



NEW BUSINESS



## STAFF REPORT

---

To: SBWMA Board Members  
From: Kevin McCarthy, Executive Director  
Date: March 22, 2012 Board of Directors Meeting  
Subject: Resolution Approving Strategic Plan 2013-2020

---

### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2012-06 attached hereto authorizing the following action:

Approval of the Strategic Plan 2013-2020 document as detailed in **Exhibit A**.

### Analysis

The SBWMA Board of Directors held a special Board meeting on February 29, 2012 to review a revised draft Strategic Plan Document for the time period of 2013-2020 and discuss other strategic priorities and issues facing the JPA and its Member Agencies. The key components of a strategic plan are as follows:

### *The Components of A Strategic Plan:*

#### **Vision**

A statement about what the organization will achieve if it fulfills its mission and achieves its goals.



#### **SMART Goals**

Specific steps to accomplish the organization's mission and priorities



#### **Strategic Priorities**

The focus of the organization's work



#### **Values**

What is important to the organization?



#### **Mission**

Why does the Organization Exist

The attached Strategic Plan 2013-2020 document reflects feedback shared at the meeting by Board Members and other key stakeholders at the meeting; the original text of the draft document is shown along with the revised text highlighted in yellow.

After Board approval of the Strategic Plan, still will initiate development of a draft work plan to support a long range planning process starting in FY2013. This planning process will ultimately result in the specific smart goals

and objectives for programs and services to be implemented by the JPA as reflected in our future budgets and staff work plans.

### **Background**

On March 27, 2008 the Board adopted a one-page document entitled **Strategic Plan 2008 – 2012**. This document was reviewed at a Board retreat on February 22, 2008, and was meant as a high level summary document that captures the SBWMA's mission, values, strategic priorities, and a vision statement. More detailed operational level documents (e.g., Shoreway master plan, SBWMA long range plan, annual performance hearing report, annual rate review reports, etc.) were in place to address the agency's strategic priorities.

One of the major follow-up steps after Board approval of the Strategic Plan was to reinstate a long range planning process for the SBWMA's programmatic needs. A Long Range Plan was first developed by SBWMA staff in 2002 and updated in 2005. The intent was to prepare a new long range plan through a process called "**Green Vision 2020**" (**GV2020**), but such efforts were never started given the exceptional workload in 2008 through 2011 from the contractor selection process and facility master plan.

At the November 17, 2011 Board meeting staff made a presentation entitled "**Rethinking Our Waste: A True Success Story in San Mateo County**" to help start the Board discussion on future strategic priorities. Staff stated that we have a great foundation to build on for future success including:

- A modern, flexible new collection system for residents and businesses
- New Shoreway facility infrastructure to support current and future processing and transfer needs
- New Uniform Franchise Agreement and Shoreway Operations Agreement with high performance standards, incentives and disincentives, more transparent and accountable compensation methodology, and shared requirements to reduce contamination
- A high performing, professional and accountable organization with a lower cost overhead structure
- A great brand to build on

Staff also noted in the presentation that there are three key strategic drivers that will influence our future strategic priorities including:

- AB 341 with its 75% statewide recycling goal by 2020 and mandatory commercial recycling provisions
- Ox Mountain Disposal Agreement expiration on December 31, 2019
- Policy goal of greater rate stability and predictability

### **Fiscal Impact**

There is no fiscal impact associated with Board approval of the Strategic Plan 2013-2020 document. As part of the FY2013 budgeting process, staff will prepare a draft work plan and budget for initiating the long range planning process that follows after adoption of a Strategic Plan.

#### **Attachments:**

Resolution No. 2012-06  
Exhibit A - Strategic Plan 2013-2020



## RESOLUTION NO. 2012-06

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING STRATEGIC PLAN 2013-2020

**WHEREAS**, on March 27, 2008 the Board adopted a one-page document entitled **Strategic Plan 2008 – 2012**; and

**WHEREAS**, staff made a presentation regarding future strategic priorities to the Board on November 17, 2011; and

**WHEREAS**, the Board of Directors held a special Board meeting on February 29, 2012 to review a revised draft Strategic Plan Document for the time period of 2013-2020 and discuss other strategic priorities and issues;

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves the Strategic Plan 2013-2020 hereto attached as Exhibit A.

**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 22<sup>nd</sup> day of March, 2012, 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. 2012-06 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on March 22, 2012.

ATTEST:

\_\_\_\_\_  
James Porter, Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Board Secretary



## **Strategic Plan 2013-2020**

RethinkWaste is a joint powers authority of twelve public agencies (Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, the County of San Mateo and the West Bay Sanitary District) in San Mateo County, California and is a leader in the delivery of innovative waste reduction and recycling programs. RethinkWaste owns and manages the Shoreway Environmental Center which receives all of the recyclables, organics, and garbage collected in its service area. RethinkWaste also provides strategic oversight, support and management of service providers that collect, process, recycle and dispose of materials for the 12 Member Agencies. RethinkWaste, also known as the South Bayside Waste Management Authority (SBWMA) was formed in 1982.

### **Our Mission**

To design, implement and manage sustainable waste reduction and recycling programs, and facility infrastructure to achieve our Member Agencies' goals and community requirements.

To cost effectively design, implement and manage innovative waste reduction and recycling programs and facility infrastructure that fulfills our fiduciary responsibilities to our Member Agencies while achieving community environmental and economic goals.

### **Our Vision**

RethinkWaste is nationally recognized for environmental leadership in innovative waste reduction and recycling programs and facility infrastructure that support and enhance sustainable communities.

Rethink Waste is recognized for its innovative waste reduction and recycling programs and facility infrastructure which are dedicated to the preservation and enhancement of the quality of life and the environment for our member agency communities.

### **Core Values**

- Environmental practices and policies are important to our communities.
- Long-term planning for waste reduction and recycling programs and facility infrastructure is fundamental to achieving our mission.
- Environmental education is paramount to achieving a greater resource conservation ethic and sustainable communities.
- Delivering cost-effective and customer-friendly service.
- Collaboration and cooperation among our key stakeholders produces the best long-term results.
- Implementing waste reduction, recycling and environmental education programs is paramount to achieving a greater resource conservation ethic and sustainable communities.
- Delivering high quality, and cost-effective resources and services for our customers, and contractors (i.e., vendors and service providers).
- Providing sound environmental policies and practices for our member agency communities.
- Conducting long-term planning for waste reduction and recycling programs and facility infrastructure is fundamental to achieving our mission.
- Facilitating excellent communication, collaboration and cooperation among all our stakeholders produces the best long-term results.

## Our Strategic Priorities

- Provide strategic oversight, support and management of service providers that collect, process, recycle and dispose of materials for the Member Agencies.
  - Ensure contractors' and RethinkWaste programs are managed cost effectively for the ratepayers.
  - Deliver strategic oversight of the Shoreway Environmental Center to meet financial, operational, and environmental goals.
  - Meet or exceed environmental policies and regulations governing the collection and processing of recyclables and organics.
  - Anticipate trends and implement innovative solutions for waste reduction and recycling programs, and facility infrastructure.
  - Monitor and assess contractor performance to ensure customer satisfaction and service delivery meets or exceeds contractual requirements.
  - Support RethinkWaste programs and policies through focused community outreach and education.
  - Management of the annual contractor compensation process to set contractor compensation and recommend Member Agency solid waste rate adjustments.
  - Develop, implement and manage enhanced waste reduction and recycling services for Member Agencies (i.e., curbside HHW/universal waste/e-scrap collection services; seasonal community events such as e-scrap collection and shred events, compost giveaways, etc.; state grants; and other programs approved by the Board of Directors).
- 
- Provide day-to-day oversight, support, and management of service providers that collect, process, recycle and dispose of materials for the Member Agencies.
  - Ensure contractors' and RethinkWaste programs are cost effective for the ratepayers.
  - Provide day-to-day oversight of the Shoreway Environmental Center to meet financial, operational, and environmental goals.
  - Meet or exceed environmental policies and regulations governing the collection and processing of recyclables and organics.
  - Anticipate trends and implement innovative long-term solutions for waste reduction and recycling programs, facility infrastructure and disposal capacity.
  - Monitor and assess contractor performance to ensure customer satisfaction and service delivery that meets or exceeds contractual requirements.
  - Support RethinkWaste programs and policies through focused community outreach, education and promotion of rate payer value received.
  - Manage the annual contractor compensation process to set contractor compensation and recommend Member Agency solid waste rate adjustments.
  - Develop, implement and manage enhanced waste reduction and recycling services for Member Agencies (i.e., curbside HHW/universal waste/e-scrap collection services; seasonal community events such as e-scrap collection and shred events, compost giveaways, etc.; state grants; and other programs approved by the Board of Directors).



## STAFF REPORT

---

**To:** SBWMA Board Members  
**From:** Cliff Feldman, Recycling Programs Manager  
**Date:** March 22, 2012 Board of Director’s Meeting  
**Subject:** Update on Collection Services and Facility Operations Contractor Data, Records, Systems and Reports Auditing Project

---

### Recommendation

This is an informational report and no action is necessary. Staff will provide a verbal presentation on a few significant, preliminary audit findings.

### Analysis

The general rationale for this project is to conduct an audit to ensure the accuracy of tonnage reporting since Recology San Mateo County’s (Recology) compliance with numerous performance standards and metrics are self reported. Thus, the auditing work will ascertain how well both Recology and South Bay Recycling (SBR) are obtaining, compiling and reporting data to the Member Agencies per the requirements prescribed in the Franchise Agreement(s) and Shoreway Environmental Center (SEC) Facility Operations Agreement, respectively.

To summarize the scope of work, this project entails a thorough auditing of both Recology and SBR data compilation, management, storage and reporting. The audit will also include assessing Recology’s call center functions to ensure the accuracy of transcribing and reporting information, complaints and requests for service from customers. The scope of auditing SBR’s operations will be limited to the scale house operations (i.e., tonnage reporting) and reporting of commodity revenues.

The project commenced in September 2011 and will be completed in late March or early April 2012. The final steps in this auditing work are being conducted now since review of the 2011 Annual Report could not commence until it was issued by Recology on February 14, 2012.

When the consultants primary auditing and analysis is complete in the next few weeks, staff will present pertinent findings to the applicable companies with the goal of working collaboratively to develop action steps to reconcile and fix deficiencies observed. Some significant issues have been identified which may require significant follow-up work by the auditors, staff and contractors.

### Background

The Member Agencies Collection Services Franchise Agreements with Recology prescribe numerous performance standards and also require the company to compile information and submit monthly, quarterly and annual reports. The information and data contained in these reports is substantially self reported by the company. For example, all of the Performance Incentives and Disincentives (Attachment I) with the exception of disincentives related to contamination are self reported by Recology. In addition, the Liquidated Damages

(Attachment J) events are also self reported by the company. The SEC Facility Operations Agreement with SBR requires the company to accurately record and report on tonnage.

Staff issued a Request for Proposals (RFP) for Collection Services and Facility Operations Contractor Data, Records, Systems and Reports Auditing on May 17, 2011 and received proposals from three consultant firms. On July 28, 2011 the Board approved Resolution No. 2011-18 authorizing the Executive Director to execute a contract for a not to exceed amount of \$70,000 with Hilton, Farnkopf and Hobson Consulting, LLC (HF&H - Walnut Creek, CA) to conduct this project.

**Fiscal Impact**

The SBWMA FY 2012 budget includes \$165,000 for Collection Services Franchise Agreement Administration related activities. The contract with HF&H Consulting, LLC for a not-to-exceed amount of \$70,000 will be paid with these funds. In addition, a related contract with Ira Cohen Consulting for a not-to-exceed amount of \$15,000 will also be paid with these funds. The project is on track to be completed within budget.



## STAFF REPORT

---

To: SBWMA Board Members  
From: Marshall Moran, Finance Manager  
Cliff Feldman, Recycling Programs Manager  
Date: March 22, 2012 Board of Director's Meeting  
Subject: Resolution Approving a Contract with Hilton, Farnkopf and Hobson Consulting, LLC for Financial Systems Audit of Collection Services and Facility Operations Contractors

---

### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2012-04 attached hereto authorizing the following action:

Authorize the Executive Director to execute a contract with Hilton, Farnkopf and Hobson Consulting, LLC for a Financial Systems Audit of Collection Services and Facility Operations Contractors with a not-to-exceed budget of \$70,412.

### Analysis

Staff issued the Request for Proposals (RFP) for a Financial Systems Audit of Collection Services and Facility Operations Contractors on January 18, 2012 to nine potential proposers. We received proposals from the following two consultant firms: Hilton, Farnkopf and Hobson Consulting, LLC (HF&H - Walnut Creek, CA), and SloanVazquez, LLC (Irvine, CA). A selection committee of two staff members and three Board members evaluated the proposals and conducted live interviews. After following up with pertinent reference checks, staff is recommending contracting with HF&H to perform this work for calendar year 2011 for a cost not to exceed \$70,412 including a 15% contingency.

The scope of work is provided in the RFP attached (**Exhibit A**). To summarize the scope of work, this project will entail a thorough review and verification of Recology San Mateo County's (Recology) Annual Revenue Reconciliation, Attachment Q revenue and costs, and cost allocation methodology for final 2011. The South Bay Recycling review and verification will include public revenue and commodity revenue reported and paid to the SBWMA for 2011.

While both companies that submitted proposals are qualified and capable of conducting the work, the primary rationale for selecting HF&H was based on this firm's specific qualifications and experience performing auditing related work. In addition, there is a synergistic benefit between this audit project and the RFP for Contractor Data, Records, Systems, and Reports Audit as reported on in staff report 6\_b which HFH is currently performing. The HFH response to the scope of work in the RFP is attached (**Exhibit B**). The costs included in the two proposals are provided as follows:

HF&H - \$70,412  
SloanVazquez – \$69,410

It is important to note that the contract with HF&H includes a 15% contingency (i.e., \$9,067) that is to be used only at the approval and discretion of staff. The other proposal did not include a contingency.

The general rationale for this project is to conduct an audit to ensure the accuracy of reporting of financial data, balances owed to/from Member Agencies and various contractor payments to agencies and the SBWMA. Thus, the auditing work will verify that both Recology and SBR are obtaining, compiling and reporting financial data to the Member Agencies and the SBWMA per the requirements prescribed in the Franchise Agreement(s) and Shoreway Environmental Center (SEC) Facility Operations Agreement, respectively.

### **Background**

The Member Agencies Collection Services Franchise Agreements with Recology prescribe numerous reporting requirements that ultimately have a direct effect on Member Agency garbage collection rates charged to their customers. The SEC Facility Operations Agreement with SBR requires the company to bill the SBWMA based on tonnage and pay the SBWMA public gate revenue and commodity revenue. The information and data contained in their reports is substantially self-reported by the two companies and needs to be verified.

### **Fiscal Impact**

The SBWMA FY2012 program budget includes a line item of \$165,000 for Collection Services Franchise Agreement Administration related activities. The contract with HF&H Consulting, LLC for a not-to-exceed amount of \$70,412 will be paid with these funds.

### **Attachments:**

Resolution 2012-04

Exhibit A – original Request for Proposal

Exhibit B – Scope of Work (Section 1) Proposal from HF&H Consulting, LLC



**RESOLUTION NO. 2012-04**

**RESOLUTION OF THE SOUTH BAYSIDE WASTE  
MANAGEMENT AUTHORITY BOARD OF DIRECTORS  
AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A CONTRACT  
WITH HF&H CONSULTING LLC FOR A FINANCIAL SYSTEMS AUDIT OF  
COLLECTION SERVICES AND FACILITY OPERATIONS CONTRACTORS FOR 2011**

**WHEREAS**, the South Bayside Waste Management Authority (SBWMA) Board of Directors has considered entering into a contract with Hilton, Farnkopf and Hobson Consulting, LLC, for the purpose of providing a financial systems audit of collection services and facility operations contractors 2011 financial reporting and payments; and

**WHEREAS**, on January 18, 2012 Staff issued a Request for Proposals (RFP) for Financial Systems Audit of Collection Services and Facility Operations Contractors and subsequently received proposals from two consultant firms by the deadline of March 23, 2012; and

**WHEREAS**, while both firms submitting proposals in response to the RFP issued on January 18, 2012 were qualified to provide the work solicited, the consultant firm of Hilton, Farnkopf and Hobson Consulting LLC scored the highest and it's recommended that a contract will be executed with this firm; and

**WHEREAS**, attached as Exhibit A hereto is the RFP with the scope of work.

**NOW, THEREFORE, BE IT RESOLVED** by the SBWMA Board of Directors hereby authorizes the Executive Director to execute a contract with Hilton, Farnkopf and Hobson Consulting, LLC with a not-to-exceed budget of \$70,412.

**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 22<sup>th</sup> day of March, 2012, by the following vote:

<u>Agency</u>	<u>Yes</u>	<u>No</u>	<u>Abstain</u>	<u>Absent</u>	<u>Agency</u>	<u>Yes</u>	<u>No</u>	<u>Abstain</u>	<u>Absent</u>
Atherton					Menlo Park				
Belmont					Redwood City				
Burlingame					San Carlos				
East Palo Alto					San Mateo				
Foster City					County of San Mateo				
Hillsborough					West Bay Sanitary District				

I HEREBY CERTIFY that the foregoing Resolution No. 2012-04 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on March 22<sup>th</sup>, 2012.

ATTEST:

\_\_\_\_\_  
Jim Porter, Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Board Secretary



**Simple. Smart. Green.**

**REQUEST FOR PROPOSALS  
FOR FINANCIAL SYSTEMS AUDIT OF COLLECTION SERVICES  
AND FACILITY OPERATIONS CONTRACTORS**

Issued: January 18, 2012

Proposals Due: February 23, 2012, 3:00 pm

**Marshall Moran**  
RethinkWaste Finance Manager  
610 Elm Street, Suite 202  
San Carlos, CA 94070  
650.802.3504  
[mmoran@rethinkwaste.org](mailto:mmoran@rethinkwaste.org)

## Request for Proposals For Collection Services and Facility Operations Contractor Financial Systems Auditing

The South Bayside Waste Management Authority (SBWMA or RethinkWaste) is a public agency committed to environmental leadership in sustainable materials management practices to support livable communities. RethinkWaste is charged with managing and administering various aspects of our twelve Member Agency's Collection Services Franchise Agreements with Recology San Mateo County (Recology). In addition, RethinkWaste manages the contract with South Bay Recycling (SBR) to operate the RethinkWaste owned Shoreway Environmental Center (SEC) in San Carlos, CA. which houses a 350,000 ton per year transfer station (includes solid waste and organic material) and 70,000 ton per year materials recovery facility (MRF).

Through issuance of this Request for Proposals (RFP), RethinkWaste is soliciting Proposals from qualified firms (herein "Proposers") capable of providing comprehensive, accurate and cost-effective auditing services of the relevant financial records of the two contractors for collection services and facility operations pertaining to their contractual obligations.

RethinkWaste welcomes and encourages responses from consultant firms who offer the following services: **evaluation and auditing of financial reporting systems, processes and record keeping; analyzing and auditing billing and revenue; and analyzing and auditing allocation of revenue and costs to the twelve agencies (Recology)**. Please note that submittals to RethinkWaste will be considered public records and made available for public review upon request after conclusion of this RFP process.

Generally, RethinkWaste is looking for assistance in administering aspects of the Collection Services Franchise Agreement(s) with Recology and the Facility Operations Agreement with SBR with respect to each company's performance including, but not limited to:

- Customer Billing Rates
- Revenue Reporting
- Payments to Agencies for Fees
- Data Collection and Reporting
- Record Keeping by Agency

Please refer to Section 3 for the specific scope of services being requested.

### **1. BACKGROUND**

The South Bayside Waste Management Authority or RethinkWaste is a joint powers authority in San Mateo County, California managing the collection and processing of garbage, recyclables and organic materials for 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.

RethinkWaste led the competitive procurement RFP process for the Collection Services contractor and Facility Operations contractor who commenced the new contracts on January 1, 2011. The \$47 million expansion of the RethinkWaste-owned Shoreway Environmental Center (SEC) in San Carlos, CA, was also recently completed which houses our solid waste transfer station and state-of-the-art single-stream MRF.

Our mission is to design and implement sustainable waste reduction, recycling and facility operations services to achieve our Member Agencies' environmental goals and requirements. We are dedicated to providing a sustainable environment for our residents and businesses and to be a leader among all Bay Area cities and counties in conserving our natural resources.

## **2. INTRODUCTION**

The two contracts with Recology and SBR have various financial aspects that need to be verified and audited. The Franchise Agreement(s) with Recology require the company to perform a broad range of solid waste, recyclable and organic materials collection services and supporting functions. The pertinent supporting functions include billing residential and commercial customers, remitting agency fees billed and allocating the weight of materials collected in trucks to the various agencies provided service. In addition, the company is required to compile and maintain records related to its operations as necessary to develop various reports required per the Franchise Agreement(s). The primary nature of the quantitative data presented in the Recology reports is self-reported by the company. At the end of the year, Recology reports by agency the net revenue billed compared to the amount owed to Recology for service. In addition, SBR pays RethinkWaste all commodity revenue and all public gate revenue and RethinkWaste pays SBR for operating the SEC based on their reports of tonnage volume received into the facility.

Therefore, on behalf of our twelve Member Agencies who each have executed separate Franchise Agreement(s) with Recology, and since RethinkWaste contracted with SBR to operate the SEC, RethinkWaste is proceeding with the project explained herein to confirm the legitimacy and accuracy of the information contained in reports and provided by both companies. This audit does NOT include a review of the annual compensation adjustment process for either company.

Available for all Proposers is a copy of the City of Menlo Park's Collection Services Franchise Agreement with Recology which serves as a uniform version for all twelve franchise agreements. Please visit the following link at our website for a copy of this contract:

[http://www.rethinkwaste.org/files/content/MENLO\\_PARK\\_EXECUTED\\_FRANCHISE\\_AGREEMENT.pdf](http://www.rethinkwaste.org/files/content/MENLO_PARK_EXECUTED_FRANCHISE_AGREEMENT.pdf)

The following list includes, but is not limited to, the key sections of the Franchise Agreement with Recology that are pertinent to this project:

- Article 5 – Collection Services
- Article 7 – Other Services
- Article 9 – Record Keeping and Reporting
- Article 10 – Franchise Fee and Other Fees
- Article 11 – Contractor’s Compensation, Pass-Through Costs, and Rates
- Attachment A – Definitions
- Attachment K – Contractor’s Compensation and Rate Setting
- Attachment Q – Unscheduled Services

Available for all Proposers is a copy of the Facility Operations Agreement between RethinkWaste and SBR. Please visit the following link at our website for a copy of this contract:

[http://www.rethinkwaste.org/files/content/ons\\_Agreement\\_for\\_Facility\\_Services\\_EXECUTED.pdf](http://www.rethinkwaste.org/files/content/ons_Agreement_for_Facility_Services_EXECUTED.pdf)

The following list includes, but is not limited to, the key sections of this contract that are pertinent to this project:

- Article 5.13 - Collection of Fees
- Article 5.18 - Self-Haul Materials
- Article 7 - Compensation to Contractor
- Article 8 - Payment Procedures
- Article 9 – Contractor Records / Reporting
- Attachment 14 - Self-Haul Reconciliation Formula

**RFP Process and Proposer Selection Timeline**

ITEM	DUE DATE
RFP Released	January 18, 2012
Deadline for Submitting Questions to RethinkWaste by 3:00pm	January 31, 2012
<u>Proposal Must be Submitted by 3:00pm to:</u>  Marshall Moran RethinkWaste 610 Elm Street, Suite 202 San Carlos, CA 94070 650.802.3504 <a href="mailto:mmoran@RethinkWaste.org">mmoran@RethinkWaste.org</a>	February 23, 2012
Proposer Interviews	February 27-28, 2012

Selection and Contract Negotiations	March 5-9, 2012
RethinkWaste Staff Report Recommendation Issued to Board of Directors	March 15, 2012
Board Consideration of Contract Award	March 22, 2012

**Proposals Evaluation Criteria**

DESCRIPTION	WEIGHT
RFP Responsiveness	Pass/Fail
Proposer Qualifications and Experience	40%
Proposer Approach and Cost	50%
References	10%

**3. SCOPE OF SERVICES**

Proposer shall provide the following services:

**Collection Services Contractor: Recology San Mateo County**

Annual Revenue Reconciliation

1. Confirm that the amount of residential and commercial revenue reported as billed ties to the accounting records.
2. Confirm that the amount of revenue reported as billed is correctly allocated to each Agency.
3. Reconcile that the net revenue retained by Recology ties to the accounting records (i.e., gross revenue billed less agency fees paid less disposal expense paid equals net revenue) in total and by agency.
4. Compare the numbers in the Revenue Reconciliation to the Annual Report and explain any variances.

Revenue Billed to Customers for Attachment Q – Unscheduled Services

1. Confirm the amount of Attachment Q revenue reported as billed by Agency ties to the accounting records.
2. Confirm the methodology used to calculate all Attachment Q revenue sources. For example, how bin lock charges calculated.
3. Confirm the rates billed for all Attachment Q services tie to the approved rates.
4. Confirm the total costs charged by Recology to the Agencies for Attachment Q services are correct.
5. Confirm the net Attachment Q surplus or shortfall by Agency is correct (i.e., revenue billed less Recology cost).
6. Confirm the surplus or shortfall of net revenue retained by Recology ties to the Contractor’s Compensation plus the net Attachment Q surplus or shortfall.

### Cost Allocation in 2011 Compensation Application

1. Confirm that the statistics used to allocate costs are properly applied to each cost category. Verify the source and validity of all statistics used for the allocation of costs to Agencies.
2. Verify and document that the allocation of hours to each route is accurate. Verify the allocation of routes to each Agency is accurate including how routes servicing more than one agency are allocated.
3. Assess the feasibility and costs associated with using the cost allocation statistics compiled for the full calendar year in comparison with only using these statistics that are compiled for one month.

### Reporting

1. Verify that the annual amounts reported and the calculations used to derive these amounts tie to the accounting records and are properly allocated to each agency:
  - a. Revenue
  - b. Agency Fees
  - c. Confirm that the Agency Fees are properly calculated (and paid) for each Agency
  - d. Disposal expense ties to what is paid to the SBWMA and that the calculation by agency is accurate.

### **Facility Operations Contractor: South Bay Recycling (SBR)**

1. Confirm that the reported public revenue ties to the amount transferred to the SBWMA and the accounting records.
2. Verify that the commodity revenue reported is correct, accurately calculated and ties to the amount transferred to the SBWMA and to the accounting records.
3. Confirm that the calculations used by SBR to calculate and pay CRV Value are accurate and that these funds tie to the amount transferred to the SBWMA.
4. Verify that payment to SEC Buyback Center customers by SBR and reimbursed by the SBWMA tie to accounting records and are accurately reported.
5. Review the accuracy and process for reporting MRF residue tonnage and recommend any changes from your review.

There are two distinct contracts, reporting issues, sources of data, and physical locations (i.e., Recology and SBR) that need to be audited. The SBR annual report is due by February 1, 2012 and therefore the audit can commence immediately. The Recology annual Revenue Reconciliation Report is due by March 31, 2012. The exact timing of the tasks will be coordinated with the cooperation of the two contractors. The project is expected to be completed by May 15, 2012 or earlier including periodic updates of the status and findings to

the SBWMA. Any non-cooperation by either contractor should be promptly reported to staff.

RethinkWaste is encouraging Proposers to thoroughly and concisely explain their particular approach to this project in their proposal to demonstrate their understanding of the issues and how they plan to execute the audit.

The successful Proposer's services shall also be provided as requested by the Finance Manager on a time and materials basis as needed.

#### **4. DESIRED QUALIFICATIONS**

RethinkWaste is seeking Proposers with expertise conducting audits and reviews of solid waste, recyclable and organic materials franchise collection services and solid waste transfer/MRF operations companies or similar relevant experience.

The successful firm responding to this RFP shall demonstrate that it has the appropriate professional and technical background as well as access to adequate resources to fulfill the stated scope of services. **Any experience with similar projects for jurisdictions with demographics similar to those of the RethinkWaste Member Agencies should be noted.**

#### **5. TERM OF AGREEMENT**

It is anticipated that RethinkWaste and the selected Proposer will enter into an agreement for a term of one-year commencing March 23, 2012.

#### **6. FEE STRUCTURE**

Submit an hourly fee structure for all staff members who would be involved in the performance of the tasks outlined in the Proposal. Please identify any work that will be subcontracted and include a list of the subcontractors' key personnel and hourly billing rates. Please provide professional resumes of all staff. In addition, please clearly identify sub-consultant costs (if any), travel expenses, markups and other pertinent costs.

#### **7. PROCEDURE FOR SUBMITTING QUESTIONS AND INQUIRIES**

All questions/inquiries must be directed to Marshall Moran in writing via email at [mmoran@rethinkwaste.org](mailto:mmoran@rethinkwaste.org) by January 31, 2012 at 3:00pm. RethinkWaste will provide a written response to all questions in the form of an Addendum to this RFP. Please include both a pdf version and the source file (e.g., Word document).

#### **8. PROPOSAL REQUIREMENTS**

**8.1** Proposers must respond to this RFP by submitting a Proposal no later than February 23, 2012 at 3:00pm in order for submittals to be considered. Proposals must be addressed to the attention of Marshall Moran, clearly labeled "**Proposal – Collection Services and Facility Operations Financial Auditing Project.**" Please include four (4) double-sided copies of the Proposal and subsequently send one

pdf version of the full proposal and all individual source files via email to [mmoran@rethinkwaste.org](mailto:mmoran@rethinkwaste.org) by the 3:00pm deadline.

## **8.2 PROPOSAL CONTENTS**

The Proposal should be concise and responsive. The length of the Proposal is limited to the guidelines explained below.

### **8.2.1 Cover Letter**

A one (1) page (double-sided) cover letter describing your firm, its history, number of years in business, and how your firm meets the desirable qualifications and has the ability to perform the scope of services. The individual authorized to contractually bind the firm should sign the cover letter. Resumes for the proposed team and sub consultants, if any, should be provided as an appendix.

### **8.2.2 Proposal (Proposer Approach)**

A maximum six (6) page (i.e., three (3) double-sided pages) proposal shall describe the recommended approach to successfully execute the scope of services in a timely and cost-effective manner. The Proposal must include a proposed timeline and clearly delineate each proposed task and subtask.

### **8.2.3 Proposal Budget**

A maximum two (2) page (i.e., one double-sided page) proposed budget shall provide the specific hours and costs for each project task and shall delineate the staff responsible for each. All additional costs and contingency must be clearly delineated.

### **8.2.4 List of Staff and Hourly Rates**

A one (1) page list of all staff and sub-consultants associated with the project and their respective hourly rates. Any other costs or charges must be clearly delineated and an estimate of each provided.

### **8.2.5 Attachment A – PROPOSAL CERTIFICATION**

The contents of this attachment are provided below.

### **8.2.6 Attachment B – REFERENCE FORM**

The contents of this attachment are provided below.

### **8.2.7 Additional Attachments**

Proposers are encouraged to include pertinent examples (i.e., five (5) maximum) of auditing reports or studies that they have conducted that are similar in nature or content to the scope of services presented herein.

**Attachment A: Proposal Certification**

FIRM NAME
ADDRESS
TELEPHONE #
FAX #
CONTACT NAME AND TITLE

**PROPOSER REPRESENTATIONS**

1. Proposer additionally certifies that neither Proposer nor its principals are presently disbarred, suspended, proposed for disbarment, declared ineligible or voluntarily excluded from participation in this transaction by any federal department or agency, any California State agency, or any local governmental agency.
2. Proposer did not receive unauthorized information from any RethinkWaste staff member during the RFP response period except as provided for in the RFP package or through formal addenda issued by RethinkWaste.
3. Proposer hereby certifies that the information contained in the Proposal and all accompanying documentation is true and correct.
4. Please check the appropriate box below:
  - If an individual submits the Proposal, he or she shall sign it, and if he or she is doing business under a fictitious name, the Proposal shall so state.
  - If the Proposal is submitted by a partnership, the full names and addresses of all members and the address of the partnership shall be stated and the Proposal shall be signed for all members by one or more members thereof.
  - If a corporation submits the Proposal, an authorized officer or officers shall sign it in the corporate name.
  - If a limited liability company submits the Proposal, an authorized officer or officers shall sign it in the corporate name.
  - If the Proposal is signed by a joint venture, the full names and addresses of all members of the joint venture shall be stated and each individual shall sign it.

**Attachment A – Proposal Certification (continued)**

By signing below, the submission of a Proposal with all accompanying documents shall be deemed a representation and certification by the Proposer that they have investigated all aspects of the RFP, that they are aware of the applicable facts pertaining to the RFP process, its procedures and requirements, and that they have read and understand the RFP.

Authorized Representative Name (Sign name)
Authorized Representative Name (Print name)
Authorized Representative Title (Print title)
Complete additional signatures below as required.
Authorized Representative Name (Sign name)
Authorized Representative Name (Print name)
Authorized Representative Title (Print title)
Authorized Representative Name (Sign name)
Authorized Representative Name (Print name)
Authorized Representative Title (Print title)

**Attachment B: Reference Form**

**Please specify any public agencies and solid waste/recycling collection services or facility operations companies that you have worked with in the past ten (10) years.**

In addition, please provide a list of references for jurisdictions of similar size to the twelve RethinkWaste Member Agencies. Copy this form as appropriate.

**Previous Client Reference Worksheet**

Name of Client	
Customer Address	
Customer Contact Name(s), Address, Phone Number(s) and Email	

Brief description of work performed for this client (use additional sheets if necessary):

201 N. Civic Drive, Suite 230  
Walnut Creek, California 94596  
Telephone: 925/977-6950  
Fax: 925/977-6955  
[www.hfh-consultants.com](http://www.hfh-consultants.com)

Robert D. Hilton, CMC  
John W. Farnkopf, PE  
Laith B. Ezzet, CMC  
Richard J. Simonson, CMC  
Marva M. Sheehan, CPA

February 23, 2012

Mr. Marshall Moran  
Finance Manager  
RethinkWaste  
610 Elm Street, Suite 202  
San Carlos, CA 94070

**Subject: Proposal – Financial Systems Audit of Collection Services and Facility Operations Contractors**

Dear Mr. Moran:

HF&H Consultants, LLC (HF&H) is pleased to submit this proposal to the South Bayside Waste Management Authority (Authority) in response to its January 18, 2012 Request for Proposals for Financial Systems Audit of Collection Services and Facility Operations Contractors.

### **Understanding the Challenge**

Our goal will be to test and either 1.) Confirm the accuracy of the revenue and expense allocation information contained in reports issued by both Recology and South Bay Recycling (SBR), collectively "Contractors"; or, 2.) Recommend adjustments to those reports to make them accurate. The accuracy of the revenue and expenses allocated to each member agency is 100% dependent on the accuracy of Recology's customer billing database. Our work will involve testing the Contractors' procedures and that database to verify each Member Agency receives the appropriate revenue and corresponding expenses associated with providing service to their customers: nothing more, nothing less.

### **Meeting the Challenge**

#### **Efficiency and Timeliness**

As described in this letter and demonstrated throughout our proposal, we will apply to the Authority's benefit what we have already learned by performing: i.) The current audit of Recology and South Bayside Recycling's (collectively, "Contractors") data, records, systems, and reporting audit for the Authority; and, 2.) The cost allocation review we are currently conducting for the County of San Mateo. The conduct of these current projects will allow us to reduce the work hours and span time to understand the processes, procedures, and reports necessary to review the accuracy of the Contractors' financial reporting. By reducing the time spent in this "learning curve" we can apply the hours saved to conduct a thorough review of the procedures and database within the seven week period provided for the conduct of this review.

#### **Expertise**

Based on more than 20 years of cost of service, cost allocation and rate review engagements for the Authority; we know the relative effort to provide service to the 12 agencies comprising the Authority.

Mr. Marshall Moran  
February 23, 2012

Further, based on performing similar work for scores of other agencies throughout California, HF&H is a recognized expert in the evaluation and auditing of financial record keeping, processing and reporting systems; analyzing and auditing billing and revenue systems; and, analyzing and auditing the allocation of revenue and expense.

Our team of professional accountants have decades of directly-related industry experience (both as industry controllers and consultants to local government) allowing them adapt to new operations and reporting systems while still being able to evaluate the reasonableness of the results of our analyses.

### **Approach**

Based on our existing knowledge of the Contractors' billing rates, revenue and expense collection, and reporting systems and familiarity with the Member Agencies, we have designed a thorough and comprehensive approach that will provide confidence to both the SBWMA and Member Agency staff in the authoritative nature of our findings and recommendations.

### **Value**

Our team offers you what you need – independence and credibility; knowledge and experience; and, responsiveness and timeliness - for a not to exceed fee of \$70,412 (which includes a 15% contingency for currently unanticipated tasks should they prove necessary.)

\* \* \* \*

We trust that we have been both comprehensive and thorough in our response to your RFP. Should you have any questions, we would be pleased to promptly respond to them. I can be reached directly at (925) 977-6957 or [rsimonson@hfh-consultants.com](mailto:rsimonson@hfh-consultants.com).

Very truly yours,

HF&H CONSULTANTS, LLC

Richard J. Simonson, CMC  
Vice President

cc: Kimberly Erwin (HF&H)

## SECTION 1: APPROACH AND SCOPE OF WORK

### Proposer Approach

HF&H has prepared a detailed approach to confirm the legitimacy and accuracy of the revenue and expense allocation information contained in reports issued by both Recology and South Bay Recycling (SBR), collectively "Contractors". We have provided a general description of each step in the process so that you can get an understanding of how we would manage the project.

### Scope of Work

#### Task 1 – Kick-off Meetings and Project Status Meetings

*Purpose: To facilitate an efficient and effective review, which focuses on specific goals and objectives described in the Authority's Request for Proposals (RFP). In addition, identify concerns/goals that may not have been expressed in the RFP or have been raised by Member Agencies since the release of the RFP.*

#### Subtask 1a – Kick-off Meeting with Authority and/or Recology and SBR Staff

Our HF&H project team will meet with Authority staff to: (1) discuss the goals and objectives of the reporting audit; (2) reach agreement on the roles and responsibilities of HF&H, Authority, and Contractor staff; (3) discuss the structure and components to be included in the final project report; and, (4) reach agreement on a project timeline.

If practical, the meeting would include Recology and/or SBR staff) to:

1. Discuss the goals and objectives of the revenue reconciliation review, expense allocator review, and commodity revenue review;
2. Discuss and understand Recology's methodology for gathering and documenting their operating statistics necessary to allocate expenses (i.e., labor, fuel, disposal, etc.) in accordance with the Franchise Agreements;
3. Discuss and understand Recology's methodology for calculating and paying the applicable fees due each Agency in accordance with their Franchise Agreements;
4. Discuss and understand Recology's policies and procedures relating to bad debt;
5. Discuss and understand SBR's methodology for receiving, documenting, reporting, and transferring gate house revenue and recyclable material revenues to the Authority in accordance with the Operating Agreement;
6. Discuss and reach agreement on the procedures to be used by the HF&H team to assess compliance with the Franchise Agreement(s) performance and reporting standards;
7. Discuss the roles and responsibilities of HF&H, Recology, and SBR staff; and,
8. Discuss and reach agreement on a project timeline.

Prior to this meeting, HF&H shall prepare and send a request for information to Recology and SBR management to provide some background on topics to be discussed at the meeting. For example, we

Mr. Marshall Moran  
February 23, 2012

would request a narrative of Recology and/or SBR's step-by-step procedures for allocating collected tons to the Authority member agencies.

### **Subtask 1b – Follow-up Meetings/Conference Calls as Needed**

The HF&H team will be available for periodic project status meetings and/or conference calls with Authority staff. These status meetings will allow Authority staff to remain up to date on our team's progress on the project, as well as, understanding what roadblocks we may be facing for which the Authority can provide guidance on how to remove the road block or provide direction on a revised work plan to accomplish the necessary task.

### **Task 2 – Verify Completeness & Accuracy of Recology's Reconciliation Report**

*Purpose: Verify Recology has accurately calculated each Member Agency's 2011 revenue surplus/shortfall for the franchised services provided by Recology during calendar year 2011. In accordance with each Member Agency's Franchise Agreement, the 2011 surplus/shortfall will be added to or subtracted from Recology's 2013 compensation.*

We will meet with the appropriate Recology staff to discuss the source documents used to populate each section of the revenue reconciliation report (i.e., Gross Revenues Billed, Payments to Authority, Payments to Agencies for Agency Fees, and Revenues Attributable to Unscheduled Services).

For each Member Agency, we will verify the amounts included in Recology's 2011 revenue reconciliation report ties to Recology's general ledger and billing records. We will request explanations for any discrepancies until the ultimate source documents have been accurately determined. It is important to verify the source documents at this stage of the review so that the detailed testing in Tasks 3 through 6 below can be conducted in an efficient manner.

The annual revenue reconciliation is based on gross revenues billed; therefore, we will verify the surplus/shortfall calculations properly reflect gross revenues billed **before** any adjustments for uncollectable accounts/bad debt.

We will verify the mathematical accuracy of the calculation of each Member Agency's 2011 revenue surplus/shortfall.

### **Task 3 – Review of Unscheduled Services Revenues**

*Purpose: In accordance with the annual revenue reconciliation process described in Section 11.03 of the Franchise Agreements, Recology retains 100% of the revenue collected for the provision of unscheduled or intermittent services identified in Attachment Q since "the amount of such services may vary from year to year and is unpredictable, the costs and revenues associated with them are not included in the Authority's prospective calculation of Contractor's Compensation". Therefore, this task shall verify Recology has charged the appropriate rates in accordance with Attachment Q, that the total Attachment Q revenue excluded from the revenue reconciliation is accurate, and that the Attachment Q revenue that has been excluded does not mistakenly include revenue for base services.*

Mr. Marshall Moran  
February 23, 2012

Having successfully worked with Recology to verify the Attachment Q revenue included in their revenue reconciliation report ties to their general ledger in Task 2 above, we will then test the individual transactions that make up the monthly revenue amounts for each Member Agency.

We will randomly select 50 transactions, covering as many different "Attachment Q" service categories and Member Agency service areas as practicable, that Recology has identified as being "Attachment Q" charges. We will verify the amounts charged reflect the approved rates and that the service being provided is properly categorized as an unscheduled service and not part of the base services whose revenue should be captured elsewhere.

#### **Task 4 – Review of Disposal & Processing Payments to SBWMA**

*Purpose: In accordance with Section 11.03.b of the Franchise Agreements, Recology's annual revenue reconciliation calculation subtracts the payments made to the Authority for the delivery of materials to the designated transfer and disposal facility. This task will verify the payment amounts to the Authority for each Member Agency properly reflects the tonnage collected within each Member Agency multiplied by the then-current rates at the designated transfer and disposal facility.*

Having successfully worked with Recology to verify the payments to the Authority included in their revenue reconciliation report ties to their general ledger in Task 2 above, we will then test the individual transactions that make up the monthly payment amounts.

#### **Subtask 4a – Prepare and Distribute Request for Information to Authority**

We will contact the Authority (via letter and follow-up telephone calls) to:

- i. Document the applicable per-ton rates during calendar 2011 for delivery of solid waste and organic materials to the designated transfer and disposal facility; and,
- ii. Document the number and amount of processing/disposal payments received from Recology in 2011.

#### **Subtask 4b – Verify Proper Calculation of Processing/Disposal Expense**

We will obtain Recology's processing/disposal calculation worksheets for each month of 2011 and verify the mathematical accuracy of their calculations, based on the information provided in 4a above and the monthly solid waste and organic material tonnages reported and included in Recology's annual report to the Authority. This task will rely on the total tons, and the proper allocation of those tons to each Member Agency, as reported by Recology and reviewed by HF&H in a separate engagement.

#### **Task 5 – Agency Fee Review**

*Purpose: Verify Recology has properly calculated and remitted the appropriate Agency Fees (in accordance with Attachment M of each Franchise Agreement) due each Member Agency.*

Mr. Marshall Moran  
February 23, 2012

### **Subtask 5a – Prepare and Distribute Agency Requests for Information to Member Agencies**

We will contact each Member Agency (via letter and follow-up telephone calls) to:

- i. Document any changes in Agency Fees from the date their Franchise Agreement was signed through December 31, 2011; and,
- ii. Document the number and amount of Agency Fee payments received from Recology for services provided in 2011.

### **Subtask 5b – Verify Proper Calculation of Agency Fees**

We will obtain Recology's Agency Fee calculation worksheets for each month of 2011 and verify the mathematical accuracy of their calculations. We will verify Recology calculated the proper amounts based on the type and amount of Agency Fees included in Attachment M of each Member Agency's Franchise Agreement and any subsequent changes documented in Subtask 5.a.i above.

### **Subtask 5c – Reconcile Monthly Agency Fee Payments to Supporting Documentation**

Reconcile gross revenue billed amounts from monthly Agency Fee payment worksheets to Recology's supporting documentation (i.e., general ledger, billing reports, etc.) and research any discrepancies. The billed amounts should also tie to the revenue included in Recology's annual revenue reconciliation report which shall be reviewed in Task 2 above.

We will reconcile the total amounts due each Member Agency (resulting from the conduct of Subtask 5b above) with the actual payments received documented in Subtask 5.a.ii above, and resolve any discrepancies. Discrepancies identified during the conduct of this task will result in a Member Agency being owed underpaid Agency Fees from Recology or owing overpaid Agency Fees back to Recology. Any discrepancies identified will be discussed independently with each Member Agency affected to resolve how such payments will be paid between the parties.

### **Task 6 – Cost Allocator Review**

*Purpose: Verify Recology has accurately gathered and applied the operating statistics to properly allocate various costs to each Member Agency (i.e., labor costs are allocated among the Member Agencies based on their respective percentage share of annual labor hours, fuel costs are allocated among the Member Agencies based on their respective percentage share of annual route hours, etc.).*

### **Subtask 6a - Gather Source Documents**

In accordance with Section 7.12 of each Member Agency's Franchise Agreement, Recology is responsible for conducting an annual route audit to gather customer account and service level data allocating the inbound tonnage (by member agency) to the Authority on a monthly basis. Based on our understanding of the allocation methodology presented during the conduct of subtask 1a above, we will gather the applicable supporting documents to test the accuracy of Recology's allocations for each cost category listed in Attachment K, Section 6 of each Member Agency's Franchise Agreement. Typically, these

Mr. Marshall Moran  
February 23, 2012

documents include tonnage reports, customer account data reports, labor hour reports, etc. We will verify the reports properly collect the necessary data.

### **Subtask 6b – Verify Mathematical Accuracy of Cost Allocations**

We will verify Recology has used the appropriate allocators identified in Attachment K, Section 6 of each Member Agency's Franchise Agreement for each cost category (i.e., route hours are used to allocate fuel costs, vehicle depreciation, etc. and number of containers were used to allocate container maintenance and depreciation costs, etc.). If a route collects exclusively within one Member Agency, we will verify 100% of those costs have been allocated to that Member Agency. We will conduct an analysis applying the proper allocators to each cost category for each Member Agency and compare our results to those submitted in Recology's application. We will review the results with Recology and request explanations for any variances. This subtask relies on the accuracy of Recology's customer/billing database.

### **Subtask 6c – Assess Feasibility of More Frequent Gathering of Statistics to Derive Allocators**

We will meet with Recology staff responsible for collecting the necessary data in determining allocators per the Franchise Agreements to quantify the time and resources necessary to compile the statistics more frequently than the currently required one week per year (i.e., monthly, quarterly, or bi-annually). From our discussions, we will summarize the feasibility (whether Recology's system and staffing can handle the additional effort) and the additional costs associated with collecting the data more frequently.

### **Task 7 – Self-Haul Transfer Station Revenue Review**

*Purpose: Verify SBR has accurately accounted for and remitted to the Authority all gate fee revenue collected from persons delivering self-haul materials to the transfer station.*

We will request (from Authority staff) documentation of all self-haul revenue reported and remitted by SBR to the Authority during 2011. We will trace and agree the amounts remitted to the Authority to SBR's supporting documentation (i.e., general ledger, daily cash receipts report, etc.) and resolve any discrepancies.

### **Task 8 – MRF Revenue Review**

*Purpose: Verify SBR has accurately accounted for and remitted to the Authority all recyclable material commodity revenue (including CRV monies received from the State of California) collected from persons delivering self-haul materials to the transfer station.*

### **Subtask 8a –Commodity Revenue Review**

We will request (from Authority staff) documentation of all commodity revenue reported and remitted by SBR to the Authority during 2011. We will trace and agree the amounts remitted to the Authority to SBR's supporting documentation (i.e., general ledger, daily cash receipts report, third-party invoices, etc.), and resolve any discrepancies.

Mr. Marshall Moran  
February 23, 2012

### **Subtask 8b – CRV Revenue Review**

We will request (from Authority staff) documentation of all CRV revenue reported and remitted by SBR to the Authority during 2011. We will trace and agree the amounts remitted to the Authority to SBR's supporting documentation (i.e., monthly reports to the State of California, general ledger, daily cash receipts report, etc.), and resolve any discrepancies.

### **Subtask 8b – Buyback Payout Review**

We will request (from Authority staff) documentation of all payments made to SEC buyback center customers (by SBR) and reimbursed by the Authority during 2011. We will trace and agree the amounts paid to the buyback customers to the supporting documentation (i.e., general ledger, weight tickets, daily cash payment reports, etc.), and resolve any discrepancies. Our process will include reviewing individual transactions within the general ledger account utilized to summarize the payout transactions to verify that the account only includes buyback payouts and not other accounts payable activities (i.e., miscoded invoices for baling wire, temporary labor, etc.).

### **Task 9 – Review Calculation of MRF Residue Tonnage**

*Purpose: Verify SBR has accurately tracked and reported the MRF residue tons delivered to the transfer station for disposal.*

We will meet with SBR staff to review the current procedures in place to calculate and document the residue from the processing of material at the MRF. We will request documentation of the residue tons delivered to the transfer station during 2011. We will trace and agree the amounts to SBR's monthly scale reports, and resolve any discrepancies. We will utilize the information we have previously gathered from the current audit we are conducting for the Authority to help us in the conduct of this task.

### **Task 10 – Communicate Results**

*Purpose: Summarize the work performed and resulting findings and recommendations. The process outlined below allows for input from the Authority and Contractors to ensure all goals and objectives have been met and all matters have been satisfactorily reviewed and consensus has been achieved among all parties affected.*

### **Subtask 10a - Preliminary Draft of Findings and Recommendations**

We will prepare and review our work papers documenting the results of our analysis and our preliminary findings based on the results of our review described above. We will prepare a summary of recommended adjustments. The preliminary findings and recommendations shall include any recommendations for revised reporting and tracking documents and additional written procedures for administering and enforcing the contract.

Mr. Marshall Moran  
February 23, 2012

### **Subtask 10b - Meet and Confer with Authority and Contractors**

We will meet with Authority, Recology, and SBR management to review our preliminary findings and receive their comments and any additional information. Based on comments and/or additional information provided at the meeting(s), we will perform additional analyses and adjust our preliminary findings (if warranted) to ensure that all matters have been satisfactorily reviewed and consensus has been achieved with Recology, SBR and Authority staff.

### **Subtask 10c - Draft Report**

We will prepare and distribute a draft report documenting our findings and recommendations from the conduct of the tasks described above for review by the Authority, Recology, and SBR management. Our report shall include a matrix which summarizes the pertinent sections of the franchise agreements regarding record keeping, data management, and reporting; how the contractor(s) performed in regard to such sections (providing qualitative and quantitative support); and, any recommendations for revised procedures. In addition, our draft report shall include a narrative of findings and recommendations regarding the reasonableness and accuracy of the member agency tonnage allocations by SBR and Recology.

### **Subtask 10d - Final Report**

Based on comments by the Authority, Recology, and SBR management, and any changes resulting from the follow-up discussions, we will amend the draft report and issue the final report.

### **Subtask 10e – Attend Board Meeting**

With the assistance of Authority staff, we will attend the May 23, 2012 Board meeting to present our findings and recommendations and respond to Board member questions regarding our report and presentation.

### **Task 11 – Engagement Management**

*Purpose: Manage the project to ensure the work is performed in a professional and timely manner; properly planned and efficiently executed, with the appropriate level of management supervision and review.*

We will prepare and amend detailed work plans for each task described above, monitor engagement progress, and provide sufficient resources to ensure timely completion of the engagement, review analytical results and interim findings, and respond to questions regarding the progress of the engagement and other issues.

HF&H also maintains a project management system which is capable of tracking project progress and schedule in real-time and can provide periodic updates to the Authority from this system upon request.

Mr. Marshall Moran  
February 23, 2012

## Optional Tasks

### Optional Task 12: Increased Sample Size - Expanded Random Sample

Task 3 of our scope of work assumes a random sample of 50 transactions to determine the accuracy of the rates charged for unscheduled services. If errors are discovered, the Authority may want to expand the sample size to determine if the errors were isolated instances and not an inherent problem with the billing and/or process. We will discuss the prospect of expanding the sample with Authority staff before proceeding. We propose adding an additional 50 accounts to the sample size and performing the same steps from Task 3, as appropriate. We have included the cost of this option as a separate line item in our fee proposal. If the errors from the original sample size are significant, the Authority may elect not to expand the original sample size and proceed directly to a statistically valid sample in order to quantify the magnitude of the errors.

### Optional Task 13: Increased Sample Size – Statistically Valid Sample

If significant errors are discovered with the original and/or expanded sample sizes, the Authority may want to consider expanding the sample size to a statistically valid sampling of transactions. Such a threshold would require sampling at least 380 individual transactions, which would achieve a confidence level of 95% and a confidence interval of 5%.

## Schedule

We have prepared a timeline for the conduct of each task (by subtask). The performance of our review, in accordance with the schedule described, is dependent on:

- The ability of Recology and SBR to be available for discussions, to provide information, and respond to questions in a timely, complete, and accurate manner and,
- The ability of the Authority staff to provide necessary direction and comments to draft work products in a timely manner.

We anticipate that neither Contractors' management nor Authority staff will have difficulty performing in the manner we have assumed.

Mr. Marshall Moran  
February 23, 2012

		Mar	Apr	May
<b>Task 1.</b>	<b>Kick-off Meetings and Project Status Meetings</b>			
1a	Project Kick-off Meeting			
1b	Status Meetings/ Conference Calls as Needed			
<b>Task 2.</b>	<b>Revenue Reconciliation Report Review</b>			
<b>Task 3.</b>	<b>Review of Unscheduled Services Revenue</b>			
<b>Task 4.</b>	<b>Review of Payment to SBWMA</b>			
4a	Prepare and Distribute RFI			
4b	Verify Proper Calculation of Processing/Disposal Expense			
<b>Task 5.</b>	<b>Agency Fee Review</b>			
5a	Prepare and Distribute RFI			
5b	Verify Proper Calculation of Agency Fees			
5c	Reconcile Monthly Agency Fee Payments to Supporting			
<b>Task 6.</b>	<b>Cost Allocator Review</b>			
6a	Gather Source Documents			
6b	Verify Mathematical Accuracy of Cost Allocations			
6c	Assess Feasibility and Costs to Gather Allocators More			
<b>Task 7.</b>	<b>Self-Haul Transfer Station Revenue Review</b>			
<b>Task 8.</b>	<b>MRF Revenue Review</b>			
8a	Commodity Revenue Review			
8b	CRV Revenue Review			
8c	Buyback Payout Review			
<b>Task 9.</b>	<b>Review Calculation of MRF Residue Tonnage</b>			
<b>Task 10.</b>	<b>Communicate Results</b>			
8a	Preliminary Draft of Findings and Recommendations			
8b	Meet and Confer with SBWMA and Contractors			
8c	Draft Report			
8d	Final Report			
8e	Prepare for and Attend Board Meeting			
<b>Task 11.</b>	<b>Engagement Management</b>			



## STAFF REPORT

---

**To:** SBWMA Board Members  
**From:** Cliff Feldman, Recycling Programs Manager  
Monica Devincenzi, Outreach and Sustainability Manager  
**Date:** March 22, 2012 Board of Director's Meeting  
**Subject:** Resolution Approving a Contract with Godbe Research to Conduct a Single-Family Residential Customer Satisfaction Telephone Survey for FY 2012

---

### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2012-05 attached hereto authorizing the following action:

The Executive Director execute a contract with Godbe Research to conduct a Single-Family Residential Telephone Survey for FY 2012 with a not to exceed budget of \$80,000.

### Analysis

Staff issued a Request for Proposals (RFP) to conduct a Single-Family Residential Customer Satisfaction Telephone Survey for FY 2012 on February 13, 2012 and received proposals from the following four firms: BKL Research and Consulting (Salem, VA); Fairbank, Maslin, Maullin, Metz & Associates (FM3 – Oakland, CA); Godbe Research (San Mateo, CA); and, Q&A Research (Novato, CA). The proposal evaluation process was conducted by staff (i.e., Monica Devincenzi and Cliff Feldman) with the assistance of Board Member Brian Moura, Assistant City Manager, City of San Carlos. All proposals were evaluated on a weighted criteria based on RFP responsiveness, proposer qualifications and experience, proposer approach and cost, and references.

After evaluating the proposals, conducting interviews and following up with pertinent references, staff is recommending contracting with Godbe Research to perform this work for FY 2012 for a cost not to exceed \$80,000 as the firm received the highest score based on the criteria specified in the RFP.

To summarize the scope of work, this project will entail designing and conducting a single-family residential focused customer satisfaction telephone survey. The work includes developing the questions, conducting the survey, tabulating the results, submitting a final report and presenting the key findings to the RethinkWaste Board and Member Agency governing bodies upon request. The project is anticipated to commence soon after Board approval and final negotiation of the scope of work and will be completed by mid-May 2012.

### Survey Sample Design Options

As with any type of statistical analysis such as a survey of this type, there is a calculation done to determine the margin of error. While the lowest margin of error is preferable, factors such as cost, survey design, practicality and schedule are all variables that contribute to determining an acceptable margin of error to meet the objectives of the survey. Based on inherent statistical limitations and Godbe's initial proposal, staff requested additional information and options for the number of surveys or interviews to be conducted. Specifically, staff requested pricing to conduct interviews for the service area totaling from 1,200 to 2,400 and for each Member Agency

individually from 100 to 200, in order to ascertain the range of the different margin of errors associated with conducting these numbers of surveys.

These survey sampling options are detailed in the table below, including the corresponding cost for each. The percentages shown are the maximum margin of error for each Member Agency respectively, as well as for the overall RethinkWaste service area that would be achieved based on the number of surveys conducted. The confidence level for each option is at 95%. To illustrate, if the responses to a question tabulated for the overall service area result in 60% of the respondents saying "yes," then for example under option #3 we would have 95% confidence that 58.03% to 61.97% of our service area would answer this way.

### Survey Options

Member Agency and Group Identification (Groups A, B, C)	No. of Households	Option #1 1,200 Interviews (100 Per MA)	Option #2 1,800 Interviews (150 Per MA)	Option #3 2,400 Interviews (200 Per MA)	Option #4 1,700 Interviews (100-200 Per MA*)
Atherton (C)	2,400	+/-9.60%	+/-7.75%	+/-6.64%	+/-9.60%
Belmont (B)	6,700	+/-9.73%	+/-7.91%	+/-6.83%	+/-7.91%
Burlingame (B)	6,600	+/-9.73%	+/-7.91%	+/-6.82%	+/-7.91%
East Palo Alto (C)	4,200	+/-9.68%	+/-7.86%	+/-6.76%	+/-9.68%
Foster City (B)	6,700	+/-9.73%	+/-7.91%	+/-6.83%	+/-7.91%
Hillsborough (C)	3,600	+/-9.66%	+/-7.83%	+/-6.74%	+/-9.66%
Menlo Park (B)	7,900	+/-9.74%	+/-7.93%	+/-6.84%	+/-7.93%
Redwood City (A)	17,000	+/-9.77%	+/-7.97%	+/-6.89%	+/-6.89%
San Carlos (B)	8,600	+/-9.74%	+/-7.93%	+/-6.85%	+/-7.93%
San Mateo (A)	20,000	+/-9.78%	+/-7.97%	+/-6.90%	+/-6.90%
County of San Mateo (B)	7,600	+/-9.74%	+/-7.92%	+/-6.84%	+/-7.92%
West Bay (C)	2,000	+/-9.55%	+/-7.70%	+/-6.58%	+/-9.55%
<b>OVERALL SERVICE AREA</b>	<b>93,300</b>	<b>+/-2.81%</b>	<b>+/-2.29%</b>	<b>+/-1.97%</b>	<b>+/-2.36%</b>
<b>TOTAL COST*</b>		<b>\$44,090</b>	<b>\$60,740</b>	<b>\$77,290</b>	<b>\$57,800</b>

\* Group (A) Member Agencies = 200 interviews, Group (B) Member Agencies = 150 interviews, Group (C) Member Agencies = 100 interviews

\*\*Total Costs shown includes up to three presentations provided by Godbe. Godbe would be available to make presentations to individual Member Agencies at their request for an additional \$300 each per presentation. The costs for the additional presentations to all Member Agencies have been included in the not-to-exceed amount recommendation presented in this report.

The options above reflect two different survey sampling approaches: disproportional vs. proportional sampling design. A disproportional sampling design is one where the total number of interviews is divided evenly across the full geographical area, and was the approach recommended by Godbe. Options #1 - #3 in the table above use the disproportional approach, which results in each Member Agency receiving the same number of completed interviews through the survey.

A proportional sampling design allocates the total number of completed interviews by population size, or in this case, by the number of single-family households for each Member Agency. According to Godbe, this design is not recommended for RethinkWaste's survey since there is such wide gap between the largest Member Agency (i.e., San Mateo at 20,000 households) and the smallest Member Agency (i.e., West Bay Sanitary District at 2,000 households.) At Staff's request, Godbe provided the margin of error for a proportional sampling design presented as Option #4 in the table above for comparison purposes. For the purposes of this design, the Member Agencies were classified into one of three groups based on their number of households. A baseline of a minimum of 100

interviews for the smallest Member Agencies (i.e., Group C – Atherton, East Palo Alto, Hillsborough and West Bay Sanitary District) was established to set the margin of error level below 10%.

Staff recommends Option #3 resulting in a total of 2,400 completed interviews, with 200 completed interviews for each Member Agency, as this provides for the lowest margin of error and the greatest number of interviews. It is important to note that it would be difficult to complete more than 200 interviews for the smallest Member Agencies based primarily on the number of households available for the survey in each community and therefore costs would increase to acquire more. The number of interviews represents the number of fully completed interviews, with partial interviews not included. This is not the number of calls made.

Godbe will be using a random digit dial (RDD) sample of all single-family households in the service area to conduct the telephone interviews. Some cross referencing may be conducted against Recology San Mateo County's database for the County pockets and West Bay Sanitary District to ensure that their residents are accurately reflected in the survey. In addition, the survey will be translated into Spanish and Spanish-language interviews will be conducted for up to 10% of all interviews.

As previously stated, Staff will be seeking input from those Board Members and elected officials who had expressed interest in helping develop the content areas to focus the survey. The deadlines for providing input will be tight to ensure the survey stays on schedule.

### **Background**

Extensive outreach and education efforts were initiated by RethinkWaste and Recology prior to the start of the new "CartSMART" services for single-family residents in January 2011 and are on-going. However, given the magnitude of changes in service, the first ever competitive procurement process resulting in Recology becoming the service provider, as well as significant changes to the requirements and compensation language within each individual franchise agreement between Recology and the RethinkWaste Member Agencies, there continues to be some ongoing confusion, debate and discussion related to the services.

In addition, no survey has been done to determine resident sentiment and satisfaction with the new CartSMART program, Recology's performance and related services. As a result, and based on feedback from the Board and Member Agencies, RethinkWaste initiated the RFP process to conduct a customer satisfaction telephone survey of single-family residents throughout the service area. The intent of the survey is to better determine and measure resident sentiment and satisfaction with their CartSMART Recycle, Compost and Garbage collection services and service provider; awareness of the various entities related to their services and their respective roles; and other related programs and services.

To provide meaningful and timely data in preparation for key milestones for upcoming outreach and education efforts, other contract-related factors, the survey will be conducted in April 2012 with results reported in May 2012. This survey will possibly be used by RethinkWaste to establish baseline data for conducting similar surveys periodically throughout the ten-year term of Recology's contract. RethinkWaste is also interested in having the capability to benchmark results with other similar programs and services to the extent possible.

### **Fiscal Impact**

The RethinkWaste FY 2012 budget includes \$140,000 for Residential Outreach Programs. The contract with Godbe Research for a not-to-exceed amount of \$80,000 will be paid for with these funds.

### **Attachments:**

Resolution 2012-05



**RESOLUTION NO. 2012-05**

**RESOLUTION OF THE SOUTH BAYSIDE WASTE  
MANAGEMENT AUTHORITY BOARD OF DIRECTORS  
AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A CONTRACT  
WITH GODBE RESEARCH TO CONDUCT A SINGLE-FAMILY RESIDENTIAL  
CUSTOMER SERVICE SATISFACTION TELEPHONE SURVEY FOR FY 2012**

**WHEREAS**, the South Bayside Waste Management Authority (SBWMA) Board of Directors has considered entering into a contract with Godbe Research, to conduct the Single-Family Residential Customer Service Satisfaction Telephone Survey for FY 2012; and

**WHEREAS**, on February 13, 2012 Staff issued a Request for Proposals (RFP) for Single-Family Residential Customer Service Satisfaction Telephone Survey for FY 2012 and subsequently received proposals from four consulting firms by the deadline of March 2, 2012; and

**WHEREAS**, while all four firms submitting proposals in response to the RFP issued on February 13, 2012 were qualified to provide the work solicited, the consultant firm of Godbe Research scored the highest and a contract was negotiated with this firm; and

**NOW, THEREFORE, BE IT RESOLVED** by the SBWMA Board of Directors hereby authorizes the Executive Director to execute a contract with Godbe Research to conduct the Single-Family Residential Customer Service Satisfaction Survey for FY 2012 for a not-to-exceed amount of \$80,000.

**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 22<sup>nd</sup> day of March, 2012, by the following vote:

<u>Agency</u>	<u>Yes</u>	<u>No</u>	<u>Abstain</u>	<u>Absent</u>	<u>Agency</u>	<u>Yes</u>	<u>No</u>	<u>Abstain</u>	<u>Absent</u>
Atherton					Menlo Park				
Belmont					Redwood City				
Burlingame					San Carlos				
East Palo Alto					San Mateo				
Foster City					County of San Mateo				
Hillsborough					West Bay Sanitary District				

I HEREBY CERTIFY that the foregoing Resolution No. 2012-05 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on March 22<sup>nd</sup>, 2012.

ATTEST:

\_\_\_\_\_  
Jim Porter, Chairperson of SBWMA

\_\_\_\_\_  
Cyndi Urman, Board Secretary



## STAFF UPDATE

**To:** SBWMA Board Members  
**From:** Cliff Feldman, Recycling Programs Manager  
**Date:** March 22, 2012 Board of Directors Meeting  
**Subject:** Presentation on Recology San Mateo County 2011 Annual Report

### Recommendation

This is a brief informational report and no action is necessary. A more detailed presentation will be made by staff at the Board meeting.

### Analysis

Staff has reviewed Recology's 2011 Annual Report with a focus on the contractual requirements prescribed in the Member Agencies Franchise Agreements. The following provides a brief status of our initial review:

<u>Scope of Review</u>	<u>SBWMA Review</u>
<u>Timing of Submittal: Section 9.04.C</u> The annual report is due forty-five (45) days after the end of each Rate Year, or by close of business on February 14, 2012.	The 2011 Annual Report was submitted late on February 14, 2012 with the email including the pdf version of the full report stamped at 5:17pm that day. The source files were then provided later that day from 5:30 to 5:33pm.
<u>Report Format: Section 9.04.B</u> The format of all reports shall be approved by the Agencies in advance.	Staff was not provided an opportunity to review and comment on the reporting format for Recology's Annual Report.
<u>Content of Submittal: Section 9.07</u> The report is required to contain various types of information and data as delineated in the Franchise Agreements.	The report generally includes the information required. Staff has requested the company restate the report and provide information that was omitted. In addition, included with submittal of the annual report should also be a check to each Member Agency for the annual Liquidated Damages. Staff has not been provided notice that these checks were issued.
<u>Accuracy of Information: Section 9.04.E</u> All information reported is required to be accurate.	Staff has noted substantive errors in the report and requested the company to make the appropriate corrections to both the original report and the corrected information submitted by the company.

### Background

The Member Agencies Franchise Agreements with Recology require the company to submit monthly, quarterly and annual reports. Specifically, Article 9 (Record Keeping and Reporting) in the Franchise Agreements delineates the general and specific reporting requirements. In addition, included with Recology's annual report should be a check for Liquidated Damages per section 9.07.F.

Attachments:

Attachment A - Recology 2011 Annual Report



**Agenda Item 4E  
Staff Presentation on Recology San Mateo County 2011  
Annual Report**

**Attachments:**

**A - Recology Annual Report**

---

- ◆ Recology Annual Report

*File too large to include with Packet*

Posted on Website: [www.rethinkwaste.org](http://www.rethinkwaste.org)



## STAFF UPDATE

**To:** SBWMA Board Members  
**From:** Hilary Gans, Facility Operations Contracts Manager  
**Date:** March 22, 2012 Board of Directors Meeting  
**Subject:** Presentation on South Bay Recycling's 2011 Annual Report

### Recommendation

This is a brief informational report and no action is necessary. A more detailed presentation will be made by staff at the Board meeting.

### Analysis

Staff has reviewed South Bay Recycling's (SBR) 2011 Annual Report with a focus on the contractual requirements prescribed in the Operations Agreement. The following provides a brief status of our initial review:

<u>Scope of Review</u>	<u>SBWMA Review</u>
<u>Timing of Submittal: Section 9.04</u> The annual report is due thirty (30) calendar days after the end of each Rate Year, or by close of business on January 31, 2012.	The 2011 Annual Report was submitted to staff in draft form on 2/14. Staff worked with SBR on the format and content of the report through several revisions with the final complete report submitted by the end of February.
<u>Content of Submittal: Section 9.06</u> The report is required to contain various types of information and data as delineated in the Operations Agreement.	The report includes the information required. Staff requested the company make additions to the report to provide a complete picture of the facility startup and operating history over 2011.
<u>Reporting of Adverse information: Section 9.09</u> All violations or written communications requested from or provide to governmental agencies shall be reported by the Contractor to the Authority.	SBR has received no violations at the Shoreway Facility in 2011 and has reported governmental communications to the SBWMA in Monthly Reports.

### Background

The Operations Agreement with SBR requires the company to submit monthly, quarterly and annual reports. Specifically, Article 9 (Contractor Records and Reporting) in the Operations Agreement delineates the general and specific reporting requirements.

### Attachments:

Attachment A - SBR 2011 Annual Report



---

**Agenda Item 4F  
Staff Presentation on South Bay Recycling 2011 Annual  
Report**

**Attachments:**

**A – South Bay Recycling Annual Report**

---

- ◆ South Bay Recycling Annual Report

*File too large to include with Packet*

Posted on Website: [www.rethinkwaste.org](http://www.rethinkwaste.org)



## STAFF REPORT

---

**To:** SBWMA Board Members  
**From:** Robert J. Lanzone, Legal Counsel  
**Date:** March 22, 2012 Board of Director's Meeting  
**Subject:** Recology of San Mateo County Request to Recover Cost of Pension Payments for Union Employees on Worker's Compensation in 2012 and 2013 Collection Rates.

---

### Recommendation

It is recommended that the SBWMA Board of Directors approve a motion authorizing the following action:

SBWMA Board of Directors denies Recology's request for cost recovery of pension contributions for union employees on workers compensation to be made in 2012, but may allow such recovery for 2013 as part of rate adjustment process for that rate year.

### Analysis

Recology has made a written request by letter of March 12, 2012 (**Attachment A hereto**) for the SBWMA to allow Recology to recover pension contribution costs for Teamsters Local 350 union employees who are out on worker's compensation claims. While Recology has had such pension expenses claimed against it by Local 350 for 2011, these payments which amount to approximately \$11,775, (Mark Arsenault email of 2/17/2012) are not being requested. Instead the request is for years 2012 and 2013, which costs are unknown but estimated (by Mark Arsenault by email of 2/7/2012) to be approximately \$25,000-\$35,000 per year.

Recology's request for recovery of pension benefit payments to be made in 2012 is outside the scope of allowable contract cost adjustments under the Franchise Agreement. The SBWMA Board should therefore not allow any such cost adjustment retroactively for the 2012 rate year. However, Recology's request for recovery of such costs for rate year 2013 appears to be an eligible adjustment for that rate year and should be included by Recology in its July 1, 2012 rate application for Contractors Compensation for 2013.

### *Franchise Agreement Analysis*

1. Under the terms of the Collection Franchise Agreement(s) that Recology has with almost all the SBWMA agencies, Article 11 covers Contractors compensation.

**A.** Section 11.01 (A) indicates there are three (3) components to Compensation from: (1) Annual cost of operations which include changes in wages, rates and benefits. (2) Profit of 9.5% on cost of operations and (3) Costs like regulatory fees.

**B.** The first year of compensation 2011 was determined under Section 11.02 in 2010 by a rate application which was made to the SBWMA. It was to allow for changes in cost from 2008 when the Contractor's initial RFP proposal was submitted.

**C.** Recology did not include in its rate application of 2010 for the 2011 rate year, any costs for pension benefit payments as requested now in **Attachment A**.

D. For 2012 and 2013 the rate process is the same, and under section 11.02 the Contractor is allowed to include changes in “wages, rates and benefits.” In the 2011 rate (for 2012) process, Recology did not include pension benefit payments as now requested in its letter (**Attachment A hereto**).

E. The 2013 rate process will take place later this year, and Recology can include the pension benefit payments as costs for 2013 in its application under Sec 11.02 of the Franchise Agreement, as being a change in wages, rates and benefits.

F. After October 23, 2013 and all the way through the balance of the term of the Franchise Agreement to December 2020, there will be no longer be adjustments allowed for any actual costs under Sec 11.02.

2. In examining other terms and conditions of the Franchise Agreement for Collection Services, particularly Article 11, there are no other terms or conditions outside of adjustments provided under Article 11, Section 11.02 and the annual rate adjustment process for 2011-2013. For example:

A. Section 11.05 allows for “Special Compensation Review” for only “eligible items,” like providing emergency services” with or “change in the law”. A change in the Contractor’s annual cost of services is only covered under Section 11.02.

B. Section 11.06, allows for adjustments to Compensation due to a “change in the scope of services” as may be requested by an SBWMA agency. That section does not apply to Recology’s request in Attachment A hereto.

## **Background**

### *Collective Bargaining Agreement*

1. In 2008, Recology, then known as Norcal, entered into an MOU dated August 28, 2008 with Teamsters Local 350. The MOU provided that Recology would in the event it was successful in obtaining the Franchise Contract for Collection with the SBWMA to be bound by the terms and conditions of whatever collective bargaining agreement (CBA) was in effect for the union workers of Local 350 with Allied Waste. (8/28/2008 MOU).

The MOU further provided that in the event Recology was awarded the collection contract, and Local 350 was still the representative of the employees performing the collection services, Recology would be bound by the CBA in effect for those employees to the end of the term of the CBA.

2. Local 350 and Allied were parties to a CBA for an initial term from October 24, 2003 thru October 23, 2008, which was extended by further agreement through October 23, 2013. This is the CBA that Recology is referring to in its letter request (**Attached A hereto**).

3. Currently Recology is litigating with Local 350 in Federal District Court. Case # CW 11-4009 (the Lawsuit) contesting the issue of payment of these same pension benefits under the CBA. Local 350 brought the action when Recology failed or refused to make such pension benefits payments.

4. By way of background, Allied Waste also contested its obligations under the CBA to make such pension benefit payments and lost in an Arbitration proceeding to Local 350 by a decision dated February 13, 2009. In the Lawsuit, Local 350 is saying that Recology is bound by the Arbitration decision against Allied, as it comes along with agreeing to be bound by the same CBA.

5. It is our further understanding that Recology challenged making such pension payments in a different CBA with Local 350 under a northern San Mateo County franchise and won in arbitration. However, the decision covering a separate and different CBA, and in a different jurisdiction, would have no effect on the CBA in question that Recology inherited from Allied Waste in the SBWMA jurisdiction.

**Fiscal Impact**

If the Board approved Recology's request as part of the 2013 rate application process it would result in an estimated new collection rate expense of \$25,000 to \$35,000 in 2013.

**Attachments:**

Attachment A – RSMC Letter Dated March 12, 2012



March 12, 2012

Kevin McCarthy  
Executive Director  
Rethink Waste  
610 Elm Street, Suite 202  
San Carlos, CA 94070

Subject: Recovery of Pension Payments for Union Employees on Workers Compensation

Dear Mr. McCarthy ,

This letter is a request for the recovery of pension contributions for union employees that are being paid under workers compensation. As you are aware, on August 19, 2011 Teamsters Local 350 filed a lawsuit against Recology San Mateo County (RSMC) for not making such contributions. In the lawsuit, the union seeks to enforce the arbitration award, which it obtained against Allied to make pension contribution benefits for drivers on worker's compensation.

Since RSMC is subject to the same Collective Bargaining Agreement (CBA) with the Teamsters Union as Allied was; does this obligation carry forward? If so, should RSMC be allowed to include this cost in the annual rate application?

Please consider these key facts:

- At the time that RSMC submitted its proposal response to the RFP, the award of the arbitration, in favor of the Union, had not yet been determined. As such, no anticipated cost provision was included for pension payments made for employees out on workers compensation.
- When RSMC submitted its first rate application for 2011, there were no employees on workers compensation. Therefore, no costs were projected in that rate application.
- Although RSMC is subject to the same CBA as Allied was, RSMC did not include pension payments for employees on workers compensation in the rate application for 2012, because we did not think the Allied obligation carried forward. RSMC filed the rate application for 2012 in July of 2011, and the union filed their lawsuit on August 19, 2011.



The SBWMA Board approved Allied's request for recovery of pension payments for employees on workers compensation as well as a portion of Allied's legal expenses in their rate application for 2010. RSMC is not requesting recovery for legal fees, or other related expenses incurred in 2011. RSMC is requesting recovery for expenses in 2012 as part of the 2013 rate application. Furthermore, that the actual costs for such expenses be determined during the last twelve months of the labor agreement and that such costs be adjusted under the index formula once the current labor agreement expires.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Arsenault', is written over a horizontal line.

Mark Arsenault, Group Manager

Cc: Mario Puccinelli, General Manager  
Jim Porter, County of San Mateo  
Jesus Nava, City of Burlingame