



A Public Agency

EXECUTIVE DIRECTOR'S REPORT

STAFF REPORT

To: SBWMA Board Members
From: Joe La Mariana, Executive Director
Date: June 28, 2018 Board of Directors Meeting
Subject: Executive Director's Report

The following projects and initiatives highlight staff efforts since the last Board meeting:

1. Administration & Finance:

A. FY18-19 Draft Budget-Ready for Final Board Consideration

After Finance Committee review on April 10th and May 10th, and Board review on May 24th, the agency's draft FY 18/19 Budget is presented for Board consideration today. The staff report 5A reflects specific Board direction provided at the May Board meeting, while the original draft budget remains unchanged.. Particular attention is needed going forward to properly fund our facility/equipment's capital needs; addressing commodity revenue gaps; staying the course on long-range plan initiatives and state mandated programs; as well as maintaining high-quality professional and technical solid waste support services to our member agencies.

B. 2019 Contractor's Compensation Adjustment Applications ("Comp Apps")-We're now on the Clock

1. Recology: Recology submitted their 2019 Draft "Comp App" request to the Agency on June 15th, as required by Franchise Agreement Section 11A.03. This cornerstone document establishes Recology's cost projections for their services provided to our ratepayers in 2019. Upon Board acceptance of the "Final Report" at the September 27th meeting, each member agency's portion of these aggregated costs become their contractual responsibility to compensate Recology for their work. Member agencies then set their individual 2019 rates per the Prop 218 process by December 31, 2018.

A comprehensive review of Recology's 2019 Comp App is now being conducted by Marshall Moran, John Mangini and HFH to verify all data, calculations, assumptions and indices submitted. Additionally, our team reviews all of the contractor's performance data against industry and local market standards. Critical remaining milestone dates are:

- **August 10:** SBWMA issues "Recology Draft Report" for member agency comment
- **August 24:** Member agency "Recology Comp App-Draft Report" comments due to SBWMA
- **Sept. 13:** SBWMA issues "Final Report" at TAC meeting
- **Sept 27:** SBWMA Board consideration of 2019 Recology 2019 Comp App
- **Dec. 31:** Member Agency complete their Prop 218 approvals for their 2019 rates

2. South Bay Recycling (SBR): SBR's 2019 Draft "Comp App" is due to the Agency by July 5th, as required by the Operating Agreement's Article 7, Section 7.12. Upon receipt, a comprehensive review will be conducted by Hilary Gans, John Mangini, and Marshall Moran. Critical milestone dates are:

- **August 15:** SBWMA issues "SBR Draft Report" for member agency comment
- **August 24:** Member agency SBR "Draft Report" comments are due back to SBWMA
- **Sept. 15:** SBWMA issues SBR 2019 Comp App "Final Report"
- **Sept. 27:** SBWMA Board Consideration of SBR 2019 Comp App "Final Report"

C. Administrative Services--Keeping the lights on

1. Annual Collection/Facility Operations and Financial Systems Audit—*Clean Report*

R3 Consulting has completed their annual independent audit which verifies contractual compliance and systems integrity by our contractors, Recology and SBR, in many key performance categories. More info is available in agenda item 4B.

2. Bond Refunding/Refinancing—*Current Markets are Favorable*

Based on staff's preliminary research with industry experts (including consultation with the SF Public Utility Commission's Debit Manager), Finance Committee input and Executive Committee direction, Staff will develop a refunding/refinancing workplan to be implemented in winter 2018/spring 2019 with a July 1st, 2019 implementation target. This timing will avoid a \$400k+ pre-payment penalty. If rates continue to be favorable and the agency's 2009A series bonds are, indeed, refunded/refinanced, several important financial goals may be realized by our ratepayers, including significant interest savings and accessing to new funds to underwrite anticipated capital needs in the near future.

3. Environmental Education Manager—*Vacancy*

After six years of distinguished service with our agency, Faustina Mututa recently resigned due to a change in her family circumstances. We wish Faustina the very best of luck in her future endeavors. As with every vacancy, we will assess our agency's future EE program needs and adapt the job description and recruitment accordingly. Once these needs are clearly understood, we anticipate a mid-to-late summer recruitment.

4. Disposal/Landfill Services--RFP Process moves forward:

On June 22nd, a RFP team kickoff meeting will confirm key project components, including timing milestones, a market review, project structure and goals, evaluative criteria, performance priorities, RFP document development, etc. This RFP will solicit critical disposal/landfill services to meet the agency's needs beyond the December 31, 2019 expiration of the current 15-year agreement with Republic Service's Ox Mountain Landfill in Half Moon Bay. This is the agency's third largest contract at \$10M per year. Here is a preliminary timeline of RFP milestones-firm dates will be provided at the June Board meeting:

- Mid-summer 2018: RFP Issued
- Late summer 2018: RFP Responses Due
- Sept. 27, 2018: BOD Meeting—Board review of preliminary responses
- **Nov. 15, 2018 or**
- **Jan. 24, 2019: BOD Meeting—Disposal Agreement consideration**

5. Committee Updates:

a. Technical Advisory Committee (TAC) (7/12):

Topics will include: CalRecycle's annual reporting (due on 8/1) and their goals; a commodity market update, and a mid-session legislative/regulatory update by Agency legislative liaison, Debra Kaufman. CalRecycle managers, Ms. Carroll Mortensen and Mr. Ken Yee, will also join us to share CalRecycle's agency priorities and vision on the implementation of SB 1383, known as the Short-Lived Climate Pollutant (SLCP) reduction bill. Landfills generate massive SLCP's, so these sites are specifically targeted for organics elimination to mitigate these destructive emissions. SB 1383's aggressive enforcement plan is now being recognized as being as broad sweeping as California's Integrated Waste

Management Act of 1989 (AB 939) was a generation ago. As always, Recology and SBR are invited to share their highlights/issues as well.

b. Zero Landfill Committee (September):

At Executive Committee and ZLF Chair input, this committee will reactive in September to refresh the work that was previously done.

2. Collection and Recycling Program Support and Compliance:

A. Franchise Agreement Negotiations—*And then there were three...*

On June 19th, the City of East Palo Alto became the ninth member agency to approve their Franchise Agreement with Recology. Staff continues to offer support to the remaining three agencies in their efforts to fully execute their restated and modified Franchise Agreements with Recology. The three members--Belmont, County of San Mateo, and Atherton--anticipate completing this process by the September 27th Board meeting. See **Attachment A** for chronological history of approvals.

B. "Amendment One" Process and Workplan-*Let's Get to Work!*

These discussion between the Agency team (Staff/HFH/SCS/ADCL) and Recology will commence in July. Per Executive Committee and Board direction, the Franchise Agreement Extension Adhoc Committee (FAX) will be reconvened to, once again, provide senior staff-level direction for the Agency team. As previously noted, the three topics to be addressed will include:

1. **The Expanded Bulky Item Collection:** Service requests are close to maxing out capacity.
2. **Abandoned Waste Response Services:** Service requests are close to maxing out capacity.
3. **Stormwater/MRP Compliance:** Adopting anti-litter measures to comply w/ MRP

Staff and Recology have agreed to complete this discussion by December 31, or sooner. Upon SBWMA Board approval of the Amendment One recommendations, each member agency's elected officials will then be able to consider this Amendment for their own restated and amended Franchise Agreements. A model staff report and resolution will be provided to assist staff during this process. Per section 7.1.1 of the agency's Joint Powers Agreement, Amendment One will need to be ratified after eight (8) member agencies adopt this item.

B. 2018 Modified Household Battery Collection/Handling and Outreach Plan-*Program Relaunches on Sept. 3rd!*

With workplan approval at the May 24th Board meeting, Staff, Recology and SBR are actively working on implementing the new Household Battery Collection/Handling and Outreach Plan that will launch on September 3rd. A "Rethinker" newsletter was distributed starting in early June to every SBWMA ratepayer. It featured a battery safety message. When properly aligned, all major outreach pieces in the future will contain battery safety messages. Staff continues to work at the state and national levels to enact Extended Producer Responsibility (EPR) battery safety laws on this critically important issue.

3. Shoreway Operations and Contract Management-*Markets still in flux; Staff leads option review*

A. Labor update

FYI--On December 31, 2018, the five-year agreements between Recology and South Bay Recycling and almost 400 hardworking individuals represented by Teamsters Local 350 expires. Negotiations between the parties are expected to begin shortly. These discussions are exclusively between these parties. As you may remember from past labor contract discussions, the SBWMA, nor its member agencies, are directly involved in this process. It is important to note that the current and newly restated and amended Franchise Agreements contain ratepayer protections that cap all labor costs to CPI. We genuinely wish all parties the best of luck in finding common ground for the (presumed) next 5-year term. Staff will provide the Board with periodic progress reports during these discussions.

B. Commodity Market Update

SBR's materials brokers report a continuation of eroding commodity prices and unstable destinations for our fibers. Potential Industries' (SBR's co-owner) Vice President and Senior Commodities Broker, Mr. Dan Domonoske, will be available at today's meeting for a brief update and to answer questions on this topic. As a result of this market shift, Staff, SBR and BHS (our equipment manufacturer) have been working hard on a measured, phased approach towards facility/equipment/processing upgrades during the next few years. These options will be discussed during agenda item 7B.

C. Operations Update

Based on recent material marketing results and with Executive Committee input, Staff recommends extending the cost split with SBR to continue the use of MRF extra sorters for another 3 months (July 1-September 30, 2018). This item will be discussed in agenda item 7C.

Respectfully submitted,



Joe La Mariana
Executive Director

Attachments:

A. Franchise Agreement Execution Status by Member Agency: Elected Body Consideration Tracker

Attachment A:
Franchise Agreement Execution Status by Member Agency:
Elected Body Consideration Tracker

SBWMA Member Agency	City Council Consideration Date	Status/Comments
City of San Mateo	November 6, 2017	Council approved: 5-0
Hillsborough	November 13, 2017	Council approved: 5-0
San Carlos	November 13, 2017	Council approved: 5-0
Foster City	November 20, 2017	Council approved: 5-0
Burlingame	January 16, 2018	Council approved: 5-0
West Bay Sanitary District	January 24, 2018	Board approved: 5-0
Redwood City	March 26, 2018	Council approved: 7-0
Menlo Park	April 24, 2018	Council approved: 3-0-2* *8 member agencies have now approved their individual Franchise Agreements with Recology. This 8 th vote satisfies the requirements of the JPA's governance agreement, Section 7.1.1 of a 2/3rds vote. As a result, no public procurement for collection services is required.
East Palo Alto	June 19, 2018	Council approved: 4-0
Belmont	May 22, 2018 August 14, 2018	City Council held a study session regarding progress of discussions with Recology. City staff will present Franchise Agreement deal points to Council for their consideration. Upon approval, city staff will then be authorized to fully execute the final Franchise Agreement with Recology.
County of San Mateo	July 2018 (Est.)	Negotiating final deal points.
Atherton	July 18, 2018	Discussions remain in progress. Town staff expects to present Town Council an update on July 18 th .

***Notes:**

- JPA Agreement states that each member agency's individual Franchise Agreement be fully executed by June 30, 2018.
- Per the section 7.1.1 of the "Second Amended and Restated Joint Exercise of Powers Agreement, South Bayside Waste Management Authority" (aka "JPA Governance Agreement") "two thirds of the members agencies (or 8 member agencies) are required to approve this Franchise Agreement for it to become ratified.