



A Public Agency

# SHOREWAY OPERATIONS AND CONTRACT MANAGEMENT



## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Hilary Gans, Senior Facility & Contract Manger  
**Date:** June 25, 2020 Board of Directors Meeting  
**Subject:** Resolution Authorizing the Executive Director to Execute a Contract with Tanner Pacific for Construction Management services at the Shoreway facility for FY20/21.

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### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2020-30 attached hereto authorizing the following action: **Resolution Authorizing the Executive Director to Execute a Contract with Tanner Pacific for Construction Management services for FY20/21 for a not to exceed amount of \$53,328.**

### Analysis

SBWMA staff requires construction management support to complete Shoreway maintenance and capital projects. The Board approved FY20/21 Budget contained several capital projects and **Attachment A** provides a detail list of the projects to be completed at Shoreway. Staff is looking to TannerPacific to assist in the construction management of these projects by: developing technical specifications, engineered drawings, and public bidding of Shoreway projects; and after project award, construction management services including permit coordination, management of request for information (RFI), inspection of completed work, and progress payment sign-off.

TannerPacific's work for the SBWMA will be performed on a time & materials basis. TannerPacific has provided a cost estimate (Attachment A) for the total level-of-effort for Construction Management services for FY20/21. TannerPacific's cost effectiveness was evaluated against other CM firms and their cost/hour bill rate is reasonable for the services required. Since TannerPacific is the CM firm for SVCW, they are able to provide unique connectivity between the SBWMA and SVCW which is important for the launch and contractual management of the O2E project.

### Background

TannerPacific was selected by Staff because the company has demonstrated a keen awareness to the SBWMA's needs for strong on-site support in coordination with ongoing facility operations. TannerPacific is a local construction management firm that has extensive knowledge of the Shoreway Environmental Center and who's employees worked on the Shoreway Master Plan projects between 2008-2011. During Master Plan selection process several CM firms were evaluated and Covello/TannerPacific was determined to provide the lowest hourly with offices closest to the Shoreway facility. Over the past years, TannerPacific has continued to deliver good value and quality of services.

### Fiscal Impact

The estimated cost for Construction Management offered by TannerPacific over the 1-year term of the planned construction projects is \$53,328. The costs for the Construction Management services will be drawn from a

combination of the 1) the operations budget line item Facility Improvement Oversight and 2) assigned to Capital Expense projects where the construction management service are used to support the projects.

**Attachments:**

Resolution 2020-30

Attachment A - List of Shoreway Project with Level-of-Effort cost estimates for Construction Management Support



## RESOLUTION NO. 2020-30

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS Resolution Authorizing the Executive Director to Execute a Contract with Tanner Pacific for Construction Management services for FY20/21

**WHEREAS**, the SBWMA owns and maintains the Shoreway Environmental Center,

**WHEREAS**, the SBWMA requires construction management assistance in performance of the various capital and maintenance projects,

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves a Resolution Authorizing the Executive Director to Execute a Contract with Tanner Pacific for Construction Management services for FY20/21 with a not to exceed amount of \$53,328.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California the 25th Day of June, 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 - 30 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 25, 2020.

ATTEST:

\_\_\_\_\_  
Jay Benton, Chairperson of SBWMA

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Cyndi Urman, Board Secretary

# ATTACHMENT A

		Engineer	Inspector	
TPI Number			Task Order	Total TP Budget
	<b>Mechanics Shop roof repair</b>	Andrew		\$5,656
	<b>Fire system engineering and installation at MRF</b>	Andrew		\$18,848
	<b>Shoreway electrical supply assessment</b>	Andrew		\$11,272
	<b>Phase II MRF</b>	Andrew		\$6,272
	<b>WWTP coordination with SVCW</b>	Andrew		\$5,672
	<b>HVAC replacement Recology truck Shop</b>	Joel		\$5,608
				<b>\$53,328</b>

## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Grant Ligon, Management Analyst III  
Hilary Gans, Sr. Operations and Engineering Manager  
**Date:** June 25, 2020 SBWMA Board of Directors Meeting  
**Subject:** Resolution An Approving Organics Processing Agreement with Recology-BVON for a Five Year Term, 2021-2025, at a Cost of Approximately \$5,437,238

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### **Recommendation**

It is recommended that the SBWMA Board of Directors approve Resolution No. 2020-31 attached hereto authorizing the following action: **Approving An Organics Processing Agreement with Recology-BVON for approximately \$5,437,238 for 2021-25** (Agreement can be found in Exhibit A).

### **Summary**

The current Agreement for Organics Processing Services with Recology-Blossom Valley Organics North (BVON) expires on December 31, 2020. A Request for Proposal (RFP) process was conducted starting in February of 2020. This process resulted in one proposal being received. This proposal was submitted from our current service provider, Recology-BVON. While the proposed services to be provided within the scope of this contract by Recology-BVON are the same as the current contract and with similar volumes, the costs proposed by the company have increased dramatically (93%) which will result in a projected cost increase to the SBWMA of \$2,622,785 per year.

The lack of responses to this procurement solicitation and the increase in costs clearly indicate that there is a serious gap in available organic processing capacity to serve the Bay Area cities and regional marketplace. Furthermore, the anticipated future increase in organics volumes resulting from State Senate Bill 1383 will only exacerbate this shortage. This unfavorable scenario underscores the vital importance of the SBWMA's commitment to the current Organics-to-Energy (O2E) pilot project's operational, environmental and cost-avoidance goals. Upon the O2E pilot's proof-of-concept and presumed full scale-up, the larger O2E project would allow the Agency to redirect all commercial food waste and targeted organics-rich loads to local Waste Water Treatment Plants for green energy recovery. This scenario will be favorable to the Agency because these materials are the most expensive classification for composters to process. Even at full-scale up, however, it is important to note that the Agency will still need strong composting partnerships in the future to properly divert the remaining green waste materials that we collect from our 435,000 residents and 11,000 businesses and multi-family properties.

Given the lack of respondents to this RFP process, and given the fact that Recology-BVON has provided the agency with extremely reliable composting services over the past two contract terms, staff is recommending the Agency enter into a new 5-year Agreement (plus a 2 year extension that can be mutually agreed upon) with Recology-BVON. This proposed base term would begin on January 1, 2021 and expire on December 31, 2025. A two-year extension period is also included in this agreement language that, if activated by mutual agreement, would be from January 1, 2026 to December 31, 2027.

## **Analysis**

### ***Current Materials Handling***

Currently organic materials are collected in the service area by Recology San Mateo County (Recology) and delivered to the Shoreway Environmental Center where they are loaded onto transfer trailers and transported by SBR to two compost facilities - Newby Island composting facility in San Jose and the Recology-BVON compost facility outside of Tracy. The current agreement for composting services with Recology-BVON will expire on December 31, 2020. In February, Staff distributed this RFP solicitation package via the following channels, as required by the Agency's Purchasing Policy:

- Directly to 16 known industrial-scale composting facilities in the greater bay area/Northern California region.
- Public posting of an RFP for Composting Services online with an active link to the RFP documents, and
- Noticing in the San Mateo Daily Journal on March 12, 2020.

One proposal was received by the April 8, 2020 deadline. It was from Recology's Blossom Valley Organics North business unit (BVON).

As presented to the Board in the past, the lack of compost facilities and the difficulty of permitting new facilities has led to an extreme shortage of compost processing capacity necessary to handle the large amount of organic materials generated and diverted by Bay Area cities. In the future, this gap in composting capacity is forecast to be further constrained as organic materials volumes are mandated to increase through SB 1383's implementation by California cities during the next few years. To independently verify this situation, Staff reviewed R3 Consulting's 2019 report prepared for CalRecycle summarizing the status and capacity of permitted regional composting facilities throughout the state. The R3 Consulting report concluded that there is a severe shortage in composting capacity in the Northern California market.

### ***Evaluation of Cost and Other Factors***

A cost increase between \$2,622,785 for 2021 scenario A (below), in which both the Residential Green Waste (RGW) and Commercial Source-Separated Organics (CSSO) Tipping Fees are separately used, and \$3,170,677 (for 2021 scenario B, in which only the Mixed Organics Tipping Fee is used) per year is anticipated versus the current cost for service by Recology-BVON (see **Table 1**). That projected current annual cost, not including transportation (which is performed by Shoreway Site Operator South Bay Recycling, Inc.), for processing these organic materials at Recology-BVON in 2020 is \$2,814,453, given how only the Mixed Organics tipping fee is used. This occurs due to how the Transfer Station merges collected RGW and CSSO into one pile for off-hauling to Recology-BVON and Newby, meaning Recology-BVON cannot differentiate in the SBWMA inbound loads they receive, and thus must charge the Mixed Organics rate. Within the current 2015-20 Agreement, the Mixed Organics tipping fee is relatively low (only slightly higher than the lowest RGW tipping fee, and much lower than the CSSO tipping fee). Thus, there is minimal financial incentive to keep collected RGW and CSSO loads separate, as the Mixed Organics rate gives a lower tipping fee than if the two individual tipping fees are used separately (for 2020 the latter projected weighted tipping fee would be \$43.42, higher than the \$39.03 Mixed Organics tipping fee).

In contrast, under the proposed Agreement, the Mixed Organics tipping fee of \$83.00 is nearly as high as the CSSO tipping fee of \$85.00. Thus it makes strong financial sense for the Agency in 2021 to keep the inbound RGW and CSSO apart in the Transfer Station, to facilitate separate transportation to Recology-BVON to be charged the separate tipping fees. That would translate to a weighted tipping fee of \$75.40, lower than the \$83.00 Mixed Organics tipping fee. The costs under the new Agreement are estimated at \$5,437,238 (Scenario A, with separate RGW and CSSO tipping fees) to \$5,985,130 (Scenario B, with Mixed Organics tipping fee only), using the same projected tonnages by each of the two material types for both 2020 and 2021. This results in a 93% (A) to 113% (B) increase, or near-to-over doubling in the processing cost at Recology-BVON. Scenario A is selected going forward for budgeting projections and operating conditions given its financial benefits to the SBWMA.



**Table 1. BVON Rate Change Impact.**

<b>Composter</b>	<b>Material Type</b>	<b>Tipping Fee (1)</b>	<b>Annual Tonnage (2)</b>	<b>Annual Cost (1x2)</b>	<b>% Increase</b>
Recology BVON – 2020	Residential Green Waste	\$34.67	--	--	--
	Commercial SSO	\$56.55	--	--	--
	Mixed Organics	\$39.03	72,110	\$2,814,453	--
	<b>Total</b>	--	72,110	\$2,814,453	--
Recology BVON – 2021	Residential Green Waste	\$69.00	43,257	\$2,984,733	--
	Commercial SSO	\$85.00	28,853	\$2,452,505	--
	Total (Scenario A)	--	72,110	\$5,437,238 (A)	<b>93%</b>
	Mixed Organics (Scenario B)	\$83.00	72,110	\$5,985,130 (B)	<b>113%</b>
	<b>Total Est. Cost Increase</b>			<b>\$2,622,785 (A)</b>	--
	<b>Total Est. Cost Increase</b>			<b>\$3,170,677 (B)</b>	--

The justification offered by Recology-BVON for the per ton tipping fee increases from 2020 to 2021 is that the company's costs of operation have significantly increased due to much more stringent permit requirements for significant capital improvements to comply with extensive mandated stormwater management compliance, site odor management, a transition of the facility labor force to a collective bargaining environment, and residue disposal costs. For example, their site is currently in the process of converting their windrow composting facility to a covered aerated static pile system.

Beyond cost, the other major difference (again, unfavorable to the SBWMA) between the current and proposed Agreement with Recology-BVON is the contamination level. The proposed agreement has an 8% limit on contamination for all but the RGW loads (set at 5% contamination), while the current Agreement has a tiered system uniform for the three material types that levies progressively higher penalties starting at 5% contamination, and allows for contamination as high as 20%. Since the SBWMA suspended the Contamination Monitoring (2017) that was part of the Restated and Amended Franchise Agreement with Recology San Mateo County (RSMC), the Agency does not have data on the current contamination levels in the organics shipped to Recology-BVON. As proposed in the new BVON agreement, if the SBWMA loads contain greater than 5% contamination for RGW or 8% contamination for the CSSO and Mixed Organics material streams (which will be permitted up to 10% contamination in Year One, to allow for smoother transition to the more stringent 8% contamination standard), Recology-BVON can reject and dispose of inbound loads, and assess a financial penalty to the SBWMA.

Should BVON assess contamination penalties on SBWMA organics loads, then it will be a clear indication that RSMC is out of compliance with **Section 6.2 Limitation on Contamination** of the Collection Services Franchise Agreement that strictly limits contamination on organics and recyclables. Also, at the SBWMA's discretion and based on SBWMA Board's reinstating the quarterly contamination sampling plan (which the Board decided to not enforce following Restated and Amended Franchise Agreement completion), contamination penalties in the Franchise Agreement can be enforced to prevent excessively contaminated materials from being delivered to the Shoreway Environmental Center by RSMC. Section 6.2 of the Franchise Agreement sets those maximum contamination levels for RSMC at 5% for MFD and Commercial Plant Materials and Single-Family Organic Materials (RGW), and 10% for Commercial Organic Materials (CSSO).

Regarding Service Quality, for the past 10-years Recology-BVON has provided reliable composting services to the SBWMA. SBR has been able to consistently transport organics to this facility without problem and has not had problems turning trucks around quickly. These operational attributes are extremely important to our Agency's financial cost management objectives.

Given the SBWMA's large daily volume of organic materials received, Staff feels that it is important to maintain a diversity of outlets for the organic materials. Therefore, Staff is recommending to continue with Recology-BVON based on the goal of splitting the organic materials generated by the SBWMA between two composting service providers.

### **Agreement**

An Agreement for Organic Materials Processing, signed by Recology-BVON, is provided in **Exhibit A**.

### **Background**

The SBWMA currently generates approximately 120,000 tons per year of source separated compostable materials from residential, multi-family, and commercial collection programs - about 26% of the total volume of materials that flows through the Shoreway Environmental Center.

- On April 2, 2008 the SBWMA issued an RFP for Organic Materials Processing Services. Six companies proposed and the two that provided the lowest overall cost for the SBWMA were Newby and Recology-Grover (now know as BVON).
- On April 22, 2010, the Board approved four-year agreements with Newby and Recology-Grover for Organic Materials Processing Services that expired on December 31, 2014. Both composting services agreements were renewed in 2014: one with Newby through 2017 (which was then renewed for another five years, through 2022) and one with Recology-BVON through 2020.

### **Fiscal Impact**

The impact of tip fee increases for composting services is anticipated in the FY20/21 budget. Under normal (non-COVID) circumstances the fiscal impact as included in the FY 20/21 budget of the \$28.45 to \$43.97 per ton rate increases will be \$2,622,785 (see **Table 1**), but note that **the FY 20/21 budget set for approval is planning on 35% reduction in food waste inbound tonnage**. That may reduce the Recology-BVON disposal costs due to less CSSO tons being charged at the new higher tipping fee, which is not being incorporated into this Staff Report and budgeting in order to keep a conservative approach. The annual rate of change is fixed at that of the All Urban Consumers Index (CPI-U) for the San Francisco Bay Area for the five base years and mutually agreed-upon extension for 2 years (if executed). Staff will evaluate the overall budget impact of this change as well as others and provide the Board recommendations for setting Shoreway gate fees in 2021.

### **Environmental Impact**

California Environmental Quality Act (CEQA): In accordance with Section 15061(b)(3) of the CEQA Guidelines, no environmental review is necessary because it can be seen with certainty that there is no possibility that the recommendation in this report may have a significant negative effect on the environment. Continuing the services provided by Recology-BVON will divert green waste from disposal at landfills in compliance with SBWMA goals and regulatory requirements.

### **Attachments:**

#### **Resolution 2020-31**

**Attachment A - [Organics Processing Agreement for 2021-25 with Recology-BVON available online only at www.rethinkwaste.org](http://www.rethinkwaste.org)**

**NOTE: The document at the above link will be available no later than 06/22/2020 at 2PM**



## RESOLUTION NO. 2020-31

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING AN ORGANICS PROCESSING AGREEMENT WITH RECOLOGY-BVON FOR A FIVE YEAR TERM, 2021-2025, AT A COST OF APPROXIMATELY \$5,437,238

**WHEREAS**, the South Bayside Waste Management Authority (SBWMA) desires to engage qualified contractors to render processing services at a composting facility for Organic Materials generated from the SBWMA Member Agencies (the Services); and

**WHEREAS**, the SBWMA has negotiated an Agreement with Recology-Blossom Valley Organics North (BVON), attached hereto as Exhibit A, which will provide the highest quality Services for the SBWMA and its Member Agencies; AND

**WHEREAS**, approval of the proposed Agreement is exempt from the requirements of the California Environmental Quality Act (CEQA) and no environmental review is necessary because, in accordance with Section 15061(b)(3) of the CEQA Guidelines, it can be seen with certainty that there is no possibility that the recommendation in this report may have a significant negative effect on the environment. Continuing the services provided by Recology-BVON will divert green waste from disposal at landfills in compliance with SBWMA goals and regulatory requirements.

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby authorize that the Agreement with Recology-BVON attached hereto as Exhibit A is approved and the Executive Director is authorized to sign the Agreement.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 25<sup>th</sup> day of June 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. 2020-31 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on June 25, 2020.

ATTEST:

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Jess E (Jay) Benton, Chairperson of SBWMA

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Cyndi Urman, Board Secretary