



# SHOREWAY OPERATIONS AND CONTRACT MANAGEMENT



## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Hilary Gans, Facility Operations Contracts Manager  
**Date:** January 22, 2015 Board of Directors Meeting  
**Subject:** Update on Transfer Station Organics Recovery Project

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### Recommendation

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors.

### Summary

This report provides an update on the work that the SBWMA and Silicon Valley Clean Water (SVCW) staff and consultants have completed in developing a preliminary technical and financial feasibility study to determine the viability of a joint venture project that would convert discarded food waste from garbage to bio-methane and energy. A proforma on this project will be included in the draft Long Range Plan document to be presented at the March 26, 2015 Board meeting.

### Analysis

The SBWMA's primary goal for the Organics to Energy project is to achieve high levels of diversion to meet the State's 75% recycling goal and to do so at or below the cost of current and projected landfill disposal costs. Staff believes that through a partnership approach with Silicon Valley Clean Water (SVCW) the agencies can leverage existing infrastructure at the Shoreway facility and at the SVCW wastewater treatment plant to keep project capital expense lower. Additionally, it is expected that each agency can realize value from the sale of recyclable materials, from avoided landfill disposal cost, and from avoided energy purchase that will partially offset the operational expenses of the project.

The SBWMA staff have been working on a parallel track with SVCW in the development of a preliminary technical and financial feasibility study. The following work tasks are in various stages of completion:

- Waste characterization analysis to identify recyclables materials and food waste quantities and values
- MSW processing equipment design with capital and operational cost estimates
- Scenario analysis for transfer station building expansion footprint
- Design and layout for an organics extrusion press, slurry handling and slurry load-out system
- Transportation capital and operations cost analysis for organics delivery to SVCW
- Landfill disposal cost savings projections
- Analysis of potential recyclable commodity recovery and associated sales revenue
- Project preliminary financial pro forma development with cost sensitivity analysis

Sloan Vasquez consultants and Anaergia, Inc. are assisting the SBWMA in performing the above tasks – Sloan Vasquez has extensive MRF experience and has completed prior waste characterization analyses for the SBWMA; Anaergia has experience facilitating partnerships between solid waste and wastewater treatment agencies and is also assisting SVCW in the analysis of food waste digestion.

Findings to-date from both SBWMA and SVCW preliminary technical and financial feasibility study indicate that the project has the potential to deliver benefits on all of the goals set out for the project. Staff will provide an

update to the Board in March as part of the Long Range Plan process and as more conclusive results are available.

### **Background**

Since 2009, staff of SBWMA and SVCW has been exploring a potential partnership opportunity to divert SBWMA's food waste into SVCW's digesters for increased biogas production. In April 2014 the SBWMA and the SVCW Boards approved a memorandum of understanding (MOU) demonstrating each agency's commitment to further developing a project to sort food waste from garbage at the Shoreway transfer station and process this into a feedstock for anaerobic digestion and energy production at the SVCW wastewater treatment facility. Both agencies have committed funds towards researching the technical and financial feasibility of such a joint venture project. The SBWMA Board approved a budget amount for FY1415 of \$45, 000 to complete the technical and financial feasibility analysis. As part of the study, the SBWMA staff and consultants have been working to resolve technical hurdles related to food waste separation and contaminant removal. SVCW is on a parallel research track and is analyzing the technical and financial feasibility of anaerobically digesting food slurry with their biosolids to produce energy for use at the wastewater treatment facility.

Numerous benefits of an organics-to-energy project have been identified and presented to the Board in prior updates. Strategic drivers and benefits of the project include:

- Potential to divert from the landfill and into energy production, 25% of the SBWMA's waste stream (171 tons of 685 tons per day of garbage) which could bring the JPA much closer to achieving the State's goal of 75% diversion from landfill by 2020
- Substantial increases to SVCW's biogas production and onsite energy generation, reducing SVCW's reliance on PG&E for purchased energy and associated price fluctuation vulnerabilities
- Substantial reductions in overall disposal and transportation cost incurred by SBWMA that would be shared with the SVCW to offset SVCW's increased operational and biosolids handling costs
- Several promising outside grant funding opportunities (from PG&E, CalRecycle, California Energy Commission and other State entities) that may be applicable to this project
- Compliance with AB1832 – Organics Diversion Regulation passed in 2014 that requires commercial waste generators to set up separate collection for food waste if they generate over a certain quantity of materials
- Joint venture effort with SVCW provides capital cost efficiency by leveraging existing wastewater treatment infrastructure

Past Project Milestones include:

- Demonstration of Anaergia's test extrusion press at Shoreway transfer station in October 2013
- Workshop between SBWMA, SVCW, and Anaergia held in January 2014
- MOU between SBWMA and SVCW approved by the Board in April 2014
- SVCW Board project update scheduled for January 22, 2015

### **Fiscal Impact**

The SBWMA FY1415 budget included expenditures in the amount of \$45, 000 to evaluate the preliminary technical and financial feasibility an organics-to-energy project. The project is on track to spend the full budget amount on consulting expense, laboratory analysis fees, and waste composition work. It is anticipated that the project funds will be spent before the end of the fiscal year. Funding for the next steps of the project will be forecast to the Board as part of the FY1516 budget process.

## STAFF REPORT

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To: SBWMA Board Members  
From: Hilary Gans, Facility Operations Contracts Manager  
Date: January 22, 2015 Board of Directors Meeting  
Subject: Update on Impact of the Port of Oakland Operations on MRF Operations

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### Recommendation

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors.

### Summary

Staff would like to bring to the Board's attention that there are ongoing impacted operations at the Port of Oakland that are having a significant impact on SBR's ability to ship recycled commodities and this is impacting Shoreway MRF operations and cost. As a result of delays at the Port, bales of fiber commodities are being stored in offsite locations as onsite storage capacity at the Shoreway facility is full. The duration of the impacted Port of Oakland operations is unknown and therefore the operational impacts and full cost to SBR is unknown. Staff and legal counsel believe that the expenses incurred as a result of the Port disruptions are not the fault of SBR and therefore should not be borne by the company. For the purposes of budgeting, staff has included an estimate of \$175,000 for these extraordinary one-time costs in the mid-year budget documents included in the January 22, 2015 Board packet. Staff has also temporarily prohibited any inbound third-party tons into the Shoreway facility.

### Analysis

For roughly eight months, labor disputes and related operational issues at the Port of Oakland have impacted and slowed the normal processing and shipping of export-bound commodities from the Shoreway MRF. Since December the situation at the Port has gotten progressively worse, requiring stockpiling of commodities on-site and offsite. After SBR used up all on-site storage that is normally used to store commodities they began transporting and storing materials to offsite warehouses in Newark so that MRF operations could continue without curtailment (i.e., reduced ability to receive inbound materials from Recology route trucks). Specifically, on Sunday December 28<sup>th</sup>, SBR transported 16 loads (303 bales) to offsite storage and moved all of the remaining non-fiber bales to outside storage at the Shoreway facility. SBR delivered an additional thirty 30 loads (569 bales) the week of December 29<sup>th</sup> for a total of 960 bales shipped to offsite storage locations.

### Image of Bale Storage at Shoreway MRF



As of January 14<sup>th</sup>, SBR has stored 300 tons of baled material on-site and has transported 1,100 tons of baled fiber to two leased warehouses in Newark. The current conditions at the Port of Oakland are tenuous and commodities are being exported on a very limited basis.

To prevent a material back up that could threaten the MRF operations, staff and SBR are searching for additional offsite storage options. Regulatory agencies responsible for oversight of Shoreway have been advised of the situation. Staff also directed SBR on January 13<sup>th</sup> to not receive any non-franchise ("third party") recyclables through at least January 16<sup>th</sup> and then such receipt will be further evaluated.

SBR has provided regular updates to the SBWMA staff regarding the disruptions at the Port of Oakland. On January 8, 2015, SBR provided notice to the SBWMA of their intentions to request an "Excuse from Performance" under Section 11.09 of the Operations Agreement (see **Attachment A**, Letter from SBR). After consultation with SBWMA legal counsel, staff has agreed in principle that the expenses incurred by SBR as a result of the Port of Oakland disruption are not the fault of the company and therefore should not be borne by the company. SBWMA staff has reviewed the material handling and warehousing cost-structure submitted by SBR and has approved in principle the cost-basis for SBR's materials handling and storage expenses. Detailed costs for alternative additional material handling and storage options will be analyzed as they are identified.

### ***Material Handling Logistics and Associated Cost***

As mentioned above, the SBWMA staff has reviewed and approved in principle the cost-basis for SBR's extra material handling expenses and will be updating the material handling logistics and associated costs on a regular basis. An estimate of the cost of the special material handling and storage expense has been forecast at \$175,000 and included in the mid-year budget (provided to the Board in the January Board Packet). The mid-year budget forecast has been estimated by assuming that two weeks of baled fiber (paper) production (i.e., approximately 3,000 tons) from the MRF is stored in offsite warehouses. The estimated expense for the materials handling, transportation, and offsite storage of the currently warehoused 1,100 tons is \$57,500 - note that 1,100 tons of material is equal to 3.5 days of MRF commodity storage and if more offsite storage is required, this cost will increase. Other factors that will impact final costs are: length of time for Port delays and recovery time period, volume of materials and storage size needed, rental terms of storage facilities (may be multiple sites), and distance to travel to storage sites.

As the situation at the Port of Oakland changes, staff will update the Board Members particularly if there is any threat to continued MRF operations and/or if projected cost impacts are expected to differ from the estimate included in the mid-year budget review.

### **Background**

Throughout December 2014 and into January 2015, the Port of Oakland (as well as the Port of Long Beach and Port of Seattle) have experienced reduced container processing due to labor disruptions. The slow-downs are the outcome of disagreements between the International Longshore and Warehouse Union (ILWU) and the Port of Oakland operators, the Pacific Maritime Association. As described further in **Attachments B and C**, a federal mediator was called-in in early January help break the impasse in negotiations, but, as of the writing of this staff report commodity shipping conditions have not improved (toward the end of December the Port of Oakland was closed on 4 weekdays and has operated at substantially below capacity throughout January). The labor disruptions have caused substantial delays for all import and export cargo moving through the Port of Oakland and the rest of the West Coast. SBR exports all of the fiber (cardboard, newspaper, mix paper) and most of the plastics from the Shoreway MRF via the Port of Oakland and as a result, SBR (as well as other recyclers in the

Bay Area) has been forced to find temporary storage for baled fiber commodities until the delays at the Port are resolved.

**Fiscal Impact**

Based on reviewing cost information provided by SBR and assuming only 3,000 tons are affected, staff has estimated \$175,000 in one-time expense associated with the offsite storage of baled fiber commodities destined for export via the Port of Oakland. This figure has been incorporated into the mid-year budget review documents included as agenda item 5B in the Board packet.

**Attachments:**

- A – Letter from SBR regarding Excuse from Performance
- B – Port of Oakland 1/6/2015 Press Release
- C – SF Gate January 14<sup>th</sup> article on Port of Oakland congestion

## Attachment A

South Bay Recycling, LLC



January 8, 2015

Mr. Kevin McCarthy  
Executive Director  
SBWMA - ReThink Waste  
610 Elm Street, Suite 202  
San Carlos, CA 94070

Re: Agreement For Operation of the Shoreway Recycling and Disposal Center  
Partial Excuse From Performance 11.09 – Recyclables Shipped from Site

Dear Mr. McCarthy:

The purpose of this letter is to notify the SBWMA of SBR's request for partial excuse from performance to ship some of the baled fiber (OCC, ONP, and Mix Paper) to a temporary warehouse in the bay area due to causes at the Port of Oakland which are not the fault of or within the reasonable control of SBR.

In the fourth quarter of 2014 delays and disruptions at the Port of Oakland came to a head at the end of December. SBR notified SBWMA of these issues during conversations and emails dated Nov 19, Dec 23, Dec 24, and Dec 26. We also provided documentation and information regarding the evolving situation from steamship lines, news reports, press releases, truckers, and recyclers.

The event itself is an ongoing labor dispute between the Pacific Maritime Association (PMA) and the International Longshoremen Warehouse Union (ILWU) who have been working without a contract for over 6 months. The service impacted from this event is the lack of outbound shipment capacity to move baled fiber from the site. The expected length of time is two months, but during this time SBR will continue to operate the site and receive material. The impact during this period to the SBWMA is the need to temporarily store apx. 1,200 tons of baled fiber in a temporary warehouse in the bay area.

SBR will continue to keep SBWMA advised of the situation and present staff with documentation for the material handling costs which were incurred to deal with the above mentioned issue. It is our expectation that costs which were reasonable and necessary will be reimbursed to SBR, subject to review and approval of SBWMA.

Regards,

A handwritten signature in black ink that reads "Daniel J. Domonoske".

Daniel J. Domonoske  
Vice President

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## **Port of Oakland Applauds Call for Federal Mediator in Labor Talks**

### **Agreement seen as first step in breaking eight-month waterfront negotiating impasse**

*Oakland, CA – Jan. 6, 2015* – The Port of Oakland today applauded a decision to bring federal mediation to stalled West Coast waterfront labor talks. It called the action a key first step in breaking an eight-month negotiating impasse between employers of the Pacific Maritime Association and the International Longshore and Warehouse Union. Representatives from both sides asked last night for outside help in negotiating a contract to replace one that expired last July.

"The announcement shows that both sides understand the importance of arriving at a contract settlement," said Port of Oakland Executive Director Chris Lytle. "The impasse has affected port operations up and down the West Coast and the sooner it's resolved, the sooner we can resume the normal flow of trade in and out of the U.S."

Ports from Los Angeles to Seattle reported productivity declines in the fourth quarter of 2014 that slowed trade flows. Labor-management disputes were cited as one of the principal causes. A new contract for dockworkers is expected to help restore the flow of containerized cargo.

The Port of Oakland is not part of the waterfront labor talks. As a landlord port, it leases its facilities to private-sector operators who manage terminals and hire longshore workers. Nevertheless, the Port and terminal operators have taken an active role in addressing the impact of stalled negotiations. The steps include:

- Night and weekend gates to help ease a cargo buildup at marine terminals;
- Express lanes to speed the movement of containerized imports out of the Port; and
- Daily status updates for customers that include reports on waterfront staffing levels.

Mediation is just the first step in producing a new contract for dock workers. The goal is to craft a deal that can be ratified by employers and the full union membership. Both sides have remained mum on the issues that stand in the way an agreement.

### **About the Port of Oakland**

The Port of Oakland oversees the Oakland seaport and Oakland International Airport. The Port's jurisdiction includes 20 miles of waterfront from the Bay Bridge through Oakland International Airport. The Oakland seaport is the fifth busiest container port in the U.S.; Oakland International Airport is the second largest San Francisco Bay Area airport offering over 300 daily passenger and cargo flights; and the Port's real estate includes commercial developments such as Jack London Square and hundreds of acres of public parks and conservation areas. Together, through Port operations and those of its tenants and users, the Port supports more than 73,000 jobs in the region and nearly 827,000 jobs across the United States. The Port of Oakland was established in 1927 and is an independent department of the City of Oakland. Connect with the [Port of Oakland](#) and [Oakland International Airport](#) through Facebook, or with the Port on Twitter, YouTube, and at [www.portofoakland.com](http://www.portofoakland.com)

1/15/2015

Congestion at West Coast ports is getting even worse - SFGate

**SFGATE** <http://www.sfgate.com/business/bottomline/article/Congestion-at-West-Coast-ports-is-getting-even-6013264.php>

## Congestion at West Coast ports is getting even worse

By Andrew S. Ross Updated 10:40 am, Wednesday, January 14, 2015



IMAGE 1 OF 4

Container ships wait at terminals at the Port of Oakland, full of cargo that is not reaching its destination.

The seasonal rush is over and federal mediators are in San Francisco to help settle a contract dispute between shippers and longshoremen. The conditions at the congested Port of Oakland and other West Coast ports should be improving then, right?

Actually, it's getting worse. There are more container ships sitting in the bay, more trucks waiting in line outside terminal gates, and more local businesses losing customer orders.

And the two sides are taking potshots at each other.

The **International Longshore and Warehouse Union**, representing 20,000 dockworkers at those ports, "has crippled what were fully productive terminals" at Oakland and other West Coast ports, the **Pacific Maritime Association**, which represents shipping lines and terminal operators, said Monday. The International Longshore Union responded that the PMA is "making nonsensical moves ... creating gridlock in a cynical attempt to turn public opinion against workers."

## RELATED STORIES

**West Coast port troubles persist despite federal mediation**

**Port dispute forces Weyerhaeuser to cut Longview mill jobs**



**Federal mediators sail into dispute at ports including Oakland**

Maybe it's part of a kabuki dance prior to an agreement being announced. Or maybe those federal mediators, "prepared and ready to render prompt assistance" to end a seven-month standoff, are ready to tear their hair out.

What no one disputes is that the situation at the ports is approaching gridlock. According to the Port of Oakland Tuesday, 10 to 15 ships "are anchored in San Francisco Bay daily awaiting berths at Oakland marine terminals." Truckers are becoming increasingly frustrated at the wait times of eight hours or more to get into terminals and load or unload their cargo.

### Answering customers

"What we the truckers need to know (is) why do we have to go through (what) I would say torture," the operations manager of an East Bay trucking company e-mailed the terminal operator last week. "I sit in my office and answer to my customers from 7 a.m. till I leave my office and now I'm at that point where I don't really know what to say to my customers any longer."

Ironically, perhaps, the Port of Oakland said Tuesday that it broke an "all-time cargo handling record in 2014" — the equivalent of 2.4 million 20-foot freight containers. This due to increased imports from Asia, the port's marketing efforts, and cargo diversions from Southern California ports, which of course is leading to more congestion.

"An unprecedented series of events has brought us to this point," said port maritime director **John Driscoll**. "It's our job now to efficiently manage the growth."

At the same time, productivity at Oakland and other West Coast ports has declined, for a variety of reasons, depending on whom you talk to. The maritime association cites slowdowns and other actions by dockworkers, especially at the ports of Los Angeles and Long Beach, the nation's two biggest container ports (Oakland is fifth). Quite the reverse, says the ILWU, pointing to a management proposal to cut shifts, worsening congestion that was already a problem due to the lack of space and the shortage of chassis.

"The (association) isn't blameless," said **Cory Peters**, vice president of drayage at Gardner Trucking in Manteca (San Joaquin County), who is not particularly fond of either side. "They aren't ordering as much labor, which is making the situation worse."

Meanwhile, back at the bargaining table, tentative agreements have reportedly been reached on health care benefits and pay guarantees, said the association. It's not clear whether that includes the amount of pay, which has been an issue, along with pensions, job jurisdiction and work rules.

While the two sides disagree on how much West Coast longshoremen actually earn, "the pay is very good for blue-collar work, but also extremely dangerous with fatality rates that exceed those of police and firefighters," ILWU spokesman **Craig Merrilees** said last week.

### Paper mill shutdown

At one point last week, the ILWU said the two sides were close to an agreement. Recent rhetoric would suggest otherwise. Either way, the 500 workers at a Weyerhaeuser paper mill in Longview, Wash., have been told the plant is to be shut down. "Due to the current port congestion (at the ports of Tacoma and Seattle), we're unable to get our products to our customers," a company spokesman told local media last week.

The situation is getting dire for Pavel Hanousek, co-founder of SkLO, a glass product design and manufacturing firm in Healdsburg. His monthly container of glass from the Czech Republic has been delayed for more than three weeks, orders worth \$100,000 have been canceled and most of his 12 employees have been sent home. Hanousek is looking at other ports, including Houston and the East Coast, instead of Oakland, for his shipping needs.

"Should this repeat with the next container, we could be forced to close doors," he e-mailed me this week. "We have no luxury to stand by and watch the big boys stand off."

*Andrew S. Ross is a San Francisco Chronicle staff writer. E-mail: [asross@sfgate.com](mailto:asross@sfgate.com) Blog: <http://blog.sfgate.com/bottomline> Twitter: @andrewsross*

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