



**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: 3/13/2018
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Scott D. McGolpin, P.E., Director, ext. 3010
Director(s)
Contact Info: Mark Schleich, P.E., Deputy Director, ext. 3605

SUBJECT: Board Contract as an Amendment to an Existing Purchasing Order with Gold Coast Recycling, Inc. to Process Commingled Recyclables.
First, Second, and Third Supervisorial Districts

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve and execute the Agreement with Gold Coast Recycling (a subsidiary of EJ Harrison & Sons) as an amendment to the existing purchasing order to process commingled recyclables collected and delivered by the County to Gold Coast's recycling facility in Ventura for the current Fiscal Year ending on June 30, 2018, not to exceed \$600,000.
- b) Find the proposed Amendment to the contract does not constitute a "Project" within the meaning of the California Environmental Quality Act, pursuant to 14 CCR 15378 (b)(5) (administrative activity of government).

Summary Text:

This item is on the agenda in order to amend an existing purchasing order with Gold Coast Recycling, Inc. to process comingled recyclables. For almost two decades, the processing of comingled recyclables for the South Coast of Santa Barbara County has been performed by Gold Coast Recycling (a subsidiary of EJ Harrison & Sons of Ventura, California) under an annually renewed Purchasing Order and has consistently cost less than \$100,000 per year. During the past year, the market for comingled recyclables has become more volatile due to new policies enacted in China in response to increased contamination of imported recyclables. As a result there is currently a lowering of the value of

commingled recyclables and increased the costs to process them. Due to the anticipated increased net cost for the current fiscal year, the current purchasing order with Gold Coast Recycling is not adequate and needs to be supplemented with a Board Contract that would not exceed \$600,000.

Background:

Gold Coast has been processing commingled recyclables for Santa Barbara County since 1998. The commingled recyclables are collected from residents and some businesses in the cities of Santa Barbara, Goleta and South Coast unincorporated areas, processed into specific commodity types, and sold to a variety of markets for recycling. The original agreement established in 1998 cost the County around \$5 per ton due to the low value of recyclables. In 1999, the agreement became a source of revenue to the County as the value of the recycled commodities rose above the cost of processing. In the fall of 2017, commodities prices dropped and processing costs increased as China enacted policies related to greater enforcement on the importation of contaminated recyclables causing the current agreement with Gold Coast to change from being a net revenue generator to a net cost.

These policy changes in China, also known as the National Sword Initiative, have required increased quality of recyclables, particularly in recovered paper and cardboard, which has in turn caused processors such as Gold Coast Recycling (which have not invested in more up to date processing technologies) to increase operating costs in order to achieve these new standards. This new contract will increase the processing fee from \$83.36 to \$98.00 per ton. Gold Coast Recycling will also guarantee a floor of \$25.00 per ton for the value of mixed paper, the most common commodity recovered, which makes up over 40% of the material within commingled recyclables.

County staff has been reaching out to existing processors and brokers identifying all options available during this time of transition and believe at this time that Gold Coast is still the best financial option for the County. Currently, up to 22,000 tons per year of commingled recyclables are collected in the South Coast region and delivered by the County to Gold Coast for processing and marketing. Over 80% of this material is recycled and diverted from the County owned Tajiguas Landfill.

The County currently has a Purchasing Order with Gold Coast, however, due to the changes in the global recycled materials market and the increase in the processing fee mentioned above, the cost of this agreement is expected to exceed the \$100,000 limit, therefore the County needs to approve the attached service agreement.

The attached contract will expire June 30, 2018. Public Works Staff will return in the Spring to report on this program and bring recommendations for the next fiscal year.

Fiscal and Facilities Impacts:

Budgeted: Yes

This new contract will increase the processing fee from \$83.36 to \$98.00 per ton delivered to Gold Coast. This charge is offset by 90% of the total revenue of sales. During the current fiscal year, the County went from making net revenue of \$13.89 per ton in July 2017 to being charged a net cost of \$28.99 per ton in November 2017. This contract also establishes a floor of \$25.00 on the value of mixed paper recovered from our commingled material, which makes up the largest percentage of any single material (40.31%).

Fiscal Analysis: Narrative: This Agreement is projected to cost \$600,000 for the current fiscal year budget for the Resource Recovery & Waste Management Division. This projected amount will be covered by a mid-year budget adjustment. Long-term, this increase in costs will be partially covered by payments from our partner cities through our recyclables processing agreements with them and the Division's handling fees applied to commingle recyclables brought to the South Coast Recycling & Transfer Station.

Key Contract Risks:

This Board contract includes all standard terms and complies with all conditions set forth in the Service Contract. Further, on a monthly basis, reports are submitted by the contractor and reviewed by Public Works staff to ensure the conditions of the contract are met (as noted in Attachment A – Exhibit A). This review includes analysis of all costs associated with processing the recyclables as well as the recycled commodity values quoted by the contractor, which are then compared to posted monthly values by competitors and trade publications.

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: Carlyle A. Johnston.

Attachments:

Attachment A: Agreement for Services of Independent Contractor
Attachment B: Notice of Exemption

Authored by:

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