



# COLLECTION AND RECYCLING PROGRAM SUPPORT AND COMPLIANCE



## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Joe La Mariana, Executive Director  
Chris Lehon, Lehon and Associates  
**Date:** October 27, 2016 Board of Directors Meeting  
**Subject:** Update on Expiring Agreement with WM Curbside for Door-to-Door HHW Collection and Options

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### Recommendation

This staff report is to obtain direction from the Board for staff to proceed with one, or a combination, of the following three options:

1. Approve Resolution 2016-38 attached hereto and execute a contract with WM Curbside for the door to door collection of household hazardous waste for the term of the agreement of five years based on the pricing proposal provided as **Exhibit A**; or,
2. Do not renew the current contract that expires December 31, 2016 and proceed with notifying the Member Agencies and residents that the Door-to-Door HHW collection service will be discontinued effective January 1, 2017; or
3. Provide direction to staff to pursue interim temporary Household Hazardous Waste (HHW) events at the Shoreline Environmental Center (SEC) and develop an alternative HHW collection plan for consideration at the January 26, 2017 Board meeting.

Note that choosing to extending the SBWMA's contract with WM Curbside does not commit each Member Agency to the program, but rather keeps open the opportunity for each MA to decide if they want to continue pay for and provide this service to their residents. MA's can discontinue the service at any time with sixty-day's notice.

### Summary

On October 22, 2015 the Board approved the final allowable one-year extension of contract between the SBWMA and WM Curbside, LLC to provide Door-to-Door Household Hazardous Waste (HHW) Collection Services that will now expire on December 31, 2016. The company provided a pricing proposal to extend the current contract for five years (**Exhibit A**). If the contract with the SBWMA is extended, each Member Agency will be provided the opportunity to continue offering this service to their residents. If the contract is not extended, the service will be discontinued effective January 1, 2017 and staff will promptly commence implementing an outreach campaign informing all Member Agencies and residents that the service will be discontinued effective January 1, 2017.

Staff has explored alternatives to the Curbside program that include the following: 1) partnering with the County to use the Tower Road HHW facility, 2) partnering with Recology to provide residential HHW collection service, and 3) establishing HHW collection events at Shoreway and/or at MA's locations through a separate company.

To summarize the proposed costs for continued services with WM Curbside Inc., the monthly and annual expense for 2016 and 2017-2021 is provided in **Table 1**. (The pricing in **Table 1** assumes 85,000 or more combined SFD and MFD customers participating and pricing increases due to loss of economy of scale if less than 85,000 customers participate).

Table 1

<b>2016 Cost and 2017-2021 Proposed Cost</b>								
	<b>Single-Family Dwelling (SFD)</b>				<b>Multi-Family Dwelling (MFD)</b>			
<b>Year</b>	<b>SFD Monthly Cost</b>	<b>Monthly Cost Variance</b>	<b>SFD Annual Cost</b>	<b>Annual Cost Variance</b>	<b>MFD Monthly Cost</b>	<b>Monthly Cost Variance</b>	<b>MFD Annual Cost</b>	<b>Annual Cost Variance</b>
<b>2016</b>	\$0.47		\$5.64		\$0.22		\$2.64	
<b>2017</b>	\$0.60	\$0.13	\$7.20	\$1.56	\$0.25	\$0.03	\$3.00	\$0.36
<b>2018</b>	\$0.67	\$0.07	\$8.04	\$0.84	\$0.29	\$0.04	\$3.48	\$0.48
<b>2019</b>	\$0.74	\$0.07	\$8.88	\$0.84	\$0.34	\$0.05	\$4.08	\$0.60
<b>2020</b>	\$0.81	\$0.07	\$9.72	\$0.84	\$0.38	\$0.04	\$4.56	\$0.48
<b>2021</b>	\$0.88	\$0.07	\$10.56	\$0.84	\$0.42	\$0.04	\$5.04	\$0.48

\* The annual cost adjustment is based on a fixed increase plus CPI as noted in **Exhibit A**.

There are a total of approximately 144,000 (93,000 SFD and 51,000 MFD) customers currently participating across all Member Agencies. **Table 2** provides the annual Door-to-Door HHW service revenue requirement for 2016 including the 5-year contract extension; the total 5-year extension revenue requirement is slightly under \$5.15 million.

Table 2

<b>Annual HHW Door-to-Door Contract Revenue</b>				
<b>Contract Year</b>	<b>Annual Per Unit Cost</b>		<b>Total</b>	<b>Annual Variance</b>
	<b>SFD</b>	<b>MFD</b>		
<b>2016</b>	\$ 5.64	\$ 2.64	\$ 658,128	
<b>2017</b>	\$ 7.20	\$ 3.00	\$ 821,255	25%
<b>2018</b>	\$ 8.04	\$ 3.48	\$ 923,708	12%
<b>2019</b>	\$ 8.88	\$ 4.08	\$ 1,032,290	12%
<b>2020</b>	\$ 9.72	\$ 4.56	\$ 1,134,743	10%
<b>2021</b>	\$ 10.56	\$ 5.04	\$ 1,237,196	9%
<b>Total 5 Year Revenue (2017-2021)</b>			<b>\$ 5,149,193</b>	

## Analysis

The JPA holds the master contract with WM Curbside to provide the Door-to-Door HHW Collection Services and each Member Agency subscribes to this service at its own discretion. Calendar year 2016 will mark the first full year that all MA's participated in this program (MA participation has gradually expanded over the past five years). Table 3 below illustrates the historical program participation rate, which is currently at 5%.

Table 3

<b>Annual Door-to-Door HHW Participation (2013 – 2016)</b>					
	<b># of SFD</b>	<b>2013 1</b>	<b>2014 2</b>	<b>2015 3</b>	<b>2016 4</b>
<b>Total SBWMA</b>	<b>92,782</b>	<b>5%</b>	<b>4%</b>	<b>5%</b>	<b>5%</b>
<b>Total Collections</b>		<b>4,213</b>	<b>3,908</b>	<b>4,516</b>	<b>4,281</b>
<b>Total Pounds Collected</b>		<b>330,000</b>	<b>320,000</b>	<b>408,000</b>	<b>410,000</b>
1 The 2013 percent participation is annualized for Burlingame and EPA due to these cities starting in February.					
2 The 2013 and 2014 percent participation does not include Atherton and Redwood City.					
3 The 2015 percent participation is annualized for Atherton and Redwood City due to these cities starting in March.					
4 The 2016 percent participation is annualized based on the eight month average.					

The Curbside HHW program allows all residential and multi-family customers to schedule an unlimited number of collections each year for direct at-home collection service of these regulated materials. Residents interested in participating simply call the WM Curbside 1-800-HHW-PKUP hotline and request a "kit bag" to package their materials, then place it outside their home (e.g., in front of the garage door, on the front porch) on their collection day within the next two weeks for pick-up by WM Curbside (see an example of a promotional bill insert below). The primary alternative to the At Your Door service is for residents to schedule an appointment with the County HHW Program and then drive their materials to the County's Tower Road HHW Drop-off facility (located in San Mateo near Hwy 92 and 280).

From the program's inception in 2010 through July 2016 it has collected over 2.1 million pounds of household hazardous, electronic and universal waste materials through 25,000 collections. These materials collected are banned from landfill disposal due to their toxicity to the environment and associated health and safety hazards. For example, these materials include poisons, corrosives, flammables and other toxics. In addition, the Curbside HHW Service electronics, antifreeze, used motor oil/filters, automotive lead-acid, household batteries and sharps.

### Curbside Customer Satisfaction Survey

Residents that request Curbside HHW collection service are provided a mail-back customer satisfaction survey. Over 5,500 surveys (approximately 20% of all participating customers) have been received and tabulated from 2010-2016, with the results provided below:

- Degree of satisfaction with the program:
  - 92.3% - Excellent/Very Good
  - 96.4% - Excellent/Very Good/Good
- Would you recommend the program to friends/neighbors?

- 96.0% - Yes
- Have you ever used the San Mateo County Tower Road facility?
  - 28.4% - Yes
  - 70.1% - No

**Overall Customer Awareness of the Door-to-Door HHW Service Option**

In 2012, the SBWMA conducted a statistically significant research survey of residential customers with Godbe Associates and the results affirmed the low level of awareness of the Curbside HHW Service option. When asked if residents were aware of the program, 58.9% answered “no they were not aware,” while 16.0% were aware and had used the program and another 25.1% were aware but did not use the program.

**Option 1: Partnering with the San Mateo County HHW Program to Use the County's Tower Road Facility**

An option to provide a more environmentally sound and cost effective door-to-door collection program would be to reduce the amount of miles driven by the collection vehicles. The WM Curbside collection vehicles are housed at the company's facility in Tracy, CA and drive round-trip daily to collect from the SBWMA. WM Curbside looked to site their facility at closer locations including Hayward, San Jose and various sites in San Mateo County; however, for various cost and political reasons none were deemed feasible alternatives.

Staff requested the County HHW Program to entertain the idea of handling the materials collected through the Curbside HHW Service at their Tower Road facility which would significantly reduce the required truck travel to/from Tracy each day. The County HHW Program was provided the detailed monthly participation and materials collected data from the last few years in order to determine if they had the capacity to store and package these materials for shipment. Unfortunately, the County HHW Program informed the SBWMA that it would not be feasible for them to handle the volume of materials generated by the Curbside HHW Service at their Tower Road facility. Thus, it is evident that the combined HHW materials generated through the Curbside Service and the County HHW Program cannot feasibly be handled at one County HHW facility.

**Option 2: San Mateo County Future HHW Facility Development**

Staff completed discussions with various San Mateo County departments and determined that a master plan is being developed for several County facilities located near Tower Road (i.e.: Public Works corporation yard, Court Services, Youth Services, etc.). Revisions to the current Tower Road HHW facility are suggested in the master plan, but the development horizon is 5-10 year and requires \$50 to \$70 million funding allocation. This is not a feasible short-term option, but County staff was more optimistic about a near-term development options (3 years) for an additional Redwood City location (Pine Street) that might incorporate an additional HHW facility conveniently located for central and southern SBWMA residents.

**Option 3: Temporary HHW Collection Events**

Staff continued discussions with the County regarding a partnership to increase the opportunities for residents to safely and conveniently recycle and discard their HHW. Another option is to partner with the County and direct residents to periodic temporary HHW collection events conducted in various San Mateo County cities and unincorporated areas. Temporary events are currently conducted on two or three Saturdays each month by the County. (The draft 2017 schedule has events listed for the following locations: Daly City, La Honda, Menlo Park, Pacifica, Portola Valley, Redwood City and South San Francisco. Redwood City and Menlo Park are the only Member Agency locations where temporary events have been conducted and are scheduled for 2017).

Temporary HHW events held at Shoreway in partnership with the County and/or an independent contractor(s) were also considered. County operating costs would increase if temporary events were expanded or current costs could

be maintained by relocating events conducted in other jurisdictions. The two major companies offering HHW collection services are Clean Harbors Inc. and Stericycle Environmental Solutions. Both companies are authorized HHW transporters and Clean Harbors operated temporary events for the County of Alameda and Stericycle currently collects bulk material from the Tower Road HHW facility on a weekly basis.

Temporary HHW event costs are comparable to other HHW service options, but are not as convenient as curbside or permanent facility options. The fixed costs for temporary events are estimated at \$5,000 per HHW event (including staff, materials and equipment), but variable costs depends upon how many customers are served and material volume collected for tightly-regulated disposal. Temporary events usually accommodate 500 to 750 collections with a five to six hour time frame.

#### **Option 4. Shoreway Environmental Center Permanent HHW Facility**

A permanent HHW facility option can be pursued at the SBWMA-owned Shoreway site and it could benefit ratepayers by provide a convenient drop off location along the Highway 101 corridor. Pending discussions with the County, staff may include funding in the mid-year budget in January to pursue engineering and design work to develop a detailed cost analysis of expanding the services offered at Shoreway to include HHW drop-off.

Shoreway currently has a drop-off location and accepts universal waste and other “non-hazardous” waste (oil, antifreeze, batteries, etc.) that are traditionally handled by inclusive HHW programs. Modular storage structures specifically designed for hazardous material (hazmat) storage can reduce the cost of permanent buildings at the SEC. Portable hazmat storage buildings have great advantages over permanent installations. Because they are prefabricated, they are less expensive than building from the ground up and can be relocated if desired. Each modular storage structure includes the required fire suppression and ventilation system. A roof structure can be added to the modular units to minimize exposure to the elements.

Staff conducted preliminary discussions with an independent HHW consultant about siting a permanent HHW facility at the SEC and was informed that a HHW facility was previously located at the site. Staff was unable to determine when this HHW facility ceased operation and will provide additional information at the Board of Directors November 17th meeting. A permanent HHW facility requires numerous permits and approvals (i.e.: fire department, CEQA solid waste facility compliance, etc.), but some of these approvals may have already been obtained since there was already a HHW facility at this location. This option will involve expanded discussions with the County, even if RethinkWaste operates a HHW at Shoreway, because of its regulatory permitting responsibilities with these programs. HHW drop off facilities are a routine component of many modern solid waste facilities.

#### **Option 5: Partnering with Recology**

The SBWMA requested that Recology explore the idea of providing curbside HHW collection services, similar to those provided in San Francisco. Recology informed staff that they met with Recology San Francisco program staff and remain open to the possibility of providing this service; however, the company is concerned about their ability to provide this service cost-effectively.

### **HHW Program Costs**

#### **RethinkWaste Curbside HHW Service**

The current annual fee for Curbside HHW collection service is \$5.64 per single-family home and \$2.64 per multi-family living unit. This expense is included in the Member Agencies’ solid waste rates and has been adjusted twice since the program started in 2010 with \$0.01 increases the last two years only. The cost of this service allows each customer unlimited service.

The contract extension includes a one-time annual increase of \$1.56 per SFD for calendar year 2017 and an annual \$0.84 increases in subsequent years (**Table 1** and **Exhibit A**). For MFD, the annual increase is \$0.03-\$0.05 each year. This pricing assumes 85,000 or more combined SFD and MFD customers participating and if less than 85,000 customers are participating the pricing increases due to loss of economy of scale. There are currently a total of approximately 144,000 (i.e., 93,000 SFD and 51,000 MFD) customers participating. The five-year curbside HHW program extension includes an annual revenue requirement of \$821,255 in rate year 1 (2017) escalating to \$1.2 million in rate year 5 (2021); the total 5-year contract extension is estimated at \$5.15 million (**Table 1** and **Exhibit A**).

The cost of the curbside HHW service compares favorably to other less convenient options to discard HHW materials. In 2015, approximately 4,500 households used the curbside service, while 4,000 households delivered their materials to the County HHW Program Tower Road facility. The total cost in 2015 for the SBWMA service area curbside service was approximately \$630,000, while the cost of the County's HHW Program was approximately \$1.26 million.

The At Your Door HHW Service contract has a "most favored nations" clause and, therefore, WM must provide the services to the SBWMA Member Agencies at a lower cost than offered to other Bay Area communities. The services provided by the San Mateo County HHW Program are similar to those provided by other nearby counties for similar costs. **Table 4** on the next page provides examples of the other WM programs in the Bay Area and county operated permanent HHW drop-off facility costs for other Bay Area jurisdictions.

**Table 4**

<b>Door-to-Door HHW Collection Services and County Permanent HHW Drop-off Facilities Costs</b>						
<b>Program Type</b>	<b>Jurisdictions</b>	<b>2016</b>			<b>2017</b>	
		<b>Annual Cost</b>	<b>Single-Family Household Monthly Cost</b>	<b>Multi-Family Dwelling Monthly Cost</b>	<b>Single-Family Household Monthly Cost</b>	<b>Multi-Family Dwelling Monthly Cost</b>
<b>Door-to-Door HHW Collection Services</b>	RethinkWaste <sup>1</sup>	\$630,000	\$0.46	\$0.22	TBD	TBD
	San Ramon <sup>2</sup>	\$173,421	\$0.74	\$0.25	\$0.79	\$0.25
	Cupertino <sup>3</sup>	\$105,270	\$0.51	\$0.39	\$0.51	\$0.39
<b>County Permanent HHW Drop-Off Facility</b>	San Mateo County (SBWMA users only <sup>4</sup> )	\$1,263,000	\$1.13			
	Contra Costa County	\$2,500,000	\$1.10			
	Alameda County <sup>5</sup>	\$7,700,000	\$1.23			
<sup>1</sup> RethinkWaste has 93,000 single-family and 47,000 multi-family customers. The current pricing is valid through December 31, 2016						
<sup>2</sup> San Ramon has 18,720 single-family and 6,140 multi-family customers. The current pricing is valid until September 30, 2016.						
<sup>3</sup> Cupertino has 13,824 single-family and 4,416 multi-family customers. The current pricing is valid through December 31, 2016.						
<sup>4</sup> The San Mateo County HHW Program reported that approximately 4,000 SBWMA households used their program in 2015 at a cost of \$1,263,000. The monthly cost is calculated based on dividing the 93,000 SBWMA single-family households into the County's 2015 total cost.						
<sup>5</sup> The Alameda County HHW Program funds and operates three permanent facilities covering different areas of the County.						

**San Mateo County Permanent HHW Drop-off Facility Program**

The San Mateo County Department of Health (i.e., County HHW Program and Local Enforcement Agency) is funded by receiving approximately 51% of the \$9.83 per ton landfill surcharge fee imposed by the County on all solid waste tons deposited in County landfills - in 2015, approximately 530,307 tons were disposed, generating \$5.2 million for the County. (the SBWMA's share of the disposed tonnage totaled 217,000 and generated approximately \$2.1 million for the County). The landfill surcharge fee is paid by the SBWMA as part of disposal expense for each ton of waste delivered to Ox Mountain Landfill.

County HHW Program staff reported<sup>1</sup> that 4,032 SBWMA customers used the Tower Road facility and collection events in 2015, for a total cost of approximately \$1,263,000 or \$313.24 per customer. Spreading this cost across the SBWMA single-family households, the monthly cost per household was approximately \$1.13 in 2015.

Table 5 provides a summary of the SBWMA curbside Service and County HHW Program resident participation and cost to provide HHW related services to the RethinkWaste service area in 2015.

Table 5

HHW Program Option	2015 Participation and Cost			
	# of Customers	% of Customers	Annual Cost	% of Annual Cost
RethinkWaste Door-to-Door Program	4,570	53.1%	\$630,000	33.3%
County HHW Tower Road Drop-Off Facility (SBWMA Households Only)	4,032	46.9%	\$1,263,000	66.7%
Total	8,602	100.0%	\$1,893,000	100.0%

**WM Curbside San Ramon and Cupertino Door-to-Door HHW Programs**

Presently only two other jurisdictions in the Bay Area are provided curbside HHW collection service (i.e., Cupertino and San Ramon) by WM's program, similar to the services provided to the SBWMA Member Agencies. On September 12, 2016 San Ramon's Finance Committee recommended extending their contract with WM Curbside through 2020 with pricing commencing in 2017 of \$0.79 per household, and this item will be considered by the City Council on September 27, 2016.

**Background**

In 2006, the curbside collection of household hazardous waste and sharps was proposed in the Collection Services RFP. Due to comments received by proposers and the Collection Services RFP Review Committee, and given the complexity of SBWMA's Collection Services RFP, staff received approval from the Board to remove this scope of services set forth in the Collection Services RFP and a separate procurement process for these services was pursued. An RFP was issued in March 2008 soliciting proposals from companies to provide curbside or mail-back collection service of HHW and Universal Waste. Five vendors submitted a notice of intent to respond to the RFP, two proposals were received and one vendor withdrew its proposal due to economic conditions (subsidy reductions).

On January 14, 2009, the R&FM Subcommittee received a presentation and approved Staff's recommendation to negotiate a contract with Curbside, Inc. and voted to forward this recommendation to the Board. The SBWMA

<sup>1</sup> The participation data provided by the County is for calendar year 2015, while the cost information is for the County's FY 2014/15. The related information for the SBWMA is for calendar year 2015.

executed a three-year Agreement with Curbside Inc. (name of the company prior to WM Curbside, LLC) for service from January 1, 2010 through December 31, 2012. Resolution No. 2010-36 executed an extension to this contract for an additional two years through December 31, 2014 and provided the SBWMA sole discretion to proceed with up to two one-year extensions. The final one-year contract extension was executed in 2015 and terminates December 31, 2016.

**Fiscal Impact**

There is no fiscal impact to the SBWMA associated with extending the contract for the Door-to-Door HHW Collection Service, because the cost of the program is a pass-through cost for the SBWMA and thus is paid directly by the Member Agencies as part of the solid waste rates charged to ratepayers. The SBWMA FY16/17 budget allocated \$80,000 for public education and outreach for this program.

**Attachments:**

**Resolution 2016-38**

**Exhibit A – Five-Year Contract Extension Pricing from WM Curbside**



## RESOLUTION NO. 2016-38

### RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING AN AGREEMENT WITH WM CURBSIDE, LLC TO PROVIDE HOUSEHOLD HAZARDOUS WASTE, UNIVERSAL WASTE, ELECTRONIC SCRAP AND SHARPS DOOR-TO-DOOR COLLECTION, RECYCLING AND DISPOSAL SERVICE FOR FIVE- YEARS FROM JANUARY 1, 2017 THROUGH DECEMBER 31, 2021

**WHEREAS**, the Authority is a joint powers agency organized under the Joint Exercise of Powers Act by cities and other local government agencies in San Mateo County (the "Member Agencies"), each of which oversees the collection of solid waste, organic materials and recyclable materials within its jurisdiction; and

**WHEREAS**, on October 22, 2009, the SBWMA Board of Directors approved Resolution No. 2009-31 directing staff to execute a three year agreement with Curbside Inc. to provide household hazardous waste, universal waste, electronic scrap, medicine and sharps door-to-door collection, recycling and disposal service; and

**WHEREAS**, on November 12, 2009, the SBWMA and Curbside Inc. executed an agreement with a term of January 1, 2010 through December 31, 2012; and

**WHEREAS**, on November 18, 2010, the SBWMA Board of Directors approved Resolution No. 2010-36 authorizing assignment of the contract to WM Curbside, LLC and extending the agreement for two years through December 31, 2014 and potentially four years through December 31, 2016 at the discretion of the SBWMA; and

**WHEREAS**, on October 23, 2014, the SBWMA Board of Directors approved Resolution Number 2014-26 authorizing staff to execute Amendment Number 3 extending the agreement for one year from January 1, 2015 through December 31, 2015; and

**WHEREAS**, on October 22, 2015 the SBWMA Board of Directors approved Resolution number 2015-28 approved the 4<sup>th</sup> and final option to extend the agreement with WM Curbside, LLC for one-year, from January 1, 2016 through December 31, 2016; and that final year of extension is coming to a close.

**NOW, THEREFORE BE IT RESOLVED** that the South Bayside Waste Management Authority hereby: Authorize staff to execute a 5 year Agreement with WM Curbside, LLC to provide household hazardous waste, universal waste, electronic scrap, and sharps door-to-door collection, recycling and disposal services from January 1, 2017 through December 31, 2021.

**PASSED AND ADOPTED** by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the this 27<sup>th</sup> day of October, 2016, by the following vote:

Agency	Yes	No	Abstain	Absent	Agency	Yes	No	Abstain	Absent
Atherton					Menlo Park				
Belmont					Redwood City				
Burlingame					San Carlos				
East Palo Alto					San Mateo				
Foster City					County of San Mateo				
Hillsborough					West Bay Sanitary Dist.				

I HEREBY CERTIFY that the foregoing Resolution No. 2016-38 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on October 26, 2016.

ATTEST:

\_\_\_\_\_  
Cyndi Urman, Board Secretary

\_\_\_\_\_  
Bob Grassilli, Chairperson of SBWMA

**WM Curbside Door-to-Door HHW Collection Service 5-Year Contract  
Extension Pricing**

*If 85,000 of more combined SFD and MFD households are participating:*

	SFD Annual Pricing Adjustment = CPI + Fixed Increase				MFD Annual Pricing Adjustment = CPI + Fixed Increase		
Year	SFD Monthly Cost	CPI Amount <sup>1</sup>	Fixed Increase		MFD Monthly Cost	CPI Amount <sup>1</sup>	Fixed Increase
<b>2016</b>	\$0.47	\$0.01	\$0.00		\$0.22	\$0.01	\$0.00
<b>2017</b>	\$0.60	\$0.01	\$0.12		\$0.25	\$0.01	\$0.02
<b>2018</b>	\$0.67	\$0.01	\$0.06		\$0.29	\$0.01	\$0.03
<b>2019</b>	\$0.74	\$0.01	\$0.06		\$0.34	\$0.01	\$0.04
<b>2020</b>	\$0.81	\$0.02	\$0.05		\$0.38	\$0.01	\$0.03
<b>2021</b>	\$0.88	\$0.02	\$0.05		\$0.42	\$0.01	\$0.03

*If less than 85,000 of more combined SFD and MFD households are participating:*

	SFD Annual Pricing Adjustment = CPI + Fixed Increase				MFD Annual Pricing Adjustment = CPI + Fixed Increase		
Year	SFD Monthly Cost	CPI Amount <sup>1</sup>	Fixed Increase		MFD Monthly Cost	CPI Amount <sup>1</sup>	Fixed Increase
<b>2016</b>	\$0.47	\$0.01	\$0.00		\$0.22	\$0.01	\$0.00
<b>2017</b>	\$0.70	\$0.01	\$0.22		\$0.31	\$0.01	\$0.07
<b>2018</b>	\$0.75	\$0.01	\$0.04		\$0.34	\$0.01	\$0.02
<b>2019</b>	\$0.80	\$0.01	\$0.04		\$0.38	\$0.01	\$0.03
<b>2020</b>	\$0.86	\$0.02	\$0.04		\$0.41	\$0.01	\$0.02
<b>2021</b>	\$0.91	\$0.02	\$0.03		\$0.43	\$0.01	\$0.01

<sup>1</sup> Estimated result of annual CPI calculation prescribed in the current Agreement for 2017-2021.



## STAFF REPORT

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**To:** SBWMA Board Members  
**From:** Joe La Mariana, Executive Director  
**Date:** October 27, 2014 Board of Directors Meeting  
**Subject:** Franchise Agreement Ad Hoc Committee and Contract Extension Negotiations

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### Recommendation

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors.

### Analysis

The Final Plan and Recommended Process for Supporting Member Agencies with Negotiating Franchise Agreement Extension with Recology (Plan) approved by the Board of Directors (Board), recommends a schedule that, if adhered to, is intended to result in a fully executed Franchise Agreement extension between all 12 member agencies with Recology by the end of 2017.

Last spring, all 12 Member Agencies confirmed their intent to participate in the SBWMA-led negotiations with our franchisee. Additionally, Board and TAC members have expressed their satisfaction levels regarding Recology's contract performance and community engagement since the commencement of the current franchise agreement on January 1, 2011 so there appears to be strong interest in continuing the contractual relationship beyond 2020.

The Plan assumes that Recology will maintain a comparable scope of core collection services and service levels to all member agency ratepayers, while incorporating important operational lessons learned through the first seven rate years of the current agreement. Strong additional consideration will be given to:

1. New industry technology
2. New operational best practices and trends
3. New regulations and mandates
4. Various pricing factors that exist in our regional market. Based on strong board and TAC member feedback, staff will, whenever possible and without compromising contract integrity, seek the simplified execution of all contract performance elements during the anticipated new franchise agreement's term.

### Committee Members:

The SBWMA Board approved Resolution No. 2016-21 authorizing the formation of an ad hoc committee (Committee) to review Franchise Agreement Amendments. The Ad Hoc committee will review Franchise Agreement amendments negotiated by JPA staff prior to being brought forward to the full board for consideration and distribution to each Member Agency. Designated Committee members include the following Member Agency staff with broad interaction with the Franchise Agreement's implementation and diverse perspectives on the quality of these services:

1. Heather Abrams, *Environmental Programs Manager, City of Menlo Park*
2. Brenda Olwin, *Finance Manager, City of East Palo Alto*

3. Afshin Oskoui, *Public Works Director, TAC Chair, City of Belmont*
4. Larry Patterson, *City Manager, City of San Mateo*
5. Jim Porter, *Public Works Director, County of San Mateo*
6. Melissa Stevenson-Diaz, *City Manager, City of Redwood City*

The Committee's three primary deliverables will be presented to the SBWMA board for its review and approval at its April 27th meeting:

1. A mutually-agreed upon master Franchise Agreement document reflecting all core collection services from January 1, 2021 to December 31, 2030. This document will reflect the services that are common to all 12 member agencies. Individual member agencies are free to negotiate individual services and preferences as they enter into agency-specific talks with Recology after the Board approves the master Franchise Agreement document.
2. A mutually agreed upon annual revenue requirement figure from Recology to provide all core and Schedule Q services in proposed rate year 2021, with annual adjustments throughout the presumed 10 year term.
3. A final report to the board that accurately memorializes the work of the committee, its methodology, and its ultimate recommendations to the board.

#### **The Negotiation Process:**

Staff envisions two, parallel tiers to the negotiation process: a negotiation team and the committee. The negotiation team (Negotiation Team) will be comprised of front-line representatives from Recology and SBWMA staff/consultants. Budgeted support resources will be provided to the committee and board to ensure that the three aforementioned goals are delivered on a timely basis. As with any discussion between parties, there may be unforeseen elements that may alter the timing or content of these discussions. All supportive external resources provided in this endeavor (through the anticipated April 2017 delivery target) are budgeted—either directly for this project, or indirectly (their costs are offsetting existing positive agency budget variances due to staff vacancies or the recently terminated LGS contract. Upon presumed Board approval of the Franchise Agreement Negotiation's Final Report in April 2017, additional support can be provided to individual member agency's as they proceed to negotiate their individual Franchise Agreements throughout 2017. Pricing for these services will, of course vary depending on their scope. Staff will be readily available to discuss individual agency needs at that time.

#### **The Negotiation Team:**

The SBWMA side of the Negotiation Team will include support from SCS Engineers (provide critical process logistics and comparative industry research. This role is a direct offset to the recently terminated LGS contractor), RJ Proto and Associates (Has performed multiple operational audits of existing franchise agreement performance and possesses extensive industry operations expertise) and a, yet to be determined, high-level financial consultant whom has extensive credentials in the complex analytical review of franchised agreement language and compensation practices. Staff will release an RFQ to a select list of prospective consultants and present the findings to the committee for their selection at the first committee meeting on November 10<sup>th</sup>.

The Negotiation Team will meet in the alternate weeks to the committee and provide incremental progress reports back to the committee at each following committee meeting. The Negotiation Team will meet on November 2<sup>nd</sup> and 3<sup>rd</sup> to exchange preliminary concepts and process-review discussion points in preparation for the first committee meeting. At the conclusion of the entire negotiation process, it is presumed that the SBWMA side of the

Negotiation Team (SBWMA Team) will submit a Committee-approved Final Report for Board action at its April 27<sup>th</sup> meeting.

**The Committee:**

The committee members have been identified above. The first meeting's agenda will determine the Committee's structural framework—Chair/Vice-Chair selection; confirm goals and timeline and review relevant background materials. The committee meeting dates are confirmed as follows:

- 1) Thursday, November 10, 2016 at 2pm
- 2) Wednesday, December 7, 2016 at 2pm
- 3) Thursday, January 12, 2017 at 12N
- 4) Tuesday, January 24, 2017 at 12N
- 5) Monday, February 6, 2017 at 12:30pm
- 6) Tuesday, February 21, 2017 at 12N
- 7) \*Wednesday, March 8, 2017 at 2PM
- 8) Tuesday, March 28, 2017 at 2pm
- 9) Thursday, April 13, 2017 at 2pm

Meetings will take place in the San Carlos Library conference room A, and will be approximately 2 hours long (except meeting seven). \*The meeting on March 8, 2017 will take place at San Carlos City Hall room 207 on the second floor across from the Parks and Rec Office.

**Additional Member Agency Feedback and Support:**

The SBWMA Team will prepare a member agency survey (draft) to be approved by the committee at its first meeting. The goal of this survey will be to solicit member agency board and TAC members to obtain feedback while establishing priority negotiation points for the upcoming discussions. Upon committee approval at the first meeting, the SBWMA Team will conduct the survey and report its findings back to the committee at its second meeting.

**Background**

The Final Plan and Recommended Process for Supporting Member Agencies with Negotiating a Potential Franchise Agreement Extension with Recology (Plan) was approved by the Board of Directors on January 28, 2016. The Plan recommends a schedule that if adhered to is intended to result in negotiating amendments to the Franchise Agreements with Recology by the end of 2016. Meeting the Plan milestones in 2016 will provide Member Agencies sufficient time to schedule their governing body action early enough in 2017 to meet the deadline prescribed in their Franchise Agreement for action on extending said contract or not.

The active engagement and collaboration between JPA staff, Member Agency staff (including the TAC), Recology and the SBWMA Board is required to effectively implement the Plan in a timely manner. The Plan includes a key assumption that all Member Agencies intend to negotiate a Franchise Agreement extension with Recology. This commitment to the JPA's process to negotiate an extension with Recology does not preclude Member Agencies from pursuing their own concurrent competitive procurement process (i.e., RFP), nor does it preclude Member Agencies from individually negotiating aspects of their Franchise Agreements separately with Recology. The deadline for the Member Agencies to convey their commitment was May 2016; all Member Agencies have confirmed their intent to participate in the SBWMA led negotiations.

**Fiscal Impact:**

The approved FY16-17 budget includes up to \$170,000 for technical support in operational analysis, contract negotiation, evaluation of proposed services and market surveys to determine competitive pricing in local market.