



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Public Works
Department No.: 054
For Agenda Of: September 4, 2007
Placement: Administrative
Estimated Tme:
Continued Item: Yes
If Yes, date from: August 21, 2007
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Scott D. McGolpin, Interim Director of Public Works, 568-3010
Director(s)
Contact Info: Mark Schleich, Deputy Director of Public Works, 882-3603

SUBJECT: **Contract to Process Commingled Recyclables Collected in the North County Under Solid Waste Collection Franchise Agreements**

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

Approve and execute the attached Agreement with Valley Garbage and Rubbish, Inc. d/b/a Health Sanitation Services (HSS) (a subsidiary of Waste Management) to process commingled recyclables collected pursuant to their existing franchise agreements between the County of Santa Barbara and HSS for the term September 4, 2007 to June 30, 2008 with a one-year extension subject to a 6-month termination notice.

Summary Text:

State Assembly Bill 939, adopted in 1989, required each jurisdiction to divert 50% of waste generated in 1990 by the year 2000. Subsequent legislative revisions require jurisdictions to maintain a 50% diversion level after the year 2000. In order to meet this mandate, Santa Barbara County implemented recyclables collection from residents in 1990 and implemented a mandatory commercial recyclables program for businesses in 2003. This agreement provides the infrastructure necessary to process the commingled recyclables collected from the Santa Maria, Santa Ynez and Lompoc Valley unincorporated residents and businesses. The contract also has the option to include the recyclables collected by the cities of Buellton and Solvang, if authorized by their jurisdictions.

The agreement is for the term of September 4, 2007 to June 30, 2008 with one-year extension options subject to contractor performance. In addition, both parties may cancel the contract with a 6-month termination notice. The County will receive revenue from this contract assuming current markets for commingled recyclables remain strong (currently valued at a net revenue to the County of \$50/ton).

Revenue realized from this contract is used to support other North County solid waste programs, projects and facilities.

Background:

HSS has been processing recyclables collected under its solid waste collection agreements with the County since the early 1990's. The commingled recyclables are collected from residents and businesses in the Santa Maria, Santa Ynez, and Lompoc Valley unincorporated areas, processed into specific commodity types, and sold to a variety of markets for recycling. In 1999, Waste Management, Inc. purchased HSS and all contracts with HSS were assigned by the Board of Supervisors to the parent company of Waste Management. HSS has continued to provide the same services to area residents and businesses. HSS's recyclables processing agreement expired June 30, 2007.

County staff identified potential errors in HSS' reporting of revenues from recyclables processed under the contract that has recently expired. Staff contracted with a financial consulting firm experienced in auditing solid waste service providers and a number of errors were substantiated. Staff, with assistance from County Counsel, was able to recover all costs owed to the County including interest for a total of \$910,000 for errors that occurred over a nine-year period of time. Staff also requested that the consultant prepare contract modification language that would address the issues they identified in their evaluation of HSS. These modifications have been included in the proposed new agreement and should preclude a repeat of past accounting problems. Staff issued a Request for Proposal for the processing of commingled recyclables collected in the North County and distributed it to six other processing facilities. Staff received a response only from HSS. Staff believes this is due to the significant distance to the next facility able to process the recyclables. Transportation costs to get the material from the point of collection to a different processing facility can be cost-prohibitive.

The attached contract is designed to expire June 30, 2008 with a 12-month extension subject to contractor performance and a 6-month termination notice. Due to past experience with HSS, it is recommended that we have an option to terminate the agreement rather than committing to a long-term arrangement. The County will receive net revenue from this contract, at current market values, of approximately \$50/ton.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

Narrative: Anticipated revenues from this contract have been included in the FY 07/08 budget for the Resource Recovery & Waste Management Division.

Staffing Impacts:

Legal Positions:
0

FTEs:
0

Special Instructions: Please provide a copy of the agreement as well as a minute order to the Public Works Department Resource Recovery & Waste Management Division, attn: Leslie Wells.

Attachments: 1) Agreement for Services of Independent Contractor

Authored by: Leslie Wells, Program Manager, 882-3611