



**A Public Agency**

# CONSENT CALENDAR

**DRAFT MINUTES**

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
MEETING OF THE BOARD OF DIRECTORS  
April 28, 2022– 2:00 p.m.  
Via Zoom Tele or Video Conference Only

**Call to Order: 2:06 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](mailto:rethinker@rethinkwaste.org).**

None

**3. Executive Director's Report**

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

**Staffing updates:** Joanne Nghiem has joined the Agency as the Sr. Management Analyst, and he introduced her to the group. Laura Wessberg the Environmental Education Associate has left the agency for a position at Stanford.

**Key Project Updates:**

- The Operations Agreement RFP evaluation team is currently conducting site visits and reference checks. After completing those, the team will be going into parallel negotiations, and at the June meeting staff will give a process update.
- The Site Optimization Study has a big decision point on today's agenda at agenda item 7B.

**Contract Updates:** The Newby Island contract expires at the end of 2022, and there is an option for two extension years by mutual agreement. Staff is expecting to receive a cost proposal from Newby on those options.

years, at which point staff will either recommend moving forward with the extension or going out for an RFP for organics material processing.

The Board then discussed the upcoming Board Meetings. Executive Director La Mariana asked Board members to prioritize the June Board meeting as it would have a lot of action items, and that the May and July board meeting times would be utilized for Site Optimization Study input.

Chair Aguirre commented that she thought the May meeting would be cancelled, but it sounds like it's not. She asked for clarity on that as soon as possible and noted that it's nice for people to have a break from meeting commitments in the summer. She is suggested adding the input session to the June Board meeting, so that May and July could be cancelled. The consensus of the board agreed with Chair Aguirre's comments.

Executive Director La Mariana suggested adding an hour to the June meeting to add time to get input on the site optimization study.

**4. 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 27, 2022 , Board of Directors Meeting
- B. Approval of the Minutes from the February 24, 2022 , Board of Directors/ TAC Retreat
- C. Approval of Quarterly Investment Report for the Quarter Ended December 31, 2021
- D. Resolution Direction that all meetings of the SBWMA Board of Directors, Technical Advisory Committee and all Board Appointed Subcommittees will continue to be held via teleconference Pursuant to California Government Code Section 54953(e)
- E. Resolution Approving a Second Contract Amendment in the amount of \$25,000 with HF&H Consulting, LLC for Senate Bill (SB) 1383 Planning and Implementation Services

Motion/Second: Bonilla/Taylor

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								

**5. Administration and Finance**

- A. Resolution Adopting New Quorum Requirements for SBWMA Committees to be met by 50% Committee Attendance

Executive Director La Mariana gave background noting that, on occasion, the committee meetings have been experiencing challenges getting a quorum, and by reducing the quorum requirements staff could still get board and TAC level feedback at these committees if the quorum was reduced to 50%.

Chair Aguirre thought this was a good compromise but didn't want it to allow for an excuse for the committee members to not show up, and would rather the committee work to find a consistent date that works for the committee.

Member Rak suggested a commitment for a minimum of number of meetings, and if a committee member has too many excused absences then they need to step off the committee.

Chair Aguirre also suggested a running attendance log that could be sent out and if a person or agency is always absent ask someone else to be appointed.

Member Royce asked for consistent language as the staff report and resolution says both sub committees and committees. And noted that he supported the resolution, he thought most people are committed and make a good faith effort to attend, but things come up and when a member can't attend it shouldn't preclude the committee from moving forward.

Member Bonilla agreed that all of the above approach, 50% minimum, making sure the date is right with everyone, and an attendance tracker.

Motion/Second: Royce/Bonilla

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. Approval of a Resolution Amending Resolution 2021-09 to fill vacant Board Member position on the Zero Waste Committee

Executive Director La Mariana gave background of why there was a need to fill a vacancy on the Zero Waste Committee.

Member Groom volunteered to fill the vacancy.

Motion/Second: Groom

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								

C. Annual Retreat Feedback (verbal report only)

Chair Aguirre asked the Board and TAC Members for feedback on the Board/TAC retreat in February, things they thought went well, or adjustments that need to be made.

Member Groom commented that she enjoyed having a little extra time to talk about issues and giving more people an opportunity to speak.

Member Royce thought it was especially valuable for new members, and a feel for the long-term plan, and he was struck by the renewed focus on plastics.

Vice Chair Bonilla enjoyed this discussion especially in a more relaxed setting. He commended Chair Aguirre for her direction in making it both short and not too time consuming, but valuable.

Member Royce asked staff to follow up on the action item from the retreat for staff to come up with a summary of SBWMA goals that could be embedded into the member agencies climate action plans.

**6. Collection and Recycling Program Support and Compliance**

No Items

**7. Shoreway Operations and Contract Management**

- A. Resolution Approving a Contract with South Bay Recycling for \$68,208 to conduct mandatory SB 1383 Sampling Services on a quarterly basis.

Staff Carter gave the background and overview of the contract for required quarterly material sampling to comply with SB 1383 through the end of SBR’s contract in December 2023.

Executive Director La Mariana thanked Dwight Herring General Manager of SBR for his leadership skills on this and efforts on this project, as well as Staff Carter on getting this work completed.

Member Rak asked if this work would be built into the next contract that is currently out for RFP.

Executive Director La Mariana answered yes, it will be embedded into the next Operations Agreement Contract that will begin in January 2024 and, with this item’s approval today, these mandated services will extend through the current contract period which ends in December 2023.

Motion/Second: Rak/Groom

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. Resolution Approving Contract with SCS Engineers not-to-exceed for \$169,816 to develop a Site and Optimization Study and Design Development starting point in FY2022

Executive Director La Mariana gave an overview of the staff report and the SCS team members who will lead the project. This project will be the starting point of the formal process to optimize the Shoreway site at its highest and best use.

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								

C. Resolution Authorizing the Executive Director to Enter into Contracts for MRF Wall Repair on an Emergency Basis for an Amount Not-to-Exceed \$375,000 without Further Competitive Bidding

Staff Southworth gave background and overview of the staff report. He noted that the Board has discussed this item many times because of the notice of violation from the LEA, and the fact that when this was originally put out to bid no bids were received. This approval is a worst-case scenario approval for the total cost of the project at \$375,000. \$250,000 was approved by the Board in January, but it has become clear that the cost will exceed the \$250,000, in part due to the fact that the work has to be completed off hours so the facility can continue to operate.

Member Bonilla noted that he looked at the plans, and he thinks it will be a functional solution and will prevent having this same problem again the future.

Member McCune noted that he would like to see photographs and diagrams in the packet and staff report to help the board envision where this is at the site.

Motion/Second: Bonilla/McCune

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								

D. Resolution Approving Release of Bid Documents for Shoreway Truck Maintenance Building Roof Replacement

Staff Gans gave an overview of the staff report. He noted that due to the revised purchasing policies that were approved in February projects that exceed \$200,000 require the board has to approve going out to bid. The estimate for this project is \$250,000 to \$350,000. The contract award for the low bidder will be on the June agenda and will allow for the roofing work to be completed before any rains.

Executive Director La Mariana noted that there are two simultaneous roof repair projects, a section of the MRF also needs to be replaced, but staff doesn't anticipate that project being over \$200,000. Staff anticipates that both contracts will be on the June agenda for approval.

Member Bonilla asked what type of material would be used, and would it be a prevailing wage project.

Staff Gans answered 26 gauge galvanized steel, and yes it's prevailing wage.

Motion/Second: Groom/Bonilla

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								

## 8. Public Education Outreach and Legislation

### A. Resolution Approving a Letter of Support for AB 1944

Staff Au gave background noting that staff recommends agency support of AB1944 which would mandate a permanent remote option for public meetings. This item was recommended to be brought to the full board by the Legislative Committee, they recommended that the board meet in person at least once a year and staff has identified 3 possible annual meetings to be held in person which are listed in the staff report.

Member Royce commented that there are two bills on this matter being introduced, and what is the difference between the two.

Counsel Savaree noted that this is the bill she has been tracking and it would apply to the SBWMA, but that she would do some checking to see if there is a second bill that would affect the SBWMA and report out by way of memo.

Member McCune commented that some of the options clarify the difference between remote meetings and hybrid meetings and noted that hybrid meetings while they complicate the technology slightly offer the most options for participation.

Member Rak noted he preferred the hybrid option for interaction between the board members and requested staff look into hybrid options.

Member Bonilla commented that at least in San Mateo more public attend via Zoom, but hybrid is the way to go.

Chair Aguirre noted most agencies are going to the hybrid option.

Executive Director La Mariana noted that, even if the meetings are remote, staff is recommending 3 meetings per year in person (the annual Board retreat (February); the annual budget and CIP review work session (October) and the final meeting of each year (November).

Vice Chair Bonilla noted that the other bill that is similar but not quite the same is AB 2449.

Member Dehn noted that at the Legislative Committee meeting we discussed that if there are mostly remote meetings there is a minimum requirement that one meeting a year be in person.

Member Rak requested an update at June meeting on equipment requirements for hybrid meetings at the June Board meeting, and that he was in support of more hybrid meetings than remote only meetings.

Motion/Second: Bonilla/Rak

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. Review of SBWMA 2021 Annual Report

Staff Au noted that this is an informational item giving the Board a first look at the 2021 Annual Report. She thanked all staff for their input on the annual report especially Joanna Rosales-Jose who worked with the graphic designer on the project. She gave highlights of 2021 included in the annual report.

Member Royce commented that he would like to have a hard copy for handouts to the member agency councils. He thought that it documents that the Agency is doing a fabulous job, and it doesn't hurt to remind fellow council members of what they're paying for and what they're getting.

Staff Au answered that the agency hasn't printed a physical copy in many years to save on costs, it is always posted on our website, but if the board wanted to consider a physical option staff could do that.

Vice Chair Bonilla commented that he thought it was best to push it out electronically to council members, because most people will read it once and then toss it.

Chair Aguirre suggested a compromise of putting on the website and print it for those that request it even if it's not the full glossy copy.

Member Royce commented that the compromise would be fine, and that he brought it up because the document demonstrates the value of the Agency and if the Agency wants to expand it's a good way to attract new members.

Chair Aguirre thought that adding the "here's what you get for your money" to the website was a good idea.

**9. Informational Items Only (no action required)**

- A. Legislative Session Update
- B. 2022 Finance and Rate Setting Calenda
- C. Check Register Detail for January, February & March 2022
- D. Update on Technical Consulting Contracts issued November 2021- March 20222022 Meeting Planning Guide

**10. Board Member Comments**

**11. Adjourn 3:22PM**



## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** John Mangini, Senior Finance Manager  
**Date:** June 23, 2022 Board of Directors Meeting  
**Subject:** Resolution Approving the Audited Financial Statements for the period ending December 31, 2021

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### **Board Action**

It is recommended that the SBWMA Board of Directors approve Resolution No. 2022-27 attached hereto authorizing the following action:

Accept the South Bayside Waste Management Authority's audited Annual Financial Statements (**see Exhibit A to the Resolution**) for the fiscal year ending December 31, 2021 as prepared by the SBWMA's audit firm, Maze & Associates.

### **Summary**

The purpose of the financial statements is to present a summary of the financial position of the Authority for the fiscal year. These reports have been reviewed by the Board Finance Committee on June 14<sup>th</sup>, 2022 which recommends their approval.

The final step in the formal process of preparing these financial statements is to present them to the Board for its acceptance.

### **Analysis**

The financial statements of the SBWMA for fiscal year ending December 31, 2021, have been prepared by the City of Redwood City Administrative Services Department and examined by the independent auditing firm Maze & Associates and SBWMA staff. It is the **opinion** of the audit firm that the financial statements present fairly the financial position of the SBWMA as of December 31, 2021, and that the financial statements were prepared in conformity with generally accepted accounting principles.

As an emphasis of matter, the partial 2019 Revenue Bond defeasance, as a result of the Town of Atherton's withdrawal from the JPA, was not finalized until December 20, 2020. The partial defeasance was not timely reflected in the prior fiscal year 2020 audited financial statements.

Due to the partial defeasance of the 2019 Revenue Bonds, as disclosed in Note 4c in **Exhibit A**, the beginning balance of the 2019 revenue bonds payable were restated and reduced by \$1,555,000. As disclosed in Note 7 of Exhibit A, the beginning net position was also restated and reduced by \$521,904 to reflect the interest payment for partial defeasance.

The emphasis of matter does not constitute a modification of the independent auditor's opinion.

**Financial Condition Summary**

As shown in Table 2 of the Audit report, total net position as of December 31, 2021 is \$25.4 million. The unrestricted net assets (Unrestricted Reserve) increased to \$20.6 million at December 31, 2020 (see Table 1 and 4 in the Audit report).

**General Operating Results**

**Table 1** below contains the financial results for the period ending December 31, 2021. The six-month results for the 6 month period ending December 31, 2020 have been annualized on **Table 1** and compared to fiscal year ending December, 2021 expressed in a percentage variance.

**Table 1 – Financial Results**

	<b>FY2020</b>	<b>Annualized based</b>	<b>FY2021</b>	<b>Variance</b>
	<b>Six months ending</b>	<b>on 6 month ending</b>	<b>12 months ending</b>	
	<b>12/31/2020</b>	<b>12/31/20</b>	<b>12/31/2021</b>	<b>%</b>
Tip Fee Revenue	\$ 23,069,176	\$ 46,138,352	\$ 45,268,246	-2%
Commodity Revenue	\$ 3,015,844	\$ 6,031,688	\$ 8,305,834	38%
Other Revenue <sup>1</sup>	\$ 21,728	\$ 43,456	\$ 22,468	-48%
<b>Total Revenues</b>	<b>\$ 26,106,748</b>	<b>\$ 52,213,496</b>	<b>\$ 53,596,548</b>	<b>3%</b>
Shoreway Operations Expense	21,054,283	42,108,566	41,597,622	-1%
SBWMA Program Expense	1,648,322	3,296,644	3,082,546	-6%
Franchise Fees	1,101,827	2,203,654	2,195,364	0%
Depreciation Expense	1,572,095	3,144,190	3,551,616	13%
<b>Total Expenses</b>	<b>\$ 25,376,527</b>	<b>\$ 50,753,054</b>	<b>\$ 50,427,148</b>	<b>-1%</b>
<b>Operating Income</b>	<b>\$ 730,221</b>	<b>\$ 1,460,442</b>	<b>\$ 3,169,400</b>	<b>117%</b>
Investment Income, Other	\$ 250,382	\$ 500,764	\$ 418,127	-17%
Withdrawal Payment - Atherton	\$ 2,169,211	\$ 2,169,211	\$ -	n/a
Interest Expense	(1,221,923)	(2,443,846)	(2,299,417)	-6%
Grant Revenue	120,000	120,000	-	-100%
<b>CHANGE IN NET POSITION</b>	<b>\$ 2,047,891</b>	<b>\$ 1,806,571</b>	<b>\$ 1,288,110</b>	<b>-29%</b>

**Variance explanations:**

Please see the Management Discussion and Analysis (MDA) of **Exhibit A** for a narrative on financial results.

**Long-Term Debt**

At the end of the current fiscal year, the SBWMA had bond debt outstanding of \$55,176,485. Long-term debt consists of Series 2019A and 2019B Refunding Revenue Bonds that were issued to refund the 2009A Revenue Bonds and to finance the construction of various improvements and acquisition of certain associated equipment to the material recovery facility and transfer station.

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

**Fiscal Impact**

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

**Attachments:**

**Resolution 2022-27.** Accepting the Authority's Audited Financial Statements ending December 31, 2021

**Exhibit A – SBWMA Audited Annual Financial Statements for the Period January 1, 2021 to December 31, 2021**



**RESOLUTION NO. 2022-27**  
**RESOLUTION OF THE SOUTH BAYSIDE WASTE  
MANAGEMENT AUTHORITY BOARD OF DIRECTORS  
ACCEPTING THE FISCAL YEAR ANNUAL FINANCIAL STATEMENTS FOR THE  
PERIOD JANUARY 1, 2021 TO DECEMBER 31, 2021**

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

**WHEREAS**, the financial statements for the fiscal year period January 1, 2021 to December 31, 2021 as prepared by said firm have been completed and are attached as **Exhibit A**; and

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

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves the Annual Financial Report as prepared by Maze & Associates for the fiscal year period January 1, 2021 to December 31, 2021.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 23<sup>th</sup> day of June, 2022, 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. 2022-27 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 23, 2022.

ATTEST:

\_\_\_\_\_  
Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Board Secretary

**SOUTH BAYSIDE WASTE  
MANAGEMENT AUTHORITY**

**BASIC FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2021**

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**SOUTH BAYSIDE WASTE  
MANAGEMENT AUTHORITY**

**BASIC FINANCIAL STATEMENTS  
For the Year ended December 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the South Bayside Waste Management Authority (Authority), California, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management's for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Accountancy Corporation**  
3478 Buskirk Avenue, Suite 215  
Pleasant Hill, CA 94523

T 925.930.0902  
F 925.930.0135  
E maze@mazeassociates.com  
W mazeassociates.com

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Emphasis of Matter***

The partial 2019 Revenue Bonds defeasance, as a result of Town of Atherton's withdrawal from the JPA, was not finalized until December 20, 2020. The partial defeasance was not timely reflected in the prior fiscal year 2020 audited financial statements.

Due to the partial defeasance of the 2019 Revenue bonds, as disclosed in Note 4c, the beginning balance of the 2019 revenue bonds payable were restated and reduced by \$1,555,000. As disclosed in Note 7, the beginning net position was also restated and reduced by \$521,904 to reflect the interest payment for the partial defeasance.

The emphasis of this matter does not constitute a modification to our opinions.

### ***Required Supplementary Information***

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Maze & Associates*

Pleasant Hill, California  
May 12, 2022

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# **SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

## **Management's Discussion and Analysis**

**December 31, 2021**

The Management's Discussion and Analysis (MD&A) section presents an overview and analysis of the financial performance of the South Bayside Waste Management Authority (SBWMA) for the year ended December 31, 2021. It should be read in conjunction with the audited financial statements that follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The SBWMA's financial statements include:

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

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

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

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

### **FINANCIAL ANALYSIS**

As this is the first audit that reports a full fiscal year ending December 31, comparing results for the year ended December 31, 2021 to the six months ended December 31, 2020 (the last audit period) can be challenging. The following table summarizes the Authority's change in net position from the six months ended December 31, 2021 to the year ended December 31, 2021.

**Table 1**  
**Comparative Net Position**  
**December 31, 2020 and 2021**

	<b>December 31, 2020</b>	<b>December 31, 2021</b>	<b>\$ Change</b>	<b>% Change</b>
Current and other assets	\$ 41,164,495	\$ 41,507,550	\$ 343,055	0.8%
Capital assets, net of depreciation	49,731,989	47,476,267	(2,255,722)	-4.5%
Total assets	<u>90,896,484</u>	<u>88,983,817</u>	<u>(1,912,667)</u>	-2.1%
Long-term debt outstanding	58,424,850	55,176,485	(3,248,365)	-5.6%
Other liabilities	7,843,542	8,413,034	569,492	7.3%
Total liabilities	<u>66,268,392</u>	<u>63,589,519</u>	<u>(2,678,873)</u>	-4.0%
Net position:				
Net investment in capital assets	6,203,217	4,761,752	(1,441,465)	-23.2%
Restricted for debt service	2,076,906	-	(2,076,906)	n/a
Unrestricted	16,347,969	20,632,546	4,284,577	26.2%
Total net position	<u>\$ 24,628,092</u>	<u>\$ 25,394,298</u>	<u>\$ 766,206</u>	<u>3.1%</u>

### ***Net Position***

The total net position increased by \$.8 million or 3.1% from the prior fiscal year. This increase is comprised solely of an increase in unrestricted net position of \$4.3 million, partially offset by a decrease in net investment in capital assets of \$1.4 million and a decrease in restricted net position of \$2.1 million.

Total liabilities decreased by \$2.7 million or 4.0%. This decrease is primarily attributed to a reduction of \$3.3 million in the amount of long-term debt, as a result of the payment of the annual debt service and the defeasance of the long-term debt that was attributable to the Town of Atherton. More information on the long-term debt is located in the “*Long-term Debt*” section. There was an increase of \$.6 million or 7.3% in other liabilities, which was attributed to a higher accounts payable balance as of December 31, 2021.

The largest portion of the Authority’s assets is its investment in net capital assets totaling \$47.5 million. These assets are comprised of land, buildings, equipment and infrastructure, less accumulated depreciation, and are primarily located at the Shoreway Environmental Center. The actual year-over-year comparison of the capital assets, net of accumulated depreciation, shows a decrease of \$2.3 million or 4.5% due to capital asset additions of \$5.0 million in buildings, improvements, and equipment, and a decrease of \$3.7 million in construction in progress, which are offset by depreciation expense of \$3.6 million. These changes are explained further in the “*Capital Assets*” section.

The net investment in capital assets is \$4.8 million as of December 31, 2021. It represents the Authority’s investment in infrastructure and other capital assets, net of amounts borrowed to finance that investment. It should be noted that these funds are not available for spending because the capital assets cannot be liquidated to settle liabilities. Therefore, the resources needed to repay the debt must be provided from other sources. Unrestricted net position totaling \$20.6 million represents the part of net position that can be used to finance operations.

## Results of Operations

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

**Table 2**  
**Comparative Revenues, Expenses, and Changes in Net Position**  
**For the Six Months Ended December 31, 2020 and the Year Ended December 31, 2021**

	<u>December 31, 2020*</u>	<u>December 31, 2021</u>	<u>Annualized (estimate based on 6 months ending 12/31/20)</u>	<u>\$ Change (from 12 month estimate of 2020 to 2021)</u>	<u>% Change</u>
<b>Revenues</b>					
Charges for services	\$ 23,069,176	\$ 45,268,246	\$ 46,138,352	\$ (870,106)	-3.8%
Commodity revenue	3,015,844	8,305,834	6,031,688	2,274,146	75.4%
Other operating revenues	21,728	22,468	43,456	(20,988)	-96.6%
Withdrawal payment from Atherton	2,169,211	-	2,169,211	(2,169,211)	n/a
Grant revenue	120,000	-	120,000	(120,000)	-100.0%
Investment Income	250,382	418,127	500,764	(82,637)	-33.0%
<b>Total Revenues</b>	<u>28,646,341</u>	<u>54,014,675</u>	<u>55,003,471</u>	<u>(988,796)</u>	<u>-3.5%</u>
<b>Expenses</b>					
Operating expenses	25,376,527	50,427,148	50,753,054	(325,906)	-1.3%
Interest expense	1,221,923	2,299,417	2,443,846	(144,429)	-11.8%
<b>Total Expenses</b>	<u>26,598,450</u>	<u>52,726,565</u>	<u>53,196,900</u>	<u>(470,335)</u>	<u>-1.8%</u>
Increase (decrease) in net position	2,047,891	1,288,110	1,806,571	(518,461)	-25.3%
Beginning net position, restated	22,580,201	24,106,188	24,628,092	2,047,891	9.1%
Ending net position	<u>\$ 24,628,092</u>	<u>\$ 25,394,298</u>	<u>\$ 26,434,663</u>	<u>\$ 1,529,430</u>	<u>6.2%</u>

\*Six months ended period are not comparable to FY 2021 (12 month period)

While the Statement of Net Position (Table 1) shows the change in financial position, the Statement of Activities (Table 2 above) provides answers as to the nature and sources of the changes.

Changes in operating revenues for the year ended December 31, 2021 (FY 2021) are comprised of the following:

- Charges for services, also known as tipping fee revenue, increased by \$22.2 million or 196.2%, from \$23.1 million for the six months ended December 31, 2020 (FY 2020) to \$45.3 million for the year ended December 31, 2021. Compared to annualized amounts for the six months ended December 31, 2020, the charges for services for FY 2021 are slightly lower than FY 2020.
- Commodity revenue increased by \$5.3 million, or 275.4% from \$3.0 million in FY2020 to \$8.3 million in FY 2021. Compared to annualized amounts for the six months ended December 31, 2020, the commodity revenue for FY 2021 are much higher than FY 2020. This revenue source experienced a large increase due to the higher prices paid for commodities, even though volume was consistent with prior fiscal years. The price of commodities is the highest it has been in recent years.
- Other operating revenues increased by approximately \$700 from FY2020 to FY 2021. Compared to annualized amounts for the six months ended December 31, 2020, the other operating revenues for FY 2021 are lower than FY 2020.
- Investment income, which is nonoperating revenue, was approximately \$168 thousand more for FY 2021, when compared to FY 2020. Compared to annualized amounts for the six months ended December 31, 2020, the investment income for FY 20201 is estimated to be approximately \$83 thousand less than FY 2020.
- Grant revenue received in FY 2021 was zero compared to \$120 thousand during the six months ended December 31, 2020. The grant was from Recology of San Mateo, as part of the CalRecycle program, for the Organics to Energy Project.

The primary component of operating expenses (82.5%) is related to the Shoreway operations that include contractually obligated costs incurred to pay the Shoreway operator, and disposal and processing expenses. The percent of operating expenses related to the Shoreway operations for FY 2020 was 83.0%, slightly higher than FY 2021. The Shoreway operations expense (Table 3) increased by \$22.2 million, or 96.2%, from FY 2020 to FY 2021. On an annualized basis, Shoreway operations expense for FY 2021 is estimated to be slightly lower than FY 2020.

Table 3 below shows just the operating results of the Authority (excluding depreciation). It excludes all revenue and expenditure not directly associated with operating activities such as investment income, grant revenue, and interest expense. For the current fiscal year, operating results were \$6.7 million compared to \$2.3 million for the prior fiscal year, an increase of 191.9%. This large increase is due to higher operating revenues and lower operating expenses. As described above, the largest increase in operating revenues was for commodity fees, while every operating expense declined when compared to the prior fiscal year's annualized amount. The largest decrease in operating expenses were related to program administration costs. Program administration costs are primarily comprised of salaries and benefits, technical services, and other miscellaneous administrative costs, such as office rent.

**Table 3**  
**Operating Results**  
**For the Six Months Ended December 31, 2020 and the Year Ended December 31, 2021**

	<u>December 31, 2020*</u>	<u>December 31, 2021</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Annualized Amount for Six Months Ended December 31, 2020</u>
Operating Revenue					
Charges for Services	\$ 23,069,176	\$ 45,268,246	\$ 22,199,070	96.2%	\$ 46,138,352
Commodity Fee	3,015,844	8,305,834	5,289,990	175.4%	6,031,688
Other Operating Revenue	21,728	22,468	740	3.4%	43,456
Total Operating Revenue	<u>26,106,748</u>	<u>53,596,548</u>	<u>27,489,800</u>	<u>105.3%</u>	<u>52,213,496</u>
Operating Expense (excl Deprn.)					
Shoreway Operations	21,054,283	41,597,622	20,543,339	97.6%	42,108,566
Program Admin	1,648,322	3,082,546	1,434,224	87.0%	3,296,644
Franchise Fee	1,101,827	2,195,364	1,093,537	99.2%	2,203,654
Total Operating Expense (excl Deprn.)	<u>\$ 23,804,432</u>	<u>\$ 46,875,532</u>	<u>23,071,100</u>	<u>96.9%</u>	<u>\$ 47,608,864</u>
Total Operating Results (excl Deprn.)	<u>\$ 2,302,316</u>	<u>\$ 6,721,016</u>	<u>\$ 4,418,700</u>	<u>191.9%</u>	<u>\$ 4,604,632</u>

\*Six months ended period are not comparable to FY 2021 (12 month period)

## **Reserves**

Table 4 below reflects the amount of reserves that have been designated by the Board as of December 31, 2020 and 2021.

**Table 4**  
**Unrestricted Reserves Balances**

	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Rate Stabilization Reserve	\$ 4,617,529	\$ 4,895,294
Emergency Reserve	4,617,529	4,895,294
Sub-Emergency Reserve - Self-insurance	113,985	319,875
Equipment Replacement Reserve	766,789	766,789
Capital Fund Reserve	<u>6,232,137</u>	<u>9,755,294</u>
Total Unrestricted Reserves	<u>\$ 16,347,969</u>	<u>\$ 20,632,546</u>



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

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

### ***Capital Assets***

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

**Table 5**  
**Capital Assets, Net of Depreciation**  
**As of December 31, 2020 and 2021**

	<b>December 31, 2020</b>	<b>December 31, 2021</b>	<b>\$ Change</b>	<b>% Change</b>
Land	\$ 14,000,000	\$ 14,000,000	\$ -	0.0%
Construction in progress	3,713,330	17,455	(3,695,875)	-99.5%
Buildings and systems	41,972,586	42,933,460	960,874	2.3%
Machinery and equipment	24,638,000	28,668,895	4,030,895	16.4%
Total accumulated depreciation	<u>(34,591,927)</u>	<u>(38,143,543)</u>	<u>(3,551,616)</u>	10.3%
Total Net Capital Assets	<u>\$ 49,731,989</u>	<u>\$ 47,476,267</u>	<u>\$ (2,255,722)</u>	<u>-4.5%</u>

The net capital assets decreased by \$2.3 million, or 4.5%, from \$49.7 million as of December 31, 2020 to \$47.5 million as of December 31, 2021. The decrease is the net of the annual \$3.6 million depreciation charge, and \$1.3 million in capital expenditures to replace equipment, and numerous upgrades to the Shoreway facility and Material Recovery Facility.

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

### ***Long-term Debt***

At the end of the current fiscal year, the Authority had \$55.2 million total debt outstanding, a decrease of \$3.2 million, or 5.6%, from \$58.4 million as of December 31, 2020. This decrease is a result of the payment of the annual debt service and the defeasance of the long-term debt that was attributable to the Town of Atherton.

**Table 6**  
**Outstanding Debt, Net of Amortized Costs**  
**As of December 31, 2020 and 2021**

	<u>December 31, 2020</u>	<u>December 31, 2021</u>	<u>\$ Change</u>	<u>% Change</u>
2019A Refunding Revenue Bond	\$ 31,860,000	\$ 30,825,000	\$ (1,035,000)	-3.2%
2019B Refunding Revenue Bond	16,065,000	14,340,000	(1,725,000)	-10.7%
Net Premium 2019A/B	<u>10,499,850</u>	<u>10,011,485</u>	<u>(488,365)</u>	-4.7%
Total	<u>\$ 58,424,850</u>	<u>\$ 55,176,485</u>	<u>\$ (3,248,365)</u>	<u>-5.6%</u>

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

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

### **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

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

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

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**ASSETS**

Current Assets:	
Cash and investments for operations (Note 2)	\$ 24,127,645
Accounts receivable	4,071,482
Interest receivable	27,109
Prepaid items	<u>819,344</u>
Total Current Assets	<u>29,045,580</u>
Noncurrent Assets:	
Cash and investments with fiscal agent (Note 2)	12,461,970
Capital assets (Note 3):	
Land	14,000,000
Construction in progress	17,455
Building	42,933,460
Equipment	28,668,895
Less Accumulated Depreciation	<u>(38,143,543)</u>
Net capital assets	<u>47,476,267</u>
Total Noncurrent Assets	<u>59,938,237</u>
Total Assets	<u>88,983,817</u>

**LIABILITIES**

Current Liabilities:	
Accounts payable	6,216,730
Interest payable	752,750
Current portion of compensated absences	83,373
Long-term debt due in one year (Note 4)	<u>1,753,365</u>
Total Current Liabilities	<u>8,806,218</u>
Noncurrent Liabilities:	
Compensated absences due in more than one year	126,541
Accrued liabilities (Note 6)	1,233,640
Long-term debt due in more than one year (Note 4)	<u>53,423,120</u>
Total Noncurrent Liabilities	<u>54,783,301</u>
Total Liabilities	<u>63,589,519</u>

**NET POSITION**

Net investment in capital assets	4,761,752
Unrestricted	<u>20,632,546</u>
Total Net Position	<u>\$ 25,394,298</u>

See accompanying notes to the financial statements

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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**OPERATING REVENUES:**

Charges for services	\$ 45,268,246
Commodity revenue	8,305,834
Other	<u>22,468</u>
Total Operating Revenues	<u>53,596,548</u>

**OPERATING EXPENSES:**

Shoreway operations	41,597,622
SBWMA program administration	3,082,546
Franchise fee - transfer station	2,195,364
Depreciation (Note 4)	<u>3,551,616</u>

Total Operating Expenses 50,427,148

Operating Income 3,169,400

**NONOPERATING REVENUES (EXPENSES):**

Investment income	418,127
Interest expense	<u>(2,299,417)</u>

Net Nonoperating Revenue (Expense) (1,881,290)

Change in Net Position 1,288,110

NET POSITION AT JANUARY 1, 2021, as restated (Note 7A) 24,106,188

**NET POSITION AT DECEMBER 31, 2021** \$ 25,394,298

See accompanying notes to the financial statements

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash receipts from customers	\$ 53,901,369
Payments to suppliers	(44,982,693)
Payments to employees	(1,469,024)
	<hr/>
Net Cash Flows from (used for) Operating Activities	7,449,652

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	426,393
	<hr/>
Net Cash Flows from Investing Activities	426,393

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Capital assets additions	(1,295,894)
Retirement of revenue bonds	(1,693,365)
Interest paid	(2,319,500)
	<hr/>
Net Cash Flows (Used for) Capital and Related Financing Activities	(5,308,759)

**Net Cash Flows** **2,567,286**

Cash and cash equivalent - January 1, 2021, as restated (Note 7A) 34,022,329

**Cash and cash equivalent - December 31, 2021** **\$ 36,589,615**

**Statement of Net Position**

Cash and investments for operations	\$ 24,127,645
Cash and investments with fiscal agent	12,461,970
	<hr/>
<b>Total cash and cash equivalent</b>	<b>\$ 36,589,615</b>

**Reconciliation of operating income to net cash flows from operating activities:**

Operating income (loss)	\$ 3,169,400
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation	3,551,616
Net change in:	
Accounts receivable	304,821
Prepays	(165,760)
Accounts payable	559,200
Compensated absences	30,375
	<hr/>
Net Cash Flows from Operating Activities	<b>\$ 7,449,652</b>

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

Amortization related to long-term debt	\$ 488,365
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See accompanying notes to the financial statements

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# SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2021

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### Note 1: Summary of Significant Accounting Policies

#### a. Organization

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

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

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

Effective December 31, 2020, the Town of Atherton withdrew as a Member Agency. Withdrawal is provided for in Article 15.1 of the Authority's JPA so long as the withdrawing Member Agency liquidates in full its proportion of any and all existing debts, obligations, and liabilities incurred, earned, or expected to be earned by the date of withdrawal, including but not limited to the Revenue Bonds, as determined by the Board and the withdrawal is approved by a 4/5 affirmative vote of the Member Agencies.

In 2020, Atherton provided notice of its intent to withdraw from the Authority's JPA. On August 20, 2020, the Board held a properly noticed hearing regarding this request and determined Atherton's liquidation obligation to be approximately \$2.2 Million. The Member Agencies thereafter approved Atherton's withdrawal, contingent upon liquidation of its obligation to the JPA.

As noted above, Atherton thereafter satisfied its liquidation obligation and exited the JPA effective December 31, 2020.

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

# SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2021

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### b. Enterprise Fund Accounting

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

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

#### c. Net Position Flow Policy

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

#### d. Capital Assets

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

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



**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2021**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

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

Building	10 - 40 years
Improvements	5 - 20 years
Equipment	5 - 15 years

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

**e. Compensated Absences**

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

**f. Retirement and Deferred Compensation Plans**

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

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

**Note 1: Summary of Significant Accounting Policies (Continued)**

**g. Deferred Outflows/Inflows of Resources**

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

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

**h. Fair Value Measurements**

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

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

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

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

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

**i. Cash and cash equivalents**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2021**

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**Note 2: Cash and Investments**

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

**a. Policies**

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

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

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

**b. Classification**

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

<u>Statement of Net Position</u>	
Cash and investments for operations	\$ 24,127,645
Cash and investments with fiscal agent	<u>12,461,970</u>
Total Cash and Investments	<u>\$ 36,589,615</u>

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

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2021**

**Note 2: Cash and Investments (Continued)**

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

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

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

(A) 5% of outstanding paper of issuing corporation and 10% of the portfolio in one corporation

(B) No more than 30% of the agency's money may be in bankers' acceptances of any one commercial bank.

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2021**

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**Note 2: Cash and Investments (Continued)**

**d. Investments Authorized by Debt Agreements**

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

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

**e. Interest Rate Risk**

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

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

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2021**

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**Note 2: Cash and Investments (Continued)**

Investment Type	12 Months or less	Total
California Local Agency Investment Fund	\$ 12,349,842	\$ 12,349,842
San Mateo County Investment Pool	9,474,657	9,474,657
Cash and Cash Equivalents with Fiscal Agent:		
Money Market Fund	<u>12,461,970</u>	<u>12,461,970</u>
Total Investments	<u>\$ 34,286,469</u>	34,286,469
Total Cash in Bank and Cash on Hand		<u>2,303,146</u>
Total Cash and Investments		<u>\$ 36,589,615</u>

Local Agency Investment Fund

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

San Mateo County Investment Fund

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

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2021**

---

**Note 2: Cash and Investments (Continued)**

**f. Credit Risk**

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

Presented below is the actual rating as of December 31, 2021, for each investment type as provided by S&P ratings:

Investment Type	AAAm	Total
Cash and Cash Equivalents with Fiscal Agent:		
Money Market Fund	\$ 12,461,970	\$ 12,461,970
Totals	<u>\$ 12,461,970</u>	12,461,970
Not rated:		
California Local Agency Investment Fund		12,349,842
San Mateo County Investment Pool		9,474,657
Total Investments		<u>34,286,469</u>
Total Cash in bank and cash on hand		2,303,146
Total Cash and Investments		<u>\$ 36,589,615</u>

**g. Fair Value Hierarchy**

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

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2021**

---

**Note 2: Cash and Investments (Continued)**

The following is a summary of the fair value hierarchy of the fair value of investments of the Authority as of December 31, 2021:

Investment Type	Exempt	Total
<b>Investments by Fair Value:</b>		
California Local Agency Investment Fund	\$ 12,349,842	\$ 12,349,842
San Mateo County Investment Pool	9,474,657	9,474,657
Total Investments at Fair Value	<u>\$ 21,824,499</u>	21,824,499
<b>Investments Measured at Amortized Cost:</b>		
Money Market Fund		12,461,970
Total Investments		34,286,469
<i>Cash in banks</i>		<u>2,303,146</u>
Total Cash and Investments		<u>\$ 36,589,615</u>

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

**h. Concentration of Credit Risk**

The Authority's Investment Policy contains certain limitations on the amount that can be invested in any one issuer. In certain categories, these limitations surpass those required by California Government Code Sections 53600 et seq. Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total Entity-wide investments. There were no such investments at December 31, 2021.

**Note 3: Capital Assets and Facilities Operations**

Pursuant to a sales agreement with Republic Services, Inc., the Authority purchased land, and buildings and personal property amounting to \$14 million and \$5.228 million, respectively. These facilities comprise the Shoreway Environmental Center in San Carlos. The Authority signed an agreement effective January 1, 2011 with South Bay Recycling to operate the facility. For the year ended December 31, 2021, the Authority paid \$19,215,420 to South Bay Recycling to operate the Facility.



**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2021**

**Note 3: Capital Assets and Facilities Operations (Continued)**

Changes in capital assets were as follows for the 12-months period ended December 31, 2021:

	Balance at January 01, 2021	Additions	Deletions	Transfers	Balance at December 31, 2021
Capital assets not being depreciated:					
Land	\$ 14,000,000	\$ -	\$ -	\$ -	\$ 14,000,000
Construction in progress	3,713,330	17,455	-	(3,713,330)	17,455
Total non-depreciable assets	17,713,330	17,455	-	(3,713,330)	14,017,455
Capital assets being depreciated:					
Buildings	41,972,586	960,874	-	-	42,933,460
Equipment	24,638,000	317,565	-	3,713,330	28,668,895
Total capital assets being depreciated	66,610,586	1,278,439	-	3,713,330	71,602,355
Less accumulated depreciation for:					
Buildings	(16,106,425)	(1,430,141)	-	-	(17,536,566)
Equipment	(18,485,502)	(2,121,475)	-	-	(20,606,977)
Total accumulated depreciation	(34,591,927)	(3,551,616)	-	-	(38,143,543)
Net capital assets being depreciated	32,018,659	(2,273,177)	-	3,713,330	33,458,812
Capital assets, net	\$ 49,731,989	\$(2,255,722)	\$ -	\$ -	\$ 47,476,267

**Note 4: Revenue Bonds**

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

	Balance January 01, 2021 (as restated)	Retirements	Balance December 31, 2021	Due Within One Year
2019A Solid Waste Enterprise Refunding Revenue Bonds	\$ 30,825,000	\$ -	\$ 30,825,000	\$ -
2019A Bond premiums	7,409,849	(344,644)	7,065,205	344,644
2019B Solid Waste Enterprise Revenue Bonds	15,545,000	(1,205,000)	14,340,000	1,265,000
2019B Bond premiums	3,090,001	(143,721)	2,946,280	143,721
	\$ 56,869,850	\$ (1,693,365)	\$ 55,176,485	\$ 1,753,365

**a. Solid Waste Enterprise Refunding Revenue Bonds 2019A and Solid Waste Enterprise Revenue Bonds 2019B**

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

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2021**

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**Note 4: Revenue Bonds (Continued)**

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

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

The bond covenants contain events of default that require the revenue of the Authority to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Authority to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Authority; or if any court or competent jurisdiction shall assume custody or control of the Authority. There were no such events occurred during the period ending December 31, 2021.

**b. Revenue Pledge**

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

According to the Rate Covenant in the 2019A Bond Indenture, the Authority will maintain a Net Revenue to Debt Service coverage ratio of 1.40. As of the period ended December 31, 2021, the Net Revenues to Debt Service Coverage ratio was 3.30.

**c. Restatement of beginning balance**

The partial 2019 Revenue Bonds defeasance, which resulted from the Town of Atherton's withdrawal from the JPA, was not finalized until December 20, 2020. The partial defeasance was not reflected timely in the prior financial statements for the period of July 1, 2020 to December 31, 2020.

As a result, the beginning balances of the 2109A and 2019B Solid Waste Enterprise Refunding Revenue Bonds, as of January 1, 2021, were restated with a reduction of \$1,035,000 and \$520,000, respectively. The total beginning balance reduction was \$1,555,000.

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2021**

**Note 4: Revenue Bonds (Continued)**

**d. Debt Service Requirements**

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

For the Year Ending December 31,	Principal	Interest	Total
2022	\$ 1,265,000	\$ 2,258,250	\$ 3,523,250
2023	1,325,000	2,195,000	3,520,000
2024	1,395,000	2,128,750	3,523,750
2025	1,465,000	2,059,000	3,524,000
2026	1,540,000	1,985,750	3,525,750
2027 - 2031	8,920,000	8,695,250	17,615,250
2032 - 2036	11,385,000	6,230,750	17,615,750
2037 - 2041	14,520,000	3,086,250	17,606,250
2042	3,350,000	167,500	3,517,500
Total	45,165,000	28,806,500	73,971,500
Unamortized Bond Premium	10,011,485	-	-
	<u>\$ 55,176,485</u>	<u>\$ 28,806,500</u>	<u>\$ 73,971,500</u>

**Note 5: Insurance**

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

Type of Coverage	Coverage Limits
General Aggregate Limit	\$ 2,000,000
General Liability deductible	10,000
Environmental Impact Liability aggregate	2,000,000
Environmental Liability deductible	25,000 SIR
Hired & Non-Owned Auto Limit	1,000,000
Employee Benefits Liability	1,000,000
Excess Liability	10,000,000
Property & Equipment Loss	65,000,000
Property & Equipment deductible	1,500,000
Directors & Officers, Employment Practices, and Fiduciary Liabilities	
Aggregate for all loss combined, including defense costs	7,000,000
Directors & Officers Liability Retention	50,000
Employment Practices Liability Retention	75,000
Fiduciary Liability Retention	2,500

## **SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

### **NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2021**

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#### **Note 6: Pollution Remediation**

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

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

In March of 2010, the SBWMA received a lump sum settlement payment of \$1,500,000 from Republic Services (formerly Allied Waste and BFI). This money was deposited into a SBWMA account dedicated to the ongoing clean-up efforts at Shoreway (the remediation cost estimate was negotiated with Allied per methods approved by County regulators and based on input from environmental engineers). At the close of remediation efforts on April 29, 2014 the Shoreway Remediation Fund had an unspent balance of \$1,239,826. The unspent balance as of December 31, 2021 is \$1,233,640 and is reported as accrued liabilities.

#### **Note 7: Net Position**

The Authority has designated \$20,632,546 unrestricted net position for several reserves which include: \$4,895,294 for rate stabilization, \$5,215,169 for emergency reserve, \$319,875 for equipment replacement, and \$10,202,208 for capital items. These designations may be modified, amended or removed by Authority Board action.

##### **a. Beginning Net Position Restatement**

Due to the partial defeasance of the 2019 Revenue bonds as disclosed in Note 4c, the beginning cash balance at January 1, 2021 was restated and reduced by \$2,076,904 in the Statement of Cash Flows, and the beginning net position was restated and reduced by \$521,904.

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2021**

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**Note 8: Commitments and Contingent Liabilities**

Litigation

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

Construction Commitments

There are no significant construction commitments as of December 31, 2021.

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**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the South Bayside Waste Management Authority (Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statement which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 12, 2022.

***Report on Internal Control over Financial Reporting***

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

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

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

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## ***Report on Compliance and Other Matters***

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

We have also issued a separate Memorandum on Internal Control dated May 12, 2022, which is an integral part of our audit and should be read in conjunction with this report.

### ***Purpose of this Report***

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

*Maze & Associates*

Pleasant Hill, California  
May 12, 2022



**SOUTH BAYSIDE WASTE  
MANAGEMENT AUTHORITY  
MEMORANDUM ON INTERNAL CONTROL**

**For the Year Ended December 31, 2021**

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**SOUTH BAYSIDE WASTE  
MANAGEMENT AUTHORITY  
MEMORANDUM ON INTERNAL CONTROL**

**For the Year Ended December 31, 2021**

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## MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the basic financial statements of the South Bayside Waste Management Authority (Authority) as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Maze & Associates*

Pleasant Hill, California  
May 12, 2022

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**SOUTH BAYSIDE WASTE  
MANAGEMENT AUTHORITY  
REQUIRED COMMUNICATIONS**

**For the Year Ended December 31, 2021**

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**SOUTH BAYSIDE WASTE  
MANAGEMENT AUTHORITY  
REQUIRED COMMUNICATIONS**

**For the Year Ended December 31, 2021**

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## REQUIRED COMMUNICATIONS

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

We have audited the basic financial statements of the South Bayside Waste Management Authority (Authority) as of December 31, 2021 and for the year ended December 31, 2021. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 12, 2022.

### **Significant Audit Matters**

#### ***Qualitative Aspects of Accounting Practices***

*Accounting Policies* - Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year.

*Unusual Transactions, Controversial or Emerging Areas* - We noted no transactions entered into by the Authority during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

*Accounting Estimates* - Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

*Estimated Fair Value of Investments:* As of December 31, 2021, the Authority held approximately \$36,589,615 of cash and investments as measured by fair value as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of December 31, 2021. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to December 31, 2021.

*Estimate of Depreciation:* Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 1d to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

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*Estimate of Compensated Absences:* Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 1e to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimated Pollution Remediation Liability:* Management's estimate of the pollution remediation liability is disclosed in Note 6 to the financial statements and is based on the remediation cost estimate negotiated with Allied Waste (now Republic Services) per methods approved by County regulators and based on input from environmental engineers. We evaluated the key factors and assumptions used to develop the pollution remediation liability in determining that it is reasonable in relation to the financial statements taken as a whole.

*Disclosures* - The financial statement disclosures are neutral, consistent, and clear.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the Authority's financial reporting process.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Authority Board.

***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in a management representation letter dated May 12, 2022.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Authority’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each fiscal year prior to retention as the Authority’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

\*\*\*\*\*

This information is intended solely for the use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

*Maze & Associates*

Pleasant Hill, California  
May 12, 2022

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## STAFF REPORT

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**To:** SBWMA Board of Directors  
**From:** Jean Savaree, General Counsel  
**Date:** June 23, 2022 Board of Directors Meeting  
**Subject:** Resolution Directing that all Meetings of the SBWMA Board of Directors, Technical Advisory Committee, and all Board Appointed Committees Continue to be held via Teleconference Pursuant to California Government Code Section 54953(e)

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### Recommendation

It is recommended that the SBWMA Board of Directors adopt the attached resolution, making the findings required under AB 361 (California Government Code Section 54953) to continue holding public meetings of the Board, Technical Advisory Committee (TAC) and all subcommittees of the Board via teleconference/Zoom videoconference to allow members of those bodies, staff, and the public to attend meetings remotely.

### Background and Discussion

On October 21, 2021, November 18, 2021, January 27, 2022, February 24, 2022, and April 28, 2022, the SBWMA Board of Directors approved resolutions that made the findings required to continue SBWMA's practice of holding public meetings by Zoom videoconference. Specifically, those resolutions found that:

- 1) the declared state of emergency in response to the COVID-19 pandemic remained in effect;
- 2) State or local officials have imposed or recommended measures to promote social distancing; and
- 3) meeting in person would present imminent risks to the health and safety of attendees.

Pursuant to AB 361, the Board's findings and authorization to continue meeting remotely cannot remain effective for more than thirty (30) days. As such, the Board must reconsider its determination at each of its meetings to reauthorize remote meetings until the Board no longer believes remote meetings are necessary.

The attached resolution makes similar findings to those made by the Board at its last meeting on April 28, 2022. Staff believes that these findings can and should be made by the Board, due to the ongoing threat of COVID-19 transmission.

On February 9, 2022, the San Mateo County Health Officer, in conjunction with health officers from the other Bay Area counties, announced that he would align the County with the State's masking requirements. While the State subsequently lifted its indoor masking requirements for vaccinated people on February 16, 2022, and for unvaccinated people on March 1, 2022, the California Department of Public Health (CDPH) continues to strongly recommend that all persons, regardless of vaccination status, continue indoor masking.

The San Mateo County Health Officer made a similar recommendation when announcing the County's alignment with the State. Specifically, County Health noted that "[c]ontinuing to mask in indoor public settings, especially crowded or poorly ventilated spaces, remains the safest choice for an individual and protects those who are

medically vulnerable or are not able to get vaccinated, like our youngest children.” Further, the County recommended that “[p]eople should continue to choose layered prevention strategies, such as wearing well-fitted masks (N95 or double layer cloth over surgical are best); staying home and testing when symptomatic; testing before gatherings; and improving indoor ventilation in situations where these strategies can add protection for themselves and others.”

On May 23, 2022, San Mateo County Health Chief, Louise Rogers, issued a “Message from the Chief” statement that indicated that San Mateo County continues to see increased COVID-19 case transmission and COVID-related hospitalizations. The statement encourages residents to take the following actions to again slow the spread of COVID-19:

- 1) *Limit large gatherings to well-ventilated areas or outdoors.*
- 2) *Improve ventilation to prevent airborne virus particles from accumulating.*
- 3) *Mask. Respirator masks (N95s) provide better protection than cloth masks. Wearing a well-fitting mask in indoor public places reduces the risk of infecting others and becoming infected.*
- 4) *Isolate for COVID. Stay home if you feel sick and get tested right away. Follow the State isolation and quarantine guidance.*
- 5) *Test for COVID if you have symptoms.*
- 6) *Treatments are available if you test positive and are more likely to get very sick from COVID-19. Treatment must be started within days after you first develop symptoms to be effective so talk with your healthcare provider right away if you test positive.<sup>1</sup>*

Continuing to hold remote meetings is one of the least disruptive methods the Board can utilize to protect against the ongoing threat of COVID-19 transmission. COVID-19 spreads easily and quickly through airborne droplets, particularly when indoors. While face coverings, testing, and ventilating indoor spaces can reduce transmission, they cannot eliminate the threat. Conducting meetings remotely allows attendees to fully participate in each meeting without requiring that they gather in the same indoor space. Further, it allows members of public, staff, and members of the Board, TAC, or Board subcommittee to participate in meetings even if they have been exposed to COVID-19 or are experiencing symptoms of COVID-19.

## **Conclusion**

As the California state of emergency in response to COVID-19 remains effective and because the California Department of Public Health and San Mateo County Health Officer recommend face coverings for everyone in indoor public locations, staff believes that the Board can make the findings required under AB 361 to continue meeting remotely by videoconference.

### **Attachments:**

Resolution 2022-28

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<sup>1</sup> <https://www.smchealth.org/health-officer-updates/may-23-2022-message-chief>





## **RESOLUTION NO. 2022-28**

### **RESOLUTION DIRECTING THAT ALL MEETINGS OF THE SBWMA BOARD OF DIRECTORS, TECHNICAL ADVISORY COMMITTEE, AND ALL BOARD-APPOINTED SUBCOMMITTEES CONTINUE TO BE HELD VIA TELECONFERENCE PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54953(e)**

**WHEREAS**, on March 4, 2020, the Governor declared a state of emergency in response to the COVID-19 pandemic and California remains in a declared state of emergency; and

**WHEREAS**, on March 17, 2020, the Governor issued Executive Order N-29-20, temporarily suspending certain provisions of the Ralph M. Brown Act to allow local agencies to hold public meetings teleconference; and

**WHEREAS**, through subsequent Executive Orders, local agencies were able to continue holding public meetings by teleconference through September 30, 2021; and

**WHEREAS**, on an emergency basis, on September 16, 2021, the State adopted AB 361, codified at California Government Code Section 54953, which allows local agencies to continue meeting by teleconference under certain circumstances and after making certain findings; and

**WHEREAS**, the South Bayside Waste Management Authority (SBWMA) Board of Directors, Technical Advisory Committee (TAC), and all Board-appointed subcommittees have met by videoconference since March 2020 and found it to be an effective method of receiving public input, holding deliberations, and conducting the general business of the SBWMA; and

**WHEREAS**, remote meetings held by videoconference, which also allow attendees to participate by telephone, allow attendees of the meetings to avoid the risk of potential COVID-19 exposure and allows those that may have been exposed or experiencing symptoms of COVID-19 to participate in meetings without posing a threat to other attendees; and

**WHEREAS**, the California Department of Public Health (CDPH) and San Mateo County Health Officer lifted their respective indoor mask requirements on February 16, 2022, but still "strongly recommend" that people wear masks when in indoor public settings; and

**WHEREAS**, the San Mateo County Health Office indicates that COVID-19 cases and hospitalizations related to COVID-19 are currently increasing; and

**WHEREAS**, the San Mateo County Health Officer continues to recommend additional strategies to prevent transmission of the COVID-19 virus, including staying home and testing when symptomatic, testing before gatherings, and improving indoor ventilation; and

**WHEREAS**, on October 21, 2021, the Board of Directors considered the imminent risk to the health and safety of attendees at in-person meetings and the distancing measures required and recommended by Federal, State, and local health officials; and

**WHEREAS**, after such consideration, the Board directed by resolution adopted on October 21, 2021 that all meetings of the Board of Directors, TAC, and all Board-appointed subcommittees would continue to be held by videoconference; and

**WHEREAS**, the Board of Directors reconsidered its direction to continue meeting by videoconference on November 18, 2021, January 27, 2022, February 24, 2022, April 28, 2022, and each time directed by resolution that meetings continue to be held by videoconference; and

**WHEREAS**, the Board of Directors has reconsidered this action again and finds that meeting by videoconference continues to be necessary due to the ongoing threat of COVID-19.

**NOW, THEREFORE, BE IT RESOLVED**, that the SBWMA Board of Directors does find and declare as follows:

1. Since March 4, 2020, and continuing through the date of this Resolution, there has been a declared state of emergency in California in response to the COVID-19 pandemic; and
2. The California Department of Public Health and San Mateo County Health Officer continue to recommend face coverings be worn in indoor public settings as a social distancing measure; and
3. The California Department of Public Health and San Mateo County Health Officer continue to recommend that people take measures to prevent the transmission of COVID-19, particularly when gathering in indoor public settings; and
4. Holding meetings in person creates an imminent risk to the health and safety of attendees because COVID-19 spreads particularly quickly during indoor public gatherings; and
5. Holding remote meetings by videoconference/teleconference will prevent the possibility of COVID-19 transmission during those meetings and allow those who are at-risk or potentially suffering COVID-19 symptoms to participate in meetings without physically attending.

**NOW, THEREFORE BE IT FURTHER RESOLVED**, that the SBWMA Board of Directors directs that the Board, TAC, and all Board-appointed subcommittees shall hold meetings remotely by videoconference/teleconference for at least the next thirty days, at which time, or as soon thereafter as the Board shall meet, the Board will review whether this action remains necessary to protect the health and safety of meeting attendees. Any public comment period at any such meeting shall allow comments from members of the public attending remotely in the same form and fashion as would be taken during an in-person meeting. If at any time during any such meeting the ability to broadcast the meeting and accept public comments from remote attendees is disrupted, the body holding the meeting shall recess until the disruption is resolved or continue the meeting to a later date when videoconference/teleconference participation can be restored.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the **23rd** day of **June 2022**, 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. 2022-28 was duly and regularly adopted at a meeting of the South Bayside Waste Management Authority on June 23, 2022.

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

ATTEST:

\_\_\_\_\_  
Cyndi Urman, Board Secretary