



NEW BUSINESS



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Marshall Moran, Finance Manager
Date: October 28, 2010 Board of Director's Meeting
Subject: Resolution Approving Allied Waste/Republic Services 2010 Shoreway Rate Application

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2010-29 attached hereto authorizing the following action:

Approval of Allied Waste/Republic Services 2010 Shoreway Rate Application report as attached in Attachment A.

Analysis

Allied submitted its application on July 20, 2010 for an adjustment to its compensation and calculated a two year cumulative (see **Tables in the Executive Summary in the Attached Report**) revenue shortfall of \$2,213,000 at the end of 2010. The shortfall is comprised of an actual 2009 cash shortfall of \$1,342,000 and estimated 2010 cash shortfall of \$872,000 primarily due to greater than anticipated compensation from higher costs due Allied (1.4% greater in 2009 and 0.7% greater in 2010) than what was projected last year, as well as, a decrease in the tons brought to the transfer station, which is the basis for calculating Allied's bi-monthly reimbursement.

This projected revenue shortfall will be reconciled in 2011 after submittal and review of a final rate report from Allied.

Background

Since the start of the operating agreement in March 2000, Allied has received bi-monthly payments from the SBWMA. The per-ton payment amount is calculated to provide Allied with its allowable projected compensation; however, the payments are not to provide compensation greater than actual expenses and allowable profit. On an annual basis, HF&H reviews and determines Allied's actual compensation (actual and allowable expenses and profit). HF&H calculates the difference between Allied's actual compensation and the sum of the bi-monthly payments Allied received from the SBWMA. HF&H's findings are contained in a rate report that is reviewed by SBWMA staff and submitted to the Board for review and approval.

During 2011, Allied's actual revenue and expenses shall be compared to the projected revenue and expenses to determine the final year's (2010) operating surplus/shortfall for Shoreway operations. In accordance with the Shoreway Operations Agreement Section VI.J of Exhibit H – SBWMA Compensation Adjustment Guidelines for the Operation of the Shoreway Recycling and Disposal Center "Any surplus owed to the SBWMA shall be paid by [Allied] to the SBWMA over a one-year period. Any shortfall owed to [Allied] will be paid to [Allied] over a one-year period."

Fiscal Impact

The findings from the attached report do not change previously projected tipping fee adjustments included in the SBWMA's FY2011 approved operating budget. Recommended tipping fee adjustments will be considered at the November 18, 2010 Board meeting.

Attachments:

Resolution 2010-29

Attachment A - HF&H 2010 Shoreway Rate Report



RESOLUTION NO. 2010-29

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING THE 2010 ALLIED WASTE SHOREWAY RATE APPLICATION

WHEREAS, Allied Waste (Allied) submitted an application for an adjustment to compensation for its operation of the Shoreway Recycling and Disposal Facility for 2010; and

WHEREAS, HF&H reviewed the Application and issued a report to the SBWMA (the Report), which Report has been reviewed by the staff and the Board; and

WHEREAS, HF&H and staff have recommended certain adjustments to Allied's costs and compensation per the staff report (Exhibit A hereto).

NOW, THEREFORE, BE IT RESOLVED that the SBWMA approves adjustment to Allied Waste's costs and compensation as set forth in the 2010 Shoreway rate report, Exhibit A hereto.

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 28th day of October, 2010, 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. 2010-29 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on October 28, 2010.

ATTEST:

Jim Porter, Chairperson of SBWMA

Jeannene Minnix Kingston, Board Secretary



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Marshall Moran, Finance Manager
Date: October 28, 2010 Board of Director's Meeting
Subject: Resolution Approving Allied Waste/Republic Services 2010 Collection Rate Application

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2010-30 attached hereto authorizing the following action:

Approval of Allied Waste/Republic Services 2010 Collection Rate Application report as attached in **Attachment A**.

Analysis

Allied's Application submitted to the SBWMA on July 20, 2010 presented a balancing account surplus and shortfall (as appropriate) for each Member Agency, based on its allocated cost of service. Allied calculated an average balancing account shortfall for all Member Agencies of 16.3% (ranging from a surplus of 19.7% for the West Bay Sanitary District to a shortfall of 29.3% for East Palo Alto). After HF&H's recommended adjustments described in Section VI of the attached report (see **Attachment A**), HF&H calculated an average cumulative balancing account shortfall of 14.8% (ranging from a surplus of 19.8% for the West Bay Sanitary District to a shortfall of 27.3% for East Palo Alto). The 14.8% shortfall is made up of 9.1% from 2010 and 5.7% from prior-year 2009 balancing account shortfalls for the SBWMA Member Agencies.

Background

The process for setting solid waste collection rates is described in the various franchise agreements and, for the Member Agencies, is based on a "utility approach". That is:

- Expenses and revenues are projected based on actual results, trends, and management plans; and
- Profit is established on a 91% pre-tax operating ratio applied to reasonable and necessary operating expenses, net of certain "pass-through" expenses (i.e., disposal expenses and franchise fees).

Procedurally, Allied submits a rate application to the SBWMA no later than August 1 of each year, which contracts with an independent consultant (HF&H) to review the application. The SBWMA bases its recommendations on the consultant's report and presents its recommendations to the Member Agencies for consideration.

Fiscal Impact

Rate revenue from the Member Agencies is calculated to require an increase of 14.8%. The 14.8% is based on 2010 projected revenue. When using 2011 base revenue the rate impact is 13.8% which can be calculated from the Consolidated 2011 Rate Report (see **agenda item 4C**), Attachment B, Table 2. However, as noted in that staff report, this estimated Allied Balancing Account is not final. Payment to Allied is due after the final Balancing Account is determined in late 2011. In accordance with Section VI.J of Exhibit D – SBWMA Compensation Adjustment Guidelines of the agreement "Any surplus owed to the Member Agencies shall be paid by [Allied] to the [Member Agency] over a one-year period. Any shortfall owed to [Allied] will be paid to [Allied] over a one-year period." The

Consolidated 2011 Rate Report, Attachment B, Table 2, shows the overall 2.3% rate impact in 2011 based on three months of payments to Allied for the estimated final Balancing Account amount owed.

The Balancing Account is the difference between what is due to Allied for collection costs and pass-through costs which include disposal fees at Shoreway and agency fees and the revenue received by Allied from the rate revenue. The Balancing Account increases result from several factors including: the prior year balancing account, previous rate adjustments, changes in wages and benefits, fuel costs, and regulatory compliance. A detailed explanation for these changes is included as Attachment A to the HF&H 2010 collection rate report. For both 2009 and 2010, the increase is caused by lower revenue and higher cost. In 2010, Allied cost was especially impacted by \$1.9 million in higher worker's compensation cost including \$570,000 which would normally occur in next year's rate report as claims are settled. This amount has been accrued as an estimate in 2010's rate application.

Attachments:

Resolution 2010-30

Attachment A - HF&H 2010 Collection Rate Report



RESOLUTION NO. 2010-30

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING THE 2010 ALLIED WASTE COLLECTION APPLICATION

WHEREAS, HF&H has prepared a report after reviewing the application of Allied Waste (Allied) for collection rates for 2010; and

WHEREAS, HF&H has recommended a general 14.8% increase in collection rates for SBWMA Member Agencies to cover the cumulative costs for collection, which include projected Transfer Station tipping fee increases effective 1/1/11; and

WHEREAS, individual Member Agency recommend rate adjustments are set forth in Exhibit A hereto.

NOW, THEREFORE, BE IT RESOLVED, that the SBWMA recommends rate adjustments for its Member Agencies set forth in Exhibit A hereto.

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 28th day of October, 2010, 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. 2010-30 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on October 28, 2010.

ATTEST:

Jim Porter, Chairperson of SBWMA

Jeannene Minnix Kingston, Board Secretary



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Marshall Moran, Finance Manager
Date: October 28, 2010 Board of Director's Meeting
Subject: Consolidated 2011 Rate Report

Recommendation

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors. Staff will supplement this staff report with a powerpoint presentation at the Board meeting.

Attachment A is a model staff report for use by Member Agencies for their 2011 solid waste rate setting. Staff looks forward to working with you individually to tailor this report as needed.

Analysis

The 2011 rate year is a transition year as the new collection services Franchise Agreement(s) with Recology San Mateo County (RSMC) starts and the current franchise agreement(s) with Allied Waste/ Republic Services expires. The rate adjustment for 2011 covers the contractually required revenue requirement for RSMC and may also include revenues to pay off a portion of the Allied Waste balancing account. There is some discretion on the timing of the payment to Allied based on each agency's review of this issue. In addition, the RSMC Franchise Agreement does not provide for a balancing account as did the Allied agreement, thus there is some "catching up" with rates to get to the correct starting point and pay off the old balance owed to Allied.

The rate adjustment for 2011 has two main components as shown in Table 1 in **Attachment B**: 1) the 2011 collection rate adjustment for RSMC (section A); and 2) the impact of reduced revenue from can migration from higher revenue rates to lower revenue rates (section B). Attachment B, Table 2, shows the total rate impact of including three months (or one-quarter) of payments in 2011 towards paying off a balancing account deficit to Allied Waste. The rest of the Balancing Account owed would be paid in 2012. Table 1 in Attachment B can be summarized as follows

- a. 2011 Collection Rate Adjustment. The 2011 total SBWMA collection rate adjustment of 12.0% includes: 1) RSMC's 2011 cost increase over Allied's projected 2010 cost with an overall rate impact of 3.9%; 2) The SBWMA agencies overall had lower revenue than required in last year's Rate Report due primarily to late or reduced rate increases and from lower economic activity than projected with an overall rate impact of 2.9%; 3) Higher disposal costs at the Shoreway facility with a rate impact of 2.7%; 4) and higher agency fees with an overall rate impact of 2.4%. This detail is shown in **Attachment C**, Rate Variance, by Member Agency. There is a specific rate adjustment for each agency.
- b. Revenue Shortfall From Can Migration. The residential can migration to smaller cans and lower rates has a Total SBWMA rate impact of 2.1% as this lost revenue must be made up to fulfill the revenue requirement to the collection contractor. This shortfall is primarily from the simplification of the rate categories (i.e., from approximately 15 now to four) and to a lesser extent from some residents migrating to a smaller can size per the July cart mailer. There is a specific rate adjustment for each agency.

Table 2 in Attachment B can be summarized as follows:

- a. Includes the same information summarized in a and b above.

b. Allied 2010 Balancing Account. The cumulative 2010 Allied Balancing Account is estimated at \$<10,815,000> with an overall rate impact in 2011 of 2.3% assuming three months of payments (one quarter of the balance) to Allied in 2011. This includes a 2009 negative balance of \$3.7 million and a 2010 deficit of \$7.1 million. More detail is available in the Allied 2010 Collection Rate Review Report prepared by HF&H and included in agenda item 4B.

Table 1 of Attachment B shows a 14% cumulative Rate Adjustment resulting from the 2011 collection rate adjustment and the impact of can migration. Table 2 shows the cumulative rate increase which includes one-quarter of Allied's Balancing Account based on 3 months of payments in 2011 with an overall rate adjustment of 16.3%.

Attachment C is a detailed variance analysis by Member Agency comparing the 2011 Revenue Requirement with last year's projection of Allied's 2010 revenue requirement per the HF&H Rate Report issued in November 2009 since this was the basis for setting 2010 collection rates. It shows the variance and percent change in revenue and several cost categories. Then the variance is converted to a percent rate impact required for 2011 by category and in total. In addition, there are some comments and detail on specific issues affecting each Member Agency.

Background

On September 23, 2010 the Board approved the 2011 South Bay Recycling Compensation Application and the 2011 Recology San Mateo County Compensation Application. The approved 2011 RSMC application is binding on the Member Agencies in terms of establishing the final revenue requirement by Member Agency for setting 2011 solid waste rates.

On October 8, 2010 SBWMA staff sent all Member Agencies the 2010 Allied Waste preliminary balancing account figures noting that agencies are not contractually obligated to include any revenue shortfall (i.e., balancing account shortfall due to Allied Waste) in your 2011 solid waste rates. Revised preliminary balancing account figures are included in the staff report for agenda item 4B, Allied Waste/Republic Services 2010 Collection Rate Application.

During 2011, Allied's actual revenue and expenses shall be compared to the projected revenue and expenses to determine the final year's (2010) operating surplus/shortfall, by Member Agency. Each Member Agency's final 2010 operating surplus/shortfall shall be added to or subtracted from their current balancing account balance. In accordance with Section VI.J of Exhibit D – SBWMA Compensation Adjustment Guidelines of the agreement "Any surplus owed to the Member Agencies shall be paid by [Allied] to the [Member Agency] over a one-year period. Any shortfall owed to [Allied] will be paid to [Allied] over a one-year period."

Attachments:

Attachment A – Model Staff Report

Attachment B – Total Collection Rate Adjustment – 2011

Attachment C – Collection Rate Variance - 2011



MODEL STAFF REPORT

To:

From:

Date:

Subject: APPROVAL OF RESOLUTION NO. ____ AUTHORIZING AN INCREASE IN SOLID WASTE RATES FOR 2011

Recommendation

It is recommended that the *{Council/Board}* approve Resolution No. [REDACTED] attached (**Attachment A**) hereto authorizing...

Background

The South Bayside Waste Management Authority (SBWMA or RethinkWaste) and its Member Agencies are embarking on a significant transition and rollout of new collection services throughout our service area. This transition is due to Allied Waste/Republic Services ending the final year of its Collection Services Franchise Agreement(s) and its operation of the Shoreway Recycling and Disposal Center in San Carlos in 2010 and Recology San Mateo County (RSMC) and South Bay Recycling (SBR) taking over. The new collection services will include more convenient weekly collection of single stream recycling, organic materials (yard trimmings and food scraps) and solid waste. The Shoreway facility is also undergoing substantial capital improvements to facilitate single stream recycling, enhance onsite public recycling activities and improve traffic circulation. Therefore, on January 1, 2011, the new recycling, organic materials and solid waste collection services and Shoreway operations will be taken over by RSMC and SBR, respectively. These new contractors were selected by the SBWMA Board of Director's and approved by the Member Agencies after an arduous and competitive contractor procurement process which commenced in 2005.

Compensation Methodology

Notably, the 2011 rate year also signifies a substantial change in the contractor compensation approach with a transition from the current cost-plus methodology to a fixed cost (i.e., base cost plus index adjustments) methodology. The soon to be discontinued cost-plus compensation method required a costly annual review of Allied's costs which guaranteed profit above allowable expenses. As described in the 2011 RSMC Compensation Application Report approved by the SBWMA Board on September 23, 2010, there are four cost categories adjusted by applicable indexes, depreciation expense is fixed after the first year, and collective bargaining agreement (CBA) cost categories are adjusted by actual cost changes required in the current CBA agreements until the current CBAs expire or are amended.

2011 Collection Rates

Adjustments to 2010 solid waste rates for rate year 2011 will cover the contractually required revenue requirement for RSMC to deliver new collection services effective January 1, 2011. Included within this revenue requirement are other pass-through costs (i.e., *{Agency}* franchise and other fees and charges billed by the SBWMA for processing and disposal of materials delivered by RSMC and *{Agency}* to the Shoreway facility). *{Agency}* is also obligated to adjust rates to compensate for lost revenue associated with customers migrating to smaller cans at lower rates. The new RSMC services will offer fewer sizes of collection containers/service levels than currently offered by Allied (see p. 3) and with the transition to weekly recycling and organic material collection service, a reduction in revenue will occur. Specifically, the enhanced recycling and moving to weekly service will allow

residents to reduce their garbage service level to a lower rate and many customers will realize this gain automatically by default since certain can sizes are discontinued and essentially replaced with smaller ones.

On September 23, 2010, the SBWMA Board approved the 2011 compensation applications for both RSMC and SBR. The SBR contract is between the SBWMA (which owns the Shoreway facility) and SBR, while the RSMC Franchise Agreement is between the {Agency} and RSMC. The RSMC Franchise Agreement includes a provision whereby the compensation application approved annually by the SBWMA Board becomes binding between RSMC and each individual SBWMA Member Agency. This provision therefore requires the {Agency} to raise rates sufficient to accrue revenue to cover the total revenue requirement identified in the SBWMA report approved by the Board.

Allied Waste Balancing Account

{Agency} also has a balancing account with Allied Waste/Republic Services for final 2009 costs and projected 2010 costs (i.e., January-July 2010 is actual and the final five months are projected), thus a final adjustment will be needed in 2011 to close the books with Allied Waste/Republic Services. Each Agency has been provided with a preliminary balancing account figure for 2010.

During 2011, Allied's actual revenue and expenses shall be compared to the projected revenue and expenses to determine the final year's (2010) operating surplus/shortfall. {Agency's} final 2010 operating surplus/shortfall shall be added to or subtracted from their current balancing account balance. In accordance with Section VI.J of Exhibit D – SBWMA Compensation Adjustment Guidelines of the Franchise Agreement with Allied Waste/Republic Services, "any surplus owed to the Member Agencies shall be paid by Allied to the [Agency] over a one-year period. Any shortfall owed to [Allied] will be paid by [Agency] over a one-year period." This language does not specify the frequency or timing of payments other than stating that the balance is settled "over a one-year period."

Analysis

The rate adjustment that is contractually required is determined by comparing the amount of projected revenue and the total relevant cost obligations of {Agency}. The difference or shortfall determines the amount of the rate adjustment. The required 2011 rate increase is comprised of two categories of cost or revenue adjustments which include:

1. The 2011 Rate Year Revenue Requirement. This is the difference between the 2011 Revenue Requirement including RSMC contractor compensation, disposal fees at Shoreway, and Agency franchise and other fees and the estimated revenue billed based on 2010 rates. Attachment B provides a detailed breakout of the RSMC revenue requirement.
2. A Shortfall in Billed Revenue. This includes the shortfall in billed revenue due to migration to fewer can sizes resulting in more customers receiving smaller cans at lower rates (see the next page for more detail).

Table 1 in Attachment C *(will be the same as Attachment B to agenda item 4C)* shows the Cumulative Rate Impact from these two rate adjustments.

Since {Agency} has accrued a deficit of \$_____ in the balancing account with Allied through 2010, including an supplemental rate adjustment to create additional revenue and begin paying back this amount to Allied in the 2011 rates is *{recommended/not recommended}*. This rate adjustment is based on the balancing account accrual due *{to/from}* Allied for 2010 and prior service. As described above, once the final 2010 Allied Rate Application is

approved in the fall of 2011, payments to Allied could be commenced beginning in October 2011. Table 2 in **Attachment C - Cumulative Rate Impact** shows the impact of three months of payments to Allied in 2011.

Migration of Residential Rate Categories

The new services provided per the RSMC Franchise Agreements will change the structure of rates charged to residential customers by reducing the number of possible can sizes or “rate categories” from approximately fifteen to four. The rate categories for services currently offered to residential customers by Allied Waste/Republic Services and those that will be offered by RSMC to Member Agencies commencing on January 1, 2011, are denoted in **Table 1**.

Table 1

Current Allied Residential Rate Categories (in gallons)	January 1, 2011 RSMC Residential Rate Categories (in gallons)
10, 15, 18, 20, 32, 40, 44, 45, 50, 55, 60, 64, 90, 96, 100	20, 32, 64, 96

The rate related impact results in a need to raise rates to cover a reduction in revenue generated to meet the annual revenue requirement necessary to pay RSMC and all other fees (e.g., Agency’s franchise fee, disposal fees, etc.). This is mainly because the largest number of residential customers changing to a different rate category are customers migrating from a higher to a likely lower cost rate category (i.e., approximately 12% of residential customers in the RethinkWaste service area will migrate from 46 gallons to 32 gallons due to the narrowing of service level options), thus less revenue will be generated on a per customer basis. **Attachment D – Cart Selection Mailer Results** provides a tally of resident driven garbage service level subscription changes and the effect on revenue as of July 9, 2010.

Establishing Rates for Unscheduled Services

In addition to the reduction in the number of rate categories included in {Agency’s} master fee schedule, another change with the new contract with RSMC is related to the costs listed in the RSMC Franchise Agreement, Attachment Q – Unscheduled Services. A wide variety of miscellaneous costs for special services such as back yard service or overage events that {Agency} and hence the customer is obligated to pay the company are included in this attachment. These cost items are in addition to the base revenue requirement. These costs will be passed on to the customers who subscribe to these services in the form of rates set by the Agency as provided in **Attachment E – Rates for Unscheduled Services**.

Rate Setting Process and Timing of the Rate Increase

The new programs and services will commence on January 1, 2011, and {Agency} is contractually obligated to adopt rates that will provide revenue to cover the full cost of services rendered. On September 23, 2010, the SBWMA, Board of Director’s approved the 2011 compensation applications for both RSMC and SBR. The SBR contract is between the SBWMA (which owns the Shoreway Environmental Center) and SBR, while the RSMC Franchise Agreement is between the {Agency} and RSMC. The RSMC Franchise Agreement includes a provision whereby the compensation application approved annually by the SBWMA Board of Director’s becomes binding between RSMC and each individual SBWMA Member Agency. This provision therefore obligates {Agency} to set rates sufficient to generate revenue to cover the {Agency} revenue requirement identified in the SBWMA report (Attachment B, Section E).

On October 28, 2010, the SBWMA Board of Director's approved the 2010 Allied Waste/Republic Services Rate Reports for both collection services and Shoreway operations. Therefore, as of October 28, 2010, the three key reports (i.e., RSMC's 2011 Rate Report, Allied's 2010 Collection Rate Report and 2010 Shoreway Rate Report) needed to ascertain the *{Agency}* rate increase were approved by the SBWMA Board of Director's.

To fulfill contractual obligations and avoid interest penalties, it is imperative that the *{Agency}* adopt rates prior to March 1, 2011 and in subsequent years, before January 1. Due to the timing of the three rate reports getting approved this year, Recology has provided relief from a provision in the Franchise Agreement which requires the *{Agency}* to adopt rates prior to January 1 each year or pay interest on the deficit of revenue collected during the year. Recology has agreed to extend this deadline to adopt rates by March 1, 2011 for this rate year only, since the key rate reports are available one month later than they will be in future years.

Fiscal Impact

Attachments:

Attachment A - Resolution

Attachment B – Collection Rate Variance - 2011

Attachment C – Cumulative Rate Impact

Attachment D – Cart Selection Mailer Results

Attachment E – 2011 Rates for Unscheduled Services



RESOLUTION NO. _____

RESOLUTION OF THE {AGENCY COUNCIL/BOARD}

WHEREAS, On _____, 2010, {Agency} executed a Franchise Agreement with Recology San Mateo County for Collection of Recyclable Materials, Organic Materials and Solid Waste commencing on January 1, 2011; and

WHEREAS, On July 30, 2009 the South Bayside Waste Management Authority executed a contract with South Bay Recycling to operate the Shoreway Environmental Center; and

WHEREAS, On December 31, 2010, the {Agency} Franchise Agreement with Allied Waste/Republic Services for Solid Waste, Recyclable Materials and Plant Materials Collection Service will expire; and

WHEREAS, On December 31, 2010, the South Bayside Waste Management Authority's contract with Allied Waste/Republic Services to operate the Shoreway facility will expire, and

WHEREAS, On September 23, 2010, the South Bayside Waste Management Authority Board of Directors approved the 2011 Compensation Applications for Recology San Mateo County and South Bay Recycling; and

WHEREAS, On October 28, 2010, the South Bayside Waste Management Authority Board of Directors approved the 2010 Allied Waste/Republic Services Rate Report.

NOW, THEREFORE BE IT RESOLVED that the {Agency Council/Board} hereby approves

PASSED AND ADOPTED by the {Agency Council/Board}, County of San Mateo, State of California on the this ____ day of _____, 201_, by the following vote:

I HEREBY CERTIFY that the foregoing Resolution No. _____ was duly and regularly adopted at a regular meeting of the {Agency Council/Board} on _____, 201_.

ATTEST:

City Clerk

SBWMA
TOTAL COLLECTION RATE IMPACT BY MEMBER AGENCY - 2011
(excludes Allied 2010 Balancing Account)

	2011 Rate Year							
	2011 Total	Atherton	Belmont	Burlingame	East Palo Alto	Foster City	Hillsborough	Menlo Park
2011 Collection Revenue @ 2010 Rates	\$ 78,184,957	\$ 1,917,424	\$ 4,883,159	\$ 7,809,550	\$ 3,653,618	\$ 4,256,874	\$ 2,404,790	\$ 9,464,794
Total Contractor's Compensation	\$ 51,383,754	\$ 1,529,988	\$ 2,964,813	\$ 4,982,914	\$ 2,047,591	\$ 3,491,936	\$ 2,141,603	\$ 5,172,918
Other Pass-Through Costs								
Disposal & Processing Fees	\$ 24,723,411	\$ 793,155	\$ 1,418,453	\$ 2,660,444	\$ 1,455,291	\$ 1,613,857	\$ 626,073	\$ 2,504,776
Agency Franchise Fees	\$ 10,473,511	\$ 208,473	\$ 1,041,473	\$ 1,023,623	\$ 721,904	\$ 285,934	\$ 286,046	\$ 1,213,606
Agency Contract Management	\$ 885,000						\$ 8,000	\$ 877,000
Agency Specific Contract Changes	\$ (11,915)						\$ (27,687)	\$ 22,700
Total Other Pass-Through Costs	\$36,070,007	\$1,001,628	\$2,459,926	\$3,684,067	\$2,177,195	\$1,899,791	\$892,432	\$4,618,082
RSMC REVENUE REQUIREMENT	\$87,453,761	\$2,531,616	\$5,424,739	\$8,666,981	\$4,224,786	\$5,391,728	\$3,034,036	\$9,791,000
<u>A. 2011 RATE YEAR REVENUE REQUIREMENT</u>								
A.1 Subtotal Year Surplus/(Shortfall)	(\$9,268,804)	(\$614,191)	(\$541,579)	(\$857,431)	(\$571,168)	(\$1,134,854)	(\$629,246)	(\$326,206)
A.2 Rate Adjustment <i>(See Rate Variance Analysis for detail)</i>	11.9%	32.0%	11.1%	11.0%	15.6%	26.7%	26.2%	3.4%
<u>B. RESIDENTIAL CAN MIGRATION ESTIMATED REVENUE SHORTFALL</u>					n/a			
B.1 Can Migration Impact	(\$1,655,782)	(\$48,250)	(\$145,696)	(\$112,540)		(\$78,465)	(\$74,636)	(\$355,325)
B.2 Rate Impact	2.1%	2.5%	3.0%	1.4%	0.0%	1.8%	3.1%	3.8%
<u>C. 2011 SUBTOTAL BEFORE ALLIED 2010 BALANCING ACCOUNT</u>								
C.1 Cumulative Revenue Requirement	\$89,109,543	\$2,579,866	\$5,570,435	\$8,779,521	\$4,224,786	\$5,470,193	\$3,108,672	\$10,146,325
C.2 SubTotal Year Surplus/(Shortfall)	(\$10,924,586)	(\$662,441)	(\$687,275)	(\$969,971)	(\$571,168)	(\$1,213,319)	(\$703,882)	(\$681,531)
C.3 Cumulative Rate Impact	14.0%	34.5%	14.1%	12.4%	15.6%	28.5%	29.3%	7.2%

SBWMA
TOTAL COLLECTION RATE IMPACT BY MEMBER AGENCY - 2011
COLLECTION AGREEMENT

	2011 Costs					
	<u>North Fair Oaks</u>	<u>Redwood City</u>	<u>San Carlos</u>	<u>San Mateo</u>	<u>West Bay</u>	<u>Unincorporated County - Total</u>
2011 Collection Revenue @ 2010 Rates	\$ 2,480,079	\$ 14,488,100	\$ 6,381,755	\$ 17,091,039	\$ 890,774	\$ 2,463,000
Total Contractor's Compensation	\$ 1,610,040	\$ 9,281,023	\$ 4,147,397	\$ 11,520,053	\$ 781,687	\$ 1,711,790
Other Pass-Through Costs						
Disposal & Processing Fees	\$ 751,203	\$ 4,692,850	\$ 1,918,561	\$ 5,214,664	\$ 330,084	\$ 744,000
Agency Franchise Fees	\$ 118,095	\$ 1,977,626	\$ 830,203	\$ 2,595,822	\$ 53,401	\$ 117,305
Agency Contract Management						
Agency Specific Contract Changes			\$ (6,928)			
Total Other Pass-Through Costs	\$869,298	\$6,670,476	\$2,741,836	\$7,810,486	\$383,485	\$861,305
RSMC REVENUE REQUIREMENT	\$2,479,338	\$15,951,499	\$6,889,234	\$19,330,539	\$1,165,173	\$2,573,094
A. 2011 RATE YEAR REVENUE REQUIREMENT						
A.1 Subtotal Year Surplus/(Shortfall)	\$742	(\$1,463,399)	(\$507,479)	(\$2,239,500)	(\$274,399)	(\$110,095)
A.2 Rate Adjustment <i>(See Rate Variance Analysis for detail)</i>	0.0%	10.1%	8.0%	13.1%	30.8%	4.5%
B. RESIDENTIAL CAN MIGRATION ESTIMATED REVENUE SHORTFALL						unknown
B.1 Can Migration Impact	(\$11,854)	(\$364,296)	(\$205,801)	(\$228,224)	(\$30,695)	
B.2 Cumulative Rate Adjustment	0.5%	2.5%	3.2%	1.3%	3.4%	0.0%
C. 2011 SUBTOTAL BEFORE ALLIED 2010 BALANCING ACCOUNT						
C.1 Cumulative Revenue Requirement	\$2,491,192	\$16,315,795	\$7,095,035	\$19,558,763	\$1,195,868	\$2,573,094
C.2 Total Year Surplus/(Shortfall)	(\$11,112)	(\$1,827,695)	(\$713,280)	(\$2,467,724)	(\$305,094)	(\$110,095)
C.3 Cumulative Rate Impact	0.4%	12.6%	11.2%	14.4%	34.3%	4.5%

Note:

Revenue is based on 2010 average monthly revenue since the last rate increase through July 2010.

Revenue may be short of new revenue from new fees such as back yard service.

This rate adjustment assumes a January 1, 2011 rate change date. The rate adjustment will need to be prorated for a later start date.

Residential can migration rate impact based on July 9 customer cart selection survey and unadjusted for unknown subsequent changes unless noted.

Allied 2010 Balancing Account Rate impact based on paying only one third in 2011 after Rate Application is approved in 2011

SBWMA

TOTAL COLLECTION RATE IMPACT BY MEMBER AGENCY - 2011

(Includes Allied 2010 Balancing Account)

	2011 Rate Year							
	2011 Total	Atherton	Belmont	Burlingame	East Palo Alto	Foster City	Hillsborough	Menlo Park
2011 Collection Revenue @ 2010 Rates	\$ 78,184,957	\$ 1,917,424	\$ 4,883,159	\$ 7,809,550	\$ 3,653,618	\$ 4,256,874	\$ 2,404,790	\$ 9,464,794
Total Contractor's Compensation	\$ 51,383,754	\$ 1,529,988	\$ 2,964,813	\$ 4,982,914	\$ 2,047,591	\$ 3,491,936	\$ 2,141,603	\$ 5,172,918
Other Pass-Through Costs								
Disposal & Processing Fees	\$ 24,723,411	\$ 793,155	\$ 1,418,453	\$ 2,660,444	\$ 1,455,291	\$ 1,613,857	\$ 626,073	\$ 2,504,776
Agency Franchise Fees	\$ 10,473,511	\$ 208,473	\$ 1,041,473	\$ 1,023,623	\$ 721,904	\$ 285,934	\$ 286,046	\$ 1,213,606
Agency Contract Management	\$ 885,000						\$ 8,000	\$ 877,000
Agency Specific Contract Changes	\$ (11,915)						\$ (27,687)	\$ 22,700
Total Other Pass-Through Costs	\$36,070,007	\$1,001,628	\$2,459,926	\$3,684,067	\$2,177,195	\$1,899,791	\$892,432	\$4,618,082
RSMC REVENUE REQUIREMENT	\$87,453,761	\$2,531,616	\$5,424,739	\$8,666,981	\$4,224,786	\$5,391,728	\$3,034,036	\$9,791,000
A. 2011 RATE YEAR REVENUE REQUIREMENT								
A.1 Subtotal Year Surplus/(Shortfall)	(\$9,268,804)	(\$614,191)	(\$541,579)	(\$857,431)	(\$571,168)	(\$1,134,854)	(\$629,246)	(\$326,206)
A.2 Rate Adjustment <i>(See Rate Variance Analysis for detail)</i>	11.9%	32.0%	11.1%	11.0%	15.6%	26.7%	26.2%	3.4%
B. RESIDENTIAL CAN MIGRATION ESTIMATED REVENUE SHORTFALL					n/a			
B.1 Can Migration Impact	(\$1,655,782)	(\$48,250)	(\$145,696)	(\$112,540)		(\$78,465)	(\$74,636)	(\$355,325)
B.2 Rate Impact	2.1%	2.5%	3.0%	1.4%	0.0%	1.8%	3.1%	3.8%
C. 2011 SUBTOTAL BEFORE ALLIED 2010 BALANCING ACCOUNT								
C.1 Cumulative Revenue Requirement	\$89,109,543	\$2,579,866	\$5,570,435	\$8,779,521	\$4,224,786	\$5,470,193	\$3,108,672	\$10,146,325
C.2 SubTotal Year Surplus/(Shortfall)	(\$10,924,586)	(\$662,441)	(\$687,275)	(\$969,971)	(\$571,168)	(\$1,213,319)	(\$703,882)	(\$681,531)
C.3 Cumulative Rate Impact	14.0%	34.5%	14.1%	12.4%	15.6%	28.5%	29.3%	7.2%
D. ALLIED 2010 BALANCING ACCOUNT	<i>(Paid back over one year after final balance approved in 2011)</i>							
D.1 Allied Balancing Account	(\$10,815,000)	(\$334,000)	(\$1,005,000)	(\$721,000)	(\$933,000)	(\$560,000)	(\$318,000)	(\$841,000)
D.2 Agency Funds for Rate Impact	\$2,750,000		\$0			\$650,000		
D.3 Net Rate Impact - 2010	(\$8,065,000)	(\$334,000)	(\$1,005,000)	(\$721,000)	(\$933,000)	\$90,000	(\$318,000)	(\$841,000)
D.4 Potential Amount in 2011 (3 months)	(\$1,816,750)	(\$83,500)	(\$251,250)	(\$180,250)	(\$233,250)	\$90,000	(\$79,500)	(\$210,250)
D.5 Rate Impact in 2011	2.3%	4.4%	5.1%	2.3%	6.4%	-2.1%	3.3%	2.2%
E. TOTAL RATE IMPACT								
E.1 TOTAL REVENUE IMPACT	\$90,926,293	\$2,663,366	\$5,821,685	\$8,959,771	\$4,458,036	\$5,380,193	\$3,188,172	\$10,356,575
E.2 Total Year Surplus/(Shortfall) Cumulative Rate Impact	16.3%	38.9%	19.2%	14.7%	22.0%	26.4%	32.6%	9.4%

**SBWMA
TOTAL COLLECTION RATE IMPACT BY MEMBER AGENCY - 2011
COLLECTION AGREEMENT**

	2011 Costs					
	<u>North Fair Oaks</u>	<u>Redwood City</u>	<u>San Carlos</u>	<u>San Mateo</u>	<u>West Bay</u>	<u>Unincorporated County - Total</u>
2011 Collection Revenue @ 2010 Rates	\$ 2,480,079	\$ 14,488,100	\$ 6,381,755	\$ 17,091,039	\$ 890,774	\$ 2,463,000
Total Contractor's Compensation	\$ 1,610,040	\$ 9,281,023	\$ 4,147,397	\$ 11,520,053	\$ 781,687	\$ 1,711,790
Other Pass-Through Costs						
Disposal & Processing Fees	\$ 751,203	\$ 4,692,850	\$ 1,918,561	\$ 5,214,664	\$ 330,084	\$ 744,000
Agency Franchise Fees	\$ 118,095	\$ 1,977,626	\$ 830,203	\$ 2,595,822	\$ 53,401	\$ 117,305
Agency Contract Management						
Agency Specific Contract Changes			\$ (6,928)			
Total Other Pass-Through Costs	\$869,298	\$6,670,476	\$2,741,836	\$7,810,486	\$383,485	\$861,305
RSMC REVENUE REQUIREMENT	\$2,479,338	\$15,951,499	\$6,889,234	\$19,330,539	\$1,165,173	\$2,573,094
A. 2011 RATE YEAR REVENUE REQUIREMENT						
A.1 Subtotal Year Surplus/(Shortfall)	\$742	(\$1,463,399)	(\$507,479)	(\$2,239,500)	(\$274,399)	(\$110,095)
A.2 Rate Adjustment <i>(See Rate Variance Analysis for detail)</i>	0.0%	10.1%	8.0%	13.1%	30.8%	4.5%
B. RESIDENTIAL CAN MIGRATION ESTIMATED REVENUE SHORTFALL						unknown
B.1 Can Migration Impact	(\$11,854)	(\$364,296)	(\$205,801)	(\$228,224)	(\$30,695)	
B.2 Cumulative Rate Adjustment	0.5%	2.5%	3.2%	1.3%	3.4%	0.0%
C. 2011 SUBTOTAL BEFORE ALLIED 2010 BALANCING ACCOUNT						
C.1 Cumulative Revenue Requirement	\$2,491,192	\$16,315,795	\$7,095,035	\$19,558,763	\$1,195,868	\$2,573,094
C.2 Total Year Surplus/(Shortfall)	(\$11,112)	(\$1,827,695)	(\$713,280)	(\$2,467,724)	(\$305,094)	(\$110,095)
C.3 Cumulative Rate Impact	0.4%	12.6%	11.2%	14.4%	34.3%	4.5%
D. ALLIED 2010 BALANCING ACCOUNT	<i>(Paid back over one year after final balance approved in 2011)</i>					n/a
D.1 Allied Balancing Account	(\$28,000)	(\$2,146,000)	(\$551,000)	(\$3,554,000)	\$176,000	
D.2 Agency Funds for Rate Impact				\$2,100,000		
D.3 Net Rate Impact - 2010	(\$28,000)	(\$2,146,000)	(\$551,000)	(\$1,454,000)	\$176,000	\$0
D.4 Potential Amount in 2011 (3 months)	(\$7,000)	(\$536,500)	(\$137,750)	(\$363,500)	\$176,000	\$0
D.5 Rate Impact in 2011	0.3%	3.7%	2.2%	2.1%	-19.8%	0.0%
E. TOTAL RATE IMPACT						
E.1 TOTAL REVENUE IMPACT	\$2,498,192	\$16,852,295	\$7,232,785	\$19,922,263	\$1,019,868	\$2,573,094
E.2 Total Year Surplus/(Shortfall)	(\$18,112)	(\$2,364,195)	(\$851,030)	(\$2,831,224)	(\$129,094)	(\$110,095)

E.3 Cumulative Rate Impact

0.7%	16.3%	13.3%	16.6%	14.5%	4.5%
------	-------	-------	-------	-------	------

SBWMA

**TOTAL COLLECTION RATE IMPACT BY MEMBER AGENCY - 2011
COLLECTION AGREEMENT**

Note:

Revenue is based on 2010 average monthly revenue since the last rate increase through July 2010.

Revenue may be short of new revenue from new fees such as back yard service.

This rate adjustment assumes a January 1, 2011 rate change date. The rate adjustment will need to be prorated for a later start date.

Residential can migration rate impact based on July 9 customer cart selection survey and unadjusted for unknown subsequent changes unless noted.

Allied 2010 Balancing Account Rate impact based on paying only one third in 2011 after Rate Application is approved in 2011

SBWMA
REVENUE REQUIREMENT VARIANCE ANALYSIS

2011 COLLECTION RATE VARIANCE ANALYSIS	SBWMA				Percent Rate Impact	Comments
	2010 *	2011	Variance	Percent Variance		
2010 Revenue Requirement / 2011 Collection Revenue @ 2010 Rates	\$80,449,590	\$78,185,100	(\$2,264,490)	-3.0%	2.9%	a Revenue shortfall due primarily to delayed rate increase & lower rate increase than recommended.
2010 Projected Allied Collection Revenue (12/09)*	\$75,957,677					
Total Contractor's Compensation	\$48,316,128	\$51,371,839	\$3,055,710	6.3%	3.9%	b 2011 Recology collection costs vs 2010 Allied collection costs.
Other Pass-Through Costs						
Disposal & Processing Fees	\$22,010,583	\$24,087,411	\$2,076,829	9.4%	2.7%	Rate impact from Shoreway tip fee increase is 3%.
Disposal: County Fee Increase @ Ox Mtn	\$318,000	\$636,000	\$318,000	100.0%	0.4%	County landfill fee increase 40% on 7/1/2009.
Agency Franchise Fees	\$8,579,200	\$10,473,511	\$1,894,311	22.1%	2.4%	Increase in agency's fees.
Agency Contract Management	\$1,225,679	\$885,000	(\$340,679)	-27.8%	-0.4%	
Total Other Pass-Through Costs	\$32,133,462	\$36,081,922	\$3,948,461	12.3%	5.1%	c
TOTAL REVENUE REQUIREMENT	\$80,449,590	\$87,453,761	\$7,004,171	8.7%	9.0%	
2011 Current Year Surplus/(Shortfall)	(\$4,491,913)	(\$9,268,661)				
2011 Rate Adjustment		11.9%			11.9%	a+b+c Total rate impact of all above. This coupled with the residential can migration impact and Allied balancing account will make-up the total projected rate impact for 2011.
*Per SBWMA Board Approved Allied Collection Rate Application, adjusted for Menlo Park internal billed items.						

SBWMA
REVENUE REQUIREMENT VARIANCE ANALYSIS

2011 COLLECTION RATE VARIANCE ANALYSIS	Atherton				Percent Rate Impact	Comments
	2010 *	2011	Variance	Percent Variance		
2010 Allied Revenue Requirement / 2011 Collection Revenue @ 2010 Rates	\$2,016,680	\$1,917,000	(\$99,680)	-6.1%	5.2%	a Revenue shortfall due to delayed rate increase & lower rate increase than recommended. See analysis below.
2010 Projected Allied Collection Revenue (12/09)	\$1,641,837					
Total Contractor's Compensation	\$1,228,066	\$1,529,988	\$301,922	24.6%	15.7%	b 2011 Recology collection costs vs 2010 Allied collection costs.
Other Pass-Through Costs						
Disposal & Processing Fees	\$613,211	\$785,155	\$171,944	28.0%	9.0%	Rate impact from Shoreway tip fee increase is 3%.
Disposal: County Fee Increase @ Ox Mtn	\$4,000	\$8,000	\$4,000	100.0%	0.2%	County landfill fee increase 40% on 7/1/2009.
Agency Franchise & Other Fees	\$171,403	\$208,473	\$37,069	21.6%	1.9%	Increase in Atherton's franchise fees.
Total Other Pass-Through Costs	\$788,614	\$1,001,628	\$213,014	27.0%	11.1%	c
TOTAL REVENUE REQUIREMENT	\$2,016,680	\$2,531,616	\$514,936	25.5%		
2011 Current Year Surplus/(Shortfall)	(\$374,843)	(\$614,616)				
2011 Recommended Rate Adjustment	22.8%	32.1%			32.1%	a+b+c Total rate impact of all above. This coupled with the residential can migration impact and Allied balancing account will make-up the total projected rate impact for 2011.
*Per SBWMA Board Approved Allied Collection Rate Application.						
SUMMARY						
Total Collection Rate Revenue						
2010 Allied Rate Year:						
2010 projected revenue before 2010 rate increase	\$1,641,837					
2010 revenue requirement	\$2,016,680					
Recommended 2010 rate increase:	22.9%					
Actual 2010 rate increase effective 3/19/10	16.9%					
Effective rate adjustment shortfall	-7.6%					
2011 Recology Rate Year:						
2011 projected revenue before 2011 rate increase		\$1,917,000				
2011 revenue requirement		\$2,531,616				
Recommended 2011 rate adjustment:		32.1%				
DISPOSAL						
Change in Tonnage:						
Solid waste volume did not decrease as much as anticipated last year						
Green waste volume increased and it was projected to remain flat last year						
Full Year of San Mateo County 40% Landfill Fee Increase =						\$4,000
FRANCHISE FEES						
New streetsweeping fees						\$24,000
Notes:						
2011 revenue projection is based on the average monthly revenue generated since the last rate increase in 2010.						
Rate adjustment does not include any funds agency may have set aside for rate purposes and does not include any planned or approved future rate increase.						
2011 revenue projection might not include all new revenue generated from new fees such as backyard service.						
This 2011 rate adjustment does not account for any rate adjustment that might be needed due to the residential can migration issue.						
This 2011 rate adjustment excludes the impact from the Allied 2010 Balancing Account revenue surplus or shortfall.						

SBWMA
REVENUE REQUIREMENT VARIANCE ANALYSIS

2011 COLLECTION RATE VARIANCE ANALYSIS	Belmont				Percent Rate Impact	Comments
	2010 *	2011	Variance	Percent Variance		
2010 Revenue Requirement / 2011 Collection Revenue @ 2010 Rates	\$4,936,133	\$4,883,000	(\$53,133)	-1.1%	1.1%	a Revenue shortfall due to lower commercial revenue than projected. See analysis below.
2010 Projected Collection Revenue (12/09)	\$4,905,840					
Total Contractor's Compensation	\$2,852,866	\$2,964,813	\$111,947	3.9%	2.3%	b 2011 Recology collection costs vs 2010 Allied collection costs.
Other Pass-Through Costs						
Disposal & Processing Fees	\$1,176,487	\$1,384,453	\$207,965	17.7%	4.3%	Rate impact from Shoreway tip fee increase is 3%.
Disposal: County Fee Increase @ Ox Mtn	\$17,000	\$34,000	\$17,000	100.0%	0.3%	County landfill fee increase 40% on 7/1/2009.
Agency Franchise Fees	\$889,780	\$1,041,473	\$151,693	17.0%	3.1%	Increase in Belmont's fees.
Total Other Pass-Through Costs	\$2,083,267	\$2,459,926	\$376,659	18.1%	7.7%	c
TOTAL REVENUE REQUIREMENT	\$4,936,133	\$5,424,739	\$488,606	9.9%		
2011 Current Year Surplus/(Shortfall)	(\$30,292)	(\$541,739)				
2011 Rate Adjustment	0.6%	11.1%			11.1%	a+b+c Total rate impact of all above. This coupled with the residential can migration impact and Allied balancing account will make-up the total projected rate impact for 2011.
*Per SBWMA Board Approved Allied Collection Rate Application.						
SUMMARY						
Total Collection Rate Revenue						
2010 Allied Rate Year:						
2010 projected revenue before 2010 rate increase	\$4,905,840					
2010 revenue requirement	\$4,936,133					
Recommended 2010 rate increase:	0.6%					
Actual 2010 rate increase effective 7/1/10	4.9%					
Effective rate adjustment shortfall	8.5%					
2011 Recology Rate Year:						
2011 projected revenue before 2011 rate increase		\$4,883,000				
2011 revenue requirement		\$5,424,739				
Recommended 2011 rate adjustment:		11.1%				
DISPOSAL						
Change in Tonnage:						
Solid waste volume did not decrease as much as anticipated last year						
Green waste volume increased and it was projected to remain flat last year						
Full Year of San Mateo County 40% Landfill Fee Increase = \$17,000						
FRANCHISE FEES						
new rate stabilization fee, NDES fee, litter control fee; HHW fee						
Notes:						
2011 revenue projection is based on the average monthly revenue generated since the last rate increase in 2010.						
Rate adjustment does not include any funds agency may have set aside for rate purposes and does not include any planned or approved future rate increase.						
2011 revenue projection might not include all new revenue generated from new fees such as backyard service.						
This 2011 rate adjustment does not account for any rate adjustment that might be needed due to the residential can migration issue.						
This 2011 rate adjustment excludes the impact from the Allied 2010 Balancing Account revenue surplus or shortfall.						

SBWMA
REVENUE REQUIREMENT VARIANCE ANALYSIS

2011 COLLECTION RATE VARIANCE ANALYSIS	Burlingame				Percent Rate Impact		Comments
	2010 *	2011	Variance	Percent Variance			
2010 Revenue Requirement / 2011 Collection Revenue @ 2010 Rates	\$7,819,071	\$7,810,000	(\$9,071)	-0.1%	0.1%	a	Revenue shortfall immaterial.
2010 Projected Allied Collection Revenue (12/09)	\$7,584,191						
Total Contractor's Compensation	\$4,682,233	\$4,982,914	\$300,681	6.4%	3.8%	b	2011 Recology collection costs vs 2010 Allied collection costs.
Other Pass-Through Costs							
Disposal & Processing Fees	\$2,417,732	\$2,578,444	\$160,712	6.6%	2.1%		Rate impact from Shoreway tip fee increase is 3%.
Disposal: County Fee Increase @ Ox Mtn	\$41,000	\$82,000	\$41,000	100.0%	0.5%		County landfill fee increase 40% on 7/1/2009.
Agency Franchise Fees	\$678,106	\$1,023,623	\$345,516	51.0%	4.4%		Increase in agency's fees.
Total Other Pass-Through Costs	\$3,136,838	\$3,684,067	\$547,228	17.4%	7.0%	c	
TOTAL REVENUE REQUIREMENT	\$7,819,071	\$8,666,981	\$847,910	10.8%			
2011 Current Year Surplus/(Shortfall)	(\$234,879)	(\$856,981)					
2011 Rate Adjustment	3.0%	11.0%			11.0%	a+b+c	Total rate impact of all above. This coupled with the residential can migration impact and Allied balancing account will make-up the total projected rate impact for 2011.
*Per SBWMA Board Approved Allied Collection Rate Application.							
SUMMARY							
Total Collection Rate Revenue							
2010 Allied Rate Year:							
2010 projected revenue before 2010 rate increase	\$7,584,191						
2010 revenue requirement	\$7,819,071						
Recommended 2010 rate increase:	3.1%						
Actual 2010 rate increase effective 2/1/10	6.0%						
2011 Recology Rate Year:							
2011 projected revenue before 2011 rate increase		\$7,810,000					
2011 revenue requirement		\$8,666,981					
Recommended 2011 rate adjustment:		11.0%					
DISPOSAL							
Change in Tonnage:							
Projected decrease in solid waste tons due to increase in recycling volume							
Full Year of San Mateo County 40% Landfill Fee Increase = \$41,000							
FRANCHISE FEES							
\$25k increase in steam cleaning fee							
increase 1% increase in recycling fee							
new 2.8% landfill closure fee not reflected in 2010 projections							
Notes:							
2011 revenue projection is based on the average monthly revenue generated since the last rate increase in 2010.							
Rate adjustment does not include any funds agency may have set aside for rate purposes and does not include any planned or approved future rate increase.							
2011 revenue projection might not include all new revenue generated from new fees such as backyard service.							
This 2011 rate adjustment does not account for any rate adjustment that might be needed due to the residential can migration issue.							
This 2011 rate adjustment excludes the impact from the Allied 2010 Balancing Account revenue surplus or shortfall.							

SBWMA
REVENUE REQUIREMENT VARIANCE ANALYSIS

2011 COLLECTION RATE VARIANCE ANALYSIS	East Palo Alto				Percent Rate Impact		Comments
	2010 *	2011	Variance	Percent Variance			
2010 Revenue Requirement / 2011 Collection Revenue @ 2010 Rates	\$3,721,637	\$3,654,000	(\$67,637)	-2.2%	1.9%	a	Revenue shortfall due to delayed rate increase & lower rate increase than recommended. See analysis below.
2010 Projected Allied Collection Revenue (12/09)	\$3,069,925						
Total Contractor's Compensation	\$2,099,625	\$2,047,591	(\$52,034)	-2.5%	-1.4%	b	2011 Recology collection costs vs 2010 Allied collection costs.
Other Pass-Through Costs							
Disposal & Processing Fees	\$1,254,320	\$1,417,291	\$162,970	13.0%	4.5%		Rate impact from Shoreway tip fee increase is 3%.
Disposal: County Fee Increase @ Ox Mtn	\$19,000	\$38,000	\$19,000	100.0%	0.5%		County landfill fee increase 40% on 7/1/2009.
Agency Franchise Fees	\$348,691	\$721,904	\$373,213	107.0%	10.2%		Increase in agency's fees.
Total Other Pass-Through Costs	\$1,622,012	\$2,177,195	\$555,183	34.2%	15.2%	c	
TOTAL REVENUE REQUIREMENT	\$3,721,637	\$4,224,786	\$503,149	13.5%			
2011 Current Year Surplus/(Shortfall)	(\$651,713)	(\$570,786)					
2011 Rate Adjustment	17.5%	15.6%			15.6%	a+b+c	Total rate impact of all above. This coupled with the residential can migration impact and Allied balancing account will make-up the total projected rate impact for 2011.
*Per SBWMA Board Approved Allied Collection Rate Application.							
SUMMARY							
Total Collection Rate Revenue							
2010 Allied Rate Year:							
2010 projected revenue before 2010 rate increase	\$3,069,925						
2010 revenue requirement	\$3,721,637						
Recommended 2010 rate increase:	21.2%						
Actual 2010 rate increase effective 7/1/10	15.0%						
2011 Recology Rate Year:							
2011 projected revenue before 2011 rate increase	\$3,654,000						
2011 revenue requirement	\$4,224,786						
Recommended 2011 rate adjustment:	15.6%						
2011 projected revenue reflects 19% 1/1/11 increase approved by Council							
DISPOSAL							
Change in Tonnage:							
Solid Waste volume did not decrease as much as anticipated last year and green waste volume increased and it was projected to remain flat last year							
Full Year of San Mateo County 40% Landfill Fee Increase	\$19,000						
FRANCHISE FEES							
City increased litter control fee \$100k; new HHW and street sweeping fees							
Notes:							
2011 revenue projection is based on the average monthly revenue generated since the last rate increase in 2010.							
Rate adjustment does not include any funds agency may have set aside for rate purposes and does not include any planned or approved future rate increase.							
2011 revenue projection might not include all new revenue generated from new fees such as backyard service.							
This 2011 rate adjustment does not account for any rate adjustment that might be needed due to the residential can migration issue.							
This 2011 rate adjustment excludes the impact from the Allied 2010 Balancing Account revenue surplus or shortfall.							

SBWMA
REVENUE REQUIREMENT VARIANCE ANALYSIS

2011 COLLECTION RATE VARIANCE ANALYSIS	Foster City				Percent Rate Impact		Comments
	2010 *	2011	Variance	Percent Variance			
2010 Revenue Requirement / 2011 Collection Revenue @ 2010 Rates	\$4,499,538	\$4,257,000	(\$242,538)	-5.6%	5.7%	a	Revenue shortfall due to delayed rate increase. See analysis below. Lower compactor revenue than anticipated.
2010 Projected Allied Collection Revenue (12/09)	\$4,320,694						
Total Contractor's Compensation	\$2,790,973	\$3,491,936	\$700,964	25.1%	16.5%	b	2011 Recology collection costs vs 2010 Allied collection costs.
Other Pass-Through Costs							
Disposal & Processing Fees	\$1,398,806	\$1,573,857	\$175,051	12.5%	4.1%		Rate impact from Shoreway tip fee increase is 3%.
Disposal: County Fee Increase @ Ox Mtn	\$20,000	\$40,000	\$20,000	100.0%	0.5%		County landfill fee increase 40% on 7/1/2009.
Agency Franchise Fees	\$289,759	\$285,934	(\$3,824)	-1.3%	-0.1%		Increase in agency's fees.
Total Other Pass-Through Costs	\$1,708,565	\$1,899,791	\$191,226	11.2%	4.5%	c	
TOTAL REVENUE REQUIREMENT	\$4,499,538	\$5,391,728	\$892,190	19.8%			
2011 Current Year Surplus/(Shortfall)	(\$178,843)	(\$1,134,728)					
2011 Rate Adjustment	4.0%	26.7%			26.7%	a+b+c	Total rate impact of all above. This coupled with the residential can migration impact and Allied balancing account will make-up the total projected rate impact for 2011.
*Per SBWMA Board Approved Allied Collection Rate Application.							
SUMMARY							
Total Collection Rate Revenue							
2010 Allied Rate Year:							
2010 projected revenue before 2010 rate increase	\$4,320,694						
2010 revenue requirement	\$4,499,538						
Recommended 2010 rate increase:	4.1%						
Actual 2010 rate increase effective 6/1/10	4.0%						
2011 Recology Rate Year:							
2011 projected revenue before 2011 rate increase	\$4,257,000						
2011 revenue requirement	\$5,391,728						
Recommended 2011 rate adjustment:	26.7%						
DISPOSAL							
Change in Tonnage:							
Solid waste volume did not decrease as much as anticipated last year and green waste volume remained flat last year							
Full Year of San Mateo County 40% Landfill Fee Increase = \$20,000							
Notes:							
2011 revenue projection is based on the average monthly revenue generated since the last rate increase in 2010.							
Rate adjustment does not include any funds agency may have set aside for rate purposes and does not include any planned or approved future rate increase.							
2011 revenue projection might not include all new revenue generated from new fees such as backyard service.							
This 2011 rate adjustment does not account for any rate adjustment that might be needed due to the residential can migration issue.							
This 2011 rate adjustment excludes the impact from the Allied 2010 Balancing Account revenue surplus or shortfall.							

SBWMA
REVENUE REQUIREMENT VARIANCE ANALYSIS

2011 COLLECTION RATE VARIANCE ANALYSIS	Hillsborough				Percent Rate Impact		Comments
	2010 *	2011	Variance	Percent Variance			
2010 Revenue Requirement / 2011 Collection Revenue @ 2010 Rates	\$2,452,948	\$2,404,000	(\$48,948)	-2.0%	2.0%	a	Revenue shortfall due to recommended rate increase not implemented. See analysis below.
2010 Projected Allied Collection Revenue (12/09)	\$2,498,720						
Total Contractor's Compensation	\$1,566,801	\$2,113,916	\$547,115	34.9%	22.8%	b	2011 Recology collection costs vs 2010 Allied collection costs.
Other Pass-Through Costs							
Disposal & Processing Fees	\$525,168	\$616,073	\$90,906	17.3%	3.8%		Rate impact from Shoreway tip fee increase is 3%.
Disposal: County Fee Increase @ Ox Mtn	\$5,000	\$10,000	\$5,000	100.0%	0.2%		County landfill fee increase 40% on 7/1/2009.
Agency Franchise Fees	\$227,827	\$278,046	\$50,219	22.0%	2.1%		Increase in agency's fees for C&D coordinator.
Agency Contract Management	\$128,152	\$8,000	(\$120,152)	-93.8%	-5.0%		Miscellaneous consultants for recycling projects
Total Other Pass-Through Costs	\$886,147	\$912,119	\$25,972	2.9%	1.1%	c	
TOTAL REVENUE REQUIREMENT	\$2,452,948	\$3,026,036	\$573,088	23.4%			
2011 Current Year Surplus/(Shortfall)	\$45,772	(\$622,036)					
2011 Rate Adjustment	-1.9%	25.9%			25.9%	a+b+c	Total rate impact of all above. This coupled with the residential can migration impact and Allied balancing account will make-up the total projected rate impact for 2011.
*Per SBWMA Board Approved Allied Collection Rate Application.							
SUMMARY							
Total Collection Rate Revenue							
2010 Allied Rate Year:							
2010 projected revenue before 2010 rate increase	\$2,498,720						
2010 revenue requirement	\$2,452,948						
Recommended 2010 rate increase:	-1.8%						
Actual 2010 rate increase	0.0%						
2011 Recology Rate Year:							
2011 projected revenue before 2011 rate increase	\$2,404,000						
2011 revenue requirement	\$3,026,036						
Recommended 2011 rate adjustment:	25.9%						
DISPOSAL							
Change in Tonnage:							
Solid waste volume did not decrease as much as anticipated last year and green waste volume increased and it was projected to remain flat last year; 50% increase in tons brought to TS by City vehicles							
Full Year of San Mateo County 40% Landfill Fee Increase = \$5,000							
FRANCHISE FEES							
New residential HHW fee (\$19k), C&D coordinator (\$56k)							
Agency Specific Contract Changes							
2010 reflects payments for misc consultants used by the City and paid by Allied							
2011 - added rate study (\$8k)							
Notes:							
2011 revenue projection is based on the average monthly revenue generated since the last rate increase in 2010.							
Rate adjustment does not include any funds agency may have set aside for rate purposes and does not include any planned or approved future rate increase.							
2011 revenue projection might not include all new revenue generated from new fees such as backyard service.							
This 2011 rate adjustment does not account for any rate adjustment that might be needed due to the residential can migration issue.							
This 2011 rate adjustment excludes the impact from the Allied 2010 Balancing Account revenue surplus or shortfall.							

SBWMA
REVENUE REQUIREMENT VARIANCE ANALYSIS

2011 COLLECTION RATE VARIANCE ANALYSIS	Menlo Park				Percent Rate Impact		Comments
	2010 *	2011	Variance	Percent Variance			
2010 Revenue Requirement / 2011 Collection Revenue @ 2010 Rates	\$8,973,256	\$9,465,000	\$491,744	5.3%	-5.2%	a	Revenue surplus due to higher rate increase than recommended. See analysis below.
2010 Projected Allied Collection Revenue (12/09)	\$9,207,000						
Total Contractor's Compensation	\$4,852,867	\$5,195,618	\$342,751	7.1%	3.6%	b	2011 Recology collection costs vs 2010 Allied collection costs.
Other Pass-Through Costs							
Disposal & Processing Fees	\$2,270,283	\$2,440,776	\$170,493	7.5%	1.8%		Rate impact from Shoreway tip fee increase is 3%.
Disposal: County Fee Increase @ Ox Mtn	\$32,000	\$64,000	\$32,000	100.0%	0.3%		County landfill fee increase 40% on 7/1/2009.
Agency Franchise Fees, LF Fees	\$941,106	\$1,213,606	\$272,500	29.0%	2.9%		Increase in agency's fees and higher base revenue.
Agency Contract Mngt, incl est pmt to Allied \$500k	\$877,000	\$877,000	\$0	0.0%	0		
Total Other Pass-Through Costs	\$4,120,389	\$4,595,382	\$474,993	11.5%	5.0%	c	
TOTAL REVENUE REQUIREMENT	\$8,973,256	\$9,791,000	\$817,744	9.1%			
2011 Current Year Surplus/(Shortfall)	\$0	(\$326,000)					
2011 Rate Adjustment	0.0%	3.4%			3.4%	a+b+c	Total rate impact of all above. This coupled with the residential can migration impact and Allied balancing account will make-up the total projected rate impact for 2011.
*Per SBWMA Board Approved Allied Collection Rate Application adjusted for internal billed items.							
SUMMARY							
Total Collection Rate Revenue							
2010 Allied Rate Year:							
2010 projected revenue before 2010 rate increase	\$9,207,000						
2010 revenue requirement	\$8,973,256						
Recommended 2010 rate increase:	8.8%						
Actual 2010 rate increase effective 1/1/10	28.0%						
2011 Recology Rate Year:							
2011 projected revenue before 2011 rate increase		\$9,465,000					
2011 revenue requirement		\$9,791,000					
Recommended 2011 rate adjustment:		3.4%					
DISPOSAL							
tonnage change:							
reductions in BDDB compactor tonnage							
Full Year of San Mateo County 40% Landfill Fee Increase =	\$32,000						
FRANCHISE FEES							
New HHW fee (\$53.6k); new Administrative fee (\$52.5k) - 2011 reflects all fees per J McGirr							
Notes:							
2011 revenue projection is based on the average monthly revenue generated since the last rate increase in 2010.							
Rate adjustment does not include any funds agency may have set aside for rate purposes and does not include any planned or approved future rate increase.							
2011 revenue projection might not include all new revenue generated from new fees such as backyard service.							
This 2011 rate adjustment does not account for any rate adjustment that might be needed due to the residential can migration issue.							
This 2011 rate adjustment excludes the impact from the Allied 2010 Balancing Account revenue surplus or shortfall.							

SBWMA
REVENUE REQUIREMENT VARIANCE ANALYSIS

2011 COLLECTION RATE VARIANCE ANALYSIS	North Fair Oaks				Percent Rate Impact		Comments
	2010 *	2011	Variance	Percent Variance			
2010 Revenue Requirement / 2011 Collection Revenue @ 2010 Rates	\$2,444,526	\$2,480,000	\$35,474	1.4%	-1.4%	a	Revenue shortfall due to delayed rate increase & lower rate increase than recommended. See analysis below.
2010 Projected Allied Collection Revenue (12/09)	\$2,623,625						
Total Contractor's Compensation	\$1,615,900	\$1,610,040	(\$5,861)	-0.4%	-0.2%	b	2011 Recology collection costs vs 2010 Allied collection costs.
Other Pass-Through Costs							
Disposal & Processing Fees	\$750,454	\$729,203	(\$21,252)	-2.8%	-0.9%		Rate impact from Shoreway tip fee increase is 3%.
Disposal: County Fee Increase @ Ox Mtn	\$11,000	\$22,000	\$11,000	100.0%	0.4%		County landfill fee increase 40% on 7/1/2009.
Agency Franchise Fees	\$67,172	\$118,095	\$50,923	75.8%	2.1%		Increase in agency's fees.
Total Other Pass-Through Costs	\$828,626	\$869,298	\$40,672	4.9%	1.6%	c	
TOTAL REVENUE REQUIREMENT	\$2,444,526	\$2,479,338	\$34,811	1.4%			
2011 Current Year Surplus/(Shortfall)	\$179,099	\$662					
2011 Rate Adjustment	-7.3%	0.0%			0.0%	a+b+c	Total rate impact of all above. This coupled with the residential can migration impact and Allied balancing account will make-up the total projected rate impact for 2011.
*Per SBWMA Board Approved Allied Collection Rate Application.							
SUMMARY							
Total Collection Rate Revenue							
2010 Allied Rate Year:							
2010 projected revenue before 2010 rate increase	\$2,623,625						
2010 revenue requirement	\$2,444,526						
Recommended 2010 rate increase:	-6.8%						
Actual 2010 rate increase effective 1/1/10	5.9%						
2011 Recology Rate Year:							
2011 projected revenue before 2011 rate increase		\$2,480,000					
2011 revenue requirement		\$2,479,338					
Recommended 2011 rate adjustment:		0.0%					
Note: 2010 - commercial customers are migrating to smaller containers and less frequent lifts; commercial bin accts down 7.1% and lifts down 12.1%							
DISPOSAL							
tonnage change:							
Shoreway tip fee increase; offset by tonnage decrease							
Full Year of San Mateo County 40% Landfill Fee Increase :	\$11,000						
FRANCHISE FEES							
County increased fee from 3% to 5% in 2011							
Notes:							
2011 revenue projection is based on the average monthly revenue generated since the last rate increase in 2010.							
Rate adjustment does not include any funds agency may have set aside for rate purposes and does not include any planned or approved future rate increase.							
2011 revenue projection might not include all new revenue generated from new fees such as backyard service.							
This 2011 rate adjustment does not account for any rate adjustment that might be needed due to the residential can migration issue.							
This 2011 rate adjustment excludes the impact from the Allied 2010 Balancing Account revenue surplus or shortfall.							

SBWMA
REVENUE REQUIREMENT VARIANCE ANALYSIS

2011 COLLECTION RATE VARIANCE ANALYSIS	Redwood City				Percent Rate Impact		Comments
	2010 *	2011	Variance	Percent Variance			
2010 Revenue Requirement / 2011 Collection Revenue @ 2010 Rates	\$15,721,401	\$14,488,100	(\$1,233,301)	-8.5%	8.5%	a	Revenue shortfall due to declining commercial revenue.
2010 Projected Allied Collection Revenue (12/09)	\$14,562,525						
Total Contractor's Compensation	\$9,255,348	\$9,281,023	\$25,675	0.3%	0.2%	b	2011 Recology collection costs vs 2010 Allied collection costs.
Other Pass-Through Costs							
Disposal & Processing Fees	\$4,371,045	\$4,554,850	\$183,806	4.2%	1.3%		Rate impact from Shoreway tip fee increase is 3%.
Disposal: County Fee Increase @ Ox Mtn	\$69,000	\$138,000	\$69,000	100.0%	0.5%		County landfill fee increase 40% on 7/1/2009.
Agency Franchise Fees	\$1,992,624	\$1,977,626	(\$14,998)	-0.8%	-0.1%		
Agency Contract Management	\$33,385		(\$33,385)	-100.0%	-0.2%		Miscellaneous consultants for recycling projects
Total Other Pass-Through Costs	\$6,466,053	\$6,670,476	\$204,423	3.2%	1.4%	c	
TOTAL REVENUE REQUIREMENT	\$15,721,401	\$15,951,499	\$230,098	1.5%			
2011 Current Year Surplus/(Shortfall)	(\$1,158,877)	(\$1,463,399)					
2011 Rate Adjustment	7.4%	10.1%			10.1%	a+b+c	Total rate impact of all above. This coupled with the residential can migration impact and Allied balancing account will make-up the total projected rate impact for 2011.
*Per SBWMA Board Approved Allied Collection Rate Application.							
SUMMARY							
Total Collection Rate Revenue							
2010 Allied Rate Year:							
2010 projected revenue before 2010 rate increase	\$14,562,525						
2010 revenue requirement	\$15,721,401						
Recommended 2010 rate increase:	8.0%						
Actual 2010 rate increase effective 2/1/10	9.8%						
2011 Recology Rate Year:							
2011 projected revenue before 2011 rate increase		\$14,488,100					
2011 revenue requirement		\$15,951,499					
Recommended 2011 rate adjustment:		10.1%					
2010 revenue - decrease in BDDB activity; residential and commercial lifts down (migration); commercial organics lifts up 33% (for which customers receive a price break)							
DISPOSAL							
tonnage change:							
Solid waste volume did not decrease as much as anticipated last year							
Green waste volume increased and it was projected to remain flat last year							
Full Year of San Mateo County 40% Landfill Fee Increase	\$69,000						
Agency Specific Contract Changes							
2010 includes prop 218 noticing and consultants paid by Allied on behalf of the agency							
Notes:							
2011 revenue projection is based on the average monthly revenue generated since the last rate increase in 2010.							
Rate adjustment does not include any funds agency may have set aside for rate purposes and does not include any planned or approved future rate increase.							
2011 revenue projection might not include all new revenue generated from new fees such as backyard service.							
This 2011 rate adjustment does not account for any rate adjustment that might be needed due to the residential can migration issue.							
This 2011 rate adjustment excludes the impact from the Allied 2010 Balancing Account revenue surplus or shortfall.							

SBWMA
REVENUE REQUIREMENT VARIANCE ANALYSIS

2011 COLLECTION RATE VARIANCE ANALYSIS	San Carlos				Percent Rate Impact		Comments
	2010 *	2011	Variance	Percent Variance			
2010 Revenue Requirement / 2011 Collection Revenue @ 2010 Rates	\$6,345,085	\$6,382,000	\$36,915	0.6%	-0.6%	a	Immaterial difference
2010 Projected Allied Collection Revenue (12/09)	\$5,973,334						
Total Contractor's Compensation	\$3,942,998	\$4,140,469	\$197,471	5.0%	3.1%	b	2011 Recology collection costs vs 2010 Allied collection costs.
Other Pass-Through Costs							
Disposal & Processing Fees	\$1,661,505	\$1,872,561	\$211,056	12.7%	3.3%		Rate impact from Shoreway tip fee increase is 3%.
Disposal: County Fee Increase @ Ox Mtn	\$23,000	\$46,000	\$23,000	100.0%	0.4%		County landfill fee increase 40% on 7/1/2009.
Agency Franchise Fees	\$530,440	\$830,203	\$299,763	56.5%	4.7%		Increase in agency's fees and higher base revenue.
Agency Contract Management	\$187,142		(\$187,142)	-100.0%	-2.9%		Miscellaneous consultants for recycling projects
Total Other Pass-Through Costs	\$2,402,087	\$2,748,764	\$346,677	14.4%	5.4%	c	
TOTAL REVENUE REQUIREMENT	\$6,345,085	\$6,889,234	\$544,148	8.6%			
2011 Current Year Surplus/(Shortfall)	(\$371,751)	(\$507,234)					
2011 Rate Adjustment	5.9%	7.9%			7.9%	a+b+c	Total rate impact of all above. This coupled with the residential can migration impact and Allied balancing account will make-up the total projected rate impact for 2011.
*Per SBWMA Board Approved Allied Collection Rate Application.							
ANALYSIS							
Total Collection Rate Revenue							
2010 Allied Rate Year:							
2010 projected revenue before 2010 rate increase	\$5,973,334						
2010 revenue requirement	\$6,345,085						
Recommended 2010 rate increase:	6.2%						
Actual 2010 rate increase effective 3/1/10	11.9%						
2011 Recology Rate Year:							
2011 projected revenue before 2011 rate increase		\$6,382,000					
2011 revenue requirement		\$6,889,234					
Recommended 2011 rate adjustment:		7.9%					
DISPOSAL							
tonnage change:							
Solid waste volume did not decrease as much as anticipated last year							
Green waste volume increased and it was projected to remain flat last year							
Full Year of San Mateo County 40% Landfill Fee Increase = \$23,000							
FRANCHISE FEES							
New fees: HHW (\$53k), Recycling ordinance enforcement (\$25k), C&D (\$50k), administrative (\$38k)							
Notes:							
2011 revenue projection is based on the average monthly revenue generated since the last rate increase in 2010.							
Rate adjustment does not include any funds agency may have set aside for rate purposes and does not include any planned or approved future rate increase.							
2011 revenue projection might not include all new revenue generated from new fees such as backyard service.							
This 2011 rate adjustment does not account for any rate adjustment that might be needed due to the residential can migration issue.							
This 2011 rate adjustment excludes the impact from the Allied 2010 Balancing Account revenue surplus or shortfall.							

SBWMA
REVENUE REQUIREMENT VARIANCE ANALYSIS

2011 COLLECTION RATE VARIANCE ANALYSIS	San Mateo				Percent Rate Impact	Comments
	2010 *	2011	Variance	Percent Variance		
2010 Revenue Requirement / 2011 Collection Revenue @ 2010 Rates	\$18,207,354	\$17,091,000	(\$1,116,354)	-6.9%	6.5%	a Revenue shortfall due to delayed rate increase & lower rate increase than recommended. See analysis below.
2010 Projected Allied Collection Revenue (12/09)	\$16,273,117					
Total Contractor's Compensation	\$11,058,439	\$11,520,053	\$461,614	4.2%	2.7%	b 2011 Recology collection costs vs 2010 Allied collection costs.
Other Pass-Through Costs						
Disposal & Processing Fees	\$4,658,903	\$5,066,664	\$407,761	8.8%	2.4%	Rate impact from Shoreway tip fee increase is 3%.
Disposal: County Fee Increase @ Ox Mtn	\$74,000	\$148,000	\$74,000	100.0%	0.4%	County landfill fee increase 40% on 7/1/2009.
Agency Franchise Fees	\$2,416,012	\$2,595,822	\$179,810	7.4%	1.1%	Increase in agency's fees.
Total Other Pass-Through Costs	\$7,148,915	\$7,810,486	\$661,571	9.3%	3.9%	c
TOTAL REVENUE REQUIREMENT	\$18,207,354	\$19,330,539	\$1,123,185	6.2%		
2011 Current Year Surplus/(Shortfall)	(\$1,934,237)	(\$2,239,539)				
2011 Rate Adjustment	10.6%	13.1%			13.1%	+b+ Total rate impact of all above. This coupled with the residential can migration impact and Allied balancing account will make-up the total projected rate impact for 2011.
*Per SBWMA Board Approved Allied Collection Rate Application.						
ANALYSIS						
Total Collection Rate Revenue						
2010 Allied Rate Year:						
2010 projected revenue before 2010 rate increase	\$16,273,117					
2010 revenue requirement	\$18,207,354					
Recommended 2010 rate increase:	11.9%					
Actual 2010 rate increase effective 4/1/10	6.0%					
2011 Recology Rate Year:						
2011 projected revenue before 2011 rate increase	\$17,091,000					
2011 revenue requirement	\$19,330,539					
Recommended 2011 rate adjustment:	13.1%					
DISPOSAL						
tonnage change:						
Projected decrease in solid waste tons due to increase in recycling volume						
Full Year of San Mateo County 40% Landfill Fee Increase = \$74,000						
FRANCHISE FEES						
higher base revenue in 2011						
Notes:						
2011 revenue projection is based on the average monthly revenue generated since the last rate increase in 2010.						
Rate adjustment does not include any funds agency may have set aside for rate purposes and does not include any planned or approved future rate increase.						
2011 revenue projection might not include all new revenue generated from new fees such as backyard service.						
This 2011 rate adjustment does not account for any rate adjustment that might be needed due to the residential can migration issue.						
This 2011 rate adjustment excludes the impact from the Allied 2010 Balancing Account revenue surplus or shortfall.						

SBWMA
REVENUE REQUIREMENT VARIANCE ANALYSIS

2011 COLLECTION RATE VARIANCE ANALYSIS	West Bay				Percent Rate Impact		Comments
	2010 *	2011	Variance	Percent Variance			
2010 Revenue Requirement / 2011 Collection Revenue @ 2010 Rates	\$961,233	\$891,000	(\$70,233)	-7.8%	7.9%	a	Revenue shortfall due to recommended rate increase not implemented. See analysis below.
2010 Projected Allied Collection Revenue (12/09)	\$901,753						
Total Contractor's Compensation	\$663,692	\$781,687	\$117,995	17.8%	13.2%	b	2011 Recology collection costs vs 2010 Allied collection costs.
Other Pass-Through Costs							
Disposal & Processing Fees	\$268,261	\$324,084	\$55,823	20.8%	6.3%		Rate impact from Shoreway tip fee increase is 3%.
Disposal: County Fee Increase @ Ox Mtn	\$3,000	\$6,000	\$3,000	100.0%	0.3%		County landfill fee increase 40% on 7/1/2009.
Agency Franchise Fees	\$26,280	\$53,401	\$27,121	103.2%	3.0%		Increase in agency's fees.
Total Other Pass-Through Costs	\$297,541	\$383,485	\$85,944	28.9%	9.6%	c	
TOTAL REVENUE REQUIREMENT	\$961,233	\$1,165,173	\$203,940	21.2%			
2011 Current Year Surplus/(Shortfall)	(\$59,480)	(\$274,173)					
2011 Rate Adjustment	6.2%	30.8%			30.8%	a+b+c	Total rate impact of all above. This coupled with the residential can migration impact and Allied balancing account will make-up the total projected rate impact for 2011.
*Per SBWMA Board Approved Allied Collection Rate Application.							
SUMMARY							
Total Collection Rate Revenue							
2010 Allied Rate Year:							
2010 projected revenue before 2010 rate increase	\$901,753						
2010 revenue requirement	\$961,233						
Recommended 2010 rate increase:	6.6%						
Actual 2010 rate increase	0.0%						
2011 Recology Rate Year:							
2011 projected revenue before 2011 rate increase		\$891,000					
2011 revenue requirement		\$1,165,173					
Recommended 2011 rate adjustment:		30.8%					
DISPOSAL							
tonnage change:							
10% increase in green waste tonnage more than projected last year							
Full Year of San Mateo County 40% Landfill Fee Increase = \$3,000							
FRANCHISE FEES							
Agency increased fee from flat \$5,000 to 5%							
Notes:							
2011 revenue projection is based on the average monthly revenue generated since the last rate increase in 2010.							
Rate adjustment does not include any funds agency may have set aside for rate purposes and does not include any planned or approved future rate increase.							
2011 revenue projection might not include all new revenue generated from new fees such as backyard service.							
This 2011 rate adjustment does not account for any rate adjustment that might be needed due to the residential can migration issue.							
This 2011 rate adjustment excludes the impact from the Allied 2010 Balancing Account revenue surplus or shortfall.							



STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Facility Operations Contracts Manager
Date: October 28, 2010 Board of Director's Meeting
Subject: Resolutions Approving Change Orders with S.J. Amoroso Construction, Inc. for 1) Shoreway Master Plan Phase II Construction, 2) Transfer Station Construction Scope of Work (Delta 8)

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolutions No. 2010-31 and Resolution No. 2010-32 attached hereto authorizing the following action:

1. Approve the Transfer of \$1,220,000 from the Master Plan Unallocated Contingency funds to augment the previously Board approved 10% contingency of \$1,620,900 for Shoreway Master Plan Phase II Construction.
2. Approval of a Change Order for a Transfer Station construction scope of work (Delta Eight) with S.J. Amoroso Construction Inc.
3. Use of \$213,000 of the \$728,000 added back to the Master Plan project budget from the \$1,428,000 in savings by exercising the bid deduction for the Transfer Station Public Education Center.

Resolution No. 2010-31 addresses item 1, whereas Resolution No. 2010-32 addresses items 2 and 3.

Analysis

1. Shoreway Master Plan Construction

Payments to SJ Amoroso for Phase II Master Plan construction work are tracked based on: 1) contract work that is within the scope of the original base contract bid price, and 2) construction change order work that is outside of the original bid and that is performed on an as needed basis. The Board awarded the base construction contract to S.J. Amoroso, Inc. for \$16,209,000 and created a 10% construction contingency fund in the amount of \$1,620,900. As of September 2010, S.J. Amoroso has completed approximately 60% of the contract construction work and has been paid 60% of the budgeted construction dollars. The project contingency expenditure spending has been higher than anticipated and is approximately 89% spent. Additional contingency dollars will be required to cover construction change orders (CCOs) arising during the remaining 40% of construction to be performed.

Construction contingency dollar expenditures are tracked by Covello, approved by Staff, and reported to the SBWMA Board in the monthly Shoreway Construction Update staff report. Additionally, CCOs are reviewed at the ad hoc construction committee meetings (most recently on 9/30/10). In addition to the dollar amount and the description of the expenditure, a Reason Code is assigned to each CCO that groups the CCO into one of six categories. The table on the next page presents the total contingency dollars spent to date and the anticipated change orders based on reason code.

<u>Reason Code</u>	<u>Approved Change Orders</u>	<u>Anticipated Change Orders</u>	<u>Category Explanation</u>
Design Revisions/ Design Change	\$ 176,722	\$ 326,868	Includes change order costs that relate to revisions and changes to original plans made in order to clarify and direct construction activities.
Differing Site Condition	\$ 417,166	\$ 324,031	Unanticipated site conditions unknown or unknowable by Contractor at the time of bidding.
Equipment Related	\$ 525,025	\$ 35,570	Changes to MRF design that resulted from the final Operations Contractor Selection and equipment package selection.
Multiple Causes	\$ 144,536	\$ 317,452	Changes that result from a combination of reasons.
Owner Directed Change	\$ 63,194	\$ 47,133	Construction changes made by the SBWMA to modify the buildings to meet operational requirements and changes.
Permit Related	\$ 124,507	\$ 167,245	Construction changes made in response to city plan check comments from City of San Carlos Building and Public Works Departments.
Total	\$1,451,150	\$1,218,299	

Equipment Related CCOs are the highest category of CCO expenditures and relate to the single stream equipment selection and installation at the MRF. Due to the fact the MRF building was designed and awarded months before the Operations Contractor / Equipment Selection process was concluded, the MRF building was designed without complete knowledge of the structural and electrical needs of the sorting equipment. After the start of construction, these aspects of the MRF building required substantial redesign- generated change order work. The largest expenditures in this category include the following:

- \$161K relocation of MRF power feed and layout to conform to PG&E hook-up requirements;
- \$113K additional piles and foundation work required to support equipment pit modifications;
- \$74K cost to upgrade power connection to MRF equipment from supply;
- \$62K foundation modifications to pits to match BHS equipment design;
- \$28K cost of additional reinforcing steel for equipment pits.

Differing Site Conditions is the category where the second largest CCO dollar expenditures have occurred. These CCOs have mostly resulted from the cost of dealing with preexisting soil conditions or structures. The largest dollar expenditures in the category include:

- \$250K in disposal of soils removed from the construction site which tested as Class II hazardous;
- \$70K market price change of all structural steel used in MRF and transfer station;
- \$58K in lime treatment of MRF soils for winterization;
- \$48K removal of hazardous cisterns under old MRF slab;
- \$43K additional demolition cost for larger than anticipated existing MRF pits.

Many of the site and foundation conditions that generated an increase in the number of CCOs were experienced at the beginning of MRF construction. These specific conditions have been largely resolved and the structural elements of the MRF building are nearly completed.

There are pending CCOs related to the MRF building and to the pending transfer station construction that are not reflected in the CCO totals to date but are anticipated by the construction team. In forecasting the needed future contingency dollars to complete the Phase II Construction, the construction team considered the current construction progress, the pending construction issues that will need to be addressed through the change order process, and the remaining transfer station construction work to be completed over the next seven months. Through this review process, the construction team estimates that an additional 7.5% in construction contingency funds (\$1.22 M) will be required over the duration of the S.J. Amoroso contract.

2. Transfer Station Scope of Work (Delta 8)

In September Amoroso provided the SBWMA a quote for constructing the Delta 8 transfer station design that was prepared by JRMA. Delta 8 design include transfer station work that is an outcome of the education center bid deduction that was exercised at the original construction contract award to S.J. Amoroso. Specifically, Delta 8 includes additional building frontage work necessary to close-out S.J. Amoroso's work, additional foundation construction, and additional structural reinforcements that are necessary to support the future transfer station expansion as designed in Delta 9.

The construction team has analyzed and negotiated the quote amount with Amoroso and has arrived at a cost of \$213K for the planned Delta 8 work. Staff is recommending that Delta 8 construction change order costs be drawn against the \$728K reserve for transfer station education center improvements that was established at the time of the education center bid deduction. This will leave a remaining balance of \$515K in the transfer station expansion budget. As reported in prior staff reports, SBWMA is anticipating that the Delta 9 construction work will be bid out after S.J. Amoroso has completed there contract work - so the Agency can benefit from cost savings resulting from a competitive bid situation. Staff will return to the Board prior to bidding Delta 9 work and will perform a needs analysis to ensure that the Delta 9 design includes the public and operational needed of the new Shoreway facility.

Background

The SBWMA embarked on a Shoreway Master Plan over three years ago that included: Phase I – traffic and scale improvements, Phase II – MRF and Transfer Station Improvements, and Phase III – manufacture and installation of a Single Stream system. The Board approved a Master Plan Bond amount that included \$46.90M to fund all phases of the Master Plan Project. Master Plan Phase II work was awarded in July 2009 to S.J. Amoroso in the amount of \$16,209,000 for the construction of the MRF and Transfer Station buildings and site improvements. Along with the bid award, the Board voted to establish a construction contingency fund in the amount of \$1,620,900 (equal to 10% of the project value) to cover unanticipated construction costs and changes. Staff has provided monthly construction project updates that include a construction budget status and a detailed summary of construction change order expenditures drawn from the construction contingency funds.

Currently, Phase II MRF and Transfer Station construction is approximately 60% complete and 60% of the construction contract dollar amount has been paid to SJ Amoroso. The MRF process area and shell are nearly completely built and construction is now focused on construction of the MRF administrative areas. The MRF process area was completed in August and is dedicated to the transfer of recyclable materials and the installation of single stream equipment by BHS. Transfer Station building demolition started in August and the new transfer station is anticipated to be complete by the original construction contract Final Completion date of June 6, 2011.

At the time of the construction bid was award to SJ Amoroso, the Board exercised a bid deduction of the transfer station education center in the amount of \$1,428K. Based on a bid cost analysis, it was determined that the quoted

education center construction cost was not a good value for the SBWMA and through subsequent value engineering, the education center scope could be reduced, redesigned, and rebid at a savings to the Agency. Half of the \$1,428K was held in reserve for the future construction of the transfer station education center and the other half (\$728K) was used to reduce the Master Plan Bond amount.

Fiscal Impact

The same Master Plan Budget table that is presented to the Board in the monthly Construction Update staff report is also shown below. The Master Plan Budget table provides a summary of the expenses to date and the remaining cash balances for each project Phase through September 2010. The recommendations will have the following financial impact:

1) Shoreway Master Plan Construction: the current Unallocated Contingency fund balance of \$1,888K will be used to pay a forecasted \$1,220K in future Phase II construction change orders. This will leave a remaining Unallocated Contingency fund balance of \$668K.

2) Transfer Station Scope of Work (Delta 8): the Transfer Station Education Center reserve fund has a balance of \$728K which will be used to pay the Delta 8 construction costs of \$213K. This will leave a remaining Transfer Station Education Center reserve fund balance of \$515K.

The Unallocated Contingency and the Education Center reserve fund represent the bulk of the uncommitted Master Plan funds, and as such can be considered a “buffer” in the Master Plan Bond funds to cover the Master Plan project completion. Approval of the recommendation will result in a Master Plan “buffer” of \$1,183,000.

SHOREWAY ENVIRONMENTAL CENTER MASTER PLAN BUDGET					
OCTOBER 2010		(000's)			
	Vendor	Original Project Budget Amount	Additional Allocated Contingency	Spent Amount as of 9/30/10	Remaining Amount as of 9/30/10
<u>PROJECT COST SUMMARY</u>					
<u>Preliminary Costs</u>					
Planning, Design & Engineering	Various	2,404.0	-	(2,353.7)	50.3
Bond Issuance Costs		83.1	-	(83.1)	-
<u>Phase I</u>					
Construction	Rodan	2,405.0	-	(2,283.6)	121.4
Construction Management	Covello	444.3	-	(460.2)	(15.9)
<u>Phase II</u>					
Construction	Amoroso	16,209.0	-	(9,445.3)	6,763.7
Construction Contingency (10%)	Amoroso	1,620.9	-	(1,461.1)	159.8
Construction Management & Design Support Services	Covello/JRMA	2,376.0	216.0	(1,791.8)	800.2
Construction Soft Costs	Various	786.7	-	(100.0)	686.7
<u>Phase III</u>					
Equipment Installation	BHS	2,462.4	-	(2,462)	(0.0)
Contingency (10%)	BHS	246.2	-	-	246.2
Camera System, elec.		85.0	-	-	85.0
Supplemental Fire Suppression		75.0	-	-	75.0
Equipment	BHS	14,354.4	-	(10,820.0)	3,534.4
Contingency	BHS	492.8	-	(152.9)	339.9
Construction Management and Soft Costs	Various	95.0	-	-	95.0
<u>TOTAL PROJECT EXPENDITURES</u>		44,139.8	216.0	(31,414.0)	12,941.7
<u>OTHER PROJECT DOLLARS</u>					
Unallocated Contingency		2,104.1	-	(216.0)	1,888.1
Transfer Station Public Area (SJA Bid Deduction)		728.0	-	-	728.0
<u>TOTAL PROJECT FUNDS</u>		46,971.9			

Attachments:

Resolution 2010-31 and Resolution 2010- 32



RESOLUTION NO. 2010-31

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS

WHEREAS, there is a need to provide additional funds to cover Phase II Master Plan Construction Change Orders.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the Transfer of \$1,220,000 from the Master Plan Unallocated Contingency funds to augment the previously Board approved 10% contingency of \$1,620,900 for Shoreway Master Plan Phase II Construction.

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 28th day of October, 2010, 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. 2010-31 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on October 28, 2010.

ATTEST:

Jim Porter, Chairperson of SBWMA

Jeannene Minnix Kingston, Board Secretary



RESOLUTION NO. 2010-32

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS

WHEREAS, a the Education Center was deducted from the original bid and scope of work quoted by SJ Amoroso for the Master Plan Phase II construction in the amount of \$1,428,000, and

WHEREAS, the Authority is considering the future construction of an transfer station addition for an education center or other needs,

WHEREAS, the construction of Delta Eight design provides the foundation and structural elements necessary for the future expansion of the transfer station.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the following:

- A) Approval of a Change Order for a Transfer Station construction scope of work (Delta Eight) with SJ Amoroso Construction Inc,

- B) Use of \$213,000 of the \$728,000 added back to the Master Plan project budget from the \$1,428,000 in savings by exercising the bid deduction for the Transfer Station Public Education Center.

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 28th day of October, 2010, 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. 2010-32 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on October 28, 2010.

ATTEST:

Jim Porter, Chairperson of SBWMA

Jeannene Minnix Kingston, Board Secretary



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Date: October 28, 2010 Board of Director's Meeting
Subject: Resolution Approving Amendments to Shoreway Operations Agreement with South Bay Recycling (SBR)

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2010- 33 attached hereto authorizing the following action:

Approval of the amendments to the Shoreway Operations Agreement with South Bay Recycling.

If approved by the Board, the amended Shoreway Operations Agreement shall not become effective unless and until at least eight (8) of the Member Agencies approve the Agreement as provided in Section 7.1.1 of the SBWMA First Amended and Restated Joint Exercise of Powers Agreement.

Analysis

Below is a summary of a series of essentially minor changes to the Shoreway Operations Agreement with SBR:

Section 5.03 – new language clarifying that acceptance of third party tons into the Shoreway facility would require a written agreement including “pricing terms and conditions.” This change provides for more transparency in any future business transactions to bring in new third party tons (e.g., recyclables from another city in the county).

Section 6.06 – revised language providing relief to SBR for not using B-20 biodiesel if it's not available onsite at the fueling station. Biodiesel will not be available for either RSMC or SBR for the start of new operations.

Section 8.05 – revised language cross-referencing language from Attachment 4 re: materials recovered by SBR at the Transfer Station not counting towards the revenue guarantee if the materials don't require onsite processing at the MRF.

Section 8.07 – revised language providing for earlier monthly reporting of inbound tonnage by the fifth business day of the month. This change will facilitate the SBWMA's timely monthly billing of RSMC for materials hauled into the Shoreway facility.

Section 8.08 – revised language clarifying the annual revenue reconciliation process.

Attachment 3 Section 7(C) – new language noting that the hours of the Public Recycling Center can be modified upon mutual agreement.

A redline of the actual changes is included as **Attachment 2**.

Background

On July 23, 2009 the Board approved the Shoreway Operations Agreement with SBR. SBR will take over Shoreway Operations from Allied Waste effective January 1, 2011. SBR's 2011 compensation to manage the Shoreway facility was approved by the Board on September 23, 2010.

Fiscal Impact

There is no fiscal impact associated with the recommended amendments to the Shoreway Operations Agreement.

Attachments:

Attachment 1 -- Resolution 2010-33

Attachment 2 – Redline changes to Shoreway Operations Agreement



RESOLUTION NO. 2010-33

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS

WHEREAS, On July 23, 2009 the South Bayside Waste Management Authority (SBWMA) Board of Directors approved the Shoreway Operations Agreement;

WHEREAS, Any amendments to the Shoreway Operations Agreement shall not become effective unless and until at least eight (8) of the Member Agencies approve the Agreement as provided in Section 7.1.1 of the SBWMA First Amended and Restated Joint Exercise of Powers Agreement.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves the amendments to the Shoreway Operations Agreement.

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 28th day of October, 2010, 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. 2010-33 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on October 28, 2010.

ATTEST:

Jim Porter, Chairperson of SBWMA

Jeannene Minnix Kingston, Board Secretary

AGREEMENT FOR OPERATION
OF THE
SHOREWAY RECYCLING AND DISPOSAL
CENTER

SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
AND
SOUTH BAY RECYCLING, LLC

July 2009

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS..... 3
 1.01 Definitions..... 3

ARTICLE 2 TERM OF AGREEMENT..... 4
 2.01 Effective Date 4
 2.02 Term 4
 2.03 Option To Extend Term 4
 2.04 Conditions to Effectiveness of Agreement..... 4

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF CONTRACTOR..... 6
 3.01 Corporate Status 6
 3.02 Corporate Authorization..... 6
 3.03 Statements and Information in Proposal 6
 3.04 No Conflict with Applicable Law or Other Documents 6
 3.05 No Litigation..... 6
 3.06 Financial Condition 6
 3.07 Expertise..... 7

ARTICLE 4 INSTALLATION OF NEW MRF EQUIPMENT..... 8
 4.01 General..... 8
 4.02 Purchase of MRF Equipment 8
 4.03 Installation of MRF Equipment 8
 4.04 Systems Acceptance Test..... 8
 4.05 Delay in Acceptance 9

ARTICLE 5 OPERATION OF SHOREWAY CENTER 10
 5.01 Scope of Work – General 10
 5.02 Implementation Plan..... 10
 5.03 Shoreway Center Facility Operations - General 10
 5.04 Days and Hours of Operation 11
 5.05 Use of the Shoreway Center 11
 5.06 Permits 12
 5.07 Hazardous Waste Exclusion Program..... 13
 5.08 Hazardous Materials Generated From Contractor's Operations 13
 5.09 Equipment 14
 5.10 Authority Right to Purchase Contractor's Equipment 14
 5.11 Personnel 15
 5.12 Weighing..... 17
 5.13 Collection of Fees..... 17
 5.14 Vehicle Turnaround Guarantee 17
 5.15 Ownership of Solid Waste 18
 5.16 Marketing of Recyclable Materials..... 18
 5.17 Authority's Right to Permit Others to Provide Services 19
 5.18 Self-Haul Materials 19
 5.19 Other Operating Procedures and Standards 20

ARTICLE 6 TRANSPORTATION OF MATERIALS 21
 6.01 General..... 21

6.02 Transportation of Solid Waste	21
6.03 Transportation of Hazardous Substances	21
6.04 Transportation of Recyclable Materials	21
6.05 Parking and Maintenance of Transfer Vehicles.....	21
6.06 Alternative Fuels Plan.....	22
ARTICLE 7 COMPENSATION TO CONTRACTOR.....	23
7.01 General.....	23
7.02 Reimbursement of Project Management Costs Related To MRF Sorting Equipment Installation	23
7.03 Basic Compensation – General.....	23
7.04 Adjustment of Proposed Fees to Rate Year One (2011) And Modification During Interim Operations.....	24
7.05 Adjustment Of Basic Compensation In Subsequent Rate years	24
7.06 Supplemental processing Fees	24
7.07 Recycling Revenues; Guarantee and Sharing of revenues.....	25
7.08 Diversion Guarantee.....	27
7.09 Reimbursement of Pass-Through Costs	27
7.10 Reconciliation of Self-Haul Gate Fee Collections.....	28
7.11 Adjustments for Special Circumstances	28
7.12 Application For Annual Adjustment In Basic Compensation	29
ARTICLE 8 PAYMENT PROCEDURES.....	30
8.01 Basic Compensation.....	30
8.02 Supplemental Processing Fees.....	30
8.03 Pass Through Costs Reimbursement.....	30
8.04 Gate Fees for Publicly Hauled Waste.....	30
8.05 Revenue from Sale of Recyclable Materials.....	30
8.06 Disposal and Transportation Cost of MRF Residue	30
8.07 Monthly Contractor's Statement	31
8.08 Annual Calculation and Reconciliations	32
8.09 Liquidated Damages.....	32
ARTICLE 9 CONTRACTOR RECORDS/REPORTING.....	33
9.01 Tonnage Records.....	33
9.02 CERCLA Defense Records	33
9.03 Provision of Records to the Authority	33
9.04 Reports and Schedules	33
9.05 Quarterly Report Requirements.....	34
9.06 Annual Report Requirements	35
9.07 Inspection of Records.....	35
9.08 Retention of Records.....	36
9.09 Adverse Information	36
ARTICLE 10 INDEMNITY, INSURANCE, PERFORMANCE BOND, GUARANTY.....	37
10.01 Indemnification	37
10.02 Insurance.....	37
10.03 Faithful Performance Bond.....	40
10.04 Alternative Security.....	41
10.05 Hazardous Waste Indemnification.....	41
10.06 Integrated Waste Management Act Indemnification.....	41

10.07 Guaranty	41
ARTICLE 11 DEFAULT AND REMEDIES	42
11.01 Events of Default	42
11.02 Right to Suspend or Terminate Upon Default.....	42
11.03 Specific Performance	43
11.04 Right to Perform; Use of Contractor Property.....	43
11.05 Damages	43
11.06 Authority's Remedies Cumulative.....	43
11.07 Liquidated Damages.....	43
11.08 Authority Default.....	44
11.09 Excuse from Performance	45
11.10 Assurance of Performance	46
ARTICLE 12 OTHER AGREEMENTS OF THE PARTIES	47
12.01 Relationship of Parties.....	47
12.02 Compliance with Law.....	47
12.03 Assignment.....	47
12.04 Subcontracting.....	48
12.05 Affiliated Entity	49
12.06 Contractor's Investigation	49
12.07 No Warranty by Authority	49
12.08 Condemnation	49
12.09 Notice	49
12.10 Representatives of the Parties	50
12.11 Duty of Contractor Not to Discriminate	50
12.12 Right to Inspect Contractor Operations	50
12.13 Right of Authority to Make Changes.....	51
12.14 Transition to Next Service Provider	51
12.15 Reports as Public Records	51
12.16 Destruction Of Premises.....	51
ARTICLE 13 MISCELLANEOUS AGREEMENTS	53
13.01 Governing Law	53
13.02 Jurisdiction.....	53
13.03 Binding on Successors	53
13.04 Parties in Interest.....	53
13.05 Waiver	53
13.06 Attachments.....	53
13.07 Entire Agreement.....	53
13.08 Section Headings	53
13.09 Interpretation	53
13.10 Amendment	53
13.11 Severability	54
13.12 Costs and Attorneys' Fees	54
13.13 Indemnity Against Challenges to Agreement	54
13.14 No Damages for Invalidation of Agreement.....	54
13.15 References to Laws.....	54

LIST OF ATTACHMENTS

1. Definitions
- 2-A. List of MRF Sorting Equipment Showing Manufacturer, Model Number, Description
- 2-B. Latest Version of Site Plan for Shoreway Recycling and Disposal Center
- 2-C. Plan Drawings of New MRF Sorting Equipment
- 2-D. MRF and Transfer Station Materials Flow Diagram
- 2-E. Contamination Measurement Methodology: Single Loads
- 2-F. MRF Equipment Acceptance Test
- 2-G. Product Quality Standards
- 2-H. Quarterly Contamination Measurement Methodology
3. General Operating Standards and Procedures
4. Contractor's Implementation and Operating Plan
- 5-A. General Site Map/Shared Use Facility
- 5-B. Detailed Site and Building Plans and Parking Areas
6. Permits
7. Hazardous Waste Exclusion Plan (HWEP)
- 8-A. Authority-Supplied Stationary Equipment
- 8-B. Contractor-Supplied Equipment List
9. Contractor Staffing Plan
10. Liquidated Damages
- 11-A. Materials Marketing Plan
- 11-B. Price Assurance Mechanism
- 11-C. Moisture Measurement
- 12-A. Procedure for Initial Rate Adjustment Process
- 12-B. Sample Calculation of Initial Rate Adjustment Process
- 12-C. Modification of Basic Compensation During Interim Operations in Rate Year One
- 12-D. Final Cost Forms
- 13-A. Procedure for Annual Rate Adjustment Process
- 13-B. Sample Calculation of Annual Rate Adjustment Process
14. Self-Haul Reconciliation Formula
15. Reports to be Provided by Contractor
16. Performance Bond and Continuation Certificate
17. Guaranty
18. Contractor's Safety Plan
19. Self-Haul Diversion Plan

**AGREEMENT FOR THE OPERATION
OF THE SHOREWAY RECYCLING AND DISPOSAL CENTER**

THIS AGREEMENT is made and entered into as of this 30th day of July 2009, by and between the SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY (the "Authority"), and SOUTH BAY RECYCLING, LLC, a California limited liability company (the "Contractor").

RECITALS

1. The State of California, through the California Integrated Waste Management Act of 1989, codified at Public Resources Code Section 40000, *et seq.* (the "Act"), found and declared that the amount of solid waste generated in California, coupled with diminishing landfill space and potential adverse environmental impacts from landfill disposal, has created a need for state and local agencies to enact and implement an aggressive integrated waste management program.

2. The Act directs the California Integrated Waste Management Board and local agencies to promote recycling and to maximize the use of feasible source reduction, recycling and composting options in order to reduce the amount of solid waste that must be disposed in landfills.

3. 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 and recyclable materials within its jurisdiction.

4. The Authority owns and oversees the operation of the Shoreway Recycling and Disposal Center in San Carlos ("Shoreway Center"). The recycling and materials recovery operations conducted at the Shoreway Center are an integral component of each of the Member Agencies' Source Reduction and Recycling Elements, which have in turn been incorporated into San Mateo County's Integrated Waste Management Plan.

5. The Member Agencies, acting in coordination with each other and the Authority, are planning to expand the recycling operations within each of their jurisdictions through a variety of measures, including the institution of "single stream" recycling, i.e., the collection of commingled recyclables in a single, wheeled container.

6. As a result of these new and expanded recycling programs within its Member Agencies, the Authority anticipates that the amount of recyclable materials, including organic materials, delivered to the Shoreway Center will increase.

7. In order to prepare for this anticipated increase in the amount of recyclable materials, and to improve the ability of the Shoreway Center to recover recyclable materials from solid waste delivered to it, the Authority is planning a substantial renovation and expansion of the facilities at the Shoreway Center.

8. One of the anticipated improvements is the installation of a new system designed specifically for sorting and recovering recyclable materials from single stream collection programs. The new system has been selected by the Contractor, is to be installed by the manufacturer-vendor within the Materials Recovery Facility at the Shoreway Center, and operated by the Contractor.

9. On November 1, 2007, the Authority issued a Request for Proposals to select the new recyclable materials processing equipment, operate the Shoreway Center, transport recyclable materials to various specialized processors and transport residual solid waste to the Ox Mountain Landfill.

10. On March 4, 2008, Contractor submitted a Proposal which, in the judgment of the staff of the Authority, represented the greatest value to the Authority, its Member Agencies and their residents and businesses. On April 23, 2009, on the recommendation of its Facility Operations Contractor Selection Committee, the Board of Directors selected Contractor as the Operator of the Shoreway Center and directed the Authority's Executive Director to negotiate a final agreement with Contractor.

11. On July 23, 2009, the Authority's Board of Directors approved this Agreement and recommended that each of the Authority's Member Agencies also approve it before the Effective Date.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the parties agree as follows:

1

ARTICLE 1 DEFINITIONS

2 **1.01 DEFINITIONS**

3 Unless the context otherwise requires, capitalized terms used in this Agreement will
4 have the meanings specified in Attachment 1.

1 **ARTICLE 2 TERM OF AGREEMENT**

2 **2.01 EFFECTIVE DATE**

3 The Effective Date of this Agreement shall be November 30, 2009.

4 **2.02 TERM**

5 The Term of the Agreement shall begin on the Effective Date and shall end at midnight
6 on December 31, 2020, unless extended as provided in Section 2.03. Contractor's
7 obligation to operate the Shoreway Center shall commence January 1, 2011.

8 **2.03 OPTION TO EXTEND TERM**

9 The Authority may extend the Term for one (1) or more periods of one (1) year, up to a
10 maximum of three (3) years (i.e., until December 31, 2023), on the same terms and
11 conditions. If Authority wishes to extend the Term it shall deliver a written notice to
12 Contractor at least six (6) months before the expiration of the then-current Term,
13 specifying the number of additional years by which it wishes to extend the Term. If the
14 Authority initially elects to extend the Term for less than three (3) years, it may
15 subsequently elect to extend the Term in increments of one or two years, up to a total of
16 three years.

17 **2.04 CONDITIONS TO EFFECTIVENESS OF AGREEMENT**

18 A. The obligation of Authority to perform under this Agreement is subject to
19 satisfaction, on or before the Effective Date, of each and every one of the conditions
20 set out below:

- 21 1. Accuracy of Representations. The representations and warranties made by
22 Contractor in Article 3 of this Agreement shall be true and correct on and as
23 of the Effective Date, and a certification to that effect dated as of the Effective
24 Date shall be delivered by Contractor to Authority on the Effective Date.
- 25 2. Absence of Litigation. There shall be no litigation pending on the Effective
26 Date in any court challenging the execution of this Agreement or seeking to
27 restrain or enjoin its performance.
- 28 3. Sale of Bonds. The Authority shall have sold bonds, certificates of
29 participation, or other such instruments, or shall have secured a loan, in the
30 amount of \$56.5 million, and received the proceeds thereof.
- 31 4. Effectiveness of Authority's Approval. Authority's approval of this Agreement
32 shall have become effective, pursuant to California law, on or before the
33 Effective Date, through the action of eight or more Member Agencies' City
34 Councils or other governing bodies approving this Agreement.
- 35 5. Contract with Equipment Manufacturer. Authority shall have entered into a
36 contract with Bulk Handling Systems for the fabrication, delivery, installation
37 and warranty service of the equipment described in Attachment 2-A for a
38 price and on terms and conditions acceptable to Authority.

- 1 6. Performance Bond. The Contractor shall have delivered a Performance
2 Bond meeting the requirements of Section 10.03.
- 3 The Authority may, in its sole discretion, waive the satisfaction of conditions
4 described in paragraphs 1, 2, 5 and 6 of this Section.
- 5 B. The obligation of Contractor to perform under this Agreement is subject to
6 satisfaction, on or before the Effective Date, of the following condition, which may
7 be waived by Contractor:
- 8 1. Contract with Equipment Manufacturer. Authority shall have entered into a
9 contract with Bulk Handling Systems for the fabrication, delivery, installation
10 and warranty service of the equipment described in Attachment 2-A.
- 11 If this condition is not satisfied or waived by Contractor by the Effective Date, this
12 Agreement shall be void and have no force or effect.

1 **ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF CONTRACTOR**

2 **3.01 CORPORATE STATUS**

3 Contractor is a limited liability company duly organized, validly existing and in good
4 standing under the laws of the State of California, and is qualified to do business in the
5 State of California. It has the corporate power to own its properties and to carry on its
6 business as now owned and operated and as required by this Agreement.

7 **3.02 CORPORATE AUTHORIZATION**

8 Contractor has the authority to enter into and perform its obligations under this
9 Agreement. The Board of Managers of Contractor (and the Members, if necessary)
10 have taken all actions required by law, its articles of organization, its operating
11 agreement or otherwise to authorize the execution of this Agreement. The persons
12 signing this Agreement on behalf of Contractor have authority to do so.

13 **3.03 STATEMENTS AND INFORMATION IN PROPOSAL**

14 The Proposal submitted to Authority by Contractor and information submitted to
15 Authority supplementary thereto, on which Authority has relied in entering into this
16 Agreement does not contain any untrue statement of a material fact nor omit to state a
17 material fact necessary in order to make the statements made, in light of the
18 circumstances in which they were made, not misleading.

19 **3.04 NO CONFLICT WITH APPLICABLE LAW OR OTHER DOCUMENTS**

20 Neither the execution and delivery by Contractor of this Agreement, nor the performance
21 by Contractor of its obligations hereunder (i) conflicts with, violates or will result in a
22 violation of any existing Applicable Law; or (ii) conflicts with, violates or will result in a
23 breach or default under any term or condition of any existing judgment, order or decree
24 of any court, administrative agency or other governmental authority, or of any existing
25 contract or instrument to which Contractor is a party, or by which Contractor or either of
26 its Members is bound.

27 **3.05 NO LITIGATION**

28 There is no action, suit, proceeding, or investigation at law or in equity, before or by any
29 court or governmental entity, pending or threatened against Contractor, or otherwise
30 affecting Contractor, wherein an unfavorable decision, ruling, or finding, in any single
31 case or in the aggregate, would materially adversely affect Contractor's performance
32 hereunder, or which, in any way, would adversely affect the validity or enforceability of
33 this Agreement, or which would have a material adverse effect on the financial condition
34 of Contractor or either of its Members.

35 **3.06 FINANCIAL CONDITION**

36 Contractor has made available to Authority information on its financial condition and that
37 of its Members. Contractor recognizes that Authority has relied on this information in
38 evaluating the sufficiency of Contractor's financial resources to perform this Agreement
39 and of its Members to guarantee that performance. To the best of Contractor's
40 knowledge, this information is complete and accurate, does not contain any material
41 misstatement of fact, and does not omit any fact necessary to prevent the information
42 provided from being materially misleading.

1 **3.07 EXPERTISE**

2 Contractor has the expertise and professional and technical capability to perform all of
3 its obligations under this Agreement and is ready, willing and able to so perform.

1 **ARTICLE 4 INSTALLATION OF NEW MRF EQUIPMENT**

2 **4.01 GENERAL**

3 Contractor has recommended that the Authority purchase the equipment described in
4 Attachment 2-A and illustrated on Attachment 2-C. This recommendation has been
5 made based on Contractor's analysis of the types and volumes of Recyclable Materials
6 expected to be delivered to the MRF after the Member Agencies initiate a single stream
7 collection process, the Authority's goals for materials recovery as incorporated in this
8 Agreement, and the site constraints of the MRF as it is planned to be reconstructed as
9 shown on Attachment 2-B. Contractor has had the opportunity to provide input to the
10 design process and is satisfied that its recommendations on equipment and operational
11 aspects have been incorporated in the design of the MRF building shown on Attachment
12 2-B and in the plans and specifications included in the Request for Proposals for
13 Construction dated March 9, 2009, as modified by the document entitled "SBR Building
14 Modifications with Budget Effect on SBWMA 070209" dated July 2, 2009. Contractor
15 has assured the Authority that the equipment recommended will process single stream
16 Recyclable Materials as specified and required in Attachment 2-E (MRF equipment
17 performance specification), with the composition described in the system's acceptance
18 test set forth in Attachment 2-F and will produce materials that meet the product quality
19 standards set forth in Attachment 2-G.

20 **4.02 PURCHASE OF MRF EQUIPMENT**

21 The Authority intends to execute a contract with Bulk Handling Systems on or before
22 November 1, 2009 to purchase the MRF equipment. Contractor will, upon request,
23 assist the Authority in negotiating the terms and conditions of the contract with Bulk
24 Handling Systems.

25 **4.03 INSTALLATION OF MRF EQUIPMENT**

26 The equipment will be installed by Bulk Handling Systems and is intended to operate as
27 shown on the drawings contained in Attachment 2.

28 Contractor has represented to Authority that the equipment, installed as shown on
29 Attachment 2-C, will achieve the product quality standards as described in Attachment 2-
30 G.

31 Upon request by Authority, Contractor will arrange for a technically qualified
32 representative to be on site at least five (5) days per week during the installation of the
33 equipment to observe the installation and to advise the Authority. Currently, the parties
34 expect the equipment installation process will require about 35 weeks, will begin in April
35 2010, and be completed in December 2010.

36 **4.04 SYSTEMS ACCEPTANCE TEST**

37 Upon completion of the installation, the Contractor shall immediately start up and
38 operate the MRF equipment for a shakedown period of no less than 10 days and no
39 more than 20 days prior to commencing the acceptance test.

40 The acceptance test will be conducted as provided in Attachment 2-F.

41 The Authority will accept the equipment and allow Contractor to commence full-scale
42 operation of the MRF when the equipment as installed has satisfied the standards of
43 performance contained in Attachment 2-F (which include achieving the product quality

1 standards contained in Attachment 2-G), as well as any other performance
2 representations made by the equipment manufacturer to the Authority in the contract
3 referenced in Section 4.02.

4 **4.05 DELAY IN ACCEPTANCE**

5 If the acceptance test is not completed within 20 days after the end of the shakedown
6 period, Contractor will be responsible for additional costs which may be incurred by
7 Authority in arranging for Recyclable Materials to be transported to and processed at a
8 different location, as well as for decreased revenue from sales of Recyclable Materials.

9 The Contractor is responsible to pay the Authority only for those added transportation
10 and processing costs and reduced commodity revenues arising from management and
11 supervisory failures, failure to operate the system according to the manufacturer's
12 operating protocol, or the inefficiency of the Contractor's sorters and equipment
13 operators which may cause the acceptance test period to extend beyond 20 days.

1 **ARTICLE 5 OPERATION OF SHOREWAY CENTER**

2 **5.01 SCOPE OF WORK – GENERAL**

3 The work to be performed by Contractor includes the furnishing of all labor, supervision,
4 equipment, materials, supplies and all other items necessary to perform the services
5 required under this Agreement in a thorough, workmanlike and efficient matter, so that
6 users of the Shoreway Center are provided reliable, courteous and high-quality services at
7 all times. The enumeration of, and specification of requirements for, particular items of
8 labor, supervision, equipment, materials or supplies shall not relieve Contractor of the duty
9 to furnish all others that may be required to be provided under this Agreement by
10 Contractor, whether enumerated or not.

11 Contractor shall perform all work in accordance with Attachment 3, all provisions of which
12 are incorporated herein whether or not such provisions are specifically referred to in any
13 other section of this Agreement.

14 **5.02 IMPLEMENTATION PLAN**

15 The parties recognize that substantial planning and preparation will be required to ensure
16 successful initiation of operations by Contractor on January 1, 2011, and full-scale MRF
17 operations in February 2011 and full-scale Transfer Station operations in March 2011. To
18 that end, Contractor has prepared a detailed implementation plan addressing the steps
19 Contractor will take, and the schedule on which it will take them, to prepare for
20 commencement of operations on January 1, 2011. The implementation plan covers
21 Contractor's schedule for hiring and training of personnel, acquiring necessary vehicles and
22 equipment, installing and testing of the new sorting equipment, etc., and is included in the
23 Implementation and Operating Plan attached as Attachment 4.

24 Contractor shall diligently adhere to the implementation plan and shall meet periodically,
25 whenever the Authority requests, to review and report on progress. No changes will be
26 made to the schedule without the Authority's prior written approval. Failure to adhere to the
27 implementation plan, including its schedule, shall constitute a breach of this Agreement
28 which, if uncured, shall constitute a default under Section 11.01.

29 The specific plans and other materials required to be submitted by the implementation plan
30 are subject to the Authority's review and approval. To the extent reasonably practicable,
31 the Authority will take actions, make decisions, and provide directions to Contractor in
32 accordance with the schedule and time allowances set forth in Attachment 4, so as not to
33 delay Contractor's adherence to the implementation plan schedule.

34 **5.03 SHOREWAY CENTER FACILITY OPERATIONS - GENERAL**

35 Contractor recognizes that the Authority and its Member Agencies are committed to
36 recycling materials that have in the past been disposed in landfills. Contractor shall operate
37 the Transfer Station, Materials Recovery Facility (MRF), Buy-back / Drop-off Center and
38 related facilities to allow for the convenient and efficient management of Solid Waste and
39 recovery of Recyclable Materials, and Organic Materials, including Plant Materials. The
40 Contractor's overall approach to operation of the scale house, the Transfer Station, the
41 MRF, the Public Buy-Back/Drop-Off Center, and the transportation of materials from the
42 Shoreway Center to the Designated Disposal Site and Designated Processing Facilities is
43 included in the Implementation and Operating Plan attached as Attachment 4. Also
44 included is Contractor's interim operating plan describing its operations during the period
45 from the Commencement Date to full-scale operation of the MRF.

1 Contractor shall receive and accept all Solid Waste, Recyclable Materials, Organic
2 Materials (including Plant Materials), Construction and Demolition Debris, E-waste, and U-
3 Waste delivered to the Shoreway Center by:

- 4 A. The Member Agencies and their Collection Contractor(s).
- 5 B. The general public and businesses located within, or outside of, the Service Area (i.e.,
6 the combined jurisdictions of the Member Agencies).
- 7 C. Commercial haulers doing business within the Service Area.
- 8 D. Other haulers approved by the Authority.

9 Neither the Contractor nor an Affiliated Company may bring materials from outside the
10 Service Area without prior written approval of the Authority. Such approval, if granted by the
11 Authority, would include, but not be limited to, a written agreement stating the pricing terms
12 and conditions for the accepted materials.

13 **5.04 DAYS AND HOURS OF OPERATION**

14 Contractor shall operate the Shoreway Center every day of the year, except Thanksgiving,
15 Christmas and New Years Day.

16 The hours during which the Contractor may conduct operations at the Shoreway Center
17 are:

18	Monday through Saturday:	2:00 a.m. to 11:00 p.m.
19	Sunday:	6:00 a.m. to 6:00 p.m.

20
21 Operations between the hours of 6:00 p.m. and 11:00 p.m. Monday through Saturday shall
22 be limited to operations within the Transfer Station and the MRF.

23 There shall be no truck traffic to or from the Shoreway Center between the hours of 6:00
24 p.m. and 2:00 a.m. the following morning. Additionally, there shall be no truck traffic to or
25 from the Shoreway Center between 2:00 a.m. and 6:00 a.m. on Sundays.

26 The Center shall be open to the public only between 6:00 a.m. and 6:00 p.m. seven days a
27 week.

28 **5.05 USE OF THE SHOREWAY CENTER**

29 A. Contractor's Use of Shoreway Center. Subject to the limitations imposed by this
30 Agreement, including Attachment 5, Contractor shall have the right to use the Shoreway
31 Center (including the administrative, maintenance and repair areas) every day of the
32 year. The Authority will furnish office and interior space painted and carpeted, but
33 Contractor is responsible for providing at its expense all office equipment, furniture, and
34 supplies for areas it will occupy. No lease or other property interest is created by this
35 Agreement.

36 B. Authority's Use of Shoreway Center.

- 37 1. The Authority shall have priority to the use of the upstairs conference room in the
38 MRF building and visitor viewing area in the Transfer Station building, but will
39 cooperate with Contractor in scheduling use of these areas. The Authority will
40 provide, at its expense, telephones and other communications equipment, furniture,
41 computers, office supplies and moveable partitions.
- 42 2. The Authority shall also have access to and the right to make reasonable use of
43 common areas in the buildings, including lobbies, hallways, restrooms and eating

1 areas. The Authority shall endeavor to use these areas in a manner that does not
2 interfere with Contractor's use of them.

- 3 3. Finally, five (5) parking spaces in the visitor parking area in front of the west
4 entrance to the Transfer Station will be reserved for use of Authority staff and
5 invitees.

6 C. Collection Contractor's Use of Facilities and Areas. The parties anticipate that Member
7 Agencies will enter into franchise agreements with a Collection Contractor. The
8 Authority will allow the Collection Contractor to make use of the Shoreway Center, as
9 described in this section and Attachment 5. The Collection Contractor will have the
10 exclusive right to occupy and use the northeast parcel of the Shoreway Center
11 designated "Collections Yard/Collections Operations Area" on Attachment 5, as well as
12 the buildings and facilities located in this area. The Collection Contractor shall also
13 have exclusive use of approximately 21,130 square feet of office space designated as
14 "Existing Admin" on Attachment 5, together with the adjacent parking area.

15 D. Shared Use Areas. In addition, there are areas of the Shoreway Center that Contractor
16 and the Collection Contractor will need to share. The areas of shared utilization
17 include: entry/exit access roads; the fueling area; a bay in the smaller maintenance
18 building which Contractor may use; and the parking area behind the Transfer Station.
19 The Collection Contractor shall have priority to use of fueling facilities; Contractor shall
20 cooperate with the Collection Contractor in the use of other shared areas in order to
21 minimize interference with its operations. If there is a dispute between the Contractor
22 and the Collection Contractor over the shared use areas, the Authority will make a
23 determination as to the extent of use by each, which determination shall be final and
24 binding on each.

25 Each contractor using the Shoreway Center will pay for costs associated with its use. In
26 cases in which there is a single meter (e.g., water and sewer), the costs will be
27 allocated as the Contractor and the Collection Contractor agree. If they are unable to
28 agree, the Authority will make a determination, which determination shall be final and
29 binding on each.

30 E. Other Contractors Temporarily On Site. Contractor is aware that upon the
31 Commencement Date, (1) a general civil construction contractor will be working at the
32 Shoreway Center, and (2) a separate supplier/contractor will be installing recycling
33 equipment in the MRF. Contractor will conduct its operations so as to avoid interfering
34 with the work of either of these contractors.

35 **5.06 PERMITS**

36 A. The Authority will obtain those new permits and renew those existing permits listed as
37 its responsibility on Attachment 6.

38 B. If new operating permits and approvals (or amendments to the permits and
39 approvals obtained by the Authority) become necessary by virtue of Contractor's
40 operations or changes in operations, Contractor shall obtain them. The Authority will
41 assist the Contractor in obtaining permits provided that the operations which give rise to
42 the need for them are in compliance with this Agreement. Contractor shall submit a
43 draft of all applications for operating permits (and for subsequent renewals or
44 modifications thereof) to the Authority for its review and approval prior to filing an
45 application with the permitting agency(ies). Contractor shall keep the Authority fully
46 informed at all times on the status of all permit applications. Contractor shall apply for
47 permits in its own name or in the name of the Authority, as directed by the Authority.

1 Contractor shall not agree to permit terms and conditions on any permit which is to be
2 issued in the name of the Authority without the prior written consent of the Authority.
3 Contractor shall provide copies of all permits issued in Contractor's name and originals
4 of all permits issued in the Authority's name (and any renewals or amendments) to the
5 Authority promptly and in any case within five (5) working days of their receipt.

6 C. The Contractor will notify the Authority of all changes in permit status, involvement by
7 other regulatory agencies, accidents, and operational changes that reasonably could
8 materially affect operations at, or the movement of materials into/out of, the Shoreway
9 Center. Contractor shall comply with the terms of all licenses, permits and approvals
10 governing the Shoreway Center, including any which may require modifications to its
11 operating procedures. Contractor will comply with the terms and conditions contained
12 in the use permit and any and all other entitlements (and any and all amendments
13 thereto) issued by the City of San Carlos for the Shoreway Center.

14 D. Contractor shall be solely responsible for paying, and shall pay, any fines or penalties
15 imposed by governmental agencies for Contractor's noncompliance with permit terms.

16 **5.07 HAZARDOUS WASTE EXCLUSION PROGRAM**

17 A. Contractor shall develop, maintain, update implement and comply with a hazardous
18 waste exclusion program plan (HWEP), the requirements of which are described in
19 Attachment 7. Should additional measures be required to be incorporated into the
20 HWEP to comply with changes in law or regulations, Contractor shall incorporate,
21 implement and comply with such additional measures. Contractor shall arrange for the
22 safe and lawful temporary storage and disposal of such waste in an appropriate location
23 separate from the U-waste and E-waste materials collected at the Buyback / Drop-off
24 center.

25 As a part of the HWEP, the Contractor shall inspect outbound loads of materials that
26 are transported to the Designated Disposal Site or to Designated Processing Facilities.
27 If the Disposal Site or a Processing Facility rejects a load because it contains materials
28 that should have been removed under the HWEP, the Contractor shall notify the
29 Authority immediately and manage the disposal of the load in a safe and lawful manner,
30 at its sole expense.

31 B. Contractor shall remove and arrange for proper, safe and lawful disposal of CFCs and
32 compressor oils from appliances delivered to the Shoreway Center, as well as switches
33 containing mercury. Contractor shall arrange and pay for the proper, safe and lawful
34 disposal of hazardous wastes that are recovered from the inspection and/or the
35 processing of incoming loads to the Transfer Station and MRF and for the Recycling of
36 White Goods whenever feasible.

37 **5.08 HAZARDOUS MATERIALS GENERATED FROM CONTRACTOR'S OPERATIONS**

38 The Contractor shall be responsible for, and shall pay, all costs of transporting, treating
39 and/or disposing of any hazardous materials generated by the Contractor's operations at
40 the Shoreway Center. Contractor shall ensure that all hazardous materials and wastes are
41 properly stored on site. Cleanup costs for any on-site contamination that is the result of the
42 Contractor's activities shall be the sole responsibility of, and shall be paid in full by, the
43 Contractor.

1 **5.09 EQUIPMENT**

2 The Authority will furnish stationary equipment listed on Attachment 8-A. Contractor shall
3 provide all other equipment required to perform, in a safe and efficient manner, the services
4 required by this Agreement, including equipment listed on Attachment 8-B.

5 A. All equipment supplied by the Contractor to perform services under this Agreement
6 shall be new and fully functioning at the commencement of this Agreement and shall
7 comply with all representations and warranties, as well as applicable laws and
8 regulations.

9 B. All transfer vehicles shall be capable of loading at the Shoreway Center and unloading
10 at the Designated Disposal Site and Processing Facilities by equipment in use at the
11 Disposal Site and Processing Facilities.

12 C. The number of transfer vehicles and other types of equipment listed on Attachment 8-B
13 is based on the throughput of materials at the level anticipated during the first year of
14 full operation. The parties recognize that tonnage processed through the Shoreway
15 Center may change over time and that an increase in tonnage processed through the
16 Shoreway Center could require the Contractor to supply additional equipment. The
17 Contractor shall add, and shall exclusively pay the costs of, all equipment needed to
18 operate the Shoreway Center, process any increase in tonnage and achieve the
19 Diversion Program Guarantees, without any increase in the Contractor's compensation.

20 D. Whenever there is a material change in the number, type or composition of equipment,
21 the Contractor shall provide written notification to the Authority.

22 E. The Authority will not supply any shop equipment except those items listed on
23 Attachment 8-A. The Authority will not supply any parts inventory. The Contractor is
24 responsible to provide sufficient equipment and parts inventory for both stationary
25 equipment and rolling stock to support continuous operation of the Shoreway Center.

26 **5.10 AUTHORITY RIGHT TO PURCHASE CONTRACTOR'S EQUIPMENT**

27 The Authority shall have the right, but not the duty, to purchase any or all equipment owned
28 by Contractor at the expiration or earlier termination of this Agreement, at its net book value
29 as shown on Contractor's audited financial statements (which shall be no greater than the
30 purchase price less accumulated depreciation claimed by Contractor on its federal income
31 tax returns). Within thirty (30) days of the commencement of operations, the Contractor
32 shall deliver to the Authority properly signed documents necessary or appropriate for the
33 Authority to secure its purchase options. As new or replacement equipment is purchased,
34 similar documentation covering the equipment shall be provided by Contractor.

35 Upon the Authority's exercise of its option to purchase, Contractor will sign and deliver bills
36 of sale or other documents reasonably requested by Authority to evidence the transfer of
37 title to all equipment purchased.

38 If Contractor wishes to lease (rather than purchase) the equipment which it is to furnish,
39 each lease shall provide that the lessor will, if requested, consent to its assignment to the
40 Authority without charge upon the expiration or earlier termination of this Agreement and
41 further shall provide adequate mechanisms for the Authority to acquire title to equipment if
42 desired.

43 **5.11 PERSONNEL**

44 A. Contractor shall furnish such qualified drivers, operators, sorters, mechanical,
45 supervisory, clerical and other personnel as may be necessary to provide the services

1 required by this Agreement in a safe, thorough, professional and efficient manner. The
2 minimum number of workers to be provided in each job classification shall be as shown
3 on Attachment 9.

- 4 B. Contractor shall offer employment to qualified employees of the Previous Contractor
5 who would otherwise become unemployed by reason of the change in contractors,
6 provided that (1) the Contractor shall not be obligated to offer employment to more
7 existing employees than the Contractor needs to perform the services required under
8 the Agreement, and (2) the Contractor shall not be obligated to offer employment to
9 workers who have not been employed at the Shoreway Center by the Previous
10 Contractor for at least one-hundred-twenty (120) days immediately prior to the
11 Commencement Date.

12 For purposes of this subsection B, the term "qualified employee" means an employee
13 who (1) is eligible for employment under federal and state law, (2) meets the
14 Contractor's minimum employment standards for new employees, (3) has not been
15 convicted of a crime that is related to the job or job performance, (4) is in a bargaining
16 unit covered by collective bargaining agreements between the Previous Contractor and
17 Teamsters Local 350 or Machinists Local 1414 and (5) does not present a
18 demonstrable danger to customers, co-workers or employees of the Authority or the
19 Collection Contractor. The term "qualified employee" does not include management or
20 supervisory personnel, non-represented employees, or workers furnished by an
21 employment agency operating as an independent contractor.

- 22 C. Contractor shall not discharge any workers employed pursuant to subsection B for at
23 least ninety (90) days after the Commencement Date, except for cause.
- 24 D. Contractor shall maintain a list of the Previous Contractor's qualified employees who
25 were not offered employment by the Contractor pursuant to Section 5.11 B prior to the
26 Commencement Date (January 1, 2011) or during the two (2) months following the
27 Commencement Date. If any positions become available during the three (3) months
28 following the initial two (2) month operation period (i.e., from March 1, 2011 through
29 May 30, 2011), Contractor shall offer employment to qualified employees on the list by
30 seniority within the collective bargaining unit (if it exists).
- 31 E. Contractor shall pay employees who (1) are retained by Contractor pursuant to this
32 Section 5.11 and (2) were in bargaining units covered by collective bargaining
33 agreements in effect as of the Effective Date between the Previous Contractor and
34 Teamsters Local 350 or Machinists Local 1414, wages and benefits no less than those
35 included in the collective bargaining agreements in place in 2010.
- 36 F. This Agreement does not obligate Contractor to become a party to a collective
37 bargaining agreement entered into by the Previous Contractor
- 38 G. Contractor shall adopt policies and procedures consistent with State and federal law
39 that ensure a sober and drug-free workplace. This includes strictly prohibiting unlawful
40 manufacture, distribution, possession, or use of any controlled substance in the
41 workplace, regardless of whether the employee is on duty at the time. Further, the
42 policies and procedures shall prohibit an employee from operating either Authority or
43 Contractor equipment and vehicles (whether on or off duty) while under the influence of
44 alcohol or drugs. The purpose of these policies and procedures is to ensure workplace
45 safety, productivity, efficiency, and the quality of Contractor's service to customers.
- 46 H. Contractor shall be responsible for providing sufficient training to all workers so that
47 they can perform the work in a safe and competent manner and are thoroughly familiar

1 with the work which the Contractor is required to perform and the standards it is
2 required to meet under this Agreement.

- 3 I. If the Authority determines that workers provided by a particular independent contractor
4 or party working on behalf of the Contractor prove persistently unsatisfactory, the
5 Authority may require that Contractor either secure workers through a different
6 independent contractor or hire competent workers directly.
- 7 J. Contractor shall ensure that all Contractor's employees, while performing services
8 under this Agreement, shall be dressed in clean uniforms and shall wear visible
9 identification that includes the employee's name and/or the employee's number, and
10 Contractor's name. Uniform type, style, colors, and any modifications may be subject to
11 approval by the Authority.
- 12 K. The parties recognize that tonnage processed through the Shoreway Center will change
13 over time and that an increase in tonnage could require additional personnel. The
14 Contractor shall add, and shall exclusively pay the costs of, all such additional
15 personnel as needed to operate the Shoreway Center, process any increase in tonnage
16 and achieve the Diversion Program Guarantees, without any increase in the
17 Contractor's compensation. Whenever there is a material change in the number or
18 composition of personnel, the Contractor shall provide written notification to the
19 Authority.
- 20 L. Before extending an offer of employment for the position of general manager of the
21 Shoreway Center, both initially and throughout the Term, Contractor shall provide the
22 Authority with the description of the proposed position, an opportunity to review and
23 comment upon the position description, the background, experience and qualifications
24 of each candidate being considered for the position, and an opportunity to meet with
25 each candidate. Contractor shall give thoughtful consideration to the Authority's
26 comments on the descriptions of the proposed position and each candidate, but shall
27 have the ultimate right to make employment decisions in its best business judgment.
- 28 M. Contractor shall, at the Authority's request, ensure that one or more of its Members'
29 officers will be available and present onsite at the Shoreway Center to assist in
30 Contractor's initial transition and thereafter to oversee Contractor's operations for a
31 three-month period beginning one month prior to full-scale operations.
- 32 N. The Contractor is considering obtaining workers for MRF sorting through the San Mateo
33 County Human Services Agency, Vocational Rehabilitation Services (VRS). The
34 Authority endorses this approach and encourages Contractor to pursue it. The MRF
35 sorter complement shown in Attachment 9 and the MRF labor costs shown in
36 Attachment 12-B are based on the use of workers and supervisors provided by the
37 County VRS. The actual costs in 2011 will be determined by a contract to be entered
38 into between the Contractor and the County Human Services Agency. Contractor shall
39 furnish a copy of the final contract between it and the County Human Services Agency
40 before executing it. The Authority's review of the contract is to ensure that the number
41 of workers to be furnished and the annual payment to the County are consistent with
42 the assumptions included in Attachments 9 and 12-A.
- 43 O. Notwithstanding subsection A above or any other language in this agreement or
44 attachments to the contrary, Contractor may, commencing in 2012 (1) reduce the
45 number of workers at the Transfer Station below the number shown on Attachment 9 if
46 in the previous 6 consecutive month period the number of Tons delivered to the
47 Transfer Station is less than an annual average of 357,725 and/or (2) reduce the

1 number of workers at the MRF below the number shown on Attachment 9 if in any
2 previous 6 consecutive month period the number of Tons delivered to the MRF and
3 Buyback Center is less than an annual average of 74,022.

4
5 The reduction in operational personnel should approximate the percentage reduction in
6 tonnage.

7
8 Employees classified as Management and Administration may not be reduced below
9 the number shown on Attachment 9.

10
11 A reduction in personnel permitted by this subsection will not increase or decrease the
12 cost per Ton otherwise established pursuant to Sections 7.03 and 7.04. Nor will it affect
13 the Revenue Guarantee established in Section 7.07.

14
15 Such a reduction in operational personnel shall not change the Contractor's obligations
16 to perform under this Agreement.
17

18 **5.12 WEIGHING**

- 19 A. Contractor shall operate and maintain the scale system at the Shoreway Center.
20 Weighing operations shall be conducted in accordance with standards and procedures
21 set forth in Attachment 3.
- 22 B. Contractor shall furnish all hardware (including computers, cabling and terminals),
23 software, and all other items necessary to generate, at a minimum, all the reports
24 contained in Attachment 15. The software shall have the capabilities described in
25 Attachment 3. Contractor shall obtain the Authority's prior written approval of the
26 specific hardware and software proposed to be furnished and used by the Contractor
27 pursuant to this paragraph.
- 28 C. Contractor shall provide the Authority with licenses, documentation and training
29 necessary or useful for the Authority to operate the computers and software during and
30 upon expiration or earlier termination of the Agreement.
- 31 D. Radiation monitoring equipment is used at the entrance to the Shoreway Center to
32 identify loads containing radioactive waste. Contractor shall operate the equipment and
33 respond to alerts by contacting the Authority and local regulatory agencies as required
34 by law.

35 **5.13 COLLECTION OF FEES**

36 The Authority has the sole and exclusive authority to establish rates and fees charged to
37 users of the Shoreway Center and to modify them from time to time. Contractor shall collect
38 fees established by the Authority from all Self-Haul Customers who use the Shoreway
39 Center. Contractor shall keep complete and accurate records of all fees collected, shall
40 keep safe all monies and funds collected, and shall make all payments to the Authority as
41 provided in Section 8.04.

42 **5.14 VEHICLE TURNAROUND GUARANTEE**

43 Contractor shall operate the Shoreway Center so that:

- 44 A. Collection vehicles of Member Agencies and their Collection Contractor(s) are:

- 1 1. processed through the scale house operation in no more than five (5) minutes per
2 vehicle, measured from the vehicle's entry into the scale house vehicle queue, and
3 2. are able to unload and depart from the Shoreway Center in no more than fifteen (15)
4 minutes from the time they leave the scale house unless a collection vehicle breaks
5 down and causes a traffic back-up beyond Contractor's control.
- 6 B. Self-haul customers do not wait more than fifteen minutes (15) to be processed by the
7 scale and assigned a place to dump.
- 8 Should Contractor fail to meet the maximum turnaround time, Liquidated Damages shall be
9 assessed in the amounts stated in Attachment 10.

10 **5.15 OWNERSHIP OF SOLID WASTE**

11 Once materials are delivered to the Shoreway Center, ownership shall transfer directly from
12 the deliverer to Contractor.

13 Materials which are transported to a Designated Processing Facility or the Disposal Site
14 shall become the property of the owner or operator of the Designated Processing Facility or
15 Disposal Site once they have been delivered by Contractor, subject to any regulations of
16 the owner/operator related to unacceptable materials.

17 **5.16 MARKETING OF RECYCLABLE MATERIALS**

18 A. General. Contractor shall use its best efforts in marketing and promoting the sale of all
19 Recyclable Materials to obtain the highest prices available under prevailing conditions in
20 the relevant market, whether foreign or domestic. Contractor will exert at least the same
21 effort in marketing the Recyclable Materials from the Shoreway Center as it does in
22 marketing materials which it markets for its own account as principal or as an
23 agent/broker for any third party. Except as set forth in Attachment 11B, Contractor shall
24 not use, sell to, or broker through an Affiliate in the marketing of Recyclable Materials
25 without notifying the Authority in writing and receiving approval from the Authority in
26 writing. Contractor shall not use any artifice, business structure or other attempt to
27 evade this requirement.

28 B. Materials Marketing Plan. The Materials Marketing Plan (Attachment 11A), describes
29 Contractor's strategy for optimizing revenues from the sale of Recyclable Materials
30 recovered at the Shoreway Center. The Materials Marketing Plan includes (1) the
31 commodity purchasers to which Contractor anticipates marketing each of the major
32 categories of materials to be recovered at the Shoreway Center; (2) the methods
33 Contractor will use to (a) determine the reliability of prospective purchasers in terms of
34 timely pickup, credit worthiness, prompt payment, rejection of materials and/or filing of
35 claims, and other commercial considerations, and (b) ensure that recovered materials
36 are handled in an environmentally sound manner and devoted to an end use involving
37 the creation or manufacture of new products; (3) the maximization of revenues from the
38 State of California Department of Conservation for materials that have a California
39 Redemption Value. Contractor shall implement the Materials Marketing Plan.
40 Attachment 11B describes the methods by which Contractor will provide assurance to
41 the Authority that revenues Contractor receives from sale of materials (particularly those
42 sold to Potential Industries, Inc., an Affiliate) are consistent with market prices.

43 C. Reporting. Contractor shall submit, concurrently with the quarterly report described in
44 Section 9.05, a report on materials marketing including a summary of Contractor's
45 marketing efforts during the preceding quarter, the quantity (in tons) of material sold;
46 total revenues billed and received; quantity and price data disaggregated by type and

1 grade of materials; transportation method including contact information for carriers used
2 to transport materials from the Shoreway Center to the buyers' location or unloading
3 point; and information on ultimate market destinations.

- 4 D. No Partnership. The Parties intend and hereby agree that their relationship shall be
5 that of independent contractors with respect to the marketing of Recyclable Materials.
6 Nothing contained herein shall be construed to create any employment, partnership,
7 joint venture, co-ownership or agency relationship between the Parties, and Contractor
8 shall not by any action allow any presumption to arise that a relationship of partnership
9 exists between the Parties.

10 **5.17 AUTHORITY'S RIGHT TO PERMIT OTHERS TO PROVIDE SERVICES**

11 The Authority may direct the Contractor to perform additional services as provided in
12 Section 12.13. If the Contractor and Authority cannot agree on terms and conditions for
13 such additional services within one-hundred twenty (120) days from the date on which the
14 Authority first requests a proposal from Contractor to perform such services, the Authority
15 may, in addition to its other rights under this Agreement, permit a third party or parties other
16 than Contractor to provide such services. Contractor will provide such third party or parties
17 all such access to and use of the Shoreway Center and Authority-owned equipment as
18 necessary for such third party or parties to perform all such additional services. The
19 Authority's rights under this section are in addition to those under Section 9.05.J.

20 **5.18 SELF-HAUL MATERIALS**

- 21 A. Self-haul Materials. The Contractor shall implement a Self-Haul Diversion Plan as
22 detailed in Attachment 19. The Contractor shall identify, and segregate for Diversion,
23 materials from the categories below:
- 24 1. Bunker Program materials (inert materials such as dirt, concrete, asphalt, and other)
 - 25 2. Self-haul Organic materials (plant materials, food scraps)
 - 26 3. Self-haul C&D materials (wood, concrete, insulation, roofing, metals, drywall)
 - 27 4. Recyclable Materials (paper, bottles and cans, metals)
 - 28 5. Other recoverable materials (tires, carpet, carpet padding, foam, plastics)
 - 29 6. Other materials approved by the Authority.
- 30 B. Weighing of All Self-haul Materials. Contractor shall ensure that Self-haul materials
31 will be dumped and kept separate from Collection Contractor materials at the Transfer
32 Station... All outbound loads of diverted Self-haul materials will be weighed before
33 leaving the Transfer Station or at a State certified scale located at a Designated
34 Processing Facility and the outbound tonnage will be recorded and reported in the Self-
35 haul Diversion Report. Self-haul materials intended for disposal do not need to be
36 weighed separately from Solid Waste at the Transfer Station provided that Contractor
37 shall provide accurate, separate and complete weights of the Self-haul materials to the
38 Authority.
- 39 C. Self-haul Diversion. Contractor's satisfaction of the Self-haul Diversion obligation will
40 be calculated based on diverted tons of Self-haul material shipped to a Designated
41 Processing Facility. Alternatively, Contractor may sort Self-haul materials onsite and
42 into segregated materials streams, and may market segregated Self-haul materials
43 directly to a buyer that is approved in advance by the Authority.

1 Self-haul materials shipped from the Shoreway Center by the Contractor for disposal
2 or for any other use at a landfill shall not be considered diverted tons, unless the
3 Authority approves, in writing and in advance, a beneficial landfill use for diverted tons.
4 Loads rejected by an off-site processor because of contamination will not count
5 towards Self-haul Diversion and the Contractor shall pay all costs of managing
6 rejected loads.

7 D. **Self-haul Diversion Report.** Contractor shall provide the Authority a Self-haul
8 Diversion Report including the following information: the amount of Self-haul material
9 received, the weight all Self-haul materials processed on-site or transported to the
10 Designated Site, the method of materials processing, and the weight and disposition of
11 all materials Diverted. The Contractor shall provide the report monthly (no later than 15
12 days after the end of each month) in a format to be approved by the Authority.

13 E. **Optional Transfer Station Processing System.** On or before June 30, 2010,
14 Contractor shall submit to the Authority a proposal to install a materials processing
15 system in the Transfer Station. The system is to be capable of accepting and efficiently
16 processing Self-haul construction/demolition debris (wood, concrete, insulation, roofing,
17 metals, drywall, dirt and other inerts) and Organic Materials (including Plant Materials
18 and wood waste). The system shall be capable of operating at a cost per Ton
19 (including capital costs amortized as provided in Attachment 12) which is equal to or
20 less than the current total cost of transporting construction and demolition debris to the
21 existing off-site facility used by the Authority and the payment to the operator of that
22 facility for processing. The proposal shall include plans and specifications for the
23 equipment, cost forms showing estimates for design, equipment purchase, installation
24 and operation, and a detailed operational plan.

25 The Authority will carefully evaluate the proposal, but is under no obligation to approve
26 it nor arrange for or permit the installation of such a processing systems.

27 The Contractor is responsible for the cost of preparation and submission of the proposal
28 and will not receive any additional payment for it.

29 **5.19 OTHER OPERATING PROCEDURES AND STANDARDS**

30 Contractor shall conduct its operations in accordance with the requirements of the
31 California Integrated Waste Management Board in effect (as codified in Title 14 and Title 27
32 of the California Code of Regulations) as of the Effective Date and as they may be changed
33 from time to time.

1 **ARTICLE 6 TRANSPORTATION OF MATERIALS.**

2 **6.01 GENERAL**

3 Contractor shall use due care to prevent materials being transported from being spilled
4 or scattered during transport. If any materials are spilled, Contractor shall at its sole
5 expense clean up all spilled materials, whether on private or public property.

6 **6.02 TRANSPORTATION OF SOLID WASTE**

7 Contractor shall transport and deliver to the Designated Disposal Site all Solid Waste
8 that is not recycled or reused. No Solid Waste may be disposed of at any location other
9 than the Designated Disposal Site without written consent from the Authority.

10 **6.03 TRANSPORTATION OF HAZARDOUS SUBSTANCES**

11 Contractor shall provide or arrange for transportation and delivery to an appropriately
12 permitted disposal facility of any Hazardous Substances that are not discovered by the
13 Contractor through the hazardous waste exclusion program (HWEPP) or which are
14 rejected by the operator of the Designated Disposal Site or any designated Processing
15 Facility.

16 **6.04 TRANSPORTATION OF RECYCLABLE MATERIALS**

- 17 A. Single Stream Recyclable Materials. Contractor shall provide or arrange for
18 transportation and delivery of all Single Stream Recyclable Materials to a purchaser,
19 a licensed recycling facility, or a person who will use the materials in a process or
20 product and will not dispose or use them at a landfill.
- 21 B. Transfer Station Materials. Contractor shall provide or arrange for transportation to a
22 Designated Processing Facility of Organic Materials, C&D materials, and other
23 Recyclable Materials delivered to and recovered at the Transfer Station. These
24 materials shall be prepared and delivered in a condition and form which meet the
25 Designated Processing Facilities' specifications and receiving requirements.
- 26 C. E-Waste, U-Waste, and Appliances. Contractor shall supply storage containers for,
27 and arrange for the transportation of, E-Waste, U-Waste, appliances and other
28 materials that may be added to the list of Buy Back/Drop-off Center material. At the
29 request of the Authority, Contractor will pay the cost of transporting these materials.
30 The handling/disposal costs incurred by Contractor for the use of outside vendors in
31 the transportation and processing of special wastes collected in the Buy back/Drop-
32 off Center (e.g., Electronic waste, Universal waste, and batteries, oil, and paint
33 collected from Customers as part of the services to Member Agencies) and for the
34 handling and processing of appliances will be reimbursed as a Pass-Through Cost.

35 **6.05 PARKING AND MAINTENANCE OF TRANSFER VEHICLES**

36 Contractor shall park empty Transfer Vehicles at the Shoreway Center in the area(s)
37 designated for this purpose shown on Attachment 5. Transfer Vehicles containing Solid
38 Waste shall be parked in areas that prevent liquids that have come in contact with Solid
39 Waste and/or Recyclable Materials from entering the storm water system. In addition,
40 Contractor shall use due care generally to prevent liquids that have come in contact with
41 Solid Waste and/or Recyclable Materials from entering the storm water system.

1 **6.06 ALTERNATIVE FUELS PLAN**

2 Contractor will use B20 biodiesel, only if available at the fueling station onsite at the
3 Shoreway Center, to fuel all vehicles used (1) at the Shoreway Center and (2) to
4 transport materials from the Shoreway Center to the Designated Disposal Site and
5 Designated Processing Facilities.

1 **ARTICLE 7 COMPENSATION TO CONTRACTOR**

2 **7.01 GENERAL**

3 The payments provided for in Sections 7.02, 7.03, 7.06, 7.08 and 7.09 and the share of
4 Revenues provided in Section 7.07 are the full, entire and complete compensation due
5 to Contractor for furnishing all labor, equipment, materials and supplies and all other
6 things necessary to perform all of the services required by this Agreement in the manner
7 and at the time prescribed, and for fulfilling all of its obligations under this Agreement,
8 including but not limited to observing the installation of the new sorting equipment in
9 accordance with Article 4, the operation of the Shoreway Center in accordance with
10 Article 5, and the transportation of materials in accordance with Article 6. The
11 compensation provided for in this Article includes all costs for the items mentioned
12 above and also for all taxes, insurance, bonds, overhead, profit and all other costs
13 necessary or appropriate to perform the services in accordance with this Agreement.

14 **7.02 REIMBURSEMENT OF PROJECT MANAGEMENT COSTS RELATED TO MRF**
15 **SORTING EQUIPMENT INSTALLATION**

16 The Authority will reimburse the Contractor for project management costs actually and
17 reasonably incurred during the Equipment Manufacturer's installation of the MRF sorting
18 equipment for a fixed fee of Two Hundred Seventy Six Thousand Four Hundred Sixty
19 Two Dollars (\$276,462). The foregoing amount will be adjusted by 80% of the
20 percentage change in *Index: U.S. Department of Labor, Bureau of Labor Statistics,*
21 *Consumer Price Index – All Urban Consumers, U.S. city average (not seasonally*
22 *adjusted, all items, base period: 1982-84=100, series no. cuur0000sa)*
23 between the Effective Date and the date that the equipment is installed and ready for
24 the shake down period and acceptance test per Section 4.04.

25 This amount is the full compensation for all Contractor's costs associated with
26 supervising the installation of the equipment, including coordination with the Equipment
27 Manufacturer and the Authority's architects, engineers and construction contractor
28 during installation.

29 The obligation to reimburse Contractor for these costs accrues upon the equipment's
30 successful completion of the acceptance tests and the Authority's review and approval of
31 Contractor's request for reimbursement. The amount due will be paid within thirty (30)
32 days thereafter.

33 **7.03 BASIC COMPENSATION – GENERAL**

34 Contractor's Basic Compensation consists of three components, related to three
35 separate processes performed by Contractor.

36 A. Transfer Station Payment. The amount of this payment is calculated by multiplying
37 the number of Tons of material delivered to and processed at the Transfer Station by
38 the per Ton Transfer Station Fee then in effect. The Transfer Station Fee is \$9.71
39 per Ton.

40 B. Recyclable Materials Processing Payment. The amount of this payment is
41 calculated by multiplying the number of Tons of Recyclable Materials delivered to
42 and processed at the MRF by the per Ton MRF Fee then in effect. The MRF Fee is
43 \$67.36 per Ton.

44 C. Transportation Payment. The amount of this payment is calculated by multiplying
45 the number of Tons of materials transported from the Shoreway Center to the

1 Designated Disposal Site, and the Designated Processing Facilities for inerts,
2 Construction and Demolition Debris, Plant Materials and Organics by the number of
3 one-way standard miles from the Shoreway Center to the Disposal Site or
4 Processing Facility and by the applicable Transportation Fee then in effect. The
5 Transportation Fees for the five types of materials are \$1.007 per Ton/Mile for Solid
6 Waste, \$1.043 per Ton/Mile for inerts, \$0.688 per Ton/Mile for C&D debris, \$0.614
7 per Ton/Mile for Plant Materials, and \$0.745 per Ton/Mile for Organics. Tons
8 delivered to the Designated Disposal Site do not include MRF residue.

9 **7.04 ADJUSTMENT OF PROPOSED FEES TO RATE YEAR ONE (2011) AND**
10 **MODIFICATION DURING INTERIM OPERATIONS**

11 For Rate Year One, the parties expect to make a cost adjustment based on various cost
12 indices. In addition, since the full-scale operation of the MRF will not occur until
13 February 2011, the MRF Fee will be subject to a one-time modification.

14 A. Adjustment. The parties expect that the costs underlying the fees described in
15 Section 7.03.A, B and C will change between the date of this Agreement and the
16 year in which they will first be paid (2011).

17 The Authority will adjust the Transfer Station Fee, the MRF Fee, and the five
18 Transportation Fees in October 2010, following the procedure described in
19 Attachment 12-A and illustrated in Attachment 12-B, after receipt of Contractor's
20 application described in Section 7.12.

21 The fees, as so adjusted, will be paid during Rate Year One (2011), as earned.

22 B. Modification for a Part of Rate Year One (2011). Since full-scale operation of the
23 MRF and Transfer Station are not expected to occur until February and March,
24 respectively, of Rate Year One, the Basic Compensation will need to be modified to
25 reflect the reduced scale of operations. During this interim operations period,
26 Contractor will be paid Basic Compensation as provided in Attachment 12-C. Once
27 the MRF and Transfer Station are fully operational, the Basic Compensation,
28 adjusted as described in subsection A above, will be paid during the remainder of
29 Rate Year One, as earned.

30 **7.05 ADJUSTMENT OF BASIC COMPENSATION IN SUBSEQUENT RATE YEARS**

31 The Authority will adjust the Transfer Station Fee, the MRF Fee, and the five
32 Transportation Fees in October 2011 and in October of each subsequent year during the
33 Term, following the procedure described in Attachment 13-A and illustrated in
34 Attachment 13-B.

35 The fees, as so adjusted, will be paid during the immediately following Rate Year, as
36 earned.

37 **7.06 SUPPLEMENTAL PROCESSING FEES**

38 A. Materials Delivered to MRF. If Contractor elects, or if the Authority directs
39 Contractor, to process loads of Recyclable Materials delivered to the MRF by the
40 Collection Contractor which contain more than fifteen percent (15%) contamination,
41 Authority will pay Contractor a supplemental fee to cover the additional cost of
42 processing this material. The amount of this supplemental fee will be \$25 per ton
43 (applied to all tons over fifteen percent (15%) contamination) in Rate Year One. It
44 will be adjusted in subsequent years by the same percentage as that used to adjust
45 the MRF Fee described in Section 7.03.B.

1 B. Materials Delivered to the Transfer Station. If Contractor elects, or if the Authority
2 directs Contractor, to process loads of Plant Materials and Organics delivered to the
3 Transfer Station by the Collection Contractor which contain more than the applicable
4 maximum contamination level, but do not exceed that level by more than five percent
5 (5%), Authority will pay Contractor a supplemental fee to cover the additional cost of
6 processing this material. The amount of this supplemental fee will be \$7 per Ton
7 (applied to all Tons over the maximum contamination level) in Rate Year One. It will
8 be adjusted in subsequent years by the same percentage as that used to adjust the
9 Transfer Station Fee described in Section 7.03.A.

10 7.07 RECYCLING REVENUES; GUARANTEE AND SHARING OF REVENUES

11 A. Revenue Guarantee - General. Contractor will pay Authority one hundred percent
12 (100%) of Revenue earned from the sale of Recyclable Materials monthly until it has
13 paid Revenue equal to the Revenue Guarantee then in effect. If Revenue earned
14 from the sale of Recyclable Materials is less than the Revenue Guarantee in any
15 year, Contractor will pay Authority, within 60 days after the end of that Rate Year, the
16 difference between the Revenue Guarantee and the Revenue actually earned and
17 paid by Contractor to Authority.

18 "Revenue" for the purposes of this Section 7.07 means the amounts due Contractor
19 from the sale of Recyclable Materials (prices based on terms being FOB Shoreway
20 Center except for glass, in which case sales revenue will be based on the delivered
21 price less cost of transport).

22 B. Revenue Guarantee in Rate Year One.

- 23 1. General. Subject to the adjustment described in subsection B.2 and the
24 proration described in subsection B.3, the Revenue Guarantee for Rate Year
25 One is Six Million Five Hundred Thousand Dollars (\$6,500,000).
- 26 2. Adjustment of 2011 Revenue Guarantee. The Revenue Guarantee is based on
27 tonnage projected by the SBWMA for calendar year 2011 (74,022 Tons). The
28 Revenue Guarantee will be adjusted (up or down) proportional to the actual
29 tonnage of Recyclable Materials delivered to the MRF and Buy Back Center in
30 2011. For example, if the actual tons delivered in 2011 are 77,723, the Revenue
31 Guarantee for 2011 will be increased by 5.0% to Six Million Eight Hundred
32 Twenty Five Thousand Dollars (\$6,825,000). No subsequent adjustments to the
33 Revenue Guarantee will be made.
- 34 3. Temporary Proration of Revenue Guarantee. The MRF is not expected to be
35 operational until the Spring of Rate Year One. The Revenue Guarantee will be
36 prorated one time, during Rate Year One (2011). The proration will not reduce
37 the expected baseline tonnage for Rate Year One (74,022 Tons) but will be
38 applied to the Revenue Guarantee. Once the MRF equipment has been tested
39 by Contractor and accepted by Authority, the Authority will calculate the number
40 of days that the MRF is capable of full operation for the balance of Rate Year
41 One (2011).

44 As an example:

45 Revenue Guarantee -	\$6,500,000
46 First day MRF is fully operational -	April 1
47 Number of days operational -	275 (April 1 - December 31)
48 Proportion of year operational -	75% (275 days/365 days)

1 Prorated Revenue Guarantee = \$4,875,000 (75% x Revenue Guarantee)
2

3 C. Revenue Guarantee During Rate Year Two and Thereafter.

4 The Revenue Guarantee for all rate years after Rate Year One will be equal to the
5 dollar amount calculated under subsection B.2 above.

6 D. Sharing of Revenues.

7 1. General. As an incentive to Contractor to maximize both the quantity and
8 quality of materials recovered and successfully marketed for recycling,
9 Contractor will be entitled to twenty five percent (25%) of the Revenue from
10 the sale of Recyclable Materials delivered to or recovered at the Shoreway
11 Center in excess of the Revenue Guarantee. Once the Contractor's payment
12 of Revenue from the sale of Recyclable Materials equals the Revenue
13 Guarantee, for the balance of that Rate Year, Revenue will be divided
14 between the Authority and the Contractor as provided in Section 7.07.D.2 and
15 3.

16 2. Minimum Share. The Contractor is entitled to a minimum of twenty five
17 percent (25%) of Revenue earned and received from the sale of Recyclable
18 Materials. Commencing with the month immediately following the month in
19 which Contractor has paid the Authority the Revenue Guarantee, Contractor
20 will be entitled to retain twenty five percent (25%) of Revenue received
21 thereafter in that Rate Year, paying the Authority seventy five percent (75%)
22 of Revenue monthly. Contractor's entitlement to twenty five percent (25%) of
23 a portion of the Revenue paid to Authority in the month in which the Revenue
24 Guarantee was attained will be determined and paid within 60 days after the
25 end of the Rate Year.

26 3. Increased Share. As a further incentive for Contractor to maximize recovery
27 of Recyclable Materials at the MRF, the Contractor's share of Revenues (in
28 excess of the Revenue Guarantee) will be increased as provided in this
29 subsection 3.

30
31 Materials not recovered at the MRF will be sent to the Transfer Station for
32 transport to the Designated Disposal Site. Commencing with the first Rate
33 Year in which full-scale sorting operations are continuous (expected to be
34 2012), the MRF residue generation rate will be calculated. The MRF residue
35 generation rate is the percentage obtained by dividing the total Tons of
36 material sent from the MRF to the Transfer Station during the Rate Year by
37 the total Tons of material delivered to the MRF.

38
39 For any Rate Year in which the MRF residue generation rate is less than ten
40 percent (10%), the Contractor's percentage share of Revenues in excess of
41 the Revenue Guarantee will be increased as follows:

<u>MRF RESIDUAL GENERATION</u>	<u>INCREASE IN COMMODITY SHARE</u>
10%>	no increase
9.0% - 9.9%	1% increase (becomes 26%)
8.0% - 8.9%	2% increase (becomes 27%)

7.0% - 7.9%	3% increase (becomes 28%)
6.0% - 6.9%	4% increase (becomes 29%)
5.0% - 5.9%	5% increase (becomes 30%)
4.0% - 4.9%	6% increase (becomes 31%)
<3.9%	7% increase (becomes 32%)

The amounts due the Contractor pursuant to Section 7.07.D.3 will be calculated annually on a Rate Year basis, and paid as provided in Section 8.08.

7.08 DIVERSION GUARANTEE.

A. Transfer Station Diversion Program. As an incentive to Contractor to Divert Self-haul materials from disposal, the Contractor's Compensation may be adjusted (decreased) based on its performance in diverting from the Disposal Facility, material delivered to the Transfer Station by self-haul customers. The Contractor has guaranteed the diversion of a minimum of 30,000 Tons annually (the "Minimum Self-Haul Diversion Guarantee"). The 30,000 Tons per year Minimum Self-haul Diversion Guarantee amount shall not include Self-haul Plant Materials (Self-haul Diversion shall be equal to the annual Tons of Diverted Self-haul materials less the Tons of Diverted Self-haul Plant Materials). If Contractor fails to achieve the Minimum Self-Haul Diversion Guarantee in any Rate Year, the Contractor will pay the Authority (through the rate structure) Seventy Dollars (\$70.00) for each Ton below 30,000 Tons.

If the Contractor does not meet the Minimum Self-Haul Diversion Guarantee, the Authority may require Contractor to prepare and submit a plan detailing the changes in equipment, personnel and/or practices that Contractor will employ to achieve the Minimum Self-Haul Diversion Guarantee.

The amounts due Authority pursuant to Sections 7.08.A will be calculated annually on a Rate Year basis, and paid as provided in Section 8.08.

If the Authority approves the Optional Transfer Station Processing System. described in Section 5.18.E, then the parties will mutually agree on a reduction in, or elimination of the requirements in subsection A.

B. MRF Residual. As an incentive to Contractor to increase recovery efficiency at the MRF, the Contractor will be responsible for paying (a) the amount charged at the Designated Disposal Site for accepting and disposing of residue from the MRF (the current tip fee at Ox Mountain is \$33.24 per Ton), and (b) the Transportation Fee per Ton/Mile attributable to delivering MRF residue to the Disposal Site. The cost of disposal of MRF residue will be deducted monthly from the MRF Payment provided in Section 7.03.B. Materials in a load that constitute contamination in excess of the applicable limitation, as identified by an audit of that load, are not counted as residue for purposes of this section or Section 7.07.D.3.

7.09 REIMBURSEMENT OF PASS-THROUGH COSTS

Contractor will pay the following costs and will be reimbursed by Authority with no allowance for overhead or profit:

- 1 • Interest paid on loans to acquire capital equipment per the debt service schedule
- 2 provided by the Contractor.
- 3 • Payments to Buy Back Center customers for CRV and scrap value.
- 4 • Permit and regulatory fees (which do not include penalties or fines).
- 5 • Recycling of E-Waste, U-Waste and HHW from the Drop-Off Center, White Goods
- 6 and CFCs (including transportation), unless paid directly by the Authority.

7 7.10 RECONCILIATION OF SELF-HAUL GATE FEE COLLECTIONS

8 It is not feasible to weigh loads delivered to the Transfer Station by Self-Haul Customers.
9 For that reason, the Authority charges such Customers on a volumetric (cubic yard)
10 basis.

11 Studies conducted for the Authority have established that the ratio of volume to weight of
12 Self-Haul material is 2.76 to 1 (i.e., 2.76 cubic yards will weigh one Ton), on average
13 over the course of a year. Individual loads will vary and the ratio will also vary
14 seasonally.

15 The Authority pays Contractor and the Disposal Facility operator on a per Ton basis and
16 relies on the Gate Fees to contribute revenues to payments due Contractor. Therefore,
17 it is important that Contractor accurately measure loads of Self-Haul Waste since under
18 measurements will result in under collection of Gate Fees.

19 On an annual basis, the Authority will calculate the amount of Tons of Self-Haul Waste
20 delivered to the Transfer Station through the mass balance formula shown on
21 Attachment 14. That tonnage will be converted to cubic yards using the 2.76 to 1 ratio.
22 The Authority will then compare the total Gate Fees collected and remitted by Contractor
23 to the expected Gate Fee revenue, using the formula shown on Attachment 14. If that
24 calculation shows that Contractor collected less Gate Fee revenue than indicated, it will
25 pay the difference to the Authority, as provided in Section 8.08.

26 7.11 ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES

27 A. The Contractor may apply to the Authority for an adjustment to one or more of the
28 fees provided for in Section 7.03, and the Authority may initiate such a review, if any
29 of the following events occur, provided that the event will increase or decrease
30 Contractor's component costs of operation by an amount that is two percent (2%) or
31 more of the total fees earned under Section 7.03 during the immediately preceding
32 Rate Year and provided further that the costs will not be otherwise recovered through
33 the per ton and per ton mile fees provided in Section 7.03:

- 34 (1) A flood, earthquake, other acts of nature or other similar catastrophic events
35 outside the control of Contractor that physically damage the Shoreway Center.
- 36 (2) A change in law occurring after the Effective Date that requires a change in
37 operations.
- 38 (3) A community emergency which requires Contractor to provide increased or
39 different services.
- 40 (4) The annual average Single Family Targeted Recyclable Materials contamination
41 level exceeds ten percent (10%) for two consecutive years or more. The annual
42 average Single Family Targeted Recyclable Materials contamination level will be
43 calculated on the basis of the arithmetic average of the measured contamination

1 level for Single Family Targeted Recyclable Materials in eight (8) consecutive
2 quarterly sampling events conducted in accordance with the methodology
3 described in Attachment 2-H.

- 4 B. A change in the scope of services directed by the Authority pursuant to Section
5 12.13 will be considered a basis for an adjustment in compensation whether or not it
6 will increase or decrease Contractor's component costs by two percent (2%) or
7 more.
- 8 C. If the Contractor requests, or the Authority initiates, a special review of the
9 Contractor's compensation, the Authority shall have the right to review the financial
10 and operation records of the Contractor and Affiliated Entities that it determines are
11 reasonably necessary to conduct such special review.
- 12 D. Contractor shall bear the burden of justifying to the Authority by substantial evidence
13 its entitlement to continuation of current, as well as any increases in, Contractor's
14 compensation for special circumstances. If the Authority determines that the
15 Contractor has not met its burden, it shall notify Contractor that it is prepared to deny
16 Contractor's request for an increase in compensation, or to proceed with a reduction
17 in compensation. The Contractor may request a hearing to produce additional
18 evidence. Upon such request, the Authority shall provide a hearing before the
19 Authority's Board of Directors. In the event the Authority's Board of Director's denies
20 Contractor's request, Contractor shall have the right to present its claim in a court of
21 competent jurisdiction.

22 **7.12 APPLICATION FOR ANNUAL ADJUSTMENT IN BASIC COMPENSATION**

- 23 A. Application Date and Content. Contractor shall prepare and submit to the Authority
24 by July 1 of each year, an application for adjustment of the elements of Basic
25 Compensation for the next Rate Year. The first application will be due on July 1,
26 2010 for Rate Year One (2011). The application will adjust the Transfer Station Fee,
27 the MRF Fee and the Transportation Fees following the methodology prescribed in
28 Attachment 12-A (for Rate Year One) and Attachment 13-A (for subsequent Rate
29 Years). It will substantially follow the format of Attachment 12-B (for Rate Year One)
30 and Attachment 13-B (for subsequent Rate Years) with such modifications as the
31 Authority may approve in advance, in writing.
- 32 B. Review of Application. The Authority staff will review the application for
33 completeness, accuracy and consistency with the procedures described in
34 Attachments 12-A and 13-A and the format illustrated in Attachments 12-B and 13-B.
35 The Authority staff will bring to the Contractor's attention any factual or calculation
36 errors, omissions or other discrepancies in the application which come to their
37 attention. Contractor shall provide any additional information requested by Authority
38 staff during the review of the application, shall meet with Authority staff, at the
39 Shoreway Center, to discuss the application, and shall make revisions to the
40 application necessary for it to be complete, accurate and consistent.
- 41 C. Report to Authority Board of Directors. On or before September 1 of each year,
42 Authority staff shall submit a report to the Authority Board of Directors recommending
43 the adjustments, if any, to the elements of Contractor's Basic Compensation for the
44 next Rate Year. The Authority Board of Directors will take action on the
45 recommendation at a public meeting held on or before October 31. All changes to
46 the elements of Contractor's Basic Compensation must be approved by the Board of
47 Directors.

1 **ARTICLE 8 PAYMENT PROCEDURES**

2 **8.01 BASIC COMPENSATION**

3 The Basic Compensation provided for in Section 7.03 will be paid monthly in arrears,
4 with the first payment earned as of January 31, 2011. The Authority will make each
5 payment within fifteen (15) days after it receives from Contractor a timely and complete
6 monthly statement required by Section 8.07.

7 **8.02 SUPPLEMENTAL PROCESSING FEES**

8 Any fees earned by Contractor under Section 7.06 will be paid monthly in arrears,
9 concurrently with payment of the Basic Compensation due under Section 8.01.

10 **8.03 PASS THROUGH COSTS REIMBURSEMENT**

11 The interest reimbursement provided for in Section 7.09 will be made monthly in
12 accordance with the debt service schedule provided by Contractor until the principal
13 amount of the loan(s) approved by the Authority is paid. The interest rate on capital
14 equipment will be adjusted as part of the compensation adjustment process for Rate
15 Year One only, based on a market based on the change in the interest rate on United
16 States Treasury 10-year notes between March 2008 (3.5%) and July 2010, based on
17 official United States Treasury data." If Contractor incurs other costs which are
18 reimbursable under Section 7.09, it shall include these costs, together with information
19 sufficient to substantiate the amount and purpose of each expense, in the monthly
20 statement required by Section 8.07 due the month immediately following the month in
21 which the cost was incurred. The Authority will pay the cost reimbursements due
22 concurrently with payment of the Basic Compensation due under Section 8.01.

23 **8.04 GATE FEES FOR PUBLICLY HAULED WASTE**

24 Contractor will pay to Authority (by wire transfer or otherwise as Authority may direct) the
25 amount of all Gate Fees collected from Persons delivering Self-Hauled Materials to the
26 Transfer Station. Such payments will be made no less often than bimonthly, but possibly
27 as frequently as daily. These payments will be reflected in the monthly statement from
28 Contractor required by Section 8.07.

29 **8.05 REVENUE FROM SALE OF RECYCLABLE MATERIALS**

30 Contractor will pay to the Authority (by wire transfer or otherwise as Authority may direct) *
31 all Revenue earned from third parties for the sale of Recyclable Materials delivered to or
32 recovered at the Shoreway Center, except as noted in Attachment 4, Section "Targeted
33 Recyclable Materials", relating to revenue from the sale of materials recovered from the
34 transfer station not requiring processing at the MRF, until the annual Revenue
35 Guarantee, or the Prorated Revenue Guarantee for 2011 as determined by Section
36 7.07.B, has been remitted. Thereafter, Contractor shall pay to Authority seventy five
37 percent (75%) of such Revenue, unless otherwise adjusted by Section 7.07.D.3. Such
38 payments will be made on or before the fifteenth (15th) day of each month based on
39 sales during the immediately preceding month. These payments will be reflected in the
40 monthly statement from Contractor required by Section 8.07. *
41

42 The Revenues received by Contractor from the sales of Recyclable Materials are held in
43 trust for the benefit of the Authority and such Revenues shall be disbursed only as
44 provided in this Agreement and shall not be subject to levy or attachment or lien by or for

Formatted: Left, Space After: 0 pt, Don't adjust space between Latin and Asian text, Don't adjust space between Asian text and numbers

Formatted: Font: 11 pt

Formatted: Font: 11 pt

Formatted: Font: 12 pt

1 any creditor of Contractor. Contractor shall account for all such Revenues, when and as
2 received, separately and apart from all other money, funds, accounts or other resources
3 of Contractor.
4

5 **8.06 DISPOSAL AND TRANSPORTATION COST OF MRF RESIDUE**

6 The amount, in Tons of materials delivered to the MRF that are transported to the
7 Disposal Facility and which, under Section 7.08.B are the responsibility of Contractor,
8 will be separately reported in the monthly statement required by Section 8.07. The
9 Authority will adjust (reduce) the amount of the Basic Compensation due Contractor
10 each month by the amount calculated as provided in Section 7.08.B.

11 **8.07 MONTHLY CONTRACTOR'S STATEMENT**

12 A On or before the fifteenth (15th) day of each month, with the exception of inbound
13 weight and volume data per subsection A(6) below which shall be submitted by the
14 fifth business day of each month. Contractor shall submit to Authority a statement
15 showing amounts due to Contractor and Authority under Sections 8.01 through 8.06.
16 The statement shall include at least the following information, all of which shall be for
17 the immediately preceding month:

- 18 1. the amount (in Tons) of Recyclable Materials delivered to the MRF during each
19 day of the preceding month by each of the Member Agencies and/or their
20 Collection Contractor(s);
- 21 2. the amount (in Tons or cubic yards, whichever is applicable) of Recyclable
22 Materials delivered to the Buyback/Dropoff Center during each day of the
23 preceding month;
- 24 3. the amount (in Tons) of Recyclable Materials recovered by Contractor from all
25 materials delivered to the Transfer Station;
- 26 4. the amount (in Tons) of Recyclable Materials sold by type and grade, and the
27 total sales price, transportation costs and commodity revenues net of
28 transportation costs;
- 29 5. a daily accounting showing the following information for each sales transaction:
 - 30 • date of sale;
 - 31 • type of material sold and grade, if applicable;
 - 32 • quantity of material sold;
 - 33 • unit price;
 - 34 • total revenue due from sale;
 - 35 • name and address of purchaser; and
 - 36 • a copy of the sales invoice, sales contract or other document evidencing
37 transfer of title.
- 38 6. weight and volume or number of units of Solid Waste, Plant Materials, Organic
39 Materials, inerts, and Construction and Demolition Debris entering the Shoreway
40 Center by the hauler type (Collection Contractor(s) by Member Agency),
41 commercial haulers, self haul, public, Buy Back, and other), and by type of
42 vehicle for Collection Contractor;

Deleted: (
Deleted:)

- 1 7. weight of all Solid Waste, Plant Materials, Organics Materials, inerts, and Deleted: and volume
2 Construction and Demolition Debris and Other leaving the Shoreway Center;
- 3 8. weight and volume of all materials moving between the buildings and operations
4 on the Shoreway Center site (e.g. between the MRF building, Transfer Station
5 building and Buyback center) (by material type);
- 6 9. mass balance accounting of all materials that enter and leave the Shoreway
7 Center so that all inbound tons equal outbound / shipped materials less inventory
8 (by material type);
- 9 10. location to which all Solid Waste, Plant Materials, Organics Materials, and
10 Construction and Demolition Debris received by the Facilities were delivered for
11 transfer, processing, ultimate use or disposal;

12 Contractor shall utilize the appropriate reporting forms in Attachment 15.

- 13 B. Undisputed sums will be paid by Contractor and Authority within fifteen (15) days
14 from the date the Authority receives the statement.
- 15 C. Authority may request additional information regarding a report within thirty (30) days
16 from receipt. Such request shall be in writing and shall describe the information
17 requested with reasonable specificity. Contractor shall furnish the requested
18 information to Authority within thirty (30) days from the date of the request. Authority
19 shall notify Contractor within thirty (30) days after receipt of the initial report and
20 payment, or within thirty (30) days after receipt of the additional information if such
21 information is requested, of any dispute as to the accuracy of the report and the
22 amount of the payment.

23 8.08 ANNUAL CALCULATION AND RECONCILIATIONS

24 Adjustments to Contractor's Compensation may be due for one or more of the following:

- 25 A. Shortfall of Recycling Revenue Guarantee (Section 7.07.A)
- 26 B. Additional share of Recycling Revenue over Revenue Guarantee for MRF Residue
27 control (Section 7.07.D.3)
- 28 C. Minimum Self-Haul Diversion Guarantee (Section 7.08.A)
- 29 D. Reconciliation of Self-Haul Gate Fee Collections (Section 7.10)

30 The Authority will calculate the amounts, if any, due from Contractor or due to
31 Contractor, and will provide Contractor with its calculations and supporting information
32 on or before January 31 for each Rate Year beginning January 31, 2011. If Contractor Deleted: of
33 requests, Authority shall meet with Contractor during the month of February to discuss
34 the calculations, will attempt to answer any questions that Contractor may have, and will
35 endeavor to resolve objections that Contractor may have.

36 Contractor shall pay or the Authority shall pay the amount due, as initially calculated or
37 as subsequently adjusted by Authority, within thirty (30) days after receiving the
38 Authority's initial or adjusted calculation.

39 8.09 LIQUIDATED DAMAGES

40 Liquidated damages will be paid by Contractor as provided in Section 11.07.

1 **ARTICLE 9 CONTRACTOR RECORDS/REPORTING**

2 **9.01 TONNAGE RECORDS**

3 In addition to the financial records required under Article 8, Contractor shall compile
4 monthly tonnage summary records whose format and content have been approved by
5 the Authority. Reports shall be submitted to the Authority by the fifteenth (15th) day of
6 the immediately following month. The Authority may require more frequent reporting of
7 Tonnage.

8 **9.02 CERCLA DEFENSE RECORDS**

9 The Authority views the ability to defend against CERCLA and related litigation as a
10 matter of great importance. For this reason, the Authority regards the ability to prove
11 where Solid Waste Collected in the Authority Service Area was taken for Disposal, as
12 well as where it was not taken, to be matters of significant importance. Therefore,
13 Contractor shall maintain data retention and preservation systems that can establish
14 where Solid Waste was transferred and disposed of.

15 All records required under this Agreement shall be maintained for each year of the Term
16 and for three years beyond the expiration or earlier termination of the Agreement. At the
17 end of that period, Authority reserves the right to take physical possession of these
18 records.

19 **9.03 PROVISION OF RECORDS TO THE AUTHORITY**

20 In the event Contractor's services are terminated before expiration of the Term,
21 Contractor shall provide to the Authority all records required by this Agreement within
22 thirty (30) days of discontinuing service. Records shall be in chronological order, in an
23 organized form, and readily and easily interpreted.

24 **9.04 REPORTS AND SCHEDULES**

25 Records shall be maintained in forms and by methods that facilitate flexible use of data
26 contained in them to structure reports, as needed. Reports are intended to compile
27 recorded data into useful forms of information that can be used to, among other things:

- 28 A. determine and set rates and evaluate the financial efficiency of operations;
- 29 B. evaluate past and expected progress towards achieving goals and objectives of the
30 Act and the Authority;
- 31 C. determine needs for program adjustments; and,
- 32 D. evaluate customer service and complaints.

33 Either the Authority or Contractor may propose report formats that are responsive to the
34 objectives of and audiences for each report. The format of each report shall be
35 approved by the Authority. Contractor agrees to submit all reports on computer discs or
36 in electronic format compatible with the Authority's software and computers at no
37 additional charge, if requested by the Authority. Contractor will provide a certification
38 statement, under penalty of perjury, by the responsible Contractor official, that the report
39 being submitted is true and correct to the best knowledge of such official.

40 Quarterly Reports shall be submitted within thirty (30) calendar days after the end of the
41 calendar quarter. Annual reports shall be submitted within thirty (30) calendar days after

1 the end of the calendar year. Failure to submit reports in the prescribed timeframe will
2 result in the assessment of liquidated damages as stated in Attachment 10.

3 Quarterly and Annual Reports will summarize all information, tonnage, events, activities
4 and changes in operations as required in Article 3. However, the reporting for all
5 tonnage will be on a monthly basis and data will be totaled and presented on a monthly
6 basis in the Reports.

7 All reports shall be submitted to:

8 South Bayside Waste Management Authority
9 610 Elm Street, Suite 202
10 San Carlos, CA 94070
11 Attention: Executive Director

12 **9.05 QUARTERLY REPORT REQUIREMENTS**

13 The information listed below and in Attachment 15 shall be the minimum reported for
14 each service. The report format will be developed jointly by Contractor and Authority
15 and include the following:

- 16 A. Weight and volume of all materials (by material type) entering the Shoreway Center
17 from Member Agencies;
- 18 B. Weight and volume of Solid Waste, Organic Materials, and Recyclable Materials (by
19 material type) entering the Shoreway Center by the hauler type (Collection
20 Contractor(s), commercial haulers, self haul, public, and other)(by type of vehicle);
- 21 C. Weight and volume of all Solid Waste, Organics Materials, Recyclable Materials (by
22 material type) leaving the Shoreway Center;
- 23 D. Weight and volume of all materials moving between the buildings and operations on
24 the Shoreway Center site (e.g. between the MRF building, Transfer Station building
25 and Buyback center) (by material type);
- 26 E. Mass balance accounting of all materials that enter and leave the Shoreway Center
27 so that all inbound tons equal outbound / shipped materials less inventory (by
28 material type);
- 29 1. The percentage of materials diverted by material type, category (Residential,
30 Commercial, Self haul) and operation (MRF, Transfer Station, Bunker Program,
31 Buyback/drop off center and other), and residual from MRF operations.
 - 32 2. Location to which all Solid Waste, Organics Materials, and Recyclable Materials,
33 received by the Facilities was delivered for transfer, processing, sale, ultimate
34 use or disposal;
 - 35 3. Recyclable Materials commodity sales value (by material type);
 - 36 4. Changes to facilities, equipment and personnel used;
 - 37 5. Changes to facilities and equipment operations, maintenance and repair;
 - 38 6. Reporting incidence of accidents involving either employees or customers of the
39 facilities;
 - 40 7. Documentation of hazardous spills and removals shipment, and ship manifesting;
 - 41 8. Other information or reports that the Authority may reasonably request or require.

- 1 F. Determination and Payment of Liquidated Damages. Contractor shall provide a
2 report that identifies any non-compliance with performance measures listed in
3 Attachment 10 (except for compliance with standards which shall be reported as part
4 of the Contractor's annual report) and include calculation of the Liquidated Damages
5 due. This report shall be accompanied by supporting documentation identifying
6 either compliance with or level of non-compliance with the performance measures.
7 The report submittal shall be accompanied by a check from the Contractor in the
8 amount of the Liquidated Damages due (per Contractor's calculation and self-
9 reporting) for the reporting period.
- 10 G. Programs. For each program, provide activity-related and narrative reports on goals,
11 milestones, and accomplishments. Contractor shall describe problems encountered,
12 actions taken and any recommendations to facilitate progress.
- 13 H. Summary Assessment. Contractor shall provide a summary assessment of the
14 overall materials handling systems from Contractor's perspective relative to financial
15 and physical status of the Shoreway Center. Contractor shall assess how well the
16 program is operating in terms of efficiency, economy and effectiveness relative to
17 meeting all the goals and objectives of this Agreement. Contractor shall provide
18 recommendations and plans to improve operations, which highlight significant
19 accomplishments and problems. Contractor shall document changes on a monthly
20 basis and include monthly documentation in the quarterly reporting.
- 21 I. Meet and Confer with Authority. Beginning on the Commencement Date, and on a
22 quarterly basis thereafter, Contractor shall meet with the Authority to describe the
23 services performed at the Shoreway Center and the progress of each active
24 Diversion Program. Contractor shall document the results of the programs on a
25 monthly basis, including the tonnage diverted by material type, the end use or
26 processor of the diverted materials and the cost per ton for transporting and
27 processing each type of material and other such information requested by the
28 Authority necessary to evaluate the performance of each program.
- 29 J. Addition and Changes to Programs. The Authority shall have the right to terminate a
30 program if in its sole discretion the Contractor is not cost effectively achieving the
31 program's goals and objectives. Prior to such termination, the Authority shall meet
32 and confer with Contractor for a period of up to 90 days to resolve the Authority's
33 concerns. Thereafter, the Authority may utilize a third party to perform these
34 services if the Authority reasonably believes the third party can improve on
35 Contractor's performance and/or cost. Notwithstanding these changes, Contractor
36 shall continue the program during the meet and confer period and, thereafter, until
37 the third party takes over the program.

38 **9.06 ANNUAL REPORT REQUIREMENTS**

39 The Annual Report shall be in the form of the Quarterly Reports and shall provide the
40 same type of information as required pursuant to Section 9.05 summarized for the
41 preceding four quarters. The Annual Report shall also include a complete inventory of
42 equipment used to provide all services, and a list of Contractor's personnel used to
43 operate the Shoreway Center.

44 **9.07 INSPECTION OF RECORDS**

45 The Authority, and its agents selected by the Authority, shall have the right, during
46 regular business hours, to conduct unannounced on-site inspections of the records and

1 accounting systems of Contractor and to make copies of any documents relevant to this
2 Agreement.

3 **9.08 RETENTION OF RECORDS**

4 Records and data required to be maintained that are specifically directed to be retained
5 shall be retrieved by Contractor and made available to the Authority upon request.

6 Records and data required to be maintained that are not specifically directed to be
7 retained that are, in the sole opinion of the Authority, material to the rate setting or to a
8 determination of Contractor's performance under this Agreement, shall be retrieved by
9 Contractor and made available to the Authority upon request.

10 Records and data required to be maintained that are not specifically directed to be
11 retained and that are not material to a rate setting and/or not required for the
12 determination of Contractor's performance do not need to be retrieved by Contractor. In
13 such a case, however, the Authority may make reasonable assumptions regarding what
14 information is contained in such records and data, and such assumption shall be
15 conclusive in whatever action the Authority takes.

16 **9.09 ADVERSE INFORMATION**

17 A. Reporting Adverse Information. Contractor shall provide the Authority two copies
18 (one to the Authority Executive Director, one to the Authority Legal Counsel) of all
19 reports, pleadings, applications, notifications, Notices of Violation, communications
20 or other material relating specifically to Contractor's performance of services
21 pursuant to this Agreement, submitted by Contractor to, or received by Contractor
22 from, the United States or California Environmental Protection Agency, the California
23 Integrated Waste Management Board, the Securities and Exchange Commission or
24 any other federal, state or local agencies, including any federal or state court.
25 Contractor shall also notify the Authority of any criminal charges for violation of any
26 federal or state environmental law or antitrust law or for fraud or similar matters
27 initiated hereafter against any management employee of Contractor or its affiliates
28 that have direct or indirect responsibility for administration of Contractor's
29 performance of services under this Agreement. Copies shall be submitted to the
30 Authority simultaneously with Contractor's filing or submission of such matters with
31 said agencies. Contractor's routine correspondence to said agencies need not be
32 routinely submitted to the Authority, but shall be made available to the Authority
33 promptly upon the Authority's written request.

34 B. Failure to Report. The refusal or failure of Contractor to file any required reports, or
35 to provide required information to the Authority, or the inclusion of any materially
36 false or misleading statement or representation by Contractor in such report shall be
37 deemed a breach of this Agreement, and shall subject Contractor to all remedies
38 available to the Authority, including Liquidated Damages as shown on Attachment
39 10.

1 **ARTICLE 10 INDEMNITY, INSURANCE, PERFORMANCE BOND, GUARANTY**

2 **10.01 INDEMNIFICATION**

3 Contractor shall indemnify, defend and hold harmless Authority, its officers, employees
4 and agents, (collectively the "Indemnitees") from and against (1) any and all liability,
5 penalty, forfeiture, claim, demand, action, proceeding or suit, of any and every kind and
6 description, whether judicial, quasi-judicial or administrative in nature, (2) any and all
7 loss including but not limited to injury to and death of any person and damage to
8 property, and (3) claims for contribution or indemnity claimed by third parties
9 (collectively, the "Claims"), arising out of or occasioned in any way by, directly or
10 indirectly, Contractor's performance of, or its failure to perform, its obligations under this
11 Agreement. The foregoing indemnity shall not apply to the extent that the Claim is
12 caused solely by the negligence or intentional misconduct of Authority, its officers,
13 employees or agents, but shall apply if the Claim is caused by the joint negligence of
14 Contractor or other persons, including any of the Indemnitees. Upon the occurrence of
15 any Claim, Contractor, at Contractor's sole cost and expense, shall defend (with
16 attorneys reasonably acceptable to Authority) the Indemnitees. Contractor's duty to
17 indemnify and defend shall survive the expiration or earlier termination of this
18 Agreement.

19 **10.02 INSURANCE**

20 A. Types and Amounts of Coverage. Contractor shall procure from an insurance
21 company or companies licensed to do business in the State of California and shall
22 maintain in force at all times during the Term the following types and amounts of
23 insurance:

- 24 1. Workers' Compensation and Employer's Liability. Contractor shall maintain
25 workers' compensation insurance covering its employees in statutory amounts
26 and otherwise in compliance with the laws of the State of California. Contractor
27 shall maintain employer's liability insurance in an amount not less than One
28 Million Dollars (\$1,000,000) per accident or disease. Contractor shall not be
29 obligated to carry workers compensation insurance if (i) it qualifies under
30 California law and continuously complies with all statutory obligations to self-
31 insure against such risks; (ii) furnishes a certificate of Permission to Self Insure
32 issued by the Department of Industrial Relations; and (iii) furnishes updated
33 certificates of Permission to Self Insure periodically to evidence continuous self
34 insurance, at least ten (10) days before the expiration of the previous certificate.
- 35 2. Comprehensive General Liability (and Automobile Liability). Contractor shall
36 maintain comprehensive general liability insurance with a combined single limit of
37 not less than Ten Million Dollars (\$10,000,000) per occurrence and Twenty
38 Million Dollars (\$20,000,000) annual aggregate covering all claims and all legal
39 liability for personal injury, bodily injury, death, and property damage, including
40 the loss of use thereof, arising out of, or occasioned in any way by, directly or
41 indirectly, Contractor's performance of, or its failure to perform, services under
42 this Agreement.

43 The insurance required by this subsection shall include:

- 44
 - Premises Operations (including use of owned and non-owned equipment);

- 1 • Products and Completed Operations (including protection against liability
- 2 resulting from use of Recyclable Materials by another person);
- 3 • Personal Injury Liability with employment exclusion deleted;
- 4 • Broad Form Blanket Contractual with no exclusions for bodily injury, personal
- 5 injury or property damage (including coverage for the indemnity obligations
- 6 contained herein);
- 7 • Owned, Non-Owned, and Hired Motor Vehicles;
- 8 • Broad Form Property Damage.

9 The comprehensive general liability insurance shall be written on an "occurrence"
10 basis (rather than a "claims made" basis) in a form at least as broad as the most
11 current version of the Insurance Service Office commercial general liability
12 occurrence policy form (CG0001). If occurrence coverage is not obtainable,
13 Contractor must arrange for "tail coverage" on a claims made policy to protect
14 Authority from claims filed within four years after the expiration or termination of
15 this Agreement relating to incidents that occurred prior to such expiration or
16 termination. Any excess or umbrella policies shall be on a "following form" basis.

- 17 3. Pollution Liability. Contractor shall maintain pollution liability insurance with limits
18 in an amount of not less than Ten Million Dollars (\$10,000,000) per occurrence
19 and annual aggregate covering claims for on-site, under-site, or off-site bodily
20 injury and property damage as a result of pollution conditions arising out of its
21 operations under this Agreement.
 - 22 4. Hazardous Materials Storage and Transport. Contractor shall maintain insurance
23 coverage of not less than Ten Million Dollars (\$10,000,000) for personal injury,
24 bodily injury and property damage arising out of the sudden and accidental
25 release of any hazardous materials or wastes during storage at facilities operated
26 by Contractor or transport of such materials by vehicles owned, operated or
27 controlled by Contractor in the performance of the services required under this
28 Agreement.
 - 29 5. Physical Damage. Contractor shall maintain comprehensive (fire, theft and
30 collision) physical damage insurance covering the vehicles and equipment used
31 in providing service to Authority under this Agreement, with a deductible or self-
32 insured retention not greater than One Hundred Thousand Dollars (\$100,000).
33 Notwithstanding the foregoing, Contractor shall be allowed to self-insure for
34 physical damage to its vehicles provided Contractor provides adequate audited
35 financial information to Authority and Authority is reasonably satisfied that
36 Contractor has the financial net worth to cover any losses.
- 37 B. Acceptability of Insureds. The insurance policies required by this section shall be
38 issued by an insurance company or companies admitted to do business in the State
39 of California, subject to the jurisdiction of the California Insurance Commissioner,
40 and with a rating in the most recent edition of Best's Insurance Reports of size
41 category XV or larger and a rating classification of A+ or better.
- 42 C. Required Endorsements. Without limiting the generality of Sections 10.02.A and B,
43 the policies shall contain endorsements in substantially the following form:

1 Workers' Compensation and Employers' Liability Policy.

2 "Thirty (30) days prior written notice shall be given to the South
3 Bayside Waste Management Authority (SBWMA) in the event of
4 cancellation or non-renewal of this policy. Such notice shall be
5 sent to:

6 SBWMA
7 610 Elm Street, Suite 202
8 San Carlos, CA 94070
9 Attention: Executive Director

10 "Insurer waives all right of subrogation against SBWMA and its
11 officers and employees for injuries or illnesses arising from work
12 performed for SBWMA."

13 Comprehensive General Liability Policy; Environmental Liability Policy; Hazardous
14 Materials Policy.

- 15 • "Thirty (30) days' prior written notice shall be given to the South Bayside
16 Waste Management Authority (SBWMA) in the event of cancellation,
17 reduction of coverage, or non-renewal of this policy. Such notice shall be
18 sent to:

19 SBWMA
20 610 Elm Street, Suite 202
21 San Carlos, CA 94070
22 Attention: Executive Director

- 23 • "South Bayside Waste Management Authority (SBWMA), its officers,
24 employees, and agents, are additional insureds on this policy."
25 • "This policy shall be considered primary insurance as respects any other valid
26 and collectible insurance maintained by the South Bayside Waste
27 Management Authority, including any self-insured retention or program of
28 self-insurance, and any other such insurance shall be considered excess
29 insurance only."
30 • "Inclusion of the South Bayside Waste Management Authority as an insured
31 shall not affect the SBWMA's rights as respects any claim, demand, suit or
32 judgment brought or recovered against the Contractor. This policy shall
33 protect Contractor and the SBWMA in the same manner as though a
34 separate policy had been issued to each, but this shall not operate to
35 increase the company's liability as set forth in the policy beyond the amount
36 shown or to which the company would have been liable if only one party had
37 been named as an insured."

38 Physical Damage Policy.

- 39 • Notice of cancellation, reduction in coverage or non-renewal, as
40 provided in Subsection C.2(a).
41 • Cross liability endorsement, as provided in Subsection C.2(d).
42 • Waiver of subrogation against Authority.

1 D. Delivery of Proof of Coverage. No later than ninety (90) days before the
2 commencement of operations (i.e., on or before October 1, 2010), Contractor shall
3 furnish Authority one or more certificates of insurance on a standard ACORD form
4 substantiating that each of the coverages required hereunder are in force, in form
5 and substance satisfactory to Authority. Such certificates shall show the type and
6 amount of coverage, effective dates and dates of expiration of policies and shall be
7 accompanied by all required endorsements. If Authority requests, copies of each
8 policy, together with all endorsements, shall also be promptly delivered to Authority.

9 Contractor shall furnish renewal certificates to Authority to demonstrate maintenance
10 of the required coverages throughout the Term.

11 E. Other Insurance Requirements

12 1. In the event performance of any services is delegated to a subcontractor,
13 Contractor shall require such subcontractor to provide statutory workers'
14 compensation insurance and employer's liability insurance for all of the
15 subcontractor's employees engaged in the work. The liability insurance required
16 by Subsection 10.02.A.2 shall cover all subcontractors or the subcontractor must
17 furnish evidence of insurance provided by it meeting all of the requirements of
18 this Section 10.02.

19 2. Contractor shall comply with all requirements of the insurers issuing policies.
20 The carrying of insurance shall not relieve Contractor from any obligation under
21 this Agreement, including those imposed by Section 10.01. If any claim is made
22 by any third person against Contractor or any subcontractor on account of any
23 occurrence related to this Agreement, Contractor shall promptly report the facts
24 in writing to the insurance carrier and to the Authority.

25 3. If Contractor fails to procure and maintain any insurance required by this
26 Agreement, Authority may take out and maintain, at Contractor's expense, such
27 insurance as it may deem proper and deduct the cost thereof from any monies
28 due Contractor. Alternatively, the Authority may treat the failure as a Contractor
29 Default.

30 4. Authority is not responsible for payment of premiums for or deductibles (which
31 must be approved in writing and in advance by Authority) under any required
32 insurance coverages.

33 **10.03 FAITHFUL PERFORMANCE BOND**

34 On or before the Effective Date, Contractor shall deliver to Authority a bond securing the
35 Contractor's faithful performance of its obligations under this Agreement. The principal
36 sum of the bond shall be Two Million Dollars (\$2,000,000). The form of the bond shall
37 be as set out in Attachment 16. The bond shall be executed as surety by a corporation
38 admitted to issue surety bonds in the State of California, regulated by the California
39 Insurance Commissioner and with a financial condition and record of service satisfactory
40 to Authority.

41 The term of the bond shall be not less than twenty-four (24) months, or until November
42 1, 2011, whichever occurs first. The bond shall be extended, or replaced by a new bond
43 in the same principal sum (adjusted by the percentage change in the Consumer Price
44 Index All Urban Wage Earners and Clerical Workers for the San Francisco-Oakland-San
45 Jose Metropolitan Area between July 2009 and July 2011), for the same term (i.e.,
46 twenty-four (24) months) and in the same form, bi-annually thereafter. Not less than

1 ninety (90) days before the expiration of the initial bond, the Contractor shall furnish
2 either a replacement bond or a continuation certificate substantially in the form attached
3 as Attachment 16, executed by the surety.

4 It is the intention of this Section that there be in full force and effect at all times a bond
5 securing the Contractor's faithful performance of the Agreement, throughout its Term.

6 **10.04 ALTERNATIVE SECURITY**

7 Authority may, in its sole discretion, allow Contractor to provide alternative security in the
8 amount set forth in Section 10.03, in the form of (a) a prepaid irrevocable standby letter
9 of credit in form and substance satisfactory to Authority and approved as to form by the
10 Authority's Legal Counsel and issued by a financial institution acceptable to Authority, or
11 (b) a certificate of deposit in the name of the Authority with a term satisfactory to
12 Authority, with a financial institution acceptable to Authority, and approved as to form by
13 Authority's Legal Counsel.

14 **10.05 HAZARDOUS WASTE INDEMNIFICATION**

15 Contractor shall indemnify, defend with Counsel approved by the Authority, protect and
16 hold harmless the Indemnitees against all claims, of any kind whatsoever paid, incurred
17 or suffered by, or asserted against Indemnitees arising from or attributable to any repair,
18 cleanup or detoxification, or preparation and implementation of any removal, remedial,
19 response, closure or other plan (regardless of whether undertaken due to governmental
20 action) concerning any Hazardous Wastes at any place where Contractor stores or
21 disposes of Hazardous Wastes pursuant to this Agreement. The foregoing indemnity is
22 intended to operate as an agreement pursuant to Section 107(e) of the Comprehensive
23 Environmental Response, Compensation and Liability Act, ("CERCLA"), 42 U.S.C.
24 Section 9607(e), and California Health and Safety Code Section 25364, to defend,
25 protect, hold harmless and indemnify Indemnitees from liability.

26 **10.06 INTEGRATED WASTE MANAGEMENT ACT INDEMNIFICATION**

27 Contractor agrees to indemnify and hold harmless the Indemnitees against all fines
28 and/or penalties imposed by the California Integrated Waste Management Board
29 (CIWMB) or the Local Enforcement Agency (LEA) (a) based on Contractor's failure to
30 comply with laws, regulations or permits issued or enforced by the CIWMB or the LEA;
31 (b) caused or contributed to by the Contractor's failure to perform obligations under this
32 Agreement. This indemnity obligation is subject to the limitations and conditions in
33 Public Resource Code Section 40059.1 but is enforceable to the maximum extent
34 allowable by that Section.

35 **10.07 GUARANTY**

36 Concurrently with the execution of this Agreement, Contractor shall deliver to Authority a
37 Guaranty in the form attached as Attachment 17, properly executed by its Members:
38 Community Recycling and Resource Recovery, Inc. and Potential Industries, Inc.

1 **ARTICLE 11 DEFAULT AND REMEDIES**

2 **11.01 EVENTS OF DEFAULT**

3 Each of the following shall constitute an event of default ("Contractor Default"):

- 4 A. Contractor fails to perform any of its obligations under Sections 4.03 and 4.04 of
5 Article 4 or Articles 5 and 6 of this Agreement and its failure to perform is not cured
6 within ten (10) days after written notice from the Authority, provided that neither
7 notice nor opportunity to cure applies to events described in subsections C through
8 H.
- 9 B. Contractor fails to perform any of its obligations under any other provision of this
10 Agreement and its failure to perform is not cured within fifteen (15) days after written
11 notice from the Authority, provided that if the nature of the breach is such that it will
12 reasonably require more than fifteen (15) days to cure, Contractor shall not be in
13 default so long as it promptly commences the cure and diligently proceeds to
14 completion of the cure, and provided further that neither notice nor opportunity to
15 cure applies to events described in subsections C through H.
- 16 C. Contractor ceases to provide Shoreway Center operations or Solid
17 Waste/Recyclable Materials transportation services for a period of two (2)
18 consecutive business days for any reason within the Contractor's control, including
19 labor unrest such as strike, work stoppage or slowdown, sickout, picketing, or other
20 concerted job action by Contractor's employees or others.
- 21 D. Contractor files a voluntary petition for relief under any bankruptcy, insolvency or
22 similar law.
- 23 E. An involuntary petition is brought against Contractor under any bankruptcy,
24 insolvency or similar law which remains undismissed or unstayed for ninety (90)
25 days.
- 26 F. Contractor fails to furnish a replacement bond or a continuation certificate of the
27 existing bond not less than ninety (90) days before expiration of the performance
28 bond, as required by Section 10.03 or fails to maintain all required insurance
29 coverages in force.
- 30 G. Contractor fails to provide reasonable assurance of performance when requested by
31 the Authority under this Agreement.
- 32 H. A representation or warranty contained in Article 3 proves to be false or misleading in
33 a material respect as of the date such representation or warranty was made.
- 34 I. Contractor makes any other material misrepresentation to the Authority in
35 discharging any of its obligations under this Agreement.

36 **11.02 RIGHT TO SUSPEND OR TERMINATE UPON DEFAULT**

- 37 A. Upon any Contractor Default, the Authority may terminate this Agreement or
38 suspend it, in whole or in part. Such suspension or termination shall be effective
39 thirty (30) days after the Authority has given notice of suspension or termination to
40 Contractor, except that such notice may be effective in a shorter period of time, or
41 immediately, if the Contractor Default is one which endangers the health, welfare or
42 safety of the public, such as the failure to process Solid Waste or Recyclable
43 Materials and arrange for their prompt disposal or recovery. Notice may be given

1 orally in person or by telephone to the representative of Contractor designated in or
2 under Section 12.10 (or, if he/she is unavailable, to a responsible employee of
3 Contractor) and shall be effective immediately. Written confirmation of such oral
4 notice of suspension or termination shall be sent by personal delivery, facsimile, or
5 other expedited means of delivery to Contractor within twenty-four (24) hours of the
6 oral notification at the address shown in Section 12.09. Contractor shall continue to
7 perform the portions of the Agreement, if any, not suspended, in full conformity with
8 its terms.

- 9 B. The Authority may also suspend or terminate this Agreement, upon the same notice
10 provisions, if Contractor's ability to perform is prevented or materially interfered with
11 by a cause which excuses nonperformance under Section 11.09, despite the fact
12 that nonperformance in such a case is neither a breach nor a Contractor Default.

13 **11.03 SPECIFIC PERFORMANCE**

14 By virtue of the nature of this Agreement, the urgency of timely, continuous and high-
15 quality service and the lead time required to effect alternative service, the remedy of
16 damages for a breach hereof by Contractor is inadequate and Authority shall be entitled,
17 without limitation on any other remedy or right, to injunctive relief and specific
18 performance of Contractor's obligations under this Agreement.

19 **11.04 RIGHT TO PERFORM; USE OF CONTRACTOR PROPERTY**

20 If this Agreement is suspended and/or terminated due to a Contractor Default, the
21 Authority shall have the right to perform, by contract or otherwise, the work herein or
22 such part thereof as it may deem necessary. In the event of Contractor's Default,
23 Authority shall have the right to use any of Contractor's equipment, facilities and other
24 property reasonably necessary for the provision of services hereunder and for the billing
25 and collection of fees for those services and of revenues from the sale of Recyclable
26 Materials. Authority shall have the right to continue use of such property until other
27 suitable arrangements can be made for the provision of such services, which may
28 include the award of a contract to another service provider.

29 **11.05 DAMAGES**

30 Contractor shall be liable to Authority for all direct, indirect, special and consequential
31 damages arising out of Contractor's Default. This section is intended to be declarative of
32 existing California law.

33 **11.06 AUTHORITY'S REMEDIES CUMULATIVE**

34 Authority's rights to suspend or terminate the Agreement under Section 11.02, to obtain
35 specific performance under Section 11.03, and to perform and use property under
36 Section 11.04 are not exclusive, and shall not be construed as a limitation on any of the
37 Authority's other rights or remedies, and the Authority's exercise of one such right shall
38 not constitute an election of remedies. Instead, they shall be in addition to any and all
39 other legal and equitable rights and remedies that the Authority may have, including a
40 legal action for damages under Section 11.05 or imposition of liquidated damages under
41 Section 11.07.

42 **11.07 LIQUIDATED DAMAGES**

43 The Parties acknowledge that efficient, consistent, and courteous operations of the
44 Shoreway Center is of utmost importance and the Authority has considered and relied
45 on Contractor's representations as to its quality of service commitment in entering into

1 this Agreement. The Parties further recognize that quantified standards of performance
2 are necessary and appropriate to ensure consistent and reliable service. The Parties
3 further recognize that if Contractor fails to achieve the performance standards identified
4 in Attachment 10, the Authority will suffer damages and that it is and will be
5 impracticable and extremely difficult to ascertain and determine the exact amount of
6 damages that the Authority will suffer. Therefore, the Parties agree that the liquidated
7 damage amounts listed on Attachment 10 represent a reasonable estimate of the
8 amount of such damages considering all of the circumstances existing on the date of this
9 Agreement, including the relationship of the sums to the range of harm to the Authority
10 that reasonably could be anticipated and anticipation that proof of actual damages would
11 be costly or inconvenient. In placing their initials at the places provided, each party
12 specifically confirms the accuracy of the statements made above and the fact that each
13 party had ample opportunity to consult with legal counsel and obtain an explanation of
14 this liquidated damage provision at the time that this Agreement was made.

15 Contractor Initial Here: _____ Authority Initial Here: _____

16 Contractor agrees to pay (as liquidated damages and not as a penalty) the amount set
17 forth on Attachment 10.

18 The Authority may determine the occurrence of events giving rise to liquidated damages
19 based upon any or all of the following: Contractor's reporting pursuant to Article 9 of this
20 Agreement; the observation of the Authority's or Contractor's employees, agents or
21 representatives; and/or through investigation and/or reports by any third party or parties.

22 The Authority may assess liquidated damages for each calendar day or event, as
23 appropriate, that Contractor is determined to be liable in accordance with this
24 Agreement.

25 Contractor shall pay any liquidated damages assessed by the Authority within ten (10)
26 days after they are assessed.

27 The Authority's right to recover liquidated damages for Contractor's failure to meet the
28 service performance standards shall not preclude Authority from obtaining equitable
29 relief for persistent failures to meet such standards nor from terminating the Agreement
30 for such persistent failures.

31 Notwithstanding any other provision of this Agreement, if this Paragraph 11.07,
32 Attachment 10, or any provision or requirement contained in either, is set aside or
33 invalidated by a court for any reason, the provision and/or requirement that is set aside or
34 invalidated shall be severed from the rest of this Agreement, and the Authority shall
35 reserve and be entitled to any and all other rights and remedies available under this
36 Agreement, law and equity.

37 **11.08 AUTHORITY DEFAULT**

38 The Authority shall be in default under this Agreement ("Authority Default") in the event
39 the Authority commits a material breach of the Agreement and fails to cure such breach
40 within thirty (30) days after receiving notice from the Contractor specifying the breach,
41 provided that if the nature of the breach is such that it will reasonably require more than
42 thirty (30) days to cure, the Authority shall not be in default so long as the Authority
43 promptly commences the cure and diligently proceeds to completion of the cure.

44 In the event of an asserted Authority Default, Contractor shall continue to perform all of
45 its obligations hereunder until a court of competent jurisdiction has issued a final
46 judgment declaring that the Authority is in default.

1 **11.09 EXCUSE FROM PERFORMANCE**

- 2 A. Force Majeure. Neither party shall be in default of its obligations under this
3 Agreement in the event, and for so long as, it is impossible or extremely
4 impracticable for it to perform its obligations due to an "act of God" (including, but
5 not limited to, flood, earthquake or other catastrophic events that have taken place
6 at or in close proximity to the Shoreway Center), war, insurrection, riot, labor unrest
7 of other than the party's employees (including strike, work stoppage, slowdown, sick
8 out, picketing, or other concerted job action), or other similar cause not the fault of,
9 and beyond the reasonable control of, the party claiming excuse. A party claiming
10 excuse under this Section must (1) have taken reasonable precautions, if possible,
11 to avoid being affected by the cause, and (2) notify the other party in writing as
12 provided in Subsection C. This Section 11.09 A shall not apply to, nor shall it
13 excuse any failure to satisfy or perform an obligation arising from, any "act of God,"
14 catastrophic event, war, insurrection, riot, labor unrest or similar cause that does not
15 directly and immediately impact or affect Contractor's operations at the Shoreway
16 Center. Indirect impacts and effects from such events and/or causes at remote
17 locations and times are not intended to be included as "acts of God" or an event of
18 Force Majeure under this Section 11.09.
- 19 B. Obligation to Restore Ability to Perform. Any suspension of performance by a party
20 pursuant to this Section shall be only to the extent, and for a period of no longer
21 duration than, required by the nature of the event, and the party claiming excuse
22 shall use its best efforts to remedy its inability to perform as quickly as possible and
23 to mitigate damages that may occur as result of the event.
- 24 C. Notice. The party claiming excuse shall deliver to the other party a written notice of
25 intent to claim excuse from performance under this Agreement by reason of an
26 event of Force Majeure. Notice required by this Section shall be given promptly in
27 light of the circumstances, but in any event not later than five (5) days after the
28 occurrence of the event of Force Majeure. Such notice shall describe in detail the
29 event of Force Majeure claimed, the services impacted by the claimed event of
30 Force Majeure, the expected length of time that the party expects to be prevented
31 from performing, the steps which the party intends to take to restore its ability to
32 perform, and such other information as the other party reasonably requests.
- 33 D. Authority's Rights in the Event of Force Majeure. The partial or complete
34 interruption or discontinuance of Contractor's services caused by an event of Force
35 Majeure shall not constitute a Contractor Default. Notwithstanding the foregoing: (i)
36 the Authority shall have the right to make use of Contractor's facilities and
37 equipment in the event of non-performance excused by Force Majeure; (ii) if
38 Contractor's failure to perform by reason of Force Majeure continues for a period of
39 thirty (30) days or more, the Authority shall have the right to immediately terminate
40 this Agreement; (iii) if Contractor is unable to process and dispose of Solid Waste or
41 arrange for recovery of Recyclable Materials as required by this Agreement for a
42 period of two (2) or more consecutive days or for any three (3) days in a seven
43 (7)-day period as a result of Force Majeure, the Authority shall have the right to
44 make use of Contractor's property, and (iv) if Contractor's inability to process and
45 dispose of Solid Waste or arrange for recovery of Recyclable Materials continues
46 for ten (10) days or more from the date by which Contractor gave or should have
47 given notice under Subsection C, the Authority may terminate this Agreement.

1 **11.10 ASSURANCE OF PERFORMANCE**

2 If the Authority in its reasonable judgment determines that Contractor (1) has repeatedly
3 incurred liquidated damages under Section 11.07; (2) is the subject of any labor unrest
4 including work stoppage or slowdown, sickout, picketing or other concerted job action;
5 (3) appears to be unable to regularly pay its bills as they become due; (4) is the subject
6 of a civil or criminal proceeding brought by a federal, state, regional or local agency for
7 violation of laws, regulations or permits in the performance of this Agreement, or (5)
8 performs in a manner that causes uncertainty about Contractor's ability and intention to
9 comply with this Agreement, the Authority may, at its option and in addition to all other
10 rights and remedies it may have, demand from Contractor reasonable assurances of
11 timely and proper performance of this Agreement, in such form and substance as the
12 Authority may require.

1 **ARTICLE 12 OTHER AGREEMENTS OF THE PARTIES**

2 **12.01 RELATIONSHIP OF PARTIES**

3 The parties intend that Contractor shall perform the services required by this Agreement
4 as an independent contractor engaged by Authority and not as an officer or employee of
5 the Authority nor as a partner of or joint venturer with the Authority. No employee or
6 agent of Contractor shall be deemed to be an employee or agent of Authority. Except as
7 expressly provided herein, Contractor shall have the exclusive control over the manner
8 and means of conducting the services performed under this Agreement, and over all
9 persons performing such services. Contractor shall be solely responsible for the acts
10 and omissions of its officers, employees, subcontractors and agents. Neither Contractor
11 nor its officers, employees, subcontractors and agents shall obtain any rights to
12 retirement benefits, workers' compensation benefits, or any other benefits which accrue
13 to Authority employees by virtue of their employment with Authority.

14 **12.02 COMPLIANCE WITH LAW**

15 In providing the services required under this Agreement, Contractor shall at all times
16 comply with all applicable laws of the United States, the State, the City of San Carlos
17 and with all applicable regulations promulgated by federal, state, regional or local
18 administrative and regulatory agencies now in force and as they may be enacted, issued
19 or amended during the Term, and with all permits affecting the services to be provided.

20 **12.03 ASSIGNMENT**

21 Contractor acknowledges that this Agreement involves rendering a vital service to
22 Authority's residents and businesses, and that Authority has selected Contractor to
23 perform the services specified herein based on (i) the experience, skill and reputation of
24 Contractor's Members for conducting their operations in a safe, effective and responsible
25 fashion, and (ii) the financial resources of Contractor's Members to maintain the required
26 equipment and to support Contractor's indemnity obligations to Authority under this
27 Agreement. Authority has relied on each of these factors, among others, in choosing
28 Contractor to perform the services to be provided by Contractor under this Agreement.

- 29 A. Authority Consent Required. Contractor shall not assign its rights or delegate or
30 otherwise transfer its obligations under this Agreement to any other Person without
31 the prior written consent of Authority. Any such assignment made without the
32 consent of Authority shall be void and the attempted assignment shall constitute a
33 Contractor Default.
- 34 B. Assignment Defined. For the purpose of this Section, "assignment" shall include, but
35 not be limited to, (i) a sale, exchange or other transfer to a third party of substantially
36 all of Contractor's assets dedicated to service under this Agreement; (ii) a sale,
37 exchange or other transfer of a membership interest in Contractor to a person who is
38 not a Member as of the Effective Date which results in a change in control of
39 Contractor; (iii) any dissolution, reorganization, consolidation, merger, re-
40 capitalization, stock issuance or reissuance, voting trust, pooling agreement, escrow
41 arrangement, liquidation or other transaction which results in a change of ownership
42 or control of Contractor; (iv) any assignment by operation of law, including insolvency
43 or bankruptcy, an assignment for the benefit of creditors, a writ of attachment for an
44 execution being levied against this Agreement, appointment of a receiver taking
45 possession of Contractor's property, or transfer occurring in the event of a probate
46 proceeding; and (v) any combination of the foregoing (whether or not in related or

1 contemporaneous transactions) which has the effect of any such transfer or change
2 of ownership, or change of control of Contractor. The term "assignment" also
3 includes (1) any change in the identity of the members of the Contractor, (2) the sale
4 or other transfer of substantially all of the assets of any member of the Contractor
5 (including in the context of a bankruptcy or other insolvency proceeding or an
6 assignment for the benefit of creditors), and (3) any event that results in a change of
7 voting power, as defined in California Corporations Code, with respect to the persons
8 who exercise such voting power in a member of Contractor on the date of this
9 Agreement, other than a transfer to members of such person's immediate family.

10 C. Consent Requirements. If Contractor requests Authority's consideration of and
11 consent to an assignment, Authority may deny or approve such request in its
12 complete discretion. No request by Contractor for consent to an assignment need be
13 considered by Authority unless and until Contractor has met the following
14 requirements:

- 15 1) Contractor shall pay Authority its reasonable expenses for attorneys' fees
16 and investigation costs necessary to investigate the suitability of any
17 proposed assignee, and to review and finalize any documentation
18 required as a condition for approving any such assignment;
- 19 2) Contractor shall furnish Authority with audited financial statements of the
20 proposed assignee's operations for the immediately preceding three (3)
21 operating years;
- 22 3) Contractor shall furnish Authority with satisfactory proof: (i) that the
23 proposed assignee has at least ten (10) years of solid waste/recycling
24 management experience on a scale equal to or exceeding the scale of
25 operations conducted by Contractor under this Agreement; (ii) that in the
26 last five (5) years, the proposed assignee has not been the subject of any
27 administrative or judicial proceedings initiated by a federal, state or local
28 agency having jurisdiction over its operations due to an alleged failure to
29 comply with federal, state or local laws or that the proposed assignee has
30 provided Authority with a complete list of such proceedings and their
31 status; (iii) that the proposed assignee conducts its operations in a safe
32 and environmentally conscientious manner, in accordance with sound
33 waste management practices in full compliance with all federal, state and
34 local laws regulating the handling and transfer of waste and recyclable
35 materials and all Environmental Laws; (iv) of any other information
36 required by Authority to ensure the proposed assignee can fulfill the terms
37 of this Agreement in a timely, safe and effective manner.

38 D. No Obligation to Consider. Authority will not be obligated to consider a
39 proposed assignment if Contractor is in default.

40 **12.04 SUBCONTRACTING**

41 Contractor shall not engage any subcontractors to perform any of the services required
42 of it by Articles 5 or 6 of this Agreement without the prior written consent of Authority.
43 Contractor shall notify Authority no later than ninety (90) days prior to the date on which
44 it proposes to enter into a subcontract. Authority may approve or deny any such request
45 in its sole discretion.

1 **12.05 AFFILIATED ENTITY**

2 Contractor will not form or use any Affiliate to perform any of the services or activities
3 which Contractor is required or allowed to perform under this Agreement, other than as a
4 subcontractor approved by Authority under Section 12.04.

5 If Contractor enters into any financial transactions with an Affiliate for the provision of
6 labor, equipment, supplies, services, or capital related to the furnishing of service under
7 this Agreement, or for the purchase of Recyclable Materials, that relationship shall be
8 disclosed to Authority, and in the financial reports submitted to Authority. In such event,
9 Authority's rights to inspect records and obtain financial data shall extend to such
10 Affiliate.

11 **12.06 CONTRACTOR'S INVESTIGATION**

12 Contractor has made an independent investigation, satisfactory to it, of the conditions
13 and circumstances surrounding the Agreement and the work to be performed by it.
14 Contractor has carefully reviewed the information in the Request for Proposals, and
15 Addenda if any. Contractor has had the opportunity to inspect the Shoreway Center to
16 review the permits governing its operation and the Authority's plans for its expansion and
17 reconstruction. Contractor has had the opportunity to inspect the Designated Disposal
18 Site, as well as the processing facilities which currently process materials from the
19 Shoreway Center, and the contracts between the Authority and the owners/operators of
20 each. Contractor has also had the opportunity to review audited financial statements of
21 the current operator of the Shoreway Center. Contractor has taken such matters into
22 consideration in agreeing to provide the services required by, for the compensation to be
23 provided under, this Agreement.

24 **12.07 NO WARRANTY BY AUTHORITY**

25 While Authority believes that the information contained in the Request for Proposals is
26 substantially correct, Authority makes no warranties in connection with this Agreement,
27 including but not limited to the accuracy or completeness of the information contained in
28 the Request for Proposals. The Authority expressly disclaims any warranties, express or
29 implied, as to the merchantability or fitness for any particular purpose of Recyclable
30 Materials delivered to the Shoreway Center.

31 **12.08 CONDEMNATION**

32 Authority reserves the rights to acquire the Contractor's property utilized in the
33 performance of this Agreement through the exercise of eminent domain.

34 **12.09 NOTICE**

35 All notices, demands, requests, proposals, approvals, consents and other
36 communications which this Agreement requires, authorizes or contemplates shall,
37 except as provided in Section 11.02, be in writing and shall either be personally
38 delivered to a representative of the parties at the address below or be deposited in the
39 United States mail, first class postage prepaid, addressed as follows:

40 If to Authority: South Bayside Waste Management Authority
41 610 Elm Street, Suite 202
42 San Carlos, CA 94070
43 Attention: Executive Director

1
2 If to Contractor: SOUTH BAY RECYCLING, LLC
3 9189 DeGarmo Avenue
4 Sun Valley, CA 91352
5 Attention: John Richardson

6 The address to which communications may be delivered may be changed from time to
7 time by a notice given in accordance with this Section.

8 Routine, day-to-day communications between the parties may be exchanged in a
9 manner and between subordinate employees as the designated representatives of each
10 party identified in Section 12.10 may agree.

11 **12.10 REPRESENTATIVES OF THE PARTIES**

12 A. Representatives of Authority. References in this Agreement to "Authority" shall mean
13 the Authority Board of Directors and all actions to be taken by Authority shall be
14 taken by the Authority Board of Directors except as provided below. The Authority
15 Board of Directors may by formal action taken at an open meeting of the Board of
16 Directors delegate authority to the Executive Director and may permit the Executive
17 Director, in turn, to delegate in writing some or all of such authority to subordinate
18 officers. Contractor may rely upon actions taken by such delegates if they are within
19 the scope of the authority properly delegated to them.

20 B. Representative of Contractor. Contractor shall, by the Effective Date, designate in
21 writing a responsible officer who shall serve as the representative of Contractor in all
22 matters related to the Agreement and shall inform Authority in writing of such
23 designation and of any limitations upon his or her authority to bind Contractor.
24 Authority may rely upon action taken by such designated representative as actions of
25 Contractor unless they are outside the scope of the authority delegated to him/her by
26 Contractor as communicated in writing to Authority.

27 **12.11 DUTY OF CONTRACTOR NOT TO DISCRIMINATE**

28 In the performance of this Agreement Contractor shall not discriminate, nor permit any
29 subcontractor to discriminate, against any employee, applicant for employment, or user
30 of the Shoreway Center on account of race, color, national origin, ancestry, religion, sex,
31 age, physical disability, medical condition, sexual orientation, marital status, or other
32 characteristic, in violation of any applicable federal or state law.

33 **12.12 RIGHT TO INSPECT CONTRACTOR OPERATIONS**

34 Authority shall have the right, but not the obligation, to observe and inspect all of the
35 Contractor's operations under this Agreement. In connection therewith, Authority shall
36 have the right to enter facilities used by Contractor during operating hours (and to enter
37 the Shoreway Center at any time), speak to any of Contractor's employees and receive
38 cooperation from such employees in response to inquiries. In addition, upon reasonable
39 notice and without interference with Contractor's operations, Authority may review and
40 copy any of Contractor's operational and business records related to this Agreement. If
41 Authority so requests, Contractor shall make specified personnel available to

1 accompany Authority employees on inspections and shall provide electronic copies of
2 records stored in electronic media.

3 **12.13 RIGHT OF AUTHORITY TO MAKE CHANGES**

4 Authority may, without amending this Agreement, direct Contractor to cease performing
5 one or more types of service described in Articles 4, 5, or 6, may direct Contractor to
6 modify the scope of one or more such services, may direct Contractor to perform
7 additional solid waste handling services, or may otherwise direct Contractor to modify its
8 performance under any other Section of this Agreement. Contractor shall promptly and
9 cooperatively comply with such direction.

10 If such changes cause an increase or decrease in the cost of performing the services, or
11 an increase or decrease in the amount of Revenue earned from the sale or other
12 transfer of materials delivered to the Shoreway Center, an equitable adjustment in the
13 Contractor's compensation shall be made pursuant to Section 7.11. Contractor will
14 continue to perform the new or changed service while the appropriate adjustment in
15 compensation is being determined.

16 **12.14 TRANSITION TO NEXT SERVICE PROVIDER**

17 At the expiration of the Term or the earlier termination of the Agreement, or upon
18 Authority's approval of a proposed assignment, Contractor shall cooperate fully with
19 Authority to ensure an orderly transition to any and all new service providers. Contractor
20 shall provide, within ten (10) days of a written request by Authority, then-current
21 accounting records and billing information. Contractor may, but is not required to, sell
22 operations rolling stock, vehicles and equipment to the next service provider.

23 Contractor shall, at least 180 days prior to the transition of services, attend meetings
24 with the next service provider and with Authority and Authority staff and consultants to
25 plan for the transition to the new Contractor. Contractor shall perform in accordance with
26 such plan and direct personnel to provide operations and transition assistance.
27 Contractor will direct its employees to provide accurate information to the new provider
28 about operations, customers and vendors of the facility.

29 **12.15 REPORTS AS PUBLIC RECORDS**

30 The reports, records and other information submitted or required to be submitted by
31 Contractor to Authority are public records within the meaning of that term in the
32 California Public Records Act, Government Code Section 6250 et seq. Unless a
33 particular record is exempted from disclosure by the California Public Records Act, it
34 must be disclosed to the public by Authority upon request.

35 Contractor will not object to Authority making available to the public any information
36 submitted by the Contractor, or required to be submitted in connection with the
37 Contractor's compensation, including but not limited to records described in Article 9.

38 **12.16 DESTRUCTION OF PREMISES**

39 If the facilities at the Shoreway Center are destroyed or damaged (by fire, earthquake or
40 other similar event) so that operations as contemplated in this Agreement are impossible
41 or commercially infeasible, Authority has the right, but no obligation, to repair or rebuild
42 the facilities.

43 Authority will notify Contractor promptly (no later than 120 days after destruction or
44 damage occurs) whether or not it will repair and rebuild the facilities.

1 If Authority elects not to repair and rebuild, this Agreement shall terminate 30 days after
2 Authority notifies Contractor of that decision.

3 If Authority elects to repair and rebuild, then until reconstruction is sufficiently completed
4 for Contractor to resume operations, the obligations of Contractor to perform and the
5 obligations of Authority to pay compensation will both be abated or modified in a
6 commercially reasonable and equitable manner reflecting, for example, the ability of
7 Contractor to resume partial operations, and the compensation appropriately due for
8 doing so.

1 **ARTICLE 13 MISCELLANEOUS AGREEMENTS**

2 **13.01 GOVERNING LAW**

3 This Agreement shall be governed by, and construed and enforced in accordance with,
4 the laws of the State of California.

5 **13.02 JURISDICTION**

6 Any lawsuits between the parties arising out of this Agreement shall be brought and
7 concluded in the courts of the State of California, which shall have exclusive jurisdiction
8 over such lawsuits. With respect to venue, the parties agree that this Agreement is
9 made in and will be performed in San Mateo County.

10 **13.03 BINDING ON SUCCESSORS**

11 The provisions of this Agreement shall inure to the benefit of and be binding on the
12 successors and permitted assigns of the parties.

13 **13.04 PARTIES IN INTEREST**

14 Nothing in this Agreement is intended to confer any rights on any Persons other than the
15 parties to it and their successors and permitted assigns.

16 **13.05 WAIVER**

17 The waiver by either party of any breach or violation of any provisions of this Agreement
18 shall not be deemed to be a waiver of any breach or violation of any other provision nor
19 of any subsequent breach or violation of the same or any other provision.

20 **13.06 ATTACHMENTS**

21 Each of the Attachments, identified as Attachments "1" through "19," is attached hereto
22 and incorporated herein and made a part hereof by this reference.

23 **13.07 ENTIRE AGREEMENT**

24 This Agreement, including the Attachments, represents the full and entire agreement
25 between the parties with respect to the matters covered herein and supersedes all prior
26 negotiations and agreements, either written or oral.

27 **13.08 SECTION HEADINGS**

28 The article headings and section headings in this Agreement are for convenience of
29 reference only and are not intended to be used in the construction of this Agreement nor
30 to alter or affect any of its provisions.

31 **13.09 INTERPRETATION**

32 Each party has participated in the preparation of this Agreement with the assistance of
33 legal counsel to the extent desired. Accordingly, this Agreement shall be interpreted and
34 construed reasonably and neither for nor against either party

35 **13.10 AMENDMENT**

36 This Agreement may not be modified or amended in any respect except by a writing
37 signed by the parties.

1 **13.11 SEVERABILITY**

2 If a court of competent jurisdiction holds any non-material provision of this Agreement to
3 be invalid and unenforceable, the invalidity or unenforceability of such provision shall not
4 affect any of the remaining provisions of this Agreement which shall be enforced as if
5 such invalid or unenforceable provision had not been contained herein.

6 **13.12 COSTS AND ATTORNEYS' FEES**

7 The prevailing party in any action brought to enforce the terms of this Agreement or
8 arising out of this Agreement may recover its reasonable costs expended in connection
9 with such an action from the other party. However, each party shall bear its own
10 attorneys' fees.

11 **13.13 INDEMNITY AGAINST CHALLENGES TO AGREEMENT**

12 Contractor shall indemnify, defend and hold harmless Authority, and its officers,
13 employees and agents (collectively, the "Indemnitees") from and against any and all
14 liability, claim, demand, action, proceeding or suit of any and every kind and description
15 brought by a third person challenging the process by which Proposals were solicited and
16 evaluated, or this Agreement was negotiated or awarded. Contractor's financial
17 obligation under this section is limited to the expenditure of fifty thousand dollars
18 (\$50,000).

19 **13.14 NO DAMAGES FOR INVALIDATION OF AGREEMENT**

20 If a final judgment of a court of competent jurisdiction determines that this Agreement is
21 illegal or was unlawfully entered into by Authority, neither party shall have any claim
22 against the other for damages of any kind (including but not limited to loss of profits) on
23 any theory.

24 **13.15 REFERENCES TO LAWS**

25 All references in this Agreement to laws and regulations shall be understood to include
26 such laws and regulations as they may be subsequently amended or recodified, unless
27 otherwise specifically provided. In addition, references to specific governmental
28 agencies shall be understood to include agencies that succeed to or assume the
29 functions they are currently performing.

IN WITNESS WHEREOF, Authority and Contractor have executed this Agreement as of the day and year first above written by their duly authorized officers.

SOUTH BAY RECYCLING, LLC
("Contractor")

SOUTH BAYSIDE WASTE MANAGEMENT
AUTHORITY

By Its Board of Managers

Name: _____
(Appointed By Community Recycling and
Resource Recovery, Inc.)

By: _____
Chair, Board of Directors

Name: _____
(Appointed By Potential Industries, Inc.)

ATTEST:

Secretary

APPROVED:

Executive Director

APPROVED AS TO FORM:

Legal Counsel

ATTACHMENT 3

GENERAL OPERATING STANDARDS AND PROCEDURES

1. GENERAL OPERATING STANDARDS AND SERVICES TO BE PROVIDED

- A. Inspection of Loads. The Contractor will inspect all inbound materials at the time of dumping to ensure that the load does not contain any hazardous materials or other materials that are not accepted at the Shoreway Center. .
- B. Ownership of Materials. Once the vehicles have dumped and the trucks have left the Shoreway Center, the ownership and responsibility for the proper management of the materials resides with the Contractor. The Contractor remains responsible for the materials until the Designated Disposal Site, Designated Processing Facility, or materials buyers take ownership. The AUTHORITY assumes no ownership or responsibility for the proper management of materials at the Shoreway Center.
- C. Contractor's Use of Premises. Contractor shall use the Shoreway Center only for the processing of Solid Waste, Organic Materials, and Recyclable Materials delivered under this Agreement and for directly related support purposes. The Contractor will not bring-in or cause to be brought-in, other materials to the Shoreway Center without prior written approval of the AUTHORITY.
- D. Tipping Area. Contractor will keep the MRF and transfer station tip areas open and clear of piles to the extent necessary so that safety and material tipping is optimized.
- E. Vehicle Turnaround. Contractor will be required to maintain operating efficiency within the transfer station, MRF and Public Recycling Center to ensure customers and other vehicles are able to dump materials quickly and in accordance with the Vehicle Turnaround Guarantee as described in Article 5.14.
- F. Off-site Impacts. Contractor will operate the Shoreway Center to minimize the off-site impacts (e.g., litter, odor, traffic, noise) of the Shoreway Center operations. Correction of off-site impacts that result from the operations of the Shoreway Center by the Contractor will be the responsibility of the Contractor. Contractor will make every effort to prevent vehicles from stacking onto Shoreway Road. If vehicles stack off the Shoreway Center property, the Contractor is responsible for providing personnel to control traffic and ensure that through-traffic on Shoreway Road is not impeded.
- G. Care of Shoreway Center. Contractor will use the structures and operate the facilities in such a way that minimizes Shoreway Center and equipment wear.
- H. Safety Plan. The Contractor will implement the Safety Plan, included as Attachment 18 (including specific safety protocols for all Shoreway Center workers, drivers of commercial vehicles, customers and site visitors), implement a training program, maintain an on-going schedule for safety review meetings with mandatory attendance by all regular employees (as well as periodic trainings for new-hires or temporary workers), and maintain documentation of the Safety Plan activities.

- I. Additional Materials Processing. The AUTHORITY may want to recycle additional materials beyond those specified in this Agreement. At the request of the AUTHORITY, the Contractor (within 60 days) shall propose a plan for the processing and marketing additional materials targeted for recycling. The plan shall include projected labor, equipment and space requirements, and an analysis of costs and revenues related to the recycling effort. The AUTHORITY may accept, reject or modify any such plan and Contractor shall be entitled to compensation for implementing the plan as agreed to by the Parties.
- J. Coordination with Collection Contractor. Contractor will work closely and coordinate with the Collection Contractor to ensure that on-site traffic flows smoothly and efficiently, that inbound materials are delivered to the proper location on the Shoreway Center property, and that materials delivered to the Shoreway Center are of acceptable quality.
- K. Signage. The AUTHORITY will post signs at the Shoreway Center to control traffic and to inform users of the Shoreway Center of pertinent information (e.g., regulations, hours of operation, material types accepted, rates charged, and a local telephone number to call for information or in case of emergency). Contractor shall maintain and repair these and other on-site signs. Contractor shall not post any signs without the prior written consent of the AUTHORITY.
- L. Traffic Control. Contractor shall be responsible for the safe control and direction of traffic once it enters the Shoreway Center. Contractor will ensure that on-site traffic is controlled and directed so that vehicles move around the site in a safe and efficient manner. Contractor shall make optimal use of queuing lanes and unloading spaces and shall operate and park vehicles so as not to impede on-site traffic flow.
- M. Control of Blowing Debris. Contractor shall sweep daily (1) all areas within the Shoreway Center, and (2) Shoreway Road, collecting all debris in these areas. Debris so collected shall be disposed of at the Shoreway Center.
- N. Vector Control. Contractor shall conduct the operation of the Shoreway Center in such a manner as to ensure that conditions are unfavorable for production of rodents or insects. In the event that rodent or insect activity becomes apparent to the Local Enforcement Agency or the AUTHORITY, supplemental vector control measures shall be initiated by Contractor, as directed by the Local Enforcement Agency and/or the AUTHORITY.
- O. Odor, Dust and Noise Control. Contractor shall control odor and dust at the Shoreway Center by use of installed dust and odor control systems in place at the transfer station.
- P. Fire Control. Prior to commencing operations at the Shoreway Center, Contractor shall submit a fire control/handling plan for the Shoreway Center and obtain approval from the AUTHORITY.
- Q. Personnel. Contractor is required to provide sufficient numbers of qualified and trained staff necessary for operating the Shoreway Center, transporting of materials, recovering and marketing recyclables, and other obligations necessary to operate the Shoreway Center. The initial number of employees and workers dedicated by the Contractor for operations at the Shoreway Center is shown in Attachment 9, Staffing Plan.

There will be at least one employee of the Contractor (or a designated sub-contractor or security company) physically in attendance at the Shoreway Center at all times, whether or not the Shoreway Center is operating or open.

During the hours of 6 a.m. to 5 p.m., seven (7) days a week, there will be a manager or lead worker who is the representative of Contractor on-site. At all other times, there will be a supervisory employee designated as emergency coordinator who will be on-call. Employees who are on-site (and the AUTHORITY staff) will be instructed how to contact this emergency coordinator.

- R. Training of Personnel. Contractor shall provide adequate operational and safety training for all of its employees who are involved in performing operations at the Shoreway Center.
- S. Equipment. Contractor is required to purchase, lease, or otherwise procure, all rolling stock, materials, and supplies necessary for operating the Shoreway Center, transporting solid wastes, recovering and marketing recyclables, and performing all other obligations under this Agreement. All equipment provided by Contractor for use at the Shoreway Center shall be new off-road and on-road rolling stock (i.e., loaders, forklifts and tractor trailers). Six months prior to the commencement of services by the Contractor, the Contractor shall submit to AUTHORITY a list of the equipment for use at the Shoreway Center and in the transfer of materials, including manufacturer, model number, description, etc.
- 1) All equipment shall comply with all applicable federal, state, and local laws, including (1) U.S. Department of Transportation: Federal Motor Vehicle Safety Standards; Federal Motor Carrier Safety Regulations; Interstate Motor Carrier Noise Emissions Standards, (2) U.S. Environmental Protection Agency: Control of Air Pollution from New Motor Vehicles and New Motor Vehicle Engines, and (3) Bay Area Air Quality Management District.
 - 2) All tractors and transfer trailers (individually and in combination) shall comply with the applicable laws. Tractors and transfer trailers shall be painted in a uniform color scheme approved by the AUTHORITY and shall prominently display an AUTHORITY service mark (logo), the design and placement of which are subject to AUTHORITY approval.
 - 3) Contractor shall furnish backup, substitute or replacement equipment necessary to continue uninterrupted operations, transfer and disposal when equipment regularly in service is inoperable or unavailable.
 - 4) Contractor shall use blade guards and rubber tires on all mobile equipment operated in and around the tipping floor of the MRF and transfer station and shall use due care in their operation to avoid damaging the tipping floor.
 - 5) Contractor shall follow manufacturers' guidelines for equipment use and equipment manufacturers warranties. Any costs that arise from voided equipment warranties (voided as a result of the Contractor not providing proper equipment care as specified by the manufacturer) will be the responsibility of the Contractor.
- T. Cleaning. Contractor shall maintain all properties, facilities and equipment used in providing service under this Agreement in a safe, clean, neat and operable condition at all times. Tractors and transfer trailers shall be thoroughly washed

on the exterior at least once every week and thoroughly cleaned with pressurized hot water at least once per year. Building office areas shall be cleaned daily. Work areas within buildings and structures shall be swept daily and washed twice weekly. The refuse transfer truck loading area shall be cleaned and swept at the end of each operating day. Transfer station tunnels will be washed daily and all materials and debris will be cleaned from the tunnels. Tunnel sumps will be maintained so that no standing water is present within the transfer station tunnels. The transfer and MRF buildings shall be thoroughly cleaned inside and out with water at least once per year and once immediately prior to expiration of the Term of this Agreement.

Solid Waste may not be left on the tipping floor for more than 24 hours or as otherwise required by regulatory agencies. Solid Waste shall be removed to the Designated Disposal Site within 48 hours after its delivery to the Shoreway Center or as directed by the LEA. Wastes shall not be disposed of into storm drains, or into sanitary sewers without proper pretreatment that meets regulatory requirements.

- U. Establishment of Vehicles' Tare Weights. Before the commencement of service, Contractor shall provide the AUTHORITY with a copy of its standard methodology for determining tare weights for AUTHORITY's review and approval. Contractor shall modify its standard methodology if requested to do so by AUTHORITY. Before the commencement of service, the Contractor shall weigh each Collection Contractor vehicle, which may be used to deliver Materials to the Shoreway Center, to determine their unloaded ("tare") weights. Vehicles to be weighed include, but are not limited to, front, side and rear loaders, roll-off trucks, street sweepers, recycling trucks, pickup trucks, vans and trucks and trailers. In addition, during the same period of time, Contractor shall weigh each transfer trailer. The tare weight of each vehicle shall be provided to the AUTHORITY and Collection Contractor along with the vehicle number within thirty (30) days after each vehicle is weighed. Contractor shall be responsible for coordinating the weighing of vehicles with AUTHORITY, the Member Agencies and their Collection Contractor.
1. When additional or replacement vehicles are placed into service by the AUTHORITY, other Member Agencies or their Collection Contractor and when the Member Agencies change their Collection Contractor, the Contractor shall promptly weigh such additional and replacement vehicles and the vehicles of the new Collection Contractor and provide the tare weights to the AUTHORITY within thirty (30) days after the vehicles are weighed.
 2. Contractor shall conduct random or specific re-weighing of all vehicles if requested in writing by AUTHORITY of all vehicles delivering materials to the Shoreway Center or delivering materials to the Designated Disposal Site and Processing Facilities. Vehicles shall be reweighed by Contractor, at AUTHORITY's request, within one (1) week after AUTHORITY delivers a written request to do so. Adjusted tare weights shall be furnished to the AUTHORITY within thirty (30) days after re-weighing.

V. Painting. Contractor's vehicles shall be repainted and/or refurbished so that they present an acceptable appearance in the opinion of the AUTHORITY. The frequency of painting shall be on an as-needed basis but no less than once every 4 years. The type of paint, color and method of application shall be submitted to the AUTHORITY for review and approval prior to commencement of repainting work.

W. Maintenance and Repair.

- 1) AUTHORITY's Obligations. The AUTHORITY shall maintain in good condition the roofs, structural portions and exterior walls (but not plate glass, glass windows, window frames, doors and door frames, which are the responsibility of the Contractor), and paved areas, unless such maintenance and repair becomes necessary in whole or in part due to acts of Contractor, in which case the Contractor shall pay AUTHORITY the reasonable cost of such maintenance or repair.
 - a) AUTHORITY shall pay for repairs or replacement to stationary equipment when the expense of the repair or replacement (a single item not a combination of items) exceeds a dollar cost (total of labor, parts and materials) over \$10,000. For example, if there is an equipment repair that exceeds \$10,000 in cost (including labor, parts, and materials), the Contractor is to pay for the repair expenses up to \$10,000; and the AUTHORITY shall pay the repair or replacement cost in excess of \$10,000.
 - b) The AUTHORITY shall repair or replace at its sole expense, if and when necessary, the Shoreway Center tipping floor areas, unless the repair is the result of damage caused by improper use or negligence by the Contractor.
- 2) Contractor's Obligations. Contractor shall keep and maintain in good, safe condition and repair the Shoreway Center, appurtenances and every part thereof, including without limitation the stationary equipment, such as conveyors, MRF processing equipment, balers, shredders and screens; plumbing and sewage facilities; mechanical, electrical, lighting, heating, ventilating and air conditioning systems; fire and dust suppression systems; fuel storage and dispensing facilities; scales, and all personal property furnished by Contractor including vehicles. Contractor shall repair any damage to any facilities caused by the actions of its employees, subcontractors or other agents.

Contractor shall perform periodic maintenance on all stationary equipment in accordance with applicable manufacturer's specifications and schedules so as to maintain in force any manufacturer's/vendor's warranties. AUTHORITY will assist Contractor in securing manufacturer's/vendor's repair and replacement of equipment due under warranties (if any) provided to AUTHORITY in connection with the purchase of stationary equipment.

Contractor shall be responsible for securing replacement parts (and for maintaining an inventory of spare parts) for all stationary equipment and for facilities which the Contractor is required to maintain and repair. During periods that warranties are in effect for equipment, Contractor shall use only parts supplied by the original equipment manufacturers to replace worn or

damaged parts. Non-OEM parts may only be used after applicable warranties have expired or unless the Contractor obtains in advance written approval to do so from the SBWMA.

The AUTHORITY shall reimburse Contractor for the cost of repairs to the AUTHORITY-owned Harris HRB Centurion baler, unless AUTHORITY performs a full rebuild of the baler prior to the Commencement Date. If the baler is rebuilt by the AUTHORITY, Contractor shall be responsible for necessary repairs consistent with the treatment of new stationary equipment.

- X. Alterations. The Contractor shall not make any alterations to the facilities or equipment owned by AUTHORITY without AUTHORITY's prior written consent. In order to obtain such consent, Contractor shall submit to the AUTHORITY plans and specifications, or other form of description as required by AUTHORITY, prior to commencing any alteration. If Contractor performs any alteration work prior to receiving AUTHORITY approval, AUTHORITY may require Contractor to remove all such work at Contractor's sole expense and restore the Shoreway Center or equipment to its prior condition.
- Y. Wastewater Disposal. The Contractor shall ensure that wastewater collected in the Shoreway Center's sumps (from Solid Waste, wash-down operations, etc.) meets the standards for discharge to the Water Pollution Control Plant.
- Z. Landscape Maintenance. Contractor shall regularly maintain (e.g. water, weed, prune and repair) all landscaped areas within the Shoreway Center property so that they present a neat and attractive appearance to the satisfaction of the AUTHORITY. Contractor shall replace all plant materials (trees, bushes, etc.) which are damaged or killed by Contractor's operations with plant materials of the same type, unless a different type is approved in advance by the AUTHORITY.
- AA. Complaints about Operation of Shoreway Center. All complaints about the operation or maintenance of the Shoreway Center shall be directed to the person designated as General Manager by Contractor. The General Manager shall compile a log of all complaints brought to his or her attention or that of his or her staff, indicating the date and time the complaint was received; the name, address and telephone number of the party making the complaint; and the action taken to address and solve the issue related to the complaint. Each month Contractor shall send to AUTHORITY a copy of the log of complaints for the previous month.
- BB. Tours of Shoreway Center. Contractor will coordinate with the AUTHORITY and work cooperatively to provide community services such as tours, education about recycling and Shoreway Center operations. Upon a request with 24-hour notice by the AUTHORITY, Contractor shall provide tours of the Shoreway Center. Such tours shall not unreasonably disrupt Shoreway Center operations and Contractor shall not be required to conduct such tours more frequently than once per week. AUTHORITY shall not be charged for labor, overhead, overtime, or any other costs associated with any such tours. Contractor shall distribute Shoreway Center brochures to participants on the tours.
- CC. Customer Courtesy. Contractor shall ensure that its employees deal with members of the public in a courteous and professional manner.

- DD. Destruction of Premises. If the Shoreway Center is totally or partially destroyed from a risk covered by insurance in effect at the time, AUTHORITY shall restore the Shoreway Center structures to substantially the same condition immediately prior to destruction, provided that AUTHORITY's obligation hereunder is limited to the amount of insurance proceeds it receives. Such destruction shall not terminate this Agreement. If the Shoreway Center or buildings are totally or partially destroyed by a risk not covered by insurance then in effect, AUTHORITY shall have the election to terminate this Agreement or to restore the premises, such election to be made within a reasonable time after the destruction occurs.
- EE. Records Retention. Contractor will maintain accurate and complete records according to the records retention policy for all Shoreway Center operations. Records shall be made available to the AUTHORITY for purposes of monitoring the Contractor's services.
- Contractor is responsible for maintaining all records related to the reporting requirements, regulatory requirements, financial data, scale transactions, and all other items mentioned in the Agreement. Before the end of the term of the Agreement, the Contractor will transfer the ownership of this information in its entirety to the AUTHORITY.
- FF. Spill Response Plan. Contractor shall provide kits for cleanup of spills of hazardous materials on the Shoreway Center. Contractor shall implement the Spill Response component of the Hazardous Waste Exclusion Program and take all necessary steps to comply with applicable local, State, or Federal regulations.
- GG. Material Composition Study. Contractor shall assist the AUTHORITY in conducting materials composition study of materials delivered to the Shoreway Center. Surveys will be conducted at the AUTHORITY's expense not more frequently than once every quarter. The procedure for the study and the content of the report shall be furnished by the AUTHORITY six weeks prior to conducting the survey. The AUTHORITY will reimburse the Contractor for all direct costs (without profit) for performing the study.

2. SCALE HOUSE OPERATION

- A. During the Shoreway Center receiving hours, the scale house will be continuously attended and the Shoreway Center opened to receive incoming materials.
- B. Contractor will provide all maintenance, calibration, testing and operation of the scales; provide a licensed weigh master for operating the scales; and ensure all scale transactions are recorded through a direct link to a centralized computer recording and billing system for tracking all transactions. All such scales and weighing equipment shall be kept in good and accurate condition operating at the standards of accuracy and reliability specified in Title 4 California Code of Regulations Division 9. Contractor shall request that the California Department of Food and Agriculture, Division of Measurement Standards, inspect all scales and weighing equipment at least once per year. In addition, Contractor shall check the accuracy of scales using appropriate methods (for example by weighing the same load on two scales) when requested by the AUTHORITY, but not more than once per week. If a scale or weighing equipment is found to be measuring inaccurately and the errors are outside the tolerances allowed in Title

- 4 California Code of Regulations, Division 9, Contractor will promptly repair or recalibrate it to ensure accurate operation.
- C. The software proposed for use by the Contractor will meet the approval of the AUTHORITY and must be accessible through an internet connection from off-site locations by authorized AUTHORITY staff.
 - D. After AUTHORITY approval of the software, the Contractor shall be solely responsible for operation of the scale house computers and software.
 - E. The AUTHORITY shall install cameras in the scale house (and other areas of the Shoreway Center). The cost of the installation and maintenance of the cameras shall be borne by the AUTHORITY. Camera equipment and recordings will be maintained by the Contractor and the Contractor will ensure that cameras record all scale house transactions, inbound customer vehicle traffic, and vehicle unloading. All camera views and recordings will be accessible through an internet connection from off-site locations by authorized AUTHORITY staff.
 - F. Contractor shall train its scale house personnel in the proper uses of the scale house weighing and computer system. Contractor will arrange for training to be provided to persons designated by the AUTHORITY.
 - G. Scale house personnel will be trained in customer service and the capabilities of the Shoreway Center so that they can thoroughly and accurately answer customers' questions and provide excellent customer service.
 - H. All inbound self-haul loads will be inspected at the scales before entering and tipping at the Facilities.
 - I. Contractor shall weigh materials delivered by the Member Agencies, and their Collection Contractor and by any other municipalities or their Collection Contractors.
 - J. Scale house attendants will determine the city or other jurisdiction of origin, type, and acceptability of each load delivered. The scales attendants will measure volume (cubic yardage) of self-haul customer loads and the weight of all franchise loads and issue appropriate paperwork and receipts.
 - K. Contractor shall measure the volume of all self-haul materials. If actual weighing of such vehicles becomes legally required under state or federal law, AUTHORITY shall make the necessary changes to the scales, including the potential addition of new scales and scale lanes, to accommodate the weighing efficiently.
 - L. Self-haul customers are to be charged Tip Fees based on the yardage of the delivered Materials. The Contractor will perform the following to ensure that the scale house attendants are providing accurate measurements of Self-haul customer loads:
 - 1) Train all scale house staff in the proper volumetric measurement of inbound loads.
 - 2) Monitor the accuracy of volumetric measurements and calculations on a weekly basis through periodic spot-checks.
 - 3) Document and record monitoring and spot-checks in a Scale Load Audit binder available for inspection by the AUTHORITY.

- M. Contractor shall weigh each loaded vehicle carrying Recyclable Materials from the MRF before it leaves the Shoreway Center.

3. TRANSFER STATION OPERATIONS

- A. The Contractor shall check incoming loads and determine their suitability for recovery through a C&D processing operation. C&D materials targeted for recovery include but are not limited to: wood, roofing materials, drywall, concrete, asphalt, scrap metal, and cardboard.
- B. Contractor shall provide and maintain adequate space and appropriate containers or bunkers/pile areas to ensure that Organic Materials, Inerts, C&D and other Recyclable Materials are kept separate from other materials at the Transfer Station.
- C. The Contractor is required to enforce a no scavenging policy and to prevent scavenging by the Contractor's employees or by visitors to the facilities.
- D. Contractor will coordinate with the Designated Disposal Site and Designated Processing Facilities and will prepare and deliver Material in a condition and form that meets their specifications and receiving requirements. Contractor will remove items prohibited by the Designated Disposal Site or Processing Facility.
- E. Contractor will maintain or expand the Bunker Program for Self-haul customers and will inform Self-haul customers about the program. Contractor will maintain an area of the transfer station tipping floor (or other area designated by the AUTHORITY) for Self-haul customers to self-unload Bunker Program materials including inert materials (e.g., dirt, concrete, asphalt) and other materials as designated by the AUTHORITY. Contractor will inspect and supervise Self-haul customer unloading to ensure that the materials unloaded are clean and contain only materials that are acceptable under the program. Materials diverted through the Bunker Program will count toward the Self Haul Diversion Guarantee.
- F. Contractor will strictly control the self-haul materials so that they are dumped, handled, and transported separately from franchise (weighed) tonnages. If self-haul materials are not diverted, they are not required to be separately weighed out from other Solid Waste.
- G. All Diverted self-haul materials will be weighed and recorded prior to leaving the Shoreway Center or weighed-in and recorded (separately from non-self-haul materials) at a state certified scale located at the Designated Processing Facility. Scale receipts from the Designated Processing Facility scale transactions will be collected, maintained by the Contractor according to the Records Retention Policy.
- H. Contractor will implement a self haul diversion plan per Attachment 19 that fulfills the requirements of the Diversion Guarantee.

4. TRANSPORTATION AND SHIPMENT OF MATERIALS

- A. The AUTHORITY has existing contracts with the following Designated Disposal Site and Designated Processing Facilities: Ox Mountain Sanitary Landfill in Half Moon Bay for disposal, Zanker Road in San Jose for C&D materials processing, and Newby Island Compost facility in Milpitas for the processing of organics

materials including plant material and food scraps. The Contractor will haul to these Designated Disposal and Processing Facilities unless otherwise directed in writing by the AUTHORITY.

- B. The AUTHORITY will provide the Contractor 60 days notice if it intends to redirect Solid Waste, C&D, Organic Materials, Bunker Program Materials to a new Designated Disposal Site or Processing Facility. The Contractor's transportation compensation will be adjusted for any haul cost differential, should the AUTHORITY redirect materials to another site or facility
- C. Contractor will ensure that the transport trailers are compatible with the tippers and operations at the Designated Disposal Site and Designated Processing Facilities.
- D. Contractor must provide sufficient back-up capability (drivers and equipment) in its transfer fleet to minimize disruption during normal business hours due to scheduled preventive maintenance and/or unscheduled equipment breakdown.

5. MATERIALS RECOVERY FACILITY OPERATIONS

- A. The Contractor will process all Targeted Recyclable Materials delivered by the Collection Contractor, by buyback and drop-off center customers and other customers approved by the AUTHORITY.
- B. The Contractor will keep the MRF tipping area open and clear of piles so that material tipping is not hampered and vehicle traffic can safely and efficiently dump loads.
- C. Contractor will inspect all inbound materials at the time of delivery and ensure that loads contain only Targeted Recyclable Materials, other materials permitted to be processed at the MRF and allowable levels of contamination. .
- D. Residue from the MRF sorting operations will be weighed and recorded prior to being transported to the transfer station. The weight of all Residue (and each individual residue load) removed from the MRF shall be recorded. The Contractor will report the Residue generated by the MRF on a monthly basis to the AUTHORITY.
- E. The Residue generated by the Processing System must be below 10%, provided inbound contamination levels are within the 8% commercial and 10% Single Family Residential threshold levels. Any materials that fall to the floor from the Processing System may be reintroduced to the Processing System for reprocessing.
- F. Contractor will transport all Residue to the Designated Disposal Site unless otherwise directed by the Authority. The costs of handling, transporting and disposing of MRF Residue will be the responsibility of the Contractor. The Contractor will not be paid the Transfer Station Fee for Residue handled through the Transfer Station.
- G. The Contractor will sort Recyclable Materials to meet the Product Quality Standards Attachment 2-G.

6. MARKETING OF RECYCLABLE MATERIALS

- A. Contractor has the responsibility to market all Recyclable Materials and maintains ownership of and liability for those materials until there has been a transfer of ownership to a buyer or other third party. All loads rejected by buyers and related claims of buyers shall be the responsibility of the Contractor, unless otherwise specified in Attachment 11-C.
- B. Contractor shall suitably store all Recyclable Materials to protect against theft, deterioration, contamination, fire, and other damage or off-site impacts. Contractor shall insure all Recyclable Materials while in its possession and prior to transfer of title against: fire, theft and other casualty losses.
- C. Contractor shall keep the Recyclable Materials free from liens and other claims of Contractor's creditors.
- D. Contractor shall arrange for all Recyclable Materials delivered to the MRF to be transported within sixty (60) days of receipt unless stockpiling of specific Recyclable Materials on site longer than sixty (60) days is approved by AUTHORITY in writing.
- E. Unless the terms of material purchasing agreements require the purchaser to arrange for delivery, the Contractor shall coordinate delivery and the cost of delivery of Recyclable Materials to purchasers or recipients.
- F. Contractor shall market materials in accordance with the Materials Marketing Plan (Attachment 11-A). Upon request by the AUTHORITY, the Contractor shall obtain a letter of "Certification of End Use" from the purchaser establishing that the Recyclable Materials sold (or donated) will be/have been recycled or re-used in accordance with the Materials Marketing Plan, Attachment 11-A.
- G. Contractor shall obtain and maintain a California Redemption Certificate and recover all monies available to processors from the State of California Department of Conservation (DOC) for California Redemption Value (CRV) materials processed at the facilities. These monies are to be considered part of the commodity revenues and part of the Revenue Sharing Program between the AUTHORITY and the Contractor described in Section 7.07.
- H. A complete record of all commodity sales transactions shall be kept by the Contractor and shall be submitted for review according to the reporting requirements of the Agreement and/or upon request of the AUTHORITY.

7. PUBLIC RECYCLING CENTER OPERATIONS (BUYBACK/DROP-OFF CENTER)

- A. Contractor shall maintain the Buyback/Drop-off center so that it is clean, organized, convenient, safe and with adequate lighting for public access and use.
- B. Contractor shall provide sufficient dedicated space and convenient storage container arrangements at the Buyback for use by the public.
- C. The hours of operation for this center shall be consistent with the public hours and schedule in effect for the transfer station. The hours of operation may be modified upon mutual agreement by the Authority and Contractor subject to the provisions of Section 7.11(B).

- D. The center must maintain certification by the State as a redemption center and meet all reporting requirements in effect for such redemption centers.
- E. The Contractor shall maintain State-certified scales, payment records, inventory logs, and related items necessary for Public Recycling Center operations, and shall maintain separate documentation and cash accounting for the Public Recycling Center operation.
- F. Contractor is responsible for making customer payments for materials delivered to the Public Recycling Center. Payments for Public Recycling Center transactions shall be made by the Contractor from the recycling area, not from the scale house. Except for cardboard, prices paid at the Public Recycling Center shall be within ten percent (10%), plus or minus, of the average price paid for similar materials purchased in retail quantities from individual customers in similar facilities in San Mateo County. These average prices will be determined as follows: once each quarter the AUTHORITY will conduct a survey of State-certified buy back centers in San Mateo County, soliciting at least three prices being paid for each of the commodities accepted at the Shoreway Public Recycling Center. The lowest price will be eliminated and the arithmetic average of the remaining prices will establish the Index Price for that commodity. Materials accepted at the Buyback Center shall consist of, at a minimum, all Recyclable Materials processed at the MRF and Recyclable Materials accepted under the Collection Contractor's agreements with the Member Agencies.
- G. Recyclable Materials will be processed and marketed by the Contractor and are to be considered part of the MRF tonnage with regards to the limitation on Residue in Section 5 above as well the Revenue Guarantee and the Revenue Share described in Section 7.07 of the Agreement.
- H. Contractor shall provide an area at the Buyback center that will allow users to drop off E-waste and U-waste items. These items shall be consolidated with E-Waste and U-waste delivered by the Collection Contractor from residential routes. The following materials will be accepted at the Drop-off center: used motor oil, used automobile oil filters, anti-freeze, sharps, cooking oil, latex paint, household batteries, cellular phones, fluorescent light bulbs and tubes, household items containing mercury (e.g., thermometers, thermostats), and consumer electronic devices. If the State list of U-waste and E-waste is expanded in the future, the Contractor shall accept these additional materials.
- I. Contractor shall maintain signage at the Facilities giving members of the public appropriate information about the location, operation and pricing of the Public Recycling Center. The text of the signage shall be approved by AUTHORITY prior to its being installed or changed.
- J. The costs incurred for the transportation and processing of E-waste, U-waste and HHW from customers and Member Agencies will be reimbursed by the AUTHORITY as a Pass-through cost.
- K. Hazardous Materials that are segregated from the inbound materials through the Hazardous Waste Exclusion Program (HHWP) shall be stored and handled separately from the Buyback / Drop-off materials and shall be the responsibility of the Contractor.
- L. In order to transition to reverse vending machines (RVM), the Contractor will provide an additional worker full-time for the first three months of operation and

part-time for the next three months to train customers on the use and operation of the RVMs.

8. ADMINISTRATIVE SERVICES AND REPORTING

- A. Contractor shall staff an administrative office on-site and provide site management and supervisory staff as necessary to manage and oversee day-to-day recordkeeping, accounting, and operations functions, and to communicate to the public and AUTHORITY during business hours.
- B. Contractor is responsible for cash transactions and shall collect money from self-haul customers and non-Franchise users of the Shoreway Center and shall wire the scale house monies to the AUTHORITY as prescribed. The Contractor is responsible for all cash management at the scale house and shall be liable for any deficiencies in charges and cash collected from tip fees of inbound customers.
- C. Should the AUTHORITY chose to establish customer accounts for Self-haul customers, the collection of accounts payable and bad debt will be the responsibility of the Contractor.
- D. Contractor will provide printed materials, minor site signage, after-hours telephone information service, and other services necessary to keep the public fully aware of the Shoreway Center business hours, acceptable materials, tipping fees, recycling options, and other items related to use of the facilities.
- E. Contractor will be responsive to the requests for information from the AUTHORITY and allow the AUTHORITY complete access to the information related to the operations and management of the Facilities.
- F. Contractor will provide monthly and annual reports to include at a minimum such items as: regulatory compliance and communications with regulatory agencies, staffing levels, tonnage reports and invoices, complaint log entries, and diversion and disposal data by jurisdiction. The Contractor shall provide the Authority and its representatives full and complete access to files and records pertaining to the weighing, billing, and other operations of the Shoreway Facility.

Deleted: ..

Formatted: Indent: Left: 0 pt

9. EMERGENCY PREPAREDNESS

- A. The Shoreway Center serves many cities and must be prepared to function in the event of a natural disaster. Towards this goal, the Contractor will coordinate with county and city departments and attend meetings related to emergency preparedness efforts.
- B. Prior to the commencement date, Contractor will prepare a Contingency Plan for all aspects of emergency operations including: equipment repair, permanent and temporary worker replacement, earthquake preparedness, and disruptions in shipping of recyclable commodities. The Contingency Plan shall list equipment repair vendors that will be used by the Contractor and include potential off site materials processors that can be used in an emergency.