City and County of San Francisco
Daniel Lurie, Mayor

Office of the City Administrator
Carmen Chu, City Administrator
Sailaja Kurella, Director
Office of Contract Administration/Purchasing

DATE: March 17, 2025

TO: Angela Calvillo, Clerk of the Board

FROM: Sailaja Kurella, Director of Office of Contract Administration

SUBJECT: Resolution for approval of Contract 1000035528 – As-needed citywide sale of city-owned scrap metal for pick-up & disposal with Circosta Iron and Metal Co. Inc.

The Office of Contract Administration ("OCA") respectfully requests approval of PeopleSoft Contract 1000035528 (Term Contract 76617) for the as-needed citywide sale of city-owned scrap metal for pick-up and disposal with Circosta Iron and Metal Co. Inc ("Circosta"). The proposed contract, which has a duration of five (5) years starting June 1, 2025 and ending May 31, 2030, may have anticipated revenues exceeding $1 million which, based on Charter Section 9.118(a), requires approval by the Board of Supervisors.

Background

Section 21.03(i) of the San Francisco Administrative Code requires City to dispose of surplus Commodities in a manner that "best serve[s] the interests of the City." For the purposes of Section 21.03(i)(l), the disposal methods that best serve the interest of the City include:

1) maximizing the City's economic return on surplus assets,
2) maximizing the reuse of surplus assets by public entities, non-profit organizations and schools, and
3) avoiding any unnecessary additions to the waste stream.

Once a City department deems an asset to be surplus, Section 21.03(i)(l) authorizes OCA to sell that asset. Consistent with this authority, the proposed Contract 1000035528 with Circosta will ensure City departments can sell their surplus scrap metal assets ("Scrap Metal"), as needed, through a salvage service ("salvage services") contract. Scrap metal sold under this contract includes, but is not limited to, old street signs, plumbing fixtures, water meters, valves, wire, steel furniture, vehicles, and appliances deemed to have no resale value. The sale of vehicles and equipment will be overseen by Fleet Management, a division of the City Administrator's Office, which is responsible for purchasing, managing, and maintaining all City vehicles and equipment.

Purchasing Authority

OCA's existing contract for salvage services, PS Contract ID 1000035102, is also with Circosta and Contract 1000035102 expires on May 31, 2025. In anticipation of the expiration of this contract, OCA issued an Invitation for Bids ("IFB") on February 7, 2025, under Sourcing Event 0000009150. In response, OCA received one proposal, which was evaluated based on the criteria set forth in Table 1.

Table 1: Sourcing Event 0000009150 Evaluation Criteria

Evaluation Phase	Evaluation Criteria
Minimum Qualifications Documentation	**Pass/Fail**
Bid Sheet	**Highest Estimated Annual Proceeds to City**

Scope of Services

Under the proposed Contract 1000035528, Circosta will purchase City-owned surplus scrap metal for resale and recycling. However, certain items are prohibited from disposal under this contract, including propane, acetylene, and oxygen tanks; batteries; bus capacitors; fluids or oils; fire extinguishers; and other hazardous materials.
In limited circumstances, the City may sell vehicles and heavy equipment as scrap metal. The City's Central Shops division will evaluate each asset to determine whether it is in the City's best interest for the asset to be sold at auction or scrapped for recycling.

Pricing Structure and Anticipated Revenue

The fee structure for the contract is based on the American Metal Market ("AMM") price and includes various factors related to payment, adjustments, and reimbursements. Circosta's payment price to the City is determined by applying the awarded percentage above or below the specified AMM price for each asset type, with this percentage remaining fixed throughout the contract duration. The AMM price is calculated as the average of the highest and lowest prices for a given metal category during the month of pick-up. The payment price includes pick-up times of up to 60 minutes per visit, delivery and removal of debris boxes, and costs related to processing the scrap metal. The total payment amount for each asset is calculated by multiplying the payment price by the total quantity of metal removed, with the gross monthly payment being the sum of all asset payments. The net monthly payment is determined by deducting any approved wait time charges and other City-authorized adjustments from the gross amount.

Table 2: Fee Structure under Proposed Contract 1000035528

Line	Description	Unit of Measure	% over AMM Price
1	Aluminum materials including old street signs	Pound	35%
2	Brass materials other than plumbing fixtures	Pound	-10%
3	Brass plumbing fixtures including water meters and valves	Pound	-10%
4	Copper materials including insulated wire	Pound	5%
5	Iron and steel materials including furniture, vehicles, and appliances	Gross Ton	75%
6	All of the above metals containing 36% or more contaminants or requiring special handling such as onsite cutting and special loading, and other metals not specified above such as stainless steel, steel turnings, and lead.	Gross Ton	80%
7	Wait Time Charges	Per Minute	No Charge

Table 3: Revenues between 2021 and 2023 under Existing Contract 1000024326

2022	2023	2024	Total 3-Year Revenue	Average Annual Revenue
$ 199,137	$ 184,949	$ 150,702	$ 534,788	$ 178,263

Based on scrap metal sales data from 2022, 2023 and 2024, the gross proceeds for Scrap Metal sold to Circosta under its existing Contract 1000035102 averaged $178,263 per year.
Using this historical data, OCA projects that the gross proceeds for City assets to be sold by Vendor under its new Contract 1000035528 will be approximately $891,313 over 5 years and using a 20% market fluctuation on metal prices, OCA anticipates its new Contract could generate up to $1,069,575 over 5 years.

Delayed Revenue Generation

The sale of scrap metal is an important revenue stream for the City, and any delay in continuing these sales will postpone the receipt of these revenues.

1. **Increased Costs**: Without a contract in place, the City will be forced to store scrap metal, incurring additional storage fees. The City has limited storage capacity, particularly for large items such as vehicles and heavy machinery, which would compound these expenses.

2. **Operational Inefficiency**: The lack of an efficient sales process will disrupt the City's efforts to manage its scrap metal. Prolonged storage could also lead to inadequate space for incoming assets and create waste stream contamination.

Recommendation

This contract is essential for managing the City's scrap metal, maximizing revenue from sales, and ensuring proper disposal to prevent waste stream contamination. Without it, the City risks insufficient space for incoming materials, and accumulated scrap metal could become a hazard. Approval of this resolution will provide the City with the necessary resources to efficiently dispose of scrap metal and maintain clean, hazard-free spaces. Additionally, the City risks losing out on an average of $176k annually and could incur additional costs to dispose of the scrap metal.

If you have any questions or require additional information, please contact Wil Alderman at 628-652-1647.

Enclosures:

1. Contract 1000035528 Proposed Agreement
2. Contract 1000035528 SFEC Form 126(f)2
3. Contract 1000035528 SFEC Form 126(f)4
4. Contract 1000035528 Resolution