



A Public Agency

CONSENT CALENDAR



DRAFT MINUTES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
 MEETING OF THE BOARD OF DIRECTORS
 August 22, 2013 – 2:00 p.m.
 Shoreway Environmental Center Upstairs Conference Room

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. Announcements:

Executive Director McCarthy welcomed everyone to the meeting, and went over logistics. He also shared two awards that the JPA has won in the last few weeks. He then handed the meeting over to Legal Counsel Lanzone, who noted that due to the need for a chair and vice chair to run the meeting we would skip to agenda item 4A. He asked for someone to be the temporary chair to run the elections. Member Frisella volunteered to be the temporary chair and run the elections.

3. New Business:

A. Election of New Officers

Member Frisella noted that Board Members who knowingly would not be eligible to be on the Board after December should not be nominated. She then called for nominations for Chair.

Member Olbert nominated Member Brownrigg.

Member Brownrigg requested clarification regarding time commitment and how long the term of chair would be.

Counsel Lanzone noted that a Chair and Vice Chair would be chosen annually and this would just be for the remainder of this calendar year.

Member Brownrigg accepted the nomination, but noted that he was happy to defer.

Member Ira nominated Member Dehn

Member Dehn noted that West Bay is in discussion with the County of San Mateo to transfer responsibilities of the West Bay customers. She then commented that since the term was only through the calendar year and that both Member Frisella and Member Ira had participated in the Blue Ribbon Task force and asked if either of them would be open to serving as chair.

Member Frisella suggested that Member Ira serve as chair.

Member Dehn nominated Member Ira as Chair and Member Frisella as Vice Chair

Member Brownrigg seconded the nomination

Voice Vote: All in Favor

4. **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.

None

5. **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 June 27, 2013 BOD Meeting Minutes
- B. Receipt of Recology and SBR Monthly Reports

Chair Ira asked for a motion of approval of the consent calendar

Motion/Second: Frisella/Brownrigg

Voice Vote: All in Favor

6. **New Business:**

- B. Approval of Revised 2013 Board Meeting Calendar and 2014 Calendar

Counsel Lanzone noted that the 4th Thursday at 2:00 has been the standing time.

Chair Ira asked if any Board Members have any issues with keeping it at that time.

With no comments he requested motion of approval of meeting calendar.

Fran Dehn moved approval of the meeting schedule.

All in Favor

C. Consideration of Resolution Establishing a Technical Advisory Committee

Counsel Lanzone noted that this issue has been discussed at several of the agencies and with the Blue Ribbon Task force, and explained that the TAC would be made up of staff with the same position qualifications as the previous board, and they would meet as necessary to discuss anything the Board deemed necessary.

Vice Chair Frisella requested that "or their City Manager's designee" be added to the description of who could serve on the TAC.

Chair Ira asked if there were any objections to that change.

Member Benton clarified that the qualifications of a TAC member were anyone in category A, B or C.

Counsel Lanzone stated yes.

Member Wozniak pointed out that if you say Manager's designee anyone could be on the TAC.

Member Dehn asked if categories B and C would be eliminated and the term designee would be a catch all.

Vice Chair Frisella stated no.

Member Benton asked if there was a job description for the TAC as an advisory to this Board.

Counsel Lanzone noted that it's in the resolution which says, "to provide professional advice and direction to the SBWMA Board on matters that are referred to the TAC from time to time by the Board."

Member Olbert commented that he supported the change Vice Chair Frisella suggested, but would like to see the TAC have regularly scheduled meetings.

Member Ross asked for the Executive Director's input.

Executive Director McCarthy noted that he thought the institutional knowledge would be beneficial, but that it was up to the Board how formal they wanted the process to be. He suggested a scenario where the TAC would meet two weeks before the Board to go over the packet and then be able to discuss with their agency's Board Member the issues they would face at the next Board meeting.

Member Benton commented that he supports the concept, but cautioned against turning the Board into a rubber stamp of the TAC. He also expressed concern over staff doing work twice, and asked former chair Larry Patterson for his input.

Larry Patterson suggested leaving some flexibility. He noted that seeing the agenda and providing input on some of the issues without making formal recommendations is valuable. He added that there may be issues that need vetting and can take shape at the TAC level as well. He also added that setting up a regular scheduled meeting and canceling it, is easier than trying to get a meeting scheduled at the last minute.

Chair Ira noted that some items take more than a meeting, and we need to build in some flexibility.

Member Wiest clarified that the Board could approve the resolution as is now, and add on to it later.

Member Olbert asked for clarification if the Board was approving regularly scheduled but cancelable meetings, or if the approval was for ad hoc meetings.

Counsel Lanzone stated that the TAC would be a standing committee subject to the Brown Act and that based on the discussion from the Board with regularly scheduled meetings.

Chair Ira asked if the Board was ready to vote or if they wanted to table the issues.

Member Olbert made a motion to adopt the resolution creating a TAC including the amendment to change the eligibility to add a City Manager's designee and adding a regular schedule of meetings.

Member Carlton 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 District	X			

D. Discussion on Process for Review of the Existing JPA Agreement

Executive Director McCarthy noted that this was a discussion only item, but at several counsel meetings and at the Blue Ribbon committee there were several comments made requesting a review of the existing JPA agreement. He asked for Board direction on the process the Board would like to have for a top to bottom review of the JPA. He offered suggestions of setting up an ad-hoc committee to review and bring back suggestions to the Board or for the Board to spend a meeting reviewing the JPA.

Member Brownrigg asked Executive Director McCarthy to characterize some of the issues that might arise in the JPA discussion.

Executive Director McCarthy noted that there wasn't anything specific but that it had been mentioned at the Blue Ribbon Committee to review the JPA to see if there were any issues of concern.

Member Brownrigg commented that he would benefit from an entire Board discussion on the issue and would like to see the whole Board invited, but attendance not be mandatory.

Member Olbert agreed.

Executive Director McCarthy said that staff would put the discussion on the agenda of a future Board meeting, and encouraged the Board Members to go through the JPA to prepare for that discussion.

Chair Ira asked that if Board Members do have anything they'd like to discuss to get an email to the Executive Director and legal counsel at least a week ahead of time.

E. Discussion on Establishment of a Code of Conduct

Counsel Lanzone introduced the discussion item and noted at the time of the RFP process the Board adopted a special code of conduct regarding Ex Parte contacts and gifts and compensation which expired in 2009. At the present time there is a code of conduct through the FPPC with the filing of Form 700s for Board Members, and that it was up to the Board if they want to adopt a special conflict of interest code.

Member Olbert noted that San Carlos would like to see a Code of Conduct established.

Member Carlton asked if the Form 700 covered it.

Member Olbert stated that the San Carlos City Council would like to see a more robust policy above the statutory requirements, and that primary concerns from the San Carlos City Council are that the contract is a lot of money, a billion dollars over 10 years, and a more robust policy would offer protection to the elected officials serving on the Board.

Member Benton asked Counsel Lanzone if an additional Code of Conduct Policy was needed.

Counsel Lanzone noted that the concern during the RFP process was to make sure that everything was dealt with fairly. He added that currently Board Members would need to have contact with Recology anyway because the Franchise Agreements are with each agency. He suggested going 3 to 6 months and seeing if it was needed at that point.

Chair Ira noted that Board Members would be in contact with Recology constantly, and noted that his concern regarding establishing a Code of Conduct apply more to the TAC because the TAC will be making recommendations to the Board, and poring over all the detail.

Vice Chair Frisella suggested putting it on a future agenda.

Member Ross commented that things are evolving and it's good to have some flexibility, and suggested leaving things open as constituents may put pressure on this Board going forward.

Member Wiest added the suggestion of working on the language.

5. **Old Business:**

A. Contractor Quarterly Updates

Mario Puccinelli of Recology gave a Power Point presentation to the Board.

Member Moritz asked for further explanation of commercial tons, and if it included restaurants.

Mario answered yes, it included restaurants.

Member Dehn asked about the cost structure of the companies providing kitchen pail service to large MFDs through the janitorial service and asked if they were undercutting Recology.

Tammy Del Bene Waste Zero Manager answered that the MFDs are paying for custodial service which is a service Recology doesn't provide. She noted that in each instance they offer different services, and gave the example of one company providing door to door service picking up the kitchen pails, but added that we don't know their costs, but know that they are being enticed to participate by telling the MFDs that their garbage rates will go down because there will be less solid waste.

Member Wozniak asked if we know where the recyclables end up.

Tammy answered no.

Member Benton asked if these businesses are cutting into or enhancing diversion.

Tammy answered that it could affect diversion in a negative way if the recyclable material is not being brought to Shoreway.

Member Benton asked when the CBA contract expires.

Mario answered October 23, 2013 and its 207 employees, drivers, mechanics and clerical.

Member Benton asked how diversion percentages compare to other jurisdictions and to our goal.

Mario answered that the SBWMA average is in the mid 60's percent diversion and commercial is close to 30% diversion.

Member Brownrigg clarified that Recology's labor cost structure is on a fixed basis, and therefore the risk from a resident's standpoint is not necessarily a cost increase but potentially a service disruption should the contract negotiations not go well.

Mario answered yes.

Member Olbert asked if the firms offering kitchen pail pick up at MFDs offered a business opportunity for Recology or if our contract prohibited that.

Mario answered that Recology does offer organics collection to MFDs, and that at this time there is a fee associated with that service for MFDs to participate, and noted that with Recology's labor costs the business model of going door to door collecting kitchen pails would be cost prohibitive.

Dwight Herring of SBR gave a Power Point Presentation.

Member Olbert asked if the increased number of self-haul tons implies that the amount of solid waste our residents are generating is going up, and how does that affect the diversion rate.

Dwight answered that it is the public vehicles which are self-hauling to the facility that is increasing, and noted that another slide would see how diversion is affected.

Member Ross asked for a clarification if 3rd party tons from other sources and self-haul tons are the same.

Dwight answered that it is the private citizens, not other haulers bringing in material.

Member Benton asked if it was analyzed why self-haul was going up, do we know if it's coming out of the franchised material or if it is new construction or part of the economy.

Executive Director McCarthy answered that historically our public garbage volumes have dropped, and this is the first time that we are seeing those numbers rise. He attributed the increase to economic activity and to the fact that Ox Mountain has been slowly raising its rates and our rates have been stable so we are more competitive than we used to be.

Member Dehn asked if we have information from Ox Mountain to know if their self-haul is going down.

Executive Director noted that Hilary Gans the Facility Manager gets those reports, but that he couldn't say for sure, but added that the Ox Mountain rates have gone up significantly in the last few years which has made Shoreway much more competitive.

Member Dehn asked where people could self-haul.

Executive Director McCarthy answered, Shoreway, Ox, South San Francisco, and Sunnyvale.

Member Benton asked for clarification of terms in Dwight's presentation.

Dwight explained that OCC is old corrugated cardboard, MP is mixed paper and ONP is old newspaper.

Member Olbert asked if there was any economic impact on the franchise arrangements due to increased self-haul. Wondering if self-haul should be encouraged or discouraged.

Executive Director McCarthy answered that we want to encourage it. He noted that 80-85% of the gate revenue is charges to the franchise tons, the balance is the self-haul tons. He also noted that we are essentially a business in the open market and the more self-haul tons we get to the facility the revenue goes back against expenses.

Member Olbert asked if 3rd party tons were advantageous.

Executive Director McCarthy answered yes, noting that the building was built on a single shift operation, so there is an entire second shift of capacity available.

Member Ross asked about future costs in relationship to the filling of the Ox Mountain landfill. If we are getting more tons locally now, but filling up Ox Mountain faster is it worth it.

Executive Director McCarthy answered that this was more a concern 10-15 years ago when Ox was going to fill up in 2019. Now because of municipal diversion programs we have a lot fewer tons going to Ox.

Lillian Clark from the County stated that Ox is saying their current capacity is another 22 years.

Executive Director McCarthy added that it was a good question, and it wasn't going to be a concern for us for a while, but that the Ox Contract that expires in 2019 is a bigger concern, because we will be in a competitive situation, and no longer have most favored nation pricing.

Lillian Clark added that due to state legislation we restrict Ox usage to only our county, and we can't control Ox rates.

Member Wozniak asked if there were a percentage of new things that could be recycled each year that would further reduce our use of Ox.

Dwight answered there is no way of knowing a percentage, but there are constantly efforts to recycle new material and take it out of out of the waste stream.

6. Staff Updates

a) Update on 2013/2014 Franchise Rate Setting Process

Executive Director McCarthy noted that starting in February or March of each year there is a standing report included in the Board packet to keep you up to date on the process. He added that the most notable milestone was the SBWMA report on the compensation application for Recology and SBR went out on August 16th, and that comments are due back by the 30th. He noted that that leaves about a 3 week window to address any issues. Typically at the September board meeting the Board votes on a revenue requirement. The report that went out last Friday does give you projected revenue for 2014 compared to 2013, and the good news is 9 of you don't have to put in a rate adjustment this year. He also noted that we would like to schedule a Special Board Meeting on September 12th, to discuss the rate reports and any questions you have.

Vice Chair Frisella suggested approving the special meeting now.

Executive Director McCarthy said that it would be scheduled for September 12, at 2:00 PM.

Member Benton asked if TAC members should be there.

Executive Director McCarthy stated yes, we would encourage them to be there.

b) Preview of Upcoming Board meetings

Executive Director McCarthy commented that this is the other item you'll see in every packet for agenda planning purposed.

7. Board Member Comments

Chair Ira requested that the presentation given to the Redwood City committee on costs versus rates be included at the September 12 study session.

Member Olbert thanked everyone for a great first meeting. He requested enabling Wi-Fi access in the room. He also requested a review of the roles and responsibilities and authorities of the SBWMA Board.

Executive Director McCarthy stated that if there was interest from the Board we would go through it at a future Board meeting.

8. Adjourn 3:49 PM



DRAFT MINUTES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
 SPECIAL MEETING OF THE BOARD OF DIRECTORS
 September 12, 2013 – 2:00 p.m.
 Shoreway Environmental Center RethinkWaste Board Room

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. Public Comment

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

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None

3. New Business:

A. Briefing on Contractors' Annual Compensation Adjustment Process (for discussion only)

Executive Director McCarthy, Staff Feldman, and Staff Moran gave a PowerPoint presentation on the compensation process and issues affecting the 2014 rate year.

Member Brownrigg asked for a breakdown in percentages of the rate components.

Executive Director McCarthy answered that 57-58% is Recology, 12-13% is Member Agency's franchise fees, 3½ % is the SBWMA budget and the remainder is disposal fees.

Member Widmer asked for a status of reserve funds.

Staff Moran noted that those are provided in November when tip fees are set for the following year.

Member Grocott asked for clarification on Shoreway tip fees.

Staff Moran explained the chart on page 6 of the PowerPoint.

City Manager Jim Hardy of Foster City explained further that the top half of the chart is controlled by the SBWMA Board and the bottom half is controlled by the Member Agencies.

Member Brownrigg asked if Recology's profits are fixed, and if it was fixed there was no profit incentive.

Staff Moran answered that Recology's profits are a fixed percentage, and added that there are incentive and disincentive payments as well.

Member Benton asked if total labor cost was fixed.

Staff Moran replied that due to the contract all costs are fixed indices.

Member Brownrigg asked if there are audits for fuel costs, etc.

Staff Feldman answered that Recology does provide audited financial statements each year.

Member Ross asked if there was a better breakdown of total depreciation, and a list of items being depreciated.

Staff Moran answered that there is an interest schedule by year, and that the list of depreciated items is a page in the compensation application.

Member Widmer requested more understanding and tracking of standard cost elements, and asked if the cost elements are consistent across all jurisdictions. He suggested a cost-based accounting model be applied to simplify the process.

Member Benton asked for an explanation of route hours versus route labor hours.

Staff Feldman explained that route hours is how long any given route takes. Route labor hours are the labor hours associated with the route. He gave an example of the two being different if more than one employee was on a truck, the route hours would be less than the route labor hours.

Member Widmer asked about direct costs versus allocation costs and asked if there was a penalization with indices like fuel being counted twice.

Staff Feldman answered that there is no double counting, each Member Agency's percent of fixed cost CPI applies one time.

Staff Moran added that the percent that is allocated to each agency changes, but the total paid to Recology doesn't change.

Member Benton asked for examples of what could cause an agency's percentage to go up or down in the allocation.

Staff Feldman answered that it is a percentage of the SBWMA wide total, based on route hours, route labor hours, number of lifts, and it is measured in the same 4 week period in April and May each year.

Member Widmer commented that over a trend there should be fixed allocation, and requested that a fixed allocation process be considered.

Executive Director McCarthy stated that he thought it was a worthy discussion at a future Board meeting, but noted that when you fix allocation that is it, and there could be negative consequences for some agencies to a fixed allocation process.

Member Grocott asked for confirmation of the fact that once items reached Shoreway the costs are fixed.

Staff Feldman answered that Recology's cost to pick up is variable based on how long it takes to pick up.

Mario Puccinelli agreed that the compensation process is exhausting, but gave the example that there could be construction in an agency which is slowing a route down, and would change allocations. He also added that fixed allocation should be considered.

Staff Moran added that 3 agencies changed their service levels this year, which affected allocation.

Member Benton asked for clarification if contractor compensation is the only thing that is fixed cost based on indices, and everything else on the total revenue requirement is variable.

Staff Moran noted that yes, only Recology's compensation is fixed. Agency fees vary with revenue. Disposal expense varies with tonnage delivered to Shoreway.

Member Widmer asked if there were fixed cost at Shoreway to process the material as well.

Staff Moran noted that 80% of the Shoreway cost is variable; noting that SBR and disposal processors are paid on tonnage and if tonnage goes up then the cost to process goes up.

Executive Director McCarthy added that the largest percentage of what we're being charged at the disposal processors is fixed, they receive an annual CPI adjustment to their rates.

Member Grocott requested that percentages be added to slide 13 of the presentation, to make it clearer.

Staff Moran explained the handout, which was an updated appendix G, and explained an error in the County accounts, in which money is still owed from 2011.

Member Slocum noted that it was an audit the County did independently that found the error.

Member Ross asked if all of the agencies needed to conduct audits.

Member Slocum asked how much the audit at the County cost.

Executive Director McCarthy noted that staff is open to audits, SBWMA wide.

Member Grocott suggested future action in which audits of this kind move through the entire SBWMA one agency at a time.

Staff Moran added that this finding doesn't change what Recology is owed, it means they weren't paid what they were owed in 2011.

Staff Moran then talked about other rate issues and a capitol request regarding changing of 3 trucks.

Member Grocott asked how we get more efficient service.

Staff Feldman noted SBWMA staff or Member Agencies could work with Recology to provide operational analysis and then work with Recology operations to implement recommended changes to improve efficiency.

Vice Chair Frisella noted that changing of the 3 trucks might not make Recology more efficient.

Member Widmer suggested that we get to a place of fixed allocations first, and then look at capitol based on the right thing for all agencies.

Mario Puccinelli explained that this capitol request is a flat cost to Member Agencies, noting that 3 side loaders would be added and 3 front loaders would be taken out of the fleet.

Member Ross asked for clarification from Recology, wondering if they needed better equipment to do their job, and would they still have enough commercial vehicles.

Mario Puccinelli explained that it's not better equipment, its different equipment.

Member Brownrigg asked what the downside would be.

Executive Director McCarthy noted that the downside is that it does flow down through allocations. Some routes may become less efficient due to the lack of commercial trucks, and it's not known who will save and who won't. He added that it was a leap of faith in terms on not understanding the math.

Member Benton noted that it goes back to the fixed allocation discussion earlier.

Member Brownrigg noted that he thought fixed allocation was a mistake and that a dynamic model worked in favor of the smaller agencies.

Executive Director McCarthy acknowledged that the contracts do get in the way of making business decisions because Recology gets the 3 trucks they lower their operating costs.

Vice Chair Frisella commented that we have to trust the contractor. She added that Foster City residents are 99.5% satisfied with the service, so we have to trust that they know how to give the best service.

Member Ross commented that the commercial trucks are just sitting and that is already inefficient.

Member Carlton asked when we would know how the changing of the 3 trucks would change allocations.

Executive Director McCarthy noted that Recology has to do that analysis and answer.

Member Grocott asked whose job it is to pay attention to growth forecasting and what needed to be done to avoid astronomical rate increases as we experience growth.

Executive Director McCarthy answered that it's a dynamic allocation model, and the contract provides that CPI will be enough to cover growth.

Mark Arsenault of Recology added that using the right truck benefits all agencies because we get more efficient service area wide.

Chair Ira asked if there is a way for Recology to know the effect of the different trucks until it happened.

Executive Director McCarthy stated that we wouldn't know until we do an audit.

Chair Ira stated that cost isn't an issue, we want Recology to be as efficient as possible and that is a savings all the agencies are sharing.

Executive Director McCarthy noted staff would like some sense from the Board about what to do with this item.

Member Carlton asked if it would impact the environment.

Executive Director McCarthy stated that it was the same number of trucks, so no change in environmental impact.

Mario Puccinelli added that if we did nothing we would have to have commercial trucks serving residential accounts.

Most of the Board members stated they were in support of the truck change.

Member Widmer stated that he was for fixed allocations first.

Member Benton stated that rate stability was most important.

Staff Moran then talked about the interest accrual issues when Member Agencies carry forward a large surplus.

Member Widmer commented that Recology can't have it both ways: if interest is being earned on the surplus then it is owed to the agencies.

Chair Ira commented that agencies should have their own rate stabilization funds and Recology should not be the bank.

Mark Arsenault commented the Recology doesn't want to be the bank.

Member Slocum, Member Brownrigg and Member Wozniack now absent.

- B. Resolution Approving Response to the San Mateo County Civil Grand Jury Report entitled "South Bayside Waste Management Authority Board – Elected Officials or Senior Management Staff"

Counsel Lanzone introduced the item and asked if there were any questions.

Motion/Second: Frisella/Ross

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 District	X			

- C. Staff Update on Recology Customer Service Call Center Monitoring Results
- D. Staff Update on Findings from Review of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Audits Performed by HF&H Consulting, LLC
- E. Staff Update on Report on 2012 Financial Systems Audit of Recology and SBR Performed by HF&H Consulting, LLC

Member Benton now absent

Executive Director McCarthy introduced the staff reports for items 3C to 3E together. He noted that they are all audits and the findings are tied to numbers that are in the compensation application.

Vice Chair Frisella asked if we have to do these audits every year.

Executive Director McCarthy stated no, but we continue to see issues when the audits are performed.

Member Dehn also added that it seemed like many of the issues were around code issues and asked if the codes could be simplified.

Executive Director McCarthy stated that the SBWMA doesn't prescribe codes, but noted that when this audit was done a year ago Recology did decrease the number of codes, but noted that this year there is still significant room for improvement.

Member Dehn questioned who paid for the annual audits.

Executive Director McCarthy stated that they are part of the SBWMA budget.

Member Grocott asked how complaints that come into City Hall end up with Recology.

Executive Director McCarthy stated that there is an online system that each Member Agency has access to, where complaints can be logged in and get sent to Recology, or City staff can call or email Recology, but added that they still have to get into Recology's system.

4. Board Member Comments
5. Adjourn: 4:23 PM



STAFF REPORT

To: SBWMA Board Members
From: Marshall Moran, Finance manager
Date: September 26, 2013 Board of Director's Meeting
Subject: Resolution Approving Revised SBWMA Investment Policy for 2013

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2013-19 attached hereto authorizing the adoption of the Investment Policy for 2013.

Analysis

On August 24, 2000, the Board approved utilization of the City of San Carlos' Investment Policy. This decision was based on the Authority's need to have policies in place. The Board has periodically approved annual revisions. The attached SBWMA Investment Policy (see **Exhibit A**) is fully compliant with California Code and is the similar to the policy that is used by the City of San Carlos who serves as the Financial Agent for the Authority. The primary objective of the Investment Policy is safety of principal, while meeting the cash flow needs of the JPA, through prudent investment of unexpended cash.

The policy review section indicates that the Investment Policy shall be adopted by resolution on an annual basis. The minor changes to the policy that have been recommended are shown in the attached red-line version (see **Exhibit B**).

Fiscal Impact

There is no fiscal impact associated with approving the attached revised Investment Policy.

Attachments:

Resolution 2013-19

Exhibit A – Investment Policy

Exhibit B – Red-line version of Investment Policy showing changes



RESOLUTION NO. 2013-19
**RESOLUTION OF THE SOUTH BAYSIDE WASTE
MANAGEMENT AUTHORITY BOARD OF DIRECTORS**

WHEREAS, the South Bayside Waste Management Authority (SBWMA) and the City of San Carlos has reviewed and revised the current Investment Policy;

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the 2013 SBWMA Investment Policy document as shown in Exhibits A and B.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the this **26th** day of September, **2013**, 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. 2013-19 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on September 26, 2013.

ATTEST:

Jeff Ira, Chairperson of SBWMA

Cynthia Urman, Board Secretary

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY INVESTMENT POLICY

September 2013

POLICY

The investment of the funds of the South Bayside Waste Management Authority (SBWMA) is directed to the goals of safety, liquidity and yield. This Investment Policy incorporates the policies defined by the certified investment policy standards recommended by the Association of Public Treasurers. The authority governing investments for municipal governments is set forth in the California Government Code, Sections 53601 through 53659.

The primary objective of the investment policy of the South Bayside Waste Management Authority is SAFETY OF PRINCIPAL. Investments shall be placed in those securities as outlined by type and maturity sector in this document. Effective cash flow management and resulting cash investment practices are recognized as essential to good fiscal management and control. The SBWMA's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and local law. Portfolio management requires continual analysis and as a result the balance between the various investments and maturities may change in order to give the SBWMA the optimum combination of necessary liquidity and optimal yield based on cash flow projections.

SCOPE

The investment policy applies to all financial assets of the South Bayside Waste Management Authority as accounted for in the Annual Financial Statements. Policy statements outlined in this document focus on the SBWMA's pooled funds and debt-related funds held by the trustee/ fiscal agent.

PRUDENCE

The standard to be used by investment officials shall be that of a "prudent investor" and shall be applied in the context of managing all aspects of the overall portfolio. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

It is the SBWMA's full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars.

However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. It is further recognized that in a well-diversified investment portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit analysis. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long-term rate of return.

The Administrative Services Director of the City of San Carlos (City) and other individuals assigned, as approved by the SBWMA Executive Director and SBWMA Finance Manager to manage the SBWMA investment portfolio, acting within the intent and scope of the investment

policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

OBJECTIVES

Safety of Principal

Safety of principal is the foremost objective of the South Bayside Waste Management Authority. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker-dealer default or erosion of market value. The SBWMA shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the SBWMA's capital base and cash flow.

Market risk, defined as market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by limiting the average maturity of the SBWMA's investment portfolio to two years, the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity and avoiding the purchase of long term securities for the sole purpose of short term speculation.

Liquidity

Historical cash flow trends are compared to current cash flow requirements on an ongoing basis in an effort to ensure that the SBWMA's investment portfolio will remain sufficiently liquid to enable the SBWMA to meet all reasonably anticipated operating requirements.

MATURITY MATRIX

Maturities of investments will be selected based on liquidity requirements to minimize interest rate risk and maximize earnings. Current and expected yield curve analysis will be monitored and the portfolio will be invested accordingly. The weighted average maturity of the pooled portfolio should not exceed two years and the following percentages of the portfolio should be invested in the following maturity sectors:

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Over 5 years	Board Authorization Required *

* One exception does exist regarding the investment of bond reserve funds. If in the opinion of the City Administrative Services Director, matching the segregated investment portfolio of the bond reserve fund with the maturity schedule of an individual bond issue is prudent given current

economic analysis, the investment policy authorizes extending beyond the five year maturity limitation as outlined in this document.

PERFORMANCE EVALUATION

Investment performance is monitored and evaluated by the Investment Advisory Committee, whose membership is outlined in the following section. Investment performance statistics and activity reports are generated on a quarterly basis for presentation to the Investment Advisory Committee and to the SBWMA Board of Directors. Annually, a statement of investment policy, and any proposed changes to the policy, will be rendered to the Investment Advisory Committee and to the SBWMA Board of Directors for Board consideration at a public meeting.

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DELEGATION OF AUTHORITY

The Joint Powers Authority Agreement of the South Bayside Waste Management Authority and the authority granted by SBWMA Board assign the responsibility of investing unexpended cash to the City's Administrative Services Director. Daily management responsibility of the investment program may be delegated to the City's Financial Services Manager, who shall establish procedures for the operation consistent with this investment policy.

INVESTMENT COMMITTEE

An investment committee consisting of the City of San Carlos Treasurer, City Manager, and Administrative Services Director shall be established to provide general oversight and direction concerning the policy related to management of the SBWMA's investment pool. The Financial Services Manager shall not be a member of the committee but shall serve in a staff and advisory capacity. The committee shall review and approve quarterly investment reports prepared by the Finance Department and reviewed by the Financial Services Manager or meet as necessary to discuss changes to the report or the investment strategy. The Investment Committee serving as the legislative body of the Investment Policy will have the quarterly reports for their review within thirty (30) days following the end of the quarter covered by the report as per Section 53646 (b)(1) of the California Government Code.

ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Additionally the City's Administrative Services Director and the Financial Services Manager are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC).

SAFEKEEPING OF SECURITIES

To protect against fraud or embezzlement or losses caused by collapse of an individual securities dealer, all securities owned by the SBWMA shall be held in safekeeping by a third party bank trust department, acting as agent for the SBWMA under the terms of a custody agreement. All trades

executed by a dealer will settle delivery versus payment (DVP) through the SBWMA's safekeeping agent.

Securities held custody for the SBWMA shall be monitored by the City's Administrative Services Director to verify investment holdings.

All exceptions to this safekeeping policy must be approved by the City's Administrative Services Director in written form and included in the quarterly reporting to the Investment Committee and the SBWMA Board of Directors.

INTERNAL CONTROL

Separation of functions between the City's Administrative Services Director or Financial Services Manager and/or the Senior Accountant is designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Investment decisions are made by the City's Administrative Services Director, executed by the Administrative Services Director or Financial Services Manager and confirmed by the Senior Accountant. All wire transfers initiated by the Administrative Services Director or Financial Services Manager must be reconfirmed by the appropriate financial institution by the Senior Accountant. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliation is conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Senior Accountant on a monthly basis. An independent analysis by an external auditor shall be conducted annually to review and perform procedure testing on the Agency's cash and investments that have a material impact on the financial statements. The Administrative Services Director and/or Investment Committee shall review and assure compliance with investment process and procedures.

REPORTING

The City's Administrative Services Director shall review and render quarterly reports to the Investment Advisory Committee and to the Board of Directors which shall include the face amount of the cash investment, the classification of the investment, the name of the institution or entity, the rate of interest, the maturity date, the current market value and accrued interest due for all securities. The quarterly reports will be submitted to the Investment Committee within thirty (30) days following the end of the quarter covered by the report as per Section 53646 (b)(1) of the California Government Code. Once approved by the Investment Committee, the quarterly reports shall be placed on the Board of Director's meeting agenda for its review and approval no later than 60 days after the quarter ends.

QUALIFIED BROKER/DEALERS

The SBWMA shall transact business only with banks, savings and loans, and with broker/dealers. The broker/dealers should be primary or regional dealers. The City's Administrative Services Director will make exceptions only upon written authorization. Investment staff shall investigate dealers wishing to do business with the SBWMA to determine if they are adequately capitalized, have pending legal action against the firm or the individual broker and make markets in the securities appropriate to the SBWMA's needs.

The Administrative Services Director or Financial Services Manager shall annually send a copy of the current investment policy to all broker/dealers approved to do business with the SBWMA. Confirmation of receipt of this policy shall be considered evidence that the dealer understands the SBWMA's investment policies and intends to sell the SBWMA only appropriate investments authorized by this investment policy.

COLLATERAL REQUIREMENTS

Collateral is required for investments in certificates of deposit. In order to reduce market risk, the collateral level will be at least 110% of market value of principal and accrued interest.

AUTHORIZED INVESTMENTS

Investment of SBWMA funds is governed by the California Government Code Sections 53600 et seq. Within the context of the limitations, the following investments are authorized, as further limited herein:

1. United States Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.
2. Obligations issued by the Government National Mortgage Association (GNMA), the Federal Farm Credit System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA), and the Federal Home Loan Mortgage Corporation (FHLMC). There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.

Investments detailed in items 3 through 10 are further restricted to a percentage of the cost value of the portfolio in any single issuer name to a maximum of 5%. The total value invested in any one issuer shall not exceed 5% of the issuers net worth. Again, a five-year maximum maturity limitation is applicable unless further restricted by this policy.

3. Bills of exchange or time drafts drawn on and accepted by commercial banks, otherwise known as banker's acceptances. Banker's acceptances purchased may not exceed 180 days to maturity or 30% of the cost value of the portfolio.
4. Commercial paper ranked P1 by Moody's Investor Services or A1+ by Standard & Poor's, and issued by domestic corporations having assets in excess of \$500,000,000 and having an AA or better rating on its' long term debentures as provided by Moody's or Standard & Poor's. Purchases of eligible commercial paper may not exceed 270 days to maturity nor represent more than 5% of the outstanding paper of the issuing corporation. Purchases of commercial paper may not exceed 25% of the cost value of the portfolio.
5. Negotiable Certificates of Deposit issued by nationally or state chartered banks (FDIC insured institutions) or state or federal savings institutions. Purchases of negotiable certificates of deposit may not exceed 30% of total portfolio. A maturity limitation of five years is applicable.

6. Local Agency Investment Fund (LAIF) which is a State of California managed investment pool, and San Mateo County Investment pool, may be used up to the maximum permitted by California State Law. A review of the pool/fund is required when they are part of the list of authorized investments.
7. Time deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 25% of the investment portfolio may be invested in this investment type.
8. Medium Term Corporate Notes, with a maximum maturity of five years may be purchased. Securities eligible for investment shall be rated AA or better by Moody's or Standard & Poor's rating services. Purchase of medium term notes may not exceed 30% of the market value of the portfolio and no more than 5% of the market value of the portfolio may be invested in notes issued by one corporation. Commercial paper holdings should also be included when calculating the 15% limitation.
9. Ineligible investments are those that are not described herein, including but not limited to, common stocks and long term (over five years in maturity) notes and bonds are prohibited from use in this portfolio. It is noted that special circumstances arise that necessitate the purchase of securities beyond the five-year limitation. On such occasions, requests must be approved by Board of Directors prior to purchase.
10. Various daily money market funds administered for or by trustees, paying agents and custodian banks contracted by the SBWMA may be purchased as allowed under State of California Government Code. Only funds holding U.S. Treasury or Government agency obligations can be utilized.

The following summary of maximum percentage limits, by instrument, is established for the SBWMA's total pooled funds portfolio:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	Upon Demand	N/A	\$40 million per account	N/A
San Mateo County Investment Pool	Upon Demand	N/A	\$40 million per account	N/A
Treasury Bills	5 Years	N/A	100%	N/A
US Government Agency and Federal Agency Securities	5 Years	N/A	100%	N/A
Bankers Acceptances	180 Days	N/A	30%	(A), (B)
Commercial Paper	270 Days	AA	25%	(A), (B)
Negotiable Certificates of Deposit	5 Years	N/A	30%	(A), (B)
Time Certificates of Deposit – Banks or Savings and Loans	5 Years	N/A	25%	(A), (B)
Medium Term Corporate Notes	5 Years	AA	30%	(A), (B)

- (A) 5% of outstanding paper of issuing corporation
(B) 5% of the portfolio in one corporation

DERIVATIVE INVESTMENTS

Derivatives are investments whose value is "derived" from a benchmark or index. That benchmark can be almost any financial measure from interest rates to commodity and stock prices. The use of derivatives is prohibited under this policy.

LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will be incorporated into the South Bayside Waste Management Authority's Investment Policy and supersede any and all previous applicable language.

INTEREST EARNINGS

All moneys earned and collected from investments authorized in this policy shall be allocated quarterly to various fund accounts based on the cash balance in each fund at quarter end as a percentage of the entire pooled portfolio.

LIMITING MARKET VALUE EROSION

The longer the maturity of securities, the greater their market price volatility. Therefore, it is the general policy of the SBWMA to limit the potential effects from erosion in market values by adhering to the following guidelines:

All immediate and anticipated liquidity requirements will be addressed prior to purchasing all investments.

Maturity dates for long-term investments will coincide with significant cash flow requirements where possible, to assist with short term cash requirements at maturity.

All long-term securities will be purchased with the intent to hold all investments to maturity under then prevailing economic conditions. However, economic or market conditions may change, making it in the SBWMA's best interest to sell or trade a security prior to maturity.

PORTFOLIO MANAGEMENT ACTIVITY

The investment program shall seek to augment returns consistent with the intent of this policy, identified risk limitations and prudent investment principals. These objectives will be achieved by use of the following strategies:

Active Portfolio Management. Through active fund and cash flow management, taking advantage of current economic and interest rate trends, the portfolio yield may be enhanced with limited and measurable increases in risk by extending the weighted maturity of the total portfolio.

Portfolio Maturity Management. When structuring the maturity composition of the portfolio, the SBWMA shall evaluate current and expected interest rate yields and necessary cash flow requirements. It is recognized that in normal market conditions longer maturities produce higher yields. However, the securities with longer maturities also experience greater price fluctuations when the level of interest rates change.

Security Swaps. The SBWMA may take advantage of security swap opportunities to improve the overall portfolio yield. A swap, which improves the portfolio yield, may be selected even if the transactions result in an accounting loss. Documentation for swaps will be included in the SBWMA permanent investment file documents.

Competitive Bidding. It is the policy of the SBWMA to require competitive bidding for investment transactions that are not classified as "new issue" securities. For the purchase of non-"new issue" securities and the sale of all securities at least three bidders must be contacted. Competitive bidding for security swaps is also suggested, however, it is understood that certain time constraints and broker portfolio limitations exist which would not accommodate the competitive bidding process. If a time or portfolio constraining condition exists, the pricing of the swap should be verified to current market conditions and documented for auditing purposes.

POLICY REVIEW

The South Bayside Waste Management Authority's investment policy shall be adopted by resolution of the Board on an annual basis. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to Board for approval.

Glossary of Terms

Accrued Interest- Interest earned but not yet received.

Active Deposits- Funds which are immediately required for disbursement.

Amortization- An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Annual Financial Report - The official annual financial report for the SBWMA. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principals (GAAP).

Asked Price- The price a broker dealer offers to sell securities.

Basis Point- One basis point is one hundredth of one percent (.01).

Bid Price- The price a broker dealer offers to purchase securities.

Bond- A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Bond Swap – Selling one bond issue and buying another at the same time in order to create an advantage for the investor. Some benefits of swapping may include tax-deductible losses, increased yields, and an improved quality portfolio.

Book Entry Securities – Securities, such as stocks held in “street name,” that are recorded in a customer’s account, but are not accompanied by a certificate. The trend is toward a certificate-free society in order to cut down on paperwork and to diminish investors’ concerns about the certificates themselves. All the large New York City banks, including those that handle the bulk of the transactions of the major government securities dealers, now clear most of their transactions with each other and with the Federal Reserve through the use of automated telecommunications and the “book-entry” custody system maintained by the Federal Reserve Bank of New York. These banks have deposited with the Federal Reserve Bank a major portion of their government and agency securities holdings, including securities held for the accounts of their customers or in a fiduciary capacity. Virtually all transfers for the account of the banks, as well as for the government securities dealers who are their clients, are now effected solely by bookkeeping entries. The system reduces the costs and risks of physical handling and speeds the completion of transactions.

Bearer and Registered Bonds - In the past, bearer and registered bonds were issued in paper form. Those still outstanding may be exchanged at any Federal Reserve Bank or branch for an equal amount of any authorized denomination of the same issue. Outstanding bearer bonds are interchangeable with registered bonds and bonds in “book-entry” form. That is, the latter exist as computer entries only and no paper securities are issued. New bearer and registered bonds are no longer being issued. Since August 1986, the Treasury’s new issues of marketable notes and bonds are available in book-entry form only. All Treasury bills and more than 90% of all other marketable securities are now in book-entry form. Book-entry obligations are transferable only pursuant to regulations prescribed by the Secretary of the Treasury.

Book Value- The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Broker – In securities, the intermediary between a buyer and a seller of securities. The broker, who usually charges a commission, must be registered with the exchange in which he or she is trading, accounting for the name registered representative.

Certificate of Deposit- A deposit insured up to \$100,000 by the FDIC at a set rate for a specified period of time.

Collateral- Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

Constant Maturity Treasury (CMT) - An average yield of a specific Treasury maturity sector for a specific time frame. This is a market index for reference of past direction of interest rates for the given Treasury maturity range.

Coupon- The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Analysis- A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield- The interest paid on an investment expressed as a percentage of the current price of the security.

Custody- A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

Delivery vs. Payment (DVP) - Delivery of securities with a simultaneous exchange of money for the securities.

Discount- The difference between the cost of a security and its value at maturity when quoted at lower than face value.

Diversification- Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Duration- The weighted average maturity of a bond's cash flow stream, where the present value of the cash flows serve as the weights; the future point in time at which on average, an investor has received exactly half of the original investment, in present value terms; a bond's zero-coupon equivalent; the fulcrum of a bond's present value cash flow time line.

Fannie Mae- Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.

Federal Reserve System- The central bank of the U.S. that consists of a seven member Board of Governors, 12 regional banks and 5,700 commercial banks that are members.

Federal Deposit Insurance Corporation (FDIC) - Insurance provided to customers of a subscribing bank that guarantees deposits to a set limit (currently \$100,000) per account.

Fed Wire- A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Freddie Mac- Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Ginnie Mae- Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

Inactive Deposits- Funds not immediately needed for disbursement.

Interest Rate- The annual yield earned on an investment, expressed as a percentage.

Investment Agreements- An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Liquidity- Refers to the ability to rapidly convert an investment into cash.

Market Value- The price at which a security is trading and could presumably be purchased or sold.

Maturity- The date upon which the principal or stated value of an investment becomes due and payable.

New Issue- Term used when a security is originally "brought" to market.

Perfected Delivery- Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

Portfolio- Collection of securities held by an investor.

Primary Dealer- A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Purchase Date- The date in which a security is purchased for settlement on that or a later date.

Rate of Return- The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (REPO) - A transaction where the seller (bank) agrees to buy back from the buyer (SBWMA) the securities at an agreed upon price after a stated period of time.

Reverse Repurchase Agreement (REVERSE REPO) - A transaction where the seller (SBWMA) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.

Risk- Degree of uncertainty of return on an asset.

Safekeeping- see custody.

Sallie Mae- Trade name for the Student Loan Marketing Association (SLMA), a U.S. sponsored corporation.

Secondary Market- A market made for the purchase and sale of outstanding issues following the initial distribution.

Settlement Date- The date on which a trade is cleared by delivery of securities against funds.

Time Deposit – A deposit in an interest-paying account that requires the money to remain on account for a specific length of time. While withdrawals can generally be made from a passbook account at any time, other time deposits, such as certificates of deposit, are penalized for early withdrawal.

Treasury Bills- U.S. Treasury Bills which are short-term, direct obligations of the U.S. Government issued with original maturities of 13 weeks, 26 weeks and 52 weeks; sold in minimum amounts of \$10,000 in multiples of \$5,000 above the minimum. Issued in book entry form only. T-bills are sold on a discount basis.

U.S. Government Agencies- Instruments issued by various US Government Agencies most of which are secured only by the credit worthiness of the particular agency.

Yield- The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity- The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

Yield Curve- The yield on bonds, notes or bills of the same type and credit risk at a specific date for maturities up to thirty years.

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY INVESTMENT POLICY

| ~~September 2012~~ ~~August~~ September 2013

POLICY

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The Joint Powers Authority Agreement of the South Bayside Waste Management Authority and the authority granted by SBWMA Board assign the responsibility of investing unexpended cash to the City's Administrative Services Director. Daily management responsibility of the investment program may be delegated to the City's Financial Services Manager, who shall establish procedures for the operation consistent with this investment policy.

INVESTMENT COMMITTEE

An investment committee consisting of the City of San Carlos Treasurer, City Manager, ~~Assistant City Manager~~, and Administrative Services Director shall be established to provide general oversight and direction concerning the policy related to management of the SBWMA's investment pool. The Financial Services Manager shall not be a member of the committee but shall serve in a staff and advisory capacity. The committee shall review and approve quarterly investment reports prepared by the Finance Department and reviewed by the Financial Services Manager or meet as necessary to discuss changes to the report or the investment strategy. The Investment Committee serving as the legislative body of the Investment Policy will have the quarterly reports for their review within thirty (30) days following the end of the quarter covered by the report as per Section 53646 (b)(1) of the California Government Code.

ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program, or impairs their ability to make impartial investment decisions. Additionally the City's Administrative Services Director and the Financial Services Manager are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC).

SAFEKEEPING OF SECURITIES

To protect against fraud or embezzlement or losses caused by collapse of an individual securities dealer, all securities owned by the SBWMA shall be held in safekeeping by a third party bank trust department, acting as agent for the SBWMA under the terms of a custody agreement. All trades

executed by a dealer will settle delivery versus payment (DVP) through the SBWMA's safekeeping agent.

Securities held custody for the SBWMA shall be monitored by the City's Administrative Services Director to verify investment holdings.

All exceptions to this safekeeping policy must be approved by the City's Administrative Services Director in written form and included in the quarterly reporting to the Investment Committee and the SBWMA Board of Directors.

INTERNAL CONTROL

Separation of functions between the City's Administrative Services Director or Financial Services Manager and/or the Senior Accountant is designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Investment decisions are made by the City's Administrative Services Director, executed by the Administrative Services Director or Financial Services Manager and confirmed by the Senior Accountant. All wire transfers initiated by the Administrative Services Director or Financial Services Manager must be reconfirmed by the appropriate financial institution by the Senior Accountant. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliation is conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Senior Accountant on a monthly basis. An independent analysis by an external auditor shall be conducted annually to review and perform procedure testing on the Agency's cash and investments that have a material impact on the financial statements. The Administrative Services Director and/or Investment Committee shall review and assure compliance with investment process and procedures.

REPORTING

The City's Administrative Services Director shall review and render quarterly reports to the Investment Advisory Committee and to the Board of Directors which shall include the face amount of the cash investment, the classification of the investment, the name of the institution or entity, the rate of interest, the maturity date, the current market value and accrued interest due for all securities. The quarterly reports will be submitted to the Investment Committee within thirty (30) days following the end of the quarter covered by the report as per Section 53646 (b)(1) of the California Government Code. Once approved by the Investment Committee, the quarterly reports shall be placed on the Board of Director's meeting agenda for its review and approval no later than 60 days after the quarter ends.

QUALIFIED BROKER/DEALERS

The SBWMA shall transact business only with banks, savings and loans, and with broker/dealers. The broker/dealers should be primary or regional dealers. The City's Administrative Services Director will make exceptions only upon written authorization. Investment staff shall investigate dealers wishing to do business with the SBWMA to determine if they are adequately capitalized, have pending legal action against the firm or the individual broker and make markets in the securities appropriate to the SBWMA's needs.

The Administrative Services Director or Financial Services Manager shall annually send a copy of the current investment policy to all broker/dealers approved to do business with the SBWMA. Confirmation of receipt of this policy shall be considered evidence that the dealer understands the SBWMA's investment policies and intends to sell the SBWMA only appropriate investments authorized by this investment policy.

COLLATERAL REQUIREMENTS

Collateral is required for investments in certificates of deposit. In order to reduce market risk, the collateral level will be at least 110% of market value of principal and accrued interest.

AUTHORIZED INVESTMENTS

Investment of SBWMA funds is governed by the California Government Code Sections 53600 et seq. Within the context of the limitations, the following investments are authorized, as further limited herein:

1. United States Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.
2. Obligations issued by the Government National Mortgage Association (GNMA), the Federal Farm Credit System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA), and the Federal Home Loan Mortgage Corporation (FHLMC). There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.

Investments detailed in items 3 through 10 are further restricted to a percentage of the cost value of the portfolio in any single issuer name to a maximum of 5%. The total value invested in any one issuer shall not exceed 5% of the issuers net worth. Again, a five-year maximum maturity limitation is applicable unless further restricted by this policy.

3. Bills of exchange or time drafts drawn on and accepted by commercial banks, otherwise known as banker's acceptances. Banker's acceptances purchased may not exceed 180 days to maturity or 30% of the cost value of the portfolio.
4. Commercial paper ranked P1 by Moody's Investor Services or A1+ by Standard & Poor's, and issued by domestic corporations having assets in excess of \$500,000,000 and having an AA or better rating on its' long term debentures as provided by Moody's or Standard & Poor's. Purchases of eligible commercial paper may not exceed 270 days to maturity nor represent more than 5% of the outstanding paper of the issuing corporation. Purchases of commercial paper may not exceed 25% of the cost value of the portfolio.
5. Negotiable Certificates of Deposit issued by nationally or state chartered banks (FDIC insured institutions) or state or federal savings institutions. Purchases of negotiable certificates of deposit may not exceed 30% of total portfolio. A maturity limitation of five years is applicable.

6. Local Agency Investment Fund (LAIF) which is a State of California managed investment pool, and San Mateo County Investment pool, may be used up to the maximum permitted by California State Law. A review of the pool/fund is required when they are part of the list of authorized investments.
7. Time deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 25% of the investment portfolio may be invested in this investment type.
8. Medium Term Corporate Notes, with a maximum maturity of five years may be purchased. Securities eligible for investment shall be rated AA or better by Moody's or Standard & Poor's rating services. Purchase of medium term notes may not exceed 30% of the market value of the portfolio and no more than 5% of the market value of the portfolio may be invested in notes issued by one corporation. Commercial paper holdings should also be included when calculating the 15% limitation.
9. Ineligible investments are those that are not described herein, including but not limited to, common stocks and long term (over five years in maturity) notes and bonds are prohibited from use in this portfolio. It is noted that special circumstances arise that necessitate the purchase of securities beyond the five-year limitation. On such occasions, requests must be approved by Board of Directors prior to purchase.
10. Various daily money market funds administered for or by trustees, paying agents and custodian banks contracted by the SBWMA may be purchased as allowed under State of California Government Code. Only funds holding U.S. Treasury or Government agency obligations can be utilized.

The following ~~summary of maximum percentage limits, by instrument, are~~ summary of maximum percentage limits, by instrument, is established for the SBWMA's total pooled funds portfolio:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	Upon Demand	N/A	\$40 million per account	N/A
San Mateo County Investment Pool	Upon Demand	N/A	\$40 million per account	N/A
Treasury Bills	5 Years	N/A	100%	N/A
US Government Agency and Federal Agency Securities	5 Years	N/A	100%	N/A
Bankers Acceptances	180 Days	N/A	30%	(A), (B)
Commercial Paper	270 Days	AA	25%	(A), (B)
Negotiable Certificates of Deposit	5 Years	N/A	30%	(A), (B)
Time Certificates of Deposit – Banks or Savings and Loans	5 Years	N/A	25%	(A), (B)
Medium Term Corporate Notes	5 Years	AA	30%	(A), (B)

(A) 5% of outstanding paper of issuing corporation

(B) 5% of the portfolio in one corporation

DERIVATIVE INVESTMENTS

Derivatives are investments whose value is "derived" from a benchmark or index. That benchmark can be almost any financial measure from interest rates to commodity and stock prices. The use of derivatives is prohibited under this policy.

LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will be incorporated into the South Bayside Waste Management Authority's Investment Policy and supersede any and all previous applicable language.

INTEREST EARNINGS

All moneys earned and collected from investments authorized in this policy shall be allocated quarterly to various fund accounts based on the cash balance in each fund at quarter end as a percentage of the entire pooled portfolio.

LIMITING MARKET VALUE EROSION

The longer the maturity of securities, the greater their market price volatility. Therefore, it is the general policy of the SBWMA to limit the potential effects from erosion in market values by adhering to the following guidelines:

All immediate and anticipated liquidity requirements will be addressed prior to purchasing all investments.

Maturity dates for long-term investments will coincide with significant cash flow requirements where possible, to assist with short term cash requirements at maturity.

All long-term securities will be purchased with the intent to hold all investments to maturity under then prevailing economic conditions. However, economic or market conditions may change, making it in the SBWMA's best interest to sell or trade a security prior to maturity.

PORTFOLIO MANAGEMENT ACTIVITY

The investment program shall seek to augment returns consistent with the intent of this policy, identified risk limitations and prudent investment principals. These objectives will be achieved by use of the following strategies:

Active Portfolio Management. Through active fund and cash flow management, taking advantage of current economic and interest rate trends, the portfolio yield may be enhanced with limited and measurable increases in risk by extending the weighted maturity of the total portfolio.

Portfolio Maturity Management. When structuring the maturity composition of the portfolio, the SBWMA shall evaluate current and expected interest rate yields and necessary cash flow requirements. It is recognized that in normal market conditions longer maturities produce higher yields. However, the securities with longer maturities also experience greater price fluctuations when the level of interest rates change.

Security Swaps. The SBWMA may take advantage of security swap opportunities to improve the overall portfolio yield. A swap, which improves the portfolio yield, may be selected even if the transactions result in an accounting loss. Documentation for swaps will be included in the SBWMA permanent investment file documents.

Competitive Bidding. It is the policy of the SBWMA to require competitive bidding for investment transactions that are not classified as "new issue" securities. For the purchase of non-"new issue" securities and the sale of all securities at least three bidders must be contacted. Competitive bidding for security swaps is also suggested, however, it is understood that certain time constraints and broker portfolio limitations exist which would not accommodate the competitive bidding process. If a time or portfolio constraining condition exists, the pricing of the swap should be verified to current market conditions and documented for auditing purposes.

POLICY REVIEW

The South Bayside Waste Management Authority's investment policy shall be adopted by resolution of the Board on an annual basis. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to Board for approval.

Glossary of Terms

Accrued Interest- Interest earned but not yet received.

Active Deposits- Funds which are immediately required for disbursement.

Amortization- An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Annual Financial Report - The official annual financial report for the SBWMA. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principals (GAAP).

Asked Price- The price a broker dealer offers to sell securities.

Basis Point- One basis point is one hundredth of one percent (.01).

Bid Price- The price a broker dealer offers to purchase securities.

Bond- A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Bond Swap – Selling one bond issue and buying another at the same time in order to create an advantage for the investor. Some benefits of swapping may include tax-deductible losses, increased yields, and an improved quality portfolio.

Book Entry Securities – Securities, such stocks held in “street name,” that are recorded in a customer’s account, but are not accompanied by a certificate. The trend is toward a certificate-free society in order to cut down on paperwork and to diminish investors’ concerns about the certificates themselves. All the large New York City banks, including those that handle the bulk of the transactions of the major government securities dealers, now clear most of their transactions with each other and with the Federal Reserve through the use of automated telecommunications and the “book-entry” custody system maintained by the Federal Reserve Bank of New York. These banks have deposited with the Federal Reserve Bank a major portion of their government and agency securities holdings, including securities held for the accounts of their customers or in a fiduciary capacity. Virtually all transfers for the account of the banks, as well as for the government securities dealers who are their clients, are now effected solely by bookkeeping entries. The system reduces the costs and risks of physical handling and speeds the completion of transactions.

Bearer and Registered Bonds - In the past, bearer and registered bonds were issued in paper form. Those still outstanding may be exchanged at any Federal Reserve Bank or branch for an equal amount of any authorized denomination of the same issue. Outstanding bearer bonds are interchangeable with registered bonds and bonds in “book-entry” form. That is, the latter exist as computer entries only and no paper securities are issued. New bearer and registered bonds are no longer being issued. Since August 1986, the Treasury’s new issues of marketable notes and bonds are available in book-entry form only. All Treasury bills and more than 90% of all other marketable securities are now in book-entry form. Book-entry obligations are transferable only pursuant to regulations prescribed by the Secretary of the Treasury.

Book Value- The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Broker – In securities, the intermediary between a buyer and a seller of securities. The broker, who usually charges a commission, must be registered with the exchange in which he or she is trading, accounting for the name registered representative.

Certificate of Deposit- A deposit insured up to \$100,000 by the FDIC at a set rate for a specified period of time.

Collateral- Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

| Constant Maturity Treasury (CMT)- An average yield of a specific Treasury maturity sector for a specific time frame. This is a market index for reference of past direction of interest rates for the given Treasury maturity range.

Coupon- The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Analysis- A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield- The interest paid on an investment expressed as a percentage of the current price of the security.

Custody- A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement which also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

| Delivery vs. Payment (DVP)- Delivery of securities with a simultaneous exchange of money for the securities.

Discount- The difference between the cost of a security and its value at maturity when quoted at lower than face value.

Diversification- Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Duration- The weighted average maturity of a bond's cash flow stream, where the present value of the cash flows serve as the weights; the future point in time at which on average, an investor has received exactly half of the original investment, in present value terms; a bond's zero-coupon equivalent; the fulcrum of a bond's present value cash flow time line.

Fannie Mae- Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.

Federal Reserve System- The central bank of the U.S. that consists of a seven member Board of Governors, 12 regional banks and 5,700 commercial banks that are members.

| Federal Deposit Insurance Corporation (FDIC)- Insurance provided to customers of a subscribing bank that guarantees deposits to a set limit (currently \$100,000) per account.

Fed Wire- A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Freddie Mac- Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Ginnie Mae- Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

Inactive Deposits- Funds not immediately needed for disbursement.

Interest Rate- The annual yield earned on an investment, expressed as a percentage.

Investment Agreements- An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Liquidity- Refers to the ability to rapidly convert an investment into cash.

Market Value- The price at which a security is trading and could presumably be purchased or sold.

Maturity- The date upon which the principal or stated value of an investment becomes due and payable.

New Issue- Term used when a security is originally "brought" to market.

Perfected Delivery- Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

Portfolio- Collection of securities held by an investor.

Primary Dealer- A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Purchase Date- The date in which a security is purchased for settlement on that or a later date.

Rate of Return- The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Repurchase Agreement (REPO)- A transaction where the seller (bank) agrees to buy back from the buyer (SBWMA) the securities at an agreed upon price after a stated period of time.

Reverse Repurchase Agreement (REVERSE REPO)- A transaction where the seller (SBWMA) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.

Risk- Degree of uncertainty of return on an asset.

Safekeeping- see custody.

Sallie Mae- Trade name for the Student Loan Marketing Association (SLMA), a U.S. sponsored corporation.

Secondary Market- A market made for the purchase and sale of outstanding issues following the initial distribution.

Settlement Date- The date on which a trade is cleared by delivery of securities against funds.

Time Deposit – A deposit in an interest-paying account that requires the money to remain on account for a specific length of time. While withdrawals can generally be made from a passbook account at any time, other time deposits, such as certificates of deposit, are penalized for early withdrawal.

Treasury Bills- U.S. Treasury Bills which are short-term, direct obligations of the U.S. Government issued with original maturities of 13 weeks, 26 weeks and 52 weeks; sold in minimum amounts of \$10,000 in multiples of \$5,000 above the minimum. Issued in book entry form only. T-bills are sold on a discount basis.

U.S. Government Agencies- Instruments issued by various US Government Agencies most of which are secured only by the credit worthiness of the particular agency.

Yield- The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity- The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

Yield Curve- The yield on bonds, notes or bills of the same type and credit risk at a specific date for maturities up to thirty years.



STAFF REPORT

To: SBWMA Board Members
From: Marshall Moran, Finance Manager
Date: September 26, 2013 Board of Director's Meeting
Subject: Approval of Quarterly Investment Report for the Quarter Ended June 30, 2013

Recommendation

It is recommended that the SBWMA Board review and accept the Quarterly Investment Report.

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 June 30, 2013, the investment portfolio was in compliance with the Investment Policy. The portfolio contains enough 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 June 30, 2013, funds in the amount of \$19,704,575 were invested producing a weighted average yield of 0.23%.

Below is a summary of the changes in the portfolio.

	Qtr Ended 6/30/13	Qtr Ended 3/31/13	Increase (Decrease)
Total Portfolio	\$ 19,704,575	\$ 19,841,265	\$ (136,690)
Weighted Average Yield	0.23%	0.30%	-0.07%
Interest Earnings	\$ 12,341	\$ 12,136	\$ 205
Lehman Recovery Payment	\$ 19,162	\$ -	\$ 19,162

The decrease in the total portfolio by \$136,690 is primarily due to the transfer of funds from the LAIF investment account to the checking account for operating disbursements and monthly debt service transfer to the bond account. The monthly debt service transfer is required by the bond documents for the payment of future debt service. The decrease balance in LAIF is offset by the increased balance in bond account which will be used for the 2009 Series A bond principal payment in September.

A third Lehman recovery payment of \$19,162 was received in this quarter, bringing the recovery to-date to \$56,965 or 14.88% of the total Lehman investment loss of \$382,898 incurred in 2009. The County Treasurer recently notified us of the intent to sell the remaining holdings of Lehman interests rather than waiting for the completion of the bankruptcy. The SBWMA will receive a final payment of \$95,560 for a total recovery of \$152,525 (40%). All County Pool participants will be notified once the County has the final details.

A table comparison of the portfolio components is provided below:

	6/30/2013 Balance	% of Total	3/31/2013 Balance	% of Total	Change over prior qtr
SM County Pool	\$ 2,167,040	11%	\$ 2,144,381	11%	\$ 22,659
LAIF	11,313,693	57%	12,505,898	63%	(1,192,205)
Bond Account	6,223,842	32%	5,190,986	26%	1,032,856
Total Portfolio	\$ 19,704,575	100%	\$ 19,841,265	100%	\$ (136,690)

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

The average yield of the portfolio in the quarter excluding the bond proceeds was 0.3%. The Local Agency Investment Fund (LAIF) is used as a benchmark and the average LAIF yield for the quarter ending June 30, 2013, was 0.24%. The San Mateo County Pool average yield for the quarter was 0.61%.

Due to arbitrage restrictions, bond investments are not included in our LAIF rate comparison. As of June 30, 2013, the bond reserve and payment accounts of approximately \$6.2 million were invested with the trustee in short-term investments.

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, have reviewed this report before presentation to the Board.

Attachments

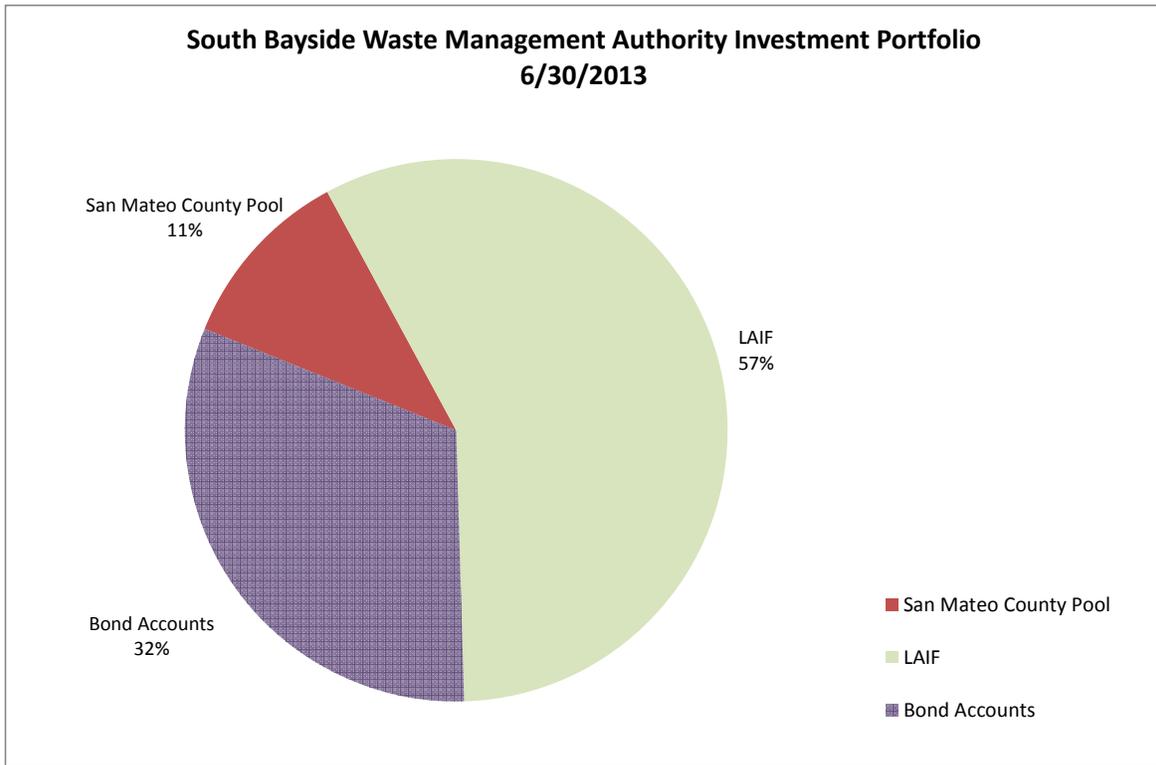
- A – Investment Portfolio Summary for the Quarter Ended June 30, 2013
- B – Historical Summary of Investment Portfolio

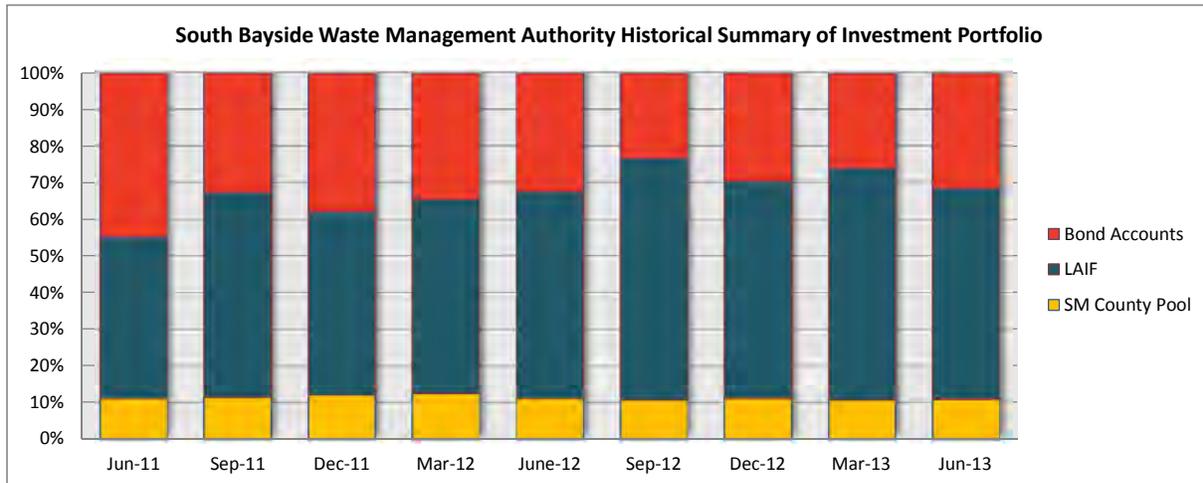
SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

SUMMARY OF ALL INVESTMENTS

For Quarter Ending June 30, 2013

Category	Weighted Average Interest Rate	HISTORICAL Book Value	GASB 31 ADJ Market Value	Interest Earned
Liquid Investments:				
San Mateo County Investment Pool (COPOOL)	0.61%	2,167,040	2,159,304	3,303
Local Agency Investment Fund (LAIF)	0.24%	11,313,693	11,316,784	7,333
Total - Investments	0.30%	13,480,733	13,476,088	10,636
Bond Proceeds Accounts - Cash with Fiscal Agents				
BNY Western Trust - Certificates of Deposit 2009A Reserve Fund Account	0.21%	2,232,000	2,232,000	1,705
BNY Western Trust - Dreyfus Cash Mgmt 670 Inv 2009A Reserve Fund Account	0.00%	2,011,359	2,011,359	-
BNY Western Trust - Dreyfus Cash Mgmt 670 Inv 2009A Payment Fund Account	0.00%	1,980,483	1,980,483	-
Total - Bond Accounts	0.000%	6,223,842	6,223,842	1,705
GRAND TOTAL OF PORTFOLIO	0.23%	19,704,575	19,699,930	12,341
Total Accrued Interest this Quarter			12,341	
Total Accrued Interest Fiscal Year to Date			50,792	





South Bayside Waste Management Authority Portfolio

	Jun-11	Sep-11	Dec-11	Mar-12	June-12	Sep-12	Dec-12	Mar-13	Jun-13
SM County Pool	2,070,798	2,077,198	2,083,418	2,088,589	2,116,407	2,121,172	2,139,883	2,144,381	2,167,040
LAIF	8,197,304	10,206,329	8,714,239	8,722,866	10,730,281	12,938,094	11,197,175	12,505,898	11,313,693
Bond Accounts	8,341,931	5,940,947	6,611,970	5,733,099	6,193,483	4,615,267	5,645,978	5,190,986	6,223,842
Grand Total	\$ 18,610,033	\$ 18,224,474	\$ 17,409,627	\$ 16,544,554	\$ 19,040,171	\$ 19,674,533	\$ 18,983,036	\$ 19,841,265	\$ 19,704,575



STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Operations Contracts Manager
Cliff Feldman, Recycling Programs Manager
Date: September 26, 2013, Board of Director's Meeting
Subject: Receipt of Recology and SBR Monthly Reports

Recommendation

This is an informational report and no action is necessary.

Analysis

Recology San Mateo County (Recology) and South Bay Recycling (SBR) are required to submit Monthly Reports 15 days after the end of each month. The attached Monthly Reports from Recology and SBR were submitted on time.

It is important to note that the tonnage information presented in Recology's Monthly Report is derived from data compiled by SBR as the Shoreway Environmental Center facility operator. Therefore, regarding the reporting of tonnage, the Recology and SBR reports are redundant. In addition, the SBR report provides details on the transfer station and buy-back center activities and therefore includes more facility tonnage data than the Recology Monthly Report. Recology's report includes collection data, monthly updates on various operations, and call center complaint/inquiry related metrics.

Background

Article 9, section 9.05 of the Member Agencies Franchise Agreement(s) with RSMC require the company to prepare and submit a monthly report. Similarly, Article 8, section 8.07 of the Operations Agreement between the SBWMA and SBR requires the company to submit a monthly report. The guidelines and reporting requirements for each company are specified in their respective Agreements.

Attachments:

- Attachment A - Recology August 2013 Monthly Report
- Attachment B - SBR August 2013 Monthly Report



Agenda Item: 5E

Receipt of Recology and SBR Monthly Reports

Attachment A – Recology August 2013 Monthly Report

Attachment B – SBR August 2013 Monthly Report

Files too large to be included in packet Posted on Website: www.rethinkwaste.org

- Attachment A: Recology August 2013 Monthly Report
- Attachment B: SBR August 2013 Monthly Report

Reports POSTED at www.rethinkwaste.org