

APPENDIX A

(Previously Section 2)



STATE AND LOCAL POLICY AND REGULATORY FRAMEWORK

A. State and Local Policy and Regulatory Framework

1. State Policy and Regulatory Framework

Since the 1960s, federal, state, and city governments have developed a regulatory framework to ensure that solid and hazardous wastes are managed in an environmentally sound manner. Multiple agencies at each governmental level have responsibility for regulating each component of the solid waste management system including collection, processing, and final disposal. Regulation is generally used to set basic standards for waste transportation, handling, and disposal to ensure consistency and to protect public health and the environment. Education and voluntary programs are used to increase waste reduction, recycling, and composting rates and to promote producer responsibility (e.g., through voluntary take back programs).

Role of the State Government in Regulating Solid Waste

The California Environmental Protection Agency (CalEPA) is responsible for managing both hazardous and non-hazardous solid waste within the State. Several departments within CalEPA oversee implementation of State policies and programs.

The Department of Resources Recycling and Recovery (CalRecycle) manages non-hazardous waste collection, processing, recycling, and disposal. CalRecycle is responsible for monitoring cities and counties to ensure that they are implementing adequate source reduction, recycling, composting, and other diversion methods to meet State waste-diversion mandates. Assembly Bill 939 (AB 939), The California Integrated Waste Management Act of 1989 (Public Resources Code, Section 40000 et seq.) was one of the first recycling laws in the country to establish a preferred hierarchy for solid waste management and mandate recycling diversion goals. California has successfully used AB 939 to motivate cities and counties to reduce reliance on landfill disposal and increase waste diversion through source reduction, recycling, and composting. California is also likely to continue in this direction in the future as it works toward a statewide goal of 75% diversion by 2020 per AB 341.

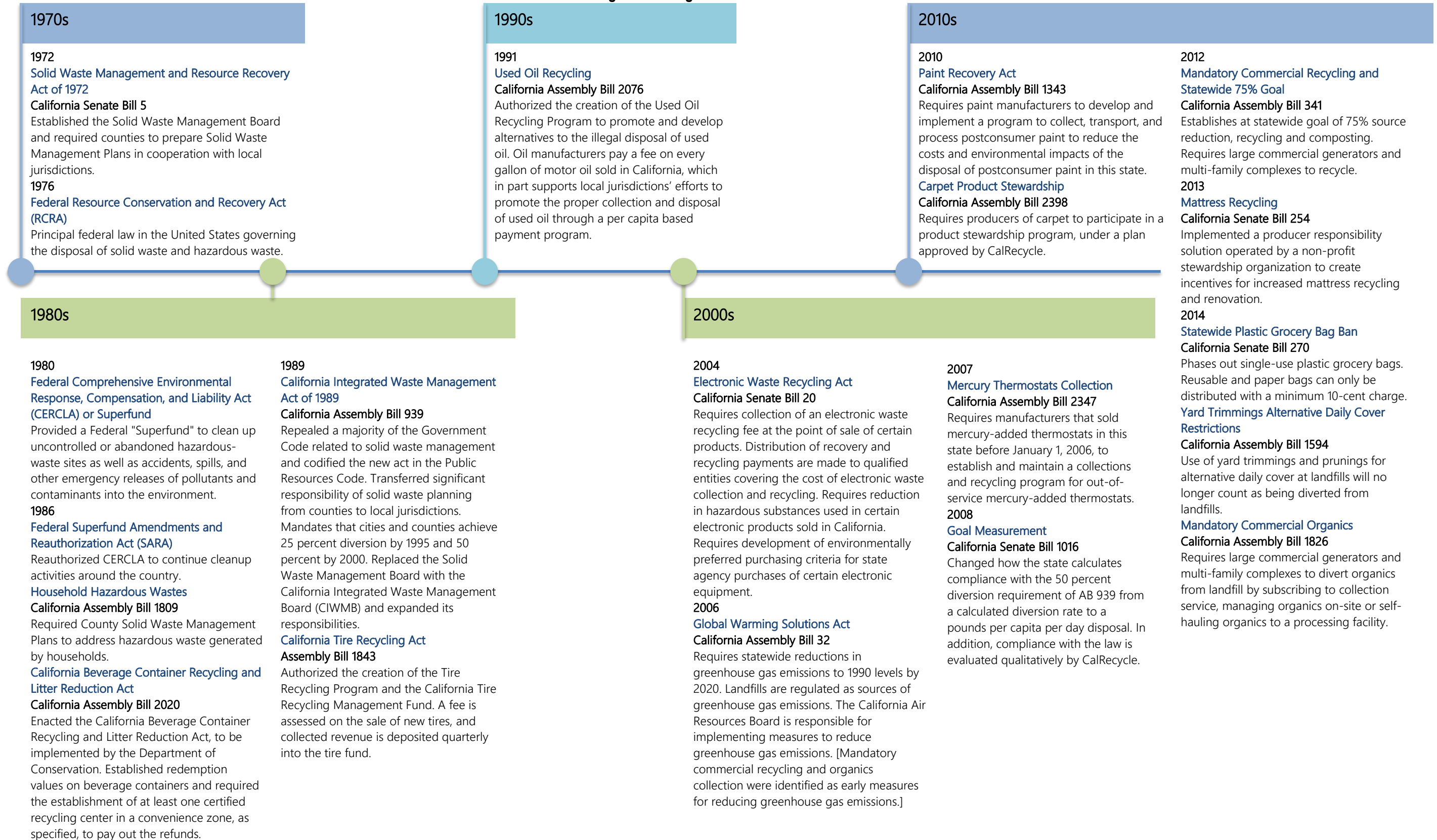
Please refer to **Figure A.1** which displays a timeline of key solid waste related legislation, which by and large are the responsibility of CalEPA and CalRecycle to manage.

CalRecycle also administers the California Beverage Container Recycling and Litter Reduction Act (Bottle Bill), which was enacted in 1986. Beverage containers covered under the act are labeled California Redemption Value "CRV." Consumers pay \$0.05 for containers under 24 ounces and \$0.10 for containers over 24 ounces. That money is returned to consumers when they recycle their containers, or is donated to a curbside operator or non-profit recycler depending on how the consumers choose to recycle the container. The Bottle Bill has resulted in an overall 85% recovery rate for covered beverage containers.

The Department of Toxic Substances Control (DTSC) focuses on preventing humans and ecosystems from exposure to hazardous chemicals and keeping these materials out of the waste stream. DTSC restores contaminated resources, enforces hazardous waste laws, reduces hazardous waste generation and encourages the manufacture of chemically safer products (through Green Chemistry initiatives).

The California Air Resources Board (CARB) is responsible for maintaining healthy air quality, including developing the regulations to enforce the Global Warming Solutions Act (AB 32), enacted in 2006. With the passage of AB 32,

Figure A.1: Legislative Timeline



California became a national leader in legislation to reduce greenhouse gas emissions. This act makes a commitment to reduce the State's emissions to 1990 levels by 2020, which is a reduction of approximately 25 percent from the expected emissions in the absence of regulation. The initial AB 32 Scoping Plan identified several activities to reduce greenhouse gas emissions in the waste management sector, including the consideration of mandatory commercial recycling regulations. Assembly Bill 341, described below, was adopted to codify this provision into State law.

The local Air Quality Management Districts throughout the State are responsible for ensuring that ambient air quality standards are attained and maintained in their respective air basins. The SBWMA is located within the Bay Area Air Quality Management District (BAAQMD), which regulates local air quality. All new construction within the BAAQMD, including solid waste processing and disposal facilities, must undergo a New Source Review in compliance with federal, State, and BAAQMD regulations.

Role of Local Jurisdictions in Regulating Solid Waste

AB 939 and subsequent legislation codified the role of local jurisdictions in managing solid waste. Cities and counties must plan and implement policies and programs to reach and maintain the 50% diversion requirement measured as a reduction in disposal in pounds per person per day. All of the JPA Member Agencies are in compliance with the AB 939 requirements. Local jurisdictions have a critical role in implementing State-mandated requirements, such as AB 939, and more recently the mandatory commercial recycling requirements of AB 341 and organics diversion requirements of AB 1826. With the support of the SBWMA and contracted service providers, the Member Agencies have successfully met the challenges of these State mandates and are well positioned to meet future requirements.

Local jurisdictions and JPAs have a direct role in solid waste management and can enact ordinances and legislation to further enhance local programs. For example, ten of the twelve member agencies have adopted local construction and demolition debris ordinances or resolutions requiring diversion of construction and demolition debris.¹ In addition, the City of San Carlos adopted a commercial and multi-family complex mandatory recycling ordinance.

The SBWMA also recently adopted a local commercial recycling reporting ordinance which requires businesses that backhaul recyclable materials, and haulers, brokers and other entities that provide recycling collection services to businesses in the SBWMA service area to report quarterly on the quantity of recycling they collect.

Recent State Legislation Affecting SBWMA Policies and Programs

Mandatory Commercial Recycling (AB 341)

On July 1, 2012, the State's mandatory commercial recycling law, AB 341, was implemented. The law requires all businesses that generate more than four cubic yards of solid waste per week and multi-family complexes with five or more units to arrange for recycling services. To comply with AB 341, commercial businesses and multi-family complexes that meet the criteria must implement recycling services through one or more of the following methods:

- Self-haul recyclable materials to a recycling center
- Subscribe to recycling services through a private hauler
- Arrange for the pickup of recyclable materials

¹Note that the West Bay Sanitary District does not have jurisdiction over construction permitting. Link to member agency ordinances and resolutions at: <http://www.rethinkwaste.org/businesses/construction-demolition-recycling/member-agency-c-d-ordinances> (accessed January 30, 2015).

- Subscribe to recycling services that can include mixed-waste processing that yields diversion results comparable to source separation

To comply with AB 341, local governments are required to implement a commercial recycling program that consists of education, outreach and monitoring of business. In addition, each jurisdiction must annually report to CalRecycle its progress with AB 341 implementation, including outreach, monitoring and enforcement by providing updates in its electronic annual report. The SBWMA manages the AB 341 mandatory commercial recycling requirements and submits the electronic annual reports on behalf of its Member Agencies. All of the JPA Member Agencies are in compliance with the AB 341 mandatory commercial recycling requirements.

AB 341 also established a statewide goal of 75% source reduction, recycling, and composting by 2020. AB 341 specifies that disposal-related diversion, such as incineration and beneficial reuse of discarded materials at landfills, including Alternative Daily Cover (ADC), is not considered recycling and does not contribute to the 75% goal. The Statewide goal does not directly impact local jurisdictions which are required to maintain the reduction in disposal in pounds per person per day (per capita) targets of AB 939.

Mandatory Recycling of Commercial Organics (AB 1826)

AB1826 was approved by the Governor on September 28, 2014 and will take effect on April 1, 2016. Similar to AB 341, AB 1826 requires businesses and multifamily complexes with five or more units to arrange for organics collection services. The implementation schedule is scaled so that larger businesses, those with 8 or more cubic yards of organics, must comply with the requirement by April 1, 2016; those with 4 or more cubic yards of organics must comply by January 1, 2017; those with 4 cubic yards of commercial solid waste must comply by January 1, 2019; and those with 2 cubic yards of commercial solid waste or more must comply by January 1, 2020.

This bill also requires each jurisdiction, by January 1, 2016, to implement an organics recycling program to divert organics from the businesses.

Statewide Plastic Grocery Bag Ban (SB 270)

Senate Bill (SB) 270 was set to take effect on July 1, 2015 and prohibited a retail establishment, defined as having gross annual sales of two million dollars or more, or at least 10,000 square feet of retail space, from providing a single-use carryout bag to a customer at the point of sale. On and after July 1, 2016, this bill was to expand to convenience food stores, prohibiting them from providing a single-use carryout bag to a customer. The bill instead was to allow recycled paper bags, compostable plastic bags, or reusable bags to be made available for purchase at \$.10, and provided free of charge to specified food program participants. It required CalRecycle to certify reusable bag producers, and publish a list to its website that includes the name and location of all bag producers that have been certified, and establish a fee schedule that will generate revenues sufficient to cover CalRecycle's costs to certify that the bags meet specified requirements.

While SB 270 was passed last year, opponents of the measure recently secured enough signatures to put the ban to a referendum in November 2016, putting the statewide ban on hold until then. However, the referendum does not affect any locally adopted legislation regarding plastic bag bans including those adopted by the SBWMA Member Agencies.

2. JPA Governance Structure, Contracts and Policies

a. Governance Structure

RethinkWaste, legally known as the South Bayside Waste Management Authority, operates under a Joint Powers Agreement (JPA Agreement), which was first executed in June 1982 (under the Agency name South Bayside Transfer Station Authority) and last amended in July 2013. The term of the current JPA Agreement is at least until December 31, 2019 or “until such further time necessary to repay any revenue bonds issued by the SBWMA.” The SBWMA issued \$53.5 million in revenue bonds on September 1, 2009 with the last bonds maturing on September 1, 2036.

The JPA Agreement provides for the exercise of certain powers common to the Member Agencies and provides for the “joint ownership, financing, administration, and operation of the Facilities (Shoreway facility), and for the joint planning, adoption, financing, administration, management, review, monitoring, enforcement and reporting of Solid Waste, Recyclable Material, and Plant Collection activities in the service area.” All major contracts that the SBWMA directly manages (e.g., Shoreway Operations Agreement with South Bay Recycling, Processing and Disposal Agreements, Shoreway License Agreement with Recology, etc.) or provides administrative support for (e.g., Member Agency Collection Services Franchise Agreements) are on a calendar year basis. The setting of solid waste rates by Member Agencies is also done on a calendar year basis. Furthermore, the JPA’s bond indenture of trust requires a calendar year financial statement.

b. Contracts

The SBWMA Member Agencies hold individual Franchise Agreements for collection services with Recology San Mateo County as of January 1, 2011. The agreements continue through December 31, 2020 with an option to extend in 2017. Recology collects residential and commercial solid waste, recyclable materials and organics materials, and delivers them to the Shoreway facility for processing, staging and shipment to offsite processors and end markets. Recology provides all staffing for the collection operations, including customer service. The Franchise Agreements include performance standards, including incentives and disincentives, and liquidated damages, to ensure that the materials are collected in a manner to maximize diversion, operational efficiencies, revenue and cost-savings. The Franchise Agreements prescribe certain responsibilities for the JPA with contract administration, including managing the annual compensation adjustment process and nearly all aspects of public education and outreach.

The JPA directly holds a number of contracts as follows:

- Operations Agreement with South Bay Recycling (SBR), LLC for the Shoreway facility
- San Carlos Franchise Agreement
- Shoreway License Agreement with Recology
- Ox Mountain (Allied Waste/Republic Services) Disposal Agreement
- BFI (Allied Waste/Republic Services) Newby Island Organics Processing Agreement
- Recology-Grover Organics Processing Agreement
- Harvest Power California, LLC Organics Processing Agreement
- Zanker Road Resource Recovery C&D Processing Agreement
- WM Curbside, LLC, At Your Door Special Collections – Door-to-Door HHW Collection Agreement

Table A.1 on the following page provides a summary of the contracts with more specific information provided on each contract immediately after the table.

Table A.1: JPA Contracts and Member Agency Franchise Agreement Summary

<u>Contract</u>	<u>Company/Agency</u>	<u>Expiration*</u>	<u>Status/Future Plans</u>
Collection Franchise Agreement(s)	Recology	December 31, 2020	Staff will be working with a technical consultant(s) in FY1516 to review Recology's operational costs. Staff will also be recommending to the Board additional steps to take to prepare Member Agencies in deciding whether to extend the agreement(s) or not in 2017. A key step will be a review of the uniform franchise agreement.
Shoreway Operations Agreement	SBR	December 31, 2020	Staff will be working with a technical consultant(s) in FY1516 to review SBR's operational costs. Staff will also be recommending to the Board additional steps to take to prepare for a JPA decision regarding whether to extend the Ops. Agreement or not. A key step will be a review of the Ops. Agreement itself. Please note the JPA has the exclusive right to extend the Agreement for one-year periods up to a total of three years; notice to be provided at least six months before expiration of current Agreement.
San Carlos Franchise Agreement	City of San Carlos	In effect in tandem with Shoreway's Conditional Use Permit	No action necessary unless the current Conditional Use Permit is modified.
Shoreway License Agreement with Recology	Recology	December 31, 2020 unless previously extended by agreement of both parties.	This Agreement essentially runs concurrent with Franchise Agreements so the decisions on the Franchise Agreements will effect whether this Agreement is extended or not.
Ox Mountain Disposal Agreement	BFI (Allied Waste/Republic Services)	December 31, 2019	Staff to explore opportunities to negotiate an early extension of the contract if the right financial deal can be negotiated and presented to the Board.
Organics Processing Agreement	BFI (Allied Waste/Republic Services) Newby Island	December 31, 2017	Staff to evaluate contract in FY1617 to assist the JPA in deciding whether to extend the agreement or not per contract terms.
Organics Processing Agreement	Recology-Grover Environmental Products	December 31, 2020	Staff to evaluate contract in FY1920 to assist the JPA in deciding whether to extend the agreement or not per contract terms.
Organics Processing Agreement	Harvest Power California, LLC	December 31, 2017	Staff to evaluate contract in FY1617 to assist the JPA in deciding whether to extend the agreement or not per contract terms.
C&D Processing Agreement	Zanker Road Resource Recovery	January 31, 2017	Staff to evaluate contract in FY1516 to assist the JPA in deciding whether to extend the agreement or not per contract terms.
Door-to-Door HHW Collection Agreement	WM Curbside, LLC At Your Door Special Collections	December 31, 2015	Contract has one last extension remaining which would extend the agreement through December 31, 2016. Due to a potential significant rate increase upon contract end, staff is exploring other options for the service.

*Unless stated otherwise, the expiration is at midnight on the date shown.

Shoreway Operations Agreement: This 10-year agreement between the JPA and SBR covers operation of the SBWMA-owned Shoreway facility (i.e., inclusive of the Materials Recovery Facility, Transfer Station, Scale House and Public Recycling Center.) The agreement began January 1, 2011 and continues through December 31, 2020 with up to three one-year options to extend. Residential and commercial solid waste, recyclable materials and organics that are collected by the franchised hauler (Recology) are taken to the Shoreway facility for processing, staging and shipment to offsite processors and end markets. SBR provides all staffing for the aforementioned operations of the Shoreway facility. The agreement includes performance standards, including incentives and disincentives, and liquated damages to ensure that materials are processed in accordance with the SBWMA's specifications to maximize diversion, operational efficiencies, revenue and cost-savings.

At the request of SBR, the Board approved a change in the majority ownership of SBR from Community Recycling and Recovery, which is a 60% owner, to Recology Inc. (parent company of Recology San Mateo County) who plans on acquiring them. The consent to assignment was approved at a Special Board meeting on December 17, 2014.

San Carlos Franchise Agreement: This agreement memorializes the terms of payment by the JPA to the City of San Carlos of a franchise fee of 5% of gate fees (excludes commodity revenues) collected at the Shoreway Environmental Center as the host city for the facility.

Shoreway License Agreement with Recology: As the owner of the Shoreway Environmental Center, the SBWMA entered into a license agreement with Recology to allow the company to operate out of this facility. This 10-year agreement coincides with the Member Agencies' Franchise Agreements and outlines the terms of Recology's tenancy at the Shoreway facility and the responsibilities of both SBWMA and Recology with regard to Recology housing its operations at Shoreway.

Ox Mountain Disposal Agreement: This 15-year disposal agreement between the JPA and Ox Mountain Landfill, located off Highway 92 in Half Moon Bay, covers the exclusive disposal of solid waste from the Shoreway facility and grants the JPA with "most favored customer" pricing meaning no other customer shall receive lower pricing. Disposal rates charged to the JPA are set annually by Ox Mountain and reflect an annual adjustment equal to 80% of CPI for the contractor fee component plus the pass through of government fees. The 2015 disposal rate is \$39.62 per ton of which \$11.23 per ton are government fees (\$9.83 per ton paid to the County of San Mateo and \$1.40 per ton paid to the State Board of Equalization). When the cost of transportation is included, the total cost to dispose of garbage is \$55.35 per ton. Republic Services has projected that the Ox Mountain Landfill has an enough fill capacity to last another 20 years at the current rate of landfilling. The current agreement is set to expire on December 31, 2019.

The Ox Mountain Landfill is the closest landfill to the Shoreway facility (13 miles) and is the only active landfill in San Mateo County. In 2014, staff conducted a rate survey that compared the total costs of disposal and transportation to various landfills in the region to benchmark the current costs and to help anticipate the potential for disposal cost increases after the contract expiration in 2019. The survey revealed that the JPA's current total cost for disposal and transportation is 10% to 20% below the "market rate." Stated another way, the JPA's costs for solid waste transportation and disposal is likely to increase 10% to 20% after 2019.

Organics Processing Agreements: The JPA holds three separate organics processing agreements to process organic materials collected in the service area into finished compost. SBR transports the organics

materials from the Shoreway facility to the three different vendors. All three agreements were effective January 1, 2015, to but are set to expire on varying dates. **Table A.2** identifies the processors and the terms of the agreements.

Table A.2: Organics Processing Agreements

Processor	Contract Expiration	Contract Extension
BFI (Allied Waste/Republic Services) Newby Island - San Jose	December 31, 2017	Up to two one-year options
Recology-Grover Environmental Products - outside Tracy	December 31, 2020	Up to two one-year options
Harvest Power California, LLC -Lathrop	December 31, 2017	By mutual agreement

To ensure the highest and best use of the organic materials, the agreements prohibit the processors from disposing of or using any of the JPA’s materials as alternative daily cover (ADC) at a landfill. The JPA also receives an annual allotment of finished compost for free for community compost giveaway events for Member Agencies and for pick-up at the Shoreway facility. Unlike the agreements with Newby Island and Recology-Grover, which receive the majority of the organic materials due to having the capacity and have a minimum annual tonnage guarantee included as a result, the agreement with Harvest Power does not have a minimum tonnage guarantee due to their being a relatively new processing facility with limited capacity.

Zanker Road Resource Recovery C&D Processing Agreement: Zanker Road Resource Recovery has been successfully processing construction and demolition (C&D) debris for the SBWMA since 2006 at its San Jose facility achieving diversion rates over 80% while providing a smooth operational interface with the Shoreway facility operator. C&D is primarily delivered to the Shoreway facility by self-haul customers who pay by the cubic yard to dump mixed scrap materials from building construction and demolition projects.

Shoreway’s tip rates for C&D are designed to cover the cost of: 1) handling the materials through the transfer station, 2) transportation to Zanker, and 3) the tip fee for processing this material. The facility is the only C&D recycling facility that is located close to Shoreway (23 miles from Shoreway). Using sorting equipment, Zanker is able recover wood, concrete, drywall, roofing, metals and various other scrap materials from C&D. In 2014, the total cost to transport and process C&D is \$72.91 per ton. The existing agreement was amended in 2012 to extend the contract an additional three years until January 31, 2017.

WM Curbside LLC, At Your Door Special Collections – Door-to-Door HHW Collection Agreement: The JPA entered into an agreement with WM Curbside LLC, dba At Your Door Special Collection, in November 2009 to provide door-to-door collection service of household hazardous waste (HHW), universal waste, electronic waste and sharps from single-family and multi-family dwellings from participating Member Agencies from January 1, 2010 through December 31, 2012. The agreement has been amended three times, extending the term through December 31, 2015. The SBWMA has sole discretion to extend the agreement for one more year, from January 1, 2016 through December 31, 2016.

WM Curbside has stated the JPA will be facing a significant rate increase because the rate charged to the SBWMA is significantly lower than what is charged to other California jurisdictions. For example, San Ramon’s rate in 2016 will be \$0.74 per single-family dwelling, per month vs. \$0.42 for the SBWMA. As a result, the

company intends to increase the JPA's rate for the program to be in alignment with rates charged to other communities starting in 2017 after expiration of the current agreement.

The program was rolled out initially to the cities of Belmont, Hillsborough, San Carlos and San Mateo in May 2010, and all other Member Agencies have since joined, with the Town of Atherton and the City of Redwood City as the remaining two who started the program on March 1, 2015.

c. Policies

Unlike other similar recycling and solid waste agencies, the JPA has historically not been an agency that has adopted policies or ordinances to promote higher diversion or change social behavior. Currently the only ordinance adopted by the SBWMA Board of Directors is SBWMA Ordinance No. 002 – Commercial Recycling Reporting Requirements, which went into effect on January 1, 2015. The ordinance requires businesses that back haul recyclable materials, and haulers, brokers and other entities that provide recycling collection services to businesses in the SBWMA service area to report recycling data (i.e., weight information on the types of recyclables collected by city) to the JPA on a quarterly basis starting in 2015. Prior to the ordinance's passage, the JPA only received information from Recology as the franchised hauler. This data will be used to help determine a more comprehensive diversion rate for the commercial sector, to evaluate whether additional recycling programs are needed and to assist the Member Agencies with compliance with State laws related to waste reduction and recycling.

The JPA did enact a policy early on as it related to prohibiting the use of yard trimmings as alternative daily cover. This provision was amended into the Shoreway Operations Agreement with BFI/Allied Waste in 2002. This policy was adopted by the State of California with passage of AB 1594 in 2014.