



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
Public Works



**Date:** August 2, 2013  
**Board Meeting Date:** September 10, 2013  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors

**From:** James C. Porter, Director of Public Works

**Subject:** First Amendment to the Franchise Agreement with Recology San Mateo County

**RECOMMENDATION:**

Adopt a Resolution authorizing and directing the County Manager or the County Manager's designee to execute a First Amendment to the Franchise Agreement between the County of San Mateo and Recology San Mateo County for Recyclable Materials, Organic Materials, and Solid Waste Collection Services.

**BACKGROUND:**

On October 20, 2009, your Board adopted Resolution No. 070423 which approved a franchise agreement (Agreement) with Recology San Mateo County (Recology) to provide services for the collection of recyclable materials, organic materials, and solid waste to County Service Area No. 8 (CSA-8), and the remainder of the unincorporated South Bayside Waste Management Authority (SBWMA) Service Area (Burlingame to Menlo Park) for a term of January 1, 2011 through December 31, 2020.

**DISCUSSION:**

Following two years of operating and contract compliance experience, the County and other Member Agency staff, SBWMA staff and Recology embarked on a process to review the Agreement based on our experience in implementing the Agreement. The goal of the review was to discuss potential changes regarding options for reducing cost and to streamline or eliminate any contractual provisions that are not needed or provide little or no value to the ratepayers or Member Agencies.

In October 2012, the SBWMA formed a subcommittee comprised of representatives from the County, the cities of San Mateo, Foster City, and Menlo Park to discuss Agreement modifications. The subcommittee met several times with staff from SBWMA and Recology to discuss and negotiate proposed Agreement revisions. On March 28, 2013, the SBWMA Board voted in support of the proposed Amendments to the member

agency agreements. The modifications are contained in the Amendment and pertain to specific sections of the Agreement and attachments. The most notable modification to the Agreement attachments is to Attachment I, which relates to Performance Incentives and Disincentives. The most significant modifications contained in the Amendment are summarized below.

#### Administrative Modifications

Administrative modifications to the Agreement (20 modifications) of minor significance and three contractual changes are included in the Amendment. The recommended changes are generally related to contract efficiencies and provisions that are not needed or provide little or no value today. These recommended changes have been agreed to by the subcommittee, SBWMA staff and Recology. SBWMA staff and Recology have already made some good faith agreements resulting in cost savings exceeding \$325,000 annually in both Recology costs (i.e. elimination of three positions) and reductions to SBWMA budget (i.e. reduced contamination monitoring).

Additionally, the Amendment proposes adding Section 8.08D - "Communication and Cooperation with Agency Requirements for Operations, Equipment and Personnel, Communication and Cooperation with Agency," to allow for the administrative approval of Agreement modifications that do not materially impact the cost or quality of services as mutually agreed to by Recology, SBWMA, and the County's designee.

#### Attachment I-Performance Incentives and Disincentives

The Amendment proposes the elimination or modification of incentives and disincentives.

The Amendment eliminates the incentive and disincentive associated with an initial missed pick-up complaints. The Initial Pickup Incentive/Disincentive payment was \$2,000 for CSA-8 and \$4,000 for the CFA. In 2012, the anticipated incentive payment owed by the County to Recology will be \$5,000 for CSA-8 and \$10,900 for the CFA.

Both the reporting burden on Recology and the auditing burden on the SBWMA are cumbersome, not including the cost of audits to determine the cost of the payouts. By eliminating this specific incentive/disincentive, mutual risks to the Member Agencies and Recology will be eliminated.

The Amendment modifies the 90-second maximum call hold time disincentive. Currently, Recology pays each Member Agency \$5.00 for every call that is put on hold for more than 90 seconds. In 2011, Recology paid a total of \$115,750 to Member Agencies of which Recology paid \$3,797 for CSA-8 and \$2,927 for the CFA. This large cumulative payout was due to the multiple calls experienced in the first few month of the rollout of Recology's new collection program services that began January 1, 2011. The number of incoming calls has significantly dropped as residents have become more familiar with the services, drivers have adjusted to their new routes, operating systems, routines, collection times have been modified, and general questions have subsided.

In 2012, it is anticipated that Recology will pay the Member Agencies \$22,255 for the 90-second maximum call hold time disincentive. It is anticipated that Recology will pay \$613 for CSA-8 and \$491 for the CFA. This steep decline trend in hold times is expected to continue. It is proposed that this disincentive be eliminated and only reactivated if the quarterly average of calls received that are on hold for over 90 seconds exceeds five percent of the total calls received in that quarter. If approved, the 2012 disincentive payments would be eliminated.

Department staff has reviewed and concurs with the proposed modifications and the Director is recommending approval of the Amendment. We will continue to monitor complaint calls and evaluate Recology's level of service moving forward.

County Counsel has reviewed and approved the Resolution and Amendment as to Form

Approval of this action will contribute to the Shared Vision 2025 outcome of a Collaborative Community by engaging SBWMA staff, Recology and other Member Agency representatives to modify the Agreement which will result in operating efficiencies cost savings that will benefit the ratepayers.

**FISCAL IMPACT:**

There is no impact to the General Fund.