



MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE FINANCE COMMITTEE
Tuesday, March 28, 2023 1:00PM
610 Elm St. Suite 202 San Carlos, CA 94070**

Call To Order: 1:00PM

1. Roll Call

Member	Present	Absent
Michael Brownrigg	X	
Al Royce	X	
Fran Dehn	X	
Rebecca Mendenhall	X	
Rich Lee	X	

SBWMA Staff Members Present: Joe La Mariana, John Mangini, Joanne Nghiem, Tj Carter, Jean Savaree,
Others Present: Evan Boyd, Recology San Mateo County, Dave Hilton HF&H Consultants

2. Public Comment

Pursuant to Government Code Section 54954.3(a), members of the public wishing to address the Committee may do so, and the comments shall be limited to the Special Meeting notice topic(s). Speakers may join the Zoom meeting via the meeting link and using the “raise hand” feature and the Clerk of the Board will call on people.

None

3. Executive Director’s Welcome (Verbal Only)

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

- The was a major storm last week that knocked out power at Canada College which caused the retreat to be cancelled at the last minute. Staff is working to reschedule the retreat on May 25, and should space be available the retreat will be rescheduled for then.
- Form 700 reporting for 2022 is due April 1.
- The administrative offices lease expires in June of 2024, and San Carlos has let us know that they won’t be able to renew the lease due to needs of the city. He is actively looking for new space for the RethinkWaste staff and expects to come to the board in closed session in April with some options.
- Staff has applied for reimbursement from FEMA for the damage that caused by the flooding on New Year’s Day. The total repair cost is about \$250K, and it’s looking like FEMA will reimburse up to 75%.
- Additionally, staff has included \$200,000 in additional overtime costs due to the long haul fleet needing to drive around through Pacifica when highway 92 to Ox Mountain was closed and then only open to

one way traffic because of the sink hole that formed due to the weather.

4. Consent Calendar

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

A. Approval of the Minutes from the January 10, 2023, Finance Committee Meeting

Motion/Second: Mendenhall/Royce

Roll Call Vote: 3-0-2-0

Member	Yes	No	Abstain	Absent
Michael Brownrigg	X			
Al Royce	X			
Fran Dehn			X	
Rebecca Mendenhall	X			
Rich Lee			X	

5. Update and Discussion on Property Insurance Options

Staff Mangini gave background noting that in a recent meeting with SBI - the new facility operator beginning January 1, 2024 - he asked them about how they manage their property insurance at their facilities in South San Francisco, and Sunnyvale. SBI put him in contact with their insurance broker, who specializes in the waste industry. This broker thinks that RethinkWaste can structure insurance differently to save money without lowering the coverage. He gave an overview of the staff reporting outlining the risks, benefits and obstacles to securing coverage with one particular insurance company that can offer a lesser premium with the same coverage primarily due to the fact that South Bayside Industries (SBI) will be the Shoreway Operator. Should the facility be able to secure "best in class" status, costs secured by the alternative broker for like facilities are about 35% of what the Agency is currently paying. However, they aren't willing to consider offering coverage until January 1, 2024 when SBI becomes the operator. He added that preliminary numbers from the current broker are that insurance premiums will rise between 10 and 75% next year. He also noted that he doesn't want to move completely away from the conversations this committee has had about creating a captive, but this is additional new information, and if the Agency is able to move forward on this maybe there would be a different decision on creating a Captive, but even if this SBI insurance carrier works out it is likely to include a Captive component.

Staff Mangini gave a brief overview of the Captive discussions this committee has had over the last six months. He also noted an additional challenge is that currently Risk Strategies is the broker of record for the Agency. SBI's broker is requesting that they become the broker of record, because insurance carriers won't issue quotes if there are two brokers requesting coverage for the same entity. So, we can't look at actual quotes at this point.

Member Royce thought it made sense to combine SBI's carrier with the Captive to create the best cost scenario and savings to the rate payers. Because it would lower insurance costs in the short term while building up the captive that would give the Agency more cost control.

Member Lee asked when the fire was and how many years of history insurance companies look at when determining rates.

Executive Director La Mariana gave a history of insurance coverage and costs since the fire and noted that at the time of the fire in September of 2016 they were told 3 to 4 years, but costs have only continued to significantly escalate each year due to overall risk in the industry.

Member Mendenhall commented that many insurance carriers are leaving California which leaves a smaller pool of potential carriers so no matter what kind of industry it is there are big increases in insurance premiums across the board.

Member Royce commented that he would be worried about SBI's insurance carrier leaving the state entirely. He asked staff to do due diligence to make sure they are big enough not to abandon the coverage.

Member Brownrigg commented that it is a new market every year, the Agency can't control that risk factor because every year the broker has to go out to the market with the coverage we need and it's a new deal every year. He added that this discussion leads more and more to the idea of creating a self-insurance Captive. He noted that when the Captive conversation comes to the board it would be helpful to put risks into different buckets so the board can make a decision about how much money they want in the Captive to address that risk, and what projects the Agency would have to give up in order to have money in a Captive that is only to address risk. He also noted that the Agency insures for total catastrophe, and he thought that was over insuring.

Staff Mangini noted that the current coverage is \$65M which is about 80% of total assets, but that it is hard to quantify replacement value versus current costs.

Member Brownrigg pointed out that the 2016 fire was in the most expensive part of the facility, and cost \$8.5M to put it right, so that suggested to him the facility is over insured. He suggested looking at buying different levels of coverage for different parts of the facility, noting that the parking lot doesn't need as much coverage as the MRF.

Member Lee pointed out that in the worst-case plane crash scenario the pilot will likely be at fault and the agency will likely get a pay out from that insurance which should be factored into the decision about how much coverage to buy.

Member Dehn suggested that Executive Director La Mariana and West Bay Sanitary District Manager Sergio Ramirez connect on this issue because they face similar insurance decision issues.

Member Lee asked for further clarification on what would be covered by this prospective SBI insurance carrier and what would still need to be covered through a Captive or otherwise.

Staff Mangini noted that business personal property would be insured separately from the other assets. However, most of the property is actually bolted to the floor so carries some of the same risk. This SBI carrier seems to be willing to carry \$25M in MRF Equipment coverage which is a good portion of the total.

In conclusion of the discussion staff was given direction to investigate coverage with SBI's best in class insurance coverage in context with creating a Captive and/or the possibility of separating the insurance policies for different parts of the facility, the possibility of becoming part of a risk pool, as well as investigating if the Agency is over insured.

6. Update and Discussion on Recology San Mateo Senate Bill (SB) 1383 Cost Proposal

Staff Carter introduced himself to the committee noting this this was his first time presenting to the committee. He also introduced Dave Hilton of HF&H Consultants who have consulted with the Agency on many projects. He gave a brief background on SB 1383, and the requirements that the Agency is completing on behalf of the member agencies. The Agency has a contract with SCS Engineers for the rollout of these services. That contract expires at the end of this year, so staff has worked with Recology for a proposal to provide these services long term. HF&H was brought on to review and analyze the proposal for how it compares to other jurisdictions. There are two functions Recology will provide in their proposal. One is the costs that are associated with bringing in new accounts as customers subscribe to the required three bin system. Costs for these additional accounts are already accounted for in the Franchise Agreement compensation process. The second part of the proposal included additional Recology staff to conduct SB 1383 services on the member agencies' behalf in the long term. He added that for the committee's review in the packet are the costs associated with Recology's proposal. Staff would like to bring this proposal to the Board at the April Board meeting. If the proposal is approved these costs would be integrated into the annual compensation application process and go into effect January 1, 2024.

Dave Hilton walked the committee through HF&H's due diligence in reviewing the details in Recology's proposal. Overall HF&H's review indicates that Recology's proposal is reasonable and in line with what they have seen elsewhere.

Member Dehn asked if the two positions that existed in 2018 are part of the current budget. She also asked if waivers ever expire, and when penalties begin on SB 1383 compliance.

Executive Director La Mariana noted that the two positions are not part of the current budget, so it's three new positions. Staff Carter noted that currently waivers that expire in 5 years have been approved. CalRecycle envisions a future where waivers don't exist, but we don't know when that will happen. He also noted that enforcement penalties will begin on January 1, 2024.

Member Dehn asked if there was an incentive in the Recology proposal for the two additional Waste Zero specialists to add the unsubscribed accounts.

Executive Director La Mariana answered that the Agency's requirement is to make sure there is accurate resources to comply with SB 1383, and to review the assets on an annual basis.

Member Dehn asked if the additional trucks in the proposal were based on the traditional fleet and not an electric fleet.

Executive Director La Mariana answered that it's based on current fleet metrics. EV collection vehicles are nowhere near ready for full time use. They cost twice as much and carry half the load.

Member Brownrigg asked for a reminder when commercial accounts need to be in compliance with SB 1383.

Staff Carter answered that the regulations went into effect January 1, 2022, but the regulations allow for outreach and education for non-compliant business and residences before penalties start January 1, 2024. His focus and the focus of the SCS team has been trying to persuade customers to sign up for compost service during this outreach phase of the regulations prior to enforcement.

Member Brownrigg asked if staff has let individual cities what percentage of their accounts are not in compliance.

Staff Carter answered that he is in regular contact with the TAC members regarding where their cities are with compliance. At the beginning of this year after the initial year of work on SB 1383, he met with each individual member agency for a compliance review.

Member Brownrigg asked for a Burlingame list of non-compliant accounts. He also noted that specifically with commercial accounts the bin is either undersized or needs an additional pickup day per week, and it was becoming a real health concern in Burlingame. He asked Evan Boyd if that was an ordinance the City needed to pass or how best to address that issue.

Evan Boyd answered Recology will charge an overage charge in instances like that to help mitigate over full bins. The Waste Zero specialists are out there trying to help customers right size their carts as well. He added that next time there is an amendment to the Franchise Agreement cities may want to look at what the City of San Mateo did by not allowing any free overages before the charge occurs. He also added the cities need to get code enforcement involved so the notice is from City government, not the garbage company.

Member Lee asked for clarification on the 2023 costs versus the 2024 ramp up in costs.

Executive Director La Mariana noted that the \$400,000 in 2024 is the full cost, which is also about what SCS is paid now.

Evan Boyd answered that the difference is the timing of the additional headcounts only one of them would hit in 2023, the other two would be in January of 2024.

Member Mendenhall asked if there was enough time to bring staff up to speed given the penalties begin to hit in January 2024.

Evan Boyd answered that all accounts have to be audited by January 1, 2025, so that gives us a year to train, and complete the audits.

Evan walked the committee through the data that they used to base the projected increases in lifts, and trucks that will be required to do the SB 1383 work at the request of Member Lee.

There were no further comments and staff was given direction to move forward with presenting the proposal to the Board.

7. Committee Member Comments

Member Brownrigg thought that the next phase of Site Optimization plan was going to be discussed at this meeting, but wasn't on the agenda, so he asked what the plan for that discussion was. Executive Director La Mariana answered that at the February Board discussion the board asked to see more options and hear about all the options that were considered, so he is planning to reach to each individual board member for feedback before bringing it to the Finance Committee likely on June 13. Member Brownrigg noted he would make that the only topic.

8. Adjourn 2:23PM