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STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Cliff Feldman, Recycling Programs Manager
Date: March 28, 2013 Board of Director's Meeting
Subject: Resolution Recommending Administrative Changes to the SBWMA Member Agency Collection Services Franchise Agreements with Recology San Mateo County

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2013-07 attached hereto authorizing the following action:

Recommending the Member Agencies approve the administrative changes to their respective Franchise Agreements as provided in **Attachment A** – Proposed Administrative Changes to the Member Agency Collection Services Franchise Agreements with Recology San Mateo County.

Analysis

Staff provided an update on discussions regarding potential contract amendments to the Board at the July 26, 2012 (agenda item 4C), October 25, 2012 (agenda item 6A) and February 28, 2013 (agenda item 7A) Board meetings. This Staff Report is a follow up to these prior items.

Staff and Recology management have held meetings since July 2012 to discuss potential changes to the Franchise Agreements for Collection Services with a goal of identifying changes that would accomplish the following:

- Reduce costs which could be Recology collection costs and/or SBWMA program costs.
- Streamline or eliminate any contractual provisions that are not needed or provide little or no value to the effected parties (e.g., the customer, Member Agencies, etc.).

Both staff and Recology believe this is an opportune time to review the Member Agencies Franchise Agreements given that we now have two years of operating and contract compliance experience with these new contracts.

Per discussion at the October 25, 2012 Board meeting, on January 14, 2013 staff convened a meeting with the Board adhoc Subcommittee on the Franchise Agreement Modifications consisting of representatives from Foster City (Laura Galli), Menlo Park (Rebecca Fotu), City of San Mateo (Roxanne Murray) and San Mateo County (Joe LaMariana and Lillian Clark). In addition, per discussion at the February 28, 2013 Board meeting, Staff convened another meeting on March 11th with this Subcommittee and Recology's General Manager, Mr. Mario Puccinelli to discuss any outstanding items.

Agenda item 7B addresses contract changes that require a formal amendment to the Franchise Agreements.

A future Board agenda item will address the contract item related to potential modification to the Franchise Agreement scope of services.

Attachments A provides the final proposed list of administrative changes agreed to by Staff, the Subcommittee and Recology. **Attachment B** is a model staff report and related documents that can be used to facilitate acquiring approval to proceed with the administrative changes.

Background

Recology initiated residential and commercial collection services for garbage, recycling and organics on January 1, 2011 per the provisions of twelve separate franchise agreements with the SBWMA Member Agencies. These agreements were developed and negotiated based on a franchise agreement template referred to as the Uniform Franchise Agreement for Collection Services. Each Agreement was tailored as directed to reflect specific Member Agency needs.

Fiscal Impact

SBWMA Staff and Recology have already made good faith agreements resulting in cost savings exceeding \$325,000 annually in both Recology costs (i.e., elimination of three positions) and reductions to the SBWMA budget (i.e., reduced contamination monitoring per Section 6.02 of the Franchise Agreement).

Attachments:

Resolution 2013-07

Attachment A – Proposed Administrative Changes to the Member Agency Collection Services Franchise Agreements with Recology San Mateo County

Attachment B – Model Staff Report



RESOLUTION NO. 2013-07

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS RECOMMENDING ADMINISTRATIVE CHANGES TO THE SBWMA MEMBER AGENCY COLLECTION SERVICES FRANCHISE AGREEMENTS WITH RECOLOGY SAN MATEO COUNTY

WHEREAS, the twelve Member Agencies that comprise the South Bayside Waste Management Authority have all executed ten year Collection Services Franchise Agreements with Recology San Mateo County; and,

WHEREAS, an adhoc Subcommittee of the SBWMA Board of Directors was convened to assist Staff with scoping and negotiating several improvements and clarifying changes to the Collection Services Franchise Agreements with Recology San Mateo County, and,

WHEREAS, Recology has concurred with the scope of administrative changes to the Franchise Agreements as presented in **Attachment A**; and,

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the recommendation for the Member Agencies to approve the administrative changes to their respective Franchise Agreements as provided in **Attachment A** – Proposed Administrative Changes to the Member Agency Collection Services Franchise Agreements with Recology San Mateo County.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 28th day of March, 2013, by the following vote:

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Atherton					Menlo Park				
Belmont					Redwood City				
Burlingame					San Carlos				
East Palo Alto					San Mateo				
Foster City					County of San Mateo				
Hillsborough					West Bay Sanitary Dist				

I HEREBY CERTIFY that the foregoing Resolution No. 2013-07 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on March 28, 2013.

ATTEST:

John Doughty, Chairperson of SBWMA

Cyndi Urman, Board Secretary

Attachment A

PROPOSED ADMINISTRATIVE CHANGES TO THE MEMBER AGENCIES COLLECTION SERVICES FRANCHISE AGREEMENTS WITH RECOLOGY SAN MATEO COUNTY

<u>Section</u>	<u>Section Title</u>	<u>Scope of Administrative Change</u>
5.05.A	Twice Annual On-Call Curbside Bulky Item Collection (BIC)	The current schedule is to provide this collection service from January 2 through December 1 each year. This schedule shall be modified to provide this service from February 1 through December 31 each year.
5.07	Confidential Document Destruction Events	Commencing with 2013, the SBWMA will take the lead in scheduling document shredding events for Member Agencies. Each Agency will continue to be provided one event annually at no additional cost; however, there are potential costs associated with conducting two (2) or more events each year.
5.10	Coats for Kids Program	This section shall be changed to include the following additional details: <ul style="list-style-type: none">· Recology shall be required to announce when each Member Agency will be provided notice each year regarding the program start and end date by sixty days prior to the start of the program.· The general scope of outreach that will be conducted in order to properly promote the program shall include, but not limited to websites, and media such as flyers and press releases.
5.11	Compost Give-Away	Commencing with 2013, Recology will be the primary contact for Member Agencies to schedule Compost Give-Away Events. The company will take the lead in organizing the delivery of compost by SBR to either Shoreway (if Recology is delivering it in a Drop-Box) or directly to the event (by SBR), but will only be required to staff one event per year as is currently required. Member Agencies will be encouraged to schedule events as far in advance as possible as Recology can only schedule up to four (4) events in any weekend and lead-time is needed to ensure adequate promotion of the event. The SBWMA will still take the lead promoting the events.

<u>Section</u>	<u>Section Title</u>	<u>Scope of Administrative Change</u>
6.02	Limitations on Contamination	<p>(1) Increase the Commercial Recyclables contamination threshold to 10%. (The threshold for the Term of the contract was originally established at 8%.)</p> <p>(2) Formalize the Residential Recyclables contamination threshold at the calculated 8.5%.</p> <p>(3) Conduct two Quarterly Contamination Monitoring Samplings in lieu of the four prescribed in the Franchise Agreements (i.e., Attachment E-2). Any disincentive payment will only apply to the quarter the sample is taken.</p> <p>(4) Changing the Quarterly Contamination Monitoring Sampling to only twice per year requires a modification to how the annual diversion level is determined. This change will result in the company applying the sampling taken during the 1st and 2nd quarter to both quarters and the sampling taken for the 3rd and 4th quarters to both quarters.</p> <p>(5) Include as allowable recyclables items SBR is currently marketing that are not defined as allowable. The standard to include additional materials shall be those recyclables that SBR has been actively separating and marketing for the 120 days prior to the month which the contamination sampling is scheduled for. Such materials are to be identified prior to sampling event and provided in writing to Recology.</p>
7.01.C 7.02.A	Local Office	The "Holidays" that the company's office will be closed are: New Year's Day, Martin Luther King Jr.'s Birthday, President's Day, Memorial Day, July 4 th , Labor Day, Veteran's Day, Thanksgiving Day and Christmas Day.

<u>Section</u>	<u>Section Title</u>	<u>Scope of Administrative Change</u>
7.02.F	Quality Assurance Program	The current Quality Assurance Program activities performed by Recology shall be discontinued and replaced with the following program: Modify the current Quality Assurance Program to focus on the quality of the customer service experience when interacting with the Recology customer service center. This will be accomplished by calling customers that have recently contacted Recology via phone and spoke live with a customer service representative. The number of customers that will be contacted every month will remain unchanged from the current 200. The customers contacted each day will be randomly selected from the pool of customers that contacted Recology the prior business day and such calls shall be evenly distributed (e.g., approximately 12-13 calls per business day) throughout the month with some exceptions as follows: calls will be made during non-peak call volume days (i.e., 2 nd , 3 rd , and 4 th weeks after billing); and no calls will be made immediately after a holiday. When placing the calls, Recology will use a standardized survey that will be completed during the phone interview of the customer. If a message is left with the customer, the message left by Recology will direct the customer to complete an online survey. Both survey instruments (for phone interviews and online survey) shall have similar questions and be subject to approval by the SBWMA. Recology employees placing the calls shall not be the same employee that spoke to the customer the prior business day; Recology employees shall be calling customers that another employee spoke to the prior business day. The reporting requirements for this program denoted in Section 9.05.G will be modified such that a summary report on survey results will be provided in each quarterly report. The actual surveys will be kept by Recology compliant with the record keeping requirements of the Franchise Agreement(s) and such surveys will be made available upon request.
7.03	Public Education and Promotion	With elimination of the Recology Public Education Manager position, the following related subsections of section 7.03 will be changed with the intent to transfer various public education related responsibilities to RethinkWaste.
7.03.B	Public Education and Promotion – Annual Public Education Plan	The SBWMA shall prepare the Public Education Plan and share this Plan with Recology for feedback prior to finalizing it for Board approval each calendar year.
7.03.D	Public Education and Promotion – SBWMA and Agency Responsibilities	The Public Education Plan shall take precedence over the items listed in this section.

<u>Section</u>	<u>Section Title</u>	<u>Scope of Administrative Change</u>
7.03.E (subsections 16 and 17)	Public Education and Promotion – Contractor Responsibilities	Subsections 16 and 17 in this section shall be revised to state the SBWMA shall take the lead in developing/producing bill inserts for the Member Agencies and the Service Notice per Section 7.03.J; however, Recology shall continue to be responsible for costs associated with producing and distributing bill inserts and the Service Notice.
7.03.F	Public Education and Promotion – Staffing	This section will be deleted in its entirety.
7.03.G	Public Education and Promotion – Meeting Requirements	The “public education manager” will be deleted and replaced with the “General Manager or his/her designee.”
7.04 A	Commercial Recycling Promotion Staff	This section shall be changed to reflect the elimination of two diversion auditor positions.
7.04.E	Targeted Commercial Recycling Promotion	The number of on-site waste assessments will be changed to reflect the figures shown in column F of Table A-1 . Recology shall be required to annually prepare the proposed list of customers to perform the assessment for and meet with each Agency individually to get the Agency’s approval to proceed with this list or a modified list at the Agency’s discretion. A new customer list shall be prepared each year.
8.02.G	Collection of Excess Materials (Overages)	The company will no longer be required to take a picture and send a letter to the customer, but shall be required to directly contact the customer via a phone call.
8.02.L	Change in Collection Schedule	The 60-day advance notice requirement on service day changes shall be changed to two weeks for minor adjustments. A minor adjustment shall be defined as less than the average size of a single route per the collection service metrics delineated in the prior year’s Compensation Application.
9.05	Monthly Reports	The Monthly Reports shall now include tonnage report source files, diversion levels and gross revenue. The reports shall not include commercial recycling reports (e.g., site assessments, net change reports, public education, community events, internal containers delivered, etc.); this information shall be included in the Quarterly Reports. In addition, these reports shall also include year-over-year and prior period comparative tonnage data.

<u>Section</u>	<u>Section Title</u>	<u>Scope of Administrative Change</u>
9.06	Quarterly Reports	The quarterly reports shall now omit the redundant information included in the Monthly Reports in an effort to provide a more streamlined and useful Quarterly Report which will also include cart census data.
Att. A	Definitions	Revise various definitions as appropriate given the scope of administrative changes included in this table, including assessing whether any new materials should be added to the "Targeted Recyclable Materials" list.
Att. Q	Unscheduled Services	Each Agency shall retain the revenue for first 20% of Backyard Service Customers that subscribe to this service. (This change only clarifies this language in the Franchise Agreements.)
Attachment K and Section 11.04	Contractor's Compensation and Rate Setting Process	Recology shall be allowed to propose passing on cost savings to the Member Agencies and upon approval by the Agency, these cost savings shall be passed on to the Agency while allowing the company to retain the calculated profit on these reduced costs. The retained calculated profit figures shall be verified by SBWMA staff.

Table A-1

Commercial Recycling Assessments Apportioned to Member Agencies based on the Average of Solid Waste and Accounts Criteria						
Column	A	B	C	D	E	F
Member Agency	Current Number of Assessments Required per Franchise Agreement(s)	Revised Base Number of Assessments at 25% Reduction in Total Number of Current Assessments	Average Percentage of Solid Waste Tons and Number of Accounts Criteria	Average of Solid Waste and Accounts Criteria	Adjusted to Fix Atherton, Hillsborough and WBSD at Revised Number of Accounts and Reapportioned Equally Across the Other 10 Agencies	Adjusted to Reduce Group C by 100 and Reapportion Evenly (except Burlingame) Across San Mateo County, and Groups B and C
Atherton	22	17	0.32%	3	17	17
Hillsborough	9	7	0.20%	2	7	7
San Mateo County	100	75	1.51%	12	12	26
West Bay	30	23	0.33%	3	23	23
Subtotal	161	121	2.35%	19	59	73
Group A						
Belmont	100	75	4.20%	33	29	48
East Palo Alto	100	75	3.75%	30	25	44
Foster City	100	75	5.76%	46	41	60
North Fair Oaks	100	75	3.42%	27	23	41
Subtotal	400	300	17.13%	136	119	193
Group B						
Burlingame	100	75	14.80%	118	113	101
Menlo Park	100	75	10.63%	85	80	93
San Carlos	100	75	9.08%	72	68	80
Subtotal	300	225	34.51%	275	261	274
Group C						
Redwood City	100	75	21.24%	169	165	115
San Mateo	100	75	24.77%	197	193	143
Subtotal	200	150	46.01%	366	357	257
Total	1,061	796	100.00%	796	796	796



ATTACHMENT B

MODEL STAFF REPORT

To: Council/Board
From:
Date: March 28, 2013
Subject: Authorization to Implement Administrative Changes to the Collection Services Franchise Agreement with Recology San Mateo County

Recommendation

It is recommended that the Council/Board authorize the {insert name/title} to make administrative changes to the Franchise Agreement with Recology San Mateo County s as provided in **Attachment A** – Administrative Changes to the Collection Services Franchise Agreement with Recology San Mateo County.

Analysis

The Staff at the South Bayside Waste Management Authority (SBWMA) provided updates to the SBWMA Board of Director's on their discussions regarding potential changes to the Franchise Agreement with Recology at the July 26, 2012, October 25, 2012 and February 28, 2013 Board meetings. In addition, on March 28, 2013, the SBWMA approved Resolution No. 2013-07 recommending that each of the twelve Member Agencies of the SBWMA approve the administrative changes outlined in **Attachment A**. Provided as **Attachment B** is a model letter to Recology that can be used to facilitate moving forward with the proposed administrative changes.

The SBWMA Staff and Recology management have held meetings since July 2012 to discuss potential changes to the Franchise Agreements for Collection Services with a goal of identifying changes that would accomplish the following:

- Reduce costs which could be Recology collection costs and/or SBWMA program costs.
- Streamline or eliminate any contractual provisions that are not needed or provide little or no value to the effected parties (e.g., the customer, Member Agencies, etc.).

Staff is confident that this is an opportune time to review and improve the scope of the Franchise Agreement with Recology given that we now have two years of operating and contract compliance experience with this new contract.

The recommended administrative changes were also reviewed by a Board adhoc Subcommittee on the Franchise Agreement Modifications consisting of representatives from Foster City (Laura Galli), Menlo Park (Rebecca Fotu), City of San Mateo (Roxanne Murray) and San Mateo County (Joe LaMariana and Lillian Clark).

Background

Recology initiated residential and commercial collection services for garbage, recycling and organics on January 1, 2011 per the provisions of the Collection Sevices Franchise agreement. This Agreement was developed and negotiated based on a Franchise agreement template referred to as the Uniform Franchise Agreement for Collection Services approved by each of the twelve SBWMA Member Agencies. Thus, each Agreement was tailored to reflect the specific needs of {insert Agency name}.

Fiscal Impact

SBWMA Staff and Recology have already made good faith agreements resulting in cost savings exceeding \$325,000 annually in both Recology costs (i.e., elimination of three positions) and reductions to the SBWMA budget (i.e., reduced contamination monitoring per Section 6.02 of the Franchise Agreement).

Attachments:

Attachment A – Proposed Administrative Changes to the Collection Services Franchise Agreement with Recology San Mateo County

Attachment B – Letter to Recology



RESOLUTION NO. 2013-_____

**RESOLUTION OF THE *(INSERT CITY/TOWN/AGENCY NAME)*
RECOMMENDING ADMINISTRATIVE CHANGES TO THE COLLECTION SERVICES
FRANCHISE AGREEMENT WITH RECOLOGY SAN MATEO COUNTY**

WHEREAS, the twelve Member Agencies that comprise the South Bayside Waste Management Authority have all executed ten year Collection Services Franchise Agreements with Recology San Mateo County; and,

WHEREAS, an adhoc Subcommittee of the SBWMA Board of Directors was convened to assist Staff with scoping and negotiating several improvements and clarifying changes to the Collection Services Franchise Agreements with Recology San Mateo County, and,

WHEREAS, Recology has concurred with the scope of administrative changes to the Franchise Agreements as presented in **Attachment A**; and,

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the recommendation for the Member Agencies to approve the administrative changes to their respective Franchise Agreements as provided in **Attachment A** – Proposed Administrative Changes to Collection Services Franchise Agreements with Recology San Mateo County.

PASSED AND ADOPTED by the *(insert City/Town/Agency Name)*, County of San Mateo, State of California on the day of _____, 2013, by the following vote:

I HEREBY CERTIFY that the foregoing Resolution No. 2013-_____ was duly and regularly adopted at a regular meeting of the *(insert City/Town/Agency)* on _____, 2013.

ATTEST:

Attachment A to the Model Staff Report

**PROPOSED ADMINISTRATIVE CHANGES TO THE COLLECTION SERVICES FRANCHISE
AGREEMENT WITH RECOLOGY SAN MATEO COUNTY
INSERT EDITS MADE ON VERSION FOR OUR BOD STAFF REPORT**

<u>Section</u>	<u>Section Title</u>	<u>Scope of Administrative Change</u>	<u>Rationale</u>
5.05.A	Twice Annual On-Call Curbside Bulky Item Collection (BIC)	The current schedule is to provide this collection service from January 2 through December 1 each year. This schedule shall be modified to provide this service from February 1 through December 31 each year.	To improve service in-line with administrative changes requested by Recology for 2011 and 2012. Formalizing this will result in avoiding this request from the company annually. Section 5.05.A prescribes that Recology must schedule On-Call Bulky Item Collection Service events from January 2 through December 1 of each calendar year. Given the interest from Residential customers in 2011 and 2012 to continue BIC collection throughout the month of December, this administrative change is needed.
5.07	Confidential Document Destruction Events	Commencing with 2013, the SBWMA will take the lead in scheduling document shredding events for Member Agencies. Each Agency will continue to be provided one event annually at no additional cost; however, there are potential costs associated with conducting two (2) or more events each year.	To eliminate redundant efforts by SBWMA and Recology to provide more value to the program. Recology will take the lead in coordinating the shred events and the E-Scrap events. However, the Agencies will continue to be responsible for the costs associated with the E-Scrap events if the value/quantity of E-Scrap collected isn't enough to cover those vendors' costs. The SBWMA shall continue to identify one preferred E-Scrap vendor.

<u>Section</u>	<u>Section Title</u>	<u>Scope of Administrative Change</u>	<u>Rationale</u>
5.10	Coats for Kids Program	<p>This section shall be changed to include the following additional details:</p> <ul style="list-style-type: none"> • Recology shall be required to announce when each Member Agency will be provided notice each year regarding the program start and end date by sixty days prior to the start of the program. • The general scope of outreach that will be conducted in order to properly promote the program shall include, but not limited to websites, and media such as flyers and press releases. 	Section 5.10 prescribes that the company shall conduct this program annually, yet it does not provide specific details regarding the scope of the program. This administrative change is to formally include more details on this program.
5.11	Compost Give-Away	Commencing with 2013, Recology will be the primary contact for Member Agencies to schedule Compost Give-Away Events. The company will take the lead in organizing the delivery of compost by SBR to either Shoreway (if Recology is delivering it in a Drop-Box) or directly to the event (by SBR), but will only be required to staff one event per year as is currently required. Member Agencies will be encouraged to schedule events as far in advance as possible as Recology can only schedule up to four (4) events in any weekend and lead-time is needed to ensure adequate promotion of the event. The SBWMA will still take the lead promoting the events.	To eliminate redundant efforts (i.e., SBWMA sponsored events and RSMC sponsored compost events) and provide more value to the program with potentially reduced cost. While the SBWMA has historically coordinated two Spring and two Fall Compost Give-Away Events annually, the expectation moving forward is for Recology to coordinate both one Spring and one Fall event for those Agencies that request them with one of the events staffed for free by Recology. Recology will also coordinate the logistics for Member Agencies that have a regular Compost delivery schedule. The SBWMA will continue to take the lead in promoting the events for the Member Agencies.

<u>Section</u>	<u>Section Title</u>	<u>Scope of Administrative Change</u>	<u>Rationale</u>
6.02	Limitations on Contamination	<p>(1) Increase the Commercial Recyclables contamination threshold to 10%. (The threshold for the Term of the contract was originally established at 8%.)</p> <p>(2) Formalize the Residential Recyclables contamination threshold at the calculated 8.5%.</p> <p>(3) Conduct two Quarterly Contamination Monitoring Samplings in lieu of the four prescribed in the Franchise Agreements (i.e., Attachment E-2). Any disincentive payment will only apply to the quarter the sample is taken.</p> <p>(4) Changing the Quarterly Contamination Monitoring Sampling to only twice per year requires a modification to how the annual diversion level is determined. This change will result in the company applying the sampling taken during the 1st and 2nd quarter to both quarters and the sampling taken for the 3rd and 4th quarters to both quarters.</p> <p>(5) Include as allowable recyclables items SBR is currently marketing that are not defined as allowable. The standard to include additional materials shall be those recyclables that SBR has been actively separating and marketing for the 120 days prior to the month which the contamination sampling is scheduled for. Such materials are to be identified prior to sampling event and provided in writing to Recology.</p>	<p>The administrative changes related to this section have been implemented via good faith agreements between the SBWMA and Recology that has resulted in delivering an annual cost savings to the Member Agencies of approximately \$325,000.</p> <p>(1) This change formalizes the contractually prescribed contamination threshold for Residential Recyclables. The Agreement(s) prescribe that the results of the first four quarters of Year One (i.e., 2011) shall be used to determine the threshold for the remaining nine years of the contract Term.</p> <p>(2) This modified the current threshold and establishes a lower threshold for the contamination of Commercial Recyclables.</p> <p>(3) As mentioned above, the company and SBWMA have agreed on several improvements to the contracts that will limit the risk or exposure to increases in costs to both Recology and the Member Agencies. This change limits risk for Recology by reducing the number of samplings conducted annually from four to two. In addition, this changes results in a cost savings to the SBWMA in consultant expense for the firm that performs the sampling work.</p> <p>(4) The parties have agreed that the items that are currently being delivered by Recology and segregated/ marketed as recyclables by the Shoreway facility operator (i.e., South Bay Recycling – SBR) should not be counted as contamination. This change is intended to include items marketed by SBR which were previously not counted towards Recology's diversion statistics.</p>

<u>Section</u>	<u>Section Title</u>	<u>Scope of Administrative Change</u>	<u>Rationale</u>
7.01.C 7.02.A	Local Office	The "Holidays" that the company's office will be closed are: New Year's Day, Martin Luther King Jr.'s Birthday, President's Day, Memorial Day, July 4 th , Labor Day, Veteran's Day, Thanksgiving Day and Christmas Day.	This change formalizes the current (and past) standard practice that Recology's office at Shoreway will be closed to the public on specific holidays, as the Agreement(s) do not provide this specificity. The Agreement(s) state that the local office shall be open for business from 8:00 a.m. until 5:00 p.m. Monday through Friday, exclusive of Holidays. The past practice that needs to be memorialized via an Amendment is to state that the office will be closed New Year's Day, Martin Luther King Jr.'s Birthday, President's Day, Memorial Day, July 4 th , Labor Day, Veteran's Day, Thanksgiving Day and Christmas Day.

<u>Section</u>	<u>Section Title</u>	<u>Scope of Administrative Change</u>	<u>Rationale</u>
7.02.F	Quality Assurance Program	<p>The current Quality Assurance Program activities performed by Recology shall be discontinued and replaced with the following program: Modify the current Quality Assurance Program to focus on the quality of the customer service experience when interacting with the Recology customer service center. This will be accomplished by calling customers that have recently contacted Recology via phone and spoke live with a customer service representative. The number of customers that will be contacted every month will remain unchanged from the current 200. The customers contacted each day will be randomly selected from the pool of customers that contacted Recology the prior business day and such calls shall be evenly distributed (e.g., approximately 12-13 calls per business day) throughout the month with some exceptions as follows: calls will be made during non-peak call volume days (i.e., 2nd, 3rd, and 4th weeks after billing); and no calls will be made immediately after a holiday. When placing the calls, Recology will use a standardized survey that will be completed during the phone interview of the customer. If a message is left with the customer, the message left by Recology will direct the customer to complete an online survey. Both survey instruments (for phone interviews and online survey) shall have similar questions and be subject to approval by the SBWMA. Recology employees placing the calls shall not be the same employee that spoke to the customer the prior business day; Recology employees shall be calling customers that another employee spoke to the prior business day. The reporting requirements for this program denoted in Section 9.05.G will be modified such that a summary report on survey results will be provided in each quarterly report. The actual surveys will be kept by Recology compliant with the record keeping requirements of the Franchise Agreement(s) and such surveys will be made available upon request.</p>	<p>The results of the quality assurance call monitoring thus far have not revealed any systemic problems with the quality of the customer service provided. This experience coupled with the results of the recent SBWMA survey have revealed that while this value added program was conceptually meaningful, it does not appear to be significantly useful. Therefore, the program has been re-scoped.</p>

<u>Section</u>	<u>Section Title</u>	<u>Scope of Administrative Change</u>	<u>Rationale</u>
7.03	Public Education and Promotion	With elimination of the Recology Public Education Manager position, the following related subsections of section 7.03 will be changed with the intent to transfer various public education related responsibilities to RethinkWaste.	This change will reduce costs, clarify roles/responsibilities and provide more value to the Member Agencies. RethinkWaste Staff will provide overall management of Public Education requirements in the Franchise Agreements. By consolidating the public education efforts to the RethinkWaste, the Member Agencies will benefit from economies of scale efficiencies and pertinent decisions will be made in conjunction with the Board ad-hoc Public Education Subcommittee and Recology.
7.03.B	Public Education and Promotion – Annual Public Education Plan	The SBWMA shall prepare the Public Education Plan and share this Plan with Recology for feedback prior to finalizing it for Board approval each calendar year.	This modification is needed since Recology has eliminated the Public Education Manager Position and SBWMA is now taking the lead on developing public education and outreach materials going forward.
7.03.D	Public Education and Promotion – SBWMA and Agency Responsibilities	The Public Education Plan shall take precedence over the items listed in this section.	This change is needed to reinforce the collaborative approach between the SBWMA, Recology and the Board Public Education Subcommittee in developing the Public Education Plan and to ensure flexibility in the approach/strategy captured in the Plan.
7.03.E (Subsections 16 and 17)	Public Education and Promotion – Contractor Responsibilities	Subsections 16 and 17 in this section shall be revised to state the SBWMA shall take the lead in developing/producing bill inserts for the Member Agencies and the Service Notice per Section 7.03.J; however, Recology shall continue to be responsible for costs associated with producing and distributing bill inserts and the Service Notice.	This modification is needed since Recology has eliminated the Public Education Manager Position and SBWMA is now taking the lead on developing public education and outreach materials going forward.
7.03.F	Public Education and Promotion – Staffing	This section will be deleted in its entirety.	This change is needed since the Public Education Manager position was eliminated. Feedback from Subcommittee.
7.03.G	Public Education and Promotion – Meeting Requirements	The “public education manager” will be deleted and replaced with the “General Manager or his/her designee.”	This modification is needed since the Public Education Manager position was eliminated.

<u>Section</u>	<u>Section Title</u>	<u>Scope of Administrative Change</u>	<u>Rationale</u>
7.04 A	Commercial Recycling Promotion Staff	This section shall be changed to reflect the elimination of two diversion auditor positions.	Recology has eliminated two potentially unnecessary commercial recycling outreach program diversion auditor positions. This change has already been implemented for 2013 as part of the good faith package of agreements made between the RethinkWaste and Recology that have resulted in annual cost savings to the Member Agencies of approximately \$325,000.
7.04.E	Targeted Commercial Recycling Promotion	<p>The number of on-site waste assessments will be changed to reflect the figures shown in column F of Table A-1.</p> <p>Recology shall be required to annually prepare the proposed list of customers to perform the assessment for and meet with each Agency individually to get the Agency's approval to proceed with this list or a modified list at the Agency's discretion. A new customer list shall be prepared by Recology each year.</p>	This change is needed due to the agreed upon commercial recycling promotion program headcount reduction since this work was in-part performed by these eliminated positions. The result will allow the company's remaining Commercial Recycling Program Sales staff to spend more time monitoring and assisting the customers that most need assistance. In addition, fewer assessments reduce the Sales staff's reporting burden which in turn allows them to spend more time in the field with customers. A significant improvement in how this work is conducted is that the list of assessments will not be directly approved by each Agency annually.

<u>Section</u>	<u>Section Title</u>	<u>Scope of Administrative Change</u>	<u>Rationale</u>
8.02.G	Collection of Excess Materials (Overages)	The company will no longer be required to take a picture and send a letter to the customer, but shall be required to direct contact the customer via a phone call.	While the company has complied with the Agreements and taken pictures of these events, there have been no instances where the pictures are being used. The intent of taking the pictures was to benefit the company by ensuring disputes are settled quickly. However, the current system has been proven to be adequate and the use of pictures is not deemed as necessary. Section 8.02.G provides direction on the collection of excess materials (overages). As part of that section, Recology is required to take a photograph of the 3 rd and chargeable event and send the photo along with a letter to the customer. The company has found that its current process, which is to personally call the customer after the first, second, third, and subsequent events have been recorded in Routeware, is a much more customer friendly approach, therefore the use of photographs is not necessary.
8.02.L	Change in Collection Schedule	The 60-day advance notice requirement on service day changes shall be changed to two weeks for minor adjustments. A minor adjustment shall be defined as less than the average size of a single route per the collection service metrics delineated in the prior year's Compensation Application.	Modifying this requirement will improve the company's ability to maintain efficient routes in a timely manner and respond to needs of customers without undue delay. Major adjustments that require advance public education will continue to require the longer notice period; however, this modification will apply to instances where minor adjustments are needed to ensure customer's needs are met in a timely manner without disruptions in service.
9.05	Monthly Reports	<p>The Monthly Reports shall now include tonnage report source files, diversion levels and gross revenue. The reports shall not include commercial recycling reports (e.g., site assessments, net change reports, public education, community events, internal containers delivered, etc.); this information shall be included in the Quarterly Reports.</p> <p>In addition, these reports shall also include year-over-year and prior period comparative tonnage data.</p>	This change is needed to provide a more useful and user friendly Monthly Report.

<u>Section</u>	<u>Section Title</u>	<u>Scope of Administrative Change</u>	<u>Rationale</u>
9.06	Quarterly Reports	The quarterly reports shall now omit the redundant information included in the Monthly Reports in an effort to provide a more streamlined and useful Quarterly Report which will also include cart census data.	This change will reduce the unnecessary quarterly reporting and provide a more valuable and useful Quarterly Report.
Att. A	Definitions	Revise various definitions as appropriate given the scope of administrative changes included in this table, including assessing whether any new materials should be added to the "Targeted Recyclable Materials" list.	Several revisions will be necessary based on other contract modifications. Increasing the list of "Targeted Recyclable Materials" may result in new opportunities for diversion for customers and provide the company credit for collecting these additional materials marketed by SBR.
Att. Q	Unscheduled Services	Each Agency shall retain the revenue for first 20% of Backyard Service customers that subscribe to this service. (This change only clarifies this language in the Franchise Agreements.)	This change will result in increasing the clarity of the contract and ensure needed services are provided.
Attachment K and Section 11.04	Contractor's Compensation and Rate Setting Process	Recology shall be allowed to propose passing on cost savings to the Member Agencies and upon approval by the Agency, these cost savings shall be passed on to the Agency while allowing the company to retain the calculated profit on these reduced costs. The retained calculated profit figures shall be verified by SBWMA staff.	There are no provisions to conveniently share the benefit of cost savings measures since the Franchise Agreement is based on a fixed price compensation methodology. In the event the company can identify cost savings, these shall be passed on to the Member Agencies directly, while the company shall retain the calculated profit. This shall be mutually beneficial to the parties.

Attachment B to the Model Staff Report

Member Agency Model Letter

March 28, 2013

Mr. Mario Puccinelli, General Manager
Recology San Mateo County
225 Shoreway Road
San Carlos, CA 94070

RE: Administrative Changes to the Franchise Agreement for Recyclable Materials, Organic Materials and Solid Waste Collection Services

Dear Mr. Puccinelli:

This correspondence is to provide notice to Recology San Mateo County of the *{insert Agency name}* intention to authorize administrative changes to the Franchise Agreement in accordance with those listed in **Attachment A**.

However, the *{insert Agency name}* expressly preserves its right to enforce any and all sections of the Franchise Agreement at all times. These administrative changes do not constitute a waiver of any other provisions of the Franchise Agreement at the present time or in the future.

Sincerely,

{insert Agency official}

Attachment:

Attachment A – Administrative Changes to the Collection Services Franchise Agreement with Recology San Mateo County

cc:

Cliff Feldman, SBWMA Recycling Programs Manager

610 Elm Street, Suite 202 | P: 650-802-3500 |
San Carlos, CA 94070 | F: 650-802-3501 | RethinkWaste.org

MEMBER AGENCIES: Town of Atherton • City of Belmont • City of Burlingame • City of East Palo Alto • City of Foster City • Town of Hillsborough
City of Menlo Park • City of Redwood City • City of San Carlos • City of San Mateo • County of San Mateo • West Bay Sanitary District



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Cliff Feldman, Recycling Programs Manager
Date: March 28, 2013 Board of Director's Meeting
Subject: Resolution Recommending Amendments to the SBWMA Member Agency Collection Services Franchise Agreements with Recology San Mateo County

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2013-08 attached hereto authorizing the following action:

Recommending the Member Agencies approve amendments to their respective Franchise Agreements as provided in **Attachment A** – Proposed Amendments to the Member Agency Collection Services Franchise Agreements with Recology San Mateo County.

Analysis

Staff provided an update on discussions regarding potential contract amendments to the Board at the July 26, 2012 (agenda item 4C), October 25, 2012 (agenda item 6A) and February 28, 2013 (agenda item 7A) Board meetings. This Staff Report is a follow up to these prior items.

Staff and Recology management have held meetings since July 2012 to discuss potential changes to the Franchise Agreements for Collection Services with a goal of identifying changes that would accomplish the following:

- Reduce costs which could be Recology collection costs and/or SBWMA program costs.
- Streamline or eliminate any contractual provisions that are not needed or provide little or no value to the effected parties (e.g., the customer, Member Agencies, etc.).

The Board adhoc Subcommittee has more recently met with both Staff and Recology to discuss potential contractual modifications. Both staff and Recology believe this is an opportune time to review the Member Agencies Franchise Agreements given that we now have two years of operating and contract compliance experience with these new contracts.

Per discussion at the October 25, 2012 Board meeting, on January 14, 2013 staff convened a meeting with the Board adhoc Subcommittee on the Franchise Agreement Modifications consisting of representatives from Foster City (Laura Galli), Menlo Park (Rebecca Fotu), City of San Mateo (Roxanne Murray) and San Mateo County (Joe LaMariana and Lillian Clark). In addition, per discussion at the February 28, 2013 Board meeting, Staff convened another meeting with this adhoc Subcommittee and Recology's General Manager, Mr. Mario Puccinelli on March 11, 2013.

The scope of the recommended contract amendments pertain to the following sections and the specific recommended amendments are provided in **Attachment A**. On the following page is a summary of the recommended amendments and the rationale for each.

- *Attachment I – Performance Incentives and Disincentives.* Elimination of the Initial Missed Pick-Up Incentive/Disincentive is recommended. In 2011, the Member Agencies received an incentive payment of \$69,350. However, this amount was derived per an extrapolation calculation performed as part of the audit of the company's operations and reports for that year. In 2012, the company has reported that the Member Agencies owe an incentive payment of \$193,950 (unaudited by the SBWMA). Please refer to **Table A** below. Both the reporting burden and auditing burden are arduous and by eliminating this specific incentive/disincentive, the risk to both the Member Agencies and Recology will be eliminated and the time spent auditing this data will also be eliminated. It is important to note that there is no recommendation to modify the Missed Pick-Up Disincentive which has a zero tolerance and the company must pay \$50 per event.

Attachment I – Performance Incentives and Disincentives. The second recommended amendment to Attachment I is to modify the 90 Second Call Hold Time Disincentive as follows: This standard will only be triggered if the quarterly average of the calls received that do not meet the 90 second threshold exceeds 5% of the total calls received that quarter. Once this quarterly standard goes into effect (by the threshold exceeding 5% that quarter), it remains in effect for the balance of that calendar year. There is no incentive payment associated with this standard. In 2011, the disincentive payment totaled \$115,750. In 2012, the company has calculated this disincentive payment at \$22,255 (unaudited by the SBWMA). Please refer to **Table A** below.

Reducing the potential cost impact of these incentives and disincentives will in turn reduce the risk to both the company and Member Agencies. While this reduces the exposure to both sides, it also benefits the Member Agencies with rate setting by limiting the variability of potential cost increases related to these items.

Table A

<u>Member Agency</u>	Approved for 2011		Reported for 2012 (unaudited)	
	<u>SFD Missed P/U Initial Complaints</u>	<u>90 Second Max Hold Time</u>	<u>SFD Missed P/U Initial Complaints</u>	<u>90 Second Max Hold Time</u>
Atherton	(\$850)	\$1,680	(\$3,300)	\$316
Belmont	(\$3,850)	\$6,187	(\$14,950)	\$984
Burlingame	(\$4,900)	\$14,049	(\$12,550)	\$2,804
East Palo Alto	(\$3,750)	\$7,274	(\$9,300)	\$1,377
Foster City	(\$5,300)	\$7,535	(\$15,850)	\$1,480
Hillsborough	(\$2,350)	\$2,109	(\$5,750)	\$401
Menlo Park	(\$4,550)	\$10,681	(\$16,850)	\$2,192
North Fair Oaks	(\$2,000)	\$3,797	(\$5,000)	\$613
Redwood City	(\$13,200)	\$23,662	(\$34,900)	\$4,563
San Carlos	(\$7,250)	\$8,511	(\$16,500)	\$1,672
San Mateo	(\$15,900)	\$26,253	(\$43,200)	\$5,172
SM County	(\$4,000)	\$2,927	(\$10,900)	\$491
WBSD	(\$1,450)	\$1,084	(\$4,900)	\$191
Total	(\$69,350)	\$115,750	(\$193,950)	\$22,255
Negative number in parenthesis denotes Incentive payment due to Recology.				

- Amend Article 8 to include (a new) section 8.08(D) which shall formalize the Agency's ability to authorize future administrative changes to the Franchise Agreement that are programmatic and non-substantive from a financial perspective. The specific language is included in **Attachment A**. Amending the Franchise Agreement(s) to include this section will, for example, allow the staff at each Member Agency to authorize non-substantive modifications to the contract to ensure essential services are provided uninterrupted.

If the Board recommends adoption of contract amendments, then each Member Agency would need to separately act on adoption of such amendments.

Background

Recology initiated residential and commercial collection services for garbage, recycling and organics on January 1, 2011 per the provisions of twelve separate franchise agreements with the SBWMA Member Agencies. These agreements were developed and negotiated based on a franchise agreement template referred to as the Uniform Franchise Agreement for Collection Services. Each Agreement was tailored to reflect specific Member Agency needs as requested.

Fiscal Impact

Changes to Attachment I (Performance Incentives and Disincentives) are also expected to eliminate the financial exposure of a payout to Recology of performance incentive payments related to Initial Missed Pick-Up Events for 2012 reported to be \$193,950 (unaudited) and a disincentive payment due from the company for the 90 Second Call Hold Time reported to be \$22,255.

Attachments:

Resolution 2013-08

Attachment A – Proposed Amendments to the Member Agency Collection Services Franchise Agreements with Recology San Mateo County



RESOLUTION NO. 2013-08

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS RECOMMENDING AMENDMENTS TO THE SBWMA MEMBER AGENCY COLLECTION SERVICES FRANCHISE AGREEMENTS WITH RECOLOGY SAN MATEO COUNTY

WHEREAS, the twelve Member Agencies that comprise the South Bayside Waste Management Authority have all executed ten year Collection Services Franchise Agreements with Recology San Mateo County; and,

WHEREAS, an adhoc Subcommittee of the SBWMA Board of Directors was convened to assist Staff with scoping and negotiating several improvements and clarifying changes to the Collection Services Franchise Agreements with Recology San Mateo County, and,

WHEREAS, Recology has concurred with the scope of amendments to the Franchise Agreements as presented in **Attachment A**; and,

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the recommendation for the Member Agencies to approve amending their respective Franchise Agreements as provided in **Attachment A** – Proposed Amendments to the Member Agency Collection Services Franchise Agreements with Recology San Mateo County.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 28th day of March, 2013, by the following vote:

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Atherton					Menlo Park				
Belmont					Redwood City				
Burlingame					San Carlos				
East Palo Alto					San Mateo				
Foster City					County of San Mateo				
Hillsborough					West Bay Sanitary Dist				

I HEREBY CERTIFY that the foregoing Resolution No. 2013-08 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on March 28, 2013.

ATTEST:

John Doughty, Chairperson of SBWMA

Cyndi Urman, Board Secretary



ATTACHMENT A

Amendment Number 1 to the Franchise Agreement Between *{insert Member Agency}* and Recology San Mateo County for Recyclable Materials, Organic Materials, and Solid Waste Collection Services

The scope of amendments shall be as follows:

- **Attachment I** – Performance Incentives and Disincentives shall be replaced in its entirety with the redline version of Attachment I attached.
- The following new section shall be included in Article 8, Section 8.08 – Communication and Cooperation with Agency:

Section 8.08 (D) – Administrative Changes to the Franchise Agreement - The parties agree that certain aspects of services provided under this Agreement may be modified without formally amending this Agreement via an action by the City Manager or governing body of an Agency. Subject to mutual agreement by Contractor and Agency, Agency's City Manager, his/her designee or the governing body may administratively approve modifications to the provision of services if such modifications do not materially impact the cost or quality of services delivered by Contractor. Examples of such modifications the parties deem necessary and which may arise periodically shall include, but not be limited to:

- Minor adjustments to routes
- Changes in the hours or days the Contractor's customer service center is open
- Minor adjustments to the collection schedule for on-call services
- Clarification of language in the Agreement
- Changes in reporting requirements

ATTACHMENT I

PERFORMANCE INCENTIVES AND DISINCENTIVES

Performance incentives (in the form of increased compensation to Contractor) will be awarded for excellent performance on aspects of Solid Waste diversion, Collection service delivery and Customer service as specified in this Attachment. Any performance incentive for achieving or surpassing the performance standards specified herein shall be added to Contractor's Compensation during the Rate Year immediately following the calculation and award of the performance incentive. Performance disincentives will be assessed for substandard performance on aspects of Solid Waste diversion, Source Separated and Targeted Recyclable Materials contamination, Organic Materials contamination, Plant Materials contamination, Collection service delivery and Customer service as specified in this Attachment. Any performance disincentives for performance falling below standards as specified herein shall be subtracted from Contractor's Compensation during the Rate Year immediately following the calculation and assessment of the performance disincentive, with the exception of Contamination related disincentives which shall be paid by Contractor quarterly.

The performance incentives and disincentives contained herein will commence after full implementation of the roll-out of new services to Agency, with the exception of Contamination disincentives for Single-Family Targeted Recyclable Materials, which will commence after the first six (6) months of Rate Year One (2011). Agency may defer imposing some standards until after the first six (6) months of the roll-out of new services.

1. GENERAL

Agency shall provide an incentive payment to Contractor for exceeding the following ~~three (3)~~ two (2) performance standards:

- Overall Diversion Level
- ~~Single-Family Missed Pick-Up Initial Complaints~~
- Average Speed of Answer

Agency shall assess a disincentive payment to Contractor for not meeting the following ~~eleven (11)~~ ten (10) performance standards:

- Minimum Single-Family Diversion Level
- Minimum Commercial Diversion Level
- Maximum Contamination Level – Single-Family Targeted Recyclable Materials
- Maximum Contamination Level – Single-Family Organic Materials
- Maximum Contamination Level – Commercial Source Separated and Targeted Recyclable Materials
- Maximum Contamination Level – Commercial Organic Materials
- Maximum Contamination Level – MFD and Commercial Plant Materials
- ~~Single-Family Missed Pick-Up Initial Complaints~~
- Single-Family Missed Pick-Up Collection Events
- Average Speed of Answer
- Ninety (90) Second Maximum Hold Time

Table 1 provides a summary of the incentives and disincentives, which are described in detail in Sections 2 - 7 of this Attachment. Section 8 of this Attachment describes the incentive and disincentive payment procedures.

ATTACHMENT I PERFORMANCE INCENTIVES AND DISINCENTIVES

Summary of Incentives/Disincentives

TABLE 1			
Performance Incentive and Disincentive	Disincentive Payment Threshold	Incentive Payment Threshold	Performance Incentive/Disincentive Payment Amount
Annual Diversion Level			
Overall Diversion Level ¹	Not applicable	calculated Overall Diversion Level > targeted Overall Diversion Level	Incentive payment = \$70.00 per Ton
Minimum Single-Family Diversion Level	Level < TBD% ¹	Not applicable	Disincentive payment = \$70.00 per Ton
Minimum Commercial Diversion Level	Level < TBD% ²	Not applicable	Disincentive payment = \$70.00 per Ton
Maximum Contamination Level – Residential Targeted Recyclable Materials	Rate Year One level > 20% ³ Rate Year Two (2012) through Ten (2020) level > TBD ⁴	Not applicable	Disincentive payment = \$175.00 per Ton
Maximum Contamination Level – Residential Organic Materials	Level > 5%	Not applicable	Disincentive payment = \$70.00 per Ton
Maximum Contamination Level – Commercial Targeted Recyclable Materials	Level > 8%	Not applicable	Disincentive payment = \$70.00 per Ton
Maximum Contamination Level – Commercial Organic Materials	Level > 10%	Not applicable	Disincentive payment = \$70.00 per Ton
Maximum Contamination Level – MFD and Commercial Plant Materials	Level > 5%	Not applicable	Disincentive payment = \$70.00 per Ton
Single-Family Missed Pick-Up Initial Complaints	Actual % > 0.1% (1 Complaint per 1,000 Service Opportunities)	Actual % < 0.033% (1 Complaint per 3,000 Service Opportunities)	Incentive or Disincentive payment = \$50.00 per Complaint

ATTACHMENT I PERFORMANCE INCENTIVES AND DISINCENTIVES

TABLE 1			
Performance Incentive and Disincentive	Disincentive Payment Threshold	Incentive Payment Threshold	Performance Incentive/Disincentive Payment Amount
Single-Family Missed Pick-Up Collection Event	Actual > 0	Not applicable	Disincentive payment = \$50.00 per Missed Pick-Up Collection Event
Average Speed of Answer	Actual > 30 seconds	Actual < 15 seconds	Incentive or disincentive payment = \$500 per second above or below the threshold
Ninety (90) Second Maximum Hold Time	Actual < 100% of all calls received are answered in ninety (90) seconds or less	Not applicable	Disincentive payment = \$5.00 per number of calls exceeding the threshold

¹ "TBD" is "to be determined. The minimum Single-Family Diversion Level for Rate Year One (2011) shall equal the calculated Single-Family Diversion Level achieved by the Previous Contractor in 2010 which shall include all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010. The minimum Single-Family Diversion Level for Rate Year Two (2012) through Ten (2020) shall equal the higher of the following: (i) the Single-Family Diversion Level achieved by Previous Contractor in 2010 including all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010 or (ii) the Single-Family Diversion Level achieved by Contractor in Rate Year One (2011).

² "TBD" is "to be determined. The minimum Commercial Diversion Level targeted for Rate Year One shall equal the calculated Commercial Diversion Level achieved by the Previous Contractor in 2010 which shall include all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010. The minimum Commercial Diversion Level for Rate Year Two shall equal the higher of the following (i) the Commercial Diversion Level achieved by Previous Contractor in 2010 including all Recyclable Materials Collected by Contractor during the Recycling Blitz in 2010 or (ii) the Commercial Diversion Level achieved by Contractor in Rate Year One (2011).

³ The Single-Family Dwelling Targeted Recyclable Materials maximum Contamination Level is twenty percent (20%) for the last six (6) months of Rate Year One (2011).

⁴ "TBD" is: "to be determined." The Rate Year Two (2012) through Rate Year Ten (2020) maximum Contamination Level will be established by calculating the arithmetic average of the quarterly results obtained from the sampling for Rate Year One (2011) conducted pursuant to Section 6.02.B and Attachment E-2.

ATTACHMENT I

PERFORMANCE INCENTIVES AND DISINCENTIVES

2. DIVERSION LEVELS

Definition of Calculated Diversion Level

The Single-Family, Commercial and Overall Diversion Levels achieved shall be calculated based on the methodology shown in the following example:

Example assumptions (actual results will be based on Contractor performance):

Rate Year Two (2012) Results					
Service Sector	Material Type	Tons Collected	Contamination Percent	Contamination Tons	Net Tons
Single-Family	Targeted Recyclable Materials	35,000	7.00%	2,450	32,550
	Other Recyclable Materials	3,000	N/A	N/A	3,000
	Organic Materials	51,000	8.00%	4,080	46,920
	Total Diversion	89,000	N/A	6,530	82,470
	Solid Waste	80,000	N/A	6,530	86,530
	Calculated Single-Family Diversion Level				
Multi-Family	Targeted Recyclable Materials	8,000	9.00%	720	7,280
	Other Recyclable Materials	1,000	N/A	N/A	1,000
	Organic Materials	6,000	9.00%	540	5,460
	Plant Materials	1,000	2.00%	20	980
	Total Diversion	16,000	N/A	1,280	14,720
	Solid Waste	30,000	N/A	1,280	31,280
Commercial	Targeted Recyclable Materials	28,000	6.00%	1,680	26,320
	Other Recyclable Materials	2,000	N/A	N/A	2,000
	Organic Materials	13,000	6.00%	780	12,220
	Plant Materials	5,000	4.00%	200	4,800
	Total Diversion	48,000	N/A	2,660	45,340
	Solid Waste	147,000	N/A	2,660	149,660
Agency Facilities	Targeted Recyclable Materials	2,000	6.00%	120	1,880
	Other Recyclable Materials	500	N/A	N/A	500
	Organic Materials	500	6.00%	30	470
	Plant Materials	200	4.00%	8	192
	Total Diversion	3,200	N/A	158	3,042
	Solid Waste	9,000	N/A	158	9,158
Multi-Family, Commercial and Agency Facilities Total	Targeted Recyclable Materials	38,000	N/A	2,520	35,480
	Other Recyclable Materials	3,500		N/A	3,500
	Organic Materials	19,500		1,350	18,150
	Plant Materials	6,200		228	5,972
	Total Diversion	67,200		4,098	63,102
	Solid Waste	186,000		4,098	190,098
Calculated Commercial Diversion Level¹					24.92%
Single-Family, Multi-Family, Commercial and Agency Facilities ²	Targeted Recyclable Materials	73,000	N/A	4,970	68,030
	Other Recyclable Materials	6,500	N/A	N/A	6,500
	Organic Materials	70,500	N/A	5,430	65,070
	Plant Materials	6,200	N/A	228	5,972
	Total Diversion	156,200	N/A	10,628	145,572
	Solid Waste	266,000	N/A	4,098	276,628
Calculated Overall Annual Diversion Level²					34.48%

¹ Commercial Diversion includes: Multi-Family, Commercial and Agency Facility Service Sectors.
² Overall Diversion Level includes Single-Family, Multi-Family, Commercial and Agency Facility Service Sectors.

ATTACHMENT I

PERFORMANCE INCENTIVES AND DISINCENTIVES

Exceptional Diversion Level Performance

For Rate Years Two (2012) through Ten (2020) Contractor shall receive an incentive payment if the calculated Overall Diversion Level achieved by Contractor in any given Rate Year exceeds (i) the highest calculated Overall Diversion Level achieved by Contractor in a prior Rate Year during the Term or (ii) the Overall Diversion Level achieved by Previous Contractor in 2010 which shall include all Recyclable Materials Collected by Contractor during the Recycling Blitz.

For example:

- If the Previous Contractor achieves an Overall Diversion Level of 36.45% (including all Recyclable Materials Collected by Contractor during the Recycling Blitz) in 2010 and Contractor achieves an Overall Diversion Level of 35.58% in Rate Year One, the Contractor must achieve an Overall Diversion Level greater than 36.45% in any given Rate Year to receive an incentive payment.
- If Contractor achieves Overall Diversion Levels for Rate Years Two, Three, Four and Five of 37.66%, 38.59%, 38.38% and 37.64%, respectively, Contractor shall receive an incentive payment for Rate Year Three only and the Overall Diversion Level that must be exceeded is 38.59% in future Rate Years, unless a higher Overall Diversion Level is achieved.

The targeted Overall Diversion Level shall be calculated based on the methodology used in the following example:

Example assumptions (actual results *will be based on Contractor performance*):

ATTACHMENT I PERFORMANCE INCENTIVES AND DISINCENTIVES

Rate Year	Diversion Level	Tons Diverted	Tons Disposed	Total Tons Collected	Disincentive Payment (\$70.00 per net Ton Diverted)	Incentive Payment (\$70.00 per net Ton Diverted)
Calculated Single-Family Diversion Level for 2013	49.42%	83,700	85,658	169,358		
Minimum Single-Family Diversion Level for 2012	48.80%	82,470	86,530	169,000		
Variance from 2012 to 2013	0.62%			1,055.30	None	N/A
Calculated Commercial Diversion Level for 2013	24.70%	62,010	189,000	251,010		
Minimum Commercial Diversion Level for 2012	24.92%	63,102	190,098	253,200		
Variance from 2012 to 2013	-0.22%			-546.21	-\$38,234.88	N/A
Calculated Overall Diversion Level for 2013	34.66%	145,710	274,658	420,368		
Targeted Overall Diversion Level for 2012	34.48%	145,572	276,628	422,200		
Variance from 2012 to 2013	0.18%			769.66	N/A	\$53,876.37
New Targeted Overall Diversion Level for 2014	34.66%					
Summary:					Net Payment Due: Positive Amount Due Contractor and Negative Amount Due Agencies	\$15,641.50
Single-Family Diversion =	<u>Variance</u> 0.62%	Positive results in no Disincentive due				
Commercial Diversion =	-0.22%	Negative results in Disincentive due				
Overall Diversion =	0.18%	Positive results in Incentive due				

Minimum Diversion Level Requirements

Minimum Single-Family Diversion Level

For Rate Years One (2011) through Ten (2020), Contractor shall be assessed a Disincentive Payment if the calculated Single-Family Diversion Level is less than the targeted (minimum) Single-Family Diversion Level.

The minimum Single-Family Diversion Level for Rate Year One (2011) shall equal the calculated Single-Family Diversion Level achieved by the Previous Contractor in 2010 including all Recyclable Materials Tons Collected by Contractor during the Recycling Blitz. The minimum Single-Family Diversion Level for Rate Year Two (2012) through Rate Year Ten (2020) shall equal the higher of the following: (i) the Single-Family Diversion Level achieved by Previous Contractor in 2010 including all Recyclable

ATTACHMENT I

PERFORMANCE INCENTIVES AND DISINCENTIVES

Materials Tons Collected by Contractor during the Recycling Blitz or (ii) the Single-Family Diversion Level achieved by Contractor in Rate Year One (2011).

For example:

- If the Previous Contractor achieves a Single-Family Diversion Level of 44.45% in 2010 and Contractor's calculated Single-Family Diversion Level is 43.85% in Rate Year One (2011), Contractor shall be assessed a disincentive payment for Rate Year One.
- If the Previous Contractor achieves a Single-Family Diversion Level of 44.45% in 2010 and Contractor achieves calculated Single-Family Diversion Levels of 46.85% in Rate Year One and 45.54% in Rate Year Two, the targeted Single-Family Diversion Level for Rate Years Three (2013) through Ten (2020) shall be 46.85%.

Minimum Commercial Diversion Level

For Rate Years One (2011) through Ten (2020), Contractor shall be assessed a Disincentive Payment if the calculated Commercial Diversion Level is less than the targeted (minimum) Commercial Diversion Level. The minimum Commercial Diversion Level for Rate Year One (2011) shall equal the calculated Commercial Diversion Level achieved by the Previous Contractor in 2010 including all Recyclable Materials Tons Collected by Contractor during the Recycling Blitz. The minimum Commercial Diversion Level for Rate Year Two (2012) through Rate Year Ten (2020) shall equal the higher of the following: (i) the Commercial Diversion Level achieved by Previous Contractor in 2010 including all Recyclable Materials Tons Collected by Contractor during the Recycling Blitz or (ii) the Commercial Diversion Level achieved by Contractor in Rate Year One (2011).

For example:

- If the Previous Contractor achieves a Commercial Diversion Level of 21.35% in 2010 and the Commercial Recyclable Materials Tons Collected by Contractor during the Recycling Blitz increases this Diversion level to 26.35% and Contractor's calculated Commercial Diversion Level is 25.85% in Rate Year One, Contractor shall be assessed a disincentive payment for Rate Year One.
- If the Previous Contractor's activities in 2010 and Contractor's Recycling Blitz activities combined achieve a Commercial Diversion Level of 26.35% in 2010 and Contractor achieves calculated Commercial Diversion Levels of 27.13% in Rate Year One and 25.38% in Rate Year Two, the targeted Single-Family Diversion Level for Rate Years Three through Nine shall be 27.13%.

ATTACHMENT I

PERFORMANCE INCENTIVES AND DISINCENTIVES

3. CONTAMINATION LEVELS

Contamination Level Requirements

The maximum Contamination Levels shall be:

- Rate Year One (2011) Single-Family Targeted Recyclable Materials = twenty percent (20%) for the last six (6) months of Rate Year One (2011)
- Rate Year Two (2012) through Ten (2020) Single-Family Targeted Recyclable Materials = TBD%

“TBD” is: To Be Determined. The Rate Year Two (2012) through Rate Year Ten (2020) maximum Contamination Level will be established by calculating the arithmetic average of the quarterly results obtained from the sampling for Rate Year One (2011) conducted pursuant to Section 6.02.B and Attachment E-2.

- Residential Organic Materials = 5%
- Commercial Source Separated and Targeted Recyclable Materials = 8%
- Commercial Organic Materials = 10%
- MFD and Commercial Plant Materials = 5%

Contamination Disincentive Payment shall be:

- \$175.00 per Ton for Single-Family Targeted Recyclable Materials
- \$70.00 per Ton for Commercial Source Separated and Targeted Recyclable Materials
- \$70.00 per Ton for Organic Materials
- \$70.00 per Ton for Plant Materials

The Contamination Levels achieved will be determined based on the results of the Contamination Measurement Procedure conducted pursuant to Section 6.02.B and Attachment E-2.

Contamination Disincentive Payment

Contractor shall be assessed a disincentive payment for exceeding the maximum Contamination Level(s), based on the methodology shown in the following example:

ATTACHMENT I PERFORMANCE INCENTIVES AND DISINCENTIVES

Material Type	Tons Collected	Allowable Contamination Threshold	Measured Contamination Level	Variance	Tons	Payment Amount	Payment Due
Single-Family Targeted Recyclable Materials	35,000	6.20%	7.10%	0.90%	315	\$175	\$55,125
Commercial Targeted Recyclable Materials	38,000	8.00%	6.40%	-1.60%	N/A	\$70	N/A
Residential Organic Materials	51,000	5.00%	4.82%	-0.18%	N/A	\$70	N/A
Commercial Organic Materials	13,000	10.00%	8.50%	-1.50%	N/A	\$70	N/A
Multi-Family and Commercial Plant Materials	6,000	5.00%	5.60%	0.60%	36	\$70	\$2,520
						Total	\$57,645

~~4. SINGLE-FAMILY MISSED PICK-UP INITIAL COMPLAINTS~~

~~Incentive Payment for Exceptionally Low Missed Pick-Up Initial Complaint Level~~

~~Contractor shall receive an incentive payment if the percentage of Missed Pick-Up Initial Complaints for Agency is less than one (1) per three-thousand (1:3,000) of the total Single-Family Service Opportunities during the monthly reporting period (e.g., 15,000 SFD that are provided service for three carts or 45,000 total weekly Service Opportunities x 4.33 weeks per month = 194,850 Service Opportunities per month, which equates to a total allowance of 58 or fewer Missed Pick-Up Initial Complaints each month; or, the total number of Complaints is less 0.033% of all Service Opportunities). In such cases, the incentive payment shall be calculated based on the following example:~~

~~Actual number of Missed Pick-Up Initial Complaints = 36~~

~~Allowable threshold of Missed Pick-Up Initial Complaints = 58~~

~~Incentive Payment = \$50 per complaint~~

~~Incentive = Actual number < 0.033% of monthly Service Opportunities (i.e., 58)~~

~~36 - 58 = -22 = < 58~~

~~22 x \$50 = \$1,100~~

~~If the percentage of Single-Family Missed Pick-Up Initial Complaints for Agency is equal to or greater than one per three-thousand (1:3,000) Service Opportunities during the monthly reporting period, no incentive payment shall be provided for the monthly reporting period.~~

ATTACHMENT I

PERFORMANCE INCENTIVES AND DISINCENTIVES

~~Disincentive Payment for Excessive Initial Single-Family Missed Pick-Up Complaints~~

~~Contractor shall be assessed a disincentive payment if the percentage of Contractor's Missed Pick-Up Initial Complaints for Agency is less than one per one-thousand (1:1,000) Service Opportunities each month. If Contractor exceeds the minimum Missed Pick-Up Initial Complaints threshold, Agency shall assess a disincentive payment based on the following example:~~

~~Actual number of Single-Family Missed Pick-Up Initial Complaints = 267~~

~~Allowable threshold of Single-Family Missed Pick-Up Complaints = 195~~

~~Disincentive Payment = \$50 per complaint~~

~~Disincentive = Actual number > 0.1% of monthly Service Opportunities (i.e., 195)~~

~~267 - 195 = 72~~

~~72 * \$50 = \$3,600~~

54. SINGLE-FAMILY MISSED PICK-UP COLLECTION EVENTS

Contractor shall be assessed a disincentive payment for the actual number of Single-Family Missed Pick-Up Collection Events for Agency that occur during each month. Disincentive payments for Missed Pick-Up Collection Events will be based on the following example:

Actual number of Single-Family Missed Pick-Up Collection Events = 87

Allowable threshold of Single-Family Missed Pick-Up Collection Events = 0

Disincentive Payment = \$50 per Missed Pick-Up Collection Event

87 x \$50 = \$4,350

65. AVERAGE SPEED OF ANSWER AT CUSTOMER SERVICE CENTER

Exceptionally Fast Average Speed of Answer

Contractor shall receive an incentive payment if the actual Average Speed of Answer is less than fifteen (15) seconds each month. In such cases, the incentive payment shall be calculated based on the following example:

Actual Average Speed of Answer = 14 seconds

Average Speed of Answer Standard = 15 seconds

Speed of Answer Incentive Payment = \$500.00 per second

Incentive = Actual Average < 15 seconds

14 - 15 = -1 second

1 x \$500.00 = \$500

If the actual Average Speed of Answer is equal to or greater than fifteen (15) seconds each month, no incentive payment will be provided.

Maximum Average Speed of Answer

ATTACHMENT I PERFORMANCE INCENTIVES AND DISINCENTIVES

Contractor shall be assessed a disincentive payment if the Average Speed of Answer is less than or equal to thirty (30) seconds each month. If Contractor fails to achieve this maximum Average Speed of Answer, the Agency shall assess a disincentive payment based on the following example:

Actual Average Speed of Answer= 47 seconds

Average Speed of Answer Standard = 30 seconds

Speed of Answer Disincentive Payment = \$500.00 per second

Disincentive = Actual Average > 30 seconds

$47 - 30 = 17$ seconds

$17 \times \$500.00 = \$8,500$

If the actual Average Speed of Answer is equal to or greater than fifteen (15) seconds and less than thirty (30) seconds each month, neither incentives or disincentives shall be applied.

ATTACHMENT I

PERFORMANCE INCENTIVES AND DISINCENTIVES

76. NINETY SECOND (90) MAXIMUM HOLD TIME

The maximum Hold Time shall be ninety (90) seconds and this disincentive payment shall apply if the quarterly average of calls exceeding this ninety (90) second threshold exceeds five-percent (5%) of the calls received in any given Rate Year quarter (e.g., January, February and March). If Contractor fails to achieve this performance standard for any quarter, the Agency shall assess a disincentive payment for that quarter and the subsequent quarters of this Rate Year only (e.g., if the threshold is exceeded in the third quarter the disincentive is applied to the third and fourth quarter only that year and not the first and second quarters). based on the following example:

Number of calls exceeding the Ninety (90) Second threshold = 312

Disincentive Payment = \$5.00 per call

312 x \$5.00 = \$1,560

87. INCENTIVE/DISINCENTIVE PAYMENT PROCEDURES

A. **Record Keeping.** In accordance with Article 9, records shall be maintained by Contractor for Agency in a manner that adequately demonstrates and documents Contractor's performance in accordance with this Agreement. The records shall be sufficient for Agency and SBWMA to determine Contractor's compliance with the specified performance standards.

B. **Determination of Achievement of Performance Standards.** In accordance with the requirements of Sections 9.06, 9.07 and 11.07, Contractor shall provide with its quarterly and annual reports, a report that identifies compliance with the performance standards listed in this Attachment and calculation of the performance incentive payments and disincentive assessments due.

Performance incentives and disincentives for Overall Diversion Level, Minimum Single-Family Diversion Level, Minimum Commercial Diversion Level, Average Speed of Answer and Ninety (90) Second Maximum Hold Time shall be calculated in aggregate for the SBWMA Service Area and Agency's share shall be proportional based on the tons of Solid Waste Collected in the previous Rate Year by Contractor or for Rate Year One (2011) by Previous Contractor in 2010. Performance incentives and disincentives for ~~Single-Family Missed Pick-Up Initial Complaints and Single-Family Missed Pick-Up Collection Events~~ shall be calculated separately for each Agency. Disincentive assessments for Contamination shall be calculated in aggregate and paid to the SBWMA quarterly pursuant to Agreement Sections 9.06 and 11.07, and Section 8.D of this Attachment.

The incentives and disincentives that will be calculated monthly include:

~~—Single-Family Missed Pick-Up Initial Complaints~~

- Single-Family Missed Pick-Up Collection Events
- Average Speed of Answer
- Ninety (90) Second Maximum Hold Time

The disincentives that will be calculated quarterly include:

ATTACHMENT I

PERFORMANCE INCENTIVES AND DISINCENTIVES

- Single-Family Targeted Recyclable Materials maximum Contamination Level
- Single-Family Organic Materials maximum Contamination Level
- Commercial Source Separated and Targeted Recyclable Materials maximum Contamination Level
- Commercial Organic Materials maximum Contamination Level
- MFD and Commercial Plant Materials maximum Contamination Level

The incentives and disincentives that will be calculated annually include:

- Overall Diversion Level
- Minimum Single Family Diversion
- Minimum Commercial Diversion Level

- C. **Amount.** The incentive and disincentive payment amounts shall be determined in accordance with the formulas presented in Sections 2 - 7 of this Attachment I.
- D. **Timing of Payment.** Payments related to performance incentives and disincentives that are calculated monthly and annually are to be included in Contractor's annual Application for adjustment to Contractor's Compensation. Contractor's Compensation for the next Rate Year will be increased or decreased by the net amount of performance incentive payments and disincentive assessments calculated. Payment by Contractor for Contamination related performance disincentives that are calculated quarterly shall be paid to the SBWMA within ten (10) days after submittal of Contractor's quarterly report. The SBWMA will review Contractor's calculations of incentives and disincentive payments and underlying data for accuracy, will confer with Member Agencies to confirm data as to each Member Agency, and will meet with Contractor to resolve any errors or inconsistencies.
- E. **Disputes by Contractor.** Contractor may, within ten (10) calendar days after receiving the Agency's or SBWMA's written notice containing Agency's or SBWMA's revised determination of incentive and disincentive payments, provide written notice to Agency and SBWMA of any disagreement with Agency's or SBWMA's determination. Contractor may present evidence in writing to support its position. Agency and SBWMA shall review Contractor's submission and within ten (10) calendar days shall schedule a meeting with Contractor to discuss Contractor's concerns. The decision of Agency or SBWMA shall be final.



Agenda Item 7D

Discussion on SBWMA Governance

Discussion Item only – No Report

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