



# EXECUTIVE DIRECTOR'S REPORT



## STAFF REPORT

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To: SBWMA Board Members  
From: Joe La Mariana, Executive Director  
Date: October 27, 2016 Board of Directors Meeting  
Subject: Executive Director's Report

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

### 1. Administration & Finance

#### A. Investment Funds Transfer:

Due to anticipated changes in regulations and to maintain compliance with SBWMA investment policy, the City of San Carlos' Finance Department advised staff in September that a transfer of existing agency money market funds into an eligible fund was required. These funds were valued at \$7,008,463.04 as of August 30, 2016. Upon City of San Carlos Finance Manager and the City Treasurer's recommendations; SBWMA Finance Committee review; and SBWMA board authorization (at its September board meeting), staff directed the immediate transfer of these funds into the BlackRock Liquidity Treasury Trust through our bank, The Bank of New York Trust Company. Staff was advised this fund met the aforementioned criteria and the transfer was completed on October 14<sup>th</sup>. Here are transaction notes for the SBWMA's two investment accounts with BNY Mellon, as required by the change in regulations (total transacted amount: \$7,352,197.52 for the months of September and October, so far):

- **South Bayside WMA 2009A Payment Fund (required to pay off our bond):** A semi-annual principal and interest payment was conducted on our bond account on September 1, 2016 in the amount of \$2,715,456.25. The remaining \$511,300.78 balance was used to purchase BlackRock Treasury Trust Institutional 62 (this includes a \$343,626.04 contribution for future principal and interest payments).
- **South Bayside WMA 2009A Reserve Fund (required for our reserve):** \$4,125,440.49 was used to purchase BlackRock Treasury Trust Institutional 62.

#### B. General Administration:

Staff fulfilled a *Public Records Request* on October 14<sup>th</sup> by Callahan & Blain law firm. The request involved the agency's interaction with HFH Consultants during a ten-year period.

**Vacancies:** The agency has seven budgeted FTE staff positions, plus an additional contracted position (former LGS contractor). Two of the staff positions are presently vacant and the contracted position was terminated on September 23<sup>rd</sup>. Technical contractors are now being used to support a portion of 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 are the vacant positions, and their status:

- **Environmental Education Associate** (*Heather Co*): Recruitment is down to two finalists.
- **Recycling Outreach & Sustainability Manager** (*Carolina Leonhardt*): Recruitment suspended until agency assessment report with board is concluded (January 26<sup>th</sup>).
- **Recycling Programs Manager** (*LGS contractor*): Recruitment suspended until agency assessment report with board is concluded (January 26<sup>th</sup>).

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

### A. 2017 Contractor Compensation Adjustment Application update:

After the SBWMA board approved Recology of San Mateo County's 2017 Compensation Adjustment Application at the September 22<sup>nd</sup> meeting, all member agencies are now proceeding to set their 2017 rates for garbage, recycling and organics collection services. Staff continues to provide technical and analytical support to member agency staff and board members during this process. Historically, this process continues through the end of December and, on occasion, into early spring.

### B. Household Hazardous Waste (HHW) handling:

The current HHW collection contract (Waste Management's "At Your Door" program) expires on 12/31/16. A new five-year contract term and pricing has been proposed by the contractor. To address board concerns regarding future program costs and possible program redundancies with the County's HHW program, staff is investigating alternative HHW program options. These efforts include strong collaboration with the County to identify cost-efficient HHW program alternatives that may exist which utilize the relative strengths of each program. A staff report will follow under agenda item 9A.

### C. Franchise Agreement Negotiations Committee:

The Committee's first meeting will be held on November 10th. A historical briefing will be provided to Committee members by staff and industry technical support team members. The Committee will select a financial consultant and establish process protocol and timeline framework to ensure a transparent and functional negotiation process with our contractor, Recology San Mateo County. The Committee's end goal is to deliver a Master Franchise Agreement and base pricing for (presumed) rate year 2021 to the SBWMA board at either their April or May 2017 meeting. A staff report to follow under Agenda Item 9C.

## 3. Shoreway Operations and Contract Management

### A. Fire Recovery Update:

Expedited post-fire restoration work continues at the Shoreway Environmental Center MRF with the goal of re-launching routine operations in Q1 2017. This work is estimated at \$8-10 million dollars. To date, the agency has received \$1,000,000 in two insurance payments and we were advised that a third payment (\$500,000) will be delivered this week. Staff continues to lead work through the complex, highly coordinated efforts between the agency's legal team, Hanover insurance's claims team, SBR management, Tanner Pacific construction management, the City of San Carlos' Building Department, and numerous technical contractors. Rigid approval and reimbursement processes have been jointly established by staff, legal, the Hanover team, SBR and Tanner Pacific with the goal of achieving full plant functionality at the soonest date possible while minimizing insurance coverage exposure upon closing of the claim. On October 13<sup>th</sup>, SBR notified staff (and staff notified the board) that temporary layoffs were implemented affecting 11 of their 20 collective bargained workers due to fire-related lack of work. The remaining nine workers will be retained during the closure to perform necessary equipment and facility maintenance.

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 will replace about 40 feet of an elevated

conveyor belt, the removal of fire-related soot, some electric wiring replacement, and some minor related repair work. This facility has remained open for business as usual since the incident occurred. An updated staff report for both projects will follow during agenda item 10A.

**B. Vocational Rehabilitation Services (VRS):**

Staff and County Human Services Agency management are working collaboratively to address several longstanding program challenges that are targeted for resolution before the MRF resumes its routine operations in Q1 2017. One important issue includes aligning the VRS Material Sorter's (net) wage scale with the County's proposed new **Living Wage Ordinance**. This ordinance has four phased adjustments through 2020. This adjustment is estimated to have an unbudgeted impact on the MRF cost of operations of \$134,068 for the remaining five months in FY16/17 that the MRF will be operating. The annualized budget impact is estimated at \$321,765.

**C. Construction & Demolition Materials Processing:**

The SBWMA has a contract with Zanker Road Resource Recovery (Zanker) in San Jose for C&D processing that expires at the end of January 2017. For over 10-years, Zanker has processed the SBWMA's self-haul C&D waste and provided contractors certification that the materials are recycled in compliance with each Member Agencies' **C&D Recycling Ordinances** and the state's **CalGreen Building standards**. Staff is currently negotiating a new contract with Zanker and will bring back a new C&D processing contract for the Board's approval. Based on the discussions to date, Zanker has indicates that the markets for recycled materials are down in price (especially wood and metals) so the Company is increasing its processing rate for all of its customers. Staff will provide a more detailed report at the November 17<sup>th</sup> meeting.

Respectfully submitted,



Joe La Mariana  
Executive Director