



# SHOREWAY OPERATIONS AND CONTRACT MANAGEMENT



## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Hilary Gans, Facility Operations Contracts Manager  
Kevin McCarthy, Executive Director  
**Date:** November 20, 2014 Board of Directors Meeting  
**Subject:** Consideration of Approval of Additional Third Party Tons into Shoreway Environmental Center MRF

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### Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2014-29 attached hereto authorizing the following action:

Approval of Additional Third Party Tons into Shoreway Environmental Center MRF from the City of Daly City contingent upon Daly City selection of South Bay Recycling (SBR) as their MRF processor.

### Summary

SBR, with the support of SBWMA staff, submitted an RFP response to the City of Daly City to process their residential and commercial single stream recyclables at the Shoreway Environmental Center MRF. On November 17, 2014, the Daly City city council will be considering selection of a contractor for franchised collection services and contractor(s) for transfer and processing services, including a MRF processor for all the City's recyclable materials. If SBR is selected as the MRF processor, they would begin processing services for Daly City starting February 1, 2016 according to the terms and conditions in the MOU in **Exhibit A**. The third party tonnage from Daly City would contribute host fee revenues to the SBWMA of approximately \$170,000 per year.

### Analysis

Staff has evaluated the request by SBR to use the Shoreway MRF to process Daly City's approximately 60 tons per day or 13,000 tons per year of single stream recycling and recommends that the Board approve SBR's request to process third party tons from Daly City subject to the terms and conditions of the MOU attached to this staff report (see **Exhibit A**). Important points for the Board to consider in the approval of the third party tons from Daly City are as follows:

- The MOU with SBR for processing the third party tons from Daly City has the same terms and conditions of the MOU for third party tons from Recology that was approved by the Board on July 24, 2014 (Agenda item 4B, Consideration of Long-Term Approval of Additional Third-Party Tons into the Shoreway MRF).
- SBR will pay the SBWMA a host fee of \$13 per ton (plus CPI) for the Daly City tons.
- There is no obligation for SBR or the SBWMA to process material from Daly City beyond the term of the Shoreway Operations Agreement with SBR that will expire after December 31, 2020.
- Staff has analyzed the processing capacity of the MRF to handle the Daly City tons and has determined that sufficient MRF processing capacity exists but that special operational considerations

may need to be implemented if the MRF tipping area canopy project is not completed before SBR starts to receive the Daly City recyclables on February 1, 2016\*.

*\* Note that the Board adopted a FY1415 budget that includes a capital project for the expansion of the MRF tipping area that will provide added receiving and storage space for third party tons. Staff is currently in the design phase for this project and will be seeking permit approval from the City of San Carlos in November. Staff will be bringing construction bid documents to the Board for approval in early 2015. As a contingency plan, if the MRF canopy project is not completed by February 1, 2016 SBR is prepared to store overflow materials at the Shoreway transfer station and shuttle these material to the MRF to prevent any overflow at the MRF tipping area.*

Daly City Council's potential approval of SBR for recycling processing services will be considered on November 17, 2014 at a special session of the City Council. At the time of the writing of this staff report, Daly City selection committee has indicated that there will be a recommendation to Council for SBR as the recyclable materials processor, however, since the Council approval has not been made, the SBWMA Board action and Resolution 2014-29 associated with this staff report is contingent on Daly City's Council's approval of an agreement between the City of Daly City and SBR for the processing of recyclable materials.

### **Background**

Daly City currently has a franchise agreement through June 30, 2015 with Republic Services for the collection and processing of solid waste, recyclables, and organic materials. Daly City initiated an RFP process in 2013 for a complete suite of franchised collection and processing services in anticipation of the end of their contract with Republic Services. The RFP process has been managed by HF&H Consulting and has been conducted as a split procurement process where the collection services contractor selection has been conducted on a separate track from the selection of the transfer, recycling, and disposal contractors. SBR, with the support of SBWMA staff, has offered the Shoreway Environmental Center MRF as a potential processing facility for the City's residential and commercial single stream recycling.

### **Fiscal Impact**

Staff anticipates \$170,000 per year in third party tonnage host fee revenue will be paid by SBR to the SBWMA resulting from the Daly City tonnage (based on an estimated 13,000 tons per year times \$13 per tons host fee - note the 2016 host fee will be higher based on CPI indexing). SBR will not start processing Daly City materials until February 1, 2016 so the host fee revenues will be included in the FY1516 budget.

### **Attachments:**

Resolution 2014-29

Exhibit A - MEMORANDUM OF UNDERSTANDING for the Long-Term Processing of Third-Party Tonnage from Daly City at the Shoreway Materials Recovery Facility



## RESOLUTION NO. 2014-29

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING ADDITIONAL THIRD PARTY TONS INTO SHOREWAY ENVIRONMENTAL CENTER MRF

**WHEREAS**, the SBWMA owns a Materials Recovery Facility (MRF) that has surplus processing capacity; and

**WHEREAS**, the SBWMA is interested in having SBR market surplus capacity for the processing of third party MRF tonnage in exchange for the payment of a host fee that would be paid by SBR to the SBWMA; and

**WHEREAS**, the terms and conditions of a third-party MRF processing arrangement with SBR is detailed in **Exhibit A - Memorandum of Understanding for the Long-Term Processing of Third-Party Tonnage From Daly City at The Shoreway Materials Recovery Facility**, and has been reviewed by the SBWMA Board.

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby authorizes the Executive Director to enter into an agreement with SBR for the processing of additional third-party tons from Daly City through December 31, 2020.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 20<sup>th</sup> day of November, 2014, 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. 2014-29 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on November 20, 2014.

ATTEST:

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Bill Widmer, Chairperson of SBWMA

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Cyndi Urman, Board Secretary

## Exhibit A

### **MEMORANDUM OF UNDERSTANDING for the Long-Term Processing of Third-Party Tonnage from Daly City at the Shoreway Materials Recovery Facility**

This is an agreement (MOU) by and between the South Bayside Waste Management Authority, a California JPA (SBWMA) and South Bay Recycling (SBR), regarding the processing of Third-Party Tonnage at the Shoreway Environmental Center to be received from Daly City.

WHEREAS, the SBWMA owns a Materials Recovery Facility (MRF) that has surplus processing capacity and the SBWMA is interested in having SBR market this surplus capacity for the processing of third-party MRF tonnage in exchange for the payment of a host fee that would be paid by SBR to the SBWMA;

WHEREAS, on July 23, 2009, the Board approved the Shoreway Operations Agreement (the Agreement) with SBR effective January 1, 2011, Section 5.03 of the Agreement requires SBWMA written approval prior to receiving new materials in the MRF by SBR from third-party customers if not charged at the published gate rates (Third-Party Tonnage);

WHEREAS, on October 28, 2010, the Board approved conditions to the Agreement for the Operations of the Shoreway Recycling and Disposal Center with SBR, specifically to Section 5.03 that clarified the acceptance of Third-Party Tonnage into the MRF;

WHEREAS, the parties wish to establish the terms and conditions for the arrangement for processing the recyclable materials from Daly City and to clarify that any agreement between SBR and Daly City for processing of third-party tons is subordinate to the conditions set forth in this MOU and to the Agreement for Operations of the Shoreway Recycling and Disposal Center.

Therefore the following terms and conditions shall apply to SBR accepting and processing Third-Party Tonnage from Daly City:

1. This agreement shall run concurrent with the SBR-SBWMA Operating Agreement.
2. Any change or extension of this agreement shall be in writing and approved by the SBWMA Board of Directors.
3. SBR shall pay SBWMA a "Host Fee" of \$13.00 for every Third-Party Tonnage received by SBR from Daly City. The host fees shall be paid monthly by the 15th day of the following month and be adjusted by the CPI-U (Series ID CUURA422SA0) each January.
4. SBR shall retain all revenues from the sale of Daly City recyclable materials and pay all operational costs, equipment and repair costs and residual disposal costs associated with the processing of the Daly City tonnage.
5. SBR shall be responsible for and fully reimburse the SBWMA for any lost revenues that result from the Daly City tonnage adversely impacting the Shoreway Environmental Center or the quality and marketability of the SBWMA Member Agencies' recycled commodities.

- 6. All of the terms and conditions of the Agreement for Operations of the Shoreway Recycling and Disposal Center shall apply to this MOU, to SBR's processing of the Daly City tonnage.
- 7. SBWMA shall have the discretion to cancel this agreement in the event any of the following occur. Any notice of cancellation of this agreement shall be in writing and is effective thirty (30) days from delivery of written notice by SBWMA to SBR.
  - A. If the processing of the Daly City tonnage cannot reasonably be performed without interfering with the daily operation or effectiveness of the MRF.
  - B. If SBR or SBWMA receives any notice of regulatory violations related in any way to the processing of the Daly City tonnage and the regulatory violation is not corrected within thirty (30) days of notification from the Regulatory Agency.
  - C. If SBR is found to have violated or breached any of the terms of the Operations Agreement as a result of the processing of the Daly City tonnage, and the event constitutes a Default under Section 11.01 of the Operating Agreement.

Dated: \_\_\_\_\_

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**SBR**

Dated: \_\_\_\_\_

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**SBWMA**