



A Public Agency

EXECUTIVE DIRECTOR'S REPORT

STAFF REPORT

To: SBWMA Board Members
From: Joe La Mariana, Executive Director
Date: September 28, 2017 Board of Directors Meeting
Subject: Executive Director's Report

Please note the following:

1. **There will be no October Board meeting.** Instead, we will host a **TAC meeting** during this same time/date slot which will focus on a) the pressing Lithium Ion Battery/Fire issue and b) an early FY2018-19 Capital Improvement Plan (CIP) conceptual discussion.
2. **2018 Household Hazardous Waste Temporary Events in SBWMA service area—calendar is being set right NOW.** Please contact SMC HHW Program Coordinator, **Elizabeth Rouan** (erouan@smcgov.org) immediately to lodge your member agency's interest to host an event(s) in 2018. Please note that she will need to evaluate proposed venues to ensure that they meet strict guidelines to host a successful event.
3. **I will be out of the office from October 6th and returning on October 24th** due to my daughter's wedding and to celebrate our 35th anniversary. Hilary Gans will provide senior-level agency coverage during this time. My email access will only be as good as the rural Italian countryside offers!

The following projects and initiatives highlight staff efforts since the last Board meeting:

1. **Administration & Finance—It's Been a Very Busy Summer.**

A. SBWMA Annual Financial Practices Audit—Maze & Associates Begins Their Work

Consistent with public agency financial requirements and best practices, the City of San Carlos (the SBWMA's financial services contractor) has, once again, engaged independent public accounting firm Maze & Associates (Maze), to conduct this year's audit of the Agency's financial practices and procedures. Agency staff works with Maze "as requested" to address their questions and clarifications that occur during this review. Maze will issue their Final Report findings in late November. The SBWMA Finance Committee will review this report in January, with a particular emphasis on the Agency's performance in meeting its critical bond covenant and other key financial obligations. The SBWMA Board will then review these findings at the January meeting.

The following initiatives provide critical bench strength to our in-house Agency resources and significantly improve the office space in which we work. They are:

B. Recruiting:

- **Recycling Programs & Outreach Manager:** Qualified finalists are currently being considered for this vacancy with a final candidate expected to join our Agency team in November. Many important pent up projects await this talented new team member!

- **4 Fellows--Long Range Plan Programs:** Final candidates have been selected to support the Environmental Education program (2) and the Public Spaces Recycling Program (2). They will join our team in October.

C. Office Refresh Project—*Work is almost done! Open House on 11/16/17 @ 12:30pm*

Work began on June 23rd and is expected to be completed by mid-October. Priority has been given to, whenever possible, using reuse and sustainably-sourced materials and supporting local small businesses and resources to align with the Agency's firm sustainability mission. Staff will host the Agency's traditional Holiday lunch in the refreshed offices immediately before the November meeting when we're truly ready for company.

2. Collection and Recycling Program Support and Compliance:

A. Franchise Agreement Negotiations—*SBWMA Staff Supports Member Agency/Recology discussions:*

Earnest discussions are now well under way with eight member agencies, and the remaining four begin in the very near future. The goal of these meetings is, of course, to customize the model Franchise Agreement document (approved by SBWMA Board on June 22) to meet each member agency's specific solid waste program operational and financial goals for the final consideration of each member agency's elected bodies within the next few months. While the technical deadline for JPA ratification (by eight member agencies) is June 1st, 2018, the SBWMA Board has given staff and Recology clear direction to complete the approval process as close to December 31st as possible. Each discussion has included the Recology management team, senior member agency representatives and myself. Talks have focused on updating those limited designated attachments and sections of the Model Franchise Agreement document that were eligible for modifications, as described by SBWMA attorney, Jean Savaree, at the June Board meeting and explicitly outlined in my letters to Board/TAC members dated on July 19th and September 15th.

A model staff report and resolution is available for member agency staff use and will be forwarded shortly.

An important note: Based on clear staff feedback from an August 16th study session held and the Agency's strong legal recommendation, there are three important value-added programs that are not yet ready to insert into the current Franchise Agreement approval process. There are still outstanding moving parts which require resolution and, ultimately, final SBWMA and Member Agency approvals before they're ready to tuck into the 12 individual Franchise Agreement documents. These programs are:

1. **The Bulky Item Collection program (BIC)**
2. **The Abandoned Waste/Illegal Dumping program (AW)**
3. **Storm Water Pollution Prevention—Litter Reduction Actions**

SBWMA staff, member agency staff and Recology are firmly committed to properly addressing the outstanding issues in these programs during the next year so that they can be bundled together for inclusion into each individual member agency's Franchise Agreements in the form of a proposed Amendment #1. This proposed Amendment #1 would still coincide with the January 1, 2021 start date of the restated and amended contract term. By adopting this strategy, SBWMA Board's timeline will be honored, while taking the time to fully resolve these complex issues to evaluate the best practice solutions that work best for our member agencies.

B. Bay Area Comparative Cost Survey Results: At the June Board meeting, a number of Board members, led by Board Member Brownrigg, expressed a desire to see a high-level financial overview of how the SBWMA's total solid waste handling system costs compared to other programs in the Bay Area marketplace, on a "per person" basis. In response to this request, Staff and HF&H Consultants (HFH) have prepared such a comparison for Board review and it is attached (**Attachment A**) to this report. The summarized results clearly indicate a favorable comparison for the SBWMA program costs. Please note that survey data was limited to six local jurisdictions that HF&H had direct access to.

- C. **Commercial Container Utilization Technology Pilot:** Staff continues to evaluate new efficiency programs and technologies for the SBWMA solid waste collection system. In the spirit of this quest, with full collaboration with the Recology team, Staff has initiated a new data-gathering pilot with an emerging new local company called Compology. This agency-wide pilot involves the use of 400 in-container camera units to remotely record the volumes and utilization of select commercial carts and bins for those accounts that are subject to the mandatory organics requirements, as stated in recent California laws AB 1826 and AB 1383. These units will be installed by November and field data will be captured in December and January. Compology will provide a final report with their findings and recommendations by March which will be reported to the Board in April. The pilot will target grocery stores, restaurants, tech campus food service centers, etc. The \$40k pilot cost is in our FY1718 budget under the Agency's Long Range Plan line item.

3. **Shoreway Operations and Contract Management-All Fire Repair Complete; China Market Unknowns:**

A. **General Operations:**

- **All fire repair and facility restoration work to the MRF and Transfer Station is now complete.** A final financial reconciliation is now being led by SBWMA staff in strong coordination with Hanover Insurance, SBR and the SBWMA's construction management contractor, Tanner Pacific. A closing report out will be provided at the November Board meeting. A verbal update will be provided today in agenda item #10B.
- **Curbside Collection of Household Batteries will End in early 2018:** To address the obvious safety threat that Lithium Ion (LI) batteries pose, it is Staff's strongest recommendation that all household batteries be eliminated from curbside collection as soon as possible. Staff is currently working collaboratively with County HHW program staff to responsibly transition these materials over to their program. The Agency's new Recycling Programs Outreach Manager (RPOM) will develop an extensive supporting public education campaign to support this critical action. Once discussions are completed with County HHW staff and our new RPOM is on-board, Staff recognizes that even with this action, incidental LI units can and will still work their way into our facilities and we must continue our vigilance in all aspect of our operations. Staff will recommend a specific date and work plan for the termination battery collection to the board at the November meeting..

Results of the RRS MRF operators national LI battery incident survey and best practices review will be shared today in Agenda item# 10B. A deeper dive on this important topic will provided to the TAC on October 26th. Staff will use the feedback from this session to shape specific recommendations for Board consideration at its meeting on November 16th.

- **Abrupt political policy shift in China may affect entire American recycling industry in October/November, and beyond.** On August 16th, SBR's senior management advised SBWMA staff of an unexpected and potentially significant shift in China's willingness to accept American recyclable materials for use in their massive paper and packaging industry. The initial policy language strongly indicates that the new policy emphasis appears to reject low-grade recyclables, rather than the high-grade materials that the SBWMA program delivers.

SBR also provided a second verbal update of this evolving situation at the 9/14 TAC meeting. SBR explained that this extremely fluid situation is being addressed on a priority basis at the highest diplomatic levels, with their direct engagement, through the World Trade Organization (WTO) and other high-level international industry trade organizations. The California Governor and senior

CalRecycle management have also been engaged in securing a diplomatic resolution to this situation. SBR senior management will be at today's meeting to provide an up-to-the-minute situational analysis and answer questions for the Board. A brief SBR letter is attached to this report (**Attachment B**).

Several important notes: 1) While this situation appears to be driven through political channels, all economic signals and indicators in our industry remain extremely strong which suggests that resolution may come in the near future before any actual action and 2) This unexpected situation will likely have SBWMA budget impacts that require mid-year adjustments. Staff is tracking this quite closely.

- **Organics Processing RFP Complete.** Staff recently completed a public procurement process to process half of the organic materials handled at Shoreway each year through 2022. This action was initiated due to an expiring like contract on December 31, 2017. Staff recommendation to continue the SBWMA's contractual relationship with Republic Services' Newby Island facility for these services under a new contract through December 31st, 2022 will be discussed in agenda item #9B.

Respectfully submitted,



Joe La Mariana
Executive Director

Attachments:

- A. Bay Area Solid Waste Program Cost Survey Results
- B. Letter to SBWMA Staff from SBR regarding the China Situation

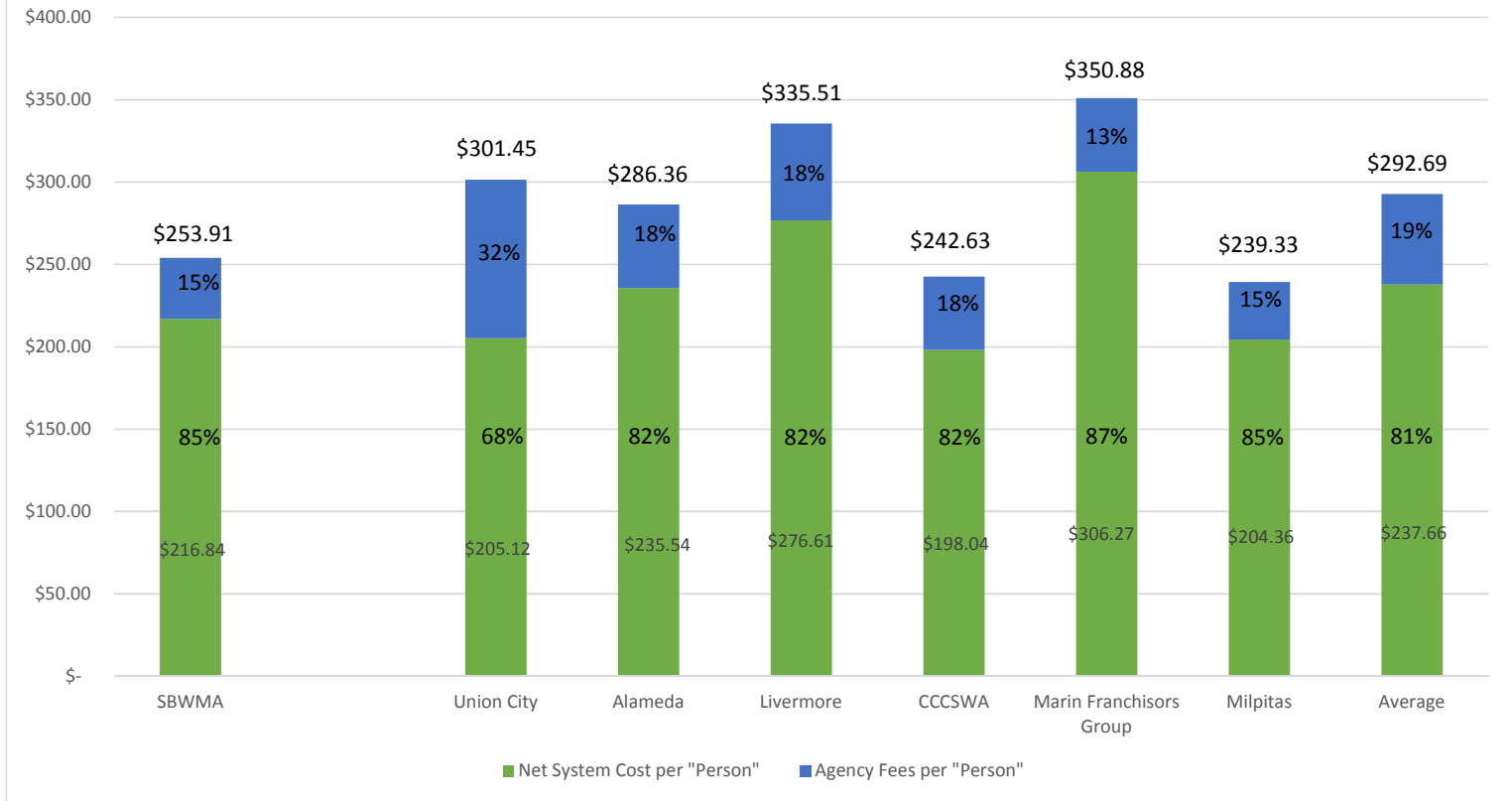
SBWMA
Analysis of Solid Waste System Cost Per Capita

		SBWMA		Union City	Alameda	Livermore	CCCSWA ¹	Marin Franchisors Group ²	Milpitas	Average
		2017	2021	Eff 07/01/17	Eff 07/01/17	Eff 07/01/17	Eff 2/1/17	Eff 01/01/17	Eff 9/1/2017	
Source:	Procurement (P)									
	Rate Review (RR)	RR	P	RR	RR	RR	RR	RR	P	
Total System Cost		\$97,589,923	\$110,637,794	\$19,313,331	\$19,964,075	\$26,235,279	\$47,923,270	\$31,959,547	\$15,742,213	
Agency Fees		\$13,989,698	\$16,191,205	\$6,171,794	\$3,542,800	\$4,605,691	\$8,807,547	\$4,063,882	\$2,300,000	
System Cost Before Agency Fees		\$83,600,225	\$94,484,676	\$13,141,537	\$16,421,275	\$21,629,588	\$39,115,723	\$27,895,665	\$13,442,213	
Population		435,740	435,740	73,452	79,928	89,648	226,443	104,423	75,410	
Total System Cost per "Person"		\$ 223.96	\$ 253.91	\$ 262.94	\$ 249.78	\$ 292.65	\$ 211.64	\$ 306.06	\$ 208.75	\$ 255.30
Agency Fees per "Person"		\$ 32.11	\$ 37.16	\$ 84.02	\$ 44.32	\$ 51.38	\$ 38.90	\$ 38.92	\$ 30.50	\$ 48.01
Net System Cost per "Person"		\$ 191.86	\$ 216.84	\$ 178.91	\$ 205.45	\$ 241.27	\$ 172.74	\$ 267.14	\$ 178.26	\$ 207.30
ESCALATED TO 2021 DOLLARS										
Bay Area CPI 12 month ave	June									
	3.48%									
Total System Cost per "Person"			\$ 253.91	\$ 301.45	\$ 286.36	\$ 335.51	\$ 242.63	\$ 350.88	\$ 239.33	\$ 292.69
Agency Fees per "Person"			\$ 37.16	\$ 96.33	\$ 50.82	\$ 58.90	\$ 44.59	\$ 44.62	\$ 34.97	\$ 55.04
Net System Cost per "Person"			\$ 216.84	\$ 205.12	\$ 235.54	\$ 276.61	\$ 198.04	\$ 306.27	\$ 204.36	\$ 237.66

¹ CCCSWA consists of: Lafayette, Orinda, Moraga, Walnut Creek, Danville and County

² Marin Franchisors Group consists of: San Rafael, Larkspur, Ross, Las Gallinas Valley Sanitary District, and County

Comparison of Annual Solid Waste System Cost per Person 2021 Dollars



SBWMA
Analysis of Solid Waste System Cost Per Capita

	SBWMA		Union City Eff 07/01/17	Alameda Eff 07/01/17	Livermore Eff 07/01/17	CCCSWA ¹ Eff 2/1/17	Marin	Milpitas Eff 9/1/2017	Average
	2017	2021					Franchisors Group ² Eff 01/01/17		
Source: Procurement (P) Rate Review (RR)	RR	P	RR	RR	RR	RR	RR	P	
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ESCALATED TO 2021 DOLLARS

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3.48%		\$ 253.91	\$ 301.45	\$ 286.36	\$ 335.51	\$ 242.63	\$ 350.88	\$ 239.33	\$ 292.69	
		\$ 37.16	\$ 96.33	\$ 50.82	\$ 58.90	\$ 44.59	\$ 44.62	\$ 34.97	\$ 55.04	
		\$ 216.84	\$ 205.12	\$ 235.54	\$ 276.61	\$ 198.04	\$ 306.27	\$ 204.36	\$ 237.66	
		\$ 37.16	\$ 96.33	\$ 50.82	\$ 58.90	\$ 44.59	\$ 44.62	\$ 34.97	\$ 55.04	

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15% 32% 18% 18% 18% 13% 15% 19%

Richmond	110,886	111,785		
San Pablo	30,972	31,053		
San Ramon	78,729	80,550		
Walnut Creek	70,340	70,974	15720	4.514885
Balance of County	171,913	173,454	51303.84	15269
		226,443		

Marin	263,150	263,604		
Belvedere	2,173	2,172		
Corte Madera	9,480	9,486		
Fairfax	7,560	7,571		
Larkspur	12,551	12,572	2552	4.926332
Mill Valley	14,887	14,910		
Novato	54,466	54,522		
Ross	2,541	2,543	787	3.231258
San Anselmo	12,929	12,937		
San Rafael	60,692	60,842	12303	4.945298
Sausalito	7,314	7,327		
Tiburon	9,497	9,508		
Balance of County	69,060	69,214	28466.44	6529
		104,423		

**CPI-All Urban Consumers (Current Series)
Original Data Value**

Series Id: CUURA422SA0
Not Seasonally Adjusted
Series Title: All items in San Francisco-Oakland-San Jose,
Area: San Francisco-Oakland-San Jose, CA
Item: All items
Base Period: 1982-84=100
Years: 2007 to 2017

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2007		213.688		215.842		216.123		216.240		217.949		218.485	216.048	214.736	217.361
2008		219.612		222.074		225.181		225.411		225.824		218.528	222.767	221.730	223.804
2009		222.166		223.854		225.692		225.801		226.051		224.239	224.395	223.305	225.484
2010		226.145		227.697		228.110		227.954		228.107		227.658	227.469	226.994	227.944
2011		229.981		234.121		233.646		234.608		235.331		234.327	233.390	232.082	234.698
2012		236.880		238.985		239.806		241.170		242.834		239.533	239.650	238.099	241.201
2013		242.677		244.675		245.935		246.072		246.617		245.711	245.023	243.894	246.152
2014		248.615		251.495		253.317		253.354		254.503		252.273	251.985	250.507	253.463
2015		254.910		257.622		259.117		259.917		261.019		260.289	258.572	256.723	260.421
2016		262.600		264.565		266.041		267.853		270.306		269.483	266.344	263.911	268.777
2017		271.626		274.589		275.304								273.306	
						262.405									
						271.527									
						#####									
						3.48%									

South Bay Recycling, LLC

September 20, 2017

Mr. Joe LaMariana
Executive Director
ReThink Waste
610 Elm Street, Suite 202
San Carlos, CA 94070

Dear Joe:

Per recent meetings and discussions with SBR and SBWMA, there is an important development within the North American recycling industry that is having an impact on Material Recovery Facilities (MRFs) throughout California and other western states. Over the past few decades the majority of recovered fiber generated throughout CA has been exported to Asia, with China consuming a disproportionate share. Earlier this year China began restricting the flow of some materials while enforcing higher quality standards.

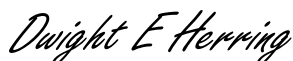
Recovered paper fiber represents the highest percentage (both in tons and value) of material generation, and that material has been and continues to be exported to Asia, primarily China. Recently China began reducing the amount of import permits released for recovered paper, and this is having a negative impact to the entire export market in Asia which is trying to absorb those recovered paper volumes which are temporarily prevented from going to China. As a result, recovered paper prices continue to decline. Earlier this year recovered paper pricing was above average, but now it has fallen below average levels. Over time we anticipate it to continue with normal fluctuations.

In October 2017 the scrap prices for recovered paper will be lower than September, and some in the industry think product movement could become an issue. The last time there was a tonnage flow disruption to MRF recovered paper the SBWMA requested that SBR advise them in advance of any future situation so that member agencies could be aware of the possible need to locate warehouse storage space to temporarily store baled commodities. Both Recology and Potential Industries are working closely and diligently to ensure normal tonnage flows, but with market pricing being both unpredictable and volatile if conditions do not improve, then there is a chance that SBR will request temporary relief from the Fiber Price Assurance mechanism.

The situation today is very fluid and even industry experts do not know if recovered paper markets will be problematic in October through year end. The fundamental supply and demand for recovered paper is solid. However, in the short term there may be some disruptions to business as usual. We are taking a day by day approach to things and will keep you advised of developments.

I am available to meet at your convenience to discuss further.

Sincerely,



Dwight Herring
General Manager