



MINUTES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE FINANCE COMMITTEE
September 10, 2024, 1:00PM
City of San Carlos 600 Elm Street San Carlos, CA 94070

Call To Order: 1:03PM

1. Roll Call

Member	Present	Absent
Michael Brownrigg	X	
Jon Froomin	X	
Al Royse	X	
Rebecca Mendenhall	X	
Grace Castaneda	X	

Member Grace Castaneda attended via Zoom.

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 La Mariana La Mariana’s Welcome (Verbal Only)

Executive Director La Mariana La Mariana La Mariana welcomed everyone to the meeting and made the following announcements:

- He updated the committee on the SBWMA office move, the final installation of the lift, and the final walk through for the punch list. Staff will start working from the office on Monday, September 16.
- The September Board meeting will be in the SamTrans building, and the October board meeting is planned to take place and be hosted in the new office conference room.
- He noted that steps are being taken to meet the EV clean vehicle requirements that are coming in the next few years. And announced that the Recology team looked at a Hydrogen fueled garbage truck. It has many pros and cons, but it is another step toward future Zero Waste vehicles.
 - Member Royse asked what the price comparison is between the Hydrogen and fully electric garbage trucks.
 - Executive Director La Mariana La Mariana La Marina answered that it is not much less than the electric, which are around \$922,000.00 currently.
 - Member Froomin asked the price on the current diesel fueled garbage trucks.
 - Executive Director La Mariana La Mariana La Mariana answered \$430,000.00, some savings are expected with the fuel itself, but staff will need to do that cost benefit analysis.

- Member Froom asked if there has been any movement on legislative requirements or deadlines.
- Executive Director La Mariana La Mariana La Mariana answered that there has been no indication of any deadline shifts.
- Staff Gans added that there are aspirations and reality, there is already a two-year backlog on the standard garbage truck which makes you wonder what the backlog will be for the electric version. It could take up to ten years to get one.
- Executive Director La Mariana La Mariana La Mariana added that Recology is working on getting fifty garbage trucks to be transitioned over to electric by 2028. Including 14-15 of the ancillary vehicles already in transition to EV, such as service pickup trucks for a total of 75 vehicles.
- He then gave an overview of upcoming projects at Shoreway. The underground storage tank (UST) replacement project work begins September 23 and will take four months and will be very impactful to Recology and SBI operations. He added that while the UST projected is mandated, the vision for 2035 is to convert the fleet to alternative fuel, likely electric power.
 - Member Froomin asked for clarification noting that the last report on EV there was progress but not yet meeting the standard needed to make it viable, how will it be possible then to transition the next few years.
 - Executive Director La Mariana La Mariana answered that the biggest standard that is not being met is the amount of payload that can be collected in the vehicle and that is what is being worked on. The last round tested were able to return to the yard with a 40% charge remaining. The issue now is the weight of the battery which is an additional 2 tons which diminishes the payload.
 - Member Froomin commented that it is interesting that fuel consumption is being analyzed, but he thought adding 20% more drivers who are driving gas powered vehicles to get to work, 20% more wear on the roadways need to be factored in as well.
 - Executive Director La Mariana La Mariana noted that Recology has an employee incentive to buy EV vehicles. So, it may not be accurate to assume that they are all driving gas powered vehicles.
- Rethink Recycle day will not be happening at the facility this year with all the things happening at the facility and the office move.
- The long-range plan is close to being completed and the Board will review the draft version in October.
- Lastly, he noted that a data breach with our bank occurred, but the fraudulent attempt was caught before anything financial was accessed.

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 June 11, 2024 Finance Committee Meeting

Motion/Second: Royse Mendenhall

Roll Call Vote: 4 – 0 – 1 – 0.

Member	Yes	No	Abstain	Absent
Michael Brownrigg			X	
Jon Froomin	X			

Al Royse	X			
Rebecca Mendenhall	X			
Grace Castaneda	X			

5. Shoreway Site Planning and Source of Funds Discussion

- MRF Phase II –Sort System Automation Update
- Fire Risk Mitigation Projects
- Transfer Station Parking Area Redesign

Staff Gan gave an overview of the proposed Shoreway Capital Projects to improve and manage the facility and their estimated cost summaries.

Executive Director La Mariana noted that these will be submitted for consideration in the FY2025 capital budget, and this is being presented for the finance committee to provide feedback or if there are any questions prior to the board meeting.

Member Froomin asked regarding discussions on labor savings via eliminating positions. How does that play into the ability to reduce labor given that the CBA agreements have a set number of positions.

Staff Gans answered that reduced labor is from non-union positions.

Executive Director La Mariana informed the members that the nonunion positions were previously provided through a contract with the county of San Mateo. It was the vocational rehabilitation services; the county discontinued the contract with the operator transition after not being able to sustain a steady number of workers. Currently, these workers come through a temp agency.

Member Froomin and asked for clarification on how the proposed technology and how it would reduce costs.

Staff Gan answered that it would reduce residue (the garbage collected in blue bins) by about 40% of the cost of labor.

Member Brownrigg noted that staff should make it clear that the ROI is also on improved processing, better recovery upfront, and decreased landfill.

Member Royse asked how long the equipment depreciation is?

Staff Gan stated that the current equipment is 20 years old, and it still has close to 10 years still available for use.

Member Royse noted that means that the return annually is a lot better than what is written on the presentation. He added that previous conversations to control costs or to generate revenue including insurance programs, should be included for the net bottom line impact. Noting that a lot of residents are receiving increases in utilities, and this will show a detailed review of why increases are happening here.

Member Royse states that

Member Froomin asked if there is still a MRF Phase III, noting that the green bond number is very close to the MRF Phase II balance.

Staff Gan we are waiting on the technology that is coming to determine if there will be a MRF Phase III, but the MRF Phase II plan is the current technology available to us now.

6. Follow up from June Board Meeting: 2025 Tip Fee Recommendations

Staff Mangini reported the request to review the reduction of tip fee as recommended by the board during the June 2024 meeting.

Member Froomin stated that there is an exact savings number written in the analysis and asked why the number isn't closer to \$700,000 reduction in insurance costs.

Staff Mangini reported that he could have written it out as a percentage, but it wouldn't have a big impact on the number.

Member Brownrigg states that he is in favor of doing it as it is proposed and as presented. Later on, there will have to be a change to the rate stabilization fund, and this might help with that.

Motion: Froomin/Brownrigg

Roll Call Vote: 5 – 0 – 0 – 0.

Member	Yes	No	Abstain	Absent
Michael Brownrigg	X			
Jon Froomin	X			
Al Royse	X			
Rebecca Mendenhall	X			
Grace Castaneda	X			

7. Follow up from June Board Meeting: Reserve Policy Best Practices and setting a Rate Stabilization Policy standard among the Member Agencies

Staff Mangini gave background that he received a request from a TAC member to have the finance committee review and discuss the rate stabilization reserve and best practices and a review of what the member agencies are doing regarding rate stabilization. He noted that none of the member agencies have responded that they have a specific rate stabilization reserve separate from the Recology surplus account, though not all member agencies have responded to date.

Member Froomin asked how long it took staff to get the data information for this presentation.

Staff Mangini answered that it was a quick search.

Member Froomin noted that city councils have a policy that no individual can request work of staff without board approval. And here we have one organization requesting work of staff that might not be supported by the board. He asked if the Agency has a policy set up around this type of ask.

Executive Director La Mariana answered no we do not, though it has been an issue in the past but not recently.

Member Froomin recommended that it should be something for a future board retreat, at least to touch base with the board. He then asked if there is a policy specific to replenishing reserves.

Staff Mangini answered there is no policy specific to replenishing reserves.

Member Froomin noted that one year ago the board authorized using the rate stabilization fund for a 5% reduction in rates to smooth the large increase, but it was just a delay because now that reserve needs to be replenished. So, he recommended having a policy specific to replenishing reserves. when they can be used.

Staff Mangini noted that there is policy in place to review the reserve policy annually, the replenishment will be reviewed in January 2025.

Member Brownrigg endorsed Member Froomin comments on creating a policy around when a member can request significant extra work to prevent wild goose chases. With respect to replenishment, he agrees with Member Froomin, it does not make sense to put all 5% back the next year.

Staff Mangini stated that the 5% needs to be put back to meet bond covenant ratios. No reserves have been replenished unless direction is given by the board to do so. The board has the ability to move reserve funds and emergency reserve for any purpose . Reserve policy states that both rate stabilization and emergency reserve will be funded up to 10%.

8. Staff Report on Bond Arbitrage and IRS Liability

Staff Mangini gave background on this topic.

Member Froomin stated that the bond is designed to buy things and do something with it, it's not designed to raise funds by taking more money than borrowed. He asked what the interest rate is and what is the amount of earned interest allowed.

Executive Director La Mariana noted that the net proceeds that came out of the secured green bonds are placed in a green bond reserve that can fund green bond reserve eligible projects. It was the intention to draw this out much sooner, but the pandemic other events that caused uncertainty the projects got delayed. Some of the reserve was drawn down with the MRF Phase I project, KNN public finance is always contacted to make sure that recommended projects are indeed a green bond fund eligible.

Member Froomin asked staff to ensure that the budget was properly reflecting interest earned on the bond balance and any interest payments that were being paid in arbitrage.

Staff Mangini answered that he will check in with the arbitrage calculators to see if they can give some direction. He recommended that this entry is booked as an interest revenue to budget for a lower investment income.

Member Froomin stated the greatest concern would be that an arbitrage payment will be calculated and the funds to pay the arbitrage are no longer available.

Executive Director La Mariana stated that the interest earned is problematic because the agency is a non-profit organization with more favorable tax exemption rates. That is why the arbitrage specialist and KNN have recommended to pay it back and move forward.

Member Royse asked if this was discovered by the agency filing the IRS form or, did they come to the agency directly requesting the payment.

Staff Mangini answered that it is a requirement to have an arbitrage calculation done, therefore a firm who does this specifically was hired to do this calculation for the Agency and helped fill out the IRS form.

Member Royse asked if it was interest only and if there were no penalties.

Staff Mangini answered that there are no penalties as of now but if no action is taken there could be penalties and there could be additional payments required.

Member Brownrigg commented that a lot of the bond fund was being held back for the ambition of Organic-to-Energy (O2E) E and there were other plans that did not work out which left unspent bond funds.

Member Froomin noted that the other concern was on BLX group payment due on or before September 2024.

Staff Mangini answered that it has been paid. BLX recommended that the agency should invest in an arbitrage investment fund rather than having it in the bond fund that earns more than it is legally able to earn. He asked for feedback from the committee if there was support for looking into setting up that account.

Member Mendenhall responded that it is something to look into, but without all of the facts it is tough to make a recommendation.

Member Castaneda stated that there is a similar situation in the City of Belmont where bond issuances need to be arbitrated every five years. 85% of the issuance was not spent down within the 3 years, so come arbitrage calculation time, the bond council instructed to have internal memos to prepare in case any tax audits come up. The first memo is to state why the bond proceeds were not spent down and the second thing the memo should address what the plan is to spend down the proceeds and the timeline. It's important to specify the cash flow not the commitment, when the cash will go out the door. Those are the projections that want to be seen per quarter. The bond proceeds can be parked depending on how fast those funds are planned to be spent. The alternative is to move the funds into an account that does not earn 4% interest.

Member Royse asked if this was done by a contractor, would they pay interest, which would not be subject to the same rules.

Member Castaneda answered that she was unsure how that transaction would be evaluated. Each bond has its own account and there is a limit on how much can be withdrawn each month.

Member Mendenhall recommended checking with Redwood City who does the Agency finances and investments to see what they recommend.

Finance Committee Input Session on the DRAFT 2025-2034 Long Range Plan

Staff Nghiem presented the draft Long Range Plan and asked for feedback on the draft prior to the October board meeting and Final approval in November.

The committee discussed the two proposed mission statements. They had a strong preference to leave in cost-effective.

The Committee then discussed the Long Range Plan goals and objectives.

Member Royse Asked if the goal is reduced plastic use what is the plan to measure that reduction.

Executive Director La Mariana stated that it goes through waste busters.

Member Froomin asked If member Royse is referring to the Member Agency's use of plastics,

Member Royse answered that his question is more about how it is measured.

Member Froomin stated that the focus of the Long Range Plan should be on what comes to the facility instead of what the community is using.

Executive Director La Mariana noted that both are important because what our Member Agency's uses is how it trickles down to what is collected at the facility, from environmental outreach and education as an upstream program.

Member Brownrigg asked if we believe that we as an Agency would be more financially efficient if there were more members. If yes, that could be an objective which is to expand membership.

Member Froomin responded that the first thing that comes to mind is site optimization study, and more Member Agencies would add more trucks in the space that is already constrained. There is much more capacity for material because the permit is at 50% but is there a enough space to run an additional 50% more material.

Member Brownrigg commented that from a practical point of view that is correct but whether the direction for a long-range plan should be do we want to stay the same or do we want to grow is a strategic question that may be missing.

Member Royse asked if these current objectives fulfill our mission. And if not, would accepting other members make a difference for our communities in the county. Additionally, he added that an objective of the finance committee is always how to fund it.

Member Brownrigg challenged the team to think about it and look at expansion as a point that drives this mission.

Staff Nghiem stated that she would evaluate it as an objective to see what that would look like.

Member Brownrigg suggested another goal is that the Agency be a test bed for new technologies if there is space for it since this is a mission driven agency and not a profit driven agency.

Member Froomin suggested innovation be a part of the guiding principles.

Member Brownrigg agreed that this approach works and would empower the agency to be aware of ideas from outside sources/startups.

Staff Gan noted that this approach sends a message to the staff that we should be talking to people at the state level and equipment manufacturers to work in partnerships with new technologies.

He noted that there is an opportunity in SB54 where \$500,000,000.00 is set aside for plastic packaging manufactures to create, and fund greater recovery of plastics packaging, if not they will be banned from the state of CA.

Member Froomin states the quality of the Long Range Plan product is great regardless of the comments he provided.

10. Committee Member Comments

11. Adjourn: 2:46 p.m.