



A Public Agency

CONSENT CALENDAR

DRAFT MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE BOARD OF DIRECTORS
June 22, 2017 – 2:00 p.m.
San Carlos Library Conference Room A/B**

Call To Order: 2:02PM

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. Adjourn to Closed Session – Pursuant to Government Code Section Govt. Code Sec. 54957 Public Employee Evaluation: Executive Director

4. Regular Session CTO: 2:22

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	

5. Additional Public Comment

None

6. Executive Director's Report

Executive Director La Mariana gave the latest SBWMA updates, he noted that a 2-day battery summit was held with Staff Gans, SBR, Recology and 15-20 industry leaders and stakeholders to find a long term solution to battery collection. He added that in September staff will be looking for Board feedback, after which staff can then move forward with an action plan and public outreach campaign.

Executive Director La Mariana then added that the contractor's compensation applications have been received since he wrote his Executive Director's report. He noted that at this point the contracts are index capped, and Recology is requesting their compensation for 2018 be adjusted by 1.1% and SBR is requesting a 1.8% adjustment. SBWMA staff is now vetting the documents. He also noted that this low percentage adjustment year would be a great time to consider making a rate adjustment higher than recommended to build a reserve to buy down the increase when the contract transition occurs in 2021.

Executive Director La Mariana also noted that staff put an RFO out for rate support to the Member Agencies, and notices will go out in the next week. He noted that staff is still planning to do the vetting in house, but to get assistance later in the process when all 12 Member Agencies need information quickly and this will expand the bench strength to be able to be responsive to the Member Agencies. He also noted that, if this first year pilot is successful, staff would be back to the Board next year for a 3-year renewal that would give the Member Agencies and the SBWMA a high level rate review with member agency-specific, multi-year projections rate years 2019, 2020 and through 2021 to allow for a smooth transition into the presumed contract extension.

Executive Director La Mariana also noted that staff is completing the RFP for organics processing.

Member Carlson asked if a plan for capturing the methane gas with the organics collection was still in consideration.

Executive Director La Mariana answered that staff is still looking into the technologies for options at the Shoreway site. There are two options, one, is the fallback position of having the material processed in the way it has been which is why there is an RFP going out, and two, to look for technical and other processing options in the future that will give us more control of the material on site.

Executive Director La Mariana then noted that the approved FY 17-18 budget included a line item for Franchise Agreement support of \$450,000. If the board chooses to approve the model Franchise Agreement and cost proposal today, this designated \$450,000 would go into reserves. He noted that at the last Board meeting there was a question about this going into the capital reserve. Adding that the undesignated reserve was renamed capital reserve, and this is a guideline not a policy so it's at the Board's discretion where the money would go if it is unused, and it would be back to the Board for discussion at the end of the year.

Executive Director La Mariana also noted that staff is half way through the shredding events calendar for 2017, and for the most part they've gone very well, with one incident at the County event where there was a mix up, and staff is working with the shred vendor on a remedy to make that right. He also noted that staff is looking at adding shredding to the services offered in the public recycling center by the end of this fiscal year. So the Agency may want to rethink the shredding events in the future, if this service is always available at Shoreway.

Member Widmer asked if shredding events in the cities would be eliminated if shredding becomes available at Shoreway.

Executive Director La Mariana answered that eliminating the events is an option, but it's really up to each member agency on how they would like to proceed.

Member Widmer and Member Aguirre commented that the shred events are a great community service and they would like to see them continue throughout the service area not just at Shoreway.

Executive Director La Mariana announced that Recology is a finalist in the Half Moon Bay RFP, and they have requested to bring their 3rd party recyclable tons to Shoreway.. If they were to be awarded the contract, those tons would come to Shoreway and any ton of material that comes into the facility goes toward offsetting operations costs as long as the tons don't require a second shift which is not anticipated based on the RFP.

Member Widmer asked what the tip fee would be, and would it be higher than what members of the JPA pay.

Executive Director La Mariana answered it would be at the gate fee, which is higher than the franchise fee.

Member Widmer asked if there was any progress on working with the County on HHW, and if not can there be by the end of the year.

Executive Director La Mariana answered that he has nothing new to report on HHW at this time and that a mid-year HHW report will be provided to the board in September. He introduced Dave Vaughn, Senior Vice President and Director of Operations for all of Recology, and noted that Mario Puccinelli of Recology has requested to speak to the Board during the Franchise Agreement discussion later. He also pointed out Bob Hilton who was the lead negotiator and financial analyst, who is available to answer questions. Finally, he introduced Fellow Kevin Russell, who will be working on the Agency's Long Range Plan Public Spaces project.

Member Dehn asked about the office refresh noting that in the staff report safety was mentioned. She wondered if safety was pertinent to ergonomics or if there were other safety concerns.

Executive Director La Mariana answered ergonomics.

7. 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 May 25, 2017 Board of Directors Meeting
- B. Resolution Authorizing the Executive Director to execute a 3 year contract with Aaronson, Dickenson, Cohn & Lanzone for legal counsel services
- C. Resolution Authorizing the Executive Director to execute a 3 year contract with DTE Networks for Information Technology Services
- D. Resolution Authorizing the Executive Director to Execute a Contract with Tanner Pacific for Construction Management services for FY17/18

Member Aguirre made a motion to approve the consent calendar items

Member Brownrigg seconded the motion

Roll Call vote: 12-0-0-0

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			

8. Collection and Recycling Program Support and Compliance

A. Resolution Approving the Proposed Recology Model Franchise Agreement and Compensation Package

Executive Director La Mariana recapped the timeline of the negotiations. He noted that this proposed document is an amended and restated agreement, not a new contract. He noted that the staff report was reissued when it was discovered that the proposed new term was listed as 2036, and it should have been 2035.

Member Widmer noted that the start date needed to be revised to 2021 not 2010, as well.

Executive Director La Mariana continued recapping the process. He noted in March there was a negotiated contract with terms and services at a proposed cost of \$65.3M in the first year of the restated contract. He noted that number represented a difference of about 10.2% between the current contract and the restated contract. After a series of 12 public meetings, two workshops and a City Managers meeting and City Attorneys meeting staff worked with Recology on the feedback and issues from those meetings. He called out two specific items that came up in the meetings. One, the attorneys asked if this action triggered a CEQA review, noting that the short answer was no, and the technical legal answer was included in the staff report. Two, which came up at several meetings, was is there an obligation to send the contract out for competitive bid. He noted that the short answer was no, and the public resources code supporting that answer are also outlined in the staff report.

Executive Director La Mariana noted that there was a recent development as of yesterday, Recology has offered to reduce their cost proposal by \$1.1M in G&A, which makes the jump off percentage go from 10.2% to 8.3% not including the fuel index and growth which will be pass through costs.

Member Brownrigg asked for the current level of G&A and the revised G&A.

Executive Director La Mariana passed out a handout of the revised recommended financial proposal noting that that the 2020 number was straight-lined from 2016 with a CPI projection based on history.

Member Widmer asked what the G&A percentage was at the time Recology was awarded the contract, because he was still concerned about the percentage increase in G&A from the initial bidding on the contract to the first year of the restated agreement, and wondered if it was intentionally underbid.

Member Benton noted that at the workshop there was a worksheet with the G&A by year, and the proposed percentage in 2011 was 6.5%, and the actual for 2011 was 9.5%.

Executive Director La Mariana noted that when discussions first began the number Recology requested was 12.1%, so the number has come down considerably. He also noted that there is an additional \$216,000 in avoided costs from depreciation that should have been included, but wasn't and Recology has chosen to leave that amount on the table.

Member Dehn commented that the resolution attached to the staff report didn't call the contract a restatement.

Counsel Savaree answered that the language could be added to the resolution.

Member Widmer commended the Executive Director and the FAX team for getting a lot done in a short amount of time, but noted that there are a lot of things in the contract that Atherton may not be interested in, and that he is concerned about the meet and confer written into the contract in several locations potentially adding more cost. He also noted that he is concerned that, if he votes to approve or not approve the contract, what that will mean for further negotiations at the jurisdiction level. He wondered, if he does vote yes does that compromise his position in the Member Agency individual discussions, and commented that he's not really sure what his vote would mean. He asked for more clarity before he voted. He also noted that he thinks the G&A number is still high, and is also concerned about the Bulky Item cap, and that no solution has been brought forward yet. He also raised concern that there needs to be more responsiveness on key items in the contract, and he doesn't know if they can be negotiated in during the individual Member Agency discussion.

Counsel Savaree responded that the vote today is to either recommend or not recommend this model franchise agreement to the Member Agencies. She noted that, if 2/3 of this Board approves this Model agreement, it will go to the Member Agencies for approval. When that happens staff has called out where in the agreement individual Member Agencies can negotiate. She added that it is fairly limited including examples of section 5.02 container relocation services, section 7.09 using the prop 218 process to set rates, and discrimination language that should match the City's language. She also noted that in the attachments there is also negotiation on bin size, service levels for agency facilities, community events, and delinquent payment policy.

Member Widmer asked if there are key terms in the contract can they be pulled out and negotiated if they don't apply to a Member Agency with a different set of circumstances.

Counsel Savaree answered that this is a standard contract, but negotiating on key terms in the contract is not anticipated by the contract. She added that both staff and Recology understand that the bulky item and abandoned waste issues area very serious concern for a number of the Member Agencies. So that language has been changed in the Model Agreement, to include an obligation to come up with an allocation plan that the SBWMA Board and Member Agencies would look at if the maximum number of collections is coming close to the cap.

Member Widmer commented that he didn't see that change in language in section 5.05.

Counsel Savaree noted that she would find the language and let the Board know where it is located.

Member Aguirre made a motion to approve Resolution 2017-27.
Member Benton seconded the motion

Discussion:

Executive Director La Mariana noted some changes since the packet went out that had not been discussed before the motion. He passed out a handout that listed the changes in the contract language since the packet went out. He also noted that a handful of them are simple grammatical changes, and two are substantive. The company requested an option, if they are losing money, to meet and confer to demonstrate their financial position. He noted that the company is concerned because 2035 is a long way away, and a lot of assumptions have been made. The Company would like the opportunity to make their case to at least get to break even if they are losing money during the final year of the contract.

Member Widmer commented that this is not a cost plus contract it's a fixed price contract, and he thought the number being recommended was not being overly challenged, and a loss could be fabricated, and it's either fixed price or it's not, and he thought this caveat was unreasonable.

Chair Grassilli asked if these changes were not requested until after the Board had voted on the contract what would happen.

Counsel Savaree answered that staff would come back to you at the next meeting to ask if you wanted this language added in.

Member Benton asked for clarification that this proposed language would only apply to the extension period in 2034, to give the agency time to go out to bid.

Executive Director La Mariana answered yes, that's correct.

Mario Puccinelli of Recology noted that this language has gone through SBWMA staff and the HF&H negotiating team, and both staff and Recology are comfortable with this language.

Member Benton asked for further explanation of the 9.5%, and what the intent is.

Executive Director La Mariana answered that 9.5% is their maximum allowable profit margin. In the contract language it's referred to as the operating ratio.

Member Benton asked why the language says general and administrative expenses are greater than 9.5%.

Mike Kelly of Recology noted that Recology did not put that language in but that he thinks he knows where it came from. He answered that 9.5% is an approximation of G&A on billed revenue, so the 9.5% is fixed.

Member Benton commented that this a \$9.5M number but it's not a \$100M contract.

Mike Kelly answered that the total billed revenue for the entire collection system is \$100M, and when calculating the break-even point G&A is measured off of that number.

Member Widmer asked for clarification on what the G&A number is today on SBR, so the two numbers could be added together.

Dwight Herring answered that he would have to look that up.

Chair Grassilli noted that it is frustrating to get this information last minute, and this is very complicated.

Member Brownrigg commented that the simplest thing is to be silent on all of this. He noted that this is on the maximum 12 month mandatory extension if there is an RFP. He added that if Recology is dramatically underwater, they should be coming to this Board long before the end of the contract, and there should be an RFP before the end of the contract. He suggested taking the whole second half of the paragraph out.

Member Hurt asked to hear from the committee that suggested the language.

Executive Director La Mariana answered that this language came from the Company and was vetted through Counsel's office from a legal perspective, and the HF&H team from a financial perspective, and this language was all being negotiated in the last 24 hours so it didn't go in front of the FAX committee.

Mario Puccinelli commented that he agreed with Member Brownrigg and they didn't want this language to get in the way of all the progress and hard work, so they would be removing the language.

Member Benton asked for clarification of the language at the top of page 3 in the handout that says "*If Contractor's Compensation is adjusted under the 2009 Franchise Agreement after Rate Year Six (2016) but before Rate Year Eleven (2021) due to a Change in Law or Customer migration under Sections 11.05.A.3 or 11.05.A.4 of the 2009 Franchise Agreement, or an Agency-directed change under Section 15.12 of the 2009 Franchise Agreement, then Contractor's Compensation for Rate Year Eleven (2021) shall be equitably adjusted to give effect to the change*".

Bob Hilton of HF&H Consultants answered that there are conditions in the existing agreement, like change of law for example, where the contractor's compensation might be adjusted. This language states if that happens in the existing agreement between now and the start of the extension it would adjust the 2021 number accordingly.

Member Benton asked if this was a new provision in the new agreement versus the existing agreement.

Bob Hilton answered yes, because at the start of the current contract there was not the same condition of waiting 3 years to start a new term, but the change of law language is in the current contract and is standard language.

Member Benton commented that he was under the impression that the \$64.2M number was an estimate.

Bob Hilton answered that the number is subject to a fuel adjustment and a growth adjustment, and CPI is already included in the \$64.2M number, CPI is locked in, just the fuel and growth factor are adjustable between now and the start of the extension.

Member Benton asked if the growth adjustment was new.

Bob Hilton answered that there was a growth adjustment in the current contract, but it didn't apply every year, and that the same methodology was applied to the extension.

Member Benton summarized that the big adjustment will be fuel.

Bob Hilton answered yes.

Member Benton commented that he has been a vocal behind the scenes complainer, and he appreciated Executive Director La Mariana for hearing him out. He thanked Executive Director La Mariana, FAX Chair Jim Porter and Recology for their work in the negotiations and coming back to the table.

Member Carlton commented that she hates voting on things she hasn't read, and because she got it last minute hasn't had time to go through it and understand the implications, so she can't vote on this now. She asked if the motion included the language in the document handed out.

Counsel Savaree noted it would include the one red line in section 4 of attachment K, to which so far no one has raised an objection, and what follows on the remainder of the handout which in her opinion were clean up items, and if the Board approves the model staff asks that those changes be incorporated as well.

Member Carlton asked if the break-even clause would be included.

Counsel Savaree answered no, the Board direction was for that not to be included and Recology removed the request.

Member Brownrigg commented that he would be voting in favor of the motion, and noted that the City of Burlingame has been the beneficiary for 45 years of an outsourced relationship with Veolia for the waste water treatment plant, that has worked for the City extremely well. He noted that some of his colleagues had issues with the long term of the contract, but noted that Burlingame has had a very good long term experience with a private partner, and has saved a lot of money along the way by having that relationship. He added that he supported Member Benton's efforts to reduce G&A, and reducing the G&A by over \$1M is a significant give by Recology. He requested information on where our Agency stands among peers in the bay area and around the nation and that SBWMA staff help make the case that better service is being delivered at a better price than other agencies, like Burlingame can with Veolia. He commented that if he can demonstrate that to his constituents then he doesn't care as much about the G&A. He asked for better comparison data than just rates. To be able to show a downward path compared to others in the bay area. He concluded by noting that Recology has been a strong operating partner, and the friction of changing service providers was dramatic at the beginning of the current contract, which caused a lot of complaints last time around, so for him voting in favor of extending the relationship was a straight forward decision.

Member Dehn asked Member Aguirre if the phrase restated and amended was to be included in the resolution she motioned approval of.

Member Aguirre answered yes.

Member Benton also answered yes as the second to the motion.

Member Benton commented that the agreement only carries one number \$64.2M, he requested that the detail that leads to the \$64.2M be included in the resolution so there is a way to trace it.

Bob Hilton commented that the compensation methodology is Attachment N in the Franchise Agreement, and will be adjusted to reflect today's discussion around compensation.

Member Benton commented regarding the interest that was missed and is now an avoided cost, that he would like to put it back in the interest category where it goes and take it out of the G&A, so that years down the road when the next contract is being looked at, someone will ask why is there no interest and no one will remember why, and as long as the overall number doesn't change that should be cleaned up.

Bob Hilton commented that the HF&H team is working on the financial side of this, and they are working with Recology to see how best to accomplish getting the interest back in, but leaving the number the same, the objective is to make sure which ever solution is worked out is well noted.

Member Widmer made an alternate motion to de-couple the financial portion of the contract and the terms and conditions of the contract and approve the terms and conditions, to allow a little more time for further

negotiations because he thinks the price is still high, and he thought he owed it to the rate payers to find additional savings, noting that Atherton has one of the highest rates in the service area.

Member Rutherford seconded the motion.

Discussion:

Member Benton commented that he has been a strong proponent of getting the price down, but he thinks this motion runs the risk of nibbling, and he's satisfied with risk/reward balance with the current price and will probably vote against the motion.

Member Hurt commented that further negotiation might be detrimental to the relationship with Recology, and what kind of good will the Agency might be giving up if there is further fighting for little concessions, and she would be voting against the motion.

Chair Grassilli commented that he and Member Benton had discussed how much would be enough, and he thought 33% was substantial and he would vote against.

Member Bonilla added his agreement as well.

Member Aguirre commented that she agreed as well, but that she appreciated Member Widmer's comments. She also noted that at the last meeting this Board agreed to move forward with this company because of all the benefits to our communities and also offer them the best price, she thought this was a good discussion, but likes the outcome and would vote against the second motion.

Roll Call Vote:1-11-0-0

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		

Chair Grassilli noted that the motion failed so now the Board will vote on the motion by Member Aguirre and seconded by Member Benton to approve the motion for the Model Franchise Agreement adding in the language to include it is an amended and restated agreement and the compensation package as amended.

Counsel Savaree noted that she would make the changes to the resolution to reflect those changes.

Roll Call Vote:11-1-0-0

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			

Member Carlton requested that in the future last minute items are emailed to the Board ahead of time instead of hard copy during the meeting, so they have a chance to read through it before the meeting.

Chair Grassilli commented that this agreement will now move into the second phase of going to the individual Member Agencies for final negotiations, and he thanked Jim Porter and the FAX committee, and the Recology team for their work on the contract.

9. Shoreway Operations and Contract Management

A. Resolution Approving Property/Fire Insurance Policy for FY17/18

Staff Gans gave an overview of the staff report and noted the insurance premium costs versus deductible choices. He introduced John O'Neill of Risk Strategies and explained his recommendation of a \$500,000 deductible and \$767,009.22 annual premium. He noted that this option is recommended because it reduces the exposure to the agency, but a list of 4 other options was also given.

Member Widmer commented that there is additional risk in comparison to the current policy no matter what option is chosen, and he wanted to ensure the dollar amount included the premium amount plus the additional money needed in the emergency reserve to cover the additional deductible cost. He asked what sort of analysis went into the combination of deductible versus premium as well as additional money going into the emergency reserve fund to ensure proper coverage.

Staff Gans noted that the current emergency reserve is \$4.1M, which is sufficient to cover the \$500,000 deductible option.

Member Widmer commented that this same reserve amount existed when the deductible was \$5,000, so it would be logical to think that the emergency reserve was for other contingencies, and therefore this new deductible amount should also lead to an increased reserve amount.

Staff Gans noted that the emergency reserve was not analyzed that way, but the total amount of the Emergency Reserve is 10% of operating costs per the reserve fund policy.

Chair Grassilli asked for clarification on the plus/minus and where the savings mentioned in the staff report are if the spending is \$250,000 more every year.

John O'Neill answered that they looked at comparable risk retention policies for other municipalities and JPAs and \$500,000 is the number that almost all of them have adopted. He then explained the savings at no losses for 5 years noting that 5 years multiplied by \$250,000 is \$1.25M equals the extra amount spent during that time, but the loss history over that same period of time, if there are two occurrences which would have cost \$1M it's still about break even.

Chair Grassilli clarified that in the first 5 years if there are no losses the SBWMA pays \$1.2M in premiums. John O'Neill noted that these costs are a result of the fire, and he didn't think the increased premiums would be for five years, but more likely after three years the premiums would go down after a penalization phase. If at the end of the three year period there haven't been any claims and fire reduction equipment and policy has been put in place he suspected retentions would go down and much better premiums costs as well.

Vice Chair Bronitsky commented that if there is one loss every eight years and dividing that into the \$2M difference its \$250,000, so paying less than \$250,000 premium the savings is \$2,000 per year, he also noted

that not only is there a small savings by going with the \$500,000 there is also not having to reserve a lot more money.

Member Carlton asked how often there is a claim on the insurance.

Joh O'Neill answered that there has only been two claims in 10 years, but there is severity in that those two claims were close to \$11M, so it's not a frequency problem it's a severity problem.

Vice Chair Bronitsky added that there is a plan to discuss batteries and how to handle them going forward to work toward reducing the chance of a fire loss. When those plans are in place in a couple of years the insurance premium amount can be revisited.

John O'Neill added that their loss control expert who is an ex-fire fighter will be visiting the site in July or August to participate in a comprehensive plan and analysis.

Member Brownrigg commented that he preferred the middle option of \$1M deductible, and a \$683,417.22 premium and the savings is \$90,000 a year, and that is a reasonable amount of money for this Agency. He wondered how the Board felt about that trade off.

Chair Grassilli commented that he tended to agree that the middle ground might be the way to go, but it's a gamble.

Staff Gans commented that his biggest concern is about the reoccurrence of fire and that this agency now lives in a world with higher risk of more frequent fire incidences due to lithium ion batteries than over the last 10 years when there were only two claims. He recommended minimizing that risk through insurance coverage with a lower deductible.

Member Bonilla noted that he agreed with Staff Gans and reevaluate after improvements in fire mitigation have been made over the next few year.

Member Widmer commented that he conquered with Member Brownrigg's recommendation, while also addressing the reserve issue, and taking the savings from the premium costs to invest in the fire protection system and expensive service agreement that goes with it.

Member Dehn commented that since it's a one year policy term and no additional fire suppression has been implemented yet, she recommended going with staff recommendation.

Vice Chair Bronitsky commented that he thought the least risk possible was the best option.

Member Hurt made a motion to adopt the recommended option for \$500,000 deductible and a \$767,009.22 premium.

Member Bonilla seconded the motion.

Discussion:

Member Carlton commented that over the course of the conversation she's been persuaded to go with the recommendation, but asked that the Board look at option 5 next year after a fire suppression plan is in place.

Chair Grassilli commented that it will be year to year, but getting this insurance option was difficult.

Member Bento asked if there as any issue placing insurance next year since this policy is only for one year.

John O'Neill answered that it's always been shopped every year.

Roll Call Vote: 11-1-0-0

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			

10. Informational Items Only (no action required)

- A. Check Register Detail for May 2017
- B. 2017 Finance and Rate Setting Calendar
- C. Future Board Agenda Items

11. Board Member Comments

Member Slocum asked to explore the idea of having an alternate meeting location, due to parking constraints, and suggested the Belmont Sports Complex.

Member Aguirre agreed, and noted that the Board used to meet at Recology before moving to the Library.

Chair Grassilli asked why the meetings were moved from Recology.

Member Widmer answered that the room was upstairs and there is no elevator so the room is not ADA compliant.

Vice Chair Bronitsky offered Foster City as an alternate location.

12. Adjourn 3:55PM

STAFF REPORT

To: SBWMA Board Members
From: Joe La Mariana, Executive Director
Date: September 28, 2017 Board of Directors Meeting
Subject: Approval of Second Change Order for HF&H Consultants for Franchise Agreement
Financial and Negotiations Support

Recommendation

It is recommended that the SBWMA Board approve **Resolution 2017-29** attached hereto approving the staff recommendation to fund HF&H (HFH) Consultants change order #2 request which addresses final financial and negotiation support in June 2017 at the conclusion of the eight month negotiations with Recology of San Mateo County. The total amount of this proposed change order is \$6,230.25 and, although unplanned, staff has validated this work.

Analysis

On November 17, 2016, the SBWMA BOD approved a Professional Services Agreement with HF&H Consultants for \$138,126 to provide comprehensive financial analysis and to represent the agency as lead negotiator for the Franchise Agreement negotiations with Recology of San Mateo County (Recology) that began on December 14, 2016 and concluded on June 21, 2017). Additional analytical and negotiation services beyond the initial scope of work were identified by staff and then approved by the Board on February 23, 2017 in the form of HF&H's change order number #1.

The negotiations process proceeded according to this modified scope of work until June. At this time, additional meetings, analytical work and negotiations were necessary to conclude the process. This work was not anticipated in the aforementioned scope of work. With the full consent of the SBWMA Executive Board and staff direction, HF&H provided these services on an extremely urgent and timely basis to conclude the negotiations on June 21st, just in time to deliver the results for Board consideration at its June 22, 2017 meeting. These efforts resulted in an estimated savings to SBWMA rate payers in 2021 of approximately \$1.3M, or about \$19.5M through 2035.

Because of these efforts, transition costs were significantly reduced and Recology secured Board approval of the restated and amended Franchise Agreement. This additional work performed by the HF&H team was instrumental to this excellent outcome for both parties.

Fiscal Impact

The agency's approved FY 17-18 budget has \$400,000 designated for public procurement activities, if necessary. The \$6,230.25 in this proposed final change order will be deducted from this line item.

Attachments:

Resolution 2017-29

Exhibit A – Proposed Change Order Number 2 to HF&H Consultants Professional Services Agreement to provide financial review and negotiation services to support the Franchise Agreement Extension Negotiations process



RESOLUTION NO. 2017-29

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVAL OF SECOND CHANGE ORDER FOR HF&H CONSULTANTS FOR FRANCHISE AGREEMENT FINANCIAL AND NEGOTIATIONS SUPPORT

WHEREAS, On November 17, 2016 (Resolution 2016-44), the South Bayside Waste Management Authority contracted with HF&H Consultants to perform high-level financial analysis and serving as lead negotiator in support of the Agency’s Franchise Agreement FAX Negotiation process with its hauler, Recology of San Mateo County (Recology). This work was not-to-exceed \$138,126, and

WHEREAS, On February 23, 2017, the South Bayside Waste Management Authority authorized change order #1 (Resolution 2017-11) for a not-to-exceed amount of \$76,588 to provide professional analytical and negotiation support at additional board meetings, member agency meetings and member agency-specific topics identified during the negotiation process, and

WHEREAS, The South Bayside Waste Management’s Executive Committee Executive Board requested additional analytical and negotiation services, on an urgency basis, to finalize the negotiations with Recology. This work included additional meetings and interaction with staff and Recology that was not initially envisioned in the original scope of work. These activities resulted in an additional \$19.5M in concessions from Recology during the term of the anticipated new Franchise Agreement term.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby authorizes the Executive Director to execute Change Order Number 2 with HF&H Consultants for Financial Review Support and Negotiation Services to support Franchise Agreement Extensions Negotiations Process, for the additional not to exceed amount of \$6,230.25 and a total contract amount of \$220,944.25.

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 September, 2017, 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. 2017-29 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on September 28, 2017.

ATTEST:

Bob Grassilli, Chairperson of SBWMA

Cyndi Urman, Board Secretary



AGREEMENT FOR PROFESSIONAL SERVICES

CHANGE ORDER #2

This Change Order # 2 is to the original Agreement made and entered into as of the **November 18, 2016** by and between the **South Bayside Waste Management Authority** hereinafter "SBWMA", and **HF&H Consultants**, in the original amount of \$138,126. Change Order #1 was executed on February 23, 2017 in the amount of \$76,588.00. Exhibit A (final HF&H Invoice) outlines the scope of work to **provide Financial Review and Negotiation Services to Support the Franchise Agreement Extension Negotiations Process** becomes part of the agreement upon approval and execution.

This change order is for \$6,230.25 for contract total of \$220,944.25

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

Consultant: **Robert D. Hilton, CMC, President**
HF&H Consultants
201 North Civic Drive Suite 230
Walnut Creek, CA 94596
Phone: (925) 977-6952
Fax: (925) 977-6955

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

DATED: _____, 2017

APPROVED AS TO FORM:

Jean Savaree, SBWMA ATTORNEY

DATED: _____, 2017

CONSULTANT:

BY: _____
Robert Hilton, CMC, HF&H Consultants

DATED: _____, 2017

NOTICE TO PROCEED

BY: _____
Cyndi Urman, Board Secretary

DATED: _____, 2017

Invoice

HF&H Consultants, LLC
 Managing Tomorrow's Resources Today
 201 N. Civic Drive, Suite 230
 Walnut Creek, CA 94596
 (925) 977-6965

August 30, 2017
 Project No: S3376
 Invoice No: 9714940

South Bayside Waste Management Authority
 Attn: Joe La Mariana, Executive Director
 610 Elm Street, Suite 202
 San Carlos, CA 94070

Project S3376 SBWMA - 2016 SW Negotiations
 Purchase Order #00001565-01

Professional Services from July 1, 2017 to July 31, 2017

Task 0004 Negotiations Support
 Subtask 0A Assist with Negotiations

Professional Personnel

	Hours	Rate	Amount	
Hilton, Robert	7.50	275.00	2,062.50	
Totals	7.50		2,062.50	
Total Labor				2,062.50
				Total this Subtask \$2,062.50

Subtask 0B Model Franchise Agreement

Professional Personnel

	Hours	Rate	Amount	
Swanborn, Tracy	7.50	240.00	1,800.00	
Totals	7.50		1,800.00	
Total Labor				1,800.00
				Total this Subtask \$1,800.00

Subtask 0C Cost Proposal Forms and Base Rate Adj

Professional Personnel

	Hours	Rate	Amount	
Sheehan, Marva	5.85	255.00	1,491.75	
Totals	5.85		1,491.75	
Total Labor				1,491.75
				Total this Subtask \$1,491.75
				Total this Task \$5,354.25

Task 0005 Board and Committee Meetings

Professional Personnel

	Hours	Rate	Amount	
Swanborn, Tracy	2.65	240.00	636.00	
Totals	2.65		636.00	
Total Labor				636.00

Thank you for your payment.

Total this Task \$636.00

Task 0090 Engagement Management

Professional Personnel

	Hours	Rate	Amount	
Swanborn, Tracy	1.00	240.00	240.00	
Totals	1.00		240.00	
Total Labor				240.00
				Total this Task \$240.00

Billing Limits	Current	Prior	To-Date	
Total Billings	6,230.25	209,933.00	216,163.25	
Limit			216,163.25	
				Total this Invoice \$6,230.25

STAFF REPORT

To: SBWMA Board Members
From: Farouk Fakira, Finance Manager
Date: September 28, 2017 Board of Directors Meeting
Subject: Approval of Quarterly Investment Report for the Quarter Ended June 30, 2017

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 June 30, 2017, 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 June 30, 2017, funds in the amount of \$20,029,774 were invested, producing a weighted average yield of 0.72%.

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

	Qtr Ended 6/30/17	Qtr Ended 3/31/17	Increase (Decrease)
Total Portfolio	\$ 20,029,774	\$ 17,415,022	\$ 2,614,752
Weighted Average Return	0.72%	0.63%	0.09%
Interest/Dividends Earnings	\$ 42,152	\$ 31,390	\$ 10,762

The total portfolio balance increased by \$2,614,752. 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 higher portfolio balance combining with a slightly higher weighted average yield in interest and dividend resulted in higher earnings.

A table comparison of the portfolio components is provided below:

	6/30/2017 Balance	% of Total	3/31/2017 Balance	% of Total	Change over Prior Quarter
SM County Pool	\$ 6,821,606	34%	\$ 5,306,369	30%	\$ 1,515,237
LAIF	6,843,909	34%	6,782,867	39%	61,042
Bond Account	6,364,259	32%	5,325,786	31%	1,038,473
Total Portfolio	\$ 20,029,774	100%	\$ 17,415,022	100%	\$ 2,614,752

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 June 30, 2017, the bond reserve and payment accounts of approximately \$6.4 million were invested with the trustee in short-term investments.

As of June 30, 2017, investments in the County Investment Pool totaled 50% 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 0.99%. LAIF is used as a benchmark and the average LAIF yield for the quarter ending June 30, 2017, was 0.92%. The San Mateo County Pool average yield for the quarter was 1.07%.

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 June 30, 2017
- B. Investment Portfolio 06/30/2017 – Chart
- C. Historical Summary of Investment Portfolio

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

SUMMARY OF ALL INVESTMENTS

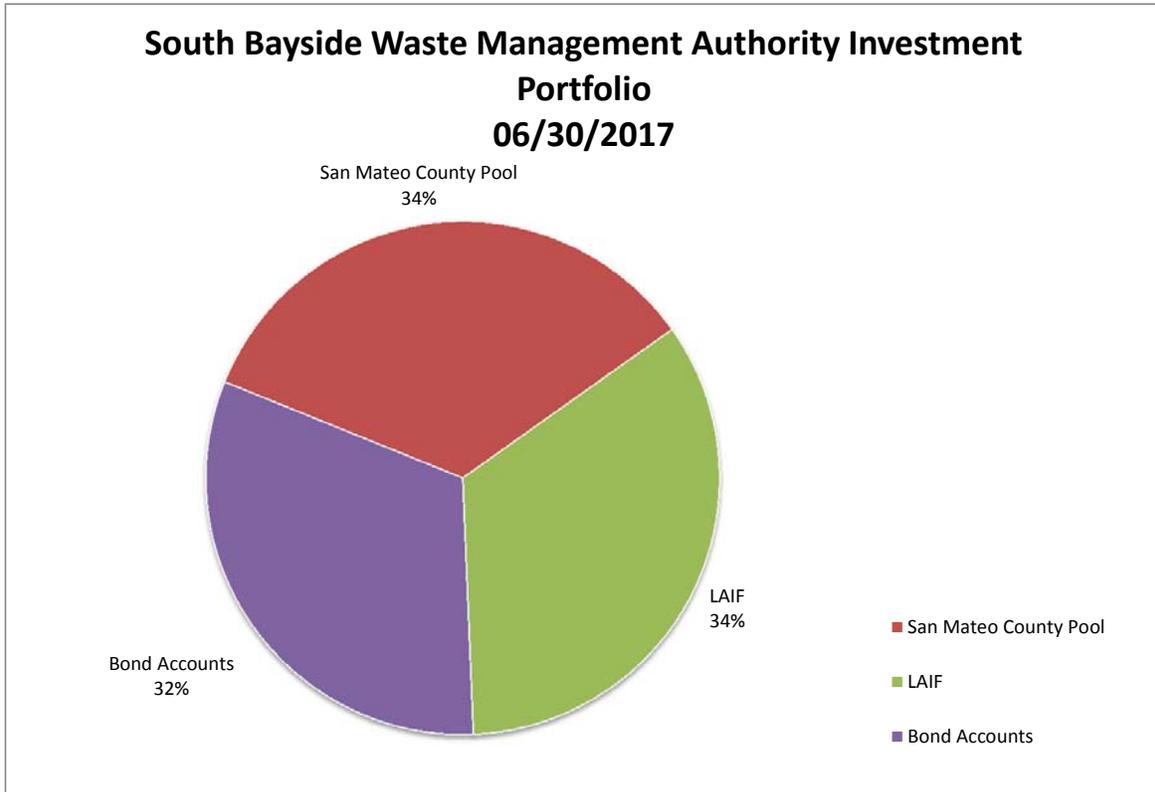
For Quarter Ending June 30, 2017

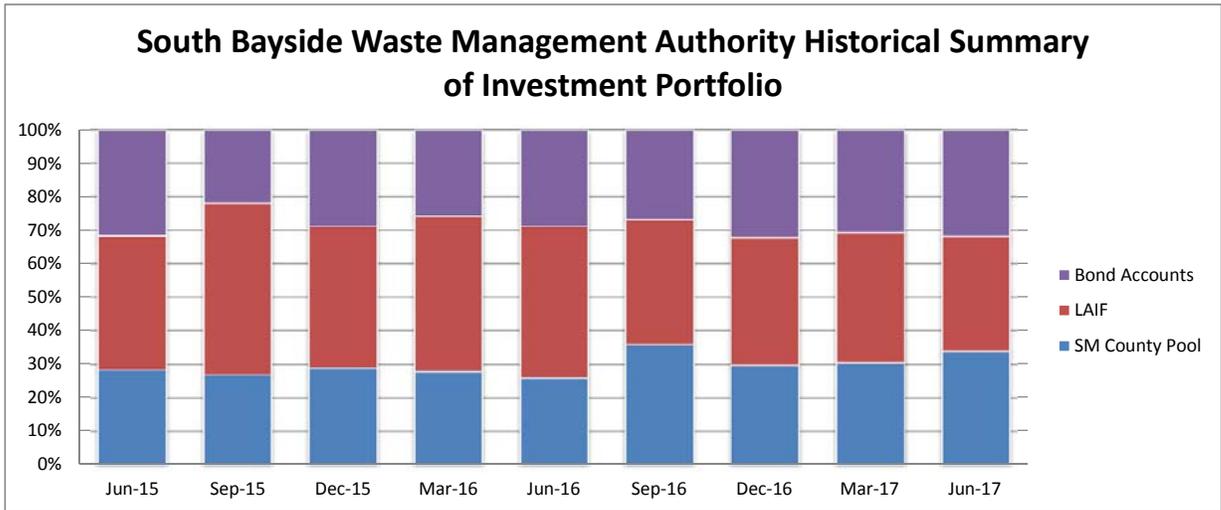
Category	Weighted Average Return	Historical Book Value	% of Portfolio	GASB 31 ADJ Market Value*	Interest/ Dividend Earned
Liquid Investments:					
San Mateo County Investment Pool (COPOOL)	1.07%	\$ 6,821,606	50%	\$ 6,814,034	\$ 20,321
Local Agency Investment Fund (LAIF)	0.92%	6,843,909	50%	6,836,659	14,236
Total - Investments	0.99%	13,665,515	100.00%	13,650,693	34,556
Bond Accounts - Cash with Fiscal Agents					
BNY Western Trust - Blackrock Treasury Trust Instl 62 2009A Reserve Fund Account	0.14%	4,132,933		4,132,933	5,709
BNY Western Trust - Blackrock Treasury Trust Instl 62 2009A Payment Fund Account	0.12%	2,231,326		2,231,326	1,886
Total - Bond Accounts	0.13%	6,364,259		6,364,259	7,595
GRAND TOTAL OF PORTFOLIO	0.72%	\$ 20,029,774		\$ 20,014,952	\$ 42,152
Total Interest/ Dividend Earned This Quarter				42,152	
Total Interest/ Dividend Earned Fiscal Year-to-Date				126,541	

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

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
SM County Pool	5,719,002	5,728,746	5,739,190	5,750,398	5,762,103	6,274,875	5,289,351	5,306,369	6,821,606
LAIF	7,971,342	10,878,169	8,385,354	9,593,633	10,003,104	6,513,338	6,723,255	6,782,867	6,843,909
Bond Accounts	6,296,018	4,631,288	5,662,254	5,289,337	6,320,831	4,636,705	5,669,053	5,325,786	6,364,259
Grand Total	\$ 21,829,734	\$ 19,986,362	\$ 21,238,203	\$ 19,786,798	\$ 20,633,368	\$ 22,086,038	\$ 17,681,659	\$ 17,415,022	\$ 20,029,774

STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Sr. Facility Operations & Contracts Manager
Date: September 28, 2017 Board of Directors Meeting
Subject: Resolution Approving Contract for MRF and Transfer Station Tipping Floor Repair

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2017-30 attached hereto authorizing the following action:

Authorize the Executive Director to accept a bid from the low-bidder American Restore and enter into a contract for the described transfer station and MRF tipping floor repair work for an amount not to exceed \$295,881.

Analysis

The abrasive nature of solid waste has required periodic repairs to the concrete floor of the transfer station and MRF. In heavy wear areas, the floor's topping layer has worn through and the structural steel is being abraded. The Local Enforcement Agent (LEA) has noted the floor wear on his past inspection reports as an item that needs to be remedied. This tipping floor repair will re-cover the exposed rebar and will protect the structural elements of the MRF and transfer station floor. Additionally, paving repairs will be performed by the contractor (the concrete pavement and joints have been damaged by the metal wheels of debris boxes that are routinely moved around the site).

A public bid was conducted in July 2017 and there was one bidder: American Restore was the qualified low bidder at \$268,983. In previous years, competitive bids were completed for similar work and American Restore was the selected low-bidder. This work is similar in scope and the price per square foot is within range of prior work performed by the contractor for the SBWMA. A 10% contingency has been added to the American Restore bid amount to cover unforeseen issues for a total amount of **\$295,881**.

Background

Since purchasing the Shoreway facility in 2000 the SBWMA has taken responsibility for facility repairs and maintenance. The tipping floor repairs are typically annual repairs with the cost ranging from \$100,000 to \$200,000. Specifications and bid documents for this repair are essentially identical to previous bid sets, except that floor repair area changes (the bid documents are available for review at the SBWMA offices).

Fiscal Impact

This routine repair was anticipated in the FY17/18 CapEx Budget under the lines Tipping Floor Repair \$225,000 and Site Maintenance \$150,000.

Attachments:

Resolution 2017-30



RESOLUTION NO. 2017-30

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING A CONTRACT FOR MRF AND TRANSFER STATION TIPPING FLOOR REPAIR

WHEREAS, the SBWMA is responsible for maintaining the Facilities in good working order and in compliance with regulations.

WHEREAS, the MRF and transfer station tipping floors are in need of repair.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves a contract with American Restore for repairs to the transfer station and MRF tipping floors and authorizes the Interim Executive Director to accept the low-bid from American Restore plus a 10% contingency for a total project not to exceed amount of **\$295,881**.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the this 28th day of September 2017 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. 2017-30 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on September 28, 2017.

ATTEST:

Bob Grassilli, Chairperson of SBWMA

Cyndi Urman, Board Secretary