



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 13, 2016

TO: Mayor and Councilmembers

FROM: Environmental Services Division, Finance Department

SUBJECT: Agreement For Food Material Compost Services With California Wood Recycling, Inc., Doing Business As Agromin

RECOMMENDATION: That Council:

- A. Award a contract to California Wood Recycling, Inc., Doing Business As Agromin, pursuant to Bid No. 5492 for composting services in its low bid amount of \$83.52 per ton of food material processed;
- B. Authorize the Finance Director to execute an agreement with Agromin for compost services, subject to review and approval of the form of agreement by the City Attorney, in an amount not to exceed \$820,000 and approve expenditures up to \$80,000 to cover any cost increases that may result from differences between estimated bid quantities and actual quantities measured for payment, for a term of up to two and one-half years commencing upon execution of the agreement and terminating on June 30, 2019 with an optional two-year extension as additional one year increments; and
- C. Authorize the appropriation of an additional \$50,000 from Solid Waste Fund reserves to cover the additional cost of composting food material from food-generating businesses located in the City of Santa Barbara for Fiscal Year 2017, representing the incremental difference between previous tipping fee that was built into Fiscal Year 2017 budget and customer trash and recycling rates and the tipping fee stated in the winning bid.

DISCUSSION:

The Integrated Waste Management Act requires cities and counties in California, including the City of Santa Barbara, to divert at least 50 percent of its solid waste from landfill disposal. A waste composition study conducted by the City in 2008 revealed that a substantial portion of the commercial sector waste was comprised of food material and was therefore compostable. For this reason, in 2008, the Environmental Services Division initiated a pilot food material collection program from select food facilities.

Council Agenda Report

Agreement For Food Material Compost Services With California Wood Recycling, Inc.
Doing Business As Agromin

December 13, 2016

Page 2

After it was collected, the food material was transported to Engel and Gray in Santa Maria to be made into high-grade compost. In 2009, the City executed a formal agreement with Engel and Gray to compost food material (approximately 3,200 tons annually) from all participating food facilities, which numbers approximately 230 today. For Fiscal Year 2016, the tipping fee charged by Engel and Gray to the City for this service is \$60.25 and is reflected in trash and recycling rates and in the Solid Waste Fund budget.

In correspondence dated May 26, 2016, Engel & Gray notified the City of a significant rate change that would become effective on July 1, 2016. The new fee schedule would raise the base rate from \$60.25 to \$75 per ton of incoming food material. The fee schedule also included a contamination schedule whereby the City would be charged for a variety of non-compostable materials including glass, metal and plastics that were entrained in the inbound food material. Finally, as a condition of continued service, Engel and Gray stipulated that the City would be required to gradually re-direct to Engel and Gray up to 6,400 (of approximately 13,000) tons of source-separated greenwaste that is currently mulched by the County for \$45 per ton.

The potential impact of the cost increase proposed by Engel and Gray is substantial. The increase in the new per-ton base tipping fee would be approximately \$50,000 annually. Beyond the increase to the base tipping fee, the potential financial exposure to the City of the open-ended contamination schedule is also significant. By applying recent contamination reports sent by Engel and Gray to its proposed fee schedule, staff estimates that the annual cost to the City of contamination alone could be approximately \$185,000. Finally, the incremental cost to compost 6,400 tons of green waste instead of mulching it through the County would cost the City approximately \$134,000 per year.

Given the increase in the base tipping fee for food material, the requirement and incremental costs to re-direct the City's green waste and the potential for unknown but substantial costs related to contamination, staff issued a formal bid solicitation for food material composting services (Bid No. 5492).

One bid was received from Agromin, which was deemed responsive. Agromin has 25 years of experience composting organic feedstocks on a commercial scale and has composted food material for more than five years. Agromin currently processes approximately 450,000 tons of compost feedstock (greenwaste and food material) annually at its multiple sites throughout California. Locally, it has provided composting services to the City of Oxnard for more than ten years. Moreover, staff received favorable reports from Agromin's references.

Based upon the responsiveness and amount of the bid, staff is recommending that Council award a contract to Agromin and authorize the Finance Director to execute an agreement with Agromin for a term of two and one-half years with an optional two-year

extension as additional one year increments. It should be noted that the agreement provides for early termination should the City redirect its food material to the Tajiguas Resource Recovery Project. The proposed agreement between the City and Agromin is on file for review at the City Clerk's Office.

BUDGET/FINANCIAL INFORMATION:

Staff estimates the total cost to transport and compost the City's food material over the initial two and one-half year term to be approximately \$820,000. This represents an incremental cost increase of approximately 39 percent over current costs, and is still 4.8 percent less than the fee to dispose of the food material at Tajiguas Landfill.

In Fiscal Year 2017, a food material tipping fee of \$60.25 (\$193,221) was built into the trash and recycling fees to compost approximately 3,200 tons of food material. For the remainder of Fiscal Year 2017, staff recommends the use of Solid Waste Fund Reserves of approximately \$50,000 to bridge the incremental cost between the existing and the new tipping fee. The new tipping fee will be incorporated into trash and recycling rates beginning in Fiscal Year 2018 and will not require further use of reserves.

SUSTAINABILITY IMPACT:

Diverting food waste from landfills not only conserves limited landfill space, but helps to reduce greenhouse gas emissions¹. The new contract will continue to direct organic material away from the landfill, therefore precluding the generation of potent greenhouse gases. This program is credited to the City as diversion for AB939 reporting purposes.

PREPARED BY: Matthew R. Fore, Senior Assistant to the City Administrator

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office

¹ Retrieved from the World Wide Web at <https://www3.epa.gov/region9/waste/features/foodtoenergy/food-waste.html>