



A Public Agency

EXECUTIVE DIRECTOR'S REPORT

STAFF REPORT

To: SBWMA Board Members
From: Joe La Mariana, Executive Director
Date: February 28, 2019 Board of Directors Meeting
Subject: Executive Director's Report

Staff and agency partners have been hard at work on many important projects, programs and facility initiatives since our last Board meeting. Here are highlights:

1. Administration & Finance:

a. Bond Refunding/Refinancing—This Work is Front & Center

On January 7th, 2019, SBWMA Financial Advisor contractor, KNN Public Finance, initiated a RFQ procurement process on the Agency's behalf soliciting the final technical service experts necessary for our refunding team—a Bond and Disclosure Counsel firm and an Underwriting firm. This evaluation and selection process resulted in a staff recommendation to contract with Stradling, Yocca, Carlson & Rauth, (as Bond and Disclosure Counsel) and Raymond James (as Underwriter). With Board approval today (item 8B), professional services contracts will be finalized and their highly technical work will begin immediately. Staff will continue to provide process direction; financial and operational data; and overall project management to complete this project within our established goals.

The primary goal of this project is to monetize the difference between our current bond rates (issued in 2009) and today's market rates, which are lower. Based on current market rates, these savings are expected to be about \$10M. Through recommendation of the Finance Committee and input from the Zero Landfill Committee, it is recognized that these savings should be directed towards the Shoreway facility's short-term capital needs. This strategy will provide a unique funding opportunity for these projects with zero rate payer impact. There's also been considerable related discussion and supportive activity amongst Staff, the Finance Committee and KNN regarding the proposed addition of \$10M of "new money" to the principal of this transaction to wholly fund three major mandate/market-driven capital projects planned for completion by 2022. The crux of this discussion revolves around how to package these additional funds with the most minimal rate payer impact. This issue will be presented to the Board today for discussion under item 10_A. If favorably received, this additional funding and the corresponding capital requests would be considered at the March 28th Board meeting.

Final deal terms for the entire transaction will be presented to the Board for consideration at the April 25th Board meeting to allow for the refunding of agency bonds to go to market in June. Upon Board approval, each member agency's elected body will consider this item between April 26th and May 15th. I'd like to acknowledge the strong scheduling efforts exhibited by your Clerk of the Board, Cyndi Urman, and our TAC members in confirming all 12 of these council/BOS meetings during this extremely tight calendar window. We better eat our Wheaties!

Please note these remaining Board engagement process milestone dates:

1. **Feb. 28th:** **Bond/Disclosure Counsel + Underwriter selection** (SBWMA BOD-Action Item)
2. **March 28th:** **Bond Amount & Key Terms Approval** (SBWMA BOD-Action Item)
3. **April 11:** **SBWMA Finance Committee—Final Project Review**
4. **April 25:** **Final Deal Terms Approval** (SBWMA BOD-Action Item)
5. **April 26-May 15:** **12 Member Agency Approvals** (**All 12 Elected Bodies review*- Action Item**)
6. **June 12th:** **Close date of current Bonds** (by law, earliest date final transaction steps can begin)
7. **September 1st:** **Final Bond Maturity Date** (Refunding transaction complete)

* Per the section 7.1.1 of the “Second Amended and Restated Joint Exercise of Powers Agreement, South Bayside Waste Management Authority” (aka “JPA Governance Agreement”) “two thirds of the members agencies (or 8 member agencies) are required to approve this refunding transaction.

b. Disposal/Landfill Services RFP: Process Update—In Final Steps; Award Decision Set for March 28th

As previously noted, the Agency’s 15-year disposal contract with Republic Services’ Ox Mountain Landfill in Half Moon Bay expires on December 31, 2019. On February 4th, RFP response finalists each met with Staff and HF&H Consultants (HFH) to negotiate/finalize all contractual deal points, should they be awarded the contract. On February 25, a Board sub-committee will conduct a final process and financial review with Staff and HFH. The sub-committee’s recommendation will be brought to the Board for final consideration on March 28th.

c. Long Range Plan (LRP) Refresh—Updates for 2020-2024 period

The Agency’s current LRP received Board approval in June 25, 2015. Much has changed in the solid waste industry during the past five years, including major changes in laws, commodity markets, the Agency’s major contracts and even having the Shoreway facility suffer catastrophic fire damage. These strategic documents typically have a five-year lifespan, so the refresh planning work will, with Board approval, begin immediately for the new 2020-2024 term. A proposed workplan and project timeline is included on today’s agenda for Board consideration (item 7F).

d. FY19/20 Budget dates-Slight Timing Change Due to LRP

With Executive and Finance Committee concurrence, Staff will introduce the Draft FY19/20 Budget for Board review on May 23rd (rather than April 25th) and the final FY19/20 Budget for consideration at the June 27th Board meeting (rather than May 23rd). This one-month stagger will allow Staff to tie-in LRP assumptions into this planning process.

e. 2020 Contractor’s Compensation App. Process—2019 + 2020 Service Level Adjustment—Mock Calcs

During the 2018 Comp App review, every SBWMA Board and TAC member was provided with a customized analytical projections of their jurisdiction’s known financial considerations through rate year 2021. **During the upcoming 2020 Comp App review, each SBWMA agency will be provided with customized (mock) 2019 and 2020 Service Level Adjustment (SLA) calcs for their forward planning purposes as we approach the 2020/2021 transition period between the current Franchise Agreement term and the newly restated and amended term.**

As you know, there’s several anticipated adjustments between rate year 2020 and 2021, including:

- An adjustment in Recology’s base operating costs of about 8.3% (subject to actual CPI numbers).
- A CPI-based fuel pass-through factor (no change from current formula).

- An annual agency-specific SLA adjustment calc. Please note that for member agencies that have minimal or no-growth, this calc will be close to zero, or zero. For high-growth communities, there will be increased collection services operational costs with, depending on how you set your rates, some or all revenue recovery. Remember, at TAC member request, these calcs will be calc'd each year and will actually use a 3-year rolling average to smooth out any growth/reduction spikes.

Staff believes that, by previewing your agency's 2019 and 2020 comp app review actual figures in this 2-year mock SLA format, our Board and TAC members will be fully informed and empowered to chart their own strategic rate setting course during this upcoming transition period. Hopefully, your agency has already been building its rate stabilization funds, as the Agency has strongly recommended on multiple occasions during the past two years, in anticipation of this changeover.

f. **Management Analyst III Recruitment**—*Recruitment Completed; Position Filled*

Grant Ligon will join our SBWMA team on March 4th as a Management Analyst III. Grant currently works as a Stormwater and Environmental Compliance Coordinator with the City of San Mateo's Public Works department. He has previously worked in public health technical assignments in New York City and in North Carolina. Grant earned his B.S. and M.S. in Environmental Science from the University of North Carolina, Chapel Hill and is a self-taught Mandarin language speaker. Grant and his family reside in San Mateo. Welcome aboard Grant!

2. **Committee Updates:**

a. **Finance Committee Meeting** (*Feb. 14th*)

A special meeting was convened to review the Bond Refunding process, including:

- Previewing Staff recommendations for bond and disclosure counsel and bond underwriter services
- A study session on Shoreway facility CIP needs, and how they intersect with Bond Refunding timing.
- Review Agency's Administrative/Financial Services RFP results/Staff recommendations (item 7E)

b. **Legislative/Regulatory Committee** (*Feb. 5th--SBWMA Executive Committee*)

The Committee was updated on the onboarding of the Agency's new Legislative advocate, Environmental & Energy Consulting (EEC). EEC's first update provides a preliminary overview of the new legislative session and an early bill watch list. This list will be expanded throughout the spring as the leg session takes full shape. In the meantime, EEC has busily engaged our local legislative delegation's contacts; CalRecycle staff; and our many industry partners as we prepare to address our common targeted goals for this session including lithium battery handling safety, rebuilding domestic fiber recycling markets, waste reduction, and eliminating single-use, non-recyclable plastics. A primary emphasis will be to remain extremely engaged with CalRecycle in the final steps of the formal rulemaking development process for SB 1383, *California's Short-Lived Climate Pollutants Act of 2016*, which squarely targets the elimination of organic materials from landfills. Using her prior contacts and legislative experience, SBWMA Recycling Outreach Programs Manager, Julia Au, will manage this program and our environmental industry partner relationships as we advance our legislative and regulatory goals in the future.

c. **Pub Ed/Outreach Subcommittee** (*No meeting*)

Although there was no formal meeting, Committee members actively engaged in the evaluation and selection process of a recommended website contractor, S. Groner Associates. This recommendation will be considered today in item 8C.

d. **Zero Landfill Committee** (*2/21-Tour*)

A facility tour of Silicon Valley Clean Water's (SVCW) Redwood Shores facility to observe the technical process, equipment and timing interface between the SBWMA's O2E program(s) and their facility. As of this writing all five Board/ZLF Committee members confirmed participation in this tour.

3. Collection and Recycling Program Support and Compliance:

A. Franchise Agreement Negotiations—No Change in Status

i. The County of San Mateo:

SBWMA Staff has provided detailed data and answered many questions during the County's diligence review of the SBWMA/Recology Franchise Agreement negotiations process and decision making.

ii. The Town of Atherton:

Atherton's Solid Waste sub-committee continues to evaluate their town's collection for the future.

iii. West Bay Sanitary District:

San Mateo Local Agency Formation Commission (LAFCo) Executive Officer, Martha Payatos, has advised me that her agency received a formal draft letter from WBSD's District Manager, Phil Scott, of his agency's intent to divest their solid waste program through a requested transfer to the County of San Mateo. Staff and agency attorney, Jean Savaree, will meet with LAFCo staff on February 26th to learn more about our agency's financial structure and how it relates to this request. Naturally, the Executive Committee and Board will be advised of any and all relevant outcomes from this and subsequent meetings on this subject.

B. "Amendment One" Process and Workplan-FAX's Final Report is in development; Board consideration in March

At TAC Chair Afshin Oskoui's suggestion, staff has engaged Recology and the San Mateo Countywide Water Pollution Prevention Program (SMCWPPP) to identify ways to reduce litter on our streets related to routine solid waste collection operations. Last summer, SMCWPPP Program Manager, Matt Fabry, and program consultants from EOA offered specific litter-reduction activity suggestions that have been thoroughly reviewed by this workgroup and some are recommended for inclusion in Amendment One language. Matt invited me to speak at a SMCWPPP Litter Work Group meeting on February 4th to review our progress on this topic with the group.

Additionally, final program details and final costs are being confirmed with Recology and the FAX Committee's *Final Franchise Report* will be considered at the March 28th Board meeting.

C. Long Range Plan-Pilot Programs

i. Environmental Education Program—In-Schools Pilot Program and the Facility Tour Program is Rolling!

As previously reported, the in-schools pilot program Redwood City rollout continues full bore. The SBWMA Environmental Education team have successfully increased recycling and composting services, conducted numerous educational assemblies, provided custodial staff education and supported science instructors at these school sites. The team will present a program update to the board at the April Board meeting. A recommendation will follow during the FY19/20 Budget discussion on using a phased approach to expand this program agency-wide during the next few years.

ii. Public Spaces Pilot Program—SBWMA Team Works w/City Staff to Achieve Pilot Goals

The Public Spaces team continues to roll on in their pilot project to increase diversion and expand recycling and composting opportunities in public spaces, with an emphasis on parks and active downtown shopping corridors in Redwood City and San Carlos. Agency fellows have conducted waste audits, observations and surveys before and during the installation of new receptacles and signage and continues to gather and analyze the information collected.

The team will present a pilot program update with results and findings at the April Board meeting. A recommendation will follow during the FY19/20 Budget discussion on using a phased approach to expand this program agency-wide during the next few years.

4. Shoreway Operations and Contract Management

A. CIP Project design for Plan of Finance – A Top Agency Priority

Large capital improvement projects that will have a long-term benefit to the agency are being designed and analyzed so that the Board can decide on a Plan of Finance for the Bond refunding process. Three CIP projects include: Full-Scale Organics to Energy, Phase I and Phase II MRF Equipment Upgrades total \$25M. The bond refunding represents the agency's easiest and least expensive source of funds. There are Plan of Finance options that can provide part or full funding for the CIP projects (\$10M in transaction savings and \$20M in new cash) without increasing debt service payments. Staff has presented to the Finance Committee on 2/14, expects to present to the ZLF Committee in the near future, and will present high-level overview of these projects at today's Board meeting.

B. Public Recycling Center Construction

The Public Recycling Center project concrete work has been largely completed and is providing the benefits of improved traffic flow and safety. The shade canopy has been designed and will be installed in early spring. MRF glass load-out equipment is being fabricated by BHS and will be installed in early spring.

Respectfully submitted,



Joe La Mariana
Executive Director

Attachments:

Attachment A - Franchise Agreement Execution Status by Member Agency: Elected Body Consideration Tracker

Attachment B - EEC's January 2019 Legislative Report

Attachment A:
Franchise Agreement Execution Status by Member Agency:
Elected Body Consideration Tracker

SBWMA Member Agency	City Council Consideration Date	Status/Comments
City of San Mateo	November 6, 2017	Council approved: 5-0
Hillsborough	November 13, 2017	Council approved: 5-0
San Carlos	November 13, 2017	Council approved: 5-0
Foster City	November 20, 2017	Council approved: 5-0
Burlingame	January 16, 2018	Council approved: 5-0
West Bay Sanitary District	January 24, 2018	Board approved: 5-0
Redwood City	March 26, 2018	Council approved: 7-0
Menlo Park	April 24, 2018	Council approved: 3-0-2* *Eight (8) member agencies have now approved their individual Franchise Agreements with Recology. This 8 th vote satisfies the requirements of the JPA's governance agreement, Section 7.1.1 of a 2/3rds vote. A public procurement is avoided.
East Palo Alto	June 19, 2018	Council approved: 4-0
Belmont	August 28, 2018	Council approved: 5-0 Franchise Agreement deal terms were approved and City Manager Scoles is authorized to execute Belmont's final agreement. This final step is currently in progress
County of San Mateo	December 19	County staff advised SBWMA of their decision to conduct an independent review of the financial and operational deal terms of the Franchise Agreement. A large public records request has followed. It appears that this review will continue into the spring.
Atherton	December 19	Council directed town staff and solid waste subcommittee to explore options for future solid waste services, including reaching out to Portola Valley and Woodside to see if it makes sense for their town to join together for these services. A key issue is cost allocations. Council and staff made strong statements that this was a simple policy discussion about the town's "fit" with the SBWMA. Many strong statements were made complimenting Recology's quality of service and SBWMA staff's high level of professional support.

***Notes:**

1. JPA Agreement states that each member agency's individual Franchise Agreement be fully executed by June 30, 2018.
2. Per the section 7.1.1 of the "Second Amended and Restated Joint Exercise of Powers Agreement, South Bayside Waste Management Authority" (aka "JPA Governance Agreement") "two thirds of the members agencies (or 8 member agencies) are required to approve this Franchise Agreement for it to become ratified.

Attachment B

RethinkWaste Legislative Update – February 2019

I. Key Dates & Updates

- Last day to introduce bills is Friday, February 22
- Policy committee hearings will occur March and April

II. Legislation

- SB 33 (Skinner): Senator Skinner has a spot bill on waste reduction; staff has indicated she is heavily considering packaging reform policies.
- SB 54 (Allen): Senator Allen has a spot bill on waste reduction as well.
- AB 161 (Ting): Assembly Member Ting has introduced a bill to reduce waste from paper receipts by requiring businesses to print a receipt only when asked by customers, otherwise they must email it.
- Legislators are considering introducing additional waste reduction and recycling legislation, including:
 - A requirement for post-consumer recycled content
 - Establishing incentive programs for recycling paper and organic waste, requiring CalRecycle to conduct a recycling PR campaign, banning the “chasing arrows” symbol on products that are not recyclable, and more.

III. Activities in January

- Working with partner agencies on authoring a bill to recycle lithium ion batteries.
- Secured a speaking role for the Select Committee on Waste Reduction and Recycling for the 21st Century’s informational hearing on developing domestic recycling markets. Hearing details are still to be determined, as it still needs to be approved by the Speaker’s Office.
- Met with CalRecycle staff to better understand meaning and implications of SB 1383 regulatory text and provide additional background to RethinkWaste’s previously submitted comments.