



CONSENT CALENDAR



DRAFT MINUTES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
 MEETING OF THE BOARD OF DIRECTORS
 January 28, 2015 – 2:00 p.m.
 San Carlos Library Conference Room A/B

Call To Order: 2:00PM

1. Roll Call

Agency	Present	Absent	Agency	Present	Absent
Atherton	X		Menlo Park		X
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	

2. Adjourn to Closed Session – Pursuant to Government Code Section 54954.5: Public Employee Appointment Interim Executive Director.

2b. Regular Session CTO: 2:35PM

Roll Call

Agency	Present	Absent	Agency	Present	Absent
Atherton	X		Menlo Park		X
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	

2c. Report from Closed Session

No Report

2d. Public Comment

Persons wishing to address the Board on matters NOT on the posted agenda may do so.

Each speaker is limited to two 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.

Joe LaMariana from the County of San Mateo announced that the County of San Mateo has gone through a realignment, and his staff that used to report to the Public Works department, now reports to the Office of Sustainability. He also introduced the new Deputy Director of Natural Resources, Daniel Lee.

3. 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. Adopt the November 19, 2015 BOD Meeting Minutes
- B. Adopt the January 18, 2016 BOD Special Meeting Minutes
- C. Resolution Accepting the FY1415 Annual Financial Statements
- D. Resolution Approving Revised SBWMA Investment Policy for 2016
- E. Approval of Quarterly Investment Report as of 9/30/15

Member Aguirre made a motion to approve the consent calendar

Charles Stone seconded the motion

Voice Vote: All in Favor

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Atherton	X				Menlo Park				X
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			

4. Administration and Finance

- A. Appointment of Hilary Gans as Interim Executive Director During Recruitment Process for an Executive Director for SBWMA (*Approval Item*)

Chair Widmer introduced the item and asked for discussion.

Member Brownrigg noted that the Board is appreciative of Hilary Gans stepping into the role, and asked if there was agreement on the terms of the position.

Chair Widmer answered that the Board would need to approve this item, as well as the compensation that goes along with this item.

Member Brownrigg asked if the discussion that was held in closed session will be agreeable to the candidate.

Chair Widmer commented yes, but with an amendment to the compensation as discussed in closed session. He suggested that Resolution 2016-10 be amended to leave the temporary compensation

as stated but allow for a one time additional 80 hours of vacation pay to be used subsequent to the completion of the assignment, but within a 12 month period of time.

Member Benton moved to approve Resolution 2016-10 as amended.

Member Bronitsky seconded the motion.

Voice Vote: All in Favor

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Atherton	X				Menlo Park				X
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			

B. Election of Board Officers for 2016 (*Approval item*)

Member Slocum requested that 4D be discussed before 4B, as the County's Director of Human Resources was here to answer any questions about the recruitment of the Executive Director but that she had to leave by 3PM.

Chair Widmer introduced the item, and noted that he was happy to continue to serve in whatever capacity the Board wanted him to serve.

Member Stone commented that he had great respect for Chair Widmer's work and dedication over the last two years. He nominated Member Grassilli for Chair of the Board.

Chair Widmer nominated Member Bronitsky, and called for any other nominations, and closed nominations.

Member Benton asked to hear from each of the Board Members nominated.

Member Bronitsky stated that the Agency has a lot of big negotiations coming up, and as a lawyer for 30 years he's done a lot of negotiating. He also added that now that he has served on the Board for two years, he understands how the agency works, and he knows everyone on the Board. He added that he thought he would lead good meetings, and deal with all of the issues the agency has to deal with in a professional manner.

Member Grassilli commented that he has been involved in this agency since 2006, and choosing the new service provider. He also noted that he has been the Chair of C/CAG for two years, so he has experience in leading groups of colleagues. He added that he has an interest in this that goes back a long way, and he has the time and expertise to be an effective chair.

Member Brownrigg thanked Chair Widmer for his service and noted that rotation is useful in Chair roles and suggested a two year rotation going forward to allow a buildup of knowledge. He also asked Member Grassilli if he saw any conflict of interest because the SBWMA does so much work with San Carlos.

Member Grassilli answered not any more than being on the Board. He commented that the Chairman's job is almost a silent one to facilitate the will of the Board, and he wouldn't have any more power than his one vote.

Member Aguirre asked how the Vice Chair is selected.

Chair Widmer explained, closed discussion and called for a roll call vote for the two candidates.

Agency	Member Grassilli	Member Bronitsky	Abstain	Absent	Agency	Member Grassilli	Member Bronitsky	Abstain	Absent
Atherton		X			Menlo Park				X
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			

Member Grassilli received 8 votes and became Chair.

Member Brownrigg called for a round of applause for Member Widmer's work as Chair.

Chair Grassilli thanked the Board for their support.

Member Aguirre nominated Member Bronitsky for Vice Chair

Member Benton moved to close nominations.

Voice Vote for Member Bronitsky as Vice Chair: All in Favor

Chair Grassilli also thanked Vice Chair Dehn for her service.

C. Resolution Accepting Mid-Year Review of FY1516 Annual Operating Budget (*Approval item*)

Staff Fakira gave an overview of the staff report, and gave details of the variances on the mid-year budget. He noted that the mid-year budget includes additional compensation to SBR for higher glass hauling costs, and an additional amount for the Split Body pilot which was originally in the Recology compensation, but was moved to the SBWMA budget.

Member Widmer noted that the year to date spending was done on December 10th, and asked about commodities, noting that the year to date commodity revenue was only \$2.5M, but the projection of \$9.5M didn't change. He added that he noticed this throughout the budget, and he wondered what type of analysis was done to trend the numbers forward, and asked for an update on the commodity situation.

Member Abrica was absent at 3:28 PM
 Member Aguirre was absent at 3:29 PM

Staff Fakira noted that the commodity numbers were based on the first four months of actual numbers, and the softening of commodity prices occurred recently. He noted that projections are made based on the average of the actuals.

Member Widmer asked for clarification because the year to date number is only four months and not half a year.

Staff Fakira answered that it is the same process that has worked effectively in years past for projecting commodity revenue.

Member Widmer reiterated that the same trending was used for disposal costs and throughout the budget, and the actual numbers don't match the trending numbers, and it looks like it will be significantly lower than expected.

Staff Fakira responded that disposal fees are based on actuals for a longer period of time than commodities. He also noted that projections are also made based on the same quarter as in the previous time period.

Chair Widmer submitted that if it is a four month number it should be noted, because it's stated as actual spending for half the year, and the projected numbers don't match the actual numbers.

Member Benton asked for clarification on tip fee revenues versus disposal, noting that franchised tons are slightly down, but third party tons are slightly up, and disposal is up, and he questioned if more tons received means more money lost.

Chair Grassilli commented that he had the same question.

Staff Fakira answered that's not the case. He explained that the net revenue is not all the revenue, but noted that the disposal side was under budgeted, and the revenue was over stated, in the original budget. The revenue for the third party tons was budgeted, but the volume was not reflected on the disposal side.

Chair Grassilli noted that he came in early today to discuss the mid-year budget because he wanted to understand how this works, but noted that it is still unclear to him. He asked if this item needed to be approved today.

Counsel Savaree said that it did not need to be approved today.

Chair Grassilli asked for further detail on the revenue and disposal variances in simplified terms at the next Board meeting.

Member Widmer stated that he agreed and noted that in the Executive Director's goals the Board specifically asked that Board presentations be at a higher level and in presentation form to discuss the major variances. He asked when it comes back that it be presented as a Powerpoint summarizing the major items.

Chair Grassilli submitted that this item be brought back to the Board at the next meeting, and the Board would then go through the numbers and the larger discrepancies.

Member Benton commented that he agreed, and noted that one of the Board's objectives was to seek more third party tons to offset the costs, and he wanted to make sure that those tons were actually bringing in money while not costing money.

Member Widmer commented that every third party ton is supposed to be a gain of \$14 per ton.

Member Benton moved to table this item to the next Board meeting.

Interim Executive Director Gans noted that Staff Fakira mentioned that the commodity prices have dropped, which is a change that has happened between the booking of revenues in December, and January commodity pricing, so it was too late to capture in this staff report. He noted that he is glad to have the opportunity to reflect the commodity price drop impact when this is discussed next time, because at this point it's about a \$600,000 drop in net revenue, which is significant.

Member Widmer suggested getting input from other agencies to see what they are seeing and what their impacts are.

Interim Executive Director Gans noted that Dan Domonoske of SBR was in the audience and could speak about commodity prices, but that trying to predict trends in commodity prices was like trying to predict oil prices - these commodities swing dramatically.

Chair Grassilli asked that Dan speak next time when the budget comes back.

Interim Executive Director Gans noted that Dan wouldn't be available then.

Chair Grassilli asked that he give an explanation in writing on the commodity pricing.

D. Consideration And Approval Of Resolution Authorizing Contract For The Recruitment Of Executive Director Or, In The Alternative, Provide Board Direction On How To Proceed With This Recruitment (*Approval item*)

Member Slocum requested that 4D be discussed before 4B, as the County's Director of Human Resources was here to answer any questions about the recruitment of the Executive Director but that she had to leave by 3PM.

The Board agreed and Chair Widmer introduced the item and gave a brief background.

Donna Vailancourt, Director of Human Resources and Lisa Yapching, Director of Recruiting, spoke about what the County's approach would be and if it would be any different from some of the Executive search firms proposals.

Lisa Yapching went over the process and what the County would do as the search firm.

Donna Vailancourt added that the County would just charge their hourly cost for the services as well as any pass through costs for expenses. She also noted that they do have experience recruiting for JPAs, and noted that they recruited for the C/CAG Director and the Library Director positions.

Chair Widmer asked for clarification on how the 20 resumes that met the top criteria would be narrowed down to those interviewed. He noted that the big difference he's identified between the County doing the search or a firm doing the search is that there will need to be more Board involvement in candidate selection.

Donna Vailancourt answered that typically the process is a sit down process and the Board subcommittee would spend 2-3 hours going through the resumes.

Chair Widmer noted that the estimated cost for the County providing recruitment services would be \$2,500 exclusive of pass through costs.

Donna Vailancourt answered yes with the understanding that the goal is to have the candidate in place in April.

Member Benton asked if the County had any recruitment experience recruiting outside of government services.

Donna Vailancourt that they don't just post the job listing and hope that the right candidate will apply. They source resumes through LinkedIn.

Member Brownrigg asked the County why they want to do this work for the JPA.

Donna Vailancourt answered because Member Slocum asked them.

Member Grassilli commented that he was the Chair of C/CAG when the County did the recruitment for their Executive Director search. He said they did a wonderful job and the candidates they brought forward were excellent candidates.

Member Aguirre asked what recruitment the County has done outside of government.

Donna Vailancourt answered that it is typically government or non-profit.

Member Brownrigg asked if the County had the bandwidth to do this recruitment.

Donna Vailancourt answered yes, and that was one of the first questions Member Slocum asked her agency.

Member Benton asked if any of the Board Members have experience with either of the other two search firms that they can share with the Board.

Chair Widmer noted that he has worked with both, and added that they prepare a brochure that they send out, they post in papers and in the Western Cities magazine, collect resumes and do the screenings.

Member Grassilli noted that he worked with Bob Murray and Associates for their City Manager recruiting, and the County with the C/CAG Executive Director search and both did a good job, and brought in high quality candidates.

Chair Widmer added that the City of Atherton used Bob Murray after they had tried to do the recruitment themselves to start with, and Bob Murray came in and did an expanded search.

Member Stone responded that he spoke with Belmont City staff and that their response was that either of the firms will give about the same services, and an acceptable outcome. He also noted he liked what he heard from the County and that there is a strong argument to be made from a cost savings point of view.

Member Abrica noted that he also supports using the County, and thinks the additional involvement required on the part of the Board might be a good thing.

Member Aguirre noted that she supports using the County as well.

Member Benton commented that he is concerned that it won't be an easy position to fill, to get a good strong Executive Director, but wants to make sure that whoever is doing the recruiting understands that they may have to dig deeper to find quality candidates.

Member Brownrigg commented that he agreed that it is a very important position, and a very important phase of the Agency so it's a critical hire. But, he noted that even the private search firms are focused on hiring for government, so they aren't going to have a much wider net than the County.

Member Benton commented that he's worried it's a pretty small niche, and he thought whomever does the recruitment is going to have to go find the right candidate rather than expect the candidate to come to them.

Chair Widmer commented that his main concern that the Board Members on the search committee have the time to do additional work if the County is chosen, as opposed to a firm that would get paid to do that work.

Member Bronitsky noted that Member Grassilli has had experience with both the County and a search firm, and he noted that there wasn't that big of a difference in how much work on the part of the selection committee needed to be done, so with that he was in favor of the County.

Member Slocum commented that he thought the County would work well, and that he would be willing to put the time in to make sure this works well. He also asked if there would be national recruitment or California only.

Chair Widmer answered that the salary is not in line with someone moving here, but suggested the recruitment be regional.

Member Aguirre noted that while she understands bringing someone in from another part of the country it may be impossible to house them, but also doesn't want to limit where the job is posted to cast the net where the highest caliber of candidates are.

Member Benton asked if it would remain a non-PERS position.

Chair Widmer stated yes, we are a non-PERS agency.

Member Stone acknowledged Member Aguirre's point, but noted that the candidate will need to have knowledge of California regulatory framework as well. So yes, cast the net, but I would be wary of hiring someone without California experience.

Member Abrica asked if the Board would see the job description.

Chair Widmer noted that there was a pro forma at the Special Meeting last week that was passed on to the attorney.

Counsel Savaree commented that at the Special Meeting she suggested that once you pick a recruiter, the search committee will meet with the recruiter and be very clear about the brochure that will go out and the job description.

Member Abrica asked if those pieces would come back to the Board, so that it can be approved.

Chair Widmer noted that this tasked to the committee, and with Member Slocum as the Chair the committee will need to do that.

Member Benton asked for a reminder as to who was on the search committee.

Chair Widmer answered, Warren Slocum is the Chair, with Charlie Bronitsky, Charles Stone, Micheal Brownrigg and Fran Dehn.

Member Abrica asked that the job description come back to the Board so that even the public can see it.

Member Brownrigg made a motion to work with County of San Mateo for a not to exceed an amount of \$10,000 including expenses.

Member Stone seconded the motion.

Voice Vote: All in Favor

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Atherton	X				Menlo Park				X
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			

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

A. **Consideration of Approval of Final Plan and Recommended Process for Supporting Member Agencies with Future Franchise Agreement Decisions (*Approval Item*)**

Staff Feldman gave an overview of the staff report. He noted that the plan is needed to facilitate developing a future contract extension with Recology but does not preclude any of the authorizations and approvals that will be needed to proceed with a contract extension, nor does it preclude any Member Agency from negotiating any unique aspects of their franchise agreement either on their own outside of this plan and process or concurrently in collaboration with the JPA. He added that per discussion at the last Board meeting there has been one change in the time frame, which gives a timeline for Member Agencies to come back to the JPA board by April/May with a commitment to the process. He reiterated that this plan and process is not to make a decision on whether to extend or not, this is to negotiate a contract that hopefully all the Member Agencies can live with.

Member Widmer stated that he thought the process and timeline was not conducive to giving the Member Agencies enough time to have discussions about what they want in a future Franchise Agreement. He noted that he felt like the Member Agencies were being rushed, and suggested a June/July timeframe for Member Agencies to come back to the JPA with the detailed information needed.

Member Benton asked for further details on the JPA's option to extend the contract, and when the last date that can be exercised.

Staff Feldman answered that the Franchise Agreements are between the Member Agencies and Recology, the JPA is not a party to the contracts, so the JPA does not have an extension option. He added that the date in the contract that the decision needs to be made is by the end of December 2017. He added that the time frame in this staff report allows for the contract amendments to be negotiated by early in 2017, and that the contract extension and amendments will then be vetted by all the Member Agencies governing bodies over the course of 2017.

Member Benton clarified that each Member Agency has until December 31st, 2017 to exercise a one year option to extend with Recology.

Staff Feldman answered that the term of the extension is not in the current franchise agreement, but it's likely to be a 10 year term, not a one year term because of components in the Long Range Plan such as cost savings associated with a new CNG fleet.

Member Benton noted that he thought he saw that there were several one year extension options.

Staff Feldman answered that those provisions are in the Operations Agreement with SBR which is a contract between the JPA and the operator which does have individual one year extensions. He added that this staff report is only for the collection services Franchise Agreement with Recology.

Staff Feldman added that what the current Franchise Agreements do have is a time frame for Agencies to make a decision in 2017, because all of the Member Agencies have one company that

provides the services, and to unwind that in any way and go in potentially different directions will require two to three years to conduct an RFP process in order to get a new contract in place with another vendor. He added that the document you are voting on today provides for a one year period from now to come back with a negotiated contract with Recology that an ad hoc committee has signed off on, which will be vetted by this Board, and then go before each of the Member Agencies' governing bodies. He added that contract extension decisions could be made after that point, but substantially it would be one collaborative contract similar to the existing uniform Franchise Agreements. He also added that he understands Member Widmer's concern that the timeframe is too aggressive, but feels strongly that the timeframe is doable and to extend it might be problematic.

Member Bronitsky commented that he has negotiated many leases over the years, and the faster things are negotiated the more cost savings there are. He thought the Board should be as aggressive as possible with the schedule to negotiate savings with the extension and did not want to see the schedule slip.

Member Brownrigg commented that it's important to remember throughout the negotiation that the Member Agencies are not bound to use this vendor. And while he agreed that cost savings are important in the negotiations, part of the reason for the speed is so that there is time to do an RFP.

Member Benton asked if the deadlines for the spring of this year regarding the survey of Recology's operations were on track.

Staff Feldman answered that there are two deliverables this spring, and pending the Board's approval staff will be working diligently with Recology to accomplish the request to ask Recology to perform a self-review by March. And, then the JPA will do a similar review on how Recology has met the original goals of the contractor selection process that led to Recology being chosen as the service provider in the current Franchise Agreement. He added that both of those will happen in the March/April time frame.

Chair Widmer noted that last year consultant dollars were allocated to look at the overall costs and compare that with other agencies, and he still wanted to get that analysis, but now it sounds like Recology is going to do a self-review and staff would then vet that self-review.

Staff Feldman answered that in last year's budget there was money allocated for consultant work to look at Recology's overall costs, however, Recology gave that information voluntarily and an expansive audit was not needed. So that consultant work Member Widmer is referring to did not happen. He added that in the current budget there is money allocated to execute an operational audit that will go into building a collection services pro forma that can be used to vet Recology's actual costs. He added that that work will be on board in the near future pending approval of this schedule, so that the results used will be timely.

Chair Widmer pointed out that his understanding was that the consultant was also going to be looking at similar jurisdictions, and what it should cost to provide these services, and now it sounds like that is not happening.

Staff Feldman responded that looking at similar jurisdictions is tricky because the Franchise Agreement structure this JPA has is very unique.

Member Widmer reiterated that he thought the schedule should be altered to allow the Member Agencies to reflect on their must have, and nice to have list in a future agreement.

Chair Grassilli asked for a motion to that affect.

Member Widmer made a motion to move the date that the Member Agencies agree to move forward to June 30, 2016.

Member Brownrigg asked for the current date, which is April/May.

Staff Feldman clarified that the April/May date is the date staff is requesting the individual Member Agencies to come back to the JPA Board and state whether or not they are committed to the process.

Member Brownrigg clarified that each Member Agency has to tell you that they are in, not what they want.

Staff Feldman stated yes, and added that regarding any unique contract amendments to the existing Franchise Agreements that comes later. He noted that an ad hoc committee will be formed in April/May and the contract work will be driven by that committee, including any and all amendments there are to provide one uniform Franchise Agreement.

Member Widmer noted that he thought the cart was before the horse, because yes he was interested in getting a number from Recology, but without them knowing what my list of must haves is, the number won't mean much.

Chair Grassilli clarified that if by saying a Member Agency is in, means in the JPA, and asked Member Widmer if they were saying they were considering not being part of the JPA.

Member Benton stated that he thought the Board was agreeing that the JPA would take the lead in negotiations.

Staff Feldman yes, this plan sets in process that the JPA will take the lead in negotiating an extension with Recology, and he noted that it is not binding. Every contract decision every step of the way will go back to the governing bodies, and the Board's input will be used to develop one uniform Franchise Agreement that Recology will provide a proposal for.

Chair Grassilli asked if there was flexibility to opt out down the line in the process.

Staff Feldman answered yes.

Member Benton stated that he'd like to see the process move along and doesn't want to see the timeline moved.

Member Stone made a motion to approve Resolution 2016-09 as stated in the staff report.

Member Brownrigg seconded the motion.

Voice Vote: 7-1-0-4

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Atherton		X			Menlo Park				X
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			

B. Staff Update on Implementation of Commercial Recycling Hauler Reporting System Ordinance
(Informational item)

Staff Feldman gave an update on the Commercial Recycling hauler reporting system ordinance, and noted that there has been an increase in participation by 45%, but there is still about 125 businesses that need to be registered. He also noted that at this point staff will be reaching out to the Member Agencies to continue to encourage businesses that have not registered to register. He added that staff will continue to work diligently to get the numbers of participation up, and the recycling volumes up to improve the projections that were in the Long Range Plan.

Vice Chair Bronitsky asked that when the list of those not registered goes out that the Board gets a copy of the list in case of political sensitivity.

Member Brownrigg commented that the diversion numbers are pretty profound, noting that Recology collects 59,000 tons and outside haulers so far have reported 40,000 tons and there is only a third reporting.

Staff Feldman commented that the projection is 60,000 once all the fourth quarter reports are in, so yes, there is a tremendous amount of recycling going on that is just now getting captured.

Member Brownrigg noted that it is a really big number and he is interested in drilling down to this further at a future meeting.

Staff Feldman commented that staff is not recommended imposing fines for non-compliance with the ordinance anytime soon, but will be asking for Member Agency help with getting to the right person at a business so that they comply.

Member Benton asked at this point what percent are compliant.

Staff Feldman answered 35-40% by volume of potential business that should be registered are registered.

Member Widmer reminded the Board that before any fines are assessed the Board has to approve that, and he requested that the list of those businesses that are not compliant be available when any fines are discussed.

6. Shoreway Operations and Contract Management

A. Update on Organics Recovery Project Work with Silicon Valley Clean Water *(Informational item)*

Interim Executive Director Gans gave an update on the Mixed Waste Processing system, noting that it is in the design phase with the goal of getting the design far enough along to get complete cost estimates for the equipment and the required transfer station expansion, as well as the amount of material the system could recover. He noted that the most important document for tracking progress is attachment A. He introduced Teresa Herrera, Assistance Manager at Silicon Valley Clean Water, as the lead person on this SBWMA project and partnership.

Teresa Herrera presented where Silicon Valley Clean Water is on their side of the project, and noted that they are excited about the potential energy that could be derived from this project. She added that with the estimated quantities that the SBWMA is looking at it might be possible to get to a net positive energy, but the goal is to get to net zero energy because energy is the third biggest cost at Silicon Valley Clean Water and net zero energy would work to stabilize rates. She noted that they have done a technical feasibility study, and they have excess digester capacity, and that they will be doing a small scale pilot with Recology in San Francisco. She added that assuming everything looks good, they would be ready to scale up.

7. **Informational Items Only (no action required)**
 - A. 2016 Finance and Rate Setting Calendar
 - B. Check Register for November and December 2015
 - C. Technical Consulting Contracts for 4th Quarter 2015
 - D. Potential Future Board Agenda Items

Member Widmer requested that the budget item that was continued, as well as a separate presentation on the commodity revenues.

Chair Grassilli requested a discussion on HHW costs.

8. **Board Member Comments**
9. **Adjourn 4:13PM**



STAFF REPORT

To: SBWMA Board Members
From: Farouk Fakira, Finance Manager
Date: February 25, 2015 Board of Directors Meeting
Subject: Resolution Approving Agreement with R3 Consulting Group, Inc. for Financial Systems Audit of Collection Services and Facility Operations Contractors for Calendar Year 2015

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2016-11 attached hereto authorizing the following action:

Authorize the Executive Director to execute a contract with R3 Consulting Group, Inc. for a Financial Systems Audit of Collection Services and Facility Operations Contractors with a not-to-exceed budget of \$39,890.

Summary

The purpose of this annual audit is to verify for completeness and accuracy various financial reports and information for calendar year 2015 provided by our two main contractors, Recology San Mateo County (Recology) and South Bay Recycling (SBR). This audit focuses on reviewing critical financial aspects of the \$100 million per year solid waste, recycling and compost collection services system and materials handling/processing and to verify the accuracy of remitting commodity revenue and transfer station gate revenue of approximately \$17 million per year by SBR to the SBWMA. Thus, the audit work will verify that both Recology and SBR are accurately obtaining, compiling and reporting financial data to the Member Agencies and the SBWMA per the requirements prescribed in the Franchise Agreement(s) and the Shoreway Facility Operations Agreement, respectively.

Analysis

The SBWMA is seeking to contract with R3 to perform a financial systems audit of our two contractors, Recology and SBR. In 2014, the SBWMA issued a Request for Proposals (RFP) for a Financial Systems Audit of Collection Services and Facility Operations to five potential proposers. In March 2015, the Board approved staff's recommendation to contract with R3 for this work. R3 has agreed to provide a 15% discount on the Financial Systems audit which will result in savings of \$6,038 if the SBWMA contracts with them for both the Annual Report Review and the Financial Systems Audit (see **agenda item 4C**). In addition, R3 has reduced the cost of the Financial Systems Audit by \$2,388. The cost will not exceed \$35,743. The combined savings in year-over-year cost reductions and the discount for both the Financial Systems Audit and the Annual Report Review is \$16,150.

To summarize the scope of work, this project will entail a thorough review and verification of Recology's 2015 Annual Revenue Reconciliation which includes verifying the surplus/shortfall balance owed to/from Recology by Member Agency. It also reviews the billed revenue, Member Agency fees, and disposal and processing expense by Member Agency. The work will also review Attachment Q (i.e., **Unscheduled Services**) revenue and costs. The SBR review and verification will include public revenue and commodity revenue reported and paid to the SBWMA for 2015. R3 will also review the scale house procedures which is the originating source of all tonnage and public revenue reporting. The full scope of work is provided in the R3 proposal (see **Exhibit A**).

Background

The Member Agencies Collection Services Franchise Agreements with Recology prescribe numerous reporting requirements that ultimately have a direct effect on Member Agency garbage collection rates charged to their customers. It is very important that the total Collection system cost of approximately \$100 million is correctly verified for accuracy. In particular, Recology will submit on March 31, 2016, a Revenue Reconciliation for 2015 that will show the surplus or shortfall balance in compensation retained by Recology in comparison to what they are owed by Member Agency. The Member Agency's balance is based on billed revenue, less the approved Recology compensation for collection services, fees paid by Recology to the Member Agencies and payments to the SBWMA for disposal and processing at Shoreway. As the financial administrator of the Franchise Agreements, the SBWMA conducts this audit on behalf of our Member Agencies.

Based on the terms of the Facility Operations Agreement, SBR paid to the SBWMA in 2015 all public gate revenue of approximately \$7,132,244 and all commodity revenue of approximately \$9,506,840 net of their share. This audit will review in detail the backup to the company's calculations and payments to ensure that the proper amounts were reported and paid to the SBWMA.

Fiscal Impact

The SBWMA FY2016 budget includes \$55,000 for Contract Management Support. The contract with R3 Consulting, LLC for a not-to-exceed amount of \$35,743 will be paid with these funds.

Attachments:

Resolution 2016-11

Exhibit A – [Proposal from R3 Consulting Group \(available online only at www.rethinkwaste.org\)](http://www.rethinkwaste.org)

(A sample professional services agreement is also available at www.rethinkwaste.org.)



RESOLUTION NO. 2016-11

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A CONTRACT WITH R3 CONSULTING GROUP FOR A FINANCIAL SYSTEMS AUDIT OF COLLECTION SERVICES AND FACILITY OPERATIONS CONTRACTORS FOR CALENDAR YEAR 2015

WHEREAS, the South Bayside Waste Management Authority (SBWMA) Board of Directors has considered entering into a contract with R3 Consulting Group for the purpose of providing a financial systems audit of collection services and facility operations contractors 2015 financial reporting and payments; and

WHEREAS, the R3 Consulting Group has the appropriate experience in the industry and with our unique contracts; and

WHEREAS, attached as **Exhibit A** hereto is the R3 proposal with the scope of work.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby authorizes Executive Director to execute an Agreement with R3 Consulting Group with a not-to-exceed budget of \$35,743.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 25th day of February, 2016, by the following vote:

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Atherton					Menlo Park				
Belmont					Redwood City				
Burlingame					San Carlos				
East Palo Alto					San Mateo				
Foster City					County of San Mateo				
Hillsborough					West Bay Sanitary Dist.				

I HEREBY CERTIFY that the foregoing Resolution No. 2016-11 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on February 25, 2016.

ATTEST:

Bob Grassilli, Chairperson of SBWMA

Cyndi Urman, Board Secretary



STAFF REPORT

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Date: February 25, 2016 Board of Directors Meeting
Subject: Resolution Approving Agreement with R3 Consulting Group, Inc. to Conduct a Review of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems for Calendar Year 2015

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2016-12 attached hereto authorizing the following action:

Authorize the Interim Executive Director to execute a contract with R3 Consulting Group, Inc. for a Review of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems for calendar year 2015 with a not-to-exceed budget of \$34,816.

Summary

The purpose of this annual audit is to verify for completeness and accuracy the self-reported data and information for calendar year 2015 provided by our two main contractors, Recology San Mateo County (Recology) and South Bay Recycling (SBR). This self-reported information affects the compensation paid to the contractors and the disincentive payments and liquidated damages paid by the contractor's to the Member Agencies. This audit focuses on the data included in the 2015 Annual Reports issued by the contractors and their various functions related to compiling, maintaining and reporting this data. Thus, the audit work will verify that both Recology and SBR are accurately obtaining, compiling and reporting the information included in their Annual Report(s) to the Member Agencies and the SBWMA per the requirements prescribed in the Franchise Agreement(s) and the Shoreway Facility Operations Agreement, respectively.

Analysis

The SBWMA is seeking to contract with R3 to perform an audit of data and information related to the 2015 Annual Report(s) of our two contractors, Recology and SBR. In 2014, the SBWMA issued a Request for Proposal (RFP) for a Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Auditing Project to five potential proposers which were likely qualified to perform the requested audit work. Based on the results of that RFP process, staff recommended contracting with R3 to perform this work for calendar year 2014 and is seeking to execute another contract with R3 for this work for 2015.

R3 has agreed to provide a 15% discount on the Annual Report Review which will result in savings of \$6,144 if the SBWMA contracts with them for both the Annual Report Review and the Financial Systems audit (see **agenda item 4B**). In addition, R3 has reduced the cost of the Annual Reports Review work by \$1,580. The combined savings in year-over-year cost reductions and the discount for both the Annual Report Review and the Financial Systems audit is \$16,150.

To summarize the scope of work, the Annual Report Review will entail a thorough assessment and verification of Recology and SBR's 2015 Annual Report(s) which includes verifying tonnage allocation, liquidated damages,

performance incentives and disincentives, customer service call center data and billing. The full scope of work is provided in the R3 proposal (**Exhibit A**).

Background

The Member Agencies Collection Services Franchise Agreements with Recology prescribe numerous reporting requirements that ultimately have a direct effect on Member Agency garbage collection rates charged to their customers. It is very important that the self-reported data and information included in the contractor's annual reports is correctly verified by Member Agency. Numerous components of these reports are included in the company's respective applications for an adjustment to contractor's compensation due in June/July each year.

Fiscal Impact

The SBWMA FY15/16 budget includes \$80,000 for Collection Services Franchise Agreement administration. The contract with R3 Consulting for a not-to-exceed amount of \$34,816 will be paid with these funds.

Attachments:

Resolution 2016-12

Exhibit A – [Proposal from R3 Consulting Group \(available online only at www.rethinkwaste.org\)](http://www.rethinkwaste.org)

(A sample professional services agreement is also available at www.rethinkwaste.org.)



RESOLUTION NO. 2016-12

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS AUTHORIZING THE INTERIM EXECUTIVE DIRECTOR TO EXECUTE A CONTRACT WITH R3 CONSULTING GROUP FOR A COLLECTION SERVICES AND FACILITY OPERATIONS REPORTS, TONNAGE DATA AND CUSTOMER SERVICE SYSTEMS AUDIT FOR CALENDAR YEAR 2015

WHEREAS, the South Bayside Waste Management Authority (SBWMA) Board of Directors has considered entering into a contract with R3 Consulting Group for the purpose of providing a Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Auditing Project for 2015; and

WHEREAS, the R3 Consulting Group has the appropriate qualifications and experience in the industry and with the unique scope of work required to conduct the 2015 auditing work; and

WHEREAS, attached as **Exhibit A** hereto is the R3 proposal with the scope of work.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby authorizes Executive Director to execute an Agreement with R3 Consulting Group with a not-to-exceed budget of \$34,816.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 25th day of February, 2016, by the following vote:

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Atherton					Menlo Park				
Belmont					Redwood City				
Burlingame					San Carlos				
East Palo Alto					San Mateo				
Foster City					County of San Mateo				
Hillsborough					West Bay Sanitary Dist.				

I HEREBY CERTIFY that the foregoing Resolution No. 2016-12 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on February 25, 2016.

ATTEST:

Bob Grassilli, Chairperson of SBWMA

Cyndi Urman, Board Secretary



STAFF REPORT

To: SBWMA Board Members
From: Farouk Fakira, Finance Manager
Date: February 25, 2016 Board of Directors Meeting
Subject: Approval of Quarterly Investment Report for the Quarter Ended December 31, 2015

Recommendation

It is recommended that the SBWMA Board review and approve the Quarterly Investment Report as of 12/31/15.

Analysis

The primary objective of the Investment Policy for the SBWMA is safety of principal while meeting the cash flow needs of the Authority through prudent investment of unexpended cash. As of December 31, 2015, the investment portfolio was in compliance with the Investment Policy. The portfolio contains sufficient liquidity to meet the next six months of expected expenditures by the Authority as well as by other third parties.

Fiscal Impact

The attached Investment Portfolio Summary indicates that as of December 31, 2015, funds in the amount of \$19,786,798 were invested producing a weighted average yield of 0.40%. Below is a summary of the changes from the last quarter.

	Qtr Ended 12/31/15	Qtr Ended 9/30/15	Increase (Decrease)
Total Portfolio	\$ 19,786,798	\$ 21,238,203	\$ (1,451,405)
Weighted Average Yield	0.40%	0.38%	0.02%
Interest Earnings	\$ 19,735	\$ 19,865	\$ (130)

The overall portfolio balance decreased by \$1,451,405. The decrease reflects the timing of disbursements for disposal processing and transfer station services between this quarter and the last quarter. Normally, payments for these services are made around the 20th of each month. But, the September payments were made at the beginning of October, creating a timing difference between the two quarters. A table comparison of the portfolio components is provided below:

	12/31/2015 Balance	% of Total	9/30/2015 Balance	% of Total	Change over Prior Quarter
SM County Pool	\$ 5,739,190	29%	\$ 5,728,746	27%	\$ 10,444
LAIF	8,385,354	42%	10,878,169	51%	(2,492,815)
Bond Account	5,662,252	28%	4,631,288	22%	1,030,964
Total Portfolio	\$ 19,786,796	100%	\$ 21,238,203	100%	\$ (1,451,407)

Note: There may be minor differences in totals as individual amounts are rounded to the nearest dollar

Due to arbitrage restrictions, bond investments are not included in our LAIF rate or investment pool comparison. As of December 31, 2015, the bond reserve and payment accounts of approximately \$5.7 million were invested with the trustee in short-term investments.

As of December 31, 2015, investments in the County Investment Pool totaled 41% of SBWMA's funds available for investment pools (see Attachment 1). The percentage is within the range specified by the SBWMA Board.

The average yield of the portfolio in the quarter excluding the bond proceeds was 0.54%. LAIF is used as a benchmark and the average LAIF yield for the quarter ending December 31, 2015, was 0.37%. The San Mateo County Pool average yield for the quarter was 0.78%.

The Investment Advisory Committee, consisting of Jeff Maltbie, City Manager of San Carlos; Michael Galvin, City Treasurer for San Carlos; and Rebecca Mendenhall, Administrative Services Director of San Carlos, have reviewed this report before presentation to the Board.

Attachments

- A – Summary of All Investments for Quarter Ending December 31, 2015
- B – Investment Portfolio 12/31/2015 - Chart
- C – Historical Summary of Investment Portfolio

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

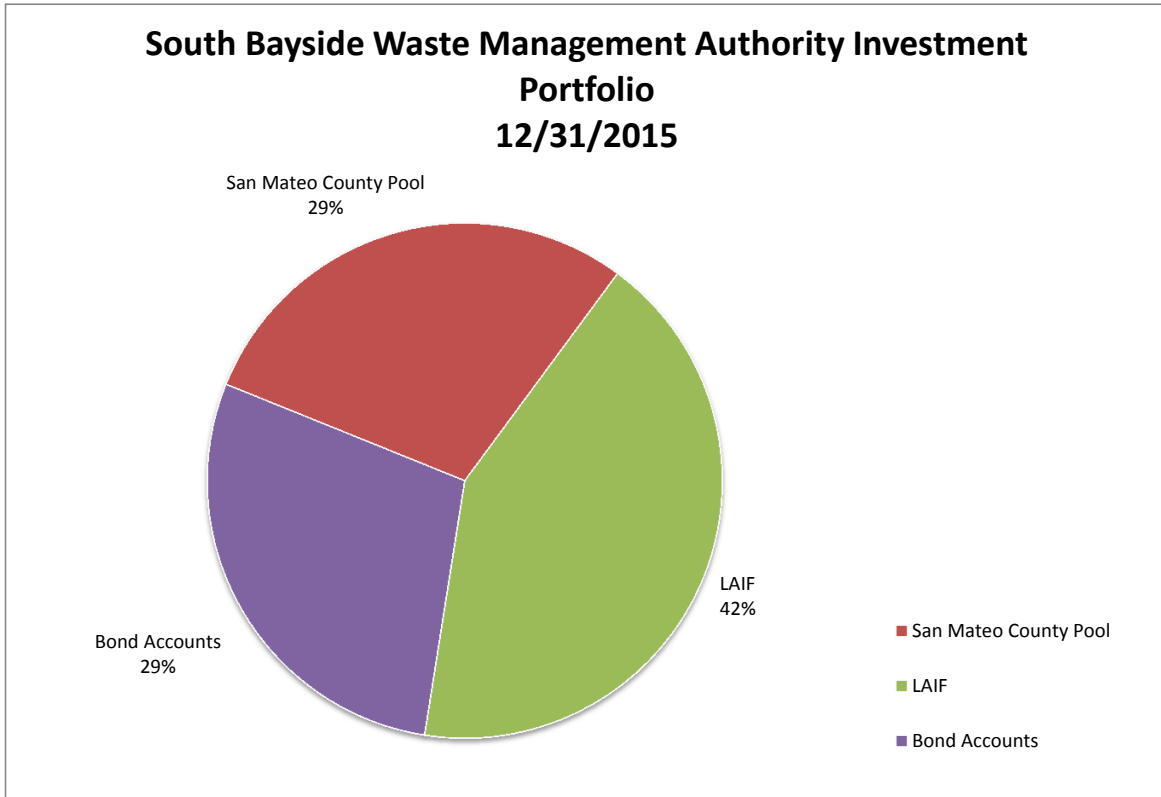
SUMMARY OF ALL INVESTMENTS
For Quarter Ending December 31, 2015

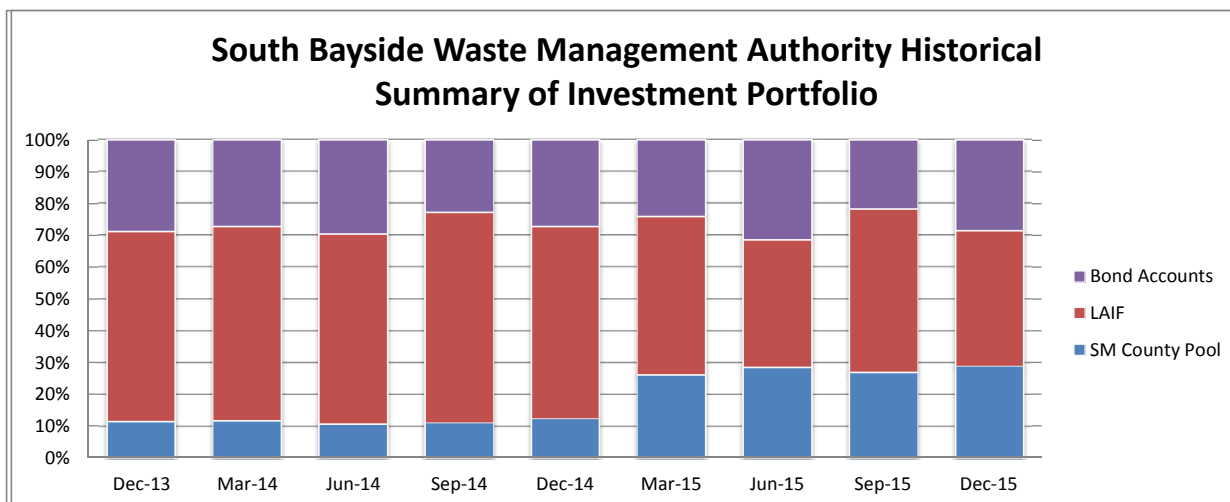
Category	Weighted Average Interest Rate	Historical Book Value	% of Portfolio	GASB 31 ADJ Market Value*	Interest Earned
Liquid Investments:					
San Mateo County Investment Pool (COPOOL)	0.78%	\$ 5,739,190	41%	5,739,190	11,208
Local Agency Investment Fund (LAIF)	0.37%	8,385,354	59%	8,390,340	8,279
Total - Investments	0.54%	14,124,544	100.00%	14,129,530	19,487
Bond Accounts - Cash with Fiscal Agents					
BNY Western Trust - Certificates of Deposit 2009A Reserve Fund Account	0.43%	744,000		744,000	248
BNY Western Trust - Dreyfus Cash Mgmt 670 Inv 2009A Reserve Fund Account	0.00%	3,383,849		3,383,849	-
BNY Western Trust - Dreyfus Cash Mgmt 670 Inv 2009A Payment Fund Account	0.00%	1,534,405		1,534,405	-
Total - Bond Accounts	0.06%	5,662,254		5,662,254	248
GRAND TOTAL OF PORTFOLIO	0.40%	19,786,798		19,791,784	19,735
Total Interest Earned This Quarter				19,735	
Total Interest Earned Fiscal Year-to-Date				39,600	

Note: SBWMA Board approved the following investment mix at its January 22, 2015 meeting:

LAIF - 50% to 70%
COPOOL - 30% to 50%

*Difference in value between Historical Value and Market Value may be due to timing of purchase. Investments in the investment pools may have been purchased when interest rates were lower or higher than the end date of this report. As interest rates increase or decrease, the value of the investment pools will decrease or increase accordingly. However, interest rate fluctuations does not have any impact to SBWMA's balance in the investment pools. The market values are presented as a reference only.





South Bayside Waste Management Authority Portfolio

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
SM County Pool	2,269,668	2,286,013	2,289,604	2,293,037	2,596,754	5,700,859	5,719,002	5,728,746	5,739,190
LAIF	11,628,111	11,584,976	12,591,585	13,448,147	12,456,035	10,864,026	7,971,342	10,878,169	8,385,354
Bond Accounts	5,653,984	5,226,893	6,257,859	4,628,312	5,659,274	5,264,849	6,296,018	4,631,288	5,662,254
Grand Total	\$ 19,551,763	\$ 19,097,882	\$ 21,139,048	\$ 20,369,496	\$ 20,712,063	\$ 21,829,734	\$ 19,986,362	\$ 21,238,203	\$ 19,786,798