



# SHOREWAY OPERATIONS AND CONTRACT MANAGEMENT

## STAFF REPORT

**To:** SBWMA Board Members  
**From:** Hilary Gans, Operations Contracts Manager  
**Date:** October 27, 2016 Board of Directors Meeting  
**Subject:** Update on Shoreway Materials Recovery Facility Fire Claim and Restoration Process

### Recommendation

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

### Summary

This report provides a description of the status of claims with Hanover Insurance and the restoration of the Materials Recovery Facility (MRF) building and equipment to its full operation.

### Analysis

#### Insurer Coverage and Response

The SBWMA has maintained a fire damage insurance policy with Hanover Insurance in the coverage amounts listed in **Table 1**. The policy and coverage was established in consultation with SBWMA's broker Cohn-Reid-O'Neill (in Burlingame).

**Table 1. Hanover Insurance coverage**

- \$37 Million Buildings
- \$20 Million Personal Property
- \$4.5 Million Business Income
- The deductible is \$5,000

Hanover's loss adjusters responded promptly after being notified about the fire at the Shoreway MRF and visit to the facility on September 9<sup>th</sup> and 12<sup>th</sup>. Soon thereafter, Hanover conducted an investigation as to the cause of the fire (which proved inconclusive) and cleanup and restoration work was initiated. Hanover has been cooperative and expeditious in their response and in setting up claims for fire restoration expense processing. Hanover has indicated that they will reimburse the SBWMA for all expenses related to: 1) restoration of the building and equipment to proper function (Personal Property Coverage), and 2) SBWMA's loss of business revenues (Business Income Coverage) during the restoration process.

#### Insurance Claims Processing

Claim accounts have been established for the MRF and for the transfer station fire restoration work. To cover immediate expenses incurred by the SBWMA in fire restoration work, the SBWMA has received \$1M from Hanover and, at the time of writing of this report, Hanover has indicated another \$500,000 payment is in process. To date, the SBWMA has paid a total of \$924,056 to vendors performing restoration work at Shoreway (see **Table 2**) and the SBWMA has invoiced Hanover a corresponding dollar for reimbursement. The balance of funds relating to the restoration efforts is a positive \$75,944 (\$1M

<b>Table 2</b>				
<b>SBWMA MRF FIRE RESTORATION INVOICE SUMMARY</b>				
<b>Report Date:</b>		<b>10/14/2016</b>		
<b>Contracts</b>	<b>Approved NTE</b>	<b>Billed to Date</b>	<b>% Billed</b>	<b>Remaining NTE</b>
Signal Services	\$ 4,750,000	\$ 743,755	16%	\$ 4,006,245
BHS	\$ 344,324	\$ -	0%	\$ 344,324
South Bay Recycling		\$ 148,408	0%	
Rodan Builders		\$ -	0%	\$ -
JRMA	\$ 17,200	\$ -	0%	\$ 17,200
Tanner Pacific, Inc.	\$ 82,180	\$ 31,893	39%	\$ 50,287
				\$ -
<b>Total</b>	<b>\$ 5,193,704</b>	<b>\$ 924,056</b>	<b>18%</b>	<b>\$ 4,418,056</b>
<b>Hanover Funds Received</b>		<b>\$ 1,000,000</b>		

less \$924,056 paid out by SBWMA).

## Facility Restoration Efforts

SBWMA staff has performed a series of action steps immediately following the fire incident that included:

1. Making arrangements for off-site processing of recyclable materials
2. MRF and transfer station cleaning
3. Assessment of building damage
4. Assessment of equipment damage
5. Removal of materials and equipment from MRF
6. Establishment of expense tracking protocols

A detailed description of each of these elements is provided below.

**Arrangements for off-Site Materials Processing of Recyclable Materials:** The day after the fire, staff contacted other recycling facilities in the Bay Area to identify MRFs that could process the SBWMA's recyclable materials during the restoration process. Three MRFs offered assistance and immediate logistical arrangements were made to transport loose recyclables to: **Newby** in San Jose, **Greenwaste Recovery** in San Jose, and **CWS** in Oakland. The SBWMA has contracted with these MRFs to sort and market approximately 300 tons (30 tractor trailer loads) per day of recyclable materials. Through these arrangements, the SBWMA has been able to continue uninterrupted recycling service to the Member Agencies and ensure that no materials were landfilled. Under the arrangements with these processors, the SBWMA is able to pay for the transportation costs and processing costs through commodity sales revenues.

Discussions with SBWMA's legal representative, Jean Saveree, and Cohn-Reid-O'Neill, indicate that the SBWMA can expect to be fully reimbursed by Hanover for any lost revenues relating to the processing of recyclables off-site through Business Interruption (BI) insurance coverage. SBWMA and SBR staff are currently in the process of analyzing the financial impact of the fire to normal MRF operations so that a BI claim can be prepared and submitted to Hanover. Staff will update the Board in November with an estimate of the BI claim.

**MRF Building Cleaning:** Extensive building cleaning is required as a result of water and smoke damage from the fire. Water and debris clean-up was performed by existing SBR staff over the past month. This work included removing and completely clearing all materials, parts, and equipment from the MRF building. After jointly reviewing Signal's contract with Hanover, the SBWMA signed a contract with Signal for cleaning of the MRF and transfer station. Signal started work a week after the first fire and is currently halfway through the cleaning work (see MRF building floor plan **Attachment 2** that shows cleaning progress).

**Equipment Damage Assessment:** Bulk Handling Systems (BHS) was the original equipment manufacturer and they were hired to assess the equipment damage from the fire. BHS was onsite the day after the MRF fire performing an equipment damage assessment using a team of 8 technical associates to evaluate the electrical, controls, mechanical, and structural integrity of the sorting system. Fortunately, their assessment concluded that no structural or controls damage occurred to the equipment but that extensive parts and electrical wiring damage had resulted from the fire. Staff is currently evaluating BHS's recommendation for parts and repair lead-times. Two purchase orders have been issued for the replacement parts and BHS is currently fabricating items with an anticipated delivery date of late November. Installation and electrical work is being scheduled around the parts lead-times and other building cleaning and repair activities.

**Building Damage Assessment:** Rodan Construction and JRMA Architects were the original building contractor and architects, and they both toured the MRF soon after the fire to provide an assessment of building condition. Their report concluded that structural building damage was minor: limited to small structural beams, metal panels, and skylights would need to be replaced as a result of the fire damage. A building materials list was created and has been sent out to the metal building fabricator. Other elements damaged by the fire include the video camera

system, the smoke hatches, the misting system, and the fire suppression system. Repairs to each one of these building elements are currently in some stage of assessment and repair.

**Removal of materials and equipment from MRF:** Prior to any work commencing on the MRF building, all remaining recyclable material needed to be cleared from the building. Bales of finished goods were sold to commodities buyers whereas stockpiles of unprocessed recyclables were shuttled to the transfer station and shipped to off-site MRFs for processing. Equipment, parts and supplies were relocated from the MRF building to a secure onsite storage area created by fencing off parking stalls. Replacement temporary parking has been obtained by renting adjacent land from the San Carlos Airport.

**Establishment of expense tracking protocols:** Hanover has a fulltime forensic accountant on site at the Shoreway facility to monitor all restoration activities and review their related expenses. Additionally, the SBWMA has hired TannerPacific to provide project management support and to assist in the coordination of the restoration vendors onsite. Serving as the SBWMA's representative, TannerPacific is tasked with documenting all restoration efforts and working closely with Hanover's accountant to vet all invoices prior to submittal to the SBWMA and Hanover for payment. By strictly managing the contractor's work, documenting projects, and fully vetting invoices, the SBWMA hopes to assure full reimbursement and claims disputes with Hanover.

### **Estimated Cost and Schedule for Restoration Efforts**

Staff is currently completing the damage assessment and analyzing MRF repair needs and costs. Current cost estimates for the MRF building and equipment restoration efforts are \$10M with a completed schedule currently estimated for a February timeframe. Staff will be providing the Board a detailed estimate of cost and schedule at the November 19<sup>th</sup> Board meeting. Transfer Station restoration and equipment replacement has also begun under a second insurance claim and is estimated at less than \$1 million dollars. This work will replace about 40 feet of an elevated conveyor belt, the removal of fire-related soot, some electric wiring replacement, and some minor related repair work.

### **Background**

Shoreway MRF fire was on Wednesday, 9/7/16 at 8:22pm. All workers were immediately evacuated from the affected building and no injuries were reported to any Shoreway Environmental Center operations staff or firefighters. Almost 100 firefighters and over 30 trucks, engines and support vehicles from Burlingame, Belmont, San Mateo, Menlo Park, San Carlos, Foster City, Colma, Woodside, and Cal Fire assisted in extinguishing the blaze.

SBWMA staff worked closely with SBR to ensure that: 1) there was no interruption to normal collection services, 2) that all MRF materials were properly recycled (promptly after the fire, over 450 tons (35 tractor trailers loads) of recyclable materials were transported to an alternative processor in San Jose).

On 9/8/16, the County's Vocational Rehabilitation Services (VRS) program was notified of the fire incident, the MRF shutdown, and the resulting temporary cancellation of the need for sorters during the resulting closure. All SBR employees were assigned cleanup duties until 10/13/16. On this date, SBR notified the SBWMA that 11 of its workers had been temporarily laid off as a result of the facility's temporary shutdown. Nine SBR workers will remain employed throughout the duration of the restoration and repair work due to their seniority status and their critical equipment repair/maintenance skills.

SBWMA staff is serving as the primary point of coordination for various operational, restoration, cleaning, accounting and insurance activities. All tours have been cancelled during the MRF restoration period and Environmental Education Staff is developing an in-school alternative educational presentation that addresses the key teaching points that are emphasized during the site tours.

There was a small fire in the Transfer Station on Sunday, 9/11/16 at 11:30pm that resulted in minimal damage. This fire was coincidentally three days after the MRF fire but was completely unrelated and appears to be the result of flammables

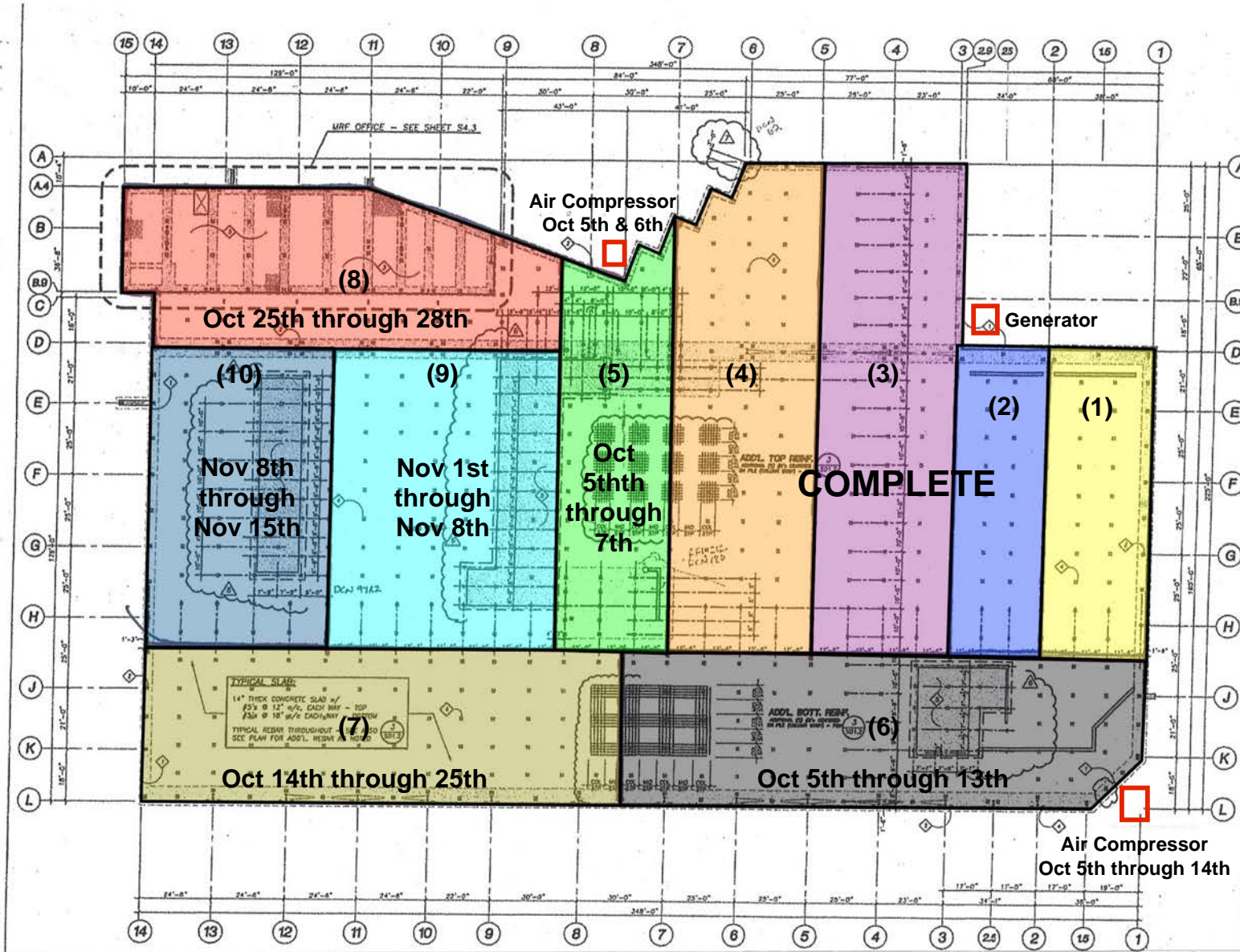
materials discarded by a self-haul customer on Sunday. Damage is limited to a portion of one conveyor belt and a second insurance claim was opened.

**Fiscal Impact**

The SBWMA maintains fire insurance coverage with Hanover and has a \$5,000 deductible. Based on conversations with SBWMA legal counsel relating to the Agency's coverage and claims Hanover should reimburse the SBWMA for all expenses related to: 1) restoration of the building and equipment to proper function (Personal Property Coverage), and 2) SBWMA's loss of business revenues (Business Income Coverage) during the restoration process.

**Attachments:**

Attachment A - MRF Floor Plan Showing Cleaning Progress



**KEYNOTES**

- ◇ LINE OF NEW CONCRETE SLAB - SEE SHEET S4.1
- ◇ STEEL COLUMN PER P.E.M.B. - SEE SHEET S4.1
- ◇ 8" CONCRETE SLAB - SEE SHEET S4.3 FOR REINFORCEMENT
- ◇ PROPOSED 14" SD DRIVEN PILE - SEE (S) (S) (S)
- ◇ PROPOSED CONVEYOR PIT LOCATION
- ◇ NOT USED

**GENERAL FOUNDATION NOTES**

1. COORDINATE TILE FLOOR RECESSES, FLOOR DRAW LOCATIONS, AND SHOWER DRAW LOCATIONS WITH ARCHITECT PRIOR TO SLAB INSTALLATION.
2. FOR GENERAL NOTES AND CONCRETE INFORMATION NOT SHOWN, SEE SHEET S1.1.
3. FOR ALL DIMENSIONS, ELEVATIONS AND DOOR / WINDOW LOCATIONS, SEE ARCHITECTURAL DRAWINGS.
4. ALL FINISH SLAB LEVELS TO BE VERIFIED WITH ARCHITECTURAL AND CIVIL DRAWING(S) AND/OR OWNER.
5. CONTRACTOR SHALL VERIFY ALL EXISTING DIMENSIONS, ELEVATIONS AND CONDITIONS PRIOR TO ANY FABRICATION AND/OR CONSTRUCTION. NOTIFY ENGINEER IF THERE ARE ANY DISCREPANCIES.
6. IF REBAR NOTATION IN FOOTING SCHEDULE DIFFERS FROM THAT SHOWN IN SPECIFIC DETAIL, THE SCHEDULE INFORMATION GOVERNS, EXCEPT REBARS, TIES, DOWNERS, ETC. SHALL BE PLACED AS SHOWN IN DETAILS.
7. ALL ANCHOR BOLTS, DOWNERS AND HOLDINGS, IF ANY, MUST BE SET IN PLACE PRIOR TO FOUNDATION INSPECTION.
8. ALL COLUMN LOCATIONS MUST BE VERIFIED w/ ARCHITECTURAL DRAWINGS PRIOR TO CONSTRUCTION.
9. FOR PLACEMENT AND RESTRICTIONS FOR PIPES THROUGH AND ADJACENT TO TIES, SEE DETAIL (S) (S) (S).
10. WHERE SAND AND VAPOR RETARDER ARE SPECIFIED FOR SLAB CALLOUT, AND ARE NOT SHOWN IN ANY SPECIFIC FOUNDATION DETAILS, THE SLAB CALLOUT GOVERNS.
11. REFER TO "FOUNDATION" NOTES ON SHEET S1.1 AND THE SOIL REPORT FOR ADDITIONAL INFORMATION.
12. PRIOR TO REQUESTING A BUILDING DEPARTMENT FOUNDATION INSPECTION, THE SOIL ENGINEER SHALL INSPECT AND APPROVE THE FOUNDATION EXCAVATIONS.
13. PRIOR TO CALLING FOR FOUNDATION INSPECTION, FINAL DRAWING AND CONSTRUCTION REPORTS SHALL BE SUBMITTED TO AND APPROVED BY THE BUILDING INSPECTION DEPARTMENT AND ANY REVISIONS FROM THE ORIGINAL SOIL REPORT INCORPORATED INTO THE PLANS AND SPECIFICATIONS.
14. REFER TO SOIL REPORT FOR FOUNDATIONS, SLAB, AND BUILDING PAD PREPARATIONS.

**LEGEND**

- ◇ KEYNOTE CALLOUT
- FOOTING CALLOUT - SEE FOOTING SCHEDULE
- ▽ HARBIN - PER FOOTING SCHEDULE
- S ON STRUCTURE LINE/BUILDING LINE PER P.E.M.B. (IS NOT CENTERLINE OF COLUMN)
- C.O.S. EDGE OF SLAB
- O.U.F. OUTSIDE FACE OF WALL
- E CENTERLINE OF COLUMN
- COL COLUMN
- MO MOLE

**JRM & A**

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Revision

- △ OPERATOR CHANGES 08.25.09
- △ RFI CLARIFICATIONS 10.21.09
- △ CITY PLAN CHECK 11.02.09
- △ OPERATOR REV. 12.14.09
- △ TS/EDUCATION CHG. 11.02.09
- △ EQUIPMENT MODEL 01.14.10

PROPOSED TRANSFER STATION & MRF FOR

**SHOREWAY ENVIRONMENTAL CENTER**

225-233 SHOREWAY RD.  
SAN CARLOS, CALIFORNIA

**HR**

FOUNDATION PLAN  
MRF BLDG

10-21-2009 AS NOTED  
DATE SCALE  
DWY 02 02

JRMA Project No.  
4134

**S4.2**

Delgado

FIELD ORDER No. 6 MRF FOUNDATION REVISED FILE LAYOUT JANUARY 14, 2010

**MRF BUILDING FOUNDATION PLAN** SCALE: 1/16"=1'-0" 1



## STAFF REPORT

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To: SBWMA Board Members  
From: Joe La Mariana, Executive Director  
Date: October 27, 2016 Board of Directors Meeting  
Subject: Review of Shoreway Facility Restoration Services Contracts Let Under Purchasing Policy

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### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2016-39 accepting this report.

### Background

At the September 22, 2016 meeting, the Board was advised that it would be necessary to execute cleanup and repair related contracts prior to the October Board meeting and that the Executive Director would, without Board objection, proceed to approve those contracts pursuant to SBWMA's Purchasing Policies Section 3.12.180, Emergency authority of Executive Director, which provides:

*A. In an emergency requiring the immediate preservation of the public peace, health and safety, and precluding action by the Authority Board, the Executive Director may purchase supplies or services, even though the amount thereof may exceed twenty thousand dollars, without competitive bids upon notice.*

When contracts are authorized by the Executive Director per Section 3.12.180(A) requires:

*At the next succeeding Board meeting, the Executive Director shall submit to the Board a written statement of the circumstances of such emergency, a description of the supplies or services purchased, and the prices thereof. (Ord. 1178 § 2 (part), 1995) (Section 3.12.180(B))*

### Analysis

Pursuant to SBWMA's Purchasing Policies, Section 3.12.180, the Executive Director offers the following report.

The SBWMA's fire insurance coverage limits with The Hanover Insurance Group, Inc. are as follows:

- \$37 Million Buildings
- \$20 Million Personal Property
- \$4.5 Million Business Income
- The deductible is \$5,000

Since the September 22<sup>nd</sup> Board of Directors meeting, the following contracts and expenditures have been authorized by the Executive Director per Section 3.12.180(A).

PO # Contract	Date issued	Amount	Vendor	Description
Contract	10/6/16	\$4,750,000	Signal Restoration	
PSA	10/10/16	\$82,180	Tanner Pacific	Restoration Project Management Services
PSA	9/30/16	\$17,200	JRMA and Assoc.	Building Repair Design
1	9/30/16	\$50,000	BHS	Initial Equipment Assessment
2	9/30/16	\$344,324	BHS	Finalize Equipment Assessment Work
3	10/10/16	\$374,992	BHS	Long-Lead Mechanical Components
4	10/10/16	\$159,200	BHS	Short-Lead Mechanical Components
		<b>\$5,777,896</b>	<b>Total Amount</b>	
		<b>\$20,000,000</b>	<b>Insurance Coverage Limit</b>	
		<b>\$14,222,104</b>	<b>Coverage Remaining</b>	

Each of these expenditures has been reviewed with the claims adjustor assigned by Hanover. The contracts listed above have also been reviewed and approved by Hanover.

To date, costs associated with cleanup and repair are approximately \$924,058. (The monthly Staff Update regarding the Fire Damage Restoration Process provides detail of payment status for each vendor relating to the different aspects of the building restoration process.) Preliminary estimates anticipate total claims in the amount of \$6-9 million for Personal Property Loss and roughly \$1-2 million in Business Income Loss. Again, these estimates fall well within the coverage limits.

#### **Fiscal Impact**

SBWMA's insurance policy with The Hanover Insurance Group, Inc. has a \$5,000 deductible. We anticipate that all other costs will be borne by Hanover.

#### **Attachments:**

Resolution 2016-39





## RESOLUTION NO. 2016-39

### RESOLUTION OF THE SBWMA BOARD OF DIRECTORS ACCEPTING AND APPROVING EXECUTIVE DIRECTOR'S REPORT PURSUANT TO SBWMA PURCHASING POLICIES SECTION 3.12.180, EMERGENCY AUTHORITY OF EXECUTIVE DIRECTOR

**WHEREAS**, pursuant to South Bayside Waste Management Authority Purchasing Policies Section 3.12.180, Emergency Authority of Executive Director, an emergency requiring the Executive Director to purchase supplies and services exists by virtue of a fire at the Shoreway Environmental Center on September 8<sup>th</sup>; and

**WHEREAS**, the Board of Directors was advised at its meeting of September 22<sup>nd</sup>, 2016, that the Executive Director intended to authorize emergency contracts for supplies and services in order to address damage caused by the above-referenced fire; and

**WHEREAS**, Purchasing Policies Section 3.12.180 requires that the Executive Director report at the next succeeding Board meeting on the supplies and services purchased, and prices thereof; and

**WHEREAS**, the Executive Director has executed the following emergency contracts:

- o Signal Restoration on 10/6/16 for \$4,750,000
- o Tanner Pacific on 10/10/16 for \$82,180
- o JRMA and Associates on 9/30/16 for \$17,200
- o Bulk Handling Systems (BHS) on 9/30/16 for \$50,000
- o Bulk Handling Systems (BHS) on 9/30/16 for \$344,324
- o Bulk Handling Systems (BHS) on 10/10/16 for \$374,992
- o Bulk Handling Systems(BHS) on 10/10/16 for \$159,200, and

**WHEREAS**, the Board of Directors has reviewed the report.

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves the Executive Director's report made pursuant to Purchasing Policies Section 3.12.180.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 27<sup>th</sup> day of October, 2016, 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. 2016-39 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on October 27, 2016.

ATTEST:

\_\_\_\_\_  
Bob Grassilli, Chairperson of SBWMA

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Cyndi Urman, Board Secretary



## STAFF REPORT

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To: SBWMA Board Members  
From: Hilary Gans, Operations Contracts Manager  
Date: October 27, 2016 Board of Directors Meeting  
Subject: Discussion of SBR Staffing Gap

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### Recommendation

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

### Background

The Facility Operations Agreement with SBR prescribes specific staffing levels for the different areas of operations and for administration. As part of the SBWMA's contract management, staff monitors SBR's staffing levels to verify that the compensation correlates to the Company's level of staffing.

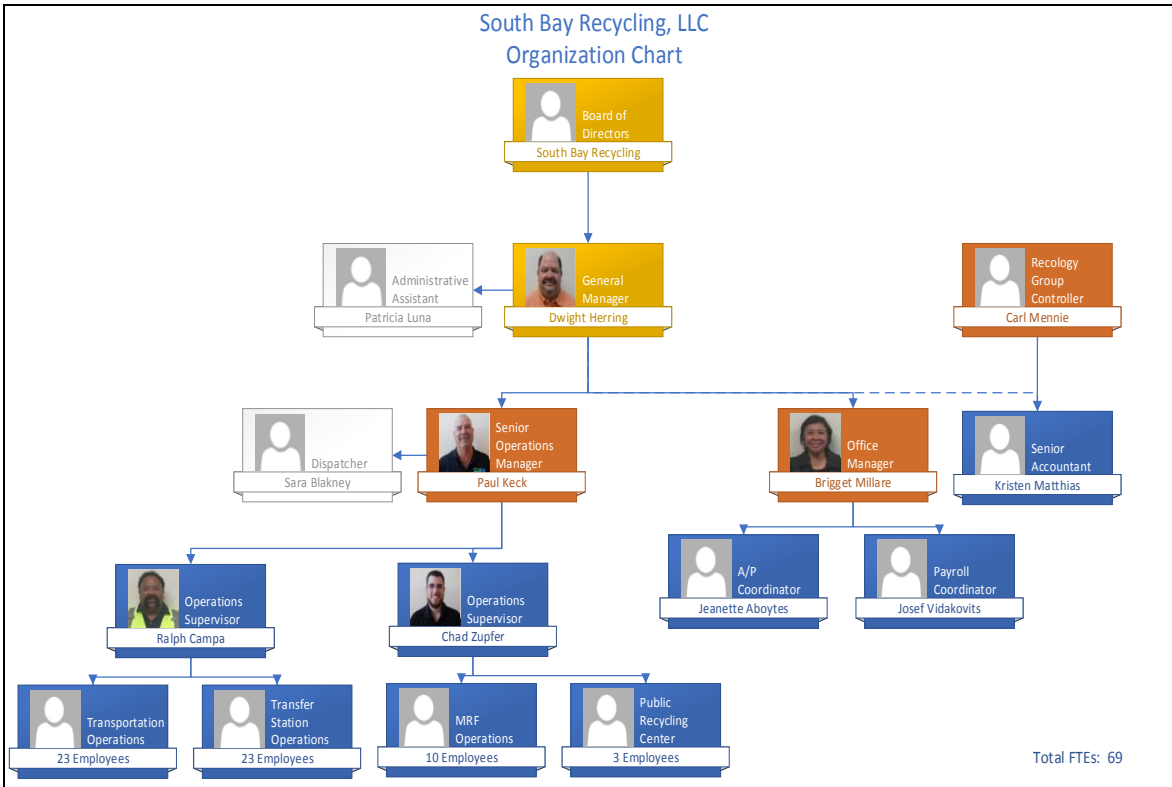
### Analysis

SBWMA staff has been tracking the gap in staffing created from the layoff of the Site Manager Position on May 10<sup>th</sup>, 2016. In the past, SBR has had substantial turnover of management positions and the SBWMA has required that the Company provide reimbursement for the gap in wages that were created by extended staffing vacancies. In this instance, the Site Manger Position has been vacant for six-months and the total dollar amount from the staffing gap is currently at \$52,500. SBR and SBWMA have agreed that this amount is due to the SBWMA and, when the Site Manger position is filled, SBR will reimburse the SBWMA through the monthly invoice process.

Under the Facility Operations Agreement, SBR is to maintain an administration and management staff count as follows:

- Facility Manger 1
- Supervisors 3
- General Administration 6

For reference, SBRs' organization chart for the above positions is provided in the chart below.



**Fiscal Impact**  
No Fiscal Impact.