



A Public Agency

BOARD OF DIRECTORS MEETING

THURSDAY, November 21, 2013 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. 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.

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 October 24, 2013 BOD Meeting Minutes
- B. Adopt the October 24, 2013 Special BOD Meeting Minutes
- C. Approval of Quarterly Investment Report as of 9/30/13
- D. Resolution Approving Updated Conflict of Interest Code
- E. Receipt of Recology and SBR Monthly Reports

4. **New Business:**

- A. Election of Officers for 2013/14
- B. Consideration of Shoreway Facility Tipping Fee Adjustments Effective 1/1/14
- C. Update on Shoreway Remediation Project

5. **Old Business:**

- A. Contractor Quarterly Updates

6. **Staff Updates**

- a) Update on Recology Implementation of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Audit Recommendations
- b) Update on Changes Affecting C&D Ordinances
- c) Recycling and Outreach Programs Update
- d) Shoreway Operations and Master Plan Update
- e) Update on 2013/2014 Franchise Rate Setting Process
- f) Preview of Upcoming Board meetings

7. **Board Member Comments**

8. **Adjourn**

MEMBER AGENCIES

ATHERTON * BELMONT * BURLINGAME * EAST PALO ALTO * FOSTER CITY * HILLSBOROUGH * MENLO PARK * REDWOOD CITY
* SAN CARLOS * SAN MATEO * COUNTY OF SAN MATEO * WEST BAY SANITARY DISTRICT



A Public Agency

CONSENT CALENDAR

DRAFT MINUTES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE BOARD OF DIRECTORS
October 24, 2013 – 2:00 p.m.
San Carlos Library Conference Room A/B

1. **Call to Order: 1:09 PM**

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 (Regular Session Only)	
Foster City	X		County of San Mateo	X	
Hillsborough		X	West Bay Sanitary District	X	

2. **Adjourn to Closed Session** – Pursuant Government Code Section 54956.9(A): Conference with Legal Counsel – anticipated litigation – one case; and pursuant to Government Code Section 54954.5: Public Employee Performance Evaluation: Executive

Regular Session Called to order at 2:05 PM

3. **Report from Closed Session**

None

4. **Public Comment**

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No Public Comment

5. **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 September 26, 2013 BOD Meeting Minutes**

- B. Resolution Approving 4th Amendment to Executive Director's Employment Agreement
- C. Resolution Approving Release of Bid Documents for Transfer Station Floor Repair and Authorizing Executive Director to Accept Bids and Enter into a Contract
- D. Receipt of Recology and SBR Monthly Reports

Chair Ira noted that Item 5B was being removed from consent.

M/S: Brownrigg/Frisella
 Voice Vote: All in Favor

Member Olbert noted that he requested item 5B be removed from consent because the number was outside his own city's expectation for the position.

Chair Ira stated that this is based the Executive Director's review that was started by the previous Board, but was not completed, and reiterated that this Board couldn't ask the Executive Director to be judged on different criteria without an opportunity to know what that criteria was.

Member Brownrigg asked how this Board planned to handle compensation going forward, noting that Burlingame is moving away from comparing to other jurisdictions.

Chair Ira suggested putting together a Board subcommittee to develop employee review criteria.

Member Carlton noted that it was an uncomfortable position when she is in a city whose staff has had no raise.

Chair Ira asked for committee volunteers for the staff compensation review.

Member Carlton, Member Gauthier, and Member Dehn volunteered to be on the subcommittee.

Member Frisella made a motion to approve the 4th Amendment to the Executive Director's Employment Agreement.

Member Slocum seconded the motion.

Roll Call Vote: 8-2-0-2

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	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			

6. New Business:

- A. Resolution Approving 2014 Public Education Plan

Staff Devincenzi gave an overview and background of the staff report.

Member Slocum noted that 900 people receiving the newsletter electronically seemed low and would like to see the plan include ways to get that number higher.

Member Dehn added that she would like to see measurement criteria to measure effectiveness of the outreach. She also commented that she'd like to see a transition away from brochures and inserts, noting that it a responsibility of this agency to eliminate paper when possible.

Staff Devincenzi answered that it is in the plan to measure outreach effectiveness and determine how the SBWMA population prefers to receive information. She added that these types of questions were going to be part of the customer satisfaction survey, but due to time and budget they were cut from that survey.

Executive Director McCarthy added that our industry is in a bit of a time warp, not from lack of effort, it's just that the percentage of people signing up for e-newsletters or electronic billings is very low.

Member Dehn questioned that if we have such a small population interested in e-newsletters is it worth the investment in the My Waste App. She added that she thought the Public Education Plan was a good one, but that there needed to be more behind it in terms of measuring effectiveness.

Chair Ira asked Staff Devincenzi to bring back measurement criteria.

Staff Devincenzi added that it takes about three times for a message to sink in, so we are always looking for ways to deliver the message in multiple ways, to reach the largest number of people.

Vice Chair Frisella commented that she didn't think we needed to include reusable bags in the budget, and asked what the bags would be advertising.

Staff Devincenzi it would be depend on the pleasure of the Agencies. She also noted that when this project was added to the budget was just as the bag bans were being put into place, and there was a desire for the bags, if it is determined that this isn't the best use of those dollars the money will be allocated elsewhere.

Member Carlton asked that if the reusable bags move forward they be washable and be used as an education piece and not an advertisement. Member Carlton thanked Staff Mutata and Staff Co for their tour and education.

Member Olbert is now absent.

Member Dehn commented that she would like to see the anti-litter insert renamed.

Motion/Second: Frisella/Wozniak

Roll Call Vote: 9-0-0-3

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	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			

B. Discussion on Roles and Responsibilities for Collection Services Franchise Agreement Contract Administration

Staff Feldman gave an overview of the staff report, and noted that staff is the Board's resource related to the Franchise Agreement Contracts.

Member Olbert is now present.

Executive Director McCarthy added that this was brought up at the August 22, Board Meeting and at the Blue Ribbon Committee, and noted that this is meant to be a resource document for the Board Members.

C. Discussion on Potential JPA Amendments

Executive Director McCarthy noted that at the August 22 Board meeting there was a discussion item on the agenda, the SBWMA staff was directed to come back at a future meeting and discuss the item further.

Member Brownrigg stated that he appreciated staff keeping the item on the agenda, but noted that his ability to parse the JPA has been zero.

Chair Ira noted that if something comes up, this Board can address it individually and make the changes one at a time.

Member Olbert asked when the Board can think about structure and different approach to the renewal of the collections and operations contracts.

Executive Director McCarthy noted that the way each of Franchise Agreements are written there is a prescribed one year period which is 2017 to come to terms or not with the service provider. He noted that advanced planning is locked into the document. He also added that there is a planned agenda item for 2014 to talk about the long range plan.

E. Discussion on Non-Exclusive Franchise Options for Commercial Recycling

Staff Feldman explained that this item was for discussion only and staff would like to get Board feedback on the framework of the project. He added that the eventual goal being that the SBWMA pass an ordinance to be able to capture data from non-franchised commercial haulers to get a better idea of commercial diversion rates.

Executive Director McCarthy noted staff would like to refer this item to TAC, but wanted to give the Board some sense of the issue and where staff would like to go with it.

Member Dehn asked if each city would adopt this ordinance.

Executive Director McCarthy noted that the staff assumption is that it's a benefit to all the agencies and staff thinks it would cost more time and effort if all of the Agencies adopted it individually. He added that our JPA allows for our agency to adopt ordinances.

Vice Chair Frisella asked if each city would individually get credit for the diversion, and recommended this item be reviewed by the TAC.

Staff Feldman answered yes, SBWMA staff would compile the data for each individual Agency as well as in aggregate for the service area.

Chair Ira clarified that the goal is that each Agency would get diversion credit for the items not currently being reported.

Staff Feldman gave the timeline for the process, noting that an ordinance would be presented to the Board in January, at which time the public stakeholder process would commence.

Member Olbert commented that he would like to weigh the cost of SBWMA staff versus City Staff doing the administrative and enforcement work of the ordinance to see if it really is more cost effective for JPA staff to do.

Member Brownrigg noted that he is concerned about protecting business confidential information.

Executive Director McCarthy noted that a model has been built by other agencies that have done this to ensure that the business information is kept confidential, and the data would be kept aggregated.

Staff Feldman also added that this agency could consider franchising commercial recycling, but that a change of that nature would require a 5 year notice.

7. Staff Updates

- a) Update on Recology Commercial Recycling Outreach Efforts
- b) Recycling and Outreach Programs Update
- c) Shoreway Operations and Master Plan Update
- d) Update on 2013/2014 Franchise Rate Setting Process
- e) Preview of Upcoming Board meetings

Executive Director McCarthy noted the need to have an election of new officers at the November meeting, so that there wouldn't be a two month period without Board officers. He also mentioned the November discussion on tipping fees, and reminded Board Members of the invitation to the Holiday lunch at the Shoreway Environmental Center on November 21st, before the Board meeting.

Member Wozniak noted that most cities don't seat their officers until December, and that they may not know at the November meeting who the Board representative would be, and thought it might be best to have an interim chair and vice chair.

8. Board Member Comments

9. Adjourn 4:10 PM

DRAFT MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
SPECIAL MEETING OF THE BOARD OF DIRECTORS**

October 24, 2013 – 2:00 p.m.
San Carlos Library Conference Room A/B

1. Call to Order 2:05 PM

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

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No general public comment.

3. New Business:

A. Resolution Approving South Bay Recycling (SBR) Request to Use Subcontractors

Executive Director McCarthy explained the issue, and noted that there is a provision in the SBR Operations agreement that the JPA Board must approve the use of any subcontractors. He noted there is a possibility of a work stoppage given the three collective bargaining agreements that have expired. SBR is requesting to use subcontractors in the event of a work stoppage. He explained that the JPA as the owner of the facility and the holder of the permits cannot allow any impairment to the facility, or the SBWMA would be in violation of those permits. He added that staff is recommending approval of SBR's request to use subcontractors on the explicit condition this approval would be for subcontractors only if there is labor unrest.

Chair Ira asked to hear from SBR.

Dwight Herring of South Bay Recycling noted he had been developing a contingency plan in the unlikely event of a labor disruption for approximately 6 months, and that the initial contingency plan was sent to

the SBWMA on August 30th. He noted that the plan has been revised and updated since then, and continued to give a timeline for the process of how this resolution had come before the Board. He explained that last Thursday, he was told that he needed to submit a more formal request to use subcontractors in accordance with the Operating agreement. He added that they are negotiating in good faith, and they hoped to reach an agreement that was reasonable to both parties, and that their next negotiating meeting was scheduled for Nov. 12. He also added that under our Operations Agreement SBR is obligated to keep the facility running and in order to do that if there was a work stoppage SBR would need to hire subcontractors.

Member Olbert asked what the minimum amount of time would be between letting the subcontractors know SBR is hiring them and when they will show up.

Dwight Herring said 24 hours.

Chair Ira asked when did SBR realize the need for subcontractors in the contingency planning process, and why didn't you bring this request to the Board sooner.

Dwight Herring said that SBR has planned to use subcontractors in the event of a work stoppage throughout the contingency planning process, but thought the conversations with staff was sufficient notice, noting that the contract doesn't stipulate the request needs to be in writing. He added that he was just made aware last week that a more formal request needed to be made.

Member Slocum asked for the process of negotiations thus far to be described.

Dwight Herring noted that the first meeting was on October 1st. Local 350 requested a mediator, a week later the Federal Government was shut down so no mediator was available. We were asked to give them a series of dates that we would be available and the November 12th date is the first mutually available date.

Counsel Lanzone clarified that the contract does state that the request needs to be in writing.

Member Brownrigg and Member Slocum questioned why negotiations weren't started until 3 weeks before the contract expired, why not sooner.

Dwight Herring answered that he was given a set of dates by Local 350, and that was the first mutually available date.

Member Brownrigg asked if SBR has been in discussions with the unions about continuing the no strike/no lockout clause of the contract for some time, now that the contracts have expired.

Dwight Herring noted that he had sent a request for a 30 day contract extension which was refused, but in talking with Local 350 as long as meetings are scheduled and parties are negotiating in good faith there will be no work stoppage.

Member Ross asked how many additional employees would need to be brought on to run the facility.

Dwight Herring noted that it depends on the volume of tonnage that the facility is receiving, but fully staffed would be 63.

Member Ross asked if there was a clause in the state violation regarding strikes, and if there is any case law from organizations that provide a similar service.

Executive Director McCarthy stated that he was not aware of any carve out related to labor unrest, but noted that there is emergency provisions for earthquakes, floods and things of that nature, but nothing related to strikes. He added that research could be done regarding the case law, but that the two strikes of recent memory were going into a private facility, not a publicly owned facility.

Member Ross asked if would be possible to draft a clause to prevent the no strike/no lockout clause from expiring in the future.

Executive Director McCarthy stated that the SBWMA Board is not party to the collective bargaining agreements so we can't negotiate them.

Member Ross noted that there was a comment that there could be additional costs to the rate payer in the event of a strike and asked if there was an estimate of what those costs would be.

Executive Director McCarthy stated there is no estimated cost, because it would depend on how much and for how long, but added that the cost would be considerable if we had to use another facility for disposal.

Member Olbert asked how long the training is before a new employee is considered fully trained, and if the pool of subcontractors is already trained.

Dwight Herring answered that new employees start in the lowest job classification and are trained for 5 to 7 days, adding that the higher the job classification the longer the training up to two weeks. He added that the subcontractors are already trained on the equipment; they would just need to learn our facility.

Member Wozniak asked why negotiations weren't started 6 months ago and why the first meeting wasn't set until 3 weeks before the contracts expired and now there is no protection.

Dwight Herring answered that the CBA stipulates that at a certain point which he believed was 60 or 90 days before the end of the contract, the parties can contact each other to begin negotiations. He noted that in late August SBR received notice from the CBA that they were ready to start negotiations, and the series of dates they were given the first mutually available date was October 1st.

Fran Dehn asked if we were waiving the use of subcontractors for the remainder of the contract.

Counsel Lanzzone stated that it was being waived for the specific set of circumstances in the resolution, not forever.

Public Comment:

Robert Morales representing the Teamsters Union spoke in opposition of the resolution.

Member Brownrigg asked if extended the contract with respect to the no strike no lock out clause would make sense to all parties.

Robert Morales stated that the local doesn't believe in signing contract extensions, and as long as the employer is negotiating in good faith we keep negotiating as long as it takes.

Member Gauthier commented that the Board members were disappointed that there has been 90 days to begin the negotiations and yet both parties just began negotiating.

Robert Morales stated that they have been negotiating a lot of contracts, and the federal government shutdown leaving us without a federal mediator, and that is why there haven't been more dates.

Chair Ira asked if there was a strike vote taken with Recology.

Robert Morales said no, the negotiations are progressing.

Chair Ira noted the implications of SBR going on strike even if Recology has negotiated a contract, he added that having a strike vote draws a line in the sand and set a negative tone. He also added that our citizens end up paying the price, and the Boards point of view is we need to protect our citizens. He asked for some kind of assurance that there would not be a strike.

Robert Morales concluded that it is his intention to negotiate in good faith.

Shelly Kessler representing the San Mateo County Labor Council spoke in opposition of the resolution.

Member Wozniak asked why negotiations were started so late.

Shelly Kessler answered that she didn't know, but did know that the unions have been negotiating multiple contracts throughout San Mateo County and they may or may not have had time. She added that in the future when contingency plans are being developed to get in contact with her to begin things on a positive note.

Member Wozniak commented that she would feel a lot better voting no if the contract was extended.

Shelly Kessler reminded the Board that with all the other negotiations there were no contract extensions and there were no strikes.

Member Brownrigg asked if there were strike votes taken in those situations.

Shelly Kessler answered yes.

Member Brownrigg commented that it's difficult for this Board which is not party to the negotiations but is being asked to provide a possible resource, noting that he would feel better about voting no, if there could be a middle ground where notice was given before a strike.

Robert Morales spoke to this saying that a noticed strike is much less effective. He added that he is committed to negotiating in good faith, and committed to keeping the Executive Director abreast of the negotiations.

Member Carlton commented that she is disappointed by the late start, knowing that it takes time for even friendly negotiations to occur.

Vice Chair Frisella asked for clarification on the timing of how long it would take for operations to be functioning with subcontractors.

Dwight Herring answered that SBR would know when a strike is happening when we show up to work that day. It will take 24 hours for subcontractors to be available from Southern California. He added that minimal operations could happen for 1-2 days with subcontractors from Southern California, anything longer term we would need to bring in people from across the country. He also noted that this is a precautionary measure, but SBR has to do whatever it takes to keep the facility running because that is our obligation.

Vice Chair Frisella asked why it was important to vote on this resolution now, if SBR didn't know whether or not they needed subcontractors.

Counsel Lanzone added that a special meeting needs 24 hour notice assuming you can get a quorum together, and added that the resolution doesn't approve blanket subcontracting, only if necessary due to a work stoppage.

Executive Director McCarthy noted that the staff recommendation still holds that he didn't want to have to rely on rounding up a quorum with 24 hours' notice. He added that there is a state requirement to remove solid waste from our facility within 48 hours. If the solid waste cannot be moved there are penalties and fines starting at 48 hours and worst case scenario our permit could be revoked.

Member Olbert asked about the financial ramifications, and if liquidated damages could be enforced in this case.

Executive Director McCarthy answered yes; it is something staff would be monitoring as soon as labor unrest occurs.

Member Ross made a motion to approve SBR's request to use subcontractors.

Vice Chair Frisella seconded the motion.

Discussion:

Member Slocum commented that he would like to take Mr. Morales on his word even though no commitment was made one way or the other. He also added that the timing of a special meeting and the 24 hours it would take for subcontractors to get to the facility, the timing could work.

Member Brownrigg commented that it is a difficult situation but that he is not in support of the motion; he added that he is uncomfortable with the lack of commitment to provide early warning of a strike, and this Board has a responsibility to keep the facility open and he understands the Executive Director's concern on the issue. He suggested delaying the vote on this matter until mid-November to give the parties a chance to have their meeting, and give this Board a chance to reflect on progress.

Member Ross commented that a lack of preparation doesn't constitute an emergency, which was the reason for his motion. He added that after listening to Member Brownrigg's statement would like to withdraw his motion.

Member Brownrigg made a motion to table the decision no later than the November 21st meeting.

Member Slocum seconded the motion.

Discussion:

Chair Ira commented that the next negotiations are happening on November 12th. He gave the executive Director authorization to call an emergency board meeting as needed. He also reiterated that we would like some assurances related to a cooling off period.

Voice Vote: All in Favor 10-0-0-2

4. Adjourn 3:21 PM



STAFF REPORT

To: SBWMA Board Members
From: Marshall Moran, Finance Manager
Date: November 21, 2013 Board of Directors Meeting
Subject: Approval of Quarterly Investment Report for the Quarter Ended September 30, 2013

Recommendation

It is recommended that the SBWMA Board review and accept the Quarterly Investment Report.

Analysis

The primary objective of the Investment Policy for the SBWMA is safety of principal, while meeting the cash flow needs of the Authority, through prudent investment of unexpended cash. As of September 30, 2013, the investment portfolio was in compliance with the Investment Policy. The portfolio contains enough liquidity to meet the next six months of expected expenditures by the Authority as well as by other third parties.

Fiscal Impact

The attached Investment Portfolio Summary indicates that as of September 30, 2013, funds in the amount of \$17,806,004 were invested producing a weighted average yield of 0.28%. Below is a summary of the changes in the portfolio.

	Qtr Ended 9/30/13	Qtr Ended 6/30/13	Increase (Decrease)
Total Portfolio	\$ 17,806,004	\$ 19,704,575	\$(1,898,571)
Weighted Average Yield	0.28%	0.23%	0.05%
Interest Earnings	\$ 11,505	\$ 12,341	\$ (836)
Lehman Recovery Payment	\$ 95,560	\$ 19,162	\$ 76,398

The overall portfolio balance decreased by \$1.9 million. The decrease is primarily due to the \$3.1 million payment to the bond trustee for an early payoff to the City of Burlingame of the 2009 Series B bond and a \$2.5 million debt service payment for the 2009 Series A bond. Transfers of excess cash into the portfolio during the quarter offset part of the decrease.

In August 2013, the County Treasurer sold the remaining holdings of Lehman interests resulting in a recovery amount of 24.957%. The Authority received a distribution of \$95,560 from this sale, bringing the final total recovery to \$152,525 or 39.8% of the Lehman investment loss of \$382,898 incurred in 2009.

A table comparison of the portfolio components is provided below:

	9/30/2013 Balance	% of Total	6/30/2013 Balance	% of Total	Change over prior qtr
SM County Pool	\$ 2,265,903	13%	\$ 2,167,040	11%	\$ 98,863
LAIF	10,921,027	61%	11,313,693	57%	(392,666)
Bond Account	4,619,074	26%	6,223,842	32%	(1,604,768)
Total Portfolio	\$ 17,806,004	100%	\$ 19,704,575	100%	\$ (1,898,571)

Note: There may be minor differences in totals as individual amounts are rounded to the nearest dollar

The average yield of the portfolio in the quarter excluding the bond proceeds was 0.33%. The Local Agency Investment Fund (LAIF) is used as a benchmark and the average LAIF yield for the quarter ending September 30, 2013, was 0.26%. The San Mateo County Pool average yield for the quarter was 0.67%.

Due to arbitrage restrictions, bond investments are not included in our LAIF rate comparison. As of September 30, 2013, the bond reserve and payment accounts of approximately \$4.6 million were invested with the trustee in short-term investments.

The Investment Advisory Committee, consisting of Jeff Maltbie, City Manager of San Carlos; Michael Galvin, City Treasurer for San Carlos; and Rebecca Mendenhall, Administrative Services Director, have reviewed this report before presentation to the Board.

Attachments

Attachment A – Summary of All Investments for Quarter Ending September 30, 2013

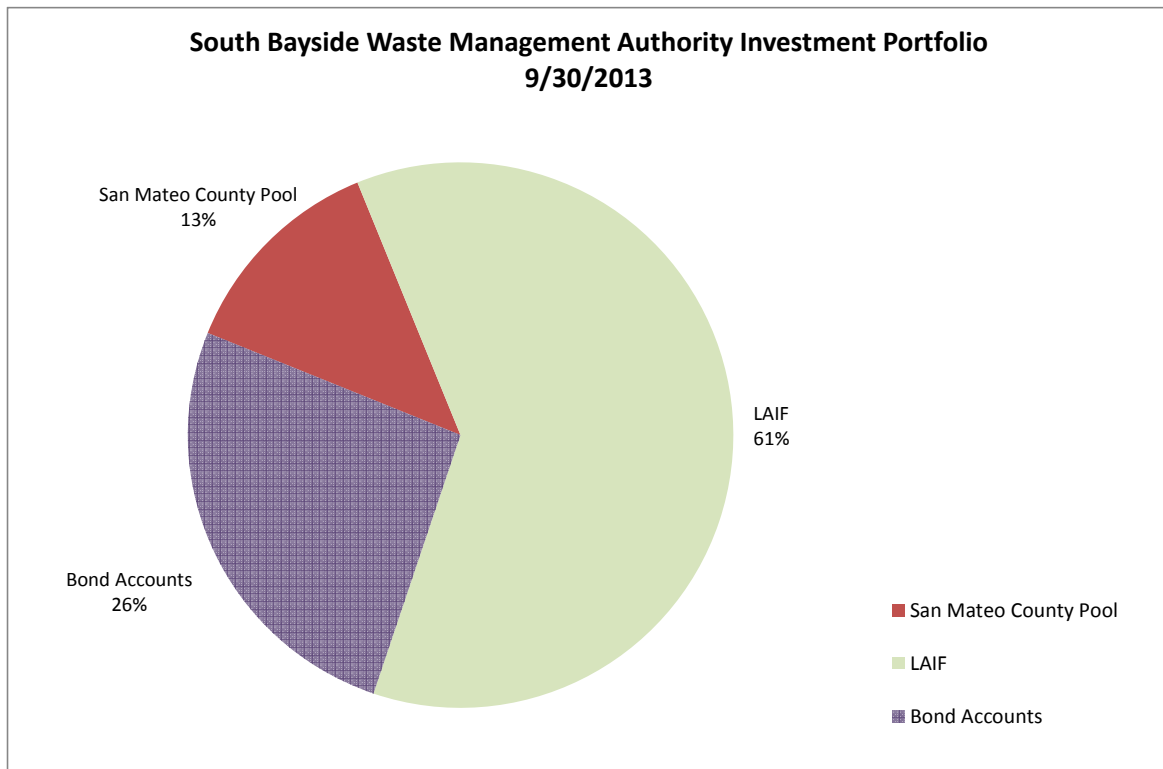
Attachment B – Investment Portfolio 9/30/2013 - Chart

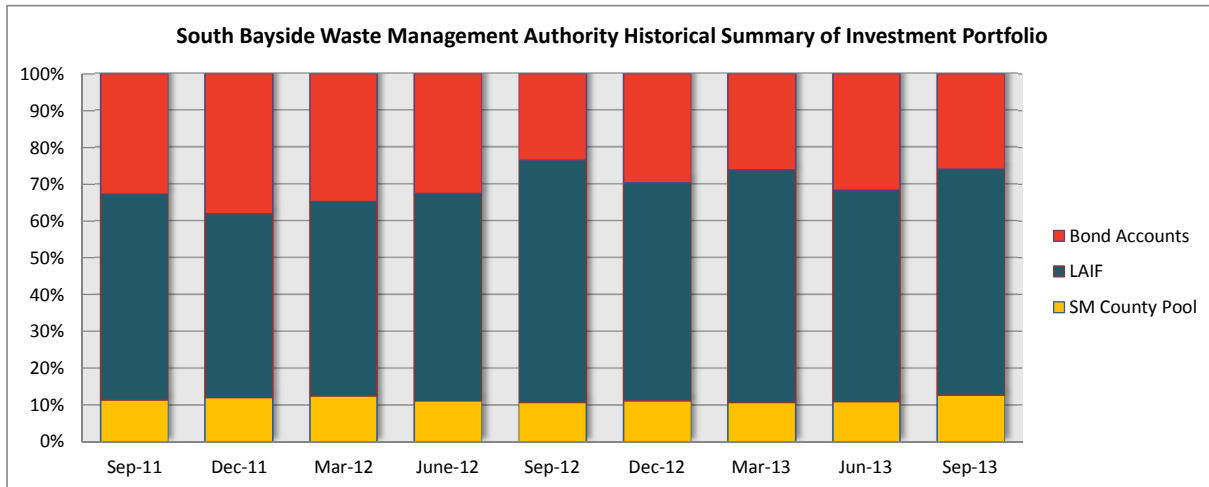
Attachment C – Historical Summary of Investment Portfolio

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

SUMMARY OF ALL INVESTMENTS
For Quarter Ending September 30, 2013

Category	Weighted Average Interest Rate	HISTORICAL Book Value	GASB 31 ADJ Market Value	Interest Earned
Liquid Investments:				
San Mateo County Investment Pool (COPOOL)	0.67%	2,265,903	2,265,903	3,765
Local Agency Investment Fund (LAIF)	0.26%	10,921,027	10,927,223	7,084
Total - Investments	0.33%	13,186,930	13,193,126	10,849
Bond Proceeds Accounts - Cash with Fiscal Agents				
BNY Western Trust - Certificates of Deposit 2009A Reserve Fund Account	0.31%	1,984,000	1,984,000	656
BNY Western Trust - Dreyfus Cash Mgmt 670 Inv 2009A Reserve Fund Account	0.00%	2,260,015	2,260,015	-
BNY Western Trust - Dreyfus Cash Mgmt 670 Inv 2009A Payment Fund Account	0.00%	374,642	374,642	-
BNY Western Trust - Cash Balance 2009B Payment Fund Account	0.00%	417	417	-
Total - Bond Accounts	0.000%	4,619,074	4,619,074	656
GRAND TOTAL OF PORTFOLIO	0.28%	17,806,004	17,812,200	11,505
Total Interest Earned This Quarter			11,505	
Total Interest Earned Fiscal Year-to-Date			11,505	





South Bayside Waste Management Authority Portfolio

	Sep-11	Dec-11	Mar-12	June-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13
SM County Pool	2,077,198	2,083,418	2,088,589	2,116,407	2,121,172	2,139,883	2,144,381	2,167,040	2,265,903
LAIF	10,206,329	8,714,239	8,722,866	10,730,281	12,938,094	11,197,175	12,505,898	11,313,693	10,921,027
Bond Accounts	5,940,947	6,611,970	5,733,099	6,193,483	4,615,267	5,645,978	5,190,986	6,223,842	4,619,074
Grand Total	\$ 18,224,474	\$ 17,409,627	\$ 16,544,554	\$ 19,040,171	\$ 19,674,533	\$ 18,983,036	\$ 19,841,265	\$ 19,704,575	\$ 17,806,004



STAFF REPORT

To: SBWMA Board Members
From: Robert J. Lanzone, General Counsel
Date: November 21, 2013 Board of Directors Meeting
Subject: Resolution Approving Updated Conflict of Interest Code

Recommendation

Approve attached Resolution 2013-27 which updates the SBWMA's Conflict of Interest Code.

Background

The California Political Reform Act requires each California local agency to adopt a Conflict of Interest Code. The Board adopted a Conflict of Interest Code for the SBWMA in February 2007. State law requires agencies to update its Code every two years if there are changes needed (e.g., change in designated positions).

Attached is a copy of the Code adopted by the prior Board. **Exhibit A** to the Code, Designated Positions, now includes an update regarding positions. The form of the Code of Conduct should be familiar to Board members as it is virtually identical to the Codes of each of the SBWMA member agencies have enacted.

Fiscal Impact

There is no fiscal impact associated with this Board action.

Attachments:

Resolution 2013-27

Exhibit A - SBWMA Conflict of Interest Code



RESOLUTION NO. 2013-27

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY (SBWMA) UPDATING THE AGENCY'S CONFLICT OF INTEREST CODE

RESOLVED by the Board of Directors of the SBWMA that:

WHEREAS, the Political Reform Act of 1974 (California Government Code 81000 et seq.) requires each state or local government agency to adopt a Conflict of Interest Code; and

WHEREAS, the Fair Political Practices Commission (FPPC) has adopted a regulation (2 Cal. Admin. Code 18730) which contains the terms of a standard model code which can be adopted by reference; and

WHEREAS, attached as **Exhibit A** is a Conflict of Interest Code which incorporates FPPC regulations and which reflects changes to the designated positions in the SBWMA; and

WHEREAS, Designated Positions are attached to the Code as Exhibit A.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the SBWMA that it hereby adopts the updated Conflict of Interest Code, Exhibit A hereto.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 21st day of November, 2013, 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 San. District				

I HEREBY CERTIFY that the foregoing Resolution No. 2013 -27 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on November 21, 2013.

ATTEST:

Jeff Ira, Chairperson of SBWMA

Cyndi Urman, Board Secretary

CONFLICT OF INTEREST CODE

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY

Section 1. Purpose. Pursuant to the provisions of Government Code Sections 87300, et seq., the South Bayside Waste Management Authority (SBWMA) hereby adopts the following Conflict of Interest Code. Nothing contained herein is intended to modify or abridge the provisions of the Political Reform Act of 1974 (Government Code Section 81000). The provisions of this Code are additional to Government Code Section 87100 and other laws pertaining to conflicts of interest. Except as otherwise indicated, the definitions of said Act and regulations adopted pursuant thereto are incorporated herein and this Code shall be interpreted in a manner consistent therewith.

Section 2. Designated Positions. The positions listed on **Exhibit A**, attached hereto and by this reference incorporated herein, are Designated Positions. Each officer and employee holding a position listed on Exhibit A is a Designated Employee, and is required to file a disclosure statement (as prescribed hereinafter) on any decision which the said officer or employee may make or in which said officer or employee may participate, that may foreseeably have a material effect on a financial interest. The Executive Director, or his or her designee, may determine in writing on a case by case basis that a particular consultant, although a designated position, is hired to perform a range of duties that is limited in scope and thus does not require compliance, or full compliance with disclosure requirements. Any such written determination shall include a description of the consultant's duties and a statement as to the extent of disclosure requirements. The Executive Director may determine whether a contract consultant constitutes a "consultant" as defined in the Political Reform Act. The Executive Director's determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code.

Section 3. Disclosure Statement. Designated Positions shall be assigned to one or more of the disclosure categories as contained in the Fair Political Practices Commission (FPPC) Form 700, as set forth on Exhibit A. Each Designated Employee shall file an annual statement disclosing that employee's interest in investments, real property, and income, designated in **Exhibit B**, attached hereto and by this reference incorporated herein, as reportable under the category to which the employee's position is assigned on Exhibit A.

Section 4. Time and Place of Filing.

(a) All designated officers and employees required to submit a statement of financial interests shall file the original with the Clerk of the Board of Directors of SBWMA.

(b) Employees appointed, promoted or transferred to designated positions shall file initial statements within 30 days after date of employment.

(c) Annual statements shall be filed no later than April 1st of each year by all designated officers and employees. Such statements shall cover the period of the preceding calendar year.

(d) A designated officer or employee who leaves an office shall file, within 30 days of leaving office, a leaving office statement.

Section 5. Contents of Disclosure Statements. Statements of economic interests shall be made on forms prescribed by the Fair Political Practices Commission and supplied by the Clerk of the Board of Directors of SBWMA.

Section 6. Disqualifications. Designated officers or employees must disqualify themselves from making or participating in the making of any decisions in which they have a reportable financial interest, when it is reasonably foreseeable that such interest may be materially affected by the decision. No designated officer or employee shall be required to disqualify himself with respect to any matter which could not be legally acted upon or decided without his participation.

*Staff member employed through Local Government Services (LGS) is intended to be included within the definition of "employee" for purposes of this Conflict of Interest Code.

EXHIBIT A

DESIGNATED POSITIONS

<u>Designated Positions</u>	<u>Disclosure Categories</u>
Members of the Board of Directors	1
Executive Director	1
Recycling Programs Manager*	1
Facility Operations Contract Manager	1
Finance Manager	1
Recycling Outreach Sustainability Manager	1
Recycling Coordinator	2
Office Manager/Board Clerk	3
Environmental Education Coordinator	2
Environmental Education Associate	3

EXHIBIT B

Category 1. Persons in this category must disclose all investments in business positions in business entities, doing business in, and sources of income and interests in real property, within the jurisdictional area of the SBWMA.

Category 2. Persons in this category must disclose all investments and business positions in business entities in or doing business within the jurisdictional area of the SBWMA. .

Category 3. Persons in this category must disclose all investments and business positions in business entities and sources of income which provide, manufacture or supply services, supplies, materials, machinery or equipment of the type utilized by or subject to review or approval of the member entities of the SBWMA..



STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Operations Contracts Manager
Cliff Feldman, Recycling Programs Manager
Date: November 21, 2013 Board of Directors 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 attached Monthly Reports from Recology and SBR were submitted on time.

It is important to note that the tonnage information presented in Recology's Monthly Report is derived from data compiled by SBR as the Shoreway Environmental Center facility operator. Therefore, regarding the reporting of tonnage, the Recology and SBR reports are redundant. In addition, the SBR report provides details on the transfer station and buy-back center activities and therefore includes more facility tonnage data than the Recology Monthly Report. Recology's report includes collection data, monthly updates on various operations, and call center complaint/inquiry related metrics.

Background

Article 9, section 9.05 of the Member Agencies Franchise Agreement(s) with RSMC 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.

Attachments:

- Attachment A - Recology October 2013 Monthly Report
- Attachment B - SBR October 2013 Monthly Report

Agenda Item: 5D

Receipt of Recology and SBR Monthly Reports

- ★ **Attachment A – Recology September 2013 Monthly Report**
- ★ **Attachment B – SBR September 2013 Monthly Report**

★ *Per the contracts, these reports are due on the 15th of the following month. October's monthly contractor reports are due 11/15/13. They will be posted on our website: www.rethinkwaste.org no later than Monday, November 18th, 2013.*

- Attachment A: Recology October 2013 Monthly Report
- Attachment B: SBR October 2013 Monthly Report

Reports POSTED after 11/15/13 at www.rethinkwaste.org



A Public Agency

NEW BUSINESS



STAFF REPORT

To: SBWMA Board Members
From: Robert J. Lanzone, General Counsel
Date: November 21, 2013 Board of Directors Meeting
Subject: Election of New Officers for 2013/2014

Recommendation

The Board is required to annually elect a Board Chair and Vice Chair per Article 8 of the JPA Agreement.

Background

Both the current Chair, Jeff Ira, and Vice Chair, Pam Frisella, are leaving office in their respective cities during the month of December 2013, and will be effectively also leaving the SBWMA Board. There is no Board meeting scheduled for December 2013. With the labor related issues that the JPA faces, staff has agendized the selection of a new Chair/Vice Chair. Normally this matter would be on the January 2014 agenda.

Staff recommends the following process for the Board to follow in electing a Chair and Vice Chair for calendar year 2014:

1. Chair calls for nominations for the position of Chair (nominations do not require a second).
2. Motion is adopted to close nominations.
3. Board votes on nominations in the order in which the nominations were made until a Chair is elected.
4. Sections 8.5 and 10.8 of the JPA Agreement require the successful vote to be by 2/3 of the Directors present.
5. The new Chair takes the gavel and assumes the office and calls for nominations for Vice Chair and the same procedure is followed for electing the Vice Chair.

The Board may want to consider selecting an Interim Chair and Vice Chair to serve following the November Board meeting until the January 2014 Board meeting. This procedure would allow for seating of any new Board members. A permanent Board Chair and Vice Chair could then be selected for calendar year 2014.

Fiscal Impact

None.

Attachments:

None.



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
 Marshall Moran, Finance Manager
Date: November 21, 2013 Board of Directors Meeting
Subject: Consideration of Shoreway Facility Tipping Fee Adjustments Effective 1/1/14

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2013-26 attached hereto authorizing the following action:

Approval of the following Shoreway facility tipping fee adjustments effective January 1, 2014:

- Increase franchised solid waste disposal rate by \$1.00/ton from \$91.00/ton to **\$92.00/ton**
- Increase franchised residential/commercial organics recycling rate by \$2.00/ton from \$92.00/ton to **\$94.00/ton**
- Increase franchised commercial food waste recycling rate by \$3.00 from \$104.00/ton to **\$107.00/ton**
- Decrease franchise and non-franchised weighed rates for inerts by \$10.00 from \$91.00/ton to **\$81.00/ton**
- Increase public (residential, commercial) solid waste disposal rates by \$1.00/cubic yard from \$34.00/cubic yard to **\$35.00/cubic yard**
- Increase public (residential, commercial) clean plant material and wood recycling rates by \$1.00/cubic yard from \$23.00/cubic yard to **\$24.00/cubic yard**
- Increase public construction and demolition recycling rate by \$2.00/cubic yard from \$30.00/cubic yard to **\$32.00/cubic yard**

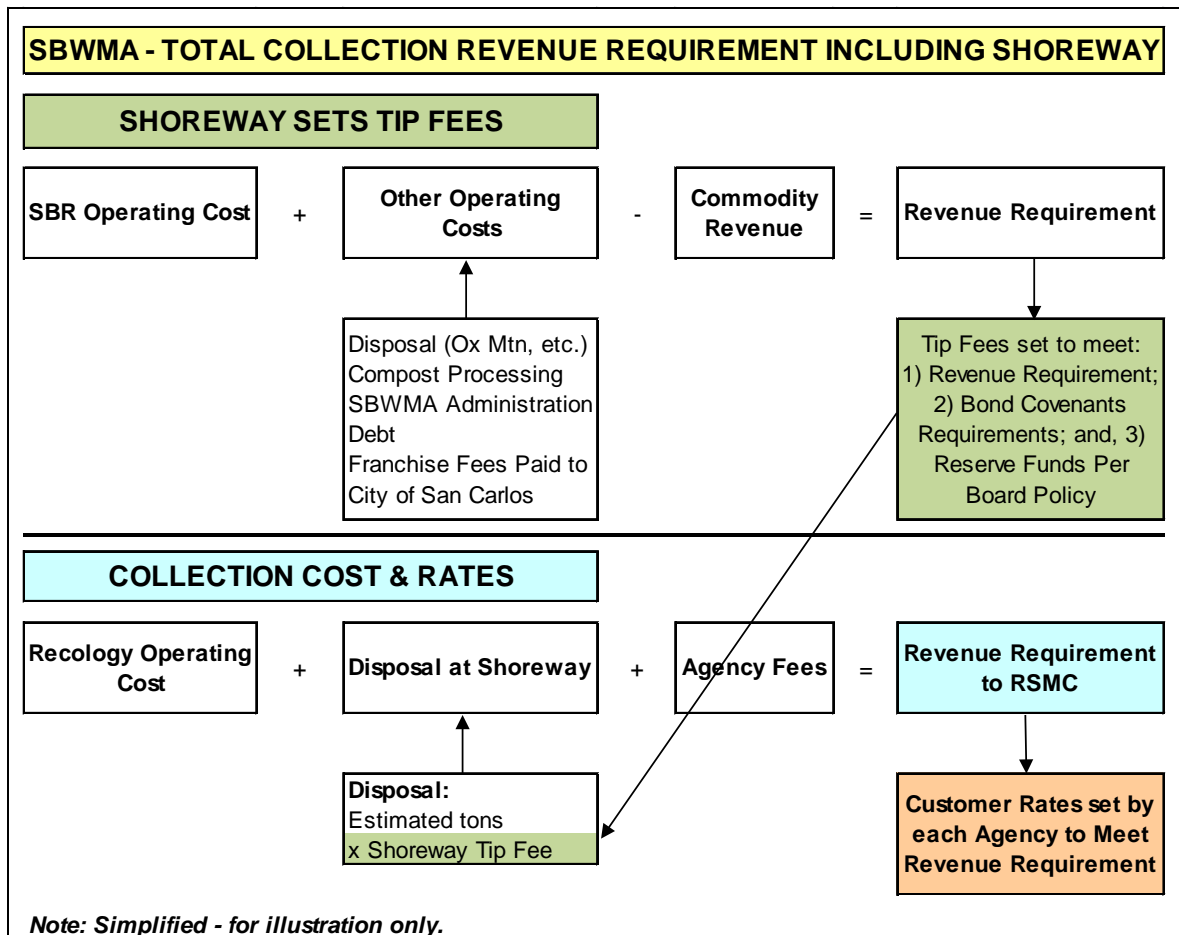
These recommended tipping fee adjustments differ favorably (are lower overall) from what was assumed in the Board adopted FY1314 budget as follows:

Table 1

<u>ASSUMED TIPPING FEES PER TON OR CUBIC YARD PER ADOPTED FY1314 BUDGET VS. RECOMMENDED ADJUSTMENTS</u>				
<u>Transfer Station Tip Fee Increases</u>	<u>Current Rates</u>	<u>Assumed Rates (1/1/14)</u>	<u>Assumed Increase</u>	<u>Recommended Adjustment</u>
SBWMA Solid Waste, <i>Franchise</i>	\$91.00 per ton	\$94.00 per ton	\$3/ ton	\$1/ ton
SBWMA Residential Organics, <i>Franchise</i>	\$92.00 per ton	\$95.00 per ton	\$3/ ton	\$2/ ton
Non-SBWMA Weighed Tons <i>non-Franchise</i>	\$91.00 per ton	\$94.00 per ton	\$3/ ton	\$10/ ton decrease
Public Solid Waste Yards, <i>non-Franchise</i>	\$34.00/ yard	\$35.00/ yard	\$1/ yard	Same
Public Green Waste Yards, <i>non-Franchise</i>	\$23.00/ yard	\$24.00/ yard	\$1/ yard	Same
Construction and Demolition, <i>non-Franchise</i>	\$30.00/ yard	\$31.00/ yard	\$1/ yard	\$2/ yard

The assumed tipping fees in the adopted FY1314 budget are the same tipping fees used in the disposal and processing expense projection in the SBWMA Final Report on Review of 2014 Recology Compensation Application, Appendix F, approved by the Board in September. **Figure 1** below captures how tipping fees are incorporated into the collection revenue requirement for Member Agency annual solid waste rate setting.

Figure 1



Analysis

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

- Updated calendar year 2013 and 2014 financial projections to capture any changes in forecasted inbound tonnage and yardage from franchise and non-franchise customers, commodity revenue, and operating expenses.
- Review the projected net operating surplus/shortfall for 2014 assuming various tipping fee adjustment (per ton and per yard rates) scenarios. We start first with the base case scenario of what tipping fees were assumed in the Board adopted FY1314 budget and then “test” this and other scenarios against compliance with bond debt covenant requirements (i.e., break even test and debt coverage ratio of 1.4). Basically, we see if using the base case tipping fees still keep us in compliance with the bond covenants and to what extent any changes are needed or can be made to the base case fees.
- Staff compares the 2014 tipping fee scenarios vs. the estimated Transfer Station operating costs by material type (i.e., primarily solid waste, organics, food waste, inerts and C&D) to see if this warrants any adjustments to the tipping fees.

- Finally, staff surveys tipping fees at select Bay area transfer stations and landfills (see **Attachment A**). This rate survey is relevant for comparing certain public rates at local facilities in competition with Shoreway for public customers; this primarily would be the Ox Mountain Landfill.

In completing the updated financial projections we also take a preliminary look at how the projected net income affects our cash reserve balances. We are still reviewing our cash reserve balances but all indications are that we are accruing higher levels of undesignated reserves above and beyond our designated reserve fund requirements.

Updated SBWMA Financial Projections for Calendar Year 2013 and 2014

Updated financial projections for calendar year 2013 and 2014 are shown in **Table 2** below. The 2014 projection for franchise and public revenue is based on the recommended tipping fees for 2014. The 2014 projected net income of \$2.44 million is consistent with the \$2.45 million in the September projection included as Table 8 in the final SBR rate application report that was approved by the Board.

Table 2

<i>estimate</i>	Calendar Year		% Change	% of Total
	2013 Projection	2014 Projection		
Operating Revenue				
Franchise Revenue	26,176,104	26,467,716	1.1%	63.3%
Public Revenue	5,795,282	6,267,134	8.1%	15.0%
Commodity Sales, Net	8,407,663	8,360,739	-0.6%	21.3%
HHW Program	488,833	498,610	2.0%	1.2%
Other Revenue	207,228	187,317	-9.6%	0.4%
Total Operating Revenue	41,075,110	41,781,517	1.7%	100.0%
Operating Expenses				
SBR Operating Expense	16,085,447	16,775,818	4.3%	42.6%
Disposal Expense	14,111,515	14,449,601	2.4%	36.7%
Shoreway Facility & Maintenance	147,210	161,931	10.0%	0.4%
Total Operating Expense	30,344,171	31,387,350	3.4%	75.1%
SBWMA Program Budget	2,790,468	2,811,750	0.8%	7.1%
Franchise Fee	1,522,000	1,559,000	2.4%	4.0%
HHW Program	488,833	498,610	2.0%	1.3%
Other Expense	287,205	306,512	6.7%	0.8%
Total Other Expense	5,088,506	5,175,871	1.7%	13.2%
Total Expense	35,432,677	36,563,222	3.2%	92.9%
Non-Operating				
Interest (Income)	(63,123)	(134,527)	113.1%	-0.3%
Interest Expense	3,123,112	2,915,612	-6.6%	7.4%
Subtotal	3,059,989	2,781,085	-9.1%	7.1%
Total Expense	38,492,666	39,344,306	2.2%	100.0%
Net Operating Income	\$ 2,582,444	\$ 2,437,211	-5.6%	
Other Payments				
Shoreway Capital Expenditures	350,000	350,000	0.0%	
Miscellaneous	55,500	100,000	80.2%	
Bond Principal Payments	1,150,000	1,205,000	4.8%	
Net Cash Flow	1,026,944	782,211	-23.8%	
Designated Reserve Funding	(1,973,056)	593,440		
Undesignated Cash Flow	3,000,000	188,771		
Bond Covenant Requirements				
Break Even 1	1.04	1.03		
Debt Coverage 2	1.69	1.62		
1 Required to be 1.0 or greater				
2 Required to be 1.4 or greater				

The projected net income for calendar year 2014 results in meeting both bond covenant tests of break-even ratio of 1.0 and debt coverage ratio of 1.4, but very close to the minimum levels required; this leaves little room for negative variances in our financial projections. Even a slight negative variance to projected costs, tonnage, or commodity prices may require a revenue transfer for 2014 to meet bond covenant requirements.

Attachment B provides a series of tables with back-up detail on operating revenue and expense information used in the 2013 and 2014 financial projections.

Recommended 2014 Tipping Fees vs. Projected 2014 Shoreway Facility Transfer Station Operating Costs

Table 3 shows the projected 2014 Transfer Station operational and disposal costs as compared to the recommended 2014 tipping fees.

Table 3

SHOREWAY ENVIRONMENTAL CENTER - ESTIMATED TRANSFER STATION OPERATIONAL COSTS BY TYPE OF MATERIAL VS. RECOMMENDED TIPPING FEES											
2014 Cost / Ton (Estimated):	SBR Compensation				3rd Party Expenses	Other Pass Through Expenses					REVENUE
	Transfer Station	Transp.	Interest Expense	Subtotal	Disposal & Processing	SBWMA Admin.	Franchise Fee & Other	Debt ¹	Other Non- Operating ³	TOTAL COST / Ton	Recommended Tip Fee / Ton
FRANCHISE											
Solid Waste	\$ 12.39	\$ 15.52	\$ 0.53	\$ 28.44	\$ 39.01	\$ 6.56	\$ 5.00	\$ 2.30	\$ 2.82	\$ 84.13	\$92.00
Residential and Commercial Organics	\$ 12.39	\$ 24.79	\$ 0.53	\$ 37.71	\$ 40.33	\$ 6.56	\$ 5.00	\$ 2.30	\$ 2.82	\$ 94.72	\$94.00
Commercial Food Waste	\$ 12.39	\$ 22.08	\$ 0.53	\$ 34.99	\$ 61.25	\$ 6.56	\$ 5.00	\$ 2.30	\$ 2.82	\$ 112.92	\$107.00
Inerts	\$ 12.39	\$ 15.99	\$ 0.53	\$ 28.91	\$ 25.77	\$ 6.56	\$ 5.00	\$ 2.30	\$ 2.82	\$ 71.36	\$81.00
2014 Cost / Cubic Yard (Estimated):	SBR Compensation				3rd Party Expenses	Other Pass Through Expenses					REVENUE
	Transfer Station	Transp.	Interest Expense	Subtotal	Disposal & Processing	SBWMA Admin.	Franchise Fee & Other	Debt ¹	Other Non- Operating ³	TOTAL COST / Yard	Recommended Tip Fee / Yard
SELF-HAUL ²											
Solid Waste	\$ 3.10	\$ 3.88	\$ 0.13	\$ 7.11	\$ 9.75	\$ 1.64	\$ 1.25	\$ 0.58	\$ 0.71	\$ 21.03	\$35.00
Green Waste	\$ 2.79	\$ 5.98	\$ 0.12	\$ 8.89	\$ 9.08	\$ 1.48	\$ 1.13	\$ 0.52	\$ 0.64	\$ 21.73	\$24.00
C&D	\$ 3.90	\$ 7.12	\$ 0.17	\$ 11.19	\$ 19.26	\$ 2.06	\$ 1.57	\$ 0.72	\$ 0.89	\$ 35.69	\$32.00
Note: ¹ Debt includes interest & principal payment (\$1.2M) - 21% of total debt allocated to Transfer Station											
² Estimated conversion from yards to tons per SBR Monthly Report YTD - April 2011 for GW & C&D; SW - assumed 4.0 yds / ton											
³ Includes capital costs and transfers to reserve funds											

Table 3 details the cost components that make-up what is paid to SBR, our facility operator, to handle and ship all materials (though the Transfer Station only), the disposal and processing costs and SBWMA program administration, franchise fees paid to the City of San Carlos, debt and reserve funding requirements. The SBWMA related expenses are derived from allocating what percentage of the costs (e.g., debt service) attributable only to the Transfer Station operations. The MRF operational costs are not included in this analysis as gross commodity revenues received by the SBWMA cover all MRF related costs (i.e., SBR costs to run the MRF and Public Recycling Center, buyback payments to customers, commodity revenue share with SBR and any SBWMA allocated costs).

As approved by the Board on September 26, 2013, the rates paid to SBR increased by 3.4% in 2014. SBR is paid on a rate per ton times the actual number of tons. They are paid separately to operate the Transfer Station, operate the MRF, and transfer the materials to outside disposal and processing facilities.

All of the contracts with SBWMA's disposal and processing vendors have either annual index adjustments to their rates or a fixed percent increase per year as follows:

<u>Vendor</u>	<u>Annual Adjustment to Rate Charged to SBWMA</u>	<u>Percent of Tons</u>
Republic Ox Mountain Landfill	80% of All Urban Consumers Index (Bay Area)	58%
Republic Newby Island Compost facility	3.5%	15%
Recology Grover Compost Facility	90% of All Urban Consumers Index (Bay Area)	12%
Zanker Road C&D Processing Site	90% of All Urban Consumers Index (Bay Area)	10%

When comparing the recommended 2014 tipping fees to projected 2014 costs by rate category it's important to keep in mind a few key points:

- Transfer Station tipping fee revenue in total needs to exceed operating costs.
- Transfer Station tipping fees are our largest source of income, estimated at 78% (see **Table 2**) of total revenue for 2014, and as such are the largest contributor to meeting our net income requirements.
- Commodity revenues cover our MRF line of business costs but if we experience a significant drop in commodity revenue there's financial pressure placed on tipping fees. Fortunately, the SBWMA reserve funds are fully funded and include a Rate Stabilization Fund to mitigate a rate shock from commodity revenue fluctuations.
- Public tipping fees for materials that are recycled (i.e., green waste and C&D) have been kept at a lower rate than disposal fees to provide an incentive for higher recycling (diversion) levels).
- Public tipping fees are influenced not only by a goal of covering operating costs but also are strongly influenced by competitive pressures; self haul (public) customers can take their materials to other facilities like the Ox Mountain Landfill so we try to keep our solid waste and green waste rates as competitive as we can.

Table 4 shows the revenue generated from each rate category.

Table 4

	2014 PROJECTION			
	Yards	Tons	Revenue	% of Total
FRANCHISE				
Solid Waste		179,011	\$ 16,469,035	50.3%
Residential/Commercial Organics		102,714	\$ 9,655,155	29.5%
Commercial Food Waste		556	\$ 59,535	0.2%
Inerts		3,054	\$ 247,376	0.8%
Other		404	\$ 36,616	0.1%
Total Franchise		285,740	26,467,716	80.9%
SELF-HAUL				
Solid Waste	62,859		\$ 2,200,071	6.7%
Green Waste	61,509		\$ 1,476,217	4.5%
C&D	64,526		\$ 2,064,834	6.3%
Public Inerts (Dirt/Concrete, etc.)		4,492	\$ 363,837	1.1%
Other			\$ 162,176	0.5%
Total Public	188,894	4,492	6,267,134	19.1%
TOTAL	188,894	290,232	32,734,850	100.0%

Background

Historical tipping fees at the Shoreway facility are summarized below.

Year:	2009	1/1/10	7/1/10	1/1/11	7/1/11	1/1/12	1/1/13
<u>Rates</u>							
Franchised Solid Waste	\$72.00/ton	\$81.00/ton	\$84.00/ton	\$90.00/ton	Same	\$88.00/ton	\$91.00/ton
Franchised Organics	\$60.50/ton	\$69.50/ton	\$70.00/ton	\$79.00/ton	Same	\$89.00/ton	\$92.00/ton
Franchised Food Waste						\$101.00/ton	\$104.00/ton
Public Solid Waste	\$29.00/yard	\$34.00/yard	\$35.00/yard	\$40.00/yard	\$35.00/yard	\$33.00/yard	\$34.00/yard
Public C&D	\$29.00/yard	\$34.00/yard	\$28.00/yard	\$29.00/yard	\$29.00/yard	\$29.00/yard	\$30.00/yard
Public Green Waste	\$22.00/yard	\$25.00/yard	\$25.00/yard	\$25.00/yard	Same	\$22.00/yard	\$23.00/yard

Fiscal Impact

The recommended tipping fee adjustments have the net effect of increasing SBWMA franchise revenue by \$356,000 which has an approximate 0.4% impact on customer solid waste collection rates as compared to the assumed tipping fee rates (in the adopted FY1314 budget) used in the Total Collection Rate Report which had a 0.7% rate impact; a positive variance of approximately 0.3%.

The public tip fee adjustments increase revenue by \$208,000.

Attachments:

Resolution 2013-26

- Attachment A - Comparison of Bay Area Transfer Station and Landfill Rates
- Attachment B - Back-up Financial and Operational Data



RESOLUTION NO. 2013-26
**RESOLUTION OF THE SOUTH BAYSIDE WASTE
 MANAGEMENT AUTHORITY BOARD OF DIRECTORS
 APPROVING SHOREWAY FACILITY TIPPING FEE ADJUSTMENTS
 EFFECTIVE JANUARY 1, 2014**

WHEREAS, staff has submitted a report to the Board, dated November 21, 2013 recommending adjustments to the tipping fees charged at the Shoreway Environmental Center (the Tipping Fees); and

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

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

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the this 21st day of November, 2013, 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. 2013-26 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on November 21, 2013.

ATTEST:

 Jeff Ira, Chairperson of SBWMA

 Cyndi Urman, Board Secretary

Facility	City	Public	Private	Permitted TPD	HH Trash		Comm. Trash		Green Waste		Clean Wood		Dirt, rocks (inerts)		C & D	
					cy	ton	cy	ton	cy	ton	cy	ton	cy	ton	cy	ton
SBWMA- Shoreway (current)	San Carlos	<input checked="" type="checkbox"/>		3000	\$34.00	\$91.00*	\$34.00	\$91.00*	\$23.00	\$92.00*	\$23.00	\$92.00*		\$91.00	\$30.00	
Shoreway recommended rates					\$35.00	\$92.00	\$35.00	\$92.00	\$24.00	\$94.00	\$24.00	\$94.00		\$81.00	\$32.00	
Berkeley Transfer Station (rates effective 1/1/10)	Berkeley	<input checked="" type="checkbox"/>		560	\$29.00	\$126.00	\$29.00	\$126.00	\$23.00	\$67.00	\$23.00	\$67.00			\$29.00	\$126.00
Sunnyvale Smart Station (rates effective March 2012)	Sunnyvale	<input checked="" type="checkbox"/>		1500	\$16.50				\$15.00		\$20.00		\$69.50		\$34.00	
SRDC (rates effective 1/11/13)	Redwood City		<input checked="" type="checkbox"/>	174 - C&D									\$30.00	\$30.00		
Blue Line Transfer (South SF-Scavenger)	South San Francisco		<input checked="" type="checkbox"/>	1200		\$88.00		\$88.00		\$76.00		\$73.00		\$62.00		
WM Davis Street TS (rates effective 6/12/13)	San Leandro		<input checked="" type="checkbox"/>	5600	\$30.62	\$121.43	\$30.62	\$121.43	\$26.00	\$60.00	\$26.00	\$60.00	\$55.00	\$105.00	\$30.62	\$121.43
Fremont Recycling & TS (BLT Enterprises) (rates effective 6/1/13)	Fremont		<input checked="" type="checkbox"/>	2400		\$84.94		\$84.94		\$79.53		\$79.53		\$79.53		\$83.51
Newby Island Landfill (Republic) (rates effective 1/1/13)	Milpitas		<input checked="" type="checkbox"/>	4000	\$40.00		\$40.00		\$36.00				\$33.00		\$36.00	
Ox Mountain Landfill (Republic) (effective 1/1/12)	Half Moon Bay		<input checked="" type="checkbox"/>		\$26.00	\$62.00	\$26.00	\$62.00	\$20.00	\$35.00	\$20.00	\$35.00	\$25.00	\$25.00	\$26.00	\$26.00
San Bruno Transfer Station (Recology)	San Bruno		<input checked="" type="checkbox"/>			\$75.00		\$75.00		\$75.00		\$75.00		\$75.00		\$75.00
SF Dump (Sunset Scavenger- Recology)	San Francisco		<input checked="" type="checkbox"/>	3000		\$147.13		\$147.13						\$147.13		\$147.13
Zanker Materials Recovery and Landfill (rates eff. 7/1/13)	San Jose		<input checked="" type="checkbox"/>		\$28.00		\$28.00		\$13.00		\$8.00		\$28.00		\$28.00	

Note: *SBWMA member agency rate.

Attachment B

Back-up Financial and Operational Data

This attachment provides additional supporting data for the 2013 and 2014 financial projections in the staff report.

Operating Revenue

- Table 1** provides tonnage, yardage and weighted average tip fee data for 2013 and 2014.

Table 1

TIP FEE REVENUE		2013	2014	14 vs 13	%
<u>Franchise</u>					
Tons		286,388	285,740	-648	-0.2%
Wtd Avg. Tip Fee		\$ 91.40	\$ 92.64	\$ 1.24	1.4%
Franchise Revenue		\$ 26,176,104	\$ 26,467,716	291,612	1.1%
<u>Public</u>					
Yards		180,520	188,894	8,374	4.6%
Wtd Avg. Tip Fee		\$ 32.10	\$ 33.18	\$ 1.07	3.3%
Public Revenue		\$ 5,795,282	\$ 6,267,134	471,853	8.1%
Total Tip Fee Revenue		\$ 31,971,385	\$ 32,734,850	763,465	2.4%

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

Table 2

Total TS Tonnage and Yardage			2011	2012	2013	2014	13 vs 12	14 vs 13
Franchise								
SBWMA Solid Waste	tons		183,663	184,348	181,693	179,011	-1.4%	-1.5%
SBWMA Green Waste	tons		81,885	86,824	100,498	102,714	15.7%	2.2%
SBWMA Food Waste	tons		13,056	12,607	507	556	-96.0%	9.7%
SBWMA Dirt, Inert, C&D	tons		3,980	3,931	3,236	3,054	-17.7%	-5.6%
SBWMA Wood	tons			107	168	180		
SBWMA Other, BI	tons			269	286	224		
sub-total Franchise			282,584	288,086	286,388	285,740	-0.6%	-0.2%
Non-SBWMA Weighed Dirt	tons		2,923	3,240	4,492	4,492	38.6%	0.0%
Total Tons			285,507	291,326	290,880	290,232	-0.2%	-0.2%
Public								
Public Solid Waste Yards	yards		33,785	31,982	57,600	62,859	80.1%	9.1%
Public Green Waste Yards	yards		39,429	50,641	60,412	61,509	19.3%	1.8%
Public C&D	yards		58,413	67,826	62,508	64,526	-7.8%	3.2%
Total Yards			131,627	150,449	180,520	188,894	20.0%	4.6%

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

Table 3a

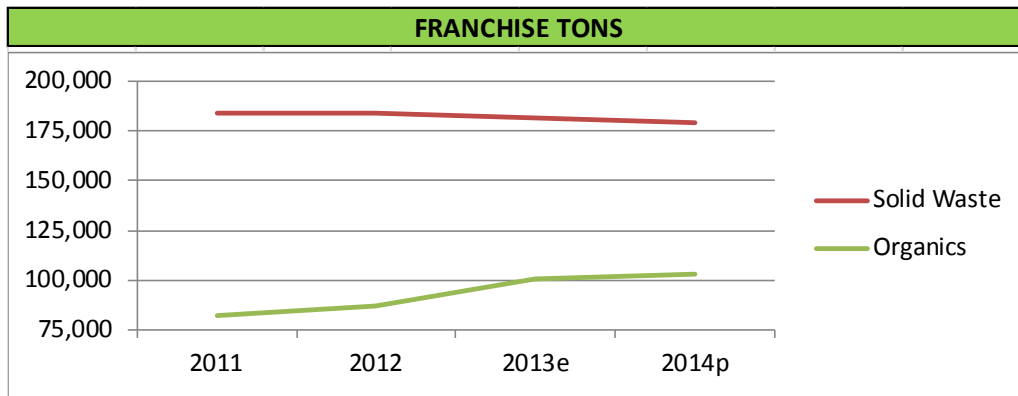
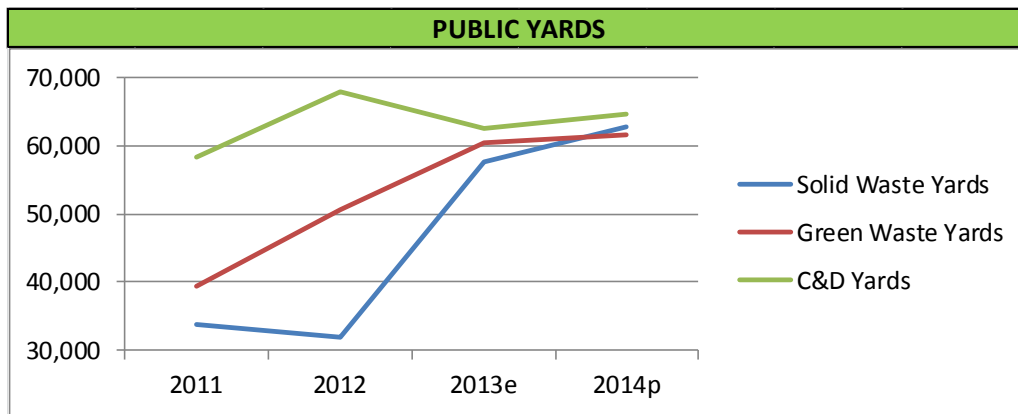


Table 3b



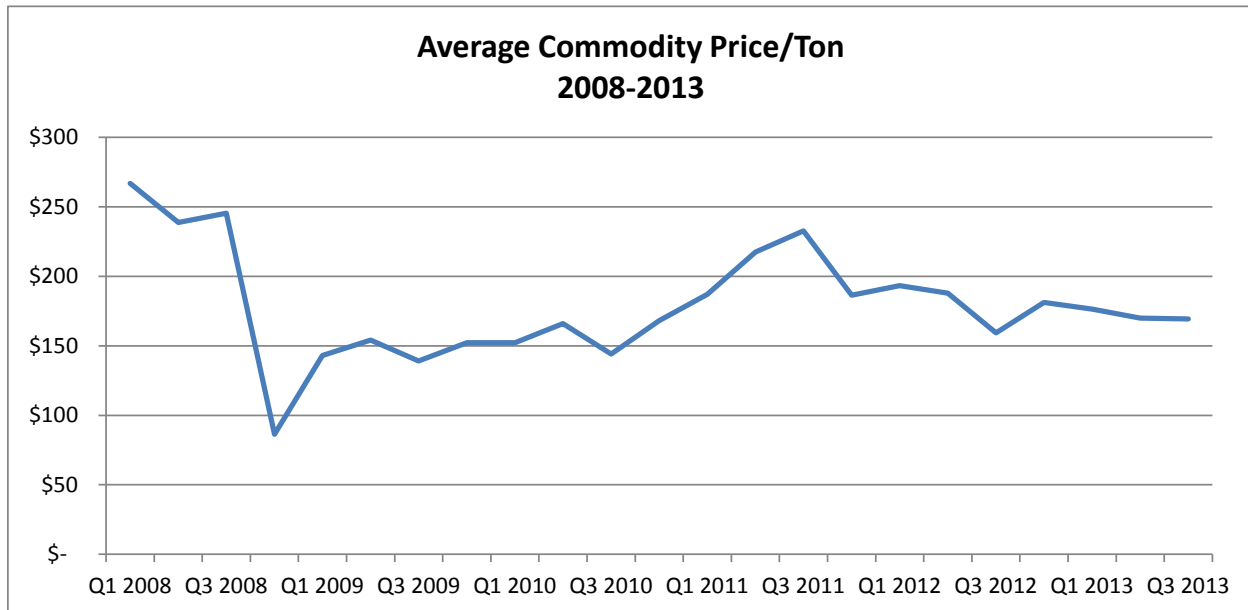
4. **Table 4** provides supporting data on commodity revenue projections.

Table 4

COMMODITY REVENUE	2013	2014	14 vs 13	%
Tons	60,263.0	60,452.0	189	0.3%
Wtd Avg. Price	\$ 171.86	\$ 170.24	\$ (1.62)	-0.9%
Gross Revenue	\$ 10,356,736	\$ 10,291,564	-65,172	-0.6%
Revenue Share w/ SBR	(1,344,372)	(1,326,123)	18,248	-1.4%
Buyback Payments	(604,701)	(604,701)	0	0.0%
Net Commodity Revenue	\$ 8,407,663	\$ 8,360,739	-46,924	-0.6%

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

Table 5



Operating Expenses

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

Table 6

SBR OPERATING & TRANSPORTATION EXPENSE					
a. Summary		2013	2014	14 vs 13	%
	MRF	\$ 4,852,033	\$ 5,046,446	\$ 194,413	4.0%
	Transfer Station	\$ 4,230,185	\$ 4,508,716	\$ 278,532	6.6%
	Transportation	\$ 6,748,152	\$ 6,994,151	\$ 245,999	3.6%
	Other	\$ 255,077	\$ 226,505	\$ (28,572)	-11.2%
	TOTAL SBR EXPENSE	\$ 16,085,447	\$ 16,775,818	\$ 690,371	4.3%
b. Detail		2013	2014	14 vs 13	%
MRF					
	Tons	60,263	60,452	\$ 189	0.3%
	Rate	\$ 80.51	\$ 83.48	\$ 2.96	3.7%
	Expense	\$ 4,852,033	\$ 5,046,446	\$ 194,413	4.0%
Transfer Station					
	Tons	359,710	363,900	\$ 4,190	1.2%
	Rate	\$ 11.76	\$ 12.39	\$ 0.63	5.4%
	Expense	\$ 4,230,185	\$ 4,508,716	\$ 278,532	6.6%
Transportation					
	Tons	359,710	363,900	\$ 4,190	1.2%
	Rate	\$ 18.76	\$ 19.22	\$ 0.46	2.5%
	Expense	\$ 6,748,152	\$ 6,994,151	\$ 245,999	3.6%
	Other	\$ 255,077	\$ 226,505	\$ (28,572)	-11.2%
	TOTAL SBR EXPENSE	\$ 16,085,447	\$ 16,775,818	\$ 690,371	4.3%

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

Table 7

DISPOSAL & PROCESSING EXPENSE					
		2013	2014	14 vs 13	%
Summary					
	TS Tons	359,710	363,900	4,190	1.2%
	Wtd Avg. Rate	\$ 39.23	\$ 39.71	\$ 0.48	1.2%
	Disposal Expense	\$ 14,111,515	\$ 14,449,601	338,087	2.4%
Detail - 2014					
		Tons	Rate	Expense	
	Ox Mountain MSW	207,234	\$ 39.01	\$ 8,085,159	
	Ox Mountain Aggregates	2,048	\$ 25.77	\$ 52,784	
	Organics	120,784	\$ 37.14	\$ 4,485,733	
	Food	247	\$ 61.25	\$ 15,139	
	C&D	33,586	\$ 50.18	\$ 1,685,235	
	Other			\$ 125,552	
	TOTAL - 2014	363,900	\$ 39.71	\$14,449,601	

Operating Margin for Transfer Station Only

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

Transfer Station Operating Margin					
FRANCHISE	2014 Cost / Ton (Estimated)	2014 Tip Fee / Ton (Proposed)	Operating Margin / Ton (Estimated)	# Tons	2014 Total Operating Margin (Estimated)
Solid Waste	\$ 84.13	\$ 92.00	\$ 7.87	179,011	\$ 1,408,063
Residential Organics	\$ 94.72	\$ 94.00	\$ (0.72)	102,714	\$ (73,869)
Commercial Food Waste	\$ 112.92	\$ 107.00	\$ (5.92)	556	\$ (3,293)
Inerts	\$ 71.36	\$ 81.00	\$ 9.64	3,258	\$ 31,404
SELF-HAUL	2014 Cost / Yard (Estimated)	2014 Tip Fee / Yard (Proposed)	Operating Margin / Ton (Estimated)	# Yards	2014 Total Operating Margin (Estimated)
Solid Waste	\$ 21.03	\$ 35.00	\$ 13.97	62,859	\$ 877,917
Green Waste	\$ 21.73	\$ 24.00	\$ 2.27	61,509	\$ 139,408
C&D	\$ 35.69	\$ 32.00	\$ (3.69)	64,526	\$ (238,182)
Public Dirt (tons)	\$ 71.36	\$ 81.00	\$ 9.64	4,492	\$ 43,298
Other Drop Off, etc				n/a	\$ 36,624
Total Transfer Station					\$ 2,221,370



STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Facility Operations Contract Manager
Date: November 21, 2013 Board of Directors Meeting
Subject: Update on Shoreway Remediation Project

Recommendation

This item is informational and no action is required.

Analysis

The San Mateo County Health System (SMCHS) and the California Regional Water Quality Control Board (RWQCB) has reviewed and approved the SBWMA's "Closure Report" submitted on January 29, 2013 to close the Shoreway Environmental Center ("Shoreway") groundwater remediation project. The SBWMA was first notified of the pending closure in a June 28, 2013 letter from SMCHS in which the property abutters were notified of the pending closer of the Shoreway remediation project and were provided a 60-day comment period. On August 29, 2013 the comment period ended and the SBWMA was notified that the RWQCB required "no further remediation action" at the Shoreway site.

Prior to the SMCHS completing the site closure process, the final project activity of removing the contamination monitoring wells, provide a report documenting the well destruction activities, and removal of any remedial equipment and investigation-derived waste needs to be completed. SBWMA Staff has approved a scope of work with the remediation consultant Iris Environmental to complete this work. A work plan and permit application for the well removal activities will be submitted to the SMCHS by Iris in November 2013. Specific work to be completed in this work plan for well removal includes:

- The destruction of the existing 13 groundwater monitoring wells.
- The destruction and removal of the 4 sub-slab soil gas probes located at the Recology administration building.
- Waste characterization and subsequent disposal of waste soils from drill cuttings, assuming non-hazardous characterization.
- Reporting of field activities and preparation of a final report for submission to SCMHS.

Throughout the remediation process, the SBWMA has retained the law firm of Barg Coffin, Lewis & Trapp, LLP for legal counsel on the remediation project. At the request of the SMCHS, the firm drafted a ***Covenant to Restrict Use of Property*** that was submitted in draft form along with the Site Closure Plan. This Deed Restriction was approved by the SBWMA Board of Directors at its April 25, 2013 meeting.

The Covenant will restrict future site use to commercial/industrial use (e.g., prohibits residential development) and requires advanced notification and approval by SMCHS of soil excavation projects. The Covenant essentially requires that current site conditions are maintained, so that the potential for exposures to site contaminants is minimized as under current conditions. In addition, the Covenant requires that SBWMA submit a Soil Management Plan and a Health and Safety Plan for SMCHS review and approval, prior to any soil disturbance within the specific parcel containing the former UST area at the Waste Transfer Station building.

It should be noted that the Shoreway facility still utilizes underground storage tanks (USTs) for the storage of diesel fuel. The Shoreway tanks are singled-walled with automatic leak detection systems which is compliant with current State and Federal regulations. Staff is recommending that these tanks be closed out and replaced with an aboveground storage tank (AST) system so as to mitigate the risk of a leak. Staff is hiring Balch Petroleum to prepare a preliminary design and cost estimate for the AST.

Background

Republic Services (formerly Allied Waste) and the SBWMA previously entered into a Settlement and Release Agreement that addresses the responsibility for the remediation of contaminated soils at Shoreway, including the payment of \$1.5 million to the SBWMA. This money was deposited into a SBWMA account dedicated to pay for the ongoing clean-up efforts at Shoreway. Since the Settlement, SBWMA Staff has retained Iris Environmental to guide the remediation process and to petition the County and the State RWQCB to make a determination that the contamination has been remediated and that the site can be "closed." Remediation of the Shoreway site is being executed by Iris Environmental under the SBWMA's supervision.

Detailed History

Environmental work has been ongoing at the site since a ground water contamination case was first opened by SMCHS in March of 1998. The primary contaminants of concern at the site are middle-to-heavy-end petroleum hydrocarbons, including diesel fuel and motor oil. The following subsections give a chronological overview of the release history and remediation work performed to address the presence of contaminants for the major areas of interest at the site.

Transfer Station

Two fuel underground storage tanks (USTs) were removed in the early 1980s from what is now the western corner of the Transfer Station. Records suggest the tanks may have been used originally for gasoline storage and later for diesel. The USTs were originally installed and used by the waste company that operated the facility prior to BFI and were excavated and removed during the re-development of the site by BFI. Additionally, truck maintenance activities allegedly took place prior to the 1980s on the northeast side of the Administration Building by the previous owner/occupant of the site.

In 1999, Green Environmental (GEI) began a subsurface investigation of the former fuel USTs area at the Transfer Station to evaluate soil and groundwater impact by petroleum hydrocarbon constituents. The analytical results indicated the presence of petroleum hydrocarbons exceeding San Mateo County acceptable soil concentrations. In January 2001, GEI constructed three groundwater monitoring wells, designated to monitor impacts in the area. A groundwater monitoring program was initiated for the Transfer Station.

Residual contamination comprised of fuel-related hydrocarbons continues to be present in the area of the former fuel USTs at the Transfer Station building. The residual levels present in site soil and groundwater exceed concentrations screening levels for commercial/industrial land use (all 14 of the borings with elevated residual soil contamination are located near the former fuel USTs at the Transfer Station building, either within the tank UST backfill area beneath the corner of the building or within the parking lot area between the Transfer Station building and the Administration Building).

Administration Building

The 2005 *Revised Feasibility Study Report* prepared by GEI identified potential risks to indoor air quality, construction/utility trench workers, and aquatic habitats. Shaw Environmental later identified vapor intrusion as the primary risk associated with the contamination present in the administration building area.

In a letter dated June 30, 2005, SMCHS requested soil gas sampling be conducted to establish a cleanup goal for the volatilization-to-indoor-air exposure pathway (also known as vapor intrusion). The *Revised Feasibility Study Report* by GEI in 2005 identified the contamination near the Administration Building as low-risk and manageable via institutional controls, and that vapor intrusion into the Administration Building is unlikely to be occurring.

Iris performed a sub-slab soil gas sampling program in 2010 at the Administration Building. Four sub-slab sampling points were developed and sampled for VOCs and TPH. Several VOCs were detected above risk-based sub-slab soil gas screening values, and Iris accordingly recommended further investigation to determine if vapor intrusion is creating a health risk to occupants at the site. In May 2012, Iris performed an indoor air quality investigation at the Administration Building to determine whether vapor intrusion is occurring. Iris concluded from the results that vapor intrusion is not occurring at levels of concern.

Truck Maintenance Building

On July 14, 1998, a 1,000-gallon waste oil UST was removed southwest of the truck maintenance building and an underground drain pipe that extended from waste oil drain sumps inside the building to the UST.

In September and October 2002, GEI completed the closure of the abandoned waste oil drain pipe below the truck maintenance building. Between November 2003 and March 2004, GEI performed a subsurface investigation to assess underground utilities and potential preferential pathways in the vicinity of the former waste oil UST system. A September 2005 groundwater investigation conducted by GEI concluded that the diesel-to motor oil-range petroleum hydrocarbon plume from the former waste oil UST occurs only in the shallow-zone, is relatively stable, and is attenuating laterally from the former waste oil UST location.

Fiscal Impact

In March of 2010, the SBWMA received a lump sum payment of \$1.5 million from Republic Services. This money was deposited into a SBWMA account dedicated to pay for the ongoing clean-up efforts at Shoreway. The Shoreway Remediation fund has a current balance of \$1,329,386 for remaining remediation project costs.

Anticipated project costs for 2013 include:

- 1) Decommission sub-slab soil gas probes in the Administration Building.
- 2) Decommission groundwater monitoring wells.
- 3) Issuance of a report to SMCHS with a description of the well destruction activities.
- 4) Final Site Closure issued from the SMCHS.

It is anticipated that the cost for the above tasks will be in the \$48,800 - \$65,000 range depending on the review of work plan submitted to SMCHS and the need for legal assistance in the deed restriction and final site closure. Board direction will be requested in the future as to how the estimated surplus Settlement Funds of \$1.26 million are to be utilized with staff's preference that the funds be used for an aboveground fuel storage system to replace the current underground fuel storage system. The current Board policy is that the adopted budget provides specific guidance on the use of such surplus cash with a goal of utilizing the monies for one-time expenditures, non-recurring costs, or funding an undesignated reserve account.

Attachments:

Attachment A – Site Plan



A Public Agency

OLD BUSINESS



Agenda Item 5A

Contractor Quarterly Update

Presentations at the November 21, 2013 Board of Directors Meeting – No Report

- Recology San Mateo County Quarterly Update
- South Bay Recycling Quarterly Update

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A Public Agency

STAFF UPDATES



STAFF UPDATE

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Date: November 21, 2013 Board of Directors Meeting
Subject: Update on Recology Implementation of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Audit Recommendations

Recommendation

This Staff Update is for informational purposes only and no action is requested of the Board of Directors.

Analysis

Recology San Mateo County

The audit work for calendar year 2012 performed by Hilton, Farnkopf and Hobson Consulting, LLC (HF&H) commenced in March 2013 after Recology San Mateo County (Recology) and South Bay Recycling (SBR) submitted their 2012 Annual Reports. The project report prepared by HF&H was included in the September 12, 2013 Board packet and discussed at this Board meeting. HF&H identified contract compliant and non-compliant aspects of both Recology and SBR operations and reporting for 2012. The results of this auditing work are summarized in the recommendations consolidated in Section 5 of the report. While there were few deficiencies in the performance of both contractors, for a second year in a row Recology fell short of operating its call center in accordance with the standards prescribed in the Franchise Agreement(s) and thus under-reported the financial impact of quantifying the types of calls received related to lapses of service.

The HF&H audit identified that several metrics driven reporting categories per the Franchise Agreements used to assess Liquidated Damages were under reported. The prior year's audit revealed the same problem and the company did implement recommendations to address this problem. However, there are still deficiencies with how the company distinguishes between the type of customer call for service and the accurate documentation of these calls. These discrepancies were primarily due to the company's customer service representatives (CSR) inconsistently or erroneously coding service transactions. An adjustment was made to Recology's compensation for 2014 and included in the SBWMA Report Reviewing the Recology 2014 Compensation application which was approved by the Board at the September 26, 2013 Board meeting. Therefore, the deficiencies associated with Recology's operation of its Call Center were reconciled by increasing the Liquidated Damages owed to the Member Agencies and these damages were used to offset an increase in Recology's compensation for 2014. A similar situation and solution was also experienced for calendar year 2013.

A handful of other operational, systems related and reporting findings and recommendations were also included in the HF&H audit report. The following provides an update on Recology's compliance with addressing these recommendations per the HF&H audit findings:

Recology Recommendation #1: *To validate that the variances are due to timing, and that there are not other contributing factors, we recommend that each quarter Recology re-calculate their tonnage allocation factors and download and retain the corresponding subscription levels so that the SBWMA staff can re-test the allocation percentages using timely data.*

Recology Position Regarding Compliance:

Recology senior management stated in a recent email:

“...we still feel that saving this data and printing the reports would be extremely time consuming. We believe that the audit by HF&H should verify that the system used to allocate the volumes and the allocation methodology delivers accurate volume allocations.”

SBWMA Position Regarding Compliance:

The recommendation has not been complied with. Given the ramifications of the accuracy of this data on calculations used to allocate tonnage data to the Member Agencies, compliance with this recommendation is necessary. The audit by HF&H did verify that the allocation methodology used by Recology is sound. However, while the auditors attempted to test allocation percentages in effect during 2012 they were precluded from doing so due to limitations of Recology maintaining timely data. Recology management stated to the auditors that the corresponding subscription information the system used to generate such allocation percentages for the monthly allocations during 2012 was no longer available for the auditors use. The auditors were told that Recology's system is unable to re-create historical customer subscription levels; therefore, they were unable to test the historical allocations during 2012. (The audit takes place during 2013 after submittal of the company's Annual Report in February.) The auditors were informed that the most recent allocations were calculated on April 1, 2013; therefore, the allocation percentages provided by Recology and audited by HF&H revealed variances of +3.7% to -2.4%.

The auditor's rationale for this recommendation included the following:

“Our testing found Recology is using an industry-standard subscription volume based methodology to allocate tonnage among the Member Agencies; however, our test is inconclusive because the subscription level information was gathered by Recology two months after the allocation percentages were calculated. The variances shown in the figures above may be a timing issue as a result.”

The recommendation was put forth to address this potential timing issue and Staff concurs that compliance is necessary to ensure that the relevant data needed is available in the future in order to conduct an audit.

Per Article 9 (Record Keeping and Reporting) of the Franchise Agreement(s) between Recology and all Member Agencies, each Member Agency is entitled to receive reporting that it deems necessary. In addition, Recology is required to retain records and data for the full 10-year term of the Franchise plus five years (i.e., “Contractor shall maintain records required to conduct its operations, to support requests it may make to Agency, and to respond to requests from Agency.”)

Recology Recommendation #2: *We recommend Recology continue to report to the SBWMA whenever their tonnage allocation percentages change, as such changes will impact future cost allocations. The reporting should include the rationale for the update and variances between the “old” and the “new” allocators.*

Recology Position Regarding Compliance:

Recology senior management stated in a recent email:

"...we do have weight tag split data at the beginning of each quarter (as of 7-1-13) and when we make routing changes. This information is stated in the quarterly report, page iii first paragraph of the last section titled "Tonnage Allocations"."

SBWMA Position Regarding Compliance:

The recommendation has not been complied with and Staff's position is noted above for *Recology Recommendation #1*.

The information provided in the quarterly report is inadequate as it provides general information but no specific details (e.g., "variances between the "old" and the "new" allocators"). Given the ramifications of the accuracy of this data on financial calculations allocated to the Member Agencies, compliance with this recommendation is necessary.

Recology Recommendation #3: Train CSRs to use specific key words in the "Notes" section to provide additional detail and enable quality control checks. When such training is conducted, we recommend Recology provide documentation to the SBWMA of the nature of the training, who attended, and the materials distributed.

Recology Position Regarding Compliance:

A recent email from senior management included their same comments to the audit findings first submitted in July 2013. These comments in part stated: "RSMC will instruct our CSR's to use notes to mirror the code and will continue to re-enforce the importance of accurate coding."

SBWMA Position Regarding Compliance:

This recommendation has not been complied as Recology has not provided SBWMA staff any information or documentation regarding trainings. The audit results for both 2011 and 2012 revealed problems with Recology's Customer Service Representatives (CSR) accurately coding calls from customers. Other than customers contacting Member Agencies or the SBWMA directly, there is no direct accountability to ensure that customer concerns and requests for service are being consistently accurately coded and followed up on. This recommendation was put forth to place the onus on Recology to simply keep the SBWMA apprised that CSR's were being trained on a regular basis.

The coding of calls and hence Recology's self-reporting of this information is used to calculate several liquidated damages and performance incentive/disincentives. Given there have been problems since the inception of Recology providing service, compliance with this recommendation is deemed necessary.

Recology Recommendation #4: Based on the findings from our reason code testing that a number of calls/complaints were improperly coded, we recalculated the number of instances of complaints that are subject to incentive/disincentive payments or liquidated damages. The recalculation of the number of instances of complaints has resulted in changes to Recology's incentive/disincentive and liquidated damage payments. Section 3.2.5 summarizes our methodology for recalculating the payments and the amounts due.

Recology Position Regarding Compliance:

Liquidated Damages payments due to the Member Agencies were increased from those reported and used to offset the increase to the company's compensation for 2014

SBWMA Position Regarding Compliance:

SBWMA concurs that no further action by Recology is required.

Recology Recommendation #5: *Based on our review of Recology's customer service reports, the net performance incentive due Recology to be included in Recology's 2014 Compensation Application (which will be presented to the Board in September 2013) should reflect the amounts shown in Figure 3-10.*

Recology Position Regarding Compliance:

Liquidated Damages payments due to the Member Agencies were increased from those reported and used to offset the increase to the company's compensation for 2014

SBWMA Position Regarding Compliance:

SBWMA concurs that no further action by Recology is required.

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 company. 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 Proposals (RFP) for Collection Services and Facility Operations Contractor Data, Records, Systems and Reports Auditing on May 17, 2011 and received proposals from three consultant firms. After evaluating the proposals, conducting interviews and following up with pertinent references, on July 28, 2011, the Board approved staff's recommendation to contract with HF&H to perform this work for calendar year 2011. On March 28, 2013 the SBWMA Board approved a contract with HF&H to perform this audit for calendar year 2012.

To summarize the scope of work, the project entailed a thorough auditing of both Recology and SBR's data compilation, management, storage and reporting. 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 annually conducting an audit is to ensure the accuracy of tonnage reporting and since Recology's compliance with numerous performance standards and metrics are self-reported by the company. 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. In addition to the contract with HF&H, the auditing work involved the limited scope services of another consultant, Cascadia Consulting, which focused specifically on assessing Recology's customer service call center performance.

Fiscal Impact

This is an informational report and there is no associated fiscal impact.



STAFF UPDATE

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Hilary Gans, Facility Operations Contracts Manager
Date: November 21, 2013 Board of Directors Meeting
Subject: Update on Changes Affecting C&D Ordinances

Recommendation

This is an informational report and no action is necessary.

Analysis

This staff report is to provide the Board and TAC members with an update on some changes that may affect how Member Agencies administer their construction and demolition debris (C&D) ordinances.

CALGreen Standards Change

Every three years the California Building Standards Commission adopts new and/or updated model codes. The 2010 California Green Building Standards Code (CALGreen), which took effect on January 1, 2011, required the diversion of at least 50% of C&D generated during most "new construction" projects. Subsequent amendments have expanded upon what types of construction are covered.

Effective January 1, 2014, CALGreen mandates that permitted new residential and non-residential building construction, demolition and certain additions and alteration projects to recycle and/or salvage for reuse a minimum 50% of the C&D generated during the project (refer to: CALGreen sections 4.408, 5.408, 301.1.1 and 301.3). Also, additions to non-residential buildings or structures of at least 1,000 square feet or alterations with an estimated construction cost of at least \$200,000 shall divert from landfill at least 50% of C&D. Additions and alterations to residential buildings that increase the structure's conditioned area, volume or size are also required to meet the 50% minimum diversion requirement.

CALGreen allows several methods of compliance:

- 1) Enforcing agencies can require contractors to develop and maintain a waste management plan and document diversion and disposal.
- 2) Utilize a waste management company that certifies a minimum 50% waste diversion.
- 3) Use disposal rates for new construction and demolition projects with a combined disposal weight of less than 4 lbs./ft² in low rise (3 stories or less) new residential structures or 2 lbs./ft² in non-residential and high rise (4 stories or more) residential buildings meet the 50 percent minimum diversion requirement.

The new CALGreen standards raise the bar with regards to C&D waste diversion requirements. **Attachment A** provides a summary of the current standards and those in effect on January 1, 2014.

Staff encourages Member Agencies to amend their C&D ordinances to mirror the new CALGreen standards if necessary and in the short term to ensure staff is well informed of these new C&D diversion standards to begin enforcement administratively commencing January 1, 2014.

Zanker Road Resource Recovery Load Grading Changes

It has come to Staff's attention that some Member Agencies may be confused with how recent load grading changes put in place by Zanker Road Resource Recovery (Zanker) may affect compliance with CalRecycle diversion mandates and administration of C&D ordinances. Zanker recently changed how it categorizes Alternative Daily Cover (ADC) to specifically comply with how the new LEED v4.0 treats this material. The new LEED standard treats ADC as disposal, thus Zanker has recently begun categorizing ADC as disposal and not diversion.

In changing its load grading procedure to match LEED standards, Zanker's reporting creates ambiguity in how much of a load is considered recycled. Staff has interviewed Zanker personnel and alerted them to the potential for confusion over this point. Since CalRecycle is the governing body relating to AB939 compliance (not the U.S. Green Building Council which administers LEED standards), all materials used as ADC will continue to count as diversion until such time that CalRecycle changes this policy. The impact of this re-categorization of ADC by Zanker will only affect projects seeking to attain LEED accreditation and therefore, the load grading changes at Zanker do not impact Member Agencies C&D recycling ordinance compliance.

Background

Based on a model ordinance developed by the SBWMA, Member Agencies began finalizing and approving C&D ordinances beginning in 1999 to comply with the AB939 mandated diversion requirements. Between 1999 and 2001 eight Member Agencies (i.e., Atherton, Belmont, Burlingame, EPA, Hillsborough, Menlo Park, San Carlos and San Mateo) adopted C&D ordinances with Foster City adopting an ordinance in 2005. The City of Redwood City is currently in the final stages of adopting a C&D ordinance.

In 2002, the California Integrated Waste Management Board passed SB1374 which requires all local governments to include in their Annual Report "progress made in diversion of C&D waste material, including information on programs and ordinances implemented by the local government, and quantitative data, where available."

During March and April 2008, the SBWMA reviewed each Member Agencies C&D ordinance, researched other jurisdictions' C&D ordinances, contacted Member Agency Planning/Building Department counter and other staff, and provided implementation guidance to Member Agencies to facilitate additional C&D diversion. Most of the Member Agencies now have C&D Recycling Ordinances in place which require construction projects to divert at least 50% of the construction waste.

The SBWMA continues to monitor changes in regulations and provide updates to the Member Agencies.

Fiscal Impact

This is an informational staff report and there is no associated.

Attachment:

Attachment A – CALGreen Standards Table

CALGreen Construction Waste Reduction Requirements

Occupancy	Requirements and Applications	
	Current	Effective 1/1/2014
Non-Residential Compliance Methods (5.408)	≥ 50% C&D Waste Diversion or ≤ 2 lbs/ft ² disposal (5.408.1) and may be required to submit a construction waste management plan (5.408.1.1) or utilize a waste management company (5.408.1.2)	No change
New Construction	Permitted Structures	No change
Demolition	n/a	Permitted Structures
Additions (301.3)	≥2,000 ft ²	≥1,000 ft ²
Alterations (301.3)	≥\$500,000	≥200,000
Isolated Jobsites	Exception may apply (5.408.2)	Alternate waste reduction methods may apply (see "Exceptions to 5.408.1.1 and 5.408.1.2")
Tier 1 (Voluntary) (A5.408.3.1)	≥ 65% Construction Waste Diversion	≥ 65% Construction and Demolition Waste Diversion
Tier 2 (Voluntary) (A5.408.3.1.1)	≥ 80% Construction Waste Diversion	≥ 80% Construction and Demolition Waste Diversion
Residential Compliance Methods (4.408)	≥ 50% C&D Waste Diversion and may be required to submit a construction waste management plan (4.408.2) or utilize a waste management company (4.408.3)	No change
Low-rise-3 stories or less (4.408.4)	≥ 50% C&D Waste Diversion or ≤ 4 lbs/ft ² disposal	≥ 50% C&D Waste Diversion or ≤ 4 lbs/ft ² disposal
High-rise-4 stories or more (4.408.4.1)	n/a	≥ 50% C&D Waste Diversion or ≤ 2 lbs/ft ² disposal
New Construction	Permitted Structures	No change
Demolition	Permitted Structures	No change
Additions	n/a	Yes* (301.1.1)
Alterations	n/a	Yes* (301.1.1)
Tier 1 (Voluntary)(A4.408.1)	≥ 65% C&D Waste Diversion	No change
Tier 2 (Voluntary)	≥ 75% C&D Waste Diversion	No change

*CALGreen Section 301.1.1 applies to additions or alterations of existing residential buildings where the addition or alteration increases the building's conditioned area, volume, or size. Applies only to and or within the specific area of addition or alteration.



A Public Agency

STAFF UPDATE

To: SBWMA Board Members and Agency Staff
From: Recycling Staff
Date: November 21, 2013 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, with Burlingame starting this past February. Interest in the program has been strong and the company has made approximately 14,122 collections since the program started in mid-May 2010 through October 2013. **We are also pleased to announce passing the 1 million pounds collected milestone earlier in 2013, at the start of the 3rd year of providing this service.**

Approximately 446,347 pounds of HHW material, 489,747 pounds of Universal Waste and 231,313 pounds of E-Scrap has been collected since the start of the program. To increase program participation, an ongoing public outreach effort was initiated starting in late June that is continuing to yield significantly positive results.

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 Fiscal Year 2014 budget.

We also encourage the remaining two Member Agencies (i.e., Atherton and Redwood City) to offer the program as it provides a more convenient and cost-effective option to properly recycle and dispose of a wide variety of materials (such as common HHW) than is currently available through the County's drop-off program at Tower Road.

Household Battery and Cell Phone Curbside Recycling Collection Program by Recology San Mateo County

The annual total of batteries and cell phones collected through the curbside recycling program has been:

2009 - 57,000 pounds
2010 - 53,000 pounds,
2011 - 47,000 pounds
2012 – 58,000 pounds

The total amount of batteries and cell phones collected in September 2013 was 4,040 pounds with a YTD total for 2013 of 51,400 pounds. Per the adopted FY14 budget, additional outreach will be provided to highlight this service.

Shoreway Education Center School Groups and Public Tours Update

School Group and Public tours continue to be popular as spots fill up quickly. Year to date staff has hosted 5,713 tour participants as compared to 4,716 through the same period last year.

RethinkWaste Staff has already begun scheduling tours for 2014. The Tour Program is promoted via various channels, (emails, press release, flyers, website, social media, environmental education platforms, etc.). Staff will also continue to give tours to interested community groups, businesses, municipal and environmental groups as scheduling allows.

The tour gives the community an opportunity to learn first-hand what happens to their recyclables, plant materials, food scraps and garbage at a working materials recovery facility (MRF) and transfer station. In addition, students and the community are given an opportunity to learn and practice the 4Rs (reduce, reuse, recycle, and rot/composting), resource conservation and be empowered to conserve resources in their lives, at school and residences.

The Tour program continues to receive very positive feedback. Below are a few of the many recent comments that tour participants shared at the end of their tour experience:

"Excellent use of class time! Educating our young ones will make our world greener." (Teacher)

"There was a variety of activities and full access to the facility" (Teacher)

"Very important use of time – sustainability is a critical concept!" (Teacher)

"I thought it was awesome! The students won't forget this and they are taking away such important environmental messages." (Teacher)

The table below shows the tours that have been conducted and those scheduled for November 2013.

<u>Date</u>	<u>School/Group</u>	<u>Jurisdiction</u>	<u>Grade/Group</u>	<u>Total # of Participants</u>
November 1	Franklin Elementary	Burlingame	4	37
November 5	Henry Ford School	Redwood City	5	50
November 5	Nesbit Elementary	Belmont	5	33
November 6	East Palo Alto Charter School	East Palo Alto	4	31
November 6	Hillview Middle School	Menlo Park	6	16
November 7	Beresford School	San Mateo	3	35
November 8	Beresford School	San Mateo	3	35
November 8	Cub Scout Pack 57	Burlingame	3-5	12
November 12	Parkside Elementary	San Mateo	4-5	35
November 12	Beechwood Elementary	Menlo park	4	22
November 13	East Palo Alto Charter School	East Palo Alto	4	31
November 14	Parkside Elementary	San Mateo	4-5	35
November 15	Parkside Elementary	San Mateo	4-5	35
November 20	Cezar Chaves Academy	East Palo Alto	5	30
November 21*	Public Open House	Various	All ages	21
November 22	Brewer Island Elementary	Foster City	5	31

November 26	Sunnybrae Elementary	San Mateo	4	35
November 27	Sunnybrae Elementary	San Mateo	4	35
Total Participants				559**

*November 21st is a 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.

Tour logistics continue to be conveyed to all participants via email, phone or on-line, which has worked well.

Photos of Tour Participants at Shoreway Environmental Center



Franklin Elementary School, Burlingame



Beresford Elementary, San Mateo

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.

Every third Thursday of the month 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. Tours will continue to be scheduled on a first-come first-served policy.

Night@Shoreway Event

Eight Burlingame Cub Scouts from Pack 57 at Lincoln Elementary School and their chaperones got the unique experience to participate in RethinkWaste’s first ever “Night@Shoreway” held on November 8, 2013. The event featured flashlight tours of the Shoreway Environmental Center, recycling and sustainability activities, and a zero waste dinner followed by a movie in the Rethinker Room. The kids arrived at Shoreway at 4:30 pm and departed at 9 pm.

While RethinkWaste offers free tours of the Shoreway facility during the day, the evening event provided the third through fifth graders a unique opportunity to explore areas that are normally off limits, including walking through one of the Transfer Station tunnels and the floor of the Materials Recovery Facility (MRF), where the recyclables are processed.

Night@Shoreway Participants – Cub Scouts Pack 57 from Lincoln Elementary School



Business Tour Program

Staff is reaching out to businesses in the RethinkWaste service area to tour the Shoreway Environmental Center. The availability of tours for businesses is being promoted via Chambers of Commerce in all cities in the Rethinkwaste service area (which have a chamber), on our website, business tour flyer and through leveraging Recology's network of business leaders. Member Agencies are encouraged to promote this program to businesses in their community.

Free School Compost Giveaway Program

The free Compost Giveaway Program will continue in the 2013/14 school year. It is for both public and private schools within the RethinkWaste service area. Through the program, schools can receive up to five 50-pound bags of compost for a garden project, or up to 20 cubic yards of the material for landscaping projects per school year. The compost is made from the yard trimmings and food scraps set out by residents and businesses for collection in the green CartSMART and BizSMART containers.

The Compost Giveaway Program is meant to serve as a resource for schools in alignment with the California Department of Education's Garden in Every School initiative. According to the state, students who participate in school garden projects discover fresh food, make healthier food choices, and are physically active. Using compost in gardens and landscaping projects helps improve soil quality, conserve water and control erosion, among others.

Interested schools simply need to complete a request form (available on-line) to receive the compost. Schools need to arrange for the pick-up of the bags of compost at the Shoreway Environmental Center in San Carlos. Staff will arrange for the delivery of the larger quantity of loose compost through Recology San Mateo County at no additional cost to the schools; Recology's delivery costs will be covered in the SBWMA budget. Staff encourages Member Agencies to promote this service and program within their community.

Public Education and Outreach Request for Qualifications

RethinkWaste Staff issued a Request for Qualifications (RFQ) for Public Education and Outreach on November 1, 2013. The selected firm(s) will assist with developing and designing a variety of professional, targeted, compelling and demographically appropriate public education and outreach campaigns, print materials, electronic communications and other strategic communication tools based on the Board-approved 2014 Annual Public Education Plan. Responses to the RFQ are due by December 2, 2013. Staff will working with the Board's Adhoc Public Education Subcommittee to evaluate the responses.

2013 Public Education and Outreach Update

RethinkWaste and Recology are developing a number of outreach pieces to be distributed to residents in the coming months. This includes a Service Notice, the annual program brochure that will provide a summary of the scope of services available to all residential, commercial, multi-family and Agency facility customers. The Annual Holiday Tree Recycling and "Reduce Holiday Packaging" inserts will be sent to residential and multi-family customers in the September through November billing cycles. Outreach pieces will be developed in collaboration with the Board's Adhoc Public Education Subcommittee. A critical component of the outreach efforts will be to measure the effectiveness of the various tools used.

RethinkWaste Website and Social Media

The new RethinkWaste website was launched in August to provide a more user-friendly and interactive experience for site visitors. The redesigned site includes many new features and serves as the launching pad for new outreach and education programs. The site averaged over 585 visitors per week over the last month, with the most frequently visited pages consisting of Household Hazardous Waste, Shoreway Tours, and Shoreway Services and Rates.

RethinkWaste also continues to use its Facebook and Twitter pages to promote program information and new services. To date, the Facebook page has 318 "likes," and the Twitter page has 161 followers, an increase over the prior month. 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 is set to launch on November 15, 2013. The mobile app can be downloaded through the RethinkWaste website or the Apple and Android app stores. The development of the mobile app was delayed due to the complexity of the programs and services available to RethinkWaste residents, large customer database and customization needed for 12 separate agencies. A presentation of the mobile app was made to the Board in September.

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 primarily ended for this calendar year. RethinkWaste will be collaborating once again with Recology on scheduling Member Agency community events for next year. The 2014 program structure will be similar to 2013. Recology will be the point of contact for all Compost Giveaway Events and the Coats for Kids event. RethinkWaste will be the point of contact for all E-Scrap/Shredding events. In addition, RethinkWaste will continue to provide outreach and promotion for all community events. Event request forms will be sent out in late November/early December to schedule the 2014 events. Member Agencies are encouraged to start planning dates for the events now to take advantage of promoting them in next year's bill inserts.

Approved Recommended Recology Franchise Agreement Administrative Changes and Amendments

Staff is requesting that Member Agencies keep us apprised if any administrative changes and amendments to the Franchise Agreements with Recology have been made.

<u>Agreement</u>	<u>Board Approval</u>	<u>Staff Recommendation</u>	<u>Description</u>
Franchise Agreement(s)	March 28, 2013	March 28, 2013	<p>The Board approved Resolution No.2013-07 recommending that each Member Agency consider adopting a variety of administrative changes.</p> <p>The following eleven Member Agencies have approved these contractual changes: Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, San Carlos, City of San Mateo, County of San Mateo, Redwood City and West Bay Sanitary District.</p> <p>Approval from the City of Menlo Park is pending.</p>
Franchise Agreement(s)	March 28, 2013	March 28, 2013	<p>The Board approved Resolution No.2013-08 recommending that each Member Agency consider adopting amendments to Attachment I (Performance Incentives and Disincentives) and include a new section as 8.08(D) (Administrative Changes to the Franchise Agreement).</p> <p>The following eleven Member Agencies have approved these contractual changes: Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, San Carlos, City of San Mateo, County of San Mateo, Redwood City and West Bay Sanitary District.</p> <p>Approval from the City of Menlo Park is pending.</p>



STAFF UPDATE

To: SBWMA Board Members
 From: Hilary Gans, Operations Contracts Manager
 Date: November 21, 2013 Board of Directors Meeting
 Subject: Shoreway Facility Operations and Master Plan Update

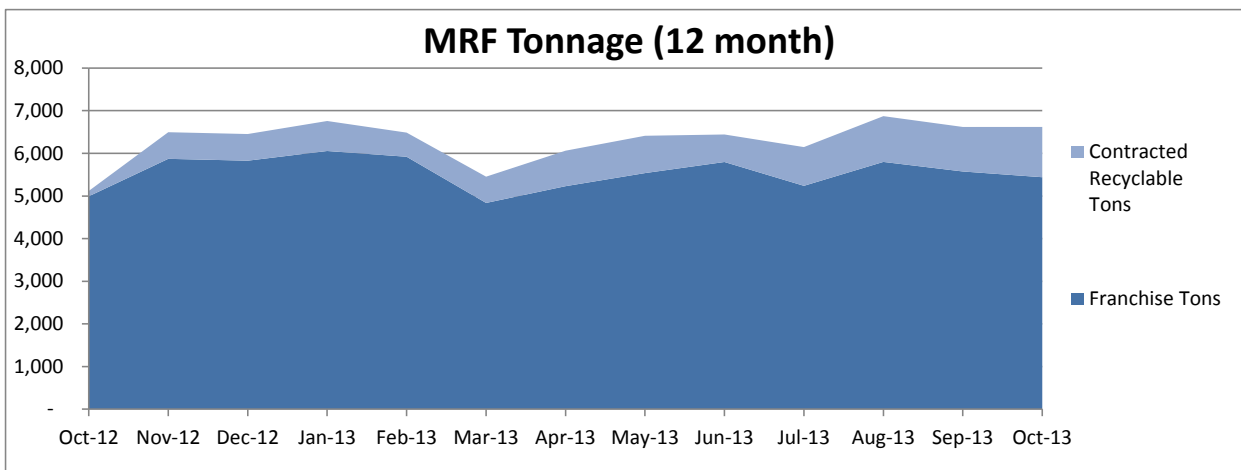
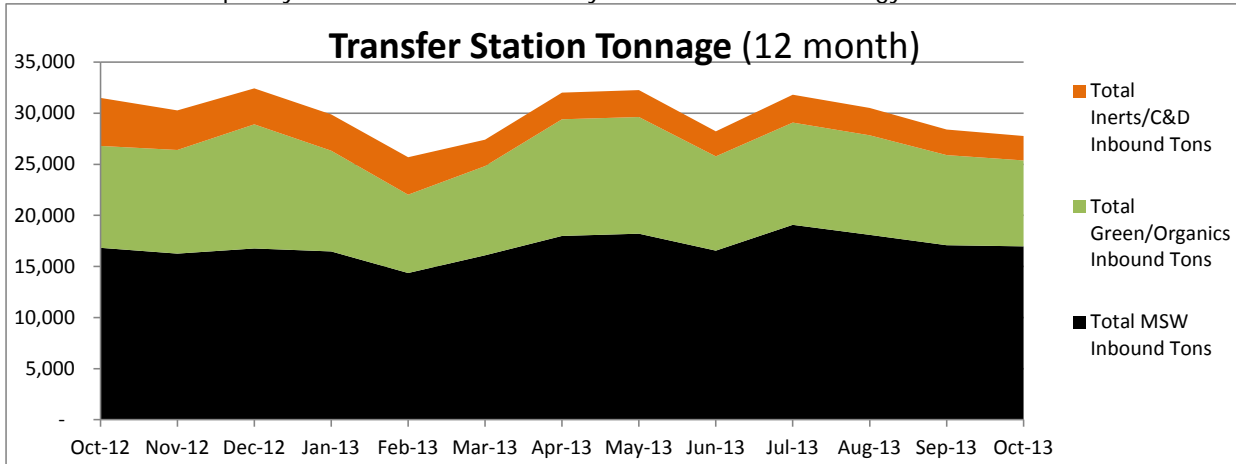
Recommendation

This is an informational report and no action is necessary.

I. OPERATIONS UPDATE

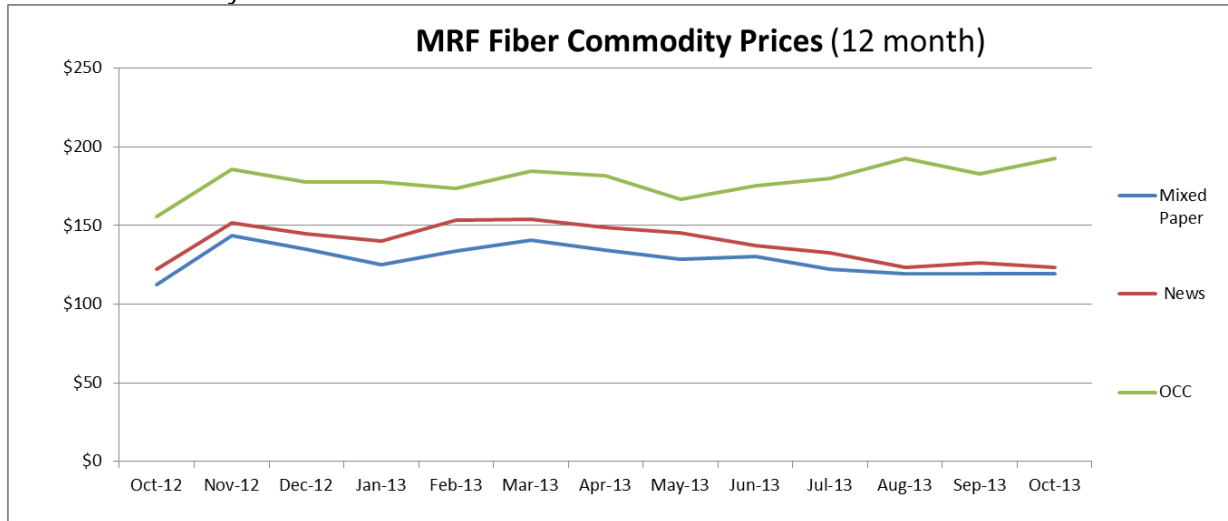
Facility Tonnage

The charts below provide a summary of the monthly inbound tonnage at the Shoreway Environmental Center Transfer Station and Materials Recovery Facility (MRF). The tonnage for the MRF shows an increase over the same month in the prior year due to contracted recyclable tons from Recology's San Bruno transfer station.



Commodity Revenues

This chart provides a price trend summary of fiber (paper) commodities marketed by South Bay Recycling (SBR) from the Shoreway MRF; the pricing shown is derived from a market index (OBM) that tracks the export price for recycled fiber. SBR's pricing to the SBWMA is contractually tied to this index through the Fiber Price Assurance Mechanism (see Attachment 11-B in Operations Agreement). Since fiber represents the largest volume of commodities marketed from the MRF, the price and MRF volume charts provides a strong indicator of trend in SBWMA commodity revenues.



Note: In the chart above "news" is newspaper and "OCC" is cardboard.

Operational Issues of Note

Food Waste Recovery Test

In an effort to expand recovery options and to bring the SBWMA Member Agencies closer to achieving the State-wide recycling goal of 75%, Staff has been exploring ways to gain additional recovery from the waste stream. Specifically, Staff has been, 1) conducting waste characterization of the commercial and residential waste streams and 2) reviewing equipment options for waste processing and recovery. Food waste is of special interest for recovery because the waste characterizations conducted by the SBWMA reveal that discarded food represents the largest component (approximately 30% by weight) of the waste currently going to landfill.

From October 8 – 17th, Staff conducted tests at the transfer station of a new European technology for extracting food from the waste stream. The Organics Extrusion Press (OEP) manufactured by DB Technologies in Holland, uses a high-pressure press to remove food waste that can be used as a feedstock for anaerobic digesters to generate power. Though the press that operated at the Shoreway Center was a small test-size unit, it proved effective at extracting food waste from the general waste stream. If the OEP can work for the SBWMA on a large-scale, it would be the keystone piece of equipment that will perform the essential function of extracting/preparing food waste into a organic slurry which the SBSA can add to their waste water digesters to increase energy production.

The next steps in the joint effort between the SBWMA and the SBSA to process organics waste into energy will be to:

- Confirm the viability of the OEP on a large scale by visiting installations currently in operation
- Conduct digestibility and energy potency testing of the food waste slurry to understand the economic value of this material stream

- Prepare a project description and proforma that will provide decision makers with key project and financial details of both a pilot-scale and full-scale project to decide whether to move forward or not
- Complete a MOU between the SBWMA and the SBSA to engage in a food waste to energy pilot project development effort if appropriate.

MASTER PLAN AND PROJECTS UPDATE

Construction Overview

This project update summarizes the status of the construction of the Shoreway Master Plan (MP) improvements which include the construction of new Materials Recovery Facility (MRF) building, modifications to the Transfer Station (TS), various site work, and the purchase and installation of the single stream processing equipment. At this point the major contracts associated with the Master Plan improvements (Phase I, Phase II, and Phase III contracts) have been closed. This report provides a discussion of Construction Projects (both master plan and non-master plan related) and a summary of the Master Plan budget.

Update on Shoreway Projects

The following construction activities are in various degrees of completion:

- o Repair of plumbing and wall damage at transfer and MRF restrooms (*non-MP*)
- o Continued installation of outdoor education area landscape and features near the transfer station (*MP*)
- o Flooring installation at the MRF lobby (*MP*)
- o Signage design and installation (*non-MP*)
- o Administrative building window sound proofing test installation (*non-MP*)
- o MRF and Transfer Station fire suppression enhancements (*non-MP*)
- o Installation of audio system to administrative building conference room (*non-MP*)

Master Plan Project Expenditures Summary

An amount of \$41,520 remains in the Master Plan budget to complete the projects associated with the Master Plan close-out. All construction contracts related to the MRF and transfer station buildings have been closed-out (this includes contracts with JS Amoroso, JRMA, and Covello). Ongoing reports to the Board will include updates on all projects with and full Master Plan completion expected in 2013.



STAFF UPDATE

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Marshall Moran, Finance Manager
Date: November 21, 2013 Board of Directors Meeting
Subject: Update on 2013/2014 Franchise Rate Setting Process

Recommendation

This is an informational report and no action is necessary.

Analysis

This staff report has been provided to the Board monthly during 2013 commencing with the April 25, 2013 Board meeting. 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 2014 Compensation Application(s) review (performed in 2013) and the Recommended Revenue Requirement process for the 2014 Rate Year (i.e., establishing rates for January 1 - December 31, 2014). 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.

Attached is the current 2013 (for calendar year 2014 rates) Rate Approval Schedule (**Attachment A**).

Issues Affecting Recology 2014 Compensation Adjustment includes:

- Recology Annual Revenue Reconciliation for 2012. Recology submitted a Revenue Reconciliation Report to the SBWMA and Member Agencies on March 29, 2013 which compares the approved compensation owed to Recology for 2012 with the actual net compensation retained by Recology after 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 2014 Revenue Requirement. The Recology 2012 Revenue Reconciliation Report has been reviewed by staff and audited by Hilton, Farnkopf and Hobson (HFH) as part of the Financial Systems Audit. The results of this Audit were presented to the Board at the special Board meeting on September 12, 2013. In addition, the final Revenue Reconciliation Surplus/Shortfall and interest for each Agency were included in the SBWMA's August 16, 2013 Draft Report Reviewing the Recology 2014 Compensation Application and the Final Report issued on September 19, 2013 (see agenda item 6B) and approved by the Board on September 26, 2013.
- Recology Performance Incentive/Disincentive and Liquidated Damages Payments. The Franchise Agreement(s) with Recology prescribe that payments related to performance incentives/disincentives will be calculated in the company's Annual Report submitted in mid-February and then included in the Compensation Application (submitted on June 14, 2013 for Rate Year 2014) each year (with the exception of Contamination related disincentive payments which are calculated quarterly and paid directly to SBWMA). Therefore, both incentive payments due to Recology and disincentive payments (with the exception of Contamination related disincentives) due to Member Agencies are included in the 2014 Annual Compensation Application. Staff has conducted an audit of the company's 2012 Annual Report

which in part includes confirmation of the reported Performance Incentives and Disincentives and Liquidated Damages payments. In addition, staff conducted an audit of the company's customer service systems and deficiencies in performance found in both audits have increased the Liquidated Damages due to the Member Agencies by \$20,950 to be used to offset Performance Incentives included in the 2014 rates. The results of the audits noted above were presented to the Board at the special Board meeting on September 12, 2013.

Per the contract negotiations presented to and approved by the Board at the March 28, 2013 Board meeting, there are two substantive changes to the calculation of Performance Incentives/Disincentives that will impact 2014 rate setting. The first change is to omit the calculation of Initial Missed Pick-Ups which will result in a reduction of \$193,950 in incentive payments to Recology for Rate Year 2014. However, per the audit results, the company owes the Member Agencies a total of \$20,950 in Liquidated Damages that will be applied to the Recology 2014 Compensation Application. The net payment to Recology for 2012 is \$472,171.

Schedule of Rate Review Activities:

March 2013

- Recology submitted the 2012 Revenue Reconciliation Report to the SBWMA and Member Agencies.
- SBWMA Board approved a contract with HFH to audit the financial data (approx. \$100 million) provided by SBR and Recology for 2012 to ensure this data (including the Revenue Reconciliation) is accurate.

April 2013

- Staff made a presentation at the April 25th Board Meeting to discuss the rate setting process, including a review and discussion of a draft rewrite of the Recology 2013 Compensation Application report to improve its clarity and ease of use for Board Members and Member Agency staff.

May 2013

- Member Agencies were requested to provide feedback (optional) to the SBWMA and Recology on the draft revised Recology 2013 Compensation Application by May 9th to include any new changes in the Recology 2014 Compensation Application due June 14; however, no comments were received.

June 2013

- SBWMA issued a letter to the Board requesting feedback from all agencies on estimated 2014 Member Agency fees (e.g., franchise fees) included in their solid waste rates.
- June 14 – Recology submitted its 2014 Compensation Application.

July 2013

- July 1 – SBR submitted their 2014 Compensation Application.
- July 8 – SBWMA staff issued comments to Recology on its 2014 Compensation Application.
- July 8 – SBWMA Board deadline to issue comments to Recology on its 2014 Compensation Application.
- July 3 – Member Agency responses due to SBWMA on 2014 estimated Member Agency fees.
- July 19 – SBWMA issued reports to Member Agency staff:
 - Estimated residential revenue changes due to cart migration by Member Agency since July 2012.
 - Projected 2013 and 2014 residential and commercial 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., rates don't cover costs) and rate subsidization of small carts by large carts.

- Projected 2013 tonnage (based on six months of actual) compared to the base tonnage projection in the 2013 rate projections in September 2012 and 2014 projected tonnage. These projections will be used to estimate Member Agency disposal expense.
- Summary of 2014 Member Agency fees based on agency feedback for final agency review
- July 30 – Recology submitted its revised 2014 Compensation Application based on SBWMA staff and Member Agency comments.

August 2013

- August 16 – SBWMA issued Draft Report Reviewing Recology's 2014 Compensation Application. Included in this Report was the draft recommended Revenue Requirement and rate adjustment for 2014.
- August 16 – SBWMA issued Draft Report Reviewing SBR's 2014 Compensation Application.
- August 30 – Member Agency comments due back on SBWMA Draft Report(s) Reviewing Recology's and SBR's 2014 Compensation Applications.

September 2013

- September 12 – special Board meeting
 - Discussion on 2014 Compensation Application(s) and rate setting process for new Board members.
 - Staff reports on 2012 Financial Audits of Recology and SBR conducted by HF&H including the Recology 2012 Revenue Reconciliation.
- September 19 – SBWMA Final Report Reviewing Recology's 2014 Compensation Application issued (for consideration at the September 26, 2013 Board meeting) based on Board feedback. Included in the Final Report is the recommended total collection rate adjustment for 2014.
- September 19 – SBWMA Final Report Reviewing SBR's 2014 Compensation Application issued (for consideration at the September 26, 2013 Board meeting).
- September 26 – Board approved the SBR 2014 Compensation Application.
- September 26 – Board approved the Recology 2014 Compensation Application and total recommended Revenue Requirement for 2014.

September 27 – December 31, 2013

- Member Agencies notice and approve final 2014 solid waste rates.

November 2013

- Report to Board on recommended January 1, 2014 Shoreway tip fee adjustments including updated 2014 SBWMA financial projection with assumed tip fee and cash reserve balances.

January and February 2014

- Board discussion on improvements and changes to the rate setting process in 2014 for 2015 rates.

Attachment:

Attachment A – Draft 2014 Rate Approval Schedule

Attachment A

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2014 Rate Approval Schedule

Member Agency Rate Setting Process

The Recology 2014 Compensation Application was submitted to the SBWMA and Member Agencies on June 14, 2013 per the revised timeline approved by the Board of Directors on February 28, 2013. On August 16, 2013, the SBWMA issued its Draft Report Reviewing Recology's 2014 Compensation Application and the recommended Total Solid Waste Revenue Requirement for 2014. The Member Agencies were provided until August 30th, 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 26, 2013 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 26, 2013 BOD Meeting

- Recology and SBR Compensation Applications Approved by Board
- Total Recommended Revenue Requirement Approved by Board

Member Agency Residential Billing Schedule

Group A: October-November-December (Billed September 30, 2013; December 31, 2013)

- Menlo Park
- Redwood City (Not applicable to Residential, Redwood City does its own billing.)
- San Mateo
- West Bay Sanitary District

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**Group B: November-December-January
(Billed October 31, 2013; January 31, 2014)**

- Atherton
- Burlingame
- San Carlos

**Group C: December-January-February
(Billed November 30, 2013; February 28, 2014)**

- 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, 2013 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, 2014.

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Proposed Schedule:

- September 26, 2013.....SBWMA BOD Approves Recology and SBR Compensation.
- October 1-15Governing body or Agency staff approves issuance of the Prop 218 notice.
- October 16-31Prop 218 Notice printed and issued via direct mail
- November 1-15Governing body closes the Prop 218 public notice period and adopts 2014 rates effective January 1, 2014.
- December 31.....First Recology bill issued with new 2014 rates.

Group B

These agencies will likely be able to prepare and print a bill insert in time for inclusion with the October 31, 2013 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, 2013. 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, 2014.

Proposed Schedule:

- September 26, 2013.....SBWMA BOD Approves Recology and SBR Compensation
- October 1 – October 15.....Governing body or Agency staff approves issuance of the Prop 218 notice.
- October 31Prop 218 Notice included with Recology bills
- December 15-31Governing body closes the Prop 218 public notice period and adopts 2014 rates.
- January 31, 2014First Recology bill issued with new 2014 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, 2013 mailing, this is moot since the 45 day Prop 218 notification period will not close until after January 1, 2014 (i.e., on January 14, 2014). 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, 2014.

Proposed Schedule:

- September 26, 2013.....SBWMA BOD Approves Recology and SBR Compensation
- October 1-15Governing body or Agency staff approves issuance of the Prop 218 notice.
- October 16-31Prop 218 Notice printed and issued via direct mail
- December 1-15Governing body closes the Prop 218 public notice period and adopts 2014 rates.
- February 28, 2014.....First Recology bill issued with new 2014 rates including a retroactive rate adjustment for January and February.

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January – March 2014 Potential Future Board Agenda Items

January 23, 2014

- Election of New Officers
- Mid-Year Review of FY2014 Annual Operating Budget
- Discussion on Solid Waste Rate Setting Process for Rate Year 2015 (calendar year)
- Resolution Accepting the FY1213 Annual Financial Statements
- Consideration of Approval of Ordinance Implementing a Recycling Permit System to Collect Commercial Recycling Data
- Results of 2013 4th Quarter Recology Franchise Agreement Contamination Measurements for Loads of Recyclable Materials, Organic Materials, and Plant Materials
- Office Lease Agreement at San Carlos Library
- Other items TBD

February 27, 2014

- Resolution Approving Mid-Year Budget Adjustments for FY2014
- Discussion on Solid Waste Rate Setting Process for Rate Year 2015 (calendar year)
- Discussion on Performance Metrics for Public Education and Outreach Programs
- Approval of Quarterly Investment Report as of 12/31/13
- Contractor Quarterly Updates
- Other items TBD

March 27, 2014

- Presentation on Recology San Mateo County 2013 Annual Report
- Presentation on South Bay Recycling 2013 Annual Report
- Update on Long Range Planning