



Shoreway Environmental Center Operations Agreement RFQ Process Staff Update

SBWMA Board of Directors
September 22, 2022



A Public Agency

Procurement Timeline: 2022 to 2023

Description	2022												2023
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
3 Phase 1: Review Proposals (Statement of Qualifications)													
4 Phase 1: Identify Proposers to Advance to Phase 2						● 6/24/22 Board Approved Two Proposers advancing to Phase 2							
5 Phase 2: Conduct Parallel Negotiations with Proposers													
Conduct negotiations; request information from proposers													
AHBSC meeting - Negotiations update; seek guidance													
Board meeting - Negotiations update; seek guidance													
Board meeting - Select operator; approve contract													
6 Execute Contract and Mobilization/Transition Plan (if applicable)													
Support contractor's preparation of mobilization/transition plan (3 meetings)													

Proposal Evaluation

Common characteristics of both proposers:

- Relevant proposer qualifications operating similar facilities
- Sound technical approach + transition plans
- Use of new technology + innovations at their facilities
- Direct experience w/L. 350 + commitment to retain staff
- Successful regulatory compliance and track records
- Safety records within industry range
- Strong municipal references
- No areas of financial concern
- Comparable financing strategies, primarily using CPCFA financing



Key Operations Agreement Modifications

1. Compensation mechanism:

- a. Multi-index annual adjustments
- b. Some costs through cost-based adjustment for Year 4; up to two other times
- c. Changes in variable costs above defined tonnage level through cost-based reviews
- d. O2E cost-plus during pilot; shift to service fee arrangement for permanent program
- e. Minimum base compensation guarantee on 12% lower tonnage levels

2. Stormwater costs:

\$1.5M from contractor for improvements; additional capital to be provided by SBWMA

Key Operations Agreement Modifications

3. Recyclable materials processing and marketing:

- a. Maintain current \$4.7M guarantee; 90/10 share SBWMA/contractor (current 75/25)
- b. MRF residue transport and disposal costs
 - a. Specify SBWMA pays for contaminants and approved recyclables disposed due to lack of markets
 - b. Specify contractor pays for targeted recyclable materials that are not recovered
 - c. Remove penalty for excessive residue levels
- c. Unusual market circumstances for recyclable commodities
 - a. Allow for reduced sales prices, changes in materials grades, payments to processors (when value is negative), and, as a last resort, disposal
 - b. Specify all such changes are subject to SBWMA approval
 - c. Indicate future CRV program changes considered

Key Operations Agreement Modifications

4. Special circumstances:

Additional circumstances included (under negotiation)

5. Term: Specify 10 yrs. + up to 2 yr. extensions at SBWMA sole discretion + up to additional 2 years in extensions at mutual discretion

6. MRF sorter labor costs: Provide opener in the event the Co. of San Mateo Vocation Rehabilitation Service (VRS) program no longer provides MRF sorters

Key Operations Agreement Modifications

7. MRF Phase II equipment improvements:

- a. Require contractor involvement in design process and support during installation
- b. Specify future negotiation of change in MRF service fee (reduced operating costs and increased commodity revenues) and change in Commodity Revenue Guarantee
- c. Request contractor funding of MRF Phase II equipment

8. Transfer station: Eliminate existing diversion requirement

9. Force majeure: Includes pandemic and epidemic

Cost Proposals and Rate Impact Analysis

Estimated Annual Increase
Over Current

60%+

Est. Monthly 32-Gal.
Customer Rate Impact*

10%+

*Monthly rate impact varies depending on
Member Agency-specific rates

Significant Cost Drivers:

- Increased profit level
- Significant increase in headcount
- Alignment of wages and benefits to match current rates in the Collective Bargaining Agreements (CBA)
- Depreciation cost increases reflecting purchase of new facility rolling stock and equipment
- Operation and maintenance cost reset to match current market conditions
- Repair and maintenance cost increases due to aging equipment
- Labor cost increases due to increased staff tenure
- Labor cost risks associated with timing for renewal of CBAs
- Fuel cost reset since historical compensation did not keep pace with actual price
- Stormwater capital improvement funding for future projects
- SB 1383 sampling costs to comply with regulations
- Aggressive Inflation

Upcoming Milestones

Sep 22	Board meeting to provide update and obtain input
Sep - Oct	Parallel negotiations
Oct	Finalization of Operations Agreements + cost proposals w/both proposers
Nov 17	Board selection of contractor + contract award
