



A Public Agency

CONSENT CALENDAR

DRAFT MINUTES
SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE BOARD OF DIRECTORS
May 24, 2018– 2:00 p.m.
San Carlos Library Conference Room A/B

Call To Order: 2:00PM

1. Roll Call

| Agency | Present | Absent | Agency | Present | Absent |
|----------------|---------|--------|----------------------------|---------|--------|
| Atherton | X | | Menlo Park | | X |
| Belmont | X | | Redwood City | X | |
| Burlingame | X | | San Carlos | X | |
| East Palo Alto | X | | San Mateo | X | |
| Foster City | X | | County of San Mateo | X | |
| Hillsborough | X | | West Bay Sanitary District | X | |

2. 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 La Mariana highlighted the agenda items.

- He thanked Chair Bronitsky for suggesting the Board Member tours and noted that 5 Members had participated so far, and anytime the remaining would like a tour to give him a call and he would schedule it at their convenience.
- Staff would present the first draft of the budget today, and the final action item would be in June.
- Staff would present the amendment one work plan today.
- No notable change in the commodity markets, at the June meeting there will be an update and a cost benefit analysis on the additional sort labor.
- He announced that staff member Mututa has resigned her Environmental Education Manager position with the SBWMA after a 7-month leave of absence. Recruitment for this vacancy will occur over the summer,
- Steve Sherman has been filling in on a part time basis in the role of Environmental Education Manager and today will be his last meeting in that capacity. However, there is an agenda item on today's agenda to have him do a variety of senior-level consultant work in FY18/19.

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. Approval of Minutes from the April 26, 2018 Board of Directors Meeting

Motion Second: Brownrigg/Hurt

Roll Call Vote: 7-0-3-2

| 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 | | | |

5. Administration and Finance

A. Presentation of Draft FY18/19 Budget

Executive Director La Mariana gave a Power Point presentation on the FY18/19 Operating Budget followed by Q&A.

The Board discussed the current reserve policies, noting the need to revise and clarify the agency's reserves policy for each of the four reserves, how they are used, their funding methodology, and their possible renaming the reserves to make the policy more clear.

The members of the Finance Committee gave input on the reserve policies. Member Brownrigg noted that the policy is unhelpful at building up a capital reserve for future investment. Member Widmer noted that the Capital Reserve was supposed to be replenished with last year's tip fee increase but the deficit in commodity revenue depleted it. Member Benton added that the Finance Committee asked to see a higher tip fee than what the staff originally presented with the intent of getting out ahead of the commodity market issues and with this increase he expected a balanced budget at year end regardless of the commodity issue. Any future Board consideration of policy changes will first require Finance Committee review.

Member Hurt asked to see a tip fee increase chart in the staff report in June from July 2017 through January 2019, and how much the overall increase has been in the last year and a half.

Staff Gans gave a Power Point presentation on the Capital Expenditure projects for FY18/19. They were categorized in three categories: routine projects, FY17-18 carry over projects, and new projects.

The Board discussed the industry wide commodity market problem of recycling facilities spending money just to stay in the same place and keep material moving. Staff Gans noted that some recyclers have closed their doors. Chair Bronitsky asked staff to analyze the cost of a MRF sort system and how long it would take to get to the highest market standard, and to put a number in the budget to modify the MRF to meet that standard, even if the money is not spent in FY18/19. He noted that without a number in the budget the losses would just compound and may not be made up by the increased tip fees. Executive Director La Mariana noted that staff would present some incremental options and costs at the June meeting.

Chair Bronitsky suggested an option of holding off on the \$2.2M organics-to-energy pilot project that doesn't have to be done until 2022 in favor of MRF upgrades.

Staff Gans continued the presentation and the Board had an in-depth discussion on the organics-to energy pilot project that is part of the long range plan. Staff Gans explained that the \$2.2M is for a pilot of the organics-to-energy program first before the 2022 full scale project, noting that the pilot is a necessary step towards the full scale project. He also noted that, per AB 1383, the California Air Board requires the removal of organic material from the landfill and it would help the SBWMA meet the state's goal of 75% diversion. This pilot would be the biggest boost in diversion since the 2011 Smart Cart introduction. He noted that this project would be a way to rely on internal processing rather than external processors and external pricing which is one of the reasons the tip fee needs to increase. The pilot program will target commercial source separated organics, since most of the contamination is in the commercial sector.

The Board discussed the full cost of the project at \$5M. \$1.2M in grants has been received from Cal Recycle should the project move forward, however that grant expires in April 2019. There is a potential additional grants that are currently in discussion which, if executed, will buy down the total \$5M project cost to a net \$2M in anticipated Capital cost.

The Board discussed prioritization of the organics pilot versus updating the MRF to meet the new fiber standards. Member Widmer noted that he fully supported the pilot, noting that most of the organics contamination comes from the commercial sector and multifamily homes, but thought Chair Bronitsky made a good point about using the money now to update the MRF to deal with the fiber crisis. Member Brownrigg noted that likely the Board needs to decide to do both projects (Food Waste and MRF Sort System) and it will take significant capital, - refinancing the prior bond, better return from higher quality recyclables, and compost cost avoidance from this pilot should help. Member Brownrigg added that a Capital Plan needs to be developed. He noted that a capital plan needs to be developed to figure out how to pay for both, but if at \$14 there could only be one project he supported the organics pilot as a priority. Member Benton added that there is a commodity market crisis, but the solution is unknown, and if we can't come up with the funding to do both projects the Board has a difficult decision to make. Member Widmer noted that he fully supported the pilot, and that he supports a well-defined plan to improve fiber, and supports an increase in the tip fee further to \$16 to move forward with both projects. He asked staff to provide more information on fiber, and an analysis of \$16 versus \$14 tip fee increase in revenue.

The Board discussed further tip fee increases. Member Hurt asked if tip fee increases cause illegal dumping, and push customers away and cause lost revenue. She asked for Staff to include a table on tip fee increase versus the actual rate increase, and to look at the competitiveness of a \$16 tip fee increase and include other facilities' prices.

- B. Resolution Approving Change Order #2 for the Consulting Services Contract with Steve Sherman to provide recycling, technical assistance, public outreach, organics and regulations assistance in FY 18/19.

Member Brownrigg now absent 3:31PM

Motion/Second: Bonilla/Widmer

Roll Call Vote: 10-0-0-2

| 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 | | | |

6. Collection and Recycling Program Support and Compliance
A. Resolution Approving Amendment One Discussions Work Plan

Motion/Second: Grassilli/Aguirre
Roll Call Vote: 10-0-0-2

| 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 | | | |

B. Resolution Approving Lithium Ion Battery Collection and Outreach Plan

Staff Au gave a Power Point Presentation on the operational change proposed by Recology to move batteries from the blue cart to the black cart and to describe the proposed public education and program outreach elements, timing and costs.

The Board discussed components of the program. Questions included why the need for a custom box on each Recology garbage route trucks, if the plastic bag would increase trash by using more plastic, languages of instructions on the bag, general outreach, and how residents get replacement battery bags.

The Board generally agreed that all three languages should be on the bag, the 8 page insert was overkill on the outreach and suggested staff contact John Mays to see if he would do a Friday column instead, and get his advice on getting the word out, and do a press release to get the story picked up for free. Member Agencies could also include it in their outreach.

Motion/Second: Aguirre/Rutherford

Discussion: Member Benton asked for clarification on what the \$160,000 would pay for noting that there has been a lot of comment today on how to spend the money. He asked staff to take that under advisement and not spend the whole thing.

Roll Call Vote: 10-0-0-2

| 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 | | | |

7. Shoreway Operations and Contract Management
No Items

8. Informational Items Only (no action required)

- A. Check Register Detail for April 2018
- B. 2018 Finance and Rate Settings Calendar
- C. Potential Future Board Agenda Items

9. Board Member Comments

10. Adjourn: 3:58PM

STAFF REPORT

To: SBWMA Board Members
From: John Mangini, Senior Finance Manager
Date: June 28, 2018 Board of Directors Informational Packet
Subject: Resolution Accepting the Findings from the Audit of Contractor's Financial and Operational Reporting in 2017 by R3 Consultants

Recommendation

It is recommended that the SBWMA Board approve resolution #2018-22 attached accepting the findings from the audit of SBR and Recology's 2017 financial and operational reporting in by R3 Consultants.

Summary

The Agreements with Recology and SBR prescribe standards for reporting and operating system performance. Under contract to the SBWMA, R3 Consultants performed the annual review of the contractor's operational and financial reports for 2017. Overall, the review found that both contractors are in substantial compliance with requirements of the Agreements and only minor financial and operational corrections were recommended.

Analysis

The information collected and reported to the SBWMA by the contractors is substantially self-reported (e.g., all Shoreway tonnage data, collection route data, and call center performance). To ensure the integrity of this reported data and payments, the SBWMA conducts an annual third-party review to verify that SBR and Recology obtained, compiled, and reported data to the SBWMA and Member Agencies accurately and that the companies have proper management controls in place. The audit consists of two parts: a financial systems audit and an audit of quarterly and annual reports. The financial systems audit includes a review of reports with a direct financial impact such as Recology's Revenue Reconciliation and SBR's payment to the SBWMA for commodity revenue (\$9,100,000) and public tip fee revenue (\$10,880,000).

In January 2018, R3 Consulting commenced the annual review and concluded with a final report issued in June 2018. R3 identified several areas where both Recology and SBR were found to be substantially compliant with the operational and reporting requirements of the Facility Operations Agreement and Franchise Agreements for calendar year 2017.

The single most important review step of this audit was to verify the data in Recology's 2017 Revenue Reconciliation in total and by Member Agency. The following financial stats have now been verified:

1. Gross revenue billed of \$101,431,785
2. Disposal fees paid to the SBWMA of \$31,086,478
3. Franchise and other Fees paid to Member Agencies of \$13,689,999
4. The net surplus/<shortfall> balance for each agency ranging from \$480,260 to <\$249,564>

No discrepancies were found.

The "Findings" are summarized for each contractor in **Table 1 & Table 2** below and a summary report is provided in **Attachment A**.

Recology

| Table 1. RECOLOGY Review Findings | | | |
|--------------------------------------|--|--|---------|
| Report Section | Area of Review | Findings | Amount |
| 2 | Reports | -The Quarterly & Annual Reports were complete & compliant | None |
| 3 | Tonnage Data | -Accurate & compliant | None |
| 4 | Customer Service | - Some inconsistencies were found between source data and reports. - Five incorrectly coded tickets were found. | None |
| 5 | Liquidated Damages & Incentive/ disincentive | - Recology self-reported and paid LD amounting to \$17,750. R3 found they overpaid by \$150 | \$<150> |
| | | - Recology self-reported Disincentive payments amounting to \$76,714. R3 found they owe \$450 more than reported | \$450 |
| 6 | Tonnage Data | -Minor variances between SBR & Recology inbound tonnage were found. | None |

The review by R3 focused on validating the information provided by Recology in the company's *Annual Report for 2017* issued to the Member Agencies on February 15, 2018. The review focused on:

- Verify tons collected.
- Verify customer service data.
- Verify calculation of liquidated damages and performance incentive/disincentive payments.

South Bay Recycling (SBR)

| Table 2. SBR Review Findings | | | |
|---------------------------------|--------------------|---|--------|
| Report Section | Area of Review | Findings | Amount |
| 2 | Reports | -The Quarterly & Annual Reports were compliant. Recommend more detail be provided on changes in operations. | None |
| 6 | Tonnage Data | -Minor variances between SBR & Recology inbound tonnage were found. | None |
| 7 | Liquidated Damages | -No LD were reported or paid by SBR. | None |

Since the tonnage, material category, and tip fee payment information recorded at the scales by SBR serves as the "base-data" for the entire SBWMA waste handling function as well as the basis for all of the financial transactions relating to Shoreway facility operations, it is critical that the information be accurately collected, recorded, and reported by SBR. While the SBWMA staff reviews the tonnage information reported by SBR on a monthly basis, the review conducted by R3 serves as an important third-party check on SBR's data and data management. The scope of the annual operational audit includes the following components:

- Verify SBR's reported data is consistent with Recology's reports

- Verify accuracy of SBR's reported in-bound and shipped tonnage data

Based on R3's review of SBR operations and reports, only minor errors were identified in SBR's reporting and tonnage. R3 has made some limited recommendations for SBR to provide more detailed reporting. SBR was not assessed any liquidated damages in 2017.

Background

The Collection Services Franchise Agreements with Recology and the Facility Operations Agreement with SBR prescribe standards for reporting and operating performance. The information contained in the contractor's reports is substantially self-reported by both companies e.g., all tonnage data from the Shoreway scales and the collection route and call center performance data as well as the collection Liquidated Damage events identified in attachment J of the Franchise Agreements. To ensure the integrity of the data reported by Recology and SBR, the SBWMA conducts a third-party audit of the data managed and reported by both companies (the audit included assessing Recology's call center functions to ensure the accuracy of transcribing and reporting information, complaints and requests for service from customers. The scope of auditing SBR's operations was limited to the scale house operations (i.e., tonnage reporting) and reporting of commodity revenues). The auditing work reveals how well both Recology and SBR obtained, compiled and reported data to the Member Agencies per the requirements prescribed in the Franchise Agreement(s) and Shoreway Facility Operations Agreement, respectively.

Fiscal Impact

The cost for R3 to conduct this audit was \$49,830 and was included in the FY17/18 Budget.

Attachments:

Attachment A – R3 Final Report Summary: Collection Services and Facility Operations Systems and Financial Audit for 2017

Attachment B - Full report (54 pages): R3 Consulting 2017 Final Report (available online only at www.rethinkwaste.org)



RESOLUTION NO. 2018-22
RESOLUTION OF THE SOUTH BAYSIDE WASTE
MANAGEMENT AUTHORITY BOARD OF DIRECTORS
ACCEPTING THE FINDINGS FROM THE AUDIT REPORT OF THE CONTRACTOR'S
2017 FINANCIAL AND OPERATIONAL REPORTING BY R3 CONSULTANTS

WHEREAS, the South Bayside Waste Management Authority (SBWMA) Board of Directors entered into a contract with R3 Consulting Group for the purpose of providing a Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Auditing Project for 2017 and a Financial Systems Auditing Project for 2017, and

WHEREAS, the R3 Consulting Group has completed the audit work and submitted their report for review, and

WHEREAS, attached as **Exhibit A** hereto is the R3 audit report summary.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority accepts the findings from the audit report of the contractor's financial and operational reporting in 2017 by R3 Consultants.

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 June 2018, 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. 2018-22 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 28, 2018.

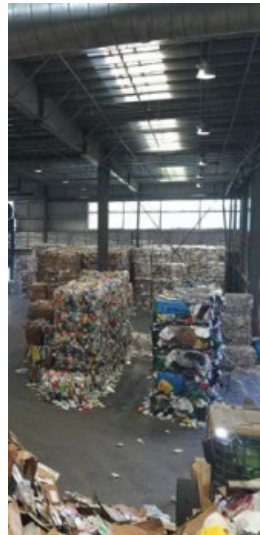
ATTEST:

 Charlie Bronitsky, Chairperson of SBWMA

 Cyndi Urman, Board Secretary

FINAL REPORT SUMMARY

**Collection Services and Facility
Operations Reports, Tonnage, Data
and Customer Service Systems Audit
and Financial Systems Audit**



SUBMITTED TO:

RethinkWaste (SBWMA)

June 11, 2018

Report

R3

Submit
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| 1.2 | Work Scope | 2 |
| 1.3 | Summary of Findings | 3 |

Section 1. Introduction/SUMMARY

1.1 Background

The South Bayside Waste Management Authority (RethinkWaste) is a joint powers authority of twelve Member Agencies (Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, the County of San Mateo and the West Bay Sanitary District) in San Mateo County.

The twelve RethinkWaste Member Agencies have exclusive franchise agreements with Recology San Mateo County (Recology) for the collection of solid waste, recyclable materials and organic materials. Recology provides collection services to approximately 93,000 households and 9,000 businesses in the RethinkWaste service area. Recology submits an annual Revenue Reconciliation (Reconciliation) report to SBWMA that identifies net revenues retained by Recology as compared to the annual compensation owed to Recology by each Member Agency, which is approved annually by SBWMA.

RethinkWaste owns and manages the Shoreway Environmental Center which is operated by South Bay Recycling (SBR). The Shoreway Environmental Center receives all of the recyclables, organics and garbage collected by Recology under its franchise agreements with each of RethinkWaste's Member Agencies, as well as other self-haul and non-franchised material delivered to that facility. SBR reports and makes monthly payments to SBWMA, covering revenues from sales of recyclable commodities and revenues from public self-haul customers at Shoreway. SBWMA also reimburses SBR for payments made through the Shoreway Public Recycling Buyback Center.

Recology and SBR are required to track, compile and report various data related to their performance and develop various reports per the franchise agreements and operating agreement. The primary nature of the quantitative data presented in the reports is self-reported. The goal of the Collection Services and Facility Operations Reports, Tonnage, Data and Customer Service Systems Audit (Annual Report Audit) is to determine the accuracy of the information contained in those reports. The Annual Report Audit is presented in Sections 2 – 7 of this report.

The Financial Systems Audit is designed to confirm the legitimacy and accuracy of financial information provided by Recology and SBR, in order to ensure that Recology accurately calculates each Member Agency's revenue surplus/shortfall for its franchised services and that SBR accurately tracks and remits revenues and payments. The Financial Systems Audit is presented in Sections 8 – 9 of this report. The final section of this report is a placeholder for a section which we included in prior versions of this report, but have not included this year.

1.2 Work Scope

Annual Report Audit

RethinkWaste retained R3 Consulting Group (R3) to review, test and verify the accuracy of the information contained in Recology's Annual Report as well as SBR's annual tonnage and commodity revenue report, and provide any recommendations for improvement.

Section 1

Introduction

Our work scope included, but was not limited to the following tasks for the audit of Recology:

- § Verify the completeness, mathematical accuracy, and back-up documentation for the Annual Reports, including the allocation of tons between Member Agencies for all categories reported;
- § Interview the contractors to determine the sources of the reported data;
- § Verify the accuracy of the tonnage data reported quarterly;
- § Verify the accuracy of reported customer service metrics, call statistics, and accuracy of customer service ticket coding;
- § Verify the mathematical accuracy and back-up documentation where applicable for reported:
 - Liquidated damages, which includes customer complaints, accurate and prompt reporting, and other important collections service requirements of the agreement; and
 - Incentive and disincentive payments, which includes diversion requirements as well as customer complaints and other call center requirements.

Our work scope included, but was not limited to the following tasks for the audit of SBR:

- § Verify the completeness of SBR's annual tonnage and commodity revenue report;
- § Verify the consistency of reported in-bound tonnage data between the two contractors;
- § Verify the mathematical accuracy and back-up documentation of SBR's reported in-bound and out-bound tonnage data; and
- § Check the accuracy of SBR's reported liquidated damages, where applicable.

Our verifications were limited to selected samples for both Recology and SBR verifications, where R3 selected specific months or dates of review, and the contractors provided back-up documentation for their reports as requested. We did not verify every month of each report.

Additional information about work scope and documentation reviewed can be found in the associated sections of the following report.

Financial Systems Audit

SBWMA retained R3 Consulting Group (R3) to review, test and verify:

- § The mathematical accuracy, consistency in reporting, and back-up documentation for information contained in Recology's annual Reconciliation, including:
 - Gross Revenue Billed against accounting records;
 - Adjustments to Gross Revenue Billed, with back-up provided for each adjustment;
 - Pass-Through Costs, including disposal and processing costs, Member Agency fees against documentation of correspondence with Member Agencies, the mathematical accuracy and consistency of the calculation of late fees;



- Mathematical accuracy of calculation of Net Revenue and Recology's compensation;
 - Revenues associated with unscheduled and intermittent services per Attachment Q to Recology's franchise agreement(s) against accounting records of billed revenues;
 - Fees for additional carts against procedures for retaining revenue which are Member Agency-specific;
 - Proper accrual of backyard services revenue;
 - The mathematical accuracy of the Surplus/Shortfall calculation; and
- § The accuracy of SBR's financial systems for tracking, calculating, and reporting payments due to or from SBWMA for:
- Public gate revenue against scales reports and accounting records;
 - Commodity Revenue against scales reports and accounting records;
 - Buyback Center payments against scales reports and accounting records; and
 - Accuracy of reporting for payments of California Redemption Value.
- § Additional information about work scope and documentation reviewed can be found in the associated sections of the following report.

R3's work, and this report, constitute a review of Recology's and SBR's financial systems and the accuracy of the financial reports Recology and SBR provide to SBWMA. This audit is not audit of financial statements, nor does it represent a complete review of finance and accounting systems.

As in prior years, while this audit does not assess conformance with standard accounting practices (including generally accepted accounting principles, GAAP), it does independently verify the mathematical accuracy of financial information provided by Recology and SBR in keeping with solid waste industry operational standards, and general compliance with agreements SBWMA has with both entities.

1.3 Summary of Findings

Annual Report Audit

In completing the Annual Report Audit of Recology, R3 has identified the following items which require adjustment:

- § Liquidated Damages associated with "Complaints regarding unauthorized collection hours, inadequate care of or damage to private property, and failure to resolve property damage claims within 30 days" calculated by Recology and calculated by R3 differ by \$150 in Recology's favor;
- § Disincentives associated with Single-Family Missed Pick-Up Collection Events were found to be missing six events, which is associated with a disincentive payment of \$50 per event; and, Recology failed to generate associated tickets for missed pickups for three voicemails in May, indicating that perhaps these missed pickup requests were

R3

Section 1

Introduction

not addressed. With these missed pickups counting toward the total for Single-Family Missed Pick-Up Collection Events, the total disincentive payment is \$450; and

- § Recology reported that SBWMA and Recology staff are determining how to calculate diversion without the biannual contamination study results. R3 has not evaluated the incentives/disincentives for the contamination study or diversion rate as a part of this review.

R3 also has compiled some procedural recommendations for SBR and Recology. These recommendations are given below.

Recommendation #1 – R3 recommends that SBR add the Hazardous Spills Reporting and Liquidated Damages sections to the 2018 Annual Report. If no hazardous spills occurred, and no liquidated damages were assessed for the year, this should be noted; or else a report of the occurrences and payments should be provided.

Financial Systems Audit

In completing the Financial Systems Audit of **Recology**, R3 found that:

- § Gross revenues of \$101 million reported in the Revenue Reconciliation by Member

Recommendation #3 – Recology’s Dispatch Supervisors should continue to review all tickets weekly to ensure that procedures are being followed and tickets are being closed

Recommendation #2 – R3 recommends that Recology provide a full listing of the reason codes used to generate the summary data provided in its Annual Reports. R3 and Recology are currently in the process of implementing this recommendation and anticipate that our audits in future years will benefit from this process.

Recommendation #4 – Recology should continue to ensure that CSRs are provided a list of reason codes which includes reason codes 03CNR and Z3CNR, such that CSRs accurately code complaints related to the contractual requirement under 7.02.D: “Resolution or remedy of complaints or inquiries beyond 10 business days of receipt of the complaint or inquiry.”

Agency and in total tie to accounting records;

- § Pass-through costs including disposal and processing costs and Member Agency fees are accurately calculated by Member Agency;
- § Net revenues and adjustments are supported and accurately calculated;
- § Recology’s annual compensation ties to SBWMA’s approved compensation for each Member Agency;
- § Compensation for unscheduled and intermittent services retained by Recology is accurately calculated;

- § Attachment Q fees for Redwood City are pending the receipt of detailed billings for April and May, due to Recology from Redwood City. Recology has used an estimate of “push out” charges and R3 confirmed the reasonableness of Recology’s methodology. All other Attachment Q fees have been verified as correct. R3 will review adjustments to the Attachment Q billings in next year’s audit. More detail is available in Section 8.6 of this report;
- § Recology appropriately credited back to each agency revenue on an allowed 20% of residential customers subscribing to backyard service; and
- § Surplus/shortfall calculations are accurately calculated.

In completing the Financial Systems Audit of **SBR**, R3 found that:

- § SBR correctly calculated and remitted payment for public self-haul and commodities revenue;
- § SBR calculated CRV revenue using a CalRecycle-approved methodology; and SBR correctly calculated and invoiced SBWMA for reimbursement of Shoreway buyback center payments made to customers.

R3

STAFF REPORT

To: SBWMA Board Members
From: Julia Au, Recycling Outreach Programs Manager
Date: June 28, 2018 Board of Directors Meeting
Subject: Resolution approving contract with Lahlouh for printing/mailing of battery program re-launch bags

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2018-23 attached hereto authorizing the Executive Director to execute a contract with Lahlouh to provide services for printing a program re-launch letter and two mailing battery bags not to exceed \$100,000, which includes a 8.4% contingency amount.

Analysis

At the May 2018 Board of Directors meeting, the Board approved Resolution 2018-21 authorizing the modified household battery collection/handling and outreach plan for residential and multi-family accounts. Part of this plan includes a program re-launch direct mail piece to all residential SBWMA households about the change in the curbside household battery disposal program that will include a letter (in English, Spanish, and Chinese) and two (2) pre-printed orange zip-top household battery disposal bags. This mailing is scheduled for late August to support the September 3rd battery program re-launch.

Due to the scope of this project, quotes were solicited from two local mailing and fulfillment companies, in addition to the company the SBWMA has used in the past to compare costs. Lahlouh, based in Burlingame, provided not only the most modest costs, but also the most responsive customer service and turnaround for request of quotes. See **Table 1** below.

| Table 1. Battery Program Re-Launch Mailing: Comparative Price Quotes | | | | | | |
|--|---------------------------|------------------------|---------------------------|------------------------|---------------------------|------------------------|
| Project Description | PRECISE | | LAHLOUH | | COLOR PRINT | |
| | Total Costs (w/o Postage) | Est. Costs (w/Postage) | Total Costs (w/o Postage) | Est. Costs (w/Postage) | Total Costs (w/o Postage) | Est. Costs (w/Postage) |
| Special 1x mailing: (9x12 envelope with program re-launch letter and two orange "starter" bags stuffed inside) | \$38,954.15 | \$104,519.15 | \$36,400.00 | \$91,549.00 | \$45,611.25 | \$120,611.25 |

Background

The SBWMA is responsible for all program public outreach and education and has used direct mail as an occasional method to reach households. The planned change in the curbside battery collection program requires a need to advise all single-family homes of the change in service during the re-launch on September 3rd, and this outreach plan includes a one-time direct mail piece that includes an explanatory letter (in English, Spanish and Chinese) two orange, ziplock bags with printed instructions and a 9" x 12" envelope.

Fiscal Impact

The contract is for a not to exceed amount of \$100,000, which includes a 8.4% project contingency, and is included in the proposed FY 18/19 budget

Attachments:

Resolution 2018-23



RESOLUTION NO. 2018 - 23

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE TO EXECUTE A CONTRACT WITH LAHLOUH TO PROVIDE SERVICES FOR PRINTING A PROGRAM RE-LAUNCH LETTER AND MAILING TWO BATTERY BAGS NOT TO EXCEED \$100,000 WHICH INCLUDES A 8.4% CONTINGENCY AMOUNT

WHEREAS, the Board of Directors approved the Household Battery Collection/Handling and Outreach Plan at the May Board of Directors meeting, and

WHEREAS, part of that plan included a direct mailing piece to go out to all single-family residents to inform residents of the change in the curbside collection of batteries, and

WHEREAS, the South Bayside Waste Management Authority would like to use the services of Lahlouh for printing and mail fulfillment of a direct mail piece,

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the Executive Director to execute the agreement with Lahlouh, attached hereto as Exhibit A.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 24th day of May, 2018, 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. 2018-23 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 28, 2018.

ATTEST:

Charlie Bronitsky, Chairperson of SBWMA

Cyndi Urman, Board Secretary



A Public Agency

AGREEMENT FOR PROFESSIONAL SERVICES

This Agreement is made and entered into as of the **29th day of June, 2018** by and between the **South Bayside Waste Management Authority** hereinafter "SBWMA", and **Lalouh Inc.** hereinafter "Consultant".

RECITALS

This Agreement is entered into with reference to the following facts and circumstances:

- A. That SBWMA desires to engage Consultant to render certain professional services in the SBWMA jurisdictions;
- B. That Consultant is qualified to provide such services to the SBWMA; and
- C. That SBWMA has elected to engage the services of Consultant upon the terms and conditions as hereinafter set forth.

TERMS AND CONDITIONS

1. Services

The services to be performed by Consultant under this Agreement shall be to **provide services for printing a program re-launch letter and two mailing battery bags** as outlined in Exhibit A.

Performance of the work specified above is hereby made an obligation of Consultant under this Agreement, subject to any changes that may be made subsequently hereto upon the mutual written agreement of said Parties.

2. Term of Agreement

Said services shall commence on execution and shall continue for completion of tasks within one year (12 month period). The term of the Agreement may be extended upon written agreement by both parties. Agreement can be terminated by either party with written thirty (30) day notice.

3. Compensation

Payment under this Agreement shall be as per Exhibit A, not to exceed **\$ 100,000.00**
Invoices for payment shall be submitted monthly to SBWMA and shall be contain the information shown in Exhibit B hereto.

4. Authorization and Termination

This Agreement becomes effective when endorsed by both Parties in the space provided below.

5. Reliance of Professional Skill of Consultant

Consultant represents that it has the necessary professional skills to perform the services required and SBWMA shall rely on such skills of the Consultant to do and perform the work.

6. Relationship to Parties

It is understood that the relationship of Consultant to SBWMA is that of an independent contractor and all persons working for or under the direction of Consultant are its agents or employees and not agents or employees of the SBWMA.

7. Nonassignment

This Agreement is not assignable either in whole or in part.

8. Amendments

This Agreement may be amended or modified only by written agreement signed by both Parties.

9. Validity

The invalidity, in whole or in part, of any provisions of this Agreement shall not void or affect the validity of any other provisions of this Agreement.

10. Government Law/Litigation

This Agreement shall be governed by the laws of the State of California and any suit or action initiated by either party shall be brought in the County of San Mateo, California. In the event of litigation between the Parties hereto over the terms or performance of this agreement the prevailing party shall be entitled to reasonable attorneys fees and costs..

11. Mediation

Should any dispute arise out of this Agreement, the Parties shall meet in mediation and attempt to reach a resolution with the assistance of a mutually acceptable mediator. Neither Party shall be permitted to file legal action without first meeting in mediation and making a good faith attempt to reach a mediated resolution. The costs of the mediator, if any, shall be paid equally by the Parties. If a mediated settlement is reached, neither Party shall be deemed the prevailing party for purposes of the settlement, and each Party shall bear its own legal costs. Mediation shall occur within 30 days of notice by either party, and if it does not occur within that period of time a legal action shall be permitted to be filed.

12. Entire Agreement

This Agreement, including Exhibit A, comprises the entire Agreement.

13. Indemnity

Consultant shall defend, indemnify and hold SBWMA and its officers, employees and agents harmless from any and all claims, damages, losses and expenses related to or as a result of intentional or negligent acts for which Consultant or its agents and employees are responsible.

14. Insurance

Consultant shall not commence work under this Agreement until all insurance required under this Paragraph has been obtained. Consultant shall furnish SBWMA with certificates of insurance evidencing the required coverage. The insurance shall be with a carrier that is licensed and in good standing in the State of California, and has an A.M. Best Co. rating of A/5 or better. The SBWMA will be named as additional insured in the policy. These certificates shall specify or be endorsed to provide that thirty (30) days notice must be given, in writing, to the SBWMA office of any pending change in the limits of liability or of any cancellation or modification of the policy.

a. Worker's Compensation and Employer's Liability Insurance

Consultant shall have in effect during the entire life of this Agreement Worker's Compensation and Employer's Liability Insurance providing full statutory coverage. In signing this Agreement, Consultant makes the following certification, required by Section 1861 of the California Labor Code:

I am aware of the provisions of Section 37900 of the California Labor Code which require every employer to be insured against liability for worker's compensation or to undertake self-insurance in accordance with the provisions of the Code, and I will comply with such provisions before commencing the performance of the work of this Agreement.

b. Liability Insurance

Consultant shall take out and maintain during the life of this Agreement such bodily injury and property damage liability insurance as shall insure the Consultant and SBWMA, its employees, officers and member entities while performing work covered by this Agreement from any and all



claims for damages for bodily injury, including accidental death, as well as any and all claims due to consultant's negligence or willful misconduct for property damage which may arise from Consultant's work under this Agreement, whether such work be by Consultant or by any subcontractor or by anyone directly or indirectly employed by either of them. The amounts of such insurance shall be One Million and no/100 Dollars (\$1,000,000.00) combined single limit bodily injury and property damage for each occurrence.

15. Notice

All notices required by this Agreement shall be given to SBWMA and Consultant in writing, by email or by first class mail, postage prepaid, addressed as follows:

SBWMA: South Bayside Waste Management Authority
610 Elm Street, Suite 202
San Carlos, CA 94070
Phone: (650) 802-3500
Fax: (650) 802-3501

Consultant: **Lahlouh**
Matt Burris
1649 Adrian Road
Phone: (650) 692-6600
FAX: (650) 692-7272

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed on the date first written by their respective officers duly authorized in that behalf.

SBWMA

BY: _____
Joe La Mariana, Executive Director, SBWMA

DATED: _____, 2018

APPROVED AS TO FORM:

Jean Savaree, SBWMA ATTORNEY

DATED: _____, 2018

CONSULTANT:

BY: _____
Matt Burris, Account Executive

DATED: _____, 2018

NOTICE TO PROCEED

BY: _____
Cyndi Urman, Board Secretary

DATED: _____, 2018





1649 Adrian Road
 Burlingame CA 94010
 650-692-6600: T
 650-692-7272: F
 Matt.Burris@lahlouh.com
 June 13, 2018 Est# 158785
 jau@rethinkwaste.org
 650-802-3501

Proposal For: Julia Au, Rethink Waste

| | | |
|--------------------------|---|----------------------------------|
| Title | Household Battery Direct Mailing (all Single-Family Swelling Residents) | |
| Description | Print/Mail/Fulfill | |
| Details | ***Lahlouh to: print and insert letter and insert two (2) battery bags into 9" x 12" envelope. Envelopes will be printed with return and mail label to all single-family dwelling residents.*** | |
| Size | Finished Size (letter): 8.5" x 11" Envelope: 9" x 12" | |
| Ink | Letter: 4CP + Satin AQ 2S Envelope: 2PMS 1S | Bleeds: Bleeds throughout |
| Paper | Letter: 50# Smooth Opaque Envelope: 28# White Wove | |
| Proofs Furnished | PDF + Epson + Dylux - | |
| Finishing | Letter to be inserted into envelope, two (2) customer-supplied disposal bags to go inside envelope (bags sized 8" x 10), inkjet names/address and presort in bins | |
| Packaging Freight | Presort in bins and palletize FOB Origin Freight Additional TBA | |
| Terms | COD. Terms are Net-30 after approval of credit. Total cost of job (net total of print, postage and data) is not to exceed \$100k. | |

| | |
|--------------------------|---------------------|
| (+/- 0%) Quantity | 93,000 |
| Price | \$36,400.00 |
| Postage (\$0.593/p): | \$55,149.00 |
| TOTAL COST: | \$91,549.00 |
| TOTAL UNIT COST: | \$0.9843 |
| Plus Contingency: | \$100,000.00 |

Thank you,

Matt Burris
 Lahlouh, Inc.

Accepted by: Julia Au for Rethink Waste _____ Date _____

Terms of sale: Net 30 The attached terms & conditions are a material part of this quotation and include a limited warranty, disclaimers of warranties, and a limitation of customer's damages and remedies. Acceptance of this offer shall include acceptance of all of the terms & conditions. All applicable taxes will be added to the prices herein. Prices are subject to change based on availability of materials, press time and current price of paper. Record # MB-74069

EXHIBIT B (Sample Invoice)

Items highlighted yellow must be included on the invoice for approval format of invoice is just a sample

INVOICE

Your Company Name
 Address
 City State Zip
 Phone Number

Date:
 Project Number:
 Invoice Number:

RethinkWaste
 Attn: Project Manager
 610 Elm Street, Suite 202
 San Carlos, CA 94070

SBWMA Project: Project Title Purchase Order Number: PO Number
 Invoice for Professional Services from 1/1/15 to 1/31/15

TASK 1 TITLE/Description

| Professional Personnel: | Hours: | Rate: | Amount: |
|-------------------------|------------|----------|-----------------|
| John Doe | 1.5 | \$200.00 | \$300.00 |
| Jane Smith | 1.0 | \$100.00 | \$100.00 |
| TOTALS: | 2.0 | | \$400.00 |

TOTAL THIS TASK: \$400

TASK 2 TITLE/Description

| Professional Personnel: | Hours: | Rate: | Amount: |
|-------------------------|------------|----------|-----------------|
| John Doe | 3.0 | \$200.00 | \$600.00 |
| TOTALS: | 3.0 | | \$600.00 |

TOTAL THIS TASK: \$600.00

TOTAL THIS INVOICE \$1,000.00

BILLING LIMITS:

| | | |
|--------------------------|------------|-------------------|
| Total Contract Amount | | \$10,000.00 |
| Prior Invoices | 0% | \$0.00 |
| Current Contract Balance | 100% | \$10,000.00 |
| This Invoice | 10% | \$1,000.00 |
| Contract Balance | 90% | \$9,000.00 |



STAFF REPORT

To: SBWMA Board Members
From: Joe LaMariana, Executive Director
 John Mangini, Senior Finance Manager
Date: June 28, 2018 Board of Directors Meeting
Subject: Approval of Quarterly Investment Report for the Quarter Ended March 31, 2018

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 March 31, 2018, the investment portfolio was in compliance with the Investment Policy. The portfolio contains sufficient liquidity to meet the next six months of expected expenditures by the Authority as well as by other third parties.

Fiscal Impact

The attached Investment Portfolio Summary indicates that as of March 31, 2018, funds in the amount of \$21,237,780 were invested, producing a weighted average yield of 1.17%.

Below is a summary of the changes from the last quarter.

| | Qtr Ended 3/31/18 | Qtr Ended 12/31/17 | Increase (Decrease) |
|-----------------------------|------------------------------|-------------------------------|--------------------------------|
| Total Portfolio | \$ 21,237,780 | \$ 20,746,972 | \$ 490,808 |
| Weighted Average Return | 1.17% | 0.93% | 0.24% |
| Interest/Dividends Earnings | \$ 74,505 | \$ 55,147 | \$ 19,358 |

The total quarter-end portfolio balance increased by \$490,808. The increase was reflected in the higher LAIF balance offset by the lower bond account balances at quarter-end compared to the previous quarter. Total interest and dividend earnings were \$19,358 (35%) higher than the previous quarter due to higher percentage returns in all funds and accentuated by a higher than average LAIF balance during January. A higher average balance in the BNY payment fund account, due to the required monthly transfers from the Wells Fargo operating account, also contributed to the higher returns received.

| | 3/31/2018 Balance | % of Total | 12/31/2017 Balance | % of Total | Change over Prior Quarter |
|------------------------|------------------------------|-----------------------|-------------------------------|-----------------------|--------------------------------------|
| SM County Pool | \$ 6,178,931 | 29% | \$ 6,160,258 | 30% | \$ 18,673 |
| LAIF | 9,657,438 | 46% | 8,882,011 | 43% | 775,427 |
| Bond Accounts | 5,401,411 | 25% | 5,704,703 | 27% | (303,292) |
| Total Portfolio | \$ 21,237,780 | 100% | \$ 20,746,972 | 100% | \$ 490,808 |

A table comparison of the portfolio components is provided below:

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, 2018, the bond reserve and payment accounts of approximately \$5.4 million were invested with the trustee in short-term investments.

As of March 31, 2018, investments in the County Investment Pool totaled 39% of SBWMA's funds available for investment pools (see Attachment 1). The percentage is within the range specified by the SBWMA Board.

The average yield of the portfolio in the quarter excluding the bond proceeds was 1.47%. LAIF is used as a benchmark and the average LAIF yield for the quarter ending March 31, 2018, was 1.51%. The San Mateo County Pool average yield for the quarter was 1.4%.

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, 2018

B – Investment Portfolio 3/31/2018 - Chart

C – Historical Summary of Investment Portfolio

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

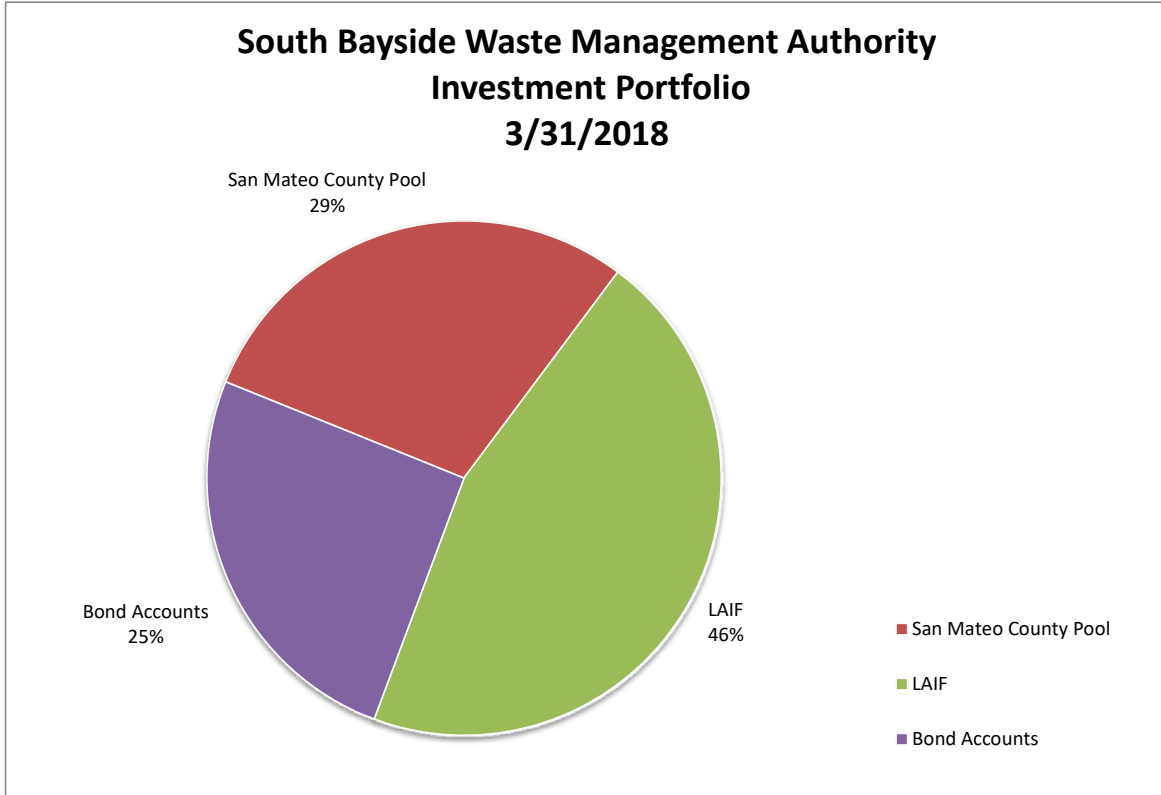
SUMMARY OF ALL INVESTMENTS
For Quarter Ending March 31, 2018

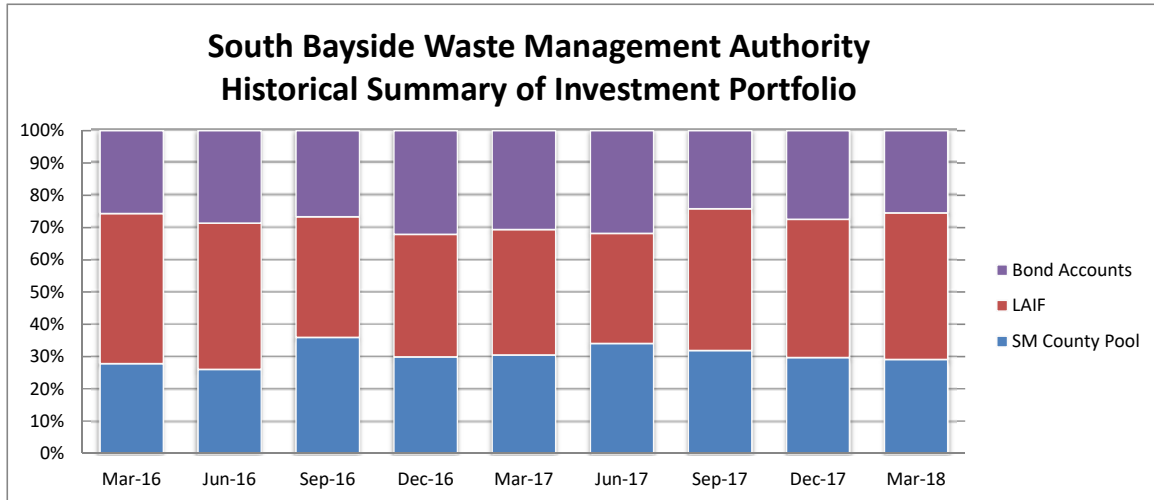
| Category | Weighted Average Return | Historical Book Value | % of Portfolio | GASB 31 ADJ Market Value* | Interest/ Dividend Earned |
|---|-------------------------------|--------------------------|-------------------|------------------------------|---------------------------------|
| Liquid Investments: | | | | | |
| San Mateo County Investment Pool (COPOOL) | 1.40% | \$ 6,178,931 | 39% | \$ 6,178,931 | \$ 21,398 |
| Local Agency Investment Fund (LAIF) | 1.51% | 9,657,438 | 61% | 9,633,661 | 36,274 |
| Total - Investments | 1.47% | 15,836,369 | 100.00% | 15,812,592 | 57,672 |
| Bond Accounts - Cash with Fiscal Agents | | | | | |
| BNY Western Trust - Blackrock Treasury Trust Instl 62 2009A Reserve Fund Account | 0.29% | 4,149,135 | | 4,149,135 | 11,881 |
| BNY Western Trust - Blackrock Treasury Trust Instl 62 2009A Payment Fund Account | 0.30% | 1,252,276 | | 1,252,276 | 4,952 |
| Total - Bond Accounts | 0.29% | 5,401,411 | | 5,401,411 | 16,833 |
| GRAND TOTAL OF PORTFOLIO | 1.17% | \$ 21,237,780 | | \$ 21,214,003 | \$ 74,505 |
| Total Interest/ Dividend Earned This Quarter | | | | 74,505 | |
| Total Interest/ Dividend Earned Fiscal Year-to-Date | | | | 185,001 | |

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

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

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





South Bayside Waste Management Authority Portfolio

| | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 |
|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| SM County Pool | 5,750,398 | 5,762,103 | 6,274,875 | 5,289,351 | 5,306,369 | 6,821,606 | 6,141,927 | 6,160,258 | 6,178,931 |
| LAIF | 9,593,633 | 10,003,104 | 6,513,338 | 6,723,255 | 6,782,867 | 6,843,909 | 8,458,145 | 8,882,011 | 9,657,438 |
| Bond Accounts | 5,289,337 | 6,320,831 | 4,636,705 | 5,669,053 | 5,325,786 | 6,364,259 | 4,663,531 | 5,704,703 | 5,401,411 |
| Grand Total | \$ 20,633,368 | \$ 22,086,038 | \$ 17,424,918 | \$ 17,681,659 | \$ 17,415,021 | \$ 20,029,774 | \$ 19,263,604 | \$ 20,746,972 | \$ 21,237,780 |