

MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE BOARD OF DIRECTORS**

October 27, 2022– 2:00 p.m.

Via Zoom Tele or Video Conference Only

Call to Order: 2:00 PM

1. Call to Order/Roll Call

| 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 the public participated by Zoom Video or Conference Call

2. Public Comment (Closed Session)

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

None

3. Adjourn to Closed Session:

Closed Session- Public Employee Performance Evaluation-Executive Director per Government Code Section 54957.

4. Adjourn Closed Session and Call to Order/Roll Call Open Session

Call to Order Open Session 2:10PM

| Agency | Present | Absent | Agency | Present | Absent |
|----------------|---------|--------|----------------------------|---------|--------|
| Belmont | X | | Redwood City | X | |
| Burlingame | X | | San Carlos | X | 3:44PM |
| East Palo Alto | X | 3:20PM | San Mateo | X | |
| Foster City | X | | County of San Mateo | X | |
| Hillsborough | 2:59PM | | West Bay Sanitary District | | X |
| Menlo Park | X | | | | |

5. Public Comment (Open Session)

None

6. Executive Director’s Report

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

- Staff Member Chiara Barausky-da Silva is leaving RethinkWaste. She will be taking a sustainability position at a start up in San Francisco. He thanked Chiara for her time at the Agency and noted that the Agency’s fellow program has been really successful at getting people ready for the next step on their career paths.
- There are currently two fellow vacancies, and the positions are posted on the agency website.
- The two-year procurement process for the Operations Agreement is coming to a close, and staff is expecting to recommend the award of this contract at the November 17 board meeting. He noted that each of the two finalists will be given the option to present to the board, and because of this he expects this section of the meeting discussion to last at least an hour.
- The November 17 board meeting will be at Silicon Valley Clear Water (SVCW), and will begin at 3PM and go to 5:30, a little longer than normal.
 - Chair Aguirre noted that it’s very important to drive no more than 10 miles an hour once inside the gate for safety reasons when you arrive at SVCW.
 - Executive Director La Mariana added that in addition to the Operations Agreement decision there are two other items of notable discussion including the 2023 budget and the final Site Optimization Study
- There will be SB 1383 mandated route reviews conducted by SCS Engineers from 10/30 to 11/4. These will be ongoing in the future, but this is the first round. Member Agency City Managers, City Staff, Public Works departments and police departments have all received notice of the route reviews.
- He thanked the Outreach and Education team for their enthusiastic work on Rethink Recycling Days events including the Spooktacular Kids Workshop
 - Member Froomin commented that staff did a great job, and the event was well attended.
- In January the Finance Committee will meet and discuss actual numbers for setting up a Captive Insurance program to help control rising insurance costs.
- With the upcoming November election there will be a change in agency leadership. Vice Chair Bonilla is not seeking re-election, and he reminded the board that with that transition the Board members will need to determine who the next Chair and Vice Chair of the agency will be. The election may be moved to November, or it may remain in January as it has in years’ past.

7. Approval of Consent Calendar

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

- A. Approval of the Minutes from the September 22, 2022, Board of Directors Meeting
- B. Resolution Approving Revised MOU with Silicon Valley Clean Water

Motion/Second: Bonilla/Froomin

Roll Call Vote: 9-0-0-2

| Agency | Yes | No | Abstain | Absent | Agency | Yes | No | Abstain | Absent |
|------------|-----|----|---------|--------|--------------|-----|----|---------|--------|
| Belmont | X | | | | Redwood City | X | | | |
| Burlingame | X | | | | San Carlos | X | | | |

| | | | | | | | | | |
|----------------|---|--|--|---|-------------------------|---|--|--|---|
| East Palo Alto | X | | | | San Mateo | X | | | |
| Foster City | X | | | | County of San Mateo | X | | | |
| Hillsborough | | | | X | West Bay Sanitary Dist. | | | | X |
| Menlo Park | X | | | | | | | | |

8. Administration and Finance

A. STUDY SESSION: Presentation of the FY2023 Operations Budget and Capital Improvement Plan

Executive Director La Mariana introduced the item. He noted that this item is still in draft form, and a few things are still works in progress, including Attachment C (the agency’s staffing plan). He noted that the draft budget was reviewed last week by the finance committee with a lot of discussion because costs and market conditions have changed dramatically during the past 6-12 months. In the last couple of weeks there has also been a steep decline in commodity market values, so at the direction of the Finance Committee staff has adjusted commodity revenue forecasting even more conservatively than what is normally forecast in the budget. He added that it’s likely that things will even out as they usually do but given the current conditions staff has set the planning bar low. He also noted that the budget includes tip fee adjustment percentages that are higher than normal. After surveying other facility rates in the local marketplace, Staff has learned that Shoreway’s tip fees are low , so staff feels the market can bear this larger tip fee increase. Other budget notable items include seed money for year one of a proposed multi-year facility master planning process, which would be the next logical step after the site optimization study; a 4% COLA adjustment for agency staff; adding medical benefits for the 5 fellow positions; and adding a new full-time staff engineer position to help with the large volume and scope of capital projects planned at the Shoreway site.

Staff Mangini then shared a PowerPoint presentation overiewing the FY2023 draft budget.

Member Rak asked if the final Budget version include the 2021 numbers to get a sense of how tonnage is improving after the pandemic, and how much revenue is coming from the public tons. He noted that an 11% tip fee increase for public drop off is a pretty big, and he was curious how much of a difference that increase will make in agency revenue. Given inflation he wanted to minimize cost increases and asked if there is way to not increase tip fees as much.

Staff Mangini answered that public tee fee revenue is about \$12M.

Member Rak asked if staff had considered contracting the new proposed staff engineering position instead of hiring a full-time staff member.

Executive Director La Mariana answered yes, but that the overriding component of his recommendation to make this position a staff position is the sheer number of and complexity of projects at the site. If these projects were to be contracted out the costs would be at least as high as hiring a staff member, and with a staff member there is strong continuity and direct agency ownership of the projects. He added that part of this presentation will be the capital projects listand you’ll see it is an extensive list.

Member Froomin commented that he’d like to have the Finance Committee look at whether tip fees should include debt principal payment because income is needed to make those required debt principal payments. He added that this year might not be the year given the impact on rates already, but it would be helpful for Member Agencies as they set rates to ensure that the debt principal payment is covered. He also noted that capital improvement project funds come out of reserve balances, and reserves are currently being bought down to fund projects without the money being put back into the reserves to build them back up. The Agency needs to look at how money is being put aside for reserves for capital projects, and how debts are being paid for the long-term financial health of the organization. He noted that some large capital projects in the future are going to need to be paid through

borrowing, not using cash on hand which means there will be additional principal payments to make which all need to be considered in the rates to make sure there is sufficient funds available. Lastly, Member Froomin asked about the Organics-to-Energy (O2E) project not necessarily being a cost-saving measure but having a lot of environmental benefits. He asked if the staff report could compare if all of the O2E material went to organics disposal processing how much that would cost. He also asked, now that SVCW is charging a tip fee for the O2E slurry including transportation how much is the environmentally beneficial project costing or saving the rate payers?

Chair Aguirre agreed with Member Froomin that the reserve balances were her biggest concern when reviewing the budget.

Executive Director La Mariana noted that the Finance and Executive Committees have given Staff strong feedback on the reserves, so this budget now includes \$400,000 being added to the equipment replacement reserve, because that is the reserve that is being depleted. And will include another \$400,000 each year for the next five years to provide about \$2M in total funding in this critically important reserve and reallocate from other reserves to replenish that reserve fund. He then noted the Shoreway Remediation Project reserve also has \$1.2M in reserves earmarked for the underground storage tank removal project. Staff anticipates that that will cover approximately 30% of the project costs and, as a budget-friendly planning measure, the remaining costs have been split into two projected budget years (FY2023 and FY2024).

2:59PM Board Member Al Royse, Hillsborough is now present.

Staff Mangini answered Member Froomin's question regarding debt principal payment. He noted that, yes, the debt principal payment is outgoing cash flow, but it's, it's also reducing debt. So, reducing an asset which is cash reserve and reducing liability on the other end. He added that Member Froomin's perspective is correct, it is still outgoing cash, just not for accounting purposes.

Staff Mangini asked Member Rak to clarify what comparative 2021 numbers he would like to see in the final presentation. Member Rak answered the 2021 financial results and tonnage.

Member Brownrigg directed staff to put together a helpful set of talking points regarding efficiency. Helping elected officials make the case that expenses are hopefully either in line or even better than our competitors in other parts of the bay area. He then asked what this budget will mean for the average rate increase this year and prospectively next year.

Staff Mangini answered in September the board approved Recology's 2023 compensation as well as the 2023 tipping fees for member agencies which established the 2023 revenue requirement for 2023. 2023 has already been projected out, however, tip fees needed to be raised a little more which was impactful to the revenue requirement by roughly 0.7% to rates.

Member Brownrigg and Staff Mangini agreed to look at table 8 and the 0.7% impact in 2023 after the meeting, as well as the project increase due to the new operations agreement on the 2024 rates.

Executive Director La Marina noted that the Operations Agreement RFQ will result in at least a 10% rate increase in 2024, and he encouraged member agencies to try to smooth out that large jump by adding at least 5% to this year's rates so next year isn't such a large jump. As Member Brownrigg mentioned there is a rate stabilization reserve fund, so the finance committee could make a recommendation on when and how much of that reserve fund to tap into to soften rate increases. He asked the finance committee members and board members at large to give feedback to staff on commodity revenues and possibly using the rate stabilization reserves to soften rate impacts before the November board meeting.

3:20PM Member Abrica now absent

Staff Gans went over the proposed capital budget projects, estimated dollar amounts for each project and the regulations and operational needs driving capital projects over the next five years.

Vice Chair Bonilla thanked staff for the budget presentations and fellow board members their questions regarding the budget and capital plans. He noted that in San Mateo they had a study session on the proposed rate increases for 2023, and he has received a lot of letters and pointed questions about the 2023 rate increases, so he encouraged all the board members to really pay attention so that they can report out on the SBWMA to their fellow council members, so increases aren't a surprise at rate time.

Chair Aguirre commented that in Redwood City they give updates at almost every meeting so that there are no surprises.

Executive Director La Mariana reiterated that he and Sr. Finance Manager, John Mangini are readily available to sit in on study sessions at the member agencies to help get the message across, so he encouraged member agencies to reach out if they would like staff present. He also noted that there is a major reset of the California solid waste industry's infrastructure and its associated costs. The Shoreway facility has been working hard for 40 years, and as you can see from this capital list that Staff Gans just reviewed, our facility is showing its age. So, a certain level of investment is required to keep the facility running at its highest and best use, despite it being in addition to all these other factors contributing to rising rates. He noted that he feels like this is an educational opportunity to work with communities on these topics and to boil very complex thoughts into understandable dialogue with the community.

Member Rak noted that in San Carlos they did a rate reduction program with PG&E for qualified residents where the city matched rate reduction for qualified PG&E customers, and the administration was pretty straight forward for the city, so maybe something similar could be looked at here.

9. Collection and Recycling Program Support and Compliance

No Items

10. Shoreway Operations and Contract Management

A. STUDY SESSION: Review of Shoreway Site Optimization Plan DRAFT Report

Executive Director La Mariana introduced the item and gave background on the project. He noted that this is the first time the board has seen the preliminary draft findings report by SCS Engineers who was selected via RFP process to evaluate the Shoreway site and look at future needs of the site on many different levels for the next 40 years of the site. He noted some driving factors of this study included member agencies housing plans and goals which will impact population growth and there for increase the amount of material that comes through the facility; growth of future work force at the site due to the new operations agreement, and SB1383 compliance; and the need for the RethinkWaste administrative work group to move to the site due to loss of lease at the San Carlos Library. This office lease expires on June 30, 2024. He noted that the site is already space constrained and at a significant parking deficit, so that must be addressed, as well as having space and infrastructure available to be able to remain at the forefront of innovative ways to handle waste material. He noted that after the board approves this finding report at the November meeting, the next logical step is to move into a master planning phase which a much longer-term process due to specific guidelines, procedures and protocols that are required due to CEQA. If the Board decides to move forward into formal master planning process, the preliminary phase would be about three years. If there is rationale to move forward, the build out it would be phased in over 10 years.

Tim Flanagan of SCS Engineers then gave a presentation to the board introducing the team that performed the study and outlining their draft findings. He noted that this really is a site sustainability and survivability study.

3:44PM Member Rak now absent

Tim Flanagan went over the three scenario maps that SCS laid out as options for site development. He noted that scenarios one and two are basically the same with the exception of the development of a different ingress and egress to improve traffic flow in scenario one. He noted that scenario three represented the most out of the box thinking, it moves some operations off site that don't necessarily need to be done at the facility with the solid waste facility permit to free up some space on the site. He went over the design alternatives in scenario three, noting that these alternatives are their recommendations for maximizing the Shoreway site survivability.

Member Brownrigg commented that there is increasing pushback from residents about rising costs, and it's not the optimal time to be talking to residents about having to upgrade the site especially if it seems frivolous. So, it's important to make the case that it's not frivolous. He asked for further explanation of the term survivability of the site.

Tim Flanagan noted that the site has served the SBWMA service area well for 30 years. But there is a relative sea change in regulations that are going to constrain the site including a 75% organics diversion law, and new Air and Water Board regulations. There is an absolutely critical need to have a greater expansion of the Shoreway site to ensure that it continues its mission of sustainable, cost-effective waste reduction, recycling and solid waste programs. He added that this will take several years to develop, plan permit and implement, so it won't show up tomorrow.

Executive Director La Mariana summarized the proposed layout of the site. (Scenario 3). It would include four major buildings and adding a right of way on the Redwood City side of the property. And, he is willing to talk to any Board or TAC members off line if they have questions.

11. Public Education Outreach and Legislation

No Items

12. Informational Items Only (no action required)

- A. 2022 Legislative Session Update
- B. Update on the Status of SB 1383 Implementation and Compliance
- C. 2022 Finance and Rate Setting Calendar
- D. Check Register Detail for September 2022
- E. 2022-2023 Meeting Planning Guide

13. Board Member Comments

14. Adjourn 4:01PM