



A Public Agency

SHOREWAY OPERATIONS AND CONTRACT MANAGEMENT

STAFF REPORT

To: SBWMA Board Members
From: John Mangini, Senior Finance Manager
Date: April 23, 2020 SBWMA Board of Directors Meeting
Subject: Resolution Approving an Amendment to South Bay Recycling's 2020 Compensation Tonnage Rate for Transfer Station Material Handling

Recommendation

Staff recommends the Board approve of Resolution 2020-17 attached hereto authorizing the following action:

- Approval amending South Bay Recycling's (SBR) 2020 Compensation tonnage rate for Transfer Station Material Handling from \$13.95 per ton to \$13.97 per ton.

Analysis

On September 26, 2019 the Board approved SBR's 2020 Compensation Application, which included a Transfer Station Material Handling compensation rate of \$13.95 per ton. SBR's Final Compensation Application contained a Transfer Station rate of \$13.97 per ton. The amount of \$13.95 per ton was presented to the Board for approval, as Staff had identified and communicated a perceived error to SBR, which was not corrected by SBR on their Final Compensation Application.

SBR subsequently advised Staff that this was not an error in the 2020 Compensation Application, rather an intentional correction of the prior (2019) year rate, which resulted in a \$.02 correction to the 2020 rate per ton. This adjustment would be effective January 1, 2020 to create an accurate base for SBR's compensation for the remaining four years of the Operating Agreement. This contract expires December 31, 2023.

Staff has verified the recommended correction of the 2019 Rate Application and resulting \$.02 adjustment to the 2020 rate per ton retroactively applied to January 1, 2020.

Fiscal Impact

Correcting the SBR's Transfer Station Material Handling rate will result in an annual fiscal impact of roughly \$7,000.

Attachments:

Resolution 2020-17

Attachment A – SBWMA Staff Report Reviewing the 2020 South Bay Recycling Compensation Application



RESOLUTION NO. 2020-17
RESOLUTION OF THE SOUTH BAYSIDE WASTE
MANAGEMENT AUTHORITY BOARD OF DIRECTORS
APPROVING AN AMENDMENT TO SOUTH BAY RECYCLING'S 2020 COMPENSATION
APPLICATION FOR TRANSFER STATION MATERIAL HANDLING

WHEREAS, The South Bayside Waste Management Authority (SBWMA) prepared and issued to the SBWMA Board of Director's on September 26, 2019 the SBWMA Final Report on Review of 2020 South Bay Recycling's (SBR) Compensation Application (Report); and

WHEREAS, The Transfer Station Material Handling Rate per ton was approved by the Board at \$13.95 per ton at the September 26, 2019 Board of Directors Meeting, and

WHEREAS, SBR's Final Compensation Application contained a Transfer Station Rate of \$13.97 per ton, and

WHEREAS, Staff has reviewed and verified the corrected rate of \$13.97 per ton.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves amending SBR's 2020 Compensation Tonnage Rate for Transfer Station Material Handling from \$13.95 per ton to \$13.97 per ton.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 23rd day of April, 2020, 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. 2020-17 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on April 23, 2020.

 Jess E. (Jay) Benton, Chairperson of SBWMA

ATTEST:

 Cyndi Urman, Board Secretary



STAFF REPORT

To: SBWMA Board Members
From: John Mangini, Senior Finance Manager
Hilary Gans, Sr. Operations & Contracts Manager
Date: September 26, 2019 SBWMA Board of Directors Meeting
Subject: Resolution Approving the South Bay Recycling 2020 Compensation Application and the Final SBWMA Report

Recommendation

Staff recommends the Board approve of Resolution 2019-52 attached hereto authorizing the following action:

- Approval of 2020 South Bay Recycling (SBR) Compensation Application. **Exhibit A** contains the SBWMA Final Report - Review of 2020 South Bay Recycling Compensation Application for Board consideration.

Summary

The SBWMA has reviewed the SBR 2020 Compensation Application and SBR has modified the application as necessary to address comments and concerns. Staff has verified that the Compensation Application is complete and meets the requirements of the Facility Operations Agreement. The Total Compensation for SBR in 2020 is recommended to be \$19,779,506 which is \$397,347 (2.1%) higher than in 2019.

Analysis

Total Compensation for SBR in 2020 is recommended to be \$19,779,506 which is \$397,347 (2.1%) higher than in 2019. Notable variances include: 1) a decrease in non-CBA Labor (VRS) of 3.11% effecting the MRF service element, 2) a scheduled reduction in Interest Expense that is 64.1% lower than prior year and, 3) a 18.8% increase in the fuel index. **Table 1** provides a summary of the specific dollar amounts of the major elements impacting the increase from SBR's 2019 compensation.

The decrease in non-CBA Labor (VRS) is the result of a modification to SBR's 2020 Compensation Application related to applying profit to the VRS Program costs twice in the Compensation Application. This modification also applies the compensation in prior years to the benefit of the SBWMA - The SBWMA and SBR will make corrections to prior year compensation and Staff will report the results of the compensation modification to the Board at a subsequent Board Meeting.

Table 1.

2019 Costs & Fees vs. 2020 Costs & Fees					
SOUTH BAY RECYCLING	2019		Adjustment	2020	
	Total Cost	Fee/Ton	%	Total Cost	Fee/Ton
Operating Cost					
Transfer Station	\$ 4,844,789	\$ 13.54	3.0%	\$ 4,990,800	\$ 13.95
Recyclable Materials Processing, net of Residue	\$ 6,817,455	\$ 92.10	1.0%	\$ 6,887,583	\$ 93.05
Transportation (<i>cost/ton-mile</i>)	\$ 6,834,758	\$ 1.13	3.2%	\$ 7,054,511	\$ 1.16
<i>Transport (cost/ton)</i>	-	\$ 19.11	3.2%	-	\$ 19.72
Total Operating Cost	\$ 18,497,002		2.4%	\$ 18,932,894	
Contractor Pass-Through Costs					
Total Interest	\$ 60,158		-64.1%	\$ 21,612	
Buyback Payments	\$ 825,000		0.0%	\$ 825,000	
Total Contractor Pass-Through Cost	\$ 885,158		-4.4%	\$ 846,612	
Total Compensation	\$ 19,382,160		2.1%	\$ 19,779,506	

(Note: the total costs shown in the above table are for illustration purposes and that the actual payment to SBR is based on the approved payment per ton times the **actual** number of tons received at the Shoreway facility).

Background

Each year, the SBR Compensation Application is brought forward to the TAC and Board simultaneously with the Recology San Mateo County (RSMC) report (this application was reviewed at the joint 9/12/19 BOD/TAC meeting and there were no questions).

On July 5, 2019 SBR submitted a 2020 Compensation Application to the SBWMA, as required under the Shoreway Operations Agreement (Article 7.12 prescribes the process by which this application is reviewed and the company's compensation is approved). The SBWMA staff reviewed the SBR 2020 Compensation Application for completeness, accuracy and consistency and issued a SBWMA Draft Report Review of 2020 South Bay Recycling Compensation Application on August 15th. The SBWMA staff requested that Member Agencies provide input on the Draft Report by August 26th. The County of San Mateo submitted questions on the August 15 Draft Report. Their questions were addressed by the SBWMA and resulted, in part, to the VRS modification noted in this staff report.

Rate Setting and Approval Process

It is important to note that the approved compensation for SBR will be part of the 2020 Shoreway tip fees to be charged at the Shoreway facility. (The Shoreway tip fees are based on all the SBWMA operating costs that include SBR's compensation, off-site disposal and processing expense, fees paid to San Carlos, and SBWMA program budget, less commodity revenue). SBWMA operating cost, based on Shoreway tipping fees, are included as a pass-through expense in the calculation of each Member Agency's total Collection Revenue Requirement (shown as "Disposal and Processing Fees" the SBWMA Report Reviewing the 2020 Recology San Mateo County Compensation Application) for setting solid waste collection rates.

Fiscal Impact

The SBR 2020 Compensation Application indicates that the company's Total Compensation will increase by \$397,347 or 2.1% over prior year (compared to last year's adjustment of 2.8%). Details of SBR compensation can be found in Exhibit A: SBWMA Report - Review of 2020 South Bay Recycling Compensation Application.

Attachments:

Resolution 2019-52

Exhibit A – SBWMA Final Report Reviewing the 2020 South Bay Recycling Compensation Application



RESOLUTION NO. 2019-52
RESOLUTION OF THE SOUTH BAYSIDE WASTE
MANAGEMENT AUTHORITY BOARD OF DIRECTORS
APPROVING THE SOUTH BAY RECYCLING 2020 COMPENSATION APPLICATION AND
THE FINAL SBWMA REPORT

WHEREAS, The South Bayside Waste Management Authority (SBWMA) prepared and issued to the SBWMA Board of Director's on September 26, 2019 the SBWMA Final Report on Review of 2020 South Bay Recycling (SBR) Compensation Application (Report); and

WHEREAS, SBWMA staff requested Board Member and Member Agency review of a Draft Report (concurrent with review of the Draft Report on 2020 RSMC Compensation Application) and requested comments, questions and concerns to be submitted by August 26, 2019; and

WHEREAS, SBWMA revised the Draft Report based on any comments received from Board Members and Member Agencies and additional information provided by SBR and issued the Final Report (**Exhibit A**) to the Board of Directors; and

WHEREAS, the Final Report recommends adjustments to SBR's compensation from its 2019 base costs to 2020.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the SBWMA Final Report on Review of 2020 South Bay Recycling Compensation Application.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 26th day of September, 2020, 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. 2019-52 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on September 26, 2019.

 Jess E. (Jay) Benton, Chairperson of SBWMA

ATTEST:

 Cyndi Urman, Board Secretary