



A Public Agency

EXECUTIVE DIRECTOR'S REPORT

STAFF REPORT

To: SBWMA Board Members
From: Joe La Mariana, Executive Director
Date: March 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—We’re all in

Staff continues to work diligently with the Finance Team (KNN-finance advisors; Stadler-bond disclosure attorneys; and Raymond James-underwriters) to:

- Prepare all final transaction terms and details
- Meet numerous SEC legal disclosure reporting requirements
- Complete Staff training on legal disclosure requirements and penalties
- Prepare comprehensive five-year Agency operation’s financial projections
- Work closely with Agency attorney, Jean Savaree, to honor member agency interests
- Develop the master Plan of Finance staff report/resolution for today’s Board consideration (see Agenda item 5A)
- Schedule all elected body meetings from May 6th through May 15th
- Confirm legally required “TEFRA” hearing to be held in City of San Carlos (May 13th)

Sr. Finance Manager, John Mangini, deserves special recognition for his strong project leadership during this incredibly complex and highly nuanced process. John is the primary point of contact on numerous encounters with staff, attorneys, technical experts—each with their own need for immediate response on an unyielding list of deliverables that have kept this process rolling. John’s customer-service approach and a calm, cheerful demeanor has been most appreciated. Congrats on a truly exemplary job John. Now let’s close the deal! Please note these remaining Board engagement process milestone dates:

1. **March 28th:** **Bond Amount & Key Terms Approval** (SBWMA BOD-Action Item)
2. **April 11:** **SBWMA Finance Committee—Final Project Review**
3. **April 25:** **Final Deal Terms Approval** (SBWMA BOD-Action Item)
4. **May 6th - May 15th:** **12 Member Agency Approvals** (All 12 Elected Bodies review*- Action Item)
5. **June 12th:** **Close date of current Bonds** (by law, earliest date final transaction steps can begin)
6. **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) are required to approve this refunding transaction.”

b. Disposal/Landfill Services RFP: Process Update—Award Decision Set for April 25th

This contract award will be presented to the Board for consideration at the April 25th meeting presuming that several unresolved deal points that were identified by the Board's Selection sub-Committee are properly addressed with each RFP response finalist. These issues must be addressed to the Agency's satisfaction before Staff can prepare a final recommendation to the Board.

c. Long Range Plan (LRP) Update—New Period: 2020-2024

The LRP update process has begun. It's led by Staff Grant Ligon, with strong support by Steve Sherman consulting and direction from myself. Planning input sessions have begun with the Pub/Ed & Outreach Subcommittee and the TAC, with more to follow. All Agency committees will have two opportunities for input during this process before an updated Draft LRP is presented to the Board on May 23rd. Please note that these planning assumptions and considerations will be factored into the Agency's Draft FY19/20 budget development that's planned for introduction to the Board on May 23rd. This timing is being driven by the FY19/20 budget development and 2019 Bond Refunding processes.

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

As previously noted, Staff will present the SBWMA's Draft FY19/20 Operations Budget on May 23rd (rather than April 25th), and the Final FY19/20 Operations Budget for consideration at the June 27th Board meeting (rather than May 23rd). This one-month stagger will allow Staff to tie-in LRP and new Bond Refunding assumptions into this planning process.

e. 2020 Contractor's Compensation App. Process—This is the Final Rate Year of the Current FA Term

The 2020 Contractor's Comp App process begins on March 29th when Recology is required to submit their Annual Revenue Reconciliation Report. This report provides each member agency with a revenue snapshot (actuals) that Recology has collected on each MA's behalf for Recology's services provided during the past year. It is strongly recommended that each member agency's technical staff (usually their SBWMA TAC member) carefully review these numbers for accuracy against 1) The Prop 218-authorized-rates 2) their historical actuals and 3) their current rate year projections. Any questions should be directed to Recology's General Manager, Mike Kelly, with a "CC" to SBWMA's Sr. Finance Manager, John Mangini.

f. Staff Annual Retreat (2/22)

Amidst the hustle of the many projects and initiatives cited in this report, somehow our team was able to share an off-site day to discuss many big-picture issues and challenges while enjoying the beautiful grounds of the historic Kohl Mansion in Burlingame that was built in 1914. Fun fact—SBWMA Board member, and then-Mayor, Michael Brownrigg presided over the Kohl Mansion's 100-year community-wide epic celebration event in 2014. The day was topped off with an interactive, pizza-making competition at a local artisan restaurant. We had a 12-way tie for the very best pizza!

2. Committee Updates:

a. Finance Committee Meeting (No Meeting held)

b. Legislative/Regulatory Committee (March 5th--Executive Committee)

The Committee was updated on the 51 bills that our lobbyist, EEC, has identified and are currently tracking on the Agency's behalf. I will be testifying at two Assembly policy committee hearings on the Agency's behalf on our co-sponsored legislation, AB 1509 (Mullin), that helps address safety issues related to our industry's handling of Lithium-Ion batteries at the end of their useful life. The Assembly Environmental Safety and Toxic Materials Committee's hearing is on April 9th and the Assembly Natural Resources Committee will be held on April 22nd. See agenda item 9A for specific bill tracking notes.

- c. **Pub Ed/Outreach Subcommittee** *(March 12th)*
At strong Board direction, Staff issued an RFQ for strategic communications assistance. The committee provided direction on the qualified responses received. Based on this direction, Staff anticipates executing an agreement with the selected contractor and commencing work on April 1st. This meeting also began the LRP process by engaging in high-level discussion on the Agency's role, needs and allocation and ranking of financial/Staff resources relating to state laws and market/economic realities. Staff received excellent feedback which will be incorporated into our planning process.
- d. **Technical Advisory Committee** *(March 14th)*
This was the second high-level input session held in support of the LRP update project. Staff received strong TAC feedback on a wide variety of Agency/industry issues which will serve us well as we proceed with our planning process and recommendations. A follow up meeting is scheduled for May 10th to provide the TAC with a draft LFP for their final comment.
- e.
- f. **Zero Landfill Committee** *(March 28th)*
The ZLF has a scheduled meeting immediately preceding the Board meeting on 3/28. There are two discussion items planned—1) A review of proposed \$15.6M MRF equipment upgrades (financials reviewed by Finance Committee on February 14th; Board study session on February 28th) and 2) A high-level Long-Range Plan input session. The outcome of this meeting is unknown at the release of this report.

3. Collection and Recycling Program Support and Compliance:

A. Franchise Agreement Member Agency Approvals—*No Change in Status from February report*

B. Franchise Agreement “Amendment One” Process—*Planned for Board Consideration on April 25th*

C. Long Range Plan-Pilot Programs

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

The high-octane EE team continues to roll this pilot program out in Redwood City. The program is now operational at eight (8) elementary school sites and the early results are quite impressive. The team will present a program update at the May Board meeting. As previously noted, a recommendation will follow during the FY19/20 Budget discussion on adopting 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 recent soggy weather may have slightly challenged the PS' team ability to gather data, but it sure hasn't dampened their spirits. In their relentless quest to increase waste diversion and expand recycling and composting opportunities in the two pilot cities' (San Carlos and Redwood City) parks and active merchant corridors, the team continues to collect data that records the program's results. 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 adopting a phased approach to expand this program agency-wide during the next few years.

4. Shoreway Operations and Contract Management

A. Organics-to-Energy Pilot Project—*OREX Press Grant Status*

Staff continues to work diligently with Recology, Anergia, CalRecycle and several sets of attorneys to redirect a \$1.2M grant for specialized organics processing equipment to be relocated to our Shoreway facility in San Carlos. This project and the grant have been discussed in detail at several recent board and committee meetings. The transactional steps required to complete this deal have proven to be

extremely challenging due to the multiple-parties, many individuals and sites involved and, of course, the rapidly closing CalRecycle grant window.

I must recognize several key individuals for their tireless efforts in securing this grant, although we're not quite done. Sr. Facilities & Contracts Manger, Hilary Gans, has put extreme effort to facilitate this transaction for well over a year. Additionally, Recology's Chief Operating Officer, Mark Arsault, has been a driving force in advancing this initiative and, of course, Agency attorneys, Kai Ruess and Jean Savaree, have been absolutely instrumental in guiding Staff on the proper procedural pathway towards securing this equipment and grant funding. It's great to know that we've got such a proven and passionate team on this complicated project. This initiative is described in exceptional detail in agenda item 7A.

B. SBR's Year-End Stats:

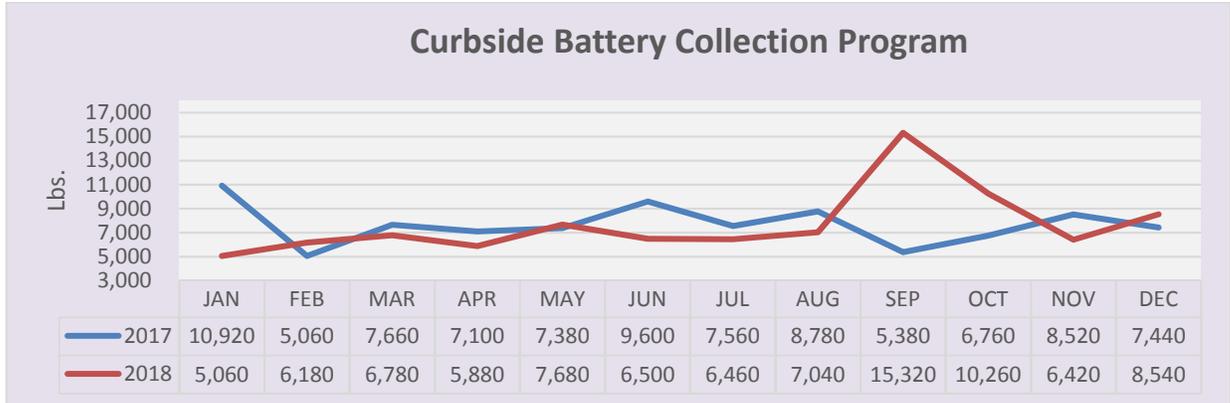
SBR's 2018 YE report shows that our Shoreway Environmental Center facility continues its recent trend of receiving, handling, processing and transporting almost ½ million tons of various waste materials at our site annually. 2018 was yet another year in which the SBR team continued to demonstrate their strong industry, operational and market knowledge while handling close to record levels of materials on our Agency's behalf. As noted in **Table 1**, there was a slight decrease from 2017's figures.

Table 1			
Shoreway Site Operations: Materials Received Summary (tons)			
Key Material Category	2017	2018	Difference
Municipal Solid Waste <i>(Black Cart)</i>	221,940	220,593	-1,347 (-.7%)
Organics <i>(Green Cart)</i>	122,305	120,427	-1,878 (-1.5%)
Recyclables <i>(Blue Cart)</i>	80,813	79,446	-1,367 (-1.5%)
Bulky Item/Reusables <i>(Franchise Program)</i>	1,615	1,435	-180 (-11.1%)
Construction & Demolition <i>(via the public gate)</i>	51,094	50,814	-280 (-.5%)
Totals tons received at site:	477,768	472,716	-5,052 (-1.1%)
Overall Diversion rate:	54%	53%	-1%

C. 2018 Batteries Received through the Curbside Collection program (Orange bags/Black Carts):

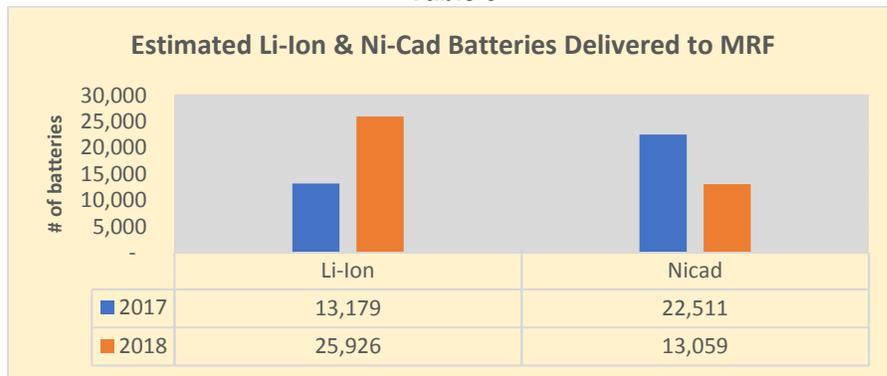
On September 3rd, SBWMA Staff and Recology relaunched the curbside program with a shift from collecting spent batteries on top of the Blue (recycling) carts to the Black carts to promote great safety in the MRF. By redirecting batteries to the black cart, this program shift resulted in a strong increase (+31%) in batteries collected in this program from the relaunch date. These results are viewed as a robust success. **Table 2** shows the clear trendline:

Table 2



D. 2018 Trend: Types of Batteries Recovered/Identified through the MRF Battery Count (In Blue Carts): SBR’s comprehensive battery count has also identified a pronounced change in the mix of battery types received during 2018. The innocuous Ni-Cad batteries are trending down, and the troublesome Lithium-Ion batteries are, unfortunately, trending way up. This trend indicates that, as an industry, we’ve still got a plenty of work to do in eliminating these materials from our MRF operations. **Table 3** tells this story:

Table 3



E. Public Recycling Center Construction

The Public Recycling Center project’s phase one has been completed and is providing immediate benefits of improved traffic flow and safety to this high-traffic area on our Shoreway site. The final phase involves the equipment reconfiguration of the glass loadout area of the MRF and the installation of safety fencing and steel structural post/fabric canopy installation is targeted for completion by YE.

Respectfully submitted,

Joe La Mariana
Executive Director

Attachments:

- A. Franchise Agreement Execution Status by Member Agency: Elected Body Consideration Tracker
- B. April/May 2019 Calendar: 12 Member Agency’s Council/BOS Meetings (Bond Refunding Consideration)

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.

SBWMA Member Agency Council Meetings for Bond Refunding Presentations

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
April 2019						
	4/15/19 *6PM San Mateo Study Session					
21	22	23	24	25	26	27
				SBWMA BOD DECISION On Bond Refunding Options		
28	29	30				
		6:30 East Palo Alto Study Session				

May 2019

				1	2	3	4
5	6	7	8	9	10	11	
	*6:30PM Foster City	*6:30 East Palo Alto	*7PM WBSD				
	*7PM Burlingame	*7PM Menlo Park					
	*7PM Redwood City						
	*7PM San Mateo						
12	13	14	15	16	17	18	
	*6PM Hillsborough	*9AM County	*7PM Atherton				
	*7PM San Carlos	*6:30 Belmont					
19	20	21	22	23	24	25	

* Confirmed