

ALTO SANITARY DISTRICT
MINUTES OF THE REGULAR MEETING OF WEDNESDAY, JUNE 27, 2018

1. Call to Order and Roll Call:

President Janis Bosenko called the meeting to order at 7:30 p.m.

Other board Members present: Secretary/Treasurer Tania Kennedy, Directors Roger Gainer, and Todd Gates.

Board Members absent: Marc Nash

Staff present: Manager Bill Hansell.

2. Adoption of the Agenda:

Motion: To adopt the agenda as presented.

Moved: Gainer, seconded by Kennedy.

Vote: Ayes: Bosenko, Gainer, Gates, Kennedy.

Nays: None

Absent: Nash

3. Visitors to the Meeting and Open Time for Public Expression:

There were no visitors to the meeting.

4. Consent Calendar:

a. Minutes of the Meetings of 05/23/18.

b. Financial Report for May 2018 and June 2018 List of Payments to be approved.

The Financial Report noted that the Operations Fund has a balance of \$544,413.78 after adjusting for all revenues and warrants cleared by the meeting date. After payment of the proposed warrants and application of deposits, it will have a balance of \$256,319.69 (not incl. any unreported tax revenue.) The Reserve Fund has a balance of \$218,756.18. The most recent Personnel Payment account balance is \$667.99. The following warrants were included for approval:

Check:	Payee:	For:	Amount:
00243	Alto Sanitary District	Personnel Payment Account	7,000.00
00244	Bill Hansell	Printer Ink	21.62
00245	AT&T	Office Telephone	128.16
00246	Consumer Cellular	Cell Phone	21.89
00247	Nute Engineering	CIP Engineering FY2017-18	11,161.50
00248	Nute Engineering	Lateral Oversight	7,322.00
00249	Nute Engineering	Gen Engineering - 70 N Knoll Annex	182.00
00250	Nute Engineering	Engineering (GIS)	1,180.00
00251	Nute Engineering	Engineering (Sewer Service Charge)	1,006.00
00252	Roto-Rooter Plumbers	USA	1,898.00
00253	Roto-Rooter Plumbers	Unscheduled Services (75 Lomita Dr)	900.00
00254	Roto-Rooter Plumbers	Repairs (Main at 12 Lomita Dr)	346.00
00255	Glosage Engineering, Inc.	FY17/18 CIP - 1st Progress Pmt	258,285.92

ALTO SANITARY DISTRICT
MINUTES OF THE REGULAR MEETING OF WEDNESDAY, JUNE 27, 2018

Motion: To approve the Consent Calendar, as submitted.
Moved: Gainer, seconded by Kennedy
Vote: Ayes: Bosenko, Gainer, Gates, Kennedy
Nays: None
Absent: Nash

5. New Business:

5a. MVRS Rate Increase Request:

Garth Schultz of R3 Consulting Group, Inc., and Jim Iavarone of Mill Valley Refuse Service, were introduced to discuss the MVRS rate proposal. Schultz explained that R3 Consulting Group has been retained in the past to provide a detailed review of MVRS's rate applications to all of the affected agencies. R3 only serves government agencies and acts as the client's advocate when reviewing proposals to ensure consistency and to clarify major shifts in the marketplace as occurred recently in this case. The City of Mill Valley contracted with R3 to analyze the overall average rate increase request of 14.9% which was made around April 1st, 2018. The major driver of the application is the affect of China's "National Sword" initiative which has created a crisis in the marketplace due to increased costs for recycling. This is a fundamental shift in recycling and the re-direction of recyclables from other nations. Fifteen or twenty years ago, the U.S. west coast had plants to handle the recyclables but those were closed down after cheaper rates were obtained from China. Companies such as MVRS must comply with legal mandates for recycling so options are limited given the marketplace change. What used to be a modest revenue stream for MVRS last year +/--\$15/ton have now shifted to a cost-center of +/--\$80/ton with uncertain prospects for the future. There are only a couple of domestic centers that can accept the materials for processing. It is currently hard to predict what will happen in the marketplace as expenses could increase even higher to +/--\$100. For usual business expense increases, MVRS is proposing a 6% increase and notes that they did not requested any rate increase for the prior 2 years. An additional 8% is being requested to deal with the increased recycling cost. Schultz referred to the R3 report where a number of adjustments were made to the request as part of their due diligence. Some categories were allocated down in the rate request. Schultz said that R3 works with more than 100 government agencies around the State and the consensus is that the recycling expense is not going to go down in the future and, thus, the costs are probably here to stay. In the rate application, there is a risk to both the consumer and the company if the expense goes down or up. R3 suggests that a moderate assumption on the expense as presented in the Report is a compromise to protect both parties given the current vulnerability of further changes.

Kennedy asked what the range of destination options are for companies to recycle. Schultz said that by and large most companies bring their product to a third party recycler while a few have their own plants. There are three facilities (San Francisco, Richmond, and Santa Rosa) which are options for MVRS unless they go to another handler such as Marin Sanitary Service who have their own facility. Iavarone explained their experience of trying to use the plant in Richmond last year which did not come to fruition. MVRS then tried another company which due to the crisis had to close its business after a few months. MVRS has continued to try to negotiate other options while costs have been increasing. He said that the problem with MSS is that they are not a single-stream plant which is how MVRS collects its product. Schultz emphasized that this is not an isolated situation and this is happening up and down the Bay Area.

ALTO SANITARY DISTRICT
MINUTES OF THE REGULAR MEETING OF WEDNESDAY, JUNE 27, 2018

Bosenko asked about the dual-stream options in the pilot program. Schultz discussed the increase in processing costs to get the product clean enough for acceptance to the new Chinese standards.

Gainer asked why the rate increase does not clarify the “surcharge” for recycling as previously discussed. Gainer believes that would help the public understand the issues affecting the rate increase. Gainer hopes that this crisis will help change residents’ habits so they will be smarter in reducing their waste. Gainer also asked if there will be a break for users who downsize their waste or recycling bins. Iavarone indicated there will not be and discussed the problem with the Reduce, Re-use, and Recycle demands by the State given that few people Reduce or Re-use. Iavarone said that a new structure needs to be created that charges based on bin sizes that incentivizes customers but that such a plan is not currently in place. Gainer would like to see flexibility built into the rate. Schultz noted that the proposal is for one year given the volatility. Iavarone feels it is too late this year to come up with a new rate structure. Gainer is concerned that a price rise will become a new norm and that positive consumer activity or changes in processing will not be able to pull the charges back down.

Gates asked if changes specific to the recycling cost will be tracked closely over the next year so that adjustments can be made. Schultz confirmed that if the itemized expense drop occurs during the year a mechanism has been included to carry that credit forward to the next year.

Kennedy asked for specifics on the pilot program. Iavarone said that an additional bin will be labeled for recycling and 22gal bins have been purchased by the company. MVRS wants to learn if that is large enough or if a different size is needed. The specifics of the program will depend upon the feedback as it proceeds. Since paper and bottles/cans will be picked up on an alternating weeks, there will be a bigger buildup and larger bins may be needed.

Iavarone noted that various changes may happen such as only certain plastics being accepted. Bosenko strongly feels that we should not be shipping our waste to other countries. Iavarone understands the concern of China given the type of material they were previously receiving. Schultz noted that the drive for low cost solutions created the potential for this issue and it will take a number of years to fix the problem.

Hansell asked for confirmation on the exact rate increase amount and Schultz stated that it will be 14.27% for Alto. Hansell also asked if a notice would be included in the first billing containing the increase highlighting the difference between the general cost increase and the recycling specific portion. Iavarone said they would include a line item directing customers to the MVRS website for info on the increase. Iavarone showed examples of the MVRS outreach including info on tagging bins that have incorrect items that are not recyclable and various tools that show where residents should take different waste items.

Motion: To accept the MVRS rate increase, as adjusted by the R3 audit, of 14.27%
Moved: Gainer, seconded by Kennedy.
Vote: Ayes: Bosenko, Gainer, Gates, Kennedy
Nays: None
Absent: Nash

ALTO SANITARY DISTRICT
MINUTES OF THE REGULAR MEETING OF WEDNESDAY, JUNE 27, 2018

5b. 2017-2018 Marin County Civil Grand Jury Report “Consolidation of Sanitation Districts”:

Hansell pointed out that he edited the SASM response and added a paragraph specific to Alto.

Motion: To forward the response as drafted to the Grand Jury.

Moved: Gainer, seconded by Kennedy.

Vote: Ayes: Bosenko, Gainer, Gates, Kennedy

Nays: None

Absent: Nash

5c. Resolution 2018-03 – A Resolution Accepting Completion of the FY2017-18 Capital Improvement Project:

Hansell stated that the project is finished and the cost listed in the resolution includes the Change Order that has been accepted for additional work.

Motion: To accept the completion of the project with related costs as stated.

Moved: Gates, seconded by Gainer.

Vote: Ayes: Bosenko, Gainer, Gates, Kennedy

Nays: None

Absent: Nash

7d. Final Draft FY2018-19:

Hansell noted that the final draft includes revisions shown in the most recent budget tracking spreadsheet. The proposal includes the movement of \$100K from the operations fund to the reserve fund during the course of the year and an assumed CIP of +/- \$400K. Most importantly, the budget includes an increase in the sewer service charge to \$1,500 per EDU as previously approved by Ordinance 2016-01.

Motion: To accept the FY2018-19 Budget as proposed including the sewer service charge of \$1,500 per EDU.

Moved: Gates, seconded by Gainer.

Vote: Ayes: Bosenko, Gainer, Gates, Kennedy

Nays: None

Absent: Nash

6. Manager’s Report:

Hansell reviewed the report as published including two months worth of data from Roto-Rooter due to the delayed submittal of their invoices. He noted that he intends to move forward with Terry Krieg’s proposal for the next audit since it is the same proposal and price as last year. Hansell called the Marin County Elections Dept requesting the packets for candidates and that the period of application is July 16th to August 10th.

7. Reports on Outside Meetings:

ALTO SANITARY DISTRICT
MINUTES OF THE REGULAR MEETING OF WEDNESDAY, JUNE 27, 2018

- a. SASM Board Meeting of 06/21/18 – Gates said the meeting covered the emergency repair of the force main near Strawberry Rec Center which is moving forward and the next CIP plan for pump stations and a variety of improvements. The Grand Jury response was also finalized. Gates noted that Richardson Bay Sanitary District also sent a letter to State Representatives asking for appeal of the CA legislation empowering LAFCO to compel consolidation.
- b. District Managers’ Meeting of 06/13/18 – Hansell stated that the same material was covered.

8. Future Agenda Items:

None

9. Directors’ Open Time:

Gainer asked about outreach for candidates. Bosenko said that she has spoken with people about the seats. Hansell stated that if no one files then any open seat will go thru the appointment process.

10. Adjournment:

Motion: To adjourn the meeting at approximately 8:41pm.

Moved: Kennedy, seconded by Gainer

Vote: Ayes: Bosenko, Gainer, Gates, Kennedy

Nays: None

Absent: Nash

Minutes respectfully submitted by Bill Hansell.

**THE NEXT REGULAR MEETING WILL BE HELD IN THE
CONFERENCE ROOM OF THE SEWERAGE AGENCY OF
SOUTHERN MARIN, 450 SYCAMORE AVENUE, MILL VALLEY
AT 7:30 P.M., WEDNESDAY, JULY 25, 2018**