



A Public Agency

EXECUTIVE DIRECTOR'S REPORT

STAFF REPORT

To: SBWMA Board Members
From: Joe La Mariana, Executive Director
Date: June 22, 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-*Lots to Report***
 - A. **Technical Advisory Committee (TAC) Meeting-*Agency and Franchise Updates; CalRecycle Reporting***

The June 8th TAC meeting had the first non-FAX related agenda in over a year. Discussion items included: FY 17/18 Agency project briefing; Fire Suppression Action Plan highlights; strategies for the expiring organics and disposal materials; Franchise Agreement milestones; and an emphasis on CalRecycle-mandated annual reports that each jurisdiction is required to submit each August 1st. Since 1999, an SBWMA-provided contractor has provided extensive support to each member agency city for their submissions to CalRecycle. Recology and SBR also provided recent operational highlights—this will be a regularly agendized feature in future TAC meetings.
 - B. **Annual Financial Systems and Operational Procedures—*Audits completed; Draft findings being reviewed***

Each year, the SBWMA commissions independent forensic accountants to perform two comprehensive audits of Recology's and SBR's financial systems and operational procedures to ensure proper conformance with standard GAAP financial and cash management practices, solid waste industry operational standards and general contract compliance. R3 Consulting has performed this review during the past four years and their 2016 findings will be presented to the Board in July.
 - C. **Office refresh—*Improved Layout; Safer for Staff; A Sustainable Statement***

First occupied in 2003, the Agency office space will have several minor drywall improvements, a modified layout to accommodate our current/future staffing needs, along with refreshed paint and carpet with an emphasis on ergonomic workspaces, sustainable décor materials, and the use of local (SBWMA service area-based) resources. This work will be completed this fall.
2. **Collection and Recycling Program Support and Compliance:**
 - A. **Franchise Agreement Negotiations Committee (FAX)—*Process Update/Board Discussion; Action in June***

Staff presents Final FAX Committee recommendations and compensation for Board approval. Under today's agenda item 9A, links are provided for the final set of proposed Model Franchise Agreement and Attachments documents for your review. These documents have now completed a legal review by the agency and by each member agency's attorney. I believe that agreement on contract language and terms has now been reached with Recology. If any inadvertent outstanding issues come to light before the Board meeting, I will call them out. The Agency's lead financial analyst and lead negotiator, HF&H Consultants will also be joining us at today's meeting to answer any final questions or

concerns that may be posed by our Board before they consider the approval question. Upon Board approval, here's our estimated remaining schedule:

- June 22: **SBWMA Board Meeting:** SBWMA Board considers FAX Committee's *Findings and Recommendations Report*, including the Model Franchise Agreement and Recology's Cost Proposal for 2021.
- 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.
- 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 negotiate with Recology 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 Stabilize, More Fire Updates:

A. General Operations:

- **Fiber commodity values have adjusted favorably since the unexpected dip reported in March.** The recently adopted FY17/18 budget contains conservative projections based on that earlier trend.
- **Organics Processing Issued.** The SBWMA produces ~100,000 tons per year of organics (yard waste and food materials) that requires composting. Our program ranks as one of the top programs in Northern California. As impressive as these program results are, recent legislation requires every Californian jurisdiction to divert even more organic materials from the landfill (AB 341 and AB 1383). Staff estimates an additional 30,000 tons of organic material will need to be diverted by 2020 to meet this mandate. The Agency currently splits this volume between two industrial-scale composters Newby Island Organics and Blossom Valley Organics (contracts expire on December 31, 2017 and on December 2020 respectively). Anticipating our future program needs and the expiring contract, Staff will be issuing an RFP to address the Agency's needs with its one expiring contract and beyond. The RFP results will be presented for Board consideration at the September / October meeting.

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

- All 2016 fire-related restoration and repair work on the Shoreway MRF and transfer station has now been completed. Staff is working closely with Hanover Insurance company to complete the final claim's financial reconciliation for both incidents. Final closure on these claims is expected to be completed this fall when all related work and invoicing has been completed.
- **Installation of enhanced/expanded new fire sprinklers** directly over the multiple sorting equipment screen areas where the September 7th incident occurred is expected to be completed by early fall.
- **Transfer Stations conveyor equipment replacement** work relating to the September 11th incident is expected to be completed by early fall, upon receipt of special-order parts and materials.

- **Based on Board direction in May, the Agency's Insurance Broker, Risk Strategies, solicited additional fire insurance policy deductible options.** These options are presented today in agenda item 10A, and with an in-person presentation by Risk Strategies' CEO, Mr. John O'Neill. Based on Board comments in May, Staff supports Risk Strategies' recommendation for a new, multi-layered fire coverage policy with a \$500,000 deductible. Clear Board direction is sought at this meeting to immediately activate a new policy by July 1st.

A "Battery Summit" was held at the Shoreway site on June 13th - 14th. This important event was jointly hosted by Agency Staff and included RRS (our new expert MRF battery hazard consultant), and program stakeholders i.e., Recology, SBR, and various materials processors. A comprehensive site and operational process review was conducted, discussion about the recycling industries' approach to Lithium Ion batteries were extensively discussed. Next steps were established with the goal of reporting to the Board in September on the following:

- Results of a nation-wide literature review regarding this topic to understand the scale of this issue and to enlist support beyond our agency.
- Conduct surveys of the MRF industry, NGOs, operational personnel associated with the SBWMA's programs, and battery producers/recyclers to create effective standard operating procedures and to understand best practices in other markets.
- Produce a white paper that provides insights and data about the prevalence and problems of Li Ion batteries at the 280+ MRFs throughout the county.
 - Develop preliminary "Findings and Recommendations" and identify areas needing more research in order to provide options for facility and/or collection program changes that will reduce the risk of Li Ion fires at Shoreway.
 - With Board feedback, a separate second phase of work is expected to follow in which these findings and recommendations will be converted into specific changes in our materials handling procedures and a multi-tiered public education and outreach campaign.

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>4/27: Informational Agenda Item- 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>5/25: Informational Update — Report out on Member Agency presentations and three workshops.</p> <p>6/22: Action Item (Fallback date)— 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.