



EXECUTIVE DIRECTOR'S REPORT



STAFF REPORT

To: SBWMA Board Members
From: Joe La Mariana, Executive Director
Date: February 23, 2017 Board of Directors Meeting
Subject: Executive Director's Report

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

1. **Administration & Finance:**

A. **SBWMA Administration Office Lease—Contract Expiration:**

This lease was initiated with the City of San Carlos on October 14, 2003 and it expires on June 30, 2017. We currently pay \$4,570.56 per month to lease 2,429 square feet (sf) of space, or \$1.88 per sf. Staff has worked closely with City staff to propose a new five (5) year term with one mutually-agreed upon three (3) year extension. The City of San Carlos has offered most favorable rental terms to the Agency due to our member agency/non-profit status and our long-standing tenant relationship.

B. **Q2 Investment Report—Current Results:**

The agency's Q2 Investment Fund performance is reviewed by the City of San Carlos' Investment Committee. They confirm that these results are within Agency investment policy guidelines and market norms. NOTE: the SBWMA Finance Committee has indicated a desire to explore other, higher-yielding investment options for future Board Consideration. More discussion on potential options will be provided to the Board later in 2017.

C. **Staffing Update—Recruitment is Open:**

The agency is currently recruiting to fill the vacant Recycling & Sustainability Programs Manager. As previously noted, this position is budgeted and has been restructured. Technical contractors are being used to support the agency's priority programs work during this vacancy. Other staffing considerations will be reviewed before today's meeting.

2. **Collection and Recycling Program Support and Compliance:**

A. **Franchise Agreement Negotiations Committee (FAX)---On track with important work to be addressed:**

The Franchise Agreement negotiation process has now entered an essential phase of discussion and financial vetting.

Clear agreement has been achieved on many elements of the contract scope, language and terms. While differences remain in Rate Year 2021 pricing models between Agency expectations and the Recology's proposal, the negotiation team and FAX are resolved in finding common ground before the April presentations to the Finance Committee (4/4); the TAC (4/13); and the SBWMA Board of Directors presentation (4/27). **The next 3-4 weeks are a critically important period in this process, and I respectfully remind all Board, TAC, and FAX members and support staff of the Code of Conduct rules that are currently in force to protect the integrity of the process.**

Anticipating a successful outcome to the Draft Model Franchise Agreement negotiation process, Staff has arranged presentation dates with all 12 of the SBWMA's member agencies in May. These presentations to our elected bodies and City Managers will provide critical background, key findings and the FAX's final Draft Model Franchise Agreement recommendations. This schedule is provided for your review under **agenda item 12A**. (NOTE: supporting these various member agency and Finance Committee presentations, was not part of HF&H Consultant's current professional services contract. Therefore, agenda item 9A addresses the proposed funding necessary to complete this critical element of the FAX assignment. This request will be critically reviewed at the February 21st FAX meeting.)

Feedback from the member agency presentations will be provided to the SBWMA Board at its May 25th meeting. Staff anticipates that the FAX's "Franchise Agreement Negotiations Findings and Recommendations--Final Report" will be considered at this meeting. Please remember:

- Part One of the current Franchise Agreement's Amendment and Restatement process concludes with the SBWMA Board's acceptance of the FAX's Final Report--currently anticipated at the Board's May meeting.
- Part Two of this process involves member agency-specific negotiations with Recology that (presumably) results in the execution of 12 newly amended and restated Franchise Agreements for a term beyond 2020—currently anticipated for completion by YE 2017.

On a related note, the FAX Committee recommends moving forward with its five (5) remaining committee members through the duration of the assignment due to the late date in the negotiation process and the complex subject matter. This recommendation will be considered today by the Board in agenda item 10A.

3. Shoreway Operations and Contract Management:

A. Fire Recovery and MRF Production Update—On track, but slowed by the rains:

As previously noted, the MRF is now in full operation and processing all inbound recyclables. The Shoreway tours program for elementary school children and the general public have resumed. General public tours begin in the downstairs lobby of the MRF every 1st and 3rd Thursdays at either 9:30am or 11:30am. Appointments are welcome and can be made at tours@rethinkwaste.org and we also gladly take drop-ins!

As presented at the January Board meeting, the recent rains have negatively impacted the facility's production levels and some commercial single stream has been deemed non-recoverable and disposed due to high moisture content. Please be assured that this was *not* an easy decision for our Staff or the SBR team, all of whom are supremely dedicated to diverting materials from landfills. SBR is working with VRS managers to temporarily expand production hours to catch up on the backlog. This overtime work appears to be attractive to the hourly sorters, but not their salaried supervisors.

Work is expected to begin within the next few weeks on fire-related roof repairs, solar panel replacement and related construction on the MRF structure. The contractor awaits specialty parts and materials.

SBWMA Staff and SBR management continue to work together to evaluate future fire suppression equipment and procedures including lessons learned from comprehensive peer facility best practice reviews, local Fire Marshalls and the insurance claims team. The result of this effort is presented today under agenda item 11A in the form of a new Enhanced Fire Suppression Plan and related capital expenditure recommendations. Naturally, these recommendations were not specifically planned for in the FY 16-17 budget. There are, however, sufficient funds available in the Agency's CIP Reserve to fund these important systems.

improvements and, with Board approval, Staff will proceed immediately with their implementation. This unique situation is a textbook example of why we diligently plan to build and maintain our agency's four different reserve funds, and the highly selective circumstances in which we choose to utilize them.

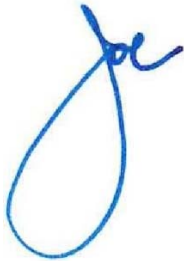
B. Budgeted Capital Improvement Projects--MRF:

Staff recommends five (5) capital projects to maintain and improve the operations of our facilities and to provide additional fire suppression capabilities (see item above). With Board approval, all projects are expected to be completed by the end of FY16/17. These projects are specifically identified in agenda item 11B.

C. PG&E Deposit Returned....from 2012:

In 2012, SBWMA Staff worked with PG&E on significant electrical upgrades to the Shoreway site, including the replacement of a major transformer. A deposit of \$54,973.79 was required to complete the work. On January 13, 2017, after five-years of *diligent* persistence by Staff, a check was *finally* received from PG&E for the full amount of the deposit.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Joe', with a large loop at the bottom.

Joe La Mariana
Executive Director

Attachment 1: Franchise Negotiations/Project Milestone Summary

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