



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 17, 2014

TO: Mayor and Councilmembers

FROM: Environmental Services Division, Finance Department

SUBJECT: Award Of Contract For Processing Of Recyclable Material To MarBorg Industries, Inc.

RECOMMENDATION:

That Council authorize the Finance Director to execute a contract with MarBorg Industries, Inc., for processing of recyclable material.

DISCUSSION:

In February 2013, the City awarded an exclusive franchise to MarBorg Industries, Inc. for the collection of trash and recyclables throughout the City. Once collected, trash is transported to Tajiguas Landfill for burial. Recyclable material is transported to recycling facilities for further processing. Material collected in carts and cans is transported to Gold Coast Recycling in Ventura; material collected in larger dumpsters is transported to MarBorg's processing facility located near the Santa Barbara Airport.

For several years, the City has received a portion of the revenue derived from the sale of recyclables collected in carts and cans. However, the City has never received a share of revenue generated from the sale of recyclable material collected from dumpsters.

Since October of 2013, the City has engaged in negotiations with MarBorg on a new contract for the processing of recyclable material that it collects from dumpsters. In March of 2014, staff from the City and MarBorg reached an agreement on the following terms for the new contract:

- Work to be Performed: MarBorg will process, separate, divert from disposal and market all material collected from designated recycling dumpsters throughout the City and shall supply all necessary equipment and personnel.
- Contract Term: Five (5) years. Payments to the City will be based on recyclable material collected as of January 1, 2014 and will continue through December 31, 2018.

However, the City would have the right to terminate the contract and direct the recyclable material to an alternative processing facility constructed as part of a cooperative venture with neighboring jurisdictions, such as the Resource Recovery Project, currently under review by the Cities of Santa Barbara, Goleta, Solvang, Buellton and the County.

- Payments by MarBorg to the City: MarBorg will pay the City a base fee of \$30.44 for each ton of recyclable material collected. The base fee will be adjusted by CPI each year of the contract term beginning on July 1, 2015. MarBorg will retain all other revenue derived from the sale of recyclable material.

A copy of the proposed contract is available for public review in the City Clerk's Office.

Finance Committee

On June 10, 2014, staff discussed the proposed contract with the Finance Committee. The Committee unanimously voted to recommend approval by City Council.

BUDGET/FINANCIAL INFORMATION:

The Solid Waste Fund will receive \$30.44 per ton of recyclable material collected in dumpsters. Based upon the 4,800 tons of recyclable material collected in Calendar Year 2013, staff anticipates that this contract will generate revenues of approximately \$73,000 and \$146,000 for the Solid Waste Fund in Fiscal Years 2014 and 2015, respectively.

PREPARED BY: Matt Fore, Environmental Services Manager

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office



Presentation Outline

- I. Background
- II. Material Flow
- III. Contract Terms
- IV. Analysis of Agreement
- V. Staff Recommendation

Background - Recyclables

- ◆ Blue Bin (Separated)
 - ◆ MarBorg collects
 - ◆ Residential and Business customers
 - ◆ Carts, cans and dumpsters
- ◆ “Recyclable Material”
 - Paper, Plastic, Metal, Cardboard, Glass





Material Flow

- ◆ What Happens to Recyclable Material?
 - Collected by MarBorg
 - Recycling facility separates into individual commodity types (paper, cardboard, glass, plastics)
 - Carts/Cans: Gold Coast - Ventura
 - Dumpsters: MarBorg - David Love Place (near Airport)
 - Sold on open market: China, India, Southeast Asia, USA

Material Flow & Revenue

Containers	Collector	Processor	Sales Revenue
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Contract Terms

- ◆ Recyclables Processing Agreement
 - Scope of Work: process, separate and market recyclable materials collected from designated recycling dumpsters in the City
 - Provide facility, labor, transportation and maintain permits
 - **Note: Physical collection of material is governed by the franchise agreement**

Contract Terms (cont.)

- ◆ Length of Agreement: 5 years (2013 – 2018)
- ◆ Early Termination
 - Should City commit to regional waste processing facility (Resource Recovery Project)
- ◆ Payments: Flat rate of \$30.44 per ton
 - On all source-separated recyclables collected by MarBorg in dumpsters (retroactive to Jan 1, 2014)
 - Annual CPI adjustment
 - Reporting to CalRecycle on behalf of City



Analysis of Agreement

- ◆ Competitive Payment Terms
 - Per ton rate: \$30.44
 - 2009-2013 median per ton rate: \$29.89
 - County revenue under similar agreement : \$26.44

- ◆ Estimated Revenue for Environmental Services
 - FY 14: \$75,000
 - FY 15: \$150,000

Analysis of Agreement (cont.)

- ◆ Stability: avoids historic commodity volatility
 - Range of per ton revenue from Carts/Cans (2005-2013):
\$ -3.19 to \$ +42.52
- ◆ Potential for Revenue Growth
 - Expected tonnage increases with diversion targets in franchise agreement (BUS & MUR)
- ◆ Sound Short-Term Solution
 - Pending outcome of RRP negotiations



Staff Recommendation

Recommend authorizing the Finance Director to execute a contract with MarBorg Industries, LLC for processing of recyclable materials



QUESTIONS?