



# SHOREWAY OPERATIONS AND CONTRACT MANAGEMENT



## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Kevin McCarthy, Executive Director  
Farouk Fakira, Finance Manager  
**Date:** November 19, 2015 Board of Directors Meeting  
**Subject:** Consideration of Shoreway Facility Tipping Fee Adjustments Effective 1/1/16

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### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2015-33 attached hereto authorizing the following action:

Approval of the following Shoreway facility tipping fee adjustments effective January 1, 2016:

- Increase franchised solid waste disposal rate by 2.2% or \$2/ton from \$92/ton to **\$94/ton**
- Increase franchised residential/commercial organics recycling rate by 2.1% or \$2/ton from \$94/ton to **\$96/ton**
- Increase franchise and non-franchised weighed rates for inerts by 2.5% or \$2/ton from \$81/ton to **\$83/ton**
- Increase public (residential, commercial) solid waste disposal rates by 2.9% or \$1/cubic yard from \$35/cubic yard to **\$36/cubic yard**
- Increase public (residential, commercial) clean plant material and wood recycling rates by 4.2% or \$1/cubic yard from \$24/cubic yard to **\$25/cubic yard**
- Increase public construction and demolition recycling rate by 3.1% or \$1/cubic yard from \$32/cubic yard to **\$33/cubic yard**

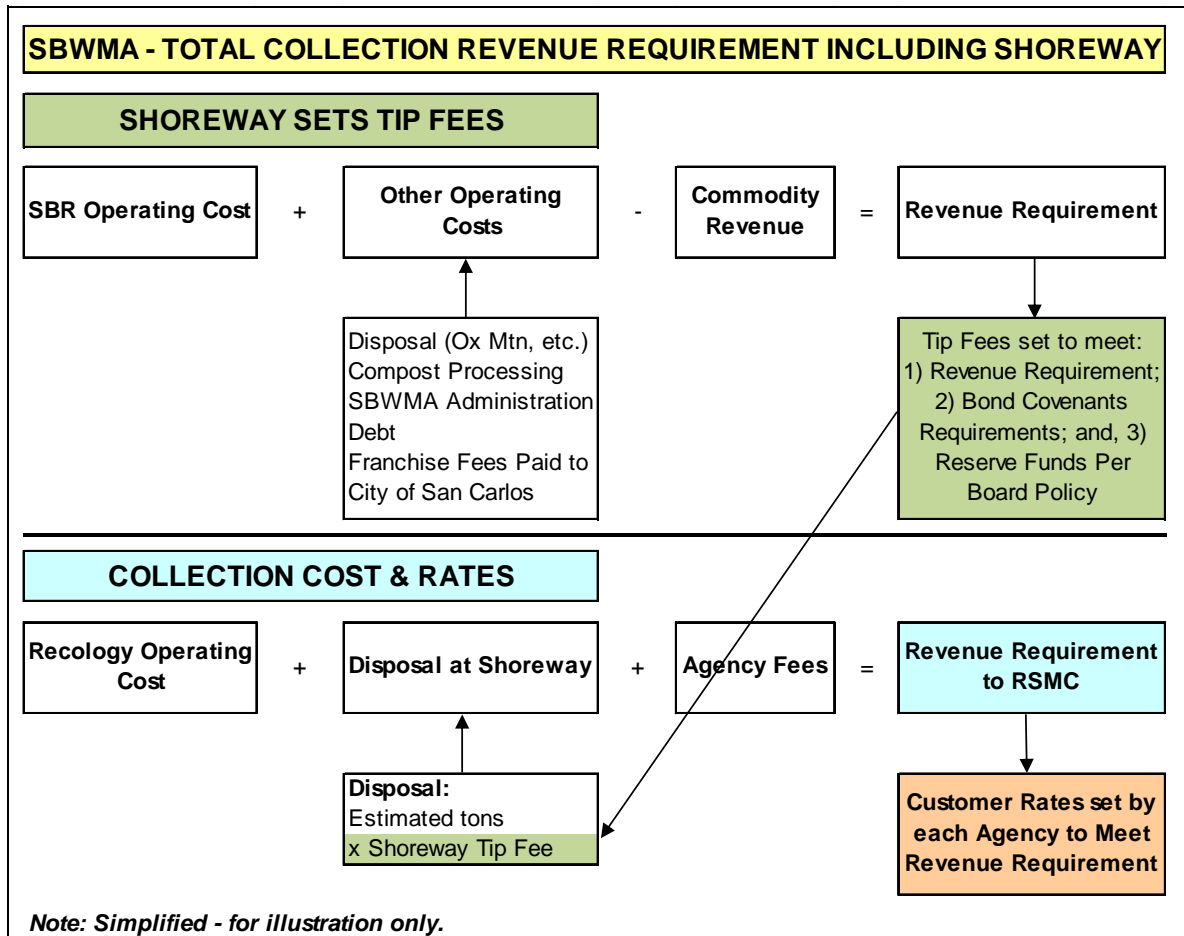
### Summary

These recommended tipping fee adjustments are the same as what was assumed in the adopted FY1516 budget for franchise rates. However, they represent new proposed \$1 per cubic yard increases on the public solid waste and C&D gate rates. Franchise and public tipping fees were last changed effective January 1, 2014.

Overall, we are forecasting higher tonnage and volumes in 2016 vs. 2015 but also higher than expected SBR operating costs of \$336,000 due to glass market related issues; these are higher expenses above and beyond SBR's approved compensation adjustments for 2016 which average 1.52%. Disposal and processing rates (for garbage, organics, and C&D) are also increasing on average 2% for 2016. Net operating income is projected to decrease 13% (see **Table 1** on p. 3 of the staff report). Given all of the above, the assumed tipping fee increases are needed to maintain our minimum bond debt covenant requirements (i.e., break even test and debt coverage ratio of 1.4).

The assumed franchise tipping fees in the adopted FY1516 budget are the same tipping fees used in the disposal and processing expense projection in the SBWMA Final Report on Review of 2016 Recology Compensation Application, approved by the Board in September. **Figure 1** on the next page captures how tipping fees are incorporated into the collection revenue requirement for Member Agency annual solid waste rate setting.

Figure 1



**Analysis**

When evaluating potential adjustments to the Shoreway facility tipping fees, staff prepares and reviews the following information:

- Updated calendar year 2015 and 2016 financial projections to capture any changes in forecasted inbound tonnage and yardage from franchise and non-franchise customers, commodity revenue, and operating expenses.
- Review the projected net operating surplus/shortfall for 2016 assuming various tipping fee adjustment (per ton and per yard rates) scenarios. We start first with the base case scenario of what tipping fees were assumed in the Board adopted FY1516 budget and then “test” this and other scenarios against compliance with bond debt covenant requirements (i.e., break even test and debt coverage ratio of 1.4). Basically, we see if using the base case tipping fees still keep us in compliance with the bond covenants and to what extent any changes are needed or can be made to the base case tipping fees.

In completing the updated financial projections we also take a preliminary look at how the projected net income affects our cash reserve balances. Undesignated cash reserve is tracking above what we last projected per the adopted FY1516 budget figures given higher than expected balances from the prior fiscal year.

## Updated SBWMA Financial Projections for Calendar Year 2015 and 2016

Updated financial projections for calendar year 2015 and 2016 are shown in Table 1 below. The 2016 projection for franchise and public revenue is based on the recommended tipping fees for 2016. See the notes below the table that explain notable variances in the table.

Table 1

<i>estimate</i>	Calendar Year 2015 Projection	Calendar Year 2016 Projection	% Change	% of Total
<b>Operating Revenue</b>				
Franchise Revenue	26,060,171	26,751,617	2.7%	62.2%
<sup>3</sup> Public Revenue	7,110,297	7,708,269	8.4%	17.6%
Commodity Material Sales	9,743,524	10,447,157	7.2%	23.8%
Commodity Revenue Sharing	(1,156,031)	(1,353,048)	17.0%	-3.1%
Buyback Payment (moved from S	(879,724)	(825,079)	-6.2%	-1.9%
Commodity Sales, Net	7,707,770	8,269,030	7.3%	18.8%
HHW Program	627,271	670,053	6.8%	1.5%
Other Revenue	547,335	494,479	-9.7%	1.1%
<b>Total Operating Revenue</b>	<b>42,052,844</b>	<b>43,893,448</b>	<b>4.4%</b>	<b>100.0%</b>
<b>Operating Expenses</b>				
<sup>4</sup> SBR Operating Expense	17,447,762	18,524,363	6.2%	43.5%
<sup>5</sup> Disposal Expense	14,687,554	15,328,897	4.4%	36.0%
Shoreway Facility & Maintenance	193,657	195,561	1.0%	0.5%
<b>Total Operating Expense</b>	<b>32,328,973</b>	<b>34,048,821</b>	<b>5.3%</b>	<b>73.1%</b>
<sup>6</sup> SBWMA Program Budget	2,895,370	3,130,058	8.1%	7.3%
Franchise Fee	1,580,000	1,641,000	3.9%	3.9%
HHW Program	627,271	670,053	6.8%	1.6%
Other Expense	313,727	328,885	4.8%	0.8%
<b>Total Other Expense</b>	<b>5,416,368</b>	<b>5,769,997</b>	<b>6.5%</b>	<b>13.5%</b>
<b>Total Expense</b>	<b>37,745,342</b>	<b>39,818,818</b>	<b>5.5%</b>	<b>93.5%</b>
<b>Non-Operating</b>				
Interest (Income)	(46,816)	(40,348)	-13.8%	-0.1%
Interest Expense	2,855,362	2,810,913	-1.6%	6.6%
Subtotal	2,808,546	2,770,565	-1.4%	6.5%
<b>Total Expense</b>	<b>40,553,888</b>	<b>42,589,382</b>	<b>5.0%</b>	<b>100.0%</b>
<b>Net Operating Income</b>	<b>\$ 1,498,956</b>	<b>\$ 1,304,066</b>	<b>-13.0%</b>	
<b>Other Payments</b>				
Shoreway Capital Expenditures	579,093	595,000	2.7%	
Miscellaneous	-	(6,186)	0.0%	
Bond Principal Payments	1,270,000	1,310,000	3.1%	
<b>Net Cash Flow</b>	<b>(350,137)</b>	<b>(594,748)</b>	<b>69.9%</b>	
Designated Reserve Funding	544,044	389,907		
<b>Undesignated Cash Flow</b>	<b>(894,182)</b>	<b>(984,655)</b>		
<b>Bond Covenant Requirements</b>				
Break Even 1	1.00	1.01		
Debt Coverage 2	1.43	1.47		

1. Required to be 1.0 or greater
2. Required to be 1.4 or greater
3. Public revenue is up by \$598K due to \$217K in rate increase and \$380.5K in higher assumed volume.
4. SBR operating expenses are higher due to glass related issues (\$177.8K in higher transportation cost to haul green waste to Fairfield, \$88.3K lease amortization for 2 additional tractors and trailers and \$70k for new battery disposal costs).
5. Disposal is higher \$318K due to higher volume of 13.5K and \$306.3.2K due to 2% increase in disposal rates.
6. SBWMA Program expenses are higher due to \$227.5K in Long Range Plan, \$55.4K due to split body collection vehicle pilot program, and (\$35.8K) savings due to vacant position of the Recycling Outreach and Sustainability Manager for four months.

The projected net income for calendar year 2016 results in meeting both bond covenant tests of break-even ratio of 1.0 and debt coverage ratio of 1.4, but very close to the minimum levels required; this leaves little room for negative variances in our financial projections. Even a slight negative variance to projected costs, tonnage, or commodity prices may require a revenue transfer for 2016 to meet bond covenant requirements.

**Attachment A** provides a series of tables with back-up detail on operating revenue and expense information used in the 2015 and 2016 financial projections.

**Table 2** shows the revenue generated from each rate category. Overall, the lion share of our tipping fee revenue comes from franchise sources at nearly 78% with self haul customers delivering materials to our Shoreway facility making up the balance at 22%.

Table 2

	2016 PROJECTION			
FRANCHISE	Yards	Tons	Revenue	% of Total
Solid Waste		179,672	\$ 16,889,138	49.0%
Residential Organics		98,066	\$ 9,414,352	27.3%
Commercial Food Waste		0	\$ -	0.0%
Inerts		3,864	\$ 320,732	0.9%
Other		1,385	\$ 127,395	0.4%
<b>Total Franchise</b>		<b>282,987</b>	<b>26,751,617</b>	<b>77.6%</b>
SELF-HAUL				
Solid Waste	58,872		\$ 2,119,385	6.2%
Green Waste	50,165		\$ 1,254,114	3.6%
C&D	89,968		\$ 2,968,959	8.6%
Public Dirt		9231	\$ 766,143	2.2%
Other			\$ 223,920	0.6%
Non-SBWMA SW (Tons)		1885	\$ 180,989	0.5%
Non-SBWMA SCRAP (Tons)		153	\$ 9,153	0.0%
Non-SBWMA FOOD (Tons)		0	\$ -	0.0%
Non-SBWMA C&D (Tons)		2002	\$ 180,789	0.5%
Non-SBWMA ORGANIC (Tons)		3	\$ 292	0.0%
Got Junk - Misc Recycl			4524	0.0%
<b>Total Public</b>	<b>199,005</b>	<b>13,274</b>	<b>7,708,269</b>	<b>22.4%</b>
<b>TOTAL</b>	<b>199,005</b>	<b>296,260</b>	<b>34,459,886</b>	<b>100.0%</b>

### Background

Historical tipping fees at the Shoreway facility are summarized below. The proposed tipping fee increases are the first in two years.

Year:	1/1/2011	7/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016
<b>Rates</b>							<b>proposed</b>
Franchised Solid Waste	\$90.00/ton	No change	\$88.00/ton	\$91.00/ton	\$92.00/ton	No change	\$94.00/ton
Franchised Organics	\$79.00/ton	No change	\$89.00/ton	\$92.00/ton	\$94.00/ton	No change	\$96.00/ton
Franchised Food Waste			\$101.00/ton	\$104.00/ton	\$107.00/ton	No change	No change
Public Solid Waste	\$40.00/yard	\$35.00/yard	\$33.00/yard	\$34.00/yard	\$35.00/yard	No change	\$36.00/yard
Public C&D	\$29.00/yard	\$29.00/yard	\$29.00/yard	\$30.00/yard	\$32.00/yard	No change	\$33.00/yard
Public Green Waste	\$25.00/yard	No change	\$22.00/yard	\$23.00/yard	\$24.00/yard	No change	\$25.00/yard

**Fiscal Impact**

The recommended tipping fee adjustments have the effect of increasing SBWMA franchise revenue by \$572,518 which has an approximate 0.6% impact on customer solid waste collection rates as compared to the assumed tipping fee rates (in the adopted FY1516 budget) used in the Total Collection Rate Report which had a 0.4% rate impact; a negative variance of 0.2%.

Table 3 below shows the 0.6% impact of franchise tip fee increases on total collection rates and each Member Agency's estimated rate impact. The table also shows the potential impact on the residential 32 gallon cart size rates. (Note: only Member Agencies set rates so this table is hypothetical and uses 2015 collection rates).

Table 3

<b>Shoreway Franchise Tip Fee Increase: January 1, 2016 - 2.16% Estimate</b>			
<b>2016 Collection Rate Impact</b>	<b>% Increase *</b>	<b>Residential Monthly Rate Impact (32 gal.) Cost/Month</b>	<b>2015 32 gal. rate / mo</b>
Atherton	0.6%	\$ 0.35	\$ 55.00
Belmont	0.5%	\$ 0.18	\$ 34.86
Burlingame	0.6%	\$ 0.14	\$ 23.85
East Palo Alto <sup>1</sup>	0.7%	\$ 0.29	\$ 40.77
Foster City	0.6%	\$ 0.12	\$ 22.00
Hillsborough	0.5%	\$ 0.24	\$ 50.80
Menlo Park	0.6%	\$ 0.13	\$ 23.40
N. Fair Oaks	0.6%	\$ 0.17	\$ 27.31
Redwood City	0.6%	\$ 0.16	\$ 27.30
San Carlos	0.5%	\$ 0.16	\$ 31.18
City San Mateo	0.5%	\$ 0.12	\$ 21.08
West Bay Sanitary	0.5%	\$ 0.20	\$ 37.60
County San Mateo (CFA)	0.5%	\$ 0.18	\$ 34.96
<b>TOTAL SBWMA</b>	<b>0.6%</b>		
<sup>1</sup> All residential accounts receive a 96-gallon garbage cart.			
* The rate increase % is for total collection revenue. Member Agencies decide how to allocate the actual rate increase across residential and commercial account service levels.			

**Attachments:**

Resolution 2015-33

Attachment A - Back-up Financial and Operational Data



## RESOLUTION NO. 2015-33

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING SHOREWAY FACILITY TIPPING FEE ADJUSTMENTS EFFECTIVE JANUARY 1, 2016

**WHEREAS**, staff has submitted a report to the Board, dated November 19, 2015 recommending adjustments to the tipping fees charged at the Shoreway Environmental Center (the Tipping Fees); and

**WHEREAS**, the SBWMA Board has reviewed the suggested changes to the Tipping Fees.

**NOW, THEREFORE, BE IT RESOLVED** that the SBWMA Board approves the adjustments to the Tipping Fees as recommended in the staff report.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the this 19<sup>th</sup> day of November, 2015, 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. 2015-33 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on November 19, 2015.

ATTEST:

\_\_\_\_\_  
Bill Widmer, Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Board Secretary

## Attachment A

### Back-up Financial and Operational Data

This attachment provides additional supporting data for the 2015 and 2016 financial projections in the staff report.

#### Operating Revenue

1. **Table 1** provides tonnage, yardage and weighted average tip fee data for 2015 and 2016.

**Table 1**

<b>TIP FEE REVENUE</b>		<b>2015</b>	<b>2016</b>	<b>16 vs 15</b>	<b>%</b>
<b>Franchise</b>					
Tons		281,691	282,987	1,296	0.5%
Wtd Avg. Tip Fee		\$ 92.52	\$ 94.54	\$ 2.02	2.2%
Franchise Revenue		\$ 26,060,171	\$ 26,751,617	\$ 691,446	2.7%
<b>Public</b>					
Yards		191,536	199,005	7,469	4.1%
Wtd Avg. Tip Fee		\$ 37.12	\$ 38.73	\$ 1.61	5.0%
Public Revenue		\$ 7,110,297	\$ 7,708,269	\$ 597,972	10.1%
<b>Total Tip Fee Revenue</b>		<b>\$ 33,170,468</b>	<b>\$ 34,459,886</b>	<b>1,289,418</b>	<b>4.1%</b>

2. **Table 2** provides historical and projected detail on inbound tonnage and yardage by material type to the Transfer Station (excludes recyclables tonnage to MRF).

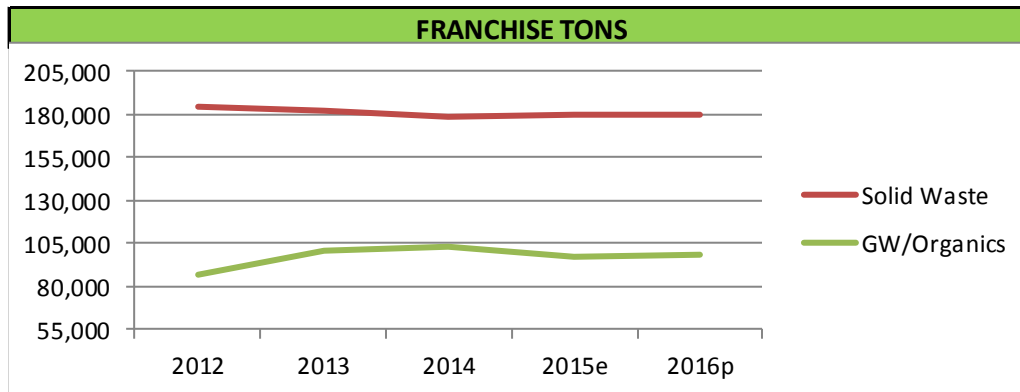
**Table 2**

<b>Total TS Tonnage and Yardage</b>			<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>15 vs 14</b>	<b>16 vs 15</b>
<b>Franchise</b>								
SBWMA Solid Waste	tons		178,215	175,567	179,821	179,672	2.4%	-0.1%
SBWMA Green Waste	tons		98,772	94,099	97,400	98,066	3.5%	0.7%
SBWMA Food Waste	tons		526	34	0	0	-100.0%	0.0%
SBWMA Dirt, Inert, C&D	tons		3,468	3,706	3,771	3,864	1.8%	2.5%
SBWMA Wood	tons		140	42	115	488	176.9%	324.3%
SBWMA Other, BI	tons		310	287	585	897	103.8%	53.3%
<b>sub-total Franchise</b>			<b>281,430</b>	<b>273,735</b>	<b>281,691</b>	<b>282,987</b>	<b>2.9%</b>	<b>0.5%</b>
Non-SBWMA SW	tons				1,446	1,885	0.0%	30.4%
Non-SBWMA SCRAP	tons				132	153	0.0%	16.3%
Non-SBWMA FOOD	tons				59	0	0.0%	-100.0%
Non-SBWMA C&D	tons				1,450	2,002	0.0%	38.1%
Non-SBWMA ORGANIC	tons				13	3	0.0%	-75.7%
Public Dirt (tons)	tons		5,044	6,022	8,639	9,231	43.5%	6.8%
<b>Total Tons</b>			<b>286,473</b>	<b>279,757</b>	<b>293,429</b>	<b>296,260</b>	<b>4.9%</b>	<b>1.0%</b>
<b>Public</b>								
Public Solid Waste Yards	yards		58,889	55,864	57,484	58,872	2.9%	2.4%
Public Green Waste Yards	yards		60,095	49,873	48,045	50,165	-3.7%	4.4%
Public C&D	yards		64,747	72,387	86,007	89,968	18.8%	4.6%
<b>Total Yards</b>			<b>183,730</b>	<b>178,125</b>	<b>191,536</b>	<b>199,005</b>	<b>7.5%</b>	<b>3.9%</b>

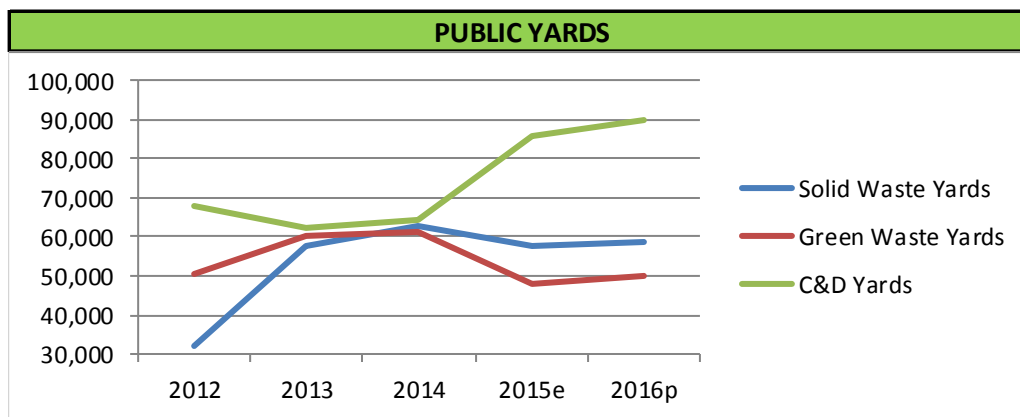


3. The following tables chart the change in volume from Table 2.

**Table 3a**



**Table 3b**



4. **Table 4** provides supporting data on commodity revenue projections.

**Table 4**

<b>COMMODITY REVENUE</b>		<b>2015</b>	<b>2016</b>	<b>16 vs 15</b>	<b>%</b>
Tons		68,379	68,381	1	0.0%
Wtd Avg. Price		\$ 142.49	\$ 152.78	\$ 10.29	7.2%
<b>Gross Revenue</b>		\$ 9,743,524	\$ 10,447,157	\$ 703,633	7.2%
Revenue Share w/ SBR		(1,156,031)	(1,353,048)	(197,017)	-1.0%
Buyback Payments		(879,724)	(825,079)	54,645	-1.0%
<b>Net Commodity Revenue</b>		<b>\$ 7,707,770</b>	<b>\$ 8,269,030</b>	<b>\$ 561,260</b>	<b>6.6%</b>

5. The following table provides a history of commodity prices per ton by quarter. The figures shown are the blended average price per ton for all commodities sold in a given quarter.

**Table 5**



**Operating Expenses**

6. Table 6 provides supporting data for SBR’s operating expense.

**Table 6**

<b>SBR OPERATING &amp; TRANSPORTATION EXPENSE</b>					
<b>a. Summary</b>		<b>2015</b>	<b>2016</b>	<b>16 vs 15</b>	<b>%</b>
MRF		\$ 5,798,000	\$ 5,923,573	\$ 125,572	2.2%
Transfer Station		\$ 4,520,938	\$ 4,782,887	\$ 261,950	5.8%
Transportation <sup>1</sup>		\$ 6,932,354	\$ 7,653,005	\$ 720,651	10.4%
Other		\$ 196,470	\$ 164,898	\$ (31,572)	-16.1%
<b>TOTAL SBR EXPENSE</b>		<b>\$ 17,447,762</b>	<b>\$ 18,524,363</b>	<b>\$ 1,076,601</b>	<b>6.2%</b>
<b>b. Detail</b>		<b>2015</b>	<b>2016</b>	<b>16 vs 15</b>	<b>%</b>
<b>MRF</b>					
Tons		78,673	78,675	\$ 2	0.0%
Rate		\$ 73.70	\$ 75.29	\$ 1.59	2.2%
Expense		<b>\$ 5,798,000</b>	<b>\$ 5,923,573</b>	<b>\$ 125,572</b>	<b>2.2%</b>
<b>Transfer Station</b>					
Tons		359,090	372,556	\$ 13,467	3.8%
Rate		\$ 12.59	\$ 12.84	\$ 0.25	2.0%
Expense		<b>\$ 4,520,938</b>	<b>\$ 4,782,887</b>	<b>\$ 261,950</b>	<b>5.8%</b>
<b>Transportation</b>					
Tons		359,090	372,556	\$ 13,467	3.8%
Rate		\$ 19.31	\$ 20.54	\$ 1	6.4%
Expense		<b>\$ 6,932,354</b>	<b>\$ 7,653,005</b>	<b>\$ 720,651</b>	<b>10.4%</b>
<b>Other</b>		\$ 196,470	\$ 164,898	\$ (31,572)	-16.1%
<b>TOTAL SBR EXPENSE</b>		<b>\$ 17,447,762</b>	<b>\$ 18,524,363</b>	<b>\$ 1,076,601</b>	<b>6.2%</b>
<sup>1</sup> Transportation cost for 2016 is higher by \$177.8K due to hauling of green waste to Fairfield starting in mid February, and \$88.3K annual lease amortization for additional 2 tractors & 2 trailers. In addition, volume is higher by 13.5K tons resulting in additional cost of \$264.5K.					

7. **Table 7** provides supporting data for the disposal and processing expense.

**Table 7**

<b>DISPOSAL &amp; PROCESSING EXPENSE</b>				
	<b>2015</b>	<b>2016</b>	<b>16 vs 15</b>	<b>%</b>
<b>Summary</b>				
TS Tons	359,090	372,556	13,467	3.8%
Wtd Avg. Rate	\$ 40.90	\$ 41.15	\$ 0.24	0.6%
<b>Disposal Expense</b>	<b>\$ 14,687,554</b>	<b>\$ 15,328,897</b>	<b>641,342</b>	<b>4.4%</b>
<b>Detail - 2016</b>				
			<b>Expense</b>	
Ox Mountain MSW	229,123	\$ 40.34	\$ 9,243,718	
Ox Mountain Aggregates	-		\$ -	
Organics	111,836	\$ 38.99	\$ 4,360,311	
Food	-		\$ -	
C&D	31,597	\$ 51.02	\$ 1,612,078	
Other			\$ 112,789	
<b>TOTAL - 2016</b>	<b>372,556</b>	<b>\$ 41.15</b>	<b>\$ 15,328,897</b>	

**Operating Margin for Transfer Station Only**

8. **Table 8** details the operating margin for the various rate categories (material types) for the Transfer Station only.

<b>Transfer Station Margin</b>					
<b>FRANCHISE</b>	<b>2016 Cost / Ton (Estimated)</b>	<b>2016 Tip Fee / Ton (Proposed)</b>	<b>Net Income / Ton (Estimated)</b>	<b># Tons</b>	<b>2016 Total Operating Margin (Estimated)</b>
Solid Waste	\$ 86.33	\$ 94.00	\$ 7.67	179,672	\$ 1,378,465
Residential Organics	\$ 98.53	\$ 96.00	\$ (2.53)	98,066	\$ (247,811)
Commercial Food Waste	\$ 111.41	\$ 107.00	\$ (4.41)	-	\$ -
Inerts	\$ 73.03	\$ 83.00	\$ 9.97	3,864	\$ 38,511
<b>SELF-HAUL</b>	<b>2016 Cost / Yard (Estimated)</b>	<b>2016 Tip Fee / Yard (Proposed)</b>	<b>Net Income / Ton (Estimated)</b>	<b># Yards</b>	<b>2016 Total Operating Margin (Estimated)</b>
Solid Waste	\$ 21.58	\$ 36.00	\$ 14.42	58,872	\$ 848,816
Green Waste	\$ 22.84	\$ 25.00	\$ 2.16	50,165	\$ 108,180
C&D	\$ 33.40	\$ 33.00	\$ (0.40)	89,968	\$ (35,903)
Public Dirt (tons)	\$ 73.03	\$ 83.00	\$ 9.97	9,231	\$ 91,992
Non-SBWMA SW (Tons)	\$ 86.33	\$ 94.00	\$ 7.67	1,885	\$ 14,464
Non-SBWMA Food (Tons)	\$ 111.41	\$ 107.00	\$ (4.41)	-	\$ -
Non-SBWMA C&D (Tons)	\$ 73.03	\$ 83.00	\$ 9.97	2,002	\$ 19,948
Non-SBWMA Organic (Tons)	\$ 98.53	\$ 96.00	\$ (2.53)	3	\$ (8)
Other Drop Off, etc				n/a	\$ 237,597
<b>Total Transfer Station</b>					<b>\$ 2,454,251</b>



## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Hilary Gans, Facility Operations Contracts Manager  
**Date:** November 19, 2015 Board of Directors Meeting  
**Subject:** Consideration of Approval for South Bay Recycling to Lease Two End-Dump Tractor Trailers for Glass Hauling

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### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2015-34 attached hereto authorizing the following action:

Approval of request by South Bay Recycling (SBR) to lease two end-dump tractor trailers required for the additional haul time associated with shipping glass to a new glass processing location in Fairfield. The lease term shall not exceed a two-year term so as to allow for a reevaluation of a lease vs. purchase option.

This staff report also provides an update on other issues related to glass handling that may require future Board action.

### Summary

SBR transports glass to a processor, Strategic Materials Incorporated (SMI) located in San Leandro. SMI is closing its San Leandro facility sometime during the 1<sup>st</sup> quarter of 2016 and opening a replacement facility in Fairfield. After the closure, SBWMA will be financially impacted by higher glass shipping costs from both longer haul distance and the need for additional tractor-trailer equipment. Staff is pursuing designs for alternative onsite handling and glass cleaning systems to partially mitigate the higher costs and expects to bring back final options to the Board in either January or February 2016.

Additionally, in October, SMI notified SBR that the glass shipments from the Shoreway facility contained small quantities of batteries and that all batteries must be removed in order to continue marketing the glass to SMI. SBR has removed the batteries and is now analyzing additional sorting systems and recycling options for the batteries.

Staff is also working with SBR on other potential MRF equipment options to address glass quality issues. With only one glass processor left in California it's imperative that the SBWMA keep a strong focus on producing the highest quality glass to ensure future market access and preferred pricing.

### Analysis

At the October Board meeting, staff presented information relating to the cost of shipping to a new glass processing plant in Fairfield that included the need for new trucks and plans for potentially installing a new glass loadout system that would help reduce the expense of onsite handling of glass. Updates to these items are presented in items 1 and 2 below while new items regarding processing of the glass to remove contamination are discussed in items 3 and 4 on the next page.

- 1) ***New Trucks and Trailers for Glass Transportation***- SBR will to add two new tractors and trailers to its fleet to transport the 13,000 tons/year of glass the additional distance of 54 miles to SMI's new processing plant in Fairfield. SBR has provided the SBWMA an option to buy or lease the trucks and has submitted a

cost analysis of the two options. The cost difference between purchasing vs. leasing two tractor-trailers is \$7,570 higher per year to lease. While leasing is a slightly higher expense, staff is recommending the lease option given the following reasons:

- Flexibility of fleet size – leasing would allow the flexibility in sizing the fleet so that changes can easily be made should a new glass processor open in the Bay Area or if SMI reopens the San Leandro processing location.
- Operational flexibility - a short-term truck lease would allow truck styles to be easily changed should a future glass loadout system require specialized trailers.
- Truck availability – purchasing and fabrication of new trucks could take several months whereas leased trucks can be acquired on short notice after SMI provides a firm date for closing the San Leandro plant.

- 2) ***Loadout System for Glass*** – Glass is currently shuttled with a rolloff truck from the MRF to the transfer station where it is loaded onto tractor trailers for long-hauling to SMI. The SBWMA pays SBR \$133,770 per year (\$10.29/ton X 13,000 tons/year) for the service of shuttling and reloading the glass. Staff is exploring design options for a conveyor and hopper system that will automatically load glass into long-haul end-dump trailers so that the cost of glass shuttling can be avoided or substantially reduced. A preliminary capital cost for this type of system is \$300,000 - \$500,000. Staff is evaluating different loadout system designs and their operational impacts and recommendations will be brought to the Board for consideration in January or February 2016 after this analysis has concluded.
- 3) ***Battery Contamination of the Glass Stream*** – As recyclable materials are processed at the MRF, batteries that have been put into recycling containers by residence and by businesses end up in the glass stream. In the past, SMI has accepted small quantities of batteries, however due to stricter regulations SMI notified SBR in October that they are no longer accepting glass shipments containing batteries. While SBR is able to keep batteries separate from the glass stream (using a magnet to remove all metal and batteries) so that shipments to SMI could resume, the resulting stream of batteries and small scrap metal have proven difficult to market. SBWMA staff and SBR continue to explore recycling/disposal outlets for this stream as well as evaluate additional processing steps to isolate the batteries so that they can be recycled. Staff has included \$70,000 in its forecasted 2016 calendar year projections for proper disposal of the batteries.
- 4) ***Cleaning of Glass*** - In addition to the battery sortation and glass loadout system discussed above, staff is evaluating the feasibility of a system to recover other small recyclable materials from the glass stream (e.g., shredded paper, small plastics and metals). Preliminary analysis shows this type of system could be financially beneficial because it would a) recover more sellable commodities, and b) would improve the quality and sale price of the glass. Staff is researching systems to clean up the glass stream and will present these opportunities to the Board for consideration sometime during the first quarter of 2016.

### **Background**

Currently, glass that is generated throughout the two-shifts of MRF operation is shuttled to the transfer station where it is then loaded onto end-dump trailers for transportation to SMI's glass processing plant in San Leandro. SBR currently has one end-dump truck in its fleet that the company uses for glass hauling and for hauling other materials from the transfer station. At the October 22, 2015 Board meeting, staff provided discussion and analysis of glass transportation cost increases that will result from SMI relocating their processing location from San Leandro to Fairfield. Additionally, preliminary cost analysis was presented on an option to install a glass loadout system that staff believes will help mitigate the transportation cost increases.

**Fiscal Impact**

The estimated cost increase of the recommendation to have SBR lease two tractor trailers for glass transportation to Fairfield is approximately \$49,000 per year for each truck and trailer.

Additionally, the longer haul distance to Fairfield will increase SBR's transportation costs by approximately \$260,910 in 2016. This expense along with the new lease costs has been included in staff's 2016 calendar year forecast.

**Attachments:**

Resolution 2015-34



## RESOLUTION NO. 2015-34

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS AUTHORIZING THE EXECUTIVE DIRECTOR TO APPROVE REQUEST BY SOUTH BAY RECYCLING (SBR) TO LEASE TWO END-DUMP TRACTOR TRAILERS REQUIRED FOR THE ADDITIONAL HAUL TIME ASSOCIATED WITH SHIPPING GLASS TO A NEW GLASS PROCESSING LOCATION IN FAIRFIELD.

**WHEREAS**, the SBWMA's markets for glass are limited to one processor Strategic Materials Incorporated (SMI) currently located in San Leandro; and

**WHEREAS**, the SMI is closing the San Leandro location and opening a new processing location in Fairfield; and,

**WHEREAS**, the SBR requires two additional trucks and trailers to fulfill its increased hauling responsibilities and has provided a lease option for approval by the SBWMA.

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby authorizes the Executive Director to approve a request by SBR to lease two end-dump tractor trailers required for the additional haul time associated with shipping glass to a new glass processing location in Fairfield. The lease term shall not exceed a two-year term so as to allow for a reevaluation of a lease vs. purchase option

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 19<sup>th</sup> day of November, 2015, 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. 2015-34 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on November 19, 2015.

ATTEST:

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Bill Widmer, Chairperson of SBWMA

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Cyndi Urman, Board Secretary