



A Public Agency

BOARD OF DIRECTORS MEETING
THURSDAY, June 26, 2014 at 2:00 p.m.

Shoreway Environmental Center
RethinkWaste Board Room (upstairs community room
in Recology offices)
225 Shoreway Road, San Carlos, CA 94070

1. Roll Call

2. Public Comment

Persons wishing to address the Board on matters NOT on the posted agenda may do so.

Each speaker is limited to two minutes. If there are more than five individuals wishing to speak during public comment, the Chairman will draw five speaker cards from those submitted to speak during this time.

If the item you are speaking on is not listed on the agenda, please be advised that the Board may briefly respond to statements made or questions posed as allowed under The Brown Act (Government Code Section 54954.2).

3. Approval of Consent Calendar:

Consent Calendar item(s) are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Board, staff or public request specific items be removed for separate action.

- A. Adopt the May 22, 2014 BOD Meeting Minutes
B. Resolution Approving Annual Contract with Aaronson, Dickerson, Cohn & Lanzone for Legal Counsel Services for FY1415
C. Resolution Approving Annual Contract with the City of San Carlos for Accounting and Financial Services for FY1415
D. Resolution Approving Property Insurance Policy Renewal
E. Resolution Approving Agreement with Cosco Fire Protection for Installation of Fire Protection Controls in Shoreway Environmental Center Buildings

4. Old Business:

- A. Update on Additional Third Party Tons into the Shoreway Environmental Center MRF
B. Results of Public Education Survey of Residents

5. New Business:

- A. Resolution Adopting FY1415 Budget
B. Resolution Approving Findings from Review of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Audits
C. Resolution Approving Findings from 2013 Financial and Accounting Systems Audit of Recology and SBR

6. Staff Updates:

- a) Potential Future Board Agenda Items
b) Check Register for May 2014
c) Technical Consulting Contracts - 2nd Quarter 2014
d) Update on 2014/15 Franchise Rate Setting Process
e) Recycling and Outreach Programs Update
f) Shoreway Facility Operations and Maintenance Update
g) Receipt of Recology and SBR Monthly Reports

7. Board Member Comments

8. Adjourn

MEMBER AGENCIES



A Public Agency

CONSENT CALENDAR

Agenda Item 3

DRAFT MINUTES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE BOARD OF DIRECTORS
May 22, 2014 – 2:00 p.m.
RethinkWaste Board Room at the Shoreway Environmental Center

Call to Order: 2:01 PM

1. Roll Call

| Agency | Present | Absent | Agency | Present | Absent |
|----------------|---------|--------|----------------------------|---------|--------|
| Atherton | X | | Menlo Park | | X |
| Belmont | X | | Redwood City | X | |
| Burlingame | X | | San Carlos | | X |
| East Palo Alto | | X | San Mateo | | X |
| Foster City | | X | County of San Mateo | X | |
| Hillsborough | X | | West Bay Sanitary District | X | |

2. Public Comment

Persons wishing to address the Board on matters NOT on the posted agenda may do so.

Each speaker is limited to two minutes. If there are more than five individuals wishing to speak during public comment, the Chairman will draw five speaker cards from those submitted to speak during this time. The balance of the Public Comment speakers will be called upon at the end of the Board Meeting.

If the item you are speaking on is not listed on the agenda, please be advised that the Board may briefly respond to statements made or questions posed as allowed under The Brown Act (Government Code Section 54954.2). The Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report and formal public discussion and input at that time.

Vice Chair Dehn noted that a survey monkey survey would be coming to the Board and TAC members for the Executive Director's performance review, and asked members to please respond back, and that at the next meeting there would be a closed session to discuss.

Member Aguirre asked if the closed session will be before the meeting or during the meeting.

Chair Widmer answered that the timing would depend on the agenda.

3. Approval of Consent Calendar:

Consent Calendar item(s) are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Board, staff or public request specific items be removed for separate action. *Items removed from the Consent Calendar will be moved to the end of the agenda for separate discussion.*

- A. Adopt the April 24, 2014 Special BOD Meeting Minutes
- B. Adopt the April 24, 2014 BOD Meeting Minutes
- C. Approval of Quarterly Investment Report as of 3/31/14
- D. Approval of Letters of Support for Assembly Bills 1826 and AB 1594

3D was pulled from consent for discussion.

Member Benton made a motion to approve consent calendar items A through C.

Member Aguirre seconded the motion

Voice Vote: All in Favor

Discussion on item 3D:

Staff Devincenzi gave an update on the status of the two bills. AB1594 had been sent to suspense with the appropriations committee, so it would either get reported out and then go to the full assembly or it would die for the year. Californians Against Waste is requesting that letters of support still be sent. She also updated AB1826, noting that it had passed the Assembly and was moving to the Senate Environmental Quality Control Commission.

Member Brownrigg noted that federal law prohibits the recycling of food waste that comes in from overseas. He added that in Burlingame this is a specific problem because there are many airport food service companies that are barred from doing anything with that food waste. He concluded that while we support efforts to divert more, he didn't want to support legislation that would penalize companies that couldn't divert more due to federal law.

Executive Director McCarthy noted that staff is aware of the issue, and would look into the issue further to see if airport food waste could go into the new machinery at South San Francisco Scavenger that will convert organics into energy. He also noted that separate from the international restriction there is one particular airport account in Burlingame that has been highly contaminated.

Tammy Del Bene of Recology noted that there are two main accounts in Burlingame, LSG and Flying Foods. Flying Foods has most of the international waste. She added that according to federal law international waste has to be autoclaved (cooked) and then sent to the landfill. She added that it adds significant tonnage to the landfill and deters from the state's diversion goals. She wondered if autoclaving the material could be enough to remove any pathogens and if so, could that material then be processed in the South San Francisco energy converter system.

Member Brownrigg clarified that in Burlingame commercial rates are higher than residential rates, so companies have a strong incentive to reduce waste, but these companies are in a bind. He asked the Board be sensitive to the issue as letters of support are drafted.

Executive Director McCarthy noted that he would have Staff Gans follow up with the facility in South San Francisco to see if the new equipment affects these companies' ability to divert.

Member Aguirre asked for clarification on AB1826, if the 8 or more cubic yards of organic waste was a weekly, daily or monthly amount.

Staff Feldman answered that it was per week.

Vice Chair Dehn suggested that the letters note our support unless otherwise dictated by law.

Member Brownrigg noted that he would appreciate that amendment.

Chair Widmer noted that a joint letter from the SBWMA rather than from each Member Agency would be drafted, and he commented that he thought the Board Chair should sign the letter not the Executive Director.

Member Brownrigg made a motion to approve the letter with the amendments discussed, and requested to see a draft before it was finalized.

Member Benton seconded the motion.

Voice Vote: All in Favor.

4. Old Business:

A. Recology Update on Automating Collection and Analysis of Annual Route Assessment Data

Kam Sung of Recology gave a Power Point presentation on the feasibility of automating of allocation data. He noted that RouteWare was not able to meet Recology's specifications, but was able to give them a date range from one week to one month worth of data. He noted that there is still a long road ahead, but it is a step in the right direction.

Chair Widmer asked for clarification on whether monthly data could be collected, and then over time a full year of actual data could be collected, and if there were any problems getting the full year's data.

Kam Sung answered that currently what they can do now is just one month worth of data, when the information was downloaded on to the Recology server there was a CPU spike, so Recology is communicating with RouteWare to see what kind of hardware upgrades they need to make it work. He also noted that in order to get to a fully automated process there are three parts that need to be included: route hours, route labor hours, and roll off times, adding that all three need to be addressed before full automation can happen.

Chair Widmer commented that it sounded like Recology was well on the way.

Mario Puccinelli added that the goal is to fully execute this in a way in which there is not a lot of staff time spent, and that they will continue to have the vendor and their IT department work towards that goal.

Member Benton asked for clarification on how the data moves from one report to another, noting that he couldn't follow how it all tied together.

Kam Sung answered that in this case, the information was exported to Excel, and then manually cleaned up. He noted that the type of route is missing, so that needed to be added manually and that Recology has communicated that to RouteWare and the price tag to fix that piece is about \$10,000.

Vice Chair Dehn asked what was being manually added to the exported report to get it to a cleaned up state.

Kam Sung answered that his biggest concern is the format of the Routware report noting that cells had to be taken out in order for it to export to excel, but that the type of route and commodity had to be manually added in.

Chair Widmer commented that he would like to see the overall system flow to have confidence in the system, but thought the more automated it is, the easier it will be to do the analysis.

Member Benton questioned how one offs affect this system, and would they average out with a larger set of data. He also asked when the clock starts ticking for the second jurisdiction on a route.

Mario Puccinelli answered yes to the first question that it will average out one offs with a larger set of data and that the clock starts ticking when the driver hits complete for one account and is on the way to another.

Member Benton commented that cities farther away from Shoreway were penalized for being farther away.

Mario Pucinelli commented that generally there aren't big jumps in a route like that, and this was just an example.

Chair Widmer summarized once more data is received and everything is cleaned up the Board will need to make a decision on whether or not to change the allocation method.

B. Case Closure on Shoreway Remediation Project

Staff Gans noted that the six year remediation effort at Shoreway has received final case closure and a report that no further action is required by the County. He added that there will be approximately \$1.22M left of the settlement agreement money, and staff is seeking Board feedback on using that money to replace the underground diesel fuel storage tanks at Shoreway. He noted that staff has requested from JR Miller an estimate on the project which was included in the staff report and is roughly \$1M.

Executive Director McCarthy added that the staff report talks about conversion to CNG with the new contract in 2021, but another option would be to ask Recology to document the capital and operating expense of retrofitting their current fleet. He noted that in speaking with Mario Puccinelli the operating expense far outweighs the capital expense, so there is a question if there would be enough of a payback in the 5 or 6 years left on the contract. A benefit to this approach is that the existing system could be closed, but one diesel tank could be saved for the transfer vehicles, which are not ready to be converted to CNG in the very near future like the route trucks. Conversely, he noted that another part of the discussion is that the JPA could spend the money to retrofit and then the system could be obsolete.

Member Aguirre noted that she has studied the CNG issue with two other agencies and that in both of those situations they have found that currently the costs outweigh the benefits and she thought more study on the issue is needed. She added that she didn't want to see a request for a change that was going to end up costing the Member Agencies and rate payers more money.

Member Benton thought that a request of this nature would need to go along with negotiation of the extension.

Executive Director McCarthy asked Mario to give a ball park of the economics.

Mario Puccinelli commented that the current fleet is \$360,000 to \$390,000 per truck, and he said that he hasn't been given an estimate to retrofit.

Executive Director McCarthy thought that it would be worth getting the cost estimate on retrofit not full replacement.

Chair Widmer noted that he would like to see the numbers, and then Board could include it in the consideration of the contract extension.

Executive Director McCarthy added the decision about CNG trucks or type of fuel options if it's involving retrofitting Recology's existing fleet then Recology is part of the conversation. But, he added that if it is beyond 2020 then it is an infrastructure question because the JPA owns the facility this Board has to decide what infrastructure we want in place.

Chair Widmer added that he would like to see some analysis on the risks of waiting.

Staff Gans added that another element of cost analysis that can be done is to analyze if the tanks were to leak what would the cost of remediation be.

Member Benton commented that if the new tanks would be used for the foreseeable future, it is probably the right thing to do given the risks with the current system, but given that the tanks are performing well and the whole system is likely to change in the next 3-5 years he is inclined to coast along and wait and see about new technology.

Member Stone asked if there was any data on the useful life span on the existing tanks.

Staff Gans answered that he talked to the CUPA inspector and she couldn't give a life expectancy, but noted that this is a fiberglass tank which is non-corrosive, and a lot of the leaking tanks are metal, and decompose. He also noted that the tank is surrounded by ground water which is equalizing pressure, so there is not a desire for the liquid to flow out.

Chair Widmer asked the Board to go around for feedback on the issue.

Member Brownrigg noted that he would like to understand what the costs would be to convert to CNG, but added that he didn't take lightly the liability associated with subterranean tanks, and it's not something he is willing to leave for 4-5 years.

Member Slocum noted that he agreed with Member Brownrigg and Member Benton's earlier comments.

Member Aguirre agreed with the previous Member's statements, but is concerned about increasing any costs to the rate payers.

Member Stone noted that he too is concerned about increased costs, but also very concerned about the liability Member Brownrigg referred to and the vulnerability in a seismic event, and asked what is the worst case scenario if they all fail.

Staff Gans noted that staff didn't have estimates for catastrophic failure, but noted that part of that cost would be operational as well.

Vice Chair Dehn noted that she agreed that at some point the tanks need to be replaced, but thought there was insufficient data at this time.

Chair Widmer noted that the Agencies have spent a lot of money getting where we are today, and we don't want to have our rate payers incur additional expenses, but that we can't make a decision until all of the data collection and analysis is completed.

Vice Chair Dehn asked if this project has been included in capital improvements for future years, and wondered if it has been identified in the CIP program.

Staff Gans answered that it is not in the CIP program because we have a one-time fund from the closure of the remediation project, so that money is available for this purpose as well as others and staff wanted to get your direction on the use of those funds for this project.

Vice Chair Dehn noted that she recommends this be in a CIP, so it is identified as a future cost.

Member Benton asked what the odds were that it will be converted in the next 5 years.

Executive Director McCarthy answered 100% chance of conversion by 2021.

Member Stone asked if there was any kind of retrofitting of the tanks that could accomplish the same goal.

Staff Gans answered not that he was aware of because the regulatory agencies want them out of the ground, but that he would look into it and report back.

5. **New Business:**

Chair Widmer requested that agenda item 5B be taken before 5A.

B. Review of Draft FY1415 Budget

Executive Director McCarthy noted that there are takeaways from agenda item 5A that tie into the budget, and it includes important information about what other public agencies are spending.

Executive Director McCarthy gave a Power Point presentation on key budget assumptions. He noted that this budget does not assume any tipping fee increases. He also added that the JPA rebuilds its budget from zero every year.

Member Aguirre asked how the merit pool number is established.

Executive Director McCarthy answered that it is set each year through the budget process, and historically it has ranged from 0% to 4.5%.

Chair Widmer asked for input from the Board Members on what their agency's increase pool looked like.

Member Benton wondered if approving the budget approved a 3% merit increase.

Executive Director McCarthy answered that typically there is a closed session discussion on the merit pool, where the Executive Director represents the employees, and with adoption of the budget, the Board adopts the merit pool increase.

Chair Widmer thought that the number should be finalized during the next closed session.

Member Aguirre asked for documentation on what the historical merit increase has been over the last 5-10 years. She also asked what the difference is between the 3% and the 7.5% increase in administrative costs.

Executive Director McCarthy answered that the 7.5% increase is the total increase in the administrative portion of the budget, which includes the 3% for employee wages and benefits as well as legal fees, rent, IT services, etcetera. He noted that half of that 7.5% increase which is about \$122,000 is associated with a transition to a new finance manager.

Member Benton asked when the merit increase would become effective, and would it be possible to make the merit pool a separate decision from the budget.

Chair Widmer added that for budgeting purposes leave in the 3% number and then it can be discussed and formalized later.

Executive Director McCarthy added that there is no money in this budget for a compensation survey which was performed by the previous Board, some thought it was helpful, and some did not, but he has a compensation survey from last year that he can bring to the closed session for reference. He noted that the nature of the JPA staff is well paid technical niche positions, but when you consider that this is a non PERS agency and compare the total compensation to other JPA's this agency's staff is a bargain.

Member Brownrigg asked what the term net income meant, and if it was the same as profit, and if all of the 2.9% flows into reserves. He commented that he had a problem with calling it net income when it is tax payer money.

Executive Director McCarthy noted that the budget is set up like a business and less like a municipality due to cash flow around gate customers being such an important consideration. He added that the bottom line is \$330,000 which then goes into cash reserves, and that in the end there are still bond covenant requirements to meet.

Member Brownrigg reiterated that he had a problem with calling it net income noting that people in his city would look at it, and think that they are being overcharged, and suggested calling it EBIT or something else, and would be in touch with Marshall.

Executive Director McCarthy gave more detail about the capitol budget, noting that he had received a question from the Chair regarding the electric vehicle charging station, and answered that this was a request from Recology.

Staff Gans added that the request is for one charging station, and would require some reworking of the electrical system.

Chair Widmer asked if Recology could reimburse for the electrical charging station since they requested it.

Staff Gans answered that it is going on our property, and we would have the benefit of having it after Recology leaves.

Vice Chair Dehn added that it's going in the visitor parking lot for any member of the public to use when visiting the facility. She also asked that that tank project be included in the capital projects list.

Executive Director McCarthy answered that this is the FY1415 capital projects, and staff doesn't see that project in FY1415, the tank project would be part of a 5 year CIP.

Chair Widmer asked for more detail on signage, and thought it was a lot of money on signage.

Executive Director McCarthy answered that there are parts of the facility that need improved signage including heavily used areas of the site like the public recycling center.

Member Benton asked if the MRF canopy project was being approved with this budget or separately.

Executive Director McCarthy answered that the Board would be approving the project separately, and that staff would be coming back to the Board soon with that detail.

Staff Moran explained the detail on the revenue and expenditure side.

Member Benton asked why the drop in organics.

Executive Director McCarthy answered that this particular line item is heavily dependent on weather and it's been so dry which means there isn't as much green production.

Member Benton asked for clarification on whether debt service interest was already expensed from net income.

Staff Moran answered that interest is included, but not the principal payment which approximately another \$1.2M.

Member Benton commented regarding commercial staff in agenda item 5A that was skipped over, that he got the sense that our low commercial diversion rate could be attributed to the fact that our agency isn't staffing commercial outreach as heavily as some of the other agencies, and asked if this agency is cutting itself short by not having that area more heavily staffed.

Executive Director McCarthy answered that this agency's model has been to let the private sector do commercial outreach, because they are the ones touching the customers, and for integration purposes it made sense. He added that as part of the long range plan staff will be looking at ordinances and other policy tools to drive up diversion numbers. He also added that there is an unknown amount of commercial diversion happening in the service area, and only the Recology portion is known at this point, staff doesn't have the information needed to know if more outreach is needed.

Vice Chair Dehn asked if commercial and residential outreach were so different that they should be distinct.

Executive Director McCarthy answered that historically the public outreach effort has been almost exclusively with the JPA with the exception of the commercial sector. Recology had a public education manager, who was managing bill inserts, and the JPA was doing the rest of the Public Education, and it made sense to move it all to the JPA. He also added that it is a very specific part of the franchise, and in surveying other municipalities, most of the municipalities handle the public education.

Chair Widmer commented that staff needs to be able to measure the value of education and marketing and whether or not that education is really taking hold. He commented that the cost of public education seems to be going up compared to previous years and that it should be going down in the 4th year of the contract, and perhaps there are diminishing returns.

Member Brownrigg asked if TAC would be taking a look at the reserve policy.

Executive Director McCarthy answered that Member Olbert brought up the reserve policy which was discussed at a recent meeting that Member Brownrigg had missed, and that he would be happy to talk off line with Member Brownrigg regarding the reserve policy.

Member Aguirre noted that she was concerned about hiring consultants to look at a procurement process and selection as requested by the Executive Committee.

Member Dehn commented that as part of the Executive Director's goals on the long range plan, there was wording in that document to look forward to renewals of contracts, and that is the level of support that she saw that item at.

Chair Widmer added that he and Executive Director McCarthy spoke about the level of consulting needed around determining the extension of the contract, and that the Board needs to determine what the value of a contractor is going to be before making a decision. He added that the more forthcoming Recology is with information, the less help we would need from a contractor to make an analysis ourselves, and that the intent is to develop a "should cost" model for the collection service.

A. Report on Benchmarking SBWMA's Recycling, Public Outreach and Shoreway Tour Programs

Staff Devincenzi explained some of the information and detail in the staff report.

Member Aguirre Absent at 3:50PM quorum no longer present. Discussion continued.

Chair Widmer asked regarding the agencies that had a shared arrangement for commercial outreach with the contractor similar to ours if there was any feedback if it was working and adding value, and how the other agencies measure effectiveness.

Staff Devincenzi answered that if there was measurement for a specific outreach tool, there was limited data. Most rely on feedback from the hauler as far as what was working.

Executive Director McCarthy asked Staff Devincenzi to give specific feedback that the JPA staff has gotten from Recology on the support the JPA gives them for commercial recycling.

Staff Devincenzi answered that JPA provides brochures as well as containers and buddy bags and the feedback we have gotten from Recology staff is that both the containers and the buddy bags are effective and provide value when they are going out to businesses and complexes, but it has not been possible to achieve measured effectiveness or diversion from these tools.

Chair Widmer asked that there be joint planning and more of a closed loop on public outreach efforts.

Staff Devincenzi answered that it has been brought up with Recology and the Pub Ed subcommittee she has been looking at ways to measure effectiveness in every public outreach effort.

Member Brownrigg Absent at 4:03 PM.

Member Benton commented that he found the report very valuable and that he thought it was good to benchmark against other agencies.

Executive Director McCarthy noted that since there is no longer a quorum, the 3 remaining staff reports could be shared at a future Board Meeting.

- C. Annual Solid Waste Rate Survey Results
- D. Review of Landfill Disposal and Transportation Rates
- E. Results of Public Education Survey of Residents

6. Staff Updates:

- a) Potential Future Board Agenda Items
- b) Check Register for April 2014
- c) Update on 2014/15 Franchise Rate Setting Process
- d) Recycling and Outreach Programs Update
- e) Shoreway Facility Operations and Maintenance Update
- f) Receipt of Recology and SBR Monthly Reports

7. Board Member Comments

8. Adjourn 4:06 PM



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Date: June 26, 2014 Board of Director's Meeting
Subject: Resolution Approving Annual Contract with Aaronson, Dickerson, Cohn & Lanzone for Legal Counsel Services for FY1415

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2014-09 attached hereto authorizing the following action:

The Executive Director execute a contract with Aaronson, Dickerson, Cohn & Lanzone (ADCL) to provide Legal Counsel services for FY1415 with a not to exceed budget of \$65,000.

Analysis

This contract is an extension of the annual contract for legal services the SBWMA has had with the ADCL firm since the inception of the SBWMA. This contract is for a one-year period and no long term contracts have been issued to ADCL.

Fiscal Impact

A new contract will be executed with a not to exceed amount of \$65,000 which is the amount included in the proposed FY1415 budget.

Attachments:

Resolution 2014-09

Exhibit A – Professional Services Agreement for FY1415 Legal Services

Exhibit B – Rates and Benefits Survey for City Attorneys



RESOLUTION NO. 2014-09

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A CONTRACT WITH AARONSON, DICKERSON, COHN & LANZONE FOR LEGAL COUNSEL SERVICES FOR FY1415

WHEREAS, the South Bayside Waste Management Authority (SBWMA) Board of Directors has considered entering into a contract with Aaronson, Dickerson, Cohn & Lanzone (ADCL) for the purpose of providing the following services:

Annual Legal Counsel Services for FY1415

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby authorizes the Executive Director to execute a contract with ADCL.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 26th day of June, 2014, 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. 2014-09 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 26, 2014.

ATTEST:

Bill Widmer, Chairperson of SBWMA

Cyndi Urman, Board Secretary



AGREEMENT FOR PROFESSIONAL SERVICES

This Agreement is made and entered into as of the **27th day of June, 2014** by and between the **South Bayside Waste Management Authority** hereinafter "SBWMA", and **Aaronson, Dickerson, Cohn & Lanzone (ADCL)** hereinafter "Consultant".

RECITALS

This Agreement is entered into with reference to the following facts and circumstances:

- A. That SBWMA desires to engage Consultant to render certain professional services in the SBWMA jurisdictions;
- B. That Consultant is qualified to provide such services to the SBWMA; and
- C. That SBWMA has elected to engage the services of Consultant upon the terms and conditions as hereinafter set forth.

TERMS AND CONDITIONS

1. Services

The services to be performed by Consultant under this Agreement shall be to **Provide Legal Counsel Services for FY2015** as outlined in Exhibit A.

Performance of the work specified above is hereby made an obligation of Consultant under this Agreement, subject to any changes that may be made subsequently hereto upon the mutual written agreement of said Parties.

2. Term of Agreement

Said services shall commence on execution and shall continue for completion of tasks within one year (12 month period). The term of the Agreement may be extended upon written agreement by both parties. Agreement can be terminated by either party with written thirty (30) day notice.

3. Compensation

Payment under this Agreement shall be as per Exhibit A, not to exceed **\$ 65,000.00**

4. Authorization and Termination

This Agreement becomes effective when endorsed by both Parties in the space provided below.

5. Reliance of Professional Skill of Consultant

Consultant represents that it has the necessary professional skills to perform the services required and SBWMA shall rely on such skills of the Consultant to do and perform the work.

6. Relationship to Parties

It is understood that the relationship of Consultant to SBWMA is that of an independent contractor and all persons working for or under the direction of Consultant are its agents or employees and not agents or employees of the SBWMA.

7. Nonassignment

This Agreement is not assignable either in whole or in part.

8. Amendments

This Agreement may be amended or modified only by written agreement signed by both Parties.

9. Validity

The invalidity, in whole or in part, of any provisions of this Agreement shall not void or affect the validity of any other provisions of this Agreement.

10. Government Law/Litigation

This Agreement shall be governed by the laws of the State of California and any suit or action initiated by either party shall be brought in the County of San Mateo, California. In the event of litigation between the Parties hereto over the terms or performance of this agreement the prevailing party shall be entitled to reasonable attorneys fees and costs..

11. Mediation

Should any dispute arise out of this Agreement, the Parties shall meet in mediation and attempt to reach a resolution with the assistance of a mutually acceptable mediator. Neither Party shall be permitted to file legal action without first meeting in mediation and making a good faith attempt to reach a mediated resolution. The costs of the mediator, if any, shall be paid equally by the Parties. If a mediated settlement is reached, neither Party shall be deemed the prevailing party for purposes of the settlement, and each Party shall bear its own legal costs. Mediation shall occur within 30 days of notice by either party, and if it does not occur within that period of time a legal action shall be permitted to be filed.

12. Entire Agreement

This Agreement, including Exhibit A, comprises the entire Agreement.

13. Indemnity

Consultant shall defend, indemnify and hold SBWMA and its officers, employees and agents harmless from any and all claims, damages, losses and expenses related to or as a result of intentional or negligent acts for which Consultant or its agents and employees are responsible.

14. Insurance

Consultant shall not commence work under this Agreement until all insurance required under this Paragraph has been obtained. Consultant shall furnish SBWMA with certificates of insurance evidencing the required coverage. The insurance shall be with a carrier that is licensed and in good standing in the State of California, and has an A.M. Best Co. rating of A/5 or better. The SBWMA will be named as additional insured in the policy. These certificates shall specify or be endorsed to provide that thirty (30) days notice must be given, in writing, to the SBWMA office of any pending change in the limits of liability or of any cancellation or modification of the policy.

a. Worker's Compensation and Employer's Liability Insurance

Consultant shall have in effect during the entire life of this Agreement Worker's Compensation and Employer's Liability Insurance providing full statutory coverage. In signing this Agreement, Consultant makes the following certification, required by Section 1861 of the California Labor Code:

I am aware of the provisions of Section 37900 of the California Labor Code which require every employer to be insured against liability for worker's compensation or to undertake self-insurance in accordance with the provisions of the Code, and I will comply with such provisions before commencing the performance of the work of this Agreement.

b. Liability Insurance

Consultant shall take out and maintain during the life of this Agreement such bodily injury and property damage liability insurance as shall insure the Consultant and SBWMA, its employees, officers and member entities while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all claims due to consultant's negligence or willful misconduct for property damage which may arise from Consultant's work under this Agreement, whether such work be by Consultant or by any subcontractor or by anyone directly or indirectly employed by either of them. The amounts of

such insurance shall be One Million and no/100 Dollars (\$1,000,000.00) combined single limit bodily injury and property damage for each occurrence.

15. Notice

All notices required by this Agreement shall be given to SBWMA and Consultant in writing, by first class mail, postage prepaid, addressed as follows:

SBWMA: **Kevin McCarthy, Executive Director**
South Bayside Waste Management Authority
610 Elm Street, Suite 202
San Carlos, CA 94070
Phone: (650) 802-3500
Fax: (650) 802-3501

Consultant: Aaronson, Dickerson, Cohn & Lanzone
Robert Lanzone
1001 Laurel Street, Suite A
San Carlos, CA 94070
Phone: 650-593-3117
Fax: 650-637-1401

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed on the date first written by their respective officers duly authorized in that behalf.

SBWMA

BY: _____
Kevin McCarthy, Executive Director

DATED: _____, 2014

CONSULTANT/ LEGAL COUNSEL:

BY: _____
Robert Lanzone, ADCL

DATED: _____, 2014

NOTICE TO PROCEED

BY: _____
Cyndi Urman, Board Secretary

DATED _____, 2014



EXHIBIT A (Scope of Work/Fee Schedule)

Robert J. Lanzone, providing legal services through the firm of Aaronson, Dickerson, Cohn & Lanzone, shall provide the following legal services to the South Bayside Waste Management Authority:

- Act as general counsel to the Board and staff of the SBWMA;
- Regularly attend Board and staff meetings;
- Prepare and review ordinances, resolutions, contracts, notices, agendas and other documents and papers necessary or appropriate in matters pertaining to the SBWMA;
- Provide legal advice, representation and assistance to the SBWMA, its Board and staff on all general legal matters pertaining to the SBWMA, including litigation and compliance with state and local laws.

Work will be completed on an agreed upon hourly rate of \$225 per hour.

RATES AND BENEFITS – CONTRACT AND IN HOUSE ATTORNEYS

| CONTRACT ATTORNEYS | | | |
|---------------------------|----------------------|---|---------------|
| City/Town | City Attorney | Compensation Package | Source |
| Atherton | William Conners | \$12,800 per month \$200 per hour 1 CC and 1 PC meeting per month | Attorney |
| Brisbane | David Kahn | \$250.00 per hour | Attorney |
| Campbell | William Seligmann | \$14,749 per month for 94 retainer hours \$122 per hour for services by attorneys other than City Attorney w/in 94 hours Hours over 94/month: \$250 per hour for City Attorney \$270 per hour for associates \$313 per hour for partners 2 CC and 2 PC meetings per month 5 hours per week – office hours PERS: yes, and medical benefits | Attorney |
| Colma | Roger Peters | \$182-\$260 per hour | Attorney |
| Foster City | Jean Savaree | \$10,236 per month \$249 per hour for litigation 2 CC meetings per month, 1 weekly staff meeting | Attorney |
| Half Moon Bay | Tony Condotti | \$12,000 per month for 65 hours \$225 per hour for partners of firm, \$200 per hour for associates for litigation/special legal services, \$90 for paralegals | Attorney |
| Hillsborough | Norm Book | \$12,000 per month \$378 per hour for litigation | Attorney |
| Los Altos | Jolie Houston | \$15,000 per month retainer, no medical \$300 per hour for special projects & litigation 1 PC meetings, 2 CC meetings per month No on-site time, staff meetings every other week | Attorney |
| Los Altos Hills | Steven Mattas | \$8,000 per month for basic general services \$236 per hour for general services, \$272 per hour for litigation, \$118 per hour for paralegals | Attorney |
| Menlo Park | William McClure | \$10,650 per month for 54 retainer hours \$200 per hour for partners of firm, \$185 per hour for associates \$300 per hour for development processing work reimbursed by the applicant PERS: yes, and medical benefits | Attorney |
| Millbrae | Joan Cassman | \$8,000 per month retainer \$235-\$330 per hour for litigation and special projects | Attorney |

RATES AND BENEFITS – CONTRACT AND IN HOUSE ATTORNEYS

| CONTRACT ATTORNEYS | | | |
|---------------------------|----------------------|--|---------------|
| City/Town | City Attorney | Compensation Package | Source |
| Pacifica | Michelle Kenyon | \$230 per hour for basic general services \$230-295 per hour for litigation and other services | Attorney |
| Portola Valley | Leigh Prince | \$220 per hour for routine matters \$235 per hour for non-routine matters and litigation \$250 per hour for development matters (Same rates for all partners and associates.) | Attorney |
| San Carlos | Greg Rubens | \$10,500 per month \$250 per hour for litigation 2 CC meetings per month, 1 weekly staff meeting PERS: yes, no medical | Attorney |
| Saratoga | Richard Taylor | \$203 per hour up to 90 hours \$213 per hour in excess of 90 hours \$237 per hour for litigation \$265 per hour for reimbursable work | Attorney |
| So. San Francisco | Jason Rosenberg | \$200 per hour for general services \$204-255 per hour for successor agency issues and litigation \$226-\$281 per hour for development cost recovery and enterprise fund | Attorney |
| Woodside | Jean Savaree | \$250 per hour; no retainer | Attorney |

| IN HOUSE ATTORNEYS | | | |
|---------------------------|----------------------|---|---------------|
| City/Town | City Attorney | Compensation Package | Source |
| Belmont | Scott Rennie | \$190,500 per year = \$15,875 per month PERS: yes, medical benefits Car Allowance: \$4,800 per year | Attorney |
| Burlingame | Kathleen Kane | \$177,500 per year = \$14,791.67 per month PERS: yes, plus \$1,170 deferred compensation per year | |
| Daly City | Rose Zimmerman | \$201,520 per year = \$16,793.33 per month | Attorney |
| East Palo Alto | John Nagel | \$170,000 per year = \$14,166.67 per month PERS: yes, medical benefits | |
| Los Gatos | Robert Schultz | \$185,000 per year = \$15,416.66 per month \$350 per month for auto allowance PERS: yes, and cafeteria plan health benefits | Attorney |

*Contract City Attorney

RATES AND BENEFITS – CONTRACT AND IN HOUSE ATTORNEYS

| IN HOUSE ATTORNEYS | | | |
|---------------------------|----------------------|---|---------------|
| City/Town | City Attorney | Compensation Package | Source |
| Redwood City | Pamela Thompson | \$215,352 per year = \$17,946 per month PERS: yes, shared employee & employer costs, and medical benefits Car Allowance: \$4,800 per year | Attorney |
| San Bruno | Marc Zafferano | \$180,300 per year = \$15,025 per month PERS: yes Car Allowance: \$3,600 per year | Attorney |
| San Mateo | Shawn Mason | \$186,181 per year = \$15,515.09 per month PERS: yes | Attorney |

| MEDIAN/MEAN/TOP QUARTILE | | |
|---------------------------------|-------------------------|----------------------------|
| | MONTHLY RETAINER | HOURLY NON-RETAINER |
| Median | \$11,325 | \$250 |
| Mean | \$11,394 | \$257 |
| Top Quartile | \$12,600 | \$281 |



STAFF REPORT

To: SBWMA Board Members
From: Marshall Moran, Finance Manager
Date: June 26, 2014 Board of Directors Meeting
Subject: Resolution Approving Annual Contract with the City of San Carlos for Accounting and Financial Services for FY1415

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2014-10 attached hereto authorizing the following action:

1. Approve Amendment #2 to the Contract (Exhibit A) with the City of San Carlos to provide accounting and financial services for FY1415 with a not to exceed budget of \$131,900.
2. Authorize the Executive Director to execute such contract.

Analysis

Use of the City of San Carlos for financial and accounting services continues a shared services model that leverages the use of the City's accounting department while maintaining overall financial management, rate review, and financial analysis responsibilities in-house. For FY1415, the city has proposed a CPI adjustment of 3.0% to the current FY1314 contract amount. The services provided include all general accounting services (accounts payable, cash receipts, and general ledger), financial statement preparation for fiscal and calendar years, and review with outside auditors.

Background

On March 1, 2000, the San Carlos Finance Department began providing full financial and accounting services for the SBWMA. The SBWMA agreed to fund one-half of the salary and benefits for a new City position of Investment and Revenue Manager for financial services and 250 Finance Director hours (salary and benefits) for Finance Director services. The City has continued to provide these services.

At the request of the Board of the Directors, the SBWMA staff issued an RFP in 2012 for Financial and Accounting Services with a five year term and annual CPI based adjustments. No proposals were received except for the proposal from our existing service provider, the City of San Carlos, for a one year contract with annual fee adjustments. Their proposed contract Amendment No. 2 is attached with the new rate for FY1415. There are no other changes to the contract.

Fiscal Impact

The SBWMA will pay the City of San Carlos \$131,900 for financial services for FY1415, an increase of \$3,864 (3.0%) from FY1314. This expense is covered in the proposed FY1415 Budget.

Attachments:

Resolution 2014-10

Exhibit A -- Professional Services Agreement – Financial Services



RESOLUTION NO. 2014-10

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING AN ANNUAL CONTRACT WITH THE CITY OF SAN CARLOS FOR ACCOUNTING AND FINANCIAL SERVICES FOR FY1415 AND AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE SUCH CONTRACT

WHEREAS, the South Bayside Waste Management Authority (SBWMA) Board of Directors has considered entering into an agreement with the City of San Carlos for the purpose of providing the following services:

Financial Services for FY1415 as described in the Agreement attached hereto as **Exhibit A**.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the recommendation to enter into contract with the City of San Carlos and authorizes the Executive Director to execute such contract.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 26th day of June, 2014, 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. 2014-10 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 26, 2014.

ATTEST:

Bill Widmer, Chairperson of SBWMA

Cyndi Urman, Board Secretary

AMENDMENT No. 2

AGREEMENT FOR PROFESSIONAL SERVICES BETWEEN THE CITY OF SAN CARLOS AND SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

This **Second Amendment** to the Agreement for Professional Services is made and entered into as of July 1, 2014, by and between the City of San Carlos, hereinafter referred to as "CITY" and the South Bayside Waste Management Authority, hereinafter referred to as "SBWMA".

WITNESSETH:

WHEREAS, on June 25, 2012, the City and SBWMA entered into an agreement for the performance of the agreed financial services by the City's Administrative Services Department through the Finance Division, and

WHEREAS, on July 1, 2013, the City and SBWMA executed Amendment One to the Agreement which adjusted the compensation; and

WHEREAS, pursuant to Section B.3 set forth in Exhibit A of the original agreement, the City will provide financial services to SBWMA for a fixed annual fee and this fixed fee will be adjusted on an annual basis; and

WHEREAS, both parties now wish to further amend the Professional Services Agreement by revising the following sections, and

NOW, THEREFORE, IT IS HEREBY AGREED BY THE PARTIES HERETO AS FOLLOWS:

1.0 COMPENSATION

SBWMA agrees to reimburse CITY for Financial Services. The fixed annual fee for FY 2015 (July 1, 2014 to June 30, 2015) will be adjusted from \$128,036 to \$131,900.

2.0 REMAINING PROVISIONS

All other terms of the original Agreement remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this amendment to be executed on the date first above written by their respective officers duly authorized in that behalf.

CITY OF SAN CARLOS

DATE: 3-5-14



Jeff Maltbie, City Manager

SBWMA

DATE: _____

Kevin McCarthy, Executive Director

APPROVED AS TO FORM

DATE: 3/4/14



Gregory J Rubens, City Attorney

APPROVED AS TO FORM

DATE: _____

Robert J. Lanzone, Legal Counsel



STAFF REPORT

To: SBWMA Board Members
From: Marshall Moran, Finance Manager
Date: June 26, 2014 Board of Directors Meeting
Subject: Resolution Approving Property Insurance Policy Renewal

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2014-11 attached hereto authorizing the following action:

Approve and accept the Property Insurance Policy renewal with Hanover at \$180,398 annual premium.

Analysis

The property insurance policy was put out for competitive bid by our insurance broker, Cohn-Reid-O'Neil (in Burlingame) and the proposed policy renewal with Hanover is recommended to be approved. The bid request was sent to four insurance carriers but only Hanover responded with the rest declining. The Hanover property insurance premium is a 4.9% increase over last year's premium.

Below is a summary of all of our business insurance policies and premiums compared to last year's premiums. Because the policies renew at different dates with different carriers, only the property policy renewal is currently up for approval:

| SBWMA General Business Insurance Policy Summary | | | | |
|--|---|--------------------|-----------------------|--------------------------|
| Actual Premiums | 13 - 14 Renewal | 14 - 15 Renewal | 14 - 15 Increase % | |
| Property (7/1) | 172,040 | 180,398 | 4.9% | <i>final</i> |
| General Liability (incl EIL) (3/01 - 3/01) | 13,508 ▲ | 13,508 | 0.0% | <i>final</i> |
| Excess Liability (3/01 - 3/01) | 17,533 ▲ | 17,533 | 0.0% | <i>final</i> |
| SUBTOTAL | \$ 203,081 | \$ 211,439 | 4.1% | General Insurance Budget |
| Directors & Officers (9/28 - 9/28) | 29,500 | 31,320 | 6.2% | <i>estimate</i> |
| Crime (10/01 - 9/31) | 1,134 | 1,180 | 4.1% | <i>estimate</i> |
| SUBTOTAL (#520701) | 30,634 | 32,500 | 6.1% | Admin Expense Budget |
| TOTAL ALL POLICIES | \$ 233,715 | \$ 243,939 | 4.4% | Total |

Background

The property insurance policy is based on the value of our property and equipment at \$57.3 million.

Fiscal Impact

The total cost of the property insurance renewal for FY1415 is \$180,398 and is included in the FY1415 budget. The budget amount is slightly higher due to the estimated higher renewal on March 1, 2015 for GL and Excess Liability policies

We do not have earthquake insurance which would cost approximately \$425,000, have a 10% deductible, and a maximum limit of \$15,000,000. Fewer than 5% of policy holders have this insurance. This is coverage that the Board may want to consider but it is very expensive with a very high deductible and limited coverage.

Attachments:

Resolution 2014-11

Exhibit A – 2014 Property Insurance Quote



RESOLUTION NO. 2014-11

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING PROPERTY INSURANCE POLICY RENEWAL

WHEREAS, the South Bayside Waste Management Authority Board of Directors has considered the renewal of business insurance policies as displayed in Exhibit A.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the renewal of the property insurance policy with Hanover at \$180,398.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 26th day of June, 2014, 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. 2014-11 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 26, 2014.

ATTEST:

Bill Widmer, Chairperson of SBWMA

Cyndi Urman, Board Secretary



RISK STRATEGIES COMPANY

License #OF06675
 2000 Alameda de las Pulgas, Suite 101
 San Mateo CA 94403
 Main Telephone: (650) 762-0400
 Main Fax: (650) 762-0490
www.risk-strategies.com

Property Insurance Renewal Proposal
South Bayside Waste Management Authority
 Effective Date: July 1, 2014

| | <u>Location</u> | <u>Coverage</u> | <u>Limit</u> | <u>Rate</u> | <u>Premium</u> |
|---|--|--|---|----------------------|----------------------------------|
| 1 | 225-333 Shoreway Road San Carlos, CA | Building Personal Property Business Income | \$37,049,350 \$20,215,800 \$4,514,000 | .259 .259 .259 | \$95,958 \$52,359 \$11,691 |
| 2 | 610 Elm Street, Ste. 202 San Carlos, CA | Personal Property Business Income | \$90,000 \$100,000 | .182 .182 | \$164 \$182 |
| 3 | Locations 1 and 2 | Equipment Breakdown Including Production Equipment Sub-limits: Expediting expenses Refrigerant contamination Utility interruption Spoilage | at stated policy limits \$50,000 \$50,000 \$50,000 \$50,000 | | \$20,044 |
| 4 | Locations 1 and 2 | Accounts Receivable | \$25,000 | | N/C |
| 5 | Locations 1 and 2 | Valuable Papers | \$25,000 | | N/C |
| 6 | Locations 1 and 2 | Information Systems | \$50,000 | | N/C |
| 7 | Locations 1 and 2 | Terrorism at Stated Limits and Deductibles | | | REJECTED |

| | |
|----------------------|------------------|
| Total Premium | \$180,398 |
|----------------------|------------------|

Deductibles:

\$5,000 per loss, per location except
 \$10,000 for equipment breakdown property damage
 3X ADV for equipment breakdown business income
 \$1,000 for accounts receivable, valuable papers and information systems

Last Year's Premium: \$172,040
 5% increase in Premium

Conditions:

-Coverage for vacant and/or idle buildings is excluded.
 -Coverage for solar panels and solar panel related equipment is excluded.

**POLICYHOLDER DISCLOSURE OF PREMIUM
NOTICE OF TERRORISM
INSURANCE COVERAGE**

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, that you have a right to purchase insurance coverage for losses resulting from acts of terrorism, *as defined in Section 102(1) of the Act*: The term “act of terrorism” means any act that is certified by the Secretary of the Treasury—in concurrence with the Secretary of State, and the Attorney General of the United States—to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY CONTAIN OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR EVENTS. UNDER THE FORMULA, THE UNITED STATES GOVERNMENT GENERALLY REIMBURSES 85% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS THAT MAY BE COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURER’S LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION. IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

Acceptance or Rejection of Terrorism Insurance Coverage

- I hereby elect to purchase terrorism coverage for a prospective premium of \$ 5,015.
- I hereby decline to purchase terrorism coverage for certified acts of terrorism. I understand that I will have no coverage for losses resulting from certified acts of terrorism.

Policyholder/Applicant Signature

Print Name

Date

Name of Insurer: Verlan Fire Insurance Company

Policy Number: M002678-14

First Named Insured: South Bayside Waste Management Authority

Terrorism Sel-Rej 1-08



STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Facility Operations Contract Manager
Date: June 26, 2014 Board of Director's Meeting
Subject: Resolution Approving Agreement with Cosco Fire Protection for Installation of Fire Protection Controls in Shoreway Environmental Center Buildings

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2014-12 attached hereto authorizing the following action:

Approval of an agreement with Cosco Fire Protection for the installation of fire protection controls in Shoreway Environmental Center MRF and Transfer Station buildings.

Background

There have been fires at the MRF and transfer station in the past year (specifically, three fires at the MRF in the material tipping area and one at the transfer station in the self haul construction and demolition materials). Though the fires were contained by SBR staff with the assistance of the San Carlos fire department and did not cause damage to the facilities, in the post incident review meetings, SBWMA staff and SBR personnel identified the need for additional fire suppression capabilities. The Board approved the capital budget amount of \$140,000 for FY13/14 for the purpose of additional fire suppression capacity.

Staff conducted a competitive bid process that involved three companies, Cosco Fire Protection, Walschon Fire Protection, and Lundgren Fire Services. Cosco Fire Protection was selected to perform the work because they were lowest bid (they provided a bid that was roughly half the cost of the next lowest bid), and because Cosco performed well on a prior contract with the SBWMA with the installation of the original building sprinkler system. This project is the last of several projects that have been completed in FY13/14 that augment the in-buildings' fire suppression systems.

Fiscal Impact

This additional fire suppression at the Shoreway Environmental Center is an anticipated capital expense that was budgeted in FY13/14 and sufficient funds are available for the project.

Attachments:

Resolution 2014-12



RESOLUTION NO. 2014-12

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING AN AGREEMENT WITH COSCO FIRE PROTECTION FOR THE INSTALLATION OF FIRE PROTECTION CONTROLS IN THE SHOREWAY ENVIRONMENTAL CENTER BUILDINGS

WHEREAS, the SBWMA is responsible for maintaining and protecting the buildings and facilities in good working order and in compliance with regulations;

WHEREAS, the MRF and transfer station are in need of additional fire protection due to the analyses of previous fire events;

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves an agreement with Cosco Fire Protection.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the **26th day of June 2014**, 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. 2014-12 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on **June 26th 2014**.

ATTEST:

Bill Widmer, Chairperson of SBWMA

Cyndi Urman, Board Secretary



A Public Agency

OLD BUSINESS

Agenda Item 4



STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Facility Operations Contracts Manager
Kevin McCarthy, Executive Director
Date: June 26, 2014 Board of Directors Meeting
Subject: Update on Additional Third-Party Tons into the Shoreway Environmental Center Materials Recovery Facility (MRF)

Recommendation

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

Analysis

At the February 27, 2014 Board meeting, the Board approved a six-month evaluation period for SBR to receive Recology tons with no specific daily or annual tonnage limits during that period. Since February, Recology has been delivering approximately 100 tons per day of recyclable materials from transfer locations in the cities of San Bruno and Santa Clara. SBR has been operating a second-shift at the MRF to complete the processing of these additional tons from Recology.

The six-month evaluation period approved by the Board has allowed for the previously identified key items to be addressed as follows:

1. SBWMA staff has monitored the functioning of the MRF with the additional third-party tonnage and is confident that there is no adverse impact on the operations of the facility nor the processing of the franchise materials, excepting the ongoing concern noted below regarding the capacity of the MRF tipping (unloading) area.
2. Due to the timing of the shipments of the third-party tonnage, the tipping floor area at the MRF can fill beyond its designed capacity on a daily basis. To ensure that the MRF is in compliance with regulations that require all the materials to be under cover, staff is recommending that the Board approve the construction of a MRF tipping floor roof extension. Staff hired JR Miller and Associates (the architectural firm that did the original MRF design) to prepare a preliminary design and an engineer's estimate for the MRF tipping floor roof extension. The estimated cost of the construction project is \$411,151 as detailed in **Table 1** on page 2 of this staff report. The proposed FY1415 budget assumes a capital project cost of \$450,000 which allows for some additional project contingency.
3. SBWMA staff has evaluated the host fee that it charges SBR for the use of the Shoreway MRF. One purpose of the host fee is to cover the direct costs (e.g., equipment depreciation) associated with handling third-party tons. With staff's recommendation of a capital project to add a MRF tipping floor roof extension, staff has adjusted the host fee to include the cost of this capital under a 15-year depreciation schedule (this analysis is shown in **Table 2** on page 3). Our budget documents assume a tipping fee of \$14 per ton effective August 1, 2014.
4. A long-term processing contract has been negotiated between SBR and Recology for the processing of the recyclables that have been processed at the Shoreway MRF under the interim arrangement.

The contract between SBR and Recology will expire on December 31, 2020 -- the same end date as the Shoreway Operations and Collection Franchise Agreements. Under the contract, SBR is obligated to process the third-party recyclables delivered by Recology and remit to Recology the commodity revenues net of processing costs and the host fees. This contract will be executed by the parties if the Board grants long-term approval for SBR to handle third party recyclables at the Shoreway MRF.

- In order to process the additional third-party tons, SBR has added staffing for a second shift of MRF operations. The sorter labor for the first and second shift is provided through the County of San Mateo's Vocational Rehabilitation Services (VRS) program. An agreement needs to be finalized between SBR and the County for the current workers as well as for the new workers needed for a second shift of operations at the MRF.

Once a letter of intent is in place with the final business terms for an agreement between VRS and SBR, then staff will bring forward a staff report recommending Board approval of an agreement between the SBWMA and SBR for processing of third party recyclables on a long-term basis. If no such agreement is reached in the next four weeks, then staff will need to request an extension of the interim approval in place for SBR to process recyclables from Recology that come from outside our service area.

Table 1

| MRF TIPPING AREA ROOF EXTENSION Engineers Estimation of Probable Cost of Construction | | | | | | |
|--|---------------------------------------|--|----------|---------|------------|-------------------|
| Revised March 31, 2014 | | | | | | |
| MASTER PLAN IMPROVEMENTS | | | | | | |
| BUILDING/ SITE AREA | | DESCRIPTION OF WORK | QUANTITY | SF / LF | UNIT COST | EXTENDED VALUE |
| STRUCTURAL IMPROVEMENTS | | | | | | |
| | Demolition and Slab | Remove Existing Concrete Slab | 2,720 | SF | \$3.60 | \$9,792 |
| | | Remove existing canopy | 374 | SF | \$30.00 | \$11,220 |
| | | Remove existing bollard | 3 | EA | \$240.00 | \$720 |
| | | Remove portion of concrete abuse wall | 48 | SF | \$4.80 | \$230 |
| | | Remove metal wall panel and framing | 64 | SF | \$9.60 | \$614 |
| | | New 14" thick concrete slab | 2,720 | SF | \$3.60 | \$9,792 |
| | | New 12" thick concrete push wall | 18 | CY | \$300.00 | \$5,400 |
| | | New 6" high concrete curb | 18 | SF | \$20.40 | \$367 |
| | | 8'd x 3'-6" tall concrete filled steel bollard | 5 | EA | \$1,440.00 | \$7,200 |
| TOTAL STRUCTURAL IMPROVEMENTS | | | | | | \$45,336 |
| Pre-engineered metal building (PEMB) | | | | | | |
| | Canopy framing | PEMB Canopy | 2,720 | SF | \$80.40 | \$218,688 |
| | | | | | \$0.00 | \$0 |
| TOTAL PEMB | | | | | | \$218,688 |
| Architecture | | | | | | |
| | Canopy Finishes | Light fixtures | 4 | EA | \$420.00 | \$1,680 |
| | | Relocated downspout | 1 | EA | \$240.00 | \$240 |
| | | Painted, 20 gauge galvanized flashing | 200 | LF | \$12.00 | \$2,400 |
| | | Additional girt/backing | 105 | LF | \$12.00 | \$1,260 |
| | | Fire Suppression | 2,720 | SF | \$5.40 | \$14,688 |
| | | Replace trim and flashing at opening | 28 | LF | \$30.00 | \$840 |
| | | General Painting and touch-up | 1 | EA | \$2,400.00 | \$2,400 |
| | | Skylights | 4 | EA | \$1,800.00 | \$7,200 |
| TOTAL Architecture | | | | | | \$30,708 |
| SUBTOTAL PROBABLE COST OF CONSTRUCTION | | | | | | \$294,732 |
| | General Conditions | | | | 8% | \$23,579 |
| | Design and Engineering Fees | | | | 10% | \$29,473 |
| | General Contractors Overhead and Fees | | | | 10% | \$29,473 |
| | Bonds and Insurance | | | | 2% | \$4,421 |
| | Contingency | | | | 10% | \$29,473 |
| TOTAL ESTIMATED PROBABLE COST OF CONSTRUCTION | | | | | | \$411,151 |

Table 2

| SUMMARY | | Current - 2014 | | Increase | New - 2014 | | TOTAL |
|---|---------------|----------------|--------------|---------------|-------------|--------------|------------|
| | \$ / ton | Total \$ | \$ / ton | | Total \$ | Total \$ | |
| 3rd Party Tons | | 11,000 | | | 15,080 | 26,080 | |
| 3rd Party Fee to SBWMA | \$ 10.30 | \$ 10.30 | | \$ 1.05 | \$ 14.00 | \$ 14.00 | |
| Other fee | \$ - | \$ - | | | \$ 2.65 | \$ - | |
| 3rd Party Revenue to SBWMA | \$ 10.30 | \$ 113,300 | | | \$ 14.00 | \$ 211,135 | \$ 365,146 |
| Variable Equipment Depreciation (see "A") | \$ 6.57 | \$ 72,243 | | | \$ 6.57 | \$ 99,039 | \$ 171,282 |
| New Canopy Depreciation | \$ - | \$ - | | | \$ 1.05 | \$ 27,410 | \$ 27,410 |
| Total Variable Depreciation | \$ - | \$ - | | | \$ 7.62 | \$ 126,449 | \$ 198,692 |
| Margin | \$ 3.73 | \$ 41,057 | | | \$ 6.38 | \$ 84,686 | \$ 166,454 |
| DETAIL | | Current | | | New - 2014 | | |
| MRF COST, TONS | BASE | 3rd Party Tons | Total | BASE | Incremental | Total | |
| Existing MRF Tons | 67,451 | | 67,451 | 67,451 | | 67,451 | |
| Current 3rd Party Tons | | 11,000 | 11,000 | 11,000 | | 11,000 | |
| New 3rd Party Tons | | | - | | 15,080 | 15,080 | |
| Total Annual MRF Tons | 67,451 | 11,000 | 78,451 | 78,451 | 15,080 | 93,531 | |
| A. SBWMA DIRECT EXPENSE | | | | | | | |
| 1. EQUIPMENT DEPRECIATION | | | | | | | |
| Equipment Capital Cost & Installation Total | \$ 17,804,000 | | | \$ 17,804,000 | | | |
| Replaceable Equipment Capital Cost (per BHS) | \$ 5,315,834 | | | \$ 5,315,834 | | | |
| Equipment Life (years) | 12 | | | 12 | | | |
| Depreciation Expense / Year adjusted for additional tons | \$ 442,986 | \$ 72,243 | \$ 515,229 | \$ 515,229 | \$ 99,039 | \$ 614,268 | |
| Depreciation Cost per Ton | \$ 6.57 | \$ 6.57 | \$ 6.57 | \$ 6.57 | \$ 6.57 | \$ 6.57 | |
| 2. NEW CANOPY (IN 2014) | | | | | | | |
| Canopy Cost | | | | \$ 411,151 | | | |
| Life (years) | | | | 15 | | | |
| Depreciation Expense / Year | | | | \$ 27,410 | | | |
| Depreciation Cost per Ton | | N/A | \$ - | \$ 1.05 | \$ 1.05 | \$ 1.05 | |
| B. OTHER OPERATING EXPENSE | | | | | | | |
| 1. INTEREST EXPENSE | | | | | | | |
| Interest Expense - (5 Year Average) | \$ 2,808,180 | | | | | | |
| Allocated to MRF Equip - % | 37.9% | | | | | | |
| Allocated to MRF Equip - \$ | \$ 1,064,396 | | \$ 1,064,396 | \$ 1,064,396 | | \$ 1,064,396 | |
| Interest Expense per Ton | \$ 15.78 | N/A | \$ 13.57 | \$ 13.57 | N/A | \$ 11.38 | |
| 2. MRF BUILDING CAPITAL | | | | | | | |
| MRF Building Capital Improvements | \$ 12,189,000 | | | | | | |
| Life (years) | 30 | | | | | | |
| Depreciation Expense / Year | \$ 406,300 | | \$ 406,300 | \$ 406,300 | | \$ 406,300 | |
| Depreciation Cost per Ton | \$ 6.02 | N/A | \$ 5.18 | \$ 5.18 | N/A | \$ 4.34 | |
| 3. FIXED EQUIPMENT CAPITAL | | | | | | | |
| Fixed Equipment Capital | \$ 12,488,166 | | | | | | |
| Life (years) | 18 | | | | | | |
| Depreciation Expense / Year | \$ 693,787 | | \$ 693,787 | \$ 693,787 | | \$ 693,787 | |
| Depreciation Cost per Ton | \$ 10.29 | N/A | \$ 8.84 | \$ 8.84 | N/A | \$ 7.42 | |
| Other Operating Expense- Total Cost per Ton | \$ 32.09 | | \$ 27.59 | \$ 27.59 | | \$ 23.14 | |

Background

On February 27, 2014, the Board of Directors approved a 6-month interim processing arrangement to allow Recology to deliver approximately 50 additional tons per day from communities in Santa Clara County. An MOU is in place between the SBWMA and SBR which expires July 31, 2014. In total, Recology is planning to deliver approximately 26,000 tons from sources outside the SBWMA service area in calendar year 2014. The interim arrangement was established to provide time for several items relating the third-party tonnage to be analyzed and completed. A summary of the items are as follows:

1. An assessment of the operational impacts of the additional tonnage to the MRF operation and the need for additional facility infrastructure to accommodate the added tonnage.

2. The evaluation by Staff of the SBWMA host fee that is charged to SBR for the use of the MRF for processing third-party tons.
3. A contract between SBR and Recology that covers the processing arrangements for the third-party tons.
4. A contract between SBR and the County of San Mateo's VRS program that covers the terms of the sorting staff at the MRF.

An update on each of these items is presented in the analysis section of this staff report.

Fiscal Impact

The SBWMA currently collects a host fee of \$10.30 per ton for every third-party MRF ton delivered to Shoreway (the host fee is paid by SBR to the SBWMA). In 2013 approximately \$110,380 in host fee payments were paid by SBR on the Recology tons accepted. The host fee is meant to cover the direct expense to the facility (equipment wear) associated with processing the additional tons plus a margin to cover some of the other MRF expenses that the JPA incurs (e.g., MRF building and equipment depreciation and interest expense). With the recommendation of a MRF tipping floor roof extension, the host fee has been increased from \$10.30 to \$14.00 to cover the added cost of this project. **Table 2** on page 3 of this report shows the detail of the SBWMA Direct Expense at \$6.57 and a Margin of \$3.73 per ton upon which the host fee is based. With the recommendation of a MRF tipping floor roof extension, the host fee has been increased from \$10.30 to \$14.00 to cover the cost of this project and produce additional incremental contributions to cash reserves.

If the 26,000 tons per year of third-party tonnage from Recology is processed at the Shoreway MRF at a host fee of \$14.00 the SBWMA will be paid a total of \$365,000. This amount will vary depending on the host fee amount that is approved by the Board for third-party tonnage and the actual tonnage received during the year.



STAFF REPORT

To: SBWMA Board Members
From: Monica Devincenzi, Recycling Outreach and Sustainability Manager
Date: June 26, 2014 Board of Director's Meeting
Subject: Results of Public Education Survey of Residents

Recommendation

This is an informational report and no action is necessary.

Analysis

Godbe Research has completed the Public Education Survey of Residents commissioned by RethinkWaste in March 2014. The intent of the survey was to gather feedback on how residents like to receive information on CartSMART and other RethinkWaste related services to better target public education and outreach efforts going forward. The results of the survey have also been used to assist in developing the public education and outreach budget for FY1415 that is being considered during the June 26th Board of Directors meeting.

A total of 1,230 interviews were conducted April 10 through April 21, 2014, representing single-family residents age 18 and older within the RethinkWaste service area. The survey was based on targeting 100 completed interviews for each Member Agency, as this provided for the lowest margin of error and the greatest number of interviews based on budget constraints. The average interview time was approximately 12 minutes, with an overall margin of error rate for the study of +/-2.8% at the 95% confidence level. Godbe Research used voter registry, random digit dialing and Recology's database to conduct the telephone interviews. In addition, the survey was translated into Spanish and Spanish-language interviews were conducted based on statistical representation within the respective Member Agencies.

The total number of interviews completed for each Member Agency is listed below:

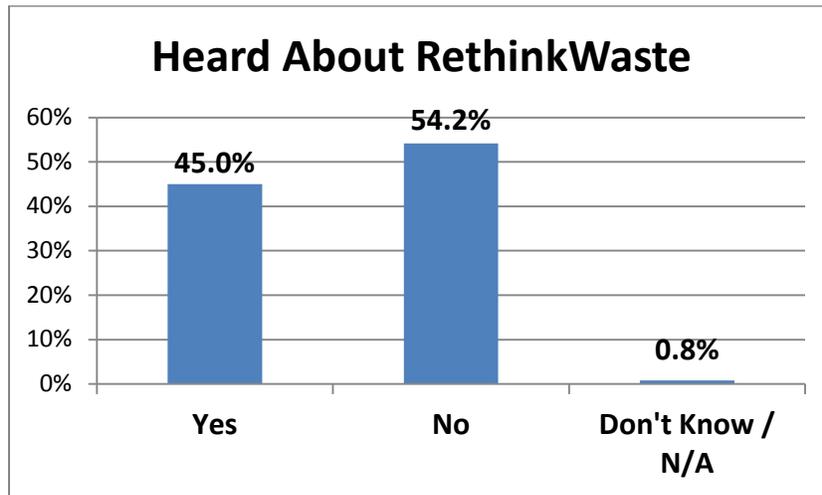
- Atherton - 105
- Belmont - 103
- Burlingame - 107
- East Palo Alto - 99
- Foster City - 107
- Hillsborough - 101
- Menlo Park - 97
- Redwood City - 102
- San Carlos - 97
- San Mateo - 100
- County of San Mateo - 102
- West Bay Sanitary District - 110

Staff has historically used a variety of strategies (e.g., direct mail, electronic newsletters, inserts, print media and social media) to deliver public education and outreach information, and messages to ensure the widest audience reach and effectiveness. This has primarily been based on marketing industry best practices that show that for any message to be effective, it needs to be repeated multiple times and in different ways. The findings of the survey support this multi-faceted and comprehensive approach in that there is not one specific means of outreach and message delivery that is significantly preferred by the residents. Instead, it is a combination of direct mail, electronic media, and bill inserts, among others.

Staff has included a summary of the key survey results on pages 2-6 of this staff report. The results provided are based on the total responses received. A topline report prepared by Godbe Research showing all of the questions and results is included as **Attachment A** to this report. Member Agencies will be provided a specific report for their survey results including demographic information for those surveyed.

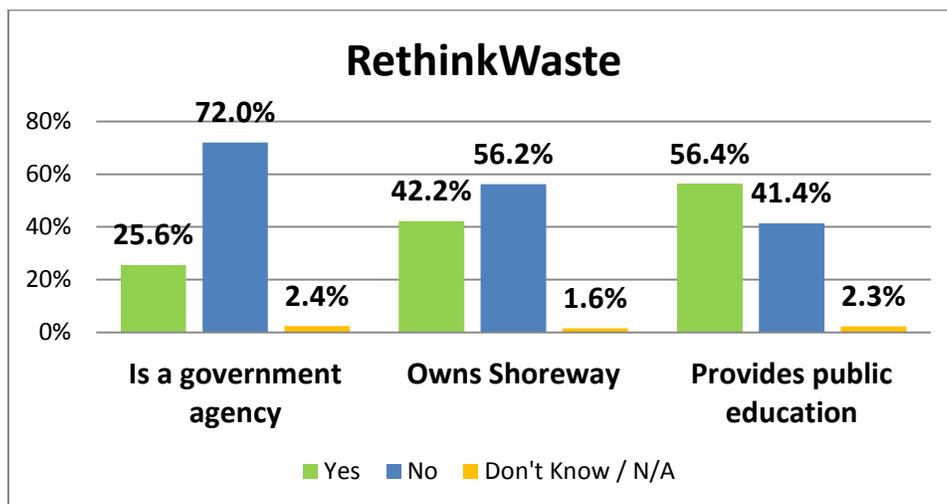
Key Survey Results

When residents were asked whether they had seen, heard or read anything about RethinkWaste, the responses were as follows:



Staff was anticipating that people would in general be unaware of the joint powers authority (JPA) given RethinkWaste not being a typical city or county form of government, or even a service provider like Recology San Mateo County. While staff does not have any prior data for comparison, we believe the recognition would be significantly lower prior to the roll out of new services in 2011. It is important to note that the question above was asked solely to get a sense of public knowledge and staff is not proposing any type of branding campaign or efforts.

A second follow up question was asked of the 45% that stated they had heard about RethinkWaste. They were asked whether they knew three specific things about the joint powers authority (JPA) as shown in the table below:

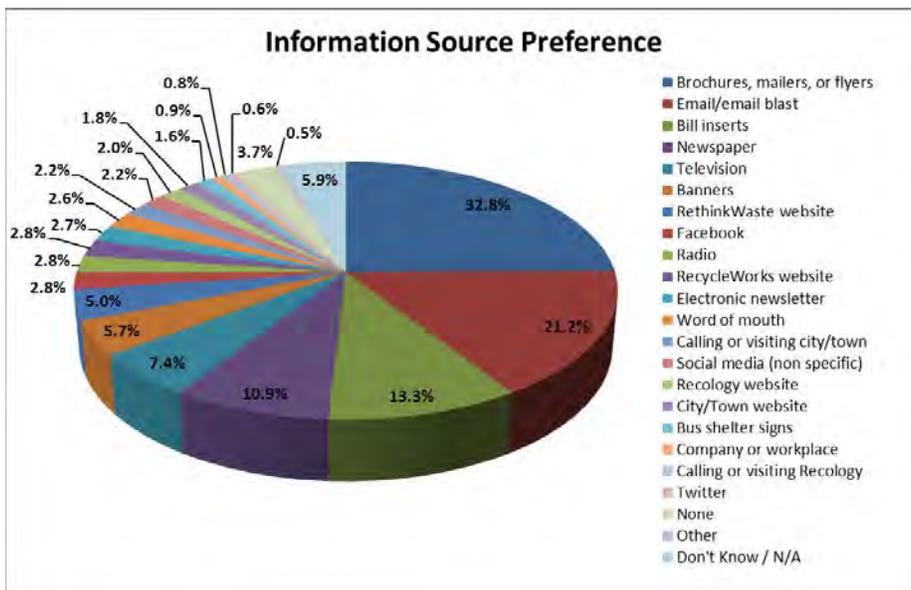


Staff is not surprised by the findings that 72% of the respondents stated they did not know that RethinkWaste is a government agency as it confirms our anecdotal experience when interacting with the public. This is why staff

updated the JPA's logo to include "A Public Agency" below the name last year. In addition, staff is in the process of preparing a signage plan for the next fiscal year for the Shoreway Environmental Center that may assist in further clarifying this issue. The signage plan is being developed to provide greater convenience and clarity for customers using the facility. Staff believes that a greater percentage, 42.2%, was able to identify RethinkWaste as owning the Shoreway facility directly because of the existing signage on the buildings.

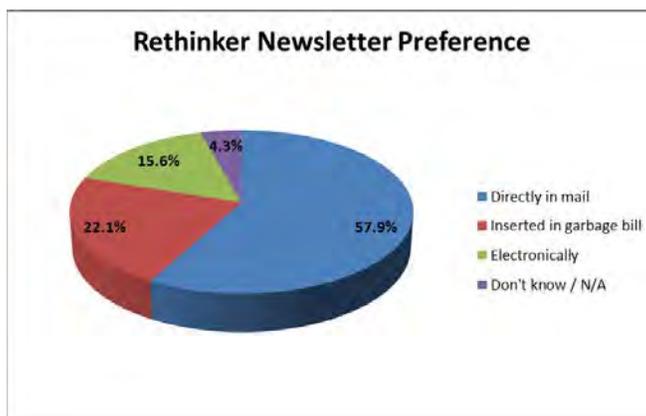
An interesting finding was that over 56% stated that they were aware that RethinkWaste provides public education for their CartSMART Recycle, Compost and Garbage and other related services as it is one of the key areas of responsibility for the JPA.

When asked about their information source preference to get information about their recycling, garbage and other related services in an open-ended question allowing for multiple answers, the responses were as follows:



The highest category was "Brochures, mailers or flyers" at 32.8% supporting staff's continued use of direct mail for some of its public education and outreach efforts. It was followed by "Email/email blast" at 21.2% and "Bill inserts" at 13.3%. When you add those that preferred "Electronic newsletter" at 2.7% to the "Email/email blast" results, it is just under 24%, still below those that prefer direct mail.

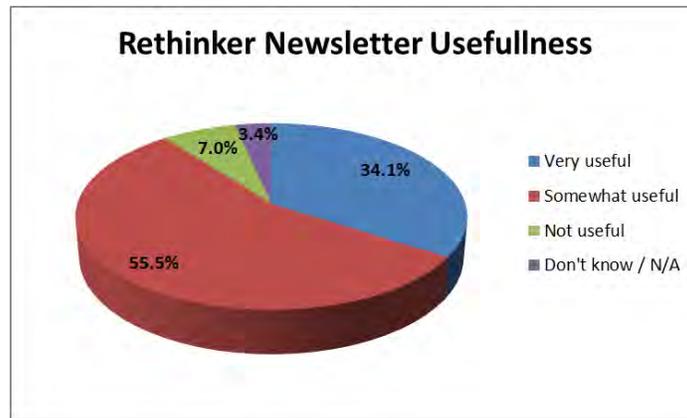
The preference for direct mail is even higher when residents were asked specifically about the RethinkWaste newsletter, the *rethinker*, at nearly 58% in comparison to electronically at only 16% as shown below:



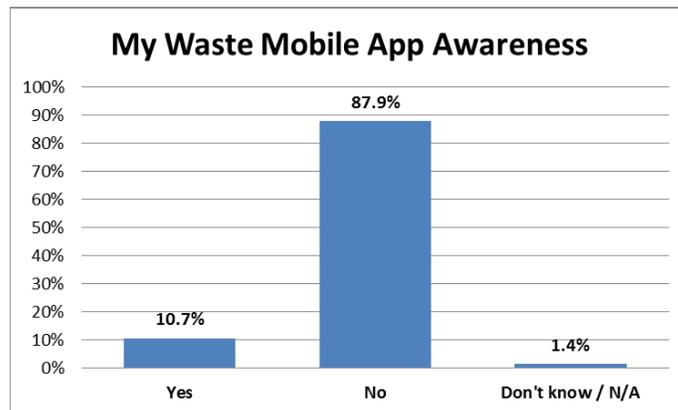
It should be noted that while staff continues to promote signing up for an electronic version of the newsletter, to date there are only 900 subscribers or about 0.1% of single family accounts. In contrast, of the approximately 93,300 single-family households serviced by Recology, roughly 30,000 or 32% have subscribed to electronic bill payment, leaving two-thirds of the residents as still receiving paper bills. Interestingly, receiving the newsletter as a bill insert came in second at 22% on this question, whereas it came in as the third choice in the prior one that dealt with overall information source preference.

Based on these findings and as part of the efforts to reduce costs, staff has proposed that one of the *rethinker* newsletters be included as an insert in Recology's billing for FY1415 and two direct mailed. In addition, staff will continue to promote and encourage residents to move to electronic media as part of RethinkWaste's efforts to encourage source reduction and sustainability.

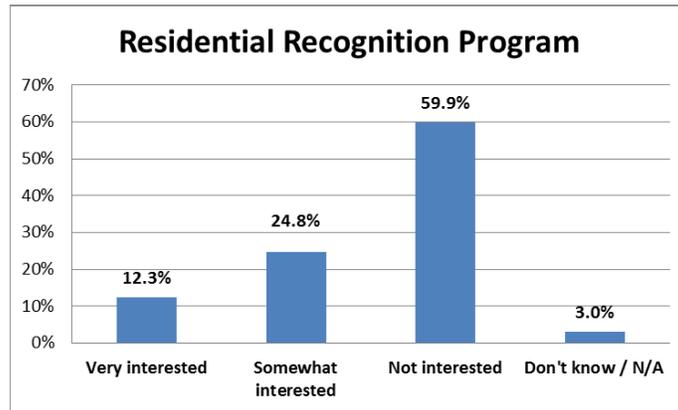
Regarding the newsletter, nearly 90% stated they found it very to somewhat useful, with only 7% stating that it was not useful. Both Recology and staff report increases in program participation and questions related to the subjects covered in an issue of the newsletter when residents receive a copy. The newsletter is one of the outreach requirements specified in the Franchise Agreements with Recology.



When asked about their awareness of RethinkWaste's free mobile application, approximately 11% stated that they knew there was one. Staff has initiated outreach efforts to increase knowledge and use of the "my waste" mobile application, including promotion in the *rethinker* newsletter, social media, truck signs and online advertising. Staff has also been in continued discussions with the third-party vendor who developed the mobile app. They are reporting that in general there is a lower download of the application across all of their customers throughout the United States and Canada, especially in those communities that have a comprehensive education program and website like RethinkWaste.



A couple of the survey questions dealt with a recognition program for households that have high diversion rates through the CartSMART program. Specifically, they were asked how interested they would be in participating in such a program, with responses as follows:



Approximately 37% said they would be very to somewhat interested. While the number who said they were not interested is higher, staff believes those that were very to somewhat interested present the potential to increase residential diversion incrementally and to provide a financial gain to the JPA. As shown in previous reports, residential diversion has plateaued since the roll out of the new services in January 2011. Residential diversion was at 66.9% for calendar year 2013 in comparison to 66.7% in 2012, and 66.2% in 2011. It was 54.7% in 2010 prior to the new services. As such, new opportunities, such as a recognition program need to be explored to maximize diversion opportunities at a relative low cost in comparison to implementing a system redesign.

More specifically, every additional ton of recycling diverted from the landfill results in \$61.72 per ton net commodity revenue to the JPA and the avoidance of \$54.43 per ton in disposal expense. If 37% of the households in the service area increased their recycling by 10%, that would equate to an additional 1,500 tons of recyclables collected over 2013 figures.

Of those that said they were very to somewhat interested in a recognition program, over 72% said they would like to be recognized by receiving gift certificates/cards to local restaurants and stores. Staff will be using its online Home Diversion Calculator launched last August to develop and implement a recognition program in FY1415.

The last programmatic questions were related to the Shoreway Environmental Center and facility usage. Of those that said they had visited the Shoreway facility (37.3%), the chart below details the reasons given for the purpose of their visit. Multiple responses were allowed.



The CRV redemption (6.6%), drop off of recyclables (44.4%) and drop off of household hazardous waste and electronics (39.6%) all occur within Shoreway's Public Recycling Center. Based on the results, nearly 91% of the respondents go to Shoreway specifically for the services provided at the Public Recycling Center (PRC), verifying what staff has believed – that it is valuable and convenient community resource. Staff will be exploring additional ways to continue to promote the use of the PRC.

Interestingly, of the 61% that said they had not visited Shoreway, a majority (73.2%) stated they had not gone to another waste or recycling facility. Staff will continue to work with South Bay Recycling on developing and implementing strategies to increase usage of the overall facility.

Background

While staff has extensive experience in developing public education and outreach campaigns and strategies, and has worked in collaboration with Recology and the Board's adhoc Public Education Subcommittee over the years in developing them, no formal effort had been initiated to determine the best methods to deliver messages to residents in the RethinkWaste service area previously. In previous budget planning Board meetings, discussion has taken place regarding the use of direct mail vs. electronic media for some outreach efforts.

RethinkWaste commissioned a customer satisfaction telephone survey of single-family residents throughout the service area in the spring of 2012, based on feedback from the Board and Member Agencies, to determine resident sentiment and satisfaction with the new CartSMART program, and Recology's performance and related services. The 2012 Customer Satisfaction Survey conducted by Godbe originally included questions related to public education and outreach, but were ultimately not included due to the length of that survey and budget constraints. These questions were the premise for the survey that was just conducted, to ultimately determine the most effective methods for delivering information to residents and assist in developing the FY1415 budget public education and outreach budget.

Fiscal Impact

The RethinkWaste FY1314 budget includes \$130,000 for Residential Outreach Programs. The contract with Godbe Research to conduct this research was for a not-to-exceed amount of \$44,875 and has been paid with these funds.

Attachments:

Attachment A – Godbe Topline Report



GODBE RESEARCH
Gain Insight

RETHINK WASTE / SBWMA

2014 Messaging Survey

Topline Report
n=1,230
12-minutes
Hybrid Sample

April 29, 2014

www.godberesearch.com

Northern California and Corporate Offices
1660 South Amphlett Blvd., Suite 205
San Mateo, CA 94402

Southern California/Southwest
4695 MacArthur Court, 11th Floor
Newport Beach, CA 92660

Nevada
59 Damonte Ranch Parkway, Suite B309
Reno, NV 89521

Pacific Northwest
601 108th Avenue NE, Suite 1900
Bellevue, WA 98004

SURVEY METHODOLOGY

Godbe Research was commissioned by Rethink Waste to conduct a survey to assess awareness and optimize messaging efforts. The survey was also designed to: (a) gauge awareness of Rethink Waste; (b) determine preferred methods for receiving communication; (c) gauge satisfaction with the Rethinker newsletter; (d) assess interest in participating in a recognition program; and (e) gauge awareness of Shoreway Environmental Center and other waste disposal and recycling facilities.

Survey Methodology

Godbe Research conducted a total of 1,230 interviews representing approximately 296,277 adults age 18 and older within the Rethink Waste jurisdiction. Included in this sample was a subsample of approximately 183,640 voters. The error rate for the study is plus or minus 2.8%. Interviews were conducted from April 10 through April 21, 2014. The average interview time was approximately 12 minutes. Once collected, the sample was compared with the respective populations within the selected RethinkWaste jurisdictions to examine possible differences between the demographics of the sample and the actual universe of voters. The data were weighted to correct these differences, and the results presented are representative of the population characteristics of the jurisdiction in terms of demographics.

Questionnaire Methodology

Questions 3, 9, 11 and 12 allowed the respondents surveyed to mention multiple responses and may sum to more than 100.

Conventional rounding rules are used in this report (.5 or above was rounded up, and .4 or below was rounded down). As a result, the percentages may not add up to 100 percent.

MESSAGING INFORMATION

1. Before today, have you seen, heard or read anything about RethinkWaste?

| | |
|-------|-------|
| Yes | 45.0% |
| No | 54.2% |
| DK/NA | .8% |

2. [If Q1= Yes] Did you know that RethinkWaste _____?

| | Yes | No | DK/NA |
|--|-------|-------|-------|
| A. Is a government agency | 25.6% | 72.0% | 2.4% |
| B. Owns the Shoreway Environmental Center in San Carlos | 42.2% | 56.2% | 1.6% |
| C. Provides public education for your CartSMART Recycle, Compost, Garbage and other related services | 56.4% | 41.4% | 2.3% |

3. From what sources would you prefer to get information about your recycling, garbage and other related services?

| | |
|---|-------|
| Brochures, mailers or fliers | 32.8% |
| Email/email blast | 21.2% |
| Bill inserts | 13.3% |
| Newspaper | 10.9% |
| Television | 7.4% |
| Banners | 5.7% |
| Website - RethinkWaste/www.rethinkwaste.org | 5.0% |
| Facebook | 2.8% |
| Radio | 2.8% |
| Website - RecycleWorks/www.recycleworks.org | 2.8% |
| Electronic newsletter | 2.7% |
| Word of mouth/family/friend/neighbor | 2.6% |
| Calling or visiting city/town | 2.2% |
| Social media (non specific) | 2.2% |

| | |
|--|------|
| Website - Recology www.recologysanmateocounty.com | 2.0% |
| Website - City/Town | 1.8% |
| Bus shelter signs | 1.6% |
| Company or workplace | .9% |
| Calling or visiting Recology | .8% |
| Twitter | .6% |
| None - don't seek information on garbage, waste reduction or recycling | 3.7% |
| Other | .5% |
| DK/NA/Refused | 5.9% |

4. Have you read the RethinkWaste newsletter, the "Rethinker," that is mailed to you three times a year?

| | |
|-------|-------|
| Yes | 42.0% |
| No | 55.2% |
| DK/NA | 2.8% |

5. [If Q4=Yes] Do you find the information on the RethinkWaste newsletter, the "Rethinker" to be very useful, somewhat useful, or not useful?

| | |
|-----------------|-------|
| Very useful | 34.1% |
| Somewhat useful | 55.5% |
| Not useful | 7.0% |
| DK/NA | 3.4% |

6. [If Q4=Yes] Would you prefer to receive the RethinkWaste newsletter, the "Rethinker," directly in your mail, inserted in your garbage bill or electronically?

| | |
|--------------------------|-------|
| Directly in mail | 57.9% |
| Inserted in garbage bill | 22.1% |
| Electronically | 15.6% |
| DK/NA | 4.3% |

7. Did you know that RethinkWaste has a free mobile app, called “My Waste,” to make it easier for residents to learn about the programs, schedule services and report issues?

| | |
|-------|-------|
| Yes | 10.7% |
| No | 87.9% |
| DK/NA | 1.4% |

8. RethinkWaste would like to recognize residents/households who recycle a lot through the blue and green carts. How interested would you be in having your household recognized for your efforts, would you be very interested, somewhat interested, or not interested?

| | |
|---------------------|-------|
| Very interested | 12.3% |
| Somewhat interested | 24.8% |
| Not interested | 59.9% |
| DK/NA | 3.0% |

9. [If Q8=Very interested or Somewhat interested] How would you like to be recognized for your recycling efforts?

| | |
|---|-------|
| Special sticker or label on cart | 15.8% |
| Gift certificate or gift card to local restaurant/store | 72.4% |
| Recognition luncheon/dinner | 10.4% |
| DK/NA | 10.8% |

10. Have you visited or used the Shoreway Environmental Center in San Carlos?

| | |
|-------|-------|
| Yes | 37.3% |
| No | 61.0% |
| DK/NA | 1.7% |

11. [If Q10=Yes, ask] Why did you visit or use the Shoreway Environmental Center [Multiple responses accepted.]

| | |
|---|-------|
| Taken material to the Transfer Station | 22.7% |
| Went to the buy-back center/redeemed CRV bottles and cans | 6.6% |
| Drop-off recyclables | 44.4% |
| Drop-off hazardous waste/electronics | 39.6% |
| Tours | 6.1% |
| Other | 1.3% |
| DK/NA | 1.1% |

12. [If Q10=No ask] If you have gone to another waste disposal and recycling center instead of the Shoreway Environmental Center, which facility was it? [Multiple responses accepted.]

| | |
|---|-------|
| Ox Mountain Landfill/Dump in Half Moon Bay | 4.3% |
| Sunnyvale SMaRT Station or Sunnyvale | 3.4% |
| Blue Line Transfer Station or South San Francisco | 2.0% |
| San Francisco (SF) Dump or Recology or San Francisco | 4.1% |
| Local CRV buy-back center | 4.0% |
| Other | 1.7% |
| No-Have not gone to another Waste Disposal and Recycling Center | 73.2% |
| DK/NA | 7.8% |

DEMOGRAPHICS

A. Record Gender [Recorded from voice]:

| | |
|--------|-------|
| Male | 48.4% |
| Female | 51.6% |

B. [If RDD sample] What city do you live in?

| | |
|--|-------|
| Atherton | 1.8% |
| Belmont | 6.9% |
| Burlingame | 7.6% |
| East Palo Alto | 6.5% |
| Foster City | 8.0% |
| Hillsborough | 2.7% |
| Menlo Park | 8.2% |
| Redwood City | 19.8% |
| San Carlos | 7.3% |
| San Mateo | 26.0% |
| County of San Mateo/Unincorporated/Fair Oaks | .8% |
| West Bay Sanitary District | 4.4% |

And now just a few questions for comparison purposes.

C. Now I am going to read some age groups. Please stop me when I reach the group that best describes your age.

| | |
|----------|-------|
| 18 to 24 | 8.4% |
| 25 to 29 | 9.4% |
| 30 to 34 | 9.5% |
| 35 to 39 | 10.3% |
| 40 to 44 | 10.6% |
| 45 to 49 | 9.8% |
| 50 to 54 | 7.3% |
| 55 to 59 | 9.4% |

| | |
|----------------------|-------|
| 60 to 64 | 7.3% |
| 65+ years | 17.0% |
| Prefer not to say/NA | 1.0% |

D. Do you own or rent your place of residence?

| | |
|-------|-------|
| Own | 56.4% |
| Rent | 38.6% |
| Other | 3.2% |
| DK/NA | 1.9% |

E. What is the primary language used in your household?

| | |
|---------------------|-------|
| Arabic | .5% |
| Chinese - Cantonese | 1.5% |
| Chinese - Mandarin | 1.3% |
| English | 89.5% |
| Filipino/Tagalog | .3% |
| Japanese | .1% |
| Korean | .0% |
| Hindi | .3% |
| Russian | .5% |
| Spanish | 4.5% |
| Vietnamese | .2% |
| Other | .9% |
| DK/NA | .4% |

FROM VOTER FILE:

F. Age

| | |
|-------------|-------|
| 18 to 29 | 16.4% |
| 30 to 39 | 13.9% |
| 40 to 49 | 14.8% |
| 50 to 64 | 20.4% |
| 65 and over | 21.0% |
| Not coded | 13.5% |

G. Homeownership Status

| | |
|------|-------|
| Own | 62.9% |
| Rent | 37.1% |



A Public Agency

NEW BUSINESS

Agenda Item 5



A Public Agency

STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Marshall Moran, Finance Manager
Date: June 26, 2014 Board Meeting
Subject: Resolution Adopting FY1415 Budget

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2014-13 attached hereto authorizing the following action:

Adoption of the FY1415 budget.

If the Board decides to not approve the budget a budget continuation resolution is also attached.

Adoption of the FY1415 budget would approve the capital projects shown in **Attachment A**, capital worksheet, for FY1415, subject to specific Board approval for projects exceeding the Purchasing Policy limit of \$50,000 which will be brought back for Board approval at the appropriate time. Budget approval does not approve any capital for the forecasted future fiscal years.

Analysis

Overview

In **Attachment A** you will find the proposed FY1415 detailed budget (including cash reserve balances, revenues, expenditures and capital budget). This proposed budget reflects the budget priority worksheets shared at the April 24, 2014 and May 22, 2014 Board meetings which captured proposed key projects and work activities by the five main areas of our budget (i.e., Administration, Contract Compliance and Support, Recycling - AB 939 and AB 341 Compliance, Collection Operations, and Shoreway Operations). These first four areas of the budget are referred to as the SBWMA program budget, exclusive of Shoreway Operations. The budget document also includes a variance column (proposed FY1415 budget vs. adopted FY1314) by line item and notes where applicable to explain a line item.

Shoreway Operations includes all South Bay Recycling (SBR) compensation, disposal and processing expenses and all other direct expenses related to the SBWMA's responsibilities and obligations as the owner of the facility. The Shoreway operating expenses are largely non-discretionary expenses (e.g., SBR operator compensation, disposal and processing expense and franchise fee payments to the City of San Carlos) and are variable to tonnage delivered to the Shoreway facility and to annual calendar year contractual CPI-based compensation adjustments.

The budget priority worksheets reflect budget figures by line item within each of the budget areas/categories as shown in **Attachment B**. FY1314 adopted and mid-year budget figures are also shown by line item.

Staff has also attached (see **Attachment C**) the work plan for the Long Range Plan as this is the single biggest proposed programmatic expenditure priority in FY1415; this document has remained unchanged from the version shared in the April and May Board packets.

The current organization chart and details on personnel related budget assumptions can be found in **Attachments D and E**, respectively. No changes are proposed in staffing levels or in employee benefits. However, the budget reflects the hiring of a new Finance Manager by April 1, 2015 to replace the existing Finance Manager who plans to retire in the fall of 2015; this will result in some staffing overlap in FY1415 and FY1516 to ensure a successful transition given the critical nature of this position.

Proposed New Projects and Activities in FY1415

Attachment B denotes the proposed new projects and work activities. The new projects and work activities that will require significant staff resources and/or consultant support include:

Administration

- Ongoing benchmarking of all aspects of the operation to identify opportunities to reduce costs, improve service and eliminate any duplication of effort at the SBWMA, Member Agencies and the contractors. It should be noted that staff has already completed some preliminary benchmarking work that was presented at the May Board meeting (see **agenda item 5A**). Additional benchmarking will be completed as part of the Long Range Plan. Some successful work completed in concert with Recology to eliminate duplication of staff is noted below. **This proposed work activity is associated with a current Board approved performance goal for the Executive Director.**

Note: SBWMA, Member Agency staff and Recology completed a top to bottom review of the Franchise Agreements in 2012/2013 resulting in a series of recommended administrative changes to the Agreements to accomplish two critical goals: reduce costs which could be Recology collection costs and/or SBWMA program costs; and streamline or eliminate any contractual provisions that are not needed or provide little or no value to the affected parties (e.g., the customer, Member Agencies, etc.). These recommendations were approved by all Member Agencies in 2013 and resulted in the elimination of one public outreach position at the SBWMA and three positions (public education manager and two waste diversion auditors) at Recology with a total annual savings of \$325,000.

Contract Compliance and Support

- Preparing for future Member Agency decisions regarding the scope of work in their Franchise Agreements, and whether or not to extend their current Franchise Agreements with Recology or to pursue a competitive procurement process for a service provider. The first step in this process is to select and negotiate a final scope of work for technical consultant(s) to review Recology's operations to identify their actual costs of operations. The scope of work may be narrow or quite broad depending upon what information Recology can provide us voluntarily regarding their current operational costs (not compensation). Consultant(s) will be selected through a competitive procurement process and contracts executed in FY1415; however, the operational analysis work and preparation of the final project report will be completed in FY1516. **Completing the competitive procurement process and selection of consultant(s) in FY1415 was specifically requested by the Executive Committee.**
- Preparing for a future SBWMA and Member Agency decision regarding the scope of work for the Shoreway facility operator and whether or not to extend the current Operations Agreement with SBR or to pursue a competitive procurement process for a service provider. The first step in this process is to select and negotiate a final scope of work for technical consultant(s) to review SBR's operations to identify their actual costs of operations and make recommendations as appropriate for future operational improvements. The scope of work may be narrow or quite broad depending upon what information SBR can provide us voluntarily regarding their current operational costs (not compensation). Consultant(s) will be selected through a competitive procurement process. The actual operational analysis work will be completed in FY1516. **Completing the competitive procurement process and selection of consultant(s) in FY1415 was specifically requested by the Executive Committee.**

Recycling Outreach and Programs

- Implement recommendations from the Public Space feasibility report. **This proposed work activity is associated with recommendations still pending from a review of current public space (e.g., community parks and recreational areas, downtown areas, etc.) recycling and composting service levels and performance results.** \$35,000 is budgeted under the "diversion program support" line item and another \$20,000 for purchase of recycling containers (see "purchase Commercial/MFD Containers for Recology").
- Implement an SBWMA-wide ordinance and outreach strategy to register and receive quarterly diversion tonnage information from commercial recycling haulers. Such data is for future program planning purposes and not for AB 939 compliance. This ordinance will be pursued if adequate data cannot be obtained voluntarily from commercial recycling haulers. The proposed budget assumes a permit fee of \$100 per year to cover the administrative costs associated with the ordinance. Fee revenue is included under "miscellaneous revenue" at \$25,000 and the proposed program costs are included in the "commercial recycling technical assistance" line item.
- Develop a long-term strategic plan (i.e., 10-year scope to include all major elements of the operation, including collection and processing, and related elements of compliance, contracts/contract renewal strategies, public education, finance, capital improvement program (CIP), technologies, etc.) to address solutions for cost effective waste reduction and recycling programs and services and facility infrastructure. \$232,500 is budgeted for this project which breakouts as follows: \$45,000 for the organics recovery study (Silicon Valley Clean Water MOU) including technology analysis, and operational pilot and testing; \$7,500 for Phase 2 visioning workshop; \$20,000 for Phase 2 consultant support to analyze current program results and whether enhancements are needed; \$100,000 for Phase 3 consultant support for analyzing collection and outreach program options; and \$60,000 for Phase 3 consultant support for analyzing facility infrastructure and processing improvements (e.g., building seismic assessment, fuel options, MRF, etc.). A proposed work plan (background information, proposed project approach and evaluation framework) for the Long Range Plan is included in **Attachment C**. **This proposed work activity is associated with a current Board approved performance goal for the Executive Director.**

Collection Operations

- Negotiate a potential contract extension and/or exercise existing extension options with WM Curbside LLC as the current contract expires on December 31, 2014 for the Door-to-Door HHW Collection program.

Shoreway Operations

- Completion of conceptual designs for a Transfer Station processing system to recover organic materials and other recyclables. **This proposed work activity is associated with a MOU with Silicon Valley Clean Water (formerly called SBSA) to jointly develop an organic waste recovery project; this project may be developed with another wastewater treatment plant if that's in the strategic interests of the JPA. This project likely represents the single largest future waste diversion opportunity for the SBWMA.** \$45,000 is budgeted under "Long Range Plan."
- Manage our two existing organics processing contracts, which both expire on December 31, 2014, for residential and commercial organics to meet operational, financial and environmental requirements. The two contracts will either be extended and/or a competitive review process will be completed.
- Manage a capital project at Shoreway to expand the covered tipping (unloading) area for recyclables delivered by franchised collection vehicles and third party sources. This capital project is contingent upon Board approval of a revised MOU between the SBWMA and SBR for the processing of additional third-party tons. The capital budget includes \$450,000 for this project.
- Analysis of upgrade options and cost for the Shoreway underground fuel storage tanks and supply system, including recommendations for future decision-making on collection and transfer fleet fuel needs. **Agenda item 4B on the May 22, 2014 Board agenda addressed this project.**

- Complete a sign plan identifying recommended improvements onsite to enhance customer service, safety and operational results. \$40,000 is included in the capital budget for this project.
- Complete a Disaster and Emergency Management Plan for the Shoreway operations. While an emergency response plan is currently in place for our contractors at Shoreway, no comprehensive plan exists to address disaster (e.g., flood, earthquake, etc.) related scenarios that could have significant impacts on Shoreway operations. \$30,000 is included under “facility improvement oversight” for this project.

Ongoing Core Staff Responsibilities

- Continued oversight and contract administration support for the 12 collection services Franchise Agreements with Recology San Mateo County (RSMC), including follow-up work on audit findings and financial auditing. This work is accomplished with approximately two full-time employees, one fewer than when the 12 new Franchise Agreements went into effect on January 1, 2011. SBWMA staff has also taken over from Recology full responsibility for all public education activities given the elimination of the Recology Public Education Manager position. Recology still maintains full management responsibility for the Commercial Recycling Outreach program.
- Continued oversight of the SBR Shoreway operations and management of all disposal and processing contracts with one full-time employee.
- Management of the annual contractor compensation adjustment process, including review of the 2015 RSMC and SBR compensation applications, and completion of final reports (RSMC, SBR and consolidated report) for 2015.
- Support of existing recycling programs, notably ongoing residential public outreach; AB 341 commercial recycling outreach; expanded outreach to support multi-family recycling; and oversight and expanded outreach for the HHW Door-to-Door collection services for 10 Member Agencies.
- Management of the Shoreway Education Center tour program, including the school tours and public tours. This program is managing over 5,000 tour visitors per year with one full-time employee and one part-time employee. **See benchmarking information in staff report for agenda item 5A on the May 22, 2014 Board agenda.**
- Management of all ongoing capital repairs and maintenance at the 16-acre Shoreway facility, including nearly 200,000 square feet of building space and \$20 million in equipment owned by the SBWMA. This work is managed by the same employee that manages the SBR contract and all disposal and processing contracts. Please see **Attachment F** for a brief description on each capital project.

Financial Summary

Overall, the proposed FY1415 proposed budget reflects continued strong expected financial results with fully funded cash reserves, an undesignated cash reserve balance, modest increases in program costs, and no planned tipping fee increases for calendar year 2015. This builds on strong financial results expected for FY1314 with higher than expected cash reserve balances. Prudent management of controllable expenditures and operating and disposal and processing contracts tied to CPI has also constrained costs.

As shown in **Table 1** on the next page, FY1415 total contribution to cash reserves is projected at \$2,339,825 which is \$516,325 less than our FY1314 adopted budgeted (1.2% of revenue) largely due to no assumed tipping fee increases at Shoreway for calendar year 2015. After capital expenditures and bond principal payments, the net contribution to cash reserves is projected to be \$209,825.

Table 1

| FY1415 SUMMARY | | | | |
|---|-----------------------|------------------------|---------------------|---------------|
| | FY1314 | FY1415 | | |
| CATEGORIES | Adopted Budget | Proposed Budget | Variance | % |
| Total Revenue | \$ 41,579,200 | \$ 41,927,800 | \$ 348,600 | 0.8% |
| Total Operating Expense | \$ 35,778,650 | \$ 36,702,475 | \$ (923,825) | -2.6% |
| Earnings Before Interest: | \$ 5,800,550 | \$ 5,225,325 | \$ (575,225) | -9.9% |
| Interest Expense | \$ 2,944,400 | \$ 2,885,500 | \$ 58,900 | 2.0% |
| Contributions to Cash Reserves: | \$ 2,856,150 | \$ 2,339,825 | \$ (516,325) | -18.1% |
| Capital Expenditures | \$ (570,000) | \$ (925,000) | \$ (355,000) | 62.3% |
| Bond Principal Payment | \$ (1,150,000) | \$ (1,205,000) | \$ (55,000) | 4.8% |
| Net Contribution to Cash Reserves: | \$ 1,136,150 | \$ 209,825 | \$ (926,325) | -81.5% |

Note: At the request of a Board Member, interest is shown separately in this table only. All other schedules have interest combined with operating expense.

Revenues

Total operating revenues for FY1415 are budgeted to be \$348,600 (0.8%) higher than our FY1314 adopted budget. Higher revenue is a result of higher public revenue of \$0.62 million (11%) and third-party MRF host fee revenue of \$0.29 million (384%) partially offset by lower franchise revenue of \$0.54 million (-2.1%). Commodity revenues are projected to remain flat.

As shown in Table 2 below, franchise tonnage is projected to be 5,090 tons lower (-1.8%) than FY1314 budget (lower solid waste) as indicated in the mid-year projection trend. Tip fees were also reduced for calendar 2014 from the FY1314 budget assumption which impacts the last half of the FY1314 budget year. Lower tonnage reduces revenue by \$471,000 and lower average rates reduce revenue by \$73,000. No tip fee increases are budgeted for calendar 2015.

Table 2

| | FY1314 Adopted Budget | FY1314 Mid-Year Projections | FY1415 Proposed Budget | 2015 vs 2014 Budget Variance | % |
|--------------------------|-----------------------------|-----------------------------------|------------------------------|---------------------------------|---------------|
| TIP FEE REVENUE | | | | | |
| Franchise | | | | | |
| Tons | 285,837 | 282,925 | 280,747 | -5,090 | -1.8% |
| Wtd Avg. Tip Fee | \$ 92.84 | \$ 92.00 | \$ 92.58 | \$ (0.26) | -0.3% |
| Franchise Revenue | \$ 26,536,840 | \$ 26,027,745 | \$ 25,992,156 | \$ (544,685) | -2.1% |
| Revenue Impact: | | Volume | Price | Total | |
| Tonnage Change | | -5,090 | \$ 92.58 | \$ (471,231) | 86.5% |
| Price Change | | 285,837 | \$ (0.26) | \$ (73,454) | 13.5% |
| Total Change | | | | \$ (544,685) | 100.0% |

As shown in the Table 3 on the next page, public yards are projected to increase by 7,752 yards from the FY1314 budget (4.4%) (higher solid waste and lower green waste). Green waste yards decreased in Q3 FY1314 which lowered our

projection. This could be due to the dry winter; however, franchise green waste tons did not also drop. The weighted average public tip fee increased \$2.02 higher than FY1314 budget due to change in mix – less green waste at a lower tip fee (\$24/yard). Higher volume increases revenue by \$264,000 and higher average rates increase revenue by \$354,000. Some of the higher public solid waste yards is due to the removal of roofing materials from public C&D yards (\$32/yard) and reclassified as public solid waste (\$35/yard).

Table 3

| TIP FEE REVENUE | | FY1314 Adopted Budget | FY1314 Mid-Year Projections | FY1415 Proposed Budget | 2015 vs 2014 Budget Variance | % |
|------------------------|------------------------|--------------------------------------|--|---------------------------------------|---|---------------|
| Public | | | | | | |
| | Yards | 175,224 | 200,643 | 182,976 | 7,752 | 4.4% |
| | Wtd Avg. Tip Fee | \$ 32.03 | \$ 32.83 | \$ 34.05 | \$ 2.02 | 6.3% |
| | Public Revenue | \$ 5,611,560 | \$ 6,586,867 | \$ 6,229,698 | \$ 618,138 | 11.0% |
| | Revenue Impact: | | Volume | Price | Total | |
| | Tonnage Change | | 7,752 | \$ 34.05 | \$ 263,930 | 42.7% |
| | Price Change | | 175,224 | \$ 2.02 | \$ 354,208 | 57.3% |
| | Total Change | | | | \$ 618,138 | 100.0% |

Attachment G, Tables 1-3 provide further details on revenue, tonnage, and yardage trends.

Commodity revenues are budgeted at \$10,812,200 which is slightly lower than FY1314 budget by \$1,000. MRF commodity tonnage sold is higher than FY1314 budget by 2,332 tons, offset by lower budgeted commodity prices of \$6.68 per ton similar to the FY1314 mid-year projection. Further detail on pricing trends and shipped tons by commodity type can be found in Attachment G, Tables 4-5b. Commodity pricing has remained relatively stable over the past year.

Expenditures

Program Budget

The SBWMA proposed FY1415 program expense budget, exclusive of Shoreway operations and HHW collection services, is \$2,901,375 or 3.7% higher than the FY1314 adopted budget. Notable variances within the program (category) areas of the budget include:

- **Administrative expenses** - *proposed budget of \$1,762,475 vs. FY1314 adopted budget of \$1,639,850; 7.5% higher than FY1314 adopted budget.*
 - \$61,600 higher expenses for administrative staff of which \$43,000 is associated with a three month overlap of the new Finance Manager with the current Finance Manager. The balance is for assumed wage and benefit rate increases effective January 1, 2015.
 - \$30,100 higher expenses for AB 939 program staff wage and benefit rate increases effective January 1, 2015.
- **Contract Compliance and Support expenses** – *proposed budget of \$257,400 vs. FY1314 adopted budget of \$300,600; 14.4% lower than FY1314 adopted budget.*
 - \$25,000 less for collection services franchise agreement administration.
 - Quarterly load contamination sampling costs \$4,000 lower.
- **AB 939 and AB 341 Compliance** – *proposed budget of \$881,500 vs. FY1314 adopted budget of \$858,500; 2.7% higher than FY1314 adopted budget.*
 - \$152,500 higher expenses for long range planning largely offset by cuts in other line items including \$55,000 in commercial recycling technical assistance, \$50,000 in multi-family outreach, \$30,000 in residential outreach, and \$15,000 in newsletter printing/mailling costs.

Personnel

As detailed in **Attachment E**, the Administrative staff and AB 939 program staff budget line items reflect an assumed merit increase pool of 3% of total wages and no changes in salary ranges; such merit increases in total, exclusive of any adjustment for the Executive Director, total \$28,131. Per the Board adopted employee compensation policy, the Executive Director has the discretion to grant merit increases on a calendar year basis within the approved salary ranges. Per Board discussion and direction at the May 22, 2014 Board meeting, the Board will separately review and consider approval of the final merit increase pool; a closed session for this has been scheduled for the October 23, 2014 Board meeting. The Board separately considers a compensation adjustment for the Executive Director.

The SBWMA continues to have a very sustainable and cost effective business model for how the Agency manages its employee costs with key points as follows:

- The SBWMA is a non-PERs agency. Our seven current employees are offered a self-directed 401(a) and 457(b) plans, very similar to private sector 401(k) plans. We have no employee pensions and thus no long-term pension obligations. We do not participate in the Social Security system. There are no post-retirement benefits.
- All employees are non-represented; there are no collective bargaining agreements with our employees.
- There are no automatic salary adjustments for employees such as a COLA adjustment or step increases. Employee performance is evaluated each year and merit increases are granted on a calendar year basis using the Board approved merit increase pool and if salary ranges allow for an adjustment.
- There are no proposed changes to the benefit package.
- The above factors result in a low benefit to wage ratio of 32.6%.

The SBWMA also has one contract position, Recycling Programs Manager, through Local Government Services (LGS) which provides PERs benefits. This position's profile is similar to municipal agencies and thus the position recruitment focused on municipal employees who normally have PERs benefits.

Collection Operations

The expenses associated with the Door-to-Door HHW program services provided by WM Curbside LLC are a pass through expense; the expenses shown in the budget are 100% offset by an "HHW door to door collection service" revenue line item. The SBWMA manages the program on behalf of the 10 participating Member Agencies and pays for all expenses associated with the program; the SBWMA in turn bills Member Agencies (or Recology if the cost is in the rates) for such expenses.

Within the program budget, staff has included \$25,000 under the "HHW door to door collection outreach" line item for rollout of the program to residents in Atherton and Redwood City, who currently are not participating in the program. These funds will only be spent if the respective Member Agencies decide to join the program.

As previously noted, staff is negotiating a potential contract extension with WM Curbside LLC as the current contract expires on December 31, 2014.

Shoreway Operations

Shoreway Operations expenses are in total \$738,000 higher (2.1%) than the FY1314 adopted budget amount of \$35,427,100 (partially offset by higher revenue). Notable variances from the FY1314 adopted budget include:

- Higher Shoreway operator expenses of \$786,800 in payments to SBR; \$34,200 due to slightly higher tonnage and \$782,000 from assumed January 1, 2015 compensation rate increases, mix of materials (more MRF tons but less transfer station tons), and changes to mix to organics processor destinations. SBR's 2015 compensation rates are estimated to increase approximately 2.5%. As noted in the FY1314 mid-year budget, the 2014 MRF rate was underestimated in the FY1314 budget which is why the mid-year MRF rate increases to \$14.85 from \$14.30. In addition, more organics tons to Grover increase the transportation payment to SBR. This is offset by lower expected processing fees paid to Grover vs. Newby. (See **Attachment G**, Tables 6a & 6b for detail).

- Disposal and processing expenses are lower than the FY1314 adopted budget by \$116,700 from lower tonnage (3,725 tons) and a lower blended rate paid to the vendors. Although most rates have a January 1, 2015 increase, the change in mix and the higher use of Grover at a lower rate results in a lower average rate than in the FY1314 budget. (See **Attachment G**, Table 7 for detail).
- Approximately \$60,000 in unanticipated Shoreway facility maintenance projects in FY1314 has resulted in a FY1415 budget of \$160,000 vs. the adopted budget amount of \$100,000. The FY1415 budget matches the FY1314 mid-year projection. These unanticipated projects include a repair to site paving (concrete repair) near the maintenance facility, replacement of electrical wiring to truck shop, and replacement of damaged plumbing within the employee break room in the MRF building. The same level of maintenance expense is assumed to be needed in FY1415 although specific projects are unknown.
- The Education Center budget is \$10,000 higher notably due to the addition of a new community event at Shoreway in November in recognition of America Recycles Day.
- The SBWMA is responsible for major equipment repairs above \$10,000 and \$30,000 has been budgeted for the first time since the Shoreway Master Plan improvements were completed. As the equipment gets older, it is prudent to budget some expense for this although the actual amount needed, if any, is unknown in FY1415.
- Interest on our bonds to build the 2009 Master Plan improvements will decline by \$59,000 in FY1415.
- \$15,900 in higher franchise fee payments to the City of San Carlos due to higher than expected tonnage and tip fee revenue into the Shoreway facility. Payment is 5% of tip fee revenue.

Capital Spending

Proposed FY1415 capital spending of \$925,000 is \$355,000 higher than the adopted FY1314 budget amount of \$570,000 largely due to the \$450,000 project for expansion of the MRF tipping area with a canopy extension to the existing building. This project is contingent on Board consideration and approval of a long-term agreement with SBR for processing of third-party recyclables into the Shoreway MRF. The FY1415 proposed budget figure of \$925,000 is \$70,000 higher than the figure included in the May 2014 budget figures as the landfill tipper capital project scheduled for the current fiscal year has been delayed into the new fiscal year. Additional detail on capital projects can be found on the capital projects worksheet included in **Attachment A** and **Attachment F**.

Per Board feedback, staff has added a forecast (see **Attachment A**, capital worksheet) for capital spending for the four fiscal years after FY1415; this provides a five-year snapshot of estimated capital spending.

Reserve Balances

Table 4 on the next page captures the reserve balance projections for FY1415 compared to the FY1314 adopted budget. The undesignated reserve balance is projected to be \$2.5 million which is \$2.1 million higher than the FY1314 budget but lower than the FY1314 mid-year budget. As explained in the mid-year budget report, the FY1213 ending reserve balance was \$2.7 million higher than expected which affects the beginning balance for FY1314. This higher beginning balance is due to higher commodity revenue, timing of spending on the master plan capital project, and lower SBWMA program expenses as summarized in **Table 5**.

Because of the FY1415 estimated \$2.5 million undesignated reserve balance, staff is not recommending any tip fee increases for franchise or public customers on January 1, 2015 which affect half of the budget year. Approval of this budget report does not also approve tip fees. Tip fees are approved in November when staff will have a better estimate for the direction of tonnage and commodity prices.

Table 4

| | ACTUAL FY1213 | ADOPTED BUDGET FY1314 | MID-YEAR BUDGET FY1314 | PROPOSED BUDGET FY1415 |
|---|----------------------|-----------------------------|---------------------------|------------------------------|
| UNRESTRICTED: | | | | |
| RATE STABILIZATON (10% of expense) | \$ 3,716,244 | \$ 3,822,605 | \$ 3,886,803 | \$ 3,906,648 |
| EMERGENCY RESERVE (10% of total expense) | \$ 3,716,244 | \$ 3,822,605 | \$ 3,886,803 | \$ 3,906,648 |
| EQUIPMENT REPLACEMENT (ANNUAL) ¹ | \$ 1,799,028 | \$ 1,130,726 | \$ 1,130,726 | \$ 1,542,328 |
| UNDESIGNATED | \$ 1,678,825 | \$ 426,571 | \$ 2,825,865 | \$ 2,530,232 |
| TOTAL UNRESTRICTED GENERAL RESERVES | \$ 10,910,341 | \$ 9,202,507 | \$ 11,730,197 | \$ 11,885,856 |
| COMMITTED: | | | | |
| BOND PRINCIPAL PAYMENT FUND | \$ 958,333 | \$ 1,004,167 | \$ 1,004,167 | \$ 1,058,333 |
| BURLINGAME BOND REPAYMENT FUND | \$ 2,918,919 | | | |
| TOTAL GENERAL RESERVES | \$ 14,787,593 | \$ 10,206,674 | \$ 12,734,364 | \$ 12,944,189 |

Table 5

| HIGHER FY2013 RESERVE BALANCE VS PROJECTION | | |
|--|---------------------|-------------------------------|
| 1. FY13 Higher Operating Income | | |
| Higher Commodity Revenue | \$ 1,016,141 | <i>higher prices and tons</i> |
| Lower disposal expense | \$ 208,586 | |
| Lower SBWMA Program Expenses | \$ 494,015 | |
| Miscellaneous | \$ 9,337 | |
| FY13 Higher Operating Income | \$ 1,728,079 | |
| 2. Spending on Mater Plan Project (timing) | \$ 918,405 | |
| 3. Miscellaneous | \$ 70,585 | |
| TOTAL FY2013 RESERVE VARIANCE | \$ 2,717,068 | |

Table 5 notes: Further explanations of the variances are:

- Higher commodity revenue – higher tons and higher prices (our projection had only five months of actual data).
- Lower disposal expense – 1.5% of total disposal expense; lower tons and slight mix change.
- Lower SBWMA program expense – lower total Administrative expense (\$30k); lower rate review expense (\$41k) – budgeted funds for agency support not needed; lower collection services franchise administration (\$80k) due to a delayed audit; lower quarterly load contamination (\$23k); lower recycling diversion program support (\$30k); lower commercial recycling technical assistance (\$112k) primarily due to a project moved to FY1314; lower multi-family outreach \$71k) primarily due to a project moved to FY1314; lower residential outreach (\$41k) and lower HHW collection – timing of Burlingame start date (\$32k).
- Master Plan capital project spending – this was a one-time benefit caused by the timing of spending on the \$47 million Master Plan capital project. This project is now completed so this timing issue will not reoccur.

Background

On June 27, 2013 the SBWMA Board of Directors adopted the FY1314 Operating Budget, inclusive of the SBWMA program budget and Shoreway Operations, with revenue totaling \$41,579,200 and expenditures of \$38,723,050. This produces net income of \$2,856,150 or an operating margin of 6.9%.

On January 23, 2014 the Board conducted a mid-year budget review of the FY1314 budget. No action was requested of the Board as budget projections were at or below adopted budget levels. The budget projections showed slightly lower net income of \$2,706,571 or an operating margin of 6.4%.

At the April 24, 2014 Board meeting a staff report and presentation was made on proposed budget priorities (i.e., major projects and work activities) for FY1415 with detailed budget worksheets provided programmatic detail. No proposed budget figures for FY1415 were provided. Staff also shared a summary noting major accomplishments in the current fiscal year (FY1314).

At the May 22, 2014 Board meeting a staff report and presentation was made on the proposed FY1415 budget. Feedback from the Board meeting has been incorporated into this staff report, noting no changes were proposed to actual budget figures. The one major change was that the Board would separately consider and approve a merit increase pool for the upcoming calendar year; the assumed merit increase pool included in the budget is for planning purposes only.

Fiscal Impact

For FY1415 staff is projecting contribution to cash reserves of \$2,339,825 which is \$516,325 below our FY1314 adopted budget contribution of \$2,856,150 (see **Table 1** on page 5 of the staff report). This lower contribution is 1.1% of total revenue due primarily to the following factors:

- Total revenue increased by \$348,600 (0.8%), primarily from higher host fee revenue volume, offset by higher operating costs of \$815,900 (2.1%).
- There is no budgeted tip fee increase to offset the higher rates paid to SBR and disposal processors starting January 1, 2015 from annual CPI rate adjustments. A 2.5% tip fee increase would have generated \$394,000 in additional revenue and contribution (half of the fiscal year).
- As mentioned in the mid-year budget, the FY1314 budget underestimated the rates paid to SBR by \$194,000.
- The SBWMA program budget includes an additional \$68,000 to cover the recruitment and transition cost of replacing the Finance Manager position.

Non-operating obligations (i.e., bond principal payment and capital expenditures) are not included in the contribution to cash reserves but are paid out of contributions to arrive at Net Contribution to Cash Reserves (i.e. Cash Flow). These obligations include: bond principal payment (\$1,205,000) and capital expenditures (\$855,000). Net Cash Flow after deducting these items for FY 2015 is \$209,825. All cash flow items are included in the reserve calculation. (See **Table 1** on page 5 of the staff report.)

Tables 6-8 provide a breakout on proposed FY1415 year-end revenues and expenditures (program budget and Shoreway operations).

Table 6

| FY1415 REVENUES | | | |
|---|--------------------------|---------------------------|------------------|
| Revenues | FY1314 Adopted Budget | FY1415 Proposed Budget | Variance |
| Tip Fee Revenues | \$32,148,400 | \$32,221,900 | \$73,500 |
| Net Commodity Sales Revenues* | \$8,723,100 | \$8,674,800 | (\$48,300) |
| Interest Income | \$55,900 | \$56,500 | \$600 |
| HHW and Other Revenue | \$651,800 | \$974,600 | \$322,800 |
| Total Revenues: | \$41,579,200 | \$41,927,800 | \$348,600 |
| *Gross commodity sales – 28% revenue share with SBR and buyback payments. | | | |

Table 7

| FY1415 EXPENDITURES | | | |
|-------------------------------|--------------------------|---------------------------|------------------|
| Expenditures | FY1314 Adopted Budget | FY1415 Proposed Budget | Variance |
| Administrative Expenses | \$1,639,850 | \$1,762,475 | \$122,625 |
| Contract Compliance & Support | \$300,600 | \$257,400 | (\$43,200) |
| Recycling & AB 939 Compliance | \$858,500 | \$881,500 | \$23,000 |
| Collection Operations | \$497,000 | \$521,500 | \$24,500 |
| Total SBWMA Expenses: | \$3,295,950 | \$3,422,875 | \$126,925 |
| Shoreway Operations: | \$35,427,100 | \$36,165,100 | \$738,000 |
| Total Expenses: | \$38,723,050 | \$39,587,975 | \$864,925 |

Table 8

| FY1415 EXPENDITURE DETAIL FOR SHOREWAY OPERATIONS | | | |
|---|--------------------------|---------------------------|------------------|
| Expenditures | FY1314 Adopted Budget | FY1415 Proposed Budget | Variance |
| SBR Compensation* | \$16,274,400 | \$17,061,200 | \$786,800 |
| Disposal and Processing* | \$14,238,500 | \$14,121,800 | (\$116,700) |
| Insurance Shoreway | \$204,200 | \$213,400 | \$9,200 |
| Other Operating Expenses (facility cost, tipper and MRF equip. maintenance) | \$145,000 | \$226,000 | \$81,000 |
| Education Center | \$65,000 | \$75,000 | \$10,000 |
| Taxes (Sewer) | \$24,700 | \$35,400 | \$10,700 |
| Debt Service Bond Interest | \$2,944,400 | \$2,885,500 | (\$58,900) |
| Franchise Fee (San Carlos)** | \$1,530,900 | \$1,546,800 | \$15,900 |
| Total Shoreway Operations: | \$35,427,100 | \$36,165,100 | \$738,000 |
| * Expense projection based on estimated facility tonnage | | | |
| ** Expense projection based on estimated gate revenue (tipping fees x estimated tons) | | | |

Attachments:

Resolution 2014-13

A – FY1415 Proposed Budget

B – Programmatic Detail (Staff Resources and Description of Key Projects and Work Activities)

C – Long Range Plan – Work plan

D – Organization Chart

E – Personnel Summary

F – Capital Project Description

G – Back-Up Financial and Operational Data



RESOLUTION NO. 2014-13

**RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
BOARD OF DIRECTORS
ADOPTING THE FY1415 BUDGET**

WHEREAS, the South Bayside Waste Management Authority (SBWMA) proposed budget as presented is balanced and provided sufficient funds for normal operations.

NOW THEREFORE, BE IT RESOLVED, by the Board of Directors of the South Bayside Waste Management Authority that the Board adopts the FY1415 budget.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 26th day of June, 2014, by the following vote:

| <u>Agency</u> | <u>Yes</u> | <u>No</u> | <u>Abstain</u> | <u>Absent</u> | <u>Agency</u> | <u>Yes</u> | <u>No</u> | <u>Abstain</u> | <u>Absent</u> |
|----------------|------------|-----------|----------------|---------------|----------------------------|------------|-----------|----------------|---------------|
| Atherton | | | | | Menlo Park | | | | |
| Belmont | | | | | Redwood City | | | | |
| Burlingame | | | | | San Carlos | | | | |
| East Palo Alto | | | | | San Mateo | | | | |
| Foster City | | | | | County of San Mateo | | | | |
| Hillsborough | | | | | West Bay Sanitary District | | | | |

I HEREBY CERTIFY that the foregoing Resolution No. 2014-13 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 26, 2014.

ATTEST:

Bill Widmer, Chairperson of SBWMA

Cyndi Urman, Board Secretary



RESOLUTION NO. 2014-17
RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
BOARD OF DIRECTORS
GRANTING AUTHORITY FOR CONTINUED APPROPRIATIONS AND EXPENDITURES FOR
SIXTY (60) DAYS

WHEREAS, the South Bayside Waste Management Authority (SBWMA) is on a fiscal year July 1 - June 30th; and

WHEREAS a budget for FY1415 will not be ready for review and approval by the Board of Directors until after the start of FY1415r; and

WHEREAS, there is a continued need to conduct business by the SBWMA after the start of FY1415.

THEREFORE, BE IT RESOLVED, that the Board grants the Executive Director continued authority for appropriations and expenditures at the current level for the first sixty (60) days of FY1415 for the SBWMA.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 26th day of June, 2014, by the following vote:

| <u>Agency</u> | <u>Yes</u> | <u>No</u> | <u>Abstain</u> | <u>Absent</u> | <u>Agency</u> | <u>Yes</u> | <u>No</u> | <u>Abstain</u> | <u>Absent</u> |
|----------------|------------|-----------|----------------|---------------|----------------------------|------------|-----------|----------------|---------------|
| Atherton | | | | | Menlo Park | | | | |
| Belmont | | | | | Redwood City | | | | |
| Burlingame | | | | | San Carlos | | | | |
| East Palo Alto | | | | | San Mateo | | | | |
| Foster City | | | | | County of San Mateo | | | | |
| Hillsborough | | | | | West Bay Sanitary District | | | | |

I HEREBY CERTIFY that the foregoing Resolution No. 2014-17 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 26, 2014.

ATTEST:

 Bill Widmer, Chairperson of SBWMA

 Cyndi Urman, Board Secretary

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
RESERVE SUMMARY

FY1415 PROPOSED BUDGET

| | ACTUAL FY1213 | ADOPTED BUDGET FY1314 | MID-YEAR BUDGET FY1314 | PROPOSED BUDGET FY1415 |
|---|----------------------|-----------------------------|---------------------------|------------------------------|
| UNRESTRICTED: | | | | |
| RATE STABILIZATON (10% of expense) | \$ 3,716,244 | \$ 3,822,605 | \$ 3,886,803 | \$ 3,906,648 |
| EMERGENCY RESERVE (10% of total expense) | \$ 3,716,244 | \$ 3,822,605 | \$ 3,886,803 | \$ 3,906,648 |
| EQUIPMENT REPLACEMENT (ANNUAL) ¹ | \$ 1,799,028 | \$ 1,130,726 | \$ 1,130,726 | \$ 1,542,328 |
| UNDESIGNATED | \$ 1,678,825 | \$ 426,571 | \$ 2,825,865 | \$ 2,530,232 |
| TOTAL UNRESTRICTED GENERAL RESERVES | \$ 10,910,341 | \$ 9,202,507 | \$ 11,730,197 | \$ 11,885,856 |
| COMMITTED: | | | | |
| BOND PRINCIPAL PAYMENT FUND | \$ 958,333 | \$ 1,004,167 | \$ 1,004,167 | \$ 1,058,333 |
| BURLINGAME BOND REPAYMENT FUND | \$ 2,918,919 | | | |
| TOTAL GENERAL RESERVES | \$ 14,787,593 | \$ 10,206,674 | \$ 12,734,364 | \$ 12,944,189 |
| <i>proof</i> | \$ 14,787,593 | \$ 10,206,674 | \$ 12,734,364 | \$ 12,944,189 |
| Other LT Projects (Fully Funded) | | | | |
| SHOREWAY REMEDIATION PROJECT | \$ 1,289,283 | \$ 1,209,283 | \$ 1,209,283 | \$ 1,209,283 |

Reserves Cash Flow

6/18/2014

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
REVENUE SUMMARY**

FY1415 PROPOSED BUDGET

| REVENUE SUMMARY | ACTUAL FY 2013 | ADOPTED BUDGET FY1314 | MID-YEAR PROJECTION FY1314 | YTD REVENUE | PROPOSED BUDGET FY1415 | Variance to Adopted Budget | Variance to Appvd Bud % |
|--|---------------------------|--------------------------------------|---|------------------------|---------------------------------------|---|------------------------------------|
| ADMINISTRATIVE REVENUES | | | | | | | |
| 409100 INVESTMENT INCOME | 85,302 | 55,900 | 160,700 | 134,995 | 56,500 | 600 | 1.1% |
| 409101 INVESTMENT (GASB 31) MARKET VALUE ADJ | (26,706) | | | | | - | |
| 409200 INTEREST INCOME | 632 | | | | | - | |
| TOTAL ADMINISTRATIVE | 59,228 | 55,900 | 160,700 | 134,995 | 56,500 | 600 | 1.1% |
| OPERATIONS | | | | | | | |
| 480026 TIPPING FEES - Non Franchised | 5,362,492 | 5,611,600 | 6,586,900 | 4,715,691 | 6,229,700 | 618,100 | 11.0% |
| 480027 TIPPING FEES - Franchised | 25,773,015 | 26,536,800 | 26,027,700 | 19,243,129 | 25,992,200 | (544,600) | -2.1% |
| 480028 COMMODITY SALES | 10,924,829 | 10,813,200 | 10,581,300 | 7,409,682 | 10,812,200 | (1,000) | 0.0% |
| 480029 COMMODITY REVENUE SHARE | (1,376,988) | (1,498,900) | (1,388,700) | (1,235,181) | (1,521,400) | (22,500) | 1.5% |
| 522717 BUYBACK PAYMENTS | (606,159) | (591,200) | (599,500) | (441,004) | (616,000) | (24,800) | 4.2% |
| 480025 E-SCRAP REVENUE | 68,464 | 70,000 | 70,000 | 42,457 | 66,300 | (3,700) | -5.3% |
| 480033 MRF Host Fee - 3RD PARTY TONS | 63,987 | 74,800 | 125,900 | 103,296 | 361,800 | 287,000 | 383.7% |
| 480031 HHW DOOR TO DOOR COLLECTION SERVICE | 464,567 | 497,000 | 497,000 | 409,970 | 521,500 | 24,500 | 4.9% |
| 480032 PERFORMANCE INCENTIVE / DISINCENTIVE | 8,056 | 10,000 | 10,000 | | - | (10,000) | -100.0% |
| 480008 MISCELLANEOUS REVENUE | 10,719 | | 300 | 388 | 25,000 | 25,000 | |
| TOTAL OPERATIONS | 40,692,982 | 41,523,300 | 41,910,900 | 30,248,428 | 41,871,300 | 348,000 | 0.8% |
| TOTAL REVENUE | 40,752,210 | 41,579,200 | 42,071,600 | 30,383,422 | 41,927,800 | 348,600 | 0.8% |
| CONTRIBUTION TO CASH RESERVES | 3,128,370 | 2,856,150 | 2,706,571 | | 2,339,825 | (516,325) | -18.1% |
| % OF REVENUE | 7.7% | 6.9% | 6.4% | | 5.6% | -1.23% | |

REVENUES

6/18/2014

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
EXPENSE DETAIL BY PROGRAM

FY1415 PROPOSED BUDGET

| GENERAL OPERATING EXPENSES BY MAJOR CATEGORY | | | | | | | | | |
|--|--|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------|--|
| | | ACTUAL | ADOPTED | MID-YEAR | YTD SPENT | PROPOSED | Variance to | Variance % | Notes |
| | | FY1213 | FY1314 | PROJECTION | June 13, 2014 | BUDGET | Adopted | to Adopted | |
| EXPENDITURE SUMMARY | | FY1213 | FY1314 | FY1314 | June 13, 2014 | FY1415 | Budget | Budget | |
| ADMINISTRATIVE EXPENSES | | | June 2013 | | | | | | |
| 520305 | ADMINISTRATIVE STAFF | 496,991 | 505,300 | 505,600 | 483,700 | 566,900 | 61,600 | 12.2% | Staff wages and benefits for Exec. Dir., Finance Manager & Board Sec. Three month overlap with new Finance Manager (April-June); estimated cost of \$43,000. |
| 520306 | AB 939 PROGRAM STAFF | 658,878 | 672,900 | 677,300 | 650,925 | 703,000 | 30,100 | 4.5% | |
| 520328 | EMPLOYEE RECRUITMENT / HR SUPPORT | 1,705 | 2,000 | - | - | 25,000 | 23,000 | 1150.0% | Recruitment cost for new Finance Manager. |
| 520337 | PEO COST (HR & PR FEES) | 18,469 | 19,000 | 19,000 | 15,822 | 19,000 | - | 0.0% | Fees paid to contract HR and payroll service provider. |
| 520312 | BOARD COUNSEL | 84,155 | 70,000 | 122,000 | 114,893 | 65,000 | (5,000) | -7.1% | Contracted legal counsel services. Reflects small increase in hourly rate. |
| 520300 | BOARD MEETINGS & RECORDINGS | 4,468 | 7,150 | 7,150 | 6,817 | 3,000 | (4,150) | -58.0% | No longer use a third party to record our Board meetings. |
| 520310 | ACCOUNTING SERVICES (City of San Carlos) | 125,083 | 128,500 | 128,500 | 96,027 | 131,900 | 3,400 | 2.6% | Fees paid to City of San Carlos for annual accounting and finance support. |
| 520334 | INFORMATION TECHNOLOGY | 18,777 | 27,000 | 27,000 | 25,081 | 27,000 | - | 0.0% | Fees paid to IT service provider. |
| 520338 | WEBSITE | 9,161 | 15,000 | 15,000 | 12,578 | 15,000 | - | 0.0% | Fees paid to website management service provider. |
| 520301 | ANNUAL FINANCIAL AUDIT | 8,230 | 9,000 | 8,410 | 11,730 | 9,700 | 700 | 7.8% | Fees paid to auditors to complete FY & Calendar year financial statements. |
| 520701 | D&O INSURANCE | 24,792 | 23,500 | 43,783 | 43,817 | 32,500 | 9,000 | 38.3% | Annual insurance premium for Director's and Officer's insurance. |
| 520202 | BANK FEES | 7,623 | 7,500 | 7,500 | 4,702 | 7,900 | 400 | 5.3% | Bank fees exclusive of fees paid to BNY as the Bond Trustee. |
| 520203 | RENT | 54,157 | 51,500 | 51,311 | 42,667 | 53,000 | 1,500 | 2.9% | \$4257.56 current lease + 3%. |
| 520204 | PRINTING AND POSTAGE | 143 | 150 | 150 | 64 | 150 | - | 0.0% | |
| | | | | | | | | | City going out to bid for new janitorial services so this is an unknown but currently \$2,000/qr. Assumes potential change in phone service provider given recent serious service lapse. |
| 520107 | UTILITIES & PHONE | 15,176 | 17,500 | 16,000 | 10,882 | 17,000 | (500) | -2.9% | |
| 520905 | OFFICE/TENANT IMPROVEMENTS | 557 | 1,000 | 1,000 | 395 | 1,000 | - | 0.0% | |
| 520201 | OFFICE SUPPLIES | 17,257 | 17,000 | 17,000 | 13,278 | 17,000 | - | 0.0% | |
| 520215 | OFFICE EQUIPMENT COSTS | 24,929 | 25,500 | 25,500 | 21,237 | 25,500 | - | 0.0% | This may change if we need to change phones with new service. |
| 520504 | PUBLICATIONS & PUBLIC NOTICES | - | 2,500 | 1,500 | 1,440 | 3,000 | 500 | 20.0% | Assumes notice for 2 bids. |
| 520501 | PROFESSIONAL DUES & MEMBERSHIPS | 2,210 | 2,100 | 2,100 | 2,187 | 2,300 | 200 | 9.5% | |
| 520801 | VEHICLE MILEAGE & TOLLS | - | 250 | 125 | - | 125 | (125) | -50.0% | |
| 520105 | CELL PHONES | 4,715 | 4,000 | 3,600 | 3,302 | 4,000 | - | 0.0% | Reimbursement for employee work related cell phone costs. |
| 520503 | CONFERENCE & MEETINGS | 11,318 | 8,000 | 8,000 | 7,973 | 10,000 | 2,000 | 25.0% | Higher participation at conferences assumed due to long range planning. |
| 520502 | TRAINING | 787 | 6,500 | 5,500 | 2,199 | 6,500 | - | 0.0% | Includes employee professional development and education. |
| 520511 | SPONSORSHIPS & DONATIONS | 5,500 | 9,000 | 9,000 | 9,000 | 9,000 | - | 0.0% | Sponsorships for Acterra, SSMC, CAW and CPSC. |
| 522706 | COMPUTER PURCHASE | 6,010 | 8,000 | 8,000 | 178 | 8,000 | - | 0.0% | Replacement of three computers and one new tablet for Executive Director. |
| TOTAL ADMINISTRATIVE | | \$ 1,601,091 | \$ 1,639,850 | \$ 1,710,029 | \$ 1,580,894 | \$ 1,762,475 | \$ 122,625 | 7.5% | |
| CONTRACT COMPLIANCE AND SUPPORT | | | | | | | | | |
| 520307 | RATE REVIEW | 28,756 | 53,000 | 30,000 | 25,409 | 40,000 | (13,000) | -24.5% | |
| TOTAL RATE REVIEW | | 28,756 | 53,000 | 30,000 | 25,409 | 40,000 | (13,000) | -24.5% | |
| CONSULTANT SUPPORT | | | | | | | | | |
| 520308 | FACILITY IMPROVEMENT OVERSIGHT | - | 30,000 | 30,000 | - | 30,000 | - | 0.0% | Disaster Management Plan. |
| 520309 | HCM01 CONTRACT MANAGEMENT SUPPORT | 43,231 | 67,600 | 68,600 | 30,567 | 66,400 | (1,200) | -1.8% | Annual financial audit of RSMC and SBR. |
| 520309 | HCS02 COLLECTION SERVICES FRANCHISE ADMIN. | 50,028 | 100,000 | 95,000 | 52,189 | 75,000 | (25,000) | -25.0% | \$15k call center monitoring; \$60k Annual Audit. |
| 520336 | QUARTERLY LOAD CONTAMINATION MONITORING | 53,986 | 50,000 | 25,000 | 41,801 | 46,000 | (4,000) | -8.0% | Bi-Annual Recology Contamination Sampling. |
| TOTAL CONSULTANT | | 147,245 | 247,600 | 218,600 | 124,557 | \$ 217,400 | (30,200) | -12.2% | |
| TOTAL CONTRACT COMPLIANCE & SUPPORT | | \$ 176,001 | \$ 300,600 | \$ 248,600 | \$ 149,966 | \$ 257,400 | \$ (43,200) | -14.4% | |

EXPENDITURES

6/18/2014

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
EXPENSE DETAIL BY PROGRAM

FY1415 PROPOSED BUDGET

| GENERAL OPERATING EXPENSES BY MAJOR CATEGORY | | | | | | | | |
|--|---------------------|-----------------------------|----------------------------------|----------------------------|------------------------------|----------------------------------|------------------------------------|---|
| EXPENDITURE SUMMARY | ACTUAL FY1213 | ADOPTED BUDGET FY1314 | MID-YEAR PROJECTION FY1314 | YTD SPENT June 13, 2014 | PROPOSED BUDGET FY1415 | Variance to Adopted Budget | Variance % to Adopted Budget | Notes |
| RECYCLING - AB939 AND AB 341 COMPLIANCE | | | | | | | | |
| RECYCLING ADMINISTRATION | | | | | | | | |
| 520311 CIWMB ANNUAL REPORTS | 36,500 | 25,000 | 25,000 | 17,250 | 25,000 | - | 0.0% | CalRecycle Electronic Annual Report for 10 Member Agencies. |
| 520341 SBWMA ANNUAL REPORT | 2,976 | 5,000 | 5,000 | 3 | 5,000 | - | 0.0% | |
| 520309 HDV01 DIVERSION PROGRAM SUPPORT | | 60,000 | 55,000 | 7,890 | 60,000 | - | 0.0% | \$35k Pilot Public Spaces Recycling Project, \$25k for pilot code enforcement. |
| 520604 EVENT GIVEAWAYS | - | 1,500 | 1,500 | - | 1,500 | - | 0.0% | |
| TOTAL RECYCLING ADMINISTRATION | 39,476 | 91,500 | 86,500 | 25,143 | 91,500 | - | 0.0% | |
| LONG RANGE PLAN/DIVERSION PROGRAMS | | | | | | | | |
| 520340 LONG RANGE PLAN ALTERNATIVES | 31,231 | 80,000 | 80,000 | 20,845 | 232,500 | 152,500 | 190.6% | \$45K organics recovery study (SVCW MOU) including technology analysis, and operational pilot and testing; \$207.5k for development of Long Range Plan. |
| 520340 MPOTR MASTER PLAN OUTREACH | 207 | - | - | - | - | - | - | |
| 520344 SOLAR SYSTEM ENGINEERING AND EVALUATION | - | - | - | - | - | - | - | |
| TOTAL LONG RANGE PLAN/DIVERSION PROGRAMS | 31,438 | 80,000 | 80,000 | 20,845 | 232,500 | 152,500 | 190.6% | |
| COMMERCIAL PROGRAMS | | | | | | | | |
| 520331 LARGE EVENT/VENUE CONSULTING | 6,455 | 5,000 | 5,000 | - | 7,500 | 2,500 | 50.0% | Repurpose 2nd trailer as mobile education trailer, will explore grant funding opportunities. |
| 520608 CLIMATE CHANGE REPORTING | 14,891 | 15,000 | 23,000 | 24,100 | 23,000 | 8,000 | 53.3% | Incorporating all of Shoreway requires much more reporting requirements and review by outside auditors. |
| 520604 COE01 COMMERCIAL RECYCLING TECHNICAL ASSIST. | 58,262 | 140,000 | 120,000 | 33,996 | 85,000 | (55,000) | -39.3% | \$15k-AB341 Compliance Outreach; \$20K commercial toolkit; \$10k-Business Awards Program; \$25k-Reporting System Ordinance; \$15k-Website upgrade for Reporting System |
| 520604 COE02 PURCHASE COMM/MFD CONTAINERS FOR RECOLOGY | | 40,000 | 40,000 | 35,894 | 60,000 | 20,000 | 50.0% | \$10k for buddy bags, \$10k for other commercial containers, \$20k for municipal bldgs., \$20k for other public spaces (downtowns, parks). |
| 520604 CDRCY C&D RECYCLING PROGRAM | 4,314 | 10,000 | 10,000 | - | - | (10,000) | -100.0% | |
| 520604 MF001 MULTI-FAMILY OUTREACH | 13,665 | 100,000 | 90,000 | 8,564 | 50,000 | (50,000) | -50.0% | Includes \$30K MFD Toolkit updates/additions; \$10K battery/cell outreach; \$10K-MFD Awards Program. |
| TOTAL COMMERCIAL PROGRAMS | 97,587 | 310,000 | 288,000 | 102,554 | 225,500 | (84,500) | -27.3% | |
| RESIDENTIAL PROGRAMS | | | | | | | | |
| 520604 QNL01 QUARTERLY NEWLESTTER DESIGN/SETUP | 12,551 | 10,000 | 10,000 | 1,455 | 15,000 | 5,000 | 50.0% | Design/produce 3 newsletters - pricing based on Pub ED RFQ/Cost proposals |
| 520604 QNLPM QUARTERLY NEWLETTER PRINTING/MAILING | 108,421 | 110,000 | 110,000 | 82,248 | 95,000 | (15,000) | -13.6% | Assumes 2 direct mail newsletters and one sent via bill insert. Will be adjusted to reflect findings of residential phone survey. |
| 520604 RES01 RESIDENTIAL OUTREACH PROGRAMS | 89,129 | 165,000 | 160,000 | 125,864 | 135,000 | (30,000) | -18.2% | Includes \$70K on-going outreach/support for existing programs; \$12K annual residential service notice development; \$15K website/social media maintenance and updates; \$15K for home diversion calculator promotion; \$23,000 mobile phone app annual fee. |
| 520604 COMPS COMPOST GIVEAWAY | 1,719 | 1,000 | 1,000 | - | 1,000 | - | 0.0% | |
| 520604 HHWUA HHW DOOR TO DOOR COLLECTION OUTREACH | 64,340 | 85,000 | 75,000 | 68,837 | 80,000 | (5,000) | -5.9% | Ongoing promotion for existing MAs in program, includes direct mail, print and outdoor advertisements; also includes budget (\$25k) for new MAs joining program. |
| 520335 CURBSIDE HOUSEHOLD BATTERY OUTREACH | 3,741 | 5,000 | 4,000 | 2,866 | 5,000 | - | 0.0% | Ongoing outreach to promote our curbside battery and cell phone collection services. |
| 520604 ECE01 ELECTRONIC COLLECTIONS EVENTS | | 1,000 | 1,000 | - | 1,000 | - | 0.0% | |
| TOTAL RESIDENTIAL PROGRAMS | 279,901 | 377,000 | 361,000 | 281,269 | 332,000 | (45,000) | -11.9% | |
| TOTAL RECYCLING - AB939 AND AB 341 COMPLIANCE | \$ 448,402 | \$ 858,500 | \$ 815,500 | \$ 429,810 | \$ 881,500 | \$ 23,000 | 2.7% | |
| SUBTOTAL SBWMA PROGRAM BUDGET | \$ 2,225,494 | \$ 2,798,950 | \$ 2,774,129 | \$ 2,160,670 | \$ 2,901,375 | \$ 102,425 | 3.7% | |
| COLLECTION OPERATIONS | | | | | | | | |
| 522710 HHW DOOR TO DOOR COLLECTION SERVICES | 461,401 | 497,000 | 497,000 | 409,039 | 521,500 | 24,500 | 4.9% | Added Burlingame starting 2/1/13 |
| TOTAL COLLECTION OPERATIONS | 461,401 | 497,000 | 497,000 | 409,039 | 521,500 | 24,500 | 4.9% | |
| TOTAL SBWMA PROGRAM BUDGET | \$ 2,686,895 | \$ 3,295,950 | \$ 3,271,129 | \$ 2,569,709 | \$ 3,422,875 | \$ 126,925 | 3.9% | |

EXPENDITURES

6/18/2014

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
EXPENSE DETAIL BY PROGRAM

FY1415 PROPOSED BUDGET

| GENERAL OPERATING EXPENSES BY MAJOR CATEGORY | | | | | | | | | | |
|---|---|----------------------|-----------------------------|----------------------|----------------------|----------------------|--------------------|--------------|---|--|
| | | ACTUAL | ADOPTED | MID-YEAR | YTD SPENT | PROPOSED | Variance to | Variance % | Notes | |
| | | FY1213 | FY1314 | PROJECTION | June 13, 2014 | BUDGET | Adopted | to Adopted | | |
| EXPENDITURE SUMMARY | | FY1213 | FY1314 | FY1314 | June 13, 2014 | FY1415 | Budget | Budget | | |
| SHOREWAY OPERATIONS | | | | | | | | | | |
| 522712 | OPERATOR COMPENSATION - SBR | 15,839,848 | 16,274,400 | 16,810,800 | 13,593,774 | 17,061,200 | 786,800 | 4.8% | Payments per ton by JPA to SBR for facility operations services per Ops. Agreement. Payments per ton by JPA to third party disposal and processing vendors such as Ox. Mtn. landfill, organics processors, etc. Facility repair and maintenance projects not treated as "capital" projects. Budget for tour supplies, special events such as Earth Day and America Recycles Day, outreach materials, school compost, trash to art contest, and school busing (\$25k). Maintenance for hydraulic tipper that JPA owns and Republic operates at Ox. Mtn. Unplanned MRF equipment repairs greater than \$10k are responsibility of JPA. | |
| 522713 | DISPOSAL & PROCESSING COSTS | 13,887,514 | 14,238,500 | 14,283,800 | 11,089,496 | 14,121,800 | (116,700) | -0.8% | | |
| 520710 | INSURANCE SHOREWAY | 191,634 | 204,200 | 208,100 | 203,081 | 213,400 | 9,200 | 4.5% | | |
| 522714 | SHOREWAY FACILITY COST | 140,401 | 100,000 | 160,000 | 161,912 | 160,000 | 60,000 | 60.0% | | |
| 522701 | ALLIED WASTE BALANCING ACCOUNT | 160,257 | <i>Budget line inactive</i> | | | | | | | |
| 522718 | EDUCATION CENTER OPERATIONS | 52,286 | 65,000 | 65,000 | 35,191 | 75,000 | 10,000 | 15.4% | | |
| 522716 | MAINTENANCE - OX MTN TIPPER | 39,998 | 45,000 | 35,000 | 26,744 | 36,000 | (9,000) | -20.0% | | |
| 520901 | SHOREWAY MRF EQUIP. MAINTENANCE > \$10k | | | | | 30,000 | 30,000 | | | |
| 520324 | TAXES (SEWER) | 22,402 | 24,700 | 33,700 | 32,540 | 35,400 | 10,700 | 43.3% | | |
| SUBTOTAL SHOREWAY OPERATIONS | | \$ 30,334,340 | \$ 30,951,800 | \$ 31,596,400 | \$ 25,142,739 | \$ 31,732,800 | \$ 781,000 | 2.5% | | |
| SHOREWAY OTHER | | | | | | | | | | |
| 521104 | DEBT SERVICE BOND INTEREST | 3,124,738 | 2,944,400 | 2,944,400 | - | 2,885,500 | (58,900) | -2.0% | Solid Waste Enterprise Revenue Bond interest payments. 5% franchise fee payments by JPA to City of San Carlos. | |
| 522702 | FRANCHISE FEE | 1,477,867 | 1,530,900 | 1,553,100 | 1,254,099 | 1,546,800 | 15,900 | 1.0% | | |
| SUBTOTAL SHOREWAY OTHER | | \$ 4,602,605 | \$ 4,475,300 | \$ 4,497,500 | \$ 1,254,099 | \$ 4,432,300 | \$ (43,000) | -1.0% | | |
| TOTAL SHOREWAY OPERATING EXPENSE | | \$ 34,936,945 | \$ 35,427,100 | \$ 36,093,900 | \$ 26,396,838 | \$ 36,165,100 | \$ 738,000 | 2.1% | | |
| TOTAL OPERATING EXPENSES (SBWMA Program + Shoreway Operations) | | \$ 37,623,840 | \$ 38,723,050 | \$ 39,365,029 | \$ 28,966,547 | \$ 39,587,975 | \$ 864,925 | 2.2% | | |
| <i>excludes non-cash items such as depreciation</i> | | | | | | | | | | |

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
CAPITAL BUDGET**

FY1415 PROPOSED BUDGET

| | | CAPITAL PROJECTS | | | | | | | | |
|----------------------------------|---|------------------|-----------------------------|----------------------------------|----------------------|------------------------------|--------------------|--------------------|--------------------|--------------------|
| PROJECT DESCRIPTION | | ACTUAL FY1213 | ADOPTED BUDGET FY1314 | MID YEAR PROJECTION FY1314 | YTD SPENT 6/13/14 | PROPOSED BUDGET FY1415 | FORECAST FY1516 | FORECAST FY1617 | FORECAST FY1718 | FORECAST FY1819 |
| 570300 | MISCELLANEOUS | | | | | | | | | |
| 570300 | SF005 TS FLOOR REPAIR | | | | | | | | | |
| 570300 | SF023 TUNNEL DRIVEWAY PAVING AND SCALE | | | | | | | | | |
| 570300 | SF026 TRUCK SHOP-REPLACE 2 AIR COMPRESSORS | | | | | | | | | |
| 570300 | SF028 TRUCK WASH BUILDING--ROOF REPAIR | | | | | | | | | |
| 570300 | SF031 FRONTAGE LANDSCAPING | | | | | | | | | |
| 570300 | SF032 ADMIN BLDG IMPROVE/REPAIRS | | | | | | | | | |
| 570300 | SF039 MAINTENANCE BUILDING RELAMPING | | | | | | | | | |
| 570300 | SF041 SBR MAINTENANCE BAY | | | | | | | | | |
| 570300 | SF042 MRF Equipment repair budget | 33,092 | - | | 8,290 | | | | | |
| 570300 | SF043 Solar engineering, install | | | | | | | | | |
| 570300 | SF044 Tipping floor resurfacing | | 150,000 | 150,000 | 150,000 | 200,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| 570300 | SF045 Site paving repairs and restriping | 8,300 | | | | | | | 600,000 | |
| 570300 | SF046 Outside lighting construction | | | | | | | | | |
| 570300 | SF047 Site Signage | | 40,000 | 40,000 | 0 | 40,000 | | | | |
| 570300 | SF048 New K-Rail at TS | | | | | | | | | |
| 570300 | SF049 Truck shop building maintenance | | 25,000 | 20,000 | 0 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 570300 | SF050 TS building maintenance | 31,829 | 25,000 | 20,000 | 0 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| 570300 | SF051 MRF building maintenance | | 25,000 | 25,000 | 23,766 | 25,000 | 125,000 | 125,000 | 125,000 | 125,000 |
| 570300 | SF052 Admin building maintenance | 12,515 | 40,000 | 40,000 | 22,540 | 40,000 | 40,000 | 115,000 | 40,000 | 40,000 |
| 570300 | SF053 Site maintenance | 40,000 | 25,000 | 25,000 | 0 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| 570300 | SF054 Onsite parking development | | | | | | | | | |
| 570300 | SF055 Fire suppression | | 140,000 | 60,000 | 17,499 | | | | | |
| 570300 | SF056 Repairs to landfill tipper | | 80,000 | 0 | | 70,000 | | | | |
| 570300 | SF057 Recycled Water Supply Connection | | | | | | | | | |
| 570300 | SF058 Truck Wash System Replacement | 19,540 | | | | | | | | |
| 570300 | SF059 Facility Capital Repair Projects | 12,156 | | | | | | | | |
| 570300 | SF060 Education Center Exhibits | | 20,000 | 15,000 | 4,995 | 15,000 | | | 15,000 | |
| 570300 | new MRF Tip area Canopy (Proposed) | | | | | 450,000 | | | | |
| 570300 | new Electric charging station | | | | | 20,000 | | | 15,000 | |
| 570300 | new Replace fuel storage and distribution system | | | | | | | | | 1,000,000 |
| 570300 | new Energy storage system | | | | | | | | | |
| 570300 | new Baler reline | | | | | | | | | 120,000 |
| 570300 | new CNG fueling station | | | | | | | | | |
| 570300 | new Organics to energy | | | | | | | 5,000,000 | | |
| SUBTOTAL CAPITAL PROJECTS | | 157,432 | 570,000 | 395,000 | 227,090 | 925,000 | 330,000 | 5,405,000 | 960,000 | 1,450,000 |

CAPITAL

6/18/2014

RethinkWaste FY1415 Proposed Program Budget

ADMINISTRATION

FY1314 Budget: \$1,639,850

FY1415 Budget: \$1,762,475

SBWMA Staff Resources: Kevin McCarthy, Executive Director; Marshall Moran, Finance Manager; and Cyndi Urman, Board Secretary/Office Manager.

Approximate FTEs (reflects estimated allocation of staff resources to this program area): 1.7 FTEs = 0.90 (Office Manager/Board Secretary), 0.45 (Finance Manager), and 0.35 (Executive Director).

Description: Provides for overall administrative operations of the agency, including: personnel administration, budget development, financial projections, expense payment processing, fiscal management, Board of Directors administration, customer service, risk management, records retention, and information technology. Budget for these functions is captured under “Administrative Expenses.”

FY1415 Key Projects/Activities

Budget and Financial Analysis

- Review the FY1415 budget to identify budget variances and plan for a mid-year adjustment if needed.
 - Prepare the FY1516 budget for Board review and approval.
 - Prepare two calendar year financial projections to support Shoreway tip fee assumptions and to “test” bond covenant requirements.
 - Review existing tipping fees and develop recommended 2015 tipping fee adjustments if needed.
 - Develop a recommendation for Board consideration on how to use unspent Shoreway remediation project Settlement funds.
- NEW PROJECT**
- Benchmark all aspects of the operation (i.e., programs and services under the direct control of the SBWMA such as items in the adopted budget), identifying opportunities to reduce costs, improve service, and eliminate potential duplication of service at both the SBWMA and member agency levels. **NEW PROJECT**

Accounting and Fiscal Management

- Complete FY1314 financial audit and 2014 calendar year financial statements for bond reporting.
- Maximize use of competitive bidding for technical consulting services particularly for scopes of work exceeding \$50,000.
- Meet bond covenants and reporting requirements as specified in the Indenture to ensure compliance including the two debt coverage ratios.
- Monitor South Bay Recycling (SBR) monthly reporting (per Operations Agreement) of tonnage and review their monthly invoice for accuracy and tie all payments to source data.
- Manage monthly cash transfers to/from SBR (per Operations Agreement) for commodity revenue, public revenue, and payments for operations. Review and verify SBR’s detailed monthly calculation of commodity revenue.
- Manage monthly billing to and payment from Recology for disposal at Shoreway as prescribed in the Member Agency franchise agreements.
- Ensure all procedures are followed and receipts and payments to vendors are supported by proper documentation and made on timely basis such that cash flow is optimized.

RethinkWaste FY1415 Proposed Program Budget

Administration Continued

- Review the Quarterly Investment Report to the Board prepared by the City of San Carlos.
- Renew general insurance policies (property, general liability, EIL, D&O, etc.) and ensure proper coverage is maintained.

Human Resources

- Manage the payroll and benefits administration, including managing the annual renewal of employee benefit plans to ensure cost effective and competitive plans.
- Make timely payments to vendors for payroll, retirement plan, and HSA plan.
- Monitor payroll process and ensure timely and accurate payment to employees.

Board of Directors Administration

- Maintain the Board of Directors webpage to ensure accurate and up to date information is available.
- Update as needed the website's Board Member portal feature to house information of interest.
- Maintain accurate and up-to-date records for the SBWMA, including Board meeting minutes, resolutions, ordinances and contracts.
- Update as necessary the Board of Directors JPA and Contracts Resources Binder.
- Deliver Board Packets to the Board of Directors accurately and on time.
- Manage to compliance with record retention and other Board adopted policies.
- Meet with Board Members, particularly any new Board Members, to address questions and concerns and any unique Member Agency needs.
- Respond to Board Members, and Member Agency staff communications in a timely, professional and accurate manner.

Customer Service

- Provide high quality customer service to members of the public that contact the SBWMA, including providing helpful, accurate and timely information.

RethinkWaste FY1415 Proposed Program Budget

CONTRACT COMPLIANCE AND SUPPORT

FY1314 Budget: \$300,600

FY1415 Budget: \$257,400

SBWMA Staff Resources: Cliff Feldman, Recycling Programs Manager; Marshall Moran, Finance Manager; Monica Devincenzi, Recycling Outreach and Sustainability Manager; and Hilary Gans, Facility Operations and Contracts Manager.

Approximate FTEs (reflects estimated allocation of staff resources to this program area): 1.32 FTEs = 0.60 (Recycling Programs Manager), 0.30 (Finance Manager), 0.30 (Executive Director), 0.10 (Recycling Outreach and Sustainability Manager), and .02 (Office Manager/Board Secretary).

Description: Staff services provided in this area includes:

- Continued oversight and contract administration support for the twelve collection services franchise agreements with Recology , including follow-up work on audit findings and financial auditing.
- Continued oversight of SBR's operations per the Shoreway Operations Agreement (see "**Shoreway Operations**" budget worksheet).
- Management of the annual Member Agency rate review process, including review of the 2015 Recology and SBR compensation applications, and completion of the SBWMA final reports reviewing the Recology and SBR compensation applications and consolidated rate report for 2015. Initiate audit work and review of operational data included in the 2015 compensation applications.

FY1415 Key Projects/Activities

Contract Administration

- Review 2014 Annual Report from Recology required per the Member Agency franchise agreements.
- Hire contractor to conduct 2014 rate (calendar) year audit of collection services and facility operations reports, tonnage data and customer service systems. This project is conducted annually due to the fiscal impact associated of self-reported information contained in the company's annual reports and compliance with related performance standards. Implement 2013 rate year audit findings as appropriate.
- Hire contractor to conduct 2014 rate year audit of financial systems (includes Recology's revenue reconciliation) of both contractors to verify financial risks to SBWMA and its Member Agencies. This project is conducted annually due to the fiscal impact of data included in reports submitted by the companies and since significant ongoing financial transactions are conducted between the companies.
- Implement 2013 audit findings as appropriate and follow up with Recology to ensure progress on implementing audit recommendations.
- Prepare 2015 Annual Public Education Plan for franchised collection services and related outreach support, including management of all collateral development and support for tailoring collateral for Member Agencies as appropriate per the franchise agreements. The Plan will be presented to the Board for review and approval at October 2014 Board meeting.
- Complete two semi-annual load contamination monitoring events as required in the Member Agency's franchise agreements with Recology. Per the Member Agency's franchise agreements and because the SBWMA manages the Shoreway facility, the SBWMA is tasked with overseeing various aspects of ensuring that recycle and compost materials contamination is kept low and therefore commodity revenue is maximized.

RethinkWaste FY1415 Proposed Program Budget

Contract Compliance and Support Continued

- Hire a contractor to conduct Recology customer service call center monitoring and evaluation of compliance per the Member Agency's franchise agreements. This project is conducted annually due to the fiscal impact associated with compliance of performance standards related to the operation of the customer service call center.
- Select and negotiate a final scope of work for technical consultant(s) to review Recology's collection services operations to identify their actual costs of operations and make recommendations as appropriate for future operational and program improvements. Contractor(s) will be selected through a competitive procurement process. The actual operational review work will be completed in FY1516.

NEW PROJECT

- Select and negotiate a final scope of work for technical consultant(s) to review SBR's operations and management of Shoreway to identify their actual costs of operations and make recommendations as appropriate for future operational improvements. Contractor(s) will be selected through a competitive procurement process. The actual operational review work will be completed in FY1516. ***NEW PROJECT***
- Provide prompt responses to questions/issues/complaints that are raised by the public and Member Agencies regarding their franchise agreements and the services provided by Recology. The RethinkWaste phone number is publicized and staff frequently responds to requests from the public.
- Provide prompt responses to questions/issues/complaints that are raised by the public and Member Agencies regarding their experiences using the Shoreway facility and the services provided by SBR.
- Develop a Member Agency snapshot report for 2014 and make presentations to Member Agency governing bodies upon request. This snapshot report has been well received by the Member Agencies in prior years and staff shall continue to consolidate the key operational and programmatic metrics of the services provided and be available to present this information in public meetings upon request.

Rate Review, Analysis and Projections

- Complete SBWMA final rate reports providing a review of the Recology and SBR compensation applications for the 2015 rate year per the Member Agency's franchise agreements and Operations Agreement, respectively. Per the franchise agreements with Recology and the Operations Agreement with SBR, the SBWMA is tasked with consolidating the pertinent data required to project the revenue requirement needed for the subsequent rate year which directly relates to the rates that need to be charged by each Member Agency.
- Continue to provide direction and support Recology with making changes or improvements to their Annual Compensation Application Report. Staff will make efforts to continuously improve this key application report submitted by Recology each year.
- Analyze the very detailed cost adjustments in the Compensation Applications from Recology and SBR. Verify the companies follow the prescribed contractual requirements and approved compensation methodology per the franchise agreements and Operations Agreement, respectively. Conduct a detailed review of any Recology special issues if needed.
- Prepare financial analysis for projected revenue and total collection costs, residual cost impact from prior year, and include pass-through costs (disposal and agency fees) to determine total rate adjustment for each Member Agency per the franchise agreement(s).
- Prepare a variance analysis of 2015 total collection cost vs. 2014 cost by detailed cost categories by Member Agency to aid in understanding collection cost changes. Per feedback from our Member Agencies, this useful variance analysis is prepared annually to assist decision makers with analyzing and recommending rate increases.

RethinkWaste FY1415 Proposed Program Budget

Contract Compliance and Support Continued

- Provide ongoing rate analysis support and projections of 2015 rate impacts associated with changes to any assumptions.
- Update 5-year collection cost projection by agency for collection cost components: Recology cost, disposal expense and agency fees.
- Support Member Agencies with analysis of rate issues and attend rate hearings or rate related meetings as requested.
- Review Recology’s Revenue Reconciliation Report; develop outside audit of financial risks including SBR’s payments to SBWMA. The financial information provided in the Recology Revenue Reconciliation Report is self-reported and is a key component in determining the subsequent revenue requirement needed to establish rates for Recology’s annual compensation increase.

NOTE: KEY PROJECT AND ACTIVITY DETAILS ARE LISTED IN ORDER BELOW BY BUDGET LINE ITEM; THEY ARE NOT LISTED IN THE ORDER SHOWN IN THE TEXT.

| <u>Budget Expense Category</u> | <u>Description of Program for FY1415</u> | <u>FY1314 Adopted</u> | <u>FY1314 Mid-Year</u> | <u>FY1415 Proposed</u> |
|---|--|----------------------------------|-----------------------------------|-----------------------------------|
| Contract Compliance and Support – Consultant Support | | \$300,600 | \$248,600 | |
| Rate Review and Support | • Rate analysis and support for Member Agencies, including outside support for accounting temporary worker. | \$53,000 | \$30,000 | \$40,000 |
| Facility Improvement Oversight | • Preparation of a preliminary Disaster Management Plan related to the Shoreway facility operations. The SBWMA does not currently have a Disaster Management Plan. | \$30,000 | \$30,000 | \$30,000 |
| Contract Management Support | • Conduct annual financial audit of Recology. This audit reviews the distribution of franchise and other fees to Member Agencies, annual revenue reconciliation and other aspects of financial related reporting and franchise agreement compliance. | \$67,600 | \$68,600 | \$66,400 |

RethinkWaste FY1415 Proposed Program Budget

| | | | | |
|--|--|-----------|----------|----------|
| Collection Services Franchise Administration | <ul style="list-style-type: none"> • SBWMA is required per the franchise agreements to support Member Agencies with contract compliance issues, including monitoring and auditing the companies reporting, systems and customer service functions and ensuring compliance with any previous audit findings and recommendations (\$60,000); and, conducting customer service call center monitoring to test customer service data self-reported by the company which pertains to calculation of performance incentives/disincentives and liquidated damages (\$15,000). • Complete a competitive procurement process to select a consultant(s) and negotiate a final scope of work for an operational and cost assessment of Recology's collection services operations. • Complete a competitive procurement process to select a consultant(s) and negotiate a final scope of work for an operational assessment of SBR's Shoreway operations. | \$100,000 | \$95,000 | \$75,000 |
| Bi-Annual Contamination Monitoring | <ul style="list-style-type: none"> • Twice per year contamination monitoring per Article 6.02 of the franchise agreements to determine the contamination level of various material categories (e.g., single family targeted recyclable materials, etc.) | \$50,000 | \$25,000 | \$46,000 |
| Contract Negotiations/Legal Review | TBD | \$0 | \$0 | \$0 |

RethinkWaste FY1415 Proposed Program Budget

RECYCLING OUTREACH AND PROGRAMS – AB 939 AND AB 341 COMPLIANCE

FY1314 Budget: \$858,500

FY1415 Budget: \$881,500

SBWMA Staff Resources: Cliff Feldman, Recycling Programs Manager; and Monica Devincenzi, Recycling Outreach and Sustainability Manager.

Approximate FTEs (reflects estimated allocation of staff resources to this program area): 1.22 FTEs = 0.8 (Recycling Outreach and Sustainability Manager), 0.25 (Recycling Program Manager), 0.15 (Executive Director), and 0.02 (Office Manager/Board Secretary).

Description: Staff services provided in this area to ensure compliance with state-mandated waste reduction, recycling and reporting requirements per the California Integrated Waste Management Act of 1989 (Assembly Bill (AB) 939) and the more recent legislation pertaining to mandatory commercial recycling (AB 341) include:

- Development and implementation of public education and outreach strategies to promote residential and commercial waste reduction and recycling collection programs and services.
- Oversight of any Recology San Mateo County (Recology) services under the 12 collection services franchise agreements with the Member Agencies.
- Prepare and submit the State mandated CalRecycle Annual Reports required per AB 939 on behalf of ten participating Member Agencies.

FY1415 Key Projects/Activities

Public Education and Outreach

- Develop, implement and manage ongoing AB 341 outreach activities, including producing and disseminating brochures, inserts and letters of non-compliance for Member Agency and Recology use. The State's AB 341 requires all public agencies to implement public education efforts to encourage businesses to comply with this mandatory commercial recycling law and the SBWMA can most effectively manage this effort on behalf of all Member Agencies.
- Develop, submit and manage the 2015 Annual Public Education Plan (per the Member Agency's franchise agreements) in coordination with Recology and the Ad Hoc Public Education Subcommittee, including an evaluation of the most cost-effective ongoing outreach activities and tools. Recology was originally tasked with developing this plan in the Member Agencies franchise agreements; however, per the negotiated contractual improvements the Recology Public Education Manager position was eliminated resulting in significant cost savings and responsibility for development and preparation of this critical Plan was transferred to the SBWMA.
- Investigate public funding (e.g., grants, and public-private or public-public partnerships, as applicable) opportunities for outreach programs and activities. **NEW PROJECT**
- Promote residential collection services (per the franchise agreements) through three *rethinker* newsletters, five bill inserts and presentations at community groups, organizations and events in collaboration with Recology.
- Continue to develop and implement outreach strategies to increase participation and customer knowledge of CartSMART and BizSMART franchised collection services, including tailoring programs to meet specific community needs.
- Continue to develop and implement outreach strategies to increase participation and customer knowledge of the Door-to-Door HHW Collection program for participating agencies. This very popular program provides an easy and convenient means for residents to have

RethinkWaste FY1415 Proposed Program Budget

Recycling Outreach and Programs – AB 939 and AB 341 Compliance Continued

HHW and Universal Waste collected directly from their homes without the need to transport it themselves.

- Measure the effectiveness of ongoing outreach tools and determine if modifications or improvements are needed or if different tools are required. **NEW PROJECT**
- Expand residential home diversion calculator program to increase residential diversion and participation. This program allows residents to more intuitively understand the results of their recycling efforts and is conducive for further fostering critical behavior change regarding waste diversion. **NEW PROJECT**
- Continue to promote and expand use of the “my waste” mobile app by residents to request services, get additional program information and other related items. This mobile app provides a convenient tool for our customers to interface with their service provider and enables for seamless and convenient information gathering and requests for service.
- Conduct the annual BizSMART@Work Awards program to recognize businesses and multi-family complexes for their 2014 diversion efforts.
- Provide outreach and other support to Member Agencies for compost giveaways and shred/e-scrap recycling events per the franchise agreements with Recology.

Recycling (Diversion Programs)

- Implement the SBWMA-wide commercial recycling haulers Reporting System ordinance and outreach strategy to begin collecting diversion data in 2015 that is currently unavailable. Significant commercial recycling activity is carried out by the private sector; however, the SBWMA does not have data on these activities. The only commercial recycling data available is provided by Recology per the franchise agreements. In order to plan for future potential expanded diversion efforts as required by State mandate, the SBWMA needs to develop a true picture of commercial recycling activities conducted by both independent recycling haulers and Recology. Such data is needed for future program planning purposes and not for AB 939 compliance. This ordinance will be pursued if adequate data cannot be obtained voluntarily from commercial recycling haulers.
- Evaluate a pilot code enforcement effort to support Member Agency’s with enforcement of their anti-scavenging ordinances. Scavenging of recyclable materials from both the commercial and residential sectors has various societal and economic impacts and staff’s focus in assisting with implementing anti-scavenging efforts is to increase the revenue generated from the sale of recyclables collected by Recology and processed by SBR at Shoreway. **NEW PROJECT**
- Implement recommendations from the Public Space Recycling project feasibility report. This project is focused on increasing the opportunity for the public to conveniently and cost-effectively recycle in public spaces (e.g., parks). **NEW PROJECT**
- Evaluate best management practices identified at the April 2014 Commercial Recycling Workshop and implement as applicable. **NEW PROJECT**
- Continue to develop and implement cost-effective, ongoing outreach strategies and additional multi-family outreach materials in coordination with Recology and the Adhoc Public Education Subcommittee.
- Manage the Audit of Recology’s 2014 Annual Report regarding the company’s performance and compliance. The data in this report is self-reported by Recology and it impacts various fiscal implications and the measurement of performance standards associated with

RethinkWaste FY1415 Proposed Program Budget

Recycling Outreach and Programs – AB 939 and AB 341 Compliance Continued

fiscal impacts, thus annually auditing this report is part of the due diligence of effective contract administration.

Long Range Plan

- Develop a long-term strategic plan (i.e., 10-year scope to include all major elements of the operation, including collection and processing, and related elements of compliance, contracts/contract renewal strategies, public education, finance, capital improvement (CIP), technologies, etc.) to address solutions for cost effective waste reduction and recycling programs and services and facility infrastructure. **NEW PROJECT**
- Completion of conceptual designs for a Shoreway transfer station processing system to recover organics materials and other recyclables. **NEW PROJECT**
- Analysis of options and costs to upgrade the Shoreway underground fuel storage tanks and supply system, including recommendations for future decision-making on collection services and transfer fleet fuel needs. **NEW PROJECT**

NOTE: KEY PROJECT AND ACTIVITY DETAILS ARE LISTED IN ORDER BELOW BY BUDGET LINE ITEM; THEY ARE NOT LISTED IN THE ORDER SHOWN IN THE TEXT.

| Budget Expense Category | Description of Program for FY1415 | FY1314 Adopted | FY1314 Mid-Year | FY1415 Proposed |
|---|---|-----------------------|------------------------|------------------------|
| Recycling Outreach and Programs – AB 939 and AB 341 Compliance | | \$858,500 | \$815,500 | |
| CIWMB (CalRecycle) Annual Report | <ul style="list-style-type: none"> • SBWMA annually provides the necessary research and data compilation to draft and submit the State mandated Electronic Annual Reports for ten Member Agencies to comply with the requirements of AB 939 (\$25,000). | \$25,000 | \$25,000 | \$25,000 |
| SBWMA Annual Report | <ul style="list-style-type: none"> • This annual report provides a snapshot of the key metrics and milestones for the prior year. This budget expense covers design and production costs of this report (\$5,000). | \$5,000 | \$5,000 | \$5,000 |
| Diversion Program Support | <ul style="list-style-type: none"> • Develop model Anti-Scavenging Program enforcement effort through creation of a pilot code enforcement program per prior direction from the Board (\$25,000). • Implementing recommendations from the public spaces recycling program feasibility project to ensure the public is provided an opportunity to recycle at parks and other public spaces (\$35,000). | \$60,000 | \$55,000 | \$60,000 |
| Event Giveaways | <ul style="list-style-type: none"> • Promote the various programs and services at Member Agency community events, primarily held in the spring and summer and include educational and promotional items as giveaways. | \$1,500 | \$1,500 | \$1,500 |

RethinkWaste FY1415 Proposed Program Budget

| | | | | |
|---|---|----------|----------|-----------|
| Long Range Plan Alternatives | <ul style="list-style-type: none"> Staff is undertaking development of a Long Range Plan to assist the Member Agencies with exploring and scoping policies and programs to enhance our existing collection and processing system in a cost effective manner. The Plan will also evaluate any needed Shoreway facility infrastructure improvements. A breakout of projected expenditures are: \$45,000 for the organics recovery study (SVCW MOU) including technology analysis, and operational pilot and testing; \$7,500 for Phase 2 visioning workshop; \$20,000 for Phase 2 consultant support to analyze current program results and whether enhancements are needed; \$100,000 for Phase 3 consultant support for analyzing collection and outreach program options; and \$60,000 for Phase 3 consultant support for analyzing facility infrastructure and processing improvements (e.g., building seismic assessment, fuel options, MRF, etc.). | \$80,000 | \$80,000 | \$232,500 |
| Large Event/Venue Consulting | <ul style="list-style-type: none"> Due to event organizers preferring carts for events in lieu of ClearStream Containers, the two RethinkWastes' venue and events trailers are rarely used. Staff is in the process of repurposing one trailer for collection of niche/reusable items at events. Staff is also considering repurposing the second trailer as a mobile education trailer to be used at community events. Will be exploring grant funding opportunities. | \$5,000 | \$5,000 | \$7,500 |
| Large Event/Venue Recycling Services | <ul style="list-style-type: none"> Use of trailers limited compared to prior years – expense not anticipated (\$0). | \$0 | \$0 | \$0 |
| Climate Change Reporting and Policy Options | <ul style="list-style-type: none"> Staff reports GHG emissions for the SBWMA office and Shoreway Environmental Center, and is assisting with SBR's annual reporting framework, both through The Climate Registry (\$23,000). | \$15,000 | \$23,000 | \$23,000 |

RethinkWaste FY1415 Proposed Program Budget

| | | | | |
|---|---|-----------|-----------|----------|
| Commercial Recycling Technical Assistance | <ul style="list-style-type: none"> • Develop and implement a Reporting System for Recycling Haulers, which will include stakeholder engagement and public outreach component to stakeholders, including chambers, grocery stores, recycler companies, and the Member Agencies (\$25,000). • Website upgrade for online reporting of commercial recycling data (\$15,000). • To comply with the AB 341 mandatory commercial recycling mandate, staff is charged with outreach and education to the commercial/MFD sector and directly making presentations and hosting workshops at Multi-Family Dwelling HOA's and Chambers of Commerce (\$15,000). • Conduct the annual Business Awards Program recognizing businesses for their 2014 diversion efforts (\$10,000). • Develop a commercial Toolkit in collaboration with Recology that includes sector specific outreach materials (e.g., messaging specific for restaurants, offices, etc.) (\$20,000). Prior to rollout of Toolkit, Staff to collaborate with Recology on developing plan to assess its effectiveness. | \$140,000 | \$120,000 | \$85,000 |
| Purchase Commercial/MFD Containers for Recology | <ul style="list-style-type: none"> • SBWMA is required per the Franchise Agreements with Recology to purchase various products to facilitate diversion at commercial and multi-family dwelling customers. Specifically, this expense will cover the annual purchase of Slim Jims, desk-side recycling containers and Buddy Bags that the company will distribute to businesses and multi-family customers throughout the SBWMA service area (\$20,000). Another \$20,000 is assumed for purchase of containers for municipal buildings such as city hall complexes. Finally, another \$20,000 is for downtown areas and other public spaces. | \$40,000 | \$40,000 | \$60,000 |
| C&D Recycling Program | <ul style="list-style-type: none"> • Develop an SBWMA list of certified C&D processors based on physical audits conducted by other jurisdictions and provide permit counter and related assistance to increase C&D recycling to Member Agencies upon request. | \$10,000 | \$10,000 | \$0 |

RethinkWaste FY1415 Proposed Program Budget

| | | | | |
|--|---|-----------|-----------|----------|
| Multi-Family Outreach | <ul style="list-style-type: none"> • SBWMA is required per the Franchise Agreements with Recology to provide outreach materials in the form of the toolkit. The toolkit includes posters, brochures and flyers on programs and service, move-in/move-out guides and a property manager guide. Staff will continue to update the existing toolkit materials and develop cost-effective strategies and additional materials as needed in collaboration with Recology (\$30,000). Staff to collaborate with Recology on developing plan to assess the toolkit's effectiveness. • Promote subscriptions to Recology MFD batteries/cell phones collection service through targeted outreach pieces and strategies (\$10,000). • Conduct the annual Multi-Family Awards Program recognizing multi-family complexes for their 2014 diversion efforts (\$10,000). | \$100,000 | \$90,000 | \$50,000 |
| Rethinker Newsletter Design/ Set-up | <ul style="list-style-type: none"> • SBWMA is required per the Franchise Agreements with Recology to develop the <i>rethinker</i> newsletter for SFD and MFD residents. Previously this was a quarterly newsletter, however, per the Board approved FY1314 budget, it is now published 3 times per year. Development of the newsletter content and layout (\$15,000). | \$10,000 | \$10,000 | \$15,000 |
| Rethinker Newsletter Printing/Mailing | <ul style="list-style-type: none"> • SBWMA is required per the Franchise Agreements with Recology to develop and issue the <i>rethinker</i> newsletter to single family and multi-family residents. Previously this was a quarterly newsletter, however, per the Board approved FY1314 budget, it is now published 3 times per year. This is for printing and mailing/insertion of the 3 issues (\$95,000). Staff has assumed two are direct mailed and one is inserted into the garbage bill. <p>Staff will continue to promote sign-ups for the electronic version to reduce costs.</p> | \$110,000 | \$110,000 | \$95,000 |

RethinkWaste FY1415 Proposed Program Budget

| | | | | |
|--------------------------------------|---|-----------|-----------|-----------|
| Residential Outreach Programs | <ul style="list-style-type: none"> • SBWMA is responsible for all outreach and education efforts, including ongoing outreach support/maintenance for existing programs through brochures, posters, flyers and new opportunities such as signs on Recology collection vehicles, and addressing niche issues including illegal dumping, storm water trash, anti-scavenging (\$70,000). • Develop the annual residential Service Notice per the Franchise Agreements with Recology that will provide key program and services related information (\$12,000). • RethinkWaste website and social media (FB, Twitter, You Tube) outreach, includes maintenance and updates to keep current and relevant (\$15,000). • Phase 2 of the Home Diversion Calculator to promote and recognize households with high diversion (\$15,000) promotion, incentives, maintenance of calculator. • Mobile Phone App annual fee for RethinkWaste and all Member Agencies, to continue making it more convenient for tech-savvy customers to have access to program information and make service requests/report issues (\$23,000). | \$165,000 | \$160,000 | \$135,000 |
| Compost Giveaway | <ul style="list-style-type: none"> • SBWMA is responsible for assisting Member Agencies with promotion of compost giveaway events (\$1,000). | \$1,000 | \$1,000 | \$1,000 |
| HHW Door-to-Door Collection Outreach | <ul style="list-style-type: none"> • Continue ongoing “rolling” public education/marketing campaign to further promote these services to participating Member Agencies. Promotional activities will include direct mail, outdoor and print advertising, social media, etc. (\$80,000). <i>This budget includes \$25,000 for rollout of the program to residents in Atherton and Redwood City.</i> • Additionally, staff is discussing with the company the possibility of providing the service to Member Agency facilities if the program can be negotiated in a cost effective manner staff will promote and manage this enhanced service (included above). | \$85,000 | \$75,000 | \$80,000 |

RethinkWaste FY1415 Proposed Program Budget

| <u>Budget Expense Category</u> | <u>Description of Program for FY1415</u> | <u>FY1314 Adopted</u> | <u>FY1314 Mid-Year</u> | <u>FY1415 Proposed</u> |
|--|---|------------------------------|-------------------------------|-------------------------------|
| Curbside Household Battery Outreach | <ul style="list-style-type: none"> Continue to promote the curbside recycling of household batteries and cell phones collection service provided by Recology as this is one of the programs requiring additional awareness per the results of the 2012 Customer Satisfaction Survey (\$5,000). | \$5,000 | \$4,000 | \$5,000 |
| Electronics Collection Events | <ul style="list-style-type: none"> SBWMA is responsible for assisting Member Agencies with promotion of the E-scrap and shred events (\$1,000). | \$1,000 | \$1,000 | \$1,000 |
| SBWMA Program Budget (exclusive of Administrative Expenses) | | \$1,159,100 | \$1,064,100 | \$1,138,900 |

RethinkWaste FY1415 Proposed Program Budget

COLLECTION OPERATIONS (curbside cell phone/battery collection and door-to-door HHW program only)

FY1314 Budget: \$497,000

FY1415 Budget: \$521,500

SBWMA Staff Resources: Cliff Feldman, Recycling Programs Manager; and Monica Devincenzi, Recycling Outreach Manager

Approximate FTEs (reflects estimated allocation of staff resources to this program area): 0.29 FTEs = 0.15 (Recycling Program Manager), 0.10 (Recycling Outreach and Sustainability Manager), and 0.04 (Office Manager/Board Secretary).

Description: Staff services provided in this area is to ensure compliance with state-mandated Universal Waste recycling and disposal regulations through administration of the Door-to-Door Household Hazardous Waste (HHW) collection services with WM Curbside LLC and oversight of the household batteries and cell phone collection services provided by Recology.

FY1415 Key Projects/Activities (outreach projects listed below are included in the Recycling – AB 939 and AB 341 Compliance category of our SBWMA program budget)

- Implement additional public education and outreach to the currently participating ten Member Agencies to increase collection of HHW through the Door-to-Door HHW collection program.
- Provide program roll-out public education and outreach to any Member Agency that begins participating in the program.
- Negotiate a potential contract extension with WM Curbside LLC as the current contract expires on December 31, 2014; however, the SBWMA has the option to extend this contract for two consecutive years. **NEW PROJECT**
- Continue discussions with management at WM Curbside LLC to expand the HHW collection services to Member Agency facilities such as corporation yards and begin managing this new service. **NEW PROJECT**
- Continue and expand public education and outreach to increase participation in Recology’s franchised recycling collection services with specific emphasis on increasing the collection of cell phones and batteries from the Multi-Family Dwelling sector which includes approximately 3,800 customers and 41,000 residential living units.
- Prepare an updated staff report to the Board on future HHW and Universal Waste recycling and disposal opportunities.

NOTE: KEY PROJECT AND ACTIVITY DETAILS ARE LISTED IN ORDER BELOW BY BUDGET LINE ITEM; THEY ARE NOT LISTED IN THE ORDER SHOWN IN THE TEXT.

| Budget Expense Category | Description of Program for FY1415 | FY1314 Adopted | FY1314 Mid-Year | FY1415 Proposed |
|---|---|-----------------------|------------------------|------------------------|
| Collection Operations | | \$497,000 | \$497,000 | \$521,500 |
| HHW Door To Door Collection Services | • Disposal and processing expenses paid by RethinkWaste to WM Curbside LLC for operating the Door-to-Door Household Hazardous Waste Collection Services for 10 Member Agencies (Redwood City and Atherton currently don't participate). | \$497,000 | \$497,000 | \$521,500 |
| Curbside Household Battery Recycling Services | • Expense paid by Shoreway facility operator, SBR, and included in Shoreway Disposal and Processing Costs line item. | \$0 | \$0 | \$0 |

RethinkWaste FY1415 Proposed Budget Items

SHOREWAY OPERATIONS

FY1314 Budget: \$35,427,100

FY1415 Budget: \$36,165,100

SBWMA Staff Resources: Hilary Gans, Facility Operations and Contracts Manager; Marshall Moran, Finance Manager; Faustina Mututa, Environmental Education Coordinator; and Heather Co, Environmental Education Associate.

Approximate FTEs (reflects estimated allocation of staff resources to this program area): 3.27 FTEs = 1.0 (Facility Manager), 1.8 (Environmental Education staff), 0.25 (Finance Manager), 0.20 (Executive Director) and 0.02 (Office Manager/Board Secretary).

Description: This includes SBWMA staff directed activities regarding Shoreway operations including: oversight of SBR operations per the Operations Agreement, including contract compliance and review and payment of SBR invoices; Shoreway facility capital repairs and maintenance; education center operations, exclusive of staff wages and benefits which are included in the Administration portion of the SBWMA program budget; management of disposal and processing contracts, including review and payment of invoices; facility insurance; and billing Recology for tons delivered to Shoreway.

FY1415 Key Projects/Activities

Contract Administration

- Continued operational oversight and contract compliance of Materials Recovery Facility (MRF), transfer station, and transportation operations performed by SBR to meet or exceed contractual standards and financial and environmental goals.
- Ongoing management of third party recycling and disposal contracts for solid waste, organics, and construction and demolition (C&D) debris.
- Manage organics processing contracts for residential and commercial organics to meet operational, financial and environmental requirements. This includes managing the extension of our two current agreements or managing a process for selection of new vendor(s).
- Continue to identify and pursue new third party tonnage opportunities to generate net income to help lower our Shoreway operating costs.
- Benchmark the costs of providing services through Shoreway and through offsite materials processors and identify opportunities to reduce cost. **NEW PROJECT**
- Select and negotiate a final scope of work for consultant(s) to review SBR's operations to identify their actual costs of operations and make recommendations as appropriate for future operational improvements. Contractor(s) will be selected through a competitive procurement process. The actual operational work will be completed in FY1516. **NEW PROJECT**

Management of Facility Infrastructure and Improvements

- Ongoing management of Shoreway Facility capital and maintenance projects at or below budget.
- Completion of conceptual designs for a Shoreway transfer station processing system to recover organics materials and other recyclables. **NEW PROJECT**
- Manage a capital project at Shoreway to expand the covered tipping (unloading) area for recyclables delivered by franchised collection vehicles and third party sources. This capital project is contingent upon Board approval of a revised MOU between the SBWMA and SBR for the processing of additional third party tons. **NEW PROJECT**
- Analysis of upgrade options and cost for the Shoreway underground fuel storage tanks and supply system, including recommendations for future decision-making on collection and transfer fleet fuel needs. **NEW PROJECT**

Shoreway Operations Continued

- Complete a sign plan identifying recommended improvements onsite to enhance customer service, safety and operational results. **NEW PROJECT**
- Manage Shoreway’s ongoing ground water remediation and testing project (budget of \$1.5 M) toward the goal of receiving San Mateo County closure approval in 2014.
- Complete a Disaster and Emergency Management Plan for the Shoreway operations. **NEW PROJECT**
- Develop and implement a dust mitigation plan for the Shoreway MRF. **NEW PROJECT**

Tour Program

- Conduct the Shoreway school and public tours program, including developing new partnership opportunities to support the program, and to meet goals for increased number of visitors. The goal is to increase total tour visitors by 10% over prior year totals.
- Introduce 2nd monthly public tour starting fall of 2014, and if feasible, a Saturday public tour. **NEW PROJECT**
- Conduct onsite events and activities that increase community awareness of the waste reduction, recycling and composting programs in the service area and also further the resource conservation message of our Environmental Education program. Events and activities include the following: “Night at Shoreway” two time per year; “Recycled Art” Contest, Tile-art project and installation of tiles at MRF, School compost donation program, Schools “Mini-Grants” program, “Earth Day” community event at Shoreway, “America Recycles Day” event at Shoreway **(NEW)**, and “Fix-it Clinic” pilot event at Shoreway. Pilot activities for “Community Youth Environmental Activities” (CYEA) program if staffing is available.
- Investigate public funding (e.g., grants, and public-private or public-public partnerships, as applicable) opportunities as applicable for the tour program. **NEW PROJECT**
- Maintain the Shoreway environmental education area and manage the Installation of a new exhibit to highlight energy and green features of the Shoreway facility operations. **NEW PROJECT**

| <u>Budget Expense Category</u> | <u>Description of Program for FY1415</u> | <u>FY1314 Adopted</u> | <u>FY1314 Mid-Year</u> | <u>FY1415 Proposed</u> |
|--------------------------------|--|---------------------------|----------------------------|----------------------------|
| Shoreway Operations | | \$30,951,800 | \$31,596,400 | \$31,683,800 |
| Operator Compensation | • Contractually required payments (per ton and/or per ton mile rates) by SBWMA to SBR to operate the MRF and Public Recycling Center, scale house and Transfer Station, and transport materials for disposal and processing. | \$16,274,400 | \$16,810,800 | \$17,061,200 |
| Disposal and Processing Costs | • Tipping fees paid by SBWMA to third party vendors (under contract w/ RethinkWaste) for disposal (Republic Services Ox Mountain landfill), and processing (Zanker Road for C&D, Recology Grover for composting, and Republic Services Newby Island for composting). All such contracts include per ton rates subject to annual CPI adjustments. | \$14,238,500 | \$14,283,800 | \$14,121,800 |

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|--|--|---------------------|---------------------|---------------------|
| Insurance Shoreway | <ul style="list-style-type: none"> Annual insurance premiums paid by SBWMA for Shoreway property and liability insurance, excluding Director's and Officer's insurance which is shown in a line item under Administrative expense. | \$204,200 | \$208,100 | \$213,400 |
| Shoreway Facility Cost | <ul style="list-style-type: none"> Non capital related expenses to maintain the 16-acre Shoreway Environmental Center, including nearly 300,000 square feet of building space and \$20 million in equipment owned by SBWMA. | \$100,000 | \$160,000 | \$160,000 |
| Education Center Operations | <ul style="list-style-type: none"> Non labor related expenses to manage Shoreway facility school and public visitor tour program. Includes \$30K for busing assistance within our service area, funds for Trash to Art Contest, annual Earth Day event and America Recycles day, compost donations to schools, safety equipment and supplies, and outreach materials. | \$65,000 | \$65,000 | \$75,000 |
| Maintenance – Ox Mountain Tipper | <ul style="list-style-type: none"> Non capital related expenses associated with maintaining a hydraulic tipper (used to unload transfer trailers at the landfill). The tipper is owned by SBWMA, but operated by Republic at their Ox Mtn. landfill. | \$45,000 | \$35,000 | \$36,000 |
| Shoreway MRF Equipment Maintenance >10k | <ul style="list-style-type: none"> Unplanned MRF equipment repairs greater than \$10k are the responsibility of JPA per the Operations Agreement with SBR. | \$0 | \$0 | \$30,000 |
| Taxes (sewer) | <ul style="list-style-type: none"> Sewer fees paid to the City of San Carlos. | \$24,700 | \$33,700 | \$35,400 |
| Shoreway Other | | \$4,475,300 | \$4,497,500 | \$4,432,300 |
| Debt Service Bond Interest | <ul style="list-style-type: none"> Annual interest payments on the 2009A Solid Waste Enterprise Revenue Bonds of \$53.5 million. | \$2,944,400 | \$2,944,400 | \$2,885,500 |
| Franchise Fee | <ul style="list-style-type: none"> 5% franchise fee paid by SBWMA to City of San Carlos for the Shoreway facility. The fee is collected on gate (tipping) fees, but not on commodity revenues. There is no floor or cap on | \$1,530,900 | \$1,553,100 | \$1,546,800 |
| TOTAL SHOREWAY OPERATIONS EXPENSE | | \$35,427,100 | \$36,093,900 | \$36,165,100 |



Development of a Long Range Plan for the SBWMA

BACKGROUND

The South Bayside Waste Management Authority (SBWMA) is embarking on the development of a new Long Range Plan (“Plan”) for the next ten years to assist the Board of Director’s with future decision-making on enhancements to the existing solid waste, recycling, and organics collection and processing system for our service area of approximately 450,000 people in San Mateo County. The Joint Powers Authority’s (JPA) last Long Range Plan was drafted in 2002, then updated in 2005 and became the starting point for the development of the franchised collection programs and services rolled out in January 2011. A masterplan for the Shoreway Environmental Center was approved by the Board in April 2007 and was the basis for the \$46 million in capital improvements completed between the fall of 2009 and the spring of 2011.

With the rollout of new franchised collection services and completion of the Shoreway masterplan improvements in 2011, the SBWMA now has one of the highest regarded and most innovative collection and processing systems in place in the country. This system provides a solid foundation to build on to address any future diversion needs, changes in State laws and regulations, and new policy goals established by the Board of Directors.

Key features of the SBWMA existing collection and processing system include:

- A modern, flexible collection system for residents and businesses
- Highly efficient Materials Recovery Facility (MRF) processing infrastructure to support current and future processing needs
- Large transfer station with unused capacity for additional tons and space for new processing equipment
- Collection Services Franchise Agreements and Shoreway Operations Agreement with high performance standards, financial incentives and disincentives, an index-based compensation methodology to ensure cost stability, and shared requirements to minimize contamination levels in recycling and organics streams to maximize financial results
- Financial model with strong cost control features and incentives for maximizing commodity revenues
- A high performing, professional and accountable JPA organization with a lower cost overhead structure (i.e., the JPA is a non-PERS agency as compared to our Member Agencies) and highly experienced staff with strong working knowledge of the solid waste and recycling industry

When developing the Plan it is important to understand the critical factors that will influence or drive the JPA’s decision-making. For the SBWMA, some of these critical factors include:

- Decisions by Member Agencies in 2017 to extend or not the term of their existing Franchise Agreements with Recology, including determining the scope of work for the future collection services agreements
- Future decision by the JPA whether or not to extend the term of the Shoreway Operations Agreement with South Bay Recycling, including determining the scope of work for the future agreement
- Future expiration on December 31, 2019 of the Ox Mountain Disposal Agreement
- Future expiration of disposal and processing agreements for HHW, C&D processing and source separated organics (for composting) processing



- Assembly Bill (AB 341) with its 75% statewide recycling goal by 2020 and mandatory commercial recycling provisions
- Climate change laws and regulations that are influencing not only energy policy but solid waste policy
- Policy goal of greater rate stability and predictability

JPA’S CORE VALUES AND STRATEGIC PRIORITIES

The Plan will reflect the JPA’s current core values and strategic priorities as adopted previously by the Board of Directors in March 2012, as detailed below.

SBWMA Core Values

- Implementing waste reduction, recycling and environmental education programs is paramount to achieving a greater resource conservation ethic and sustainable communities.
- Delivering high quality, and cost-effective resources and services for our customers, and contractors (i.e., vendors and service providers).
- Providing sound environmental policies and practices for our member agency communities.
- Conducting long-term planning for waste reduction and recycling programs and facility infrastructure is fundamental to achieving our mission.
- Facilitating excellent communication, collaboration and cooperation among all our stakeholders produces the best long-term results.

Our Strategic Priorities

- Provide day-to-day oversight, support, and management of service providers that collect, process, recycle and dispose of materials for the Member Agencies.
- Ensure contractors’ and RethinkWaste programs are cost effective for the ratepayers.
- Provide day-to-day oversight of the Shoreway Environmental Center to meet financial, operational, and environmental goals.
- Meet or exceed environmental policies and regulations governing the collection and processing of recyclables and organics.
- Anticipate trends and implement innovative long-term solutions for waste reduction and recycling programs, facility infrastructure and disposal capacity.
- Monitor and assess contractor performance to ensure customer satisfaction and service delivery that meets or exceeds contractual requirements.
- Support RethinkWaste programs and policies through focused community outreach, education and promotion of rate payer value received.
- Manage the annual contractor compensation process to set contractor compensation and recommend Member Agency solid waste rate adjustments.
- Develop, implement and manage enhanced waste reduction and recycling services for Member Agencies (i.e., curbside HHW/universal waste/e-scrap collection services; seasonal community events such as e-scrap collection and shred events, compost giveaways, etc.; state grants; and other programs approved by the Board of Directors).

The Plan will be modified to address any Board changes to the above core values and strategic priorities noting that one of current strategic priorities is to “anticipate trends and implement innovative long-term solutions for waste reduction and recycling programs, facility infrastructure and disposal capacity.”



PROPOSED PROJECT APPROACH

Staff is recommending the following approach for completion of the Plan. This approach is characterized by implementation of five key distinct phases, as follows:

- **Phase One** – staff develops and presents for Board consideration and approval policy goals and guiding principles that will drive the development of the Long Range Plan. These will be presented at the *July 24, 2014* Board meeting.
- **Phase Two** – staff completes an inventory of existing collection programs, processing infrastructure, public education and outreach efforts and policies and contracts; and identifies performance results and whether program and service enhancements are needed. This work will be completed in **July through October 2014**. A staff report providing a progress report on this work will be presented at the *November 20, 2014* Board meeting. Staff, with consultant support, will further research and expand upon the benchmarking data gathered as part of the FY1415 budget process and analysis of the current programs and services.

This phase will also include a one-day visioning workshop hosted by the SBWMA which will entail highlighting panels of speakers whose presentations will address the state of the state in waste reduction and recycling policies, programs, and facility infrastructure and technology. This workshop is tentatively scheduled for **late October or early November 2014**. Limited consultant support will be needed for workshop coordination.

- **Phase Three** – staff development of recommendations on potential programs and service alternatives, new or updated policies, and facility infrastructure with associated implementation timelines, preliminary cost estimates and estimated diversion goals as applicable. This work will be completed between **November 2014 and February 2015**. Extensive consultant support is needed for evaluating program and service alternatives, including helping validate cost and waste diversion estimates and the feasibility of pursuing various local policy options.
- **Phase Four** – completion of the Final Report detailing the Long Range Plan for review by the Board at the *March 2015* Board meeting. Preparing the Final Report, the Long Range Plan, the associated work plans and cost details for inclusion in the FY1516 budget for review by the Board will require consultant support.
- **Phase Five** – Board review and consideration of the Long Range Plan and approval of specific recommendations which will include detailed project work plans, including a public stakeholder engagement plan, and budget details to be included in the FY1516 Budget. This work will be completed between **April and June 2015**.

Staff updates will be provided to the Board during Phase Three and as noted in Phases Four and Five. Staff anticipates bringing proposed consultant contracts for Board consideration in October/November 2014.



Below is a listing of the proposed tasks associated with Phases Two, Three and Four of the Plan.

Collection Services

1. Review current collection programs and services.
 - Prepare a description of all franchised and non-franchised collection services provided and identify the service providers.
 - e.g., Recology, WM Curbside, eRecycling, Member Agencies, etc.
 - Identify performance results (e.g., diversion, participation rates, etc.) and evaluate if program changes are needed. Programs to be evaluated using criteria previously identified with a primary emphasis on cost effectiveness, diversion potential and rate impact.
2. Develop final recommendations on program and service alternatives. Recommendations to be prioritized based on their cost effectiveness, level of waste diversion, and implementation requirements. Cost estimates and implementation timelines to be provided for each alternative.

Processing Services

3. Review current materials processing options.
 - Prepare a description of all existing material processing infrastructure (e.g., Shoreway Environmental Center, 3rd party disposal and processing facilities currently utilized, etc.)
 - Identify performance results (e.g., diversion, participation rates, etc.) and evaluate if processing infrastructure changes are needed. This evaluation to include reviewing alternative technologies that are commercially viable and have the potential to significantly improve on existing performance results.
4. Develop final recommendations on material processing alternatives. Recommendations to be prioritized based on their cost effectiveness, how mission critical is the proposed infrastructure improvement, and implementation requirements. Cost estimates and implementation timelines to be provided for each alternative.

Public Education and Outreach

5. Review current public education and outreach programs and services.
 - Prepare a description of each existing program or service, including target audience and demographic, service sector and to what extent the program or service is an ongoing effort or a focused campaign.
 - Identify performance results (e.g., diversion, participation rates, etc.) and evaluate if program changes or enhancements are required. This evaluation to include whether or not more cost effective strategies are available, and to the extent to which the program or service results can be readily measured.
6. Develop final recommendations on public outreach program and service alternatives. Recommendations to be prioritized based on their cost effectiveness, level of waste diversion, and implementation requirements. Cost estimates and implementation timelines to be provided for each alternative.

Policies, Contracts, and Governance

7. Identify state regulatory framework driving programs and services. How will existing and potential future state laws and regulation effect our collection and processing system?
 - AB939, AB32/AB341, AB1076, HHW/Universal Waste Laws and Regulations



8. Identify any local policies that may affect our collection and processing system.
9. Identify and evaluate all existing contracts (e.g., Franchise Agreements with Recology, Shoreway Operations Agreement with SBR, Ox Mountain Disposal Agreement with Republic Services, etc.) When will they expire? What changes may be needed in the current contracts or future related contracts? What is the most effective manner for the JPA to facilitate a review of the existing franchise agreements and future decisions whether to extend the term or not or make other changes?
10. Evaluate policy tools for enhancing existing diversion efforts (e.g., material disposal bans, Zero Waste Policy framework, etc.)
11. Evaluate the JPA model relative to whether any changes are needed to support future programmatic or policy goals.

Facilities and Infrastructure

12. Conduct an inventory of existing facilities and infrastructure.
 - o Shoreway Environmental Center
 - Collection fleet parking and maintenance facilities
 - Transfer truck fleet parking and maintenance facilities
 - Fuel storage and distribution system
 - Administrative offices
 - Visitor parking
 - Education center
 - o Other
 - Staff offices
13. Evaluate the extent to which any facility and infrastructure improvements are needed. Develop final recommendations on alternatives. Recommendations to be prioritized based on their cost effectiveness, how mission critical is the proposed infrastructure improvement, and implementation requirements. Cost estimates and implementation timelines to be provided for each alternative.



EVALUATION FRAMEWORK

Staff believes a critical first step in development of the Plan is for the Board to adopt specific policy guidance to drive the Plan, including guiding principles or criteria for evaluating programs and service alternatives, new or updated policies, and facility infrastructure. As previously noted, this will be discussed at the *July 24, 2014* Board meeting. In order the help facilitate this future discussion, staff has included in **Attachment A** some policy goals, guiding principles and/or evaluation criteria used by other public agencies in development of their Long Range Plans (called by others sometimes as a Zero Waste Plan, Master Plan, Recycling Plan, etc.)

Long Range Plans or Strategic Plans typically have a common feature of setting a diversion goal or target. The table below includes information on some of the communities that have adopted such targets. The SBWMA currently does not have a specific policy goal of achieving a stated diversion target. However, it should be noted that the State’s current goal is to reach 75% diversion throughout California by 2020. Staff recommends that the Board consider adopting a goal to mirror the State’s 75% diversion by 2020 in order to help focus the end goals of the Long Range Plan.

| <u>Jurisdiction</u> | <u>Date Adopted</u> | <u>1st Target</u> | <u>2nd Target</u> |
|----------------------|---------------------|------------------------------|--|
| San Francisco | 2002 | 75% by 2010 | 100% by 2020 |
| Palo Alto | 2005 | 73% by 2011 | Zero Waste by 2021* |
| Oakland | 2006 | 75% by 2010 | 90% by 2020 |
| Livermore | 2007 | N/A | 75% by 2015 |
| Los Angeles | 2007 | 75% by 2013 | Zero Waste by 2030* |
| Seattle, WA | 2007 | 60% by 2012 | 75% by 2025 |
| Burbank | 2008 | N/A | Zero Waste by 2040* |
| San Jose | 2008 | 75% by 2013 | 100% by 2022 |
| StopWaste.org | 2010 | N/A | Less than 10% recyclables or compostables sent to landfill by 2020 |
| Sunnyvale | 2013 | 75% by 2020 | 90% by 2030 |

**Most have adopted the principal of equating zero waste to diverting at least 90% of materials from landfills or incinerators.*

City of San Jose Zero Waste Plan (November 2008)

- Excerpts directly from Plan

Evaluating Zero Waste

1. Increase Environmental Benefits to the Community
2. Improve Quality of Service
3. Support Local, State, and National Mandates
4. Address Fiscal Impacts

Increase Environmental Benefits to the Community

- Reduce vehicle emissions to support Urban Environmental Accords Action 14
- Support San José's Climate Action Plan
- Reduce and mitigate landfill and other facility impacts
- Invest in new, safe technologies and processes for infrastructure
- Consider environmental benefits and impacts in siting and permitting of new facilities
- Protect public health and the environment
- Analyze markets for recoverable materials to consider the highest and best use of materials and the implications of reliance on domestic and overseas markets

Improve Quality of Service

- Improve customer convenience such as offering a broader range of collection programs and container options; improving the recycling program for residents; improving call center responsiveness; and enhanced and targeted customer outreach
- Improve aesthetics - control of graffiti, litter and illegal dumping; specification of container types, quality, and placement
- Provide incentives to participate in, and maximize the effectiveness of, program initiatives
- Ensure that program initiatives are convenient, accessible and appropriate
- Ensure equity for all customers
- Create City operations that serve as a model for zero waste

Support Local, State and National Mandates

- Increase diversion to support the zero waste goal from the City's Green Vision Goal 5, the City's 2007 Zero Waste Resolution, and the Urban Environmental Accords Action 4(zero waste goal)
- Reduce the use of a disposable, toxic, or non-renewable product category by at least 50 percent in seven years to achieve Urban Environmental Accords Action 5
- Implement user-friendly recycling and composting programs pursuant to Urban Environmental Accords Action 6
- Support the City Sustainable Energy Policy and Action Plan
- Support the "Reduce, Reuse, Recycle hierarchy

Address Fiscal Impacts

- Minimize impact on customer rates and provide rate equity
- Minimize impact on City's revenue streams
- Minimize contract management and enforcement costs for programs
- Invest in infrastructure
- Invest in green jobs and economic development
- Address long-term fiscal planning and assess full economic impact
- Understand the potential impact on system fees (hauling, tipping, franchise)



City of Boulder Master Plan for Waste Reduction (February 2006)

- Excerpts directly from Plan

WHAT ARE THE GUIDING PRINCIPLES OF THIS MASTER PLAN FOR WASTE REDUCTION?

- Identify service voids.
- Create effective partnerships with for-profit and non-profit organizations to expand services with minimal city investment.
- Support programs that are convenient.
- Utilize economic incentives to alter habitual behavior.
- Help build infrastructure and then require its use once it's convenient and economical.

Potential waste reduction programs were evaluated using the following criteria:

- Cost
- Timing
- Political will
- Visibility
- Diversion potential
- Interagency/government cooperation
- Infrastructure requirements
- Toxicity reduction
- Environmental impacts
- Market value of recyclables
- Program precedent
- Viability
- Measurability



Alameda County Source Reduction and Recycling Plan: Vision 2010: 75% and Beyond (adopted January 2003 and Updated in 2006 and 2007)

- Excerpts directly from Plan

Overall Goals

This plan sets forth the following general goals:

- Achieve a 75% waste diversion rate by 2010, with 20% of this coming from waste prevention.
- Establish the groundwork for moving beyond a 75% diversion rate after 2010.
- Increase and maximize participation in resource conservation and recycling to reduce waste.
- Maintain priority on waste prevention and broaden programs to incorporate sustainability concepts.
- Assist in the development of markets to support diversion efforts. Close the recycling loop by identifying and supporting end uses for targeted materials.
- Educate residents and businesses about the environmental, economic and health merits of sustainable practices.
- Expand partnerships with key stakeholders, including member agencies, haulers, processors, recyclers, other public agencies, businesses, schools, utilities and public policy makers at every level of government.
- Promote best resource stewardship practices in businesses, member agencies and schools.
- Maximize impact of Agency programs by coordinating delivery of services.

General Policies

The following policies derive from the Agency's mission and vision. They define the Agency's basic philosophy as reflected in the Recycling Plan.

1. Promote maximum resource conservation.
2. Promote waste prevention as the top priority.
3. Provide specific goals and measurements.
4. Focus on regional approaches.
5. Promote sustainable economic development.
6. Promote the social benefits of reduction, recycling and composting.
7. Address the fundamental need to change public attitudes and values regarding use of resources.
8. Place Alameda County in a leadership position in the field of resource conservation.
9. Recognize that private industry and institutions can and should play a major role in providing solutions.
10. Focus on methods that encourage voluntary action by industry and the public.
11. Focus on a few programs that are "done well."
12. Focus on public information and education.
13. Identify cost-effectiveness as one key criterion for Agency programs.
14. Take into account significant economic trends.
15. Visualize change.

City of Portland, Office of Sustainable Development: Portland Recycles! Plan (August 2007)

- Excerpts directly from Plan

In a resolution adopted in June 2006, Portland City Council directed the Office of Sustainable Development to conduct a public process and develop a plan that would achieve the following solid waste management goals over the next 10 years:

- *Promote sustainability of the solid waste and recycling system that includes maximum efficiency, equity and economic vitality, improved worker safety and reduced environmental and human health impacts over the entire life cycle of the materials.*
- *Minimize the impact of harmful wastes by targeting toxicity and reducing greenhouse gas emissions.*
- *Reduce per capita waste generation below 2005 levels by the year 2015.*
- *Increase recovery of all waste with a target of 75 percent by the year 2015 and promote highest value use of the recovered materials.*

The following strategies are critical to the success of the Plan::

Promote behavior change and education — Effective education programs and commitment strategies support the development of new daily habits and personal motivation that will lead to an increase in waste prevention and recycling activities.

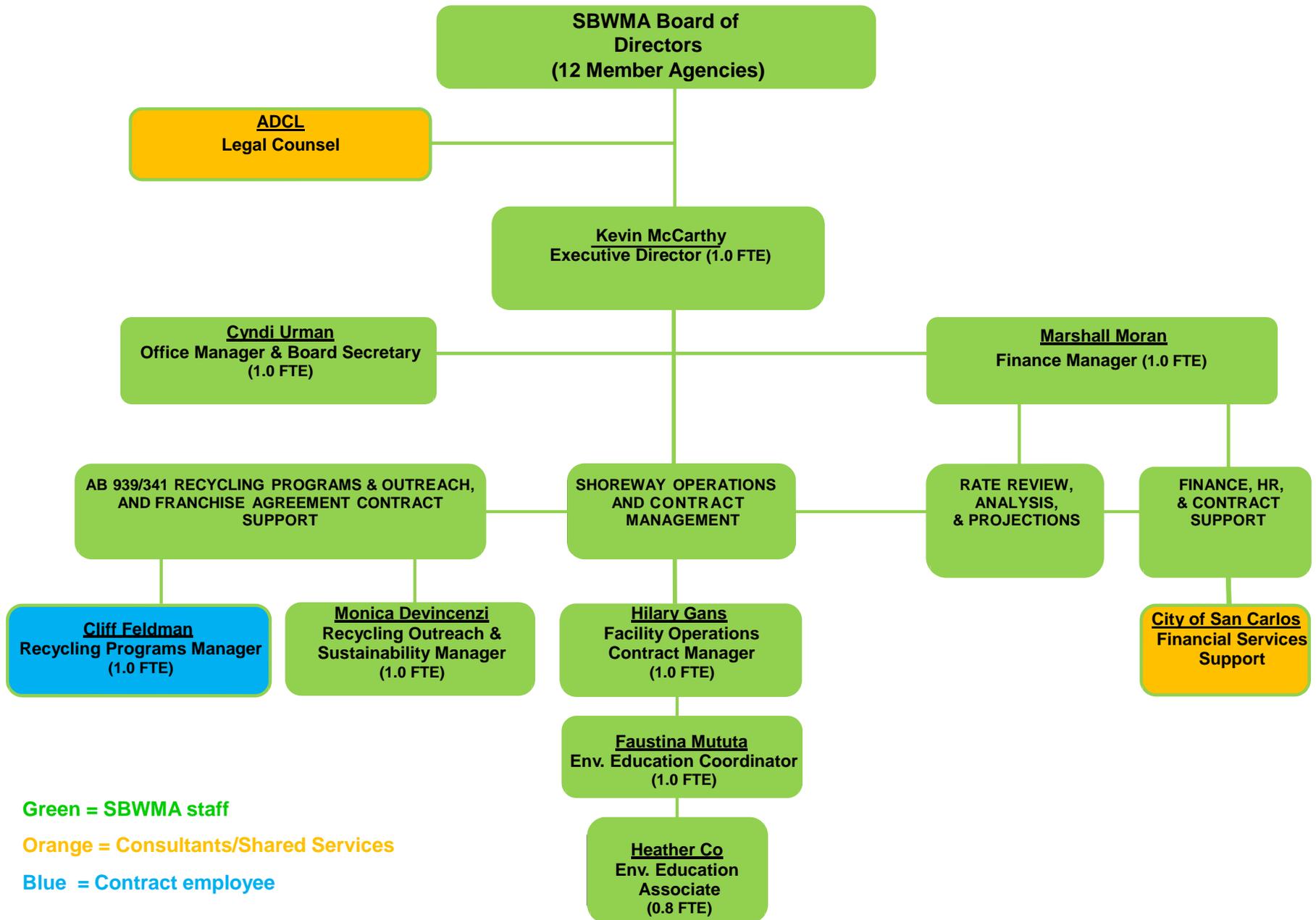
Require participation — New requirements are necessary to compel businesses in particular to optimize waste prevention and recycling activity. Residential strategies focus on voluntary participation throughout most of the plan period; if the plan's goals are not met, participation requirements may be applied to residents in the later phases.

Lead by example in government — Guided by the Sustainable City Principles, City policy for waste prevention and recycling encourages innovation and behavior change from within to serve as a model for the broader community.

Support regional and state policy and legislation — A coordinated approach within all levels of government is necessary. Authority for certain policies or actions may reside with regional or state agencies.

Implement local legislation — City legislation may be necessary to establish new policy and implement recommendations in the Plan.

SBWMA Organization Chart (June 2014)



PERSONNEL AND BENEFIT ASSUMPTIONS FOR FY1415

| Staff: | <u>FY1314</u> | <u>Proposed FY1415</u> |
|---|---------------|------------------------|
| Executive Director | 1.0 | 1.0 |
| Facility Operations Contract Manager | 1.0 | 1.0 |
| Finance Manager | 1.0 | 1.0 |
| Recycling Outreach & Sustainability Manager | 1.0 | 1.0 |
| Recycling Programs Manager* | 1.0 | 1.0 |
| Board Secretary/Office Manager | 1.0 | 1.0 |
| Environmental Education Coordinator | 1.0 | 1.0 |
| <u>Environmental Education Associate</u> | <u>0.8</u> | <u>0.8</u> |
| Total Staff | 7.8 | 7.8 |

* Contract employee employed by Local Government Services, a public joint powers agency, with PERs benefits.

FY1415 Proposed Position Changes

No proposed changes to staff positions. However, the budget reflects the hiring of a new Finance Manager by April 1, 2015 to replace our existing Finance Manager who plans to retire in the fall of 2015; this will result in some staffing overlap in FY1415 and FY1516 to ensure a successful transition given the critical nature of this position.

Budget Assumptions for Merit Increases

A merit increase pool of 3.0% of wages is assumed for all positions, except for the Executive Director, within the current salary ranges. Actual merit increases are awarded by the Executive Director per the Board adopted Compensation Policy. The Board will separately consider and approve or not the actual merit increase pool for calendar year 2015.

Salary Ranges

The salary ranges were last modified in June 2013 per Board approval. No changes to the salary ranges are proposed.

| <u>Name</u> | <u>Position</u> | <u>Current Salary</u> | <u>Current Salary Range/Year</u> |
|-------------------|---|-----------------------|----------------------------------|
| Kevin McCarthy | Executive Director | \$191,931 | <u>N/A</u> |
| Marshall Moran | Finance Manager | \$134,542 | \$112,196 - \$140,245 |
| Hilary Gans | Facility Operations Contract Manager | \$134,220 | \$112,196 - \$140,245 |
| Cliff Feldman | Recycling Program Manager* | \$133,576 | \$112,196 - \$140,245 |
| Monica Devincenzi | Recycling Outreach & Sustainability Manager | \$113,585 | \$100,976 - \$126,220 |
| Cyndi Urman | Office Manager/Board Secretary | \$63,752 | \$59,659 - \$74,573 |
| Faustina Mutata | Env. Education Coordinator | \$69,676 | \$65,267 - \$81,580 |
| Heather Co | Env. Education Associate | \$44,382 | \$25.10 - \$31.37/hour |

¹ Contract employee through Local Government Services

Employee Benefits

No proposed changes in the employee benefit plans.

| CAPITAL PROJECTS - FIVE YEAR FORECAST | | | | | | |
|--|------------------|------------------|--------------------|------------------|--------------------|--|
| Project Name | Proposed | Forecast | | | | Project Summary |
| | FY14/15 | FY15/16 | FY16/17 | FY17/18 | FY18/19 | |
| Tipping floor resurfacing | \$200,000 | \$100,000 | \$100,000 | \$100,000 | \$100,000 | Heavily worn areas of the Transfer station concrete floor need to be routinely repaired. |
| Site paving repairs and striping | | | | \$600,000 | | Repair and resurfacing of entire Recology truck parking area. Includes restriping for traffic flow and parking (based on JRMA 2014 estimate). |
| Site signage | \$40,000 | \$0 | \$0 | \$0 | \$0 | Additional way-finding signage, replacement of faded signs, and additional demarcation as a "public facility." 16-acre site. |
| Truck shop building maintenance | \$20,000 | \$20,000 | \$20,000 | \$20,000 | \$20,000 | Budget is for unanticipated capital repairs to the building, utilities and paving. Past items include roof replacement, paving work, door replacement, etc. (Two buildings totaling ~20,000 square feet used by Recology for truck maintenance and repairs). |
| Transfer Station building maintenance | \$20,000 | \$20,000 | \$20,000 | \$20,000 | \$20,000 | Budget is for unanticipated capital repairs to the building, utilities and paving. Past items include tunnel pump and electrical repairs. (~75,000 square foot building used for the unloading of and transfer of garbage, green waste, food scraps, C&D and other materials. Building operated by SBR). |
| MRF building maintenance | \$25,000 | \$125,000 | \$125,000 | \$125,000 | \$125,000 | Budget is for anticipated repairs to worn areas of the tipping floor (\$100K per yr.) and unanticipated capital repairs to the building, utilities and paving. Past projects include door replacement, flooring replacement, etc. (~70,000 square foot building used by SBR to process recyclables). |
| Admin. building maintenance | \$40,000 | \$40,000 | \$115,000 | \$40,000 | \$40,000 | Budget is for unanticipated capital repairs to the building, utilities and paving. Past projects include, HVAC system replacement, fire code upgrades, transformer replacement, etc. (~11,000 square foot office building occupied by Recology staff). Year 16/17 included \$75K for new HVAC system. |
| Site maintenance | \$25,000 | \$25,000 | \$25,000 | \$25,000 | \$25,000 | Budget is for unanticipated capital repairs to site utilities and paving. 16-acre site. |
| Repairs to landfill tipper | \$70,000 | | | | | Repairs to hydraulic tipper at the Ox. Mountain Landfill. JPA owns tipper but Republic operates. Tipper used to empty garbage from transfer trailers. |
| Education center exhibits | \$15,000 | | | \$15,000 | | Additional small exhibit on the energy inputs for manufacturing and recycling materials; complements existing exhibit on how products come from renewable and/or nonrenewable resources. |
| MRF tip area canopy | \$450,000 | | | | | Extension of MRF tipping area to accommodate additional facility tonnage from third-parties. Project required if Board approves long-term third-party processing agreement with SBR. |
| Electrical charge station | \$20,000 | | | \$15,000 | | Electric vehicle charging station and electrical installation for Recology vehicles. To be installed in the visitor parking area and could serve a dual purpose as a public vehicle charging station during the day. |
| Replace fuel storage and distribution system | | | | | \$1,000,000 | Removal of old UST fuel tanks and replace with new AST and pump systems and canopy structure. |
| Energy storage system | | | | | | Storage of energy to smooth out consumption needs and minimize energy rates. System purchase to be 100% financed by system provider (est. cost \$500,000) through PPA contract. |
| Baler reline | | | | | \$120,000 | Planned reline of both balers. We own two balers in the MRF that are used to compress/bale commodities prior to shipment to end consumers such as paper mills. |
| CNG fueling station | | | | | | TBD. System installation cost estimated at \$4M - to be financed by fuel supplier through PPA. |
| Organics to energy | | | \$5,000,000 | | | Mixed waste processing and Organics separation system in conjunction with SVCW (or similar entity) for conversion of the organics stream into a biogas. Financing arrangements to be determined. |
| SUBTOTAL: | \$925,000 | \$330,000 | \$5,405,000 | \$960,000 | \$1,450,000 | |

Attachment G

Back-up Financial and Operational Data

This attachment provides additional supporting data and explanations for the FY1415 Budget projections in the staff report.

OPERATING REVENUE

1. **Table 1** provides revenue, tonnage, yardage and weighted average tip fee data for FY1314 Budget and Mid-Year Budget, and FY1415 Proposed Budget.

- There are no FY1415 tip fee increases budgeted for franchise and public customers.
- The public wtd. average FY1415 tip fee increase is due to a change in mix with more solid waste yards at \$35 / yard and less organics yards at \$24 / yard.
- Volume projections are based on the latest actual trends.

Table 1

| TIP FEE REVENUE | FY1314 Adopted Budget | FY1314 Mid-Year Projections | FY1415 Proposed Budget | 2015 vs 2014 Budget Variance | % |
|------------------------------|--------------------------------------|--|---------------------------------------|---|-------------|
| <u>Franchise</u> | | | | | |
| Tons | 285,837 | 282,925 | 280,747 | -5,090 | -1.8% |
| Wtd Avg. Tip Fee | \$ 92.84 | \$ 92.00 | \$ 92.58 | \$ (0.26) | -0.3% |
| Franchise Revenue | \$ 26,536,840 | \$ 26,027,745 | \$ 25,992,156 | \$ (544,685) | -2.1% |
| <u>Public</u> | | | | | |
| Yards | 175,224 | 200,643 | 182,976 | 7,752 | 4.4% |
| Wtd Avg. Tip Fee | \$ 32.03 | \$ 32.83 | \$ 34.05 | \$ 2.02 | 6.3% |
| Public Revenue | \$ 5,611,560 | \$ 6,586,867 | \$ 6,229,698 | \$ 618,138 | 11.0% |
| Total Tip Fee Revenue | \$ 32,148,400 | \$ 32,614,613 | \$ 32,221,854 | \$ 73,454 | 0.2% |

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

- The “franchise food waste” category is largely being classified as “franchise organics” waste starting in 2013 due to the commingling of food and organics in the shipment (transportation) of the materials to the 3rd party compost operations.
- Due to a change by our 3rd party C&D processor, Zanker Road, in their material acceptance standards, the “public C&D” is presorted at Shoreway to remove roofing materials. The roofing materials are then disposed of resulting in fewer tons classified as C&D, but more tons as “public solid waste.”
- Public Green Waste volume decreased in Q3 FY14 causing the projections to decrease into FY1415. It is unknown if this is a permanent trend or an anomaly.

Table 2a

| | | Fiscal Year | | | | | |
|-------------------------------------|--------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| Total TS Tonnage and Yardage | | 2012 | 2013 | 2014 | 2015 | 14 vs 13 | 15 vs 14 |
| Franchise | | <i>actual</i> | <i>actual</i> | <i>estimate</i> | <i>estimate</i> | | |
| SBWMA Solid Waste | <i>tons</i> | 182,194 | 181,239 | 178,328 | 176,143 | -1.6% | -1.2% |
| SBWMA Organics | <i>tons</i> | 82,750 | 95,560 | 98,997 | 100,815 | 3.6% | 1.8% |
| SBWMA Food Waste | <i>tons</i> | 13,735 | 5,134 | 330 | 0 | -93.6% | -100.0% |
| SBWMA Dirt, Inert, Other | <i>tons</i> | 4,592 | 3,480 | 3,893 | 3,790 | 11.9% | -2.7% |
| sub-total Franchise | | 283,271 | 285,413 | 281,548 | 280,747 | 0.8% | -1.4% |
| Non-SBWMA Weighed Dirt | <i>tons</i> | 3,192 | 4,014 | 5,099 | 5,099 | 27.0% | 0.0% |
| Total Tons | | 286,462 | 289,427 | 286,647 | 285,846 | 1.0% | -1.0% |
| Public | | | | | | | |
| Public Solid Waste Yards | <i>yards</i> | 31,667 | 45,244 | 62,894 | 67,277 | 39.0% | 7.0% |
| Public Green Waste Yards | <i>yards</i> | 45,215 | 58,612 | 54,988 | 48,209 | -6.2% | -12.3% |
| Public C&D | <i>yards</i> | 62,655 | 66,531 | 65,522 | 67,490 | -1.5% | 3.0% |
| Total Yards | | 139,536 | 170,386 | 183,404 | 182,976 | 22.1% | 7.6% |

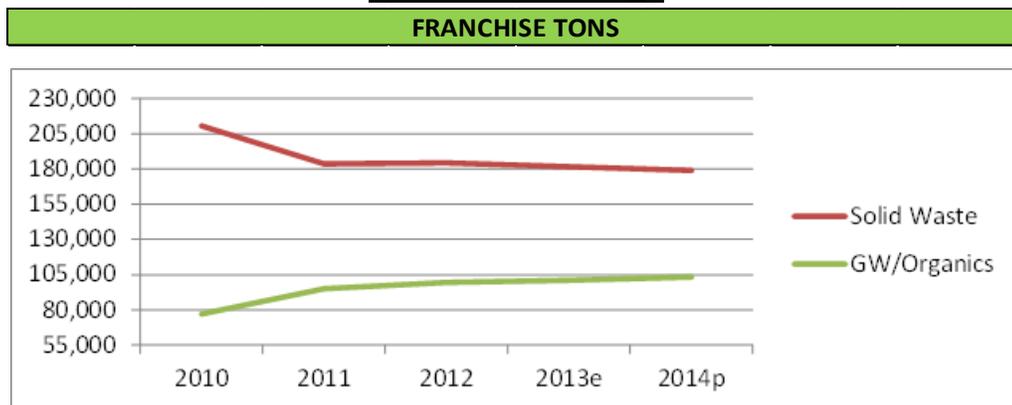
Table 2b compares the FY1415 budget to the FY1314 Mid-Year volume projections and the FY1314 approved budgeted assumptions.

- As mentioned above, some of the lower C&D public volume than in the FY1314 budget is due to the reclassification to solid waste.
- The lower public green waste volume is due to lower Q3 FY1314 actual volume which lowered the projection. We do not know if this trend will continue or not.

| Total TS Tonnage and Yardage | | FY1314 Adopted Budget | FY1314 Mid-Year Projections | FY1415 Proposed Budget | 2015 vs 2014 Budget Variance | % |
|-------------------------------------|--------------|--------------------------------------|--|---------------------------------------|---|--------------|
| Franchise | | <i>estimate</i> | <i>estimate</i> | <i>estimate</i> | | |
| SBWMA Solid Waste | <i>tons</i> | 181,396 | 175,298 | 176,143 | -5,253 | -2.9% |
| SBWMA Organics | <i>tons</i> | 100,721 | 103,238 | 100,815 | 94 | 0.1% |
| SBWMA Food Waste | <i>tons</i> | 302 | 555 | 0 | -302 | |
| SBWMA Dirt, Inert, Other | <i>tons</i> | 3,418 | 3,834 | 3,790 | 372 | 10.9% |
| sub-total Franchise | | 285,837 | 282,925 | 280,747 | -5,090 | -1.8% |
| Non-SBWMA Weighed Dirt | <i>tons</i> | 3,756 | 4,940 | 5,099 | 1,343 | 35.8% |
| Total Tons | | 289,593 | 287,865 | 285,846 | -3,747 | -1.3% |
| Public | | | | | | |
| Public Solid Waste Yards | <i>yards</i> | 40,916 | 70,683 | 67,277 | 26,361 | 64.4% |
| Public Green Waste Yards | <i>yards</i> | 58,986 | 62,987 | 48,209 | -10,777 | -18.3% |
| Public C&D | <i>yards</i> | 75,322 | 66,973 | 67,490 | -7,832 | -10.4% |
| Total Yards | | 175,224 | 200,643 | 182,976 | 7,752 | 4.4% |

3. Tables **3a** and **3b** chart the change in volume from **Table 2a**.

Table 3a – Tonnage

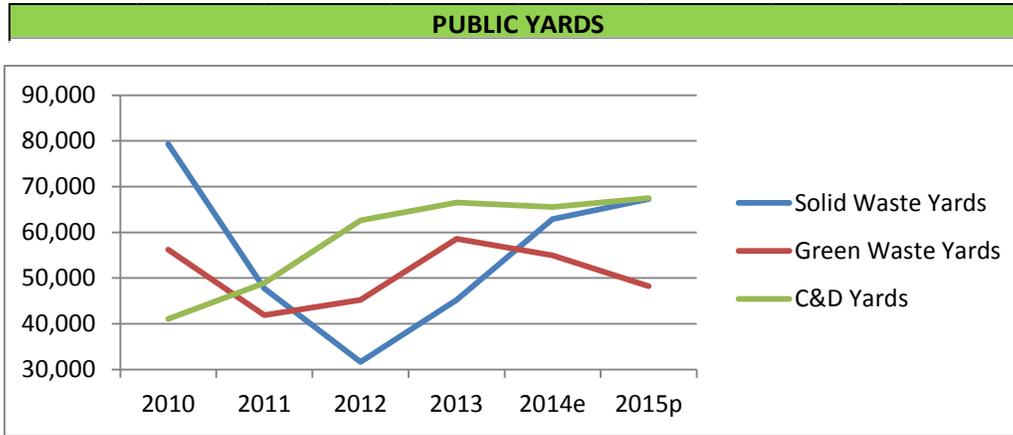


Historical high and 2010 for solid waste: 334,644 tons in 1998; 212,111 tons in 2010.

Historical high and 2010 for organics: 100,815 (est.) in 2015; 77,251 tons in 2010.

Note: New weekly organics service started in 2011.

Table 3b – Public Yardage



Recent highs:

Public solid waste: 152,580 yards in 2007.

Public green waste: 98,115 yards in 2007.

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

- Tonnage is up slightly from the FY1314 budget and mid-year projection.
- A conservative price reduction of \$3 / ton for containers and a \$4 mid-year reduction for fibers are budgeted.
- Revenue share with SBR is on a calendar year basis so the budgeted fiscal year revenue is not the basis for the revenue share expense.
- Buyback payments are the CRV rates paid to public customers who “drop off” eligible recyclables at Shoreway.

Table 4

| COMMODITY REVENUE | | FY1314 Adopted Budget | FY1314 Mid-Year Projections | FY1415 Proposed Budget | 2015 vs 2014 Budget Variance | % |
|------------------------------|------------------------------|--------------------------------------|--|---------------------------------------|---|--------------|
| | Tons Sold | 60,340 | 61,692 | 62,672 | 2,332 | 3.9% |
| | Wtd Avg. Price | \$ 179.20 | \$ 171.52 | \$ 172.52 | \$ (6.68) | -3.7% |
| | Gross Revenue | \$ 10,813,172 | \$ 10,581,344 | \$ 10,812,190 | \$ (982) | 0.0% |
| | Revenue Share w/ SBR | \$ (1,498,880) | \$ (1,388,725) | \$ (1,521,368) | \$ (22,488) | 1.5% |
| | Buyback Payments | \$ (591,229) | \$ (599,532) | \$ (615,972) | \$ (24,743) | 4.2% |
| | Net Commodity Revenue | \$ 8,723,063 | \$ 8,593,087 | \$ 8,674,850 | \$ (48,213) | -0.6% |
| Price / Volume Impact | | | Volume | Price | Total | |
| | Tonnage Change | | 2,332 | \$ 172.52 | \$ 402,317 | |
| | Price Change | | 60,340 | \$ (6.68) | \$ (403,299) | |
| | Total Change (Gross) | | | | \$ (982) | |

5. **Table 5a** 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 5a

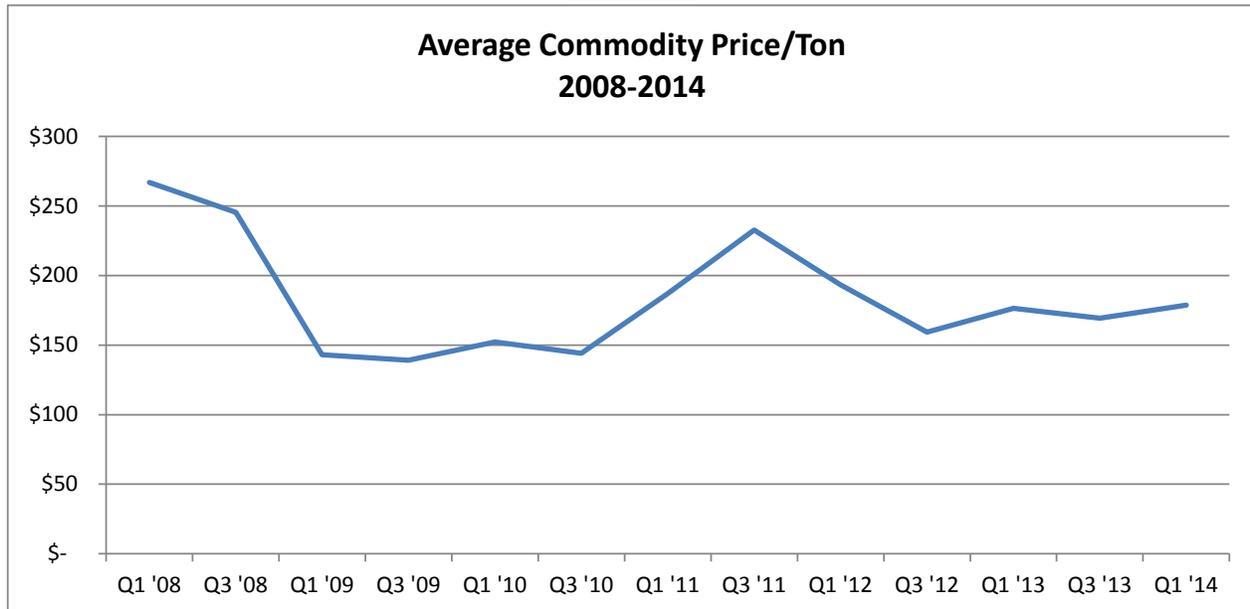


Table 5b shows the actual commodity tonnage and revenue sold by commodity type as of December 2013 YTD (twelve months) from all customers: curbside residential, commercial, Buyback, and drop-off.

Table 5b

| Outbound Commodity Tons & Revenue | | | | | | |
|--|---------------|---------------|----------------------|---------------|---------------|--|
| Commodity | Tons | Price / Ton | Revenue | % Tons | % Revenue | |
| OCC (cardboard) | 13,884 | \$ 158 | \$ 2,195,136 | 22.6% | 20.7% | |
| ONP #8 (newspaper) | 15,352 | \$ 116 | \$ 1,777,120 | 25.0% | 16.8% | |
| Mixed Paper | 15,496 | \$ 105 | \$ 1,623,248 | 25.3% | 15.3% | |
| PET | 1,289 | \$ 1,588 | \$ 2,046,108 | 2.1% | 19.3% | |
| HDPE Natural | 402 | \$ 727 | \$ 291,788 | 0.7% | 2.8% | |
| HDPE Color | 377 | \$ 520 | \$ 196,013 | 0.6% | 1.9% | |
| Glass (Clean) | 389 | \$ 123 | \$ 47,908 | 0.6% | 0.5% | |
| Aluminum | 214 | \$ 4,461 | \$ 955,822 | 0.3% | 9.0% | |
| Glass (Mix) | 11,843 | \$ 98 | \$ 1,162,374 | 19.3% | 11.0% | |
| Tin | 990 | \$ 175 | \$ 173,460 | 1.6% | 1.6% | |
| Plastic 3-7 | 224 | \$ 53 | \$ 11,834 | 0.4% | 0.1% | |
| Mixed Rigid Plastic | 422 | \$ 117 | \$ 49,576 | 0.7% | 0.5% | |
| Mixed Film Plastic | 20 | \$ 10 | \$ 200 | 0.0% | 0.0% | |
| Bi Metal | 395 | \$ 132 | \$ 52,245 | 0.6% | 0.5% | |
| Poly Prop. Plastic #5 | 17 | \$ 40 | \$ 678 | 0.0% | 0.0% | |
| Total | 61,314 | \$ 173 | \$ 10,583,509 | 100.0% | 100.0% | |
| Total Fibers | 44,733 | \$ 125 | \$ 5,595,504 | 73.0% | 52.9% | |
| Total Containers | 16,582 | \$ 301 | \$ 4,988,005 | 27.0% | 47.1% | |
| Total | 61,314 | \$ 173 | \$ 10,583,509 | 100.0% | 100.0% | |
| CRV from state included in price of PET, HDPE, glass, and aluminum <i>approximate</i> | | | | | | |

OPERATING EXPENSES

6. **Table 6a** provides supporting data for SBR's operating expense.

- MRF tons are up slightly.
- The FY1415 budgeted fee increase to SBR on 1/1/2015 is 2.5% (half of the fiscal year).
- The Transfer Station rate increase of 8.8% from the FY1314 budget is partly due to underestimated FY1314 rate. The rate increase from FY1314 mid-year is 4.8%.
- The Transfer Station and transportation tonnage matches the decreased disposal tonnage in table 7.
- The transportation blended rate increase below reflects the rates to seven destinations and the change in mix including more volume budgeted to go to Grover at a higher rate than Newby due to the mileage difference. The processing fee is lower at Grover than Newby (Table 7).

Table 6a (revised 5/23/2014)

| SBR OPERATING EXPENSE | | | | | | |
|------------------------------|--------------------------|--------------------------------------|--|---------------------------------------|---|-------------|
| | | FY1314 Adopted Budget | FY1314 Mid-Year Projections | FY1415 Proposed Budget | 2015 vs 2014 Budget Variance | % |
| a. | Summary | | | | | |
| | MRF | \$ 5,108,802 | \$ 5,237,726 | \$ 5,502,124 | \$ 393,322 | 7.7% |
| | Transfer Station | \$ 4,303,844 | \$ 4,254,012 | \$ 4,434,402 | \$ 130,558 | 3.0% |
| | Transportation | \$ 6,620,915 | \$ 6,714,878 | \$ 6,913,235 | \$ 292,320 | 4.4% |
| | Interest | \$ 240,791 | \$ 240,791 | \$ 211,488 | \$ (29,304) | -12.2% |
| | TOTAL SBR EXPENSE | \$ 16,274,352 | \$ 16,447,407 | \$ 17,061,249 | \$ 786,897 | 4.8% |
| b. | Detail | | | | | |
| | MRF | | | | | |
| | Tons, net | 60,340 | 61,692 | 62,672 | 2,332 | 3.9% |
| | Rate | \$ 84.67 | \$ 84.90 | \$ 87.79 | \$ 3.13 | 3.7% |
| | Expense | \$ 5,108,802 | \$ 5,237,726 | \$ 5,502,124 | \$ 393,322 | 7.7% |
| | Transfer Station | | | | | |
| | Tons | 357,281 | 352,595 | 353,556 | (3,725) | -1.0% |
| | Rate | \$ 12.05 | \$ 12.06 | \$ 12.54 | \$ 0.50 | 4.1% |
| | Expense | \$ 4,303,844 | \$ 4,254,012 | \$ 4,434,402 | \$ 130,558 | 3.0% |
| | Transportation | | | | | |
| | Tons | 357,281 | 352,595 | 353,556 | (3,725) | -1.0% |
| | Wtd. Avg. Rate | \$ 18.53 | \$ 19.04 | \$ 19.55 | \$ 1.02 | 5.5% |
| | Expense | \$ 6,620,915 | \$ 6,714,878 | \$ 6,913,235 | \$ 292,320 | 4.4% |
| | Interest | \$ 240,791 | \$ 240,791 | \$ 211,488 | \$ (29,304) | -12.2% |
| | TOTAL SBR EXPENSE | \$ 16,274,352 | \$ 16,447,407 | \$ 17,061,249 | \$ 786,897 | 4.8% |

Table 6b breaks out SBR's operating expense variance between FY1415 volume and rate changes compared to the FY1314 approved budget.

Table 6b (*revised 5/23/2014*)

| SBR Price / Volume | | Volume | Price | Total | % |
|---------------------------|--|---------------|--------------|-------------------|---------------|
| MRF | | | | | |
| Revenue Impact: | | | | | |
| Tonnage Change | | 2,332 | \$ 87.79 | \$ 204,732 | 52.1% |
| Rate Change | | 60,340 | \$ 3.13 | \$ 188,591 | 47.9% |
| Total Change | | | | \$ 393,322 | 100.0% |
| Transfer Station | | | | | |
| Revenue Impact: | | | | | |
| Tonnage Change | | -3,725 | \$ 12.54 | \$ (46,724) | -35.8% |
| Rate Change | | 357,281 | \$ 0.50 | \$ 177,282 | 135.8% |
| Total Change | | | | \$ 130,558 | 100.0% |
| Transportation | | | | | |
| Revenue Impact: | | | | | |
| Tonnage Change | | -3,725 | \$ 19.55 | \$ (72,843) | -24.9% |
| Avg. Wtd. Rate Change | | 357,281 | \$ 1.02 | \$ 365,163 | 124.9% |
| Total Change | | | | \$ 292,320 | 100.0% |
| SUMMARY | | | | | |
| Revenue Impact: | | | | | |
| Tonnage Change | | | | \$ 85,164 | 10.8% |
| Rate Change | | | | \$ 731,036 | 92.9% |
| Lower Interest Expense | | | | \$ (29,304) | -3.7% |
| Total Change | | | | \$ 786,897 | 100.0% |

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

- Disposal processors generally receive a CPI adjustment on January 1.
- The budget rates below are affected by the two rates in each fiscal year and the number of tons assumed in each period; i.e. the change in mix also affects the budgeted rates below.

Table 7

| DISPOSAL & PROCESSING EXPENSE | | | | | | |
|--|--------------------------------------|--|---------------------------------------|---|--------------|--|
| | FY1314 Adopted Budget | FY1314 Mid-Year Projections | FY1415 Proposed Budget | 2015 vs 2014 Budget Variance | % | |
| Summary | | | | | | |
| TS Tons | 357,281 | 364,666 | 353,556 | -3,725 | -1.0% | |
| Wtd Avg. Rate | \$ 39.85 | \$ 39.17 | \$ 39.94 | \$ 0.09 | 0.2% | |
| Disposal Expense | \$ 14,238,468 | \$ 14,283,775 | \$ 14,121,816 | -116,652 | -0.8% | |
| Detail - 2015 Budget | | | | | | |
| | FY 1314 Bud Rate | FY1415 Tons | FY1415 Rate | FY1415 Expense | % | |
| Ox Mountain MSW | \$ 38.95 | 209,704 | \$ 39.08 | \$ 8,195,189 | 58% | |
| Ox Mountain Aggregates | \$ 25.00 | 2,322 | \$ 26.89 | \$ 62,438 | 0% | |
| Organics (wtd avg) | \$ 39.49 | 112,774 | \$ 39.90 | \$ 4,499,569 | 32% | |
| C&D | \$ 47.41 | 28,756 | \$ 49.32 | \$ 1,418,321 | 10% | |
| Other (misc disposal less MRF & 3rd party residue paid by SBR) | | | | \$ (53,701) | 0% | |
| TOTAL | \$ 39.85 | 353,556 | \$ 39.94 | \$ 14,121,816 | 100% | |



STAFF REPORT

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Date: June 26, 2014 Board of Directors Meeting
Subject: Resolution Approving Findings from Review of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Audits.

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2014-14 attached hereto authorizing the following action:

1. Approve the Findings from Review of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Audits for calendar year 2013.

Analysis

The audit work performed by R3 Consulting (R3) commenced in March 2014 and was concluded with submittal of the June 2014 project report provided as **Exhibit A**. R3 identified compliant and non-compliant (with the contractor's contractual obligations) items with both Recology San Mateo County (Recology) and South Bay Recycling (SBR) operations and reporting for calendar year 2013. The goal of the auditing is to review the largely self-reported financial and operational information provided by the contractors to ensure the accuracy of the information and to make sure proper management systems are in place. The results of this auditing work are summarized in the recommendations consolidated in Section 9 of the report (**Exhibit A**). While the SBWMA conducts this audit annually, the scope of work varies somewhat depending upon the findings from the previous audit report, as staff adjusts the level of effort required to fit the critical areas requiring auditing.

Recology

The primary emphasis of the auditing work was related to assessment of the information provided in Recology's Annual Report for 2013 issued to the Member Agencies on February 14, 2014. The auditing focused on tons collected, customer service data, and calculation of liquidated damages and performance incentive/disincentive payments.

The Recology Franchise Agreement(s) are structured to place a high priority on customer service and diversion program performance; the Agreements include performance standards to incentivize high performance. Meeting or not meeting these standards has financial implications to both the Member Agencies and Recology. Specifically, Recology can earn incentive payments through high performance or pay disincentive payments for not meeting standards (e.g., annual diversion from landfill achieved). Relatedly, if certain customer service and operational performance standards are not met, then Recology is subject to paying liquidated damages.

The information self-reported by Recology in its Annual Report (which in many cases consolidates the information in the Monthly and Quarterly Reports), is used to determine compliance with the performance standards. While Recology is provided an allowance that must be exceeded before being deemed non-compliant for some performance standards (e.g., unauthorized collection hours, improper placement of containers, excessive noise complaints), for others there is zero tolerance (e.g., unacceptable employee behavior, missed pick-ups, vehicle fluid spills). The threshold based quantification of these performance standards is directly

measured from the customer service call center data compiled and reported by Recology. As customer calls and complaints are received by Recology, these calls are given a "Reason Code," which then necessitates a variety of follow-up measures depending on the nature of the inquiry or complaint.

Recology ultimately uses the Reason Code data to report on its compliance with the various performance standards and resultant Liquidated Damages payments to the Member Agencies and the Performance Incentive/Disincentive payments to/from the Member Agencies. While there were few if any glaring deficiencies in Recology's performance, Recology fell short of operating its call center in accordance with the standards prescribed in the Franchise Agreement(s) and thus slightly under-reported the financial impact of quantifying the types of calls received related to lapses of service and customer complaints.

The audit revealed the company over reported the number of missed pick up events, and under reported the liquidated damages for two performance standards (i.e., unacceptable employee behavior and spills of vehicle fluids) and the contamination disincentive payment owed to the SBWMA. Table 1 below summarizes the corrections that should be made to Recology's Annual Report for liquidated damages and performance incentives/disincentives as a result of the R3 audit. The adjustments to payments to/from the Member Agencies will be captured in the revised Recology's 2015 Application for an Adjustment to Contractor's Compensation issued to the Member Agencies and SBWMA on July 29, 2014. The Franchise Agreement prescribes that payments for Exceeding Allowable Contamination thresholds be paid directly to the SBWMA.

Table 1

| Performance Standard | Liquidated Damages - Paid Directly to Member Agencies | | Performance Incentives or Disincentives Payment |
|-----------------------------------|---|-------------------------|---|
| | Owed to Member Agencies | Overpayment By Recology | Owed to SBWMA |
| Overall Diversion | | | |
| Unacceptable Employee Behavior | \$9,000 | | N/A |
| Spills of Vehicle Fluids | \$500 | | N/A |
| Missed Pick Up Collection Events | | \$2,500 | N/A |
| Exceeding Allowable Contamination | | | \$1,726 |
| Net Result | \$7,000 | | \$1,726 |

Due to the continued issues over the past several years with Recology not consistently coding and reporting customer inquiries and complaints, the R3 audit report includes several recommendations to improve the company's processes and system to ensure calls are handled properly. Staff worked with Recology to develop these recommendations, which the company has agreed to implement.

SBR

The audit did not find any material mathematical inaccuracies in SBR's reporting for 2013 and therefore no recommendations for follow up by SBR are included in the R3 report.

Background

The Member Agencies Collection Services Franchise Agreements with Recology prescribe numerous performance standards and also require the company to compile information and submit Monthly, Quarterly and Annual Reports. The information and data contained in these reports is substantially self-reported by the Recology. For example, all of the Performance Incentives and Disincentives (Attachment I of the Franchise Agreements) with the exception of disincentives related to contamination are self-reported by Recology. In addition, the Liquidated Damages (Attachment J of the Franchise Agreements) events are also self-reported by

the company. The Shoreway Facility Operations Agreement with SBR requires the company to accurately record and report on tonnage.

Staff issued the Request for Qualifications (RFQ) for Collection Services and Facility Operations Contractor Data, Records, Systems and Reports Auditing in October 2013 and received proposals from several consultant firms. After evaluating the proposals, conducting interviews and following up with pertinent references, Staff selected R3 Consultants to perform this audit for calendar year 2013. Hilton, Farnkopf and Hobson (HF&H) had been contracted the prior two years to perform this audit.

To summarize the scope of work, the project entailed a thorough auditing of both Recology and SBR's data compilation, management, storage and reporting for 2013. The audit included assessing Recology's call center functions to ensure the accuracy of transcribing and reporting information, complaints and requests for service from customers. The scope of auditing SBR's operations was limited to the scale house operations (i.e., tonnage reporting) and reporting of commodity revenues.

The general rationale for this project was to conduct an audit to ensure the accuracy of customer service and related operational data and tonnage reporting. Thus, the auditing work reveals how well both Recology and SBR obtained, compiled and reported data to the Member Agencies per the requirements prescribed in the Franchise Agreement(s) and Shoreway Facility Operations Agreement, respectively.

Fiscal Impact

The fiscal impact results in revisions to the Liquidated Damages and Performance Disincentive payments calculated by Recology in its 2013 Annual Report. The audit results in increased Liquidated Damages owed by Recology to the Member Agencies totaling \$7,000. These additional Liquidated Damages will be applied to partially offset the Performance Incentives due to the company in the Recology 2015 Compensation Application. In addition, Recology shall increase its Disincentive payment for exceeding maximum contamination levels paid to the SBWMA by \$1,726.

The cost for R3 to conduct this audit was \$46,000 for FY1314 and for HF&H it was \$47,030 for FY1213 and \$70,000 for FY1112. The HF&H audits resulted in additional payments to the Member Agencies by Recology of \$16,650 for calendar year 2013 and \$109,445 for calendar year 2012.

Attachments:

Resolution 2014-14

Exhibit A – R3 Consultants 2013 Audit Report: Findings from Review of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems.



RESOLUTION NO. 2014-14

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING THE FINDINGS FROM REVIEW OF COLLECTION SERVICES AND FACILITY OPERATIONS REPORTS, TONNAGE DATA AND CUSTOMER SERVICE SYSTEM AUDITS FOR 2013

WHEREAS, the South Bayside Waste Management Authority (SBWMA) Board of Directors has authorized an annual audit of Recology San Mateo County and South Bay Recycling:

WHEREAS, the SBWMA contracted R3 Consultants to perform the audit of Recology and SBR for calendar year 2013.

WHEREAS, the audit results found in Exhibit A increase Performance Disincentives payments due to the SBWMA from Recology totaling \$1,726.00 and an increase in Liquidated Damages payments due to the Member Agencies totaling \$7,000.00.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the Findings from Review of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Audits for calendar year 2013.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 26th day of June, 2014, 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 District | | | | |

I HEREBY CERTIFY that the foregoing Resolution No. 2014-14 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 26, 2014.

ATTEST:

Bill Widmer, Chairperson of SBWMA

Cyndi Urman, Board Secretary

***R3 Consultants 2013 Audit
Final Report:***

***Findings from Review of Collection
Services and Facility Operations
Reports, Tonnage Data and Customer
Service Systems***



Submitted to:

**South Bayside Waste
Management Authority**



June 18, 2014

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Section 1: Introduction

Background

The South Bayside Waste Management Authority (RethinkWaste) is a joint powers authority of twelve Member Agencies (Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, the County of San Mateo and the West Bay Sanitary District) in San Mateo County. The twelve RethinkWaste Member Agencies have exclusive franchise agreements with Recology San Mateo County (Recology) for the collection of solid waste, recyclable materials and organic materials. Recology provides collection services to approximately 93,000 households and 9,000 businesses in the RethinkWaste service area.

RethinkWaste owns and manages the Shoreway Environmental Center which is operated by South Bay Recycling (SBR). The Shoreway Environmental Center receives all of the recyclables, organics and garbage collected by Recology under its franchise agreements with each of RethinkWaste's Member Agencies, as well as other self-haul and non-franchised material delivered to that facility.

Recology and SBR are required to track, compile and report various data related to their performance and develop various reports per the franchise agreements and operating agreement. The primary nature of the quantitative data presented in the reports is self-reported. Therefore, the goal for this review is to determine the accuracy of the information contained in those reports.

Work Scope

RethinkWaste retained R3 Consulting Group (R3) to review, test and verify the accuracy of the information contained in the reports, and provide any recommendations for improvement. Our work scope included, but was not limited to the following tasks:

- Verify the completeness and mathematical accuracy of the quarterly and annual reports;
- Interview the contractors to determine the sources of the reported data;
- Verify the accuracy of the tonnage data reported quarterly by Recology;
- Verify the accuracy of Recology's reported customer service data;



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- Verify the accuracy of Recology's reported liquidated damages, incentive and disincentive payments;
- Verify the accuracy of SBR's reported in-bound tonnage data; and
- Verify the accuracy of SBR's reported liquidated damage payments.

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Section 2: Completeness and Mathematical Accuracy

The objectives of this task were to determine if the quarterly and annual reports submitted by the Contractors:

- Are complete and contain all of the reporting requirements specified in Article 9 (Record Keeping and Reporting) of Recology's franchise agreements and Article 9 (Contractor Records/Reports) of SBR's operating agreement; and
- Are mathematically accurate and logically consistent (that the columns and rows add correctly and tie to supporting schedules within the report).

Completeness of Reports - Recology

Quarterly Reports

To assess the completeness of Recology's quarterly reports, R3 completed a detailed review of the 4th quarter 2013 report as compared to the quarterly reporting requirements of Article 9.06 of Recology's franchise agreements. R3 then compared the contents of the 4th quarter report to the contents of Recology's other 2013 quarterly reports in order to determine if the contents of all of the quarterly reports are consistent.

Findings:

Appendix A includes the findings of our review of Recology's 4th quarter report. As shown, the report satisfies the reporting requirements of Article 9.06 with the exception of the following requirement that was not included:

- **Public Education Plan** (Section 9.06.K) – The quarterly report submitted in October (i.e., the 3rd quarter 2013 report) does not include the public education plan for the coming year pursuant to Section 7.03 of the Agreement. Recology stated that this item is no longer required, which the RethinkWaste confirmed.

Additionally, R3 verified that the contents of all 2013 quarterly reports were consistent with the findings of our in depth review of the 4th quarter report.

Annual Report

To assess the accuracy of Recology's annual report, R3 compared the contents of that report to the requirements of Section 9.07 (Annual Reports) of Recology's franchise agreement.

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Final Report

Findings:

Appendix A includes the findings of our review of Recology's 2013 annual report. As shown, the report satisfies the reporting requirements of Article 9.07 with the exception of the following two requirements that were not included:

- **Operational Changes** (Section 9.07.A.4) – The report does not include information on operational changes, which is to include: (1) number of routes; (2) staffing; (3) supervision; and (4) collection services. When questioned, Recology stated that “we had no substantive changes in 2013.”

Recommendation #1 – *Recology should include a section on “Operational Changes” going forward, and state the fact that they experienced no substantive changes if that is the case.*

- **Commercial Customer Service** (Section 9.07.C.5) – The report's Customer Service Operations Plan does not include a section describing Recology's commercial customer service. When questioned, Recology stated that “We do not have commercial customer service. Our customer service is all inclusive.”

Recommendation #2 – *Recology should include a section on “Commercial Customer Service” as required by the Agreement going forward and specifically state in that section that commercial customer service is included in Recology's discussion of overall customer service practices, if that is the case.*

Completeness of Reports - SBR

Quarterly Reports

To assess the completeness of SBR's quarterly reports, R3 completed a detailed review of the December 2013 4th quarter report as compared to the quarterly reporting requirements of Article 9.05 of the SBR Operating Agreement. R3 then compared the contents of the December 2013 report to the contents of SBR's other 2013 reports to determine if the contents of all of the quarterly reports are consistent.

Findings:

Appendix B includes the findings of our review of SBR's December 2013 report. As shown, the report satisfies all of the reporting requirements of Article 9.05 with the exception of the following discrepancy noted by R3:

- **Programs and Summary Assessment** (Sections 9.05.G and 9.05.H) – The report provides a brief “Operational Summary”, as well as brief monthly summaries of

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“Diversion Activity at Transfer Station” and “MRF Recovery Effectiveness”. These summary descriptions could be interpreted as satisfying the requirements of Sections 9.05.G and 9.05.H, but only to a minimal extent.

Recommendation #3 – *RethinkWaste should review the summary descriptions provided in SBR’s reports, and either: (a) confirm the acceptability of those summaries; or (b) direct SBR to provide additional descriptive detail regarding the facility’s programs and operations.*

Additionally, R3 verified that the contents of all 2013 SBR reports were consistent with the findings of our in depth review of the December 2013 report.

Annual Report

To assess the accuracy of SBR’s annual report, R3 compared the contents of that report to the requirements of Section 9.06 (Annual Reporting Requirements) of SBR’s operating agreement.

Findings:

Appendix B includes the findings of our review of SBR’s 2013 annual report. As shown, the report satisfies all of the reporting requirements of Article 9.06.

Mathematical Accuracy and Logical Consistency – Recology

Quarterly Reports

To test the mathematical accuracy and logical consistency of Recology’s quarterly reports, R3 compared Recology’s reported year-to-date 2013 values for the 1st quarter report of 2013 to the values presented on the reports previously submitted for the months of January, February, March (i.e., 1st quarter). We also traced each of the figures in the January Tonnage Report to the supporting documentation (spreadsheet work books).¹

Findings:

- ✓ R3 verified each subtotal, total and calculation was properly stated, including that the quarterly data accurately reflects the sum of data from the previous three months with the exception of one reported value for quantity of single-family missed pick-up complaints. Specifically, the value was reported as 180 in the January 2013 monthly

¹ M1a. Solid Waste; M1b. Targeted Recy Tonnage; and M1c. Organic Materials Tonnage workbooks.

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report, and then later reported as 528 in the 1st quarter 2013 report.

- ✓ We confirmed that each of the figures in the January Tonnage Report tied to the supporting documentation without exception.

Annual Reports

To test the mathematical accuracy and logical consistency of Recology's annual report, which included data for the each of the twelve months of 2013, we compared the quarterly figures reported in the annual report to the corresponding figures in the quarterly reports.

Findings:

- ✓ R3 verified each subtotal, total and calculation was properly stated, including that the annual data accurately reflects the sum of data from each of the four quarters.
- ✓ We confirmed that each of the figures in the Annual Tonnage Report tied to the supporting documentation without exception.
- ✓ Each of the quarterly figures reported in the Annual Report tied to the corresponding figures in the quarterly reports.

Mathematical Accuracy and Logical Consistency - SBR

Quarterly Reports

SBR's does not issue separate quarterly reports, rather the data is rolled up into year-to-date quarterly totals that are reported as part of the monthly reports (as an example the March 2013 monthly reports includes the totals for the first quarter of 2013).

To test the mathematical accuracy and logical consistency of SBR's reports, R3 compared SBR's reported year-to-date 2013 values (December 2013 report) to the values presented on the reports previously submitted for the months of January, February and March (i.e., 1st quarter).

We also traced all of the line item totals reflected in the following worksheets from the January 2013 monthly report to the PC Sales data and other supporting documentation:

- A. Inbound Tons Report;
- B. Outbound Tons Report; and
- C. MA Summary Report.

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Findings:

- ✓ Except as noted below, R3 verified each subtotal, total and calculation was properly stated, including that the quarterly data accurately reflects the sum of data from the previous three months. For each month, R3 identified several instances where values had been restated / revised between the time of submitting the monthly report and the publishing of the year-to-date 2013 values. These instances included differences in the reported values of inbound drop-off tons, outbound recyclable containers tons, and overall MRF residual tons, although the variances were immaterial (e.g., 2.06 tons out of a total of more than 36,000 tons).
- ✓ R3 also noted that the SBR's reported "Subtotal – Diverted" tons calculation for Self Haul/Buyback/Drop-Off inbound tonnages did not include Organics tonnages for each month. This effectively resulted in SBR significantly under-calculating its diversion rate for Self Haul/Buyback/Drop-Off tonnages in each reporting month. The miscalculation of diversion in this category, however, did not affect SBR's annual reported diversion rate, which was correctly calculated.
- ✓ We tied all of the line item input values in the January monthly report for the Inbound Tons Report, Outbound Tons Report and MA Summary Tons Report to the supporting documentation without exception.

Annual Reports

To test the mathematical accuracy and logical consistency of SBR's annual report, which includes data for the each of the four quarters of 2013, we compared the quarterly figures reported in the annual report to the corresponding figures in the quarterly reports.

Findings:

- ✓ R3 verified each subtotal, total and calculation was properly stated, including that the annual data accurately reflects the sum of data from each of the four quarters.
- ✓ Each of the quarterly figures reported in the Annual Report tied to the corresponding figures in the quarterly reports.

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Section 3:

Review of Recology Tonnage Data

The objectives of this task were to verify the accuracy of the:

- Tonnage data reported by Recology; and
- The allocation of tonnages among each of the Member Agencies.

Background

Recology's monthly reports include a Monthly Tonnage Report (M1. Tonnage Summary of the supporting Excel workbook) that allocates franchised tonnages among each of the member agencies for the following categories:

- Commercial;
- Multi-Family Dwelling (MDF);
- Roll-Off; and
- Residential.

The Monthly Tonnage Report figures are electronically linked to the data reported in the following supporting workbook spreadsheets, all of which contain hard coded inputs (i.e., are not electronically linked to the supporting data source):

- M1a. Solid Waste;
- M1b. Targeted Recy Tonnage; and
- M1c. Organic Materials Tonnage.

Each of the above spreadsheets reports tonnages for the following categories:

- Single-Family (categorized as Residential);
- Multi-Family (categorized as MFD);
- Commercial (categorized as Commercial);
- Agency Facilities (categorized as Commercial);
- Drop Box (categorized as Commercial);
- Venues and Events (categorized as Commercial);
- On-Call Single-Family (categorized as Residential);
- On-Call Multi-Family (categorized as MFD); and
- On-Call Agency Facilities (categorized as Commercial).

The methods used by Recology to allocate tons to the above categories for each Member Agency are as follows:

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Single-Family, Multi-Family and Commercial – Recology allocates the tonnage collected from Single-Family, Multi-Family and Commercial regularly scheduled cart and bin customers based on service volume. For each route the customers serviced are identified by Member Agency and assigned a unique rate code. Services for Member Agency facilities are also assigned a unique rate code. Using this data, the percentage of the total service volume (cubic yards) of each load collected within each Member Agency, which is assumed to represent the percentage of the total tons of each daily route assigned to each Member Agency, is calculated quarterly and reported in Recology’s Split Table Listing (see Appendix C for a sample).² This data is then applied to the load weights of the applicable routes to allocate that tonnage among the Member Agencies.

Agency Facilities – Recology uses the same methodology to allocate scheduled collections from Member Agency facilities as it does to allocate Single-Family, Multi-Family and Commercial tonnages as described above. Each Member Agency account is assigned a unique code that is included in the quarterly Split Table Listing and used to allocate those tons to the appropriate Member Agency.

Drop-Box – Drop box and compactor loads are specific to a single location and therefore 100% of the tons for each drop box and compactor load is directly assigned to the associated Member Agency.

Bulky Item On-Call Collections & Abandoned Waste/Illegal Dumping – Recology runs both on-call recyclables and solid waste bulky item routes. The bulky-item solid waste route also collects abandoned waste/illegal dumping tonnages. The driver keeps a manual log of abandoned waste collected that includes an estimate of the weight of the items collected and the origin (Member Agency). This estimated abandoned waste tonnage is subtracted from the total weight of each load with the remaining tonnage allocated to the on-call collections. Recology also tracks the requests for bulky item/on-call collections by Member Agency and allocates the total on-call collection tonnage to each Member Agency in proportion to the percentage of total collections for each load by Member Agency.

Venues and Events – With the exception of roll-off bins from venues and events, which are weighed, tracked and recorded in SBR’s PC Scales system, material from individual venues and events are collected by dedicated vehicles (e.g., supervisor

² For the months of January and December it is necessary for Recology to manually adjust the allocations generated by the Split Table Listing due to the shifting of the daily routes to account for the Christmas and New Year’s Day Holiday collection schedule.

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vehicles) and delivered to Recology's maintenance facility where they are weighed, recorded and consolidated in bins. Those bins are then weighed and recorded in SBR's PC Scales system as Recology Maintenance Box Tons. The tonnages for each venue and event are specifically tracked and those figures manually assigned to the associated Member Agency on the "Events" workbook of each monthly query excel file.³

Review of Member Agency Tonnage Allocations

Based on the above stated methods Recology uses to allocate tons among the member agencies R3 gathered applicable supporting documentation to test the calculation of and application of Recology's tonnage allocation methodology. That review included at least two months of data for each Member Agency covering all twelve months during the year.

Single-Family, Multi-Family and Commercial / Agency Facilities –

To test the allocation of regularly scheduled cart and bin customers, R3 selected a sample of routes within each quarter of 2013. We then calculated the Member Agency allocation percentages associated with Recology's allocated Member Agency tonnages that were generated from Recology's monthly tonnage queries. Those allocated tonnage percentages were then compared to the quarterly split table percentages for each applicable Member Agency to determine the accuracy of Recology's tonnage allocations.

Drop Box – R3 tied the reported Drop-Box tons on Recology's Monthly Tonnage Reports for samples covering each Member Agency and each month of 2013 to the supporting data generated by Recology's monthly queries.

Bulky Item On-Call Collections – R3 tied Recology's on-call bulky item solid waste and recyclables collection tonnages reported on its Monthly Tonnage Report to the supporting documentation for a sample covering all Member Agencies and months.

Abandoned Waste/Illegal Dumping – R3 tied Recology's abandoned waste/illegal dumping tonnages reported on its Monthly Tonnage Report to the supporting documentation for a sample covering all Member Agencies and months.

Venues and Events – R3 tied Recology's venues and events tonnages reported on its Monthly Tonnage Report to the supporting documentation for a sample covering various Member Agencies and months.

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³ Recology's "monthly query files" provide a download of its internal tonnage data base that allocates tonnages to each Member Agency based on the Split Table Listings and other supporting documentation.

Findings:

- ✓ R3 found Recology's tonnage allocation methodology to be logical and reasonable and consistently applied.
- ✓ R3 confirmed that the quarterly allocations of Single-Family, Multi-Family and Commercial and Agency Facilities were consistent with the quarterly split table percentages.
- ✓ R3 traced the data reported on Recology's Tonnage Report (M1) to the supporting spreadsheets (M1a, M1b and M1c) without exception.
- ✓ R3 traced the data reported on Recology's supporting spreadsheets (M1a, M1b and M1c) to the supporting monthly queries. That testing documented the supporting basis for all allocations with the exception of various minimal tonnages, all of which were less than one (1) ton.

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Section 4: Review of Recology Reported Customer Service Data

The objectives of this task were to:

- Test at least two separate months (covering all twelve months during the year) of the reported customer service data for each Member Agency and verify it ties to the supporting documents;
- Test the accuracy of customer service representative (CSR) reported statistics; and
- Test the accuracy of CSR's coding calls.

Review of Reported Customer Service Data

In Section D of the quarterly and annual reports, Recology reports customer service data (i.e., "Inquiry, Service Request and Complaint Data") in the following categories:

- Single Family Initial Missed Pick-Up Complaints
- Single-Family Missed Pick-Up Collection Events*
- Excessive Noise*
- Discourteous Behavior*
- Property Damage*
- Spills*
- On-Call Bulky Item Collection
- Extra/Overage Requests
- Recycling Tote-Bag Requests
- Information Requests
- Billing Concerns

* The accuracy of these reporting items has been reviewed as part of R3's Review of Recology Liquidated Damages/Performance Incentive and Disincentive payments

For all customer service items above with associated Liquidated Damages and/or Performance Incentives and Disincentives, **R3 tested Recology's reported number of "occurrences" for each item for all months of 2013.** The results of that review are provided in the section of this report titled "Review of Recology Liquidated Damages / Performance Incentive and Disincentive Payments."

For the remaining items above with no associated Liquidated Damages or Performance Incentives and Disincentives, **R3 tested**

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two months of data for each Member Agency (covering all months of the year) to verify that the reported number of “occurrences” ties to the supporting documents.

Findings:

Our review identified a number of instances where the reported occurrences varied from the source documentation. Specifically:

- ✓ 98 of 137 tested data points (72%) were equal to the source documentation;
- ✓ 33 of 137 tested data points (24%) varied from the source documentation by less than 10%; and
- ✓ 6 of 137 tested data points (4%) varied from the source documentation by greater than 10%.

R3 also noted that Recology does not have a “Reason Code” associated with requests for Recycling Tote-Bags. As such, R3 was unable to verify the accuracy of reported values in this category, although this value was reported as zero for all Member Agencies for all months of 2013.

Recommendation #4 – *Recology should develop a Reason Code for Recycling Tote-Bags.*

Review of Reported CSR Statistics

On a quarterly and annual basis, Recology reports customer service representatives (CSR) statistics which are based on data generated by Recology’s Shoretel phone system. Statistics generated by the phone system include:

- Number of calls received;
- Number of calls answered;
- Number of calls answered within 15, 30, 45, 60, and 90 seconds; and
- Cumulative wait time before answered. (The average wait/hold time (i.e., average speed of answer) is calculated based on the cumulative wait time and the total number of calls answered.)

The phone statistics for each month are input into Section E (“Call Center Data and Quality Assurance Calls Made”) of the quarterly and annual reports, and are also used for the Incentive/Disincentive forms for “Ninety Second Hold Time” and “Average Speed of Answer”. Recology also reports the total number of quality assurance calls made during each month in Section E.

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Findings:

- ✓ Without exception, R3 verified that the phone statistics provided in Recology's 2013 quarterly and annual reports matched the phone statistics generated by the Shoretel phone system for each month of 2013.

Review of CSR's Coding Calls

To test the accuracy of CSR's coding calls, R3 randomly sampled 400 CSR tickets created in both January and July of 2013.

Findings:

Of the 800 tickets sampled, we found that a total of 53 (6.6%) were coded incorrectly. The incorrectly coded tickets included:

- 33 pertaining to missed pickup complaints, including:
 - Seven (7) missed holiday tree pickups in January;
 - One (1) missed bulky item collection pickup; and
 - 25 missed container pickups.
- One (1) pertaining to unauthorized collection hours;
- One (1) pertaining to property damage;
- Ten (10) pertaining to improper placement of containers;
- Two (2) pertaining to excessive noise;
- Four (4) pertaining to Contractor's failure to clean up mess left after service; and
- Two (2) pertaining to unacceptable employee behavior, including:
 - One (1) instance of a customer having "personal problems with driver" and claiming the driver placed carts in front of her car on purpose; and
 - One (1) instance of a caller claiming she was almost hit by a truck.

Table 1 provides a listing of the above incorrectly coded tickets along with the extrapolation of that data for the entire calendar year of 2013.

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**TABLE 1
CSR CODING CALL ERRORS**

| Actual Ticket Type | Incorrect Samples Identified | | | | Total Annual Allowance | Liquidated Damages per Occurrence | Additional Liquidated Damages Due to SBWMA ¹ |
|--|------------------------------|-----------|--------------|-------------------------|---|-----------------------------------|---|
| | January 2013 | July 2013 | Total | Extrapolated 2013 Total | | | |
| Missed Pickup Complaints | <i>see subtotals below</i> | | | | | | |
| Holiday Tree | 7 | 0 | 7 | 103 | <i>No applicable Liquidated Damages</i> | | |
| Bulky Item | 0 | 1 | 1 | 88 | | | |
| Container | 14 | 11 | 25 | 2,198 | | | |
| Unauthorized Collection Hours | 1 | 0 | 1 | 88 | 372 | \$150 | \$0 |
| Property Damage | 0 | 1 | 1 | 88 | | | \$0 |
| Improper Placement of Containers | 5 | 5 | 10 | 879 | 6,000 | \$50 | \$0 |
| Excessive Noise | 1 | 1 | 2 | 176 | 708 | \$50 | \$0 |
| Failure to Clean Up Mess Left After Service | 3 | 1 | 4 | 352 | 1,428 | \$50 | \$0 |
| Unacceptable Employee Behavior ² | 1 | 1 | 2 | 176 | 0 | \$250 | \$44,000 |
| Total | 32 | 21 | 53 | 4,148 | | | \$44,000 |
| Recology Review of Customer Service Tickets | 2013 | | Total | N/A | | | |
| Unacceptable Employee Behavior ² | 34 | | 34 | N/A | 34 | \$250 | \$8,500 |

¹ Additional Liquidated Damages due to SBWMA only in cases where the annual "allowance" has been exceeded.

² Unacceptable Employee Behavior is a zero tolerance Performance Standard.

As shown, the only incorrectly coded tickets that would warrant the assessment of additional Liquidated Damages are the Unacceptable Employee Behavior tickets. Specifically, the R3 audit revealed that two tickets of this type would equate to 176 (\$44,000) when the result is extrapolated to the full year. However, SBWMA staff shared this result with Recology who then agreed to perform its own review of tickets for 2013. The company determined that a total of 34 tickets were improperly coded and should have been coded as Unacceptable Employee Behavior. The liquidated damages associated with this result totals \$8,500 at \$250 per occurrence.

Recommended Adjustment – Increase Liquidated Damages payments to the RethinkWaste Member Agencies by \$8,500.

The other items would not result in additional Liquidated Damages due to the fact that Attachment J of the Agreement provides for monthly "allowances" for each item, and the total corresponding annual allowances would not be exceeded with the addition of the extrapolated values above. In addition, there are no longer any Performance Incentives/Disincentives associated with missed pick-up complaint tickets.

In addition, SBWMA staff worked directly with Recology to develop improvements in how the company tracks and ensures that tickets are accurately coded. Recology agreed to implement these recommendations, as follows below.

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Recommendation #5 - Recology should prepare a weekly report to identify coding errors related to reporting of Liquidated Damages events. These reports should be review regularly (e.g., monthly) to ensure the Customer Service Reason Coding data that is maintained is accurate and that any identified Reason Coding errors are documented by generating a new call coding ticket with the proper Reason Code. The results should be shared with each customer service representative to provide feedback and counseling to improve the accuracy of compiling and maintaining this data. If any Reason Code tickets are corrected, a note should be added to the Report Log and a copy of this Report Log should be kept up to date and made available for review.

Recommendation #6 - Recology should review the current Reason Code list and revise as appropriate to provide a more refined description and accounting of the calls received. The revised or modified Reason Code list should be used commencing July 1, 2014. The changes should be documented and shared with the RethinkWaste.

Recommendation #7 - Recology should implement a new practice to route all complaint tickets (e.g., liquidated damages related, operations attention tickets) to dispatch for Supervisor Review, in lieu of immediately dispatching all tickets to the field which has been past practice. The Dispatch Clerks and Supervisors should monitor these tickets for accuracy of coding.

Recommendation #8 - Recology's Route Supervisors should investigate all alleged complaints to determine their validity and document the results of that investigation prior to closing out the ticket. The documentation should include GPS and/or physical evidence to confirm or refute the accuracy of the complaint. A narrative explaining the rationale for determining the merit of the complaint and resolution should be included in the documentation of the Route Supervisor's investigation (e.g., Complaint Resolution Log).

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Section 5: Review of Recology Liquidated Damages and Performance Incentive/Disincentive Payments

The objectives of this task were to:

- Verify the liquidated damages, incentive, and disincentive payments reported by Recology have been properly calculated and tie to the events reported; and
- Verify and explain Recology's procedures to identify and report events which would trigger liquidated damages and performance incentives/disincentives.

Background

Provisions for Liquidated Damages and Performance Incentives/Disincentives are provided in Attachment J and Attachment I⁴ of Recology's franchise agreements, respectively. Calculations of each Liquidated Damage and Performance Incentive/Disincentive item are provided as part of Recology's quarterly and annual reports, with the exception of the Incentive/Disincentive for diversion, which is only calculated as part of the annual report.

R3 requested and reviewed Recology's source documentation for Liquidated Damages and Incentives/Disincentives occurrences for all months of 2013. Table 2 and Table 3 below provide listings of Liquidated Damage and Incentive/Disincentive items, respectively, as well as the source documentation for each item as identified during our review. As shown, many of these items represent customer complaints, which are tracked through Recology's internal ticketing software ("TQR4 Reports").

It should be noted that the adjustments noted in Table 2 and Table 3 below only reflect R3's review of the accuracy of the reported quantities of occurrences (i.e., number of complaints in each category) as compared to Recology's source documentation (i.e., TQR4 Reports). These adjustments do not account for whether the incoming complaints have been properly coded by the customer service representative (CSR). R3's review of CSR call coding accuracy, as well as separate recommended adjustments based on that review, may be found in the section of this report titled "Review of CSR's Coding Calls".

⁴ As amended per the administrative changes and amendments.

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Review of Liquidated Damages Payments

Attachment J (Liquidated Damages) of Recology's franchise agreement lists the events that constitute breaches of the Agreement's standard of performance warranting the imposition of liquidated damages; the acceptable performance level; the definition of the complaint, incident or event; the method by which occurrences will be principally tracked and the amount of liquidated damages for failure to meet the contractually-required standard of performance. Recology is required to maintain records of customer complaints which show for each complaint: date and time received; name, address and telephone number of the caller; nature of complaint (e.g., missed pick-up, excessive noise, property damage, etc.); name of employee receiving complaint; action taken by Recology to respond to complaint; and date complaint was resolved.

Recology is to submit to RethinkWaste a liquidated damages report with its quarterly report that summarizes the number of complaints in each category and computes the amount (if any) of liquidated damages accrued by month during the preceding quarter.

Liquidated Damages specified in Attachment J of the Agreement are as follows:

Collection Quality

- Unauthorized Collection Hours
- Damage to Private Property
- Failure to Resolve Property Damage Claim
- Failure to Provide New Service or Initiate Change in Service
- Improper Container Placement
- Failure to Effectively Distribute Non-Collection Notices
- Excessive Noise Complaints
- Unacceptable Employee Behavior
- Complaints of Spills of Discarded Materials
- Complaints of Failure to Clean Up Spills of Discarded Materials
- Spills of Vehicle Fluids

Customer Service Quality

- Untimely Resolution of Complaints and Inquires

Reporting

- Late Submittal or Reports
- Submittal of Inaccurate Reports, etc.

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- Failure to Perform and Report on Billing Review

Other

- Disposal of Diversion Program Materials
- Use of Unauthorized Facilities

Findings:

Table 2 below provides a full list of 2013 Liquidated Damages payments as reported by Recology and as calculated by R3. As shown, R3 is recommending an overall adjustment of \$1,000 to the amount reported by Recology. R3's findings specific to each Liquidated Damage category are discussed below.

**TABLE 2
2013 Liquidated Damages Payments**

| Item Description | Company Source Documentation | Total 2013 Liquidated Damages Payments | | | |
|---|--|--|-----------------|------------------------|----------------|
| | | Company Reported | R3 Calculated | Recommended Adjustment | |
| Collection Quality | | | | | |
| 1 | Complaints regarding unauthorized collection hours, inadequate care of or damage to private property, and failure to resolve property damage claims within 30 days | TQR4 Reports (Reason Codes: 31086, 31093) | \$2,100 | \$2,100 | \$0 |
| 2 | Complaints regarding failure to provide new service or change existing service level within five (5) business days | TQR4 Reports (Reason Code: 31120) | \$0 | \$0 | \$0 |
| 3 | Complaints regarding improper container placement | TQR4 Reports (Reason Code: 31071) | \$0 | \$0 | \$0 |
| 4 | Distribution of less than 50% of required non-collection notices | TQR4 Reports (Reason Code: 31010) | \$0 | \$0 | \$0 |
| 5 | Excessive noise complaints | TQR4 Reports (Reason Code: 31084) | \$0 | \$0 | \$0 |
| 6 | Complaints regarding unacceptable employee behavior | TQR4 Reports (Reason Code: 31053) | \$7,750 | \$8,250 | \$500 |
| 7 | Complaints regarding spills of discarded materials and failure to clean up those spills | TQR4 Reports (Reason Code: 31098) | \$50 | \$50 | \$0 |
| 8 | Complaints regarding unreasonable leaks or spills of vehicle fluids | TQR4 Reports (Reason Code: 31116) | \$3,000 | \$4,000 | \$500 |
| Customer Service Quality | | | | | |
| 1 | Resolution or remedy of complaints or inquiries beyond 10 business days of receipt of the complaint or inquiry | TQR4 Reports (Reason Code: 31123) | \$0 | \$0 | \$0 |
| Reporting | | | | | |
| 1 | Late submittal of reports, applications, proposals or other submittals | Submittal dates shown on report covers and cover letters, and also tracked via email | \$0 | \$0 | \$0 |
| 2 | Accuracy of submittals: corrections or restatements submitted more than two (2) business after notification | | \$0 | \$0 | \$0 |
| 3 | Late submittal of billing review report | | \$0 | \$0 | \$0 |
| Other | | | | | |
| 1 | Disposal of recyclable materials without written approval | The Company stated that all materials are delivered to the Shoreway SBR facility. | \$0 | \$0 | \$0 |
| | Disposal of organic materials without written approval | | \$0 | \$0 | \$0 |
| 2 | Recyclable materials not delivered to the designated transfer and processing facility | | \$0 | \$0 | \$0 |
| | Solid waste or organic materials not delivered to the designated transfer and processing facility | | \$0 | \$0 | \$0 |
| Total Liquidated Damages Due to / (From) SBWMA | | | \$12,900 | \$14,400 | \$1,000 |

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Collection Quality

As shown in Table 2 above, Recology reports on several Liquidated Damages items related to Collection Quality. R3 checked the number of occurrences for each Liquidated Damage item for each month of 2013 against the source documentation (TQR4 Reports) provided by Recology and made adjustments as appropriate. R3 identified several instances of variances between the reported occurrences and the source documentation, although the only adjustments which had a material impact on the amount of Liquidated Damages due to RethinkWaste were related to complaints regarding unacceptable employee behavior and complaints regarding unreasonable leaks or spills of vehicle fluids. Specifically, R3's review identified:

- Two (2) unreported instances of complaints regarding unacceptable employee behavior (\$250 per occurrence = \$500 total); and
- One (1) unreported instance of complaints regarding unreasonable leaks or spills of vehicle fluids (\$500 per occurrence = \$500 total).

Recommended Adjustment – Increase the Liquidated Damages due to the RethinkWaste Member Agencies by \$1,000.

Customer Service Quality

The one Liquidated Damage item related to Customer Service Quality is "Resolution or remedy of complaints or inquiries beyond 10 business days of receipt of the complaint or inquiry". R3 identified no instances of the Reason Code corresponding to this Liquidated Damage item in Recology's TQR4 Reports in all months of 2013.

Recommended Adjustment – None

Reporting

For the Reporting category of Liquidated Damages, Recology stated that report submittal dates are recorded by the email transmittal, but that no Liquidated Damages for lateness are assessed unless they are notified of the late submittal by RethinkWaste. During our review, we noted that:

- All 2013 quarterly reports displayed their submittal date on the cover and cover letter of the report, and all were submitted within 30 days of the end of the end of the quarter as required by Section 9.04.C;
- The 2013 annual report displayed the submittal date on the cover and cover letter of the report, and was submitted

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within 45 days of the end of the year as required by Section 9.04.C;

- RethinkWaste did not notify Recology of any required corrections or restatements for any of the 2013 reports; and
- The billing review report was included in the 2013 annual report, and was therefore submitted within 45 days of the end of the year as required by Section 7.01.E.

Recommended Adjustment – None

Other

In regards to the Other subcategory of Liquidated Damages listed in Table 2 above, Recology has stated that all collected materials are delivered to the SBR facility on Shoreway Road (i.e., “the designated transfer and processing facility”).

Recommended Adjustment – None

Review of Incentives/Disincentives Payments

Attachment I (Performance Incentives and Disincentives) of Recology’s franchise agreement specifies that RethinkWaste shall provide incentive payment to Recology for exceeding the following three (3) performance standards:

- Overall Diversion Level;
- Single-Family Missed Pick-Up Initial Complaints;* and
- Average Speed of Answer.*

Disincentive payments are to be assessed from not meeting the following eleven (11) performance standards:

- Minimum Single-Family Diversion Level;
- Minimum Commercial Diversion Level;
- Maximum Contamination Level – Single-Family Targeted Recyclable Materials;
- Maximum Contamination Level – Single-Family Organic Materials;
- Maximum Contamination Level – Commercial Source Separated and Targeted Recyclable Materials;
- Maximum Contamination Level – Commercial Organic Materials;
- Maximum Contamination Level – MFD and Commercial Plant Materials;
- Single-Family Missed Pick-Up Initial Complaints;*

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

* Items for which there is both an Incentive and Disincentive Payment

Findings:

Table 3 below provides a full list of 2013 Performance Incentive/Disincentive payments as reported by Recology and as calculated by R3. As shown, R3 is recommending a decrease of \$2,500 in the Disincentive payment associated with Single-Family Missed Pick-Up Collection Events, and an increase of \$1,726 in the Disincentive payment associated with Maximum Contamination Levels. Findings specific to each Incentive/Disincentive category are discussed below.

**TABLE 3
2013 Performance Incentive/Disincentive Payments**

| PERFORMANCE INCENTIVES/DISINCENTIVES | | | | |
|---|--|--|--------------------|------------------------|
| Item Description | Company Source Documentation | Total 2013 Incentives/Disincentives Payments | | |
| | | Company Reported | R3 Calculated | Recommended Adjustment |
| Single-Family Missed Pick-Up Initial Complaints | TQR4 Reports (Reason Code: 32014) | <i>Incentive/Disincentive has been eliminated.</i> | | |
| Single-Family Missed Pick-Up Collection Events | TQR4 Reports (Reason Code: 32014) | \$7,800 | \$5,300 | (\$2,500) |
| Average Speed of Answer at Customer Service Center | Shoretel Phone System Statistics Report | (\$10,360) | (\$10,360) | \$0 |
| Ninety (90) Second Maximum Hold Time | Shoretel Phone System Statistics Report | \$0 | \$0 | \$0 |
| Maximum Contamination Levels | Quarterly Sloan-Vasquez Contamination Sampling Results | \$1,763 | \$3,489 | \$1,726 |
| Minimum Diversion Levels | 'M1d. Diversion Level' sheet of the Quarterly Report | (\$257,650) | (\$257,650) | \$0 |
| Total Incentives/Disincentives Due to / (From) SBWMA | | (\$258,447) | (\$259,221) | (\$774) |

Single-Family Missed Pick-Up Initial Complaints

Recology stated in its reports that the Incentive/Disincentive for “Single-Family Missed Pick-Up Initial Complaints” was eliminated. R3 confirmed the accuracy of this statement with RethinkWaste, and recommends no further action with regards to this item.

Single-Family Missed Pick-Up Collection Events

R3 checked the number of Single-Family Missed Pick-Up Collection Events for each month of 2013 against the source documentation (TQR4 Reports) provided by the Company and made adjustments as appropriate. This involved determining the quantity of Single-Family Missed Pick-Up Complaints which were

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not resolved by the end of the next business day (per Section 8.02.B.2 of the Agreement). R3's review identified an annual total of 106 Single-Family Missed Pick-Up Collection Events, as compared to the Company's reported annual total of 156 Single-Family Missed Pick-Up Collection Events.

Recommended Adjustment – Decrease Disincentive Payment due to RethinkWaste by \$2,500 (i.e., \$50 per event x 50 fewer events than reported)

Average Speed of Answer at Customer Service Center

R3 verified that the phone statistics provided in Recology's 2013 quarterly and annual reports matched the phone statistics generated by the Shoretel phone system for each month of 2013. Recology receives an Incentive payment for a calculated average speed of answer below 15 seconds, and a Disincentive payment for a calculated average speed of answer greater than 30 seconds. Recology calculated an Incentive Payment of \$10,360, which resulted from average answer speeds of below 15 seconds for 9 of 12 months during the 2013 calendar year. The average speed of answer was not below 15 seconds for the months of February, September and December, and the average never exceeded 30 seconds.

Recommended Adjustment – None

Ninety (90) Second Maximum Hold Time

R3 verified that the phone statistics provided in Recology's 2013 quarterly and annual reports matched the phone statistics generated by the Shoretel phone system for each month of 2013. Specifically, Recology receives a Disincentive payment of \$5.00 per call when the number of calls exceeding the 90-second threshold exceeds of 5% of all incoming calls in the quarter. The number of calls exceeding the 90-second threshold did not exceed 5% of all calls in any quarter of 2013.

Recommended Adjustment – None

Maximum Contamination Levels

Attachment I⁵ of the franchise agreement establishes the following Maximum Contamination Levels:

- Commercial Source Separated or Targeted Recyclable Materials – 10%
- MFD and Commercial Plant Materials – 5%

⁵ As amended per the administrative changes and amendments.

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- Single-Family Organic Materials – 5%
- Commercial Organic Materials – 10%
- Single-Family Targeted Recyclable Materials – 8.5%

R3 found that the reported contamination amounts used for the Incentive/Disincentive calculations were consistent with the contamination figures presented in the quarterly and annual reports, and were also consistent with the “Contamination Sampling Results” for 2013 provided by Sloan-Vazquez.

Recology maintained contamination levels below the maximums listed above, with the exception of exceeding the Maximum Contamination Level for Single-Family Targeted Recyclable Materials by 0.1% in both the first and second quarters of 2013. Recology correctly calculated the corresponding Disincentive for the second quarter, but did not calculate a Disincentive payment for the first quarter.

Recommended Adjustment – Increase Disincentive Payment to RethinkWaste by \$1,726 to account for the first quarter Disincentive Payment that was not calculated by Recology.

Minimum Diversion Levels

R3 found that the diversion amounts used for the “Minimum Diversion Levels” Incentive/Disincentive calculations were consistent with the figures presented in the quarterly and annual reports. Specifically, Recology calculated an overall 2013 diversion rate of 46.70%, as compared to the target diversion rate of 45.63% (i.e., the overall 2012 diversion rate). This represents diversion of 3,680.72 tons in excess of the target diversion level, with an associated overall Incentive amount of \$257,650.09 (i.e., \$70 per ton diverted in excess of the target diversion level). In addition, R3 confirmed that no Disincentive amounts are due to RethinkWaste as a result of not meeting the single-family and commercial minimum diversion levels.

Recommended Adjustment – None

Liquidated Damages and Performance Incentives/Disincentives Tracking and Reporting Procedures

Liquidated Damages Procedures

In general, Recology tracks and reports “occurrences” related to the franchise agreement’s specified Liquidated Damage items, and Liquidated Damage payments are assessed on any occurrences in excess of the occurrence limits specified by the franchise agreement. Many of the Liquidated Damage items are related to customer complaints, with additional Liquidated

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Damages related to late submittal of reports, and proper processing and delivery of collected material types.

Collection Quality

Complaints are received by phone through Recology's call center, and may also be submitted by customers online via Recology's website. When a complaint is received through the call center, the responding customer service representative (CSR) creates a complaint ticket with a "Reason Code" that describes the nature of the complaint. Each ticket is maintained in Recology's internal software and is shown as a line-item entry on Recology's internal monthly TQR4 Report.

It is important that each incoming complaint be assigned the correct Reason Code, because Recology determines monthly Liquidated Damage occurrence amounts using the quantity of Reason Codes shown on the TQR4 Report for each complaint type. In other words, if a complaint is entered into the system with an incorrect Reason Code, the associated Liquidated Damage quantity for that month will not account for the complaint.

During our review, we noted that all complaints submitted via Recology website produced a ticket with a generic "Complaint" Reason Code that is not specific to the type of complaint received. In cases where a complaint is entered into the system with only a generic "Complaint" Reason Code, the complaint is never counted into the total monthly quantity of Reason Codes corresponding to Liquidated Damage occurrences.

Recology reported that each generic complaint submitted through the website, if handled properly, should be accompanied by a follow-up complaint ticket with a more specific Reason Code corresponding to the associated Liquidated Damage item. However, R3 observed that a follow-up complaint ticket with a more specific Reason Code was not created for all complaints submitted via the website.

Therefore, R3 recommends that Recology review each complaint submitted through the website during 2013 to ensure that follow-up complaint tickets with more specific Reason Codes related to the applicable Liquidated Damage items have been generated for each complaint. The total quantity of Liquidated Damage occurrences for each month should then be recalculated, as appropriate, to include the new complaint tickets.

Recommendation #9 – *Going forward, the TQR4 Reports should include notes for each generic "Complaint" ticket submitted via the website, so that auditors may easily determine whether each generic complaint should be classified as a Liquidated Damage occurrence.*

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Recommendation #10 – *Recology’s Dispatch Supervisors should review all Supervisor tickets weekly to ensure that procedures are being followed and tickets are being closed with detailed resolutions. “Operations Attention” and other similarly coded tickets should be reviewed weekly by the Route Supervisors to ensure they were coded correctly.*

Customer Service Quality

Recology tracks occurrences of the one Liquidated Damage item related to Customer Service Quality (“Resolution or remedy of complaints or inquiries beyond 10 business days of receipt of the complaint or inquiry”) using a specific Reason Code in the same manner as those items in the “Collection Quality” category above. Recology determines monthly Liquidated Damage occurrence amounts for this item using the quantity of Reason Codes shown on the TQR4 Report for this item.

Reporting

For the “Reporting” category of Liquidated Damages, Recology stated that report submittal dates are recorded by the email transmittal, but that no Liquidated Damages for lateness are assessed unless they are notified of the late submittal by RethinkWaste. During our review, we noted that:

- All 2013 quarterly reports displayed their submittal date on the cover and cover letter of the report, and all were submitted within 30 days of the end of the end of the quarter as required by Section 9.04.C;
- The 2013 annual report displayed the submittal date on the cover and cover letter of the report, and was submitted within 45 days of the end of the year as required by Section 9.04.C;
- RethinkWaste did not notify Recology of any required corrections or restatements for any of the 2013 reports; and
- The billing review report was included in the 2013 annual report, and was therefore submitted within 45 days of the end of the year as required by Section 7.01.E.

Other

For the “Other” subcategory of Liquidated Damages, Recology stated that all collected materials are delivered to the SBR facility on Shoreway Road (i.e., “the designated transfer and processing facility”).

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Performance Incentives/Disincentives Procedures

Single-Family Missed Pick-Up Initial Complaints

Recology stated in its reports, and R3 confirmed with RethinkWaste, that the Incentive/Disincentive for “Single-Family Missed Pick-Up Initial Complaints” was eliminated.

Single-Family Missed Pick-Up Collection Events

Recology calculates the total number of “Single-Family Missed Pick-Up Collection Events” for each month by determining which instances of “Single-Family Missed Pick-Up Complaints” (i.e., TQR4 Report Reason Code 32014) are not resolved by the end of the next business day. Single-Family Missed Pick-Up Complaints are received at the call center in the same manner as described in the “Collection Quality” subsection above.

Average Speed of Answer at Customer Service Center & Ninety (90) Second Maximum Hold Time

The calculated Incentive/Disincentive amounts for “Average Speed of Answer at Customer Service Center” and “Ninety (90) Second Maximum Hold Time” are based on phone statistics generated by Recology’s Shoretel phone system. As discussed previously, statistics generated by the system include:

- Number of calls received;
- Number of calls answered;
- Number of calls answered within 15, 30, 45, 60, and 90 seconds; and
- Cumulative wait time before answered. (The average wait/hold time (i.e., average speed of answer) is calculated based on the cumulative wait time and the total number of calls answered.)

The Shoretel phone statistics from each month are input into the applicable Incentive/Disincentive forms that are provided in reports to RethinkWaste.

Maximum Contamination Levels

Recology’s contamination levels are based on third party “Contamination Sampling Results” provided by Sloan-Vazquez. These contamination levels are determined twice per year, and the resulting contamination percentages are input into the applicable quarterly Incentive/Disincentive forms that are provided to RethinkWaste.

Minimum Diversion Levels

For purposes of calculating the Performance Incentive/Disincentive, annual diversion levels are set equal to the overall

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annual diversion levels after accounting for contamination, as provided on sheet M1d of Recology's annual report source documentation.

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Section 6: Review of Recology Billing Audits

The objective of this task was to assess Recology's compliance with Section 7.01E of its franchise agreements - Review of Billings.

Background

Per Section 7.01E of its franchise agreements Recology is required to audit customers on a regular basis to assure that the level of service provided is consistent with customer billing.

Review of Billings. Contractor shall review its Billings to Customers, issued pursuant to Section 7.01.A. The purpose of the review is to determine that the amount which Contractor is Billing each Customer is correct in terms of the level of service (i.e., frequency of Collection, size of Container, location of Container) being provided to such Customer by Contractor. Contractor shall review Customer accounts not less than once every three (3) calendar years for each Commercial, Multi-Family Dwelling and SFD Customer, unless Agency shall direct Contractor to do so more frequently. Contractor shall submit to Agency a written report of the status of its review annually no later than forty-five (45) Days after the end of each calendar year. The intent of this Section is for Agency to receive reports on an annual basis for one-third (1/3) of all Customer accounts, and for all Customer accounts to be reviewed every third year of the Agreement. The scope of the review and the reviewer's work plan shall be submitted to Agency for approval no later than six (6) months before the submission of the first report.

Review of Billing Audit Process

As part of our review we requested and received supporting documentation from Recology for the required billing audits, which we assessed for compliance with the requirements of the agreements.

Findings:

- ✓ A summary of the Contractor's Review of Billings is included in their Annual Report (pg. 49 of 2013 Annual Report).
- ✓ Recology staff reported that they audit 1/3rd of residential customers annually such that they completely audit all accounts every three years per the Agreement. If the audit identifies a discrepancy between the amount billed and the actual service level provided Recology customer service representatives call the customer to determine whether or not they want to change their current service level to match the current billing and then adjust the service level or billing accordingly.

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- ✓ In the past, Recology has not tracked how many exceptions they have found during the billing audits, although as noted above they do make corrections to the billing. Going forward Recology reported that they will track the number of exceptions. To provide a general sense for the number of exceptions Recology staff reviewed past data with customer service and reported that on average the billing audits identified 5 to 7 accounts per daily route where the billing was inconsistent with the service level provided in the field. Based on approximately 800 customers per route per day this equates to an error rate of less than 1 percent.
- ✓ R3 requested a copy of the “scope of the review and the reviewers work plan” that was to be submitted to the RethinkWaste for approval prior to the first report per the Agreement. Recology staff interviewed as part of this review was not aware that any such formal auditing plan was developed and submitted and RethinkWaste staff was also not aware that the required “scope of the review and the reviewers work plan” had been provided.
- ✓ Recology provided information documenting the audits conducted for 2011, 2012, 2013 and 2014 year to date. Based on review of that data and discussions with Recology R3 noted the following:
 - Recology informally audited the commercial accounts when they switched out the Allied/BFI containers in 2011 and 2012 but since that time, with limited exceptions, they have not audited any of the commercial solid waste accounts. Recology reported that they will audit 1/3rd of the commercial accounts in 2014 and annually going forward.
 - Recology has not audited the commercial organic accounts. We discussed this with the company and since those accounts are charged for this service we recommend that they be included in the audit going forward. Recology reported that they will audit the commercial organic accounts going forward.
 - Recology has not audited commercial recycling accounts. Since commercial recycling is a “free service” it is not necessary to audit those accounts for purposes of assuring accurate billing. However, including those accounts in the audit should not require significant additional effort since they are auditing each commercial account for solid waste (and organics, as applicable) going forward.

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Recommendation #11 - Require Recology to submit a “scope of the review and the reviewers work plan”, as required by the Franchise Agreement. As part of that plan we recommend that solid waste, organic and recycling service levels be audited for accuracy with billing and recycling service level records.

Recommendation #12 – Recology should track all exceptions identified during the required billing audits and provide that information to RethinkWaste as part of their annual reporting requirement. Include for each exception the specifics of the exception, the date of any associated billing adjustment and any corresponding action taken (e.g., customer refund, bill for prior services).

Note: Requested data for any audits conducted prior to July 1st 2014 should be provided in as much detail as possible, with estimates/general information provided if specifics were not tracked, however after July 1st 2014, Recology should be expected to keep a detailed accounting of all exceptions going forward and report that information annually, as noted above

Recommendation #13 - Recology should annually report commercial subscription levels by account and for the commercial sector overall (i.e., weekly cubic yards of solid waste, recycling and organic materials). This will provide a clear picture of the extent to which individual commercial businesses are subscribing to the available diversion programs. It also provides a means for gaging the effectiveness of commercial outreach and public education efforts. Over time with effective outreach you would expect to see recycling and organic service volumes (cubic yards of weekly service) go up and solid waste service volumes go down. If those levels are not changing then it may be appropriate to reassess the effectiveness and/or need for additional outreach or redirect resources to other areas where there might be greater payback.

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Section 7: Review of SBR Reported In-Bound Tonnage Data

The objectives of this task were to:

- Verify Accuracy of SBR's reported In-Bound Tonnage Data;
- Verify SBR's reported data (from franchised services) is consistent with Recology's reports; and
- Verify all other SBR tonnage is also accurate.

Background

All incoming franchised vehicles (Recology) and Member Agency Vehicles, as well as self-haul C&D/Inert loads are weighed on SBR's scales when those loads enter the facility. All other self-haul loads are not weighed and are charged based on estimated volume and material type.

Comparison of Recology Tons to SBR Tons

Recology drivers enter information about each load into SBR's PC Scales system through the driver automated attendant (DAT) terminal located at the scales. Each driver receives a hard copy of each ticket. SBR reviews Recology's weight tickets on a daily basis for discrepancies such as duplicate loads and zero-weight loads and any inaccuracies to identify any potential errors and electronically uploads all data to Recology on a daily basis. At the end of each month SBR submits a monthly aggregate data upload to Recology.

To determine if SBR's reported data for Recology's franchised service is consistent with that data reported by Recology, R3 compared SBR's monthly data from franchise services, as reported in their 2013 December Report (Attachment 3 – Franchised Inbound Tons (Recology)) to the monthly data reported by Recology in its monthly tonnage reports as reported in its Tonnage Summary and Cumulative Comparison worksheets of its quarterly reports.

Findings:

Table 4 below provides a comparison of the total tons diverted and disposed as reported by Recology to those reported by SBR. As, shown there are some minor discrepancies in both the reported diversion and disposal data.

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TABLE 4
Comparison of Recology and SBR Monthly Tonnages

| Month | Tons Disposed | | | | Tons Diverted | | | |
|--------------|---------------------|-------------------|--------------|--------------|---------------------|-------------------|-------------|--------------|
| | Recology Report (1) | SBR Report (2) | Variance | | Recology Report (1) | SBR Report (2) | Variance | |
| January | 15,202.17 | 15,202.17 | - | 0.00% | 14,439.44 | 14,443.42 | (3.98) | -0.03% |
| February | 13,350.28 | 13,350.28 | - | 0.00% | 11,383.70 | 11,381.43 | 2.27 | 0.02% |
| March | 14,212.98 | 14,212.98 | - | 0.00% | 13,067.56 | 13,067.35 | 0.21 | 0.00% |
| April | 15,021.56 | 15,021.12 | 0.44 | 0.00% | 15,367.59 | 15,367.63 | (0.04) | 0.00% |
| May | 15,429.09 | 15,429.06 | 0.03 | 0.00% | 15,292.76 | 15,289.57 | 3.19 | 0.02% |
| June | 13,983.71 | 13,970.70 | 13.01 | 0.09% | 13,102.62 | 13,107.53 | (4.91) | -0.04% |
| July | 15,962.28 | 15,960.34 | 1.94 | 0.01% | 14,576.95 | 14,575.73 | 1.22 | 0.01% |
| August | 15,169.88 | 15,168.77 | 1.11 | 0.01% | 13,972.33 | 13,968.40 | 3.93 | 0.03% |
| September | 14,435.10 | 14,430.50 | 4.60 | 0.03% | 13,649.89 | 13,649.79 | 0.10 | 0.00% |
| October | 14,981.88 | 14,981.41 | 0.47 | 0.00% | 14,497.02 | 14,493.78 | 3.24 | 0.02% |
| November | 14,133.40 | 14,133.40 | - | 0.00% | 14,991.78 | 14,994.45 | (2.67) | -0.02% |
| December | 15,119.18 | 15,119.16 | 0.02 | 0.00% | 14,588.76 | 14,590.20 | (1.44) | -0.01% |
| Total | 177,001.51 | 176,979.89 | 21.62 | 0.01% | 168,930.40 | 168,929.28 | 1.12 | 0.00% |

¹ Source: Annual Report Tonnage Report supporting detail: (4) RSMC Annual Reports 2013 part 1 / M1. Tonnage Summary

² Source: SBR's 2013 December Report; Attachment 3; Franchised Inbound Tons (Recology)

Tracking Inbound Tonnage Data

SBR tracks the following six (6) major categories of Inbound Tons as reported in the Inbound Tons Report (Attachment 3) of their monthly, quarterly and annual reports:

- Franchised Inbound Tons (Recology);
- Member Agency Vehicles Inbound Tons;
- Recology Maintenance Box Trucks;
- Self-Haul Tons;
- Buyback & Drop-Off Tons;
- South Bay Internal Tons; and
- Non-Franchised Tons.

Non Self-Haul Tons

With the exception of self-haul tons (other than self-haul C&D and inerts), all of SBR's reported line item tonnages for each of the above major categories of Inbound Tons are weighed and recorded in the monthly PC Scales data input sheet (Attachment AA – Data Entry Form 1 from PCS) that supports SBRs Monthly Inbound Tons Report. The line item tonnages listed in the Monthly Inbound Reports are electronically linked to Attachment AA. The

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data in Attachment AA is manually inputted largely from reports generated from the PC Scales data base.

Findings:

To verify the accuracy of the reported input tonnages R3:

- ✓ Tied the line item tonnage figures reported on the Monthly Inbound Tonnage Report for a sample month to Attachment AA without exception; and
- ✓ Tied the data reported on Attachment AA for that same sample month to the supporting PC Scales generated reports and other supporting documents (e.g., battery log), without exceptions.

R3 also obtained and supporting documentation for the Third Party recycling tonnages and tied that support to the reported figures without exception.

Self-Haul Tons

Inbound self-haul tons are calculated by subtracting the Total MSW Inbound Tons from the Total MSW Outbound Tons (Attachment AB) (e.g., in January 2013 there was total of 16,471.35 outbound tons MSW and 15,866.55 tons of inbound MSW recorded in the PC Scales system, the difference of which (604.08 tons) is assumed to be the tonnage associated with self-haul material entering the facility, which was recorded on a volume (cubic yard basis).

Self-haul PC Scale recorded volumes (cubic yards) for self-haul material are then converted into tons by:

- Calculating the percentage of the total volume of self-haul solid waste associated with each Member Agency (e.g., Atherton had 7.5 cubic yards of self-haul solid waste recorded in January 2013 out of a total of 2,482 total self-haul solid waste yardage or 0.30% of the total self-haul volume of solid waste); and
- Multiplying that percentage by the assumed self-haul tonnage of 604.08 tons (which for example in the case of results in a total of 1.83 tons of self-haul material from the Town of Atherton for January).

Findings:

- ✓ R3 confirmed the accuracy of the calculated Self-Haul tonnage.

Review of Inbound Member Agency Tonnage Data

Member Agency Vehicles

Tonnages for inbound Member Agency vehicles are reported on SBRs Inbound Tons Report for the following four (4) categories:

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- Solid Waste (MSW)
- Recycling;
- Organics; and
- Inert/C&D.

Findings:

- ✓ For a sample month, R3 tied the overall Member Agency tonnages for each of the above categories to the PC Scales Data Entry Form (Attachment A of the Monthly Report supporting Excel file) without exception. We also tied the tonnage on the PC Scales Data Entry Form to the Member Agency Tonnage Report by Material ([wp1/2](#)) data download from the PC Scales data base without exception.

Transfer Station & Third Party Tonnages

SBR also reports Transfer Station & Third Party Tonnages for tonnages by Member Agency for the following sources:

- Self-Haul Solid Waste;
- MRF Residue;
- TS & Other;
- Self-Haul Green Waste; and
- Self-Haul Inert/C&D.

Self-Haul Solid Waste

As discussed above, inbound self-haul tons are calculated by subtracting the Total MSW Inbound Tons from the Total MSW Outbound Tons (Attachment AB “Yardage Data by Origin for MSW” of the Monthly Report supporting Excel file).

Findings:

- ✓ R3 tied the reported MSW yards by Member Agency on Attachment AB for a sample month to the supporting PC Scales data base and confirmed the accuracy of the associated conversion of yardage to tons without exception.

MRF Residue⁶

MRF residue ties to Attachment AD (“Data Entry Residual Allocation by Origin” of the Monthly Report supporting Excel file), which is generated using Member Agency allocation data provided by Recology in its monthly MIS Report.

⁶ MRF residue from the sort line that goes over the Thayer Belt Scale that is calibrated every shift.

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Findings:

- ✓ We tied the reported MRF Residue tonnage for a sample month to the supporting PC Scales data base without exception.

TS & Other

This category is comprised of Appliances, Mattresses, Refrigerators and Tires. TS & Other is calculated in a manner similar to MSW above on Attachment AC ("Self Haul and Yardage Allocation by Origin" of the Monthly Report supporting Excel file), which ties directly to PC Scales volume inputs.

Findings:

- ✓ We tied the reported TS & Other tonnage for a sample month to the supporting PC Scales data base without exception.

Self-Haul Green Waste

Self-Haul Green Waste is calculated in a manner similar to MSW above on Attachment AC (Self Haul and Yardage Allocation by Origin).

Findings:

- ✓ We tied the reported Self-Haul Green Waste tonnage for a sample month to the supporting PC Scales data base without exception.

Self-Haul Inert/C&D

Self-Haul Inert/C&D is calculated in a manner similar to MSW above on Attachment AC (Self Haul and Yardage Allocation by Origin), which ties directly to PC Scales volume inputs.

Findings:

- ✓ We tied the reported Self-Haul Inert/C&D tonnage for a sample month to the supporting PC Scales data base without exception.

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Section 8: Review of SBR Liquidated Damages

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The objectives of this task were to:

- Verify Liquidated Damages payments have been properly calculated in accordance with the Operating Agreement and tie to the reported events; and
- Verify and explain SBR's procedures to identify and report events which would trigger Liquidated Damages.

Review of Liquidated Damages Payments

Background

Attachment 10 of SBR's 2013 quarterly and annual reports did not include any reportable instances of service issues that would trigger the payment of Liquidated Damages in accordance with Attachment I of the operating agreement.

Attachment 10 of SBR's operating agreement specifies the following Liquidated Damage events:

- Failure to meet Vehicle Turnaround Guarantee;
- Failure to receive vehicles during Operating Hours;
- Failure to remedy a litter complaint within 5 hours of notification;
- Failure to provide excellent customer service;
- Timeliness of submission of reports to RethinkWaste;
- Failure to make records available upon request; and
- Failure to notify SBWM of intent to use subcontractors.

Findings:

- ✓ We verified that the Liquidated Damage amounts reported in Attachment 10 of its December monthly reported tied to those listed in Attachment 10 of its Operating Agreement.
- ✓ SBR did not report any Liquidated Damages for 2013, as shown in Attachment 10 of its December monthly report.
- ✓ While SBR reported no Liquidated Damages associated with Failure to meet vehicle Turnaround Guarantees it has not actively tracked the data that would support that finding (see Review of Liquidated Damage Reporting Procedures below).

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Review of Liquidated Damage Reporting Procedures

As part of our review of SBR's Liquidated Damages R3 met with SBR management staff and RethinkWaste's Facility Operations Contract Manager. During that meeting SBR reported among other things that, while it has the capabilities to track various data related to Liquidated Damages (e.g., Vehicle Turnaround Guarantee), that data is not actively tracked. RethinkWaste's Facilities Operations Manager reported that RethinkWaste was aware of the fact that the data was not actively being tracked but also reported that the SBMWA is not aware of any issues related to those items for which Liquidated Damages apply. The Facility Operations Contract Manager also reported that should RethinkWaste become aware of any potential issues in the future it would require SBR to actively track any associated data for purposes of assessing compliance.

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Section 9: Recommendations

This section includes a comprehensive list of the recommendations included throughout the report

Section 1: Introduction

No recommendations

Section 2: Completeness and Mathematical Accuracy

Recommendation #1 – Recology should include a section on “Operational Changes” going forward, and state the fact that they experienced no substantive changes if that is the case.

Recommendation #2 – Recology should include a section on “Commercial Customer Service” as required by the Agreement going forward and specifically state in that section that commercial customer service is included in Recology’s discussion of overall customer service practices, if that is the case.

Recommendation #3 – RethinkWaste should review the summary descriptions provided in SBR’s reports, and either: (a) confirm the acceptability of those summaries; or (b) direct SBR to provide additional descriptive detail regarding the facility’s programs and operations.

Section 3: Review of Recology Tonnage Data

No recommendations

Section 4: Review of Recology Reported Customer Service Data

Recommendation #4 – Recology should develop a Reason Code for Recycling Tote-Bags.

Recommendation #5 - Recology should prepare a weekly report to identify coding errors related to reporting of Liquidated Damages events. These reports should be review regularly (e.g., monthly) to ensure the Customer Service Reason Coding data that is maintained is accurate and that any identified Reason Coding errors are documented by generating a new call coding ticket with the proper Reason Code. The results should be shared

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with each customer service representative to provide feedback and counseling to improve the accuracy of compiling and maintaining this data. If any Reason Code tickets are corrected, a note should be added to the Report Log and a copy of this Report Log should be kept up to date and made available for review.

Recommendation #6 - Recology should review the current Reason Code list and revise as appropriate to provide a more refined description and accounting of the calls received. The revised or modified Reason Code list should be used commencing July 1, 2014. The changes should be documented and shared with the RethinkWaste.

Recommendation #7 - Recology should implement a new practice to route all complaint tickets (e.g., liquidated damages related tickets, operations attention tickets) to dispatch for Supervisor Review, in lieu of immediately dispatching all tickets to the field which has been past practice. The Dispatch Clerks and Supervisors should monitor these tickets for accuracy of coding.

Recommendation #8 - Recology's Route Supervisors should investigate all alleged complaints to determine their validity and document the results of that investigation prior to closing out the ticket. The documentation should include GPS and/or physical evidence to confirm or refute the accuracy of the complaint. A narrative explaining the rationale for determining the merit of the complaint and resolution should be included in the documentation of the Route Supervisor's investigation (e.g., Complaint Resolution Log).

Section 5: Review of Recology Liquidated Damages/Performance Incentive and Disincentive Payments

Recommendation #9 – Going forward, the TQR4 Reports should include notes for each generic “Complaint” ticket submitted via the website, so that auditors may easily determine whether each generic complaint should be classified as a Liquidated Damage occurrence.

Recommendation #10 – Recology's Dispatch Supervisors should review all Supervisor tickets weekly to ensure that procedures are being followed and tickets are being closed with detailed resolutions. “Operations Attention” and other similarly coded tickets should be reviewed weekly by the Route Supervisors to ensure they were coded correctly.

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Section 6: Review of SBR Tonnage Data

Recommendation #11 – Require Recology to submit a “scope of the review and the reviewers work plan”, as required by the Franchise Agreement. As part of that plan we recommend that solid waste, organic and recycling service levels be audited for accuracy with billing and recycling service level records.

Recommendation #12 – Recology should track all exceptions identified during the required billing audits and provide that information to RethinkWaste as part of their annual reporting requirement. Include for each exception the specifics of the exception, the date of any associated billing adjustment and any corresponding action taken (e.g., customer refund, bill for prior services).

Note: Requested data for any audits conducted prior to July 1st 2014 should be provided in as much detail as possible, with estimates/general information provided if specifics were not tracked, however after July 1st 2014, Recology should be expected to keep a detailed accounting of all exceptions going forward and report that information annually, as noted above

Recommendation #13 - Recology should annually report commercial subscription levels by account and for the commercial sector overall (i.e., weekly cubic yards of solid waste, recycling and organic materials). This will provide a clear picture of the extent to which individual commercial businesses are subscribing to the available diversion programs. It also provides a means for gaging the effectiveness of commercial outreach and public education efforts. Over time with effective outreach you would expect to see recycling and organic service volumes (cubic yards of weekly service) go up and solid waste service volumes go down. If those levels are not changing then it may be appropriate to reassess the effectiveness and/or need for additional outreach or redirect resources to other areas where there might be greater payback.

Section 7: Review of SBR Liquidated Damages

No recommendations

Section 8: Customer Call Center Audit Data

No recommendations

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Appendix A

Recology Quarterly and Annual Report Completeness Checklists

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Recology Quarterly Reports (Article 9.06)

| Report Requirements | | Submitted in Reports? | Page | Comments |
|---------------------|---|------------------------------|--|---|
| 9.06 | Quarterly reports shall present the information described in this Section. Each quarterly report shall present the information below for the reporting months of that quarter and for each of the preceding twelve (12) months. | <i>see subsections below</i> | | |
| 9.06.A | Tonnage Information. Contractor shall provide the Tonnage information requested below by Service Sector on a monthly and year-to-date basis. However, the Agency reserves the right to request the monthly Tonnage data by route. | Yes | 1-28 | |
| 9.06.A.1 | Solid Waste. Total Solid Waste Tonnage Collected and Disposed by Service Sector. | Yes | 1-28 | |
| 9.06.A.2 | Targeted Recyclable Materials Services. Total Targeted Recyclable Materials Tonnage Collected and delivered for processing by Service Sector listed separately by material type Collected (e.g., Single-Stream Targeted Recyclable Materials, Source Separated cardboard, Source Separated paper, Used Motor Oil, Used Motor Oil Filters, etc.). | Yes | 1-28 | |
| 9.06.A.3 | Organic Materials Services. Total Organic Materials Tonnage Collected and delivered for processing by Service Sector listed separately by material type (e.g., Plant Materials, Food Scraps, or Organic Materials). | Yes | 1-28 | |
| 9.06.A | If Contractor does not separately track Multi-Family Tonnage data, Contractor shall conduct a semi-annual or annual Tonnage assessment if requested by the Agency in accordance with Section 7.08 that involves separately Collecting and weighing Multi-Family Solid Waste, Targeted Recyclable Materials, and Organic Materials to quantify Tonnage Collected during a given week. | | | |
| 9.06.B | Diversion Level. Contractor shall provide the quarterly and year-to-date Overall Diversion Level, the quarterly and year-to-date Single-Family Diversion Level, and the monthly and year-to-date Commercial Diversion Level (each stated as a percentage) calculated in accordance with Attachment I. In addition, Contractor shall present the calculations used to determine the diversion levels. | Yes | 1-28 | Diversion level calculations are provided in the report source file. |
| 9.06.C | Education Activities | Yes | Sheets M6 – M6b of the report source file. | |
| 9.06.C.1 | Public education materials produced and total number of each distributed. | Yes | | |
| 9.06.C.2 | Dates, times, and names of meetings or events attended. | Yes | | |
| 9.06.C.3 | Dates, times, and names of school(s) where presentations were performed. | Yes | | |
| 9.06.C.4 | Other educational activities as may be requested by Agency. | | | |
| 9.06.D | Complaint, Inquiry and Service Requests Data. Contractor shall provide information on the number of Complaints, Inquiries and service requests received from Customers, Generators, or other Person by category (e.g., missed pickups, noise Complaints, scheduled On-Call Bulky Item Collection Events, Overages, Billing concerns, property damage claims, requests for information, etc.). Complaint summary, for each month and cumulative for Rate Year to date, summarized by nature of Complaints on a compatible computer disc or other memory device approved by Agency. | Yes | 29 | Year-to date data is provided in the report source file. |
| 9.06.E | Call Center Data. Number of calls received, number of calls answered, number of dropped calls, percentage of dropped calls, average delay time, Average Hold Time, percentage of calls answered within thirty (30) seconds, percentage of calls answered in ninety (90) seconds reported for the month. | Yes | 30 | |
| 9.06.F | Quarterly Gross Revenues and Fee Reports. Pursuant to Article 10, a statement itemizing each fee paid by Contractor to Agency in the quarter; detailing calculation of each monthly fee amount; and stating monthly Gross Revenues, by Service Sector, for all operations conducted or permitted by this Agreement. | Yes | Sheets M5 and M5a of the report source file. | |
| 9.06.G | Determination and Payment of Liquidated Damages. In accordance with the requirements of Section 14.07, Contractor shall provide a report that identifies any non-compliance with performance measures listed in Attachment J (except for compliance with diversion-related standards which shall be reported as part of the Contractor's annual report) and include calculation of the Liquidated Damages due. This report shall be accompanied by supporting documentation identifying either compliance with or level of non-compliance with the performance measures. Contractor may include with its report a written request to meet with Agency's Manager or his or her designee to discuss Contractor's evidence refuting the basis for assessing Liquidated Damages pertaining to unacceptable employee behavior. In such cases, Contractor shall include with its report evidence in writing and written testimony of its employees and others relevant to the incident(s)/non-performance. Agency's Manager or his or her designee will provide Contractor with a written explanation of his or her determination on each incident(s)/non-performance. The decision of Agency's Manager or his or her designee shall be final. | Yes | 32 | Though the report is not accompanied by supporting documentation, the Company reported that "due to the volume of data, supporting documentation is available for reporting reviews." |
| 9.06.H | Account Summary. For monthly reports following the end of each quarter (e.g., for monthly reports submitted in January, April, July, and October), provide the following account summary information in table format: | <i>see subsections below</i> | | |
| 9.06.H.1 | Number of Customers in each Rate Category. | | | Monthly reporting requirement. |

Recology Quarterly Reports (Article 9.06)

| Report Requirements | Submitted in Reports? | Page | Comments |
|---|-----------------------|--|---|
| 9.06.H.2 Total number of Residential, Commercial, and Drop Box Customers subscribing to Solid Waste, Targeted Recyclable Materials, and Organic Materials Collection service listed separately by Service Sector and material type. | | | Monthly reporting requirement. |
| 9.06.H.3 Percentage of Customers subscribing to Targeted Recyclable Materials Collection service (listed separately for Multi-Family, Commercial, and Drop Box Customers), which shall be equal to the total number of Targeted Recyclable Materials Customers divided by the total number of Solid Waste Customers. | | | Monthly reporting requirement. |
| 9.06.H.4 Percentage of Customers subscribing to Organic Materials Collection service (listed separately for Multi-Family, Commercial, and Drop Box Customers), which shall be equal to the total number of Organic Materials Customers divided by the total number of Solid Waste Customers. | | | Monthly reporting requirement. |
| 9.06.I On-Site Customer Assessments and Visual Audits. Contractor shall report the number of and results of the site assessments conducted for Multi-Family and Commercial Customers, which are required by Article 7. | Yes | 31, 53 | |
| 9.06.J Summary Assessment. Highlight significant accomplishments and problems. Identify recommendations and/or plans to improve services. | Yes | 43-49 | |
| 9.06.K Public Education Plan. The quarterly report submitted in October of each year shall include the public education plan for the coming year pursuant to Section 7.03 of this Agreement. | No | N/A | The Company stated that the Public Education Program is no longer required. |
| 9.06.L Hazardous Waste Records. A summary or copy of the Hazardous Waste records required under Section 8.07.D. | Yes | Sheet M9 of the report source file. | |
| 9.06.M Operational Data. Contractor shall provide GPS reports as requested by Agency or SBWMA. In addition, Contractor shall submit a summary of Collection route operational data including: average number of Customers and Containers serviced per route per Day for each Collection route; average number of actual both on-route and off-route hours per Day by route (distinguishing between normal and hard-to-serve routes, if appropriate); and, one-hundred (100) largest generators based on weekly Solid Waste volumes (listed in descending order) within Agency for both Commercial and Multi-Family Customers. This reporting shall include, at a minimum: the name of the Customer; the name of the business; the address of the business; the type(s) of service received (e.g. Collection of Solid Waste, Single-Stream Targeted Recyclable Materials, Plant Materials, Food Scraps, Organic Materials, Source Separated cardboard, Source Separated paper, etc.); the volume of service received weekly measured in cubic yards; the frequency of service received measured in number of Collections per week; the diversion volume measured as total service level volume divided by Targeted Recyclables Materials and/or Organic Materials Collection volume; and, the change in service level from the prior quarter. | Yes | Sheets M10 – M10b of the report source file. | |
| 9.06.N Commercial Recycling Promotion Program Status Report. Contractor must prepare and submit, both quarterly and annually, to Agency and SBWMA, a Commercial Recycling Program Status Report. The Commercial Recycling Program Status Report shall include, but not be limited to: | Yes | 50 | |
| 9.06.N.1 A summary of training and professional development activities for the Commercial Recycling Promotion and supervisory staff. | Yes | 50 | |
| 9.06.N.2 A description of the strategy and overall approach to attract and retain a high quality and effective Commercial Recycling Promotion Program and supervisory staff. | Yes | 50 | |
| 9.06.N.3 A description and status of meeting the goals and objectives for the Commercial Recycling Promotion team and how these goals and objectives are tied to the compensation incentive plan. (Contractor must explain how the stated goals and objectives will be accomplished if no compensation incentive plan is used.) | Yes | 51 | |
| 9.06.N.4 A description of Contractor's sales strategy for maintaining and/or expanding the existing Commercial Recycling account base and diversion levels. | Yes | 55 | |
| 9.06.N.5 A description of the services provided to the Commercial and Agency Facility sectors. | Yes | 56 | |
| 9.06.N.6 A detailed accounting of diversion statistics for the Commercial and Facility sectors. | Yes | 56 | |
| 9.06.O Other information. Other information or reports that Agency may reasonably request or require be added to quarterly reporting. These requests may include, but shall not be limited to, information regarding On-Call Collection programs, Used Motor Oil and Used Motor Oil Filter Collection, and large Events and Venues Collection. | | | |

Recology Quarterly Reports (Article 9.06)

| Report Requirements | Submitted in Reports? | Page | Comments |
|---|-----------------------|-------|----------|
| <p>9.06.P Determination and Payment of Performance Incentives and Disincentives.In accordance with the requirements of Section 11.07, Contractor shall provide with its quarterly report, a report that identifies compliance with the performance standards listed in Attachment I and includes calculation of the Performance Incentive payments and disincentive assessments due. Performance incentives (in the form of increased compensation to Contractor) will be awarded by Agency for excellent performance on aspects of Solid Waste diversion, Collection service delivery and customer service as specified in Attachment I. Performance disincentives will be assessed by Agency for substandard performance on aspects of Solid Waste diversion, Targeted Recyclable Materials contamination, Organic Materials contamination, Plant Materials contamination, Collection service delivery and customer service specified in Attachment I.</p> <p>Contractor's payment of performance disincentives related to Contamination are to be included with submittal of Contractor's quarterly report to the SBWMA. All other performance incentives and disincentives payments are to be included in Contractor's annual Rate Application and Contractor's Compensation for the next Rate Year will be increased or decreased by the net amount of performance incentive payments and disincentive assessments calculated in the Application. Performance incentives and disincentives for Overall Diversion Level, Minimum Single-Family Diversion Level, Minimum Commercial Diversion Level, Contamination, Average Speed of Answer and Ninety (90) Second Maximum Hold Time shall be calculated in aggregate for the SBWMA Service Area and Agency's share shall be proportional based on the tons of Solid Waste Collected by Contractor for Rate Year One (2011) by Previous Contractor. Performance incentives and disincentives for Single-Family Missed Pick-Up Initial Complaints and Single-Family Missed Pick-Up Collection Events shall be calculated separately for each Agency.</p> | Yes | 38-42 | |

Recology Annual Reports (Article 9.07)

| Report Requirements | | Submitted in Reports? | Page | Comments |
|---------------------|---|------------------------------|--------|---|
| 9.07 | Annual reports shall present the information described in this Section in addition to the information required for quarterly reports pursuant to Section 9.05. | | | |
| 9.07.A | Operational Information | <i>see subsections below</i> | | |
| 9.07.A.1 | Routes by Service Sector | <i>see subsections below</i> | | |
| 9.07.A.1.a | Number of routes per day | Yes | 44 | |
| 9.07.A.1.b | Types of vehicles | Yes | 44 | |
| 9.07.A.1.c | Crew size per route | Yes | 46 | |
| 9.07.A.1.e | Number of full-time equivalent routes | Yes | 46 | |
| 9.07.A.1.f | Number of accounts per route | Yes | 46 | |
| 9.07.A.1.g | Total hours per Service Sector per Day and per year | Yes | 45 | |
| 9.07.A.1.h | Average cost per route | Yes | 44 | |
| 9.07.A.1.i | Route sheets and maps | Yes | 54 | |
| 9.07.A.2 | Personnel | <i>see subsections below</i> | | |
| 9.07.A.2.a | Organizational chart | Yes | 48 | |
| 9.07.A.2.b | Job classifications and number of full-time equivalent positions for each (e.g. administrative, customer service representatives, drivers, supervisors, educational staff, etc.) | Yes | 47 | |
| 9.07.A.2.c | Annual wages by job classification including benefits | Yes | 47 | |
| 9.07.A.3 | Productivity Statistics | <i>see subsections below</i> | | |
| 9.07.A.3.a | Number of accounts per Service Sector | Yes | 45 | |
| 9.07.A.3.b | Number of set-outs per Service Sector | Yes | 45 | |
| 9.07.A.3.c | Tons per route per Day by Service Sector | Yes | 27, 44 | |
| 9.07.A.4 | Operational Changes | <i>see subsections below</i> | | |
| 9.07.A.4.a | Number of routes | No | N/A | Not provided. When questioned, the Company stated that "we had no substantive changes in 2013." However, this should be stated in |
| 9.07.A.4.b | Staffing | No | N/A | |
| 9.07.A.4.c | Supervision | No | N/A | |
| 9.07.A.4.d | Collection Services | No | N/A | |
| 9.07.A.5 | Equipment - An inventory of equipment in accordance with Section 8.04.D. | No | N/A | The Company stated that the equipment inventory was provided under separate cover. |
| 9.07.A.6 | Billing - Billing review report in accordance with Section 7.01.F. | Yes | 49 | |
| 9.07.B | Customer Account Information. As part of the annual reporting requirement, Contractor shall make available to Agency detailed Customer account information in tabular format and in electronic format (in computer software format that is compatible with the Agency's) including the following information for each Customer: account number; service address; assessor parcel number for Accounts agreed to by Contractor and Agency; Customer's name, address, and phone number; Billing contact name, Billing address, and phone number; Solid Waste, Targeted Recyclable Materials, and Organic Materials Collection service level (i.e., number of Containers, size of Containers, frequency of Collection, and Day(s) of Collection), and Rate charged. For Multi-Family Customers, the Customer account information shall also include the number of dwelling units at each Multi-Family Residential Complex. | No | N/A | The Company stated that this information is made available upon request. |
| 9.07.C | Customer Service Operations. Contractor shall annually prepare and submit, to Agency and SBWMA, a Customer Service Operations Plan that shall include, at a minimum, the following sections: | <i>see subsections below</i> | | |
| 9.07.C.1 | Customer Service Call Center | <i>see subsections below</i> | | |
| 9.07.C.1.a | Provide the number CSR supervisory staff and describe their responsibilities. | Yes | 50 | |
| 9.07.C.1.b | Contractor must describe its training strategy for CSR's and CSR supervisory staff. | Yes | 51 | |
| 9.07.C.1.c | Contractor must describe its strategy and overall approach to attracting and retaining a high quality CSR staff. | Yes | 52 | |
| 9.07.C.2 | Website | <i>see subsections below</i> | | |
| 9.07.C.2.a | Number of on-line payments made | Yes | 53 | |
| 9.07.C.2.b | Number of On-Call Collection Services scheduled | Yes | 53 | |
| 9.07.C.2.c | Number of On-Call Bulky Goods Collections scheduled | Yes | 53 | |
| 9.07.C.2.d | Number of extra Solid Waste pick-ups scheduled | Yes | 53 | |
| 9.07.C.2.e | Number of service changes requested | Yes | 53 | |
| 9.07.C.2.f | Number of Complaints documented and resolved | Yes | 53 | |
| 9.07.C.3 | Customer Information System | <i>see subsections below</i> | | |
| 9.07.C.3.a | Status of any changes or upgrades made to system software | Yes | 53 | |
| 9.07.C.3.b | Description of proposed changes to system software | Yes | 53 | |
| 9.07.C.3.c | Explanation and schedule of training activities | Yes | 53 | |
| 9.07.C.4 | Staffing | Yes | 50 | See 9.07.C.1 above. |
| 9.07.C.5 | Commercial customer service | No | N/A | Section not provided. When questioned, the Company stated: "We do not have commercial customer service. Our customer service is all inclusive." |

Recology Annual Reports (Article 9.07)

| Report Requirements | Submitted in Reports? | Page | Comments |
|---|-----------------------|-------|----------|
| <p>9.07.D Related Party Entities. Contractor agrees that all financial transactions with all Related Party Entities shall be approved in advance in writing and disclosed annually (coinciding with Contractor's annual audited financial statements referred to in this Section 9.07) to the Agency in a separate disclosure letter to the Agency. This letter shall include the following information: a general description of the nature of each transaction, or type of (for many similar) transaction, as applicable. Such description shall include for each (or similar) transaction, amounts, specific Related Party Entity, basis of amount (how amount was determined), and description of the allocation methodology used to allocate any common costs. Amounts shall be reconciled to the Related Party Entity disclosures made in Contractor's annual audited financial statements referred to in this Section.</p> <p>At the Agency's request, Contractor shall provide the Agency with copies of working papers or other documentation deemed relevant by the Agency relating to information shown in the annual disclosure letter. The annual disclosure letter shall be provided to the Agency within sixty (60) Business Days of Contractor's Fiscal Year end.</p> | Yes | 67 | |
| <p>9.07.E Contractor's Review of Billings. Pursuant to the requirements described in Section 7.01.F, Contractor shall submit a report on its review of Billings.</p> | Yes | 49 | |
| <p>9.07.F Determination and Payment of Liquidated Damages. In accordance with the requirements of subsections 14.07 and 11.07.D, Contractor shall provide with its annual report, a report that identifies any non-compliance with performance standards listed in Attachment J and includes calculation of the Liquidated Damages due. This report shall be accompanied by supporting documentation identifying Contractor's compliance or non-compliance with the specified performance standards. The report submittal shall be accompanied by a check from Contractor in the amount of the Liquidated Damages due (per Contractor's calculation and self-reporting) for the reporting period.</p> | Yes | 32-37 | |
| <p>9.07.G Determination and Payment of Performance Incentives and Disincentives. In accordance with the requirements of subsection 11.07, Contractor shall provide with its annual report, a report that identifies compliance with the performance standards listed in Attachment I and includes calculation of the Performance Incentive payments and disincentive assessments due. Performance incentives (in the form of increased compensation to Contractor) will be awarded by Agency for excellent performance on aspects of Solid Waste diversion, Collection service delivery and customer service as specified in Attachment I. Performance disincentives will be assessed by Agency for substandard performance on aspects of Solid Waste diversion, Collection service delivery and customer service specified in Attachment I.</p> <p>Payment related to Performance Incentives and Disincentives, other than those related to Contamination, are to be included in Contractor's annual Rate Application and Contractor's Compensation for the next Rate Year will be increased or decreased by the net amount of Performance Incentive payments and Disincentive assessments calculated. Performance Incentives and Disincentives shall be calculated as specified in Section 9.06.P.</p> | Yes | 38-43 | |

Appendix B

SBR Quarterly and Annual Report Completeness Checklists

R3

SBR Quarterly Reports (Article 9.05)

| Report Requirements | Submitted in Reports? | Page | Comments |
|--|-----------------------|----------|---|
| 9.05 The information listed below and in Attachment 15 shall be the minimum reported for each service. The report format will be developed jointly by Contractor and Authority and include the following: | | | |
| 9.05.A Member Agency Tons. Weight and volume of all materials (by material type) entering the Shoreway Center from Member Agencies; | Yes | 4 | |
| 9.05.B Inbound Tonnage. Weight and volume of Solid Waste, Organic Materials, and Recyclable Materials (by material type) entering the Shoreway Center by the hauler type (Collection Contractor(s), commercial haulers, self haul, public, and other) (by type of vehicle); | Yes | 4 | |
| 9.05.C Outbound Tonnage. Weight and volume of all Solid Waste, Organics Materials, Recyclable Materials (by material type) leaving the Shoreway Center; | Yes | 6 | |
| 9.05.D On-Site Tonnage. Weight and volume of all materials moving between the buildings and operations on the Shoreway Center site (e.g. between the MRF building, Transfer Station building and Buyback center) (by material type); | Yes | 4-5 | |
| 9.05.E Mass Balance. Mass balance accounting of all materials that enter and leave the Shoreway Center so that all inbound tons equal outbound / shipped materials less inventory (by material type); | Yes | 20 | Report provides total inbound and outbound tonnages. Additional mass balance accounting is provided on page 20 for purposes of determining the Self-Haul Monthly Yards/ton Ratio. |
| 9.05.E.1 Diversion and Residue. The percentage of materials diverted by material type, category (Residential, Commercial, Self haul) and operation (MRF, Transfer Station, Bunker Program, Buyback/drop off center and other), and residual from MRF operations. | Yes | 7-19 | |
| 9.05.E.2 Destination Facilities. Location to which all Solid Waste, Organics Materials, and Recyclable Materials, received by the Facilities was delivered for transfer, processing, sale, ultimate use or disposal; | Yes | 6 | |
| 9.05.E.3 Commodity Values. Recyclable Materials commodity sales value (by material type); | Yes | 21 | |
| 9.05.E.4 Changes. Changes to facilities, equipment and personnel used; | Yes | 26-28 | |
| 9.05.E.5 Operational Changes. Changes to facilities and equipment operations, maintenance and repair; | Yes | 27-28 | |
| 9.05.E.6 Accident Reporting. Reporting incidence of accidents involving either employees or customers of the facilities; | Yes | 25 | |
| 9.05.E.7 Hazardous Spills Reporting. Documentation of hazardous spills and removals shipment, and ship manifesting; | Yes | 25 | |
| 9.05.E.8 Other information or reports that the Authority may reasonably request or require. | | | |
| 9.05.F Determination and Payment of Liquidated Damages. Contractor shall provide a report that identifies any non-compliance with performance measures listed in Attachment 10 (except for compliance with standards which shall be reported as part of the Contractor's annual report) and include calculation of the Liquidated Damages due. This report shall be accompanied by supporting documentation identifying either compliance with or level of non-compliance with the performance measures. The report submittal shall be accompanied by a check from the Contractor in the amount of the Liquidated Damages due (per Contractor's calculation and self reporting) for the reporting period. | Yes | 24 | |
| 9.05.G Programs. For each program, provide activity-related and narrative reports on goals, milestones, and accomplishments. Contractor shall describe problems encountered, actions taken and any recommendations to facilitate progress. | Partial | 3 | Brief "Operational Summary" provided on page 3. |
| 9.05.H Summary Assessment. Contractor shall provide a summary assessment of the overall materials handling systems from Contractor's perspective relative to financial and physical status of the Shoreway Center. Contractor shall assess how well the program is operating in terms of efficiency, economy and effectiveness relative to meeting all the goals and objectives of this Agreement. Contractor shall provide recommendations and plans to improve operations, which highlight significant accomplishments and problems. Contractor shall document changes on a monthly basis and include monthly documentation in the quarterly reporting. | Partial | 3, 28-30 | Brief "Operational Summary" provided on page 3. Report also provides brief monthly summaries of "Diversion Activity at Transfer Station" and "MRF Recovery Effectiveness" (pg. 28-30). |

SBR Quarterly Reports (Article 9.05)

| Report Requirements | Submitted in Reports? | Page | Comments |
|---|-----------------------|------|----------|
| <p>9.05.I Meet and Confer with Authority. Beginning on the Commencement Date, and on a quarterly basis thereafter, Contractor shall meet with the Authority to describe the services performed at the Shoreway Center and the progress of each active Diversion Program. Contractor shall document the results of the programs on a monthly basis, including the tonnage diverted by material type, the end use or processor of the diverted materials and the cost per ton for transporting and processing each type of material and other such information requested by the Authority necessary to evaluate the performance of each program.</p> | | | |
| <p>9.05.J Addition and Changes to Programs. The Authority shall have the right to terminate a program if in its sole discretion the Contractor is not cost effectively achieving the program's goals and objectives. Prior to such termination, the Authority shall meet and confer with Contractor for a period of up to 90 days to resolve the Authority's concerns. Thereafter, the Authority may utilize a third party to perform these services if the Authority reasonably believes the third party can improve on Contractor's performance and/or cost. Notwithstanding these changes, Contractor shall continue the program during the meet and confer period and, thereafter, until the third party takes over the program.</p> | | | |

SBR Annual Reports (Article 9.06)

| Report Requirements | Submitted in Reports? | Page | Comments |
|---|-----------------------|-----------|--|
| 9.06 Annual Report. The Annual Report shall be in the form of the Quarterly Reports and shall provide the same type of information as required pursuant to Section 9.05 summarized for the preceding four quarters. The Annual Report shall also include a complete inventory of equipment used to provide all services, and a list of Contractor's personnel used to operate the Shoreway Center. | Yes | 24, 25-29 | Same format as quarterly report with summarized information. Equipment inventory is provided on page 24 and personnel details are provided on pages 25-29. |

Appendix C

Sample Recology Spilt Table Listing

R3

| | | | | |
|---------------|------------|-----------|-------------|----------------------------|
| COMP: 073 | ROUTE: 400 | DAY: SUN | SCALE: S1 | EFFECTIVE DATE: 2013/01/01 |
| ORIGIN: SNC/C | | COMM: REC | PCT: 100.00 | RATE: |
| COMP: 073 | ROUTE: 400 | DAY: SUN | SCALE: S2 | EFFECTIVE DATE: 2013/01/01 |
| ORIGIN: SNC/C | | COMM: REC | PCT: 100.00 | RATE: |
| COMP: 073 | ROUTE: 601 | DAY: MON | SCALE: S1 | EFFECTIVE DATE: 2013/01/01 |
| ORIGIN: BUR/A | | COMM: MSW | PCT: 69.69 | RATE: |
| BUR/C | | MSW | 14.46 | |
| BUR/R | | MSW | 13.29 | |
| C03/C | | MSW | 2.56 | |
| COMP: 073 | ROUTE: 601 | DAY: MON | SCALE: S2 | EFFECTIVE DATE: 2013/01/01 |
| ORIGIN: BUR/A | | COMM: MSW | PCT: 69.69 | RATE: |
| BUR/C | | MSW | 14.46 | |
| BUR/R | | MSW | 13.29 | |
| C03/C | | MSW | 2.56 | |
| COMP: 073 | ROUTE: 601 | DAY: TUE | SCALE: S1 | EFFECTIVE DATE: 2013/01/01 |
| ORIGIN: BUR/A | | COMM: MSW | PCT: 63.26 | RATE: |
| BUR/C | | MSW | 30.23 | |
| C03/C | | MSW | 2.94 | |
| MAT/C | | MSW | 2.42 | |
| MAT/A | | MSW | .73 | |
| BUR/R | | MSW | .42 | |
| COMP: 073 | ROUTE: 601 | DAY: TUE | SCALE: S2 | EFFECTIVE DATE: 2013/01/01 |
| ORIGIN: BUR/A | | COMM: MSW | PCT: 63.26 | RATE: |
| BUR/C | | MSW | 30.23 | |
| C03/C | | MSW | 2.94 | |
| MAT/C | | MSW | 2.42 | |
| MAT/A | | MSW | .73 | |
| BUR/R | | MSW | .42 | |
| COMP: 073 | ROUTE: 601 | DAY: WED | SCALE: S1 | EFFECTIVE DATE: 2013/01/01 |
| ORIGIN: BUR/A | | COMM: MSW | PCT: 71.55 | RATE: |
| BUR/C | | MSW | 22.32 | |
| C03/C | | MSW | 3.15 | |
| BUR/R | | MSW | 1.94 | |
| MAT/A | | MSW | .96 | |
| RWC/R | | MSW | .08 | |
| COMP: 073 | ROUTE: 601 | DAY: WED | SCALE: S2 | EFFECTIVE DATE: 2013/01/01 |
| ORIGIN: BUR/A | | COMM: MSW | PCT: 71.55 | RATE: |
| BUR/C | | MSW | 22.32 | |
| C03/C | | MSW | 3.15 | |
| BUR/R | | MSW | 1.94 | |

| | | | | | | |
|-----------|------------|----------|-----------|-----------------|------------|-------|
| | MAT/A | | MSW | | .96 | |
| | RWC/R | | MSW | | .08 | |
| COMP: 073 | ROUTE: 601 | DAY: THU | SCALE: S1 | EFFECTIVE DATE: | 2013/01/01 | |
| ORIGIN: | BUR/A | COMM: | MSW | PCT: | 74.93 | RATE: |
| | BUR/C | | MSW | | 16.95 | |
| | BUR/R | | MSW | | 7.71 | |
| | C03/C | | MSW | | .41 | |
| COMP: 073 | ROUTE: 601 | DAY: THU | SCALE: S2 | EFFECTIVE DATE: | 2013/01/01 | |
| ORIGIN: | BUR/A | COMM: | MSW | PCT: | 74.93 | RATE: |
| | BUR/C | | MSW | | 16.95 | |
| | BUR/R | | MSW | | 7.71 | |
| | C03/C | | MSW | | .41 | |
| COMP: 073 | ROUTE: 601 | DAY: FRI | SCALE: S1 | EFFECTIVE DATE: | 2013/01/01 | |
| ORIGIN: | BUR/A | COMM: | MSW | PCT: | 64.40 | RATE: |
| | BUR/C | | MSW | | 17.14 | |
| | BEL/R | | MSW | | 13.28 | |
| | C03/C | | MSW | | 2.94 | |
| | C02/C | | MSW | | 2.02 | |
| | MAT/C | | MSW | | .11 | |
| | BUR/R | | MSW | | .11 | |
| COMP: 073 | ROUTE: 601 | DAY: FRI | SCALE: S2 | EFFECTIVE DATE: | 2013/01/01 | |
| ORIGIN: | BUR/A | COMM: | MSW | PCT: | 64.40 | RATE: |
| | BUR/C | | MSW | | 17.14 | |
| | BEL/R | | MSW | | 13.28 | |
| | C03/C | | MSW | | 2.94 | |
| | C02/C | | MSW | | 2.02 | |
| | MAT/C | | MSW | | .11 | |
| | BUR/R | | MSW | | .11 | |
| COMP: 073 | ROUTE: 602 | DAY: MON | SCALE: S1 | EFFECTIVE DATE: | 2013/01/01 | |
| ORIGIN: | MAT/A | COMM: | MSW | PCT: | 79.89 | RATE: |
| | MAT/C | | MSW | | 10.38 | |
| | BUR/A | | MSW | | 3.66 | |
| | BUR/R | | MSW | | 2.27 | |
| | MAT/R | | MSW | | 2.09 | |
| | C10/C | | MSW | | 1.71 | |
| COMP: 073 | ROUTE: 602 | DAY: MON | SCALE: S2 | EFFECTIVE DATE: | 2013/01/01 | |
| ORIGIN: | MAT/A | COMM: | MSW | PCT: | 79.89 | RATE: |
| | MAT/C | | MSW | | 10.38 | |
| | BUR/A | | MSW | | 3.66 | |
| | BUR/R | | MSW | | 2.27 | |
| | MAT/R | | MSW | | 2.09 | |
| | C10/C | | MSW | | 1.71 | |
| COMP: 073 | ROUTE: 602 | DAY: TUE | SCALE: S1 | EFFECTIVE DATE: | 2013/01/01 | |



STAFF REPORT

To: SBWMA Board Members
From: Marshall Moran, Finance Manager
Date: June 26, 2014 Board of Director's Meeting
Subject: Resolution Approving Findings from 2013 Financial and Accounting Systems Audit of Recology and SBR

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2014-15 attached hereto authorizing the following action:

Approve Findings from 2013 Financial and Accounting Systems Audit of Recology and SBR

Analysis

The financial audit work covering calendar year 2013 performed by Hilton, Farnkopf and Hobson Consulting, LLC (HF&H) commenced in April 2014 and has concluded with submittal of the audit report attached (see **Attachment A**) detailing separate recommendations for Recology San Mateo County (Recology) and South Bay Recycling (SBR); see Section 2.8 for Recology and Section 3.2 for SBR. This audit work is an important part of our fiduciary responsibilities to our Member Agencies as it relates to monitoring contractor compliance with their respective agreements (i.e., Member Agency Franchise Agreement and Shoreway Operations Agreement).

HF&H reviewed the reporting of financial data and payments to the SBWMA and our Member Agencies by Recology and SBR as applicable. There was approximately \$99,000,000 of rate payer's gross billings that flowed through Recology's financial and reporting system. Another approximately \$15,000,000 is paid by SBR to the SBWMA for commodities sold and gate revenue collected from public customers using the Shoreway Environmental Center.

Recology

For Recology, the primary focus of the audit is the 2013 Revenue Reconciliation which is submitted by Recology on March 31 each year for the prior calendar year. This report reconciles the amount paid to Recology (from gross customer billings less payment to Member Agencies for fees and to the SBWMA for disposal and processing fees at Shoreway) compared to the Board approved compensation owed to Recology for providing collection services by Member Agency. The result is a surplus or shortfall owed to/from Recology by Member Agency. In total, the 2013 adjusted final shortfall is \$1,201,811 (plus interest) which is 1.2% of gross revenue as shown in the **Table 1** on the next page. **Attachment B** provides a more detailed summary of the 2013 Revenue Reconciliation.

Table 1

| 2013 REVENUE RECONCILIATION FINAL | RECOLOGY BILLING | RECOLOGY PAYMENTS & ADJUSTMENTS | | | | NET AMOUNT "PAID" TO RECOLOGY | AMOUNT OWED TO RECOLOGY | BALANCE DUE (TO) / FROM RECOLOGY |
|-----------------------------------|----------------------|---------------------------------|------------------------|------------------------------|-----------------------|-------------------------------|-------------------------|----------------------------------|
| Service Areas | Revenue Billed | Less: Expenses | | | | Subtotal | Recology Base Services | FINAL |
| | | Disposal/ Processing | Agency Fees | "Extra" Services by Recology | Other Adjustments | Revenue Less Expenses | | Surplus/ (Shortfall) |
| Atherton | \$ 3,140,420 | \$ (954,181) | \$ (320,038) | \$ (18,921) | \$ (593,420) | \$ 1,253,860 | \$ 1,390,581 | \$ (136,721) |
| Belmont | 6,444,463 | (1,311,784) | (1,664,470) | (67,918) | (627,525) | 2,772,766 | 3,656,499 | (883,732) |
| Burlingame | 10,653,855 | (2,844,822) | (1,276,969) | (94,380) | (752,425) | 5,685,259 | 5,644,000 | 41,259 |
| East Palo Alto | 4,688,953 | (1,449,031) | (800,775) | (51,234) | 0 | 2,387,913 | 2,252,939 | 134,974 |
| Foster City | 5,277,965 | (1,484,253) | (581,715) | (22,402) | (43,231) | 3,146,364 | 3,479,863 | (333,499) |
| Hillsborough | 3,513,653 | (716,037) | (339,160) | (7,034) | (245,760) | 2,205,662 | 1,848,754 | 356,908 |
| Menlo Park | 10,316,892 | (2,689,072) | (1,601,453) | (122,974) | (53,914) | 5,849,479 | 5,999,901 | (150,422) |
| North Fair Oaks | 2,533,242 | (751,484) | (133,993) | (27,264) | 94,788 | 1,715,289 | 1,697,655 | 17,634 |
| Redwood City | 17,916,862 | (4,964,667) | (2,465,711) | (54,779) | 311,123 | 10,742,828 | 10,598,199 | 144,629 |
| San Carlos | 8,354,577 | (1,887,077) | (956,294) | (79,391) | (189,237) | 5,242,578 | 5,333,940 | (91,362) |
| San Mateo | 21,927,777 | (5,462,121) | (2,950,062) | (312,950) | (1,205,319) | 11,997,325 | 12,431,010 | (433,685) |
| West Bay | 1,525,802 | (386,367) | (96,881) | (15,136) | 73,037 | 1,100,455 | 1,085,680 | 14,775 |
| County | 3,078,201 | (786,186) | (175,672) | (18,910) | 90,059 | 2,187,492 | 2,070,059 | 117,433 |
| SBWMA Total | \$ 99,372,662 | \$ (25,687,082) | \$ (13,363,193) | \$ (893,293) | \$ (3,141,824) | \$ 56,287,270 | \$ 57,489,080 | \$ (1,201,811) |
| % | 100% | 26% | 13% | 1% | 3% | 57% | 58% | 1.2% |

The significant findings from the review of Recology's Revenue Reconciliation are summarized below:

- A reduction in disposal expense to the agencies of \$198,329 (see HFH report section 2.3)
- The current frequency of updating truck tare weights is recommended to change from annually to quarterly. In addition, the contract requirement to update tare weights after major repairs needs improvement.
- After considering West Bay's concern about timing of payments, a subsequent adjustment was made by Recology to West Bay's balance to transfer the 2012 surplus of \$187,547 against the 2011 shortfall, the year they were intended for.

Disposal expense for Recology is a pass-through expense between the Member agencies and the SBWMA which means Recology has no impact from over or under stating tons and disposal expense. Their disposal expense calculation used the higher food waste rate than was actually billed by the SBWMA for some organics tons. Part of the annual reconciliation is to true up what was billed by the SBWMA to Recology and what Recology charges to the agencies for disposal. Recology correctly paid what was billed to them and has agreed to reduce the disposal expense in their revenue reconciliation. Recology is impacted by errors in tonnage by the incentive/disincentive calculations.

Recology agrees with all of these adjustments and recommendations. It should be noted that adjustments from over or under payments do not impact Recology other than timing. Recology does not keep any over payment and is paid back in subsequent years for under payments. Once identified in the Revenue Reconciliation and subsequent audit, all adjustments, whether positive or negative, flow back to the rate payers. All Recology keeps after the Revenue Reconciliation and audit is what was approved by the Board as compensation for each rate year. The complete revised 2013 Revenue Reconciliation from Recology is found in **Attachment C**.

Table 2 on the next page compares the final 2013 surplus/shortfall balance to what was estimated in the 2014 Total Rate Report issued by the SBWMA in September 2013. The actual results for many agencies are very close to

staff's projections. In most cases, the negative variances are due to lower billed revenue than projected, not to cost issues. Negative variances due to lower revenue were experienced in Foster City, Menlo Park, Redwood City, and City of San Mateo. (The 2013 estimate is from the September 26, 2013 Board package, 6B staff report on the 2014 Recology Compensation Application, Appendix G, row D6.)

Table 2

| 2013 SURPLUS / (SHORTFALL) | ESTIMATE @ Sept. 2013 | FINAL @ June 2014 | Variance |
|---|----------------------------------|------------------------------|-------------------------|
| <u>Member Agency:</u> | | | <i>Better / (Worse)</i> |
| Atherton | \$ (138,464) | \$ (136,721) | \$ 1,743 |
| Belmont | (944,309) | (883,732) | \$ 60,577 |
| Burlingame | 64,799 | 41,259 | \$ (23,540) |
| East Palo Alto | 98,103 | 134,974 | \$ 36,871 |
| Foster City | (254,716) | (333,499) | \$ (78,783) |
| Hillsborough | 375,715 | 356,908 | \$ (18,807) |
| Menlo Park | (13,151) | (150,422) | \$ (137,271) |
| North Fair Oaks | (5,115) | 17,634 | \$ 22,749 |
| Redwood City | 293,900 | 144,629 | \$ (149,271) |
| San Carlos | (87,948) | (91,362) | \$ (3,414) |
| San Mateo | (344,490) | (433,685) | \$ (89,195) |
| West Bay | 16,683 | 14,775 | \$ (1,908) |
| County | 115,052 | 117,433 | \$ 2,381 |
| SBWMA Total | \$ (823,941) | \$ (1,201,811) | \$ (377,868) |
| <i>Note: West Bay's balances have been adjusted for \$187,547 2012 balance transferred to 2013 for Allied Balancing Account issue</i> | | | |

SBR

For SBR, the audit found one minor discrepancy in payments to the SBWMA for commodity revenue totaling \$2,615. In addition, the audit reviewed the scale house procedures and has made recommendations on improvements. The procedures to monitor the tare weights at the disposal and processing facilities need to be improved by SBR and the SBWMA.

Background

The Member Agency's Collection Services Franchise Agreements with Recology prescribe numerous reporting and payment requirements including paying franchise fees to the Member Agencies and payments to the SBWMA for disposal and processing fees ("tipping fees") at the Shoreway facility. Recology also must track collected tonnage by material and Member Agency, allocate disposal cost to Member Agencies and prepare an annual revenue reconciliation showing the net surplus or shortfall owed to/from Recology by each Member Agency.

The Shoreway Facility Operations Agreement with SBR requires the company to pay to the SBWMA all commodity revenue (from the sale of commodities) and public gate revenue.

The information and data contained in both contractors' reports are substantially self-reported by the companies and therefore this annual audit is imperative from a financial perspective to help ensure accuracy in total and by Member Agency. This is not a certified audit nor are statistically valid tests conducted but the audit is based on cost effective and reasonable industry practices.

The general purpose of the audit was to perform an evaluation and verification of financial reporting systems, processes and record keeping, analysis and audit of billing and revenue, and analyze and audit the allocation of revenue and costs to the twelve Member Agencies. The cost of the audit is approximately \$48,000 and approved by the Board at the March 2014 meeting.

To summarize the scope of work, this project entailed a thorough review and verification of Recology San Mateo County's (Recology) 2013 Annual Revenue Reconciliation, Attachment Q revenue and costs, and customer billing rates. The South Bay Recycling review included a verification of public revenue and commodity revenue reported and paid to the SBWMA for 2013. Tonnage reporting, commodity prices, and CRV prices and payments are reviewed.

Fiscal Impact

The fiscal impact of the audit results is a decrease to the total Member Agency shortfall of \$198,329 due to Recology based on correcting the food rates to lower organics rates and additional minor payment from SBR to the SBWMA of \$2,615 for rate (calendar) year 2013.

Attachments:

Attachment A – HF&H Financial Systems Audit of 2013 Collection Services and Facility Operations Contractors Report.

Attachment B - Final 2013 Revenue Reconciliation Summary Table

Attachment C – Final Recology Revenue Reconciliation (6/13/2014)



RESOLUTION NO. 2014-15

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING FINDINGS FROM 2013 FINANCIAL AND ACCOUNTING SYSTEMS AUDIT OF RECOLOGY AND SBR

WHEREAS, the South Bayside Waste Management Authority Board of Directors previously approved the need for an annual Financial Systems audit of our contractors – Recology and SBR, and

WHEREAS, the South Bayside Waste Management Authority Board of Directors approved the selection of HF&H to perform the audit, and

WHEREAS, HF&H has submitted their audit report to the SBWMA staff, and

WHEREAS, the SBWMA staff has reviewed the audit report and recommend to the South Bayside Waste Management Authority Board of Directors to approve the audit report and the recommendations in Attachment A.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the Financial Systems audit report prepared by HF&H and agrees to their recommendations.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 26th day of June, 2014, 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. 2014-15 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 26, 2014.

ATTEST:

Bill Widmer, Chairperson of SBWMA

Cyndi Urman, Board Secretary



South Bayside Waste Management Authority

2013 Financial Systems Audit of Collection Services and Facility Operations Contractors



June 19, 2014 - FINAL



HF&H Consultants, LLC



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June 19, 2014

Mr. Marshall Moran
Finance Manager
RethinkWaste
610 Elm Street, Suite 202
San Carlos, CA 94070

Subject: 2013 Financial Systems Audit of Collection Services and Facility Operations Contractors

Reference Number: S2967

Dear Mr. Moran:

This report documents HF&H Consultants, LLC's (HF&H) findings and recommendations to the South Bayside Waste Management Authority (SBWMA or RethinkWaste) from our review of the validity and accuracy of the information contained in reports issued by both Recology of San Mateo County (Recology) and South Bay Recycling (SBR), collectively "Contractors".

* * * *

HF&H appreciates the assistance provided by Recology and SBR management and staff during our review and the direction and assistance received from the SBWMA. Should you have any questions, please call me at 925/977-6961.

Sincerely,

HF&H CONSULTANTS, LLC

Marva M. Sheehan, CPA
Vice President

cc: HF&H Client Files

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SECTION 1: INTRODUCTION

1.1 Background

The twelve member agencies (i.e., Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, West Bay, and County) (collectively, Member Agencies) have each executed separate franchise agreements (Franchise Agreement(s)) with Recology to provide solid waste, recycling, and organic material collection services. The SBWMA has executed a separate agreement (Operating Agreement) with SBR to operate the Shoreway Environmental Center (Shoreway Facility).

The agreements with Recology and SBR have various financial aspects that need to be verified and audited. The Franchise Agreement(s) with Recology require the company to perform a broad range of solid waste, recyclable and organic materials collection services and supporting functions. The pertinent supporting functions include billing residential and commercial customers (approximately \$99 million annually), paying fees back to each Member Agency (approximately \$13 million annually), allocating the weight of materials collected in trucks to the various agencies provided service, and allocating collection costs to the Member Agencies. In addition, the company is required to compile and maintain records related to its operations as necessary to develop various reports required per the Franchise Agreement(s). The primary nature of the quantitative data presented in the Recology reports is self-reported by the company. At the end of the year, Recology reports by Member Agency the net revenue billed compared to the amount owed to Recology for service and a surplus or shortfall is calculated.

The Operating Agreement with SBR requires SBR to pay the SBWMA all commodity revenue and all public gate revenue collected during the year (approximately \$20 million) and the SBWMA pays SBR for operating the Shoreway Facility at a per ton rate as self-reported by SBR.

Therefore, on behalf of the twelve Member Agencies who each have executed separate Franchise Agreement(s) with Recology, and on behalf of the SBWMA who contracted with SBR to operate the Shoreway Facility, HF&H conducted a review to confirm the legitimacy and accuracy of the information contained in reports and cash transactions provided by both companies.

1.2 HF&H Scope of Work

The SBWMA retained HF&H Consultants (HF&H) to review, test, and verify the legitimacy and accuracy of the information contained in Recology's 2013 revenue reconciliation report; SBR's 2013 commodity revenue and gate revenue remittances to the SBWMA; and, review SBR's Scale House procedures, as well as provide recommendations for improvement, if necessary. HF&H's scope of work involved the following tasks:

- Meeting with the SBWMA staff to: (1) discuss the goals and objectives of the financial review; (2) reach agreement on the roles and responsibilities of HF&H, SBWMA, Recology, and SBR staff; (3) discuss the structure and components to be included in the final project report; and, (4) reach agreement on a project timeline.
- Assessing Contractor reports for compliance with the agreements;
- Comparing source documents to reported information;

- Examining Contractor reports for mathematical accuracy and logical consistency;
- Interviewing Contractor staff to understand policies and procedures for gathering and reporting various data contained in the reports;
- Reviewing Contractors' internal financial data and historical reports; and,
- Presenting our findings and providing recommendations for improvement.

1.3 Limitations

The scope of our work does not constitute an audit of financial statements, or any part thereof. As with any project of this type, other matters might have come to our attention that would have been pertinent to report if we had performed additional procedures. Additionally, HF&H did not perform testing procedures that would provide statistically-valid results. The sample sizes used were intended to confirm that the Companies' stated policies and procedures used were implemented consistently and accurately.

SECTION 2. EVALUATE ACCURACY OF RECOLOGY DATA

2.1 Verify Mathematical Accuracy of Recology’s Revenue Reconciliation

Purpose: Verify Recology has accurately calculated each Member Agency’s 2013 net compensation surplus/shortfall for the franchised services provided by Recology during calendar year 2013. The compensation surplus/shortfall is the difference between the amounts owed to Recology per the Board approved 2013 Compensation Application and what was paid to Recology. In accordance with each Member Agency’s Collection Services Franchise Agreement with Recology (Agreement), the 2013 surplus/shortfall will be added to or subtracted from Recology’s 2015 compensation.

Figure 2.1 summarizes Recology’s 2013 revenue reconciliation as submitted on March 31, 2014, submitted in compliance with Section 11.03 of the Member Agencies’ Franchise Agreements. HF&H reviewed the calculations to verify the mathematical accuracy and logical consistency of Recology’s calculations and that the information tied to Recology’s financial records. **No mathematical discrepancies were found.**

Figure 2.1

| 2013 REVENUE RECONCILIATION | RECOLOGY BILLING | RECOLOGY PAYMENTS & ADJUSTMENTS | | | | NET AMOUNT "PAID" TO RECOLOGY | AMOUNT OWED TO RECOLOGY | BALANCE DUE (TO) / FROM RECOLOGY |
|-----------------------------|----------------------|---------------------------------|------------------------|------------------------------|-----------------------|-------------------------------|-------------------------|----------------------------------|
| | | Less: Expenses | | | | | | |
| Service Areas | Revenue Billed | Disposal/ Processing | Agency Fees | "Extra" Services by Recology | Other Adjustments | Revenue Less Expenses | Recology Base Services | Surplus/ (Shortfall) |
| Atherton | \$ 3,140,420 | \$ (957,265) | \$ (320,038) | \$ (18,921) | \$ (593,420) | \$ 1,250,776 | \$ 1,390,581 | \$ (139,805) |
| Belmont | 6,444,463 | (1,317,680) | (1,664,470) | (67,918) | (627,525) | 2,766,870 | 3,656,499 | (889,629) |
| Burlingame | 10,653,855 | (2,869,352) | (1,276,969) | (94,380) | (752,425) | 5,660,729 | 5,644,000 | 16,729 |
| East Palo Alto | 4,688,953 | (1,453,367) | (800,775) | (51,234) | - | 2,383,577 | 2,252,939 | 130,638 |
| Foster City | 5,277,965 | (1,512,239) | (581,715) | (22,402) | (43,231) | 3,118,378 | 3,479,863 | (361,485) |
| Hillsborough | 3,513,653 | (718,555) | (339,160) | (7,034) | (245,760) | 2,203,144 | 1,848,754 | 354,390 |
| Menlo Park | 10,316,892 | (2,730,665) | (1,601,453) | (122,974) | (53,914) | 5,807,886 | 5,999,901 | (192,015) |
| North Fair Oaks | 2,533,242 | (756,153) | (133,993) | (27,264) | 94,788 | 1,710,620 | 1,697,655 | 12,965 |
| Redwood City | 17,916,862 | (4,999,584) | (2,465,711) | (54,779) | 311,123 | 10,707,911 | 10,598,199 | 109,712 |
| San Carlos | 8,354,577 | (1,896,281) | (956,294) | (79,391) | (189,237) | 5,233,374 | 5,333,940 | (100,566) |
| San Mateo | 21,927,777 | (5,497,958) | (2,950,062) | (312,950) | (1,205,319) | 11,961,488 | 12,431,010 | (469,522) |
| West Bay | 1,525,802 | (387,923) | (96,881) | (15,136) | (114,510) | 911,352 | 1,085,680 | (174,328) |
| County | 3,078,201 | (788,071) | (175,672) | (18,910) | 90,059 | 2,185,607 | 2,070,059 | 115,548 |
| SBWMA Total | \$ 99,372,662 | \$ (25,885,093) | \$ (13,363,193) | \$ (893,293) | \$ (3,329,371) | \$ 55,901,712 | \$ 57,489,080 | \$ (1,587,368) |
| % | 100% | 26% | 13% | 1% | 3% | 56% | 58% | 1.6% |

Whereas this task verified Recology’s calculated surplus/shortfall by Member Agency was mathematically correct and tied to their audited financial records, Sections 2.2 through 2.7 of this report summarizes HF&H’s detailed analysis of the following individual components to verify the financial records reflected the proper attribution of revenues and costs to each Member Agency:

- Gross revenue billed
- Solid waste disposal and organics processing costs
- Member Agency fees collected and paid

- Recology's 2013 compensation for base services and "Attachment Q" services
- Other adjustments

Each Member Agencies' 2013 compensation surplus or shortfall shall be included as an adjustment to Recology's 2015 compensation for each Member Agency (a reduction in Recology's 2015 compensation if a Member Agency has a surplus balance and an increase to Recology's compensation if a Member Agency has a shortfall balance).

2.2 Review of Gross Revenue Billed

Purpose: Verify Recology has accurately billed customers in accordance with approved rates and accurately reflected total billed revenue in each Member Agency's 2013 revenue surplus/shortfall calculation.

Testing Gross Revenue Billed

Recology bills and collects revenue from most of the residential and commercial customers within the SBWMA service area. Some Member Agencies bill for services and remit the collected revenue to Recology periodically. All revenue is recorded by Recology in their general ledger. To verify the accuracy of Recology's reported \$99,372,662 total billed revenue for 2013, HF&H compared the billed revenue amounts included in Recology's 2013 revenue reconciliation report to Recology's system-generated general ledger and detailed journal entries by Member Agency. **HF&H found no discrepancies between Recology's revenue reconciliation report and their general ledger.**

Testing Base Service Rates

To verify Recology is properly billing customers in accordance with the approved rates, HF&H randomly selected two customers for both residential and commercial customers from each Member Agency (with the exception of Redwood City and East Palo Alto which performs its own billing). HF&H compared the approved rates within each jurisdiction to Recology's billing system, ensuring the appropriate rate increases were applied in the correct month's billing cycle. **HF&H found no discrepancies between the rates charged by Recology and the approved rates within each Member Agency.**

It should be noted per Section 7.01.F of the Franchise Agreements, Recology conducts a billing review and shares the results in its Annual Report. It is our understanding, as part of a separate audit of the Annual Report, SBWMA staff has recommended changes to how the results of that review are summarized and included in the Annual Report.

2.3 Review of Solid Waste Disposal and Organics Processing Costs

Purpose: Verify disposal and processing costs paid to the SBWMA reflect the tonnage collected within each Member Agency. In accordance with Section 11.03.b of the Franchise Agreements, Recology's annual revenue reconciliation calculation subtracts the payments made to the SBWMA for the delivery of materials to the Shoreway facility from the billed revenue.

Recology's 2013 revenue reconciliation deducted from each Member Agencies' billed revenue their allocated share of solid waste disposal and organics processing costs, for a total of \$25,885,093. HF&H's

first step was to verify that what Recology was charging the Member Agencies (as delineated in its 2013 revenue reconciliation) tied to the total expenses remitted to the SBWMA during the year. HF&H found Recology was billed \$25,685,580 for Member Agency disposal expense. Recology’s 2013 revenue reconciliation overcharged the Member Agencies by \$199,513. A review completed by SBWMA staff found the 2013 revenue reconciliation was based on a portion of green waste tons being inaccurately classified as food waste tons. The SBWMA staff re-calculated the Member Agency disposal and organic processing costs by multiplying the then-current per-ton rates (\$91 for solid waste, \$92 for yard waste, and \$104 for food waste) by the tonnage collected from each Member Agency. \$198,010 of the \$199,513 variance was determined to be attributable to the inaccurate classification of green waste. **The SBWMA should bill Recology the remaining \$1,183 difference.** The SBWMA billing is based on tonnage reports from SBR and small variances between the two systems is expected. The results of the SBWMA calculation are shown in figure 2.3. **An adjustment, a decrease of \$198,010, to Member Agency disposal expense is recommended (see Figure 2.8 for the amount by Member Agency).**

Recology submitted a revised Revenue Reconciliation on June 13, 2014 and included the \$198,010 disposal expense adjustment.

Figure 2.3

| SBWMA - Reconcile SBWMA Invoice to Recology Charge to Member Agencies | | |
|---|----------------------|---------------------|
| | <u>2013</u> | |
| Net Member Agency Disposal Expense | \$ 25,685,580 | |
| Total Charged to Member Agencies by Recology | \$ 25,885,093 | <i>original</i> |
| Credit to Member Agencies for Food Waste per ton rate | \$ (198,010) | |
| Miscellaneous Adjustments | \$ (319) | |
| Subtotal Charge to Member Agencies | <u>\$ 25,686,764</u> | <i>revised</i> |
| Remaining Adjustment | <u>\$ 1,183</u> | <i>due to SBWMA</i> |

2.4 Review of Member Agency Fees Billed and Paid

Purpose: Verify Recology has properly calculated and paid the appropriate Member Agency fees to each Member Agency which are deducted from billed revenue.

To ensure Recology properly calculated and paid Member Agency fees, HF&H requested Recology to provide supporting documentation to confirm the type and amount or rate of each Member Agency fee. Recology provided email correspondence from the Member Agencies and a summary schedule of the various fees charged by each Member Agency. HF&H found no discrepancy between the Recology fee schedule and the Member Agency approved fees. Additionally, HF&H reviewed Recology’s monthly Member Agency fee calculation spreadsheets to verify the proper calculation of fees by Member Agency. **HF&H found Recology used the applicable franchise fee and other Member Agency fee percentages and/or fixed fee amounts in its Member Agency fee calculations and properly calculated and remitted the appropriate Member Agency fees.**

2.5 Review of Recology's 2013 Compensation

Purpose: *Verify the Revenue Reconciliation report includes Recology's Board-approved 2013 compensation for base services and unscheduled services.*

Compensation for Base Services

In September 2012, the SBWMA Board approved Recology's 2013 compensation totaling \$57,489,080. Recology's 2013 revenue reconciliation was tied, by Member Agency, to Recology's 2013 Board-approved compensation, without exception and **no adjustment is necessary**.

HF&H noted in the review that Recology did adjust their compensation in the 2013 Revenue Reconciliation, as in prior years, by a net decrease of \$17,518, as a result of the following annual adjustments:

- A \$34,596 decrease in Hillsborough's compensation to Recology; to credit Hillsborough for previously purchased (used) residential organic material containers.
- A \$6,523 decrease in San Carlos' compensation to Recology; to credit San Carlos for kitchen containers previously purchased by the city.
- A \$23,601 increase to Menlo Park's compensation to Recology; to provide billing services.

The annual adjustments are for separately negotiated service changes between Recology and each Member Agency, reviewed and approved by the SBWMA and therefore **no adjustment is necessary**.

Compensation for Unscheduled Services

Since Member Agencies set customer rates at Recology's approved cost for services that are unscheduled or provided on an intermittent basis (Unscheduled Services), Recology retains the revenue collected for the provision of Unscheduled Services identified in Attachment Q except for residential back yard service and a franchise fee adjustment as described below. Therefore, HF&H tested whether:

- 1) Recology charged the appropriate rates in accordance with Attachment Q;
- 2) The total Attachment Q revenue was properly treated in the revenue reconciliation; and,
- 3) The Attachment Q revenue does not mistakenly include revenue for base services.

Figure 2.5a summarizes the total Unscheduled Services revenue billed by category. "Other" charges include bulky-item collections, returned check charges, etc.

Figure 2.5a

| Service Areas | 2013 Revenue from Unscheduled Service ("Attachment Q" Revenue) | | | | | | | Total Unscheduled Services Revenue |
|--------------------|--|------------------------------------|-------------------------|-------------------|-------------------|------------------|---------------------|--|
| | Residential Backyard Services | Commercial Push/Pull Charges | Extra Cart Rental | Extra Pick Ups | Lock Charges | Other Charges | | |
| Atherton | \$ 30,542 | \$ - | \$ 17,576 | \$ 2,489 | \$ 127 | \$ 620 | \$ 51,355 | |
| Belmont | 2,903 | 74,548 | 4,161 | 5,390 | 6,544 | 1,137 | 94,684 | |
| Burlingame | 4,097 | 55,338 | 4,548 | 18,912 | 26,119 | 1,544 | 110,558 | |
| East Palo Alto | - | 30,807 | 2,098 | 6,015 | 11,506 | 876 | 51,303 | |
| Foster City | - | 11,416 | 539 | 4,090 | 5,540 | 816 | 22,402 | |
| Hillsborough | 32,893 | - | 4,900 | 1,982 | 116 | 740 | 40,630 | |
| Menlo Park | - | 90,368 | 22,748 | 14,517 | 11,974 | 1,743 | 141,349 | |
| North Fair Oaks | 25 | 13,484 | 3,018 | 4,398 | 4,227 | 2,137 | 27,289 | |
| Redwood City | - | - | - | 52,269 | - | 2,510 | 54,779 | |
| San Carlos | 3,156 | 48,413 | 6,552 | 13,460 | 16,977 | 1,928 | 90,486 | |
| San Mateo | 6,939 | 211,778 | 12,212 | 21,793 | 73,138 | 6,547 | 332,407 | |
| West Bay | 4,130 | 3,255 | 9,915 | 1,448 | 47 | 471 | 19,266 | |
| County | 3,385 | 542 | 10,086 | 4,059 | 1,249 | 2,974 | 22,295 | |
| SBWMA Total | \$ 88,071 | \$ 539,948 | \$ 98,352 | \$ 150,822 | \$ 157,566 | \$ 24,044 | \$ 1,058,803 | |

HF&H verified that 100% of all revenues for backyard service have been included in each Member Agencies' gross revenues billed and not retained by Recology. In accordance with the Franchise Agreements, Recology only retains backyard service revenues once the total number of residential customers subscribing to backyard service exceeds 20% of all residential customers within that Member Agency's service area. No Member Agency has exceeded the 20% threshold required for Recology to retain any backyard revenue.

To verify Recology has billed the approved rates for Attachment Q services, HF&H received a listing of all Attachment Q services and randomly selected individual transactions covering all 12 Member Agencies. In all cases, HF&H found Recology charged the appropriate rates. HF&H also noted, Recology added Member Agency fees to the Attachment Q rates, upon approval from those Member Agencies.

Recology has calculated and remitted Member Agency fees on all gross revenue (including Attachment Q revenue). Because Recology has paid Member Agency fees on the Attachment Q revenues, the amount retained by Recology should be net of the Member Agency fees already remitted to the Member Agencies. The Franchise Agreement states the Attachment Q rate revenue is to be retained by Recology. The Franchise Agreements do not explicitly state that Recology shall retain rate revenues for Attachment Q services net of Member Agency fees; however, in practice, the rates approved by Member Agencies include a fee component that Recology acknowledges (via the calculation and payment of Member Agency fees on all revenue, including Attachment Q revenue). Fees calculated on the Attachment Q revenue for 2013 were \$77,440 and were properly excluded from the net revenue retained by Recology. The following table summarizes the fees on Attachment Q revenue by Member Agency. The impact of this is shown, by Member Agency, in Figure 2.5b.

Figure 2.5b

| Service Areas | Agency Fees on Attachment Q Revenue |
|--------------------|-------------------------------------|
| Atherton | \$ 1,892 |
| Belmont | 23,863 |
| Burlingame | 12,081 |
| East Palo Alto | 69 |
| Foster City | - |
| Hillsborough | 703 |
| Menlo Park | 18,375 |
| North Fair Oaks | - |
| Redwood City | - |
| San Carlos | 7,939 |
| San Mateo | 12,518 |
| West Bay | - |
| County | - |
| SBWMA Total | \$ 77,440 |

Recology has calculated and properly retained \$893,292 of revenue from Unscheduled Services for its cost to provide these services (see figure 2.5c). Based upon our review of Unscheduled Services, **no adjustment is necessary.**

Figure 2.5c

| Service Areas | 2013 Revenue from Unscheduled Service Excluding Agency Fees | | | |
|--------------------|---|-------------------------------------|---|------------------------------------|
| | Total Unscheduled Services Revenue | Less: Residential Backyard Services | Less: Agency Fees on Attachment Q Revenue | Total Revenue Retained by Recology |
| Atherton | \$ 51,355 | \$ 30,542 | \$ 1,892 | \$ 18,921 |
| Belmont | 94,684 | 2,903 | 23,863 | 67,918 |
| Burlingame | 110,558 | 4,097 | 12,081 | 94,380 |
| East Palo Alto | 51,303 | - | 69 | 51,234 |
| Foster City | 22,402 | - | - | 22,402 |
| Hillsborough | 40,630 | 32,893 | 703 | 7,034 |
| Menlo Park | 141,349 | - | 18,375 | 122,974 |
| North Fair Oaks | 27,289 | 25 | - | 27,264 |
| Redwood City | 54,779 | - | - | 54,779 |
| San Carlos | 90,486 | 3,156 | 7,939 | 79,391 |
| San Mateo | 332,407 | 6,939 | 12,518 | 312,950 |
| West Bay | 19,266 | 4,130 | - | 15,136 |
| County | 22,295 | 3,385 | - | 18,910 |
| SBWMA Total | \$ 1,058,803 | \$ 88,071 | \$ 77,440 | \$ 893,292 |

2.6 Other Adjustments

Recology's 2013 revenue reconciliation included the 2011 surplus/shortfall, related interest, and the following one-time adjustments:

- Recology retained:
 - \$7,695 in hauling revenue from Belmont for late charges on delinquent payments.
 - \$13,496 in hauling revenue from Burlingame for late charges on delinquent payments.
 - \$4,524 in hauling revenue from East Palo Alto for late charges on delinquent payments.
 - \$2,195 in hauling revenue from Hillsborough for late charges on delinquent payments.
 - \$54,941 in hauling revenue from Menlo Park for late charges on delinquent payments.
 - \$238 in hauling revenue from North Fair Oaks for late charges on delinquent payments.
 - \$16 in hauling revenue from Redwood City for late charges on delinquent payments.
 - \$10,536 in hauling revenue from San Carlos for late charges on delinquent payments.
 - \$5,666 in hauling revenue from the Unincorporated County for late charges on delinquent payments.
- Recology retained \$214,542 related to the San Carlos 2012 revenue reconciliation.
- Recology added \$327,634 to account for the Hillsborough-approved \$7.50 per month per account to pay the 2011 shortfall.

HF&H reviewed Recology's 2011 surplus/shortfall and the one-time adjustments and found **no adjustment is necessary**.

2.7 Revised 2013 Revenue Reconciliation Submitted by Recology

On June 13, 2014, Recology submitted a revised revenue reconciliation to the SBWMA. HF&H performed a high level review and noted there were two significant changes from the original submission. The changes were:

- Disposal Adjustment - SBWMA staff had alerted Recology to the disposal adjustment of \$198,010 and Recology recorded the adjustment to each of the Member Agencies; and,
- Surplus/Shortfall Adjustment – West Bay directed a payment to Recology for the 2012 calculated surplus of \$187,547.

2.8 Recommendations – Recology Review

Revenue Reconciliation

Based on HF&H's review, as discussed above, **HF&H recommends decreasing the SBWMA-wide 2013 revenue shortfall from \$1,587,368 to \$1,201,811 (a \$198,010 decrease) due to the disposal rate issue (see Section 2.3 of this report) and (a \$187,547 decrease) due to the West Bay directed payment (see Section 2.7 of this report).**

Figure 2.8 summarizes each Member Agencies' 2013 HF&H-adjusted revenue surplus or shortfall to be included as an adjustment to Recology's 2015 compensation.

Figure 2.8 HF&H Adjusted 2013 Revenue Surplus/(Shortfall)

| Service Areas | Surplus/(Shortfall) per Recology's Report | Disposal Adjustment* | Other Misc Adjustments* | Total Adjustment | Adjusted Surplus/(Shortfall) |
|--------------------|--|-------------------------|----------------------------|---------------------|----------------------------------|
| Atherton | \$ (139,805) | \$ 3,084 | | \$ 3,084 | \$ (136,721) |
| Belmont | (889,629) | 5,897 | | 5,897 | (883,732) |
| Burlingame | 16,729 | 24,530 | | 24,530 | 41,259 |
| East Palo Alto | 130,638 | 4,336 | | 4,336 | 134,974 |
| Foster City | (361,485) | 27,986 | | 27,986 | (333,499) |
| Hillsborough | 354,390 | 2,518 | | 2,518 | 356,908 |
| Menlo Park | (192,015) | 41,593 | | 41,593 | (150,422) |
| North Fair Oaks | 12,965 | 4,669 | | 4,669 | 17,634 |
| Redwood City | 109,712 | 34,917 | | 34,917 | 144,629 |
| San Carlos | (100,566) | 9,204 | | 9,204 | (91,362) |
| San Mateo | (469,522) | 35,837 | | 35,837 | (433,685) |
| West Bay County | (174,328) 115,548 | 1,556 1,885 | \$ 187,547 | 189,103 1,885 | 14,775 117,433 |
| SBWMA Total | \$ (1,587,368) | \$ 198,010 | \$ 187,547 | \$ 385,557 | \$ (1,201,811) |

* Included in Recology's June 13, 2014 Revised Revenue Reconciliation

Recology Activity at SBR Scale House

As part of our review of SBR's scale house policies and procedures, HF&H identified several deficiencies in Recology's operations as identified below (refer to Section 3.3 of this report for additional deficiencies in scale house procedures):

- An instance was noted where a Recology driver incorrectly keyed in his route number (keyed #809 vs. #908) at the scale house. Because route #809 was an active route, the error was not detected by Recology's internal system. **HF&H recommends Recology create controls within its system to "flag" instances when a front load truck (which primarily serves commercial customers) has a residential route attached to its daily activity.**

SECTION 3. EVALUATE SBR FINANCIAL REPORTING

3.1 Self-haul Transfer Station Revenue Review

Purpose: Verify SBR has accurately accounted for and remitted to the SBWMA all gate fee revenue collected from public customers delivering self-haul materials to the Shoreway Facility.

The transfer station processes approximately 7,000 tickets (loads) per month from the public. Each load is measured, not weighed, by the scale house operator and charged the published per yard rates for the type of material being delivered. Each transaction is entered into SBR’s tracking software, PC Scales. Twice per month, SBR runs revenue reports and remits all public revenue to the SBWMA. To verify all self-haul revenue has been remitted to the SBWMA, HF&H compared the monthly revenue reports to what was remitted to the SBWMA **and found no exceptions.**

Figure 3.1

| Month | 2013 Actual | |
|-----------|-------------|-------------------|
| | | Self-Haul Revenue |
| January | \$ | 411,765 |
| February | | 398,313 |
| March | | 472,214 |
| April | | 486,415 |
| May | | 529,880 |
| June | | 548,966 |
| July | | 541,256 |
| August | | 546,799 |
| September | | 544,923 |
| October | | 573,536 |
| November | | 483,596 |
| December | | 422,518 |
| Total | \$ | 5,960,180 |

3.2 MRF Commodity Revenue Review

Purpose: Verify SBR has accurately accounted for and remitted to the SBWMA all recyclable material commodity revenue (including CRV monies received from the State of California) from the sale of recyclable materials brought to the Material Recovery Facility (MRF) by Recology and the public.

Commodity Scrap Revenue Review

SBR is responsible for receiving, processing, and marketing the recyclable material brought to the MRF by Recology and the public. The commodities are sold to third parties at the current scrap value and each transaction is entered into SBR’s tracking software, PC Scales. On a monthly basis, SBR remits all commodity revenue to the SBWMA. The annual total value is approximately \$11 million.

To encourage diversion, the Operations Agreement with SBR allows SBR to retain revenues received from the sale of metals which are removed from the transfer station floor to compensate SBR for their efforts. However, revenues received from metals brought to the Shoreway Facility through Recology's curbside bulky-item collection and brought directly to the MRF are paid to the SBWMA. To track the source of material, SBR has placed three debris boxes around the Shoreway Facility to segregate which materials generate revenue to be retained SBR and those revenues to be paid to the SBWMA. These two items generate a very small amount of revenue for SBR.

HF&H compared the monthly tons (and associated revenue) sold per SBR's supporting documentation and PC Scales report to the amount reported to the SBWMA. From this analysis, HF&H found a discrepancy in the Scrap Value Revenue for August of 2013. HF&H researched the discrepancy and found that SBR had recorded the correct tonnage of Scrap Metal shipped from the MRF but had not properly keyed the revenue. \$3,110 was reported to the SBWMA but \$5,725 was received from Sims Metal for the tons shipped. **Therefore, SBR owes the SBWMA \$2,615 in additional commodity scrap revenue for 2013.**

CRV Revenue Review and Outstanding Balance Review

In addition to the scrap value of the material, SBR receives the California Redemption Value (CRV) from the State of California for processing recyclable materials. Each month, SBR electronically (using the State's new internet-based "DORIS" reporting system) submits a request to the State for payment of CRV based on the total tons of eligible recyclable material (e.g., aluminum, PET, HDPE and glass) processed during the month at the prevailing per-ton rates (which are established by the State). HF&H reviewed SBR's PC Scales material reports and verified they properly prepared and submitted their monthly requests to the State. The total annual value of CRV to the SBWMA is approximately \$4 million.

HF&H verified that the amount of tons included in their request tied to the reported tonnage volumes from their 2013 annual report, without exception. In addition, HF&H reviewed a report from the State which detailed the payments made to SBR during 2013 to verify all revenue received was reported and remitted. HF&H found that SBR is correctly using the actual state paid CRV rates in their CRV rates paid to the SBWMA. HF&H found only one variance between the State detail and the "F3 CRV tracking" tab of SBR's 2013 Reporting. In May of 2013 SBR under reported \$11,348 of CRV revenue from the State and in June SBR over reported \$11,349 of CRV revenue (a \$1 net difference). The discrepancy was due to a system issue which only allows the creation of one invoice per commodity per month to the state. If something is omitted even if due to error they must wait until the next month to include it on an invoice to the State. This was the case with the reporting of revenue for May and June. **Therefore, no adjustment necessary.**

There is a lag time of several months between when SBR submits information electronically to the state for CRV payments and when the actual request is approved by the State and payment is received. Therefore estimates are based upon the data input into the internet-based "DORIS" reporting system for any given month. The CRV outstanding balance as of December 31, 2013 included the estimates for both November and December. Review of the subsequent payments ("F3 CRV Tracking" tab of SBR's 2014 reporting) and the State's payment report confirmed that SBR reported the approved State payment for both November and December. Although the estimates used at the end of 2013 were both lower than the actual payments (approximately \$49,000 each) HF&H does not recommend any change to the practice of using the State reporting system submitted invoice as the basis for estimating. The 2013

outstanding balance will be adjusted to reflect the actual approved state payments in 2014, **no adjustment is necessary.**

Buyback Center Revenue Review

SBR operates a buyback center at the Shoreway Facility. The center offers the general public the opportunity to redeem CRV containers. Based on State-set redemption prices, SBR weighs and pays the public for the plastic, glass, and aluminum containers brought to the MRF. Additionally, to incentivize the public to redeem aluminum and cardboard (OCC) at the buyback center the SBWMA authorized SBR to pay, in addition to the State-set redemption prices, the amounts of; \$0.41 per pound for aluminum (commencing in August of 2013); \$0.045 per pound for OCC in quantities less than 1,000 pounds; and, \$0.050 per pound for OCC quantities greater than 1,000 pounds. The amount paid by SBR to buyback customers is reimbursed by the SBWMA as a pass-through expense (approximately \$600,000 annually). Therefore, it is important to have this payment reviewed and verified in this audit.

HF&H verified that the amounts paid to the buyback customers tie to the State-approved buyback rates and the authorized SBWMA rates. **HF&H found only a slight discrepancy in January due to the timing of the implementation of the State-set redemption prices.** The amount (approximately \$700 underpayment to customers for Aluminum and PET) was not material.

The monthly Buyback payments per SBR's PC scale system were compared to the monthly invoiced amounts to the SBWMA, **no exceptions were noted.**

3.3 Review of SBR Scale House Procedures & Scale House Transactions

Purpose: Verify that SBR's policies and procedures for operation of the scale house adequately ensures the accuracy of both tonnage/volume, material type and fee data collected and reported by SBR to the SBWMA.

Self-Haul Scale House Operations

An SBR Facility Procedure Manual was provided by SBR management. HF&H monitored the scale house activities to verify the scale house was being operated in accordance with the procedures in SBR's Facility Procedure Manual and in accordance with the operating contract with the SBWMA, as it relates to the data reported in SBR's monthly, quarterly, and annual reports. The procedures give step by step instruction to the scale house operator on determining the following for self-haul customers:

- Type of material;
- Rate charged for the material;
- Size of the load in cubic yards;
- Origin (jurisdiction) of the load;
- When to weigh vs. measure the load; and,
- How to process payment.

SBR charges self-haul customers on a per yard basis by material type. Therefore, SBR gate staff is tasked with indentifying the material type, estimating the volume of material being delivered by self-haul customers to the Transfer Station, and charging the customer accordingly.

Additionally, each employee is instructed on scale house cash, check, and credit card procedures. The employees sign a statement along with their supervisor outlining the check handling requirements and cash drawer assignment.

HF&H staff observed activity in the scale house servicing the self-haul customers. Information about each transaction was compiled and compared to a ticket reprint report. All observed activity tied to the ticket information. However, during the observation a commercial self haul load of green waste was estimated by the scale house attendant to be 5 cubic yards. The customer was quoted a price of \$120 dollars. When the customer asked to make the payment with cash of \$100 and a credit card of \$20 the scale house attendant revised his estimate of the load size from 5 cubic yards down to 4 cubic yards and completed the transaction with only a \$96 cash charge. HF&H recommends employees be re-trained on the procedure for processing a split cash and credit card transaction and SBR management should emphasize to the scale house employees the need for accuracy and the consequences for under charging customers.

Other areas of control were observed as follows:

- Proper access to PC Scales - Each scale house attendant has his or her own log in ID and when they clock out for break or at the end of their shift no one else can access their ID.
- Ticket controls - The system issues a sequentially numbered ticket with each transaction generated by the scale house. Tickets can only be voided by authorized personnel in the accounting office.
- Duplicate ticket controls - The scale house attendant can print a duplicate ticket should they have a printer jam or a ticket is lost. It was noted that the printing of a duplicate ticket report was not part of the audit/settlement procedures performed by the staff. HF&H recommends that this report be printed and reviewed daily to spot any abnormally excessive use of this feature and potential cash handling irregularities. A duplicate ticket could be fraudulently used by the scale house attendant to obtain payment from the customer and not record the transaction in the system.
- Cash handling - Each attendant has their own cash drawer. Random cash counts are performed by SBR office staff at least twice a year. Tally sheets are not currently retained from the audits. HF&H recommends that surprise cash audits be conducted at least quarterly by SBR office staff and documentation signed by the person conducting the audit and the scale house attendant be retained as evidence of audit.
- Use of security camera - There are three Shoreway Facility security cameras. One camera views the cash register, one is directed at the customer and one is pointed at the back area of the scale house where employees complete their daily cash out procedure. The security cameras are viewed randomly by the supervisor and specifically if a problem has been reported or detected (such as a cash shortage, etc.).
- Spotter on the tipping floor – Spotter verifies that each customer has a ticket for the material they are dumping. The customer is handed a copy of the ticket at the scale house and they then proceed to the tipping floor where they are met by a second employee who verifies they have

paid and that the material they are dropping matched the material they were charged for on the ticket.

The following table summarizes the key scale house areas of concern, the controls, weaknesses identified and suggested recommendations:

Figure 3.3 – Summary of Review of Self Haul Scale House Operations

| Area of Concern | Control | Weakness Identified | HF&H Recommendation |
|---|---|---|---|
| Correctly Charging Customers | Proper training of scale house employees on policies and procedures | Scale house attendant altered the charge based on the type of remittance | Additional training on the use of multiple payment types and monitoring of transactions |
| Proper access to PC Scales System | Each employee has his/her own log in ID | None | None |
| Ticket Control | Tickets are sequentially issued and number generated by system. Tickets can only be voided by authorized personnel. | None | None |
| Ticket Control | Duplicate ticket report reviewed for unusual items/trends | No specific controls in place. Customer A's ticket can be reprinted and given to Customer B. Tip floor only looks for a "ticket". Customer B could either not pay or Scale House Attendant could keep the money paid by Customer B. | Run the "Duplicate Ticket" report on a daily basis and review for unusual items/trends. |
| Cash Handling | Each attendant has their own cash drawer. Surprise cash counts are done twice per year. | Company does not retain supporting documentation of surprise cash counts. Surprise cash counts done rather infrequently. | Surprise cash counts should be done on a quarterly basis. Documentation of the cash counts should be signed by the scale house attendant and the person conducting the audit and retained for a specified period of time. |
| Observation of Employees and Customers | Use of three security cameras. | None | None |
| Customer activity recorded in PC Scales | Spotter on tipping floor verifies that each customer has a ticket for the dumped material | None | While no specific weakness was identified, this is an important control for self-haul revenue reporting. We recommend tip floor employees receive ongoing training. |

Recology Franchise Vehicles

Franchise Vehicles (Recology vehicles serving the Member Agencies) are able to use two scales. Each truck has an RFID tag which has the truck number registered. If the RFID tag reader does not register

when the vehicle is on the scale the driver will key in their route number which identifies the material type being weighed based on the route information that is stored in the system.

Truck numbers have been entered into SBR's PC Scale system along with the corresponding tare weights of each Recology route vehicle. The scale weighs the load and calculates the net weight of the load. A ticket is generated and printed for the driver to take. Each ticket shows the ticket number, date, commodity, cost, truck number and net weight. The load is then taken to the appropriate location in the transfer station or MRF. HF&H obtained Recology's daily dispatch log and a complete inbound ticket listing from SBR for the same date as the onsite observation (Thursday, April 17, 2014). We matched the vehicle number, collection route number, and material type (i.e., is the assigned vehicle collecting solid waste, recyclable materials, or organic materials), from the weight ticket to Recology's daily dispatch log which stated the assigned route, vehicle number and material type. According to the 699 loads reviewed, all information, with the exception of one load, was accurate.

The exception noted involved a commercial front load vehicle collecting MSW on route #908. The vehicle dumped three loads at the transfer station. The first load weighed 10.45 tons, the second load 6.74 tons, and the last load of the day 3.86 tons. On the last load, the driver mistakenly keyed in route #809 which happened to be a valid residential side-load route number for a Thursday. This error was due to a Recology driver error not the result of a weakness in SBR's policies and procedures.

Based on the results of HFH's review of SBR's policies and procedures for Recology Franchise Vehicles at the SBR scale house, HF&H believes the process is functioning as described in the policies and procedures manual provided by SBR.

Recology staff reviewed the disposal and driver log information and acknowledged that a keying error had occurred. The 3.86 tons of disposal was therefore attributed to incorrect Member Agencies. According to Recology its current ticket review procedures would have found the error if the erroneous route number had not been a valid route number for a Thursday. **HF&H recommends Recology review its ticket review process and include controls to identify and correct such errors in a timely manner, as noted in Section 2.8 of this report.**

3.4 Summary of Recommendations – SBR Review

Policies and Procedures

Based on the results of our review, as discussed above HF&H recommends the following:

- Review scale house attendant training for multiple payment sources (e.g. cash and credit card) and include in the policy and procedures training for scale house employees.
- Review duplicate and voided ticket reports daily for proper authorizations and keep with daily settlements.
- Conduct surprise cash counts quarterly and evidence of counts should be maintained by SBR office staff.

- Reiterate to employees on the transfer station floor their responsibilities in verifying the ticket copy presented by self haul customers and have in place a mechanism whereby they can report discrepancies to their supervisor for follow up with scale house employees.

Financial Adjustment – Commodity Scrap Revenue

HF&H has calculated that SBR owes the SBWMA \$2,615 for the underpayment of August 2013 commodity revenue.

SECTION 4. VEHICLE TARE WEIGHTS: RECOLOGY AND SBR TRUCKS

Attachment 4 of **SBR's Operating Agreement** states that "The tare weight for trucks which regularly visit the site will be entered into the computer system so that inbound loads only have to be weighed once on the main scales and outbound loads only have to be weighed once on the remote scale. Outbound loads of all transfer station materials will be weighed in by the receiving party (e.g., Solid Waste will be weighed at the Ox Mountain landfill and Outbound loads of organics and/or C&D will be weighed at the AUTHORITY approved processor)". Attachment 4 further states that SBR "will perform frequent spot checking (at a minimum one load per month of each material) to ensure that the scales and weights at the receiving destination are accurate".

Inbound Loads - Recology Route Vehicles

According to **Recology's Franchise Agreements** with Member Agencies (Section 8.04) "Annually, Contractor shall have each Collection vehicle weighed at the Designated Transfer and Processing Facility to determine the unloaded weight ("tare weight") of the vehicle, and the total loaded weight of each load delivered to the Designated Transfer and Processing Facility. Upon a major repair that could affect the Collection vehicle tare weight, Contractor shall have the Collection vehicle re-weighed to establish a new tare weight."

The tare weights of Recology route vehicles have a direct financial impact on tonnage and disposal and processing fees which are ultimately paid by each Member Agency's customers, as the tare weights are used to determine: inbound volumes, the diversion incentive/disincentive calculations; and, the self-haul conversion ratio.

Industry standards for scale system operations include periodically updating vehicle tare weights. To establish that SBR meets industry standards, HF&H requested SBR's PC Scale's system details of Recology's current route vehicles' tare weights. It was noted that during the month of April 2014, SBR had updated tare weights for Recology vehicles.

Based on the results of our review of the policies and procedures for inbound Franchise Vehicles at the SBR scale house, we believe that SBR is following the process as described in the policies and procedures manual provided by SBR and their Operations Agreement with regard to Recology's trucks.

Our review of the Recology vehicle tare weights identified of the approximately 130 updated Recology vehicle tare weights listed, all but three showed increases to the weight of the vehicles. On average the tare weights increased by 400 pounds per vehicle. We understand SBWMA staff met with Recology to discuss this variance in tare weights. While Recology explained to SBWMA staff two of the variances, the majority of the variances require further research which we understand Recology has agreed to provide to the SBWMA in the coming weeks. In general, if the tare weights have been understated as identified, then:

- The weight and expense of Member Agency collected materials could have been overstated; and/or,

- Recology's calculation of diversion incentive/disincentive payments would also be impacted due to inflating the weight of materials collected.

To mitigate future occurrences of tare weight inaccuracies, HF&H recommends:

- **Recology and SBR ensure all Recology vehicles are reweighed quarterly and the tare weight updated in SBR's scale system;**
- **Recology ensure trucks undergoing repairs that add to weight also be reweighed; and,**
- **SBR create a report that summarizes Recology's truck tare weights and the date the tare weight was changed and provide the report to the SBWMA for its review on an annual basis.**

It is important to note that while the weight of Recology's collection trucks impacts the disposal and processing expense charged to the Member Agencies, this has no bearing on Recology's base compensation since this is a pass-through expense from the SBWMA for disposal at the Shoreway facility. As trucks gain weight over time, this overstates the load weight if tare weights are not updated on a timely basis. Thus, Member Agencies may be overcharged for disposal by the SBWMA due to inaccurate tare weights. In addition, if the load weight is overstated, this results in inaccurate reporting of tons to the State and may also result in inaccurate calculations of diversion performance incentives/disincentives.

Outbound Loads – SBR Transfer Vehicles

Outbound loads from the Shoreway facility on SBR trucks are weighed at each destination site (Ox Mountain, Newby Island, etc). Empty trucks are weighed and tare weights are stored at each site. The tare weight has a direct financial impact on outbound load weight, disposal and processing fees paid by the SBWMA, transportation costs paid to SBR, and the self-haul conversion ratio.

With the exception of Grover (which weighs vehicles inbound and outbound so no tare weight is necessary), all other facilities store tare weights of SBR trucks in their scale house systems. To review the accuracy of the transfer vehicle tare weights, HF&H compared the tare weight records from Ox Mountain Landfill and Newby Island Landfill to the tare weights maintained by SBR. We found inconsistencies between the three systems for the same vehicles (ranging from 20 lbs to 6,060 lbs) and some tare weights were over three years old (at Ox Mountain).

HF&H recommends:

- **SBR re-tare their trucks annually or after significant repairs have been done to the vehicles as a base line to compare the tare weights at the disposal sites;**
- **The SBWMA and SBR set up a process to request the disposal / processing facilities to update the tare weights on an annual basis and after significant repairs have been done to the vehicles;**
- **SBR maintain, and provide upon request, supporting documentation of its spot checking of vehicle tare weights (at a minimum of one load per month of each material; and , SBWMA and SBR request written reports from the facilities confirming the annual update has been completed, compare the weights to SBR internal tare weights, and resolve significant variances.**

**SUMMARY: Revenue Reconciliation of Amount Owed to Recology
vs Amount "Paid" to Recology**

Rate Year 2013

revised 6/13/2014

| | Atherton | Belmont | Burlingame | E Palo Alto | Foster City | Hillsborough | Menlo Park | North Fair Oaks | Redwood City | San Carlos | San Mateo | West Bay | Unincorporated County | Member Agency Total |
|--|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|-------------------|------------------|-------------------|------------------|--------------------------|------------------------|
| Amount Owed to Recology for 2013 | | | | | | | | | | | | | | |
| Approved Contractor's Compensation 2013 | 1,390,581 | 3,656,499 | 5,644,000 | 2,252,939 | 3,479,863 | 1,883,350 | 5,976,300 | 1,697,655 | 10,598,199 | 5,340,463 | 12,431,010 | 1,085,680 | 2,070,059 | 57,506,598 |
| Agency Specific Contract Changes | | | | | | (34,596) | 23,601 | | | (6,523) | | | | |
| Net Owed to Recology for 2013 | 1,390,581 | 3,656,499 | 5,644,000 | 2,252,939 | 3,479,863 | 1,848,754 | 5,999,901 | 1,697,655 | 10,598,199 | 5,333,940 | 12,431,010 | 1,085,680 | 2,070,059 | 57,489,080 |
| Amount "Paid" to Recology | | | | | | | | | | | | | | |
| Gross Revenue Billed | \$ 3,140,420 | 6,444,463 | 10,653,855 | 4,688,953 | 5,277,965 | 3,513,653 | 10,316,892 | 2,533,242 | 17,916,862 | 8,354,577 | 21,927,777 | 1,525,802 | 3,078,201 | 99,372,662 |
| Less: | | | | | | | | | | | | | | |
| Pass-Through Costs | 1,274,219 | 2,976,253 | 4,121,791 | 2,249,806 | 2,065,968 | 1,055,197 | 4,290,525 | 885,477 | 7,430,378 | 2,843,371 | 8,412,183 | 483,248 | 961,858 | 39,050,274 |
| Unscheduled and Intermittent Services | 18,921 | 67,918 | 94,380 | 51,234 | 22,402 | 7,034 | 122,974 | 27,264 | 54,779 | 79,391 | 312,950 | 15,136 | 18,910 | 893,293 |
| Net Revenue Billed | 1,847,280 | 3,400,292 | 6,437,684 | 2,387,913 | 3,189,595 | 2,451,422 | 5,903,393 | 1,620,501 | 10,431,705 | 5,431,815 | 13,202,644 | 1,027,418 | 2,097,433 | 59,429,095 |
| 2011 Balance Owed from/(To) Recology | | | | | | | | | | | | | | |
| Total 2011 Surplus/(Shortfall) <i>includes interest</i> | (593,420) | (627,525) | (752,425) | — | (43,231) | (572,071) | (53,914) | 94,788 | 311,123 | (189,237) | (1,205,319) | (114,510) | 90,059 | (3,655,682) |
| Net "Paid" to Recology for 2013 | 1,253,860 | 2,772,767 | 5,685,259 | 2,387,913 | 3,146,364 | 1,879,351 | 5,849,479 | 1,715,289 | 10,742,828 | 5,242,578 | 11,997,325 | 912,908 | 2,187,492 | 55,773,413 |
| Specific 2011 Shortfall Billed in 2012 | | | | | | 326,311 | | | | | | | | 326,311 |
| 2012 Adjustment for Allied Payment | | | | | | | | | | | | 187,547 | | 187,547 |
| Surplus/(Shortfall) for Rate Year 2013 | \$ (136,721) | (883,732) | 41,259 | 134,974 | (333,499) | 356,908 | (150,422) | 17,634 | 144,629 | (91,362) | (433,685) | 14,775 | 117,433 | (1,201,811) |
| <i>prepared by SBWMA</i> | | | | | | | | | | | | | | |

Recology San Mateo County
 Revenue Reconciliation
 Rate Year 2013
 Revenue Reconciliation of Gross Revenue
 Billed to Approved Contractor's Compensation
 and Surplus/Shortfall
revised 6/13/2014

| | Atherton | Belmont | Burlingame | E Palo Alto | Foster City | Hillsborough | Menlo Park | North Fair Oaks | Redwood City | San Carlos | San Mateo | West Bay | Unincorporated County | Member Agency Total |
|--|--------------|-----------|------------|-------------|-------------|--------------|------------|-----------------|--------------|------------|------------|-----------|-----------------------|---------------------|
| Gross Revenue Billed | \$ 3,140,420 | 6,444,463 | 10,653,855 | 4,688,953 | 5,277,965 | 3,513,653 | 10,316,892 | 2,533,242 | 17,916,862 | 8,354,577 | 21,927,777 | 1,525,802 | 3,078,201 | 99,372,662 |
| Less: | | | | | | | | | | | | | | |
| Pass-Through Costs | 1,277,303 | 2,982,150 | 4,146,321 | 2,254,142 | 2,093,954 | 1,057,715 | 4,332,118 | 890,146 | 7,465,295 | 2,852,575 | 8,448,020 | 484,804 | 963,743 | 39,248,286 |
| Unscheduled and Intermittent Services Excluding Agency Fees | 18,921 | 67,918 | 94,380 | 51,234 | 22,402 | 7,034 | 122,974 | 27,264 | 54,779 | 79,391 | 312,950 | 15,136 | 18,910 | 893,293 |
| Net Revenue Billed | 1,844,196 | 3,394,395 | 6,413,154 | 2,383,577 | 3,161,609 | 2,448,904 | 5,861,800 | 1,615,832 | 10,396,788 | 5,422,611 | 13,166,807 | 1,025,862 | 2,095,548 | 59,231,083 |
| Contractor's Compensation | 1,390,581 | 3,656,499 | 5,644,000 | 2,252,939 | 3,479,863 | 1,883,350 | 5,976,300 | 1,697,655 | 10,598,199 | 5,340,463 | 12,431,010 | 1,085,680 | 2,070,059 | 57,506,598 |
| Agency Specific Contract Changes | | | | | | (34,596) | 23,601 | | | (6,523) | | | | (17,518) |
| Approved Contractor's Compensation | 1,390,581 | 3,656,499 | 5,644,000 | 2,252,939 | 3,479,863 | 1,848,754 | 5,999,901 | 1,697,655 | 10,598,199 | 5,333,940 | 12,431,010 | 1,085,680 | 2,070,059 | 57,489,080 |
| 2011 (Surplus)/Shortfall | 557,857 | 592,047 | 709,885 | — | 40,787 | 539,728 | 50,866 | (89,107) | (292,478) | 178,538 | 1,133,085 | 111,559 | (84,662) | 3,448,105 |
| Interest on 2011 (Surplus)/Shortfall | 35,563 | 35,478 | 42,540 | — | 2,444 | 32,343 | 3,048 | (5,681) | (18,645) | 10,699 | 72,234 | 2,951 | (5,397) | 207,577 |
| Total Due Recology San Mateo County for Rate Year 2013 | 1,984,001 | 4,284,024 | 6,396,425 | 2,252,939 | 3,523,094 | 2,420,825 | 6,053,815 | 1,602,867 | 10,287,076 | 5,523,177 | 13,636,329 | 1,200,190 | 1,980,000 | 61,144,762 |
| Specific 2011 Shortfall Billed in 2012 | | | | | | 326,311 | | | | | | | | 326,311 |
| Surplus/(Shortfall) for Rate Year 2013 | \$ (139,805) | (889,629) | 16,729 | 130,638 | (361,485) | 354,390 | (192,015) | 12,965 | 109,712 | (100,566) | (469,522) | (174,328) | 115,548 | (1,587,368) |
| 2012 Calculated Surplus due to Balancing Account Funds Paid to Recology | | | | | | | | | | | | 187,547 | | 187,547 |
| 2013 Food Waste Disposal Adjustment | 3,084 | 5,897 | 24,530 | 4,336 | 27,986 | 2,518 | 41,593 | 4,669 | 34,917 | 9,204 | 35,837 | 1,556 | 1,885 | 198,010 |
| Adjusted Surplus/(Shortfall) for Rate Year 2013 | (136,721) | (883,732) | 41,259 | 134,974 | (333,499) | 356,908 | (150,422) | 17,634 | 144,629 | (91,362) | (433,685) | 14,775 | 117,433 | (1,201,811) |

Note: In accordance with the Memorandum of Understanding, interest is applied to the shortfall between net revenue billed and the approved amount due Recology if rates are set below those recommended in the SBWMA report approved by the SBWMA Board. Interest is applied to 50% of the difference during the rate year in which the difference occurred (2013) because the difference occurs throughout the year and to 100% of the difference in the immediately following year (2014) because the difference exists the entire year. The interest applied to both years is the prime rate in effect when the SBWMA issued the report for that year plus one percent (1%). The prime rate has been 3.25% since December 16, 2008.

Recology San Mateo County
Revenue Reconciliation
Rate Year 2013
Statement of Gross Revenue Billed
revised 6/13/2014

| | Atherton | Belmont | Burlingame | E Palo Alto | Foster City | Hillsborough | Menlo Park | North Fair Oaks | Redwood City | San Carlos | San Mateo | West Bay | Unincorporated County | Member Agency Total | Other | Total |
|------------------------------------|--------------|-----------|------------|-------------|-------------|--------------|------------|-----------------|--------------|------------|------------|-----------|-----------------------|---------------------|-----------|-------------|
| Revenues: | | | | | | | | | | | | | | | | |
| Refuse Collection operations | | | | | | | | | | | | | | | | |
| Residential | \$ 2,878,569 | 2,724,037 | 2,234,115 | 2,035,516 | 1,675,832 | 3,076,861 | 2,890,727 | 976,891 | 9,340,643 | 3,628,875 | 6,361,064 | 1,188,979 | 2,317,469 | 41,329,578 | — | 41,329,578 |
| Commercial & Multi-Family Dwelling | 260,903 | 3,550,543 | 6,558,183 | 2,292,108 | 2,968,133 | 109,158 | 7,206,112 | 1,556,282 | 7,496,167 | 4,315,902 | 14,092,346 | 336,682 | 760,732 | 51,503,251 | — | 51,503,251 |
| Debris Box | 879 | 169,883 | 1,861,557 | 361,329 | 634,000 | | 219,809 | | 1,080,052 | 624,342 | 1,474,367 | | | 6,426,218 | — | 6,426,218 |
| Hauling revenue adjustments | (438,069) | (310,505) | (766,400) | (51,969) | 305,772 | 318,048 | 122,662 | 56,511 | 74,538 | (323,412) | (735,263) | 36,707 | (29,284) | (1,740,664) | — | (1,740,664) |
| Other | 69 | 7,695 | 13,496 | 4,524 | | 2,195 | 55,185 | 307 | 16 | 10,536 | — | 141 | 5,666 | 99,830 | 1,058,776 | 1,158,606 |
| Total operating revenues | \$ 2,702,351 | 6,141,653 | 9,900,951 | 4,641,508 | 5,583,737 | 3,506,262 | 10,494,495 | 2,589,991 | 17,991,416 | 8,256,243 | 21,192,514 | 1,562,509 | 3,054,583 | 97,618,213 | 1,058,776 | 98,676,989 |

RECONCILIATIONS:

| | | | | | | | | | | | | | | | | | |
|--|-----|--------------|-----------|------------|-----------|-----------|-----------|------------|-----------|------------|-----------|------------|-----------|-----------|-------------|--------|-------------|
| 2013 revenue adjustment | (1) | \$ (138,004) | | 10,909 | 30,802 | (363,464) | (323,056) | (207,722) | 12,837 | 150,547 | 98,467 | (465,210) | (158,673) | 102,163 | (1,250,404) | — | (1,250,404) |
| 2012 (incentives)/disincentives | | (6,864) | (20,625) | (59,783) | (29,006) | (31,728) | (8,468) | (46,060) | (12,932) | (96,397) | (36,398) | (109,717) | (3,977) | (10,217) | (472,172) | — | (472,172) |
| 2011 (surplus)/shortfall | | 557,857 | 592,047 | 709,885 | — | 40,787 | 539,728 | 50,866 | (89,107) | (292,478) | 178,538 | 1,133,085 | 111,559 | (84,662) | 3,448,105 | — | 3,448,105 |
| Interest on 2011 (surplus)/shortfall | | 35,563 | 35,478 | 42,540 | — | 2,444 | 32,343 | 3,048 | (5,681) | (18,645) | 10,699 | 72,234 | 2,951 | (5,397) | 207,577 | — | 207,577 |
| | | 448,552 | 606,900 | 703,551 | 1,796 | (351,961) | 240,547 | (199,868) | (94,883) | (256,973) | 251,306 | 630,392 | (48,140) | 1,887 | 1,933,106 | — | 1,933,106 |
| Adjustment to booked 2012 (incentives)/disincentives (timing difference) | | 205 | (140) | 348 | (197) | 287 | 42 | (316) | (88) | (156) | 1,160 | 258 | (27) | (70) | 1,306 | — | 1,306 |
| Adjustment to booked 2011 (surplus)/shortfall (timing difference) | | (10,688) | (360,777) | 62,501 | 50,370 | 45,902 | (558,637) | 77,522 | 38,460 | 182,591 | 70,946 | 104,613 | (2,829) | 27,467 | (272,559) | — | (272,559) |
| Rate Stabilization account | | | 64,522 | | | | | | | | | 14,289 | | 78,811 | | | 78,811 |
| Late Charges on Delinquent Payments | | | (7,695) | (13,496) | (4,524) | | (2,195) | (54,941) | (238) | (16) | (10,536) | | (5,666) | (99,308) | — | | (99,308) |
| Return of Balancing Account Funds Applied to Year 2012 | | | | | | | | | | (214,542) | | | | (214,542) | — | | (214,542) |
| Specific 2011 Shortfall Billed in 2013 | | | | | | 327,634 | | | | | | | | 327,634 | — | | 327,634 |
| SBWMA Reimbursement of Repairs | | | | | | | | | | | | | | — | (92,881) | | (92,881) |
| SBR Fuel and Electric Revenue | | | | | | | | | | | | | | — | (947,951) | | (947,951) |
| Gross Revenue Billed | | \$ 3,140,420 | 6,444,463 | 10,653,855 | 4,688,953 | 5,277,965 | 3,513,653 | 10,316,892 | 2,533,242 | 17,916,862 | 8,354,577 | 21,927,777 | 1,525,802 | 3,078,201 | 99,372,661 | 17,944 | 99,390,605 |

(1) Revenue is recognized on an accrual basis when services are performed. This amount represents the difference between amounts billed and the contractual targeted compensation for services provided.

Recology San Mateo County
 Revenue Reconciliation
 Rate Year 2013
 Statement of Pass-Through Costs
revised 6/13/2014

| | Atherton | Belmont | Burlingame | E Palo Alto | Foster City | Hillsborough | Menlo Park | North Fair Oaks | Redwood City | San Carlos | San Mateo | West Bay | Unincorporated County | Member Agency Total | Other | Total |
|---------------------------------|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|------------------|------------------|------------------|----------------|-----------------------|---------------------|---------------|-------------------|
| Disposal Fees: | | | | | | | | | | | | | | | | |
| Residential | | | | | | | | | | | | | | | | |
| MSW | \$ 156,296 | 302,074 | 338,737 | 577,064 | 299,486 | 207,486 | 403,292 | 258,243 | 935,148 | 405,824 | 1,142,983 | 106,667 | 243,503 | 5,376,803 | — | 5,376,803 |
| Organics | 710,039 | 382,425 | 475,902 | 330,963 | 253,577 | 401,397 | 746,507 | 192,141 | 1,169,628 | 567,736 | 1,287,215 | 228,331 | 393,273 | 7,139,134 | — | 7,139,134 |
| Commercial | | | | | | | | | | | | | | | | |
| MSW | 33,445 | 197,735 | 675,507 | 107,962 | 209,237 | 12,039 | 759,474 | 162,144 | 1,213,105 | 512,348 | 1,139,929 | 32,607 | 90,563 | 5,146,095 | 40,488 | 5,186,583 |
| Organics | 26,724 | 44,760 | 206,322 | 29,159 | 186,920 | 21,876 | 347,701 | 40,326 | 273,625 | 71,670 | 274,946 | 13,402 | 15,880 | 1,553,311 | — | 1,553,311 |
| Multi-Family Dwelling | | | | | | | | | | | | | | | | |
| MSW | | 202,394 | 267,770 | 245,424 | 305,330 | | 196,084 | 88,093 | 679,625 | 145,096 | 970,455 | 4,363 | 37,429 | 3,142,063 | — | 3,142,063 |
| Organics | | 6,355 | 6,281 | 8,418 | 5,017 | | 12,905 | 164 | 12,859 | 8,171 | 35,644 | 85 | 466 | 96,365 | — | 96,365 |
| Debris Box | | | | | | | | | | | | | | | | |
| MSW | 39 | 45,250 | 659,192 | 118,392 | 119,147 | | 38,185 | | 365,307 | 74,962 | 405,908 | | | 1,826,382 | — | 1,826,382 |
| Organics | | 896 | | 257 | 54,408 | | 24,907 | | 67,694 | 854 | | | | 149,016 | — | 149,016 |
| City Facilities | | | | | | | | | | | | | | | | |
| MSW | 8,224 | 17,104 | 147,846 | 23,525 | 46,681 | 62,515 | 109,433 | 14,650 | 188,714 | 51,797 | 193,571 | 1,500 | 448 | 866,008 | — | 866,008 |
| Organics | 22,498 | 7,545 | 91,795 | 12,203 | 6,905 | 13,242 | 92,177 | 392 | 74,653 | 16,030 | 35,852 | 968 | 6,509 | 380,769 | — | 380,769 |
| City Self Hauled | | | | | | | | | | | | | | | | |
| MSW | | 105,655 | | | 19,917 | | | | 1,697 | 41,113 | 11,455 | | | 179,837 | — | 179,837 |
| Organics | | 5,487 | | | 5,614 | | | | 17,529 | 680 | | | | 29,310 | — | 29,310 |
| Total Disposal | \$ 957,265 | 1,317,680 | 2,869,352 | 1,453,367 | 1,512,239 | 718,555 | 2,730,665 | 756,153 | 4,999,584 | 1,896,281 | 5,497,958 | 387,923 | 788,071 | 25,885,093 | 40,488 | 25,925,581 |
| Franchise and Other Fees | | | | | | | | | | | | | | | | |
| Franchise Fees | \$ 282,038 | 569,301 | 751,230 | 368,239 | 469,625 | 319,661 | 601,566 | 119,974 | 2,349,446 | 740,882 | 759,109 | 71,446 | 145,410 | 7,547,927 | — | 7,547,927 |
| Allied Balancing Account | | | | | | | | | | | | | | — | — | — |
| Street Sweeping Fee | 24,000 | 387,130 | | 232,536 | 64,671 | | | | | 91,596 | 320,000 | | | 1,119,933 | — | 1,119,933 |
| Management Fee | | | | | | | 200,400 | | | | | | | 200,400 | — | 200,400 |
| AB939 Fee | 14,000 | 225,826 | | | | | | | 71,548 | | 892,755 | | | 1,204,129 | — | 1,204,129 |
| Administration Fee | | | 187,808 | | | | | | 44,717 | | | | | 232,525 | — | 232,525 |
| Landfill Closure Fee | | | 262,931 | | | | 746,772 | | | | 978,198 | | | 1,987,901 | — | 1,987,901 |
| HHW Fee | | 62,822 | | | 47,419 | 19,499 | 52,715 | 14,019 | | | 52,260 | 11,146 | 30,262 | 290,142 | — | 290,142 |
| Rate Stabilization Fee | | | | | | | | | | | | | | — | — | — |
| Collection Vehicle Fee | | 161,304 | | | | | | | | | | | | 161,304 | — | 161,304 |
| Litter Control Fee | | 129,043 | | 200,000 | | | | | | | | | | 329,043 | — | 329,043 |
| NDPES Litter Impact Fee | | 64,522 | | | | | | | | | | | | 64,522 | — | 64,522 |
| Steam Cleaning Fee | | | 75,000 | | | | | | | 10,000 | | | | 85,000 | — | 85,000 |
| Resource Conservation Fee | | | | | | | | | | | | | | — | — | — |
| City Manager Fee | | | | | | | | | | 28,900 | | | | 28,900 | — | 28,900 |
| Asst City Manager Fee | | | | | | | | | | 32,656 | | | | 32,656 | — | 32,656 |
| Franchise and Other Fees | \$ 320,038 | 1,599,948 | 1,276,969 | 800,775 | 581,715 | 339,160 | 1,601,453 | 133,993 | 2,465,711 | 956,294 | 2,950,062 | 82,592 | 175,672 | 13,284,382 | — | 13,284,382 |
| RECONCILIATIONS: | | | | | | | | | | | | | | | | |
| Rate Stabilization Fee | | 64,522 | | | | | | | | | | 14,289 | | 78,811 | — | 78,811 |
| Total Franchise and other Fees | 320,038 | 1,664,470 | 1,276,969 | 800,775 | 581,715 | 339,160 | 1,601,453 | 133,993 | 2,465,711 | 956,294 | 2,950,062 | 96,881 | 175,672 | 13,363,193 | — | 13,363,193 |
| Total Pass-Through Costs | \$ 1,277,303 | 2,982,150 | 4,146,321 | 2,254,142 | 2,093,954 | 1,057,715 | 4,332,118 | 890,146 | 7,465,295 | 2,852,575 | 8,448,020 | 484,804 | 963,743 | 39,248,286 | 40,488 | 39,288,774 |

Recology San Mateo County
Revenue Reconciliation
Rate Year 2013
Statement of Revenue Billed
for Unscheduled and
Intermittent Services
revised 6/13/2014

| | <u>Atherton</u> | <u>Belmont</u> | <u>Burlingame</u> | <u>E Palo Alto</u> | <u>Foster City</u> | <u>Hillsborough</u> | <u>Menlo Park</u> | <u>North Fair Oaks</u> | <u>Redwood City</u> | <u>San Carlos</u> | <u>San Mateo</u> | <u>West Bay</u> | <u>Unincorporated County</u> | <u>Total</u> |
|---|------------------|----------------|-------------------|--------------------|--------------------|---------------------|-------------------|------------------------|---------------------|-------------------|------------------|-----------------|----------------------------------|----------------|
| Revenue Billed | | | | | | | | | | | | | | |
| Attachment Q revenues | \$ 51,355 | 94,684 | 110,558 | 51,303 | 22,402 | 40,630 | 141,349 | 27,289 | 54,779 | 90,486 | 332,407 | 19,266 | 22,295 | 1,058,803 |
| Less: | | | | | | | | | | | | | | |
| Back yard collection fees | 30,542 | 2,903 | 4,097 | — | — | 32,893 | — | 25 | — | 3,156 | 6,939 | 4,130 | 3,385 | 88,071 |
| Total Unscheduled Services | <u>20,813</u> | <u>91,781</u> | <u>106,461</u> | <u>51,303</u> | <u>22,402</u> | <u>7,737</u> | <u>141,349</u> | <u>27,264</u> | <u>54,779</u> | <u>87,330</u> | <u>325,468</u> | <u>15,136</u> | <u>18,910</u> | <u>970,733</u> |
| Less Included Agency Fees | 1,892 | 23,863 | 12,081 | 69 | — | 703 | 18,375 | — | — | 7,939 | 12,518 | — | — | 77,440 |
| Unscheduled Services Excluding Agency Fees | \$ <u>18,921</u> | <u>67,918</u> | <u>94,380</u> | <u>51,234</u> | <u>22,402</u> | <u>7,034</u> | <u>122,974</u> | <u>27,264</u> | <u>54,779</u> | <u>79,391</u> | <u>312,950</u> | <u>15,136</u> | <u>18,910</u> | <u>893,293</u> |

Note: Member Agencies keep the first 20% of backyard collection fees because the cost to service 20% of the customers is included in Contractor's Compensation.
The backyard collection fees are within the 20% threshold and therefore are reduced from the total of Unscheduled Services revenue.



A Public Agency

STAFF UPDATES

Agenda Item 6



STAFF UPDATE

July 2014 – January 2015 Potential Future Board Agenda Items

July 22, 2014

- Closed session: Executive Director Performance Review
- Consideration of Approval of Additional Third Party Tons into Shoreway MRF (**Approval item**)
- Review and Approval of Executive Director's Goals for FY1415 (**Approval item**)
- Guiding Principles for Development of a Long Range Plan (**Discussion item**)
- Annual Solid Waste Rate Survey Results (**Staff presentation**)
- Review of Landfill Disposal and Transportation Rates (**Staff presentation**)
- Review of Cart Migration Data for Member Agencies and Rates vs. Costs Analysis (**Staff update**)
- Update on 2015 Rate Applications and Rate Issues (**Staff update**)

September 11, 2014 (Joint meeting with Board and TAC; Special Board Meeting)

- Final Review of 2015 Contractor Compensation Applications (SBWMA Rate Reports Included in September 18, 2014 BOD packet) (**Staff presentation**)

September 25, 2014

- Resolution Approving 2015 South Bay Recycling Compensation Application (**Approval item**)
- Resolution Approving 2015 Recology San Mateo County Compensation Application (**Approval item**)
- Discussion on Role of Technical Advisory Committee (**Discussion item**)
- Approval of Quarterly Investment Report as of 6/30/14 (**Consent calendar**)
- Technical Consulting Contracts – 3rd Quarter 2014 (**Staff update**)

October 23, 2014

- Closed session: Conference with Labor Negotiator: Unrepresented employees- (All employees)
- Resolution Approving 2014 Public Education Plan (**Approval item**)
- Discussion on Length of Term for Appointment of Board Members (**Discussion item**)

November 6, 2014 (location TBD)

- Special Board Workshop on Waste Reduction, Recycling and Composting Programs, Policies and Technologies

November 20, 2014

- Consideration of Shoreway Facility Tipping Fee Adjustments Effective 1/1/15 (**Approval item if recommended adjustments**)
- Progress Report on Long Range Plan (**Staff presentation**)
- Consideration of 2015 Merit Increase Pool for Unrepresented Employees (**Approval item**)
- Approval of Quarterly Investment Report as of 9/30/14 (**Consent calendar**)
- Contractor Quarterly Updates

January 22, 2015

- Resolution Accepting the FY1314 Annual Financial Statements (**Approval item**)
- Election of Board Officers for 2015 (**Approval item**)
- Mid-Year Review of FY1415 Annual Operating Budget (**Approval item**)



STAFF UPDATE

To: SBWMA Board Members
From: Marshall Moran, Finance Manager
Date: June 26, 2014 Board of Directors Meeting
Subject: May 2014 SBWMA Check Registers

This is an informational item only and no action is required. This report was requested by Board members.

The SBWMA has a contract with the City of San Carlos for accounting services including the issuing of all payments and receipt of all revenue. In accordance with the City of San Carlos' policies, checks are normally issued every two weeks. All SBWMA invoices are approved for payment by the program manager and then by the Executive Director or Finance Manager. Total A/P spending for May 2014 was \$4,232,938.55 as detailed in **Attachment A**. Certain ACH transactions such as payroll and some benefit payments are drawn directly from the bank and are therefore not included in these A/P reports.

If you have any questions on this, please contact Cyndi Urman or Marshall Moran. The format of the check registers is limited to what is available from the city's MUNIS accounting system.

Attachments:

Attachment A – June 2014 Check Registers

05/01/2014 16:40 | CITY OF SAN CARLOS
 linda | A/P CASH DISBURSEMENTS JOURNAL S050214

PG 1
 apcshdsb

CASH ACCOUNT: S000 110020 WELLS FARGO BANK
 CHECK NO CHK DATE TYPE VENDOR NAME

| CHECK NO | CHK DATE | TYPE | VENDOR NAME | INVOICE | INV DATE | PO | CHECK RUN | NET |
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| 5930 | 04/25/2014 | WIRE | 2223 THE BANK OF NEW YORK MELLON TRUST | MAY2014-2009A 343,571.85 S011 114467 | 04/25/2014 | | INVESTMENT BNY 2009AB INTEREST | 343,571.85 |
| | | | | | | | CHECK 5930 TOTAL: | 343,571.85 |
| 5931 | 05/02/2014 | EFT | 152 BROWNING FERRIS IND OF CA | 000000111 188,561.61 S0113010 522713 | 03/31/2014 | | S050214 DISPOSAL & PROCESSING COSTS | 188,561.61 |
| | | | | | | | CHECK 5931 TOTAL: | 188,561.61 |
| 5932 | 05/02/2014 | EFT | 1278 LOCAL GOVERNMENT SERVICES | 2111 14,500.00 S0113010 520306 | 04/25/2014 | | S050214 AB939 PROGRAM STAFF | 14,500.00 |
| | | | | | | | CHECK 5932 TOTAL: | 14,500.00 |
| 5933 | 05/02/2014 | EFT | 1419 THE OFFICE CITY | IN-01200644 141.78 S0113010 520201 | 04/22/2014 | | S050214 OFFICE SUPPLIES | 141.78 |
| | | | | | | | CHECK 5933 TOTAL: | 141.78 |
| 5934 | 05/02/2014 | EFT | 6809 PRECISE PRINTING & MAILING | 041814 30,360.00 S0113010 520604HHWUW | 04/18/2014 | | S050214 PUBLIC EDUCATION/OUTREACH/WORK | 30,360.00 |
| | | | PRECISE PRINTING & MAILING | 041814-2 4,853.00 S0113010 520604HHWUW | 04/18/2014 | | S050214 PUBLIC EDUCATION/OUTREACH/WORK | 4,853.00 |
| | | | | | | | CHECK 5934 TOTAL: | 35,213.00 |
| 5935 | 05/02/2014 | EFT | 4519 SHRED-IT USA SF | 9403490483 84.06 S0113010 520201 | 04/11/2014 | | S050214 OFFICE SUPPLIES | 84.06 |
| | | | | | | | CHECK 5935 TOTAL: | 84.06 |
| 5936 | 05/02/2014 | EFT | 5558 ZANKER ROAD RESOURCE MANAGEMENT L | 02014-03-0284 5,916.75 S0113010 522713 | 03/31/2014 | | S050214 DISPOSAL & PROCESSING COSTS | 5,916.75 |
| | | | ZANKER ROAD RESOURCE MANAGEMENT L | Z2014-03-0213 103,584.04 S0113010 522713 | 03/31/2014 | | S050214 DISPOSAL & PROCESSING COSTS | 103,584.04 |
| | | | | | | | CHECK 5936 TOTAL: | 109,500.79 |
| 5937 | 05/02/2014 | PRTD | 88 ARROWHEAD | 04D0028452035 102.16 S0113010 520201 | 04/10/2014 | | S050214 OFFICE SUPPLIES | 102.16 |

05/01/2014 16:40 | CITY OF SAN CARLOS
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PG 2
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CASH ACCOUNT: S000 110020 WELLS FARGO BANK
 CHECK NO CHK DATE TYPE VENDOR NAME

| INVOICE | INV DATE | PO | CHECK RUN | NET |
|---|--|------------|---|------------|
| CHECK 5937 TOTAL: | | | | 102.16 |
| 5938 05/02/2014 PRTD 776 AT&T | 041314-5967146 190.82 S0113010 522714 | 04/13/2014 | S050214 SHOREWAY FACILITY COST | 190.82 |
| CHECK 5938 TOTAL: | | | | 190.82 |
| 5939 05/02/2014 PRTD 5556 BFI OF CALIFORNIA | 0000037473 666,118.73 S0113010 522713 | 03/31/2014 | S050214 DISPOSAL & PROCESSING COSTS | 666,118.73 |
| BFI OF CALIFORNIA | 37569 2,639.34 S0113010 522716 | 03/31/2014 | S050214 MAINTENANCE ON TIPPER OX MTN | 2,639.34 |
| CHECK 5939 TOTAL: | | | | 668,758.07 |
| 5940 05/02/2014 PRTD 5342 DAILY POST | 042214-1 2,000.00 S0113010 520604HHWUW | 04/22/2014 | S050214 PUBLIC EDUCATION/OUTREACH/WORK | 2,000.00 |
| DAILY POST | 042214-2 6,000.00 S0113010 520604HHWUW | 04/22/2014 | S050214 PUBLIC EDUCATION/OUTREACH/WORK | 6,000.00 |
| CHECK 5940 TOTAL: | | | | 8,000.00 |
| 5941 05/02/2014 PRTD 5305 GODBE CORPORATION | 11970 17,950.00 S0113010 520604RES01 | 04/22/2014 | S050214 PUBLIC EDUCATION/OUTREACH/WORK | 17,950.00 |
| CHECK 5941 TOTAL: | | | | 17,950.00 |
| 5942 05/02/2014 PRTD 7039 HIGHLANDS ELEMENTARY SCHOOL | 050214 500.00 S0113010 522718 | 04/18/2014 | S050214 EDUCATION CENTER OPERATIONS | 500.00 |
| CHECK 5942 TOTAL: | | | | 500.00 |
| 5943 05/02/2014 PRTD 5059 JEFFREY SCOTT AGENCY | 040714 1,800.00 S0113010 520604HHWUW 300.00 S0113010 520604QNL01 | 04/07/2014 | S050214 PUBLIC EDUCATION/OUTREACH/WORK PUBLIC EDUCATION/OUTREACH/WORK | 2,100.00 |
| CHECK 5943 TOTAL: | | | | 2,100.00 |
| 5944 05/02/2014 PRTD 3431 KEVIN MCCARTHY | 042714 120.75 S0113010 520105 | 04/27/2014 | S050214 CELL PHONES | 120.75 |
| CHECK 5944 TOTAL: | | | | 120.75 |

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CITY OF SAN CARLOS
A/P CASH DISBURSEMENTS JOURNAL S050214

PG 3
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CASH ACCOUNT: S000 110020 WELLS FARGO BANK
CHECK NO CHK DATE TYPE VENDOR NAME

| CHECK NO | CHK DATE | TYPE | VENDOR NAME | INVOICE | INV DATE | PO | CHECK RUN | NET |
|----------|------------|------|--|---|------------|----|-----------|------------------------|
| 5945 | 05/02/2014 | PRTD | 449 PITNEY BOWES | 042214 200.00 S0113010 520201 | 04/22/2014 | | S050214 | 200.00 |
| | | | | | | | CHECK | 5945 TOTAL: 200.00 |
| 5946 | 05/02/2014 | PRTD | 5557 RECOLOGY GROVER ENVIRONMENTAL PRO | 140331 147,558.50 S0113010 522713 | 04/03/2014 | | S050214 | 147,558.50 |
| | | | | | | | CHECK | 5946 TOTAL: 147,558.50 |
| 5947 | 05/02/2014 | PRTD | 1260 RICOH AMERICAS CORPORATION | 18083127 1,547.64 S0113010 520215 | 04/11/2014 | | S050214 | 1,547.64 |
| | | | | | | | CHECK | 5947 TOTAL: 1,547.64 |
| 5948 | 05/02/2014 | PRTD | 5443 SPECIALTY'S CAFE & BAKERY INC | T2423-8667311 485.33 S0113010 520300 | 04/24/2014 | | S050214 | 485.33 |
| | | | | | | | CHECK | 5948 TOTAL: 485.33 |
| 5949 | 05/02/2014 | PRTD | 7040 SUNNYBRAE ELEMENTARY SCHOOL | 042414 50.00 S0113010 522718 | 04/24/2014 | | S050214 | 50.00 |
| | | | | | | | CHECK | 5949 TOTAL: 50.00 |

NUMBER OF CHECKS 20 *** CASH ACCOUNT TOTAL *** 1,539,136.36

| | COUNT | AMOUNT |
|----------------------|-------|------------|
| TOTAL PRINTED CHECKS | 13 | 847,563.27 |
| TOTAL WIRE TRANSFERS | 1 | 343,571.85 |
| TOTAL EFT'S | 6 | 348,001.24 |

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| Email | <input type="checkbox"/> |

PREPARED BY: Reyda DATE: 5/1/14
 APPROVE: Jr DATE: 5/2/14
 WIRE TRANSFERRED BY: Jr DATE: 5/2/14
 ACTS 5214 001-111
Michael J. Subis 5/1/14

05/13/2014 13:25 | CITY OF SAN CARLOS
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PG 1
 apcshdsb

CASH ACCOUNT: S000 110020 WELLS FARGO BANK
 CHECK NO CHK DATE TYPE VENDOR NAME

| CHECK NO | CHK DATE | TYPE | VENDOR NAME | INVOICE | INV DATE | PO | CHECK RUN | NET |
|------------------------------|------------|------|---|-----------|-------------------------|------------------------|--------------------------------|-----------|
| ----- INVOICE DTL DESC ----- | | | | | | | | |
| 5950 | 05/13/2014 | WIRE | 3622 WELLS FARGO REMITTANCE CENTER | SB-042514 | 04/25/2014 | | | 4,985.16 |
| | | | Invoice: SB-042514 | | 3/26-4/25/14 | CREDIT CARD | | |
| | | | | 2,911.27 | S0113010 | 522718 | EDUCATION CENTER OPERATIONS | |
| | | | | 200.00 | S0113010 | 520503 | CONFERENCES & MEETINGS | |
| | | | | 9.09 | S0113010 | 520201 | OFFICE SUPPLIES | |
| | | | | 1,864.80 | S0113010 | 520604HHWUW | PUBLIC EDUCATION/OUTREACH/WORK | |
| | | | | | | CHECK | 5950 TOTAL: | 4,985.16 |
| 5951 | 05/13/2014 | EFT | 3 AARONSON DICKERSON COHN & LANZONE 389730-SB.R | | 04/24/2014 | | S051314 | 5,103.00 |
| | | | Invoice: 389730-SB.R | | MAR-APR 14 | BOARD COUNSEL | | |
| | | | | 5,103.00 | S0113010 | 520312 | BOARD COUNSEL | |
| | | | | | | CHECK | 5951 TOTAL: | 5,103.00 |
| 5952 | 05/13/2014 | EFT | 1250 FEDEX KINKO'S OFFICE & PRINT SERV 050114 | | 05/01/2014 | | S051314 | 625.99 |
| | | | Invoice: 050114 | | MAY 14 | EARTH DAY ITEMS | | |
| | | | | 625.99 | S0113010 | 522718 | EDUCATION CENTER OPERATIONS | |
| | | | | | | CHECK | 5952 TOTAL: | 625.99 |
| 5953 | 05/13/2014 | EFT | 1278 LOCAL GOVERNMENT SERVICES | 2107 | 03/31/2014 | | S051314 | 1,476.37 |
| | | | Invoice: 2107 | | MAR 14 | PRG STAFF FELDMAN | | |
| | | | | 750.00 | S0113010 | 520337 | CONSULTING CONTRACTS RGS/LGS | |
| | | | | 726.37 | S0113010 | 520306 | AB939 PROGRAM STAFF | |
| | | | Invoice: 2113 | | JAN-APR 14 | EXP REIMB FELD | S051314 | 535.67 |
| | | | | | | CELL PHONES | | |
| | | | | 357.39 | S0113010 | 520105 | OFFICE SUPPLIES | |
| | | | | 178.28 | S0113010 | 520201 | | |
| | | | | | | CHECK | 5953 TOTAL: | 2,012.04 |
| 5954 | 05/13/2014 | EFT | 3089 R3 CONSULTING GROUP INC | 7306 | 03/31/2014 | | S051314 | 18,915.00 |
| | | | Invoice: 7306 | | PROF SVC THROUGH APR 14 | | | |
| | | | | 18,915.00 | S0113010 | 520309HCS02 | BUSINESS CONSULTANT (HFH) | |
| | | | | | | CHECK | 5954 TOTAL: | 18,915.00 |
| 5955 | 05/13/2014 | EFT | 725 CITY OF SAN CARLOS | 198098 | 05/01/2014 | | S051314 | 4,257.56 |
| | | | Invoice: 198098 | | MAY 14 | LEASE | | |
| | | | | 4,257.56 | S0113010 | 520203 | RENT | |
| | | | Invoice: 8487 | | JAN-MAR 14 | BANK FEES | S051314 | 945.12 |
| | | | | | | BANK FEES AND SERVICES | | |
| | | | | 945.12 | S0113010 | 520202 | | |

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CITY OF SAN CARLOS
A/P CASH DISBURSEMENTS JOURNAL S051314

PG 2
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CASH ACCOUNT: S000 110020 WELLS FARGO BANK
CHECK NO CHK DATE TYPE VENDOR NAME

| INVOICE | INV DATE | PO | CHECK RUN | NET |
|---|--|---------------|------------------------------|--------------|
| ----- | | | | |
| | | | CHECK 5955 TOTAL: | 5,202.68 |
| 5956 05/13/2014 EFT Invoice: 2014-4 | 5512 SOUTH BAY RECYCLING LLC | 2014-4 | 03/01/2014 S051314 | 1,394,012.69 |
| | | | MAR 2014 SERVICES | |
| | -23,872.72 S0113010 480033 | | MRF 3RD PARTY PROCESSING FEE | |
| | -13,506.30 S0113010 522713 | | DISPOSAL & PROCESSING COSTS | |
| | 73,087.71 S0113010 522717 | | BUYBACK PAYMENTS | |
| | 1,751.24 S0113010 522714 | | SHOREWAY FACILITY COST | |
| | 1,356,552.76 S0113010 522712 | | OPERATOR COMPENSATION SBR | |
| | | | CHECK 5956 TOTAL: | 1,394,012.69 |
| 5957 05/13/2014 PRD Invoice: 13010087.01-1 | 5326 ASCENT ENVIRONMENTAL INC | 13010087.01-1 | 04/10/2014 S051314 | 1,250.00 |
| | | | MAR 14 PROF SVC | |
| | 1,250.00 S0113010 520311 | | CIWMB ANNUAL REPORTS | |
| | | | CHECK 5957 TOTAL: | 1,250.00 |
| 5958 05/13/2014 PRD Invoice: 09-1113 | 2205 CALIFORNIA RESOURCE RECOVERY ASSO 09-1113 | | 05/05/2014 S051314 | 2,000.00 |
| | | | MAY 14 SPONSORSHIP | |
| | 2,000.00 S0113010 520511 | | SPONSORSHIP AND DONATIONS | |
| | | | CHECK 5958 TOTAL: | 2,000.00 |
| 5959 05/13/2014 PRD Invoice: 050514 | 7046 CONNECT COMMUNITY CHARTER SCHOOL 050514 | | 05/05/2014 S051314 | 50.00 |
| | | | MAY 14 TRASH2ART | |
| | 50.00 S0113010 522718 | | EDUCATION CENTER OPERATIONS | |
| | | | CHECK 5959 TOTAL: | 50.00 |
| 5960 05/13/2014 PRD Invoice: 107606 | 1575 ENVIRONMENTAL SCIENCE ASSOCIATES 107606 | | 04/21/2014 S051314 | 892.58 |
| | | | FEB-MAR 14 PROF SVC | |
| | 892.58 S0113010 520309HCS02 | | BUSINESS CONSULTANT (HPH) | |
| | | | CHECK 5960 TOTAL: | 892.58 |
| 5961 05/13/2014 PRD Invoice: 050114-HG | 3581 HILARY GANS | 050114-HG | 05/01/2014 S051314 | 1,009.72 |
| | | | FEB-MAR-APR 14 REIMB HGANS | |
| | 729.39 S0113010 522718 | | EDUCATION CENTER OPERATIONS | |
| | 23.00 S0113010 520502 | | TRAINING | |
| | 137.33 S0113010 520300 | | BOARD ADMINISTRATION | |
| | 120.00 S0113010 520105 | | CELL PHONES | |
| | | | CHECK 5961 TOTAL: | 1,009.72 |

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PG 3
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CASH ACCOUNT: S000 110020 WELLS FARGO BANK
 CHECK NO CHK DATE TYPE VENDOR NAME

| INVOICE | INV DATE | PO | CHECK RUN | NET |
|---|--|-------------|-----------|-----------|
| 5962 05/13/2014 PRTD 2579 GRANARAS FLOWERS Invoice: 042814 | 042814 | 05/01/2014 | S051314 | 68.13 |
| 68.13 S0113010 520201 | APR 14 FLOWERS OFFICE SUPPLIES | | | |
| | CHECK | 5962 TOTAL: | | 68.13 |
| 5963 05/13/2014 PRTD 202 CITY OF REDWOOD CITY Invoice: BR32641 | BR32641 | 04/30/2014 | S051314 | 300.00 |
| 300.00 S0113010 520309HCM01 | Q4 13-14 CONTR MGMT SUPPORT BUSINESS CONSULTANT (HPH) | | | |
| | CHECK | 5963 TOTAL: | | 300.00 |
| 5964 05/13/2014 PRTD 1260 RICOH AMERICAS CORPORATION Invoice: 5030555372 | 5030555372 | 05/01/2014 | S051314 | 12.09 |
| 12.09 S0113010 520201 | FEB-APR 14 COPIER LEASE OFFICE SUPPLIES | | | |
| | CHECK | 5964 TOTAL: | | 12.09 |
| 5965 05/13/2014 PRTD 747 SAN MATEO DAILY JOURNAL Invoice: 043014 | 043014 | 04/30/2014 | S051314 | 1,566.00 |
| 1,566.00 S0113010 520604HHWUW | APR 14 HHW OUTREACH PUBLIC EDUCATION/OUTREACH/WORK | | | |
| | CHECK | 5965 TOTAL: | | 1,566.00 |
| 5966 05/13/2014 PRTD 5875 SCAPES INC Invoice: 14024 | 14024 | 04/18/2014 | S051314 | 1,719.29 |
| 1,719.29 S0113010 522714 | APR 14 SHOREWAY MAINT SHOREWAY FACILITY COST | | | |
| | CHECK | 5966 TOTAL: | | 1,719.29 |
| 5967 05/13/2014 PRTD 5533 WM CURBSIDE Invoice: 5533 | 5533 | 04/25/2014 | S051314 | 40,903.90 |
| 40,903.90 S0113010 522710 | MAR 14 HHW COLLECT HHW COLLECTION SERVICE | | | |
| | CHECK | 5967 TOTAL: | | 40,903.90 |

NUMBER OF CHECKS 18 *** CASH ACCOUNT TOTAL *** 1,480,628.27

PREPARED BY: Bryda DATE: 5/13/14
 APPROVED BY: [Signature] DATE: 5/14/14
 FUNDS TRANSFERRED BY: [Signature] DATE: 5/14/14
 Act 551310001-td

TOTAL PRINTED CHECKS
 TOTAL WIRE TRANSFERS
 TOTAL EFT'S

| COUNT | AMOUNT |
|-------|--------------|
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| 6 | 1,425,871.40 |

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linda

CITY OF SAN CARLOS
A/P CASH DISBURSEMENTS JOURNAL S053014

PG 1
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CASH ACCOUNT: S000 110020 WELLS FARGO BANK
CHECK NO CHK DATE TYPE VENDOR NAME

| CHECK NO | CHK DATE | TYPE | VENDOR NAME | INVOICE | INV DATE | PO | CHECK RUN | NET |
|----------------------------|------------------------|------|--|--|---|----|-------------|------------|
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| 5969 | 05/30/2014 | EFT | 4169 BARG COFFIN LEWIS & TRAPP LLP | 32692 | 05/08/2014 | | S053014 | 142.50 |
| | Invoice: 32692 | | | 142.50 S011 250030 | APR 14 SHOREWAY REMED ALLIED SHOREWAY REMEDIATION | | | |
| | | | | | CHECK | | 5969 TOTAL: | 142.50 |
| 5970 | 05/30/2014 | EFT | 152 BROWNING FERRIS IND OF CA | 0000000135 | 04/30/2014 | | S053014 | 235,564.22 |
| | Invoice: 0000000135 | | | 235,564.22 S0113010 522713 | APR 14 DISPOSAL PR NEWBY DISPOSAL & PROCESSING COSTS | | | |
| | | | | | CHECK | | 5970 TOTAL: | 235,564.22 |
| 5971 | 05/30/2014 | EFT | 1278 LOCAL GOVERNMENT SERVICES | 2119 | 04/30/2014 | | S053014 | 3,110.03 |
| | Invoice: 2119 | | | 750.00 S0113010 520337 2,360.03 S0113010 520306 | AOR 14 AB939 HR COSTS CONSULTING CONTRACTS RGS/LGS AB939 PROGRAM STAFF | | | |
| | | | | | CHECK | | 5971 TOTAL: | 3,110.03 |
| 5972 | 05/30/2014 | EFT | 1419 THE OFFICE CITY | IN-1205707 | 05/15/2014 | | S053014 | 119.49 |
| | Invoice: IN-1205707 | | | 119.49 S0113010 520201 | MAY 14 OFFICE SUPPLY OFFICE SUPPLIES | | | |
| | | | | | CHECK | | 5972 TOTAL: | 119.49 |
| 5973 | 05/30/2014 | EFT | 725 CITY OF SAN CARLOS | 1082904 | 05/16/2014 | | S053014 | 291.46 |
| | Invoice: 1082904 | | | 291.46 S0113010 520202 | APR 14 BANK FEE BANK FEES AND SERVICES | | | |
| | | | | | CHECK | | 5973 TOTAL: | 291.46 |
| 5974 | 05/30/2014 | EFT | 4519 SHRED-IT USA SF | 9403620028 | 05/10/2014 | | S053014 | 83.69 |
| | Invoice: 9403620028 | | | 83.69 S0113010 520201 | MAY 14 SHRED SVC OFFICE SUPPLIES | | | |
| | | | | | CHECK | | 5974 TOTAL: | 83.69 |
| 5975 | 05/30/2014 | EFT | 5558 ZANKER ROAD RESOURCE MANAGEMENT L Z2014-04-0224 | | 04/30/2014 | | S053014 | 101,090.92 |
| | Invoice: Z2014-04-0224 | | | 101,090.92 S0113010 522713 | APR 14 DISP PROC ZANKER DISPOSAL & PROCESSING COSTS | | | |
| | | | ZANKER ROAD RESOURCE MANAGEMENT L 02014-04-0306 | | 04/30/2014 | | S053014 | 9,038.05 |
| | Invoice: 02014-04-0306 | | | 9,038.05 S0113010 522713 | APR 14 DISP PROC ZANKER DISPOSAL & PROCESSING COSTS | | | |

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CITY OF SAN CARLOS
A/P CASH DISBURSEMENTS JOURNAL S053014

PG 2
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CASH ACCOUNT: S000 110020 WELLS FARGO BANK
CHECK NO CHK DATE TYPE VENDOR NAME

| INVOICE | INV DATE | PO | CHECK RUN | NET |
|---|----------------------------|--|-----------|------------------------|
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| | | | CHECK | 5975 TOTAL: 110,128.97 |
| 5976 05/30/2014 PRD 88 ARROWHEAD Invoice: 04E0028452035 | 04E0028452035 | 05/10/2014 | S053014 | 82.27 |
| | 82.27 S0113010 520201 | APR 14 WATER SVC OFFICE SUPPLIES | | |
| | | | CHECK | 5976 TOTAL: 82.27 |
| 5977 05/30/2014 PRD 5326 ASCENT ENVIRONMENTAL INC Invoice: 13010087.01-2 | 13010087.01-2 | 05/27/2014 2795 | S053014 | 2,250.00 |
| | 2,250.00 S0113010 520311 | 2013 CAL RECYCLE REPORTS CIWMB ANNUAL REPORTS | | |
| | | | CHECK | 5977 TOTAL: 2,250.00 |
| 5978 05/30/2014 PRD 776 AT&T Invoice: 051314 | 051314 | 05/13/2014 | S053014 | 201.21 |
| | 201.21 S0113010 522714 | MAY-JUNE 14 ATT SHOREWAY FACILITY COST | | |
| | | | CHECK | 5978 TOTAL: 201.21 |
| 5979 05/30/2014 PRD 5556 BFI OF CALIFORNIA Invoice: 0000037800 | 0000037800 | 04/30/2014 | S053014 | 679,262.07 |
| | 679,262.07 S0113010 522713 | APR 14 DISPOSAL OX MTN DISPOSAL & PROCESSING COSTS | | |
| Invoice: 0000037858 | | 04/30/2014 | S053014 | 2,754.72 |
| | 2,754.72 S0113010 522716 | APR 14 TIPPER MAINT OX MAINTENANCE ON TIPPER OX MTN | | |
| | | | CHECK | 5979 TOTAL: 682,016.79 |
| 5980 05/30/2014 PRD 4357 CAMERON-COLE LLC Invoice: 0810293 | 0810293 | 04/30/2014 | S053014 | 2,235.00 |
| | 2,235.00 S0113010 520608 | APR 14 CLIMATE CH RPT CLIMATE CHANGE POLICY OPTIONS | | |
| | | | CHECK | 5980 TOTAL: 2,235.00 |
| 5981 05/30/2014 PRD 5412 CBeyond Invoice: 052014-125015 | 052014-125015 | 04/20/2014 | S053014 | 414.07 |
| | 414.07 S0113010 520107 | MAY 14 PHONE/UTIL UTILITIES & PHONE | | |
| | | | CHECK | 5981 TOTAL: 414.07 |
| 5982 05/30/2014 PRD 449 PITNEY BOWES Invoice: 052014 | 052014 | 05/20/2014 | S053014 | 233.50 |
| | 233.50 S0113010 520201 | MAY 14 POSTAGE OFFICE SUPPLIES | | |

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CITY OF SAN CARLOS
A/P CASH DISBURSEMENTS JOURNAL S053014

PG 3
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CASH ACCOUNT: S000 110020 WELLS FARGO BANK
CHECK NO CHK DATE TYPE VENDOR NAME

INVOICE INV DATE PO CHECK RUN NET
INVOICE DTL DESC

| CHECK NO | CHK DATE | TYPE | VENDOR NAME | INVOICE | INV DATE | PO | CHECK RUN | NET |
|----------|------------|------|---|---------------|------------|--------|--|------------|
| | | | | | | | CHECK 5982 TOTAL: | 233.50 |
| 5983 | 05/30/2014 | PRTD | 5557 RECOLOGY GROVER ENVIRONMENTAL PRO 140430 | | 05/11/2014 | | S053014 | 133,642.42 |
| | | | Invoice: 140430 | 133,642.42 | S0113010 | 522713 | APR 14 DISPOS PROCESS DISPOSAL & PROCESSING COSTS | |
| | | | | | | | CHECK 5983 TOTAL: | 133,642.42 |
| 5984 | 05/30/2014 | PRTD | 1260 RICOH AMERICAS CORPORATION | 18219243 | 05/16/2014 | | S053014 | 1,547.64 |
| | | | Invoice: 18219243 | 1,547.64 | S0113010 | 520215 | JUNE 14 COPIER LEASE OFFICE EQUIPMENT COSTS | |
| | | | Invoice: 500067801 | 206.76 | S0113010 | 520215 | 05/14/2014 2013 PROP TAX ON LEASE OFFICE EQUIPMENT COSTS | 206.76 |
| | | | | | | | CHECK 5984 TOTAL: | 1,754.40 |
| 5985 | 05/30/2014 | PRTD | 5533 WM CURBSIDE LLC | 000040-2960-9 | 05/01/2014 | | S053014 | 40,903.90 |
| | | | Invoice: 000040-2960-9 | 40,903.90 | S0113010 | 522710 | APR 14 HHW COLLECT SVC HHW COLLECTION SERVICE | |
| | | | | | | | CHECK 5985 TOTAL: | 40,903.90 |

NUMBER OF CHECKS 17 *** CASH ACCOUNT TOTAL *** 1,213,173.92

| | COUNT | AMOUNT |
|----------------------|-------|------------|
| TOTAL PRINTED CHECKS | 10 | 863,733.56 |
| TOTAL EFT'S | 7 | 349,440.36 |

*** GRAND TOTAL *** 1,213,173.92

PREPARED BY: Linda DATE: 5/29/14
 APPROVED BY: [Signature] DATE: 5/30/14
 FUNDS TRANSFERRED BY: [Signature] DATE: 5/29/14

| | |
|-------|-------------------------------------|
| CP | <input checked="" type="checkbox"/> |
| ARP | <input checked="" type="checkbox"/> |
| EFT | <input checked="" type="checkbox"/> |
| Email | |



STAFF UPDATE

To: SBWMA Board Members
From: Cyndi Urman, Office Manager/Board Secretary
Date: June 26, 2014 Board of Directors Meeting
Subject: Technical Consulting Contracts – 2nd Quarter 2014

This is an informational item only and no action is required.

At the request of the Board of Directors, staff has prepared the attached listing of technical consulting contracts for the 2nd quarter 2014. Each quarter throughout a given calendar year, staff will update this listing with any new technical contracts issued. How frequently this report is produced (e.g., monthly or quarterly) was discussed with the Executive Committee and it was decided given the small number of contracts issued that a quarterly frequency was appropriate.

If you have any questions on the attached listing of technical contracts, please contact Cyndi Urman or Kevin McCarthy.

Attachments:

Attachment A – Technical Consulting Contracts – 2nd Quarter 2014

Technical Consultant Contracts - 2nd Quarter 2014

June 18, 2014

| <u>Vendor Name</u> | <u>Amount of Contract</u> | <u>Scope of Work</u> | <u>Date of Award</u> | <u>Contract Procedures Used</u> | <u>Budget Line Item</u> | <u>Budget Line Item Description</u> |
|------------------------|---------------------------|---|----------------------|--|-------------------------|---|
| Godbe Research | \$ 44,875.00 | Residential Public Education Survey | 04/02/14 | Single Source | 520604-RES01 | Residential Outreach |
| HF&H Consultants | \$ 47,792.00 | Financial Systems Audit of Contractors | 04/03/14 | Single Source. Previous RFQ. | 520309 | Contract Management Support |
| Jeffrey Scott Agency | \$ 9,000.00 | Change Order to FY13 PSA for Public Outreach Work | 05/07/14 | Single Source. RFQ completed for FY1415. | 520604 | Multiple budget line itmes under outreach |
| CH2MHILL Engineers | \$ 10,000.00 | Anti-Scavenging Project Support | 05/14/14 | RFQ | 520309-HDV01 | Diversion Program Support |
| McCallmont Engineering | \$ 3,500.00 | BESS Analysis (Baterly Energy Storage System) | 05/27/14 | Single Source | 520308 | Facility Improvement Oversight |
| | | | | | | |



STAFF UPDATE

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Marshall Moran, Finance Manager
Date: June 26, 2014 Board of Directors Meeting
Subject: Update on 2014/2015 Franchise Rate Setting Process

Recommendation

This is an informational report and no action is necessary.

Analysis

This staff report was provided to the Board monthly during 2013 and Staff will continue to provide it monthly in 2014. The purpose of this staff update report is to keep the Board and Member Agency staff informed on the timing, schedule of events and issues affecting Member Agencies during the 2015 Contractor's Compensation Application(s) review (performed in 2014) and the SBWMA Recommended Rate Adjustment process for the 2015 Rate Year (i.e., establishing rates for January 1 - December 31, 2015). The goal is to provide pertinent information for Member Agencies to effectively plan for and manage communications regarding the compensation application and rate setting process including specific input needed from all Member Agencies.

Attached is the current 2014 (for calendar year 2015 rates) Rate Approval Schedule (**Attachment A**).

Issues Affecting Recology 2015 Compensation Adjustment includes:

- Recology Annual Revenue Reconciliation for 2013. Recology submitted its Revenue Reconciliation Report to the SBWMA and Member Agencies on March 31, 2014 in compliance with the Franchise Agreement(s). This Report compares the approved compensation owed to Recology for 2013 with the actual net compensation retained by Recology after billing customers and paying for pass-through costs for disposal at Shoreway and Agency fees (e.g., Franchise Fees) paid to each Member Agency. Each Agency will have a surplus or shortfall which will be added to or subtracted from the total 2015 Revenue Requirement. Recology's 2013 Revenue Reconciliation Report will be reviewed by staff and audited by a consultant as part of the Financial Systems Audit. The results of this Audit will be presented at the June Board meeting; see agenda item 5C.
- Recology Performance Incentive/Disincentive and Liquidated Damages Payments for 2013. Recology reported the amounts of performance incentives/disincentives in the company's Annual Report submitted on February 14, 2014. These amounts will also be included in the 2015 Compensation Application (submitted on June 13, 2014) with the exception of Contamination related disincentive payments which are calculated quarterly and paid directly to SBWMA. Staff conducted a review and audit of the company's 2013 Annual Report including confirmation of the reported Performance Incentives and Disincentives and Liquidated Damages payments and the results of this audit are included in the June Board packet; see agenda item 5B.

Schedule of Compensation/Rate Adjustment Activities:

January 2014

- January 23 Board Meeting - Discussion on Cost Allocation Methodology.

February 2014

- February 14 – Recology issued its 2013 Annual Report.
- February 27 Board Meeting - Discussion on interest calculations for rate revenue surplus/shortfall.

March 2014

- March 27 Board Meeting - Discussion on interest calculations for rate revenue surplus/shortfall.
- March 27 Board Meeting - Follow-up information and responses to questions on the Cost Allocation Methodology.
- Recology 2013 Revenue Reconciliation Report due to the SBWMA and Member Agencies by March 31st.

June 2014

- SBWMA issued a letter to the Board requesting feedback from all Member Agencies on estimated 2015 Member Agency fees (e.g., franchise fees) to be included in there 2015 solid waste rates.
- June 13th – Recology submitted its 2015 Compensation Application to the SBWMA and Member Agencies.
- June 26 – Board consideration of Financial Audits of Recology and SBR for calendar year 2013 and final results of the 2013 Recology Revenue Reconciliation.
- June 26 – Board consideration of Audit of Recology 2013 Annual Report and financial impact of performance incentives/disincentives and liquidated damages included in Recology's 2015 compensation application.

July 2014

- July 1 - SBR's 2015 Compensation Application due to the SBWMA. Application was submitted on June 13, 2014.
- July 3 – Member Agency responses due to SBWMA on 2015 estimated Member Agency fees.
- July 8 – SBWMA staff will issue comments to Recology on its 2015 Compensation Application.
- July 8 – SBWMA Board deadline to issue comments to Recology on its 2015 Compensation Application.
- July 21 – SBWMA will issue the following reports to the Board and Member Agency staff for review and comment:
 - Estimated residential revenue changes due to cart migration (i.e., lost revenue) by Member Agency since July 2013.
 - Projected 2014 and 2015 residential and commercial base revenue (based on six months of actual).
 - Residential rates versus cost analysis by Member Agency. Member Agencies are encouraged to review their residential rate structure for rate versus cost deficiencies (i.e., if rates don't cover costs) and rate subsidization of small carts by large carts.
 - Projected 2014 and 2015 tonnage based on six months of actual. These projections will be used to estimate Member Agency 2015 disposal expense.
 - Summary of 2015 Member Agency fees based on Member Agency feedback for final agency review.
- July 30 – Recology revised 2015 Compensation Application due to the SBWMA and Member Agency based on SBWMA staff and Member Agency review and comments.

August 2014

- August 15 – SBWMA will issue the Draft Report Reviewing Recology's 2015 Compensation Application. Included in this Report will be the draft recommended Revenue Requirement and rate adjustment(s) for 2015.
- August 15 – SBWMA will issue the Draft Report Reviewing SBR's 2015 Compensation Application.
- August 29 – Member Agency comments due back on SBWMA Draft Report(s) Reviewing Recology's and SBR's 2015 Compensation Applications.

September 2014

- September 11 (tentative) – special Board meeting
 - Discussion on 2015 Compensation Application(s) and rate setting process.
- September 18 – SBWMA Final Report Reviewing Recology's 2015 Compensation Application issued (for consideration at the September 25, 2014 Board meeting) based on Board feedback. Included in the Final Report is the recommended total collection rate adjustment for 2015.
- September 18 – SBWMA Final Report Reviewing SBR's 2015 Compensation Application issued (for consideration at the September 25, 2014 Board meeting).
- September 25 – Board consideration of the SBR 2015 Compensation Application.
- September 25 – Board consideration of the Recology 2015 Compensation Application and total recommended Revenue Requirement for 2015.

September 27 – December 31, 2014

- Member Agencies issue Prop. 218 notice and approve final 2015 solid waste rates.

November 2014

- Report to Board on recommended January 1, 2015 Shoreway tip fee adjustments, if needed, including updated calendar year 2015 SBWMA financial projection with assumed tip fee and cash reserve balances.

Attachment:

Attachment A – Draft 2015 Rate Approval Schedule

Attachment A

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2015 Rate Approval Schedule

Member Agency Rate Setting Process

The Recology 2015 Compensation Application is due to the SBWMA and Member Agencies on June 13, 2014. On August 15, 2014, the SBWMA will issue its Draft Report Reviewing Recology's 2015 Compensation Application and the recommended Total Solid Waste Revenue Requirement for 2015. The Member Agencies will be provided until August 29th, ten business days, to provide comments on the SBWMA's Draft Report. The comments received are incorporated in the SBWMA Final Report Reviewing the Recology 2014 Compensation Application that will become binding upon the Board's consideration for approval at the September 25, 2014 Board meeting. While the individual Member Agencies actually set solid waste rates for their jurisdictions, any rate increases put forth by the Member Agencies that are less than recommended in the approved SBWMA Final Report and cause a shortfall in compensation to Recology will result in interest payments for amounts owed to Recology. Conversely, any surplus revenue collected by Recology is subject to interest payments to the respective Member Agency.

September 25, 2014 Board Meeting

- Recology and SBR Compensation Applications Considered by Board
- Total Recommended Revenue Requirement Considered by Board

Member Agency Residential Billing Schedule

Group A: October-November-December (Billed September 30, 2014; December 31, 2014)

- Menlo Park
- Redwood City (Not applicable to Residential, Redwood City does its own billing.)
- San Mateo
- West Bay Sanitary District

Group B: November-December-January (Billed October 31, 2014; January 31, 2015)

- Atherton
- Burlingame
- San Carlos

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**Group C: December-January-February
(Billed November 30, 2014; February 28, 2015)**

- East Palo Alto (Not applicable to Residential.)
- Foster City
- Hillsborough
- County of San Mateo

Prop 218 Public Notice Implications

Prop 218 requires an agency to provide 45 days public notice directly to all account holders prior to authorizing a rate increase. If more than 50% of all account holders file a protest letter within the 45 day public comment period, the agency cannot adopt the proposed rate increase.

Bill Insert Considerations

Recology typically requires that a bill insert is prepared and ready for insertion with the bills a minimum of two weeks prior to the scheduled bill issuance date. However, the company may reduce this deadline to 5 business days for special circumstances, such as a Prop 218 Notice. The company has detailed guidelines regarding the specifications for bill inserts and will share these upon request. Agencies issuing a Prop 218 Notice via Recology's bills will need to **pay directly for the costs** associated with production and printing but will save on mailing expenses since Recology can include the insert with its bills at no additional cost.

Direct Mail Considerations

Member Agencies sending the Prop 218 Notice via direct mail will need to **pay directly for the costs** associated with production, printing and mailing. Agencies sending a direct mail piece typically include these costs in their rates. Sending the Prop 218 Notice via direct mail provides the Agency with total control and flexibility regarding production and mailing of the notice.

Bill Insert vs. Direct Mail:

Group A

These agencies may be able to prepare and print a bill insert in time for inclusion with the September 30, 2014 mailing. Therefore these agencies will need to produce a direct mail piece in order to close the Prop 218 public hearing process and adopt rates prior to January 1, 2015.

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Proposed Schedule:

- September 25, 2014..... SBWMA BOD Approves Recology and SBR Compensation.
- October 1-15 Governing body or Agency staff approves issuance of the Prop 218 notice.
- October 16-31 Prop 218 Notice printed and issued via direct mail
- November 1-15 Governing body closes the Prop 218 public notice period and adopts 2015 rates effective January 1, 2015.
- December 31..... First Recology bill issued with new 2015 rates.

Group B

These agencies will likely be able to prepare and print a bill insert in time for inclusion with the October 31, 2014 mailing. However, since the Prop 218 process will not close for 45 days after issuance of the Prop 218 rate increase notice, these agencies will have to bring the results of the Prop 218 notice before their governing body between December 16 and 31, 2014. Otherwise, these agencies will need to produce a direct mail piece in order to close the Prop 218 public hearing process prior to January 1, 2015.

Proposed Schedule:

- September 25, 2014..... SBWMA BOD Approves Recology and SBR Compensation
- October 1 – October 15..... Governing body or Agency staff approves issuance of the Prop 218 notice.
- October 31 Prop 218 Notice included with Recology bills
- December 15-31 Governing body closes the Prop 218 public notice period and adopts 2015 rates.
- January 31, 2015 First Recology bill issued with new 2015 rates including a retroactive rate adjustment for January.

Group C

While these agencies will have ample time to prepare and print a bill insert in time for inclusion with the November 30, 2014 mailing, this is moot since the 45 day Prop 218 notification period will not close until after January 1, 2015 (i.e., on January 14, 2015). Therefore these agencies will be required to produce a direct mail piece in order to close the Prop 218 public hearing process prior to January 1, 2015.

Proposed Schedule:

- September 25, 2014..... SBWMA BOD Approves Recology and SBR Compensation
- October 1-15 Governing body or Agency staff approves issuance of the Prop 218 notice.
- October 16-31 Prop 218 Notice printed and issued via direct mail
- December 1-15 Governing body closes the Prop 218 public notice period and adopts 2015 rates.
- February 28, 2015..... First Recology bill issued with new 2015 rates including a retroactive rate adjustment for January and February.

DRAFT



STAFF UPDATE

To: SBWMA Board Members
From: Recycling Program and Environmental Education Staff
Date: June 26, 2014 Board of Directors Meeting
Subject: Recycling and Outreach Programs Update

Recommendation

This is an informational report and no action is necessary.

WM At Your Door Special Collections (Door-to-Door HHW Collection Program)

The following ten Member Agencies are participating in the program: Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, San Carlos, San Mateo, San Mateo County, and West Bay Sanitary District. Interest in the program has been strong and the company has made approximately 15,729 collections since the program started in mid-May 2010 through May 2014. The below table provides the program statistics:

| <u>Month - Year</u> | <u>Collection Events</u> | <u>Pounds Collected</u> | | | |
|----------------------------|--------------------------|-------------------------|----------------|------------------------|------------------|
| | | <u>HHW</u> | <u>E-Scrap</u> | <u>Universal Waste</u> | <u>TOTAL</u> |
| May - December 2010 | 2,855 | 96,403 | 47,659 | 89,689 | 233,751 |
| 2011 | 3,998 | 123,042 | 53,753 | 123,906 | 300,701 |
| 2012 | 3,474 | 113,285 | 66,519 | 116,077 | 295,881 |
| 2013 | 4,343 | 151,485 | 80,294 | 138,898 | 370,677 |
| January - May 2014 | 1,059 | 37,088 | 20,054 | 30,095 | 87,237 |
| May 2010 - May 2014 | 15,729 | 521,303 | 268,279 | 498,665 | 1,288,247 |

To increase program participation, an ongoing public outreach effort was initiated starting in late June 2013 that is continuing to yield significantly positive results. For example, the number of collections in 2013 increased 25% from 3,474 in 2012 to 4,343 in 2013. This increase in participation resulted in year over year increases of materials collected: 34% increase in HHW; 20% increase in Universal Waste; and, 21% increase in E-Scrap.

The need for additional outreach promoting this service was confirmed via the results of the Single-Family Residential Customer Satisfaction Telephone Survey commissioned by RethinkWaste in spring 2012, which identified the Door-to-Door HHW Collection Program as one of the programs that residents were not as familiar with. Staff plans to continue its efforts to maintain high participation levels through ongoing public outreach, including direct mail, outdoor and print advertising, *rethinker* newsletters, holiday ads, community events and social media per the adopted FY1314 budget. A direct mail postcard promoting the program is slated for delivery to all single-family and multi-family residents starting in late June 2014. The postcard will be mailed over a staggered schedule through July.

Household Battery and Cell Phone Curbside Recycling Collection Program by Recology

The total of batteries and cell phones collected through the curbside recycling program is provided in the table below:

| Year | Pounds Collected |
|----------------------|------------------|
| 2009* | 57,000 |
| 2010* | 53,000 |
| 2011 | 47,000 |
| 2012 | 58,000 |
| 2013 | 66,560 |
| January – April 2014 | 23,540 |
| Total | 305,100 |

*Curbside recycling service provided by Allied Waste/Republic Services

In April 2014, Recology collected 6,580 pounds of batteries and cell phones which is close to the 6,560 pounds collected in April 2013; however, the monthly average for 2013 was 5,546 pounds and is trending slightly higher at 5,885 for the first four months of 2014.

Overall, the total pounds collected in 2013 was up 15% over 2012 totals due in part to ongoing public outreach efforts including promotion in the *rethinker* newsletters, bill inserts and newspaper ads.

Please note that Recology is provided relief from submitting its May monthly report on the 15th of the month due to submittal of its annual Compensation Application. Therefore, the batteries/cell phones data for May is not included.

Acterra 2014 Business Environmental Awards

RethinkWaste Board Chair Bill Widmer and staff were honored to accept the 2014 Acterra Business Environmental Award recognizing the Environmental Education Center and Tours Program at Shoreway on behalf of the JPA at Acterra's annual Award Reception held May 28, 2014 at Intuit Corporation in Mountain View. RethinkWaste was an award recipient in the Environmental Project category as a medium-sized project based on Acterra's criteria. A video of the program was produced by Acterra and shown at the awards. The video can be viewed at http://youtu.be/wNNb1J7S_jc.

Acterra's Business Environmental Awards is one of the San Francisco Bay Area's oldest and most prestigious environmental recognition programs. Initiated in 1990, it is considered a heavyweight among award programs due to its rigorous application and judging process. Acterra is a non-profit organization with a 44-year history of environmental programming in and around Silicon Valley.



Photo by Balmiki Sur

RethinkWaste Wins Top North American Public Education Award

RethinkWaste has been named the winner of the Solid Waste Association of North America (SWANA) Gold Excellence Award in the Public Education category for its Environmental Education Center and Tour Program at Shoreway. The award will be presented at SWANA's annual conference, **WASTECON®**, on Tuesday, August 26, 2014, in Grapevine, Texas.

SWANA has been the leading municipal professional association in the solid waste field for over 50 years. SWANA's Excellence Awards Program recognizes outstanding solid waste programs and facilities that advance the practice of environmentally and economically sound solid waste management through their commitment to utilizing effective technologies and processes in system design and operations, advancing worker and community health and safety, and implementing successful public education and outreach programs. Programs also must demonstrate that they are fiscally and environmentally responsible through their compliance with all applicable federal, state and local regulations.

Shoreway Education Center School Groups and Public Tours Update

As the school year is winding down, staff is scheduling tours for various community groups such as Girl and Boy Scouts, Summer Camps, Garden Clubs, Businesses, just to mention a few. In addition, to accommodate more of the community to tour Shoreway Environmental Center during the summer, starting after June 19th until July, every Thursday is a designated Public Open House Day for the general public, and tours are given in the time slots from 9:30am – 10:30am and 11:30am – 12:30pm. There will be no Public Open House Day in August, and the standard every third Thursday of the month schedule will continue in September going forth. The program is so popular that public tours are booked months ahead. Staff has already begun scheduling school group tours for next fall.

Below is a table showing tours that have been conducted and those scheduled for June 2014.

| <u>Date</u> | <u>School/Group</u> | <u>Jurisdiction</u> | <u>Grade/Group</u> | <u>Total # of Participants</u> |
|---------------------------|---------------------------|---------------------|--------------------|--------------------------------|
| June 3 | Google | Mountain View | Adults | 8 |
| June 4 | Chai Tek Havurah | Various | Adults | 19 |
| June 10 | Parkside Elementary | San Mateo | 6 | 15 |
| June 13 | Niceties | Los Altos | Adults | 15 |
| June 19* | Public Open House | Various | Various | 60 |
| June 23 | Milpitas Christian School | San Jose | 6-8 | 23 |
| June 25 | Whole Foods | Redwood City | Adults | 10 |
| June 26* | Public Open House | Various | Various | 60 |
| June 27 | BizSMART | Various | Adults | 20 |
| Total Participants | | | | 230** |

* Thursday, June 19th and 26th is the Monthly Public Open House Day. The number of participants is based on only those that have made a reservation for the tour on the Public Open House Day. **Includes estimated numbers for those scheduled tours that have not been conducted by the date this report is issued.

Positive feedback about the education tour program continues to be given. Below are some of the comments that tour participants shared at the end of their tour experience:

"Good use of time – the tour reviewed many concepts we learned about in class." (Teacher, San Mateo)

"Excellent. Memorable use of class time." (Teacher, Hillsborough)

"Perfect! So informative. Organized and great timing. (Teacher, Burlingame)

"They enjoyed it – and it was good to see why we recycle at our school and at home." (Parent, San Carlos)

"I am so glad I was able to take the tour on my 30th bday! Best way to start the day!! I keep recommending it to everyone I talk to. Keep up the good work!" (Public Tour Visitor)

"Wishing that every resident can take this tour. We all need to get to zero waste. Thank you for your time!" (Public Tour Visitor)

"Great tour, great facility, great thing to do. As a devoted recycler, I learned more info to use. Everyone should attend this--particularly the kids who can hopefully influence their parents." (Public Tour Visitor)

Staff will continue to give tours to interested community groups, businesses, municipal and environmental groups as scheduling allows.

Photos of Tour Participants at Shoreway Environmental Center



Brittan Acres Elementary, San Carlos



Chai Tek Havurah, Various

Tour Availability

School Group Tours are offered Monday at 12:30pm – 2:30pm, Tuesday-Wednesday from 9:30am – 11:30am, 12:30pm – 2:30pm, Thursday and Friday 9:30am – 11:30am. Tours will continue to be scheduled on a first-come first-served policy.

2014 BizSMART@Work Awards Program

RethinkWaste, in partnership with Recology, will be recognizing the winners of the 2014 BizSMART@Work Awards program at a luncheon on June 27, 2014 at the Shoreway Environmental Center. Winners of this year's awards are:

Recycling Category:

Diddams Party Store, San Carlos
Sand Cove Apartments, Foster City

Composting Category:

300 Alpine Road LLC, West Bay Sanitary District
Bayshore Christian Ministries, East Palo Alto
Donato Enoteca, Redwood City

Milagros, Redwood City
Menlo Circus Club, Atherton
Oak Grove HOA/Manor, Menlo Park
Papillon Preschool, San Mateo
Promontory Point, Foster City

Recycling and Composting Category:

Abbott Vascular, Menlo Park
Back Yard Coffee Company, Redwood City
Catered Too, East Palo Alto
Embarcadero Capital Partners LLC, Belmont
Hassett Hardware, San Mateo
Impossible Foods, Inc., Redwood City
Kingston Café, San Mateo
The Plant Cafe, Burlingame
Rocket Fuel, Redwood City
Sweet Production, San Carlos
Villa Lucia's Pizza, San Mateo County

The third annual program recognizes businesses and multi-family complexes in the RethinkWaste service area for their efforts in reducing their waste in 2013 through the BizSMART Recycle, Compost and Garbage collection services. The public also weighed in on some of the nominees through online voting for the "Rethinker's Choice" award category, which were selected from the winners in the Recycle and Compost category. The winner of the Rethinker's Choice Award will be announced at the luncheon.

The awards program was promoted through a bill insert, newspaper ads, press releases, email blasts, Recology's Zero Waste Specialists as they visited customers, and the RethinkWaste and Recology websites, Facebook and Twitter pages, among others. Applications were due May 23, 2014.

Public Education and Outreach – Bill Inserts

The Assembly Bill (AB) 341 mandatory commercial recycling bill insert is being sent to commercial and multi-family accounts throughout the service area in the June billing cycle. The notification is a requirement to be in compliance with AB 341's public education requirements.

The On-Call Bulky Item Collection continues to be delivered through the June billing cycle. North Fair Oaks is piloting a variation of the insert that includes two tear sheets for residents to attach to their set outs to determine whether it will assist in addressing illegal dumping issues.

All of the inserts and educational materials specified above are in development/have been developed in collaboration with the Board adhoc Public Education Subcommittee and Recology.

Collection Vehicle Truck Signs

Staff has developed large signs promoting the Door-to-Door HHW program, the Bulky Item Collection program and the "my waste" mobile app that will be installed on ten Recology residential compost collection vehicles on a quarterly rotating schedule. The first of the series, promoting the "my waste" mobile app, was installed at the beginning of May. Recology's residential collection vehicles offer a unique opportunity to promote programs and messages to residents as they are in the neighborhoods on a daily basis during the week. The cities of Palo Alto

and San Jose, who have used truck signs for a long period of time, have provided feedback to staff that they consider them a key component of their outreach efforts. Participation rates in the highlighted CartSMART services will be tracked before and after the truck signs are rolled out to measure the cost effectiveness of this type of public education program.

RethinkWaste Website and Social Media

The new RethinkWaste website averaged over 630 visitors per week over the last month, a slight decrease over last month. The most frequently visited pages this past month included BizSMART, Beyond the Cart, and Household Hazardous Waste.

RethinkWaste also continues to use its Facebook and Twitter pages to promote program information and new services. To date, the Facebook page has 339 "likes," and the Twitter page has 213 followers, which is an increase over prior months. RethinkWaste, in collaboration with South Bay Recycling, has also developed a Yelp business page focusing on the programs and services available at the Shoreway Environmental Center. Staff will continue to work on strategies to drive more people to the pages, and is reviewing other social media sites to use as outreach tools. The RethinkWaste Facebook page can be found at www.facebook.com/rethinkwaste, the Twitter page is located at www.twitter.com/rethinkwaste, and the Yelp page is at <http://www.yelp.com/biz/shoreway-environmental-center-san-carlos>.

"my waste" Mobile App

The convenient Agency-wide mobile application tool, "my waste," for residential customer use to request services, get additional program information and other related items was launched on November 19, 2013. The mobile app can be downloaded through the RethinkWaste website or the Apple and Android app stores. To date, 538 residents have downloaded the mobile app, an increase over the prior month. Staff has been promoting the app through various outreach efforts, including print and online advertisements, the *rethinker* newsletter and, most recently, on the Recology trucks. Staff also encourages Member Agencies to continue to promote "my waste" on their respective websites, newsletters, etc. Staff is also available to make presentation on the mobile app at Member Agency public meetings.

Community Outreach Events

The Community Outreach Events (Compost Giveaway, E-Scrap/Shredding Events, Recology's Bring Your Own Bucket Compost Giveaway, Confidential Document Destruction Service Event and Coats for Kids event) have started for 2014. RethinkWaste is collaborating once again with Recology on scheduling Member Agency community events. Recology is the point of contact for all Compost Giveaway Events and the Coats for Kids event. RethinkWaste is the point of contact for all E-Scrap/Shredding events. In addition, RethinkWaste will continue to provide outreach and promotion for all community events. Staff encourages Member Agencies to promote their events through inserts in the Recology bills to increase participation/attendance of events by residents.

The following events have been scheduled or taken place to date:

Shred/E-Scrap Recycling Events

- Redwood City – March 8 (shred only)
- San Mateo – April 13 and October 18
- Belmont – April 26
- Hillsborough – April 26
- Foster City – May 3, July 30 (shred only), and September 6

- Menlo Park – May 3 and November 1
- Burlingame – June 28 (shred only)
- San Carlos – September 13

Compost Giveaway Events –

- Menlo Park – 1st Saturday of the month, February-November
- Redwood City – February 22
- Foster City – March 22, April 12, September 20 and October 4
- San Mateo – Weekly starting mid-March

STAFF UPDATE

To: SBWMA Board Members
 From: Hilary Gans, Facility Operations Contracts Manager
 Date: June 26, 2014 Board of Directors Meeting
 Subject: Shoreway Facility Operations and Maintenance Update

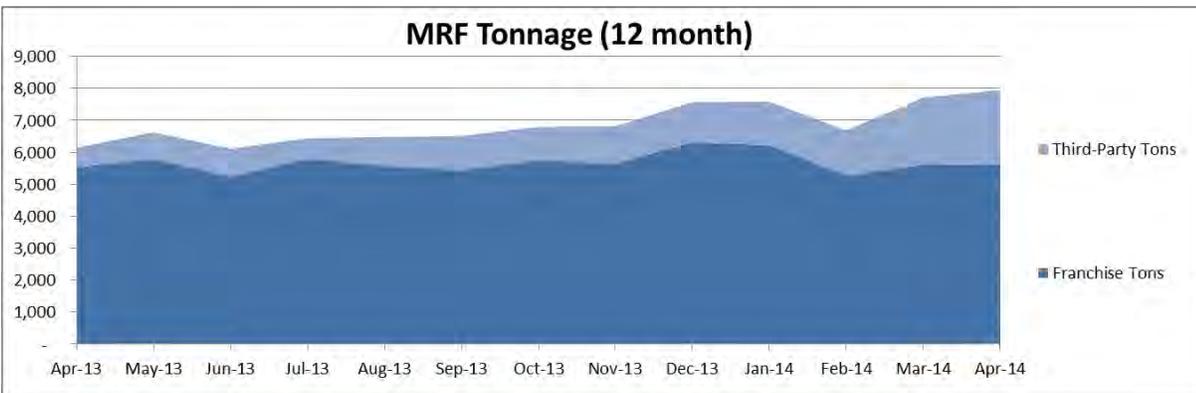
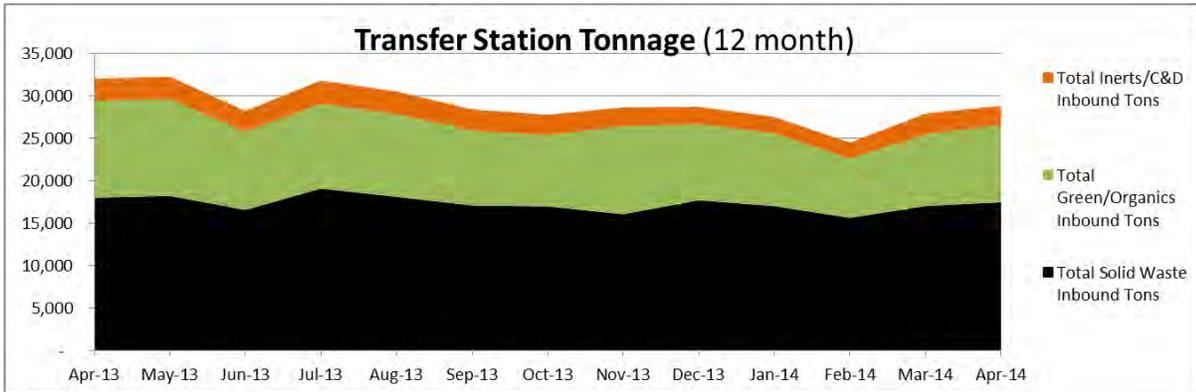
Recommendation

This is an informational report and no action is necessary.

I. OPERATIONS UPDATE

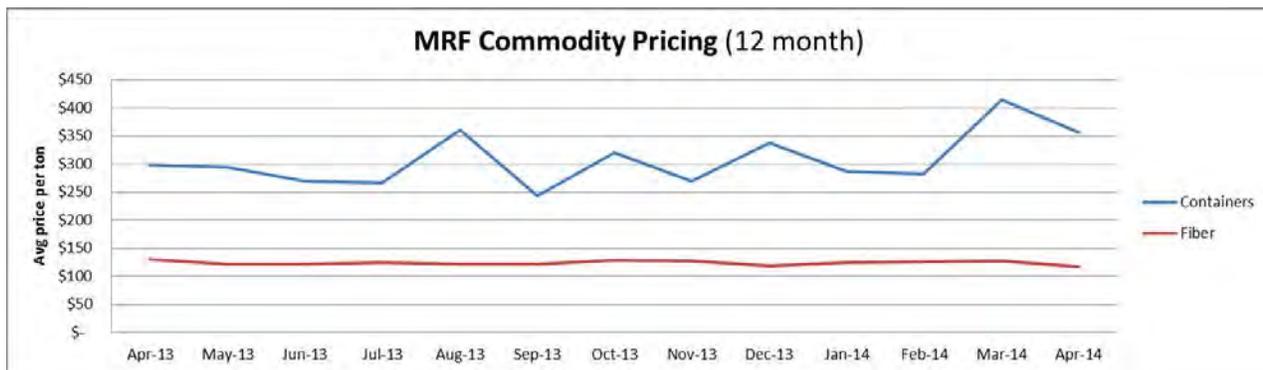
Facility Tonnage

The charts below provide a summary of the monthly inbound tonnage at the Shoreway Environmental Center Transfer Station and Materials Recovery Facility (MRF). Both self haul and franchise organic material tons have declined over prior year likely the result dryer / lighter organic loads from the drought. The third-party recyclables tons shown in the MRF graph are delivered to the MRF by Recology from communities outside of the SBWMA service area for processing. The third-party tonnage increased in February by roughly 50 tons per day as a result of additional tonnage delivered to the MRF from Recology's Santa Clara and other south county collection operations.



Commodity Revenues

The chart below provides a price trend summary of container (plastic, metal and glass) and fiber (paper) commodities marketed by South Bay Recycling (SBR) from the Shoreway MRF -- the commodity pricing is an average of the total commodity revenues by type (i.e., container or fiber) for the month divided by the total tons sold. The container pricing tends to vary by month depending on the mix of container volumes types sold during the month. The average price for fiber represents the price for cardboard, mixed paper and newspaper sold during the month. Since fiber represents the largest volume of the commodities marketed from the MRF, the fiber price and MRF tonnage charts provides a strong indicator of trends in SBWMA commodity revenues. (Note that SBR's fiber pricing is contractually tied to a commodity index through the Fiber Price Assurance Mechanism in Attachment 11-B of the Operations Agreement). (Note that due to the timing of the submittal of the SBR Monthly report and the release of the Board packet, the MRF Commodity Pricing and the Transfer Station and MRF Tonnage graphs have not been updated from last month's report but an updated version will be available at the Board Meeting).



Operational Items of Note

- MRF Second Shift – As approved by the SBWMA Board on February 27, 2014 SBR started receiving and processing additional third-party tonnage from Recology for a temporary evaluation period. In order to process the additional tonnage, SBR added a second-shift of MRF operations staffed with new full-time union equipment operator positions and with 20-25 temporary sorter positions from VRS. The second-shift operation has been smooth and the franchise and third-party tons has been processed without incident.
- Vocational Rehabilitation Services (VRS) Contract Negotiations – The VRS program has provided full staffing to SBR for the first and second shift operations of the MRF during the month of May.

II. MAINTENANCE AND FACILITY IMPROVEMENTS UPDATE

The SBWMA is the owner of the 16-acre Shoreway Environmental Center and is responsible for maintaining the buildings, site, utilities, and systems that support Recology and SBR's onsite activities. Additionally, the SBWMA purchased and installed the MRF processing system in 2011 and is responsible for all capital repairs to the system. This update summarizes the status of maintenance (budget line item "Shoreway Facility Costs") and facility improvement (capital projects) projects.

Update on Maintenance Projects

The following maintenance project activities are in various degrees of completion for the Month of May.

- Due to the ongoing risk of fires at the MRF and transfer station, quotes have been received for additional fire suppression capabilities (i.e., four water-canon stations). A vendor has been selected and recommended for Board approval at the June Board meeting.
- Potable water back flow prevention valve was tested.
- Recology truck maintenance building roll up door gearbox was replaced.
- Two man-doors located at the truck maintenance building were replaced.
- The tipper at the Ox Mountain Landfill is owned by the SBWMA and is in need of repair and contractor bids are being solicited.

Project Expenditures Summary

Shoreway Facility Cost – The amount spent on maintenance projects and expensed against the Shoreway Facility Costs budget line is \$149,999 through the month of May on a budget amount of \$160,000.

Capital Expenditures – The amount spent on capital projects at the Shoreway Center is \$215,162 through May on a budget of \$570,000.



STAFF REPORT

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Hilary Gans, Operations Contracts Manager
Date: June 26, 2014 Board of Director's Meeting
Subject: Receipt of Recology and SBR Monthly Reports

Recommendation

This is an informational report and no action is necessary.

Analysis

Recology San Mateo County (Recology) and South Bay Recycling (SBR) are required to submit Monthly Reports 15 days after the end of each month. The Monthly Reports for the month of May from SBR was submitted to the SBWMA on time. Due to the early submittal of Recology's annual Compensation Application, the company was provided relief from submitting its May monthly report on the 15th of June and is required to submit this report on June 30.

The contractor monthly reports are emailed to the Board directly. For reference, they reports can be accessed via the following links; for SBR - <http://www.rethinkwaste.org/about/service-providers/south-bay-recycling>; and for Recology - <http://www.rethinkwaste.org/about/service-providers/recology>.

It is important to note that the franchise tonnage information presented in Recology's Monthly Report is derived from data compiled by SBR as the Shoreway Environmental Center facility operator. Recology's report includes collection services data, monthly updates on various operations, and call center complaint/inquiry related metrics. In addition to franchise tonnage data, the SBR report also provides details on the transfer station and buy-back center activities from self-haul customers, including any Member Agency vehicles.

Background

Article 9, section 9.05 of the Member Agencies Franchise Agreement(s) with Recology require the company to prepare and submit a monthly report. Similarly, Article 8, section 8.07 of the Operations Agreement between the SBWMA and SBR requires the company to submit a monthly report. The guidelines and reporting requirements for each company are specified in their respective Agreements.