



COLLECTION AND RECYCLING PROGRAM SUPPORT AND COMPLIANCE



STAFF REPORT

To: SBWMA Board Members
From: Joe La Mariana, Executive Director
Larry Sweetser, Sweetser and Associates
Chris Lehon, Lehon and Associates
Date: November 17, 2016 Board of Directors Meeting
Subject: HHW Collection Presentation and Options

Recommendation

Assuming that the Board declines to approve the Waste Management Curbside contract extension and that the services with Curbside Inc. expires, Staff is seeking direction from the Board to analyze alternative plans for HHW collection for consideration at the January 26, 2017 Board meeting.

Summary

The Board approved the final one-year extension of contract between the SBWMA and Waste Management (WM) Curbside to provide household hazardous waste (HHW) collection services and this extension will expire on December 31, 2016. During the October 27, 2016 meeting, the Board directed staff to discuss an option for any Member Agency to discontinue ("opt out") service with a 60-day written notice to WM Curbside without incurring any financial penalties. **WM provided some clarifications to their proposal but did not completely incorporate the Board directive and declined the 60-day notice provision option, therefore, this contract extension will expire on December 31, 2016 and the WM At Your Door HHW collection program will terminate for all member agencies at this time.** Staff wanted to review alternative HHW collection programs to evaluate as future services if the WM contract with the Board directed "opt out" language, as is expected. Both parties negotiated a contract extension and pricing proposal in good faith. If the contract with the SBWMA is extended, each Member Agency will be provided the opportunity to continue offering this service to their residents. If the contract is not extended, the service will be discontinued effective January 1, 2017 and staff will promptly commence implementing an outreach campaign informing all Member Agencies and residents that the service will be discontinued effective January 1, 2017.

Analysis

SBWMA retained the profession services of Larry Sweetser who has extensive expertise with California Household Hazardous Waste (HHW) programs and has conducted numerous evaluations of HHW systems, design, permitting, training, and compliance reviews of operations. Mr. Sweetser will provide the Board with an initial review of potential options to consider if the Board decides not to renew the Curbside HHW collection service. Some potential options were presented at the October 27 meeting. Other HHW program options could be considered including combinations of the following options:

1. Partner with San Mateo County HHW Program and Services
2. Establish a HHW drop-off program at the Shoreway Environmental Center
3. Develop a local permanent HHW storage facility for use by a curbside collection program
4. Contract with other vendors for curbside HHW collection.

Option 1: Partner with San Mateo County HHW Program and Services

San Mateo County provides HHW services to all residents. The Tower Road permanent HHW facility is open three days per week for approximately 6 hours each day. Temporary one-day events are available to all residents throughout the County with six events in SBWMA areas and adding additional events is possible. Both the Tower Road facility and temporary events are underutilized by residential participants.

The County also provides temporary HHW collection events as part of their suite of services. The SBWMA could play a more permanent role in advertising and selecting locations for future events. Directing residents to periodic temporary HHW collection events conducted in various San Mateo County cities and unincorporated areas and increased promotion and marketing would benefit this underutilized service. Temporary events are currently conducted on two or three Saturdays each month by the County. (The draft 2017 schedule has events listed for the following locations: Daly City, La Honda, Menlo Park, Pacifica, Portola Valley, Redwood City and South San Francisco. Redwood City and Menlo Park are two Member Agency locations where temporary events have been conducted and are scheduled for 2017).

Temporary HHW events could be held at Shoreway in partnership with the County. County operating costs would increase if temporary events were expanded or current costs could be maintained by relocating events conducted in other jurisdictions.

San Mateo County is developing a master plan to develop additional County HHW drop-off facilities. Revisions to the current Tower Road HHW facility are suggested in the master plan, but the development horizon is 5-10 year and requires \$50 to \$70 million funding allocation.

Option 2: Establish HHW drop-off program at Shoreway

A permanent HHW facility option can be pursued by the SBWMA at Shoreway. Shoreway currently has a drop-off for universal waste (oil, antifreeze, batteries, etc.) that are also handled by the County's HHW programs. Pending discussions with the County, staff may include funding in the mid-year budget in January to pursue engineering and design work to develop a detailed cost analysis of expanding the services offered at Shoreway to include HHW drop-off. Staff conducted preliminary discussions with an independent HHW consultant about siting a permanent HHW facility at the SEC. (A permanent HHW facility existed at the site prior to the facility renovation in 2010).

A permanent HHW facility requires numerous permits and approvals (i.e.: fire department, CEQA solid waste facility compliance, etc.), but some of these approvals may have already been obtained since there was already a HHW facility at this location. This option will involve expanded discussions with the County, even if the SBWMA operates a HHW at Shoreway, because of its regulatory permitting responsibilities with these programs.

Option 3: Develop a local permanent HHW storage facility for use by a curbside collection program.

One option to reduce costs of a curbside collection program is to set up a HHW storage facility at Shoreway to reduce the distance driven by the collection vehicles. For example, WM Curbside collection vehicles are housed at the company's facility in Tracy, CA and drive collected HHW round-trip daily. Allowing WM Curbside or other service provider to utilize a storage facility at Shoreway may result in cost saving over WM's current proposal.

Staff also requested the County HHW Program to entertain the idea of handling the materials collected through the Curbside HHW Service at their Tower Road site but they do not have sufficient area to handle the Curbside HHW material volume at the Tower Road facility.

Option 4: Contract with other vendors for Curbside HHW collection

Other companies provide curbside HHW collection service. The SBWMA can conduct a solicitation for curbside HHW collection services. Note that Staff has inquired with Recology about providing curbside HHW collection services, however, Recology has declined consideration of providing this service.

Background

The current annual fee for Curbside HHW collection service is \$5.64 per single-family home and \$2.64 per multi-family living unit. This expense is included in the Member Agencies' solid waste rates and has been adjusted twice since the program started in 2010 with \$0.01 increases the last two years only. The cost of this service allows each customer unlimited service.

The annual cost for 2016 and the proposed 2017-2021 cost for continued WM Curbside Inc. services is provided in Table 1. (The pricing in Table 1 assumes 85,000 or more combined SFD and MFD customers participating and pricing increases due to loss of economy of scale if less than 85,000 customers participate). There are a total of approximately 144,000 (93,000 SFD and 51,000 MFD) customers currently participating across all Member Agencies. The annual Curbside HHW service revenue requirement for 2016 including the 5-year contract extension; the total 5-year extension revenue requirement is slightly under \$5.15 million.

Table 1

Annual HHW Door-to-Door Contract Revenue				
Contract Year	Annual Per Unit Cost		Total	Annual Variance
	SFD	MFD		
2016	\$ 5.64	\$ 2.64	\$ 658,128	
2017	\$ 7.20	\$ 3.00	\$ 821,255	25%
2018	\$ 8.04	\$ 3.48	\$ 923,708	12%
2019	\$ 8.88	\$ 4.08	\$ 1,032,290	12%
2020	\$ 9.72	\$ 4.56	\$ 1,134,743	10%
2021	\$ 10.56	\$ 5.04	\$ 1,237,196	9%
Total 5 Year Revenue (2017-2021)			\$ 5,149,193	

Fiscal Impact

There is no specific fiscal impact to the SBWMA associated with item although the SBWMA FY16/17 budget allocated \$80,000 for public education and outreach for this program.



STAFF REPORT

To: SBWMA Board Members
From: Joe La Mariana, Executive Director
Date: November 17, 2016 Board of Directors Meeting
Subject: Resolution Approving a Contract for Financial Review and Negotiation Services to Support the Franchise Agreement Extension Negotiation Process

Recommendation

It is recommended that the SBWMA Board of Directors approve resolution No.2016-44 attached hereto authorizing the Executive Director to execute a contract with HFH Consultants (HFH) to provide Financial Review and Negotiation Services to Support the Franchise Agreement Extension Negotiation Process, not to exceed \$138,126.

Background

On April 28, 2016 the SBWMA Board approved Resolution 2016-21 to form an Ad Hoc Franchise Agreement Extension Negotiation Committee (FAX) to support current Franchise Agreement, Section 3.03 (page 5 of 111), regarding the creation of a new contract term. The current Section 3.03 language reads:

Section 3.03, Extension of Term:

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

The FAX Committee will work in close coordination with the designated Negotiation Team to steer the negotiation process and provide technical review of any anticipated changes in contract terms, scope of services, rate impacts and other related items, as proposed by Recology. It is assumed that the Universal Franchise Agreement that currently exists amongst all 12 Member Agencies will serve as the baseline for these discussions. In other words, this proposed Universal Franchise Agreement contains all essential collection services that will be common to the entire service area.

Assuming mutual agreement amongst all parties and with Staff and Negotiating Team support, the FAX Committee will present a final Universal Franchise Agreement with Recology's Proposed pricing for base rate year 2021 for TAC review on April 10th, 2017 and then on to the SBWMA Board for final consideration on April 27th, 2017. Upon SBWMA Board approval, each member agency will need to enter into individual negotiations with Recology to establish their specific scope of services (including add-on and ancillary services, billing particulars, etc.), and their final pricing. **All member agencies are asked to complete this process and secure a fully executed new Franchise Agreement with Recology for the recommended new term no later than December 31, 2017.**

The SBWMA Board-appointed FAX Committee consists of senior staff from six member agencies are identified in Table 1:

Table 1 SBWMA Franchise Agreement Extension Negotiation--Ad Hoc Committee (FAX)		
FAX Committee Member	Member Agency	Position/Agency Experience
Jim Porter, <i>Chair</i>	County of San Mateo	Director, DPW; Former SBWMA Chair
Melissa Stevenson Diaz, <i>Vice Chair</i>	City of Redwood City	City Manager
Larry Patterson	City of San Mateo	City Manager, Former SBWMA Chair
Afshin Oskoui	City of Belmont	Director, DPW; SBWMA TAC Chair
Heather Abrams	City of Menlo Park	Sustainability Manager; SBWMA TAC member
Brenda Olwin	City of East Palo Alto	Finance Director

This committee provides the SBWMA Board and Staff with a strong mix of professional perspectives to vet the broad range of topics anticipated in these negotiations—there are two city managers, two public works directors, one sustainability manager, and a finance director. Additionally, three of these members were directly engaged with the original contractor selection process in 2008/9 having served as SBWMA Chair, and on supporting technical evaluation and selection committees. The new members also provide strong fresh perspectives to this process.

The Fax Committee held its first meeting on November 10th. Additional meetings are scheduled for December 7, January 12, February 6 and 26, and March 8 and 28. The FAX Committee selecting their Chair and Vice Chair and Staff provided a comprehensive briefing of committee goals, critical path project timing and the Negotiation Team. The Negotiation Team is identified in **Table 2**:

Table 2 SBWMA/Recology Franchise Agreement Extension--Negotiation Teams		
Negotiation Party	Team Members	Individual Roles & Responsibilities
SBWMA Team <i>(Staff)</i>	Joe La Mariana, <i>Executive Director</i> Hilary Gans, <i>Facility Contracts Mgr.</i> Cyndi Urman, <i>Clerk of the Board</i>	-Project lead -Primary staff support -Logistical staff support
SBWMA Team <i>(Contractors)</i>	<u>HFH Consultants:</u> -Robert C. Hilton, <i>Engagement Director</i> -Tracy Swanborn, <i>Engagement Manager</i> -Marva Sheehan, <i>Finance/Rate Specialist</i> <u>Aaron, Dickerson, Cohn & Lanzone:</u> Jean Savaree <u>Solid Waste Industry Experts:</u> Ron Proto, RJ Proto Consulting Enrique Sloan, Sloan Vasquez Consulting Tracie Bills, SCS Engineers	-Lead Negotiators for SBWMA -Financial Analysis -Legal Representation -Subject matter expert-Operations/costing -Subject matter expert—Operations/costing -Research/ Writing Support <i>(in lieu of LGS vacancy)</i>
Recology Team	Mario Puccinelli, <i>Group VP</i> Mike Kelly, <i>Administrative Manager</i> Gino Gasparini, <i>Governmental Affairs</i> Carl Mennie, <i>Group Controller</i> Tammy Del Bennie, <i>Zero Waste Manager</i> Jennette Haskell, <i>Customer Service Manager</i> Bryce Giddons, <i>Group Attorney</i>	-Contractor Lead -Financial/Ops Support -Institutional Support -Financial/Ops Support -Compliance/Programs Support -Customer Service Support -Legal Representation

Analysis

On November 8th, 2016 Staff completed a Request for Qualifications (RFQ) process that yielded technically qualified responses from R3 Consultants and HFH Consultants. Their proposals were received by November 1, 2016, including detailed work plans and project timelines to meet all stated goals. Both firms are well-respected in the solid waste industry and have produced high-quality financial analytical work for the SBWMA over many years. Both firms proposed senior-level staff to provide veteran support throughout this assignment. Both firms were also invited to present their proposed approaches to Staff on November 7th and 8th.

Based on its comprehensive review of the proposals, timing considerations, reference checks, historically relevant experience and in-person presentations, Staff recommends the selection of HFH Consultants to perform this work. On November 10th, 2016, the FAX Committee reviewed the proposal summaries and Staff's findings, and they concurred with the Staff recommendation. Although both firms had excellent experience and many distinguished aspects of their proposals, two specific areas emerged that provided Staff and FAX Committee members with significant points of differentiation during the evaluation and selection phase of this discussion. HFH Consultant's proposal had a base price of \$113,786, with an optional "Sole Source RFP" add-on of \$24,340 for a total of proposed contract value of \$138,126. The two significant evaluative criteria that affect the Staff and FAX Committee recommendations are:

1. Extensive Multi-Jurisdictional Experience:

HFH has assisted more than 175 jurisdictions in procuring recycling and solid waste related services, evaluating proposals to provide service, and negotiating and drafting new or revised contracts for the provision of those services. Most important to the SBWMA is that **HFH has solid waste consulting experience with every solid waste-related multijurisdictional agency in the Bay Area, as well as several others in Northern California - including the SBWMA, MRWMD, StopWaste, CCCSWA, WCCIWMA, WWSWMA, and Sacramento SWA.** Though their extensive work with multi-jurisdictional agencies, the FAX and Negotiations committees feels that HFH is uniquely qualified to manage the complexities can arise with multi-jurisdictional negotiations.

2.Highly Structured and Quantitative Approach:

One feature that the FAX committee discussed extensively is HFH's highly structured process to the negotiation process that relies heavily a quantitative approach and the use of cost forms throughout process. In the sole source procurement process proposed by HFH, Recology will be asked to provide cost proposals for existing level of service as well as all additional services or change to service levels. Specifically, HFH will work with Recology to:

1. Obtain proposed program descriptions and operating statistics
2. Obtain detailed cost information and estimated service rate impacts using predefined cost proposal forms
3. Determine contract modifications desired by Recology to a draft model franchise agreement

This approach will help ensure that the SBWMA will have the information it needs to evaluate its options and control the negotiation and manage the outcomes and timeline. The FAX Committee felt that the SBWMA and Member Agencies will benefit from the quantitative analysis of HFH's approach as compared to a more traditional negotiation process. HF&H successfully utilized this strategy with Recology in the City of Mountain View in 2012.

To streamline the process and reduce the consulting time involved in the negotiations process, SBWMA staff has already met with Recology to take the first step in the negotiations process by requesting that Recology provide a red-line copy of the current Collection Agreement to document any exceptions in writing and to provide alternative contract language.

Fiscal Impact

The adopted FY16/17 budget has \$100k reserved for this Contract Negotiations and \$70,000 in Financial Consulting support that will be tapped for this proposed work.

Attachments

Resolution 2016-44

A. Collection Services Consultant RFQ Process; A Comparative Summary



RESOLUTION NO. 2016-44

RESOLUTION OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY BOARD OF DIRECTORS APPROVING A CONTRACT FOR FINANCIAL REVIEW AND NEGOTIATION SERVICES TO SUPPORT THE FRANCHISE AGREEMENT EXTENSION NEGOTIATION PROCESS

WHEREAS, The South Bayside Waste Management Authority (SBWMA) Board approved Resolution 2016-21 approving a Plan and process to negotiate an extension to the existing Universal Franchise Agreement document with Recology San Mateo County (RCSM), and

WHEREAS, the Plan included the hiring of a solid waste industry negotiation and financial consultant,

NOW, THEREFORE BE IT RESOLVED that the South Bayside Waste Management Authority hereby approves and authorizes the Executive Director to execute a contract with HFH Consultants for a not-to-exceed amount of \$138,126.

PASSED AND ADOPTED by the Board of Directors of the South Bayside Waste Management Authority, County of San Mateo, State of California on the 17th day of November, 2016, 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. 2016- 44 was duly and regularly adopted at a regular meeting of the South Bayside Waste Management Authority on November 17, 2016.

ATTEST:

Bob Grassilli, Chairperson of SBWMA

Cyndi Urman, Board Secretary

Collection Services Consultant RFQ Proposals
A Comparative Summary of Responses for the
SBWMA Franchise Agreement Negotiation Ad Hoc Committee's

RFQ Response Category	R3 Consultants	HFH Consultants	Comments
<p>1. Background:</p> <ul style="list-style-type: none"> - RFQ documents, scope of work and timeline was received by legal team prior to release. - Two qualified firms, R3 and HFH, each w/extensive history of direct performance with the SBWMA, were invited to respond to the agency's RFQ for <i>Collection Services Consultant</i> to support the SBWMA's Ad Hoc Committee's Franchise Agreement Negotiations in 2017. - Both firms submitted proposals by the RFQ 11/1/16 deadline that were technically responsive to the scope of work and timing requirements identified in the RFQ. 			
<p>2. Description of Qualifications: Firm experience and history with SBWMA projects.</p>	<ul style="list-style-type: none"> -Since 2002 -Extensive SBWMA experience, including work w/2008 SBWMA RFP. -Only works w/ municipal agencies. -Worked w/ 30+ municipal agencies in negotiation support. -Worked w/ 22 municipal agencies in procurement support. Extensive rate survey/database experience. 	<ul style="list-style-type: none"> -25+ years -Extensive SBWMA experience, including work w/2008 SBWMA RFP. -Only works w/municipal agencies. -Worked w/500+ municipal agencies. -Managed procurements in 175 jurisdictions. -Managed 1,900 engagements. -Managed multi-jurisdictional agency procurements -Extensive rate survey/database experience 	<p>Both firms have been deemed "qualified" to perform the scope of work that is anticipated with this contract.</p> <p>Based on each firm's responses:</p> <p>R3 has considerable procurement and analytical work with the SBWMA (Financial and Operational Audits in 2013-2015), they assisted with the development in the SBWMA's Long Range Plan, they provided program-level reviews in 2014-15, and they provided significant technical support during the SBWMA RFP process in 2008.</p> <p>HFH has extensive history with the SBWMA with a wide variety of rate modeling and financial review projects, including extensive rate reviews for SBWMA member agencies, rate surveys, contractor compensation application analytical reviews, SBWMA contractor audits, annual report reviews, cost allocation reviews, the feasibility study for financing the Shoreway Environmental Center, significant support during the SBWMA RFP process in 2008. HFH appears to have worked with many more municipalities over a longer period of time in the industry.</p> <p>HFH's experience includes considerable procurement work with multi-jurisdictional agencies, including the Sacramento WMA, Monterey Regional WMD, Central Contra Costa WMA, and having served as the Executive Director of the West Valley SWMA (Campbell, Saratoga, Los Gatos, and Monte Sereno) since the agency's establishment in the 1998.</p>

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3. Proposed Work plan a. Assessment	R3 proposes a "Deal Points" strategy to serve as basis for negotiating and extended franchise agreement w/contractor.	HFH proposes a "Sole Source" Procurement RFP process to maximize Agency's negotiating position w/SBWMA contractor.	The firms have proposed two different strategies towards this project. They are: R3 has proposed creating "Deal Points"
4. Proposed Project Team	Richard Tagore-Ewin, <i>Project Mgr. & Task Lead</i> Garth Schultz, <i>Point-of-Contact & Project Support</i> Willian Schoen, <i>Project Support</i> Kristina McCaffrey, <i>Project Support</i> David Pinter, <i>Project Support</i> Emily Ginsburg, <i>Project Support</i>	Robert C. Hilton, <i>CMC, Engagement Director</i> Tracy Swanborne, <i>P.E., Engagement Manager</i> Marva M. Sheehan, <i>CPA, Finance and Rate Specialist</i>	
5. Cost Proposal	-Development of Scope of Services: 33 Hrs -Negotiation Assistance: 316 Hrs -Services/Rates Analysis: 71 Hrs -Terms Sheet Work: 26 Hrs -Draft Model Document: 114 Hrs <u>Total Proposed Staff Time: 560 Hrs</u> Total Proposed Budget: \$99,050	-Kickoff/Background Review: 20 Hrs -Assessment of Current Programs: 48 Hrs -Support w/Negotiations: 300 Hrs -Attend Board/Committee Mtgs: 92 Hrs -Engagement Mgmt.: 21 Hrs <u>Total Proposed Staff Time: 481 Hrs</u> Total Proposed Budget: \$113,786 <u>*Optional Proposed Add-on Work:</u> Sole Source RFP/Proposal Process: -Prepare Draft/Final SS Document: 128 Hrs -Attend additional Mtgs: 13 Hrs <u>Total Proposed Sole Source Hours: 141 Hrs</u> Total Sole Source RFP Budget: \$24,340	\$100k is earmarked for this project in the SBWMA FY 16-17 budget. This figure was a working estimate due to the unknown specific scope of work for this project during budget development in spring 2016. This amount was a "placeholder". This amount was stated in the RFP document.
6. Proposed Timeline:	Proposal meets project requirements	Proposal meets project requirements	Both firms submitted proposals that contains viable timelines.
7. Team Interviews:	Staff meet w/R3 team on 11/7/16.	Staff meet w/HFH team on 11/8/16.	
8. Staff Recommendation			Staff recommends HFH Consultants based on two distinguishing elements: 1. Their extensive experience working with many multi-jurisdictional entities. In fact, HFH Consultants has served as a contracted Executive Director for the West Valley WMA since 1998.

Collection Services Consultant RFQ Proposals
 A Comparative Summary of Responses for the
 SBWMA Franchise Agreement Negotiation Ad Hoc Committee's

			<p>2. Their "Sole Source" RFP approach to the negotiation process. This is a high structured and quantitative process that has delivered desired results in other jurisdictions.</p> <p>Both firms have an outstanding reputation in the solid waste industry and in the state marketplace.</p>
<p>9. FAX Committee Recommendation</p>			<p>The FAX Committee supports Staff recommendation to select HFH Consultants for the afore stated reasons. Two FAX Committee members has volunteered to contact HFH to learn more about the "Sole Source" RFP process, and its applicability to this assignment.</p>