



# SHOREWAY OPERATIONS AND CONTRACT MANAGEMENT



## STAFF REPORT

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To: SBWMA Board Members  
From: Hilary Gans, Facility Operations Contract Manager  
Date: November 17, 2016 Board of Directors Meeting  
Subject: Resolution Approving C&D MOU with Zanker Road Resource Management, Ltd.

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### Recommendation

Approve the Resolution 2016-45 hereto:

**Approving a Memorandum of Understanding with Zanker Road Resource Management, Ltd., to extend the existing agreement for one (1) month.**

### Back ground

The SBWMA has had an agreement for construction and demolition debris (C&D) processing with Zanker that expires on January 31, 2017. This agreement, was executed in 2012 and preceded by two other agreements that were executed in 2010 and 2006. Zanker has processed all of the SBWMA's C&D materials and has built highly specialized sorting equipment to recover materials such as metal, wood, and concrete for recycling. The C&D material is delivered to the transfer station exclusively by self-haul customers and SBR transports the roughly 140 tons per day (38,000 tons per year) to Zanker's facility located in San Jose.

### Analysis

Staff is in the process of negotiating a new draft contact with Zanker for C&D processing services. This negotiation is taking longer than anticipated due, in part, to Zanker's request for a higher than anticipated tip fee increase (Zanker has requested a 25% price increase over the current rate of \$51.62 per ton). For this reason, staff is requesting Board approval for a one-month continuation of the current agreement under the same terms. It is anticipated that staff will be bringing a draft agreement for Board consideration at the January 26<sup>th</sup> meeting.

### Fiscal Impact

No fiscal impact.

### Attachments:

Resolution 2016-45



**RESOLUTION NO. 2016-45**

**RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING A MOU WITH ZANKER ROAD RESOURCES MANAGEMENT, LTD. TO EXTEND THE EXISTING AGREEMENT FOR ONE (1) MONTH**

**WHEREAS**, the SBWMA and Zanker Road Resources Management, LTD., (Zanker) have an Agreement for process construction and demolition debris that expires on January 31<sup>st</sup>, 2017; and

**WHEREAS**, SBWMA and Zanker are drafting a new Agreement to continue the processing arrangement after the expiration of the existing Agreement; and

**WHEREAS**, the process of approving a new Agreement may extend past the ending date of the current agreement; and

**NOW, THEREFORE, BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves the Memorandum of Understanding extending the terms of the current Agreement with Zanker for a period of one (1) month until February 28, 2017.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 17<sup>th</sup> day of November, 2016, 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 San. District				

I HEREBY CERTIFY that the foregoing Resolution No. 2016-45 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on November 17, 2016.

ATTEST:

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Bob Grassilli, Chairperson of SBWMA

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Cyndi Urman, Board Secretary

## STAFF REPORT

**To:** SBWMA Board Members  
**From:** Hilary Gans, Operations Contracts Manager  
**Date:** November 17, 2016 Board of Directors Meeting  
**Subject:** Update on Shoreway MRF Fire Claim and Restoration Process

### Recommendation

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors.

### Summary

This report provides a description of the status of claims with Hanover Insurance and the restoration of the Materials Recovery Facility (MRF) building and equipment to its normal operation.

### Analysis

#### Insurance Claims Processing

The SBWMA has received a total of \$2.5M from Hanover to cover expenses incurred in performing fire restoration work. To date, the SBWMA has committed a not-to-exceed total of \$5,193,704 through POs and contracts and has made actual payments totaling \$2,213,442 to vendors (see **Table 2** for detail). The SBWMA has invoiced Hanover insurance a corresponding dollar amount for reimbursement. The current balance of funds for reimbursements is a net positive \$286,558 paid out to the SBWMA.

<b>Table 2. SBWMA MRF FIRE SUMMARY</b>					
Report Date		11/4/2016			
<b>Contracts</b>	<b>Approved NTE</b>	<b>Billed to Date</b>	<b>% Billed</b>	<b>Remaining NTE</b>	
Signal Services	\$ 4,750,000	\$ 1,957,009	41%	\$ 2,792,991	
BHS	\$ 344,324	\$ -	0%	\$ 344,324	
South Bay Recycling		\$ 203,561	0%		
Rodan Builders		\$ -	0%	\$ -	
JRMA	\$ 17,200	\$ -	0%	\$ 17,200	
Tanner Pacific, Inc.	\$ 82,180	\$ 52,872	64%	\$ 29,308	
				\$ -	
<b>Total</b>	<b>\$ 5,193,704</b>	<b>\$ 2,213,442</b>	<b>43%</b>	<b>\$ 3,183,823</b>	
<b>Hanover Funds Received</b>		<b>\$ 2,500,000</b>			

#### Facility Restoration Efforts

SBWMA staff is restoring the MRF to normal operations according to the following series of action steps:

1. Making arrangements for off-site processing of recyclable materials
2. MRF and transfer station cleaning
3. Assessment of building damage
4. Assessment of equipment damage
5. Removal of materials and equipment from MRF
6. Complete smoke and fire related cleaning
7. Order parts and complete equipment electrical and mechanical repairs
8. Develop specifications and bid package for building repairs
9. Award and complete building repairs

**Estimated Cost and Schedule for Restoration Efforts**

Based on the damage assessment and restoration plan coordinated by staff and involving SBR and consultants, a repair schedule and cost estimate has been developed. Current cost estimates for the MRF building and equipment restoration efforts are approximately \$10M (see detail estimate **Table 1** below).

<b>Table 1</b>		
<b>MRF FIRE RESTORATION EXPENSE - PRELIMINARY ESTIMATE</b>		
<u>Building and Equipment</u>	<u>Service</u>	<u>Estimated Cost</u>
SBR	Cleaning	\$ 200,000
BHS	Equipment Assessment	\$ 334,000
Signal	Building Cleaning	\$ 4,750,000
JRMA	Building Repair Design	\$ 17,500
TannerPacific	Construction Management	\$ 82,000
Rodan Construction	Building Repair	\$ 350,000
Cosco Fire	Fire Suppression Repair	\$ 25,000
BHS	Equipment Repair Labor	\$ 1,400,000
BHS	Parts	\$ 1,073,819
BHS	Startup	\$ 300,000
Others Equipment Contractors		\$ 500,000
	<b>TOTAL</b>	<b>\$ 9,032,319</b>
<u>Off Site Processing</u>		
	Total cost of alternative processin	\$ 330,000 per month
		5.0 Months
	<b>TOTAL</b>	<b>\$ 1,650,000</b>
	<b>SUB TOTAL</b>	<b>\$ 10,682,319</b>

Staff is currently projecting an estimated completion date of February 2017 with the potential of having the MRF sorting system operational in January. Staff has worked closely with TannerPacific, the construction management company, to develop a MRF restoration project detail schedule (see **Attachment A**).

**Background**

**Insurer Coverage and Response**

The SBWMA has maintained a fire damage insurance policy with Hanover Insurance in the coverage amounts listed in **Table 2**.

The policy and coverage was established in consultation with SBWMA's broker Cohn-Reid-O'Neill (in Burlingame).

<b>Table 2. Hanover Insurance coverage</b>
• \$37 Million Buildings
• \$20 Million Personal Property
• \$4.5 Million Business Income
• The deductible is \$5,000

Hanover's loss adjusters responded promptly after being notified of the fire, and soon thereafter, Hanover conducted an investigation as to the cause of the fire (which proved inconclusive) and cleanup and restoration work was initiated. Hanover has been cooperative and expeditious in their response and in setting up claims for fire restoration expense processing. Hanover has indicated that they will reimburse the SBWMA for all expenses related to: 1) restoration of the building and equipment to proper function (Personal Property Coverage), and 2) SBWMA's loss of business revenues (Business Income Coverage) during the restoration process.

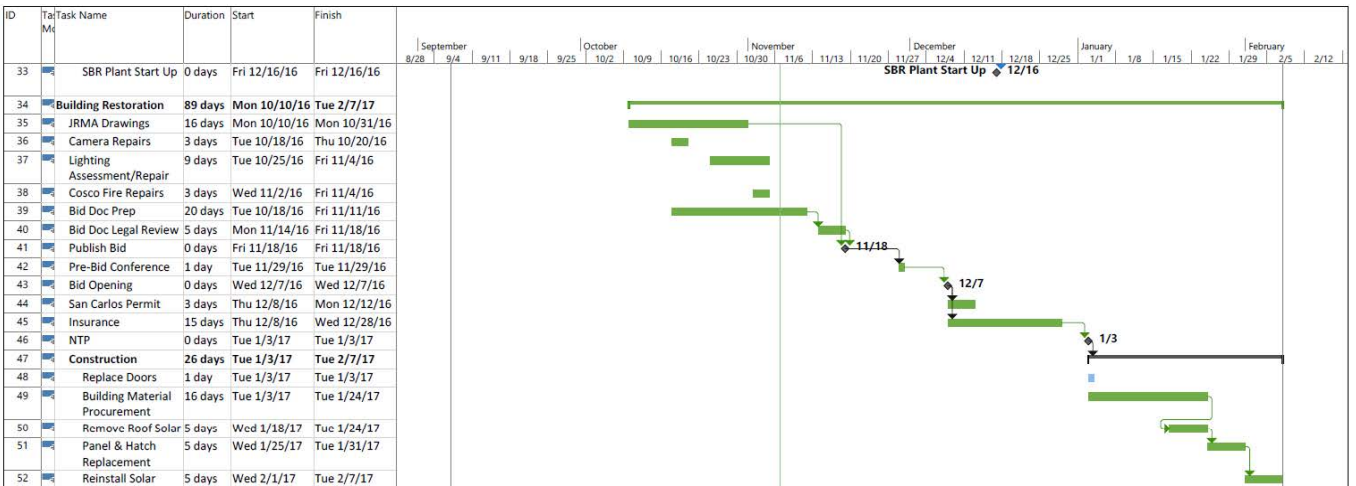
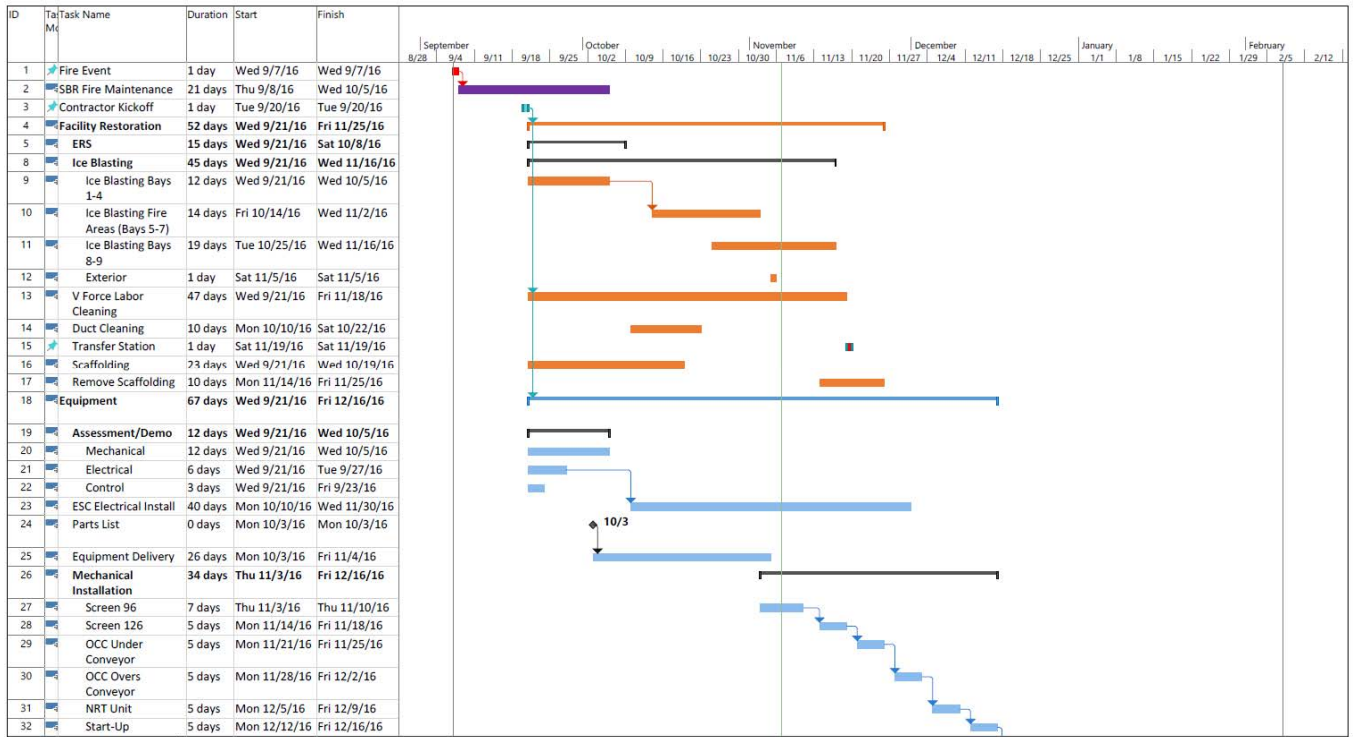
**Fiscal Impact**

The SBWMA maintains fire insurance coverage with Hanover and has a \$5,000 deductible. Based on conversations with SBWMA legal counsel relating to the Agency's coverage and claims Hanover should reimburse the SBWMA for all expenses related to: 1) restoration of the building and equipment to proper function (Personal Property Coverage), and 2) SBWMA's loss of business revenues (Business Income Coverage) during the restoration process.

**Attachments:**

Attachment A - MRF Restoration Project Detail Schedule

# Attachment A - MRF Restoration Project Detail Schedule



Project: SBWMA Bid Schedule  
Date: Mon 11/7/16

Task		Project Summary		Manual Task		Start-only		Deadline	
Split		Inactive Task		Duration-only		Finish-only		Progress	
Milestone		Inactive Milestone		Manual Summary Rollup		External Tasks		Manual Progress	
Summary		Inactive Summary		Manual Summary		External Milestone			

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## STAFF REPORT

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To: SBWMA Board Members  
From: Joe La Mariana, Executive Director  
Date: November 17, 2016 Board of Directors Meeting  
Subject: Review of Shoreway Facility Restoration Services Contracts Let Under Purchasing Policy

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### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2016-46 accepting this report.

### Background

At the September 22, 2016 meeting, the Board was advised that it would be necessary to execute cleanup and repair related contracts prior to the next Board meeting and that the Executive Director would, without Board objection, proceed to approve those contracts pursuant to SBWMA's Purchasing Policies Section 3.12.180, Emergency authority of Executive Director, which provides:

*A. In an emergency requiring the immediate preservation of the public peace, health and safety, and precluding action by the Authority Board, the Executive Director may purchase supplies or services, even though the amount thereof may exceed twenty thousand dollars, without competitive bids upon notice.*

When contracts are authorized by the Executive Director per Section 3.12.180(A) requires:

*At the next succeeding Board meeting, the Executive Director shall submit to the Board a written statement of the circumstances of such emergency, a description of the supplies or services purchased, and the prices thereof. (Ord. 1178 § 2 (part), 1995) (Section 3.12.180(B))*

### Analysis

Pursuant to SBWMA's Purchasing Policies, Section 3.12.180, the Executive Director offers the following report.

The SBWMA's fire insurance coverage limits with The Hanover Insurance Group, Inc. are as follows:

- \$37 Million Buildings
- \$20 Million Personal Property
- \$4.5 Million Business Income
- The deductible is \$5,000

Since the September 22<sup>nd</sup> Board of Directors meeting, the following contracts and expenditures have been authorized by the Executive Director per Section 3.12.180(A).

Purchase Orders for Fire Related Work at the SEC				
PO Number	Date Issued	Amount	Company	Description
629		\$50,000.00	Signal Restoration	Initial PO for Clean Up Work*
	10/6/2016	\$4,750,000.00	Signal Restoration	Signal Contract for Restoration*
630	9/30/2016	\$50,000.00	BHS	Initial PO for Inspection and Repair of BHS Equipment*
760	9/30/2016	\$17,200.00	JR Miller	Design of Roof Repairs*
761	9/30/2016	\$344,324.54	BHS	Inspection of BHS Equipment Damage*
2968	10/10/2016	\$16,080.00	Tanner Pacific	On Call Construction Management Services - Let prior to fire
810	10/10/2016	\$374,992.57	BHS	Parts List One for BHS - Long - Lead*
810-01	10/27/2016	\$87,405.30	BHS	Change Order to Parts List Number 1 - Long - Lead
809	10/10/2016	\$157,134.61	BHS	Parts List Two for BHS - Short- Lead
808	10/10/2016	\$23,649.79	LiveWire	Replacement of Camera System
811	10/10/2016	\$82,180.00	Tanner Pacific	Full Contract for Construction Management Services
1028	10/27/2016	\$83,988.77	BHS	Duct Work
1032	10/27/2016	\$479,520.56	BHS	Electrical Work
1031	10/27/2016	\$871,585.00	BHS	Mechanical Work

Each of these expenditures has been reviewed with the claims adjustor assigned by Hanover. The contracts listed above have also been reviewed and approved by Hanover. Items marked with an \* were approved at the October 27, 2016 Board of Directors Meeting.

To date, costs associated with cleanup and repair are approximately \$924,058. (The monthly Staff Update regarding the Fire Damage Restoration Process provides detail of payment status for each vendor relating to the different aspects of the building restoration process.) Preliminary estimates anticipate total claims in the amount of \$6-9 million for Personal Property Loss and roughly \$1-2 million in Business Income Loss. Again, these estimates fall well within the coverage limits.

### **Fiscal Impact**

SBWMA's insurance policy with The Hanover Insurance Group, Inc. has a \$5,000 deductible. We anticipate that all other costs will be borne by Hanover.

**Attachments:**  
Resolution 2016-46





## RESOLUTION NO. 2016-46

### RESOLUTION OF THE SBWMA BOARD OF DIRECTORS ACCEPTING AND APPROVING EXECUTIVE DIRECTOR'S REPORT PURSUANT TO SBWMA PURCHASING POLICIES SECTION 3.12.180, EMERGENCY AUTHORITY OF EXECUTIVE DIRECTOR

**WHEREAS**, pursuant to South Bayside Waste Management Authority Purchasing Policies Section 3.12.180, Emergency Authority of Executive Director, an emergency requiring the Executive Director to purchase supplies and services exists by virtue of a fire at the Shoreway Environmental Center on September 7<sup>th</sup>; and

**WHEREAS**, the Board of Directors was advised at its meeting of September 22<sup>nd</sup>, 2016, that the Executive Director intended to authorize emergency contracts for supplies and services in order to address damage caused by the above-referenced fire; and

**WHEREAS**, Purchasing Policies Section 3.12.180 requires that the Executive Director report at the next succeeding Board meeting on the supplies and services purchased, and prices thereof; and

**WHEREAS**, the Executive Director has executed the following emergency contracts:

- Bulk Handling Systems (BHS) on 10/10/2016 for \$157,134.61
- Bulk Handling Systems (BHS) on 10/27/2016 for \$87,405.30
- Bulk Handling Systems (BHS) on 10/27/2016 for \$83,988.77
- Bulk Handling Systems (BHS) on 10/27/2016 for \$479,520.56
- Bulk Handling Systems (BHS) on 10/27/2016 for \$ 871,585.00, and

**WHEREAS**, the Board of Directors has reviewed the report.

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby approves the Executive Director's report made pursuant to Purchasing Policies Section 3.12.180.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 17<sup>th</sup> day of November, 2016, 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. 2016-46 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on November 17, 2016.

ATTEST:

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Bob Grassilli, Chairperson of SBWMA

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Cyndi Urman, Board Secretary



## STAFF REPORT

**To:** SBWMA Board Members  
**From:** Hilary Gans, Operations Contracts Manager  
**Date:** November 17, 2016 Board Meeting  
**Subject:** Resolution Adjusting SBR's Compensation for Sort Labor through Vocational Rehabilitation Services

### Recommendation

That the Board approve Resolution 2016-47:

**Authorizing the Executive Director to amend SBR's compensation to include the impact of the newly enacted County of San Mateo Living Wage Ordinance on the VRS program.**

### Analysis

SBR has a contract with San Mateo County Vocational Rehabilitation Services (VRS) to provide sort labor for the processing of recyclable materials at the Shoreway MRF. On November 1, 2016 the County of San Mateo passed a living wage ordinance (LWO) that established the requirement that workers in the County be paid \$14 starting January 2017. The LWO sets a higher wage than the Operations Agreement requires the SBWMA to compensate SBR for sort labor. By approving the Resolution, the Board would be approving that supplemental compensation be paid to SBR to fully compensate the company for increase cost of complying with the LWO. Staff believes that the SBWMA should reimburse SBR for the LWO cost impacts because the new wage will add critical long-term stability to the contractual relationship between SBR and VRS by making worker recruitment and retention easier.

### *San Mateo County Living Wage Ordinance*

The County of San Mateo living wage ordinance was approved by the County Board of Supervisors on November 1<sup>st</sup> 2016. As shown in the table below, the LWO will establish a wage of \$14 (increasing to \$15) per hour in year 2017. VRS will be paying LWO wages to their "Clients" and SBR will be required to increase the amount that they pay VRS commensurate with the increase in client wages starting on January 2017.

Effective Date	San Mateo County Living Wage
January 1, 2017	\$14.00
July 1, 2017	\$15.00
January 1, 2018	
July 1, 2018	\$16.00
January 1, 2019	
July 1, 2019	\$17.00
January 1, 2020	
July 1, 2020	+CPI-U
January 1, 2021	
July 1, 2021	+CPI-U

### *Financial Impacts of the LWO on SBR and SBWMA*

As stipulated by the Operations Agreement, the SBWMA compensates SBR a fixed amount per ton for each ton processed through the MRF. SBR is responsible for paying all wages and operational costs to operate the MRF

out of the per-ton processing fee it receives from the SBWMA. In the case of the VRS sort labor annual cost adjustment, the SBWMA Compensation Application process uses a CPI Labor Index to determine the year-over-year labor cost component change to SBR's compensation. Note that the dollar amount that SBWMA compensates SBR is not tied to the amount that SBR pays VRS and the Union workers. In fact, over the past 4-years, SBR has been paying VRS more for sort labor than they are compensated by the SBWMA (currently the SBWMA compensates SBR for sort labor at \$9.46 per hour). By agreeing to provide SBR supplemental compensation to match the LWO wage increase, the SBWMA would be increasing compensation to SBR by roughly \$4.54 hour (other program costs would make the number slightly higher). The per-ton MRF Processing fee paid to SBR would increase from \$85.38 to \$89.73 per ton for year 2017 (a total of \$321,765 per year based on 74,179 tons).

In anticipation of San Mateo County Board of Supervisors approving the LWO, SBR and VRS have agreed to make change in their current contract that increase wages paid to VRS's "Clients" commensurate with the new LWO (the SBWMA is not a party to the contract). SBR and SBWMA staff have analyzed the wage change impact on the SBWMA FY16/17 Budget and, based on the MRF starting operations again in February 2017, there would be a negative impact of approximately \$134,068.

### ***SBR's Sort Labor Required from the VRS Program***

Over the past several years, VRS has had difficulty in fulfilling the sorter staffing levels required by SBR to properly operate the MRF. VRS has cited the low wage paid to sorters as a main impediment to recruiting and retaining sufficient workers to meet SBR's needs. SBWMA staff recently met with San Mateo County Human Services Agency staff who indicated that payment of the living wage was an essential requirement to continuation of the VRS program. Additionally, they cited that the LWO will help VRS staff overcome the recruiting challenge to providing SBR the needed MRF sorters.

### **Background**

The VRS program provides work for people who experience barriers to employment and are transitioning back to the workplace. The VRS clients spend a maximum of 18 months in the program before they transition into the workforce (note several program graduates that have been hired by SBR for full-time employment). SBR and San Mateo County entered into an agreement for the VRS program to provide sort labor staffing at the Shoreway MRF. The County VRS program has not been able to consistently supplied all of the sort labor that SBR required to run the MRF and low wages paid to the "clients" has been cited as a major reason for VRS not being able to recruit workers. As a result of these challenges, the County delivered a 30-day notice to terminate the VRS agreement to SBR due to the unpredictability of the available workforce and the challenges associated with fulfilling their contractual requirements for this work. Had the facility not closed due to the fire damage, the County's contract termination notice was to be effective September 15<sup>th</sup>.

### **Fiscal Impact**

The SBWMA pays SBR a fixed price per ton for each ton of franchise single stream material processed at the Shoreway MRF. If the Board approves the pass through of the VRS sort labor increase resulting from the Living Wage ordinance, the processing cost increase to the SBWMA for the sort labor hike would increase to approximately \$89.73 per ton for the first-half of 2017. The FY16/7 Budget impact would be roughly \$134,080.

# RESOLUTION NO. 2016-47

## RESOLUTION OF THE SBWMA BOARD OF DIRECTORS AUTHORIZING THE EXECUTIVE DIRECTOR TO AMEND SBR'S COMPENSATION TO INCLUDE THE COST IMPACT OF THE NEWLY ENACTED COUNTY OF SAN MATEO LIVING WAGE ORDINANCE ON THE VRS PROGRAM.

**WHEREAS**, the South Bayside Waste Management Authority (SBWMA) compensates South Bay Recycling (SBR) according to terms in the Operations Agreement for the processing of recyclables at the Shoreway MRF, and

**WHEREAS**, SBR has a contract with San Mateo County Vocational Rehabilitation Services (VRS) for the provision of sort labor at the Shoreway MRF, and

**WHEREAS**, SBWMA supports the continuation of the contract between SBR and VRS and the recently enacted San Mateo County Living Wage Ordinance,

**NOW, THEREFORE BE IT RESOLVED** that the SBWMA hereby authorizes the Executive Director to augment compensation to SBR above that prescribed in the Operations Agreement to reimburse the company for the cost impacts of the Living Wage Ordinance.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 17<sup>th</sup> day of November, 2016, 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. 2016-47 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on November 17, 2016.

ATTEST:

\_\_\_\_\_  
Bob Grassilli, Chairperson of SBWMA

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Cyndi Urman, Board Secretary