’s Financial Services Manager, who shall establish procedures for the operation consistent with this investment policy.

**INVESTMENT OVERSIGHT**

The Assistant City Manager and Administrative Services Director, Financial Services Manager, and Principal Analyst (City Treasurer) of the City of Redwood City will provide general oversight and direction concerning the policy related to management of SBWMA’s investments. In conjunction with the City’s investment advisory firm, the Financial Services Manager shall review and approve quarterly investment reports prepared by the Finance Division and meet as necessary to discuss changes to the report or the investment strategy. The SBWMA Board will be provided with quarterly reports for their review within thirty (30) days following the end of the quarter covered by the report as per Section 53646 (b)(1) of the California Government Code.

**ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Additionally the City’s Assistant City Manager and Administrative Services Director and the Financial Services Manager are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC).
SAFEKEEPING OF SECURITIES

To protect against fraud or embezzlement or losses caused by collapse of an individual securities dealer, all securities owned by the SBWMA shall be held in safekeeping by a third party bank trust department, acting as agent for the SBWMA under the terms of a custody agreement. All trades executed by a dealer will settle delivery versus payment (DVP) through the SBWMA's safekeeping agent.

Securities held custody for the SBWMA shall be monitored by the City's Financial Services Manager to verify investment holdings.

All exceptions to this safekeeping policy must be approved by the City's Financial Services Manager in written form and included in the quarterly reporting to the SBWMA Board of Directors.

INTERNAL CONTROL

Separation of functions between the City's Financial Services Manager and the Principal Analyst, Senior Accountant, Accountant, Account Technician, and/or Account Clerk is designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Investment decisions are made by the City's Financial Services Manager, executed by the Principal Analyst, Senior Accountant, Accountant, Account Technician, and/or Account Clerk. All wire transfers initiated by the Accountant or Account Technician must be reconfirmed by the appropriate financial institution to the Financial Services Manager. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliation is conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Account Technician on a monthly basis. An independent analysis by an external auditor shall be conducted annually to review and perform procedure testing on the Agency’s cash and investments that have a material impact on the financial statements. The Financial Services Manager shall review and assure compliance with investment process and procedures.

REPORTING

The City’s Financial Services Manager shall review and render quarterly reports to the Board of Directors which shall include the face amount of the cash investment, the classification of the investment, the name of the institution or entity, the rate of interest, the maturity date, the current market value and accrued interest due for all securities. The quarterly reports will be submitted to the Board of Directors within thirty (30) days following the end of the quarter covered by the report as per Section 53646 (b)(1) of the California Government Code. If there are no Board of Director meetings within the 30-day period, the quarterly report shall be presented to the Board of Directors at the soonest possible meeting thereafter.

QUALIFIED BROKER/DEALERS

The SBWMA shall transact business only with banks, savings and loans, and with broker/dealers. The broker/dealers should be primary or regional dealers. The City currently does not maintain a list
of broker/dealers approved to do business with the City. When necessary, the City shall go through the Request for Proposal processes to select the broker/dealers. Investment staff shall investigate dealers wishing to do business with the SBWMA to determine if they are adequately capitalized, have pending legal action against the firm or the individual broker and make markets in the securities appropriate to the SBWMA's needs. The SBWMA's investment policy shall be made available on the Authority’s website for broker/dealers’ review.

**COLLATERAL REQUIREMENTS**

Collateral is required for investments in certificates of deposit. In order to reduce market risk, the collateral level will be at least 110% of market value of principal and accrued interest.

**ENVIRONMENTALLY RESPONSIBLE INVESTING**

When possible, the Authority will invest in companies that demonstrate verifiable environmental stewardship policies that align with the SBWMA’s Triple Zero goals. These goals are identified in the Authority’s 2020 Long Range Plan-Guiding Principles and Objectives. They are:

1. Eliminate the disposal of recyclable materials at landfills
2. Eliminate the disposal of organic materials at landfills
3. Minimize Agency greenhouse gas emissions (through measures such as using low-emission vehicle fuels and reducing the need for materials collection and transfer of materials).

These goals will allow the Authority’s environmental responsible asset investment to strategically align with its mission, and with its Member Agencies’ own environmental visions.

**AUTHORIZED INVESTMENTS**

Investment of SBWMA funds is governed by the California Government Code Sections 53600 et seq. Within the context of the limitations, the following investments are authorized, as further limited herein:

1. United States Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.

2. Local Agency Investment Fund (LAIF) which is a State of California managed investment pool, and San Mateo County Investment pool, may be used up to the maximum permitted by California State Law. A review of the pool/fund is required when they are part of the list of authorized investments, with the knowledge that the pool/fund may include some investments allowed by statute but not explicitly identified in this investment policy.

3. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored
enterprises. There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.

4. Bills of exchange or time drafts drawn on and accepted by commercial banks, otherwise known as banker's acceptances. Banker's acceptances purchased may not exceed 180 days to maturity or 40% of the cost value of the portfolio. Also, no more than 30% of the agency’s money may be in bankers’ acceptances of any one commercial bank.

5. Commercial paper ranked the highest letter and number rating by a nationally recognized statistical rating organization (NRSRO), such as Standard and Poor's Ratings Services, Fitch Ratings, Inc. or Moody's Investors Services, and issued by domestic corporations having assets in excess of $500,000,000 and having a rating in the rating category of “A” or the equivalent or better rating on its’ long term debentures as provided by NRSRO. Purchases of eligible commercial paper may not exceed 270 days to maturity nor represent more than 10% of the outstanding paper of the issuing corporation. Purchases of commercial paper may not exceed 25% of the cost value of the portfolio. No more than 5% of the market value of the portfolio may be invested in any one issuer.

6. Negotiable Certificates of Deposit issued by nationally or state chartered banks (FDIC insured institutions), a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30% of total portfolio. A maturity limitation of five years is applicable. No more than 5% of the market value of the portfolio may be invested in any one issuer.

7. Time deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 30% of the investment portfolio may be invested in this investment type. A maturity limitation of five years is applicable.

8. Medium Term Corporate Notes, with a maximum maturity of five years may be purchased. Securities eligible for investment shall be rated in a rating category of “A” or the equivalent or better by an NRSRO. Purchase of medium term notes may not exceed 30% of the market value of the portfolio and no more than 5% of the market value of the portfolio may be invested in notes issued by one corporation.

9. Ineligible investments are those that are not described herein, including but not limited to, common stocks and long term (over five years in maturity) notes and bonds are prohibited from use in this portfolio. It is noted that special circumstances arise that necessitate the purchase of securities beyond the five-year limitation. On such occasions, requests must be approved by Board of Directors prior to purchase.

10. Various daily money market funds administered for or by trustees, paying agents and custodian banks contracted by the SBWMA may be purchased as allowed under State of California Government Code. Only funds holding U.S. Treasury or Government agency obligations can be utilized.
The following summary of maximum percentage limits, by instrument, is established for the SBWMA's total pooled funds portfolio:

<table>
<thead>
<tr>
<th>Authorized Investment Type</th>
<th>Government Code</th>
<th>Maximum Maturity</th>
<th>Minimum Credit Quality</th>
<th>Maximum in Portfolio</th>
<th>Maximum Investment in One Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>16429.1</td>
<td>Upon Demand</td>
<td>N/A</td>
<td>50% to 70% of the investment portfolio, as approved by the SBWMA Board but no more than $75 million permitted by LAIF</td>
<td>N/A</td>
</tr>
<tr>
<td>San Mateo County Investment Pool</td>
<td>53684</td>
<td>Upon Demand</td>
<td>N/A</td>
<td>30% to 50% of the investment portfolio, as approved by the SBWMA Board</td>
<td>N/A</td>
</tr>
<tr>
<td>Treasury Obligations (bills, notes &amp; bonds)</td>
<td>53601(b)</td>
<td>5 Years</td>
<td>N/A</td>
<td>100%</td>
<td>N/A</td>
</tr>
<tr>
<td>US Government Agency and Federal Agency Securities</td>
<td>53601(f)</td>
<td>5 Years</td>
<td>N/A</td>
<td>100%</td>
<td>N/A</td>
</tr>
<tr>
<td>Bankers’ Acceptances</td>
<td>53601(g)</td>
<td>180 Days</td>
<td>N/A</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>53601(h)</td>
<td>270 Days</td>
<td>Highest letter and number rating by an NRSRO</td>
<td>25%</td>
<td>5%</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>53601(i)</td>
<td>5 Years</td>
<td>N/A</td>
<td>30%</td>
<td>5%</td>
</tr>
<tr>
<td>Time Certificates of Deposit – Banks or Savings and Loans</td>
<td>53601.8</td>
<td>5 Years</td>
<td>N/A</td>
<td>30%</td>
<td>N/A</td>
</tr>
<tr>
<td>Medium Term Corporate Notes</td>
<td>53601(k)</td>
<td>5 Years</td>
<td>Rating category “A” by NRSRO</td>
<td>30%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**DERIVATIVE INVESTMENTS**
Derivatives are investments whose value is "derived" from a benchmark or index. That benchmark can be almost any financial measure from interest rates to commodity and stock prices. The use of derivatives is prohibited under this policy.

**LEGISLATIVE CHANGES**

Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will be incorporated into the South Bayside Waste Management Authority's Investment Policy and supersede any and all previous applicable language.

**INTEREST EARNINGS**

All moneys earned and collected from investments authorized in this policy shall be allocated quarterly to various fund accounts based on the cash balance in each fund at quarter end as a percentage of the entire pooled portfolio.

**LIMITING MARKET VALUE EROSION**

The longer the maturity of securities, the greater their market price volatility. Therefore, it is the general policy of the SBWMA to limit the potential effects from erosion in market values by adhering to the following guidelines:

All immediate and anticipated liquidity requirements will be addressed prior to purchasing all investments.

Maturity dates for long-term investments will coincide with significant cash flow requirements where possible, to assist with short term cash requirements at maturity.

All long-term securities will be purchased with the intent to hold all investments to maturity under then prevailing economic conditions. However, economic or market conditions may change, making it in the SBWMA's best interest to sell or trade a security prior to maturity.

**PORTFOLIO MANAGEMENT ACTIVITY**

The investment program shall seek to augment returns consistent with the intent of this policy, identified risk limitations and prudent investment principals. These objectives will be achieved by use of the following strategies:

**Active Portfolio Management.** Through active fund and cash flow management, taking advantage of current economic and interest rate trends, the portfolio yield may be enhanced with limited and measurable increases in risk by extending the weighted maturity of the total portfolio.

**Portfolio Maturity Management.** When structuring the maturity composition of the portfolio, the SBWMA shall evaluate current and expected interest rate yields and necessary cash flow requirements. It is recognized that in normal market conditions longer maturities produce higher yields. However, the securities with longer maturities also experience greater price fluctuations when the level of interest rates change.

**Security Swaps.** The SBWMA may take advantage of security swap opportunities to improve the overall portfolio yield. A swap, which improves the portfolio yield, may be selected even if the
transactions result in an accounting loss. Documentation for swaps will be included in the SBWMA permanent investment file documents.

**Competitive Bidding.** It is the policy of the SBWMA to require competitive bidding for investment transactions that are not classified as "new issue" securities. For the purchase of non-"new issue" securities and the sale of all securities at least three bidders must be contacted. Competitive bidding for security swaps is also suggested, however, it is understood that certain time constraints and broker portfolio limitations exist which would not accommodate the competitive bidding process. If a time or portfolio constraining condition exists, the pricing of the swap should be verified to current market conditions and documented for auditing purposes.

**POLICY REVIEW**

The South Bayside Waste Management Authority's investment policy shall be adopted by resolution of the Board on an annual basis. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to Board for approval.

**Glossary of Terms**

Accrued Interest- Interest earned but not yet received.

Active Deposits- Funds which are immediately required for disbursement.

Amortization- An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Annual Financial Report - The official annual financial report for the SBWMA. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles (GAAP).

Asked Price- The price a broker dealer offers to sell securities.

Basis Point- One basis point is one hundredth of one percent (.01).

Bid Price- The price a broker dealer offers to purchase securities.

Bond- A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Bond Swap – Selling one bond issue and buying another at the same time in order to create an advantage for the investor. Some benefits of swapping may include tax-deductible losses, increased yields, and an improved quality portfolio.

Book Entry Securities – Securities, such stocks held in “street name,” that are recorded in a customer's account, but are not accompanied by a certificate. The trend is toward a certificate-free society in order to cut down on paperwork and to diminish investors' concerns about the certificates themselves. All the large New York City banks, including those that handle the bulk of the transactions of the major government securities dealers, now clear most of their transactions with
each other and with the Federal Reserve through the use of automated telecommunications and the “book-entry” custody system maintained by the Federal Reserve Bank of New York. These banks have deposited with the Federal Reserve Bank a major portion of their government and agency securities holdings, including securities held for the accounts of their customers or in a fiduciary capacity. Virtually all transfers for the account of the banks, as well as for the government securities dealers who are their clients, are now effected solely by bookkeeping entries. The system reduces the costs and risks of physical handling and speeds the completion of transactions.

Bearer and Registered Bonds - In the past, bearer and registered bonds were issued in paper form. Those still outstanding may be exchanged at any Federal Reserve Bank or branch for an equal amount of any authorized denomination of the same issue. Outstanding bearer bonds are interchangeable with registered bonds and bonds in “book-entry” form. That is, the latter exist as computer entries only and no paper securities are issued. New bearer and registered bonds are no longer being issued. Since August 1986, the Treasury’s new issues of marketable notes and bonds are available in book-entry form only. All Treasury bills and more than 90% of all other marketable securities are now in book-entry form. Book-entry obligations are transferable only pursuant to regulations prescribed by the Secretary of the Treasury.

Book Value- The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Broker – In securities, the intermediary between a buyer and a seller of securities. The broker, who usually charges a commission, must be registered with the exchange in which he or she is trading, accounting for the name registered representative.

Certificate of Deposit- A deposit insured up to $250,000 by the FDIC at a set rate for a specified period of time.

Collateral- Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

Constant Maturity Treasury (CMT) - An average yield of a specific Treasury maturity sector for a specific time frame. This is a market index for reference of past direction of interest rates for the given Treasury maturity range.

Coupon- The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Analysis- A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield- The interest paid on an investment expressed as a percentage of the current price of the security.

Custody- A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

Delivery vs. Payment (DVP) - Delivery of securities with a simultaneous exchange of money for the securities.
Discount- The difference between the cost of a security and its value at maturity when quoted at lower than face value.

Diversification- Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Duration- The weighted average maturity of a bond's cash flow stream, where the present value of the cash flows serve as the weights; the future point in time at which on average, an investor has received exactly half of the original investment, in present value terms; a bond's zero-coupon equivalent; the fulcrum of a bond's present value cash flow time line.


Federal Reserve System- The central bank of the U.S. that consists of a seven member Board of Governors, 12 regional banks and approximately 3,000 commercial banks that are members.

Federal Deposit Insurance Corporation (FDIC) - Insurance provided to customers of a subscribing bank that guarantees deposits to a set limit (currently $250,000) per account.

Fed Wire- A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Freddie Mac- Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Ginnie Mae- Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

Inactive Deposits- Funds not immediately needed for disbursement.

Interest Rate- The annual yield earned on an investment, expressed as a percentage.

Investment Agreements- An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Liquidity- Refers to the ability to rapidly convert an investment into cash.

Market Value- The price at which a security is trading and could presumably be purchased or sold.

Maturity- The date upon which the principal or stated value of an investment becomes due and payable.

Nationally Recognized Statistical Rating Organizations (NRSRO): A U.S. Securities & Exchange Commission registered agency that assesses the creditworthiness of an entity or specific security. NRSRO typically refers to Standard and Poor's Ratings Services, Fitch Ratings, Inc. or Moody's Investors Services.

New Issue- Term used when a security is originally "brought" to market.
Perfected Delivery- Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

Portfolio- Collection of securities held by an investor.

Primary Dealer- A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Purchase Date- The date in which a security is purchased for settlement on that or a later date.

Rate of Return- The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (REPO) - A transaction where the seller (bank) agrees to buy back from the buyer (SBWMA) the securities at an agreed upon price after a stated period of time.

Reverse Repurchase Agreement (REVERSE REPO) - A transaction where the seller (SBWMA) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.

Risk- Degree of uncertainty of return on an asset.

Safekeeping- see custody.

Sallie Mae- Trade name for the Student Loan Marketing Association (SLMA), a U.S. sponsored corporation.

Secondary Market- A market made for the purchase and sale of outstanding issues following the initial distribution.

Settlement Date- The date on which a trade is cleared by delivery of securities against funds.

Time Deposit – A deposit in an interest-paying account that requires the money to remain on account for a specific length of time. While withdrawals can generally be made from a passbook account at any time, other time deposits, such as certificates of deposit, are penalized for early withdrawal.

Treasury Obligations- Debt obligations of the U.S. Government that are sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

U.S. Government Agencies- Instruments issued by various US Government Agencies most of which are secured only by the credit worthiness of the particular agency.

Yield- The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.
Yield to Maturity- The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

Yield Curve- The yield on bonds, notes or bills of the same type and credit risk at a specific date for maturities up to thirty years.
Hi John,

Please see below – no comments on your investment policy. PFM did provide clarification on a Government Code change below, that you may want to keep as reference info.

Derek

From: Allison Kaune <KAUNEA@pfm.com>
Sent: Tuesday, December 15, 2020 11:18 AM
To: FIN-Derek Rampone <drampone@redwoodcity.org>
Cc: Monique Spyke <SPYKEM@pfm.com>
Subject: RE: SBWMA review of investment policy

CAUTION: This email originated from outside your organization. Exercise caution when opening attachments or clicking links, especially from unknown senders.

Hello Derek,

We have completed our review of SBWMA’s Investment Policy and we have no recommended changes this year.

The California Government Code changes resulting from Senate Bill 998 either do not apply to SBWMA or they require no changes to SBWMA’s Investment Policy to incorporate. SB 998 and its impact on SBWMA’s Policy are as follows:

- **SB 998:** Allows investment in securities issued or backed by the US Government that could result in zero or negative interest accrual if held to maturity. **SBWMA Policy:** Does not explicitly prohibit investment in this type of security and so no changes need to be made to allow investment in this security type as they would be allowed under current language permitting investment in U.S. Government securities.

- **SB 998:** Allows local agencies that have more than $100 million of investment assets under management to invest up to 40% in commercial paper (existing limit is 25% for all agencies, other than a county or a city and county). **SBWMA Policy:** By reviewing a financial report from 9/30/20 it looks like SBWMA has approximately $30 million of investment assets under management and so they are not eligible to increase the commercial paper limit.

- **SB 998:** Establishes a 10% issuer limit on commercial paper and corporate notes for all agencies, other than a county or a city and county. **SBWMA Policy:** currently places a 5% issuer limit on commercial paper and corporate notes and we recommend SBWMA maintain the more restrictive limit to keep the high standard of safety and diversification.

- **SB 998:** Adds permission for federally recognized Indian tribes to invest and participate in investment JPAs. **SBWMA Policy:** No changes need to be made to address this.

Please let us know if you, or a member of SBWMA, have any questions or if you’d like to discuss our review further.

Thank you,

Allison
Good afternoon,
Can you please review the attached investment policy for SBWMA and recommend any updates for 2021? We are bringing this to their Finance Committee on 1/12/21. Also, if you need to invoice is for this service, please do.
Derek

Derek Rampone
Financial Services Manager, Finance Division
Administrative Services Department
City of Redwood City
Phone: (650) 780-7071
E-mail: drampone@redwoodcity.org
www.redwoodcity.org

In response to guidance from public health officials, City administrative offices, including City Hall, are closed to the public until further notice. Essential City services, including Police, Fire, public utilities, public infrastructure and social services will continue to operate. All customer services are being modified to provide for employee and community safety. Many City services are being provided remotely, by phone or email.

For more information, please visit the City’s website at www.redwoodcity.org/coronavirus. Please note that the San Mateo County Health Department addresses Frequently Asked Questions here. You may also call the COVID-19 Call Center at 2-1-1 with all non-emergency and non-medical inquiries. The Call Center is available 24 hours a day, 7 days a week.
Commodity Update – CRV vs. Scrap Revenue and Current Fiber Transportation issues
To: SBWMA Finance Committee Members  
From: John Mangini, Senior Finance Manager  
        Hilary Gans, Senior Facilities Manager  
Date: January 12, 2021 Finance Committee Meeting  
Subject: Commodity Update - CRV vs. Scrap Revenue and Current Fiber Transportation issues

Recommendation
This commodity update is for discussion purposes only. No action is required.

Summary
Staff felt it necessary to update the Finance Committee on two commodity related topics.

The first topic is related to the lack of export containers the shipping line companies are making available for exports from foreign ports, including the US. This issue is causing a backlog of fiber bales for recyclers throughout the US. It is estimated that the Shoreway Facility has approximately one week’s worth of storage capacity. If the situation does not improve very quickly the Agency’s options may be to procure offsite storage or begin landfilling material at an estimated cost (including revenue loss) between $85 and $100 per ton. See Attachment A – Wall Street Journal article.

The second topic is in response to a question raised by the Finance Committee at its October meeting related to pricing/revenue for scrap value vs. CRV. Table 1 below provides the most recent 3 months and YTD revenue realized from the sale of scrap commodity material and CRV revenue. CRV revenue is 82% of total commodity revenue YTD November 2020 with scrap revenue contributing the balance.

Table 1

<table>
<thead>
<tr>
<th>SBWMA Commodity Tonnage &amp; Revenue Report</th>
<th>SEP</th>
<th>OCT</th>
<th>NOV</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Scrap Value</td>
<td>$240,044.65</td>
<td>$192,101.35</td>
<td>$160,966.29</td>
<td>$1,462,979.82</td>
</tr>
<tr>
<td>Total Transportation</td>
<td>$(41,114.33)</td>
<td>$(40,012.00)</td>
<td>$(37,257.37)</td>
<td>$(493,860.72)</td>
</tr>
<tr>
<td>Revenue (Scrap Value + Trans + Resid.)</td>
<td>$198,930.32</td>
<td>$152,089.35</td>
<td>$123,708.92</td>
<td>$969,119.10</td>
</tr>
<tr>
<td>Estimated CRV Payment to SBWMA</td>
<td>$388,197.32</td>
<td>$347,807.64</td>
<td>$379,795.77</td>
<td>$4,782,677.17</td>
</tr>
<tr>
<td>TOTAL SCRAP REVENUE</td>
<td>$198,930.32</td>
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<td>$969,119.10</td>
</tr>
</tbody>
</table>

TOTAL REVENUE ACCRUAL

|                      | $587,127.21  | $499,896.99  | $503,504.69  | $5,805,654.35 |

Attachment F
SBWMA Commodity Tonnage & Revenue Report November 2020

<table>
<thead>
<tr>
<th>OVERALL TOTALS</th>
<th>SEP</th>
<th>OCT</th>
<th>NOV</th>
<th>YTD</th>
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<td>$499,896.99</td>
<td>$503,504.69</td>
<td>$5,805,654.35</td>
</tr>
</tbody>
</table>
**Fiscal Impact**
Landfilling fiber material is estimated cost (including revenue loss) between $85 and $100 per ton.

**Attachments:**
World

Covid-19 Shipping Problems Squeeze China's Exporters

Surging demand in the West and port delays drive up costs for companies that have fueled the country’s economic recovery

Shipping containers are stacked near gantry cranes at the Port of Nansha, operated by Guangzhou Port Group.

PHOTO: QILAI SHEN/BLOOMBERG NEWS

By Stella Yifan Xie

Updated Jan. 3, 2021 11:34 pm ET

Listen to this article
7 minutes
HONG KONG—A logjam in the global shipping industry is testing the resilience of China’s exporters, who have driven the country’s economic recovery by churning out goods to meet surging global demand during the Covid-19 pandemic.

That demand in recent months has outpaced the capacity of a global shipping industry that has been slowed by pandemic safety measures. Chinese exporters have been paying sharply higher rates and struggling to find containers for their goods.

Chen Yang, who runs a textile trading unit at a state-owned enterprise in the southern city of Hefei, said the business, which mostly exports to the U.S., has weathered the pandemic and the China-U.S. trade war, but he expected to lose money in 2020 in part because of a sharp rise in shipping costs.

A 40-foot container arriving at the port of Charleston, S.C., in December cost Mr. Yang around $7,500, up from $2,700 in April, he said. He also has to book space on the vessel at least 20 days in advance, more than double the usual time.

“I have never seen anything like this in my 18 years of experience as an exporter,” said Mr. Yang. “We’ve been operating at a loss since August.”
The problem has been aggravated by a worsening imbalance in global trade. In November, China logged a record trade surplus of $75 billion, fueled by strong consumer demand from Western countries ahead of the holiday season for everything from electronic gadgets to furniture and bikes.

Major U.S. ports imported 2.21 million 20-foot containers in October, up 17.6% from a year earlier and setting a record since the National Retail Federation began tracking imports in 2002. Container freight rates from Asia to the U.S. surged to a record in September and rates from Asia to Europe reached a 10-year high in December.

Pandemic-related safety measures have lowered efficiency at ports, leading to delivery delays and containers getting stuck all over the world. In November, only half of global carriers managed to stay on schedule, compared with 80% a year ago, according to a service-reliability index from Sea-Intelligence.

The average turnaround time for containers returning to China was up to 100 days in December from the more typical 60 days, according to the China Container Industry Association.

“The logjam is completely unprecedented, both in terms of the scale of the surge and the duration,” said Tan Hua Joo, a Singapore-based consultant at Liner Research Services.
High Seas
The average cost of container shipping from Shanghai to other parts of the world surged to a record in December.

Shanghai Containerized Freight Index

While economists say that shipping problems haven’t derailed China’s solid recovery yet, they pose a challenge to sustaining the export growth that has driven it.

China’s official manufacturing purchasing managers index, a gauge of China’s factory activity, suggested that growth slowed in December. A subindex for new export orders edged down from the previous month to 51.3%, though still in expansion territory.

China’s rapidly appreciating currency, the yuan, which has risen more than 8% against the U.S. dollar in the past six months, is also eroding the profit margins for Chinese traders, most of whom still accept payments in U.S. dollars.

Bruce Pang, head of macro and strategy research at China Renaissance Securities, said that high shipping costs would likely remain a major headache for most Chinese exporters until the Lunar New Year holiday in February, when most factories will close for at least two weeks.
“It will certainly strain cash flow for some smaller exporters, especially those trading in low-margin goods,” said Mr. Pang. Many manufacturers have been reluctant to expand capacity and are cautious about taking new orders, he added.

**Uneven Recovery**

China’s exports have rebounded much stronger than imports through 2020.

**China’s imports and exports, change from a year ago**

![Graph showing imports and exports change from a year ago](Image)

Source: Wind Information

Tony Chen, a toy exporter in the southern Chinese city of Shantou, said many of his clients in the U.S. and Europe have told him to halt delivery, because the hefty logistics costs have eroded their profit margins.

“It has been very frustrating,” he said, adding that he has stopped accepting new orders from customers in recent weeks because he can’t guarantee when he will be able to deliver.

In early December, China’s ministry of commerce vowed to increase production of containers to ease the supply shortage, as well as monitor the shipping market more closely to stabilize costs.

But fixing the problems won’t be easy. **China International Marine Containers** (Group) Co., the world’s largest container producer, told investors in November that its factories are fully booked until the end of March. More than 95% shipping containers are built in China.

Churning out more container boxes could lead to a glut down the road, but some say that is the only viable option to ease the shortage now.
“You are damned if you do and you are damned if you don’t,” said Charles Du Cane, commercial director at Seastar Maritime Ltd., which operates dry bulk vessels. “The real solution to all of this is to deal with the pandemic and the global logistics system.”

The logistics challenges are also prompting some exporters to rethink their supply chains. Shenzhen Xuewu Technology Co., an e-cigarette producer based in the southern Chinese city of Shenzhen, sells mostly to consumers abroad. While 90% of its vaping products are shipped by air, those rates had risen by about 30% in December compared with a year earlier, with the shortage of shipping containers forcing more exporters to send their goods by air, said Fiona Fu, who leads the company’s overseas logistics. Logistics costs now account for about 5% of the company’s overall costs, up from 1% to 2% before the pandemic, she said.

Demand in existing markets such as Canada and Southeast Asia has grown during the pandemic as more people spend time indoors, according to Derek Li, co-founder of Shenzhen Xuewu. That has accelerated the company’s plan to source more products locally to reduce reliance on exports from China.

“We want to be closer to our consumers as well as be subject to less pressure in logistics,” said Mr. Li, “We won’t let the pandemic stop us from expansion.”
SHARE YOUR THOUGHTS

What impact could the current logjam have on the global shipping industry in 2021? Join the conversation below.

Write to Stella Yifan Xie at stella.xie@wsj.com

Corrections & Amplifications
Chen Yang expected to lose money in 2020 in part because of a sharp rise in shipping costs. An earlier version of this article incorrectly said he expects to lose money this year. (Corrected on Jan. 3.)