



A Public Agency

STAFF UPDATES



STAFF UPDATE

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Date: November 21, 2013 Board of Directors Meeting
Subject: Update on Recology Implementation of Collection Services and Facility Operations Reports, Tonnage Data and Customer Service Systems Audit Recommendations

Recommendation

This Staff Update is for informational purposes only and no action is requested of the Board of Directors.

Analysis

Recology San Mateo County

The audit work for calendar year 2012 performed by Hilton, Farnkopf and Hobson Consulting, LLC (HF&H) commenced in March 2013 after Recology San Mateo County (Recology) and South Bay Recycling (SBR) submitted their 2012 Annual Reports. The project report prepared by HF&H was included in the September 12, 2013 Board packet and discussed at this Board meeting. HF&H identified contract compliant and non-compliant aspects of both Recology and SBR operations and reporting for 2012. The results of this auditing work are summarized in the recommendations consolidated in Section 5 of the report. While there were few deficiencies in the performance of both contractors, for a second year in a row Recology fell short of operating its call center in accordance with the standards prescribed in the Franchise Agreement(s) and thus under-reported the financial impact of quantifying the types of calls received related to lapses of service.

The HF&H audit identified that several metrics driven reporting categories per the Franchise Agreements used to assess Liquidated Damages were under reported. The prior year's audit revealed the same problem and the company did implement recommendations to address this problem. However, there are still deficiencies with how the company distinguishes between the type of customer call for service and the accurate documentation of these calls. These discrepancies were primarily due to the company's customer service representatives (CSR) inconsistently or erroneously coding service transactions. An adjustment was made to Recology's compensation for 2014 and included in the SBWMA Report Reviewing the Recology 2014 Compensation application which was approved by the Board at the September 26, 2013 Board meeting. Therefore, the deficiencies associated with Recology's operation of its Call Center were reconciled by increasing the Liquidated Damages owed to the Member Agencies and these damages were used to offset an increase in Recology's compensation for 2014. A similar situation and solution was also experienced for calendar year 2013.

A handful of other operational, systems related and reporting findings and recommendations were also included in the HF&H audit report. The following provides an update on Recology's compliance with addressing these recommendations per the HF&H audit findings:

Recology Recommendation #1: *To validate that the variances are due to timing, and that there are not other contributing factors, we recommend that each quarter Recology re-calculate their tonnage allocation factors and download and retain the corresponding subscription levels so that the SBWMA staff can re-test the allocation percentages using timely data.*

Recology Position Regarding Compliance:

Recology senior management stated in a recent email:

“...we still feel that saving this data and printing the reports would be extremely time consuming. We believe that the audit by HF&H should verify that the system used to allocate the volumes and the allocation methodology delivers accurate volume allocations.”

SBWMA Position Regarding Compliance:

The recommendation has not been complied with. Given the ramifications of the accuracy of this data on calculations used to allocate tonnage data to the Member Agencies, compliance with this recommendation is necessary. The audit by HF&H did verify that the allocation methodology used by Recology is sound. However, while the auditors attempted to test allocation percentages in effect during 2012 they were precluded from doing so due to limitations of Recology maintaining timely data. Recology management stated to the auditors that the corresponding subscription information the system used to generate such allocation percentages for the monthly allocations during 2012 was no longer available for the auditors use. The auditors were told that Recology's system is unable to re-create historical customer subscription levels; therefore, they were unable to test the historical allocations during 2012. (The audit takes place during 2013 after submittal of the company's Annual Report in February.) The auditors were informed that the most recent allocations were calculated on April 1, 2013; therefore, the allocation percentages provided by Recology and audited by HF&H revealed variances of +3.7% to -2.4%.

The auditor's rationale for this recommendation included the following:

“Our testing found Recology is using an industry-standard subscription volume based methodology to allocate tonnage among the Member Agencies; however, our test is inconclusive because the subscription level information was gathered by Recology two months after the allocation percentages were calculated. The variances shown in the figures above may be a timing issue as a result.”

The recommendation was put forth to address this potential timing issue and Staff concurs that compliance is necessary to ensure that the relevant data needed is available in the future in order to conduct an audit.

Per Article 9 (Record Keeping and Reporting) of the Franchise Agreement(s) between Recology and all Member Agencies, each Member Agency is entitled to receive reporting that it deems necessary. In addition, Recology is required to retain records and data for the full 10-year term of the Franchise plus five years (i.e., “Contractor shall maintain records required to conduct its operations, to support requests it may make to Agency, and to respond to requests from Agency.”)

Recology Recommendation #2: *We recommend Recology continue to report to the SBWMA whenever their tonnage allocation percentages change, as such changes will impact future cost allocations. The reporting should include the rationale for the update and variances between the “old” and the “new” allocators.*

Recology Position Regarding Compliance:

Recology senior management stated in a recent email:

"...we do have weight tag split data at the beginning of each quarter (as of 7-1-13) and when we make routing changes. This information is stated in the quarterly report, page iii first paragraph of the last section titled "Tonnage Allocations"."

SBWMA Position Regarding Compliance:

The recommendation has not been complied with and Staff's position is noted above for *Recology Recommendation #1*.

The information provided in the quarterly report is inadequate as it provides general information but no specific details (e.g., "variances between the "old" and the "new" allocators"). Given the ramifications of the accuracy of this data on financial calculations allocated to the Member Agencies, compliance with this recommendation is necessary.

Recology Recommendation #3: Train CSRs to use specific key words in the "Notes" section to provide additional detail and enable quality control checks. When such training is conducted, we recommend Recology provide documentation to the SBWMA of the nature of the training, who attended, and the materials distributed.

Recology Position Regarding Compliance:

A recent email from senior management included their same comments to the audit findings first submitted in July 2013. These comments in part stated: "RSMC will instruct our CSR's to use notes to mirror the code and will continue to re-enforce the importance of accurate coding."

SBWMA Position Regarding Compliance:

This recommendation has not been complied as Recology has not provided SBWMA staff any information or documentation regarding trainings. The audit results for both 2011 and 2012 revealed problems with Recology's Customer Service Representatives (CSR) accurately coding calls from customers. Other than customers contacting Member Agencies or the SBWMA directly, there is no direct accountability to ensure that customer concerns and requests for service are being consistently accurately coded and followed up on. This recommendation was put forth to place the onus on Recology to simply keep the SBWMA apprised that CSR's were being trained on a regular basis.

The coding of calls and hence Recology's self-reporting of this information is used to calculate several liquidated damages and performance incentive/disincentives. Given there have been problems since the inception of Recology providing service, compliance with this recommendation is deemed necessary.

Recology Recommendation #4: Based on the findings from our reason code testing that a number of calls/complaints were improperly coded, we recalculated the number of instances of complaints that are subject to incentive/disincentive payments or liquidated damages. The recalculation of the number of instances of complaints has resulted in changes to Recology's incentive/disincentive and liquidated damage payments. Section 3.2.5 summarizes our methodology for recalculating the payments and the amounts due.

Recology Position Regarding Compliance:

Liquidated Damages payments due to the Member Agencies were increased from those reported and used to offset the increase to the company's compensation for 2014

SBWMA Position Regarding Compliance:

SBWMA concurs that no further action by Recology is required.

Recology Recommendation #5: *Based on our review of Recology's customer service reports, the net performance incentive due Recology to be included in Recology's 2014 Compensation Application (which will be presented to the Board in September 2013) should reflect the amounts shown in Figure 3-10.*

Recology Position Regarding Compliance:

Liquidated Damages payments due to the Member Agencies were increased from those reported and used to offset the increase to the company's compensation for 2014

SBWMA Position Regarding Compliance:

SBWMA concurs that no further action by Recology is required.

Background

The Member Agencies Collection Services Franchise Agreements with Recology prescribe numerous performance standards and also require the company to compile information and submit monthly, quarterly and annual reports. The information and data contained in these reports is substantially self-reported by the company. For example, all of the Performance Incentives and Disincentives (Attachment I of the Franchise Agreements) with the exception of disincentives related to contamination are self reported by Recology. In addition, the Liquidated Damages (Attachment J of the Franchise Agreements) events are also self-reported by the company. The Shoreway Facility Operations Agreement with SBR requires the company to accurately record and report on tonnage.

Staff issued the Request for Proposals (RFP) for Collection Services and Facility Operations Contractor Data, Records, Systems and Reports Auditing on May 17, 2011 and received proposals from three consultant firms. After evaluating the proposals, conducting interviews and following up with pertinent references, on July 28, 2011, the Board approved staff's recommendation to contract with HF&H to perform this work for calendar year 2011. On March 28, 2013 the SBWMA Board approved a contract with HF&H to perform this audit for calendar year 2012.

To summarize the scope of work, the project entailed a thorough auditing of both Recology and SBR's data compilation, management, storage and reporting. The audit included assessing Recology's call center functions to ensure the accuracy of transcribing and reporting information, complaints and requests for service from customers. The scope of auditing SBR's operations was limited to the scale house operations (i.e., tonnage reporting) and reporting of commodity revenues.

The general rationale for annually conducting an audit is to ensure the accuracy of tonnage reporting and since Recology's compliance with numerous performance standards and metrics are self-reported by the company. Thus, the auditing work reveals how well both Recology and SBR obtained, compiled and reported data to the Member Agencies per the requirements prescribed in the Franchise Agreement(s) and Shoreway Facility Operations Agreement, respectively. In addition to the contract with HF&H, the auditing work involved the limited scope services of another consultant, Cascadia Consulting, which focused specifically on assessing Recology's customer service call center performance.

Fiscal Impact

This is an informational report and there is no associated fiscal impact.



STAFF UPDATE

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Hilary Gans, Facility Operations Contracts Manager
Date: November 21, 2013 Board of Directors Meeting
Subject: Update on Changes Affecting C&D Ordinances

Recommendation

This is an informational report and no action is necessary.

Analysis

This staff report is to provide the Board and TAC members with an update on some changes that may affect how Member Agencies administer their construction and demolition debris (C&D) ordinances.

CALGreen Standards Change

Every three years the California Building Standards Commission adopts new and/or updated model codes. The 2010 California Green Building Standards Code (CALGreen), which took effect on January 1, 2011, required the diversion of at least 50% of C&D generated during most "new construction" projects. Subsequent amendments have expanded upon what types of construction are covered.

Effective January 1, 2014, CALGreen mandates that permitted new residential and non-residential building construction, demolition and certain additions and alteration projects to recycle and/or salvage for reuse a minimum 50% of the C&D generated during the project (refer to: CALGreen sections 4.408, 5.408, 301.1.1 and 301.3). Also, additions to non-residential buildings or structures of at least 1,000 square feet or alterations with an estimated construction cost of at least \$200,000 shall divert from landfill at least 50% of C&D. Additions and alterations to residential buildings that increase the structure's conditioned area, volume or size are also required to meet the 50% minimum diversion requirement.

CALGreen allows several methods of compliance:

- 1) Enforcing agencies can require contractors to develop and maintain a waste management plan and document diversion and disposal.
- 2) Utilize a waste management company that certifies a minimum 50% waste diversion.
- 3) Use disposal rates for new construction and demolition projects with a combined disposal weight of less than 4 lbs./ft² in low rise (3 stories or less) new residential structures or 2 lbs./ft² in non-residential and high rise (4 stories or more) residential buildings meet the 50 percent minimum diversion requirement.

The new CALGreen standards raise the bar with regards to C&D waste diversion requirements. **Attachment A** provides a summary of the current standards and those in effect on January 1, 2014.

Staff encourages Member Agencies to amend their C&D ordinances to mirror the new CALGreen standards if necessary and in the short term to ensure staff is well informed of these new C&D diversion standards to begin enforcement administratively commencing January 1, 2014.

Zanker Road Resource Recovery Load Grading Changes

It has come to Staff's attention that some Member Agencies may be confused with how recent load grading changes put in place by Zanker Road Resource Recovery (Zanker) may affect compliance with CalRecycle diversion mandates and administration of C&D ordinances. Zanker recently changed how it categorizes Alternative Daily Cover (ADC) to specifically comply with how the new LEED v4.0 treats this material. The new LEED standard treats ADC as disposal, thus Zanker has recently begun categorizing ADC as disposal and not diversion.

In changing its load grading procedure to match LEED standards, Zanker's reporting creates ambiguity in how much of a load is considered recycled. Staff has interviewed Zanker personnel and alerted them to the potential for confusion over this point. Since CalRecycle is the governing body relating to AB939 compliance (not the U.S. Green Building Council which administers LEED standards), all materials used as ADC will continue to count as diversion until such time that CalRecycle changes this policy. The impact of this re-categorization of ADC by Zanker will only affect projects seeking to attain LEED accreditation and therefore, the load grading changes at Zanker do not impact Member Agencies C&D recycling ordinance compliance.

Background

Based on a model ordinance developed by the SBWMA, Member Agencies began finalizing and approving C&D ordinances beginning in 1999 to comply with the AB939 mandated diversion requirements. Between 1999 and 2001 eight Member Agencies (i.e., Atherton, Belmont, Burlingame, EPA, Hillsborough, Menlo Park, San Carlos and San Mateo) adopted C&D ordinances with Foster City adopting an ordinance in 2005. The City of Redwood City is currently in the final stages of adopting a C&D ordinance.

In 2002, the California Integrated Waste Management Board passed SB1374 which requires all local governments to include in their Annual Report "progress made in diversion of C&D waste material, including information on programs and ordinances implemented by the local government, and quantitative data, where available."

During March and April 2008, the SBWMA reviewed each Member Agencies C&D ordinance, researched other jurisdictions' C&D ordinances, contacted Member Agency Planning/Building Department counter and other staff, and provided implementation guidance to Member Agencies to facilitate additional C&D diversion. Most of the Member Agencies now have C&D Recycling Ordinances in place which require construction projects to divert at least 50% of the construction waste.

The SBWMA continues to monitor changes in regulations and provide updates to the Member Agencies.

Fiscal Impact

This is an informational staff report and there is no associated.

Attachment:

Attachment A – CALGreen Standards Table

CALGreen Construction Waste Reduction Requirements

Occupancy	Requirements and Applications	
	Current	Effective 1/1/2014
Non-Residential Compliance Methods (5.408)	≥ 50% C&D Waste Diversion or ≤ 2 lbs/ft ² disposal (5.408.1) and may be required to submit a construction waste management plan (5.408.1.1) or utilize a waste management company (5.408.1.2)	No change
New Construction	Permitted Structures	No change
Demolition	n/a	Permitted Structures
Additions (301.3)	≥2,000 ft ²	≥1,000 ft ²
Alterations (301.3)	≥\$500,000	≥200,000
Isolated Jobsites	Exception may apply (5.408.2)	Alternate waste reduction methods may apply (see "Exceptions to 5.408.1.1 and 5.408.1.2")
Tier 1 (Voluntary) (A5.408.3.1)	≥ 65% Construction Waste Diversion	≥ 65% Construction and Demolition Waste Diversion
Tier 2 (Voluntary) (A5.408.3.1.1)	≥ 80% Construction Waste Diversion	≥ 80% Construction and Demolition Waste Diversion
Residential Compliance Methods (4.408)	≥ 50% C&D Waste Diversion and may be required to submit a construction waste management plan (4.408.2) or utilize a waste management company (4.408.3)	No change
Low-rise-3 stories or less (4.408.4)	≥ 50% C&D Waste Diversion or ≤ 4 lbs/ft ² disposal	≥ 50% C&D Waste Diversion or ≤ 4 lbs/ft ² disposal
High-rise-4 stories or more (4.408.4.1)	n/a	≥ 50% C&D Waste Diversion or ≤ 2 lbs/ft ² disposal
New Construction	Permitted Structures	No change
Demolition	Permitted Structures	No change
Additions	n/a	Yes* (301.1.1)
Alterations	n/a	Yes* (301.1.1)
Tier 1 (Voluntary)(A4.408.1)	≥ 65% C&D Waste Diversion	No change
Tier 2 (Voluntary)	≥ 75% C&D Waste Diversion	No change

*CALGreen Section 301.1.1 applies to additions or alterations of existing residential buildings where the addition or alteration increases the building's conditioned area, volume, or size. Applies only to and or within the specific area of addition or alteration.



A Public Agency

STAFF UPDATE

To: SBWMA Board Members and Agency Staff
From: Recycling Staff
Date: November 21, 2013 Board of Directors Meeting
Subject: Recycling and Outreach Programs Update

Recommendation

This is an informational report and no action is necessary.

WM At Your Door Special Collections (Door-to-Door HHW Collection Program)

The following ten Member Agencies are participating in the program: Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, San Carlos, San Mateo, San Mateo County, and West Bay Sanitary District, with Burlingame starting this past February. Interest in the program has been strong and the company has made approximately 14,122 collections since the program started in mid-May 2010 through October 2013. **We are also pleased to announce passing the 1 million pounds collected milestone earlier in 2013, at the start of the 3rd year of providing this service.**

Approximately 446,347 pounds of HHW material, 489,747 pounds of Universal Waste and 231,313 pounds of E-Scrap has been collected since the start of the program. To increase program participation, an ongoing public outreach effort was initiated starting in late June that is continuing to yield significantly positive results.

The need for additional outreach promoting this service was confirmed via the results of the Single-Family Residential Customer Satisfaction Telephone Survey commissioned by RethinkWaste in Spring 2012, which identified the Door-to-Door HHW Collection Program as one of the programs that residents were not as familiar with. Staff plans to continue its efforts to maintain high participation levels through ongoing public outreach, including direct mail, outdoor and print advertising, *rethinker* newsletters, holiday ads, community events and social media per the adopted Fiscal Year 2014 budget.

We also encourage the remaining two Member Agencies (i.e., Atherton and Redwood City) to offer the program as it provides a more convenient and cost-effective option to properly recycle and dispose of a wide variety of materials (such as common HHW) than is currently available through the County's drop-off program at Tower Road.

Household Battery and Cell Phone Curbside Recycling Collection Program by Recology San Mateo County

The annual total of batteries and cell phones collected through the curbside recycling program has been:

2009 - 57,000 pounds
2010 - 53,000 pounds,
2011 - 47,000 pounds
2012 – 58,000 pounds

The total amount of batteries and cell phones collected in September 2013 was 4,040 pounds with a YTD total for 2013 of 51,400 pounds. Per the adopted FY14 budget, additional outreach will be provided to highlight this service.

Shoreway Education Center School Groups and Public Tours Update

School Group and Public tours continue to be popular as spots fill up quickly. Year to date staff has hosted 5,713 tour participants as compared to 4,716 through the same period last year.

RethinkWaste Staff has already begun scheduling tours for 2014. The Tour Program is promoted via various channels, (emails, press release, flyers, website, social media, environmental education platforms, etc.). Staff will also continue to give tours to interested community groups, businesses, municipal and environmental groups as scheduling allows.

The tour gives the community an opportunity to learn first-hand what happens to their recyclables, plant materials, food scraps and garbage at a working materials recovery facility (MRF) and transfer station. In addition, students and the community are given an opportunity to learn and practice the 4Rs (reduce, reuse, recycle, and rot/composting), resource conservation and be empowered to conserve resources in their lives, at school and residences.

The Tour program continues to receive very positive feedback. Below are a few of the many recent comments that tour participants shared at the end of their tour experience:

"Excellent use of class time! Educating our young ones will make our world greener." (Teacher)

"There was a variety of activities and full access to the facility" (Teacher)

"Very important use of time – sustainability is a critical concept!" (Teacher)

"I thought it was awesome! The students won't forget this and they are taking away such important environmental messages." (Teacher)

The table below shows the tours that have been conducted and those scheduled for November 2013.

<u>Date</u>	<u>School/Group</u>	<u>Jurisdiction</u>	<u>Grade/Group</u>	<u>Total # of Participants</u>
November 1	Franklin Elementary	Burlingame	4	37
November 5	Henry Ford School	Redwood City	5	50
November 5	Nesbit Elementary	Belmont	5	33
November 6	East Palo Alto Charter School	East Palo Alto	4	31
November 6	Hillview Middle School	Menlo Park	6	16
November 7	Beresford School	San Mateo	3	35
November 8	Beresford School	San Mateo	3	35
November 8	Cub Scout Pack 57	Burlingame	3-5	12
November 12	Parkside Elementary	San Mateo	4-5	35
November 12	Beechwood Elementary	Menlo park	4	22
November 13	East Palo Alto Charter School	East Palo Alto	4	31
November 14	Parkside Elementary	San Mateo	4-5	35
November 15	Parkside Elementary	San Mateo	4-5	35
November 20	Cezar Chaves Academy	East Palo Alto	5	30
November 21*	Public Open House	Various	All ages	21
November 22	Brewer Island Elementary	Foster City	5	31

November 26	Sunnybrae Elementary	San Mateo	4	35
November 27	Sunnybrae Elementary	San Mateo	4	35
Total Participants				559**

*November 21st is a Public Open House Day. The number of participants is based on only those that have made a reservation for the tour on the Public Open House Day. **Includes estimated numbers for those scheduled tours that have not been conducted by the date this report is issued.

Tour logistics continue to be conveyed to all participants via email, phone or on-line, which has worked well.

Photos of Tour Participants at Shoreway Environmental Center



Franklin Elementary School, Burlingame



Beresford Elementary, San Mateo

Tour Availability

School Group Tours are offered Monday at 12:30pm – 2:30pm, Tuesday-Wednesday from 9:30am – 11:30am, 12:30pm – 2:30pm, Thursday and Friday 9:30am – 11:30am.

Every third Thursday of the month is a designated Public Open House Day for the general public, and tours are given in the time slots from 9:30am – 10:30am and 11:30am – 12:30pm. Tours will continue to be scheduled on a first-come first-served policy.

Night@Shoreway Event

Eight Burlingame Cub Scouts from Pack 57 at Lincoln Elementary School and their chaperones got the unique experience to participate in RethinkWaste’s first ever “Night@Shoreway” held on November 8, 2013. The event featured flashlight tours of the Shoreway Environmental Center, recycling and sustainability activities, and a zero waste dinner followed by a movie in the Rethinker Room. The kids arrived at Shoreway at 4:30 pm and departed at 9 pm.

While RethinkWaste offers free tours of the Shoreway facility during the day, the evening event provided the third through fifth graders a unique opportunity to explore areas that are normally off limits, including walking through one of the Transfer Station tunnels and the floor of the Materials Recovery Facility (MRF), where the recyclables are processed.

Night@Shoreway Participants – Cub Scouts Pack 57 from Lincoln Elementary School



Business Tour Program

Staff is reaching out to businesses in the RethinkWaste service area to tour the Shoreway Environmental Center. The availability of tours for businesses is being promoted via Chambers of Commerce in all cities in the Rethinkwaste service area (which have a chamber), on our website, business tour flyer and through leveraging Recology's network of business leaders. Member Agencies are encouraged to promote this program to businesses in their community.

Free School Compost Giveaway Program

The free Compost Giveaway Program will continue in the 2013/14 school year. It is for both public and private schools within the RethinkWaste service area. Through the program, schools can receive up to five 50-pound bags of compost for a garden project, or up to 20 cubic yards of the material for landscaping projects per school year. The compost is made from the yard trimmings and food scraps set out by residents and businesses for collection in the green CartSMART and BizSMART containers.

The Compost Giveaway Program is meant to serve as a resource for schools in alignment with the California Department of Education's Garden in Every School initiative. According to the state, students who participate in school garden projects discover fresh food, make healthier food choices, and are physically active. Using compost in gardens and landscaping projects helps improve soil quality, conserve water and control erosion, among others.

Interested schools simply need to complete a request form (available on-line) to receive the compost. Schools need to arrange for the pick-up of the bags of compost at the Shoreway Environmental Center in San Carlos. Staff will arrange for the delivery of the larger quantity of loose compost through Recology San Mateo County at no additional cost to the schools; Recology's delivery costs will be covered in the SBWMA budget. Staff encourages Member Agencies to promote this service and program within their community.

Public Education and Outreach Request for Qualifications

RethinkWaste Staff issued a Request for Qualifications (RFQ) for Public Education and Outreach on November 1, 2013. The selected firm(s) will assist with developing and designing a variety of professional, targeted, compelling and demographically appropriate public education and outreach campaigns, print materials, electronic communications and other strategic communication tools based on the Board-approved 2014 Annual Public Education Plan. Responses to the RFQ are due by December 2, 2013. Staff will working with the Board's Adhoc Public Education Subcommittee to evaluate the responses.

2013 Public Education and Outreach Update

RethinkWaste and Recology are developing a number of outreach pieces to be distributed to residents in the coming months. This includes a Service Notice, the annual program brochure that will provide a summary of the scope of services available to all residential, commercial, multi-family and Agency facility customers. The Annual Holiday Tree Recycling and "Reduce Holiday Packaging" inserts will be sent to residential and multi-family customers in the September through November billing cycles. Outreach pieces will be developed in collaboration with the Board's Adhoc Public Education Subcommittee. A critical component of the outreach efforts will be to measure the effectiveness of the various tools used.

RethinkWaste Website and Social Media

The new RethinkWaste website was launched in August to provide a more user-friendly and interactive experience for site visitors. The redesigned site includes many new features and serves as the launching pad for new outreach and education programs. The site averaged over 585 visitors per week over the last month, with the most frequently visited pages consisting of Household Hazardous Waste, Shoreway Tours, and Shoreway Services and Rates.

RethinkWaste also continues to use its Facebook and Twitter pages to promote program information and new services. To date, the Facebook page has 318 "likes," and the Twitter page has 161 followers, an increase over the prior month. RethinkWaste, in collaboration with South Bay Recycling, has also developed a Yelp business page focusing on the programs and services available at the Shoreway Environmental Center. Staff will continue to work on strategies to drive more people to the pages, and is reviewing other social media sites to use as outreach tools. The RethinkWaste Facebook page can be found at www.facebook.com/rethinkwaste, the Twitter page is located at www.twitter.com/rethinkwaste, and the Yelp page is at <http://www.yelp.com/biz/shoreway-environmental-center-san-carlos>.

"My Waste" Mobile App

The convenient Agency-wide mobile application tool, "My Waste," for residential customer use to request services, get additional program information and other related items is set to launch on November 15, 2013. The mobile app can be downloaded through the RethinkWaste website or the Apple and Android app stores. The development of the mobile app was delayed due to the complexity of the programs and services available to RethinkWaste residents, large customer database and customization needed for 12 separate agencies. A presentation of the mobile app was made to the Board in September.

Community Outreach Events

The Community Outreach Events (Compost Giveaway, E-Scrap/Shredding Events, Recology's Bring Your Own Bucket Compost Giveaway, Confidential Document Destruction Service Event and Coats for Kids event) have primarily ended for this calendar year. RethinkWaste will be collaborating once again with Recology on scheduling Member Agency community events for next year. The 2014 program structure will be similar to 2013. Recology will be the point of contact for all Compost Giveaway Events and the Coats for Kids event. RethinkWaste will be the point of contact for all E-Scrap/Shredding events. In addition, RethinkWaste will continue to provide outreach and promotion for all community events. Event request forms will be sent out in late November/early December to schedule the 2014 events. Member Agencies are encouraged to start planning dates for the events now to take advantage of promoting them in next year's bill inserts.

Approved Recommended Recology Franchise Agreement Administrative Changes and Amendments

Staff is requesting that Member Agencies keep us apprised if any administrative changes and amendments to the Franchise Agreements with Recology have been made.

<u>Agreement</u>	<u>Board Approval</u>	<u>Staff Recommendation</u>	<u>Description</u>
Franchise Agreement(s)	March 28, 2013	March 28, 2013	<p>The Board approved Resolution No.2013-07 recommending that each Member Agency consider adopting a variety of administrative changes.</p> <p>The following eleven Member Agencies have approved these contractual changes: Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, San Carlos, City of San Mateo, County of San Mateo, Redwood City and West Bay Sanitary District.</p> <p>Approval from the City of Menlo Park is pending.</p>
Franchise Agreement(s)	March 28, 2013	March 28, 2013	<p>The Board approved Resolution No.2013-08 recommending that each Member Agency consider adopting amendments to Attachment I (Performance Incentives and Disincentives) and include a new section as 8.08(D) (Administrative Changes to the Franchise Agreement).</p> <p>The following eleven Member Agencies have approved these contractual changes: Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, San Carlos, City of San Mateo, County of San Mateo, Redwood City and West Bay Sanitary District.</p> <p>Approval from the City of Menlo Park is pending.</p>



STAFF UPDATE

To: SBWMA Board Members
 From: Hilary Gans, Operations Contracts Manager
 Date: November 21, 2013 Board of Directors Meeting
 Subject: Shoreway Facility Operations and Master Plan Update

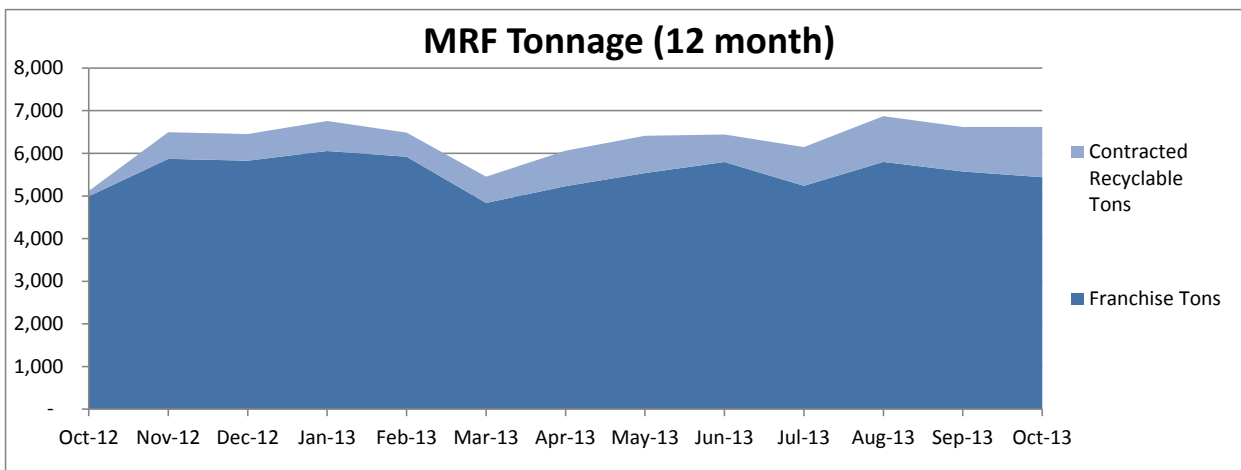
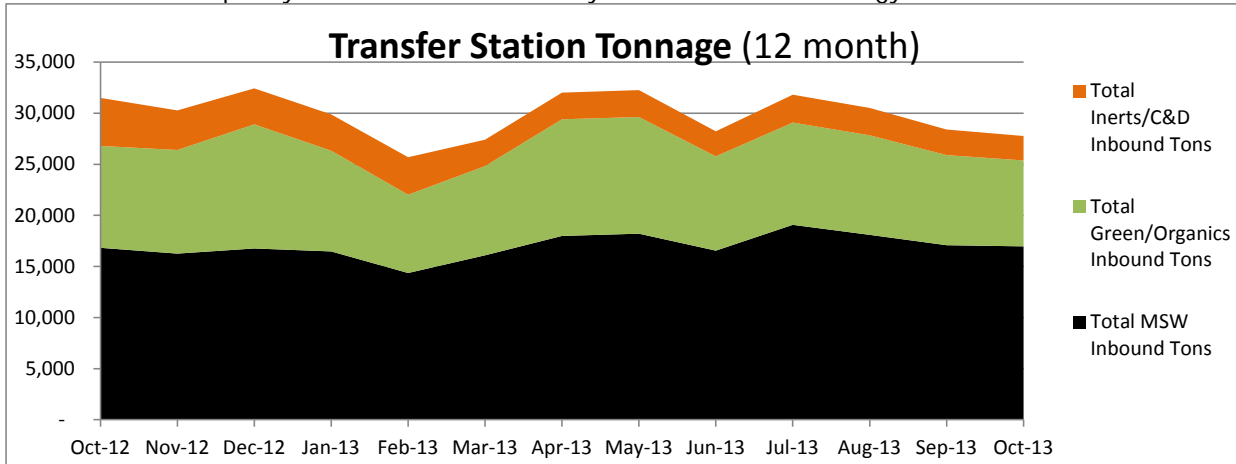
Recommendation

This is an informational report and no action is necessary.

I. OPERATIONS UPDATE

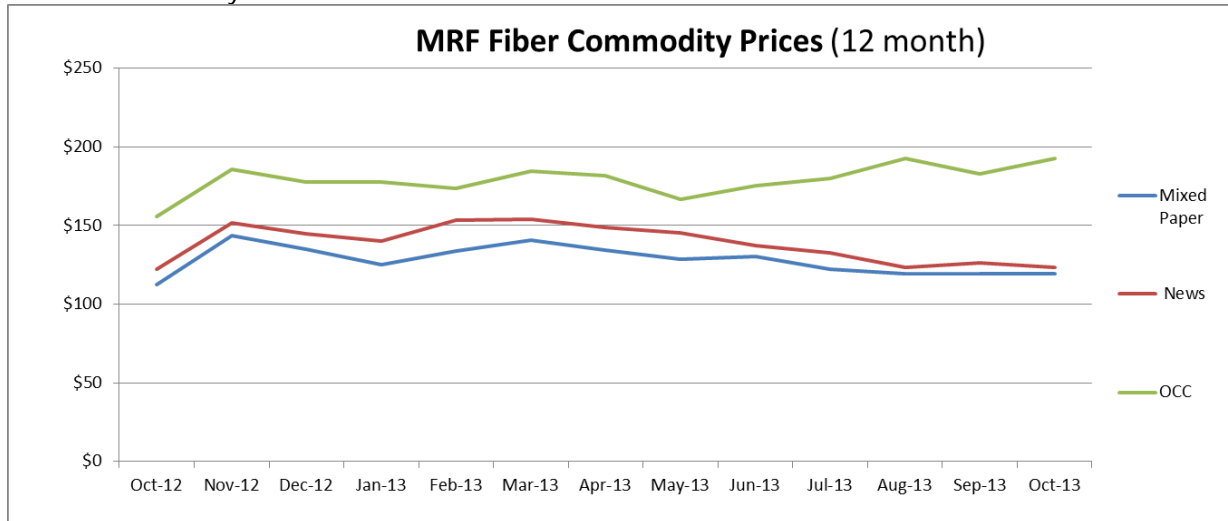
Facility Tonnage

The charts below provide a summary of the monthly inbound tonnage at the Shoreway Environmental Center Transfer Station and Materials Recovery Facility (MRF). The tonnage for the MRF shows an increase over the same month in the prior year due to contracted recyclable tons from Recology's San Bruno transfer station.



Commodity Revenues

This chart provides a price trend summary of fiber (paper) commodities marketed by South Bay Recycling (SBR) from the Shoreway MRF; the pricing shown is derived from a market index (OBM) that tracks the export price for recycled fiber. SBR's pricing to the SBWMA is contractually tied to this index through the Fiber Price Assurance Mechanism (see Attachment 11-B in Operations Agreement). Since fiber represents the largest volume of commodities marketed from the MRF, the price and MRF volume charts provides a strong indicator of trend in SBWMA commodity revenues.



Note: In the chart above "news" is newspaper and "OCC" is cardboard.

Operational Issues of Note

Food Waste Recovery Test

In an effort to expand recovery options and to bring the SBWMA Member Agencies closer to achieving the State-wide recycling goal of 75%, Staff has been exploring ways to gain additional recovery from the waste stream. Specifically, Staff has been, 1) conducting waste characterization of the commercial and residential waste streams and 2) reviewing equipment options for waste processing and recovery. Food waste is of special interest for recovery because the waste characterizations conducted by the SBWMA reveal that discarded food represents the largest component (approximately 30% by weight) of the waste currently going to landfill.

From October 8 – 17th, Staff conducted tests at the transfer station of a new European technology for extracting food from the waste stream. The Organics Extrusion Press (OEP) manufactured by DB Technologies in Holland, uses a high-pressure press to remove food waste that can be used as a feedstock for anaerobic digesters to generate power. Though the press that operated at the Shoreway Center was a small test-size unit, it proved effective at extracting food waste from the general waste stream. If the OEP can work for the SBWMA on a large-scale, it would be the keystone piece of equipment that will perform the essential function of extracting/preparing food waste into a organic slurry which the SBSA can add to their waste water digesters to increase energy production.

The next steps in the joint effort between the SBWMA and the SBSA to process organics waste into energy will be to:

- Confirm the viability of the OEP on a large scale by visiting installations currently in operation
- Conduct digestibility and energy potency testing of the food waste slurry to understand the economic value of this material stream

- Prepare a project description and proforma that will provide decision makers with key project and financial details of both a pilot-scale and full-scale project to decide whether to move forward or not
- Complete a MOU between the SBWMA and the SBSA to engage in a food waste to energy pilot project development effort if appropriate.

MASTER PLAN AND PROJECTS UPDATE

Construction Overview

This project update summarizes the status of the construction of the Shoreway Master Plan (MP) improvements which include the construction of new Materials Recovery Facility (MRF) building, modifications to the Transfer Station (TS), various site work, and the purchase and installation of the single stream processing equipment. At this point the major contracts associated with the Master Plan improvements (Phase I, Phase II, and Phase III contracts) have been closed. This report provides a discussion of Construction Projects (both master plan and non-master plan related) and a summary of the Master Plan budget.

Update on Shoreway Projects

The following construction activities are in various degrees of completion:

- o Repair of plumbing and wall damage at transfer and MRF restrooms (*non-MP*)
- o Continued installation of outdoor education area landscape and features near the transfer station (*MP*)
- o Flooring installation at the MRF lobby (*MP*)
- o Signage design and installation (*non-MP*)
- o Administrative building window sound proofing test installation (*non-MP*)
- o MRF and Transfer Station fire suppression enhancements (*non-MP*)
- o Installation of audio system to administrative building conference room (*non-MP*)

Master Plan Project Expenditures Summary

An amount of \$41,520 remains in the Master Plan budget to complete the projects associated with the Master Plan close-out. All construction contracts related to the MRF and transfer station buildings have been closed-out (this includes contracts with JS Amoroso, JRMA, and Covello). Ongoing reports to the Board will include updates on all projects with and full Master Plan completion expected in 2013.



STAFF UPDATE

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Marshall Moran, Finance Manager
Date: November 21, 2013 Board of Directors Meeting
Subject: Update on 2013/2014 Franchise Rate Setting Process

Recommendation

This is an informational report and no action is necessary.

Analysis

This staff report has been provided to the Board monthly during 2013 commencing with the April 25, 2013 Board meeting. The purpose of this staff update report is to keep the Board and Member Agency staff informed on the timing, schedule of events and issues affecting Member Agencies during the 2014 Compensation Application(s) review (performed in 2013) and the Recommended Revenue Requirement process for the 2014 Rate Year (i.e., establishing rates for January 1 - December 31, 2014). The goal is to provide pertinent information for Member Agencies to effectively plan for and manage communications regarding the compensation application and rate setting process.

Attached is the current 2013 (for calendar year 2014 rates) Rate Approval Schedule (**Attachment A**).

Issues Affecting Recology 2014 Compensation Adjustment includes:

- Recology Annual Revenue Reconciliation for 2012. Recology submitted a Revenue Reconciliation Report to the SBWMA and Member Agencies on March 29, 2013 which compares the approved compensation owed to Recology for 2012 with the actual net compensation retained by Recology after paying for Pass-Through costs for disposal at Shoreway and Agency fees (e.g., Franchise Fees) paid to each Member Agency. Each Agency will have a surplus or shortfall which will be added to or subtracted from the 2014 Revenue Requirement. The Recology 2012 Revenue Reconciliation Report has been reviewed by staff and audited by Hilton, Farnkopf and Hobson (HFH) as part of the Financial Systems Audit. The results of this Audit were presented to the Board at the special Board meeting on September 12, 2013. In addition, the final Revenue Reconciliation Surplus/Shortfall and interest for each Agency were included in the SBWMA's August 16, 2013 Draft Report Reviewing the Recology 2014 Compensation Application and the Final Report issued on September 19, 2013 (see agenda item 6B) and approved by the Board on September 26, 2013.
- Recology Performance Incentive/Disincentive and Liquidated Damages Payments. The Franchise Agreement(s) with Recology prescribe that payments related to performance incentives/disincentives will be calculated in the company's Annual Report submitted in mid-February and then included in the Compensation Application (submitted on June 14, 2013 for Rate Year 2014) each year (with the exception of Contamination related disincentive payments which are calculated quarterly and paid directly to SBWMA). Therefore, both incentive payments due to Recology and disincentive payments (with the exception of Contamination related disincentives) due to Member Agencies are included in the 2014 Annual Compensation Application. Staff has conducted an audit of the company's 2012 Annual Report

which in part includes confirmation of the reported Performance Incentives and Disincentives and Liquidated Damages payments. In addition, staff conducted an audit of the company's customer service systems and deficiencies in performance found in both audits have increased the Liquidated Damages due to the Member Agencies by \$20,950 to be used to offset Performance Incentives included in the 2014 rates. The results of the audits noted above were presented to the Board at the special Board meeting on September 12, 2013.

Per the contract negotiations presented to and approved by the Board at the March 28, 2013 Board meeting, there are two substantive changes to the calculation of Performance Incentives/Disincentives that will impact 2014 rate setting. The first change is to omit the calculation of Initial Missed Pick-Ups which will result in a reduction of \$193,950 in incentive payments to Recology for Rate Year 2014. However, per the audit results, the company owes the Member Agencies a total of \$20,950 in Liquidated Damages that will be applied to the Recology 2014 Compensation Application. The net payment to Recology for 2012 is \$472,171.

Schedule of Rate Review Activities:

March 2013

- Recology submitted the 2012 Revenue Reconciliation Report to the SBWMA and Member Agencies.
- SBWMA Board approved a contract with HFH to audit the financial data (approx. \$100 million) provided by SBR and Recology for 2012 to ensure this data (including the Revenue Reconciliation) is accurate.

April 2013

- Staff made a presentation at the April 25th Board Meeting to discuss the rate setting process, including a review and discussion of a draft rewrite of the Recology 2013 Compensation Application report to improve its clarity and ease of use for Board Members and Member Agency staff.

May 2013

- Member Agencies were requested to provide feedback (optional) to the SBWMA and Recology on the draft revised Recology 2013 Compensation Application by May 9th to include any new changes in the Recology 2014 Compensation Application due June 14; however, no comments were received.

June 2013

- SBWMA issued a letter to the Board requesting feedback from all agencies on estimated 2014 Member Agency fees (e.g., franchise fees) included in their solid waste rates.
- June 14 – Recology submitted its 2014 Compensation Application.

July 2013

- July 1 – SBR submitted their 2014 Compensation Application.
- July 8 – SBWMA staff issued comments to Recology on its 2014 Compensation Application.
- July 8 – SBWMA Board deadline to issue comments to Recology on its 2014 Compensation Application.
- July 3 – Member Agency responses due to SBWMA on 2014 estimated Member Agency fees.
- July 19 – SBWMA issued reports to Member Agency staff:
 - Estimated residential revenue changes due to cart migration by Member Agency since July 2012.
 - Projected 2013 and 2014 residential and commercial revenue (based on six months of actual).
 - Residential rates versus cost analysis by Member Agency. Member Agencies are encouraged to review their residential rate structure for rate versus cost deficiencies (i.e., rates don't cover costs) and rate subsidization of small carts by large carts.

- Projected 2013 tonnage (based on six months of actual) compared to the base tonnage projection in the 2013 rate projections in September 2012 and 2014 projected tonnage. These projections will be used to estimate Member Agency disposal expense.
- Summary of 2014 Member Agency fees based on agency feedback for final agency review
- July 30 – Recology submitted its revised 2014 Compensation Application based on SBWMA staff and Member Agency comments.

August 2013

- August 16 – SBWMA issued Draft Report Reviewing Recology's 2014 Compensation Application. Included in this Report was the draft recommended Revenue Requirement and rate adjustment for 2014.
- August 16 – SBWMA issued Draft Report Reviewing SBR's 2014 Compensation Application.
- August 30 – Member Agency comments due back on SBWMA Draft Report(s) Reviewing Recology's and SBR's 2014 Compensation Applications.

September 2013

- September 12 – special Board meeting
 - Discussion on 2014 Compensation Application(s) and rate setting process for new Board members.
 - Staff reports on 2012 Financial Audits of Recology and SBR conducted by HF&H including the Recology 2012 Revenue Reconciliation.
- September 19 – SBWMA Final Report Reviewing Recology's 2014 Compensation Application issued (for consideration at the September 26, 2013 Board meeting) based on Board feedback. Included in the Final Report is the recommended total collection rate adjustment for 2014.
- September 19 – SBWMA Final Report Reviewing SBR's 2014 Compensation Application issued (for consideration at the September 26, 2013 Board meeting).
- September 26 – Board approved the SBR 2014 Compensation Application.
- September 26 – Board approved the Recology 2014 Compensation Application and total recommended Revenue Requirement for 2014.

September 27 – December 31, 2013

- Member Agencies notice and approve final 2014 solid waste rates.

November 2013

- Report to Board on recommended January 1, 2014 Shoreway tip fee adjustments including updated 2014 SBWMA financial projection with assumed tip fee and cash reserve balances.

January and February 2014

- Board discussion on improvements and changes to the rate setting process in 2014 for 2015 rates.

Attachment:

Attachment A – Draft 2014 Rate Approval Schedule

Attachment A

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2014 Rate Approval Schedule

Member Agency Rate Setting Process

The Recology 2014 Compensation Application was submitted to the SBWMA and Member Agencies on June 14, 2013 per the revised timeline approved by the Board of Directors on February 28, 2013. On August 16, 2013, the SBWMA issued its Draft Report Reviewing Recology's 2014 Compensation Application and the recommended Total Solid Waste Revenue Requirement for 2014. The Member Agencies were provided until August 30th, ten business days, to provide comments on the SBWMA's Draft Report. The comments received are incorporated in the SBWMA Final Report Reviewing the Recology 2014 Compensation Application that will become binding upon the Board's consideration for approval at the September 26, 2013 Board meeting. While the individual Member Agencies actually set solid waste rates for their jurisdictions, any rate increases put forth by the Member Agencies that are less than recommended in the approved SBWMA Final Report and cause a shortfall in compensation to Recology will result in interest payments for amounts owed to Recology. Conversely, any surplus revenue collected by Recology is subject to interest payments to the respective Member Agency.

September 26, 2013 BOD Meeting

- Recology and SBR Compensation Applications Approved by Board
- Total Recommended Revenue Requirement Approved by Board

Member Agency Residential Billing Schedule

Group A: October-November-December (Billed September 30, 2013; December 31, 2013)

- Menlo Park
- Redwood City (Not applicable to Residential, Redwood City does its own billing.)
- San Mateo
- West Bay Sanitary District

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**Group B: November-December-January
(Billed October 31, 2013; January 31, 2014)**

- Atherton
- Burlingame
- San Carlos

**Group C: December-January-February
(Billed November 30, 2013; February 28, 2014)**

- East Palo Alto (Not applicable to Residential.)
- Foster City
- Hillsborough
- County of San Mateo

Prop 218 Public Notice Implications

Prop 218 requires an agency to provide 45 days public notice directly to all account holders prior to authorizing a rate increase. If more than 50% of all account holders file a protest letter within the 45 day public comment period, the agency cannot adopt the proposed rate increase.

Bill Insert Considerations

Recology typically requires that a bill insert is prepared and ready for insertion with the bills a minimum of two weeks prior to the scheduled bill issuance date. However, the company may reduce this deadline to 5 business days for special circumstances, such as a Prop 218 Notice. The company has detailed guidelines regarding the specifications for bill inserts and will share these upon request. Agencies issuing a Prop 218 Notice via Recology's bills will need to **pay directly for the costs** associated with production and printing but will save on mailing expenses since Recology can include the insert with its bills at no additional cost.

Direct Mail Considerations

Member Agencies sending the Prop 218 Notice via direct mail will need to **pay directly for the costs** associated with production, printing and mailing. Agencies sending a direct mail piece typically include these costs in their rates. Sending the Prop 218 Notice via direct mail provides the Agency with total control and flexibility regarding production and mailing of the notice.

Bill Insert vs. Direct Mail:

Group A

These agencies may be able to prepare and print a bill insert in time for inclusion with the September 30, 2013 mailing. Therefore these agencies will need to produce a direct mail piece in order to close the Prop 218 public hearing process and adopt rates prior to January 1, 2014.

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Proposed Schedule:

- September 26, 2013.....SBWMA BOD Approves Recology and SBR Compensation.
- October 1-15Governing body or Agency staff approves issuance of the Prop 218 notice.
- October 16-31Prop 218 Notice printed and issued via direct mail
- November 1-15Governing body closes the Prop 218 public notice period and adopts 2014 rates effective January 1, 2014.
- December 31.....First Recology bill issued with new 2014 rates.

Group B

These agencies will likely be able to prepare and print a bill insert in time for inclusion with the October 31, 2013 mailing. However, since the Prop 218 process will not close for 45 days after issuance of the Prop 218 rate increase notice, these agencies will have to bring the results of the Prop 218 notice before their governing body between December 16 and 31, 2013. Otherwise, these agencies will need to produce a direct mail piece in order to close the Prop 218 public hearing process prior to January 1, 2014.

Proposed Schedule:

- September 26, 2013.....SBWMA BOD Approves Recology and SBR Compensation
- October 1 – October 15.....Governing body or Agency staff approves issuance of the Prop 218 notice.
- October 31Prop 218 Notice included with Recology bills
- December 15-31Governing body closes the Prop 218 public notice period and adopts 2014 rates.
- January 31, 2014First Recology bill issued with new 2014 rates including a retroactive rate adjustment for January.

Group C

While these agencies will have ample time to prepare and print a bill insert in time for inclusion with the November 30, 2013 mailing, this is moot since the 45 day Prop 218 notification period will not close until after January 1, 2014 (i.e., on January 14, 2014). Therefore these agencies will be required to produce a direct mail piece in order to close the Prop 218 public hearing process prior to January 1, 2014.

Proposed Schedule:

- September 26, 2013.....SBWMA BOD Approves Recology and SBR Compensation
- October 1-15Governing body or Agency staff approves issuance of the Prop 218 notice.
- October 16-31Prop 218 Notice printed and issued via direct mail
- December 1-15Governing body closes the Prop 218 public notice period and adopts 2014 rates.
- February 28, 2014.....First Recology bill issued with new 2014 rates including a retroactive rate adjustment for January and February.

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January – March 2014 Potential Future Board Agenda Items

January 23, 2014

- Election of New Officers
- Mid-Year Review of FY2014 Annual Operating Budget
- Discussion on Solid Waste Rate Setting Process for Rate Year 2015 (calendar year)
- Resolution Accepting the FY1213 Annual Financial Statements
- Consideration of Approval of Ordinance Implementing a Recycling Permit System to Collect Commercial Recycling Data
- Results of 2013 4th Quarter Recology Franchise Agreement Contamination Measurements for Loads of Recyclable Materials, Organic Materials, and Plant Materials
- Office Lease Agreement at San Carlos Library
- Other items TBD

February 27, 2014

- Resolution Approving Mid-Year Budget Adjustments for FY2014
- Discussion on Solid Waste Rate Setting Process for Rate Year 2015 (calendar year)
- Discussion on Performance Metrics for Public Education and Outreach Programs
- Approval of Quarterly Investment Report as of 12/31/13
- Contractor Quarterly Updates
- Other items TBD

March 27, 2014

- Presentation on Recology San Mateo County 2013 Annual Report
- Presentation on South Bay Recycling 2013 Annual Report
- Update on Long Range Planning