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## CITY OF SANTA BARBARA

### COUNCIL AGENDA REPORT

**AGENDA DATE:** July 30, 2019

**TO:** Mayor and Councilmembers

**FROM:** Water Resources Division, Public Works Department

**SUBJECT:** Approval Of Agreements With MarBorg Industries And Coastal Byproducts For The Disposal Of Fats, Oils, And Grease Materials

#### **RECOMMENDATION:**

That Council approve and authorize the Public Works Director to execute agreements between: (1) MarBorg Industries, Inc. and the City; and (2) Coastal Byproducts, Inc. and the City, in a form acceptable to the City Attorney, for the disposal of Fats, Oils, and Grease Materials at the El Estero Water Resource Center.

#### **DISCUSSION:**

In February 2010, City Council approved the design and implementation of a Fats, Oils, and Grease (FOG) receiving system at the El Estero Water Resource Center (El Estero). The intent of the project was to introduce FOG material into the anaerobic digesters in order to boost renewable biogas (methane) production, which would then be used to produce electricity and heat for El Estero via the plant's cogeneration system, as well as to eliminate truck trips to dispose of the waste out of the area. Harnessing the energy in renewable biogas has allowed El Estero to produce more than 70 percent of its energy needs.

MarBorg Industries, Inc. (MarBorg) was originally identified as a suitable partner for the FOG Pilot Project based on its proximity to the delivery location, pre-existing FOG hauling services, and willingness to participate in the FOG Pilot Project.

The FOG Pilot Project has been successful; however, El Estero has limited capacity for FOG disposal as a result of some key infrastructure limitations, which include the electrical distribution system and the biogas flare. Those two elements are part of a \$20 million capital project that is expected to be completed in the next five years, assuming the City is able to secure a low-interest Clean Water State Revolving Fund loan. Completion of this work should boost FOG disposal by 150 percent, from 20,000 gallons to 30,000 gallons per week.

As the City's five-year contract with MarBorg came to an end, the City was made aware of another local FOG hauler who was also interested in disposal. A competitive Request

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for Proposal (RFP) process for FOG disposal services was conducted in March 2019. As a community facility funded by City of Santa Barbara wastewater rate payers, El Estero's FOG receiving system capacity was offered to haulers in proportion to their service of food service establishments (FSEs) within the City limits.

The City received two proposals from qualified FOG haulers operating within the City: MarBorg and Coastal Byproducts, Inc. (Coastal Byproducts). Based on the proposals, the total volume of in-City FOG collected from both haulers was determined to be 8,275 gallons per week. Based on the RFP, the City's FOG disposal capacity was divided up among the haulers based on their percentage of in-City FOG collection. As a result of the data submitted by the haulers, MarBorg has been allocated 36.5 percent and Coastal Byproducts has been allocated 63.5 percent of the City's FOG disposal capacity of 20,000 gallons per week.

Staff recommends entering into an agreement with MarBorg to dispose up to 7,300 gallons of FOG per week, and an agreement with Coastal Byproducts to dispose up to 12,700 gallons of FOG per week. Each agreement has a term of one year with the option to extend for one year, each year for a total of five years. On an annual basis, the haulers may request a reallocation of capacity based on changes to the volume of in-City FOG being collected.

#### **BUDGET/FINANCIAL INFORMATION:**

The rate for each hauler will remain at \$0.05 per gallon of FOG material received for the new contract term. In 2018, the City received 816,683 gallons of FOG, which resulted in \$40,834 of revenue for El Estero.

#### **SUSTAINABILITY IMPACT:**

The City's FOG receiving program allows El Estero to generate increased biogas produced in its anaerobic digesters through the addition of fats, oils, and grease wastes. The additional biogas can then be used as a renewable energy source for the on-site cogeneration system, offsetting more than 70 percent of El Estero's energy needs.

#### **ENVIRONMENTAL REVIEW:**

This program keeps FOG material out of the City's wastewater collection system, which prevents clogged sewer lines and other dangerous conditions and eliminates a significant number of truck trips to haul and dispose of FOG material outside of the City boundaries. This ongoing program is part of the existing operation of El Estero. The contracts are not projects requiring environmental review.

At its meeting on July 18, 2019, the Water Commission voted **X-X** in support of staff's recommendation.

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

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**PREPARED BY:** Amanda Flesse, Wastewater System Manager/GF/js

**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

**APPROVED BY:** City Administrator's Office