



EXECUTIVE DIRECTOR'S REPORT



STAFF REPORT

To: SBWMA Board Members
From: Joe La Mariana, Executive Director
Date: November 17, 2016 Board of Directors Meeting
Subject: Executive Director's Report

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

1. Administration & Finance

A. Shoreway Environmental Center's Bond Covenant Update:

Extensive capital improvements on this site were completed in 2009/10. Financing for a majority of this vital, modernization work came in the form of two municipal bonds. One bond was retired in August 2009. The larger, second bond was issued for \$53M in 2009. This bond has a number of required performance measures, including the need for the SBWMA to maintain a 1.4 revenue to expenses ratio. This ratio has ranged from 1.55-2.0 during the past five years. This ratio is currently projected to be 1.48 through year-end which, although it meets the minimum bond covenant requirement, this figure represents the low end of the qualifying range. The gate rate adjustment scheduled for January 1, 2017 has been factored into the year-end projection. In recent years, agency reserves were used to meet this requirement but this action does not appear to be a sustainable option in the future. Staff will meet with City of San Carlos' Finance Department on November 15th to discuss long term strategies maintain compliance in this requirement.

B. SBWMA Administrative Office: Expiring Lease

The SBWMA administrative office lease expires on 6/30/17. The agency's Long Range Plan contains three options for future consideration, but none is financial feasible in the near term due to expense and current space constraints at the Shoreway site. Therefore, lease renewal discussions have been initiated with our landlord, the City of San Carlos, to determine pricing for a future term. It should be noted that local commercial real estate market rates currently remain at the high-end of the historic range.

C. Staffing Update:

On November 7th, a new *Environmental Educational Assistant*, Madison Guzman, joined the agency. Madison is an experienced environmental educator who fills the budgeted staff position that was previously occupied by Heather Co. Madison worked as a Conservation Educator at the Inland Empire Resource Conservation District and as an environmental intern with Acterra. She is a graduate of California State Polytechnic University, Pomona where she earned a B.S. in Environmental Biology with a minor in Regenerative Studies. Madison is a welcome addition to the team, and she will help us fulfill our core environmental educational values and mandated responsibilities as required by the state.

The agency now has one remaining staff vacancy, the *Recycling Outreach & Sustainability Manager* and one additional contracted position vacancy, the *Recycling Programs Manager* (the former LGS contractor). Both vacancies are a professional grade and are budgeted. As reported last month, technical contractors are being used to support the agency's priority program work during this interim period, and their costs are being kept below the budgeted wages that would have been paid out if the agency were operating at normal staffing.

These vacant positions will be addressed in the forthcoming agency assessment that will be forwarded to the SBWMA board by December 1st. The SBWMA Executive Committee authorized this modified due date in response to the essential priority efforts needed to restore the MRF and Transfer Station to their pre-fire operational status.

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

A. 2017 Contractor Compensation Adjustment Application update:

Member agencies continue their local rate setting actions to establish their garbage, recycling and organics rates for 2017. Staff provides technical support during this important process as requested. A survey indicates that this activity will conclude in January.

B. Household Hazardous Waste (HHW) handling:

The current HHW collection contract (Waste Management's "At Your Door" program) expires on 12/31/16. At the time of this writing, Waste Management has not agreed to the SBWMA Board's request for modified contract cancellation language to reflect a 60-day cancellation clause with no associated penalties. Therefore, this contract will expire. Staff will mail a 6" x 9" notification postcard within two weeks to all 144,000 residential and multi-family accounts to provide notice of this program's termination.

At board direction, staff continues to evaluate future options for the handling of HHW materials in our service area. Anticipating the termination of the WM "At Your Door" program, Staff has worked closely with the County's HHW program to fully leverage the relative strengths of both organizations. Staff recommendations are complete and will be discussed at this board meeting during a presentation by SBWMA HHW technical consultant, Larry Sweetser (Sweetser & Associates).

C. Franchise Agreement Negotiations Committee (FAX):

This project is a top priority for staff. The FAX Committee is working closely with the project Negotiation Team, staff and Recology San Mateo County (RSMC) to deliver a Model Franchise Agreement to the SBWMA TAC for their consideration on April 13th, 2017 and, ultimately, to the SBWMA Board for final consideration on April 27th, 2017.

Staff conducted a Request for Qualifications (RFQ) to solicit expert financial and negotiation support for this project. Two qualified firms, R3 Consultants and HFH Consultants, were invited to respond by November 1st. Interviews with these firms were held on November 7th and 8th to review their proposed strategies to meet project goals. At the conclusion of the RFQ selection process, Staff recommended HFH Consultants to the FAX Committee on November 10th. The FAX Committee concurred with this recommendation. The SBWMA Board will provide final consideration on this item today as agenda item 9C. The FY 16/7 has \$100k budgeted for these services.

The Negotiation Team consists of:

- Joe La Mariana, Hilary Gans, Cyndi Urman (*SBWMA staff*)
- Expert financial consultant/negotiator (*to be considered by SBWMA Board today*)
- Jean Savaree (*ADCL—legal support*).
- Ron Proto (*RJ Proto Consultants—subject matter expert*)
- Tracie Bills (*SCS Engineers—providing staff support*)

The Negotiation Team and RSMC management met on November 2nd and November 3rd. These preliminary talks identified many anticipated negotiation topics and provided Staff with an excellent foundation for the upcoming talks. The first FAX Committee meeting between the complete Negotiation Team and RSMC

representatives will be held on December 7th. Additional FAX Committee meetings are scheduled for January 12, February 6 and 21, March 8 and 28, 2017. The Negotiation Team meetings are to be confirmed.

In between FAX Committee meetings, the Negotiation Team will meet frequently with RSMC senior management to discuss and obtain non-binding agreement on key issues. The Negotiation Team will then report back to the FAX Committee regarding their incremental progress for their deliberation and concurrence on these key negotiation issues. This sequence of meetings will continue through late March 2017, or until all outstanding differences and issues have concurrence between the parties.

3. Shoreway Operations and Contract Management

A. Fire Recovery Update:

Facility cleanup activities are now complete at the MRF. The remaining restoration emphasis is now focused on facility, systems and processing equipment repair and replacement. This facility is currently expected to return operation in January 2017, even as building repairs are still being completed..

Repair and replacement of all MRF processing equipment is being conducted by its original manufacturer, BHS Systems. This work qualifies as sole source. All other repairs to the building and major operating systems are being procured through standard, competitive bid practices. Staff and SBR management continues to work closely with Hanover Insurance claims representatives to ensure maximize conformance with its reimbursement approval requirements. Staff, South Bay Recycling, Hanover Insurance, and SBWMA construction management representative, Tanner Pacific, have established a weekly batched invoice review protocol to maintain strict expense review, tracking, approval and payment controls. To date, site work has totaled \$2,213,442. To date, the agency has received \$2.5M in advance payments.

Transfer Station restoration and equipment replacement has also begun under a second insurance claim and is estimated at less than \$1 million dollars. This work is expected to be completed in March 2017. An updated staff report for both projects will follow during agenda item 10B.

B. Vocational Rehabilitation Services (VRS):

As noted at the SBWMA's October board meeting, the County approved a new **Living Wage Ordinance**. This ordinance has four phased adjustments through 2020. This ordinance directly affects the wage scale that is paid to the VRS program workers (recycling sorters) that work in our MRF. Staff is working closely with the County and South Bay Recycling to incorporate this wage scale into our MRF operations financial plans. This ordinance is estimated to have an unbudgeted impact on the MRF cost of operations of \$134,068 for the remaining five months in FY16/17 (February-June) that the MRF will be operating. The annualized budget impact is estimated at \$321,765.

C. Construction & Demolition Materials Processing:

The SBWMA's contract with Zanker Road Resource Recovery (Zanker) in San Jose for C&D processing that expires at the end of January 2017. As previously reported, staff is working actively with Zanker to renew this important agreement. A short-term MOU is being prepared to extend the current agreement's terms to allow the parties to properly complete these discussions. An update will follow under agenda item 10A later today.

Respectfully submitted,



Joe La Mariana
Executive Director