



Agenda Item No. _____

File Code No. 630.01

CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: August 12, 2008

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Revenue Sharing Agreement With County Of Santa Barbara For Commingled Recyclables

RECOMMENDATION:

That Council approve an agreement between the City of Santa Barbara and County of Santa Barbara for sharing revenues and costs associated with processing commingled recyclables.

DISCUSSION:

Background

In response to AB 939, enacted in 1989, the City has implemented programs and activities aimed at meeting both statutory and internal diversion levels for waste disposed at the local landfill (Tajiguas). While meeting the 50% diversion requirement mandated by AB 939 and reaching the current diversion rate of 67% was the result of increased recycling of construction and demolition materials and other recycling programs, future increases to our diversion rate will have to come more from curbside collection programs, including the collection of commingled recyclables (materials made of plastic, glass, metal and paper). Residents and businesses are provided a container into which all of these recyclable materials can be placed for collection and subsequent processing.

The commingled recyclables collected from dumpsters and roll-off containers are delivered to MarBorg Industries' recycling center in Goleta near the City's municipal airport for processing. However, the recyclables collected from carts and cans (primarily residential customers, but also some smaller commercial accounts) are delivered to the County's South Coast Recycling and Transfer Station located near the County jail. The County currently handles all of the recyclables collected in carts and cans by the Cities of Santa Barbara and Goleta and the unincorporated areas of South County. All of these materials are transported by the County to a material recovery facility (MRF) in Ventura owned and operated by a private company called Gold Coast Recycling and Transfer Station, where they are sorted and later sold in the open market.

Gold Coast charges a tipping fee, but pays the County 90% of the value of the commodities processed on the County's behalf. In Fiscal Year 2007, a total of 25,100 tons of commingled recyclables were delivered to Gold Coast with a value (at 90%) of over \$3.1 million. The City's portion amounted to 13,005 tons, representing approximately \$1.6 million (52%).

In Fiscal Year 2007, after factoring tipping fees and costs associated with handling, processing and transporting the commingled recyclables, the net revenue realized by the County totaled approximately \$990,000, of which the City's share is approximately \$512,000.

Impetus for Agreement to Share Revenues from Commingled Recyclables

In 2001 the Multi-Jurisdictional Solid Waste Task Group (MJSWTG) was established for the purpose of providing a forum to discuss and plan long-term solid waste management strategies and facilities. One of the studies initiated by the MJSWTG was to determine the feasibility of siting a materials recovery facility (MRF) in the County of Santa Barbara. One of the key features of a regionally-owned MRF was the distribution of both costs and revenues among all agencies that partnered in the facility.

Although the siting of a local MRF was not pursued beyond the feasibility study, the idea of sharing revenues from commingled recyclables survived. As such, the County agreed to enter into agreements with the Cities of Santa Barbara and Goleta to share in both the revenues and expenses associated with processing of commingled recyclables in proportion to the flow generated and delivered to the County's transfer station.

Key Terms and Conditions of the Agreement

Scope of Contract

The scope of the agreement is limited to the commingled recyclables collected by the City's two franchise haulers collected from carts and cans and delivered to the County of Santa Barbara's South Coast Recycling and Transfer Station.

Methodology of Calculating Net Revenues

Because this is a new agreement, a customized methodology was needed to identify and allocate all costs incurred by the County, including the direct and indirect costs and administrative overhead.

One of the key elements of the agreed-upon methodology was the use of historical data as the basis for calculating revenues and expenses. The calculations for payments made to the City in Fiscal Year 2009 will be based on Fiscal Year 2007 data; and payments in Fiscal Year 2010 will be based on Fiscal Year 2008 data.

City staff performed a detailed analysis of the County's proposed methodology and, ultimately arrived at an agreed-upon methodology, including underlying assumptions and calculations that will be used to calculate the City's share of net revenues.

Term of Contract

The term of agreement will be two years, from July 1, 2008, to June 30, 2010. While the initial expectation was that a longer term agreement would be created, the short-term agreement reflects unresolved concerns regarding the potential financial impacts to the County of certain proposed City recycling programs.

Staff anticipates a resolution to those concerns will be achieved; as such, we expect to bring to Council a longer-term agreement before the expiration of the two-year agreement.

Timing of Payments

Payments of net revenues will be made in two equal installments, with the first installment due on December 31 and second on June 30 each year.

BUDGETARY/FINANCIAL INFORMATION:

For Fiscal Year 2009, a total of \$512,397 will be paid to the City by the County, representing the City's share of net revenues (see Attachment 2) based on Fiscal Year 2007 results. In anticipation of this agreement, a conservative revenue estimate of \$400,000 was included in the Fiscal Year 2009 adopted budget, which will fund Solid Waste Fund programs and activities, as well as recent staff changes approved by City Council. As such, no adjustments to Fiscal Year 2009 are necessary.

ATTACHMENTS: 1. Revenue Sharing Agreement
 2. Commingled Recyclables - Calculation of Net Revenues

PREPARED BY: Robert Samario, Assistant Finance Director

SUBMITTED BY: Robert D. Peirson, Finance Director

APPROVED BY: City Administrator's Office

**Agreement for the Processing and Sharing of Revenues and Costs Associated with
Commingled Recyclables Delivered to County Facilities Between the City and
County of Santa Barbara**

City Agreement No. _____

THIS AGREEMENT, entered into this _____ day of _____, 2008, between the **CITY OF SANTA BARBARA**, a municipal corporation in Santa Barbara County, California, hereinafter referred to as "City", and **COUNTY OF SANTA BARBARA**, a political subdivision of the State of California, hereinafter referred to as "County",

WITNESSETH:

WHEREAS, the City and County, in order to protect and maintain the health, safety and welfare of its citizens, finds it necessary to provide an integrated solid waste management program, including source reduction and recycling activities;

WHEREAS, the City and County have found it more appropriate and effective to offer many solid waste management programs on a regional basis, including the processing of commingled recyclables and greenwaste, and the landfilling of municipal solid waste; and

WHEREAS, the County has provided these regional services to the City and the region beginning in 1967 and has developed, expanded and funded these services to benefit the community, protect the environment and comply with applicable solid waste rules and regulations and

WHEREAS, the California Integrated Waste Management Act of 1989 (commonly referred to as AB 939), mandates that cities and counties prepare and implement plans for the diversion of solid waste from disposal; and

WHEREAS, the County owns and operates the South Coast Recycling & Transfer Station (hereinafter "County Recycling Center") where the City's franchised haulers have historically delivered commingled recyclables from the City's commercial and residential customers using carts and cans; and

WHEREAS, the County contracts with a private company (subcontractor) to process commingled recyclables generated by the Cities of Santa Barbara and Goleta, and the unincorporated area in the south county; and

WHEREAS, the County transports the commingled recyclables delivered to the County Recycling Center to the subcontractor's facility and backhauls residual waste from the sorting process for disposal at the Tajiguas Landfill; and

WHEREAS, the City and County are willing to share in both the costs incurred and revenues realized by the County associated with the handling and processing of commingled recyclables in accordance with the terms and conditions hereinafter set forth;

WHEREAS, it is the intent of the City and County to work cooperatively and within a regional framework in advancing new projects and programs and addressing the financial impacts they may create; and

NOW, THEREFORE, and in consideration of the mutual covenants, promises and agreements herein contained, the parties hereto agree as follows:

I. TIMING AND METHOD OF PAYMENT

Payment of net revenues (or costs) will be in two equal installments, with the first installment due on December 31 and the second installment due on June 30 each year this agreement is in effect.

Payments should be remitted to:

Finance Department
City of Santa Barbara
P.O. Box 1990
Santa Barbara, CA 93102-1990

II. METHODOLOGY FOR CALCULATING SHARED REVENUES AND COSTS

The County agrees to share with the City the costs and revenues associated with the handling and marketing of the commingled recyclables in exchange for the City's continued delivery of its commingled recyclables collected from customers using carts and cans to the County Recycling Center.

Each year, by March 31, the County will calculate the net revenue (or net cost) using County financial and non-financial data from the immediately preceding fiscal year. The net revenue (or net cost) will be allocated to the City in proportion to the total tonnage of mixed recyclables delivered to the County Recycling Center as recorded on the scales.

The City shall reimburse the County for all costs associated with administering and operating the program including but not limited to: program coordination, handling, storage, transport, processing, and disposal.

The County will be responsible for negotiating the terms for processing, conducting bi-annual waste sorts and administering the contract with the subcontractor.

III. MAINTAINING QUALITY OF COMMINGLED RECYCLABLES

The value and sortability of the commingled recyclables is determined by the quality of material collected by the franchisees and delivered to the County Recycling Center. If County staff identifies an increase in the contamination of commingled recyclables received at the County facility, efforts will be made by the City and County to minimize contamination through greater public education efforts or route modifications.

IV. RECORD KEEPING

The County of Santa Barbara, Public Works Department, Resource Recovery and Waste Management Division, shall keep financial and accounting records.

Each year, the County shall provide to the City Finance Department, by March 31 for following fiscal year, an updated calculation itemizing costs and revenues associated with the commingled recycling program.

All funds received shall be properly accounted for and reported as required by law and generally accepted accounting principles.

V. TERM OF CONTRACT

The terms of this agreement will be effective beginning on July 1, 2008 and shall remain in effect for two years.

VI. TERMINATION

City or County may terminate this Agreement without cause by providing the other party with a 12-month written notice of such termination.

VII. OWNERSHIP OF DOCUMENTS

All reports and documents prepared by County under this contract are the property of the County.

VIII. SECTION HEADINGS

The section headings appearing herein shall not be deemed to govern, limit, modify or any manner affect the scope, meaning or intent of the provisions of this Agreement.

IX. INTERPRETATION

The terms and conditions of this contract shall be construed pursuant to their plain and ordinary meaning and shall not be interpreted against the maker by virtue of that party having drafted the Agreement.

X. NOTICES

Any notices required pursuant to this Contract shall be served at the following addresses:

Robert Samario
Assist. Finance Director
City of Santa Barbara
Finance Department
735 Anacapa Street
Santa Barbara, CA 93101

Mark Schleich
Deputy Director, Public Works
County of Santa Barbara
Resource Recovery &
Waste Management Division
130 E. Victoria Street, Suite 100
Santa Barbara, CA 93101

XI. PROJECT MANAGERS

The project managers designated by each party to this Agreement for the administration and implementation of this Agreement are:

- a. **City** Assistant Finance Director, City of Santa Barbara
- b. **County** Deputy Director of Public Works, County of Santa Barbara

The designation of project managers by each party to this Agreement may be amended by each party by written notice without the need for modification of the entire Agreement as provided in Section X, herein.

XII. MODIFICATION

This is a full and final statement of the agreement between the parties of this Agreement. No modification of this Agreement shall be valid unless evidenced in writing and executed by the parties hereto.

XIII. CALIFORNIA LAW TO APPLY

This Agreement shall be construed and be in accordance with the laws of the State of California.

XIV. COMPLIANCE WITH LAWS AND REGULATIONS

County shall comply with all State, Federal, County, City and other local laws and regulations applicable to the scope of work and services to be performed hereunder, and shall obtain all licenses and permits required by any public entity to carry out the terms of this Agreement and be responsible for the cost of said licenses and permits.

XV. SEVERABILITY

If any term, covenant, condition, provision or agreement contained in this Agreement is held to be invalid, void or unenforceable by any court of competent jurisdiction, the invalidity of any such term, covenant, condition, provision or agreement shall in no way affect any other term, covenant, condition, provision or agreement, and the remainder of this Agreement shall still be in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their duly authorized officers, on the day and year first above written.

CITY OF SANTA BARBARA
A Municipal Corporation

APPROVED AS TO CONTENT:

ROBERT D. PEIRSON
CITY FINANCE DIRECTOR

Robert D. Peirson

JAMES L. ARMSTRONG
CITY ADMINISTRATOR

James Armstrong

ATTEST:

CYNTHIA M. RODRIGUEZ, CMC
CITY CLERK SERVICES MANAGER

Cynthia M. Rodriguez, CMC

APPROVED AS TO FORM:

STEPHEN P. WILEY
CITY ATTORNEY

Stephen P. Wiley

COUNTY OF SANTA BARBARA

Date: _____

By: _____

Salud Carbajal, Chair
Board of Supervisors

ATTEST:

MICHAEL F. BROWN
CLERK OF THE BOARD

APPROVED AS TO FORM:
RAY AROMATORIO
RISK MANAGEMENT

By: _____
Deputy

By: _____
Risk Manager

APPROVED AS TO FORM:
DENNIS A. MARSHALL,
COUNTY COUNSEL

APPROVED AS TO ACCOUNTING
FORM: ROBERT W. GEIS, CPA
AUDITOR-CONTROLLER

By: _____
Deputy

By: _____
Deputy

APPROVED AS TO CONTENT:
SCOTT D. MCGOLPIN
PUBLIC WORKS DIRECTOR

By: _____

County of Santa Barbara South Coast Commingled Recyclables
Calculation of Net Revenues
Based on Fiscal Year 2007 Data

EXPENSES	<u>\$/Ton</u>	<u>Total \$</u>	<u>City Share</u>
Handling and Site Cost at SCR&TS	\$ 4.53	\$ 113,703	\$ 58,913
Transportation to Gold Coast and return to SCR&TS and Tajiguas with residual (15%)	17.17	430,967	223,296
Processing Charge (Gold Coast Tipping Fee)	59.32	1,488,932	771,457
Disposal of 15% Residual at Tajiguas	7.15	179,465	92,986
Administrative/Overhead Costs	1.92	48,192	24,970
Total Expenses	90.09	2,261,259	1,171,620
REVENUES			
90% of the Sale of Commodity (Per Agrmt w/ GC)	124.38	3,121,938	1,617,562
SCR&TS handling fee	5.11	128,261	66,456
Total Revenue	129.49	3,250,199	1,684,017
NET REVENUES	\$ 39.40	\$ 988,940	\$ 512,397
Tons Delivered to SCR&TS Fiscal Year 2007		25,100	13,005