



NEW BUSINESS



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Marshall Moran, Finance Manager
Date: March 24, 2011 Board of Director's Meeting
Subject: Resolution Approving Mid-Year Projections for FY2011

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2011-05 attached hereto authorizing the following action:

- o Approval of revised mid-year revenue and expenditures projections for FY2011

Attachment A contains budget worksheets providing line item detail for all projected revenues and expenditures. Capital spending is not addressed in this mid-year review.

Analysis

Staff has conducted a thorough analysis of year-to-date revenues and expenditures as previously reviewed by the Board at the January 27, 2011 Board meeting.

Budget Variances

As detailed under "Fiscal Impact" we are projecting net income of \$270,695 which is below our approved budgeted net income of \$577,444. This negative variance of \$306,749 is 0.7% of Total Revenue and is due primarily to the following factors:

- \$733,800 lower projected tipping fee revenue due to lower inbound volumes (to the transfer station) and the Board's November 18, 2010 action to reduce the budgeted franchise solid waste tipping fee increase from \$9/ton to \$6/ton; this reduced tipping fee revenues by \$283,000.
- \$826,600 increase in interim offsite MRF processing costs (for Smurfit) due to a two-month delay in commencement of onsite MRF operations at Shoreway; this delay was already shared with the Board in prior staff updates and in the November 2010 bond proforma update.

These negative variances are offset somewhat from higher projected commodity revenues of \$145,494, lower SBWMA program budget expenses of \$287,900, lower South Bay Recycling (SBR) operating expenses of \$315,600, and lower disposal and processing costs of \$278,800.

These net income projections are improved since the January 27, 2011 Board meeting due to the following adjustments detailed on the next page:

MID-YEAR BUDGET CHANGES
Change from January to February to March Projected Net Operating Income

| | | |
|--|----------------|---|
| January Projected Net Operating Income | 160,120 | |
| E-Recycling revenue | 64,759 | Additional revenue that used to go to Allied |
| Shoreway remediation | 86,000 | Expense moved to Allied settlement fund accrual |
| Ox Mtn. tipper maintenance | (9,000) | New Shoreway ops. expense identified |
| Insurance | (12,000) | Actual renewal policy with higher property values |
| February Projected Net Operating Income | 289,879 | |
| Reduce insurance for final proposal | 12,000 | Final renewal of insurance policy |
| Increase HF&H Rate Application expense | (12,000) | Higher expense for Allied 2010 rate review |
| Sewer repair expense at Shoreway | (19,184) | Recent one-time expense for sewer repair |
| March Projected Net Operating Income | 270,695 | |

Background

On June 24, 2010 the South Bayside Waste Management Authority (SBWMA) Board of Directors adopted the FY 2011 Operating Budget.

Fiscal Impact

The following tables represent FY 2011 revenues and expenditures, actual receipts and payments through December 31, 2010, and year-end projections through June 30, 2011.

FY 2011 NET INCOME

| <u>Revenues</u> | <u>FY 2011 Adopted Budget</u> | <u>FY 2011 Year-to-date Totals</u> | <u>FY 2011 Year End Projections</u> | <u>Variance</u> |
|-------------------------|-----------------------------------|--|---|--------------------|
| Total Revenues | \$41,486,600 | \$14,853,238 | \$41,061,529 | (\$425,071) |
| Total Expenditures | \$40,909,156 | \$15,332,372 | \$40,790,834 | \$118,322 |
| Net Gain/(Loss): | \$577,444 | N/A | \$270,695 | (\$306,749) |

FY 2011 REVENUES

| <u>Revenues</u> | <u>FY 2011 Adopted Budget</u> | <u>FY 2011 Year-to-date Totals</u> | <u>FY 2011 Year End Projections</u> | <u>Variance</u> |
|--------------------------|---------------------------------------|--|---|--------------------|
| Tip Fee Revenues | \$30,177,400 | \$11,920,300 | \$29,443,600 | (\$733,800) |
| Commodity Sales Revenues | \$10,788,200 | \$2,648,180 | \$10,933,694 | \$145,494 |
| Interest Income | \$200,900 | \$91,582 | \$223,600 | \$22,700 |
| HHW and Other Revenue | \$320,100 | \$193,176 | \$460,635 | \$140,535 |
| Total Revenues: | \$41,486,600 | \$14,853,238 | \$41,061,529 | (\$425,071) |

FY 2011 EXPENDITURES

| <u>Expenditures</u> | <u>FY 2011 Adopted Budget*</u> | <u>FY 2011 Year-to-date Totals</u> | <u>FY 2011 Year End Projections</u> | <u>Variance</u> |
|-------------------------------|--|--|---|--------------------|
| Administrative Expenses | \$1,628,750 | \$765,770 | \$1,617,850 | \$10,900 |
| Contract Compliance & Support | \$1,200,000 | \$426,841 | \$1,084,000 | \$116,000 |
| Recycling & AB 939 Compliance | \$949,000 | \$240,701 | \$788,000 | \$161,000 |
| Collection Operations | \$360,100 | \$157,850 | \$397,000 | (\$36,900) |
| Total SBWMA Expenses: | \$4,137,850 | \$1,591,162 | \$3,886,850 | \$251,000 |
| Shoreway Operations**: | \$36,771,306 | \$13,741,211 | \$36,903,984 | (\$132,678) |
| Total Expenses: | \$40,909,156 | \$15,332,372 | \$40,790,834 | \$118,322 |

*Exclusive of capital project expenses
** See breakout of expenses below

FY 2011 EXPENDITURE DETAIL FOR SHOREWAY OPERATIONS

| <u>Expenditures</u> | <u>FY 2011 Adopted Budget</u> | <u>FY 2011 Year-to-date Totals</u> | <u>FY 2011 Year End Projections</u> | <u>Variance</u> |
|-----------------------------------|---------------------------------------|--|---|--------------------|
| Allied Operating Contract | \$13,976,000 | \$10,921,374 | \$13,899,000 | (\$77,000) |
| SBR Compensation | \$7,813,000 | \$0 | \$7,497,400 | (\$315,600) |
| Disposal and Processing | \$6,642,700 | \$0 | \$6,363,900 | (\$278,800) |
| Ox Mtn. Tipper Maintenance | \$0 | \$0 | \$9,000 | \$9,000 |
| Interim Offsite MRF Processing | \$3,543,900 | \$1,643,928 | \$4,370,500 | \$826,600 |
| Insurance Shoreway | \$120,000 | (43) | \$120,000 | 0 |
| Shoreway Facility Costs | \$15,806 | \$0 | \$19,184 | \$3,378 |
| Debt Service Bond Interest | \$3,177,900 | \$579,644 | \$3,177,900 | 0 |
| Taxes (Sewer) | \$45,000 | \$38,893 | \$45,000 | 0 |
| Franchise Fee (San Carlos) | \$1,437,000 | \$557,415 | \$1,402,100 | (\$34,900) |
| Total Shoreway Operations: | \$36,771,306 | \$13,741,211 | \$36,903,984 | (\$132,678) |

The Allied Operating Contract expense includes the SBWMA paying off half or \$671,000 of the 2009 Balancing Account total amount owed to Allied of \$1,342,723 per the HF&H Consultants Operations Rate Report; the remaining portion of the 2009 balancing account will be paid off in the first half (i.e., July-December) of FY 2012. These payments will be made quarterly to Allied Waste.

None of the 2010 estimated Allied Waste Balancing Account of \$871,555 is included in FY2011 expense since the final amount is unknown and payment will begin after the final amount is approved by the Board in September 2011. As part of adoption of the FY2012 budget, staff will make a recommendation on the repayment schedule for the 2010 Allied Waste balancing account; it is likely to be a quarterly repayment schedule starting in the 2nd quarter of FY 2012.

Attachments:

Resolution 2011- 05

FY2011 Mid Year Projections



RESOLUTION NO. 2011-05

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING MID YEAR BUDGET ADJUSTMENTS FOR FISCAL YEAR 2010/2011

WHEREAS, the South Bayside Waste Management Authority proposed budget adjustments as presented is balanced and provided sufficient funds for normal operations.

NOW THEREFORE, BE IT RESOLVED, the South Bayside Waste Management Authority hereby approves the adjustments to the fiscal year 2010/2011 operating budget.

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 24th day of March, 2011, 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. 2011-05 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on March 24, 2011.

ATTEST:

Brian Moura, Chairperson of SBWMA

Cathy Hidalgo, Acting Board Secretary

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
REVENUE SUMMARY**

FY 2011 APPROVED BUDGET

| REVENUES BY MAJOR CATEGORY | | | | | |
|--|----------------------------------|--------------------------------|--|------------------|---|
| REVENUE SUMMARY | APPROVED FY 2010-2011 | Revenue YTD 12/2010 | Mid Year Proj. FY 2010-2011 | Variance | Notes |
| ADMINISTRATIVE REVENUES | | | | | |
| 409100 INVESTMENT INCOME | 200,900 | 91,582 | 223,600 | 22,700 | |
| 409101 INVESTMENT (GASB 31) MARKET VALUE ADJ | | | | | |
| 409200 INTEREST INCOME | | | | | |
| TOTAL ADMINISTRATIVE | 200,900 | 91,582 | 223,600 | 22,700 | |
| OPERATIONS | | | | | |
| 480007 TIPPING FEES | 30,177,400 | 11,920,300 | 29,443,600 | (733,800) | Lower SW Franchise Tip Fees vs. Budget (\$283k); lower tons |
| 480023 COMMODITY SALES | 10,788,200 | 2,648,180 | 10,933,694 | 145,494 | w/ October '10 actual deduction (NA for FY2011) |
| 480024 COMMODITY REVENUE SHARE - NEW OX MOUNTAIN | | | | - | |
| 480025 E-RECYCLING REVENUE - NEW | | | 64,759 | 64,759 | |
| 480031 HHW DOOR TO DOOR COLLECTION SERVICE | 320,100 | 166,300 | 357,000 | 36,900 | incl: SC, Hills, Bel, CSM, MP, EPA, WB |
| 480008 MISCELLANEOUS REVENUE | | 26,876 | 38,876 | 38,876 | Difference between RSMC & Allied on Comm. Outreach Dept. |
| TOTAL OPERATIONS | 41,285,700 | 14,761,656 | 40,837,929 | (447,771) | |
| TOTAL OPERATING REVENUES | 41,486,600 | 14,853,238 | 41,061,529 | (425,071) | |
| MISCELLANEOUS - EQPT AUCTION | | | | | |
| TOTAL REVENUE | 41,486,600 | 14,853,238 | 41,061,529 | (425,071) | |
| NET OPERATING INCOME / <LOSS> | 577,444 | | 270,695 | (306,749) | |
| PROGRAM SPECIFIC BUDGET | | | | | |
| SHOREWAY REMEDIATION MONITORING | 250,000 (250,000) | | | | Funds from Allied Settlement of \$1.5M FY10 Estimated Environmental Costs for FY11 |
| TOTAL PROGRAM SPECIFIC BUDGET | - | | | | |

| GENERAL OPERATING EXPENSES BY MAJOR CATEGORY | | | | | | | |
|--|--------|--|---------------------|-------------------|---------------------|---------------------|---|
| EXPENDITURE SUMMARY | | | APPROVED | Spent to Date | Mid Year Proj. | Variance | Notes |
| | | | FY 2010-2011 | FY 2010-2011 | FY 2010-2011 | | |
| ADMINISTRATIVE EXPENSES | | | | | | | |
| 520305 | 520305 | ADMINISTRATIVE STAFF | 592,600 | 280,258 | 585,200 | (7,400) | New hire declined medical benefit coverage |
| 520306 | 520306 | AB 939 PROGRAM STAFF | 586,900 | 276,356 | 599,900 | 13,000 | Unbudgeted PERS benefits added |
| 520328 | 520328 | EMPLOYEE RECRUITMENT/HR SUPPORT | 5,000 | 1,438 | 5,000 | - | |
| 520337 | 520337 | PEO COST (HR & PR FEES) | 20,100 | 14,053 | 18,600 | (1,500) | Reduced LGS fees |
| 520312 | 520312 | BOARD COUNSEL | 60,000 | 11,623 | 45,000 | (15,000) | |
| 520300 | 520300 | BOARD MEETINGS & RECORDINGS | 6,000 | 1,286 | 5,000 | (1,000) | Reduced Millbrae TV fees |
| 520310 | 520310 | ACCOUNTING SERVICES | 110,000 | 50,000 | 110,000 | - | |
| 520334 | 520334 | INFORMATION SYSTEMS | 27,000 | 20,822 | 32,000 | 5,000 | IT Upgrades (new server) |
| 520338 | 520338 | WEBSITE | 10,100 | 7,582 | 10,100 | - | |
| 520301 | 520301 | ANNUAL AUDIT | 15,000 | 5,683 | 15,000 | - | |
| 520701 | 520701 | D&O INSURANCE | 35,000 | 19,237 | 35,000 | - | |
| 520202 | 520202 | BANK FEES | 12,000 | 4,452 | 12,000 | - | |
| 520203 | 520203 | RENT | 50,000 | 23,722 | 50,000 | - | |
| 520204 | 520204 | PRINTING AND POSTAGE | 200 | 89 | 200 | - | |
| 520107 | 520107 | UTILITIES & PHONE | 18,000 | 6,589 | 18,000 | - | |
| 520905 | 520905 | OFFICE/TENANT IMPROVEMENTS | 3,000 | 2,876 | 3,000 | - | |
| 520201 | 520201 | OFFICE SUPPLIES | 18,000 | 12,338 | 18,000 | - | |
| 520215 | 520215 | OFFICE EQUIPMENT COSTS | 17,000 | 6,464 | 18,500 | 1,500 | Increase in Ricoh copier lease |
| 520504 | 520504 | PUBLICATIONS & PUBLIC NOTICES | 2,000 | 2,088 | 2,000 | - | |
| 520501 | 520501 | PROFESSIONAL DUES & MEMBERSHIPS | 2,000 | 110 | 2,000 | - | |
| 520801 | 520801 | VEHICLE MILEAGE & TOLLS | 350 | 111 | 350 | - | |
| 520105 | 520105 | CELL PHONES | 6,000 | 2,845 | 5,500 | (500) | |
| 520503 | 520503 | CONFERENCE & MEETINGS | 12,000 | 6,487 | 11,000 | (1,000) | |
| 520502 | 520502 | TRAINING | 5,000 | 1,263 | 4,000 | (1,000) | |
| 520511 | 520511 | SPONSORSHIPS & DONATIONS | 12,500 | 5,000 | 9,500 | (3,000) | |
| 522706 | 522706 | COMPUTER PURCHASE | 3,000 | 3,000 | 3,000 | - | |
| TOTAL ADMINISTRATIVE | | | \$ 1,628,750 | \$ 765,770 | \$ 1,617,850 | \$ (10,900) | |
| CONTRACT COMPLIANCE AND SUPPORT | | | | | | | |
| RATES | | | | | | | |
| 520307 | 520307 | RATE REVIEW | 180,000 | 130,603 | 182,000 | 2,000 | |
| TOTAL RATE REVIEW | | | 180,000 | 130,603 | 182,000 | 2,000 | |
| CONTRACTOR | | | | | | | |
| 520308 | 520308 | FACILITY IMPROVEMENT OVERSIGHT | 40,000 | 10,913 | 35,000 | (5,000) | David Langer |
| 520309 | 520309 | BUSINESS CONSULTANT/HF&H | - | - | - | - | |
| 520309 | 520309 | HCM01 CONTRACT MANAGEMENT SUPPORT | 15,000 | 600 | 5,000 | (10,000) | |
| 520309 | 520309 | HCN01 CONTRACT NEGOTIATIONS/LEGAL REVIEW | 15,000 | - | 10,000 | (5,000) | |
| 520309 | 520309 | HCS02 COLLECTION SERVICES RFP & IMPLEMENTATION | 150,000 | 63,905 | 140,000 | (10,000) | |
| 520309 | 520309 | HCS03 COLLECTION SERVICES PUBLIC EDUCATION FOR ROLLOUT | 675,000 | 220,820 | 650,000 | (25,000) | |
| 520309 | 520309 | HCS1B FACILITY RFP & IMPLEMENTATION | 40,000 | - | 27,000 | (13,000) | Joe Sloan |
| 520309 | 520309 | HSR01 SHOREWAY REMEDIATION LEGAL & TECHNICAL | 40,000 | - | - | (40,000) | Remediation cost charged to Remediation Reserve account |
| 520329 | 520329 | ANNUAL ALLIED PERFORMANCE HEARING | - | - | - | - | |
| 520336 | 520336 | QUARTERLY LOAD CONTAMINATION MONITORING | 45,000 | - | 35,000 | (10,000) | |
| TOTAL CONTRACTOR | | | 1,020,000 | 296,237 | 902,000 | (118,000) | |
| TOTAL CONTRACT COMPLIANCE & SUPPORT | | | \$ 1,200,000 | \$ 426,841 | \$ 1,084,000 | \$ (116,000) | |

| GENERAL OPERATING EXPENSES BY MAJOR CATEGORY | | | | | | |
|---|--------------------------|-------------------------------|--------------------------------|---------------------|--|--|
| EXPENDITURE SUMMARY | APPROVED FY 2010-2011 | Spent to Date FY 2010-2011 | Mid Year Proj. FY 2010-2011 | Variance | Notes | |
| COLLECTION OPERATIONS | | | | - | | |
| 522710 522710 HHW DOOR TO DOOR COLLECTION SERVICES | 320,100 | 133,137 | 357,000 | 36,900 | incl: SC, Hills, Bel, CSM, MP, EPA, WB | |
| 522711 522711 CURBSIDE HOUSEHOLD BATTERY RECYCLING SERVICES | 40,000 | 24,713 | 40,000 | - | | |
| TOTAL COLLECTION OPERATIONS | 360,100 | 157,850 | 397,000 | 36,900 | | |
| TOTAL SBWMA PROGRAM BUDGET | \$ 4,137,850 | \$ 1,591,162 | \$ 3,886,850 | \$ (251,000) | | |
| SHOREWAY OPERATIONS | | | | | | |
| 522701 522701 OPERATING CONTRACT - ALLIED | 13,976,000 | 10,921,374 | 13,899,000 | (77,000) | | |
| 522712 522712 OPERATOR COMPENSATION - SBR | 7,813,000 | - | 7,497,400 | (315,600) | | |
| 522713 522713 DISPOSAL & PROCESSING COSTS | 6,642,700 | - | 6,363,900 | (278,800) | | |
| 522716 522716 MAINTENANCE - OX MTN TIPPER - NEW 2/11/11 | | | 9,000 | 9,000 | | |
| 522708 522708 INTERIM OFFSITE MRF OPERATIONS | 3,543,900 | 1,643,928 | 4,370,500 | 826,600 | | |
| 520710 520710 INSURANCE SHOREWAY | 120,000 | (43) | 120,000 | - | updated property values | |
| 522714 522714 SHOREWAY FACILITY COST | 15,806 | - | 19,184 | 3,378 | Sewer repair at Shoreway. SBR trailer rental & Hatcher | |
| 521104 521104 DEBT SERVICE BOND INTEREST | 3,177,900 | 579,644 | 3,177,900 | - | Press Parking moved to MP capital. | |
| 521117 521117 AMORTIZATION OF BOND ISSUANCE | | | | - | | |
| 521118 521118 Revenue Bond Arbitrage | | | | - | | |
| 520320 520320 BOND REFINANCING | - | | | - | | |
| 520324 520324 TAXES (SEWER) | 45,000 | 38,893 | 45,000 | - | | |
| 522702 522702 FRANCHISE FEE | 1,437,000 | 557,415 | 1,402,100 | (34,900) | | |
| 520327 520327 ARBITRAGE FEES | | | | - | | |
| TOTAL SHOREWAY OPERATIONS | \$ 36,771,306 | 13,741,210 | 36,903,984 | 132,678 | | |
| TOTAL OPERATING EXPENSES | \$ 40,909,156 | \$ 15,332,372 | \$ 40,790,834 | \$ (118,322) | | |



STAFF REPORT

To: SBWMA Board Members
From: Hilary Gans, Facility Operations Contracts Manager
Date: March 24, 2011 Board of Director's Meeting (carried over)
Subject: Resolution Approving Change Order for Master Plan Phase 2 & 3 Construction Management Services

Recommendation

It is recommended that the SBWMA Board of Directors approve Resolution No. 2011-06 attached hereto authorizing the following action:

- o Approve contract change order number CM01 totaling \$360,000 for Covello Group for construction management service for Phase 2 and 3 of the Shoreway Master Plan construction.

Analysis

The original budget for Phase II Master Plan construction management (CM) services was created in July 2009 in the amount of \$1,466,000. The budget estimate was based on simple percentage (9%) of the total Phase II construction contract award to S.J. Amoroso in the amount of \$16,209,000. The budget for CM services has been spent and needs to be augmented to provide Covello Group sufficient funds to complete the MRF and transfer station (TS) construction projects.

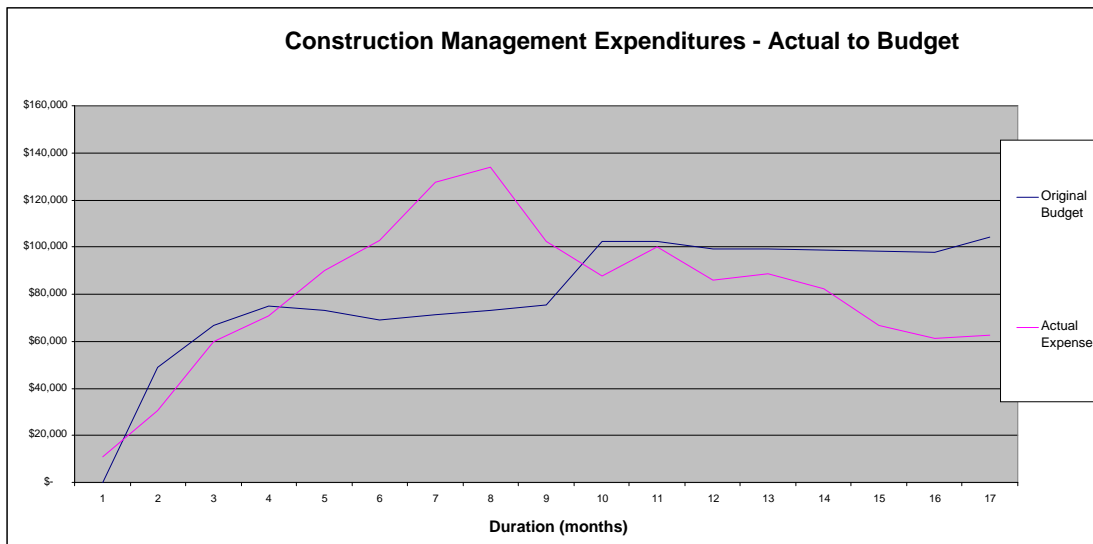
The original Covello budget was based on a "best-case" forecast of the level of effort estimate for CM services need to complete Phase II of the Master Plan project. The project has proven to be much more complex than predicted and has required a higher level management than the original budget forecast anticipated. There are several factors that have contributed (and in some cases, continue to contribute) to the need for a higher level of construction management services than originally forecasted.

1. *S.J. Amoroso (SJA) Contracting Style* – SJA has required a very high level of detailed direction throughout the construction project. Both Covello and JRMA have been very engaged in responding to the numerous requests for information (RFIs) put forth by SJA (note that a change order was approved (7/22/2010) to in provide additional funds to JRMA for design support services). The total number of RFIs and the level of detail in the explanations that SJA has required far exceeded Covello's and JRMA's expectations (and has been higher than either firm has experienced on comparable projects). For example, to date there have been 480 RFIs (when RFI's with multiple iterations are included the total is 615) and 301 design change notifications (DCNs).
2. *Concurrent Activities* - A requirement of the Master Plan project is that MRF and TS construction not unduly interfere with the daily operations of the Shoreway Center. Managing the demolition and construction around the full-time operations of the Shoreway Center has proven to be very challenging. Covello (and SJA) have done an excellent job of coordinating the daily construction activities around the facility operations so that there have been no operational shutdowns or significant impacts.
3. *Design Changes* – As has been explained in prior construction updates, the MRF foundation required modifications to the original foundation design to accommodate the BHS equipment package designed by South Bay Recycling (the original construction bid documents were prepared prior to the Facility Operator selection award). The change to the MRF foundation required a redesign of the administrative building,

the pits, and the electrical supply and had a substantial impact on the construction budget, schedule and the level of CM support required.

4. *Construction Resequencing* – as discussed above there were design changes to the MRF foundation that caused delays to the overall project schedule (at the time the MRF shell was completed (milestone A) the construction schedule showed a delay of roughly 60-days and there were standing delay claims by SJA totaling \$250K). Through the: 1) resequencing of the MRF and TS construction to compress the project schedule, and 2) successful negotiation of a resequencing change order with SJA; Covello was able to rescind the delay claims by SJA on the project. The resequencing effort took a substantial amount of time that was not anticipated in the original CM contract.
5. *Extended Construction Management Services* – the resequencing and resulting construction schedule shifts more of the MRF and TS construction till later in the construction schedule. This shift will require a greater level of construction management and oversight through the end of the construction project than was forecast in the original CM budget.

In the graph below the actual CM expenditures on Phase II of the Master Plan construction project are compared to the original budget. The graph shows a spike in CM expenses in months 5-9 while the MRF foundation was being built and RFIs were coming in from SJA for the entire MRF building (at this peak, there were an average of 100-125 RFIs per month). After month 8, there has been a steady decline in CM expenses as the project has progressed. These cost reductions are the result of direct efforts to reduce project staffing as the demands of the project have receded.



Currently the staff levels are at minimum levels and the current CM cost levels (approximately \$60k per month) will be maintained throughout the balance of the construction project and through project close-out. Currently the CM budget is almost depleted and it is forecasted that a contract change order in the amount of \$360,000 will be sufficient to complete the remaining 6 months of required construction management services. The change order amount plus the original budget amount will bring the CM expense on Phase II to \$1,826,000 or 11% of the project construction cost.

Background

On October 22, 2009 the SBWMA Board approved the contract with Covello Group for construction management services for Phase II of the Master Plan construction project. Covello Group is scheduled to complete CM services approximately the same time as the construction is completed in June 2011.

Covello Group performed construction management services for the SBWMA for Phase I of the Master Plan construction. This project started on July 2009 and had a construction budget of \$2,405,000 and a CM budget of \$444,300. Phase I was completed on schedule, under budget, and without complication. Based on Covello's performance on Phase I construction the firm was hired to assist the SBWMA with Phase II of the Master Plan construction project. At the beginning of the construction project, Covello Group assisted in the construction contract bidding process, in the creation of the construction contract specification documents, and in the multi-agency permitting process. Since construction "notice to proceed" was issued to S.J. Amoroso (9/14/2009) the Covello Group has had several staff persons onsite actively managing the construction activities and providing onsite coordination to the facility operator.

Since the original budget for Covello Group was established, there have been no changes to the budget. The original budgeted dollars have been spent and need to be augmented in order to pay Covello Group for CM services through the end of the project.

Fiscal Impact

The original CM budget amount of \$1,466,000 was included in the Master Plan Bond proforma. The additional funds for this change order will be taken from the Master Plan - Unallocated Contingency budget line.

The Bond proforma process anticipated the need for contingency funds for occurrences where line-item expenses might exceed their budgets. The overall Master Plan – Unallocated Contingency was established for this purpose and currently has a balance of \$668,100. The Covello change order of \$360,000 will reduce the balance of the Unallocated Contingency to \$308,100.

Attachments:

Resolution 2011-06



RESOLUTION NO. 2011-06

**RESOLUTION OF THE SOUTH BAYSIDE WASTE
MANAGEMENT AUTHORITY BOARD OF DIRECTORS
APPROVING A CHANGE ORDER FOR MASTER PLAN PHASE 2 AND 3
CONSTRUCTION MANAGEMENT SERVICES**

WHEREAS, On October 22, 2009 the SBWMA Board approved a contract with Covello Group for construction management services for Phase II of the Master Plan construction project ; and

WHEREAS, the Master Plan project has proven to be much more complex than expected with some project design changes, construction re-sequencing and other factors requiring a higher level management than the original budget forecast anticipated; and

WHEREAS, it is recommended that the Board approve a change order for construction management services.

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves a change order of \$360,000 for Covello Group to complete construction management services for the balance of work under the Shoreway Master Plan Phases 2 and 3.

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 24th day of March, 2011, 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. 2011-06 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on March 24, 2011.

ATTEST:

Brian Moura, Chairperson of SBWMA

Cathy Hidalgo, Acting Board Secretary



STAFF UPDATE

To: SBWMA Board Members
From: Hilary Gans, Facility Operations Contracts Manager
Date: March 24, 2011 Board of Director's Meeting
Subject: Update on Shoreway Remediation Activities

Recommendation

This is an informational report and no action is necessary. The purpose of this report is to summarize the current status of the contaminated soils remediation efforts at Shoreway and describe the process for attaining case "closure" from County Environmental Health.

Analysis

The SBWMA's oversight in the Shoreway remediation activities has been ongoing since the Settlement and Release Agreement was reached with Republic Services on March 2, 2010. In addition to ongoing monitoring, several contaminated locations at the site have been closed or are in the process of being closed with the County Department of Health. Below is a list of activities that were performed in 2010 and proposed activities for 2011.

Work completed in 2010:

1. Semi-Annual Groundwater Monitoring: There are several locations at Shoreway that require ongoing sampling and groundwater monitoring from established well points under the oversight of San Mateo County Environmental Health.
2. Remote Diesel Pipeline Investigation: Iris Environmental has sampled soil and groundwater along the remote diesel pipeline to further evaluate the distribution and extent of contaminants of concern in this area. This investigation did not find levels of any contamination which Iris Environmental believes will be actionable by San Mateo County.
3. Administration Building: Iris Environmental obtained sub-slab soil vapor samples from directly beneath the foundation slab of the Administration Building to evaluate the potential for vapor intrusion from volatile organic compounds (VOCs). This investigation did not find levels of any contamination which Iris Environmental believes will be actionable by San Mateo County.

Planned Remediation Activities 2011:

1. Semi-Annual Groundwater Monitoring: Description same as presented above with no changes to protocol at this time.
2. Administration Building Investigation: Iris Environmental is currently investigating the scope of an indoor air assessment and sampling event. Iris will prepare an investigation Workplan and Report for this work for SBWMA Staff approval and submission to San Mateo County.
3. Potential Health Risk Assessment and Closure Petition: If Iris Environmental's investigation of the Administration Building (see 2011, #2 above) produces favorable data, Iris will proceed with development of a health risk assessment demonstrating the lack of on-site and off-site risks under comparable site use and file for case closure.

4. Potential Additional Investigation of Former UST Tank Pit: Per County request (*San Mateo County Health Systems Workplan Approval for the Former BFI Facility Located at 225 Shoreway Rd, San Carlos, California, August 27, 2010*), Iris Environmental will assess the vertical delineation around the tanks area. Depending upon the results, remediation activities may be required in this area to attenuate contaminants.

Background

Republic and the SBWMA have entered into a Settlement and Release Agreement that addresses the responsibility for the remediation of contaminated soils at Shoreway. In March of 2010 the SBWMA received a lump sum payment of \$1,500,000 from Republic. This money was deposited into a SBWMA account dedicated to pay for the ongoing clean up efforts at Shoreway. Since the Settlement, SBWMA Staff has retained Iris Environmental to guide the remediation process and to petition the County and the State Water Quality Control Board make a determination that the contamination has been remediated and that the site can be "closed." SBWMA has met with the County Environmental Health Department and a remediation plan has been presented to the County that outlines plans for clean up and closure of each of the identified contaminated areas at the site. This plan has been reviewed and approved by the County for the remediation of the Shoreway site and is being executed by Iris Environmental under the SBWMA's supervision.

Fiscal Impact

The SBWMA Staff has received and approved work plans and budgets from Iris Environmental. The projected expenses for monitoring and remediation efforts at Shoreway for 2011 are projected \$167,000 plus project legal support.

| | | Total Settlement with Allied Waste | \$1,500,000 |
|------------------|---|---|-------------------------|
| Year 2010 | Task | Actual Cost | Remaining Budget |
| | 1) Semi-annual Groundwater Monitoring | \$30,855 | |
| | 2) Administration Building Investigation | \$40,983 | |
| | Actual Subtotal | \$71,838 | \$1,428,162 |
| Year 2011 | Task | Estimated Cost | |
| | 1) Semi-annual Groundwater Monitoring | \$32,000 | |
| | 2) Administration Building Investigation | \$60,000 | |
| | 3) Admin Building Potential Health Risk Assessment and closure petition | \$75,000 | |
| | Estimated Subtotal | \$167,000 | \$1,261,162 |