



CONSENT CALENDAR

DRAFT MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE BOARD OF DIRECTORS
July 26, 2012 – 2:00 p.m.
Shoreway Environmental Center, Community Room**

1. Call to Order at 2:01 PM

Roll Call

Agency	Present	Absent	Agency	Present	Absent
Atherton	X		Menlo Park	X	
Belmont	X		Redwood City	X	
Burlingame	X (late)		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 (late)	

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. Approval of Consent Calendar:

Consent Calendar item(s) are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Board, staff or public request specific items be removed for separate action. *Items removed from the Consent Calendar will be moved to the end of the agenda for separate discussion.*

- A. Adopt the June 28, 2012 BOD Meeting Minutes
- B. Resolution Approving Release of Bid Documents for Fire Suppression Installation for MRF Equipment and Authorizing Executive Director to Accept Bids and Enter into a Contract
- C. Receipt of Recology and SBR Monthly Reports

Approval of Consent Calendar Motion/Second: Moura/Oskoui
Voice Vote: All in Favor

3. New Business:

Burlingame Now Present

- A. Review of Cart Migration Data for Member Agencies and Rates vs. Costs Analysis

Staff Feldman gave a summary of the staff report. He noted Attachment A page 1, and gave an overview of the entire service area, pointing out that if all else was equal the potential rate impact due to cart migration would be 5%.

Member Masbad asked for an expanded version of this report, and to see it quarterly to get an ongoing update on how it will affect 2012 operations.

Staff Moran called the Board's attention to Attachment B to discuss costs versus rates analysis for residential service. He noted that the cost for service for all cart sizes is basically the same; the main variable is a reduction in disposal when the cart sizes change. He noted that for most agencies the smaller cart size rates do not cover the costs.

Member Moura asked if the Board would see new versions of the numbers at the next Board meeting, or if this was the only snapshot they would get before the rate process. He noted that he would like to see these numbers over a 2 year period, to see if there is a closing of the gap between costs versus rates.

Staff Moran answered that this would be it for 2012.

Executive Director McCarthy told the Board that a 2 year comparative analysis would be done, and that the Recology Quarterly report would now include service level data.

Member Oskoui asked how long the lag time is for reports to be produced.

Executive Director McCarthy stated 30 days.

West Bay Sanitary District Now Present

B. Update on 2013 Rate Applications and Rate Issues

Executive Director McCarthy gave an overview of the staff report; he stated that the Board would discuss 10 items on the Recology side and 2 on the SBR side that would affect rates. The purpose of the discussion is to start a dialogue about any questions the Board has.

Service Level Adjustment – Staff Feldman stated that this year will be the second and final service level adjustment. The first service level adjustment resulted in a decrease in cost by Recology; this second service level adjustment has resulted in an \$872,000 increase in their cost, which will now be carried over the life of the contract. He summarized that the difference between Recology's bid in 2008, the service level adjustment in 2011, and this final service level adjustment is a net increase of \$350,000.

Member Masbad asked for a synopsis for why there is such a big swing on the commercial side of collection between when the bid was submitted and now.

Staff Feldman answered that the economy in 2008 was down, and therefore commercial activity was down, and Recology's service levels reflected that. At this point there has been an upswing in commercial activity and the service level adjustment reflects that change over time.

Member Oskoui added that Staff Feldman was talking solely about the cost side, and noted this does not show what kind of delta has there been on the revenue side.

2011 Recology Reconciliation – Staff Moran noted that this item was covered at the June Board meeting in the HF&H Report. He also noted that nothing has changed; the revenue shortfall of \$3,095,000 has been adjusted because of the public schools that should not have been part of the franchise, so they have been taken out leaving a figure of \$2,986,940 for the total revenue shortfall.

Vice Chair Nava asked if Recology could still service the schools.

Executive Director answered that it is the school's decision, not the City's decision.

Vice Chair Nava clarified that if a City went to the school district and agreed on a price to service schools, a City is free to enter into that negotiation.

Executive Director McCarthy added that Cities would be free to do that, but schools would have to be willing to pay the franchised rate, which are typically higher than open market rates, or the council could agree to subsidize or change the rates for the schools.

Vice Chair Nava asked if the \$108,105 adjustment is revenue that went away due the schools being removed.

Staff Moran answered that these numbers are only on the cost side, not the revenue side.

Shortfall Interest – Staff Moran gave an overview of attachment C, noting the interest agencies will pay on the revenue shortfall.

Member Masbad questioned if an agency that has been collecting rates to address the shortfall should have to pay 100% the interest. She felt that Hillsborough should not have to pay interest on money that Recology has been collecting this year.

Staff Moran noted that if rates are structured to pay off that balance an Agency may end up with a surplus and get interest owed to them on that surplus.

Vice Chair Nava questioned if the shortfall amount included the amount owed to Allied.

Staff Moran answered no, that this is strictly Recology.

Member Fotu asked if Recology will take the balance and interest all at once or whether it would be spread out. She further asked to make clear that as of January 1st of 2013, Recology would not be collecting further interest.

Staff Moran answered that both will get rolled into next year's revenue requirement and become part of the base revenue requirement that each Agency will try to set rates to cover.

Staff Feldman added that once the revenue reconciliation is completed it becomes fixed.

Vice Chair Nava asked for clarification for how all three (2011, 2012, 2013) rate years come into play.

Staff Moran answered that the total shortfall that is owed for 2011 will be added to what is owed to Recology in the 2013 revenue requirement.

Vice Chair Nava asked for further clarification, specifically for Burlingame.

Executive Director McCarthy explained that in Burlingame's case the City Council increased rates to cover the shortfall, so in terms of base revenue Burlingame is in good shape, but noted there is still interest due on the shortfall amount that was not paid in 2011. He added that what Burlingame is trending now is a surplus in 2012, and if that remains true Burlingame would see an interest surplus for rate year 2014.

Staff Moran added that when we give you the final rate adjustment, it will show base revenue, 2013 requirement, 2011 balance owed, and it will include an estimate for 2012 which will show whether each Agency is over or under.

Member Scott stated that WBSD tried to build the 2011 shortfall into their 2012 rates to collect enough to cover the entire shortfall; he asked if it was possible to pull the 2011 shortfall amount out of the Sept 1 rate application so that rates wouldn't be raised twice to cover the 2011 shortfall amount.

Staff Moran answered that the September 1 rate application would have a line for each year, (2011, 2012, and 2013) for what is owed or surplus for each.

Member Hardy asked if the books for 2011 will be completely closed as we start 2013.

Staff Moran answered yes, next year's rate application will not include 2011, you will see 2012, 2013, and 2014.

Member Hardy asked if an agency at some point in time elects to paying off the interest rather than rolling it into the rates, is that an option.

Executive Director McCarthy stated that the Franchise Agreements are not set up that way, but added an Agency could negotiate with Recology.

Member Galli asked if the rate report that comes out March 31st, would be subject to any audits by HF&H, so that if an Agency did want to go forward and negotiate an interest payoff we could do it with the numbers in that report.

Staff Moran answered that the report will get audited every year, and the results will be reported at the June Board meeting.

Cost to Service Agency Facilities - Staff Moran reminded the Board that they were not satisfied with the 2011 report from Recology regarding this item, so an alternate method for allocation was used for 2012. Attachment D of the report shows the new allocation of costs. Recology's costs stay the same what has changed is the way it is allocated amongst the agencies.

Executive Director McCarthy asked the Board to look at this item carefully because this item held up approval last year.

Vice Chair Nava asked if the revisions are based on actual recorded lifts, and whether the information has been verified and audited.

Staff Moran clarified that this was 2012 information, 2011 information is what was audited by HF&H. These numbers will be audited next year, and they will be audited every year.

Member Oskoui asked what the difference is between accepted and rejected and what the cost impact would be.

Executive Director answered that on Agenda Item 4B Attachment D, it is the difference between the middle column and the far right column.

Member Hardy clarified that at the time these numbers were originally presented there was a lot of confusion so the Board decided to go back to a prior allocation, and would go through a true up process after more research. Now that the research is done, these are the numbers and the cost impact.

Executive Director McCarthy agreed, and added that the data comes from Recology, and their operational systems are sound, if you have questions about your Agencies data, sit down and talk with the Contractor.

Member Fotu asked for clarification on how the \$1M total to service all agencies facilities was derived, and why that figure wouldn't have changed through this process.

Staff Feldman answered that it is a contractual cost based on Recology's proposal submitted in 2008.

Mario Puccinelli offered to sit down with any Member Agency and walk through the details.

Performance Incentives and disincentives – Staff Feldman noted that this was discussed in detail at the June Board meeting, and highlighted attachment E that was approved in June, so these are the numbers moving forward.

Customer Account Data – Staff Moran noted that when Recology started service they were using data that was given to them by Allied. It was found by the County that some of the accounts were coded to the wrong Agency or not in the service area at all. They have now been fixed, in total there is a \$14,599 reduction in costs.

Member Nava asked if these accounts were formerly in the County and now are in our Cities, and asked if the County had been collecting the revenue on those accounts.

Staff Moran answered that the accounts have moved both directions, but in Burlingame's case yes, those were accounts formerly in the County that are now part of Burlingame. He also stated that in most cases Recolgy corrected the Revenue side on January 1st, 2012, and that these numbers are just Recology's costs.

Position being eliminated and position that went unfilled – Staff Feldman noted that there is a decrease in Recology's cost due to a position being eliminated, and positions being unfilled, the estimated amount is \$270,00 that is currently in the rate application.

Request for a change in Capital – Staff Feldman noted that Recolgy swapped out some trucks because the trucks they had were not compatible with the types of accounts they were servicing. The result is a savings of \$22,000 in depreciation.

CBA Adjustment – Staff Moran gave an overview of this portion of the staff report and took questions.

Member Oskoui asked if Attachment H included the balancing accounts on the revenue requirement.

Executive Director McCarthy stated yes, it's inclusive of the Allied balancing account.

SBR Cost reduction for vacant position – Staff Gans noted that this is similar to the issue Staff Feldman was talking about on the Recology side. SBR had a period where a manager position was vacant and they are paying the SBWMA for the period of time during the staffing gap.

SBR Solar Power Adjustment – Staff Gans stated that the facility is largely powered by solar, and those rates are predictable. PG&E's rates are still unpredictable, and we are going through a rate adjustment process with them. This will occur this year, and will be captured at the end of year during a true up process.

Other Rate Issues, Revenue Projections – Staff Moran gave each agency revenue tracking information (except Redwood City) in attachments G and H.

Member Masbad asked what the difference is between the required revenue adjustment and the total rate impact.

Staff Moran answered that the first one is what was required to be done, and did not include the estimated 2011 shortfall or surplus. The second one includes everything.

Member Fotu stated that she doesn't agree with the revenue requirement for Menlo Park or the mid-year revenue projection.

Staff Moran noted that staff will work with any Agency to review figures.

Vice Chair Nava asked if these were public numbers to be looking at already with the City Council.

Staff Moran stated that yes and there are still 6 months to go.

Member Nava stated that it is very helpful to have the information now.

Executive Director McCarthy added that two items that got the most feedback on last year. One was revenue; many Agencies had revenue short falls that had nothing to do with Recology's cost. The second was disposal and processing projections. There were agencies that had much higher than projected tonnage which caused the disposal expense to be much higher than expected. He added in the next few days we will give you draft assumptions for tonnage, so you'll get it early. After you look over the figures, you can decide to make changes, but then they will be locked for the Sept. 1 rate application.

Member Galli asked how many of the A through G attachments will be line items in the September 1, rate report.

Executive Director McCarthy answered that it's not been decided yet, and staff will continue to give you a lot of detail.

C. Discussion on Potential Amendments to the Uniform Franchise Agreement for Collection Services

Executive Director McCarthy stated that Recology and the SBWMA are looking at ways to try and streamline operations and save money. He noted that this item is the beginning of a list of items that might be changed in the franchise agreements. He suggested that he would like to have a subcommittee of Board Members to come up with a thorough list of potential changes to the contract. The goal would be that sometime early next year the Board would adopt a set of Franchise amendments that then each jurisdiction's council would have to approve.

Member Masbad suggested that the subcommittee quantify the potential savings associated with any changes being made to the Agreements.

Executive Director stated that as details are being discussed cost savings would be quantified.

Member Moura added that he thought it might be helpful to see what these kinds of savings might mean in terms of rates, and requested a study session of the whole Board to go through the recommended Agreement changes.

Member Fotu added there are some grey areas in the contract which causes revenue to leave our City, and asked the whole group take an active role in the process.

Member Nava pointed out that we should look for larger savings.

Member Moura expressed concern that if we're looking at Agreement amendments it might open the door for service level changes; he suggested characterizing the changes as technical amendments for all of the agencies.

D. Discussion on SBWMA Engagement on State and Federal Solid Waste and Recycling Policy Development

Executive Director McCarthy noted that on several occasions staff has been asked to write letters of support or oppose legislation, and noted that the Agency is not staffed to be a part of the legislative process to influence legislation. This discussion is to get Board feedback if we should be doing anything different in this area.

Member Fotu noted that she is an active proponent of this Agency getting involved in what the state is doing as far as solid waste issues. She thinks that the thread of every dialogue we have with the state should be around the financial constraints enforcing mandates puts on local government. She asked the Executive Committee to report to the Board on some of the issues in the CRRA plan for 75% reduction.

Vice Chair Nava added that the Elected Officials have the greatest weight when affecting legislation that effects local government and he thought the responsibility should fall on the County Board of Supervisors, since they are responsible for the County's solid waste plan.

Executive Director McCarthy stated that the struggle is that SBWMA staff members have the knowledge base in terms of these issues, but in terms of active participation there is no time for staff to get involved, and there are a lot of people already doing it.

Member Moura added that we have to be in Sacramento to push those changes, and unless we hire a lobbyist we can't do that.

Chair Porter noted that this Agency doesn't have the power at this time; he noted that we need to be a part of the conversation through the County Board of Supervisors. He also suggested getting to an index increase with the rates before this becomes a SBWMA priority.

Member Moura stated that it will take significant resources to be a player, and he wasn't sure that was the direction he wanted the Agency to go.

Counsel Lanzone suggested getting feedback from the Elected Officials on whether it's important to them and to go from there.

5. **Old Business:**

A. RSMC Franchise Agreement Operational and Contract Administration Update

Gino Gaparini had no report, but offered bulky item brochures and AB341 inserts to each agency.

B. SBR Shoreway Operational and Contract Administration Update

Dwight Herring noted some trends from the self-haul side: C&D up 38%, Organics up 12%, Solid Waste down 11%, and Recycling up 14%.

6. **Staff Updates**

- a) Update on Recology Commercial Recycling Outreach Efforts
- b) Recycling and Outreach Programs Update
- c) Shoreway Construction Update
- d) Update on 2012/2013 Franchise Rate Setting Process

Executive Director McCarthy noted that now changes to this monthly report would be highlighted in yellow. He also reminded Board Members to get questions to and give feedback staff in August; he also noted that there is a deadline of August 1st to give staff questions on the Rate Application.

e) Preview of Upcoming Board meetings

7. Board Member Comments

Member Scott thanked Marshall Moran and Cliff Feldman for their help with the Rate Application for West Bay.

8. Adjourn 3:43 PM

DRAFT MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
SPECIAL MEETING OF THE BOARD OF DIRECTORS
August 22, 2012 – 2:00 p.m.
San Carlos Library, Conference Room A/B**

1. **Call to order: 2:02 PM
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**

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None

3. **Adjourn to Closed Session** - pursuant to Government Code Section 54956.9(A): Conference with Legal Counsel - anticipated litigation – one case.

4. **Adjourn to Open Session at 3:20 PM**

5. **Report from Closed Session**

The Board received and accepted the investigator report.

The Board authorized legal counsel to issue a press release.

The Board asked the Executive Director to write a report reviewing purchasing policy and practices.

6. **Adjourn 3:30 PM**