



A Public Agency

EXECUTIVE DIRECTOR'S REPORT

STAFF REPORT

To: SBWMA Board Members
From: Joe La Mariana, Executive Director
Date: May 25, 2017 Board of Directors Meeting
Subject: Executive Director's Report

The following projects and initiatives highlight staff efforts during the past month:

1. **Administration & Finance:**

A. **Legislative Action**

The California 2017-2018 Legislative session is in full action mode. As such, our legislative colleagues in Sacramento have keenly identified several important bills that are recommended for strong industry support and staff is, therefore, urging our Board's support of these bills as the progress through the legislative process. Simply put, our agency's voice is loud and these issues matter. Fact sheets for each bill are provided for your review under agenda item 6C. These bills are:

- **AB 1158** California's Carpet Stewardship Act of 2017
- **AB 1219** The California Good Samaritan Food Donation Act
- **AB 954** Food Waste Reduction
- **AB 1288** Tip Fee Reform
- **AB 1036** Composting Goal Adjustments Between State Agencies
- **SB 705** Safe and Sustainable Takeout Food Packaging
- **AB 1594** Ocean Plastic Takeout Food Packing

B. **FY 17-18 Budget Development--Action Item:**

Per Board protocol, a draft of the proposed FY 17-18 budget was presented as a discussion item at the April Board meeting. Staff also presented a proposed five-year capital projects schedule at the March Board meeting and at the April 4th Finance meeting. Table 1 in Agenda item 7A Budget Staff Report shows the variances between the draft FY 17-18 document that was presented at the April Board meeting and the revised document presented for final Board consideration today. Several notable items have been made included in the proposed FY 17-18 budget. They are:

- **Collection Services RFP:** \$450k is included to fund a public procurement process (an RFP) if the SBWMA and Recology are not able to reach agreement on terms to extend the Collection Services Franchise Agreement by December 31, 2017 (Line 42/Account 520309).
- **Shoreway Fire Insurance:** \$550k is projected for Shoreway Insurance Coverage (Line item 68/Account 520710). Risk Strategies' CEO, Mr. John O'Neill, will present a situational assessment and the current results of their search for property insurance coverage for the Shoreway facility starting in July 2017.

2. Collection and Recycling Program Support and Compliance:

- A. Franchise Agreement Negotiations Committee (FAX)—*Process Update/Board Discussion; Action in June:*
Staff will present a comprehensive update on the FAX process at today's Board meeting and will provide a finalized Model Franchise Agreement and Recology's Cost Proposal for Board consideration at the June Board meeting.

In May, 14 public meetings and workshops were held to review FAX Committee's *Findings and Recommendations Report* highlights to the SBWMA's 60+ elected officials, TAC members, agency stakeholders, and general community members. Recology of San Mateo's senior management team attended each of these meetings. An additional workshop was held specifically for the SBWMA's City Managers benefit. Proposed terms, conditions and costs, as well as process steps and timing were presented. Many clarifications and questions were fielded indicated that participants were engaged in the topic, and very interested in the future services, and their costs, to be provided. Summarized feedback is provided in today agenda item 8A, and will be included in the FAX Committee's *Findings and Recommendations Final Report* to be presented for Board consideration at its June 22nd meeting. Here's our planned remaining schedule:

- o June 22: **SBWMA Board Meeting:** SBWMA Board Approves FAX Committee's *Findings and Recommendations Report*, including the Model Franchise Agreement and Recology's Cost Proposal for 2021.
- o July/August: **Member Agencies: Action Items.** Elected bodies "Approve" SBWMA FAX Committee's *Findings and Recommendations Report*, including the Model Franchise Agreement and Recology's Cost Proposal for 2021.
- o August-Dec.: **Member Agency Negotiations:** With SBWMA/Member Agency Board approval of the SBWMA FAX Committee's *Findings and Recommendations Report* and Model Franchise Agreement and Recology's Cost proposal for 2021, each Member agency will then enter into individual negotiations with Recology and SBWMA Agency staff/consultants to produce a fully executed agreement by December 31, 2017. Per section 7.1.1.c of the Joint Powers Authority's binding governance document, a minimum of eight agencies are required to approve their Franchise Agreements to complete this deal.

3. Shoreway Operations and Contract Management -*Commodity Values, Fire Update:*

A. General Operations:

- The steep dip in fiber commodity values in export markets that staff reported on in April appears to have flattened out. As previously reported, the Chinese markets have tightened their recycling materials acceptance standards which has reduced commodity prices throughout the industry. Although our program provides a very high-quality product, our program has still been impacted. As a result, staff and SBR has taken an even more conservative approach (to our usual cautious calcs) to our commodity revenue models for the agency's FY 17-18 operational budget planning purposes.

B. Fire Recovery and MRF Production Update—*Fire Insurance Shopping, Preemptive Planning Continues:*

- As previously reported, the Agency's Insurance Broker, Risk Strategies, has been actively soliciting the acquisition of a new fire insurance policy for our Shoreway facilities due to Hanover's renewal declination letter received on March 19th. Risk Strategies' CEO, Mr. John

O'Neill, will present his firm's technical findings and recommendations for our operation to move forward with adequate insurance coverage in the FY 17-18, and beyond. Based on our current discussions, it appears that our coverage will come in the form of multiple, overlaying products that share future risks amongst multiple insurers. It also has become clear that deductible amounts and premiums will both rise significantly. Based on today's discussion, staff will seek Board direction on a purchasing strategy moving forward as it relates to premium costs and the mix of coverage products currently available to us in the marketplace.

- **Implementing fire suppression measures and incident avoidance continue to be a top priority for staff and the SBR team.** Recent notable activities include:
 - The planned installation of new fire sprinklers directly over the multiple sorting equipment screen areas where the September 7th fire was identified to have started (\$22k).
 - The SBWMA has retained nationally renowned recycling facilities experts, RRS to assist in identifying best-practices to mitigate battery fire risk at the MRF with respect to available fire suppression programs, equipment and technologies.
 - The first component of this work is to conduct a national review and solicit of fire suppression best practice, training and public campaigns at comparable facilities.
 - Using the foundational knowledge acquired from the above work, the second component involves developing a maximum, industry-leading fire suppression plan for our facility and materials handling operations that scopes the necessary work, creates an alternative pathway for our agency to collect and handle offending lithium ion batteries while minimizing fire risk and maximizing worker safety. This new plan would enhance and expand on the *Shoreway Fire Mitigation Plan* that was co-developed by Staff and SBR and was presented to the Board at its February meeting (agenda item 11A). Based on previously-stated Board support, Staff will launch an extensive public campaign to engage the general public in our goal of redirecting these materials away from the Shoreway MRF.
 - A comprehensive presentation of RRS' findings and recommendations is anticipated at the September Board meeting.
- Conveyor equipment replacement work relating to the September 11th fire in the Shoreway transfer station will be underway shortly and is expected to be completed by June

Respectfully submitted,



Joe La Mariana
Executive Director

Attachment 1: Franchise Negotiations/Project Milestone Summary

Process Milestone	Date Completed	Comments
PROCESS SET-UP		
1. SBWMA FAX Committee Formation	SBWMA Board Mtg. April 2016	Authorized by Resolution #2016-21
2. SBWMA Staff Distributes RFQ <i>Soliciting lead negotiator and financial analytical services</i>	11/1/16	*Two highly-qualified responses from R3 Consultants and HF&H Consultants * Board selects HF&H (Resolution #2016-44)
3. SBWMA Negotiation Team Formation * HF&H Consultants, Lead Negotiator * RJP Proto, SW Industry Technical Expert * SCS Engineers, Staff augmentation * ADCL, Legal support	12/14/16	Professional Services Contracts are now completed for all team members.
4. Preliminary Meetings w/Recology	11/2/16 11/3/16	Excellent briefing with Recology team of key operational issues of high importance to them.
6. Recology Submits Franchise Agreement Redlines for proposed new term	11/30/16	* Redline completed at SBWMA request. * This doc provides an important starting point for our negotiation discussions.
10. Recology Cost Proposal /RFP	1/10/17	*Recology delivered comprehensive, 644-page response document. *HF&H Consultants currently reviewing submittal.
MEMBER AGENCY INPUT		
8. <u>Member Agency Input #1:</u> TO: Board Members; Alternates; City Managers	12/16/16	*Survey completed on 1/10/16. *All 12 Member Agencies responded. * 23 total responses. *Survey Goal: Secure input to shape SBWMA's key negotiation points.
9. <u>Member Agency Input #2:</u> TO: TAC + FAX members	1/5/17	* Joint TAC/FAX meeting was held on 1/5. * 35 attendees; 11 of 12 MAs attended. *Special Session goal: To solicit input from TAC/FAX members (senior-level member agency staff) to shape Agency's key negotiation points.
11. <u>Member Agency #3:</u> Future Growth Survey	Survey closed 2/1/17	Survey sent to Member Agency's senior Planners (through TAC members). Survey Goal: To identify growth factors through 2030 that may affect Recology's operations, productivity and costs.
NEGOTIATIONS PROCESS		
7. Negotiation Team Meetings <i>Joint Meetings w/SBWMA + Recology</i>	2016: 12/7 2017: 1/11; 1/23 2/2; 2/9 3/20 4/4; 4/6; 4/17	Frontline discussions on key language, costs and negotiation points. Numerous conference calls and side meetings also occurred to address/resolve topic-specific items, research and cost analysis..
5. FAX Ad Hoc Committee Meetings <i>Six Board-appointed FAX team members:</i> * Chair, Jim Porter, County of SM * Vice Chair, Melissa Stevenson-Diaz * Larry Patterson, San Mateo * Afshin Oskoui, Belmont (also TAC Chair)	2016: 11/10; 12/7 2017: 1/12; 1/24 2/6; 2/21 3/8; 3/28 4/18	SBWMA's Negotiation Team provides in-depth report backs of key discussion items to FAX for feedback and direction. NOTE: Recology presented to FAX on 3/8.

<p>* Brenda Olwin, EPA * Heather Abrams, Menlo Park</p>		
<p>SBWMA Finance Committee Review</p>	<p>2017: Cancelled</p>	<p>Presentation cancelled.</p>
<p>SBWMA Technical Advisory Committee (TAC):</p> <p>NOTE: The SBWMA TAC is comprised of 12 senior representatives, including one from each SBWMA member agency. TAC members include: a City Manager, Public Works Directors/staff, Finance Directors and Environment Programs staff.</p>	<p>2017: 4/13 5/3</p>	<p>Staff and Consulting team held a ½ day workshop on May 3rd for member agency staff and interested parties with a highly-detailed review of proposed finances, key operational factors and contract language modifications. Over 45 TAC members, board members, stakeholders and Recology managers attended.</p> <p>NOTE: Recology presented to the joint TAC/FAX on 4/13.</p>
<p>SBWMA Board Consisting of 12 representatives from each member agency (elected officials)</p> <p>*****</p> <p>SBWMA Member Agency FAX Presentations to all Elected Bodies</p> <p>*****</p> <p>SBWMA Board</p>	<p>2017: 4/27 5/25</p> <p>*****</p> <p>2017: 5/1-5/22</p> <p>*****</p>	<p><u>4/27: Informational Agenda Item-</u> Comprehensive presentation of FAX Committee Report-Findings and Recommendations. Board questions/ comments were noted and addressed in final FAX Report to be presented for SBWMA Board consideration on 6/22.</p> <p>*****</p> <p>Staff presented FAX Committee Findings and Recommendations to all 12 member agency city councils, County Board of Supervisors, and SBWMA City/County/District Managers.</p> <p>In addition to the TAC workshop held on May 3rd, (cited above), two additional workshops were held:</p> <ol style="list-style-type: none"> 1. For Member Agency City Managers (5/11) 2. a second ½ day workshop was held specifically for Member Agency Attorneys (5/16). <p>*****</p> <p><u>5/25: Informational Update —</u> Report out on Member Agency presentations and three workshops.</p> <p><u>6/22: Action Item (Fallback date)—</u> FAX Committee Final Report-Findings and Recommendations presented to SBWMA Board for consideration.</p> <p>Upon SBWMA Board’s adoption of FAX Final Report-Findings and Recommendation— Part One of process concludes.</p>

Red = New changes since last report.
Blue = Confirmed FAX work plan elements.