



A Public Agency

# EXECUTIVE DIRECTOR'S REPORT



## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Joe La Mariana, Executive Director  
**Date:** January 24, 2019 Board of Directors Meeting  
**Subject:** Executive Director's Report

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We hope that everyone had an enjoyable holiday season. Staff and agency partners have been hard at work on many important projects, programs and facility initiatives since our last Board meeting. Here are some highlights:

### 1. Administration & Finance:

- A. 2019 Contractor's Compensation Adjustment Applications ("Comp Apps")-Rate Setting Almost Done**  
 After extensive staff and contractor technical review, the Board adopted/approved the 2019 Contractor's Compensation Adjustment Applications submitted by Recology and South Bay Recycling over the summer per the terms of our contracts. Since this decision, each member agency has held, or plans to hold, their individual public hearings to adjust their 2019 rates accordingly. As requested, the SBWMA's Sr. Finance Manager, John Mangini, has provide technical support to our TAC members to answer member agency-specific questions and provide data/analysis to augment their recommendations for consideration at their various elected bodies during this process. This project is a mighty big lift for all involved and we're always happy to provide this high-level of support to complete the arduous process each year. It is very clear that John Mangini's strong industry experience and technical skills have really helped this process move along. Terrific work and welcome and to the team John!

**A friendly (and repeat) reminder from the November Board packet:**

**Please note: Staff STRONGLY recommends that each member agency strategically adjust their rates in 2019, 2020 and 2021 to build extra revenue in the anticipation of the transition between the end of our current Franchise Agreement term (12/31/20) and the beginning of the new, restated and amended Franchise Agreement term (1/1/21).** These member agency-specific reserves can then be used to smooth the adjustments that are currently projected at about 10% (8.3% contract adjustment + fuel CPI). We also anticipate service level adjustments by member agency). The smart play here is to add several extra percentage points during each of these three rate years now to address this future issue.

- B. Administrative Services Projects/Initiatives—Keeping the Lights on**
- 1. Bond Refunding/Refinancing—KNN Public Finance Has Been Hired--It's Full Steam Ahead!**  
 Our RFQ process culminated with the hiring of KNN Public Finance (Oakland) to execute the anticipated refunding of the bonds issued 10 years ago. This project represents a particularly timely opportunity to secure additional funding for an estimated \$30M worth of critical capital projects that are anticipated during

the next 3-5 year planning window at the Shoreway facility. This activity will be discussed in today's Agenda item 5H (info item). Please note these critically important Board engagement process milestone dates:

1. **Feb (tbd):** **SBWMA Finance Committee**—Project review/option recommendations (special meeting)
2. **February 28th:** **Bond/Disclosure Counsel + Underwriter selection** (SBWMA BOD-Action Item)
3. **March 28th:** **Bond Terms Approval** (SBWMA BOD-Action Item)
4. **April 11:** **SBWMA Finance Committee**—Final Project Review
5. **April 25:** **Final Deal Terms Approval** (SBWMA BOD-Action Item)
6. **April 29-May 15:** **12 Member Agency Approvals** (All 12 Elected Bodies review\*- Action Item)
7. **June 12<sup>h</sup>:** **Close date of current Bonds** (by law, earliest date final transaction steps can begin)
8. **September 1<sup>st</sup>:** **Final Bond Maturity Date** (Refunding transaction complete)

\* Per the section 7.1.1 of the "Second Amended and Restated Joint Exercise of Powers Agreement, South Bayside Waste Management Authority" (aka "JPA Governance Agreement") "two thirds of the members agencies (or 8 member agencies) are required to approve this refunding transaction.

The bond refunding is being driven by significant recommended MRF improvements in two phases due to dramatic changes in a) the mix of recyclable materials now being manufactured and b) the global commodity conditions; sweeping new organics diversion requirements and the urgent need to modify our facility and collection operations system to sharply reduce greenhouse gas production practices to align with important elements required by AB 32, *The California Global Warming Solutions Act (2006)*, and our member agency's corresponding Climate Action Plans and SB 1383, *The Short-Lived Climate Pollutant Reduction Act (2016)*. These projects will continue to be discussed in today's Agenda Item 7A (info only) and again in February and March in our Finance Committee (February) and Board meetings. These are critically important measures that demand bold thinking.

**2. Disposal/Landfill Services RFP: Process Update—*Staff Recommendation due to Board in March***

As previously noted, the agency's 15-year disposal contract with Republic Services' Ox Mountain Landfill in Half Moon Bay expires on December 31, 2019. An agency subcommittee met on October 22nd to evaluate the "Phase I" RFP responses. By invitation, RFP finalists then submitted their value-added "Phase II" services in December for review. Staff and agency consultants are currently performing a final technical review of the comprehensive RFP process with the expectation of presenting our final recommendations to the Board for consideration at the March 28<sup>th</sup> meeting.

**3. Management Analyst III—Recruitment—*Strong Candidate Pool; Selection Process Continues***

This position was approved by the Board on November 15<sup>th</sup>. The application period closed on December 21<sup>st</sup> and a number of strong candidates applied. These applications were evaluated and the top candidates were interviewed on January 11<sup>th</sup> by a panel consisting of John Mangini (Sr. Finance Mgr. and this position's supervisor); Hilary Gans (Sr. Facilities and Major Contracts Mgr.); Cyndi Urman (Board Clerk); Steve Sherman (Consultant assigned to managing this recruitment); and Mary Lindemuth (Solid Waste Program Administrative Analyst, City of Sunnyvale). The selection process continues with the goal of finding the exact right candidate for this position's unique needs. The position is expected to be filled by March 1<sup>st</sup>. Many thanks to the Board for its support on this vital position.

**4. Committee Updates:**

**a. Finance Committee Meeting** (January 10)

In addition to many routine items discussed, the KNN Public Finance team presented an overview of the upcoming bond refunding process, our options and their preliminary recommendations. The

committee provided excellent direction on several bond refunding options and it was agreed to meet again in February to perform a deeper dive. This standing committee consists of Board Members Bill Widmer (Atherton), Michael Brownrigg (Burlingame), Jay Benton (Hillsborough); Technical Advisory Committee member Carol Augustine (Burlingame Finance Director); SBWMA Staff-Joe La Mariana (Executive Director), John Mangini (Sr. Finance Manager); Cyndi Urman (Board Clerk), Jean Savaree (Agency Attorney). We are extremely fortunate to have such a talented group of experienced and financially savvy decision makers serving on our Board's behalf regarding these important items.

**b. Public Education and Outreach Subcommittee Meeting** (January 14)

The Subcommittee reviewed website RFQ responses submitted on December 21. Direction was provided to staff regarding technical structure components needed for our refreshed agency website; key content and format attributes; the public's need for ease-of-use and ease-of-access to core agency documents and records; and the technical and financial merits of each response. Staff will continue the review process with the selected finalists, with an anticipated recommendation for Board consideration at the February 28<sup>th</sup> meeting.

**c. Legislative/Regulatory Committee** (SBWMA Executive Committee, ongoing engagement)

The new 2019-2020 California Legislative session began in December. Environmental & Energy Consulting (EEC) in Sacramento was selected to manage the SBWMA's legislative and regulatory advocacy interests for 2019. Today's agenda item 5F provides more information on EEC's selection and an action item to extend their professional services agreement with our Agency for the full, two-year legislative term. Interim Chair Jay Benton has been actively updated throughout this process and has met the EEC team. Recycling Outreach Programs Manager, Julia Au, has considerable firsthand experience and contacts in this arena and has been assigned the lead staff role in managing this process for our Agency as we also target our activities with our many industry partners to achieve our 2019-2020 Legislative & Regulatory goals (see Agenda Item 5G). We are in excellent hands with Julia and EEC.

## **2. Collection and Recycling Program Support and Compliance:**

### **A. Franchise Agreement Negotiations—*The County and Atherton have Defined Their Remaining Pathway***

#### **i. The County of San Mateo:**

In mid-December, the County notified Agency staff that they were conducting an independent review of the key terms of the Franchise Agreement. Agency staff has since fulfilled their records request for historic records to assist the County in their final due diligence steps before the San Mateo County Board of Supervisors consider their restated and amended Franchise Agreement with Recology. This review process is expected to conclude this spring.

#### **ii. The Town of Atherton:**

On December 19<sup>th</sup>, 2018, Atherton's Solid Waste subcommittee sought direction from their council regarding Atherton's future best interests regarding their solid waste and recycling program. At this public meeting, council directed this subcommittee and town staff to investigate solid waste program options and their cost implications. Staff was directed to report back to council in January. One leading option discussed involved the Town of Atherton joining the towns of Woodside and Portola Valley in their solid waste agreement with GreenWaste Recovery. Mayor Widmer and his council colleagues had extremely favorable comments relating to the quality of services being provided by Recology, and towards myself and our Agency staff. Based on the cordial tone of these comments, it was clear that this is a long-term policy decision to be made regarding the future "fit" of Atherton in the SBWMA's structure and cost allocation methodology. We will observe their process with interest.

**B. “Amendment One” Process and Workplan**—*FAX’s Final Report is in development; Board consideration in February*  
Workgroup meetings with Recology, Staff, agency attorney and agency contractors—HFH Consultants and SCS Engineers—began on August 15<sup>th</sup> and culminated on November 29<sup>th</sup> with a presentation of proposed Bulky Waste Collection (BIC) and Abandoned Waste Collection (AW) service enhancements, as well as some litter-reduction activities to the Board-appointed Franchise Agreement Extension (FAX) committee for their review and comment. The FAX committee consisted of Jim Porter, (Chair, County of San Mateo DPW Director and two-time SBWMA Chair); Melissa Stevenson-Diaz (Vice Chair, Redwood City’s City Manager); Brenda Olwin (East Palo Alto’s Finance Director); Afshin Oskoui (Belmont’s DPW Director); and Larry Patterson (City of San Mateo’s City Manager and two-time Chair). Note: Larry Patterson had an excused absence from the November 29<sup>th</sup> FAX meeting. His excuse? Retirement! We thank Larry for his many years of strong engagement and support with our Agency, including serving as a two-time Chair. Best wishes Larry.

**C. Long Range Plan-Pilot Programs**

i. **Environmental Education Program**—*In-Schools Pilot Program and the Facility Tour Program is Rolling!*  
The in-schools pilot program in Redwood City is in full rollout mode. After overcoming some early program challenges, the SBWMA Environmental Education team—Emi Hashizume (EE mgr.); Madison Guzman (EE Coordinator); Dennis Uyat (Fellow); and Adele Halili (Fellow)—in coordination with Recology San Bruno\* and the County’s Office of Sustainability staff, are working extensively on-campus with eight (8) elementary schools in the Redwood City and Belmont-Redwood Shores school districts. The team has increased recycling and composting services, conducted numerous educational assemblies, provided custodial staff education and supported science instructors. The team has performed all this activity while still hosting our comprehensive facility tours. We’ve now have a lot of happy engaged kids, teachers and staff at these school sites.

The team will present a program update to the board at the March Board meeting. A recommendation will follow during the FY19/20 Budget discussion on using a phased approach to expand this program agency-wide during the next few years.

\*Recology San Bruno provides collection services at these schools under a “no-frills” contract that is separate from our Agency’s Franchise Agreement.

ii. **Public Spaces Pilot Program**—*SBWMA Team Works w/City Staff to Achieve Pilot Goals*  
The Public Spaces team continues to roll on in their pilot project. The SBWMA Public Spaces team consisting of Julia Au (Recycling Outreach Programs Mgr.); Joanna Rosales (Fellow); and Shirley Ng (Fellow) are almost a year into the roll out of the Public Spaces pilot to increase diversion and expand recycling and composting opportunities in public spaces, with an emphasis on parks and active downtown shopping corridors. The pilot is being conducted within in two member agencies: Redwood City and San Carlos. SBWMA Staff led by the two Fellows (Carlos Moreno recently accepted a position at the Peninsula Clean Energy and was replaced by Shirley Ng) have been working with TAC members and city staff from both cities as well as Recology San Mateo County on a pilot of new receptacles and signage in parks and signage in downtown corridors. Staff has conducted waste audits, observations and surveys before and during the installation of new receptacles and signage and continues to gather and analyze the information collected.

The team will present a pilot program update with results and findings at the March Board meeting. A recommendation will follow during the FY19/20 Budget discussion on using a phased approach to expand this program agency-wide during the next few years.

### 3. **Shoreway Operations and Contract Management**-*Markets remain uncertain; CIP is Priority*

#### A. **Batteries, Batteries, Batteries!**

Lithium Ion (LI) batteries continue to represent a serious and ever-increasing fire threat to our facility and our worker's safety. Since the September 7, 2016 MRF fire, we made significant improvements to "harden" our facility with fire suppression equipment and expanded SBR training in direct response training and capabilities. On September 3, 2018, the Agency directed additional major changes to the collection program by our hauler, Recology, and our facility operator, SBR, in how we handle expired household batteries. In support of these operational changes, the SBWMA staff launched a two-phased, multi-media educational outreach program that ran in September and October, and then again in December/January. This campaign included: newspaper ads, a major editorial article, social media announcements, bill stuffer messages, newsletter feature articles, etc. Here are several new data points that relate to this frustrating topic:

- **Multi-family Battery Collection Accounts** (*"Chuck it in the Bucket" Campaign*):  
Recology has increased its multi-family battery buckets accounts from 77 (in 2016) to 92 (in 2017) to 151 (in 2018). While this is a notable improvement, we have received clear board direction to continue to expand this service throughout our almost 3,000 MFD account base on a priority basis.
- **Curbside Battery Collected by Recology Garbage Drivers** (*"Responsibly collected batteries"*):  
These batteries are NOT the problem. These are the batteries that responsible citizens put on top of their black carts and are then carefully handled by Recology and SBR until they're shipped off to our industry partners for disassembly and material recovery. The total volume (by weight) of these batteries (all categories) during October-December 2018 increased by 11% Y/Y compared to 2017. There was a huge spike of batteries collected in this channel (+152% in September) during the outreach campaign, but this activity has now stabilized. We would like to handle ALL residential batteries through this channel.
- **In-MRF Battery Count** (*So-called "Rogue" Batteries*):  
These batteries are THE big problem. These are the batteries that people are (still!) slipping into the blue carts and bins that end up on the tip floor and sorting lines of the MRF. Batteries, especially LI batteries, that make their way into this highly mechanized environment are bad news.

SBR just completed an exhaustive, six week count of batteries received at the MRF in the blue carts vs. 2017. Compared to last year's study, the volume of LI batteries identified in the MRF literally doubled (5.48 LI batteries/hour vs. 10.78 LI batteries/hour). Additionally, NiCad (-4%) and Alkaline (-54%) battery volumes dropped dramatically since last year's count as well. As predicted, the seismic shift is on from traditional batteries to longer-energy LI Batteries in electronics, consumer goods and related industries. We have more work to do.

- **Next steps:**  
The key issue here isn't the batteries themselves, of course, but rather, the risks that they present to our facilities and workers. Therefore, our Agency will target this awareness in all of our operational

practices, public outreach, environmental education, and related facility and program planning activities to reduce the number of LI batteries coming onto our site. Support of these activities will continue to be reflected in our budgeting long range planning process recommendations. They include:

- **Legislation & Regulation:** Support safe LI handling and reg. enforcement
- **Mfr. Responsibility:** Work on Extended Producer Responsibility (EPR) solutions
- **Collection locations:** Work to significant increase local expired battery drop off options
- **Pub Education and Environmental Awareness:** Targeted campaigns; in-school awareness

#### **B. Commodity Markets and Facility Update**

The only thing certain about the new world order in the 2019 global commodity markets is that there is absolutely no certainty and things are constantly shifting. As a result, long term planning remains challenging, but several trends are quite clear:

- The “cleanest” grades of materials will always command the best pricing and ensure material movement.
- Our Agency must take deliberate action to meet our state-mandated diversion requirements and our member agency goals to remain relevant in this new market place.
- Our ROI models for CIP improvement decision making must include new cost avoidance variables-- which may ultimately make our decisions easier.

Agency Staff (led by Hilary Gans, Sr. Facilities Mgr.), South Bay Recycling (Dwight Herring, SBR General Mgr.), and our facility equipment partners’ senior engineering and design staff (BHS Equipment; Anergia) have devoted extraordinary efforts recently in preparing CIP costing and handling options for Finance Committee and Board review and consideration during the coming months. This topic is addressed today in Agenda Item 5H, *Municipal Finance Advisor Selection and Bond Refunding* and Agenda Item 7A, *Discussion of Capital Improvement Projects and Planning*. Staff and the Finance Committee both recognize the unique timing opportunity that currently exists between our obvious CIP needs and the Bond.

And finally, in memorandum, I’d like to respectfully acknowledge the passing of our friend and former SBWMA Board Member, Kathy Anderson in December. Kathy represented the Town of Atherton during the early to mid-2010s and always did so with a warm smile and a good heart. I had the pleasure of working closely with Kathy on many occasions and I’m certain that all who did so will also miss her.

Respectfully submitted,



Joe La Mariana  
Executive Director

#### **Attachments:**

A. Franchise Agreement Execution Status by Member Agency: Elected Body Consideration Tracker

**Attachment A:**  
**Franchise Agreement Execution Status by Member Agency:**  
Elected Body Consideration Tracker

<b>SBWMA Member Agency</b>	<b>City Council Consideration Date</b>	<b>Status/Comments</b>
City of San Mateo	November 6, 2017	Council approved: 5-0
Hillsborough	November 13, 2017	Council approved: 5-0
San Carlos	November 13, 2017	Council approved: 5-0
Foster City	November 20, 2017	Council approved: 5-0
Burlingame	January 16, 2018	Council approved: 5-0
West Bay Sanitary District	January 24, 2018	Board approved: 5-0
Redwood City	March 26, 2018	Council approved: 7-0
Menlo Park	April 24, 2018	<b>Council approved: 3-0-2*</b> *Eight (8) member agencies have now approved their individual Franchise Agreements with Recology. This 8 <sup>th</sup> vote satisfies the requirements of the JPA's governance agreement, Section 7.1.1 of a 2/3rds vote. A public procurement is avoided.
East Palo Alto	June 19, 2018	Council approved: 4-0
Belmont	August 28, 2018	<b>Council approved: 5-0</b> Franchise Agreement deal terms were approved and City Manager Scoles is authorized to execute Belmont's final agreement. This final step is currently in progress
County of San Mateo	December 19	County staff advised SBWMA of their decision to conduct an independent review of the financial and operational deal terms of the Franchise Agreement. A large public records request has followed. It appears that this review will continue into the spring.
Atherton	December 19	Council directed town staff and solid waste subcommittee to explore options for future solid waste services, including reaching out to Portola Valley and Woodside to see if it makes sense for their town to join together for these services. A key issue is cost allocations. Council and staff made strong statements that this was a simple policy discussion about the town's "fit" with the SBWMA. Many strong statements were made complimenting Recology's quality of service and SBWMA staff's high level of professional support.

**\*Notes:**

1. JPA Agreement states that each member agency's individual Franchise Agreement be fully executed by June 30, 2018.
2. Per the section 7.1.1 of the "Second Amended and Restated Joint Exercise of Powers Agreement, South Bayside Waste Management Authority" (aka "JPA Governance Agreement") "two thirds of the members agencies (or 8 member agencies) are required to approve this Franchise Agreement for it to become ratified.