



STAFF UPDATES



## STAFF UPDATE

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To: SBWMA Board Members  
From: Cliff Feldman, Recycling Programs Manager  
Date: July 28, 2011 Board of Directors Meeting  
Subject: Results of 2011 Second Quarter Recology Franchise Agreement(s) Quarterly Contamination Measurement for Loads of Recyclable Materials, Organic Materials and Plant Materials

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### Recommendation

This is an informational report and no action is necessary.

### Analysis

#### *Sampling Process and Protocol*

The SBWMA is charged with performing a quarterly analysis of the contamination levels present in five distinct types of materials collected (see **Table 1**) and delivered to the Shoreway Environmental Center (SEC) by Recology San Mateo County (Recology) per the Franchise Agreement(s) with the Member Agencies. The 2011 Second Quarter sampling project was conducted from June 21-27, 2011 by Sloan Vasquez LLC (Irvine, CA) with the full cooperation of both Recology and South Bay Recycling (SBR).

Both the route or truck to be sampled and the location of the material pulled out of the load are selected completely at random. The sampling process is to randomly pull out approximately 175 pounds of material from each randomly selected collection vehicle (i.e., this amount ranges from 125 to 225 pounds depending on the material type). These 175 pound samples are taken from 12 different collection vehicles for each material stream with one exception (i.e., only 6 clean commercial plant materials loads are sampled) per the requirements to achieve statistically significant or accurate results per Franchise Agreement Attachment E-2. The material from each sample is then divided into two basic categories which includes both acceptable and unacceptable items. The definitions and other sections of the Franchise Agreement(s) primarily govern how this process will unfold; however, the SBWMA, Sloan Vazquez, Recology and SBR all worked closely to develop a more detailed approach (i.e., actual policy and procedures for the sampling process) to get this work done accurately and cost effectively. **Table 1** lists the material types and number of samples measured from each.

Table 1

<u>Material</u>	<u>Total Number of Samples Measured</u>
Commercial Targeted Recyclable Materials	12
Commercial Organic Materials	12
Commercial Plant Materials	6
Residential Targeted Recyclable Materials	12
Residential Organic Materials	12
Total	54

### ***Sampling Results***

Three of the five material types sampled complied with the allowable contamination thresholds prescribed in the Franchise Agreement(s), thus two did not. **Table 2** provides the allowable contamination thresholds, the results from the 2011 First Quarter sampling and the percent variance for each material type.

**Table 2**

<u>Material</u>	<u>Allowable Maximum Contamination Level</u>	<u>Measured Contamination Level</u>	<u>Percent Difference</u>
Commercial Targeted Recyclable Materials	8%	10.02%	2.02%
Commercial Organic Materials	10%	11.05%	1.05%
Commercial Plant Materials	5%	1.46%	- 4.54% <sup>2</sup>
Residential Targeted Recyclable Materials	20% <sup>1</sup>	7.77%	- 12.23% <sup>2</sup>
Residential Organic Materials	5%	2.90%	- 2.10% <sup>2</sup>

<sup>1</sup> The Residential Targeted Recyclable Materials Maximum Allowable Contamination Level for years 2-10 (i.e., 2012 – 2020) of the Recology Franchise Agreement(s) will be established as the average percentage measured for all four quarters in 2011.

<sup>2</sup> No disincentive payments are associated with results that are at or below the allowable maximum contamination levels.

The ramifications to the SBWMA of Recology failing to deliver material to the SEC that is consistently equal to or under the allowable contamination thresholds are primarily fiscal. This is the fundamental rationale for including the contamination related provisions in both the Recology Franchise Agreement(s) and the contract with South Bay Recycling. The presence of unacceptable materials or contamination in the recyclable materials collected by Recology results in additional disposal costs and potentially reduced commodity revenue for the SBWMA. The per ton disincentive payments that must be paid by Recology for exceeding the maximum allowable contamination level for any of the five material categories are prescribed in the Franchise Agreement(s) Attachment I (Performance Incentives and Disincentives). **The disincentive payments to be remitted to the SBWMA are required to be calculated and included with submittal of Recology's Second Quarter 2011 Report due on August 30, 2011.**

The SBWMA and Recology are meeting monthly to discuss commercial recycling issues and staff is confident that Recology will work diligently to ensure that the contamination present in commercial recycling and organic materials loads continues to be reduced. It is important to note that the calculated commercial recycling contamination level greatly improved from that measured in the first quarter. It is staff's understanding that Recology will begin or continue to implement best practices such as regular load grading and frequent observation of loads being tipped at the SEC in an effort to reduce contamination.

### **Background**

In 2007, the Board approved staff's recommendation to ensure that a comprehensive contamination management program would be included in both the future Franchise Agreement and SEC Operations Agreement. The primary rationale for this recommendation was to control costs for the SBWMA as excessive contamination increases disposal and processing costs and can also result in reduced commodity revenue. Subsequently, the Collection Services and Facility Operations RFPs were issued with provisions mitigating the impact of contamination on both the SBWMA and Member Agencies. Thus, the Franchise Agreement(s) with Recology and the SEC Operations Agreement with SBR both include specific provisions and associated monetary penalties to reduce contamination as much as possible.

The Franchise Agreement(s) with Recology contain provisions in section 6.02 and Attachment I (Performance Incentives and Disincentives) that explains the maximum contamination levels and how monetary penalties associated with exceeding these levels would be calculated. In addition, Attachment E-2 (Contamination Measurement Methodology: Quarterly Protocol) prescribes in detail the sampling methodology and statistical rationale supporting implementation of this methodology that is used to measure contamination on a quarterly basis.

**Fiscal Impact**

The fiscal impact to the SBWMA for the results of the Second Quarter 2011 Contamination Sampling will be approximately \$17,000 in payments from Recology to the SBWMA for excessive contamination levels in the commercial recycling and commercial organic materials. The exact amount will be calculated by Recology and payment will be included with the company's Second Quarter 2011 Report due on August 30, 2011. The contamination disincentive payment made by Recology for the First Quarter 2011 was \$61,284. No revenue associated with such disincentive payments was assumed in the SBWMA's FY 2011 or FY 2012 budgets.

**Attachment:**

Attachment A – Sloan Vazquez LLC Second Quarter 2011 Contamination Measurement Sampling Report



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## Agenda Item 8a

### Attachments:

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- ATTACHMENT A – Second Quarter Quarterly Contamination Measurement for Loads of Recyclable Materials, Organic Materials and Plant Materials

*File too large to include with Packet*

Posted on Website: [www.rethinkwaste.org](http://www.rethinkwaste.org)



## STAFF UPDATE

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**To:** SBWMA Board Members  
**From:** Cliff Feldman, Recycling Programs Manager  
**Date:** July 28, 2011 Board of Directors Meeting  
**Subject:** Update on Recology Commercial Recycling Outreach Efforts

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### Recommendation

This is an informational report and no action is necessary.

### Analysis

Recology San Mateo County (Recology) is not required to submit monthly statistics on its commercial recycling activities; however, the company is required to submit a quarterly status report on this program per section 9.06.N of the Franchise Agreement(s). A brief explanation of Staff's review of the sections on the 2011 First Quarter Report pertaining to commercial recycling was provided in the June Board packet (agenda item 8a). Even though a monthly update is not contractually required, the company has agreed to provide the status of some key commercial recycling metrics each month. Below is an example of the information that Recology plans to submit monthly for this staff report to the Board, and staff will continue working with Recology to determine what other pertinent information can be provided on a monthly basis.

### June 2011 Recology Commercial Recycling Outreach Program Metrics

- 37 new Compost customers subscribed to service – 28 carts and 9 bins
- 87 new Recycle customers subscribed to service – 65 carts and 22 bins
- 262 commercial recycling brochures and posters were distributed
- 393 internal recycling containers were distributed
- 304 Buddy Bags were delivered
- 6 commercial recycling "community events" were reported:

Date	Franchise	Location	Name of Event
06/01/2011	Menlo Park	110 TERMINAL AVE	FARMERS MARKET
06/11/2011	Redwood City	1400 BROADWAY ST, PUBLIC WORKS	REDWOOD CITY SHREDDING EVENT
06/18/2011	Menlo Park	333 BURGESS DR, MPK	MENLO PARK SHREDDING EVENT
6/22/2011	Menlo Park	DOWNTOWN MENLO PARK	MENLO PARK BLOCK PARTY
06/25/2011	Foster City	CITY HALL PARKING LOT	FOSTER CITY SHREDDING EVENT
06/30/2011	San Mateo	CENTRAL PARK, SAN MATEO	SAN MATEO MUSIC IN THE PARK

- 14 commercial recycling “presentations and trainings” were reported as follows:

DATE	FRANCHISE	NAME/LOCATION	ATTENDEES (staff, custodians, students, etc.)	Presentation or Training
6/1/2011	San Mateo	1700 S El Camino Real (Chamber Of Commerce)	San Mateo Downtown Restaurants	Presentation
6/2/2011	Redwood City	2000 Seaport Blvd (Informatica)	Staff	Presentation
6/3/2011	San Carlos	617 Laurel Street (Positano Restaurant)	General Manager, Kichen Staff and Servers	Training
6/6/2011	Foster Ctiy	4100 E 3rd Ave (Tishman Speyer)	Janitorial Staff	Training
6/9/2011	San Mateo	1700 S Amphlett Blvd (Bayshore Corporation)	Janitorial Crew	Training
6/10/2011	East Palo alto	1848 C Bay Road (Aspire Charter School - Phoenix Academy)	Teachers and 30 students	Presentation
6/10/2011	San Carlos	1147 San Carlos Ave (Red Hot Chilli Peper)	Chef, Kitchen Staff and Servers	Training
6/16/2011	East Palo alto	560 Bell Street (East Palo Alto Senior Center)	Senior Center Staff and 100 senior residents	Presentation
6/17/2011	San Carlos	727 Laurel Street (Piacere Restaurant)	Chef, Kitchen Staff and Servers	Training
6/17/2011	Menlo Park	2825 Sand Hill Rd (Rosewood Hotel)	Manager, Kitchen Staff and house keeping staff	Training
6/20/2011	East Palo alto	1765 E Bayshore Road (Firehouse Bar & Grill)	Store Manager, Kitchen Staff and Servers	Training
6/20/2011	San Carlos	1135 Industrial Road (Wing Stop)	Owner and Kitchen Staff	Training
6/21/2011	San Carlos	753 Laurel Street (Santorini)	Manager, Kitchen Staff and Servers	Training
6/24/2011	Redwood City	2215 Broadway St (Fox Theatre)	Cafe Staff	Training

Staff has commenced monthly meetings with Recology on commercial recycling and requested additional analysis on profiling the commercial customer base and the new accounts that were added during the Recycling Blitz. In addition, Staff has requested information related to the internal metrics used to measure the relative success and cost effectiveness of its commercial recycling outreach (sales) efforts. Once this critical information and analysis is provided and reviewed by Staff, we plan to move forward with execution of several aspects of our Commercial Recycling Communications and Outreach Plan. Staff has recently received confirmation that the business stratification work has been completed and is currently working with the company to develop reports utilizing this data. Staff plans to conduct a workshop this October on commercial recycling and may also recommend changes to the Recology commercial outreach program for the next calendar year.

### **Background**

On April 22, 2010, the Board adopted Resolution No. 2010-14 approving the Commercial Recycling Agreement between Recology and Allied Waste/Republic Services. This agreement transferred Allied’s commercial recycling outreach program to RSMC commencing on July 1, 2010. In addition, Recology moved its commercial recycling staff into the Shoreway Administration building on this date.

The Member Agencies Franchise Agreements with Recology required the company to commence the first new program, the Recycling Blitz Commercial Recycling Campaign, also on July 1, 2010. Recology’s Recycling Blitz Plan and the SBWMA Commercial Recycling Communications and Outreach Plans were shared with the Board in May 2010. These plans outline the next steps regarding stepping up efforts to increase diversion from the commercial sector in the near term.

Commencing with Recology's first quarterly report due on April 30, 2011, the company is required to submit with each quarterly report a detailed update on its commercial recycling program outreach efforts. This requirement is prescribed in Franchise Agreement section 9.06.N, as follows:

- "N. Commercial Recycling Promotion Program Status Report.** Contractor must prepare and submit, both quarterly and annually, to Agency and SBWMA, a Commercial Recycling Program Status Report. The Commercial Recycling Program Status Report shall include, but not be limited to:
1. A summary of training and professional development activities for the Commercial Recycling Promotion and supervisory staff.
  2. A description of the strategy and overall approach to attract and retain a high quality and effective Commercial Recycling Promotion Program and supervisory staff.
  3. A description and status of meeting the goals and objectives for the Commercial Recycling Promotion team and how these goals and objectives are tied to the compensation incentive plan. (Contractor must explain how the stated goals and objectives will be accomplished if no compensation incentive plan is used.)
  4. A description of Contractor's sales strategy for maintaining and/or expanding the existing Commercial Recycling account base and diversion levels.
  5. A description of the services provided to the Commercial and Agency Facility sectors.
  6. A detailed accounting of diversion statistics for the Commercial and Agency Facility sectors."

Recology submitted its First Quarter 2011 Report in early May and Staff's review was included in the June Board packet (agenda item 8a). However, it is important to reiterate that the commercial recycling section of the Report fell short of establishing quantifiable goals with regards to increasing diversion, nor did it provide a detailed description of the strategic approach employed by the sales team to increase diversion. While the company assured staff that quantifiable goals for the commercial recycling sales team and Commercial Recycling Manager have been developed, the company has not yet shared these with staff.



## STAFF UPDATE

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To: SBWMA Board Members  
From: Recycling Staff  
Date: July 28, 2011 Board of Director's Meeting  
Subject: Recycling and Outreach Programs Update

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### Recommendation

This is an informational report and no action is necessary.

### Green Team Block Leader Recognition Luncheon

RethinkWaste staff hosted a special recognition luncheon on June 29, 2011 for its Green Team Block Leader volunteers. Approximately 45 volunteers attended the luncheon held at the Shoreway Environmental Center, which included an update on the CartSMART programs and results, a presentation by Sustainable San Mateo County on their Energy Ambassadors program and a tour of the facilities. The volunteers, representing Atherton, Belmont, East Palo Alto, Foster City, Menlo Park, Redwood City, San Carlos and San Mateo, were each presented with a certificate of appreciation by Board Chair Brian Moura signed by their respective city mayor and RethinkWaste Executive Director Kevin McCarthy.



RethinkWaste launched the Green Team Block Leader community program last fall to recruit volunteers from the service area to create a grassroots effort at the neighborhood level on getting the word out about the new services and building excitement. The program includes training volunteers to serve as their neighborhood experts on the CartSMART collection services. A total of six trainings were held in the communities of Belmont, Foster City, Menlo Park, Redwood City, San Carlos and San Mateo, with approximately 120 participants.

### **Curbside Inc., Door-to-Door HHW Program**

The following eight Member Agencies are now participating in the program: Belmont, East Palo Alto, Foster City, Hillsborough, Menlo Park, San Carlos, San Mateo, and West Bay Sanitary District. Interest in the program remains strong and the company has made approximately 4,610 collections since the program started in mid-May 2010 through June 2011. Approximately 219,559 pounds of HHW material, 70,876 pounds of Universal Waste and 73,222 pounds of E-Scrap have been collected since the start of the program in May 2010. We encourage additional Member Agencies 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.

An updated direct mail brochure on the program was sent to all multi-family and single-family residents in the participating Member Agencies over a staggered schedule in June and July. Updated program posters have also been produced and will be available at the July Board meeting for those who would like to take some.

### **Household Battery and Cell Phone Curbside Recycling Collection Program**

The monthly average of batteries and cell phones collected through the curbside recycling program in 2010 was 4,400 pounds and through the first six months of 2011 it is 5,057. A total of 53,000 pounds was collected during 2010, which is slightly less than the 57,000 pounds collected in 2009. However, the current trend will result in an increase in batteries and cell phones collected in 2011 over 2010. The total amount of batteries and cell phones collected in June was 5,100 pounds.

### **RethinkWaste Website and Social Media**

The RethinkWaste website continues to be updated with information on the CartSMART residential collection and new BizSMART commercial collection services. Staff's goal is to make the website the go-to source for information on future collection services.

The site averaged approximately 544 visits per week since the last Board meeting, of which over 70% were new visits. The most commonly visited sections of the site during this period continued to be "Beyond the Cart" and "Shoreway" sections.

RethinkWaste continues to use its Facebook and Twitter pages to promote program information and new services. To date, the Facebook page has 190 "fans," an increase of 10 followers since the June report. Our Facebook page can be found at [www.facebook.com/rethinkwaste](http://www.facebook.com/rethinkwaste), and the Twitter page is located at [www.twitter.com/rethinkwaste](http://www.twitter.com/rethinkwaste).

### **rethinker Newsletter**

The Summer 2011 rethinker newsletter is currently in production. This issue will focus on the items that are accepted in the green Compost Cart, other program reminders and the Shoreway Transfer Station.

### **Schools Recycling Program Update**

Staff has purchased 32 gallon recycling carts for distribution to schools in the RethinkWaste service area. The program is implemented with assistance from RecycleWorks staff who has delivered 154 carts on behalf of RethinkWaste.

### **Compost Giveaway Events**

The RethinkWaste Spring Compost Giveaway Events have concluded, with Menlo Park and San Mateo hosting events through out the year. East Palo Alto is also making compost available to residents on an on-going basis at

their corporation yard Monday through Friday from 8am – 4pm (Closed 12 -1pm for lunch). They are also currently looking into offering bagged compost to their senior residents. In August RethinkWaste staff will begin to coordinate the fall events, tentatively scheduled for September 10, 2011 and October 8, 2011.

**Approved Operating Agreement Amendments or Recommended Recology Franchise Agreement Administrative Changes**

Staff is requesting that Member Agencies keep us apprised if any administrative changes have been made.

<u>Agreement</u>	<u>Board Approval</u>	<u>Staff Recommendation</u>	<u>Description</u>
Operations Agreement	October 28, 2010	N/A	Amendment No. 1. Is now effective as eight Member Agencies have approved the Amendments. Approved by: Belmont, Foster City, Menlo Park, Redwood City, San Carlos, City of San Mateo, San Mateo County, West Bay Sanitary District.
Franchise Agreement(s)	N/A	Via email on October 20, 2010	Requested Member Agencies send letter accepting interest waiver offer from Recology on potential 2011 revenue requirement shortfall if rates approved after January 1 but before March 1, 2011. Approved by: Atherton, Redwood City, City of San Mateo, San Mateo County, West Bay Sanitary District.
Franchise Agreement(s)	N/A	Via email on December 9, 2010	Overage “bags” change to “tags”; SBWMA relief from purchasing battery/cell-phone bags; On-call bulky item collection temporary schedule for January 2011. Approved by: Unknown.
Franchise Agreement(s)	N/A	Via email on December 13, 2010	Member Agency self haul remittance of payments to SBWMA by Recology. Approved by: Burlingame, Foster City, Redwood City.
Franchise Agreement(s)	N/A	Via email on June 3, 2011	Six Member Agencies (i.e., Belmont, Burlingame, Foster City, Menlo Park, Redwood City, San Carlos and City of San Mateo) are requested to allow Recology to continue using used collection vehicles through September 30, 2011. Approved by Foster City.



## STAFF UPDATE

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To: SBWMA Board Members  
From: Hilary Gans, Facility Operations Contracts Manager  
Date: July 28, 2011 Board of Director's Meeting  
Subject: Shoreway Construction Update

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### Financial Update

This section has been added to the regular construction update to provide the Board a high-level update on the Master Plan finances. This is an informational item and no Board action is required.

On July 23, 2009 the Board approved the sale of Bonds for the Shoreway Master Plan Project in a total dollar amount of \$56.5 million of which \$46.97 million was dedicated to actual physical improvements. Through the end of June 2011 \$44,059,600 has been spent, leaving a fund balance of \$2,929,600 (The SEC Master Plan Budget table on page 5 of this report shows the Master Plan expenditures by category through June 30, 2011).

Forecast Project Expenditures: In forecasting the expenditures through the balance of the Master Plan construction effort the following factors were taken into consideration:

- 1) Lag in processing payment to vendors,
- 2) Final payment of contract retentions to contractors,
- 3) Planned future construction expenses through the remainder of Phase II construction,
- 4) Settlement of any known disputed items with contractors, and
- 5) Other projects that have yet to be started or are just now starting (e.g., the education center in the MRF building) but are part of the Master Plan project.

At this time, it is forecasted that there are sufficient funds to cover the project expenditures through the completion of the Master Plan project without tapping the transfer station bid deduct funds of \$515,000 or the projected remaining unallocated project contingency of \$211,000.

### Issues of Concern

#### *Target date for SJA Construction Completion*

Phase II of the Master Plan construction is now in the final stages of construction. The revised target date for completion of this phase of construction and for the issuance of a Final Occupancy Permit by the City of San Carlos is July 29<sup>th</sup>. SJA is currently demobilizing and will remove their construction trailer and relinquish the "construction coral" by the end of July.

#### *Resolution of Extended Overhead Claims*

The construction contract with SJA calls out specific start and end dates for the Phase II construction project. If the construction project is completed after the Final Completion date of June 6<sup>th</sup> then there are provisions in the construction contract for the party responsible for the delays to pay the other party's delay costs (i.e., liquidated damages in the case of a contractor caused delay and extended overhead charges if the delay is caused by the SBWMA). SJA contends the reason for the delayed completion (construction extending beyond the June 6<sup>th</sup>) is due to the changes in design and the additional construction work performed through contract change orders (CCOs). SJA has submitted notification

letters over the course of the construction project for delay-related claims totaling approximately \$500,000.

In prior reports, Staff forecasted that the settlement of the extended overhead would be \$90,000. The construction team was successful in reaching a negotiated settlement with SJA in the amount of \$88,000 to resolve the issue of extended overhead. The settlement dollar amount is final and will not be adjusted should SJA spend more time onsite to complete the project than currently anticipated.

The cost of the extended overhead settlement has been paid for out of the additional construction funds for SJA that the Board approved in November 2010. No additional bond funds are needed and the cost of the settlement will not change the projected remaining Master Plan fund balance.

### **Construction Update**

This project update summarizes the status of the construction of the Shoreway Master Plan Phase II improvements which include the construction of a new Materials Recovery Facility (MRF) building, modifications to the Transfer Station (TS), and various site work; and Phase III improvements which are comprised solely of the purchase and installation of the single stream processing equipment. A contract in the amount of \$16,209,000 was awarded to SJ Amoroso on July 23, 2009 for Phase II of the Master Plan construction work. On October 7, 2009 the Board approved a contract with BHS for \$15,713,180, exclusive of sales tax, for the Phase III work. This report includes a discussion of completed and upcoming construction activities, updates to the construction schedule, and a summary of the project budget.

### **Construction and Other Project Activities**

The following construction activities occurred over the past month:

#### **MRF Building**

- Construction complete and pending Final Occupancy permit

#### **Transfer Station (TS)**

- Completion of the employee area and rest room complex
- Domestic water and fire suppression plumbing installation complete
- Pending Final Occupancy permit

The following construction activities are expected to occur during the next reporting period:

#### **Transfer Station**

- Final Occupancy Permit
- Punch list items
- Miscellaneous site work

#### **Equipment Installation and Other Project Activities**

- Enhancements to the MRF equipment dust collection system
- Installation of a conveyor-bridge between the MRF and transfer station

### **Construction Schedule**

Construction Notice to Proceed (NTP) was issued to SJ Amoroso effective September 14, 2009. The established contract duration for Final Completion is 630 calendar days which corresponds to a completion date of June 6, 2011. A summary of the schedule's major milestones is shown on the next page:

<u>Activity</u>	<u>Contract Baseline Schedule</u>	<u>Schedule Update</u>
Notice to Proceed (NTP)	Sept. 14, 2009	Sept. 14, 2009
MRF Milestone A (MRF process area ready for equipment install)	July 11, 2010	August 21, 2010
MRF Equipment Installation Start Date	June 10, 2010	August 23, 2010
MRF Equipment Start-up	Jan 31, 2011	April 4, 2011
Transfer Station Operational (self haul tip area ready for operation)	N/A	Week of June 6, 2011
Final Contract Completion	June 6, 2011	July 29, 2011

### Project Expenditures Summary

- **Construction Budget (S.J. Amoroso)**

- Monthly progress payments to SJ Amoroso for the month of June 2011 total \$398,118.
- Cumulative progress payments made to Amoroso through the end of June 2011 total \$15,999,952 on a total contract amount of \$16,209,000 (*Amoroso has been paid 98% of their budget for Construction*).
- Construction change order (CCO) numbers 220-264 were approved in June 2011 for a total of \$43,156. The sum total of all CCO approved through June 2011 is \$2,934,095 (See construction Change Order Summary for details on all approved change orders).
- A summary of approved CCOs sorted by the attributable reason for the change are presented in the table below. Attached at the end of this report (see Phase II - Preliminary Construction Change Order) is a complete list of all approved construction change orders.

<u>Reason Category for Construction Change Order</u>	<u>Abbreviation</u>	<u>Total Change Order Cost by Category</u>
Design Revision/Clarification	DR/DC	\$623,355
Differing site conditions	DSC	\$902,976
Equipment required changes	Equipment	\$622,692
Various reasons for the Change	Multiple	\$296,287
Owner requested changes	Owner	\$168,486
Permitting agency changes	Permit	\$320,299

- **Construction Management Budget (Covello)**

- Payments to Covello for the month of June 2011 total \$56,035 on a monthly forecasted amount of \$58,495.

- Cumulative progress payments made to Covello through June 2011 total \$1,717,015 on a budget of \$1,826,050. (*Covello has been paid 94% of their Construction Management budget*).
- **Design Support Services (JRMA)**
  - Payments to JRMA for the month of June 2011 total \$3,360 on monthly forecasted amounts of \$6,500.
  - Cumulative progress payment made to JRMA for Design Support Services through the end of June 2011 total \$478,752 on a project budget amount of \$597,000 (*JRMA has been paid 81% of their budgeted amount for Design Support Services*).
- **MRF Processing Equipment and Installation (BHS)**
  - Progress payments to Bulk Handling Systems (BHS) for June 2011 total \$0.
  - Cumulative progress payments made to BHS for both equipment manufacture and system installation through the end of June 2011 total \$15,880,216 on a budget of \$16,901,400 (*BHS has been paid 95% of the budgeted amount for equipment and installation*).
- **Master Plan Project - Bond Funds Status**

A summary of the Master Plan budget and expenses through June 2011 is presented in the SEC Master Plan Budget table on the next page. Through the end of June 2011, \$44,059,600 has been spent on a total project budget amount of \$46,971,900 with a project balance of \$2,929,600.

## SHOREWAY ENVIRONMENTAL CENTER MASTER PLAN BUDGET

THROUGH JUNE 2011

(000's)

	Vendor	Original Project Budget Amount	Allocated Contingency	Revised Project Total	Spent Amount as of 6/30/11	Remaining Amount as of 6/30/11
<b>PROJECT COST SUMMARY</b>						
<b>Preliminary Costs</b>						
Planning, Design & Engineering	Various	2,404.0	28.5	2,432.5	(2,424.6)	7.9
Bond Issuance Costs		90.5	(7.4)	83.1	(83.1)	-
<b>Phase I</b>						
Construction	Rodan	2,405.0	31.3	2,436.3	(2,436.3)	-
Construction Management	Covello	444.3	15.9	460.2	(460.2)	-
<b>Phase II</b>						
Construction	Amoroso	16,209.0	-	16,209.0	(16,000.0)	209.0
Construction Contingency (10%)	Amoroso		3,053.9	3,053.9	(2,668.5)	385.4
Permit, CM, & Design Support Services	Covello/JRMA	2,259.0	714.0	2,973.0	(2,690.2)	282.8
Construction Soft Costs	Various	786.7	-	786.7	(269.7)	534.3
<b>Phase III</b>						
Equipment Installation	BHS	2,432.4	30.0	2,462.4	(2,439.2)	23.2
Contingency (10%)	BHS		246.2	246.2	-	246.2
Camera System, elec.		85.0	-	85.0	-	85.0
Supplemental Fire Suppression		75.0	-	75.0	(16.6)	58.4
Equipment	BHS	14,273.2	81.2	14,354.4	(14,330.2)	24.2
Contingency	BHS		492.8	492.8	(229.0)	263.8
Construction Management and Soft Costs	Various	95.0	-	95.0	(12.0)	83.0
<b>Project Total</b>		<b>41,559.1</b>	<b>4,686.4</b>	<b>46,245.5</b>	<b>(44,059.6)</b>	<b>2,203.2</b>
<b>Other Project Dollars</b>						
Unallocated Contingency (Balance of Funds)		4,684.8		4,684.8	(4,473.4)	211.4
Transfer Station Public Area (SJA Bid Deduction)		728.0		728.0	(213.0)	515.0
<b>Project Subtotal</b>		<b>46,971.9</b>				<b>2,929.6</b>









**Transfer Station Self Haul Area (OPEN FOR BUSINESS!)**





## STAFF REPORT

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To: SBWMA Board Members  
From: Kevin McCarthy, Executive Director  
Marshall Moran, Finance Manager  
Date: July 28, 2011 Board of Directors Meeting  
Subject: Update on Rate Application Process Schedule

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### Recommendation

This is an informational report and no action is necessary other than the various requested future responses below.

### Analysis

The purpose of this staff update report is to keep the Board informed on the timing and schedule of events affecting Member Agencies during the Rate Application and Recommended Rate Adjustment process in the next several months. The goal is to give the agencies the information and enough time to consider collection rate adjustments effective January 1, 2012.

Per request from the Board at the June 23, 2011 Board meeting, Staff has prepared the attached Draft 2012 Rate Approval Schedule (**Attachment A**).

### Schedule

#### June 2011

- SBWMA to send out letter to Board requesting feedback from all agencies on issues affecting 2012 rate adjustments - agency fees, and % of Allied Balancing Account in 2011 rates. Response requested by July 22.

#### July 2011

- July 1 - Rate Applications due from RSMC and SBR for 2012 compensation adjustment.
- July 21 – BOD Staff report on can migration analysis by Member Agency with update on estimated residential can migration since July 2010; to be discussed at July 28<sup>th</sup> Board meeting
- July 21 – Draft Rate Application report from HF&H on Allied's final 2010 close out and final balancing accounts; to be discussed at July 28<sup>th</sup> Board meeting
- July 22 - Response from Member Agencies to SBWMA on issues affecting 2012 rate adjustments: agency fees, and % of Allied Balancing Account in 2011 rates.

## August 2011

- August 8 - Feedback from agencies on what to include in 2012 collection rate adjustment for continued future can migration (agencies may decline to include any estimate for future can migration).

## September 2011

- September 1 - Preliminary report issued by SBWMA on Recology's Rate Application for 2012 compensation adjustment
- September 1 - Preliminary report issued by SBWMA on SBR's Rate Application for 2012 compensation adjustment
- September 11 - Comments due back from Member Agencies on preliminary Rate Reports for Recology and SBR.
- September 15 - Final Rate Report issued for Recology's Rate Application for 2012 compensation adjustment (for consideration at September 22 Board meeting)
- September 15 - Final Rate Report issued for SBR's Rate Application for 2012 compensation adjustment (for consideration at September 22 Board meeting)
- September 15 - Consolidated Rate Report issued with recommended total collection rate adjustments for 2012 (including RSMC compensation, disposal expense at Shoreway, agency fees, can migration for 2012, and Allied Balancing Account final adjustment)
- September 22 – Board consideration and approval of Consolidated Rate Report
- **September 23 – December 31, 2011 – Member Agencies notice and approve final 2012 solid waste rates**

## October 2011

- Report to Board on Bond proforma update for 2013 SBWMA financial projection with assumed tip fee and reserve balances

## November 2011

- Report to Board on Recommended January 1, 2012 Shoreway tip fee adjustment

## Attachment:

Attachment A – Draft 2012 Rate Approval Schedule



DRAFT  
**2012 Rate Approval Schedule**

Member Agency Rate Setting Process

The 2012 Recology Compensation Application was received by the SBWMA on July 1, 2011 per the deadline prescribed in the Member Agency Franchise Agreement(s). On September 1, 2011 (also per the Franchise Agreements), the SBWMA will issue its Report on Recology's Compensation Application. The Member Agencies then have 10 days to provide comments on the SBWMA's Report. The comments received will be incorporated in the 2012 SBWMA Consolidated Rate Report that will become binding upon the Board's consensus vote at the September Board meeting. The overarching implications of this are that the rate increases put forth in the SBWMA Rate Report will be the minimum rate increases each Member Agency is obligated to adopt or face interest penalties for amounts owed to Recology.

September 22, 2011 BOD Meeting

- Recology and SBR Compensation Applications Approved
- Consolidated Rate Report Approved

Member Agency Residential Billing Schedule

**Group A: October-November-December (Billed September 30)**

- Menlo Park
- Redwood City
- San Mateo
- West Bay Sanitary District

**Group B: November-December-January (Billed October 31)**

- Atherton
- Burlingame
- San Carlos

**Group C: December-January-February (Billed November 30)**

- East Palo Alto
- Foster City
- Hillsborough

SBWMA 2012 Rate Approval Schedule

DRAFT



- 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, 2011 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, 2012.

Proposed Schedule:

September 22, 2011..... SBWMA BOD Approves Recology and SBR Compensation.  
 October 1-15 ..... Governing body or agency staff approves issuance of the Prop 218 notice.  
 October 16-31 ..... Prop 218 Notice printed and issued via direct mail  
 November 15-15 ..... Governing body closes the Prop 218 public notice period and adopts 2012 rates effective January 1, 2012.  
 December 31..... First Recology bill issued with new 2012 rates.

SBWMA 2012 Rate Approval Schedule

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**Group B**

These agencies will be able to prepare and print a bill insert in time for inclusion with the October 31, 2011 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, 2011. 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, 2012.

Proposed Schedule:

- September 22, 2011..... SBWMA BOD Approves Recology and SBR Compensation
- October 1 – October 15..... Governing body or agency staff approves issuance of the Prop 218 notice.
- October 31 ..... Prop 218 Notice included with Recology bills
- December 15-31 ..... Governing body closes the Prop 218 public notice period and adopts 2012 rates.
- January 31, 2012 ..... First Recology bill issued with new 2012 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, 2011 mailing, this is moot since the 45 day Prop 218 notification period will not close until after January 1, 2011 (i.e., on January 14, 2011). 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, 2012.

Proposed Schedule:

- September 22, 2011..... SBWMA BOD Approves Recology and SBR Compensation
- October 1-15 ..... Governing body or agency staff approves issuance of the Prop 218 notice.
- October 16-31 ..... Prop 218 Notice printed and issued via direct mail
- November 15-15 ..... Governing body closes the Prop 218 public notice period and adopts 2012 rates.
- February 28, 2012..... First Recology bill issued with new 2012 rates including a retroactive rate adjustment for January and February.



## SEPTEMBER – NOVEMBER 2011 BOARD AGENDA ITEMS (SUBJECT TO CHANGE)

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### September 22, 2011

- Resolution Approving Allied Waste 2010 Closeout Rate Applications for Collection and Shoreway Operations
- Resolution Approving 2012 South Bay Recycling Compensation Application
- Resolution Approving 2012 Recology San Mateo County Compensation Application
- Approval of Quarterly Investment Report as of 6/30/11
- Shoreway Education Center Tour Bus Funding and Tour Reservation Protocol
- Review of RSMC and SBR 2<sup>nd</sup> Quarter 2011 Reports
- Receipt of Recology and SBR Monthly Reports

### October 2011

- Board Workshop on Commercial Recycling Outreach and Promotion Program and Results of Recology Efforts
- October 27, 2011 Board Meeting
  - Receipt of Recology and SBR Monthly Reports
  - Discussion on Quarterly Contamination Measurement Methodology for Loads of Recyclable Materials, Organic Materials and Plant Materials

### November 17, 2011

- Receipt of Recology and SBR Monthly Reports
- Approval of Shoreway Facility Tipping Fee Adjustments for 1/1/12
- Approval of Quarterly Investment Report as of 9/30/10
- Approval of 2011 Board Meeting Calendar

**SHOREWAY ENVIRONMENTAL CENTER GRAND RE-OPENING CEREMONY TENTATIVELY SCHEDULED FOR  
SEPTEMBER 26, 27 OR 28**