



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** COUNTY MANAGER: OFFICE OF SUSTAINABILITY

**File #:** 19-492

Board Meeting Date: 6/4/2019

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**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors  
**From:** Jim Eggemeyer, Director, Office of Sustainability  
**Subject:** Bond Refunding for the South Bayside Waste Management Authority

**RECOMMENDATION:**

Adopt a resolution authorizing the South Bayside Waste Management Authority (SBWMA) to issue up to \$64 million of solid waste enterprise bonds to refund outstanding bonds and finance improvements to SBWMA solid waste management facilities.

**BACKGROUND:**

The County of San Mateo has been a member of the South Bayside Waste Management Authority (SBWMA) joint powers authority since December 9, 1999. In August 2009, the SBWMA issued bonds totaling \$53,500,000, referred to as the 2009A Bonds, to fund facility improvements. The majority of those bonds (\$44,685,000) remain outstanding.

The interest rate on the 2009A Bonds ranges from 5.0 to 6.25 percent. Current interest rates are much lower (4.26 percent as of March 2019), and therefore refunding the 2009A Bonds could result in an estimated \$10 million in present value savings and secure \$20 million in new revenue (see Attachment C for additional information). Therefore, the SBWMA is seeking to refund the 2009A bonds on June 1, 2019. This would allow the outstanding bonds to be redeemed with the proceeds of the proposed "2019 Refunding Bonds" by September 1, 2019.

On September 28, 2018, the SBWMA approved a Bond Refunding Plan to accomplish the cost savings and revenue generation described above. Since then, the SBWMA has identified next steps for bond refunding and projects which could be financed by the revenue generated by refunding. At this time, the SBWMA is asking each member agency to give final approval to the refunding to move forward.

**DISCUSSION:**

For the SBWMA to issue refunding bonds, member agencies, including the County of San Mateo, must provide authorization through resolution. The proposed 2019 Refunding Bonds will: (1) refund

the SBWMA's Solid Waste Enterprise Revenue Bonds, Series 2009A; (2) pay for improvements to the SBWMA's solid waste management facilities at Shoreway Environmental Center; (3) fund a deposit to the reserve account; and (4) pay the cost to issue the 2019 Refunding Bonds.

The anticipated savings creates an opportunity for SBWMA to secure an additional \$20 million in new revenue by deploying the refunding savings to secure funds (\$10 million) in tandem with the issuance of additional debt of the SBWMA facilities with minimal impact to the SBWMA's current annual debt service payment obligations.

There are two primary projects that will be financed with the 2019 Refunding Bonds. The first project is a Materials Recovery Facility Sort System Upgrade, totaling \$15.6 million over 6.3 years. The financial benefit of capital improvements to the MRF at Shoreway over the 12-year useful life of the equipment is estimated to be approximately \$29.6 million, resulting in an estimated net financial benefit of \$14.1 million. A detailed description of the MRF equipment upgrades, associated benefits and third-party justification can be found in Attachment A.

The second project is an Organics-to-Energy (O2E) Full Scale Project, totaling \$10 million. This is a large-scale organics extraction facility that will result in an estimated 25 to 30 percent reduction in waste being landfilled to meet the requirements in SB 1383, significant GHG emissions reductions because of reduced transportation of materials to the facilities and reduced commercial organics processing costs. The O2E Full Scale Project is estimated to be cost neutral; reduced transportation and tip fee costs are expected to be offset by Shoreway processing and equipment costs.

County Counsel has reviewed and approved the resolution as to form.

#### **SHARED VISION 2025:**

Approval of this resolution contributes towards the Shared Vision 2025 outcomes of an Environmentally Conscious Community and Collaborative Community by improving the SBWMA's ability to meet State-mandated goals of diverting recyclables and organics from the landfill and by participating with other cities to achieve economies of scale for our ratepayers by being a member of the SBWMA.

#### **FISCAL IMPACT:**

The bonds will be structured to achieve minimal annual ratepayer impact over the current tip fee rates. Current annual debt service on the 2009A Bonds is approximately \$4.1 million. The 2019 Bonds will be structured such that annual debt service payments will not exceed \$4.3 million and will extend through September 1, 2042.

#### **ATTACHMENTS:**

Attachment A: February 2019 Presentation on MRF Processing Equipment Upgrades for Shoreway at the SBWMA meeting

Attachment B: Shoreway Environmental Center Capital Project Schedule

Attachment C: 2019 SBWMA Overview of the 2019 Bonds