



A Public Agency

# CONSENT CALENDAR

**DRAFT MINUTES**

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
MEETING OF THE BOARD OF DIRECTORS  
March 25, 2021– 2:00 p.m.  
Via Zoom Tele or Video Conference Only**

**Call to Order: 2:01PM**

**1. Call to Order/Roll Call**

| Agency         | Present  | Absent | Agency                     | Present | Absent |
|----------------|----------|--------|----------------------------|---------|--------|
| Belmont        | X        |        | Redwood City               | X       |        |
| Burlingame     | X (2:15) |        | San Carlos                 |         | X      |
| East Palo Alto | X        |        | San Mateo                  | X       |        |
| Foster City    | X        |        | County of San Mateo        |         | X      |
| Hillsborough   | X        |        | West Bay Sanitary District | X       |        |
| Menlo Park     | X        |        |                            |         |        |

All Members and public participated by Zoom Video or Conference Call

**2. Public Comment**

None

**3. Adjourn to Closed Session**

Pursuant to Government Code § 54956.8 – Conference with Real Property Negotiators

Property: 225-333 Shoreway Road, San Carlos, California 94070

Agency negotiator: Joe La Mariana, Executive Director

Negotiating parties: Recology San Mateo County and South Bayside Waste Management Authority Under negotiation: Price and terms of license

**4. Call to Order/Roll Call (Public Session)**

**Call To Order:2:20**

| Agency         | Present | Absent  | Agency                     | Present  | Absent |
|----------------|---------|---------|----------------------------|----------|--------|
| Belmont        | X       |         | Redwood City               | X        |        |
| Burlingame     | X       |         | San Carlos                 | X (3:05) |        |
| East Palo Alto | X       | X(3:05) | San Mateo                  | X        |        |
| Foster City    | X       | X(3:05) | County of San Mateo        |          | X      |
| Hillsborough   | X       |         | West Bay Sanitary District | X        |        |
| Menlo Park     | X       | X(3:55) |                            |          |        |

**5. Public Comment (Public Session)**

Persons wishing to address the Board on matters NOT on the posted agenda may do so. Each speaker is limited to three minutes. If there are more than five individuals wishing to speak during public comment, the Chairman will draw five speaker cards from those submitted to speak during this time. The balance of the Public Comment speakers will be called upon at the end of the Board Meeting. If the item you are speaking on is not listed on the agenda, please be advised that the Board may briefly respond to statements made or questions posed as allowed under The Brown Act (Government Code Section 54954.2). The Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report and formal public discussion and input at that time. Speakers may also submit comments via email prior to the meeting by sending those comments to [rethinker@rethinkwaste.org](mailto:rethinker@rethinkwaste.org).

1. Mario Puccenilli, Group Manager for Recology's South Group, addressed the recent news that Recology has reached a settlement with the City of San Francisco City Attorney to correct a mistake in the 2017 San Francisco rate calculation. He noted that neither the mistake or the settlement affects any other customers in any other Recology service area and is specific to the San Francisco rate making process. He added that the compensation process for the SBWMA Recology San Mateo County (RSMC) is completely different than that in San Francisco. RSMC has a fixed cost annual compensation methodology in which the revenue belongs to the 11 member agencies and is reviewed by the SBWMA and their external reviewing independent contractors. He also noted that Recology is prioritizing making the San Francisco customers whole, but that they know they have a lot of work to do to regain their customers' trust, and with this mistake they have fallen short of their broader communities' expectations. They are implementing internal improvements as well as revised processes throughout the organization aiming to ensure that a mistake like this will never occur again. He added that there are changes to the Recology leadership, a new CEO Sal Coniglio and a new Board Chair and Board Members, and he will be assisting in San Francisco until a permanent Regional Manager is named. They remain committed to providing quality service to the residents and business in the SBWMA service area and the SBWMA member agencies to support their sustainability goals.
2. Doug Silverstein gave an update on Circular San Mateo County who is pushing to pass the County's Disposable Food Serviceware Ordinance. He noted that they are still looking for more cities to partner on the ordinance including those in the SBWMA service area.

## 6. Executive Director's Report

Executive Director La Mariana noted that there are some major contract items coming up. One, item 10A on today's agenda will set the work plan for the Agency's second largest contract, the operations agreement RFP process which is currently held by SBR. Two, the contract for construction and demolition of C&D material disposal will expire in January of 2022, so there will be an RFP for that processing agreement in the near future. Three, the organics processing contract with Newby Island in Milpitas is expiring at the end of 2022 but does have a couple of one-year options that will affect the RFP timing on that project.

He then gave an update on decisions that Member Agencies will need to make. One, in February of 2020, the SBWMA Board approved recommended changes to the Joint Powers Agreement (JPA) language that was advised by legal counsel due to some changes in law. Two, agenda item 7C on today's agenda is the recommended Franchise Agreement amendment one item to add a 4<sup>th</sup> bulky item collection/abandoned waste route to the member agency's franchise agreement. Staff is hoping to bundle these two items together and bring them out to the member agencies together for councils' action. After the JPA language amendments are approved by the member agencies, there will be a second decision at the SBWMA Board level to specifically approve a new purchasing policy that matches the County of San Mateo's policy. Lastly, in the fall there is likely to be a second franchise agreement amendment because of SB1383 requirements, staff will be working with Recology to expand their services to include auditing and contamination monitoring, and those recommended changes will also need to be approved at the member agency level.

He then made the following announcements:

- Staff has an extended an offer and it has been accepted by TJ Carter who will start work with the SBWMA on April 19 as a Program Manager II working on SB1383 implementation.
- He addressed the Recology San Francisco news, and commended Mario Puccinelli for addressing the situation during public comment. He noted that the SBWMA’s compensation application process is different because: One, this is a fixed price contract through the end of 2035. Two, the compensation application review process includes internal staff, member agency staff, and 3<sup>rd</sup> party independent audits of both contractors, and the SBWMA. And this year, staff will add an independent 3<sup>rd</sup> party peer review of the staff’s work on the compensation application.
- The first annual Board/TAC retreat will be April 22 from 1:30 to 4:30.
- The County is not currently interested in a long-term lease, only a short-term of between 3-5 years. This does still assist with the SBWMA's project to replace the underground storage tanks.
- April is Earth month, there is a lot of activities, events and contests going on and he encouraged Board Members to go to the website for more details.
- Lastly, the Agency’s lobbyist EEC has secured a meeting with Rachel Wagner the new Director of CalRecycle on April 14 at 2PM with the regional group Zero Waste Now that RethinkWaste initiated to have a larger voice on environmental issues in Sacramento.

**7. Approval of Consent Calendar**

Consent Calendar item(s) are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Board, staff or public request specific items be removed for separate action. *Items removed from the Consent Calendar will be moved to the end of the agenda for separate discussion.*

- A. Approval of the Minutes from the January 28, 2021, Board of Directors Meeting
- B. Resolution Authorizing the Execution of a Three and One-Half Year Contract with DTE Networks for Information Technology Services, for \$43,238 per term year, for an Overall Total Contract Not-to-Exceed Amount of \$151,333, plus CPI Adjustments beginning January 1, 2023
- C. Resolution Recommending Amendment One Modifications to the Member Agency Franchise Agreements with Recology San Mateo County to add a 4th route to the Bulky Item Collection and Abandoned Waste Collection program for an annual operating cost not-to-exceed \$631,371 in year one with contractually allowable adjustments in future rate years, with the 4th route to begin operating on January 1, 2022
- D. Resolution Approving SBWMA Committee Appointments
- E. Approval of Quarterly Investment Report for the Quarter Ended December 31, 2020

Chair Aguirre acknowledged and thanked all the Board Members who have stepped forward to be a part of the committees.

Motion/Second: Brownrigg/Hurt

Roll Call Vote: 9-0-0-2

| Agency         | Yes | No | Abstain | Absent | Agency                  | Yes | No | Abstain | Absent |
|----------------|-----|----|---------|--------|-------------------------|-----|----|---------|--------|
| Belmont        | X   |    |         |        | Redwood City            | X   |    |         |        |
| Burlingame     | X   |    |         |        | San Carlos              |     |    |         | X      |
| East Palo Alto | X   |    |         |        | San Mateo               | X   |    |         |        |
| Foster City    | X   |    |         |        | County of San Mateo     |     |    |         | X      |
| Hillsborough   | X   |    |         |        | West Bay Sanitary Dist. | X   |    |         |        |
| Menlo Park     | X   |    |         |        |                         |     |    |         |        |

## 8. Administration and Finance

### A. Report on Self Insurance Study

Executive Director La Mariana introduced the item and noted that since the fires at the facility in 2016 there has been an extraordinary effort to harden the facility to make it safer and less vulnerable to fires. RethinkWaste has also been recognized as a national leader in this regard - speaking at conferences about what the Agency is doing as the industry has recognized batteries as a threat. And every year since the fire there have been escalating insurance premiums, so staff at the request of the Finance Committee and the board has researched self-insurance.

Staff Mangini gave a Power Point presentation on the self-insurance study and considerations and input.

Vice Chair Bonilla noted that the presentation mentioned in the event of the fire suppression systems not working there would be larger loss, he asked what types of things would cause all of the fire suppression hardening that has been put in not to work other than power failure which would cause the machinery to stop as well, but that sensors that would shut the machinery off if they sense fire or smoke would be a good idea.

Staff Mangini answered that he didn't know if those types of sensors were currently installed, but if not, staff could look into them and report back.

Member Brownrigg commented that he had the impression that self-insurance meant there was no insurance whatsoever. He asked for confirmation that self-insurance is actually the delta between the maximum insurance coverage and the maximum possible loss, so it's just the \$10M difference.

Staff Mangini answered that that would be one level of self-insurance, but there are different levels.

Peter Brown of Risk Strategies answered from a scenario where RethinkWaste was completely uninsured. He noted that RethinkWaste is funding for probable maximum loss and is therefore already self-insuring already. He noted that a catastrophic loss is estimated at \$70M and that RethinkWaste is insured for \$60M, that leaves \$10M in uninsured exposure. He noted that because of the hardening of the facility, RethinkWaste can start looking at risk more creatively. He talked about the option of using a captive which is a formal way of self-insuring to be able to manage risk more effectively.

Member Brownrigg noted that he was worried about having another major catastrophic event and insurance is not offered by any carrier, and no longer an option, he was worried about what the agency would be confronted with, and how much money would need to be raised through the current rate structure.

Executive Director La Mariana thanked the Finance Committee for the technical and directional leadership in exploring self-insurance as an option, and that staff continues to do work to capture batteries and minimize risk. In this year's approved capital budget there are funds to install a large-scale water deluge tank for further hardening of the facility. And staff has initiated SB 289 which is a battery take back bill to go upstream to capture batteries before they even get to the facility.

Member Royce asked how the reserve number was determined and how much is added each year.

Staff Mangini answered that each year reserves are a percentage of the total expenses of the operating budget, which is currently 9% of expenses.

Member Royce noted that it seems low, and he wanted to understand it better. Executive Director La Mariana said that the Board with input from the Finance Committee determines the reserve number so it's up for discussion each year.

Member Royce asked if the reserve balance is connected to the probable loss number or independent. He also asked if there was a limit on the deductible.

Staff Mangini noted that is a coincidence that those two numbers are close. He also noted that there are many different options and variables when it comes to coverage and deductibles which need to be evaluated by the finance committee to make a recommendation to the Board.

## **9. Collection and Recycling Program Support and Compliance**

No Items

## **10. Shoreway Operations and Contract Management**

- A. Approval of a Multi-year Contract with HF&H Consultants in the Amount of \$295,254 for Professional Services to Aid the Authority in the Process of Developing an RFP and Subsequent Contract Commencing January 1, 2024, for Operation of the Shoreway Recycling and Disposal Center, including Approval of the Agency Work Plan for the Process

Executive Director La Mariana gave an overview of the timeline, noting that the Board will be making a decision to award the site Operations contract by the end of 2022.

Staff Ligon gave an overview of the staff report and the work plan, and the work plan timeline. He noted that there would be two committees needed: 1) a TAC Member Ad Hoc Evaluation Committee to evaluate the proposals, and 2) and Board Member Ad Hoc Selection Committee.

Member Hurt asked if there was an estimate as to how much staff time would be required for the process and to complete negotiations. She noted that \$300K is a lot of money and she would like to understand if this is a good value.

Staff Ligon noted that this was a key part of negotiations for the RFP Consulting contract because there hasn't been a Management Analyst position in the past to manage the RFP process and contracting, so there is a plan to have staff day to day involvement in the process. While there haven't been specific hours allocated there is a general understanding that there will be more staff hours allocated than in past RFP processes.

Executive Director La Mariana noted that this would be a major initiative for staff especially staff Ligon's time as the main point of contact and acknowledged that is a major piece of technical work for a major contract. He also noted that they negotiated HF&H's original proposal cost down after allocating some of the work to staff.

Member Rak asked if allocating some of the RFP work to staff would mean that there would be things generally on Staff Ligon's plate that he wouldn't be able to get done.

Executive Director La Mariana answered that he is comfortable with the allocation of staff time, and that this contract is a priority, and that it falls on him to allocate staff resources.

Chair Aguirre asked if the Ad Hoc committee would be just Board Members or Board and TAC Members.

Staff Ligon answered that the evaluation committee would be comprised of TAC Members and the selection committee would be composed of Board Members.

Chair Aguirre encouraged Board Members who are not on any committees to volunteer for this one.

Motion/Second: Bonilla/Dehn

Roll Call Vote: 8-0-0-3

| Agency         | Yes | No | Abstain | Absent | Agency                  | Yes | No | Abstain | Absent |
|----------------|-----|----|---------|--------|-------------------------|-----|----|---------|--------|
| Belmont        | X   |    |         |        | Redwood City            | X   |    |         |        |
| Burlingame     | X   |    |         |        | San Carlos              | X   |    |         |        |
| East Palo Alto |     |    |         | X      | San Mateo               | X   |    |         |        |
| Foster City    |     |    |         | X      | County of San Mateo     |     |    |         | X      |
| Hillsborough   | X   |    |         |        | West Bay Sanitary Dist. | X   |    |         |        |
| Menlo Park     | X   |    |         |        |                         |     |    |         |        |

### B. Shoreway Environmental Center Project Update

Staff Gans gave a PowerPoint presentation updating the Board on the Agency's Shoreway capital projects.

Member Brownrigg asked for confirmation that the big drop off in commercial food waste that led to the Organics-to-Energy pilot not to commence comes from the fact the people aren't eating in restaurants, but ultimately the goal is to be able to pick residential food waste out of the garbage. He wondered if it was worth trying to implement that system sooner than expected due to the drop off in commercial tons.

Staff Gans answered that source separated organics (SSO) is solely commercial food waste, but yes, the goal is to be able to use the system to get food waste out of the black carts. Staff Gans noted that they would be working on black cart food retrieval over the next 6 months. The system is designed to extract organic material out of the garbage that is the goal of the full system, but in order to get started with the pilot a critical mass of about 100 tons a day is needed. The plan was to use SSO as the bulk of the material in the Organics-to Energy pilot and then add in different material streams to prove out the concept. He noted that as part of MRF Phase I, they have installed a small-scale black cart sorting system to prove out the concept of sorting garbage, that that concept work will be taking place over the next 6 months.

Member Brownrigg commented that he is focused on keeping material out of landfill, but also in compliance with SB1383's overly prescriptive approach that he hopes to be able to avoid through the Organics-to-Energy system.

Executive Director La Mariana complimented Staff Gans and Dwight Herring for all of their hard work on the projects despite the Covid overlay. He also thanked Staff Mangini, KNN and the Finance Committee for their work in financing the projects. He also commented that the segment of workers that is likely to be impacted by the implementation of robotics is the VRS workers not the Local 350 workers.

Staff Gans asked if there was a Board Member who might be willing to help staff work with the City of Sunnyvale to recruit tonnage from their facility, they've been trying for over 6 months and have hit a deadlock, and their material could really help move the pilot project along.

Board Member Brownrigg noted he would help staff move up a level with the City of Sunnyvale.

Member Taylor noted that she wanted to make sure job loss was addressed before approvals went in to place for any robotic additions to the facility and noted that she was in favor of adding shredding. She was then absent at 3:55PM.

## **11. Public Education and Outreach**

No Items

## **12. Informational Items Only (no action required)**

- A. 2021 Finance and Rate Setting Calendar
- B. Check Register Detail for January and February 2021
- C. Legislative Session Update

Executive Director La Mariana asked Board Members to really pay attention to the Legislative Session Updates as there is an extraordinary effort going on in this area.

- D. 2021 Meeting Planning Guide

## **13. Board Member Comments**

Vice Chair Bonilla announced that he will be receiving an award from Sustainable San Mateo County for sustainability efforts he's been doing for many years in the County, and he will be highlighting the SBWMA as an organization doing great things.

## **14. Adjourn 4:01PM**

**DRAFT MINUTES**

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
 RETREAT OF THE BOARD OF DIRECTORS AND TECHNICAL ADVISORY COMMITTEE  
 April 22, 2021– 2:00 p.m.  
 Via Zoom Tele or Video Conference Only

Call to Order: 1:35PM

**1. Roll Call Board Members**

| Agency         | Present | Absent | Agency                     | Present | Absent |
|----------------|---------|--------|----------------------------|---------|--------|
| Belmont        | X       |        | Redwood City               | X       |        |
| Burlingame     | X       |        | San Carlos                 | X       |        |
| East Palo Alto |         | X      | San Mateo                  | X       |        |
| Foster City    | X       |        | County of San Mateo        |         | X      |
| Hillsborough   | X       |        | West Bay Sanitary District | X       |        |
| Menlo Park     | X       |        |                            |         |        |

**Roll Call TAC Members**

| Agency         | Present | Absent | Agency                     | Present | Absent |
|----------------|---------|--------|----------------------------|---------|--------|
| Belmont        | X       |        | Redwood City               | X       |        |
| Burlingame     | X       |        | San Carlos                 | X       |        |
| East Palo Alto |         | X      | San Mateo                  | X       |        |
| Foster City    | X       |        | County of San Mateo        | X       |        |
| Hillsborough   |         | X      | West Bay Sanitary District |         | X      |
| Menlo Park     | X       |        |                            |         |        |

All Members and public participated by Zoom Video or Conference Call

**2. Public Comment**

Persons wishing to address the Board on matters NOT on the posted agenda may do so. Each speaker is limited to three minutes. If there are more than five individuals wishing to speak during public comment, the Chairman will draw five speaker cards from those submitted to speak during this time. The balance of the Public Comment speakers will be called upon at the end of the Board Meeting. If the item you are speaking on is not listed on the agenda, please be advised that the Board may briefly respond to statements made or questions posed as allowed under The Brown Act (Government Code Section 54954.2). The Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report and formal public discussion and input at that time. *Speakers may also submit comments via email prior to the meeting by sending those comments to [rethinker@rethinkwaste.org](mailto:rethinker@rethinkwaste.org).*

None

**3. Welcome and Objectives (Chair Aguirre and Vice Chair Bonilla)**

Vice Chair Bonilla welcomed everyone to the retreat to discuss the past, present and future of the SBWMA. He noted that the SBWMA's goal is to responsibly manage waste so that it is safe, healthy and clean for everyone.

Chair Aguirre added that today is about getting to know the organization that you're working with and what is it all about. He then thanked the Board, TAC and staff for their commitment.

Jim Delia of Delia Consulting facilitated the meeting, and he went over the agenda for the retreat.

#### **4. Who We Are, What We Do and Why (Presentation by Senior Staff)**

Executive Director La Mariana gave a presentation on who our agency is, what we do, and why we do it. He invited the following senior staff to talk about the programs that they run.

**Julia Au, Senior Outreach, Education and Compliance Manager** talked about the public outreach and education programs and how they can impact behavior change.

**John Mangini, Senior Finance Manager** talked about his role in financial planning and analysis for the Agency, as well as cost control and staying on budget.

**Hilary Gan, Senior Operations and Engineering Manager** talked about his role managing Shoreway operations and contractual oversight of SBR, as well as offsite processing contracts and relationships and Shoreway permits. He added that the Agency owns the facility which makes the agency a "landlord" as well.

The operations and facility contractors also spoke:

**Dwight Herring, General Manager of SBR** gave an overview of SBR's role as the operator of the facility.

**Mike Kelly, General Manager of Recology** gave an overview of Recology San Mateo County's role as the collection service provider through 11 individual Franchise Agreements with the Member Agencies.

Executive Director La Mariana added that SBWMA services almost 60% of the residents in the county.

Jim Delia then asked a poll question: What future plans excite you most about the Agency?  
The largest percentage was to pursue innovative technologies to reduce landfill.

He then sent smaller groups into breakout rooms to discuss what they learned from the overview presentation, what surprised them, and what are they still curious about.

Topics that came up from the breakout room groups discussions included:

- How to pay for major CapEx improvements and innovation when the resident rate payers are already overburdened.
- How to focus on re-use opportunities in the County because so much focus is put on transfer and processing. Distribution of reusable items throughout the service area.
- Focusing on programs that already exist to leverage for innovation at Shoreway.
- Building power to leverage political relationships around creating more sustainability.
- Increased focus on EPR legislation.
- Building relationships with legislators
- Finding a way to physically expand the footprint at Shoreway.
- Can we get ahead of the basic requirements of SB1383 to get to a more innovative and creative

problem-solving approach.

- Consider changing the rate model if trash levels go too low to support the current model.
- Increasing diversion in Multi-Family units
- Achieving highest and best use of Organics-to-Energy program.
- Reduction of greenhouse gas emissions in an economical way. EV collection vehicles.
- Finding a way to end homeless encampment by leveraging the public/private partnership the agency already has.
- Increased action on legislation and lobbying to be seen as a leader in the industry in San Mateo County.
- Do a better job of connecting the rate increases dots to sustainability goals.
- Working towards changing consumer behavior to buy what they really need to use.
- Creating a single page fact sheet to help residents understand who the SBWMA/RethinkWaste is and the services they provide.

## 5. Leading Ahead Discussion

Jim Delia asked breakout rooms to discuss these questions to help the SBWMA:

- 1) How to execute plans for the SBWMA?
- 2) How to improve process?
- 3) How to remain viable for current members and attract new members?
- 4) What goals and actions should the Agency consider?

Topics that came up from the breakout room groups included:

- Possible expansion to other unincorporated county pockets that are not in the SBWMA service area.
- Innovative ways to save fuel and truck time.
- Possible residential compost drop off for SB1383 procurement targets.
- Attracting new members is a struggle if costs get too high and cost effectiveness needs to be a priority.
- Major education campaigns especially for MFD to force behavior change and create understanding about how dire the need is. How do we get buy in from all the residents?
- Working with developers as more MFD units are being built to get them to consider waste collection as a priority in their development plans.
- Increased collaboration with Member Agencies and SBWMA serves as the bridge.
- Increased legislative action to push back at Cal Recycle unfunded regulations and increase producer responsibility to stop it from becoming waste in the first place. Increased awareness around battery dangers, and single use plastics legislation.
- Managing costs is going to be the big driver as minimal revenue now comes from recyclable markets, the burden is put on rate payers.
- Can we focus on the future to be less reactive? What will waste and the environment look like 5 years from now, what happens if we're not successful?
- Possibly community ambassador program to get residents involved including neighborhood watch groups, youth organizations and chambers of commerce.
- Improve internal agency communication.
- Better definition of TAC, and better use of the TAC to give TAC members more opportunities to have input.
- Increase community outreach events.
- Use elected board members to leverage relationships with state legislators.
- We need to do a better job of selling ourselves and the benefits of being a part of a JPA
- A loss to the Agency with the elected board is that there is no longer City Manager participation.

- Use customer service surveys to get an understanding of whether the residents understand the interconnectivity between solid waste, recycling, wastewater, stormwater, sea level rise and clean energy, and the bigger environmental picture to help SBWMA tell a better story.
- Special programs to increase diversion like a resource recovery park within the transfer station.
- SB1383 gives the opportunity to reframe organics waste, are there other innovative ways to approach SB1383 other than just Organics-to-Energy.
- We have a business model challenge – who drives sales, if it is RethinkWaste, staff is too small and not designed to grow sales.

## 6. Staying Ahead – Committee Structure Discussion

The following committee leaders introduced the SBWMA Committees and how most of the work of the SBWMA is done at the committee level.

**Davina Hurt, Public Education and Outreach** introduced her committee members and noted that this committee thinks about how to entice people to change behavior to meet environmental goals.

**Michael Brownrigg, Zero Waste Committee**, introduced his committee members and collectively have empowered staff to do what could be done but did not think there was the political will to do it. The goal is to take advantage of the asset that is Shoreway, coupled with it being in one of the wealthiest counties in the county and become leaders in reducing what is going to landfill, because landfills are one of the biggest producers of methane. Trash used to be a nuisance and now it is seen as a threat like plastic in the ocean and pollution in the air. The committee focuses on new technology to solve the waste threat. Anything that reduces waste becomes part of the workload of the Zero Waste Committee.

**Jay Benton, Finance Committee**, noted that this committee is a standing committee and is comprised of Board Members and Finance Managers from Member Agencies. He added that the Finance Committee's job is to do a deep dive into all financial matters of the Agency and can recommend action to the full board who may not have time for as deep of an analysis. The committee works through the budget, the audit, investments annually.

**Fran Dehn, Legislative Committee**, noted that this is a newly formed committee, and the first meeting will be tomorrow. The scope of the committee is to track, form and influence policy and legislation to create a bridge for the Agency of past, current and future practices and influences that RethinkWaste needs to be aware of.

**Roxanne Murray, Technical Advisory Committee**, said that the TAC's role is to support and assist. They support their town or city and their Board Member to give them the best information to make their decisions, and they support the SBWMA with planning and policies. There are 11 TAC members who are staff from each of the jurisdictions.

Jim Delia asked participants what each committee should be focused on. Thoughts that came up in this discussion included:

- Creating a rate payer committee to get citizens involved.
- Have Zero Waste Committee work on MFD diversion issues.
- Create a business generation committee.
- Have Public Education work on the issue of how to sell the Agency to potential new members and to the public.
- Have a position on each committee for a member of the public that is applied for.
- TAC Members need to connect with their Board Members more often.

**7. Board Member Comments**

Participants of the retreat went around and expressed what inspired or intrigued them about the retreat.

**8. Adjourn 4:05PM**

## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Hilary Gans, Senior Facilities and Contracts Manager  
**Date:** June 24, 2021 Board of Directors Meeting  
**Subject:** Resolution Approving Extension of the MOU with Silicon Valley Clean Water for Organics-to-Energy Material Processing

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### Recommendation:

Staff recommends that the Board of Directors approve the resolution 2021-11 for an **Extension of the MOU with Silicon Valley Clean Water for Organics-to-Energy Material Processing.**

### Summary

The O2E pilot project was recently restarted in April 2021 – the project was suspended for a year due to COVID/Shelter in Place and the subsequent reduction in food waste collection. Since April, over 50 tanker loads of liquid organic slurry (aka. food waste slurry) have been produced and shipped to WWTPs (SVCW and CMSA) for digestion into biogas and energy. Preliminary testing by both WWTPs has been very positive, and the Anergia system has successfully produced slurry to meet the quality expectations of our partner WWTPs.

The original MOU that was signed with Silicon Valley Clean Water (SVCW) has expired and both the SBWMA and SVCW wish to extend the existing MOU that was approved by the SBWMA Board in February 2020 through May 31, 2022.

### Analysis

Currently there is a lot of interest among local WWTPs to receive and conduct trials with the organic food waste slurry that is being produced by the O2E Pilot project. Many WWTPs are seeking alternative green energy sources to power their operations and the food waste slurry boosts the production of electricity at the treatment plants. During the Pilot operations each stakeholder will quantify the benefits and costs of managing organics waste through this unique and promising technology. Below is a listing of the five partner WWTPs and the status of the MOU/Agreement discussions with each:

1. **Silicon Valley Clean Water** – an MOU between SVCW and SBWMA was approved on 2/12/20 and has since expired. Deliveries have been made to SVCW in April, May and June 2021.
2. **Central Marin Sanitary Agency** – an MOU between CMSA and SBWMA was approved on 2/12/20 and has since expired. Deliveries have been made to CMSA in April, May and June 2021.
3. **East Bay Municipal Utility District** – MOU between EBMUD and SBWMA was approved on 2/12/20. EBMUD is interested in extending their MOU and is ready to receive liquid organic slurry when the SBWMA can manufacture sufficient quantities.
4. **South San Francisco WWTP** – MOU between SSF and SBWMA was approved on 2/12/20. SSF is interested in extending their MOU and is ready to receive liquid organic slurry when the SBWMA can manufacture sufficient quantities.

### WWTP Partnerships

During the O2E Pilot, the SBWMA and each of the partner WWTPs will collect information on costs, operations, energy production and diversion success. This valuable information will be used to test the model for a full-scale O2E and will inform the content of new MOUs that will be completed with each WWTP partner wishing to participate in the future project. Staff will continue to update the Board on the status of the O2E Project, the planning and design of the full-O2E project, and partnership agreement discussions.

### Background

O2E Pilot Project milestone dates:

- May 2018, OREX transferred from Recology SF to Shoreway.
- July 2019, City of San Carlos' Building Department design approval.
- September 2019, electrical -feed installation from existing transformer
- November 2019, Shredder and OREX installation complete
- November-January 2020, Polishing System Installation
- February 2020, System Commissioning
- Pilot installation was completed on February 14<sup>th</sup>, 2020 by Anaergia
- March 2020, system training was halted and O2E project was suspended due to Shelter-in Place
- April 2021, project was restarted and liquid organic slurry has been shipped to SVCW and CMSA

### Fiscal Impact

There is no fiscal impact related to the MOU with SVCW. The MOU calls for no tipping fee during the Pilot.

#### Attachments:

Resolution 2021-11

Exhibit A - SVCW MOU Amendment



**RESOLUTION NO. 2021-11**  
**RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS AUTHORIZES THE EXTENSION OF THE MOU WITH SILICON VALLEY CLEAN WATER FOR ORGANICS-TO-ENERGY MATERIAL PROCESSING.**

**WHEREAS**, South Bayside Waste Management Authority (SBWMA); is interested in developing a system for diverting food waste into green energy,

**WHEREAS**, Silicon Valley Clean Water plant is interested in partnering with the SBWMA to receive and process food waste slurry from the O2E Pilot and convert this material into energy,

**WHEREAS**, Silicon Valley Clean Water, signed an agreement in February 2020 that has since expired and both parties wish to extend the agreement through May 31, 2022.

**NOW THEREFORE BE IT RESOLVED**, the SBWMA Board hereby authorizes the Extension of the MOU with Silicon Valley Clean Water for Organics-to-Energy Material Processing attached hereto as 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 June 24, 2021, by the following vote:

| Agency         | Yes | No | Abstain | Absent | Agency                 | Yes | No | Abstain | Absent |
|----------------|-----|----|---------|--------|------------------------|-----|----|---------|--------|
| Belmont        |     |    |         |        | Redwood City           |     |    |         |        |
| Burlingame     |     |    |         |        | San Carlos             |     |    |         |        |
| East Palo Alto |     |    |         |        | San Mateo              |     |    |         |        |
| Foster City    |     |    |         |        | County of San Mateo    |     |    |         |        |
| Hillsborough   |     |    |         |        | West Bay Sanitary Dist |     |    |         |        |
| Menlo Park     |     |    |         |        |                        |     |    |         |        |

I HEREBY CERTIFY that the foregoing Resolution No. 2021-11 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 24, 2021.

ATTEST:

\_\_\_\_\_  
Alicia Aguirre, Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Clerk of the Board

EXHIBIT A

**ADDENDUM NO. 1  
TO MEMORANDUM OF UNDERSTANDING**

**This Addendum No. 1 to the Memorandum of Understanding (“MOU”)** by and between **the South Bayside Waste Management Authority (“SBWMA”)** and the Silicon Valley Clean Water (“SVCW”), (hereafter, also “Party” or “Parties”):

**1. Extension of Term.** Due to the Covid-19 pandemic, the Pilot Project was delayed past the end date originally envisioned in the MOU. The term of this MOU for the Pilot Project shall be extended from the original MOU end date of March 1, 2021, through May 31, 2022. All other provisions of the original MOU that took effect on March 1, 2020 shall remain in effect throughout the extended term of the MOU.

**IN WITNESS WHEREOF**, the Parties have signed this Addendum No. 1 to the Memorandum of Understanding.

**South Bayside Waste Management Authority (“SBWMA”)**

\_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Silicon Valley Clean Water (“SVCW”)**

\_\_\_\_\_

Name:

Title:

## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Hilary Gans, Senior Facilities and Contracts Manager  
**Date:** June 24, 2021 Board of Directors Meeting  
**Subject:** Resolution Approving Extension of the MOU with Central Marin Sanitary Agency for Organics-to-Energy Material Processing

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### Recommendation:

Staff recommends that the Board of Directors approve the resolution 2021-12 for an **Extension of the MOU with Central Marin Sanitary Agency (CMSA) for Organics-to-Energy Material Processing.**

### Summary

The O2E pilot project was recently restarted in April 2021 – the project was suspended for a year due to COVID/Shelter in Place and the subsequent reduction in food waste collection. Since April, over 50 tanker loads of liquid organic slurry (aka. food waste slurry) have been produced and shipped to WWTPs (SVCW and CMSA) for digestion into biogas and energy. Preliminary testing by both WWTPs has been very positive, and the Anergia system has successfully produced slurry to meet the quality expectations of our partner WWTPs.

The original MOU that was signed with Central Marin Sanitary Agency (CMSA) has expired and both the SBWMA and CMSA wish to extend the existing MOU that was approved by the SBWMA Board in February 2020 until May 31, 2022.

### Analysis

Currently there is a lot of interest among local WWTPs to receive and conduct trials with the organic food waste slurry that is being produced by the O2E Pilot project. Many WWTPs are seeking alternative green energy sources to power their operations and the food waste slurry boosts the production of electricity at the treatment plants. During the Pilot operations each stakeholder will quantify the benefits and costs of managing organics waste through this unique and promising technology. Below is a listing of the five partner WWTPs and the status of the MOU/Agreement discussions with each:

1. **Silicon Valley Clean Water** – an MOU between SVCW and SBWMA was approved on 2/12/20 and has since expired. Deliveries have been made to SVCW in April, May and June 2021.
2. **Central Marin Sanitary Agency** – an MOU between CMSA and SBWMA was approved on 2/12/20, and has since expired. Deliveries have been made to CMSA in April, May and June 2021.
3. **East Bay Municipal Utility District** – MOU between EBMUD and SBWMA was approved on 2/12/20. EBMUD is interested in extending their MOU and is ready to receive liquid organic slurry when the SBWMA can manufacture sufficient quantities.
4. **South San Francisco WWTP** – MOU between SSF and SBWMA was approved on 2/12/20. SSF is interested in extending their MOU and is ready to receive liquid organic slurry when the SBWMA can manufacture sufficient quantities.

### SBWMA-WWTP Partnerships

During the O2E Pilot, the SBWMA and each of the partner WWTPs will collect information on costs, operations, energy production and diversion success. This valuable information will be used to test the model for a full-scale O2E and will inform the content of new MOUs that will be completed with each WWTP partner wishing to participate in the future project. Staff will continue to update the Board on the status of the O2E Project, the planning and design of the full-O2E project, and partnership agreement discussions.

### Background

O2E Pilot Project milestone dates:

- May 2018, OREX transferred from Recology SF to Shoreway.
- July 2019, City of San Carlos' Building Department design approval.
- September 2019, electrical -feed installation from existing transformer
- November 2019, Shredder and OREX installation complete
- November-January 2020, Polishing System Installation
- February 2020, System Commissioning
- Pilot installation was completed on February 14<sup>th</sup>, 2020 by Anaergia
- March 2020, system training was halted and O2E project was suspended due to Shelter-in Place
- April 2021, project was restarted and liquid organic slurry has been shipped to SVCW and CMSA

### Fiscal Impact

There is no fiscal impact related to the MOU with CMSA. The MOU calls for no tipping fee during the Pilot.

#### Attachments:

Resolution 2021-12

Exhibit A - CMSA MOU



**RESOLUTION NO. 2021-12**  
**RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS AUTHORIZES THE EXTENSION OF THE MOU WITH CENTRAL MARIN SANITARY DISTRICT FOR ORGANICS-TO-ENERGY MATERIAL PROCESSING.**

**WHEREAS**, South Bayside Waste Management Authority (SBWMA); is interested in developing a system for diverting food waste into green energy,

**WHEREAS**, Central Marin Sanitary Agency wastewater treatment plant is interested in partnering with the SBWMA to receive and process food waste slurry from the O2E Pilot and convert this material into energy,

**WHEREAS**, Central Marin Sanitary Agency, signed an agreement in February 2020 that has since expired and both parties wish to extend the agreement through May 31, 2022.

**NOW THEREFORE BE IT RESOLVED**, the SBWMA Board hereby authorizes the Extension of the MOU with Central Marin Sanitary District for Organics-to-Energy Material Processing attached hereto as 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 June 24, 2021, by the following vote:

| Agency         | Yes | No | Abstain | Absent | Agency                 | Yes | No | Abstain | Absent |
|----------------|-----|----|---------|--------|------------------------|-----|----|---------|--------|
| Belmont        |     |    |         |        | Redwood City           |     |    |         |        |
| Burlingame     |     |    |         |        | San Carlos             |     |    |         |        |
| East Palo Alto |     |    |         |        | San Mateo              |     |    |         |        |
| Foster City    |     |    |         |        | County of San Mateo    |     |    |         |        |
| Hillsborough   |     |    |         |        | West Bay Sanitary Dist |     |    |         |        |
| Menlo Park     |     |    |         |        |                        |     |    |         |        |

I HEREBY CERTIFY that the foregoing Resolution No. 2021-12 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 24, 2021.

ATTEST:

\_\_\_\_\_  
Alicia Aguirre, Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Clerk of the Board

EXHIBIT A

**ADDENDUM NO. 1  
TO MEMORANDUM OF UNDERSTANDING**

**This Addendum No. 1 to the Memorandum of Understanding (“MOU”) by and between the South Bayside Waste Management Authority (“SBWMA”) and the Central Marin Sanitary Agency (“CMSA”), (hereafter, also “Party” or “Parties”):**

**1. Extension of Term.** Due to the Covid-19 pandemic, the Pilot Project was delayed past the end date originally envisioned in the MOU. The term of this MOU for the Pilot Project shall be extended from the original MOU end date of March 1, 2021, through May 31, 2022. All other provisions of the original MOU that took effect on March 1, 2020 shall remain in effect throughout the extended term of the MOU.

**IN WITNESS WHEREOF**, the Parties have signed this Addendum No. 1 to the Memorandum of Understanding.

**South Bayside Waste Management Authority (“SBWMA”)**

\_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Central Marin Sanitary Agency (“CMSA”)**

\_\_\_\_\_

Name:

Title:

## STAFF REPORT

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To: SBWMA Board Members  
From: John Mangini, Senior Finance Manager  
Date: June 24, 2021 Board of Directors Meeting  
Subject: Resolution Accepting the Findings from the Audit of Contractor's Financial and Operational Reporting in 2020 by R3 Consultants

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### Recommendation

It is recommended that the SBWMA Board approve resolution #2021-13 attached accepting the findings from the audit of Recology's and SBR's SBR's 2020 financial and operational reporting by R3 Consultants.

### Summary

The Franchise Agreement with Recology and the Operating Agreement with SBR prescribe standards for reporting and operating system performance. Under contract to the SBWMA, R3 Consultants performed the annual independent review of the contractor's operational and financial reports for 2020. Overall, the review found that both contractors are in substantial compliance with requirements of the Agreements and only minor financial and operational corrections were recommended by R3 Consulting. Note: This independent financial and operational review and analysis includes the Town of Atherton's metrics for the last time because their recent SBWMA exit effective December 31, 2020, which coincides with the review period (January 1-December 31, 2020). R3 Consultants explain their methodology to address this issue in Section 1.1 titled *Background* (Attachment A, Page 1).

### Analysis

The information collected and reported to the SBWMA by the contractors is substantially self-reported (e.g., all Shoreway tonnage data, collection route data, and call center performance). To ensure the integrity of this reported data and payments, the SBWMA conducts an annual third-party (independent) review to verify that SBR and Recology obtained, compiled, and reported data to the SBWMA and Member Agencies accurately and that the companies have proper management controls in place. The audit consists of two parts: a financial systems audit and an audit of quarterly and annual operational reports. The financial systems audit includes a review of reports with a direct financial impact such as Recology's Revenue Reconciliation (\$109,393,699) and SBR's payment to the SBWMA for net commodity revenue (\$5,909,251) and public tip fee revenue (\$10,412,939).

In March 2021, R3 Consulting commenced the annual review for 2020 and concluded their activities by issuing a final findings and recommendations report that was issued in June 2021. R3 identified several areas where both Recology and SBR were found to be substantially compliant with the operational and reporting requirements of the Facility Operating Agreement and Franchise Agreements for CY 2020.

The single most important review step of this audit was to verify the data in Recology's 2020 Revenue Reconciliation in total and by Member Agency. The following financial stats have now been verified:

1. Gross revenue billed of \$109,393,699
2. Disposal fees paid to the SBWMA of \$33,420,023
3. Franchise and other Fees paid to Member Agencies of \$15,608,657

4. The net surplus/<shortfall> balance for each agency ranging from \$1,047,452 to <\$308,256>

No discrepancies were found.

Summary "Findings" for each contractor are shown in **Table 1 & Table 2** below and a Summary Report is provided in **Attachment A**.

**Recology Audit:**

| Table 1.<br>RECOLOGY Review Findings |  |   |        |
|--------------------------------------|--|---|--------|
| Report Section                       | Area of Review                               | Findings  | Amount |
| 2.1                                  | Reports                                      | -The Quarterly & Annual Reports were complete & compliant   | None   |
| 2.2                                  | Tonnage Data                                 | -Accurate & compliant   | None   |
| 2.3                                  | Customer Service                             | - No inconsistencies were found between source data and reports.<br>- No incorrectly coded tickets were found.  | None   |
| 2.5                                  | Liquidated Damages & Incentive/ disincentive | - Recology self-reported and paid LD amounting to \$29,650. R3 found they underpaid by \$250.<br>- Recology self-reported incentive payments due to Recology amounting to \$50,508. R3 has confirmed the calculations are accurate. | \$500  |
| 4                                    | Tonnage Data                                 | - Very minor variances between SBR & Recology inbound tonnage were found.   | None   |

The review by R3 focused on validating the information provided by Recology in the company's *Annual Report for 2020* issued to the Member Agencies on February 15, 2021. The review focused on:

- Verify tons collected.
- Verify customer service data.
- Verify calculation of liquidated damages and performance incentive/disincentive payments.

**South Bay Recycling (SBR) Audit:**

| Table 2.<br>SBR Review Findings |                    |   |        |
|---------------------------------|--------------------|---|--------|
| Report Section                  | Area of Review     | Findings  | Amount |
| 4.1                             | Reports            | - The Quarterly & Annual Reports were compliant.                          | None   |
| 4.2                             | Tonnage Data       | - Very minor variances between SBR & Recology inbound tonnage were found. | None   |
| 4.4                             | Liquidated Damages | - No LD were reported or paid by SBR.                                     | None   |

Since the tonnage, material category, and tip fee payment information recorded at the scales by SBR serves as the "base-data" for the entire SBWMA waste handling function as well as the basis for all of the financial transactions relating to Shoreway facility operations, it is critical that the information be accurately collected, recorded, and reported by SBR. While the SBWMA staff reviews the tonnage information reported by SBR on a monthly basis, the review conducted by R3 serves as an important third-party check on SBR's data and data management. The scope of the annual operational audit includes the following components:

- Verify SBR's reported data is consistent with Recology's reports
- Verify accuracy of SBR's reported in-bound and shipped tonnage data

Based on R3's review of SBR operations and reports, only very minor errors were identified in SBR's reporting and tonnage. SBR was not assessed any liquidated damages in 2020.

### **Background**

The Collection Services Franchise Agreements with Recology and the Facility Operations Agreement with SBR prescribe standards for reporting and operating performance. The information contained in the contractor's reports is substantially self-reported by both companies e.g., all tonnage data from the Shoreway scales and the collection route and call center performance data as well as the collection Liquidated Damage events identified in Attachment J of the Franchise Agreements. To ensure the integrity of the data reported by Recology and SBR, the SBWMA conducts a third-party (independent) audit of the data managed and reported by both companies (the audit included assessing Recology's call center functions to ensure the accuracy of transcribing and reporting information, complaints and requests for service from customers. The scope of auditing SBR's operations was limited to the scale house operations (i.e., tonnage reporting) and reporting of commodity revenues. The auditing work reveals how well both Recology and SBR obtained, compiled and reported data to the Member Agencies per the requirements prescribed in the Franchise Agreement(s) and Shoreway Facility Operations Agreement, respectively.

### **Fiscal Impact**

The cost for R3 to conduct this audit was \$49,270 and is included in the adopted FY2021 Budget.

### **Attachments:**

Resolution 2021-13

**Exhibit A** – R3 Final Report Summary: Collection Services and Facility Operations Systems and Financial Audit for 2020

**Attachment A** - [Full R3 Consulting 2020 Audit Final Report - available online only at www.rethinkwaste.org](http://www.rethinkwaste.org)



**RESOLUTION NO. 2021-13**  
**RESOLUTION OF THE SOUTH BAYSIDE WASTE**  
**MANAGEMENT AUTHORITY BOARD OF DIRECTORS**  
**ACCEPTING THE FINDINGS FROM THE AUDIT REPORT OF THE CONTRACTOR'S**  
**2020 FINANCIAL AND OPERATIONAL REPORTING BY R3 CONSULTANTS**

**WHEREAS**, the South Bayside Waste Management Authority (SBWMA) Board of Directors entered into a contract with R3 Consulting Group for the purpose of providing a Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Auditing for 2020 and a Financial Systems Auditing for 2020, and

**WHEREAS**, the R3 Consulting Group has completed the audit work and submitted their report for review, and

**WHEREAS**, attached as **Exhibit A** hereto is the R3 audit report summary.

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority accepts the findings from the audit report of the contractor's financial and operational reporting in 2020 by R3 Consultants.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 24<sup>th</sup> day of June 2021, by the following vote:

| Agency         | Yes | No | Abstain | Absent | Agency                 | Yes | No | Abstain | Absent |
|----------------|-----|----|---------|--------|------------------------|-----|----|---------|--------|
| Belmont        |     |    |         |        | Redwood City           |     |    |         |        |
| Burlingame     |     |    |         |        | San Carlos             |     |    |         |        |
| East Palo Alto |     |    |         |        | San Mateo              |     |    |         |        |
| Foster City    |     |    |         |        | County of San Mateo    |     |    |         |        |
| Hillsborough   |     |    |         |        | West Bay Sanitary Dist |     |    |         |        |
| Menlo Park     |     |    |         |        |                        |     |    |         |        |

I HEREBY CERTIFY that the foregoing Resolution No. 2021-13 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 24, 2021.

ATTEST:

\_\_\_\_\_  
 Alicia Aguirre, Chairperson of SBWMA

\_\_\_\_\_  
 Cyndi Urman, Clerk of the Board



AGENDA ITEM 4E EXHIBIT A  
Is the Introduction and Summary  
(first 7 pages) of the full report.  
The full report (Attachment A) can be  
found at: [www.rethinkwaste.org](http://www.rethinkwaste.org)

FINAL REPORT  
RethinkWaste (SBWMA)

**Annual Report and Financial Systems  
Audits**

*Submitted electronically on June 9, 2021*



June 9, 2021

Mr. John Mangini, Senior Finance Manager  
South Bayside Waste Management Authority  
610 Elm Street, #202, San Carlos, CA 94070  
*submitted via email: [jmangini@rethinkwaste.org](mailto:jmangini@rethinkwaste.org)*

**Subject: FINAL Report 2020 Annual Audits of Recology and South Bay Recycling**

Dear Mr. Mangini,

R3 Consulting Group, Inc. (R3) is pleased to submit the attached FINAL report for the Collection Services and Facility Operations Reports, Tonnage, Data and Customer Service Systems Audit and Financial Systems Audit of Recology San Mateo (Recology) and South Bay Recycling (SBR).

***The objectives of the project were to:***

- » Verify the accuracy of Recology and SBR's annual reports to the SBWMA;
- » Verify the accuracy of financial systems data tracking, including Recology's Revenue Reconciliation and SBR's payments due to or from SBWMA.

The attached FINAL Report contains our findings and recommendations.

\* \* \* \* \*

We appreciate the opportunity to be of service to the SBWMA. Should you have any questions regarding our report or need any additional information, please don't hesitate to reach out directly.

Sincerely,



Rose Radford | *Project Manager*  
**R3 Consulting Group, Inc.**  
415.347.9536 | [rradford@r3cgi.com](mailto:rradford@r3cgi.com)



Claire Wilson | *Senior Project Analyst*  
**R3 Consulting Group, Inc.**  
707.480.0753 | [cwilson@r3cgi.com](mailto:cwilson@r3cgi.com)

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4. **Annual Report Audit of SBR**  
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5. **Financial Systems Audit of SBR**  
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## **Attachments**

A. **Recology Quarterly & Annual Report  
Completeness Checklists**

B. **SBR Quarterly & Annual Report  
Completeness Checklists**

# 1. INTRODUCTION AND SUMMARY OF FINDINGS

## 1.1 Background

The South Bayside Waste Management Authority (SBWMA / RethinkWaste) is a joint powers authority of eleven Member Agencies (Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, the County of San Mateo, and the West Bay Sanitary District) in San Mateo County. The Town of Atherton withdrew from the SBWMA effective January 1, 2021, and as such, Atherton is included in the 2020 audits (with the exception of the Revenue Reconciliation, discussed in the following pages).

The eleven SBWMA Member Agencies have exclusive franchise agreements with Recology San Mateo County (Recology) for the collection of solid waste, recyclable materials, and organic materials. Recology submits an annual Revenue Reconciliation (Reconciliation) report to SBWMA that identifies net revenues retained by Recology, as compared to the annual compensation owed to Recology by each Member Agency, which is approved annually by the SBWMA Board of Directors.

SBWMA owns and manages the Shoreway Environmental Center which is operated by South Bay Recycling (SBR). The Shoreway Environmental Center receives the recyclables, organics and garbage collected by Recology under its franchise agreements with each of SBWMA's Member Agencies, as well as other self-haul and non-franchised material delivered to that facility. SBR reports on and makes monthly payments to SBWMA, covering revenues from sales of recyclable commodities and revenues from public self-haul customers at Shoreway.

Recology and SBR are required to track, compile and report various data related to their performance and develop various reports per the franchise agreements with SBWMA Member Agencies and SBR's operating agreement with SBWMA. The primary nature of the quantitative data presented in the reports is self-reported. The goal of the Collection Services and Facility Operations Reports, Tonnage, Data and Customer Service Systems Audit (Annual Report Audit) is to determine the accuracy of the information contained in those reports. The Annual Report Audit is presented in Sections 2 and 4 of this report.

The Financial Systems Audit is designed to confirm the accuracy of financial information provided by Recology and SBR as well as the accuracy of each Member Agency's revenue surplus/shortfall for its franchised services and that SBR accurately tracks and remits revenues and payments to/from SBWMA. The Financial Systems Audit is presented in Sections 3 and 5 of this report.

## 1.2 Work Scope

### Annual Report Audit

Overall, SBWMA retained R3 to review, test and verify the accuracy of the information contained in Recology's Annual Report as well as SBR's annual tonnage and commodity revenue report, and provide any recommendations for improvement.

#### ***Our scope included, but was not limited to, the following tasks for the audit of Recology:***

- » Verify the completeness, mathematical accuracy, and back-up documentation for the Annual Reports, including the allocation of tons between Member Agencies;
- » Interview the contractors to determine the sources of the reported data;

- » Verify the accuracy of the tonnage data reported monthly;
- » Verify the accuracy of reported customer service metrics, call statistics, and accuracy of customer service ticket coding; and
- » Verify the mathematical accuracy and back-up documentation where applicable for reported:
  - Liquidated damages, which includes customer complaints, accurate and prompt reporting, and other important collections service requirements of the agreement; and
  - Incentive and disincentive payments, which includes diversion requirements as well as customer complaints and other call center requirements.

***Our scope included, but was not limited to, the following tasks for the audit of SBR:***

- » Verify the completeness of SBR's annual tonnage and commodity revenue report;
- » Verify the consistency of reported Inbound tonnage data between the two contractors;
- » Verify the mathematical accuracy and back-up documentation of SBR's reported Inbound and Outbound tonnage data; and
- » Check the accuracy of SBR's reported liquidated damages, where applicable.

Our verifications were limited to selected samples for both Recology and SBR verifications, where R3 selected specific months or dates of review, and the contractors provided back-up documentation for their reports as requested. We did not verify every month of each report, or each data point.

Additional information about work scope and documentation reviewed can be found in the associated sections of this report.

### **Financial Systems Audit**

SBWMA retained R3 to review, test, and verify:

- » The mathematical accuracy, consistency in reporting, and back-up documentation for information contained in Recology's annual Revenue Reconciliation, including:
  - Gross Revenue Billed against accounting records;
  - Adjustments to Gross Revenue Billed, with back-up provided for each adjustment;
  - Pass-Through Costs, including disposal and processing costs, Member Agency fees against documentation of correspondence with Member Agencies, the mathematical accuracy and consistency of the calculation of late fees;
  - Mathematical accuracy of calculation of Net Revenue and Recology's compensation;
  - Revenues associated with unscheduled and intermittent services per Attachment Q to Recology's franchise agreement(s) against accounting records of billed revenues;
  - Fees for additional carts against procedures for retaining revenue which are Member Agency-specific;
  - Proper accrual of backyard services revenue; and
  - The mathematical accuracy of the Surplus/Shortfall calculation.
- » The accuracy of SBR's financial systems for tracking, calculating, and reporting payments due to or from SBWMA for:
  - Public gate revenue against scales reports and accounting records;

- Commodity Revenue against scales reports and accounting records; and
  - Accuracy of reporting for payments of California Redemption Value.
- » Additional information about work scope and documentation reviewed can be found in the associated sections of this report.

Due to the closure of the Buyback Center, no analysis was required nor performed for such activities.

R3's work, and this report, constitute a review of Recology's and SBR's financial systems and the accuracy of the financial reports Recology and SBR provide to SBWMA. This audit is not audit of financial statements, nor does it represent a complete review of finance and accounting systems.

As in prior years, while this audit does not assess conformance with standard accounting practices (including generally accepted accounting principles, GAAP) it does independently verify the mathematical accuracy of financial information provided by Recology and SBR in keeping with solid waste industry operational standards, and general compliance with agreements SBWMA has with both entities.

### 1.3 Summary of Findings

#### Annual Report Audit

In completing the Annual Report Audit of Recology, R3 found that:

- » Recology correctly calculated and reported tonnages for each Member Agency;
- » Recology correctly reported liquidated damages, except for one complaint about unacceptable employee behavior (increasing liquidated damages by \$250 in total); and
- » Recology correctly calculated Performance Incentive/Disincentives.

In completing the Annual Report Audit of SBR, R3 found that:

- » SBR correctly calculated and reported tonnages; and
- » SBR correctly calculated and reported liquidated damages and other required reporting elements.

#### Financial Systems Audit

In completing the Financial Systems Audit of Recology, R3 found that:

- » Gross revenues reported in the Revenue Reconciliation by Member Agency and in total tie to accounting records;
- » Pass-through costs including disposal and processing costs and Member Agency fees are accurately calculated by Member Agency;
- » Net revenues and adjustments are supported and accurately calculated;
- » Recology's annual compensation ties to SBWMA's approved compensation for each Member Agency;
- » Compensation for unscheduled and intermittent services retained by Recology is accurately calculated;
- » Recology appropriately credited back to each agency revenue on an allowed 20% of residential customers subscribing to backyard service; and

» Surplus/shortfall calculations are accurately calculated.

It should be noted for this Financial Systems review, the Town of Atherton data was not reviewed. Article 11.03 of Atherton's Franchise Agreement states a revenue reconciliation process will not be conducted in the last Rate Year (2020). As such, Atherton data was not provided to R3 and is not included in the 2020 Financial Systems Audit of Recology.

In completing the Financial Systems Audit of SBR, R3 found that:

- » SBR correctly calculated and remitted payment for public self-haul revenue;
- » SBR correctly calculated and remitted payment for commodities revenue; and
- » SBR correctly calculated and remitted payment for CRV revenue.

## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** John Mangini, Senior Finance Manager  
**Date:** June 24, 2021 Board of Directors Meeting  
**Subject:** Approval of Quarterly Investment Report for the Quarter Ended March 31, 2021

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### Recommendation

It is recommended that the SBWMA Board review and accept the Quarterly Investment Report.

### Analysis

The primary objective of the Investment Policy for the SBWMA is safety of principal, while meeting the cash flow needs of the Authority, through prudent investment of unexpended cash. As of March 31, 2021, the investment portfolio was in compliance with the Investment Policy. The portfolio contains sufficient liquidity to meet the next six months of expected expenditures by the Authority as well as by other third parties.

### Fiscal Impact

The attached Investment Portfolio Summary indicates that as of March 31, 2021, funds in the amount of \$31,961,228 were invested, producing a weighted average yield of 0.38%.

Below is a summary of the changes from the last quarter.

|                             | Qtr Ended<br>12/31/20 | Qtr Ended<br>3/31/21 | Increase<br>(Decrease) |
|-----------------------------|-----------------------|----------------------|------------------------|
| Total Portfolio             | \$ 32,900,726         | \$ 31,961,228        | \$ (939,498)           |
| Weighted Average Return     | 0.40%                 | 0.38%                | -0.02%                 |
| Interest/Dividends Earnings | \$ 43,440             | \$ 34,632            | \$ (8,808)             |

The total quarter-end portfolio balance decreased by \$939,498 when compared with the previous quarter. The decrease was primarily due to drawdowns of bond proceeds, which were used to reimburse the Authority for planned capital project costs. As a result of the lower rate of return experienced by the portfolio, total interest and dividend earnings were lower than the previous quarter.

A table comparison of the portfolio components is provided below:

|                        | <b>12/31/2020<br/>Balance</b> | <b>% of<br/>Total</b> | <b>3/31/2021<br/>Balance</b> | <b>% of<br/>Total</b> | <b>Change over<br/>Prior Quarter</b> |
|------------------------|-------------------------------|-----------------------|------------------------------|-----------------------|--------------------------------------|
| SM County Pool         | \$ 7,432,906                  | 23%                   | \$ 7,454,664                 | 23%                   | \$ 21,758                            |
| LAIF                   | 8,445,144                     | 27%                   | 8,458,497                    | 26%                   | 13,353                               |
| Bond Accounts          | 17,022,676                    | 52%                   | 16,048,067                   | 50%                   | (974,609)                            |
| <b>Total Portfolio</b> | <b>\$ 32,900,726</b>          | <b>100%</b>           | <b>\$ 31,961,228</b>         | <b>100%</b>           | <b>\$ (939,498)</b>                  |

Note: There may be minor differences in totals as individual amounts are rounded

Due to arbitrage restrictions, bond investments are not included in our Local Agency Investment Fund (LAIF) rate or investment pool comparison. As of March 31, 2021, the bond cost of issuance and project accounts of approximately \$13.9 million were invested with the trustee in short-term investments and the defeasance account of \$2.1 million was invested in fixed income investments.

As of March 31, 2021, investments in the County Investment Pool totaled 46.8% of SBWMA's funds available for investment pools (see Attachment 1). The percentage is within the range specified by the SBWMA Board.

The weighted average yield of the portfolio in the quarter excluding the bond proceeds was .74%. LAIF is used as a benchmark and the average LAIF yield for the quarter ending March 31, 2021, was 0.44%. The San Mateo County Pool average yield for the quarter was 1.08%.

Derek Rampone, the Financial Services Manager of the City of Redwood City, has reviewed this report before presentation to the Board.

**Attachments:**

Attachment A – Summary of All Investments for Quarter Ending March 31, 2021

Attachment B – Investment Portfolio 3/31/2021 - Chart

Attachment C – Historical Summary of Investment Portfolio

## SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

## SUMMARY OF ALL INVESTMENTS

For Quarter Ending March 31, 2021

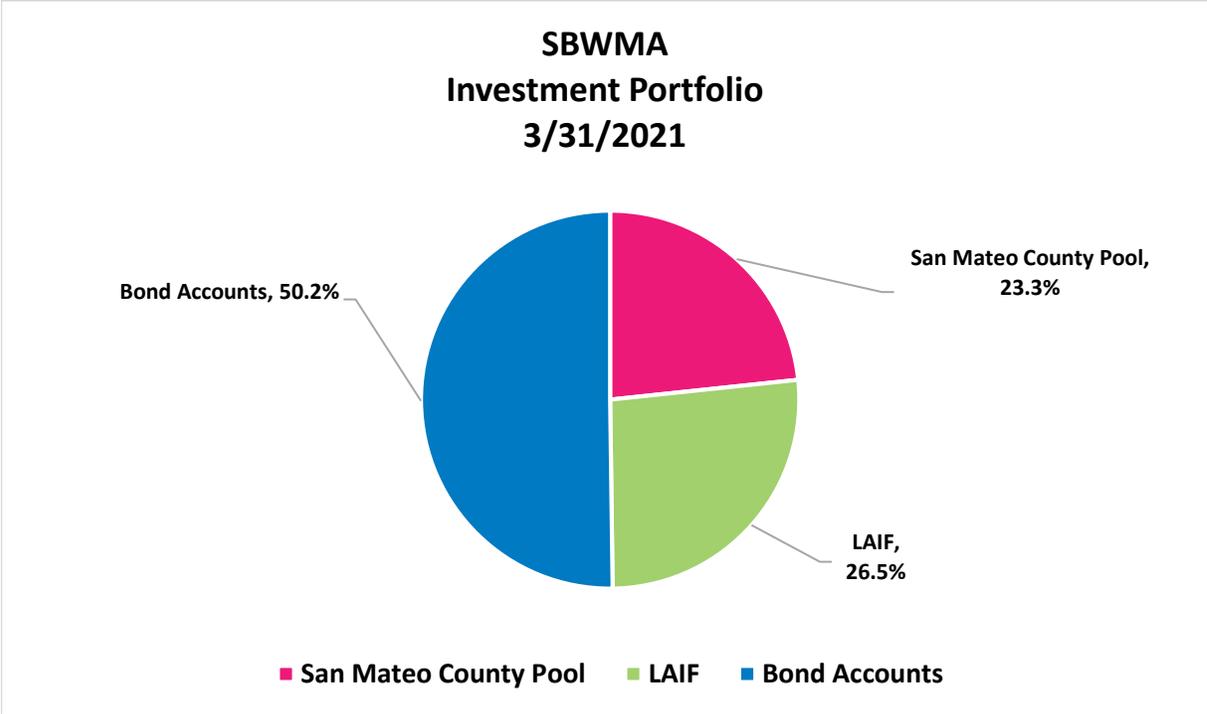
| Category  | Rate of Return   | Historical Cost      | % of Portfolio | Market Value*        | Interest/Dividend Earned |
|---|------------------|----------------------|----------------|----------------------|--------------------------|
| <b>Liquid Investments:</b>                                |                  |                      |                |                      |                          |
| San Mateo County Investment Pool (COPOOL)                 | 1.08%            | \$ 7,454,664         | 46.8%          | \$ 7,502,369         | \$ 21,758                |
| Local Agency Investment Fund (LAIF)                       | 0.44%            | 8,458,497            | 53.2%          | \$ 8,469,238         | 9,241                    |
|   | Weighted Average |                      |                |                      |                          |
| <b>Total - Investments</b>                                | <b>0.74%</b>     | <b>15,913,161</b>    | <b>100.0%</b>  | <b>15,971,607</b>    | <b>30,999</b>            |
|   | Rate of Return   |                      |                |                      |                          |
| <b>Bond Accounts - Cash with Fiscal Agents</b>            |                  |                      |                |                      |                          |
| BNY - 2009A Reserve Fund                                  | 0.00%            | -                    |                | -                    | -                        |
| BNY - 2009A Payment Fund                                  | 0.00%            | -                    |                | -                    | -                        |
| BNY - 2019AB Payment Fund                                 | 0.04%            | 23                   |                | 23                   | 6                        |
| BNY - 2019AB Refunding Costs Fund                         | 0.00%            | 1                    |                | 1                    | -                        |
| BNY - 2019AB Defeasance Costs (Atherton) Fund             | 0.00%            | 48,674               |                | 48,674               | -                        |
| BNY - 2019AB Escrow (Atherton) Fund                       | 0.60%            | 2,040,742            |                | 2,040,742            | 2,712                    |
| BNY - 2019AB Refunding Project Fund                       | 0.03%            | 13,958,627           |                | 13,958,627           | 915                      |
| <b>Total - Bond Accounts</b>                              |                  | <b>16,048,067</b>    |                | <b>16,048,067</b>    | <b>3,633</b>             |
|   | Weighted Average |                      |                |                      |                          |
| <b>GRAND TOTAL OF PORTFOLIO</b>                           | <b>0.38%</b>     | <b>\$ 31,961,228</b> |                | <b>\$ 32,019,674</b> | <b>\$ 34,632</b>         |
| <b>Total Interest/Dividend Earned This Quarter</b>        |                  |                      |                |                      | <b>34,632</b>            |
| <b>Total Interest/Dividend Earned Fiscal Year-to-Date</b> |                  |                      |                |                      | <b>129,237</b>           |

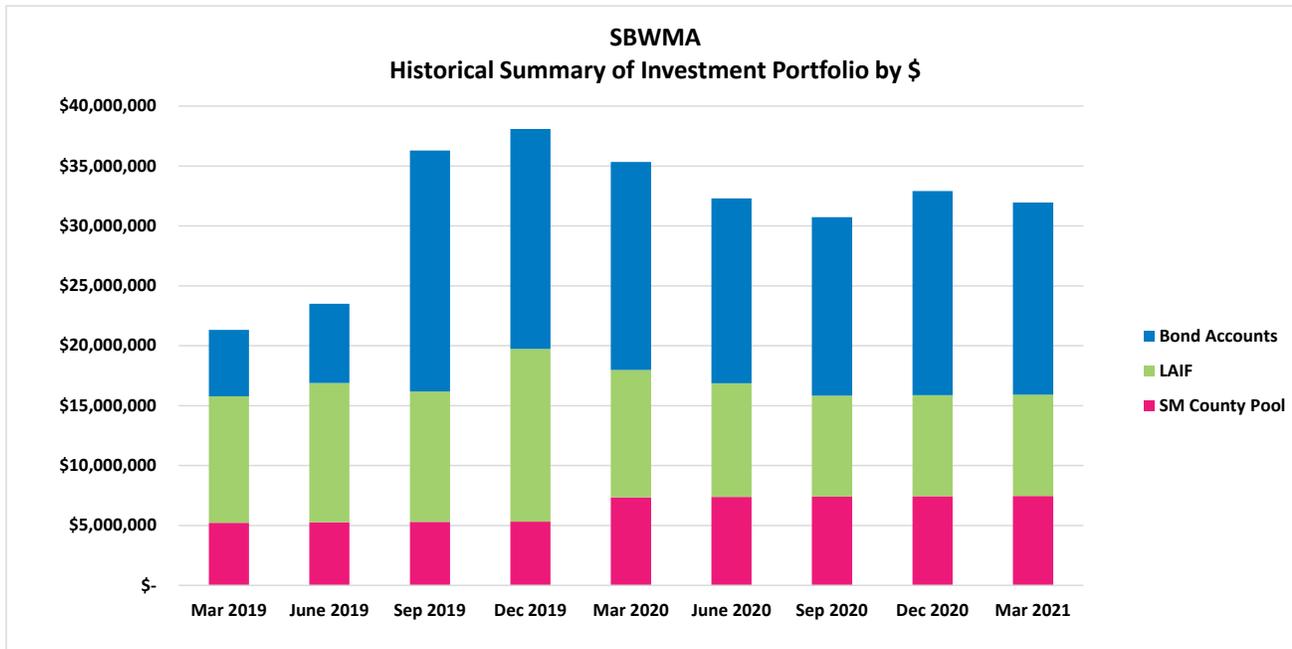
**Note: SBWMA Board approved the following investment mix at its January 22, 2015 meeting:**

LAIF - 50% to 70%

COPOOL - 30% to 50%

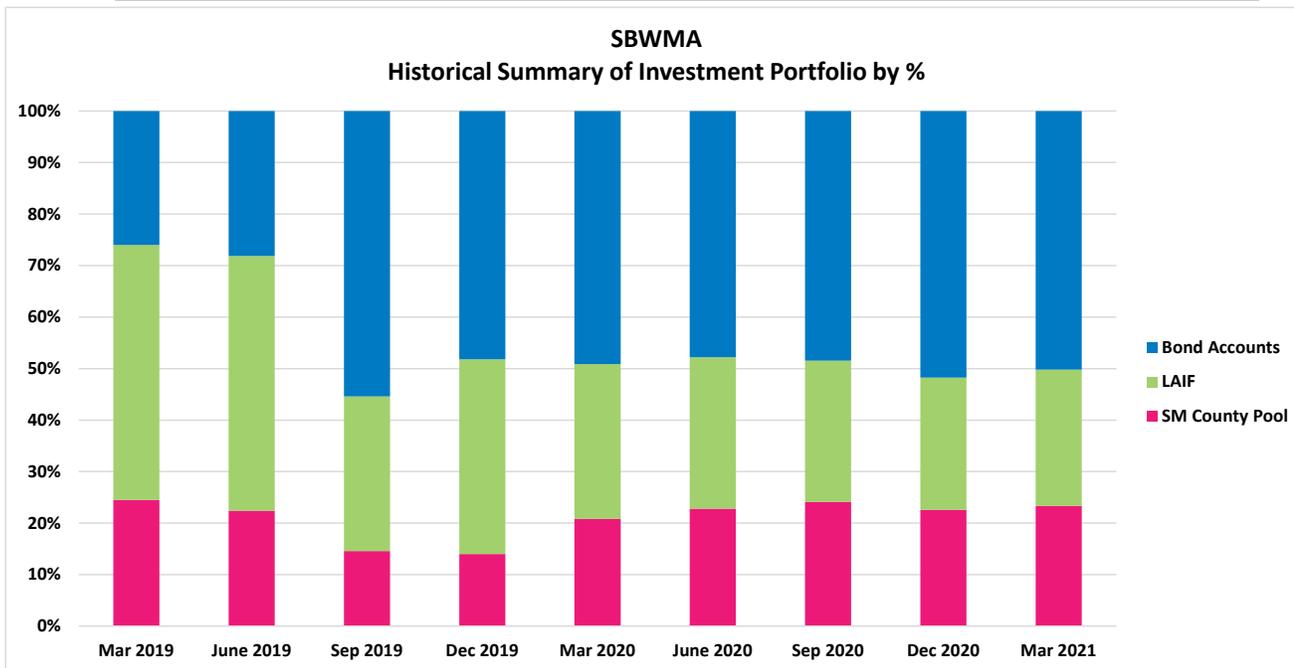
\*Difference in value between Historical Cost and Market Value may be due to timing of purchase. Investments in the investment pools may have been purchased when interest rates were lower or higher than the end date of this report. As interest rates increase or decrease, the value of the investment pools will decrease or increase accordingly. However, interest rate fluctuations do not have any impact to SBWMA's balance in the investment pools (other than interest earnings). The market values are presented as a reference only and are used for accounting purposes.





**South Bayside Waste Management Authority Portfolio**

|                    | Mar 2019            | June 2019           | Sep 2019            | Dec 2019            | Mar 2020            | June 2020           | Sep 2020            | Dec 2020            | Mar 2021            |
|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| SM County Pool     | 5,230,212           | 5,261,667           | 5,292,948           | 5,321,963           | 7,347,186           | 7,374,118           | 7,403,715           | 7,432,906           | 7,454,664           |
| LAIF               | 10,553,938          | 11,623,054          | 10,891,545          | 14,412,065          | 10,630,374          | 9,491,582           | 8,426,617           | 8,445,144           | 8,458,497           |
| Bond Accounts      | 5,547,155           | 6,610,869           | 20,100,689          | 18,354,509          | 17,358,643          | 15,432,152          | 14,895,200          | 17,022,676          | 16,048,067          |
| <b>Grand Total</b> | <b>\$21,331,305</b> | <b>\$23,495,590</b> | <b>\$36,285,182</b> | <b>\$38,088,537</b> | <b>\$35,336,203</b> | <b>\$32,297,852</b> | <b>\$30,725,532</b> | <b>\$32,900,726</b> | <b>\$31,961,228</b> |



|                    | Mar 2019      | June 2019     | Sep 2019      | Dec 2019      | Mar 2020      | June 2020     | Sep 2020      | Dec 2020      | Mar 2021      |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| SM County Pool     | 24.5%         | 22.4%         | 14.6%         | 14.0%         | 20.8%         | 22.8%         | 24.1%         | 22.6%         | 23.3%         |
| LAIF               | 49.5%         | 49.5%         | 30.0%         | 37.8%         | 30.1%         | 29.4%         | 27.4%         | 25.7%         | 26.5%         |
| Bond Accounts      | 26.0%         | 28.1%         | 55.4%         | 48.2%         | 49.1%         | 47.8%         | 48.5%         | 51.7%         | 50.2%         |
| <b>Grand Total</b> | <b>100.0%</b> |