



INTERIM EXECUTIVE DIRECTOR'S REPORT



STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Interim Executive Director & Facility Operations Contract Manager
Date: February 25, 2016 Board of Directors Meeting
Subject: Interim Executive Director Report

Board Agenda/Packet Items

Mid-Year Budget

The FY15/16 mid-year was presented by Farouk Fakira at the January Board meeting. The Board continued this item to February and requested that staff revise the mid-year budget to 1) capture the most recent actuals (tonnage and financial information) through December, and 2) to update the commodity revenue forecasting so that the most recent commodity pricing information is included into the budget forecast. The revised mid-year budget shows a variance in Net Income of \$921,628 (from an original budget amount of \$1,520,886 to the mid-year forecast of \$599,258). Staff is analyzing the effect of this change in budgeted net of income on cash reserves and will be presenting this update at the March Board meeting.

Budget Process for FY 2016/17.

Staff has begun the process of budgeting for next fiscal year. Milestones in this process include the following Board meeting items:

- March – discussion of potential Capital projects
- April – presentation of preliminary 2016/17 Operating Budget
- May – presentation of preliminary 2016/17 Operating Budget
- June – request to approve 2016/17 Operating Budget

Collection Services Updates

Contract Negotiation Process

With the approval of the Plan and Recommended Process to Negotiate an Extension to the Franchise Agreements with Recology at the January Board meeting, staff is now seeking commitments from the Member Agencies for their participation in the process by April/May. The following are the key items set forth in the Plan for the next three months:

- March – TAC meeting (Discuss Recology Self-Review due on March 3rd; Discuss Member Agency Notice regarding Commitment to Participate; Discuss formation of Ad Hoc Committee)
- April – TAC meeting (Discuss Member Agency Notice regarding Commitment to Participate; Discuss formation of Ad Hoc Committee)
- April – BOD meeting (Discuss Status of Member Agency Notice regarding Commitment to Participate and to consider formation of an Ad Hoc Committee; Receive SBWMA Review of Recology Meeting the Franchise Agreement Standards and Goals of the Contractor Selection Process)
- May – BOD meeting (Discuss Status of Member Agency Notice regarding Commitment to Participate and to consider formation of Ad Hoc Committee)

Every Other Week (EOW) Garbage Collection Pilot Program Update

On February 16, the EOW Garbage collection pilot was brought before the San Mateo City Council. Staff made a presentation on the pilot and the Council provided valuable feedback. The item was tabled pending revised messaging and a formal letter of support for the pilot from the County Department of Health, who staff has worked

closely with and already received their endorsement of the pilot. To date, Recology has received over 1,800 phone calls from the 5,200 households included in the pilot with approximately 840 opting out of participating in the pilot and 460 ordering an upsized Garbage cart for use during the pilot. (Customers can request at no additional cost a larger garbage cart for use during the pilot).

Participation in the pilot is voluntary and residents who are aware of the pilot are encouraged to participate, despite a temporary suspension of the data collection efforts. Staff will return to the City Council in the near future and it is anticipated that the Council will endorse reestablishing the pilot with updated messaging to participating households.

AB1826 – Mandatory Commercial Organics Recycling Update

California Assembly Bill (AB) 1826, mandatory commercial organics (compost) recycling, requires businesses and multi-family complexes that generate specified amounts of organic waste to arrange for organics collection service. Starting this April, businesses that generate eight or more cubic yards of organic materials per week will be required to arrange for collection service. To assist our Member Agencies with compliance, RethinkWaste has taken the lead with outreach efforts on AB1826. All commercial and multi-family property owners will receive a bill insert with information on the new law and a direct mail notification sent to businesses impacted by the April deadline. RethinkWaste is working with Recology to identify compliant and non-compliant businesses as is required by the law and to provide ongoing outreach and education. A detailed staff update will be provided at the March Board meeting.

Program and Operational Updates

SBR 2015 Annual Report

SBR issued its 2015 Annual Report this month which highlights the following significant operational information:

- Acquisition of the SBR majority ownership partner Community Recycling & Resource Recovery, Inc. by Recology Inc. occurred in March of 2015.
- Completion of the MRF Canopy construction project that enlarged the tipping area to accommodate more inbound materials.
- Third-party MRF volumes increased 18% over prior year which resulted in a total of \$462,616 in host fee revenues.
- The VRS program continues to be a success though challenges in getting a sufficient number sorters supplied by the program remain.
- Commodity pricing has continued to decline for the fifth straight year and SBR forecasts that pricing will bottom-out in 2016 and increase slightly in the second half of the year.

Impacts of Declining Commodity Markets

As illustrated in the two graphs on the following page there has been a trend of declining commodity prices since the market's high in 2011. In the past six months this downward trend has intensified, particularly for containers. Conversations and data received from other Bay Area recyclers as well as from trade journal news articles confirm that recycled commodities are declining as a result of 1) economic slowdown and declining demand from China and 2) depressed petroleum prices that make containers from virgin materials (plastics in particular) cheaper. As discussed in the Mid-Year Budget staff report, this declining commodity value has impacted the SBWMA's revenues. Commodity sales compose approximately 10% of the SBWMA total revenues and the market decline of roughly 9% has required that the Agency reduce reserve balances to cover cash flow needs. The impact on Agency reserves is currently being analyzed by staff and will be discussed in the March Board meeting.

