



**MINUTES**

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
 MEETING OF THE FINANCE COMMITTEE  
 Tuesday, June 13, 2023 1:00PM  
 610 Elm St. Suite 202 San Carlos, CA 94070

**Call To Order: 1:07PM**

**1. Roll Call**

Member	Present	Absent
Michael Brownrigg	X (1:12PM)	
Al Royse	X	
Fran Dehn	X	
Rebecca Mendenhall	X	
Rich Lee	X	

**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:

- Supply chain issues have improved and Recology now has five new front loaders and three more on the way, 14 side loaders are on the way, and SBI has five new big rigs ahead of schedule.
- There is a small change order that will be part of the June Board packet for SCS Engineers on the Site Optimization Study to commission the option work that was requested at the April Board meeting.
- Should the Site Optimization recommendations be approved, a financing options discussion would come to this committee.
- The County’s VRS program that provides a supplemental work force of sorters to SBR is discontinuing their relationship with SBR as of January 1, 2024, so SBI is looking for an alternative workforce agreement, and a currently working towards an agreement with Job Train.
  - Member Dehn asked if the workers would be graduates of Job Train or in the Job Train program, because typically they way the program works is you’re in the training program for a specific amount of time, and then you move to another assignment for the next training cycle until you graduate. She didn’t know if that model would be conducive to providing a consistent workforce.

- Executive Director La Mariana answered that he didn't know, he hadn't been a part of the discussion. He added that the reason he is bringing this up at the finance committee is because if an agreement can't be reached with an alternative workforce those jobs would end up falling to CBA jobs and that would have significant cost impacts at a \$4M difference.
- Member Mendenhall asked why the County's VRS program is discontinuing.
- Evan Boyd answered that VRS has had difficulty in providing the necessary staffing levels, and he gets the sense that the program may be going away all together.
- At the end of July, the Zero Waste Committee will be discussing MRF Phase II which could play into the alternative work force discussion regarding AI, and robots.

**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 March 28, 2023, Special Finance Committee Meeting

Motion/Second: Dehn/Lee

Roll Call Vote: 4-0-0-2

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

**5. DRAFT Review and Recommended Approval of a Resolution Approving Mid-Year 2023 Budget Adjustments and the FY2024 Budget Forecast for 2024 Member Agency Tip Fee Projections**

Staff Mangini gave an overview of the mid-year budget and the 2024 forecast which allows for estimating the tip fees to calculate the revenue requirement for each member agency. He noted that the largest factor in the 2023 mid-year budget is that the Organics-to-Energy equipment isn't running and likely won't be running until 2024. That has reduced operating expenses to SBR but has increased disposal processing costs. He also noted a slight savings in administrative expenses in the budget, which puts the mid-year budget at a net revenue of \$400,000 for the year.

He then moved to the 2024 budget forecast. He noted that the projection on the proposed tip fees for 2024 is a 25% increase across the board for public and franchise tons because of the new SBI contract starting and the increase in costs with that new contract. He shared an analysis handout regarding public tip fees at nearby facilities.

Member Lee asked what the three asterisk means, they aren't indicated.

Staff Mangini noted that those have an additional \$3/ton environment fee. He also noted that the comparison numbers are all from 2023 but are being compared to our projected 2024 numbers, so likely the comparative rates will also be going up. However, we do want to be aware of how high the tip fees are, because we don't want to lose those customers.

Executive Director La Mariana acknowledged that 25% is a big number. He noted that most of it is due to the step up in costs related to the new operations agreement starting in 2024. But he noted some other contributors including increased costs related to 1383, very slow return to public drop off after the pandemic, and lost ground on roll off compactor accounts due to the overall economic downturn. However, multi-family is going up and has increased by about 5%.

Member Dehn asked where public drop off tons would go if people were avoiding higher costs at Shoreway.

Executive Director La Mariana answered that Sunnyvale, Blue Line or Ox Mountain are the closest alternatives. He also noted that Shoreway Road has had road closures and construction for the last 3 years. It reopened in late April and the public is starting to come back. So, at this point it's hard to tell if the decrease in public volume is due to the road closure, or something more permanent. He noted that staff did talk internally about doing the increase over a two-year period, but the step up is required to meet the bond covenants. He also reiterated in relationship to the SBI contract step up he recommended to member agencies last year to do a two-step process and add some percentage points to their rates in 2023 to help even out the contract step up in 2023, and most member agencies show a surplus at this point.

Member Lee asked for a refresh on what the debt coverage requirement is.

Staff Mangini answered 1.4, but there are a couple of things that are excluded: debt service fees, and the host fees paid to the City of San Carlos which is about \$2.2M per year.

Member Brownrigg asked what is the ask this cycle in terms of revenue increase for member agencies.

Executive Director La Mariana answered that we think it will be about a 10% increase in rates, not including the Recology part of the business.

Member Brownrigg asked why the Recology numbers aren't included in today's analysis.

Executive Director La Mariana answered that the comp app is due on June 15, and those numbers will be available the second week of August in a preliminary Table 8 for 2024.

Member Brownrigg asked for talking points on why the operations line item went from \$20M to \$31M.

Executive Director La Mariana answered that there will be talking points put together for Board TAC and staff members. But listed 1) the significant increase in labor with justification for 20 new positions which equates to most of the difference, 2) there is a true up with the current CBA contract because the current contract has SBR falling behind overtime; and 3) there is some new processing equipment. He noted that one thing that could swing in the agency's favor is that there is no revenue share on commodities, SBI didn't want the market risk, so whichever way the commodity markets ebb and flow all the profit will come to RethinkWaste and we anticipate seeing a favorable cost benefit analysis with MRF phase II and the potential for automation.

Member Royse asked if there was a cost comparison to other similar agencies so we can see how we relate to the market.

Executive Director La Mariana commented that he doesn't know yet, but will, but with where our Agency is on SB 1383 implementation, he thought the comparison to similar agencies would be favorable.

Member Royse summarized that he would like the talking points to include: 1) the rationale for why costs are increasing, 2) the fact that our rates remain favorable compared to similar agencies; and 3) the benefits to the member agencies such as the organics program. He also asked for an explanation as to why the 17 new positions are needed at the facility.

Member Brownrigg noted that based on the handout RethinkWaste isn't low cost anymore, and suggested taking a 10-year look back over time because he expects that the negotiation strategy has typically been a fairly large first step, and then costs only go up by CIP, so if we take a historical view, tipping fees will have gone up at a shallower increase over the last 10 years than the competitors, so you could calculate a net savings for the residents over that same time period. If this is true then this will save the residents money over the next ten years before the next reset, but the numbers have to back that up.

Member Lee asked for comment on the recent Little Hoover Commission report recommending a pause on 1383.

Executive Director La Mariana noted that the Little Hoover Commission is an independent group of elected officials that have approved a report that recommends pausing SB 1383 implementation. He noted that RethinkWaste doesn't see the pause as a good thing. He gave background on the four-year process of debate in getting SB 1383 passed into law. He noted that yes, the costs associated with it are expensive no doubt, but it would be a major step backwards toward the original intent of SB 1383 which was dealing with very serious emissions problems in the state, and landfills our industry being one of the major sources of emissions.

Member Dehn thought it was important to bring up the reasons 1383 is good for the state with the budget because it is expensive and now with this report a lot of people will ask why the agency is spending so much on 1383 and continuing with implementation.

Member Royse asked if there was a hard cost calculation for RethinkWaste 1383 implementation.

Executive Director La Mariana answered yes agency 1383 operations are calculated in the operating budget. In addition, there are additional costs for collection services that Recology is providing to comply with 1383 and those aren't included in the operations budget, those will be included in the compensation application discussions this fall. 1383 coupled with the new contractor and the need to upgrade the facility for the next 40 years of operations are all cost conversations coming down the pike, but the good news is there is a phasing in.

Member Brownrigg commented that his initial reaction to a 25% increase in costs followed immediately by an ask that the facility needs an upgrade as well, is not a great set of talking points.

Member Mendenhall asked if the \$4M for sorting with the vocational group was in this budget projection.

Executive Director La Mariana replied that staff is working very hard to get a contract with a new contractor hopefully Job Train at the same cost basis as the VRS contract, so hopefully that line item won't change. If there is no contract with a secondary labor source those jobs are likely going to become union jobs and then costs will increase significantly.

Member Brownrigg asked for more clarity on how the tipping fee is going up 25% but the estimated rate increase is about 10%.

Member Dehn made a motion that the Board staff report note that the Finance Committee has reviewed the report and recommend that the report go to the board.

Member Lee seconded the motion.

Voice Vote: 5-0-0-0

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

**5. Review of Proposed Facility Property Insurance Coverage/Premium for FY2023-24**

Staff Mangini noted that the staff report for this item is very brief because we hadn't received quotes, and we currently haven't received quotes from all carriers. He gave members a handout with the current layer quotes that are available and introduced John O'Neil of Risk Strategies to discuss the process and where he thinks the agency will end up on insurance premium costs.

John O'Neil gave the background of how the insurance for the facility is layered to get up to \$65M in coverage. Currently quotes are in from all but 4 participants who have not provided quotes or said they will remain in the program because of a very constrained market with capacity issues. He thought the increase would be 12-15% overall.

Member Lee noted that San Mateo is considering self-insurance up to \$10M because premiums have increased 20-30% each year, so 12-15% didn't seem too bad. He then asked if one of the first-tier providers disputes a claim and doesn't kick in at all will the excess layer carriers not kick in as well.

John O'Neil noted that these are strict property loss policies, so the only thing that wouldn't be covered is a seismic event. He noted that in 40 years in business he's never had a layered carrier deny a claim and then others didn't pay based on that, but if a claim is denied outright then none of the layers would pay it. The carrier would have to make a strong case as to why it was denied.

John O'Neil thought he would have the final numbers in about a week.

Staff Mangini noted that the board packet goes out in two days, so he suggested a not to exceed number be in the staff report.

Executive Director La Mariana expressed frustration at how long it has taken to get the insurance quotes. Noting that every year, it takes longer and longer to receive quotes. It's uncomfortable being 18 days out from policy expiration and only having a preliminary set of numbers, not even a final set of numbers.

John O'Neil commented that he shares the frustration, but the excess carriers work it when they work it, and I can't change that.

Member Brownrigg asked why the first three layers are providing \$2.5M in coverage for \$250K, but the fourth layer is \$1.5M coverage for almost the same cost.

John O'Neil answered this happens when certain layers have to be repositioned due to carriers declining coverage, and then that comes with new pricing - they don't honor each other's pricing.

Member Dehn asked if it was possible to have an interim insurance agreement, or a 14-month policy to help deal with getting quotes just a few days before the policy expires.

John O'Neil noted that carriers might consider possibly extending pro-rata. All contracts are 12 months, but they might consider a one-to-three-month extension.

Member Dehn thought this was an option worth exploring further.

Member Lee offered an alternative noting that board could give this committee the authority to review the final numbers and enter into an insurance agreement.

Counsel Savaree said if the board was comfortable with approach that would be fine.

John O'Neil noted that he would follow up with staff on the next steps.

## **7. Committee Member Comments**

None

## **8. Adjourn to closed session 2:31 PM**

- A. Pursuant to Government Code (§ 54956.8): Real Property Negotiations 1245 San Carlos Ave. Suite E, San Carlos, CA 94070 Agency Representatives Executive Director Joe La Mariana and Legal Counsel Jean B. Savaree

## **9. Adjourn 3:01PM**