



BOARD OF DIRECTORS MEETING

THURSDAY, October 27, 2011 at 2:00 p.m.

San Carlos Library
Conference Room A/B
610 Elm Street, 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 September 22, 2011 BOD Meeting Minutes
- B. Adopt the October 6, 2011 Special BOD Meeting Minutes
- C. Receipt of Recology and SBR Monthly Reports

4. **New Business:**

- A. Results of 2011 Third Quarter Recology Franchise Agreement(s) Quarterly Contamination Measurement for Loads of Recyclable Materials, Organic Materials and Plant Materials
- B. Resolution Approving Office Lease Agreement at San Carlos Library

5. **Old Business:**

- A. Resolution Approving Teamster Benefit Trust (TBT) Repayment Agreement with Recology San Mateo County
- B. RSMC Franchise Agreement Operational and Contract Administration Update
- C. SBR Shoreway Operations Agreement Update

6. **Staff Updates**

- a) Update on Recology Commercial Recycling Outreach Efforts
- b) Recycling and Outreach Programs Update
- c) Shoreway Construction Update
- d) Preview of Upcoming Board meetings

7. **Board Member Comments**

8. **Adjourn** Next Regular meeting scheduled for November 17, 2011, San Carlos Library at 2 pm

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



CONSENT CALENDAR

DRAFT MINUTES

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE BOARD OF DIRECTORS
September 22, 2011 – 2:00 p.m.
San Carlos Library Conference Room A/B

1. Roll Call: CTO 2:08 p.m.

In attendance: East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, County of San Mateo and West Bay Sanitary District.

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.

None

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 July 28, 2011 BOD Meeting Minutes
- B. Resolution Approving the 2nd Amendment to the Executive Director's Employment Agreement
- C. Approval of Quarterly Investment Report as of 6/30/11
- D. Resolution Approving Contract with SMART, Inc. for Installation of MRF Residue Conveyor
- E. Receipt of Recology and SBR Monthly Reports

M/S: Porter/Gibbons

Voice Vote: All in Favor (Atherton, Belmont, Burlingame, San Mateo Absent)

4. New Business:

- A. Resolution Approving SBWMA Reimbursement of Allied Waste for Teamster Benefit Trust Payment and Repayment Terms for Recology San Mateo County

Executive Director McCarthy stated that this issue was highlighted at the July meeting, noting that this is a timing issue of how the money gets reimbursed to Allied. Staff has presented the option of using SBWMA cash reserves to make the payment to Allied. Stating that if the motion is approved it has the benefit of keeping the total amount of the reimbursement out of the Allied Balancing Account.

Executive Director McCarthy also noted that repayment terms from Recology would need to be captured in an Agreement.

M/S: Porter/Gibbons

Roll Call Vote:

Motion Passes: 8-0-0-4

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			

San Mateo Now Present

B. Resolution Approving Allied Waste 2010 Closeout Rate Applications for Collection and Shoreway Operations

Executive Director McCarthy thanked Allied Waste for working productively with HF&H and the SBWMA to come to Resolution on the close out of their 2010 expenses.

Member Fotu asked about the bad debt services. Noting that it appeared that some of the bad debt was due to down sizing, asking why Allied would be able to claim this as bad debt and not a loss.

Rick Simonson explained, that it is two separate issues, and noted that it might not be stated in the report as such, adding that there is an expense line item for less than anticipated revenue due to down sizing. And another for non payment which is the bad debt specifically, noting that downsizing has not caused bad debt.

M/S: Hardy/Porter

Roll Call Vote:

Motion Passes: 7-0-2-3

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	

C. Resolution Approving 2012 South Bay Recycling Compensation Application

Executive Director McCarthy noted that there is prescribed rate setting process for setting the fees we used to compensate South Bay Recycling. The overall adjustment is 1.3% increase over 2011. That includes both indexed adjustments and CBA adjustments. He noted that staff had gotten a question ahead of the meeting regarding the CBA adjustments, and clarified that there are 4 of them in place: mechanics, truck drivers, transfer station workers, and clerical workers. 3 of them expire in October 2013. One of them, the mechanics CBA has a reopener, so going forward wages and benefits will be indexed.

Executive Director McCarthy added that there is one item of note in the rate application. Last year the VRS contract had not been finalized, so there is a true up of that in this year's application that had the effect of adjusting the MRF fee by \$1.10.

Member Fotu clarified that the Allied Balancing Account for Shoreway is not included in this rate application

Executive Director McCarthy answered no, it's not included in the compensation for SBR. Adding, that there is a table in the back of the SBR application, which does show the Allied balancing account, it's there to show our financial projections, but doesn't have any impact on what we pay SBR.

M/S: Hardy/Porter
Roll Call Vote:
Motion Passes: 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			

D. Resolution Approving 2012 Recology San Mateo County Compensation Application

Item moved until after discussion of agenda item 4E

E. Presentation on Consolidated 2012 Rate Report

Staff Moran gave a presentation on the total rate adjustment process to put Recology's piece of rate adjustment into the context of how it fits into the total picture. He noted that there are four required pieces to the rate setting process: The Allied Balancing Account, the SBR compensation application, the Recology compensation application and additional pass throughs. Adding that there are also two discretionary items including the 2011 revenue reconciliation estimate, noting that currently we are estimating that we will make in 2011 less than what we owe Recology. The other discretionary item is 2012 cart migration. Noting that it would be up to each individual agency to decide how much to include in their rates for 2012 cart migration.

Staff Moran referred to hand outs 1 to 5 that gave updates to the rate variance analysis.

Member Murray asked if the cart migration service adjustments would be included in the shortfall, or were the reason for the shortfall.

Staff Moran answered that cart migration was included in the number, but also included late rate increases, lower than recommended increases, lost commercial business, and anything else that could be happening to each agencies revenue base that could be causing it to be lower than what was projected last year.

Member Masbad asked about the estimated shortfall, if there was analysis on the breakdown of what is causing the shortfall.

Staff Moran answered that there is another analysis to show the agencies, but that there was no way to know how much of the short fall is caused by what piece.

Member Fotu asked for clarification on what agencies are obligated to pay. Asking if it was everything is section A and clarifying that the Allied piece was separate.

Staff Moran answered that the two have been combined, but each agency will owe a certain amount to Allied and a certain amount to Recology.

Staff Feldman added that the answer is yes, the Franchise Agreement obligation is contained in A. The Allied piece is separate.

Executive Director McCarthy explained that the SBWMA's role is to ask what the numbers are and try to confirm those numbers. It's not the SBWMA's role to tell each Agency how to collect money form Recology to pay Allied.

Each agency is responsible for setting up that process with Recology as part of the process of remitting Franchise fees.

Staff Feldman clarified that in section 10 of each agency's Franchise Agreement the framework is set up to collect the money on a regular basis.

Member Masbad questioned when the Allied Balancing Account monies would be due, and how much interest in incorporated. She also asked when the Recology account reconciliation monies would be due as well as that interest.

Staff Moran answered that Allied's obligation would be due within 12 months from the date of approval which would be today as it was just approved.

Rich Lanser, Allied, answered that interest has been calculated through 2010 only, no interest has been calculated for 2011 or 2012, and there is nothing set up for it going forward. Allied is proposing a payment plan that replicates the Franchise fees on a quarterly basis. If that is acceptable to everyone then Allied would be willing to forgo the interest, but if there are Agencies wanting to wait until the 12th month to pay, then interest would need to be implemented.

Bob Lanzone clarified that there is no interest that accrues under the contract

Member Scott requested that the SBWMA provide some facilitation between Allied and the agencies for repayment terms.

Member Murray questioned if there is a formal remit process or how does each agencies start the process.

Executive Director McCarthy answered that there is no formal process, but added that if it was the will of the Board to facilitate staff work on that.

Chair Moura if it is the will of the board we can provide direction to staff to help facilitate the remittance process.

Bob Lanzone clarified that it is up to each legislative body to decide how they are going to work out the repayment terms. This board doesn't have the authority to make a motion or pass any thing that would obligate each agency.

Executive Director McCarthy added that he wasn't appreciative of Rich Lanser's comments regarding interest being accrued if the Agencies didn't make quarterly payments. He thanked Kevin Finn for helping to resolve the issues fairly, realizing that the SBWMA can't tell 12 agencies what to do. He suggested that Staff poll each agency on what their given situation is and see if there is a commonality.

Member Scott suggested that maybe there are 2 or 3 options we could come up with that would make it simpler for Allied.

Staff Moran continued with the presentation, noting that the final reports would be out October 1st, and the numbers being presented were all based on a January 1 rate adjustment.

Member Hardy asked if numbers would change between today and when the final reports come out on October 1st.

Executive Director McCarthy noted that there was an item that could change numbers, but it wouldn't change numbers much, and it would be highlighted later in the presentation.

Staff Feldman explained how costs are allocated, and how the statistics are used allocate costs. Making note that the first year of data was based on assumptions, and the second year based on specific operational data. Two items of statistical data were collected in a way that varied from the contract. One staff agrees with and one staff disagrees with.

He continued that the one that staff agrees with is venues and events. The way the contract is written it doesn't say to collect data in a way that makes sense. So what Recology did was allocate costs based on the number of accounts in lieu of the cost of providing service to the venues of events. Because the rate application was due in July in the middle of event season, Recology didn't have all of the data, so Staff agrees with the way Recology did this allocation.

The second item is the facility cost allocation. The way the company allocated this was based on the number of lifts in lieu of the actual operating statistics. Because no revenue is generated from these types of facilities they are coded differently in their system. Looking at the data provided there are a couple of agencies that take 70% of the total cost to provide service to agency facilities. Adding that staff can't say for sure if this is an equitable way to do it, but it wasn't prescribed in the contract to be allocated this way. He noted that this is a very small piece (less than 2%) of the over all rate impact. He concluded that Staff recommends reconciliation be put in place, that would have to be voted on with the Recology Rate application.

Member Scott questioned why Recology didn't use the rate setting dollars to tell each agency how much agency facilities are costing them.

Staff Feldman answered that each member agency sets the rates. The costs are allocated through Attachment N of each agency's Franchise Agreement. The issue here is how the company has calculated costs to provide service to your Agency facilities across all agencies. It was done in a way that was not prescribed in the contract. We don't know if the numbers would come out differently if it was done the way it is written in the contract, but we need to put a process in place to find out, and that would be done through your recommendation to approve Recology's rate application.

Executive Director McCarthy added that we would like to get this answered very quickly, so it's possible some of these costs could be reallocated.

Member Masbad asked what the JPA's recommendation on the issue.

Staff Feldman answered that we have a couple of choices. The first is to ask the company to look at these numbers the way it is written in the contract and see if in 3 to 5 days we can get a clearer answer. The second is to wait until next year, give Recology time to fix their systems, and make an adjustment is next year's revenue reconciliation process.

Member Fotu asked staff how Menlo Park went from 1200 lifts in 2010 to 67,000 lifts in 2011, and how the numbers were calculated. She wondered how Menlo Park got such a huge increase.

Executive Director McCarthy answered that in the case of Menlo Park it's a huge part of the rate increase, and the numbers don't seem to make sense to staff. He added that what Staff Feldman is proposing is that we have Recology do this allocation based the way the Franchise Agreement is written. In your case it seems if they do it the way the Franchise Agreement says Menlo Park is likely to get a reduction. We are in the position that we didn't know this when the staff report went out on the 15th, so we are trying to get to an equitable solution.

Member Hardy asked if it was possible in the next 3 to 5 days to have these numbers calculated according to the Franchise Agreement. And, if not would they give a waiver or interest, if we study further and come up with a resolution for next year.

Mike Kelly Recology San Mateo County answered that an updated allocation methodology could probably not be done in the next 3 to 5 days, but it could be done within a month. Adding that Recology's preference is to work toward a resolution in the 2013 revenue reconciliation

Member Scott noted that it sounded like two ways of getting to the same information.

Mike Kelly gave an explanation of how the numbers could turn out differently.

Executive Director McCarthy added that the same number of lifts might not equate to the same number of hours.

Member Fotu asked how they know they had 67,000 lifts in Menlo Park, adding that that is more than 1,000 lifts per week.

Executive Director answered that he agreed Menlo Park's numbers didn't make sense. But acknowledged we have a timing issue because the Recology rate application numbers may change. He added that if there is a motion to approve the rate application today, this issue should be addressed in the motion.

Staff Feldman noted that it sounded like getting new numbers allocated the way it states in the Franchise Agreement isn't feasible because the Agencies need the numbers by October 1st. So adding this item the revenue reconciliation for 2013 might be the better way to go at this point.

Staff Feldman continued with his presentation on the revenue reconciliation process, noting that the unscheduled services are not included in the rate application. So Recology doesn't get paid for two years for unscheduled services.

Member Masbad asked when interest would accrue.

Staff Feldman answered that interest would accrue on the 2011 money on January 1, 2013, because that would be the first time an Agency would have to collect it through their rates.

Staff Moran clarified that the interest would actually start accruing in Jan 2012, but payments would start after the revenue reconciliation in January of 2013.

Member Hardy asked if the reverse was true if we have set are rates to high do we get an interest credit.

Staff Moran answered no.

County Staff Clark asked for data on unscheduled services.

Staff Moran answered that is in the monthly and quarterly reports.

Member Galli noted that agencies are charging for unscheduled services regularly.

Mike Kelly said that unscheduled services are costs outside of the revenue reconciliation because they were not included in the RFP.

Member Hardy asked if it is a one to one relationship between costs and charges for items in attachment Q is there a different cost for the items in attachment Q for 2012.

Mike Kelly answered that attachment Q has been updated by CPI and that the SBWMA has those updates.

Executive Director McCarthy asked Mike Kelly to send it to the Board.

Mike Kelly said he would get that out to the Board tomorrow.

Chair Moura asked about the schools adjustment, noting that some agencies have a schools adjustment, but San Carlos doesn't have a schools adjustment.

Staff Moran answered that your agency had no change so it's not reflected in this handout, but San Carlos does have a schools adjustment.

Chair Moura wondered if there was an agency who's rates began February 1st instead of January 1st, would they be charged interest for January if those were the old rate?

Staff Moran answered that interest isn't paid until the end of the year, but yes, interest would still be charged for January.

Member Hardy asked how bad debt is handled under this new contract with Recology.

Staff Moran answered that there is no reconciliation for bad debt; it's built into our operating budget.

D. Resolution Approving 2012 Recology San Mateo County Compensation Application

Staff Feldman noted that the numbers are basically the same from the report on the 15th with a few exceptions, related to the costs for the schools adjustments, and how those allocated across the Member Agencies. Adding that they are much more reflective of how the cost reduction should be applied. Hand out #3 highlights the changes.

Member Fotu asked about the labor routes, she gave the example of there being an increase of 2% more accounts in Menlo Park but that there is an increase of 7% route hours, wanting clarification of reconciling increase in costs.

Mike Kelly answered that last years numbers were based on our model from 2008, now we have Routeware and we have much truer numbers. Routeware identifies how much time we're spending in each jurisdiction. Adding that is how Recology figures out what the route labor hours are.

Staff Feldman added that there will be an annual route audit, and other audits of Recology's systems.

Member Hardy questioned what time period the route hours assessment was over.

Staff Feldman answered that it was a snap shot of May 1 – 28, and then annualized for 12 months.

Member Hardy added that we have a phenomenal amount of real time data because of this technology that we paid for. So we can have confidence we are getting accurate data and the route hours associated with that for 2011.

Member Fotu questioned how the annual route assessment will change things going forward.

Staff Feldman answered that we're looking at doing the application differently than the way it's spelled out in the contract. If we get direction from the Board and Recology is agreeable. Instead of using snap shot of May use June 2011 to May 2012 data in the Rate Application setting process. What the route assessment data will be a confirmation of the data.

Member Fotu asked if Recology was looking into making routes more efficient.

Mario Puccinelli answered yes; Recology is always looking at ways to make routes more efficient. He requested help from the member agencies on getting customers to properly set out their carts, adding that proper set out helps Recology become more efficient.

Executive Director McCarthy acknowledged that this is a complicated process, and would like to start a dialogue about how to improve the process.

Executive Director McCarthy reiterated that the Board needed to give direction on how to deal with Agency facilities cost allocation.

Motion:

Member Hardy made a motion to approve the Recology Rate Application with amendments from hand out 3 page 3, and handout 5. Included in the motion that we acknowledge that there is a reconciliation that needs to happen on Agency facilities allocation and that we go forward with getting the information in the next month, but not put in rates until 2013. Resolve the issue now, but pay it in 2013.

Second:

Member Gibbons seconded the motion.

Discussion:

Member Porter announced that the County was going to vote no because they'd done some review and have questions. We have a meeting with Recology to get those questions answered but we don't feel comfortable voting for this on the County's behalf until those questions get answered.

Member Fotu added that Menlo Park would be voting no as well due to the unanswered questions regarding the Agency Fees

Member Chan asked the Board to consider postponing the vote so that there would be more time to answer some unanswered questions

Motion Fails: 4-4-1-3

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		

Executive Director McCarthy asked the Board for direction on next steps. Noting that is an obligation of this Board to have due consideration for this application, adding that Recology has no obligation to waive the interest.

Member Porter suggested a special meeting in two weeks to re-vote and in order to keep everyone's time line intact. Noting that this would allow for time to have meeting with Recology and get questions answered.

Member Masbad added that Recology and Staff have been very responsive to questions, noting that not all of them have been answered to date, but we feel that we don't want to hold up the process.

Member Fotu offered the option of removing the Agency Facility Fee and reconciling in correctly in the 2013 rate application.

Member Porter added that San Mateo County's concern is very specific to our Agency, but if our numbers change it could affect all the agencies. He suggested voting again, knowing that the numbers could still change based on individual agencies discussions.

Member Hardy noted that the problem with that is that Agencies have to go to our councils and approve Prop 218 notices.

Member Scott noted that he has made some requests and hasn't gotten a response and asked to speak off line about that. He also noted he opposes some of the pass through costs that he opposed in the past.

Member Chan added that San Mateo just had a meeting with Recology earlier in the day and they just need a little bit more time to digest the information and share the information with other staff.

County Staff Clark asked that when Attachment N is submitted to the SBWMA that the agencies get it to, so that they can start reviewing the numbers.

Staff Feldman noted that if 12 member agencies review it, it will be impossible for the review will be completed in 60 days. Something like this needs to be thought out because there will be a lot more give and take and it will change what we are working with.

Executive Director McCarthy added that what ever work is going to be done in the next few weeks is not going change these numbers that much. So if you're an agency getting ready to go to your council, he suggested to keep moving forward.

Member Hardy suggested using the commercial recycling workshop to reschedule the vote for this item.

Chair Moura noted that they would direct staff to send out some dates in the next two weeks to set a meeting to re-vote on this issue.

San Mateo County Now Absent
East Palo Alto Now Absent

F. Resolution Approving Pricing Agreement between the SBWMA and SBR for Processing Third Party MRF Tonnage

Staff Gans explained that Newby Island Recycling Facility is undergoing a major construction project and on August 23rd they issued an RFP for processing services similar to the way we issued an RFP for processing services. The RFP had a deadline of September 16th. He noted that there are two major areas for discussion, one is the reason for processing 3rd party tons, and the second is the terms the SBWMA has with SBR for processing 3rd party tons. Explaining that the quantity of recyclable material being processed at the MRF is less than anticipated, and by bringing in 3rd party tons SBR's capacity and the MRF capacity can be filled through recruitment of outside tons. SBR has proposed a price for Daly City and Half Moon Bay tonnage to come to the facility. Newby will be making a decision if SBR is a candidate.

Member Masbad asked if staff had looked into the process that would allow SBR to separate the costs associated with processing 3rd party tons from the Franchise tons.

Staff Gans answered that this issue is one of the core terms on the agreement with SBR. Noting that the agreement states that SBR would be responsible for the any repair costs associated with 3rd party tonnage and it has protection from collateral damage as well.

M/S: Gibbons/Hardy
 Roll Call Vote:
 Motion Passes: 7-0-0-5

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			

7. Old Business:

- A. RSMC Franchise Agreement Operational and Contract Administration Update
No Report
- B. SBR Shoreway Operations Agreement Update
No Report

8. Staff Updates

- a) Update on Recology Commercial Recycling Outreach Efforts
- b) Recycling and Outreach Programs Update
- c) Shoreway Construction Update
- d) Preview of Upcoming Board meetings

9. Board Member Comments

10. Adjourn 4:30 PM

Next Regular meeting scheduled for October 27, 2011, San Carlos Library at 2:00 pm

DRAFT MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
SPECIAL MEETING OF THE BOARD OF DIRECTORS
October 6, 2011 – 10:00 a.m.
San Carlos Library Conference Room A/B**

1. Roll Call: CTO 10:08 a.m.

In attendance: Atherton, Belmont, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, County of San Mateo and West Bay Sanitary District.

2. Public Comment

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None

3. Old Business:

A. Resolution Approving 2012 Recology San Mateo County Compensation Application

Agenda item 3B presented before agenda item 3A

B. Presentation on Consolidated 2012 Rate Report

Executive Director McCarthy welcomed newest Board Member Afshin Oskoui of Belmont.

Executive Director McCarthy noted that Staff had met with several agencies and there were questions about how the process works, so he gave an overview to the Board.

First he noted that there were several questions about how the costs were allocated amongst the member agencies. Adding that in the combined rate report in agenda item 3B there is a total pie, but the process of allocating costs to the member agencies doesn't adjust the total pie number.

He also noted that this process is very similar to the process that's been used since 2000 under the Allied contract. Noting that the difference is last year the numbers used were based on Recology RFP submittal cost assumptions from 2008, this year the numbers were based on the snapshot of true data from Recology's May 2011 operations, noting that this is the process set up in the contract. We experienced wide year over year variances in rate increases in the past under Allied Waste.

Executive Director McCarthy added that these numbers have not been audited or verified by the SBWMA yet, noting that the SBWMA has started an auditing project with HF&H, and if the numbers haven't been audited, they will be, as prescribed in the contract. He also noted that Recology will be going through annual route audit assessments which were not done this first year of the contract, but will be done in the future. Concluding that going forward Recology will use operational metrics based on real data and that data will be audited. He commented that this doesn't mean that there won't be year to year rate impacts associated with the metrics changing.

Executive Director McCarthy continued that some of the Agencies have questioned the underlying data. He explained that each Agency's Franchise Agreement allows access to account data. Executive Director McCarthy encouraged the agencies to avail themselves of that data and verify it, and to take ownership of their Agreements.

Executive Director McCarthy remarked last the over all rate impact was 13.3%. This year the overall rate impact is 6.6%. Adding that there is not a cost problem there is a revenue problem. Noting that the reasons for the revenue problem are late rate setting, cart migration, and the fact that the price of service for 20 and 32 gallon rates carts doesn't cover the costs of servicing them, stating that the progressive rate structure is causing the SBWMA to dig a bigger revenue hole every year.

Executive Director McCarthy concluded that the bottom line is there is nothing out of line with the base costs for operations; the trend line for those numbers is that they have been cut in half from last year.

A. Resolution Approving 2012 Recology San Mateo County Compensation Application

Executive McCarthy commented on the primary changes in the report since the September 22 Board meeting. First, he noted that the main issue which arose at the last Board meeting was the Agency facility allocation costs. Staff and Recology came to the conclusion that they could not allocate these costs to the letter of the contract in time for Agencies to go to their councils to get rates approved by January 1st. So, it was agreed to assume the same allocations as last year, and that it will be part of the revenue reconciliation process.

Second, he noted that there were some errors in the report. Some Agencies have already started collecting money through their Franchise Fees to pay off Allied; those numbers were double counted in certain line items, which have been corrected.

Member Hardy asked for clarification on the allocations that are being used for 2012. Questioning if when the Agency Facility service fees are adjusted with the correct metrics will it change the allocation.

Staff Feldman answered that Recology is developing a system to capture the operational metrics of Agency Facility fees more accurately, adding that it will be done in about a month. When completed a capture of a 2-4 week period will take place to look at the actual operational metrics. Then those numbers will be applied to this current year and in the revenue reconciliation report due at the end of March the adjustments will be made. It changes the mix of how 1.7% of the total will be allocated amongst the agencies adding that it will be a minor change.

Executive Director McCarthy reiterated that the SBWMA has a much more robust contract than with the Allied operations, noting that there will be auditing of all of this data, and clarifying that there will continue to be year over year changes depending on the data that is collected in the field; this was the same under the old Allied franchise agreements.

Member Galli expressed concern over the fluctuations in the allocations, noting that the Agencies have been saying to Councils there will be reduced fluctuation with the new contract. She noted that Recology's costs might not have as much fluctuation because of the indices based contract, but noted that all of the agencies are tied together because costs are based on actual metrics. Commenting that if one agency changes service levels it could affect all of the agencies.

Executive Director McCarthy answered that it's possible, because there could be small changes in allocations, but added, if Recology reports metrics that are substantially different than this year that is a bigger issue. These operations should be getting normalized; there should not be huge year over year changes.

Staff Feldman added that the agencies are only tied together on the cost side, not the revenue side, because Agencies all do their own rate setting. He added that overall stability comes after 3 years. The 3 bumps are the first year, this second year with the Allied piece and the migration piece, and the 3rd year cost side adjustment (from service level adjustments) coming next year, which will be set going forward for the remainder of the contract. Then the rates will only rise by CPI and CBA adjustments. Then he answered if an agency changes the level of services, it will be handled as a one off change. All Agencies can change service per contractual

amendment, but it would be handled outside the overall scope, and it would be a specific carve out related to allocation for that Agency.

Executive Director McCarthy added that one agency can't decide to change service levels and then a neighboring Agency's routes get less efficient and costs rise; the contract doesn't work that way. What service level changes mean to an Agency is that it makes it more difficult to get the full benefit of making that adjustment if your routes are tied to another agency.

Member Fotu requested that for next year's rate application process to see year to year comparison. Noting that it would be helpful for each agency to know how those numbers are developed and how it is part of the overall evaluation of the operations and who is doing the evaluation.

Executive Director McCarthy stated that the proposers in 2008 who answered the RFP spent a lot of time making assumptions on what it would take to service the SBWMA area. Now those assumptions are being compared to actual numbers. Going forward, if an Agency thinks there is something wrong with the source data, if the costs go up and there is no apparent error in the data that is the reality of the contract. He added that the SBWMA is not in the business of monitoring the efficiencies of the Recology operation. Clarifying that if Recology is not delivering a service standard there are liquidated damages and other controls in place, but the SBWMA is not auditing the efficiencies of the Recology operation.

Staff Feldman added that Recology has every incentive to be efficient, because if they are not efficient they eat the cost. The SBWMA has a lot of controls for standards, and it is to Recology's benefit to be as efficient as possible. If an Agency wants to look into the routes and efficiencies they have every right to do that. There is a lot of transparency built into the contract.

Member Oskoui suggested that while the SBWMA is in this 2 to 3 year transition period that Agencies get the information mid term so we can start predicting earlier how each Agency is tracking.

Executive Director McCarthy added that staff has some suggestions for improving the process, but asked Board Members to communicate specifically if there are changes each Agency would like to see. He noted that the SBWMA and the individual Agencies suffer from a very tight rate setting process; assuring that next year disposal numbers and revenue projections will come to the Agencies sooner, as well as getting the July 1st rate submittal by Recology to the Agencies on July 1st. He asked the Board Members for feedback on improving the process.

Member Fotu asked if the SBWMA would consider working with a 3rd party to assist in evaluating the compensation package.

Executive Director McCarthy stated that the SBWMA used a fulltime accounting temp for 3 months to get through the numbers. He acknowledged that staff has to do a better job of getting the source data to the Agencies. Noting that it is a huge effort on the part of Recology to get the data to the SBWMA, and then for staff to turn it around and get it to the Agencies. He asked the Board Members to accept that if the Agencies get this information sooner, the SBWMA staff needs Board Members and Agency staff to really engage in the numbers and have an open dialogue.

Member Fotu commented on efficiencies, noting that Recology is looking at the SBWMA as a whole service area, and questioned if it could create an inequitable situation, and proposed that it be looked at.

Member Masbad commented that Hillsborough's costs have increased by \$70,000 between now and the September 22, 2011 meeting related to the Agency facilities allocation. Noting that if Hillsborough paid the 2012 commercial rates it would be half of what they are being charged by Recology to service our Agency facilities. She announced that in the spirit of cooperation Hillsborough will be voting yes, but with a strong request that by next year Hillsborough receive an assurance and audit trail to come up with the true cost for Agency Facility Costs.

Staff Feldman answered that if Hillsborough is correct the Agency will get an equitable adjustment credit for this year's Agency facility costs in next year's application through the revenue reconciliation process.

Member Chan requested some kind of workshop to be set up after the data is released so Agencies don't have to go through the data on their own.

M/S: Hardy/Maltbie

Roll Call Vote:

Motion Passes: 8-1-1-2

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			

4. **Board Member Comments**

5. **Adjourn 10:50 AM**

Next Regular meeting scheduled for October 27, 2011, San Carlos Library at 2:00 pm



STAFF REPORT

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Hilary Gans, Facility Operations Contracts Manager
Date: October 27, 2011 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. Both companies submitted their Monthly Reports on time. These Monthly Reports are due 15 days after the end of each month. Recology's and SBR's reports for the month of September are attached.

It's 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 1 - Recology September 2011 Monthly Report
Attachment 2 - SBR September 2011 Monthly Report



Agenda Item 3C
Receipt of Recology and SBR Monthly Reports

Attachment 1: Recology September 2011 Monthly Report
Attachment 2: SBR September 2011 Monthly Report

- ◆ Recology September 2011 Monthly Report
- ◆ SBR September 2011 Monthly Report

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Reports POSTED at www.rethinkwaste.org



NEW BUSINESS



STAFF UPDATE

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Date: October 27, 2011 Board of Directors Meeting
Subject: Results of 2011 Third Quarter Recology Franchise Agreement(s) Quarterly Contamination Measurement for Loads of Recyclable Materials, Organic Materials and Plant Materials

Recommendation

This is an informational report and no action is necessary.

Analysis

Sampling Process and Protocol

The SBWMA is charged with performing a quarterly analysis of the contamination levels present in five distinct types of materials collected (see **Table 1**) and delivered to the Shoreway Environmental Center (SEC) by Recology San Mateo County (Recology) per the Franchise Agreement(s) with the Member Agencies. The 2011 Third Quarter sampling project was conducted from September 19-23, 2011 by Sloan Vasquez LLC (Irvine, CA) with the full cooperation of both Recology and South Bay Recycling (SBR).

Both the route or truck to be sampled and the location of the material pulled out of the load are selected completely at random. The sampling process is to randomly pull out approximately 175 pounds of material from each randomly selected collection vehicle (i.e., this amount ranges from 125 to 225 pounds depending on the material type). These 175 pound samples are taken from 12 different collection vehicles for each material stream per the requirements to achieve statistically significant or accurate results per Franchise Agreement Attachment E-2. The material from each sample is then required to be divided into two basic categories which includes both acceptable and unacceptable items. (However, beginning with the Third Quarter Sampling, Sloan Vasquez is separating most material streams into as many as twelve categories to provide additional pertinent data on the composition of the samples.) The definitions and other sections of the Franchise Agreement(s) primarily govern how this process will unfold; however, the SBWMA, Sloan Vasquez, Recology and SBR all worked closely to develop a more detailed approach (i.e., actual policy and procedures for the sampling process) to get this work done accurately and cost effectively. **Table 1** lists the material types and number of samples measured from each.

Table 1

<u>Material</u>	<u>Total Number of Samples Measured</u>
Commercial Targeted Recyclable Materials	12
Commercial Organic Materials	12
Commercial Plant Materials	12
Residential Targeted Recyclable Materials	12
Residential Organic Materials	12
Total	60

Sampling Results

All five material types sampled complied with the allowable contamination thresholds prescribed in the Franchise Agreement(s). Table 2 provides the allowable contamination thresholds, the results from the 2011 Third Quarter sampling (i.e., measured contamination level) and the percent difference for each material type.

Table 2

<u>Material</u>	<u>Allowable Maximum Contamination Level</u>	<u>Measured Contamination Level</u>	<u>Percent Difference</u>
Commercial Targeted Recyclable Materials	8%	4.2%	- 3.8%
Commercial Organic Materials	10%	3.1%	- 6.9%
Commercial Plant Materials	5%	2.7%	- 2.3% ²
Residential Targeted Recyclable Materials	20% ¹	6.2%	- 13.8% ²
Residential Organic Materials	5%	3.1%	- 1.9% ²

¹ The Residential Targeted Recyclable Materials Maximum Allowable Contamination Level for years 2-10 (i.e., 2012 – 2020) of the Recology Franchise Agreement(s) will be established as the average percentage measured for all four quarters in 2011.

² No disincentive payments are associated with results that are at or below the allowable maximum contamination levels.

The ramifications to the SBWMA of Recology failing to deliver material to the SEC that is consistently equal to or under the allowable contamination thresholds are primarily fiscal. This is the fundamental rationale for including the contamination related provisions in both the Recology Franchise Agreement(s) and the contract with South Bay Recycling. The presence of unacceptable materials or contamination in the recyclable materials collected by Recology results in additional disposal costs and potentially reduced commodity revenue for the SBWMA. The per ton disincentive payments that must be paid by Recology for exceeding the maximum allowable contamination level for any of the five material categories are prescribed in the Franchise Agreement(s) Attachment I (Performance Incentives and Disincentives).

The SBWMA and Recology are meeting monthly to discuss commercial recycling issues and staff is confident that Recology will work diligently to ensure that the contamination present in commercial recycling and organic materials loads continues to be below the allowable maximum contamination levels. It is important to note that the calculated commercial recycling contamination level greatly improved in both the second and third quarters from that measured in the first quarter of 2011. Recology has conveyed that it will continue to implement best practices such as regular load grading and frequent observation of loads being tipped at the SEC in an effort to reduce contamination.

Background

In 2007, the Board approved staff's recommendation to ensure that a comprehensive contamination management program would be included in both the future Franchise Agreement and SEC Operations Agreement. The primary rationale for this recommendation was to control costs for the SBWMA as excessive contamination increases disposal and processing costs and can also result in reduced commodity revenue. Subsequently, the Collection Services and Facility Operations RFPs were issued with provisions mitigating the impact of contamination on both the SBWMA and Member Agencies. Thus, the Franchise Agreement(s) with Recology and the SEC Operations Agreement with SBR both include specific provisions and associated monetary penalties to reduce contamination as much as possible.

The Franchise Agreement(s) with Recology contain provisions in section 6.02 and Attachment I (Performance Incentives and Disincentives) that explains the maximum contamination levels and how monetary penalties associated with exceeding these levels would be calculated. In addition, Attachment E-2 (Contamination Measurement Methodology: Quarterly Protocol) prescribes in detail the sampling methodology and statistical rationale supporting implementation of this methodology that is used to measure contamination on a quarterly basis.

Fiscal Impact

There is no fiscal impact to the SBWMA for the results of the Third Quarter 2011 Contamination Sampling as all material streams sampled were below the allowable thresholds.

Attachment:

Attachment 1 – Sloan Vazquez LLC Third Quarter 2011 Contamination Measurement Sampling Report



**Agenda Item 4A
Results of 2011 Third Quarter Recology Franchise
Agreements(s) Quarterly Contamination Measurements
for Loads of Recyclable Materials, Organic Materials and
Plant Materials**

**Attachment 1 – Sloan Vazquez LLC Third Quarter 2011
Contamination Measurement Sampling Report**

- ◆ Sloan Vazquez LLC Third Quarter 2011 Contamination Measurement Sampling Report
File to large to be included with Packet

Posted on Website: www.rethinkwaste.org



Agenda Item 4B

Resolution Approving Office Lease Agreement at San Carlos Library

Staff Report Pending



OLD BUSINESS



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Marshall Moran, Finance Manager
Date: October 27, 2011 Board of Director's Meeting
Subject: Resolution Approving Agreement Between SBWMA and Recology San Mateo County Regarding Reimbursement of Teamsters Benefit Trust Payment

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2011-27 attached hereto authorizing the Executive Director to execute the attached Agreement between SBWMA and Recology San Mateo County Regarding Reimbursement of Teamsters Benefit Trust Payment (see **Exhibit A**).

Analysis

On September 22, 2011 the SBWMA Board of Directors approved Resolution 2011-21 authorizing the following actions:

1. Payment of \$357,000 to Allied Waste/Republic Services (Allied) for reimbursement of the Teamsters' Benefit Trust (TBT) health care premiums for employees covered under collective bargaining agreements (CBA).
2. Bill Recology monthly starting in October 2011 for one-twelfth of the \$357,000 plus accrued interest at a rate of prime plus one percent. Payments to the SBWMA are net 30 days.
3. Recognize that the SBWMA and the Member Agencies will need to make Recology whole for the TBT payment in January 2021 for CBA employees if it is paid by Recology and not directly by the next contractor (whether Recology or a new vendor).
4. The Executive Director to negotiate an agreement with Recology reflecting the parties' understanding regarding Recology's payment to the SBWMA and inclusion of the TBT payment for the final month of the current franchise agreements in Rates for the last year of the franchise agreements. The agreement will be presented to the SBWMA Board at the October 27th Board meeting.

The Agreement was negotiated between the parties and reviewed by Bob Lanzone, SBWMA Legal Counsel. This Agreement addresses the scenario in which Member Agencies will be obligated to reimburse Recology if the company makes a TBT payment (its 121st payment over the Term of the current franchise agreements) in January 2021 for CBA employees.

Background

The 2007 Collection Services Request for Proposals (RFP) cost proposal was structured based on the assumption that each contractor would cover 120 months of benefit coverage, including the TBT payments. Therefore, Recology's proposal and the subsequent Franchise Agreements were both based on this payment schedule.

Fiscal Impact

The SBWMA has available sufficient undesignated cash reserves to make this payment. The SBWMA cash flow and reserves will be modestly impacted, reducing the undesignated funds by half of the balance or \$179,000 at June 30, 2012. However, the net effect of using these funds by the end of calendar year 2012 would be increased net cash reserves due to accrued interest payments from Recology.

Attachments:

Resolution 2011-27



RESOLUTION NO. 2011-27

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING AGREEMENT BETWEEN SBWMA AND RECOLOGY SAN MATEO COUNTY REGARDING REIMBURSEMENT OF TEAMSTERS BENEFIT TRUST PAYMENT

WHEREAS, The South Bayside Waste Management Authority (SBWMA) prepared and issued to the SBWMA Board of Director's on July 28, 2011 the SBWMA Draft Report on the Allied Waste/Republic Services (Allied) Closeout Rate Applications; and

WHEREAS, The July 28, 2011 Draft Report noted that Allied made a January 2011 Teamster Benefit Trust (TBT) payment and such a payment was an unanticipated expense for Allied; and

WHEREAS, Staff and Recology have reached an agreement whereby the SBWMA directly reimburses Allied for this unanticipated expense, Recology reimburses the SBWMA with interest, and the SBWMA and Member Agencies agree to compensate Recology for the TBT payment due in the month after the last month of the contract term, if such payment is not made by the next contractor.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the attached Agreement (**Exhibit A**) with Recology providing for repayment of such amount by Recology and reimbursement of Recology for the final TBT payment if not paid by the next contractor.

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 27th day of October, 2011 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. 2011-27 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on October 27, 2011.

ATTEST:

Brian Moura, Chairperson of SBWMA

Cyndi Urman, Board Secretary

**AGREEMENT REGARDING REIMBURSEMENT OF
TEAMSTERS BENEFIT TRUST PAYMENT**

This Agreement Regarding Reimbursement of Teamsters Benefit Trust Payment (this "Agreement") is made and entered into as of October [date], 2011, by and between the South Bayside Waste Management Authority (the "SBWMA") and Recology San Mateo, a California corporation ("Recology").

WHEREAS, the SBWMA's members comprise the Cities of Belmont, Burlingame, East Palo Alto, Foster City, Menlo Park, Redwood City, San Carlos and San Mateo; the Towns of Atherton and Hillsborough; the County of San Mateo; and the West Bay Sanitary District (the "Member Agencies");

WHEREAS, each Member Agency is a party to a separate Franchise Agreement for Recyclable Materials, Organic Materials and Solid Waste Collection Services with Recology (the "Franchise Agreements");

WHEREAS, capitalized terms used but not defined herein shall have the meanings specified in the Franchise Agreements, Attachment A - Definitions;

WHEREAS, pursuant to the Franchise Agreements, Recology became the exclusive collection services franchisee for each Member Agency, with collection services commencing on January 1, 2011 for a 10-year Term ending on December 31, 2020. Recology replaced BFI Waste Systems of North America, Inc., a wholly owned subsidiary of Allied Waste Industries Inc., a Delaware corporation ("Allied"), which had previously entered into franchise agreements with each Member Agency (the "Prior Franchise Agreements");

WHEREAS, Allied and Recology each entered into substantially similar agreements with the Sanitary Truck Drivers and Helpers Union, Local 350, an affiliate of the International Brotherhood of Teamsters ("Local 350"), pursuant to which Allied and Recology separately agreed to make monthly payments (the "TBT Payments") in arrears into the Teamsters Benefit Trust (the "TBT") in respect of employees covered by the Collective Bargaining Agreements between each of Allied and Recology, and Local 350;

WHEREAS, pursuant to such agreements, Allied made a TBT Payment in the amount of \$573,000 in January 2011 based on hours worked by Allied employees in December 2010, of which \$357,000 relates to employees retained by Recology on January 1, 2011 (such payment, the "January 2011 TBT Payment", and such amount of \$357,000, the "Principal Amount"), and Allied claimed reimbursement of the January 2011 TBT Payment from the Member Agencies under the Prior Franchise Agreements;

WHEREAS, the SBWMA will reimburse Allied in full for the January 2011 TBT Payment per approval of Resolution No. 2011-21 approved by the SBWMA Board of Directors on September 22, 2011;

WHEREAS, because TBT Payments are payable in arrears, Recology will be obligated to make a TBT Payment in respect of services performed by Recology employees in the last month of each Franchise Agreement (each, a "Post-Termination TBT Payment"), in the month following the expiration of the Term of such Franchise Agreement, unless such Post-Termination TBT Payment is paid by the subsequent contractor;

WHEREAS, the SBWMA and Member Agencies recognize that Recology is entitled to be reimbursed for 120 TBT Payments over the 10-year term of the Franchise Agreements, and accordingly that if Recology reimburses the SBWMA for the Principal Amount, Recology should under the terms of this agreement and under the respective Franchise Agreements with the Member Agencies, be made whole for any Post-Termination TBT Payment, if Recology is required to pay it;

NOW, THEREFORE, in consideration of the foregoing recitals, and the covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The SBWMA will bill Recology monthly for the Principal Amount over a 12-month period starting October 15th, 2011, and on the 15th day of each consecutive month thereafter until September 15, 2012. Each monthly bill will be for \$29,750 (i.e., one-twelfth (1/12th) of the Principal Amount), plus accrued but unpaid interest on the unpaid Principal Amount as of the last day of the month preceding the billing date. Interest shall accrue at a rate of prime plus one percent (1%), commencing on the Start Date. Payments to the SBWMA shall be net 30 days. Such payments to the SBWMA shall be the sole obligation of Recology with respect to the January 2011 TBT Payment claimed or made by the SBWMA or with respect to Allied.

2. If Recology makes a Post-Termination TBT Payment (i.e., the 121st TBT Payment, payable in January 2021, assuming that all current collection Franchise Agreements with the SBWMA Member Agencies are terminated effective December 31, 2020), then it is agreed that the SBWMA shall reimburse Recology, or shall cause any subsequent contractor to reimburse Recology, for any such TBT Payment that Recology makes, within ninety (90) days of the date of any such payment.

3. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California, without regard to its choice of law provisions. This Agreement represents the full and complete agreement among the parties with respect to the subject matter hereof, and supersedes all prior negotiations, agreements and representations with respect to such subject matter, either written or oral. This Agreement may not be modified or amended, or any provision hereof waived, except in writing signed by the party or parties to be bound. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each party. This Agreement has been executed and delivered by the duly authorized representatives of each party. This Agreement may be executed in counterparts, each of which shall be an original, and all of which together shall constitute a single instrument. Facsimile signatures hereto shall be valid. In the event of litigation or arbitration over the terms or performance of this Agreement, the prevailing party shall be entitled to reasonable attorneys fees and costs.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the SBWMA and Recology have executed and delivered this Agreement as of the date first written above.

**SOUTH BAYSIDE WASTE MANAGEMENT
AUTHORITY**

By: _____
Name: Kevin McCarthy
Title: Executive Director

ATTEST

Name: Bob Lanzone
Title: SBWMA Counsel

APPROVED AS TO FORM:

Name:
Title:

RECOLOGY SAN MATEO COUNTY

By: _____
Name: Michael J. Sangiacomo
Title: President and CEO

By: _____
Name: Roxanne L. Frye
Title: Corporate Secretary

SIGNATURE PAGE TO AGREEMENT REGARDING
REIMBURSEMENT OF TEAMSTERS BENEFIT TRUST PAYMENT



**TO BE PRESENTED AT THE OCTOBER 2011
BOARD OF DIRECTOR'S MEETING**

**5B. RSMC FRANCHISE AGREEMENT OPERATIONAL AND CONTRACT
ADMINISTRATION UPDATE**

5C. SBR SHOREWAY OPERATION AGREEMENT UPDATE



STAFF UPDATES



STAFF UPDATE

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Date: October 27, 2011 Board of Directors Meeting
Subject: Update on Recology Commercial Recycling Outreach Efforts

Recommendation

This is an informational report and no action is necessary.

Analysis

Recology San Mateo County (Recology) is not required to submit monthly statistics on its commercial recycling activities; however, the company is required to submit a quarterly status report on this program per section 9.06.N of the Franchise Agreement(s). Even though a monthly update is not contractually required, the company has agreed to provide the status of some key commercial recycling metrics each month. Below is an example of the information that Recology plans to submit monthly for this staff report to the Board, and staff will continue working with Recology to determine what other pertinent information can be provided on a monthly basis.

September 2011 Recology Commercial Recycling Outreach Program Metrics

- 17 new Compost customers subscribed to service – 13 carts and 4 bins
- 127 new Recycle customers subscribed to service – 108 carts and 19 bins
- 23 commercial recycling brochures and posters were distributed
- 139 internal recycling containers were distributed
- 383 Buddy Bags were delivered
- 3 commercial recycling “community events” were reported:

Date	Franchise	Name of Events	Location
09/18/2011	ATH	Lindenwood HOA Neighborhood Social	75 Mosswood Way, Atherton
09/24/2011	SNC	San Carlos Shredding Event	225 Shoreway Road, San Carlos
09/28/2011	MAT	San Mateo Area Chamber Of Commerce Business Expo	San Mateo County Event Center, Fiesta Hall

- 4 commercial recycling “presentations and trainings” were reported as follows:

Date	Franchise	Customer Name	Location	ATTENDEES (staff, custodians, students, etc.)	Presentaion or Training
09/02/2011	MPK	OASIS RESTAURANT	241 EL CAMINO REAL	KITCHEN STAFF	TRAINING
09/09/2011	FOC	ELECTRONICS FOR IMAGING INC.	303 VELOCITY WAY	CAFE STAFF	TRAINING
09/09/2011	SNC	IZZY'S SAN CARLOS	525 SKYWAY	MANAGER, KITCHEN STAFF, AND BARTENDER	TRAINING
09/28/2011	RWC	ARGUELLO CATERING SOUTH	1757 E BAYSHORE RD #14	KITCHEN STAFF AND MANAGER	TRAINING

Staff has commenced monthly meetings with Recology on commercial recycling and requested additional analysis and data to facilitate decision making on next steps regarding increasing tonnage from the commercial sector. In addition to analysis of the program's performance, staff has requested Recology to providing information on profiling the commercial customer base, the net change on account retention and attraction efforts and information related to the internal metrics used to measure the relative success and cost effectiveness of its commercial recycling outreach (sales) efforts. The results of these inquiries will be addressed in detail at the Special Board Workshop on Commercial Recycling that may be scheduled for early December 2011.

Background

On April 22, 2010, the Board adopted Resolution No. 2010-14 approving the Commercial Recycling Agreement between Recology and Allied Waste/Republic Services. This agreement transferred Allied's commercial recycling outreach program to RSMC commencing on July 1, 2010. In addition, Recology moved its commercial recycling staff into the Shoreway Administration building on this date.

The Member Agencies Franchise Agreements with Recology required the company to commence the first new program, the Recycling Blitz Commercial Recycling Campaign, also on July 1, 2010. Recology's Recycling Blitz Plan and the SBWMA Commercial Recycling Communications and Outreach Plans were shared with the Board in May 2010. These plans outline the next steps regarding stepping up efforts to increase diversion from the commercial sector in the near term.

Commencing with Recology's first quarterly report due on April 30, 2011, the company is required to submit with each quarterly report a detailed update on its commercial recycling program outreach efforts. This requirement is prescribed in Franchise Agreement section 9.06.N, as follows:

- "N. Commercial Recycling Promotion Program Status Report.** Contractor must prepare and submit, both quarterly and annually, to Agency and SBWMA, a Commercial Recycling Program Status Report. The Commercial Recycling Program Status Report shall include, but not be limited to:
1. A summary of training and professional development activities for the Commercial Recycling Promotion and supervisory staff.
 2. A description of the strategy and overall approach to attract and retain a high quality and effective Commercial Recycling Promotion Program and supervisory staff.
 3. A description and status of meeting the goals and objectives for the Commercial Recycling Promotion team and how these goals and objectives are tied to the compensation incentive plan. (Contractor must explain how the stated goals and objectives will be accomplished if no compensation incentive plan is used.)
 4. A description of Contractor's sales strategy for maintaining and/or expanding the existing Commercial Recycling account base and diversion levels.
 5. A description of the services provided to the Commercial and Agency Facility sectors.
 6. A detailed accounting of diversion statistics for the Commercial and Agency Facility sectors."

Recology submitted its First Quarter 2011 Report in early May and Staff's review was included in the June Board packet (agenda item 8a). However, it is important to reiterate that the commercial recycling section of the Report fell short of establishing quantifiable goals with regards to increasing diversion, nor did it provide a detailed description of the strategic approach employed by the sales team to increase diversion. The second Quarter report submitted in August also did not provide this information. While the company assured staff that quantifiable

goals for the commercial recycling sales team and Commercial Recycling Manager would be developed, staff is still waiting for this information and will share the details of the company's approach at the upcoming Special Board Workshop on Commercial Recycling in early December.



STAFF UPDATE

To: SBWMA Board Members
From: Recycling Staff
Date: October 27, 2011 Board of Director's Meeting
Subject: Recycling and Outreach Programs Update

Recommendation

This is an informational report and no action is necessary.

Recology 2012 Annual Public Education Plan

Staff is in the process of reviewing the 2012 Annual Public Education Plan submitted by Recology San Mateo County as required per Section 7.03 B of the Franchise Agreement. Recology submitted the report by the September 1st deadline, and as allowed, modifications to the report were requested by Staff to clarify and address specific components of the plan. Staff will be working with Recology to finalize the plan by the November 1st deadline, and a final copy of the plan will be provided in the November Board packet.

Curbside Inc., Door-to-Door HHW Program

The following eight Member Agencies are now participating in the program: Belmont, East Palo Alto, Foster City, Hillsborough, Menlo Park, San Carlos, San Mateo, and West Bay Sanitary District. Interest in the program remains strong and the company has made approximately 5,750 collections since the program started in mid-May 2010 through September 2011. Approximately 242,503 pounds of HHW material, 120,445 pounds of Universal Waste and 87,002 pounds of E-Scrap have been collected since the start of the program in May 2010. We encourage additional Member Agencies 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.

Staff provided an update to the Board in the September agenda packet that we were aware of delays exceeding the contract standard of two weeks to provide service after scheduling an appointment and we are working with the company to get this resolved. The company is on notice to rectify these service delays by November. They hired additional staff to replace those no longer with the company and to supplement their routing capacity. Staff is now getting daily reports on residents calling to schedule appointments. While some customers are very frustrated with the current extended wait time, the majority are just happy to know the service will be coming to them soon since they typically have stored materials for many years.

Household Battery and Cell Phone Curbside Recycling Collection Program

The monthly average of batteries and cell phones collected through the curbside recycling program in 2010 was 4,400 pounds and through the first nine months of 2011 it is 4,435. A total of 53,000 pounds was collected during 2010, which is slightly less than the 57,000 pounds collected in 2009. However, it is anticipated that we will achieve an increase in batteries and cell phones collected in 2011 over 2010. The total amount of batteries and cell phones collected in September was 1,300 pounds.

RethinkWaste Website and Social Media

The RethinkWaste website continues to be updated with information on the CartSMART residential collection and new BizSMART commercial collection services, and the Shoreway Environmental Center. Staff's goal is to make

the website the go-to source for information on the collection services and the facility. In addition, Staff plans to revamp the website to make it more user-friendly and interesting. Staff will be reaching out to the Board and Public Education Subcommittee for input on the features they would like to see on the updated website.

The site averaged approximately 549 visits per week since the last Board meeting, of which nearly 68% were new visits. The most commonly visited sections of the site during this period continued to be "Beyond the Cart" and "Shoreway" sections.

RethinkWaste continues to use its Facebook and Twitter pages to promote program information and new services. To date, the Facebook page has 196 "fans," consistent with the September report. Staff will be working on strategies to drive more people to the pages. Our Facebook page can be found at www.facebook.com/rethinkwaste, and the Twitter page is located at www.twitter.com/rethinkwaste.

rethinker Newsletter

The current issue of the rethinker is in production and will be sent to residents in late October. This issue focuses on the items that are accepted in the green Compost Cart and holiday reminders. In addition, the newsletter provides information on how to sign up for an electronic version.

Schools Recycling Program Update

Staff has purchased 32 gallon recycling carts for distribution to schools in the RethinkWaste service area. The program is implemented with assistance from RecycleWorks staff who has delivered 154 carts on behalf of RethinkWaste.

Compost Giveaway Events

The RethinkWaste Fall Compost Giveaway Events were held in September and early October. Menlo Park and San Mateo will continue to host events through the remainder of 2011. Staff will be preparing for Spring 2012 Events toward the end of the year and will reach out to all Member Agencies for their preferences.

Approved Operating Agreement Amendments or Recommended Recology Franchise Agreement Administrative Changes

Staff is requesting that Member Agencies keep us apprised if any administrative changes have been made.

<u>Agreement</u>	<u>Board Approval</u>	<u>Staff Recommendation</u>	<u>Description</u>
Operations Agreement	October 28, 2010	N/A	Amendment No. 1. Is now effective as eight Member Agencies have approved the Amendments. Approved by: Belmont, Foster City, Menlo Park, Redwood City, San Carlos, City of San Mateo, San Mateo County, West Bay Sanitary District.
Franchise Agreement(s)	N/A	Via email on October 20, 2010	Requested Member Agencies send letter accepting interest waiver offer from Recology on potential 2011 revenue requirement shortfall if rates approved after January 1 but before March 1, 2011. Approved by: Atherton, Foster City, Redwood City, City of San Mateo, San Mateo County, West Bay Sanitary District.
Franchise Agreement(s)	N/A	Via email on December 9, 2010	Overage "bags" change to "tags"; SBWMA relief from purchasing battery/cell-phone bags; On-call bulky item collection temporary schedule for January 2011. Approved by: Foster City.
Franchise Agreement(s)	N/A	Via email on December 13, 2010	Member Agency self haul remittance of payments to SBWMA by Recology. Approved by: Burlingame, Foster City, Redwood City.
Franchise Agreement(s)	N/A	Via email on June 3, 2011	Six Member Agencies (i.e., Belmont, Burlingame, Foster City, Menlo Park, Redwood City, San Carlos and City of San Mateo) are requested to allow Recology to continue using used collection vehicles through September 30, 2011. Approved by Foster City.



STAFF UPDATE

To: SBWMA Board Members
From: Hilary Gans, Facility Operations Contracts Manager
Date: October 27, 2011 Board of Director's Meeting
Subject: Shoreway Construction Update

Financial Update

On July 23, 2009 the Board approved the sale of Bonds for the Shoreway Master Plan Project in a total dollar amount of \$56.5 million of which \$46.97 million was dedicated to actual physical improvements. Through the end of September 2011, \$44,869,500 has been spent, leaving a fund balance of \$2,107,300 (The SEC Master Plan Budget table on page 4 of this report shows the Master Plan expenditures by category through September 2011).

At this time, it is forecasted that there are sufficient funds to cover the remaining project expenditures through the completion of the Master Plan project without tapping the transfer station bid deduct funds of \$515,000 or the projected remaining unallocated project contingency of \$211,000.

Issues of Note

None to report.

Construction Update

This project update summarizes the status of the construction of the Shoreway Master Plan Phase II improvements which include the construction of new Materials Recovery Facility (MRF) building, modifications to the Transfer Station (TS), and various site work; and Phase III improvements which are comprised solely of the purchase and installation of the single stream processing equipment. A contract in the amount of \$16,209,000 was awarded to SJ Amoroso on July 23, 2009 for Phase II of the Master Plan construction work. On October 7, 2009 the Board approved a contract with BHS for \$15,713,180, exclusive of sales tax, for the Phase III work. This report includes a discussion of completed and upcoming construction activities, updates to the construction schedule, and a summary of the project budget.

Construction and Other Project Activities

The following construction activities occurred over the past month:

MRF Building

- o Construction complete and pending Final Occupancy permit
- o Repair of ruptured City owned sewer line along Shoreway Road
- o Water supply piping to process area
- o Installation of education center exhibits and graphical displays
- o Installation of MRF educational banners

Transfer Station (TS)

- o Construction complete and pending Final Occupancy permit
- o Water supply piping to process area
- o Installation of landscaping in front and back of TS

Equipment Installation

- o Contract Closeout and final contract payment
- o Enhancements to the MRF equipment dust collection system
- o Installation of equipment guarding

The following construction activities are expected to occur during the next reporting period:

MRF Building

- o Safety ladder and roof walkways
- o Frontage sign lighting
- o Landscape plantings

Transfer Station

- o Installation of MRF residue shuttle conveyor inside TS
- o Tunnel gate installation
- o Frontage sign lighting

Equipment Installation and Other Project Activities

- o Installation of Single Stream system reporting software package
- o Residue transfer shuttle conveyor inside TS

Other Buildings and Project Activities

- o Re-landscape of Recology administrative building
- o Re-landscape of back of transfer station parking area
- o Relamping Recology truck and container shop with energy efficient lighting

Construction Schedule

Construction Notice to Proceed (NTP) was issued to SJ Amoroso effective September 14, 2009. The established contract duration for Final Completion is 630 calendar days which corresponds to a completion date of June 6, 2011. A summary of the schedule's major milestones is shown on the next page:

<u>Activity</u>	<u>Contract Baseline Schedule</u>	<u>Schedule Update</u>
Notice to Proceed (NTP)	Sept. 14, 2009	Sept. 14, 2009
MRF Milestone A (MRF process area ready for equipment install)	July 11, 2010	August 21, 2010
MRF Equipment Installation Start Date	June 10, 2010	August 23, 2010
MRF Equipment Start-up	Jan 31, 2011	April 4, 2011
Transfer Station Operational (self haul tip area ready for operation)	N/A	Week of June 6, 2011
Final Contract Completion	June 6, 2011	<i>December 15, 2011</i>

Project Expenditures Summary

- **Construction Budget (S.J. Amoroso)**
 - No payments to SJ Amoroso for the month of September 2011. Cumulative progress payments made to Amoroso through the end of September 2011 total \$16,209,000 on a total contract amount of \$16,209,000 (*Amoroso has been paid 100% of their budget for Construction*).

- **Construction Management Budget (Covello)**
 - Payments to Covello for the month September 2011 total \$9,006 on a monthly forecasted amount of \$0.
 - Cumulative progress payments made to Covello through September 2011 total \$1,763,147 on a budget of \$1,826,050. (*Covello has been paid 97% of their Construction Management budget*).

- **Design Support Services (JRMA)**
 - Payments to JRMA for the month of September 2011 total \$2,345 on monthly forecasted amounts of \$0.
 - Cumulative progress payment made to JRMA for Design Support Services through the end of September 2011 total \$485,827 on a project budget amount of \$597,000 (*JRMA has been paid 82% of their budgeted amount for Design Support Services*).

- **MRF Processing Equipment and Installation (BHS)**
 - No progress payments to Bulk Handling Systems (BHS) through September 2011.
 - Cumulative progress payments made to BHS for both equipment manufacture and system installation through the end of September 2011 total \$16,658,914 on a budget of \$16,901,400 (*BHS has been paid 99% of the budgeted amount for equipment and installation, there are still retainage dollars being with held for change order work*).

- **Other Master Plan Project Expenditures**
 - Egan Plumbing has installed fire suppression water supply in the MRF and transfer station and has been paid \$27,885 out of the Master Plan funds.

Master Plan Project - Bond Funds Status

A summary of the Master Plan budget and expenses through September 2011 is presented in the SEC Master Plan Budget table on the next page. Through the end of September 2011, \$44,869,500 has been spent on a total project budget amount of \$46,971,900 with a project balance of \$2,107,300.

SHOREWAY ENVIRONMENTAL CENTER MASTER PLAN BUDGET

THROUGH SEPTEMBER 2011

(000's)

	Vendor	Original Project Budget Amount	Allocated Contingency	Revised Project Total	Spent Amount	Remaining Amount
PROJECT COST SUMMARY						
Preliminary Costs						
Planning, Design & Engineering	Various	2,404.0	28.5	2,432.5	(2,424.6)	7.9
Bond Issuance Costs		90.5	(7.4)	83.1	(83.1)	0.0
Phase I						
Construction	Rodan	2,405.0	31.3	2,436.3	(2,436.3)	0.0
Construction Management	Covello	444.3	15.9	460.2	(460.2)	0.0
Phase II						
Construction	Amoroso	16,209.0	-	16,209.0	(16,209.0)	0.0
Construction Contingency (10%)	Amoroso		3,053.9	3,053.9	(3,015.7)	38.2
Permit, CM, & Design Support Services	Covello/JRMA	2,259.0	714.0	2,973.0	(2,663.6)	309.4
Construction Soft Costs	Various	786.7	-	786.7	(269.7)	521.9
Phase III						
Equipment Installation	BHS	2,432.4	30.0	2,462.4	(2,462.4)	0.0
Contingency (10%)	BHS		246.2	246.2	(79.0)	167.2
Camera System, elec.		85.0	-	85.0	(66.0)	19.0
Supplemental Fire Suppression		75.0	-	75.0	(22.2)	52.8
Equipment	BHS	14,273.2	81.2	14,354.4	(14,332.7)	21.7
Contingency	BHS		492.8	492.8	(333.0)	159.8
Construction Management	Various	95.0	-	95.0	(12.0)	83.0
Project Total		41,559.1	4,686.4	46,245.5	(44,869.5)	1,380.9
Other Project Dollars						
Unallocated Contingency (Balance of Funds)		4,684.8		4,684.8	(4,473.4)	211.4
Transfer Station Public Area (SJA Bid Deduction)		728.0		728.0	(213.0)	515.0
Project Subtotal		46,971.9				2,107.3



NOVEMBER 2011 – FEBRUARY 2012 BOARD AGENDA ITEMS (SUBJECT TO CHANGE)

- Board Workshop on Commercial Recycling Outreach and Promotion Program and Results of Recology San Mateo County Efforts -- **To be rescheduled**

November 17, 2011

- Approval of Quarterly Investment Report as of 9/30/11
- Approval of 2012 Board Meeting Calendar
- Shoreway Education Center Tour Bus Funding and Tour Reservation Protocol
- Presentation on Future Strategic Priorities and Planning
- Consideration of Shoreway Facility Tipping Fee Adjustments for 1/1/12

January 26, 2012

- Election of New Officers for 2012
- Resolution Accepting the Fiscal Year 2009-2010 Annual Financial Statements
- Mid Year Review of FY2012 Annual Operating Budget
- Review of Investment Policy
- Update on 2013 Rate Setting Process

February 2012

- Board and Staff Retreat on Strategic Planning – date and time TBD

February 23, 2012

- Approval of Quarterly Investment Report as of 12/31/11
- Resolution Approving Mid-Year Budget Adjustments FY2012