



SBWMA Technical Advisory Committee (TAC) Meeting

THURSDAY, October 8, 2015 at 2:00 p.m.

San Carlos Library
Conference Room A
610 Elm Street, San Carlos, CA 94070

1. Roll Call

2. Public Comment

Persons wishing to address the Board on matters NOT on the posted agenda may do so.

Each speaker is limited to two minutes. If there are more than five individuals wishing to speak during public comment, the Chairman will draw five speaker cards from those submitted to speak during this time. The balance of the Public Comment speakers will be called upon at the end of the Board Meeting.

If the item you are speaking on is not listed on the agenda, please be advised that the Board may briefly respond to statements made or questions posed as allowed under The Brown Act (Government Code Section 54954.2). The Board's general policy is to refer items to staff for attention, or have a matter placed on a future Board agenda for a more comprehensive action or report and formal public discussion and input at that time.

3. Approval of Consent Calendar:

Consent Calendar item(s) are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Board, staff or public request specific items be removed for separate action. *Items removed from the Consent Calendar will be moved to the end of the agenda for separate discussion.*

A. Adopt the September 10, 2015 TAC Meeting Minutes

4. Consideration of Approval of Plan and Recommended Process for Supporting Member Agencies with Negotiating a Potential Franchise Agreement Extension with Recology San Mateo County

5. TAC Member Comments

6. Adjourn

MEMBER AGENCIES

ATHERTON * BELMONT * BURLINGAME * EAST PALO ALTO * FOSTER CITY * HILLSBOROUGH * MENLO PARK * REDWOOD CITY
* SAN CARLOS * SAN MATEO * COUNTY OF SAN MATEO * WEST BAY SANITARY DISTRICT



CONSENT CALENDAR

DRAFT MINUTES

**SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY
MEETING OF THE TECHNICAL ADVISORY COMMITTEE**

September 10, 2015 – 2:00 p.m.
San Carlos Library Conference Room A

Call to Order: 2:00 PM

1. Roll Call

Agency	Present	Absent	Agency	Present	Absent
Atherton	X		Menlo Park	X	
Belmont	X		Redwood City		X
Burlingame		X	San Carlos		X
East Palo Alto		X	San Mateo	X	
Foster City	X		County of San Mateo	X	
Hillsborough	X		West Bay Sanitary District		X

2. Public Comment

Persons wishing to address the Board on matters NOT on the posted agenda may do so.

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None

3. Approval of Consent Calendar:

Consent Calendar item(s) are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Board, staff or public request specific items be removed for separate action. *Items removed from the Consent Calendar will be moved to the end of the agenda for separate discussion.*

A. Adopt the July 9, 2015 TAC Meeting Minutes

Motion: Member Murray

Second: Member Porter

Voice Vote: All in favor

**4. Staff Update on Review of Draft Plan and Recommended Process for SBWMA to Support Member Agencies with Future Decisions Regarding Franchise Agreements with Recology
(Verbal Presentation only)**

Executive Director McCarthy gave a verbal update on the next steps to assist Member Agencies to be prepared to make a decision regarding their Franchise Agreements with Recology. He noted that after talking with Chair Oskoui, a smaller adhoc subcommittee of the TAC would discuss the item further and assist in drafting a plan to take back to the full TAC for feedback, and then to the Board. He noted that there were likely to be some foundational changes that could be made for all of the Franchise Agreements, but any service level changes would be on an individual Member Agency basis, and with all of the changes the JPA would build a rate revenue model. He also noted that he didn't want it to be overly complicated when it didn't need to be, and the assumption is that the Member Agencies will be negotiating as a group with Recology unless told otherwise. He also added that at the next TAC meeting in October, there will be a document to review, and each Board Member will need to decide if they want to be a part of a shared negotiating process, and what process they want to go through.

Member Abrams commented that she had met with her Board Member Catherine Carlton, and Board Vice Chair Fran Dehn, and that generally they are satisfied with the service, and that they had noted if there are ways to increase commercial recycling through the Franchise they would like to incorporate that into the negotiations.

Member Porter noted that he would like to see illegal dumping addressed, noting that it's a big problem in North Fair Oaks. He added that he would like to look at a voucher choice instead of a bulky item collection option.

Member Murray commented that she gets 12-15 customer calls per year, and that San Mateo thinks the current contract is going well without complaint, and she appreciated the two to three years of predictability in the rates as well.

5. Discussion on SBWMA Draft 2016 Reports Reviewing Compensation Adjustment Applications for Recology San Mateo County and South Bay Recycling (Discussion only)

Executive Director McCarthy opened the item noting that it was one more opportunity to give feedback on the rate report. He noted that table 2, summary of costs, and table 8, actual rate impact, have some changes and that the overall rate impact is negative 0.6% following the prescribed method in the Franchise Agreements.

Staff Fakira added that there was also a change to reflect the payment to Atherton, and remove the Agency fees that are not relevant to Belmont.

Member Galli asked if line G was new, and if that balance was being held by the Member Agencies.

Executive Director McCarthy answered that since Member Agencies are requesting refunds of the surplus revenue there needed to be a place in the table to verify the dollar amount.

Mike Kelly of Recology noted that Recology's annual revenue reconciliation report would also add a similar line item.

Member Galli noted that it looked like it is set against the rate variance.

Executive Director McCarthy noted that it is sitting as a balance, not set against rates, and it would be netted out if applied.

Member Galli noted that Foster City had a surplus and questioned why it wasn't shown.

Executive Director McCarthy answered that internal rate stabilization funds are not shown.

Staff Fakira added that what is being shown is rate payers' money not city funds.

Executive Director McCarthy added that the Recology Compensation Application is another good news story this year, and asked Staff Gans to give an update on the SBR 2016 Compensation Application.

Staff Gans noted that there are no changes between the draft and final SBR Compensation Application. He added that compensation is based on transfer station and MRF operating costs and transportation, and the total change in compensation is 1.5%

6. TAC Member Comments

Member Porter commented that the County Board of Supervisors is beginning to look at recent issues regarding subsidized rates and he wondering if other Member Agencies were doing the same.

Executive Director McCarthy noted that Counsel Lanzone's office has been calling legal counsel in each jurisdiction regarding the issue, and he encouraged TAC members to network with each other because it would be an organic issue for each Agency to begin to deal with the issue.

Member Oskoui asked for an update on the Business Reporting Ordinance.

Executive Director McCarthy noted that there would be a staff report on the Board Agenda, but some large businesses are not complying and staff will be reaching out to the TAC members for assistance.

7. Adjourn 2:39PM



STAFF REPORT

To: SBWMA TAC Members
From: Kevin McCarthy, Executive Director
Date: October 8, 2015 TAC Meeting
Subject: Consideration of Approval of Plan and Recommended Process for Supporting Member Agencies with Negotiating a Potential Franchise Agreement Extension with Recology San Mateo County

Recommendation

Staff recommends that the TAC approve the attached Plan and Recommended Process (see **Attachment A**) for supporting Member Agencies with negotiating a potential Franchise Agreement extension with Recology San Mateo County (Recology).

With TAC approval, this document will then be forwarded to the Board of Director's for review and discussion. The Board will ultimately decide whether to approve a final Plan and recommended process or to take a different approach. To be clear, this is a "process" decision at this point and not a recommendation whether or not to extend the current Member Agency Franchise Agreements with Recology.

Analysis

On September 24, 2015, an adhoc subcommittee of the TAC met with SBWMA staff Kevin McCarthy and Cliff Feldman to discuss a revised draft of the Plan which was originally shared at the July 9th TAC meeting. This adhoc committee consisted of the TAC Chair Afshin Oskoui, City of Belmont; TAC Vice Chair George Rodericks, Town of Atherton; City of San Mateo City Manager Larry Patterson; Roxanne Murray, City of San Mateo; and Jeff Moneda, Public Works Director, City of Foster City. The final version of the document included as **Attachment A** reflects feedback and discussion from the September 24th meeting.

The Plan recognizes that each Member Agency will individually decide whether to extend their Franchise Agreement with Recology. The Plan addresses how the JPA staff can best support the Member Agencies with this important decision individually and as a whole service area wide. The prior direction from the Board and past practice has been for the JPA to help facilitate and manage the process for selection of a franchised collection services provider, negotiate franchise agreement contract terms, and to provide overall contract administration support. Staff is committed to continue providing this support if tasked to do so.

The active engagement and collaboration between JPA staff, Member Agency staff (including the TAC), Recology and the SBWMA Board will be required to develop an effective plan and process that can be executed in a timely manner. By meeting the Plan milestones in 2016 this will allow for sufficient time for Member Agencies to schedule their governing body action early enough in 2017 to meet their franchise agreement deadline for action on a franchise agreement extension or not.

Background

Each of the Member Agencies has a Franchise Agreement with Recology San Mateo County which started on January 1, 2011 and ends at midnight on December 31, 2020. The Franchise Agreements state:

- **SECTION 3.02 TERM**

The Term of this Agreement shall begin on the Effective Date and shall end at midnight on December 31, 2020, unless earlier terminated, or extended as provided in Section 3.03. Contractor's obligation to Collect Solid Waste, Targeted Recyclable Materials and Organic Materials shall begin on January 1, 2011 at 12:01 a.m. and shall continue for the remainder of the Term.

- **SECTION 3.03 EXTENSION OF TERM**

During calendar year 2017, the Parties shall meet and confer on the possible extension of the Term.

The contract extension decision period was set for a defined period so as to allow sufficient time if needed to conduct a competitive procurement process if no contract extension was granted. Given the size and complexity of the service area it was determined that a three-year period (i.e., 2018-2020) was needed to complete a competitive procurement process and transition to a new service provider if appropriate.

On June 25, 2015 the Board adopted the 2015 Long Range Plan which includes recommendations that may affect the future scope of the Franchise Agreements. On the same date, the Board adopted the FY1516 budget which provides funding for two collection related pilots, use of co-collection vehicles and an every other week garbage collection pilot.

This item was referred to the TAC by the Board of Directors at its May 28, 2015 meeting. The Executive Committee requested that the TAC review a draft Plan and develop a final recommendation for consideration by the Board. A draft Plan was presented at the July 9th TAC meeting and comments and discussion ensued regarding the Plan.

Fiscal Impact

There is no specific fiscal impact associated with this item. However, future recommendations by the SBWMA Board and Member Agency decisions regarding an extension to their existing Franchise Agreement(s) will ultimately impact the solid waste collection rates charged to residential and commercial customers.

Attachment:

A -Plan and Recommended Process for Supporting Member Agencies with Negotiating a Potential Franchise Agreement Extension with Recology San Mateo County

**Plan and Recommended Process for
Supporting Member Agencies with Negotiating a Potential Franchise Agreement Extension with
Recology San Mateo County**

Background:

Each of the Member Agencies has a franchise agreement with Recology San Mateo County which started on January 1, 2011 and ends at midnight on December 31, 2020. The franchise agreements include the following provisions regarding the term of the Agreement and an extension:

- **SECTION 3.02 TERM**

The Term of this Agreement shall begin on the Effective Date and shall end at midnight on December 31, 2020, unless earlier terminated, or extended as provided in Section 3.03. Contractor's obligation to Collect Solid Waste, Targeted Recyclable Materials and Organic Materials shall begin on January 1, 2011 at 12:01 a.m. and shall continue for the remainder of the Term.

- **SECTION 3.03 EXTENSION OF TERM**

During calendar year 2017, the Parties shall meet and confer on the possible extension of the Term.

The contract extension decision period prescribed in Section 3.03 was set for a defined period to allow sufficient time to conduct a competitive procurement process if no contract extension was granted. It was determined that a three-year period (i.e., 2018-2020) was needed to complete a competitive procurement process and transition to a new service provider, if applicable, given the scope of services, and size and complexity of the service area.

Key Assumptions:

- All Member Agencies, with the support and assistance of the JPA, will enter into negotiations with Recology for a potential extension of their franchise agreement beyond 2020. The JPA staff will take the lead in negotiating and drafting the uniform franchise agreement amendments that apply across all Member Agencies, including both minor/administrative changes and any major changes resulting from contract negotiations. Further, upon request, the JPA staff can assist individual Member Agencies with negotiating unique franchise agreement changes (e.g., if a Member Agency has a specific change in Recology's scope of services unique to their community).
- The JPA Board will appoint an adhoc committee of TAC or designated Member Agency staff to review the franchise agreement amendments negotiated by JPA staff prior to such amendments being brought forward to the full Board for consideration. The Board will consider approval of the uniform franchise agreement changes and make a recommendation to forward the uniform Franchise Agreements to the individual Member Agency governing bodies who ultimately approve any changes to their individual franchise agreements.
- The JPA staff will take the lead in preparing rate revenue requirement projections, including different scenarios reflective of potential changes to the franchise agreements. JPA staff's work will include building a baseline proforma model that identifies Recology's current compensation vs. their actual operating costs (as provided by Recology). The model will also cover other factors such as pass-through costs (i.e., mainly processing and disposal costs). Future pass-through costs may be affected by changes to contracts with third party vendors (e.g., Republic Ox Mountain landfill), Shoreway capital improvement scenarios (per the Long Range Plan), etc. This baseline model will be provided to the Board prior to the start of formal contract negotiations.
- Also prior to the start of negotiations, JPA staff with input from the TAC will prepare a high level analysis of Recology's performance in meeting the franchise agreement performance standards and meeting the original goals of the contractor selection process that resulted in the selection of Recology as the service provider. As part of the performance review, Recology will be requested to prepare its own written self-review.
- If applicable, the JPA staff will take the lead in developing and managing a collection services contractor RFP and selection process only if directed by the Board. Such a process would be concluded in time to ensure franchised collection service is provided uninterrupted after expiration of the current franchise agreements on December 31, 2020.

- The Recology Franchise Agreement extension process outlined in this document does not include the potential extension to the Shoreway Operations Agreement which expires on December 31, 2020. The term extension provisions of that Agreement allow the JPA unilateral discretion to extend the Agreement for up to three additional one-year periods on the current terms and conditions. Such current terms and conditions are very financially beneficial to the JPA as has been discussed at several Board meetings.

Timeline:

- Current – Spring 2016 Member Agency governing bodies decide whether to be part of the joint effort to negotiate a potential franchise agreement extension with Recology. This timeline allows for any Member Agencies that want to conduct any formal community outreach, if so desired, regarding this decision.
- Fall 2015 – Spring 2016 Complete analysis of Recology actual collection costs including building a baseline financial model to use in future projection of collection costs. This work will include identifying any significant variances and how such variances may affect future collection costs.
- Jan. 2016 – June 2016 Analysis of and recommendations for any changes to the scope of collection services based on the results of the two collection pilots per the adopted 2015 Long Range Plan and any cost savings suggestions developed by JPA staff in collaboration with Recology.
- March 2016 Recology completes and submits to JPA and Member Agencies a self-review in meeting the franchise agreement performance standards and meeting the original goals of the contractor selection process. This self-review will include suggestions for any cost savings measures and/or future improvements to the current collection services noting that not all of the Long Range Plan collection pilots will be completed yet.
- April 2016 JPA staff completes and submits to the Board its high level review of Recology's performance in meeting the franchise agreement standards and meeting the original goals of the contractor selection process.
- Spring 2016 Board appoints an adhoc committee of TAC or designated Member Agency staff to review the franchise agreement amendments negotiated by JPA staff prior to such amendments being brought forward to the full Board for consideration This Board action can happen as early as it's clear that a majority of the Member Agencies are onboard with pursuing contract extension talks with Recology.
- Spring – Fall 2016 Contract negotiations take place between the JPA staff and Recology representatives. The final step of this process would be for Recology to submit an overall technical and cost proposal for the entire service area reflective of the agreed upon changes per the negotiations. Once the proposal is reviewed and agreed upon then a final document can be brought to the Board for consideration. (This does not preclude Member Agencies from individually negotiating aspects of their Franchise Agreements separately with Recology.)
- Fall 2016 – Dec. 2016 Completion of future collection cost projections based on negotiated changes to Franchise Agreement scope of services and other factors such as pass through costs.

Completion of revisions to franchise agreements based on negotiated changes with Recology.
- Jan. / February 2017 Board considers and adopts Recology proposal for extension of current franchise agreements.
- March – Dec. 2017 Individual Member Agencies consider approval of contract extension with Recology.