AGENDA

ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY MEETING OF THE PROGRAMS AND ADMINISTRATION COMMITTEE

Thursday, November 12, 2015
9:00 A.M.

StopWaste Offices
1537 Webster Street
Oakland Ca 94612
510-891-6500

1. **Convene Meeting**

2. **Public Comments**
An opportunity is provided for any member of the public wishing to speak on any matter within the jurisdiction of the Programs & Administration Committee, but not listed on the agenda. Each speaker is limited to three minutes.

Page			
1	3.	**Approval of the Draft Minutes of October 8, 2015 (Wendy Sommer)**	**Action**
5	4.	**Pension Liability Payoff and a Related Schedule Proposal (Gary Wolff & Wendy Sommer)**	**Action**
15	5.	**Legislative and Regulatory Priorities for 2016 (Wendy Sommer, Debra Kaufman & Wes Sullens)**	**Action**

Item 4: Staff recommends that the P&A and P&O Committees recommend that the WMA direct staff at its November 18, 2015 meeting to follow the schedule presented in the staff report, which is intended as a decision making framework based on currently available information; and recommend that the WMA approve the proposed changes to reserves, and payment to PERS, when the mid-year budget revisions are brought before them on December 16, 2015.

A recommendation from the P&O to this effect will be understood by staff as direction by the Recycling Board with respect to preparation of its part of the combined agency budget proposals for FY16/17 and FY17/18. Should future modifications to the schedule and associated actions be needed, they will be discussed with the Board.

Item 5: Staff recommends that the Boards confirm the priorities identified in the staff report for the upcoming legislative year.

6. **Member Comments**

7. **Adjournment**

The Programs & Administration Committee is a Committee that contains more than a quorum of the Board. However, all items considered by the Committee requiring approval of the Board will be forwarded to the Board for consideration at a regularly noticed board meeting.

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MINUTES OF THE ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY MEETING OF THE PROGRAMS AND ADMINISTRATION COMMITTEE

Thursday, October 8, 2015

9:00 A.M.

StopWaste Offices
1537 Webster Street
Oakland CA 94612
510-891-6500

Members Present:
Dave Sadoff, Chair, Castro Valley Sanitary District (arrived 9:12 a.m.)
Jim Oddie, City of Alameda
Susan Wengraf, City of Berkeley
Don Biddle, City of Dublin
Suzanne Lee Chan, City of Fremont
Mike Hannon, City of Newark
Dan Kalb, City of Oakland (arrived 9:15 a.m.)
Shelia Young, Oro Loma Sanitary District
Pauline Cutter, City of San Leandro
Lorrin Ellis, City of Union City (arrived 9:15 a.m.)

Absent:
Keith Carson, County of Alameda
Laureen Turner, City of Livermore

Staff Present:
Wendy Sommer, Deputy Executive Director
Gary Wolff, Executive Director
Pat Cabrera, Administrative Services Director (via teleconference)
Arliss Dunn, Clerk of the Board

1. Convene Meeting

In absence of the Chair and with a quorum of the members present the meeting was called to order at 9:07 a.m. The agenda was reordered and Item 4, Selection of Vice Chairperson, was held. Shelia Young was elected Vice Chairperson and chaired the meeting until Chairperson Sadoff arrived.

2. Public Comments

There were none.

3. Approval of the Draft Minutes of June 11, 2015 (Wendy Sommer) Action

Board member Biddle made the motion to approve the draft minutes of June 11, 2015. Board member Wengraf seconded and the motion was carried 7-0 (Carson, Ellis, Kalb, Sadoff, and Turner absent).

4. Selection of Vice Chairperson (Wendy Sommer) Action

Board member Cutter nominated Board member Young to serve as Vice Chairperson. There were no other nominations and the nominations were closed. Board member Wengraf made the motion to accept the nomination. Board member Chan seconded and the motion carried 7-0 (Carson, Ellis, Kalb, Sadoff, and Turner absent).

5. Closed Session: Government Code Section: 54957.6(a)

Conference with Labor Negotiator
Agency Negotiator: Gary Wolff
Employee Organization: Unrepresented employees
(all Agency employees; position titles available upon request)
(confidential materials mailed separately)

The Committee by a vote of 10-0 (Carson and Turner absent) provided direction to staff to place on the October 28 WMA agenda consideration of a decision to defer the compensation study to spring or early summer 2016, to revise the Human Resources manual to allow for this schedule, and to conduct a mini analysis of inspector positions for consideration in the 2016/17 budgeting process.

6. Uniform Public Construction Cost Accounting Act (Gary Wolff & Pat Cabrera) Action

Staff recommends that the Programs and Administration Committee recommend that the Authority Board adopt the Uniform Public Construction Cost Accounting Act.

The agenda was reordered to hear Item 6 before Item 5. Gary Wolff provided an overview of the staff report, regarding informal bidding procedures under the Uniform Public Construction Cost Accounting Act. The report is available here: UPCCA-Memo-10-8-15.pdf

Board member Cutter expressed concern that projects costing in excess of $100,000 would not require a competitive bidding process. Mr. Wolff stated that we could obtain competitive quotes without going through a full public works process. Ms. Cabrera added our regular outreach efforts include listing on the County's website as well as posting on our own website.

Board member Hannon inquired if 10 calendar days is sufficient time for contractors to review the proposed project. Mr. Wolff stated that it depends on the project and for larger projects the time would be adjusted accordingly.

Board member Wengraf made the motion to accept the staff recommendation that the WMA Board at its meeting on October 28 waive reading of the full draft ordinance provided as Attachment A and schedule it for consideration of adoption at the November 18 WMA meeting, and adopt the Resolution provided in Attachment B. Board member Biddle seconded and the motion carried 10-0 (Carson and Turner absent).

7. Member Comments

- Video: Capitol Lawn Conversion

Wendy Sommer presented a video and announced that StopWaste staff Teresa Eade, Jeanne Nader and Kelly Schoonmaker provided technical assistance to the California Department of General Services during a demonstration of sheetmulching as an easy and sustainable approach to lawn removal. Over 1,000 square feet of the State Capitol lawn were converted to a new drought-tolerant landscape that will save over 59,000 gallons of water per year. The video is posted on the State's General Services Website and on Youtube. Mr. Wolff added we have a $5.9 million contract from the Department of Water Resources we administer on behalf of 12 water agencies to give out lose your lawn rebates, of which $200,000 is targeted for administrative costs and $200,000 is used for outreach for lose your lawn for sheet mulching rather than hauling it away or using pesticides.

Board member Cutter stated that the mulching materials attract cats and inquired if staff would consult the sheet mulching community to inquire about a safe method for deterring cats. Board member Cutter also mentioned that EBMUD disallowed water saving rebates on toilets installed prior to 1989.

Ms. Sommer distributed a flier regarding the reusable bag ordinance potential expansion. The flier invites Alameda County retailers and restaurants to provide input at a series of public meetings throughout the county. Meetings will be held in the month of October in the cities of Pleasanton, Union City, and Oakland. Board member Kalb inquired about the outreach strategies for notifying retailers. Ms. Sommers replied that staff is utilizing several outlets for disseminating the information such as the Technical Advisory Committee, local Chambers of Commerce, Economic Development staff, Downtown and Merchant Associations, etc. She also confirmed that non profit organizations such as Save the Bay have also been approached to help with the outreach. Board member Young suggested providing electronic copies of the flier so that Board members can share the information. Ms. Sommer agreed. Board member Hannon suggested providing examples of the specific type of stores that might be included in the potential expansion. Ms. Sommer stated that staff would do so.

8. Adjournment

The meeting adjourned at 10:00 a.m.

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STOPWASTE
at home • at work • at school

November 5, 2015

TO: Programs and Administration Committee
Planning and Organization Committee/Recycling Board

FROM: Gary Wolff, Executive Director
Wendy Sommer, Deputy Executive Director

SUBJECT: Pension Liability Payoff and a Related Schedule Proposal

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BACKGROUND:

Our Agency, like most in the State, has a pension liability balance. This balance is often referred to as an unfunded liability, but it is actually being paid off within our core budget as part of our annual payments to PERS. According to the actuary at CalPERS (PERS) that handles our account, entities in a risk pool such as ours were not allowed to pay off any unfunded pension liability prior to fiscal year 2015-2016 (FY15-16), other than a side pension fund we paid off in 2011 (created in 2003 when we joined a pool).

Government Accounting Standards Board (GASB) Rule 68 now requires that public agencies include this part of our pension liability in their audited financials, beginning with the just completed fiscal year (FY14/15). The preliminary net position of the Agency (assets minus liabilities) as of June 30, 2015, after accounting for this liability, is about $47 million, so our balance sheet is still strong.

In prior years the liability being created as employees earn more service credit each year, and the previously accrued unfunded pension liability, have been rolled into a single payment expressed as a percentage of payroll. FY15-16 is the first year in which PERS has separated the "normal" payment for liability being created in that year from the payment for previously accrued, but not yet fully funded, liability. In addition, the normal pension payment is still listed as a percentage of payroll (10.1% in FY15-16), but the accrued unfunded pension liability is now paid as a lump sum each year. The lump sum payment in FY15-16 is about $209,000. PERS has projected lump sum payments for FY16-17 through FY20-21 as about $244,000, $281,000, $320,000, $361,000, and $370,000 respectively. These payments include interest at 7.5%, the assumed rate of growth of the PERS investment portfolio.

The size of the previously accrued unfunded pension liability varies from year to year primarily because the investment portfolio return varies. PERS smoothes the impact of each year's variation by recognizing 1/5 of it in the year it occurs and each of the next four years; nonetheless, the impact of year to year market fluctuations can be large. For example, our accrued pension liability as of 6/30/13 was about $4.8 million but was only about $3.5 million as of 6/30/14. $3.5 million is the lowest amount reported in the last four years; $4.9 million is the highest. This variation occurs even if the portfolio earns 7.5% on average.

In addition, if the long-term rate of return of the portfolio is higher or lower than 7.5%, our accrued unfunded liability will be lower or higher. For example, the $3.5 million liability as of 6/30/14 would be about $6.2 million if the long-term future average annual rate of return is only 6.5%; and only about $1.2 million if the future average annual rate of return is 8.5%.

Over the 20 years ending June 30, 2015, the preliminary reported PERS portfolio return has been 7.76% per year. The preliminary reported return in FY14/15 was only 2.4%, but the preliminary reported portfolio returns in the three and five year periods ending June 30, 1015 were 10.9% and 10.7%, respectively.

"PAYING DOWN" VERSUS "PAYING OFF" THE LIABILITY

These factors make it difficult to entirely "payoff" pension liability. Paying down the liability reduces the interest payments on it, but might not pay it off entirely if the average long-term rate of return on the PERS portfolio falls by even one percentage point per year. And if we pay in "too much" because the portfolio does better than expected, we cannot get the excess back again or use it to reduce our normal annual (percent of payroll) payment. That is exactly what has happened (so far) with our OPEB trust account, which is super-funded by about $400,000 as of 6/30/14, due to strong recent portfolio gains.

However, paying down the previously accrued pension liability by $3.5 million would save us more than 7% per year on $3.5 million (at present) because we earn less than 0.5% per year on our funds held in the County investment pool or in LAIF (the Local Agency Investment Fund). This action would also reduce our annual future payments to PERS by $200,000 to $300,000 per year. (Because they use a '5-year ramping up' formula for the unfunded liability payments, the savings will vary by year.) Paying down by that amount will likely not be “too much” given that $3.5 million is the smallest liability reported by PERS to us in recent years.

DISCUSSION OF OPTIONS TO REDUCE ("PAY DOWN") THE PREVIOUSLY ACCRUED PENSION LIABILITY

Staff committed during the budget process in April and May that we would develop a proposal for partially or fully paying down the previously accrued pension liability, in November or December, 2015. The *first option* is the simplest. We can very likely pay down the liability by up to $3.5 million without impairing our reserves or our ability to sustain the core budget for the next three fiscal years (that is, through 6/30/18). The conservation easement we recently agreed to sell will likely bring in $2.9 million by September 2016. And the fiscal reserves held by the two Boards can reasonably be reduced by at least $0.7 million.

The fiscal reserves were created in 2010 and were sized so that there was a 97.5% chance -- based on statistical models of landfilled tons subject to our fees -- that the reserve would not be needed in the 18 months following the start of each fiscal year. Since any fee action affecting member agency solid waste rates, adopted during a budget process in the spring, cannot take effect any sooner than the following January 1st, under the Joint Powers Agreement (except in an emergency, for which a special procedure exists), 18 months of fiscal reserve allows the agency to not need to consider budget cuts during a budget year unless revenues fall far, far below projections.

We have reviewed the fiscal reserve size every year and reported in the last few years that it may be larger than necessary. However, given the slow speed and fragility of the economic recovery we've held off on taking any action. Resizing to account for the newest data, the end of import mitigation fees from San Francisco around the end of this calendar year, and our practice in the last two fee actions of implementing them the following July 1st rather than the following January 1st, indicates that the reserve could be reduced to $2.1 million from $2.8 million. Sizing the reserve to fund two years of revenue shortfalls rather than 1.5 years provides a margin of safety beyond the 97.5% statistical criteria.

A *second option* is to repurpose a part of our other designated reserves, such as the two organics processing development reserves, which together have a balance of about $7.1 million. (We also have some contractual reserves, but the funds in them are committed by contract to specified purposes, and cannot be re-allocated unless they are unspent when the contract to which they are committed expires.)

This option may be feasible since there are at least two composting facilities being developed in-County with private funds, and the anaerobic digestion facilities at EBMUD are being expanded. Our reserve funds do not seem to be necessary to directly fund these facilities. On the other hand, it would be premature to commit funds from this reserve to paying down the pension liability. We recommend a project in FY16/17 that reviews progress under the strategic plan, with a primary focus on organics diversion and any infrastructure needed to support that (not just composting facilities), followed by reconsideration of using some of this reserve to pay down the pension liability in the Spring of 2018. This recommendation is placed in an overall schedule in the next section of this memo.

A *third option* is to use some of our account balances. Account balances are revenues received, but not yet authorized for spending or transferred into a reserve. Some account balances, however, are restricted to specified uses and cannot be spent directly to paydown the pension liability. For example, the household hazardous waste account balance must be used to support the countywide household hazardous waste program, and the revolving loan fund balance is restricted to making loans (unless the Recycling Board was to discontinue the loan program).

The core budget scenario presented in April 2015 along with the budget proposal showed that our account balances, if not used for pension paydown (option 3), are likely adequate to support a deficit budget at about the current level ($11.4 million), plus 2.5% each fiscal year, through at least the end of FY18/19 (three more fiscal years). We've updated that scenario to account for actual revenue and spending in FY14-15, landfill tonnage data since the budget was prepared, the adoption of AB901, and other factors, and it shows essentially the same result. (See Figures 1 and 2).

Although one could use the conservation easement payment and reduced fiscal reserve balance to extend the date by which a fee action or spending cut will be needed to balance the core budget, doing so would allow the deficit to continue to grow. Approving a deficit budget for two or even three years may be reasonable, but operating with a growing deficit for more than three years seems unreasonable.

There are *other options* for paying down the pension liability, but they involve "last-resort" types of decisions that do not seem necessary, such as: 4) selling assets (e.g., our land in eastern Alameda County), 5) borrowing at a lower interest rate than we pay PERS (e.g., use our line of credit on 1537 Webster Street), 6) reduce total compensation to staff by either increasing the staff salary contributions to PERS or reducing one or more benefits, or 7) raise fees.

Option 4 is not feasible unless we are sure we will not need reserve landfill capacity in the future, which we cannot be sure of at present.

Option 5 is inferior to other feasible options because the rate we would pay for a loan is significantly higher than the rate we can earn on funds in hand. This means it is far less expensive to pay down the liability from funds on hand, if feasible, than to pay down the liability by borrowing.

Option 6 seems to contain some inherent inequities, and would experience a reduced funding base over the time period that would be required to substantially paydown the pension liability (20-30 years). To see the equity concern, consider two employees with the same salary that are required to contribute the same additional amount to paydown the liability (e.g., 1% of salary), but if one has been employed here for 20 years versus another for 5 years, the one employed longer should, in concept, contribute more to solve the problem. And the one employed longer, on average, will be here fewer years in the future helping to pay down the liability, when, in concept, they should contribute more to the paydown. Furthermore, because employees hired after the statewide pension reform act adopted two years ago have contributed nothing to the 'legacy liability', they should pay nothing toward eliminating it. And retirees cannot be forced to contribute. So the salary base for this solution option will decline over time as people retire and new employees cannot reasonably be asked to pay into the solution.

Finally, *Option 7* -- a fee increase to pay for unfunded liabilities rather than a new or continued service -- seems inappropriate to staff, unless absolutely necessary, which it is not.

RECOMMENDED PAY DOWN AMOUNT AND SCHEDULE

The first option, with the second option as a 'back-up plan', seems preferable at this time. If that is not palatable to the Board, staff needs feedback on whether paying down the liability is important enough to pursue other options. We recommend that paydown of the liability occur in two steps. First, $0.6 million would be sent to PERS following approval of the mid-year budget, using most of the $0.7 million funds transferred from the fiscal reserve to a new 'pension liability' reserve. Second, another $2.9 million (or less if funds are not available in the new 'pension liability' reserve) would be sent to PERS after Golden Hills LLC (the windfarm developer on our east county property) pays us for a conservation easement. They will likely pay us by early September 2016, because the price per acre increases by $500 per acre in early September 2016. They have recently said that they intend to purchase the maximum conservation easement from us approved by the Resource Agencies.

A PROPOSED SCHEDULE THROUGH FY16/17 RELATED TO PENSION PAY DOWN

Figure 3 presents a proposed schedule, through FY16/17 (that is, until about June 30, 2017), that is related to pension pay down. All of the issues touched on in the schedule are related because they involve spending – or planning to spend -- funds that the Boards could choose to spend on pension pay down, the core budget, or one-time items usually funded from reserves.

Approving this schedule would not be the same as approving any item in it. The schedule items are 'directions to staff,' not final decisions. Final decisions will be made later, per the schedule.

1. December 2015. In the mid-year budget proposal, reduce the WMA fiscal reserve by $0.7 million and create a pension liability reserve initially funded by that amount. Authorize paying PERS $0.6 million immediately from that reserve. Also, move the $1 million in the East Bay MUD commercial food waste digester project reserve into the organic processing development reserve, in order to consolidate all funds available for future organics processing development. (The EBMUD project is already fully funded, so this reserve is no longer needed. Spending to support commercial organics diversion in Oakland and other member agencies using the EBMUD facility can be considered via the study described in item 5, below.)

2. February 2016 committee meetings. Discuss criteria for spending part of the organic processing reserve in FY16/17, prior to full evaluation in FY16/17 (see number 5 below). This discussion and partial use of the reserve in FY16/17 is critically important given the percentage of our garbage that is organics suitable for anaerobic digestion, composting, or other resource recovery techniques. The State of California has prioritized such efforts, including possibly substantial funding, so we should be ready to take advantage of opportunities by partnering with the state or others, at minimum.

3. March 2016. Discuss inspector employment assessment by an outside expert with the P&A Committee, in preparation for the April budget proposal.

4. April 2016. Propose core budget no greater than $11.7 million (current core plus 2.5% inflation). If staff believes more funds are needed, clearly propose the incremental spend and the incremental projects or activities that would be funded by the incremental spend. Also, present the updated core revenue, core spending, and core account balances scenario through mid 2020.

5. April 2016. Include in the budget proposal a project to review progress under the strategic plan and possible adjustments to it, with a focus on how best to spend or reallocate the organic processing reserve. The results of the project will be available no later than the April 2017 budget presentation. This project should also consider whether further pension pay downs would be appropriate based on revised estimates of the financial need for our reserves

6. June or July 2016. Start full compensation and classification study (that is, issue the Request for Proposals for external review). The results will be available no later than the March 2017 P&A Committee meeting and sooner if substantial discussion of them seems necessary.

7. September 2016. Pay PERS up to $2.9 million, after receiving payment for a conservation easement from Golden Hills LLC.

8. April 2017. Propose a core budget no greater than $11.8 million (current core plus 2.5% inflation for two years, less $200,000 per year of savings due to pension pay down). If staff believes more funds are needed, clearly propose the incremental spend and the incremental projects or activities that would be funded by the incremental spend. Also, present the updated core revenue, core spending, and core account balances scenario through mid 2020.

9. April 2017. Based on the scenario update in schedule item 8, either propose a fee action or budget cuts effective in FY19/20 or sooner (that is, effective July 1, 2019 or sooner), or defer that discussion to a specific later date if the scenario update indicates that neither higher fees nor budget cuts is estimated to be necessary to fund the core budget in FY19/20.

RECOMMENDATION

Staff recommends that the P&A and P&O Committees recommend that the WMA direct staff at its November 18, 2015 meeting to follow the schedule presented above, which is intended as a decision making framework based on currently available information; and recommend that the WMA approve the proposed changes to reserves, and payment to PERS, when the mid-year budget revisions are brought before them on December 16, 2015. A recommendation from the P&O to this effect will be understood by staff as direction by the Recycling Board with respect to preparation of its part of the combined agency budget proposals for FY16/17 and FY17/18. Should future modifications to the schedule and associated actions be needed, they will be discussed with the Board.

Attachments: Figure 1: Financial Scenario with Growing Core Budget

Figure 2: Financial Scenario with Core Budget that Peaks in FY17/18

Figure 3: Proposed Pension Pay Down Schedule Through FY16/17

Figure 1: Financial Scenario with Growing Core Budget

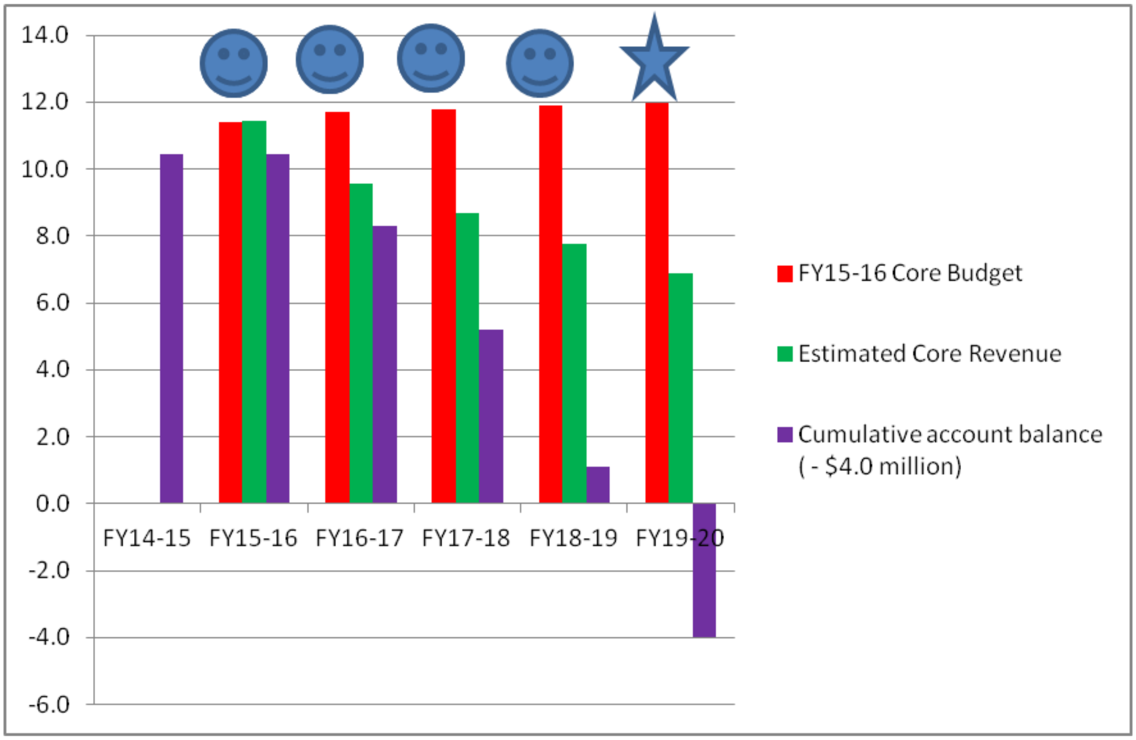


Figure 2: Financial Scenario with Core Budget that Peaks in FY17/18

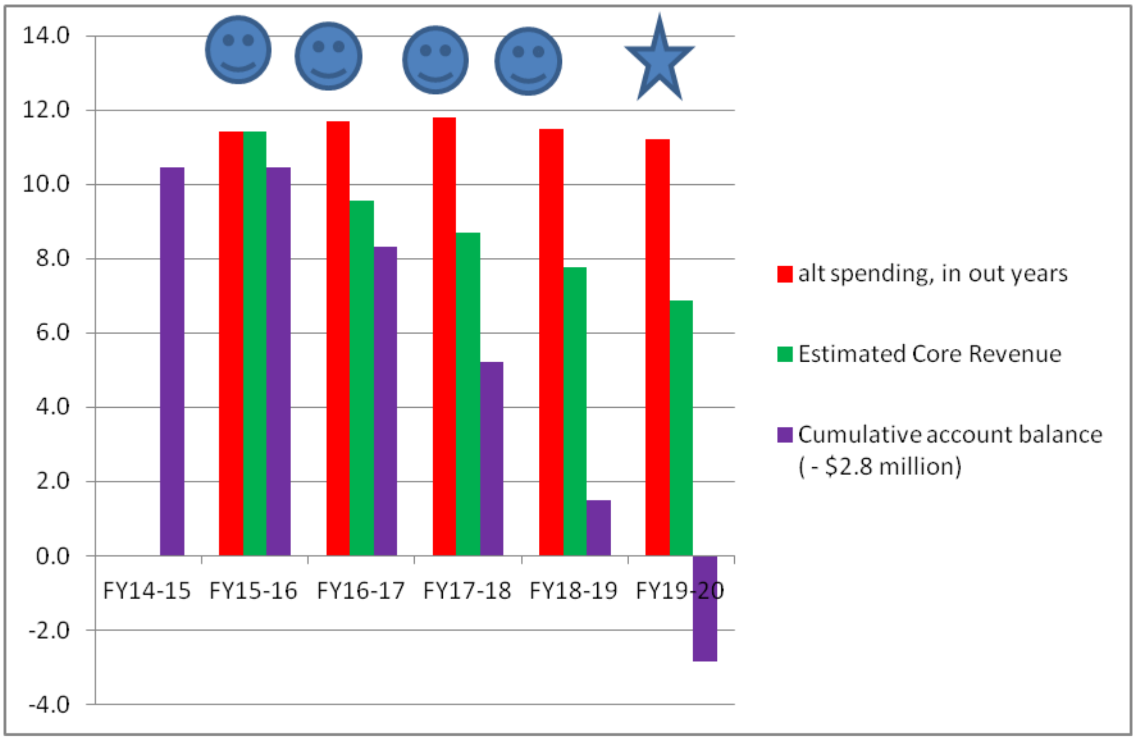
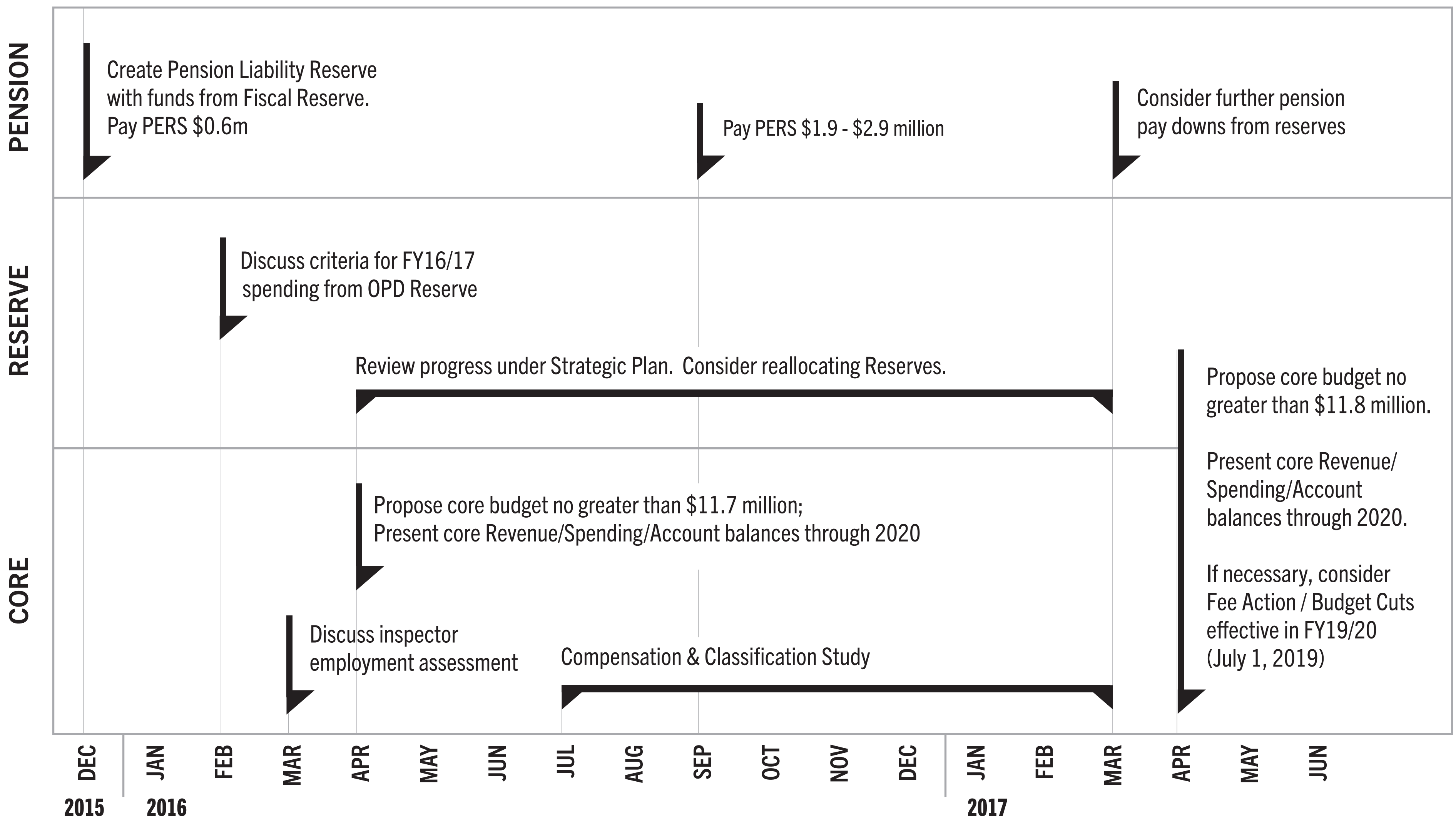


Figure 3: Proposed Pension Pay Down Schedule Through FY16/17



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StopWaste at home • at work • at school

November 5, 2015

TO:	Programs and Administration Committee Planning and Organization Committee/Recycling Board
FROM:	Gary Wolff, Executive Director Wendy Sommer, Deputy Executive Director
BY:	Debra Kaufman, Senior Program Manager Wes Sullens, Program Manager
SUBJECT:	Legislative and Regulatory Priorities for 2016

BACKGROUND:

The first year of the 2015-2016 regular session of the California Legislature has adjourned. As directed by the Waste Management Authority, StopWaste pursued improving the state's disposal reporting system, updating the CALGreen Code to include more recycling and composting requirements, and extended producer responsibility as our priorities for the 2015 legislative year. We have been successful with the first two of these priorities and expect to continue working on the third.

While advocating at the state level is important, we have been told by numerous partners that one of the most important things we do to help at the state level is to demonstrate through local ordinances and actions how various approaches can be successful. Our Agency's bag ordinance, mandatory recycling and organics ordinance, and landfill ban on plant debris have positively influenced similar activities at the state level and helped to drive new laws forward. The County of Alameda's Pharmaceutical resolution has also provided a model for the state and other local jurisdictions that have adopted the County's lead through their own local ordinances in the area of EPR for pharmaceuticals, in the absence of a state law. We will continue to help drive state efforts by effectively implementing our own ordinances and providing regulatory input to the state as needed on the new laws in these areas.

Each year, at about this time, the Agency picks a few priority legislative/regulatory areas to focus on in the coming legislative year. These are subject areas that Agency staff and our lobbyist devote more time and attention to, as needed. This could come in the form of additional letters of support to committee members, recruiting support from other government agencies and organizations for certain bills, testifying at hearings, proposing changes to regulations and working more closely with a bill's sponsors or an Agency's regulators.

DISCUSSION:

Two of our legislative priorities for the 2015-16 legislative session have been achieved: improving the state's disposal reporting system via the passage of AB 901, and strengthening the CALGreen Code. Since AB 901 has been signed, improving the disposal reporting system no longer needs to be a priority area for 2016, with the possible exception of one outstanding issue discussed in more detail below. With respect to the building code, an opportunity to engage in the 2019 code cycles will begin in 2017. Staff will revisit that priority area in the future as necessary, but are not focusing on this area for the 2016 legislative year.

We propose focusing on the following two priority areas in the 2016 legislative year:

- Extended Producer Responsibility
- Organics regulations and legislation

One additional issue that we would like to pursue but that may or may not be ripe for a priority area, is a follow-up on the disposal reporting system reform. Currently, an outdated law exempts landfills from requiring weighmasters to be certified. Certified weighmasters require a certain level of training and can be held responsible for intentionally providing inaccurate information. Requiring all landfills to hire certified weighmasters would help to continue leveling the playing field for all landfills in California. In addition, accuracy is important, since the tonnages reported by landfills directly affect the Agency's program planning and funding. We would like to investigate whether or not we have other partners on this issue (including haulers, CalRecycle and other local governments), determine whether this is considered a problem for other entities and look into whether we could find a sympathetic author before deciding whether to sponsor a bill and make this a priority this year. Sponsoring a bill is a very large level of effort and it's essential to have good timing, an issue of relevance to many parties, and good, influential partners to make it successful. We would report back to the Board in our April update if this issue emerges as ripe as a priority, after investigating it further.

Bills and/or relevant regulations that fall into categories outside the identified priorities would continue to be monitored, with input and positions on them recommended as appropriate.

The following provides more detail for the top two priorities.

1. <u>Extended Producer Responsibility:</u> Support for EPR as a mechanism to deal with problem products continues to grow. For StopWaste, EPR has the potential to reduce the recently adopted residential fee associated with the financial costs of managing hazardous products that are processed via the four in-County Household Hazardous Waste facilities. We would support any EPR proposal that would actually reduce financial burden locally. We have advocated for the passage of battery and sharps legislation for the past few years and will continue to work on this issue until we achieve success. This may be an area for the Agency to consider addressing on a Countywide level, similar to the County's pharmaceutical ordinance, if a state solution continues to be unsuccessful, especially if other Counties are interested in partnering on this.

2. <u>Organics:</u>
   The passage of several organics bills over the last two years, as well as the increased statewide focus on organics processing capacity and getting organics out of the landfill as a climate change strategy raises the importance of paying attention to the development of new organics laws and regulations. Additionally, since organics is the largest category of waste going to the landfill from Alameda County residents and businesses, maintaining a focus on reducing organics from landfills via both our program implementation and via state legislation and regulations is important. We want to ensure that any new laws or regulations are protective of our environment but also not overly onerous for facility operators and our jurisdictions.

The state and Governor have fully recognized the importance of both using compost and mulch as a valuable tool to mitigate the expected decline in soil quality as a result of climate change and the importance of keeping organics out of the landfill to reduce methane production, a potent greenhouse gas and considered a short lived climate pollutant. One of the Governor's key climate change strategy pillars includes reducing the release of methane. Another pillar is managing farms and rangelands so they can store carbon. The application of compost is being explored as one of the methods to achieve that. The California Air Resources Board is proposing an organics landfill ban by 2025, requiring 90% of all organics to be diverted. Laws that have been passed to help implement that include AB 1826 which requires commercial generators to recycle their organic waste, AB 876 (newly adopted) which requires cities to plan for 15 years of organic processing capacity and AB 199 which provides for tax incentives to build compost infrastructure.

StopWaste staff participated this past year in many of the discussions around compost facility regulations, increasing the use of compost and mulch, not only on agricultural lands, but also on urban lands and getting organics out of the landfill. These conversations are expected to continue well into 2016 and staff will continue to play a role advocating for Agency priorities.

Another important discussion this past year revolves around the allocation of cap-and-trade funds, which was not resolved this year. StopWaste will continue to advocate for cap and trade funds to be allocated toward local government energy efficiency programs as well as towards achieving healthy soils through the increased use of compost and mulch and increased organics processing capacity.

In both legislative and regulatory work, we collaborate with multiple partners, recognizing that we are much more likely to be successful when joining coalitions rather than acting on our own. The Agency works most closely with Californians Against Waste and the California Product Stewardship Council (CPSC), providing financial support to both. CAW expects 2016 legislative priorities to include compost market development, organics diversion, and food waste recovery. CPSC expects 2016 legislative priorities to include sharps, batteries and pharmaceuticals.

Another partner we work closely with—primarily via the Energy Council—is the Association of Bay Area Governments. ABAG is considering some legislative actions this year, and we expect to support them as necessary on topics that align with Agency goals and member agency interests. Specifically, ABAG is considering legislation to reduce regulatory barriers for water/energy conservation programs termed "Pay As You Save" (PAYS). We will engage with ABAG to determine if support is needed and how best to support their efforts with PAYS should they move forward with a bill.

As we did last year, we anticipate bringing recommended positions on bills to the Boards in April and an update in June and November.

RECOMMENDATION:

Staff recommends that the Boards confirm the above priorities for the upcoming legislative year.