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MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Home of the Last Chance Mercantile

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT REGULAR MEETING MINUTES

Friday, 9:00 a.m.
 November 17, 2017

Boardroom
 MRWMD Offices
 14201 Del Monte Blvd., Marina CA

MEMBERS PRESENT: Bruce Delgado (Chair), City of Marina Mayor
 Carrie Theis (Vice Chair), City of Carmel-by-the-Sea Mayor Pro Tem
 Gary Bales, City of Pacific Grove
 Leo Laska, Pebble Beach Community Services District
 Libby Downey, City of Monterey
 Jane Parker, (Unincorporated) Monterey County Board of Supervisors Chair (District 4)
 Jason Campbell, City of Seaside Councilmember (*seated at 9:30 a.m.*)
 Jerry Blackwelder, City of Sand City Vice Mayor

MEMBERS ABSENT: Dennis Allion, City of Del Rey Oaks Councilmember

STAFF PRESENT: Tim Flanagan, General Manager
 Rob Wellington, Legal Counsel
 Guy Petrabor, Director of Engineering & Compliance/District Engineer
 Jeff Lindenthal, Director of Communications & Sustainability
 Peter Skinner, Director of Finance & Administration
 Tim Brownell, Director of Operations
 Berta Torres, Human Resources Manager
 David Ramirez, Senior Engineer
 Clyde Walkup, Materials Recovery Facility Manager
 Kacey Christie, Safety & Risk Manager
 Rick Downey, Site Operation & Facilities Manager
 Ron Mooneyham, Equipment Maintenance Manager
 Becky Aguilar, Executive Assistant/Clerk of the Board
 Kimberle Herring, Public Education and Outreach Coordinator
 Angela Goebel, Public Education and Outreach Specialist
 Ida Gonzales, Administrative Support Specialist
 Lynette Mooneyham, Accounting Assistant
 Leo Martinez, Jr., Senior Materials Recovery Facility Operator

OTHERS PRESENT: Adriana Flores, City of Watsonville
 Gabe Gordo, City of Watsonville
 John Greenlee, Caldwell Winter Flores
 Mike Niccum, Pebble Beach Community Services District
 Rob Durham, Monterey County Environmental Health

OTHERS PRESENT: Brian Kennedy, Salinas Valley Solid Waste Authority
(Continued) Cesar Zuniga, Salinas Valley Solid Waste Authority
Michael Silva, Salinas Valley Solid Waste Authority
Andrew Tuckman, Vision Recycling
Tom Del Conte, Vision Recycling
Michael Hardy, ZeroWaste Energy
Chuck Rees
William Merry

ROLL CALL AND ESTABLISHMENT OF QUORUM

Notice duly given and presence of a quorum established, the November 17, 2017 Regular Meeting of the Monterey Regional Waste Management District Board of Directors was called to order by Chair Delgado at 9:00 a.m.

Chair Delgado informed meeting attendees that following the open session items on the agenda, the Board would take a 15-minute break to join in a celebration reception that would be held for retired Finance Manager Chuck Rees, who retired on October 31, 2017. The Board would reconvene in closed session following the break in the conference room.

BOARD WORKSHOP SESSION (Approximately 9:05 to 10:35 am)

1) Discussion on Long Term Financial Planning

General Manager stated that staff was appreciative of the time allotment and that this was the second of two 90-minute presentations. At the October Board meeting, staff had reviewed District history of operations, previous reserve levels and present day operational functions. This presentation would focus on current District financial status, next long-term capital needs to include maintenance of the current facilities, continued development of the landfill infrastructure, and future organics and energy development. Staff would also review financial planning and ideas for capital funding. He thanked the leadership team and management staff for their preparation of, and input in, the presentations. There had been a lot of background information that had been provided to the Board in their packets, although staff did not intend to review all of it.

Director of Finance and Administration Peter Skinner stated that the presentation would provide District fundamentals with an overview of the District's business model which depicted the nature of the District's income, how revenue was spent, and District cash flows. He stated that looking at these areas were in an effort to draw the right conclusions from the information to plan strategically going forward. In the interest of time, he did not intend to review each slide, although staff was available to answer more in-depth questions.

He stated that there were four main takeaways that threatened staff's ability to manage the District going forward and should set up the focus of long-term strategic planning. The first was that the District was highly dependent on disposal revenue. The District has been trying to diversify its revenue stream over many years, such as the development of the Materials Recovery Facility (MRF) and the power purchase agreement with Monterey One Water (M1W), which provided for diversification. At some point, it is anticipated that incoming tonnage will decline due to various recycling mandates and marketing packaging. Second, the District has been highly dependent on potentially volatile out-of-district revenue, mainly from one customer, which had contributed almost \$30 million in five years, but it could change at the will of the customer, and therefore did not provide stability. The third factor were personnel costs, which made up over 50% of the operating expenses. Staffing costs were

controllable related to staffing positions, although some costs were not, such as cost of living increases, health insurance, and CalPers. He highlighted that CalPers was not an existential risk. Lastly, he stated that the funding of capital improvement projects represented the biggest risk to the District's financial stability. Some capital improvements would be needed in order to ensure compliance with new regulatory commitments required by CalRecycle, the Regional Water Quality Control Board and the Air District, and to provide the best services. These funds were not easily generated from District operations.

Director Laska stated that tip fee revenue would continue even if it was diverted onsite. General Manager reminded that member agencies were required to have waste processed and there were more costs to processing the waste than direct disposal in the landfill. He stated that the out-of-district waste has been processed when it is delivered to the site and is taken to the landfill directly. He stated that the District will have more information related to true costs of processing once the MRF is operational. Director Downey inquired about the line of business analysis, which showed that most service areas were not supported by related revenue, and stated that this was interesting to note. She expressed appreciation for having the information, although she was disappointed that not all of the information was being reviewed. Director Blackwelder commented that the risks seemed dire and inquired if staff had a game plan. Director of Finance and Administration responded that this was not the intent. The purpose was to identify higher risks for purposes of strategic planning, and as part of the presentation, staff would also be discussing strategies to reduce those risks.

Director Campbell was seated.

General Manager commented that the Finance Committee had requested staff to identify the financial risks, although there were other threats that would be discussed at the strategic planning retreat in February. In November 2010, the Board and staff had identified alternative funding options, which would be reviewed later in the meeting, and more than half of the options had been implemented or pursued. Board discussion followed regarding total cash flow and staffing costs. Director of Finance and Administration explained the cash flow table and stated that although staffing has remained steady, total personnel costs have increased due to wage inflation and other cost increases related to benefits.

Director of Engineering and Compliance provided the Board with a presentation entitled "Your District – Next 10 Years", which would continue the presentation provided at the October Board meeting. He reviewed the existing facility infrastructure improvements/repair, landfill development, and future developments of organics and energy to meet state regulations. He stated that the key take-aways were that the District had a large landfill with a variety of environmental control and monitoring system infrastructure that represented an ongoing construction project for the next 100 years, had aging and new infrastructure that would require capital improvement, and no capital reserve account. District did not have a capital improvements reserve policy for District infrastructure improvements. Staff was recommending working with the Finance Committee to prepare a capital reserve policy for consideration of approval by the Board. Director of Engineering and Compliance stated that relative to organics development, regulatory mandates to divert organic waste away from landfill disposal would require significant capital improvement by the waste industry service providers and staff planned to provide a variety of options at the strategic planning session, to include business opportunities related to energy development. He provided the Board with cost information related to existing facility improvements/repair, landfill development, and future developments of organics and energy facilities. In addition to a capital reserve policy, staff recommending working with the Finance Committee to prepare a capital improvement plan and a draft conceptual plan for organic waste processing and energy development.

Director Bales inquired on the remaining site life and Director of Engineering and Compliance responded that the most recent calculation was 132 years including increases in population and offset by organic waste diversion requirements. Chair Delgado commented that the costs estimated at over \$100 million were astounding. Director

of Engineering and Compliance responded that the needs of the current infrastructure were necessary and were not optional. There were several options related to future facility needs and related costs. He stressed the importance of separating current and potential future facility capital needs. Chair Delgado inquired about costs if organic services were conducted off site. General Manager provided information on the costs of meeting CalGreen requirements while the MRF was shut down and stated that staff did not want to guesstimate the costs or ballpark the numbers for organics processing. Director Delgado inquired about expanding the District's anaerobic digestion from its current capacity, and how this affected the Monterey Bay Community Power (MBCP). Director of Engineering and Compliance responded that staff did not view it as a high efficiency, high revenue producing option. General Manager stated there were surface quality and air emission challenges, although staff had learned a lot from the pilot project. The MBCP could be another entity that the District could enter into agreement with and any excess power produced would go on the grid or a micro grid and potentially sold to them. Vice Chair Theis stated that she looked forward to the strategic planning retreat to learn more about the options and appreciated the presentations allowing the Board to consider all the information and discussion prior to the retreat.

Director of Finance and Administration continued his presentation on staff strategies to reduce risks and increase financial stability. He provided the alternative funding options identified in November 2010 and stated that as staff considered the risks, four planning goals had been identified: diversifying and growing revenues, reducing customer concentration risks, recovering operating costs, and the funding of capital projects. The Board was provided three categories of strategies with items identified by staff as worth pursuing: growing revenue through market-based services, marketing excess capacities outside of the District, and modifying financial policies and funding structures. Director of Finance and Administration requested Board input on any additional items they wanted to include or the removal of items that they felt should not be pursued. Staff intends to analyze the potential economic impact and viability to the District of each item. He reviewed the strategic items and purpose, which included increasing disposal rates, rebalancing disposal rates by material types, and optimizing recycling returns and power and gas revenue, entities to marketing excess capacities, establishing a capital reserve, creating a capital surcharge on the garbage collection bill, establishing a countywide household hazardous waste tax, and utilizing debt strategically when necessary.

John Greenlee, Caldwell Flores Winters and District Financial Advisor, addressed the Board to provide an update on the 2015 bond financing. The interest rate on the bond was 3.68% with the District receiving a AA- rating, and \$30 million with a debt service coverage covenant of 1.25. He stated that the District has the ability to issue additional debt without going back to the bond holders or further approval as long the District maintains the maximum annual debt service of 1.25 or greater. He stated that the District has met all of the requirements of the bond financing to include an annual disclosure to the investors. He provided cost and other information of issuing additional bonds. He stated that CFW was available to assist the District in obtaining additional debt at a good rate. Director Laska inquired whether bond funding could be used for capital maintenance. Mr. Greenlee responded that this would not fall under the parameters of the law. Director Downey inquired whether staff anticipated having to issue additional bonds. General Manager responded that staff is strategically looking at all options to include additional debt issuance.

General Manager reiterated staff commitment to meet with Board members at their request to provide additional detail. Chair Delgado expressed appreciation to staff for the information and content. Director Parker stated that getting all the information in advance was great, it was complex and interesting to think about future prospects.

PUBLIC COMMUNICATIONS

Tom Del Conte, President of Vision Recycling, addressed the Board and commented that Vision Recycling was an organics and recycler and was interested in organics processing at the District. He believed that they could assist the District with their short-term and long-term vision and looked forward to exploring opportunities with staff.

Director Downey stepped out of the meeting.

CONSENT AGENDA

Following a motion by Chair Delgado, seconded by Vice Chair Theis, the Board unanimously approved the Consent Agenda.

- 2) Approve Minutes of October 20, 2017 Regular Board Meeting
- 3) Approve Report of Disbursements, and Board and Employee Reimbursements
- 4) Approve 2018 Calendar of Board Meetings and Other Events
- 5) Adopt Resolution 2017-18 Amending Designated Positions on the Conflict of Interest Code
- 6) Receive Report on November 1, 2017 Finance Committee Meeting
- 7) Receive Report on November 1, 2017 Personnel Committee Meeting
- 8) Deny Claim Filed by Murphy Austin, Attorneys at Law, Filed on Behalf of Lewis C. Nelson and Sons, Inc.
- 9) Adopt Resolution 2017-19 Authorizing Sole Source Purchase of New Caterpillar 938M Wheel Loader with Grapple Bucket Attachment, Using Preferential Competitive Pricing Through National Joint Powers Alliance, from Quinn Company of Salinas, CA; and Approve Purchase of Four Tire and Rim Assemblies from Setco of Idabel, OK, for a Total Combined Cost of \$267,757.97 (Including Sales Tax and Freight)
- 10) Adopt Resolution 2017-20 Authorizing Sole Source Purchase of Two New Propane Fueled, Caterpillar GP30N5, Forklifts and One Cascade 50D Bale Clamp Attachment, Using Preferential Competitive Pricing Through National Joint Powers Alliance, from Quinn Company of Salinas, CA, for a Total Combined Cost of \$78,048.30 (Including Sales Tax and Freight)
- 11) Authorize General Manager to Purchase Used Three-Axle Semi-Truck at a Cost Not-To-Exceed Budgeted Amount of \$110,000
- 12) Adopt Resolution of Appreciation (2017-21) for Retiring Finance Manager Charles (Chuck) Rees

Director Downey stepped back into the meeting.

RECOGNITION

13) Senator Bill Monning Certificate of Recognition to Director Gary Bales for 48 Years of Service and for 25 Years of Service to the City of Pacific Grove

Chair Delgado presented the certificate, on behalf of Senator Monning, to Director Bales in recognition of his 48 years of service to the District, 25 years of service to the City of Pacific Grove, as well as his award from CSDA as Board Member of the Year.

14) Recognition of Senior Materials Recovery Facility Operator Leo Martinez, Jr., for 20 Years of Service to the District

The Board recognized and thanked Senior Materials Recovery Facility Operator Leo Martinez Jr. for his 20 years of service to the District. General Manager commented that Leo was a great example of work consistency and efforts as he started as a laborer and worked his way up. He has been a key team member on the Social Committee and has also made contributions on the Safety Committee.

15) Resolution of Appreciation for Retiring Finance Manager Charles (Chuck) Rees

Director of Finance and Administration stated that Chuck has been instrumental at the District. He will be missed for his smart analytical skills, his attention to detail, and his incredible institutional knowledge. General Manager commented that Chuck and his accounting team have made the District a great example of continued operational and financial excellence through challenging periods in the District's history. He stated that Chuck has been much more than just a Finance Manager. He brought a level of professionalism, financial structure and management, cost control, and budget and audit excellence. Chuck was a real business advisor for the District.

Chuck stated that from the first time he had walked in the door, he knew the District was a special place. A place where everyone worked hard and had the District's best interest as a priority, and he expected that this continued. He commented that he had received a lot of support from staff and thanked everyone.

On behalf of the Board, Chair Delgado presented the resolution to Chuck Rees in recognition of his many contributions to the District during his 14-year tenure. Director Downey commented that Chuck instilled confidence when he spoke and when he answered questions; she could always trust he was being objective.

STAFF REPORTS

16) Review Finance, Operating, and Recycling Reports

The financial statements for the month of June 2017 are not yet available pending completion of the fiscal 2017 audit. The audit procedures for the June 30, 2017 financial statements are complete and a draft report has been sent to the auditors for their review. The audit will be presented at the January 2018 Board meeting. The pre-audit FY 2016/17 Operating Income is \$2.4 million or \$2.5 million above Budget and the Operating Expenses are \$2.3 million (10.6%) above budget. The financial statements for July and August 2017 were reviewed by the Board. Staff notified the Board that the September and October 2017 financial statements were in process and would be distributed at the next Board meeting. The year-to-date Tipping Fees revenue through October 2017 are \$8.9 million which is 28.9% above budget and 12.2% higher than the same period last year.

The Board also reviewed the October 2017 Operating. District tonnage increased 2.3% from the prior month and decreased 7.2% from the same month last year. Year to date District tonnage is 5.2% lower than the same period last year. Contract waste tonnage for October is 7.3% higher than the prior month and it is 46.9% higher than the same month last year. Year to date contract tonnage is 22.7% higher than the same period last year.

17) Report on District Capital Projects

Senior Engineer David Ramirez provided an update on the progress of the Materials Recovery Facility Improvements Project. All of the equipment has been installed and start-up testing is still on schedule for January.

18) Report on October 17, 2017 Meeting of Special Districts Association of Monterey County

The Board reviewed a report from Director Campbell on the meeting held on October 17th.

OTHER CORRESPONDENCE

There was no other correspondence.

GENERAL MANAGER COMMUNICATIONS

General Manager commented that District staff had provided a presentation to the City of Salinas, at their request, on the District and its services at their meeting held on Tuesday, November 7, 2017. Questions and discussion from the Salinas council focused on the District's capacity for processing and disposal. He referred the Board to an article that appeared in the *Monterey County Weekly* referencing that Salinas Valley Recycles was looking to relocate the Sun Street facility. He recognized Board predecessors for having the foresight of purchasing the District's current location.

District and M1W staff have been meeting regularly over common projects of interest such new power generation and power delivery concepts, evaluation of combined operations for organics processing, shared services, and joint evaluation of potential impacts of easements and Cal-Am plant construction to Charlie Benson Rd. Staff has also received notice from the City of Watsonville that were increasing shipments of waste for disposal over the next several months. The District has also received several inquiries from potential respondents to the San Benito County/Hollister/San Juan Batista refuse collection RFP regarding processing capacity in the new MRF.

He reminded the Board that although there would not be a meeting in December, the annual employee recognition luncheon would be held on Friday, December 15th at approximately 11:30 a.m. He invited the Board to join staff in celebrating the holidays and recognize the District's outstanding employees. Lastly, he referred the Board to an article in the November 2017 *OE3 Engineers News* featuring District employee HHW Technician Kirk Bennett who has served as part of the negotiating team for contract negotiations during the last two contracts, and has been on the District's Safety Committee and Social Committee

BOARD COMMUNICATIONS

There were no Board communications.

READJOURN TO CLOSED SESSION

The Board readjourned in closed session at 12:15 to discuss the following:

- 1) Conference with Legal Counsel--Anticipated Litigation
Significant exposure to litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9: (Two Cases)
- 2) Public Employee Performance Evaluation: General Manager

RETURN TO OPEN SESSION WITH ANY REQUIRED ANNOUNCEMENTS FROM CLOSED SESSION

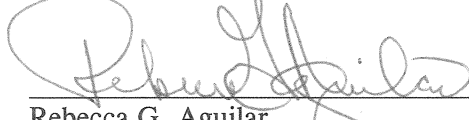
The Board came out of closed session at 12:57 p.m. and Legal Counsel announced that the Board had taken up the items listed on the agenda for the closed session, and that with regard to Item 1, no discussion was held. With regard to Item 2, the Board had discussed the General Manager's compensation. Discussion continued in open session regarding the General Manager's degree of professionalism and his overall favorable performance. General Manager was commended for his outstanding performance and representation of the District.

It was moved by Director Bales, seconded by Director Parker, and *Unanimously Carried To: Approve 10% Salary Increase to General Manager in Recognition of His Performance, Retroactive to July 1, 2017.*

ADJOURNMENT

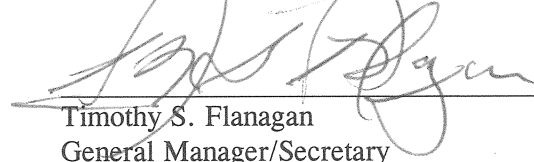
There being no further business to come before the Board at this time, the November 17, 2017 Regular Meeting of the Monterey Regional Waste Management District Board of Directors was adjourned by Vice Chair Theis at 1:05 p.m.

RECORDED BY:



Rebecca G. Aguilar
Executive Assistant/Clerk of the Board

AUTHENTICATED BY:



Timothy S. Flanagan
General Manager/Secretary