



MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE BOARD OF DIRECTORS
October 21, 2021– 2:00 p.m.
Via Zoom Tele or Video Conference Only**

Call to Order: 2:00 PM

1. Call to Order/Roll Call (Closed Session)

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.**

None

3. Executive Director's Report

Executive Director La Mariana welcomed all to the meeting and gave the following updates:

- The two main topics of this study session are the presentation of the draft 2022 operating budget and with that, a highly related, but separate conversation on the proposed capital improvement plan. He also noted that the Finance Committee reviewed both in depth at their October 12 meeting.
- Regarding the budget he noted that this is the first year since the switch to a full year calendar budget, what that means for staff is that the budget development work that used to occur in March and April now occurs at the same time as the compensation application work in the summer and fall, which is quite an epic lift and he showed appreciation for Staff Mangini, Staff Ligon, the entire management team and Counsel Savaree for their work these last few months.
- The Operations Agreement RFQ was posted on our website on October 1 and distributed to about 250 members of the industry throughout California. Staff has received a lot of responses to the site facility tour on October 27, which is the first step in receiving qualified bids.
- The RFP for the MRF and transfer station tip floor resurfacing is out as well.

- Staff didn't receive any responses to the MRF wall repair project, so that RFP is being rebooted in a different way to hopefully solicit some responses.
- The RFP for the SB 1383 additional services will be posted soon, and staff will have this item for consideration at the January 2022 Board meeting.
- Staff Carter has been working alongside CalRecycle to present SB 1383 study sessions to the staff, board and elected officials of the Member Agencies, so far they have done seven of the eleven member agencies.
- Staff is anticipating a Board decision item on how to deal with transitioning the SBR fleet of 23 big rig trucks to meet the California Air Resources Board (CARB) regulation that will require that fleet to be transitioned a year before the current contract is done. More to report on this soon.

4. Resolution finding that Meetings of the Board of Directors, Technical Advisory Committee and Board Appointed Sub-Committees via tele conference to protect against the ongoing and imminent health and Safety Risks posed by COVID 19 and determining that all Such Meetings will Continue to be by Teleconference Pursuant to California Government Code Section 54953(e)

Executive Director La Mariana gave an overview of the staff report and decision to be made. There was no discussion.

Motion/Second: Hurt/Froomin

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								

5. STUDY SESSION: Administration and Finance

A. Review of the Draft FY 2022 Operating Budget and Capital Expenditures

- Discussion on Revenue and Operating Expense Projections

Executive Director La Mariana gave opening remarks, thanked Staff Mangini for his work on the budget, and the finance committee for the very thorough review and technical feedback. He noted that there were three main drivers to this year's budget that are still wildcards and staff has a conservative approach to, on these kinds of estimations. One is COVID economic recovery; two is SB1383 which is becoming clearer, but there are still some unknowns; and three, the unknown components of the organics the energy (O2E) pilot project.

Staff Mangini then gave a PowerPoint presentation on the FY2022 budget, giving a high-level overview, noting that the detail was in the staff report. He added that based on the Board's feedback today, the budget will come back to the board with adjustments at the November 18 Board meeting. Highlights of the presentation included:

- on the expense side:
 - This budget recommends a tip fee increase on the franchise portion between 2.1 and 2.9% with a small increase on third party tons, and public yardage as well.
 - The proposed budget is \$1.2 million net income to revenue to reserve.
 - He has added about \$660,000 to the operating expense line item for O2E processing
 - There is a 16% increase in property insurance which renews on July 1 each year, and staff expects it to continue to go up next year.

- There is an 833k increase over last year overall mostly related to SB 1383 expenses starting in January 2022.
- But the non SB1383 related expenses proposed are going up \$158,000 or 4%.
- As far as staffing there is 3% COLA, and the restoration of the fellowship positions and hours which were reduced at the mid-year budget.
- He called out the continued temp labor share with SBR, where the SBWMA is sharing a portion of additional temp labor for sorting.
- There is an increase in education center expenses as we expect in person tours and bussing to return to pre-pandemic levels.
- On the revenue side:
 - Commodity revenues were strong at the mid-year budget because the commodity markets are strong currently, but staff is bringing that number down next year to be conservative because the expectation is that the markets won't be able to maintain at the levels they are currently.
 - This budget projects a 13% decrease in public yardage because that material has been down recently.
 - Operating expenses are based on tonnage and disposal processing, so with tonnage projected down the SBR operating expense is also projected to be down 4%.

Staff Mangini thanked Board Member Groom for her foresight in requesting that the SB 1383 expenses be kept separate. He thought that was a wise move because if that wasn't done and the budget was commingled it would be a much different impression on what's going on.

Member Froomin made two comments. One there is \$1.27M coming out of reserves in this budget to pay for Capital Improvements (CIP). And he thought it was important to note that the budget presented results in a reduction in reserves. Two, to avoid the appearance of budgeting to a deficit, he thought in the future presenting a CIP fund separate from the reserve fund as part of the operating budget and managing it separately would be a better tool for planning ahead.

Staff Mangini answered that he had spoken with Member Froomin about this already, and that he plans to reach out to Member Agencies and Members of the Finance Committee to see how they structure it in local government to see if there is a way to present the information in a way that is cleaner. The way it is presented was at the recommendation of the Finance Committee to show what the reserve balances are, how they're broken up into the different reserves and also how those numbers were calculated which is adding operating income less spending from the capital reserve, and also payments made for principal on the debt on the bonds.

The Board then discussed the capital budget.

Executive Director La Mariana gave an overview of the drivers of the capital budget which is separate from the operating budget. The JPA owns the Shoreway facility and staff manages it on behalf of the member agencies and rate payers. Each year staff identifies projects at Shoreway of items that need to be repaired or upgraded to maintain safe facilities that are highly functioning to handle the amount of material coming through the facility, as well as to stay in compliance with the many different regulatory agencies that the JPA is accountable to. Also included in this capital budget is a 5-year projection. Year one of those 5 years is part of the budget that will presumably be approved in November, but each project over the Executive Director's authorized spending level (\$50K) would be required to come back to the board throughout the year for individual project and budget approval by the Board.

Member Froomin commented that the capital budget presented on page 33 of the packet emphasized the point he was making earlier about reserves paying for capital. \$1.19M is taken out of reserves to pay for capital expenses. Next year, that number goes down to \$775,000, year three is \$7.8 million. He commented that if he

was understanding it correctly, when the budget for year 3 is presented, it would require the agency to dip into reserves by \$7.8 million. He commented that if staff can project these projects out further, there should be a way to amortize those costs over a longer period and the swings would be much smoother.

Executive Director La Mariana commented that staff is open to seeing how member agencies prioritize and plan for capital spending and revise how this is presented before the November Board meeting. He also added that as the Agency plans for a Masterplan development, Shoreway could see significant changes that have significant costs associated with them, which would really amplify Member Froomin's point, so staff would come back with the results of the investigation on this topic at the next Board meeting.

Member Hurt asked staff to better lay out which of the capital projects are related to SB 1383, like methane capture, and fleet turnover to zero emissions.

Staff Gans noted that this is something he can't get right now, there is a long list of regulations, and a lot of capital improvements needed to meet them, but he wasn't there yet.

Vice Chair Bonilla commented that he liked Member Froomin's idea of taking a look at a different way to present the capital items, and that long term projections could be better laid out. He added that the Finance Committee should have a chance to review these possible changes.

6. STUDY SESSION: Shoreway Operations and Contract Management

A. Capital Improvement Plan for 2022 and Planning Level projections through 2026

- Organics-to-Energy-next phase recommendations
- MRF Phase II
- Facility/site needs assessment project
- Airport Project update

Staff Gans went over the capital budget spreadsheet presented as part of the 2022 budget. He noted that the basic way to look at the spreadsheet is that the current year, approved with the budget (year one), which is what is proposed for next year. And then the years two, three, and four projections are the estimates of those capital projects, capital expenses and the period at which those projects will land. They're obviously subject to change but are important for financial planning, and obviously if the reserves don't exist, then the projects can't be done. In looking at the list of projects, projects in line 1 to 7 are recurring projects that reoccur year after year. These include fixing pipes, repaving certain areas, fire suppression, storm water etc. the money is there for projects that come up during the year, but may not get spent. Looking at the projects in line 8 to 11 are one-time projects set to be expensed in 2022. He added that there are some projects in this category that were in last year's budget, but staff didn't get to them, so they are now in next year's projects. Line 13 to 17 are the really large capital projects.

Staff Gans then explained the large capital project plans. \$2.5M in paving has been projected because the site really needs to be repaved. But before the site paving can be done the underground storage tanks need to be removed and replaced. These are the fuel storage tanks that are really regulatorily obsolete, and they've got to be replaced by the end of year 2024. \$100,000 has been budgeted this year for engineering and planning work. Then the tank removal project will take place over years two and three, for a total of \$1.5 million. Once the site has been ripped up to replace the underground storage containers the repaving of the site can be done. He noted that he wanted to explain that staff is considering the sequencing of all the proposed projects.

Executive Director La Mariana then explained line 14, (\$5M in 2024 and 2025) the transfer station odor mitigation system. He noted that is the BAAQMD 13-2 Rule, that the Board has talked about in the past. The Air Board has been slow to issue this regulation, but this estimated money is set aside as place holder as staff

anticipates this regulation coming. He noted that this is not a methane reduction regulation it is an odor mitigation regulation. He then explained line 16 the Shoreway Power Supply system upgrade. He noted this could be both a climate and a methane related issue because it's about trying to electrify or build the infrastructure to electrify our fleet, and fleet fueling. The conversation about what vehicles (collection and long-haul) become electric vehicles is still fluid, but there are a lot of collection and long-haul vehicles so that is why there are some big numbers there.

Member Hurt commented that she sits on the BAAQMD Board along with Board Member Groom, they did put rule 13-2 on hold but are planning to bring it back forward now because of climate talks and reduction needs in every sector. She noted that she is doing her best to uplift the regional and local impact and carve out more time so that local Agencies like the SBWMA can achieve this and not be impacted by "death by 1000 cuts" because of all the regulations, which is what she is worried about. But agreed that the CIP needs to include the idea of electric infrastructure, the idea of changing our facility and its makeup. There are a lot of moving parts, lots of new ideas lots of new policies and she is doing her best to stay on top of it.

Staff Gans respond to Member Hurt's comments noting that the only item on this capital budget list that are directly responding to climate change and 1383 is the organics-to-energy (O2E) project. Staff anticipates there to be additional 1383 goals, which will likely have a capital impact. Staff doesn't see that \$5 million on line 14 for transfer station odor mitigation will have climate related impacts.

Staff Gans then discussed the MRF upgraded phases. MRF phase one is complete and was \$6.3M. It was the first major source system upgrade since the original installation of the MRF equipment. The industry is really moving towards robotics to efficiently sort, so money to install more equipment will be needed, and hopefully there will be offsets through better product and better commodity product sales, as well as reduction in labor costs. With the new equipment added in MRF phase I, overtime expense has almost been eliminated through this more productive sorting system. Now, staff is planning for MRF Phase II upgrades to drill down and find other gaps in the equipment and opportunities to save money and make a better commodity product. MRF Phase II includes \$200,000 next year for planning and design, and then \$3M of equipment. Staff is now recommending a MRF Phase III. It is expected that if there's a new operator at the facility as a result of the current operations agreement RFP, that new operator is going to have their own ideas about how to run the equipment differently, and potentially what equipment should be used. And the Agency wants to be in a place to be responsive to that, so MRF phase III is a placeholder number.

Staff Gans then discussed line 21: the O2E full project. The O2E project was conceived as two phases. Phase I was really going to handle source separate organics, which it is doing now. Phase II was looking at expanding that project and processing the garbage as a way of avoiding the collection costs associated with 1383. It's likely going to be in the \$5 million per year range on collection costs for SB 1383 compliance. So, the idea was to spend \$5M to \$10M on an O2E sorting system, and have a one-time capital cost of \$10 million, that would be better than a \$5 million cost every year. That project is still evolving, but at this point that looks like it's going to be hard to make it work, primarily because CalRecycle's rules on diversion of organics include materials, like paper textiles and wood, and this system just isn't capable of processing that material. He noted it's a continual discussion with CalRecycle and staff would continue to report back.

Executive Director La Mariana commented that this is the first time staff is publicly talking about a MRF Phase III project. In terms of a net budget impact there is none. Planning estimates for MRF Phase II was always about \$6M. This includes some planning concepts involving robotics and either our continued partnership with SBR or if the process dictates, a new partner there. If it is a new operating partner there might be a new way to look at modernizing and bringing the technology and the MRF forward even more. So, that same \$6M is there but \$3M million is earmarked for phase II, and \$3M is earmarked for phase III.

Executive Director La Mariana continued that line 24 has \$11M remaining for projects (a year-end estimate), these are the funds that were netted from the bond refinancing two and a half years ago. The ended up with \$20 million net of the transaction, and still lowered the debt service to our ratepayers by \$500,000 a year. Some that that money has already been invested in several projects. The remaining \$11M allows staff to invest in other projects (line 24) along the way without costing the ratepayers anything, which was an extraordinary lift by Staff Mangini, the Finance Committee and the Board.

Executive Director La Mariana then noted at line 15 there is no dollar amount in there currently. In Spring of 2022 staff will be working on a Masterplan document, he is anticipating several big ticket projects to emerge from this process, but the masterplan won't be ready for review until late spring or summer 2022 then those numbers should become clearer.

Vice Chair Bonilla thanked staff for the technical work to frame where the Agency is now, and where the SBWMA hopes to be and the plan for how to get there. Regarding SB 1383, long term environmental benefits from SB1383 work will far outweigh any of the pain from costs in the short term, so he strongly supported the work and the struggles to be compliant with that work.

7. Board Member Comments

8. Adjourn 3:05PM