

# WEST CONTRA COSTA INTEGRATED WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS MEETING MINUTES – MAY 25, 2022

**Meeting Date | Time 5/25/2022 7:00 PM | Meeting Location** *The meeting was held pursuant to the provisions of California Governor’s March 4, 2020 State of Emergency Declaration and enactment of Assembly Bill 361 on September 16, 2021 which adopted exemptions to the Ralph M. Brown Act and the proposed findings to be adopted by the Board at this meeting, to be conducted by teleconference only in accordance with Government Code Section 54953(e). No physical location to be available for this meeting. All votes of the Board to be Roll Call votes.*

Meeting called by Board of Directors

Type of meeting Special

Authority Staff Present Peter Holtzclaw, Lisa Borreani, Andy Schneider, Donald Sturman

Legal Counsel John Bakker

## Board Members Present:

Directors: T. Rudnick, El Cerrito (Vice Chair); D. Romero, Hercules (Chair); A. Tave, Pinole; G. McLaughlin, Richmond; and A. Pineda, San Pablo

Absent: N. Bates and M. Willis, Richmond; and F. Glover (Ex-Officio) Contra Costa County

## CALL TO ORDER/ROLL CALL

Chair Romero called the meeting to order at 7:02 P.M. The Roll Call established the existence of a quorum (McLaughlin, Pineda, Romero, Rudnick, and Tave).

## CLOSED SESSION

There was no Closed Session.

## PLEDGE OF ALLEGIANCE

Director McLaughlin led the Pledge of Allegiance.

## EX-PARTE COMMUNICATIONS & DISCLOSURES

There were no ex-parté communications or disclosures.

## PUBLIC COMMENT

No written comments were submitted, or oral comments made, by any member of the public.

## CONSENT CALENDAR

Vice Chair Rudnick noted that the minutes of the last meeting held on April 14, 2022 had shown that the MRG Consulting Contract had been approved, although it had been determined after the meeting that the motion had, in fact, failed.

Legal Counsel John Bakker confirmed that the motion to approve the MRG Consulting Contract had actually failed.

The minutes shown as Item 6.1 on the meeting agenda were removed from the agenda to clarify that point.

Director McLaughlin verified with Mr. Bakker that all the items on the current meeting agenda had been reviewed by Legal Counsel.

Vice Chair Rudnick also requested the removal of Item 6.3 Administrative Policy for Legislatively Mandated Compliance Set-Aside Monies and requested that the agenda report outline the Board designated representative as Republic Services. With respect to the policy, she asked whether RecycleMore needed to invoice Republic Services at any point.

Executive Director Peter Holtzclaw referred to a different clause in that policy at this time, noted that he had understood the need to bring the compliance programs to the Board for approval during rate setting, although the policy itself indicated that he should bring it to the Board during the budget process. As such, it would be brought to the Board in June 2022 to be consistent with the policy. With respect to invoicing Republic Services in response to the Vice Chair, he did not foresee that would be the case because ideally RecycleMore would be handling the Compliance Set-Aside fund since all accounting services would be brought in house. Any compliance funds out of that would be managed by Republic as the main hauler and processor.

**MOTION** by Director McLaughlin to approve Consent Calendar Items 6.1, 6.2, 6.3 and 6.4, with an amendment to Item 6.1 to reflect at the top of Page 5 that the Sole Source Contract with MRG had not actually been approved given that the vote did not pass by Joint Exercise of Powers Agreement (JEPA) rules. **SECOND** by Vice Chair Rudnick

**MOTION PASSED** unanimously by a Roll Call vote.

## STAFF REPORT

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### Staff Report Item 7 - | Presenter | **Peter Holtzclaw - Executive Director**

Executive Director Peter Holtzclaw referred to the Draft Action Plan with Republic Services and all the member agencies (with the exception of El Cerrito), to Cal Recycle to come into compliance with AB 341 and AB 1826. He had submitted the first draft version to the City Managers and Board of Directors this week, with the next draft currently being prepared. He reported that while Cal Recycle preferred an August 31, 2022 deadline, Republic did not believe that could be done until late September or October 2022. He stated the date would be changed on the second version of the Action Plan to August 31, 2022. He also noted there was an issue of the responsible parties. There were a number of steps in the Action Plan and a need to verify 250 to 325 accounts throughout the member agencies to verify that the accounts were exempt from AB 341 and AB 1826. He described the laborious process that would require the volunteer efforts of the member agencies to verify exemptions. The rest would be the hauler's responsibility to look at the non-exempt accounts, provide outreach, and fold them into new routes in just a few months. Ultimately, all three groups: RecycleMore, the member agencies and Republic Services would have to work together to accomplish the task. He verified that there would be an individual Action Plan for each city with the number of exempt accounts, compliant accounts and non-compliant accounts identified with new routing.

Mr. Holtzclaw responded to questions from the Board with respect to whether the August 31, 2022 deadline could be met and clarified that while that deadline might be virtually impossible to meet, as long as the upper 80 percent of accounts was met with a good faith effort the remainder could be done soon after.

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**Agenda Item 8.1 – Consulting Contract with MRG to Provide Technical and Administrative Support to Implement New Accounting Software | Presenter | Peter Holtzclaw – Executive Director**

Mr. Holtzclaw advised that RecycleMore had enjoyed in-house accounting for many years and as a result of staff reductions the accounting services had gone outside the Authority. During that time, MRG had been brought in as a consulting firm to be the RecycleMore financial manager. He noted that MRG had a long history with RecycleMore and had provided a range of services, even during the time that the City of San Pablo had provided accounting services. Currently, there was an open contract that would allow MRG to offer assistance where necessary, such as setting up the 115 Trusts and helping to find a new auditor, as examples, to set up basic public sector finance and accounting. The current contract was intended to assist transitioning to bring the accounting back into RecycleMore to set up a chart of accounts, get software, set up bank accounts and the like. It was estimated the project would be two to three months long. In the meantime, staff was negotiating a Memorandum of Understanding (MOU) with San Pablo for a six-month extension during that transition.

In response to Director McLaughlin, Legal Counsel John Bakker verified again that the items on the agenda had been legally reviewed.

Vice Chair Rudnick asked whether there was a temporary backup to the Finance Manager in the event there was no personnel to do the work, and Mr. Holtzclaw commented that a temporary absence would be manageable but anything more than a few months would require a consultant similar to MRG to assist with the Authority's accounting.

In response to Director Tave as to whether the contract had gone out to bid, Mr. Holtzclaw stated that the contract was sole sourced because MRG was familiar with RecycleMore's accounting system and its budget. He would extend the contract for on-call services for a year for little projects. As to RecycleMore's current Manager of Financial and Administrative Services, Donald Sturman's position, he spoke to MRG's recommendation to compare staff salaries and job descriptions with the rest of the Bay Area, which he would speak to during the discussion of the budget.

Chair Romero referenced the City of Hercules' experience with MRG, which had provided a series of services to that City over the years. He agreed with the wisdom of having MRG continue with an ongoing contract through the consent calendar process.

No written comments were submitted, or oral comments made, by any member of the public.

**MOTION** by Vice Chair Rudnick to adopt Resolution No. 22-07, a Consulting Contract with MRG for financial and accounting consulting services from May 25, 2022 to August 25, 2022 in the amount of \$20,000. **SECOND** by Director McLaughlin.

**MOTION PASSED** unanimously by a Roll Call vote.

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**Agenda Item 8.2 – Draft – West Contra Costa Integrated Waste Management Authority Fiscal Year 2022-23 Budget | Presenter | Peter Holtzclaw – Executive Director**

Mr. Holtzclaw provided a PowerPoint presentation and explained that this year's budget was similar to last year's budget overall with \$1.512 million in expenses, \$1.367 million in revenues, and a transfer of \$554,738 from the Reserve Account into the Operating Fund to provide cost-effective compliance with state law, provide effective oversight of the privately-owned IRRF; protect rate-payer interest, and provide cost-effective waste disposal and diversion while assisting member agencies to meet state mandates.

Mr. Holtzclaw stated the budget extended from the rate structure between 6 and 7 percent of the total rate, offset by six months which allowed a check-in to ensure the budget and the overall diversion programs were on track. He provided an estimate of the Operating Fund and the Recycling Fund for the next year, and explained that last year the Board had approved \$200,000 to be transferred from the Recycle/Special Project (Reserve) Fund into the Operating Fund, which had not occurred since it was not needed. He presented a table of the rate structure over time, the estimated unaudited fund balance of \$506,501 (that did not include the \$200,000 that had not been transferred), and a Special Project Fund of \$1,884,559. He identified what the \$1,884,559 comprised and pointed out a total of \$1.5 million in reserves. He detailed the revenue and expenditure line items and identified a projected year-end fund balance as of June 30, 2022 at \$916,501. He stated there was room in the Reserve Fund and the Operating Fund was strong financially given that there was no retirement liability.

Director McLaughlin asked about the professional services expenses, particularly the expenses for Abbe & Associates, and questioned some of the items that should have been funded from the SB 1383 Compliance Set-Aside Fund.

Mr. Holtzclaw noted that some of the items had not been taken out of the Compliance Fund even though that was possible to do. He stated the budget had paid for some compliance items that could have come out of the Compliance Fund but commented that the fund could be depleted quickly with some large capital items, more outreach or other expensive items that might come up in the next five years. He wanted to use the Compliance Fund for the large expensive items and suggested the smaller items could come out of the budget, particularly given the largest unfunded mandate that was SB 1383.

Vice Chair Rudnick asked about the Household Hazardous Waste (HHW) grant and oil payment and Mr. Holtzclaw identified two large grants from the state, the fact that only half had been spent to date primarily due to the pandemic, and that the program direct expenses (school recycling) were also down due to the culminative effects of the pandemic.

Vice Chair Rudnick verified that El Cerrito made monthly payments to RecycleMore.

In response to Director McLaughlin, Mr. Holtzclaw clarified that the Board had in 2020 subsidized ratepayers and the rates had gone down because the Operating Budget and the Reserve Fund had grown too large. At that time, \$450,000 had been taken from the Reserve Fund to bring the rates down. He was looking at the Board policy that fund balances should be 67 percent of revenues (Operating Budget should be just under \$1 million) and the Reserve Fund balance to be at \$662,000 or \$667,000 (under \$1 million), which would mean that the agency would be operating lean without hoarding money. He highlighted the summary of Operating Fund Budget expenses, stated there was plenty of money in the reserves, and described the intent to draw some of that down to get more in line with the Board's policy for both funds. He added that over the last two years the Authority had the smallest percent increase in the Post Collection Rates of the entire Post Collection Agreements (PCAs) going back to 2014.

Chair Romero referred to the HHW and oil programs and noted the oil program was a combination of commercials as seen on TV for those doing their own oil changes to bring that oil into specific stores, and the program had been ongoing since he had been on the Board and it had been very successful. He stated that the Reserve Fund had been created to make a distinction between SB 1383 projects and the Operating Fund. As such, the cost of SB 1383 projects should come out of the Compliance Fund to distinguish to the ratepayers what was being paid to the ongoing costs to the Authority and when setting rates the cost of SB 1383 should be identified. He noted that when Mr. Holtzclaw had been hired the Board had talked about SB 1383, what would happen, and why Set Aside Funding had been established to take money out that was being spent on SB 1383 so that the public could see how the rates had been set and why.

Chair Romero suggested in the future when the budget was set and the expenditures did not equal the budget and there were excess funds those funds should be categorized as surplus funds, and the Board would then determine where those monies should be used. He noted that funds set aside in budgets were not always spent.

On the discussion, Mr. Holtzclaw commented that most cities had formal encumbrance policies where departments could encumber funds from one year to the next if not spent; the Authority did not have that and in terms of tracking expenditures more precisely, which would be possible if accounting was in-house, surplus funds could be better tracked. He assured the Board he would pull out SB 1383 expenditures from the proposed budget to come out of the Compliance Fund no matter how small they were, which would be good governance and transparent.

Director McLaughlin agreed and liked the idea that if there was additional funding in the Operating Budget it would be called surplus versus reserves and be identified as such.

Mr. Holtzclaw stated that the procedures could be changed to reflect where staff could bring a report to the Board and the Board could decide what to do with the surplus in the rate setting process.

Mr. Holtzclaw presented a slide that compared spending and noted there was a surplus of \$200,000 this year because it had not been spent, which would be tracked with the new accounting. He showed anticipated expenses and pointed out the Authority's organizational structure which he proposed to change. His proposed changes would show the Recycling Administrative Coordinator become a full-time coordinator and HHW Manager, with a new position as Coordinator-Outreach since outreach was such a huge part of the job. He proposed a succession plan, more experienced Senior Program Coordinators, and an Intern position to help out the Finance/Administration Services Manager, and noted the desire to have interns from local sources. The intern would be part-time and take a load off the Finance/Administration Manager and the Outreach Coordinator. In the future, an Intern or two would help with recycling and outreach would also be considered.

Chair Romero verified with Mr. Holtzclaw that the Mattress Program funding with Republic Services would fund until the PCA ran out, and he asked for a clarification of the program for the next meeting. He stated the program had been very successful and had been picked up by the Authority. He also asked about the Cost of Living Adjustment (COLA) and wanted to go into closed session as a Board to discuss employee wages and step increases to ensure the retention of employees. He wanted to find out what other cities were doing.

Legal Counsel Bakker stated the Board could meet in closed session to conference with labor negotiators to talk about negotiations with employees but a general discussion of setting salaries would have to take place in open session.

Director McLaughlin clarified that none of RecycleMore's positions were unionized.

Mr. Bakker stated the Board could meet in closed session to have a discussion of labor negotiations of unrepresented employees.

Director McLaughlin liked the idea of the new organizational chart that was less top heavy and that staffing for compliance with SB 1826 and SB 1383 was prioritized in the chart and her understanding that RecycleMore's compensation plan policy required new positions and job descriptions to be created by a resolution of the Board. Further, that the Board would receive job descriptions and resolutions next month from the Executive Director.

Mr. Holtzclaw clarified that four new positions had been proposed; two Coordinator positions, an Outreach Manager, and an Intern. Job descriptions would be provided along with a resolution.

Mr. Holtzclaw stated he would also produce for the June presentation an SB 1383 Compliance Program Budget and account balance to show all SB 1383 items.

Director Pineda supported the comments related to the COLA and agreed with the need for a conversation. Director Tave agreed

No written comments were submitted, or oral comments made, by any member of the public.

Vice Chair Rudnick requested a five-year projection of revenues, if possible, particularly given the proposed increase in staffing to ensure the ability to retain that staff.

Mr. Holtzclaw stated he could provide a range of numbers but any projection would be impacted given that the PCA would end in two years. He noted there was a front end collection and a franchise collection and he could not determine what would happen after 2025.

Chair Romero stated that the unknowns of SB 1383 would be hard to predict and add into a budget item and because of SB 1383 it was difficult for garbage and other service companies to get cans and vehicles, and those unknowns made projections difficult to predict.

Mr. Holtzclaw stated looking beyond the current PCA he would want to set up a long-term contract that offered all the cities and ratepayers security in the sense that whoever was doing the service would not be under pressure to come back for increases year after year because the service had not been bid well, which would cause chaos for ratepayers, elected officials and staff.

## **BOARD MEMBER AND STAFF ANNOUNCEMENTS**

Mr. Sturman noted that at the April Board meeting staff was to have surveyed Directors to determine the interest in participating in a Board orientation. He asked if an in-person or Zoom webinar presentation or both was preferred, and when the Board might want that to occur. He stated that a survey would be sent out to the Board with those questions and requested that the answers be returned no later than May 31, 2022.

Vice Chair Rudnick reported that the City of El Cerrito had approved a new ten-year contract with potential extensions to 25 years with its hauler, East Bay Sanitary. The contract would not impact ratepayers and more services would be provided such as the ability to have bulky waste pickups per resident, to include multifamily units, and included up to 50 large clean-ups.

## **ADJOURNMENT**

With consensus of the Board, Chair Romero adjourned the meeting at 8:26 P.M. until the Board of Directors Special Meeting [Revised Regular Meeting] for June 9, 2022 at 6:30 P.M.

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I hereby certify the foregoing to be a true and correct statement of the Official Minutes of the West Contra Costa Integrated Waste Management Authority Board Special Meeting held May 25, 2022.

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Board Secretary

Date