



RethinkWaste

South Bayside Waste Management Authority

PRESS RELEASE

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SBWMA Completes Review of Allied Shoreway Material Recovery Facility (MRF) Retrofit Plan: SBWMA Board Reaffirms Shoreway Master Plan

SAN CARLOS, CA – September 25, 2008 – South Bayside Waste Management Authority (SBWMA) Board today reviewed the results of a staff and outside consultant review of Allied Waste’s “Plan Summary for Retrofit of Existing Shoreway Materials Recovery Facility (MRF).” In response to a request by the SBWMA and its Member Agencies Allied submitted a copy of this plan to the SBWMA on August 28th. SBWMA staff was directed to review the plan and report back to the Board with its findings. Attachment 1 provides a summary of key findings from the SBWMA analysis.

Highlights of this Allied plan have previously been reported-on over the past four-weeks in local newspaper articles and referenced in correspondence sent by Allied Waste to local elected officials (and in some cases sent directly to residents). Such newspaper articles and correspondence claimed that Allied’s plan would deliver needed Shoreway improvements at a much lower cost, estimated by Allied at \$42 million over ten years.

The Shoreway Master Plan was approved by the SBWMA Board in April 2007 to address needed infrastructure improvements (i.e., expanded transfer station and new MRF building) for future new Collection programs (i.e., weekly residential single stream collection, commercial single stream collection, and weekly residential organics collection); fix traffic circulation, traffic stacking and traffic safety issues; accommodate administrative and operational support space needed by the new Facility Operations Company; and to incorporate sustainability and environmental enhancements into the facility operations.

The high level findings from the SBWMA analysis are as follows:

- The estimated capital costs savings of \$31.183 million over ten years offered by the Allied MRF plan would be largely offset by increased operating costs.
- The 10 year net costs savings (lower capital costs vs. higher operating cost) for the Allied MRF plan would be just under \$3.4 million.

- Adoption of the Allied MRF plan would significantly reduce the flexibility to modify the sorting equipment and would significantly impact the overall recycling capacity of the facility.
- The lack of flexibility within the retrofitted MRF building could require significant future modifications of the building much earlier than under the proposed master plan.
- The Allied MRF Plan did not include any engineering assessment of the existing MRF building foundation, roof and other structural support systems. Thus, Allied assumes the use of an existing building without demonstrating that the building can support installation of new recycling equipment, and most importantly, that the building can withstand future seismic activity.
- Operational enhancements such as better traffic flow, less self haul queuing and better public recycling access proposed under the SBWMA plan would not be achieved under the proposed Allied plan.

Following the staff and consultant presentation, the SBWMA Board reaffirmed its commitment to the approved Master Plan. Allied Waste questioned the staff and consultant findings and requested that they be provided an opportunity to review the assumptions used in evaluating their proposal. It was agreed that a meeting would be held no later than October 6, 2008.

SBWMA

Formed in 1982, the SBWMA is a joint powers authority comprised of 12 member agencies (Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos and San Mateo along with the County of San Mateo and the West Bay Sanitary District) in San Mateo County and is a leader in implementing innovative waste reduction and recycling programs. The SBWMA also owns and manages the SRDC consisting of a permitted solid waste transfer station and a materials recovery facility. For more information on the SBWMA please visit our website at www.RethinkWaste.org.

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ATTACHMENT 1

The key findings of the analysis are as follows:

- **The Allied plan only addresses MRF building and equipment capital improvements and thus is much narrower in scope than the SBWMA’s Shoreway masterplan** which takes into account the entire Shoreway Recycling and Disposal Center (SRDC) facility operations (i.e., traffic circulation and scales, public use areas such as the buyback and drop-off recycling areas, transfer station, and environmental enhancements).
- A direct comparison of Allied’s MRF Retrofit Plan with the Shoreway masterplan MRF improvements (see Table 1 below) reveals **that the SBWMA’s Plan has a higher capital cost** (there is a \$31.183 million capital cost difference between the two MRF plans - assuming that Allied’s plan captures all capital needs and no additional improvements are required over the next ten years).

The higher capital cost of the masterplan are a result of constructing a new and larger MRF building, purchasing of larger and more complex state-of-the-art single stream sorting equipment, redundant baling equipment and adding other MRF related improvements (i.e., upgraded foundation system, office area for the new Facility Operations Contractor, adequate employee facilities, public education area, new public recycling center, improved traffic-flow, electrical upgrades, energy efficiency, and solar ready roof). By contrast, Allied’s Retrofit Plan is limited to adding 10,000 square feet to the existing building and installing a small-capacity sorting system.

Cost Item	Allied MRF Retrofit	Master Plan – MRF only
Building	\$ 1.970	\$22.013
Equipment	\$ 7.633	\$17.779
Other	\$ 1.400	\$ 2.394
Total	* \$11.003	\$42.186
Difference	\$31.183 M Higher Cost for the Master Plan	
<i>* Plan does not include any engineering analysis of existing building, foundation, roof, electrical consideration.</i>		

- **Allied’s Plan creates significant MRF operational inefficiencies that significantly drive up operational costs** (e.g., reduced processing equipment throughput, limited tipping/unloading area, lack of baler redundancy, limited bale storage, constrained traffic movement within the building, etc.) compared to the new MRF building proposed in the Shoreway masterplan. .

The Allied MRF Retrofit Plan will increase MRF operating costs by \$25.61 per ton and \$2.22 million per year above the average costs proposed by the SBWMA’s two short-listed facility operations proposers, South Bay Recycling, LLC and Hudson Baylor Corporation.

Additional operational costs of \$2.076 of million over the ten-years of the Facility Operation Contract will be incurred due to the limited capacity of the Allied MRF(limited capacity means the Allied proposed MRF operations will be overwhelmed in times of equipment failure and that materials will need to be shipped off-site for processing during equipment downtime).

Cost Item	Allied Retrofit Plan
Total Additional Annual Operational Cost	\$ 2.222
Ten Year Estimated Additional Operations Cost	\$22.220
Downtime Cost Over 10 Years	\$ 2.076
Total Additional Operational and Downtime Cost Over 10-Years	\$24.296

- Table 3 shows that over the ten-years of the Facility Operations contract, **the up-front capital cost savings offered by the Allied Retrofit Plan are reduced by the higher operational costs** (a difference of \$3.388 million between the Allied and Master plan over ten years).

Additional Costs over 10 Year Contract	Allied	Master Plan	Variance
Additional Operating Cost	24.296	0.000	-24.296
Depreciation of Capital	9.318	29.983	20.665
Interest on Capital (average annual)	7.655	14.674	7.020
Total 10 Year Additional Contract Cost	41.269	44.657	3.388
<i>Note: Depreciation: Equipment - 10 yrs , Building & Other - 20 yrs; Interest rate at 5.75%</i>			

- Allied’s MRF Retrofit plan only addresses MRF improvements whereas no other operational site improvements are contained in the plan.** Hence, the operational efficiencies that are gained from the Masterplan scale improvements, transfer station improvements, traffic circulation improvements and the relocation of the public recycling center are not included in Allied’s plan.

The above point is critical because the Shoreway masterplan was the operational basis for the scope of work included in the SBWMA’s facility operations RFP. Based on this scope of work, the two short-listed firms both submitted annual costs below Allied’s current 2008 Shoreway operations costs; the projected savings from future operations, assuming implementation of the Shoreway masterplan, may exceed \$3.388 million.

- The **Allied Plan contained no engineering assessment of the existing MRF building foundation, roof and other structural support systems.** Thus, Allied assumes the use of an existing building without demonstrating that the building can support installation of new recycling equipment, and most importantly, that the building can withstand future seismic activity.

In contrast, during the SBWMA’s design and engineering process for the transfer station and MRF buildings, a geotechnical analysis revealed that that the SRDC facility is underlain by soft “Bay Mud” and that new buildings will need to be constructed on a pier foundation system. The pier foundation system is necessary to comply with building codes and to ensure that a new building will not sink or collapse in an earthquake event.