

**SAN MATEO COUNTY BOARD OF SUPERVISORS,
NOTICE AND AGENDA OF SPECIAL MEETING
(GOVERNMENT CODE §§ 54954.3 AND 54956)**

Please take notice that the San Mateo County Board of Supervisors, acting pursuant to the authority of Government Code §54956, hereby calls a special meeting, to take place on October 16, 2008, at 4:30 P.M., in the Board of Supervisors Chambers, located at 400 County Center, Redwood City, California.

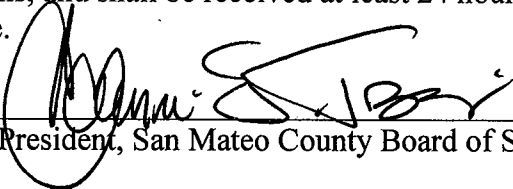
The special meeting is for the purpose of discussing and transacting the following business:

1. *Call to order*
2. *Roll Call*
3. *Public Comment*
4. *History of SBWMA*
5. *Discussion of Recommendation Following Request for Proposals for Garbage Collection*
6. *Discussion of Proposed Capital Improvement Projects and Financing for Projects at the Materials Recycling Facility*
7. *Discussion of Recommendation Following Request for Proposals for Materials Recovery Facility*
8. *Discussion of Possible Amendment to JPA to Change Composition of South Bayside Waste Management Authority Governing Board*
9. *Adjournment*

Pursuant to Government Code § 54954.3, members of the public will have the opportunity to directly address the Committee.

This notice is to be delivered to each member of the Board of Supervisors and to each local newspaper of general circulation and radio station requesting notice in writing. The notice shall be delivered personally or by other means, and shall be received at least 24 hours before the time of the meeting as specified in this notice.

Dated: October 8, 2008

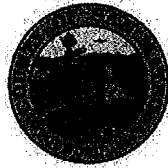


President, San Mateo County Board of Supervisors

Please note:

(1) Public meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodations, including auxiliary aids or services to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting, should contact the Clerk of the Board of Supervisors at (650) 363-4121. Notification in advance of the meeting will enable the public agency to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it.

(2) Public records that relate to any item on the open session agenda for a regular board meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Board. The Board has designated the office of the Clerk of the Board of Supervisors, located at 400 County Center, Redwood City, CA 94063, for the purpose of making those public records available for inspection. The documents are also available on the County's website, at the link for Board of Supervisors agendas for upcoming meetings. The County of San Mateo's website is located at http://www.co.sanmateo.ca.us/smc/departments/bos/home/0,2151,1864_26218,00.html.



COUNTY OF SAN MATEO
Inter-Departmental Correspondence

Department of Public Works

DATE: October 16, 2008

TO: Environmental Quality Committee; and
Finance & Operations Committee

FROM: James C. Porter, Director of Public Works

SUBJECT: THE SALE OF BONDS BY THE SOUTH BAYSIDE WASTE
MANAGEMENT AUTHORITY TO FINANCE IMPROVEMENTS TO
THE SHOREWAY FACILITY AND APPROVING THE REFUND
THE BONDS ISSUED IN 2000

BACKGROUND:

In 1982 the County became a member of the South Bayside Waste Management Authority (SBWMA). The SBWMA is comprised of 12 jurisdictions: Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, the City of San Mateo, the County of San Mateo, and the West Bay Sanitary District. The SBWMA owns and contracts for the operation of the San Carlos Transfer Station and Recyclery (the "Shoreway Facility") that serves the areas of the member agencies. The SBWMA also manages the debt service related to the Shoreway Facility.

In 2000 your Board approved the bond issued by the SBWMA for the purchase of the Shoreway Facility from Allied Waste (formerly Browning Ferries Industries).

DISCUSSION:

Master Plan - In April 2007 the SBWMA Board approved a Shoreway Master Plan detailing transfer station building retrofits, the construction of a new materials recovery facility (MRF) building, purchase of new MRF single stream processing equipment, and traffic and other miscellaneous environmental improvements; the SBWMA Board approved a preferred master plan option which became the starting point for designing the project. Table 1 of Exhibit A is a summary of key master plan milestones.

Operating Agreement Restriction - The transfer station operating agreement, entered into in 2000, is set to expire at the end of 2010. Because the 2000 bonds

were sold on a tax exempt basis as essential purpose governmental bonds, the formula for determining compensation to a private enterprise operator of the facility is restricted by federal tax rules, and in particular, may not be based on net operating profit. This limitation does not provide adequate incentives to the contractor for superior performance (e.g., increasing the quantity of materials recovered, reducing MRF residuals, increasing the quality of the recyclable materials, increasing the revenue per ton received for commodities, etc.) and in effect caps the operator's profit. Such a "profit-cap" is unusual in these types of operating contracts.

On June 28, 2007 the SBWMA Board approved the 2011-2020 facility operations RFP and associated Operating Agreement with a compensation structure to reflect a more standard industry compensation arrangement based on net operating profit. This change in the operating agreement will require that the Authority's tax-exempt 2000 bonds either be replaced by January 2011 with taxable bonds when the new operating agreement becomes effective or be redeemed with available cash reserves. Debt sold to fund new construction may be tax-exempt after January 2011, although it will be characterized as "exempt facility" debt and be subject to the payment of alternative minimum taxes (AMT). Because more than 25% of the acquisition cost of the transfer station in 2000 was for land, the 2000 bonds do not qualify for refunding with tax-exempt AMT bonds.

Operating Agreement RFP Issued - Between July and October 2007 all 12 member agencies approved the facility operations RFP documents. The final RFP and Operating Agreement were publicly released to potential proposers on November 1, 2007 and December 1, 2007, respectively.

On March 4, 2008 the SBWMA received seven proposals in response to its facility operations RFP. Proposals were received from the following companies:

- Allied Waste Services of San Mateo County
- Bayside Environmental Services & Transfer (joint venture of Peninsula Sanitary Group, South San Francisco Scavenger Company, Green Waste Recovery and Zanker Road Resource Management)
- Greenstar, LLC
- Hudson Baylor Corp with Waste Solutions Group
- Norcal Waste Systems of San Mateo County
- Republic Services, Inc.
- South Bay Recycling, LLC (joint venture of Community Recycling & Resource Recovery and Potential Industries)

On July 24, 2008 the SBWMA Board unanimously approved the selection committee recommendation to shortlist Hudson Baylor Corp. and South Bay Recycling for further negotiations. The SBWMA Board will ultimately select one of these two companies as the facility operator. The final contract to be negotiated with the selected operator will be subject to approval of two-thirds of the member agencies;

this item is expected to be brought to member agencies in the spring 2009.

Plan of Finance Approved by SBWMA Board - Shoreway project cost estimates based on 40% engineering plans were presented to the Board in June 2008 and the Board approved a resolution 10-0 authorizing the issuance of debt obligations to fund new construction improvements and to refund the SBWMA's 2000 bonds and requesting member agencies to take action to approve the issuance and sale of such debt obligations. The SBWMA's financing team has since determined that using available cash to redeem the 2000 bonds and issuing only tax-exempt AMT bonds is feasible and is a more cost-effective approach than refunding the 2000 bonds with taxable bonds.

Project Cost Based on 40% Engineering Plans - The estimated total cost of Shoreway master plan improvements, including a new MRF building with single stream recycling equipment, is \$59.4 million (see Table 2 on Exhibit B). This figure includes a 10% contingency on top of the estimated project costs (which also include a contingency). Final building costs will be known in January 2009 when Phase 2 construction bids are due.

Plan of Finance

The plan of finance entails the issuance of tax-exempt bonds to fund new construction and the application of \$13.3 million of the SBWMA's capital reserves that have been appropriated for the project towards the redemption of the Authority's 2000 bonds. The plan anticipates the sale of debt in February 2009 after the opening of construction bids. See Table 3 on Exhibit C for a summary of project funding. Section 7.1.1.d of the SBWMA JPA requires approval of 2/3rds SBWMA member agencies for the issuance of bonds or notes.

The amount of funding required by the SBWMA will depend on the final cost of the project. The requested maximum bond authorization of \$65.455 million is large enough to allow for a 10% construction contingency based on the current 40% construction cost estimate. The bond authorization includes all bond issuance incidental costs. The following table shows project cost estimates and the corresponding expected and maximum bond sizes.

	June 2008 Estimate	Maximum Estimate
Project Cost	\$53,961,530	\$59,357,430 ⁽¹⁾
Total Debt	\$60,440,000	\$65,455,000
Bond Interest Rate	5.75%	5.75%
⁽¹⁾ Project cost contingency of 10% over June 2008 estimate.		

Events in the capital markets related to the current credit freeze have adversely impacted the taxable and tax-exempt credit markets. Interest rates have exhibited considerable volatility and could be higher, or lower, than the rates used to estimate debt service costs. While this plan of finance remains a blueprint for moving

forward, events may require that it be modified. For example, a reduction in the project scope, an increase in cash reserves applied to the project, a reduction in the amount of debt sold, the sale of debt in two series an extension of the bond maturity schedule, a change in tipping fees, or a combination thereof could be necessary responses to higher interest rates. The SBWMA staff and its financing team of Redwood City Finance Director Brian Ponty, William Euphrat Municipal Finance, Inc. and Bank of America Securities, LLC (serving as member agency financing liaison, financial advisor and underwriter, respectively) will advise the SBWMA Board accordingly.

Alternatives

The County may elect not to approve the resolution approving and authorizing the sale of debt by the SBWMA. If 5 of the 12 SBWMA member agencies fail to approve the resolution, the SBWMA will not have sufficient funding to proceed with the Shoreway Master Plan as currently proposed. Depending on how the master plan might be revised, this will either delay or prevent the implementation in 2011 of weekly residential collection of single stream recyclables, weekly residential collection of organics (plant materials and food scraps), and rollout of single stream collection for commercial businesses.

FISCAL IMPACT:

The sale of bonds will increase debt service obligations of the Authority. All debt issued by the Authority will be secured solely by the net revenues of the Authority (total revenues less operating expenses exclusive of debt service and depreciation). Debt service for the SBWMA will increase after 2010 by an estimated \$3.318 million (see Table 4 on Exhibit D). Tipping fees will have to increase by an amount sufficient to produce net system revenues that are at least 1.75 times interest-only debt service during construction and 2.0 times maximum annual debt service by the first full year of stabilized operations, FY2011-12.

The estimated one-time collection rate impact associated with the new debt service is 4.89% on 2008 revenue. This rate impact should be viewed in the context of the total rate impact of implementing new franchised collection services for member agencies. Based on the SBWMA Board recommendations to date for the facility operations contractor and the collection services contractor, the estimated total collection rate impact (in 2008 dollars) for implementing future collection services are:

Shoreway Facility Improvements	4.89%
Shoreway Operational Costs (new operator)	0.00% or a reduction
Future Collection Services Contractor	<u>9.96%</u>
	14.85%

This compares quite favorably to the 15% to 30% collection rate impact provided to member agencies by SBWMA staff as part of the approval process for the collection services RFP and associated Agreement.

The Shoreway facility improvements will provide for a more efficient manner in which to handle materials (solid waste, recyclables, and organics) within the facility and improved ingress and egress which collectively will result in more efficient facility operations. Accordingly, the best estimates at this point indicate that costs for operating the SRDC under the new operating contract will be flat or perhaps be reduced compared to existing operations.

Under the terms of the existing JPA Agreement, a member agency may not withdraw from the JPA without paying off its respective share of any outstanding SBWMA debt. Each member's pro rata share of the SBWMA's outstanding debt will increase once the 2009 bonds are issued.

Presently, the County's pro rata share for the North Fair Oaks area is approximately 3.6%. If the County withdraws from the JPA now, the County share of the 2000 bond balance is approximately \$520,000. If the County withdraws from the JPA after the new bond is sold and other unincorporated areas within the SBWMA service areas are added to the new franchise, the County pro rata share will increase to approximately 6.2% or approximately \$3,320,000.

Attachments: Exhibits A, B, C, and D

TABLE 1
Shoreway Master Plan (Shoreway Environmental Center)
Critical Milestones

<u>Date</u>	<u>Key Item/Milestone</u>
March 22, 2007	Informational report submitted to update the SBWMA Board on the Shoreway Recycling and Disposal Center (SRDC) master plan work and seek SBWMA Board input on final master plan concepts. Input from this SBWMA Board meeting, along with some pending related work efforts, was used to recommend a preferred master plan alternative for consideration at the April 26, 2007 SBWMA Board meeting.
April 26, 2007	SBWMA Board approved a master plan preferred alternative consisting of the materials recovery facility (MRF) Alternative 2 plus the transfer station site improvements to address traffic improvements, self haul tipping, and improved safety and service convenience for public buyback and drop-off recycling.
September 27, 2007	SBWMA Board approved work scope and cost negotiations with the Design team of JR Miller/HDR Engineering for the SRDC improvements.
October 25, 2007	SBWMA Board approved the JRMA scope and budget for the architectural and engineering work for the SRDC master plan. JRMA scope of work includes the completion of the facility design programming, production of architectural and engineering drawings that will serve as the basis for construction bidding, and construction services administration.
November 1, 2007	Released Shoreway facility operations RFP, which included conceptual site plans for master plan improvements.
February 11, 2008	Submitted Conditional Use Permit application to the City of San Carlos for Shoreway master plan improvements.
March 4, 2008	Received seven proposals in response to the facility operations RFP. These proposals included firm cost proposals for the purchase and installation of single stream processing equipment. This is the first time the SBWMA had such firm cost proposals.

- April 26, 2008 SBWMA Staff reported to the SBWMA Board on the Shoreway Master Plan and Financing Update. This report detailed an updated analysis of the financing plan for the Shoreway Environmental Center (the new name for the SRDC after the improvements are completed) capital improvements, including the MRF processing equipment. SBWMA staff noted in the staff report that a very preliminary financial assessment was completed a year ago as part of the approval process for the Shoreway master plan preferred alternative. This April 2008 thorough analysis was completed as follows:
- Prepared an estimated capital budget for the Shoreway improvements based on:
 - Revised planning level cost estimate for building improvements (not a firm construction cost estimate based on a certain % complete engineering drawings).
 - MRF processing equipment cost estimate derived from the Shoreway Operations RFP responses.
 - MRF processing equipment installation cost estimate derived from the Shoreway Operations RFP responses.
- June 26, 2008 SBWMA Board approved a resolution authorizing issuance of revenue obligations and requesting member agencies to adopt resolutions approving the sale of bonds to finance improvements to the Shoreway facility and to refund the bonds issued by SBWMA in 2000.
- July 21, 2008 City of San Carlos Planning Commission approved the Conditional Use Permit and approved the mitigated negative declaration.
- July 24, 2008 SBWMA Board approved a shortlist of South Bay Recycling and Hudson Baylor Corp. for further negotiations as the future operator of the Shoreway Environmental Center.
- October 23, 2008 SBWMA Board will consider approval of contract award for scale house construction. This represents Phase 1 of construction activities as part of the Shoreway master plan improvements.
- Oct./Nov. 2008 Phase I Construction Begins. This is construction of traffic improvements which will be financed from existing

SBWMA cash reserves.

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| January/Feb 2009 | SBWMA Board will consider approval of contract award for transfer station and MRF construction. This represents Phase 2 of construction activities as part of the Shoreway master plan improvements. |
| Feb/March 2009 | Phase 2 construction begins on the transfer station and MRF. Improvements completion is expected in Spring/Summer 2010. |
| Spring 2009 | Member Agency will consider approval of Operations Agreement for the new Shoreway operator. |
| Fall 2009 | Place order for purchase of new single stream processing equipment. |

**TABLE 2
SHOREWAY CAPITAL PROJECT
COST ESTIMATE**

JUNE 2008	<u>Estimated Current COST</u>	<u>Estimated Maximum COST</u>
BASE		
Scale House & traffic improvements, Transfer Station & MRF Buildings	34,322,800 ⁽¹⁾	34,322,800
Construction Management	1,859,500 ⁽²⁾	1,859,500
Building sub-total	\$36,182,300	\$36,182,300
MRF Equipment Purchase	15,000,000	15,000,000
MRF Equipment Installation ⁽³⁾	2,779,000	2,779,000
TOTAL BUILDING & EQUIPMENT	\$53,961,300	\$53,961,300
<u>ADD</u>		
Additional Contingency @ 10%		\$5,396,130
TOTAL PROJECT	\$53,961,300	\$59,357,430

(1) The June building cost estimate includes "soft costs" for planning, building, and LEED fees; and other construction costs such as landscaping, site signage, PG&E transformer, repainting the exterior of the transfer station, transfer station roof replacement, telecom and security, and education center, etc.

(2) Includes JRMA design fees during construction.

(3) Assumes the SBWMA separately bids out and oversees this work. SBWMA to pre-qualify firms. The costs were adjusted for inflation from 2008 dollars to 2010 dollars when installation will occur.

TABLE 3
SBWMA Funding Summary

Project Cost	\$53,961,300	
Redemption of 2000 Bonds	\$14,990,000 ⁽¹⁾	
2000 Bonds DSRF	(\$1,690,000)	
SBWMA Capital Reserves	<u>(\$18,959,000)</u>	
Net Funding Requirement		\$53,698,430
Issuance Costs		\$1,397,669
Capitalized Interest		\$3,865,000
Original Issue Discount		\$900,176
Debt Service Reserve Fund		<u>\$5,593,725</u>
Total Bonds Issued		\$65,445,000

⁽¹⁾ Includes outstanding principal, 2% redemption premium and 3/1/09 interest payment.

TABLE 4
SBWMA Incremental Collection Rate Impact of Debt Service

<u>2009 BOND/NOTE FUNDING</u>	<u>MAXIMUM CASE</u>	
	<u>Debt</u>	<u>Rate Impact</u>
Project Cost to Fund	\$59,357,430	
Plus Redeem 2000 Bonds	14,990,000	
Less Prior Bonds DSRF ⁽¹⁾	(1,690,000)	
Less: Cash from SBWMA Reserves	<u>(18,959,000)</u>	
Net Project Cost to Finance	53,698,430	
Plus: Bond Issuance Costs	1,397,669	
Plus: DSRF Reserve	5,593,725	
Plus 2009 Capitalized Interest	3,865,000	
Plus: Allowance for OID	<u>900,176</u>	
Bond Issue Size	\$ 65,445,000	
Bond Amortization Term (years)	20	
Interest Rate	5.75%	
Total Annual Debt Service	\$ 5,593,725	
Less Refunded 2000 Bonds Debt Service	<u>(1,690,000)</u>	
New Project Debt Service	\$ 3,903,725	
Debt Service - Franchise Operations (85%)		\$3,318,166
Current Collection Rate Revenue		\$67,903,724
SBWMA Collection Rate Impact ⁽²⁾		4.89%

⁽¹⁾ DSRF - Debt service reserve fund (DSRF) equals maximum annual debt service held in reserve & applied to the final year of debt service.

⁽²⁾ Projected collection revenue is 2.2% higher than the approved rate compensation for 2008. The estimated rate increase of 4.89% is a conservative estimate as it is based on applying debt service that is occurring in 2011 to 2008 estimated revenue. Because collection rate revenue will increase between now and 2011, franchise operations related debt service will be an even smaller percentage of 2011 collection rate revenue.

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cc: Deborah Penny Bennett, Chief Deputy County Counsel
Lee Thompson, Deputy County Counsel
Kevin McCarthy, Executive Director, SBWMA

bcc: Brian C. Lee, P.E., Deputy Director, Engineering & Resource Protection Division
Joe La Mariana, Waste Management and Environmental Services Manager




COUNTY OF SAN MATEO
Inter-Departmental Correspondence

DATE: October 8, 2008

MEETING DATE: October 16, 2008

TO: Environmental Quality Committee
Finance and Operations Committee

FROM: Michael Murphy, County Counsel 

SUBJECT: South Bayside Waste Management Authority Governance

The Joint Powers Agreement for the South Bayside Waste Management Authority (SBWMA) defines the governance structure of the organization. Section 8.1 of the current SBWMA JPA states:

“The SBWMA shall be governed and administered by a Board of Directors composed of one Director from each Member. The Board shall exercise all powers and authority on behalf of the SBWMA. Each member must select its Director or the Director’s designee alternate from among the following positions:

- a. County, District, City, or Town Manager or the equivalent position.
- b. County, District, City, or Town Assistant Manager or the equivalent position.
- c. Finance Director or Assistant Finance Director or the equivalent position.
- d. Public Works Director or Assistant Public Works Director or Environmental Programs Manager or equivalent position.”

Since its inception in the late 1980s, the SBWMA Governing Board has been comprised of “agency staff members.” The original and subsequent versions of the JPA provided that each member shall designate one director from among the positions, or their designate: City/County Manager, City/County Assistant Manager, Finance Director, Director of Public Works. There is no provision in the current JPA which authorizes an elected official to serve as a member of the SBWMA Governing Board.

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When the restated JPA was presented to the Board of Supervisors in late 2005, the Board deferred approval of the new JPA until it could learn the answers to questions that had been raised by other members. One of the concerns was the City of Belmont's suggestion that the membership of the SBWMA Governing Board should permit elected officials to serve on the Governing Boards. SBWMA responded that the JPA governance benefitted from the technical expertise of staff, and that although the Board had considered the possibility of adding elected members to the SBWMA Governing Board, it had decided to "leave the SBWMA board membership the way it has been since the organization's inception."

The restated JPA changed section 8.1 slightly, in that it eliminated the option of appointing "member designates", and added the ability to appoint members in "equivalent positions."

Section 17.1 of the restated JPA provides that "[s]ubject to all legal obligations of the SBWMA, this Agreement may be amended by one or more supplemental agreements executed by a vote of two thirds (2/3) of all Equity and Non-Equity members of the SBWMA". Such an amendment would be required to allow elected officials to serve on the Board.