



# CONSENT CALENDAR



**DRAFT MINUTES**

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY  
MEETING OF THE BOARD OF DIRECTORS  
April 23, 2015 – 2:00 p.m.  
San Carlos Library Conference Room A/B**

**Call To Order: 2:00 PM**

**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.

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

**3. Executive Director's Report**

Executive Director McCarthy had no highlights from the report.

Member Benton asked which of the Finance Manager candidates withdrew.

Executive Director McCarthy noted that the names of the candidates had not been released, but that it was the candidate with public sector experience.

Counsel Lanzone announced that the SBWMA and SBR had received a letter from an organization called Bay Keepers that noted supposed violations at Shoreway with storm water. He noted that the matter will be managed by SBR, and that Recology has previous experience with the organization that tendered the letter. He also noted that there would be a closed session at the May Board meeting when more information had been gathered, and that he would send out a copy of the letter to the Board Members.

**4. 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 March 26, 2015 BOD Meeting Minutes
- B. Resolution Approving Calendar Year 2014 Financial Statements

Member Bronitsky made a motion to approve the consent calendar

Member Benton seconded the motion

Voice Vote: All in Favor

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

**5. Administration and Finance:**

- A. Discussion on FY1516 Preliminary Operating Budget (*Staff presentation and discussion item*)

Vice Chair Dehn noted the aggressive schedule for the meeting with discussions on both the budget and the Long Range plan, and she commented that it was important that the discussion give feedback and direction to staff on the two items.

Executive Director McCarthy gave a Power Point presentation on the preliminary budget highlighting the information in the staff report. He noted the key assumptions when generating the budget, and highlighted that this year the budget does assume a tipping fee increase of 3.8%. He also noted that if a 3.8% tipping fee increase was approved it would be a 0.97% collection rate impact across the service area.

Member Olbert asked for confirmation if a good portion of the assumed tip fee increase is being driven by meeting the bond covenant.

Executive Director McCarthy answered yes, and noted that the budget is set up to fully fund the cash reserves.

Member Olbert asked when was the last time the Board talked about what the reserve levels should be on a policy level.

Executive Director McCarthy answered that is was the latter half of last year.

Member Olbert commented that he thought the reserve levels were relatively high, and he recommended the Member Agencies be on call to provide rate stabilization if something were to happen, and requested further discussion on the topic of reserve levels.

Executive Director McCarthy noted that the Board Chair was interested in having a discussion around a comfortable minimum reserve level, but that the policy only states up to a maximum. He also added that in checking the number recently he thought the rate stabilization fund may be over reserved, and there may be an opportunity to bring that maximum down.

Member Benton clarified that the \$3.197M was the anticipated amount of undesignated cash at the end of next year.

Executive Director McCarthy answered yes.

Member Benton wondered what accounted for the drop from \$4.5M to \$3.2M.

Executive Director McCarthy answered that it's a number of things, capital, and commodity revenues being lower and one-time expenses in the operating expenses that will go away next year.

Member Benton wondered if for example the \$510,000 not spent on the canopy pops up because it's not spent so it becomes reserves.

Executive Director McCarthy answered that part of the reason why the mid-year number is so much higher is that when the budget was adopted last June, the prior fiscal year wasn't closed out, when the end of year audit was complete it turned out there was a much higher ending balance.

Member Olbert asked for confirmation if an Every Other Week collection was adopted, it wouldn't save money until a new contract with the hauler.

Executive Director McCarthy answered yes, unless it's part of the decision in 2017, the Board could negotiate to start things earlier. He also noted that the Every Other Week proposal is high risk high reward. It would fundamentally alter the routing, and the rate setting model, so if the Board likes the idea of Every Other Week collection it should be tried now, and if not it shouldn't happen at all.

Member Benton asked for clarification as to when the budget would be approved.

Executive Director McCarthy answered that the budget would be approved in May or June.

Vice Chair Dehn asked what the timing of the RFP on financial services and if those costs would be known before the budget is approved.

Executive Director McCarthy answered that the proposals are due tomorrow, and staff would have those numbers and implications to the budget in the May Board Packet.

Member Benton wondered what the yards decrease on the revenue detail slide included.

Executive Director McCarthy answered that it is public volumes of garbage, green waste and C&D. He added that garbage is going down, C&D is going up, and green waste is going down likely because of the drought, and noted that it's not a large number but it is a \$281,000 drop from last year.

Member Benton commented that one of the Board's goals is increased public use of the facility, so he would like to know why the public volumes are decreasing. He suggested conducting analysis based which cities are using Shoreway for public drop off.

Executive Director McCarthy noted that there was a two to three year trend where the volumes were going back up and then this last year the public volumes have significantly dropped.

Executive Director McCarthy continued the presentation and gave detail on education and outreach as requested by some members of the Board.

Vice Chair Dehn noted that the Recology commercial outreach number included headcount, and asked if the SBWMA number also included headcount.

Executive Director McCarthy answered that there is one public outreach headcount across all areas, and that it is not included in these outreach program numbers.

Vice Chair Dehn asked if all commercial business in our jurisdictions, is more than the 10,534 listed commercial accounts.

Executive Director McCarthy answered that it shouldn't be because garbage is franchised so every business should have garbage service provided by Recology.

Member Benton asked if outreach costs are allocated to each member agency based on their size.

Executive Director McCarthy answered that the SBWMA doesn't allocate the budget to the Member Agencies, there is a single budget. The only place the Member Agencies are impacted is the tipping fees, the Shoreway tipping fees pay for all of the SBWMA operations.

Member Benton commented that there are big numbers in the budget and the Long Range Plan aimed at improving commercial diversion, and questioned how those costs would be allocated to an agency like his with no commercial entities.

Executive Director McCarthy noted that in the Long Range Plan the biggest single expense is the Mixed Waste Processing system which will process waste across all sectors. Every ton will get sorted, so each Member Agency would be getting new diversion from the system.

Member Benton asked for clarification because he recalled from the Long Range Plan discussion last month that the primary reason for the mixed waste processing system was to try and get more diversion out of the commercial sector.

Executive Director McCarthy answered that the primary focus is organic waste which both residential and commercial sectors are throwing away, and a line hasn't been drawn as to how those numbers will get allocated to residential or commercial.

TAC Member Murray commented that on the commercial side the more that we can divert, the more revenue through the commodities there will be which benefits everyone.

TAC Member Galli asked what the difference was between a household and an account, specifically mentioning the cost per account per year at \$2.55 versus the cost per household per month at \$0.07.

Executive Director McCarthy noted that account refers to commercial account, and that it should have been per month, and that the \$0.07 figure was the impact on a residential garbage account that is \$30 per month.

Executive Director McCarthy continued his presentation and spoke about the school bussing program.

Member Aguirre asked for clarification on the number of students taking part in the Education Center tours.

Executive Director McCarthy noted the difference between the two slides of the table in the slide is that one was the number of students all grades up to twelfth, that participated in the program, and one was the number of 4<sup>th</sup> to 6<sup>th</sup> grade classes that participate in the program. He added that 4<sup>th</sup> to 6<sup>th</sup> grade was put into a separate table because they are the target age group based on California's state curriculum standards.

Vice Chair Dehn asked how other tour groups are getting to the facility if 2/3 are not using the bus.

Executive Director McCarthy answered that 2/3 aren't offered the bus, but that they generally come by car pool.

Member Bronitsky commented that for him it isn't about the money spent on bussing it's about the impact, and he thought the bussing should be given to schools whose students implement programs back in their community.

Executive Director McCarthy noted that the content of the tour ties to the states curriculum standards, and that teachers are provided pre and post tour information, so that the information learned is reinforced in the class room and in the community.

Vice Chair Dehn noted that there were two handouts related to the budget, one was an email from a Belmont Girl Scout leader regarding the tour program, and the other was from Chair Widmer who was unable to be at the meeting today so sent his remarks on the budget and long range plan via email.

Member Benton asked how it is determined who is offered bussing.

Executive Director McCarthy answered that any 4<sup>th</sup> to 6<sup>th</sup> grade class in the service area is offered bussing, but the tour is offered to any class in 3<sup>rd</sup> grade or above.

Member Benton asked what percentage of all 4<sup>th</sup> to 6<sup>th</sup> grades in the service area are participating in the program.

Executive Director McCarthy answered that Long Range Plan did include percentages of schools in the service area that have sent at least one class, and that the number was between 50-60%, but that wasn't necessarily the target 4<sup>th</sup> to 6<sup>th</sup> grade group.

Member Benton noted that he would like to see an increase in the percentage of the target group.

Executive Director McCarthy noted that the point was well taken, and the first couple of years of the program people were excited about the startup of the program, and now it's established, and more can be done to get the target classes in the facility.

TAC Member Rodericks asked if the private and public schools are all rate payers, and asked for legal clarification on using public money to provide private school bussing.

Executive Director McCarthy answered that the public schools are not subject to the Franchise Agreements because they are state entities, private schools are part of the Franchise Agreements. He added that in the end the tour program is meant to be a catalyst to get those schools to have compost programs, and recycling programs in their schools, and if they're diverting material out of the waste stream then everyone benefits.

Member Benton added that it's not just about bringing compost and recycling to their schools, it's also about students taking the message home.

Executive Director McCarthy agreed and noted that it was a small dollar amount that was being spent, but incremental increases in diversion won't happen with cuts in public outreach.

Member Olbert wondered if there should be a lump sum for public outreach and let the staff determine the best way to spend the money, noting that it is odd to be spending so much time talking about \$16,000 in a budget of \$100M.

Member Bronitsky responded that money shouldn't be spent if there is no impact, and which ever projects can show impact are the projects to keep. He noted he would be for a lump sum public outreach line item as long as impact could be determined.

Vice Chair Dehn noted that her preference would be a lump sum for all public education, as long as that education could have measurable outcomes.

Member Aguirre noted that she was concerned about dividing public and private students, noting that all students are residents. She also added the education is important, and doesn't have a price. She further commented that public education is hard to measure because its impact is long term, but when letters are received like the one received today from the Belmont resident, that is how success is measured.

Counsel Lanzone followed up that there is not a legal issue with paying for private school busses using public money, they are all in the service area.

Member Olbert asked if there was anything from Chair Widmer's email that the Board wants to discuss.

Vice Chair Dehn noted that Executive Director McCarthy had seen the email, and that TAC Member Rodericks was at the meeting to elaborate on any of Chair Widmer's comments in the email. She also noted that many of the comments dovetail into the Long Range Plan.

Member Olbert noted that he sensed the budget means the possibility for rate increases for all of the Member Agencies next year.

Executive Director McCarthy answered yes a 1% impact.

Member Olbert followed up that he would like to see if reserve levels could be lowered so there wouldn't be as much of a rate impact, and noted that he would like to see that analysis discussion brought back to the Board just to know what that change would look like.

Executive Director McCarthy answered that staff can do that research, he added that a final decision hasn't been made on the Long Range Plan, and asked that the Board be thinking about how to reserve some money for future capital needs for projects outlined in the Long Range Plan. He noted that he would work with Staff Moran to get a document together on how moving one piece affects the other.

Member Olbert commented that the undesignated cash reserve goes to the fundamental philosophy of the JPA, and how the Board wants the JPA to operate. The way it is set up now more money is being collected than is required to run the current programs, so that without needing to go back the member agencies for a particular project money is ready. He noted that he'd like to include that discussion as part of the Long Range Plan so that fundamentally the JPA is run the way the Board agrees.

TAC Member Galli questioned why the C&D funding was eliminated, and asked if a list of certified C&D processors was available.

Executive Director McCarthy answered that another organization was doing certification of processors so the JPA didn't need to do its own certification.

Staff Feldman added that a group of C&D processors is working on making an industry wide level playing field but it's a very slow process. He added that it was redundant to spend money on a consultant for this project when other municipalities are doing the same work.

TAC Member Galli noted that eventually something would be coming, and added that she would like to see money in the budget to align the existing Member Agencies C&D ordinances with the current green building code.

Staff Feldman answered that staff has done some of that work, and it would probably be about \$10,000 to do a study and create a model ordinance to weigh against all the Member Agencies' ordinances.

Vice Chair Dehn gave direction to see if there was wiggle room in the budget and report back to the Board.

C. Review of Draft 2015 Long Range Plan (*Staff presentation and discussion item*)

Executive Director McCarthy pointed out the changes to the Draft Long Range Plan from the March Board meeting. He noted the most significant change is that the background had been moved to the back of the document, and the Executive Summary tells the story of what is recommended. He also noted that the staff report includes the collection rate impact, and that table 1 in the staff report shows the impact of the recommended projects on diversion.

Member Olbert asked if the primary impetus of the mixed waste processing was increased diversion, and asked for confirmation if the calculations presented would increase diversion to 68%.

Executive Director McCarthy answered that it is the single biggest contributor to increasing the diversion number.

Vice Chair Dehn questioned the differences in cost between the budget and the Long Range Plan on remodeling the Admin building for staff to relocate.

Executive Director McCarthy noted that the \$25,000 in the FY1516 budget was for design options only, and that the Long Range Plan is the estimated full cost.

Vice Chair Dehn asked when the lease in the San Carlos Library was up.

Executive Director McCarthy answered that at next month's Board meeting staff would be coming to Board with consideration of approval of a one year lease extension and the option of an additional year.

TAC Chair Oskoui asked if the CNG analysis included the costs of infrastructure and fleet replacement, or if it was just fuel savings.

Executive Director McCarthy answered that the cost in the Long Range Plan was a net cost of the savings of conversion, and the cost of facility improvements. He noted that this proposal assumes a new fleet in 2021.

Vice Chair Dehn asked if it was feasible that Recology could consider fleet conversion earlier.

Executive Director McCarthy answered that it is something they could propose in their negotiations with the Member Agencies.

Member Olbert commented that since the goal of the Mixed Waste Processing system is to increase the diversion rate, and the state has an aspirational 75% goal by 2020, he noted that he was concerned about setting up the new system earlier than needed.

Executive Director McCarthy replied that what is critical to this organization is that the landfill rates are going to go up significantly in 2020, and this system is a hedge against that increase. He also noted that the history of the State's policy is that everything that has come out of climate change law has driven new legislation, so our agency needs to be prepared for the 75% diversion goal to become a mandate.

Member Olbert wondered what a 20% increase in landfill costs would do to rate impact overall, if no other diversion measures were taken.

Executive Director McCarthy answered that it would have a couple percentage point impact on the \$100,000 system.

Member Olbert noted that the numbers seems to be offsetting each other and requested that sometime be spent teasing those numbers out to see if they really do offset each other, noting that would change his attitude towards the mixed waste processing system.

**3:32 PM – Member Bronitsky, Member Abrica, and Member Slocum now absent meeting officially adjourned due to lack of quorum, but discussion continued.**

Member Benton asked for further explanation on what is driving the Every Other Week collection proposal.

Executive Director McCarthy answered that besides the Mixed Waste Processing system this was the only alternative that came up that could give potential operational cost savings and possibly a bump in diversion. He noted that there are some cities claiming significant increases in diversion, but cautioned that contamination goes up in the recycling. He added that in looking at the results from the other Agencies that have tried Every Other Week, it made sense to propose trying it to see what kind of results could be achieved in this service area. He acknowledged that there are all kinds of challenges with Every Other Week Collection most significantly rate structure, but also re-routing, and cart migration.

Member Benton asked what results from the study would show that the project would be warranted going forward.

Executive Director McCarthy answered a net increase in diversion would be the goal.

Member Benton asked why there would be an increase in diversion.

Executive Director McCarthy answered because it would force people to separate better, because more will need to be put in the blue and green cart but noted that he was suspect as to whether the recyclables wouldn't get contaminated.

Member Benton commented that \$120,000 seemed like a big expense for a fishing expedition.

Member Benton commented that over and over again he finds plastics that have no recyclable symbol on them and asked what programs the industry has in place to drive manufactures to use recyclable materials and suggested an outreach program to encourage consumers to choose products that are recyclable.

Executive Director McCarthy noted that state and federal legislation would be the driver to require manufacturers to make their products recyclable. He noted that in the Long Range Plan there is a section on Extended Producer Responsibility and with that the Board would put a policy in place that if the state or federal government were to put legislature in place that would require manufacturers to use more sustainable materials the SBWMA Board would be supportive of that legislation.

Vice Chair Dehn suggested that any further questions on the Long Range Plan be sent to Kevin.

**6. Collection and Recycling Program Support and Compliance:**

- A. Draft Plan and Recommended Process for SBWMA to Support Member Agencies with Future Decisions Regarding Franchise Agreements with Recology (*Discussion item*)

This item was waived due to lack of quorum.

**7. Shoreway Operations and Contract Management:**

- A. Update on SBR Compliance with Terms and Conditions Associated with Board Approval of Consent to Assignment of Majority Interest in South Bay Recycling, LLC to Recology, Inc.  
*(Discussion item)*

Executive Director McCarthy introduced this item noting that with the Board's approval of the Consent to Assignment in December there were some follow up items to address in the conditions of approval that were part the resolution. He noted that Recology and SBR have met all of those requirements, but that there was a specific item related to synergy of operations, and referenced a copy of the letter in the staff report, noting that through a merger there was an imbedded assumption that there should be savings, and that the bottom line is that there are no savings and asked Dan Domonoske for SBR's response.

Dan Domonoske of SBR noted that he was at the meeting to address the Board with George McGrath of Recology who also participated in drafting the letter the Board had received. He noted that the Member Agencies were very well served by a competitive RFP process, and SBR by submitting a cost competitive bid, did so in a way that utilized a lot of efficiencies. He also noted that the cost of his management was not built into the RFP. Additionally, he noted that a senior financial manager has been hired and is going through the back ground check, and they are just waiting for a start date. He concluded that the two reasons there weren't any savings and synergies through the merger are one, that SBR was very lean and efficient to begin with, and two, the merger is more about Recology looking at an opportunity in Los Angeles, and this purchase gave them a presence in that area.

George McGrath of Recology added that Recology has established a relationship with SBR, and provided assistance on general ledger so the Board will begin to see different reporting. He also noted a peculiarity in the process of the merger they were not prepared for was that Recology is a self-insured company but the LLC couldn't be self-insured, so they had to retain an insurance carrier separate from Recology, and as a result are absorbing more costs than anticipated.

Vice Chair Dehn asked if the additional costs for insurance will remain or change over time.

George McGrath answered that he anticipates they will have the opportunity to reduce those costs, and that in August or September they'll have more leverage and he anticipates a change then.

**8. Informational Items Only (no action required)**

- A. 2015 Finance and Rate Setting Calendar  
B. Check Register for March 2015  
C. Technical Consulting Contracts for 1<sup>st</sup> Quarter 2015  
D. Potential Future Board Agenda Items  
E. 2014 Member Agency Snapshot Reports

**9. Board Member Comments**

**10. Adjourn: Meeting adjourned at 3:32 and discussion continued until 3:48**



## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Hilary Gans, Facility Operations Contracts Manager  
Marshall Moran, Finance Manager  
**Date:** May 28, 2015 Board of Directors Meeting  
**Subject:** Resolution Approving Supplemental Modification to SBR's Compensation Due to Port of Oakland Issues

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### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2015-09 attached hereto authorizing the following action:

- Approving the additional payment of \$21,798 to South Bay Recycling (SBR) due to higher costs from the Port of Oakland slow-down above the previously Board approved estimate of \$175,000.

### Summary

In December 2014 through March 2015, SBR's operations were significantly impacted by a labor slow-down at the Port of Oakland. As a result, bales of fiber commodities had to be stored in offsite locations as storage capacity at the Shoreway Environmental Center facility was full. The extra materials handling resulted in additional operating costs to SBR estimated by the SBWMA at \$175,000 in a January 22, 2015 Board staff report. The Port issues have been settled and SBWMA staff has reviewed and recommends approval of total reimbursement to SBR of \$196,798.

### Analysis

For roughly eight months, labor disputes and related operational issues at the Port of Oakland impacted and slowed the normal processing and shipping of export-bound commodities from the Shoreway MRF. The situation at the Port of Oakland got progressively worse, requiring stockpiling of fiber commodities at offsite locations starting in late December 2014. SBR initially transported and stored materials in an offsite warehouse in Newark so that the Shoreway MRF could continue to receive inbound materials from Recology route trucks. After the Newark warehouse was full, SBR began storing additional material in a County owned warehouse in Redwood City (materials from the Newark warehouse were later consolidated into the Redwood City warehouse).

In a January staff report to the Board, the SBWMA estimated total costs of \$175,000. SBR has submitted support for actual costs of \$196,798. The higher cost is primarily due to the Port slow-down continuing longer than anticipated and more tons requiring warehousing than originally estimated (additionally, the monthly rental rates for the Redwood City warehouse were higher than the Newark rent which was the basis for the estimate). The documentation detailing the materials handling costs have been thoroughly reviewed by SBWMA staff and are recommended for approval by the Board.

<b>TOTAL</b>	<b>SBR TOTAL</b>	<b>SBWMA ESTIMATE</b>	<b>VARIANCE</b>
Newark	\$ 59,299	\$ 57,541	\$ 1,758
Redwood City	\$ 137,499	\$ 117,459	\$ 20,040
<b>Total Approved</b>	<b>\$ 196,798</b>	<b>\$ 175,000</b>	<b>\$ 21,798</b>

**Background**

Throughout December 2014 and into March 2015, the Port of Oakland (as well as the Port of Long Beach and Port of Seattle) experienced reduced overseas shipping container processing due to labor disruptions. The Port slow-downs are the outcome of disagreements between the International Longshore and Warehouse Union (ILWU) and the Port of Oakland operators, the Pacific Maritime Association. SBR (as well as other recyclers in the Bay Area and West Coast) were forced to find temporary storage for baled fiber commodities until the delays at the Port were resolved.

**Fiscal Impact**

Based on reviewing cost information provided by SBR, staff has verified the \$196,798 in one-time expense associated with the offsite storage of baled fiber commodities destined for export via the Port of Oakland. This amount is \$21,798 higher than the \$175,000 incorporated into the mid-year budget.

**Attachments:**

Resolution 2015-09



## RESOLUTION NO. 2015-09

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING SUPPLEMENTAL MODIFICATION TO SBR'S COMPENSATION DUE TO PORT OF OAKLAND ISSUES

**WHEREAS**, SBR's shipment of commodities was disrupted by work slow-downs and impacted operations at the Port of Oakland, and

**WHEREAS**, SBR experienced higher operating costs due to the impacted Port of Oakland operations and such costs were out of the control of SBR and the intent of the Operations Agreement with SBR, and

**WHEREAS**, the final costs to SBR of \$196,798 exceed the original estimate by SBWMA of \$175,000 presented to the Board in January 2015,

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves the total payment to SBR of \$196,798.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 28th day of May, 2015, 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. 2015-09 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on May 28, 2015.

ATTEST:

\_\_\_\_\_  
Bill Widmer, Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Board Secretary



## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Kevin McCarthy, Executive Director  
**Date:** May 28, 2015 Board of Directors Meeting  
**Subject:** Resolution Approving Amendment to Office Lease Agreement at San Carlos Library

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### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2015-10 attached hereto authorizing the following action:

Authorize the Executive Director to execute the sixth amendment to the office lease with the City of San Carlos as detailed in **Exhibit A**.

### Analysis

The proposed sixth amendment to the office lease agreement at the San Carlos library will extend our current lease for one year, which expires on June 30, 2015, and includes an annual CPI adjustment (i.e., Consumers Price Index for Urban Wage Earners and Clerical Workers, San Francisco Bay Area, All Items (1982-84=100). There's an option for one additional year on the same terms and conditions subject to providing the City of San Carlos notice by January 1, 2016.

The Executive Committee reviewed the current lease and recommends only a short-term extension so staff can continue to research and cost out potential office space options at the Shoreway Environmental Center for SBWMA staff; new office space would require either remodeling existing space or new construction at the Shoreway facility.

### Background

In 2003 the SBWMA first entered into a lease agreement with the City of San Carlos for approximately 300 square feet in the upstairs office area of the San Carlos library. The lease has subsequently been amended and extended five times for space now totaling approximately 2,429 square feet with a current annual lease amount of \$52,419 (\$4,368.25 per month). Utilities and janitorial services are paid separately with the SBWMA paying its prorata share based on the square footage leased. The Board last approved an amended lease on February 27, 2014 with a lease extension through June 30, 2015.

The San Carlos city council approved this sixth amendment at its April 13, 2015 council meeting.

### Fiscal Impact

Approval of the sixth amendment to the lease would increase our monthly lease amount by approximately 3.5% effective July 1, 2015. This would result in annual office lease costs in FY1516 of \$54,300 compared to our current amount of \$52,419. The FY1516 budget will reflect the estimated new office lease amount.

### Attachments:

Resolution 2015-10

Exhibit A – Sixth Amendment to Lease



## RESOLUTION NO. 2015-10

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING THE SIXTH AMENDMENT TO THE LEASE AGREEMENT WITH THE CITY OF SAN CARLOS

**WHEREAS**, On February 27, 2014 the SBWMA Board approved the fifth amendment to the lease agreement with the City of San Carlos for a lease period through June 30, 2015 with an annual CPI adjustment in the lease rate; and

**WHEREAS**, the SBWMA and the City of San Carlos have proposed to amend and extend the lease (see **Exhibit A**) for a one-year period through June 30, 2016 with an annual CPI adjustment in the lease rate.

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves the sixth amendment to the lease with the City of San Carlos.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on this 28<sup>th</sup> day of May, 2015, 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. 2015-10 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on May 28, 2015.

ATTEST:

\_\_\_\_\_  
Bill Widmer, Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Board Secretary

## SIXTH AMENDMENT TO LEASE

This is the Sixth Amendment to the Lease between the CITY OF SAN CARLOS (the City) and the SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY (SBWMA), a California Joint Powers Authority (the Lessee) dated October 14, 2003.

### RECITALS

- A. SBWMA and City entered into a Lease on October 14, 2003 for the premises at 610 Elm Street, Suite 202 (the Library Building), of approximately 300 square feet. The Lease originally had an expiration date of October 13, 2006.
- B. The SBWMA assumed the Lease space of World Learning group effective October 13, 2005 and assumed the Lease space of Neal Martin and Associates on or about June 1, 2006.
- C. On February 14, 2007, the SBWMA and City agreed to extend the Lease through June 30, 2008, with an option to extend to June 30, 2010. SBWMA timely extended the Lease before June 30, 2008 and the Lease now terminates on June 30, 2010.
- D. On June 22, 2009 the parties agreed to amend the Lease to add additional space formerly known as the City computer lab. This space includes an additional 384 square feet, bringing the total size of the SBWMA Office to 2,429 square feet with all space leased at the same rate and under the provisions of the Lease.
- E. On July 12, 2010 the parties agreed to amend the Lease to extend the Lease for a period of one year through June 30, 2011. During that one year period, the rental rate will remain at \$3,953.63 per month through June 30, 2011.
- F. On November 30, 2011 the parties agreed to amend and further extend the lease three years through June 30, 2014 with an initial rent increase to \$4,068.28 and a CPI increase each year thereafter.
- G. On April 4, 2014 the parties agreed to extend the Lease for a period of one year through June 30, 2015 at a rate of \$4,368.25 per month.

**THEREFORE, the City and SBWMA agree as follows:**

### AGREEMENT

- 1. The Lease is modified as follows: The Lease as amended is extended one year from July 1, 2015 to June 30, 2016 with an option for one additional year extension. The SBMWA shall notify the City in writing by January 1, 2016 if it wishes to exercise the additional year extension.
- 2. The rental rate shall increase by the amount of increase in the Consumers Price Index for Urban Wage Earners and Clerical Workers, San Francisco Bay Area, All Items (1982-84=100), hereinafter referred to as the "Index". Such cost of living increases shall be computed based on the change in the index for the period of April to April each year.
- 3. In all other respects the terms and conditions of the Lease are reaffirmed.

DATED: \_\_\_\_\_

CITY:

CITY OF SAN CARLOS, a municipal corporation

By \_\_\_\_\_  
Jeff Maltbie, City Manager

DATED: \_\_\_\_\_

LESSEE:

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY,  
a California Joint Powers Authority

By \_\_\_\_\_  
Kevin McCarthy, Executive Director



## STAFF REPORT

**To:** SBWMA Board Members  
**From:** Marshall Moran, Finance Manager  
**Date:** May 28, 2015 Board of Directors Meeting  
**Subject:** Approval of Quarterly Investment Report for the Quarter Ended March 31, 2015

### Recommendation

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

### Summary

The Quarterly Investment Report conveys to the Board the mix of investments between LAIF and County Pool and the return. Per Board direction in January 2015, the investment in the County Pool has increased to 34% excluding bond reserve accounts. The returns improved slightly to 0.37% from 0.26% last quarter.

### 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 March 31, 2015, the investment portfolio was in compliance with the Investment Policy. The portfolio contains sufficient liquidity to meet the next six months of expected expenditures by the Authority as well as by other third parties.

A change to the investment allocation mix was approved at the January Board meeting. The change, as recommended by the Board adhoc Audit Subcommittee (comprised of Board Members Bill Widmer, Michael Brownrigg and Jay Benton) recommended a change in the investment mix to increase the County Pool to 30% to 50% while keeping the state LAIF Fund at 50% to 70%.

### Fiscal Impact

The attached Investment Portfolio Summary indicates that as of March 31, 2015, funds in the amount of \$21,829,734 were invested producing a weighted average yield of 0.37%. Below is a summary of the changes from the last quarter.

	<b>Qtr Ended 3/31/15</b>	<b>Qtr Ended 12/31/14</b>	<b>Increase (Decrease)</b>
Total Portfolio	\$ 21,829,734	\$ 20,712,063	\$ 1,117,671
Weighted Average Yield	0.37%	0.26%	0.11%
Interest Earnings	\$ 16,555	\$ 12,343	\$ 4,212

The overall portfolio balance increased by \$1,117,671. The increase is primarily due to transfers of excess operating cash into the investment portfolio and the required monthly debt service transfers into the bond account from operating funds. The interest earned this quarter is higher than the previous quarter mainly due to the higher balance in the San Mateo County Pool earning interest at a higher yield.

In March 2015, the County Treasurer provided an update on the remaining Lehman litigation against Ernst & Young. A mediator's proposal of \$6.5 million was accepted by Ernst & Young. The County Treasurer will provide additional information along with distribution details as soon as she receives information on the portion of the proposed amount to be distributed to the San Mateo County pool.

A table comparison of the portfolio components is provided below:

	<b>3/31/2015 Balance</b>	<b>% of Total</b>	<b>12/31/2014 Balance</b>	<b>% of Total</b>	<b>Change over prior qtr</b>
SM County Pool	\$ 5,700,859	26%	\$ 2,596,754	12%	\$ 3,104,105
LAIF	10,864,026	50%	12,456,035	60%	(1,592,009)
Bond Account	5,264,849	24%	5,659,274	27%	(394,425)
<b>Total Portfolio</b>	<b>\$ 21,829,734</b>	<b>100%</b>	<b>\$ 20,712,063</b>	<b>100%</b>	<b>\$ 1,117,671</b>

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

Due to arbitrage restrictions, bond investments are not included in our LAIF rate or investment pool comparison. As of March 31, 2015, the bond reserve and payment accounts of approximately \$5.3 million were invested with the trustee in short-term investments.

After the SBWMA Board approved its Audit Committee recommendation to increase the investment balance in the County Investment Pool to no less than 30% of the total investment pools in January, \$3.1 million was transferred to the County Investment Pool to meet the requirement. As of March 31, 2015, investments in the County Investment Pool totaled 34% of SBWMA's funds available for investment pools.

The average yield of the portfolio in the quarter excluding the bond proceeds was 0.46%. LAIF is used as a benchmark and the average LAIF yield for the quarter ending March 31, 2015, was 0.26%. The San Mateo County Pool average yield for the quarter was 0.84%.

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

**Attachments:**

A – Summary of All Investments for Quarter Ending March 31, 2015

B - Investment Portfolio 3/31/2015 – Chart

C - Historical Summary of Investment Portfolio

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY**

**SUMMARY OF ALL INVESTMENTS**

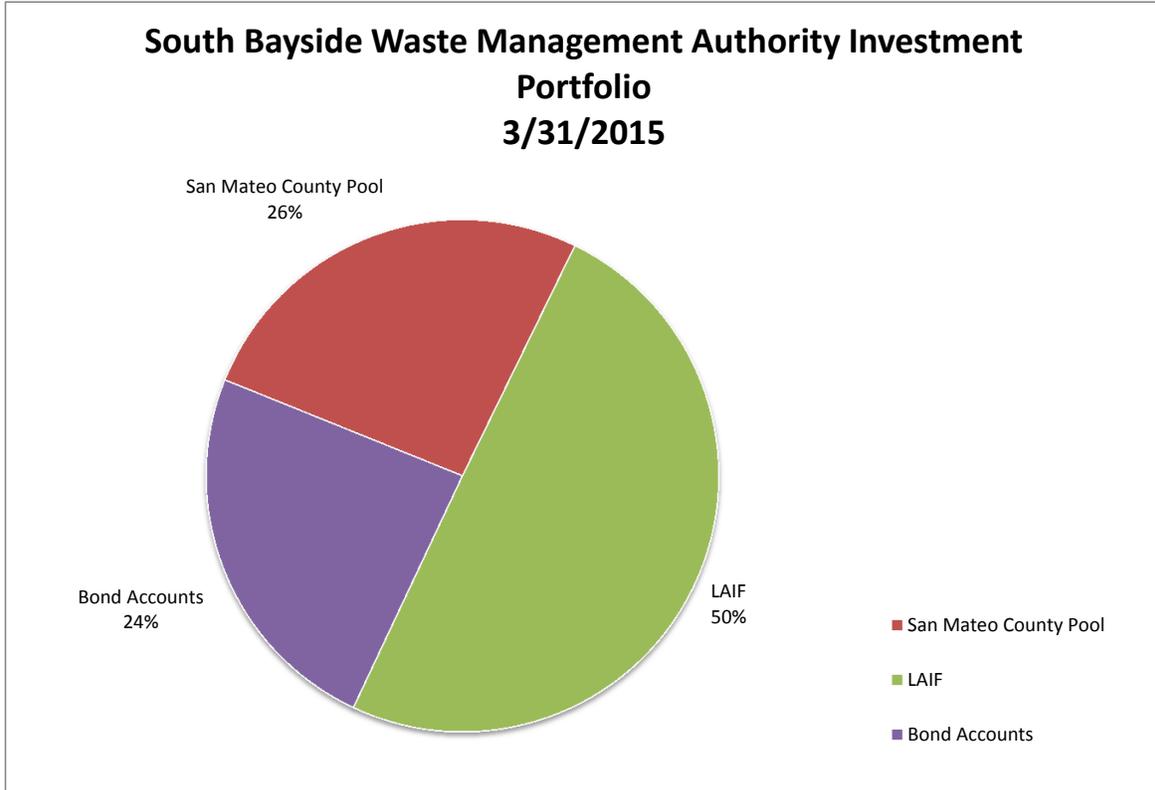
For Quarter Ending March 31, 2015

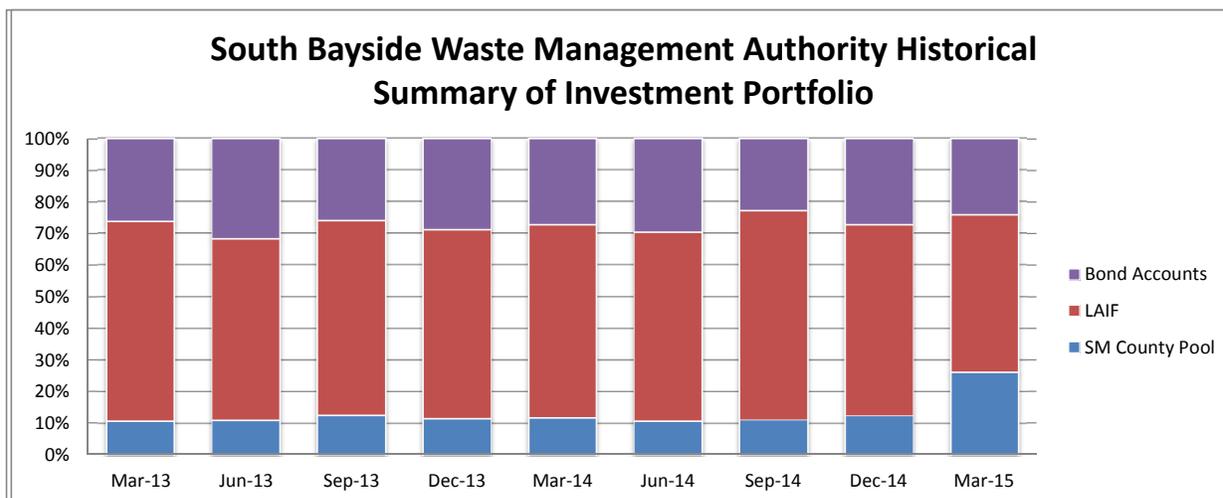
Category	Weighted Average Interest Rate	Historical Book Value	% of Portfolio	GASB 31 ADJ Market Value	Interest Earned
<b>Liquid Investments:</b>					
San Mateo County Investment Pool (COPOOL)	0.84%	\$ 5,700,859	34%	5,700,859	8,056
Local Agency Investment Fund (LAIF)	0.26%	10,864,026	66%	10,864,026	7,316
<b>Total - Investments</b>	<b>0.46%</b>	<b>16,564,885</b>	<b>100.00%</b>	<b>16,564,885</b>	<b>15,372</b>
<b>Bond Accounts - Cash with Fiscal Agents</b>					
BNY Western Trust - Certificates of Deposit 2009A Reserve Fund Account	0.38%	1,488,000		1,488,000	1,183
BNY Western Trust - Dreyfus Cash Mgmt 670 Inv 2009A Reserve Fund Account	0.00%	2,766,207		2,766,207	-
BNY Western Trust - Dreyfus Cash Mgmt 670 Inv 2009A Payment Fund Account	0.00%	1,010,642		1,010,642	-
<b>Total - Bond Accounts</b>	<b>0.11%</b>	<b>5,264,849</b>		<b>5,264,849</b>	<b>1,183</b>
<b>GRAND TOTAL OF PORTFOLIO</b>	<b>0.37%</b>	<b>21,829,734</b>		<b>21,829,734</b>	<b>16,555</b>
<b>Total Interest Earned This Quarter</b>				<b>16,555</b>	
<b>Total Interest Earned Fiscal Year-to-Date</b>				<b>43,046</b>	

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

LAIF - 50% to 70%

COPOOL - 30% to 50%





**South Bayside Waste Management Authority Portfolio**

	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
SM County Pool	2,144,381	2,167,040	2,265,903	2,269,668	2,286,013	2,289,604	2,293,037	2,596,754	5,700,859
LAIF	12,505,898	11,313,693	10,921,027	11,628,111	11,584,976	12,591,585	13,448,147	12,456,035	10,864,026
Bond Accounts	5,190,986	6,223,842	4,619,074	5,653,984	5,226,893	6,257,859	4,628,312	5,659,274	5,264,849
<b>Grand Total</b>	<b>\$ 19,841,265</b>	<b>\$ 19,704,575</b>	<b>\$ 17,806,004</b>	<b>\$ 19,551,763</b>	<b>\$ 19,097,882</b>	<b>\$ 21,139,048</b>	<b>\$ 20,369,496</b>	<b>\$ 20,712,063</b>	<b>\$ 21,829,734</b>