



ATTACHMENT 3



Solid Waste & Recycling Collection Rates 2019 to 2022

Public Hearing
& Potential Rate
Adoption

July 23, 2019

Solid Waste & Recycling Collection Rates – 2019-2022

1. Quick Overview of Solid Waste & Materials Diversion Enterprise Fund
2. Financial Position of Solid Waste Fund
3. Primary Drivers for Rate Adjustments
 - 2018 Contract Amendment with NRWS
 - Declining Markets for Recyclable Materials
 - MDF Capital Improvements & Debt Service
4. Proposed Solid Waste Rate Adjustments
5. Next Steps – Direction from Council





1. QUICK OVERVIEW OF SOLID WASTE & MATERIALS DIVERSION ENTERPRISE FUND

Collection Services Provided

- 5 major “Lines of Service” for Collection:

1. Residential
2. Commercial
3. Roll-off Box
4. Multi-Family
5. NVUSD



Programmatic Status



- **Weekly Residential Curbside Service** - Trash, Recycling and Compost Service (including Food Scraps/Soiled Paper since 2015)
- **4 streams of Commercial Service** – Trash, Recycling, Greenwaste (Yard Trimmings) and Food Scraps Composting (since 2015)
- **Roll-Off Debris Box** – Trash and Multiple Recyclable/Compostable Materials (includes Clean Wood, Concrete, Dry Wall, Carpet, Metals, Cardboard, Mixed Recyclables, Dirt, Pumace & Yard Trimmings)
- **City Diversion Rate** - 69% overall landfill diversion (recycling and composting) for 2018 (74% by State formula). City and State goal is 75% level (or more) by 2020.

Materials Diversion Facility (MDF)

Built: 1993; Expanded 1997; City Purchased 2004



Compost Operations

Greenwaste Truck



Pre-Processing Line



Compost Windows



New Composting Area



Recycling Operations



Processing Area



Processing Area



Materials Storage



Tonnage Processed at MDF in 2018

- Recycling = 48,500 tons
- Composting = 95,400 tons
- Construction & Demolition = 17,200 tons
- Wood = 7,900 tons
- Other Materials (e-waste, tires, bulky items) = 1300 tons
- Facility Residue (disposal) = 13,900 tons
- 92% overall facility diversion (recovery) rate
- Total Inbound Tons = 170,200 (vs. 157,400 in 2017)

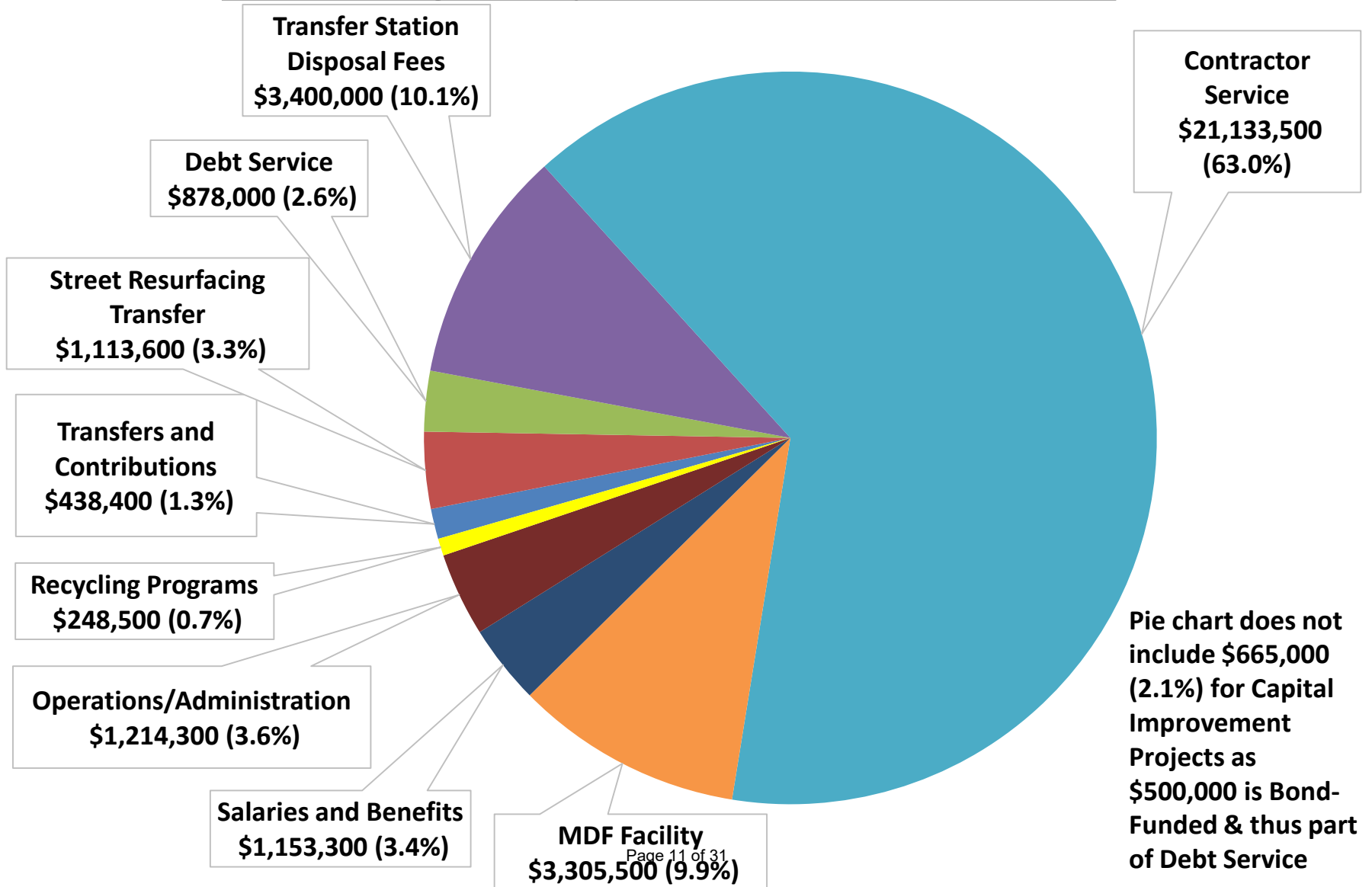




2. FINANCIAL POSITION OF SOLID WASTE FUND

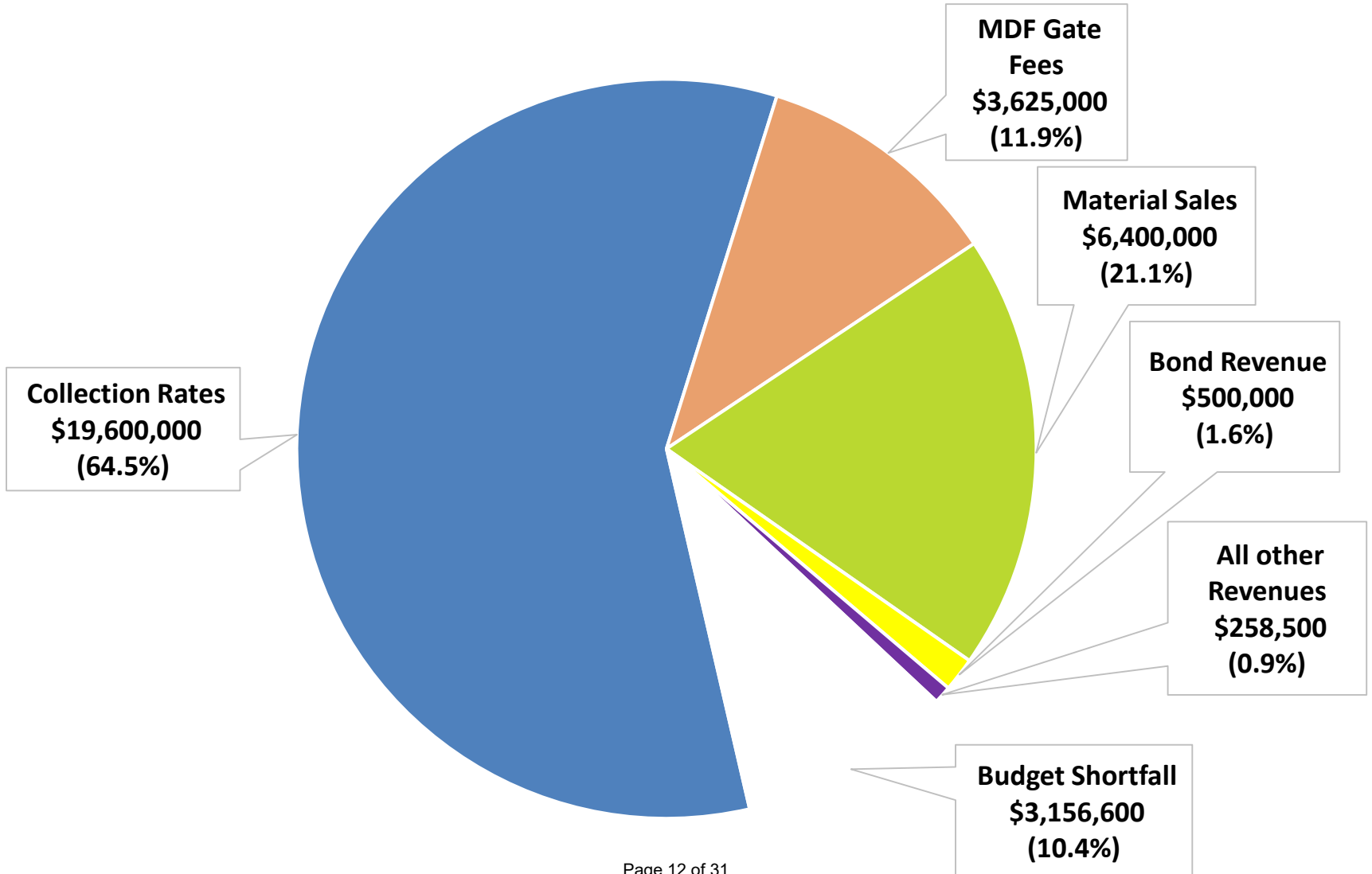
Fund Overview – FY20 Expenditures

FY 2020 Budgeted Expenditures (Total = \$33,540,100)

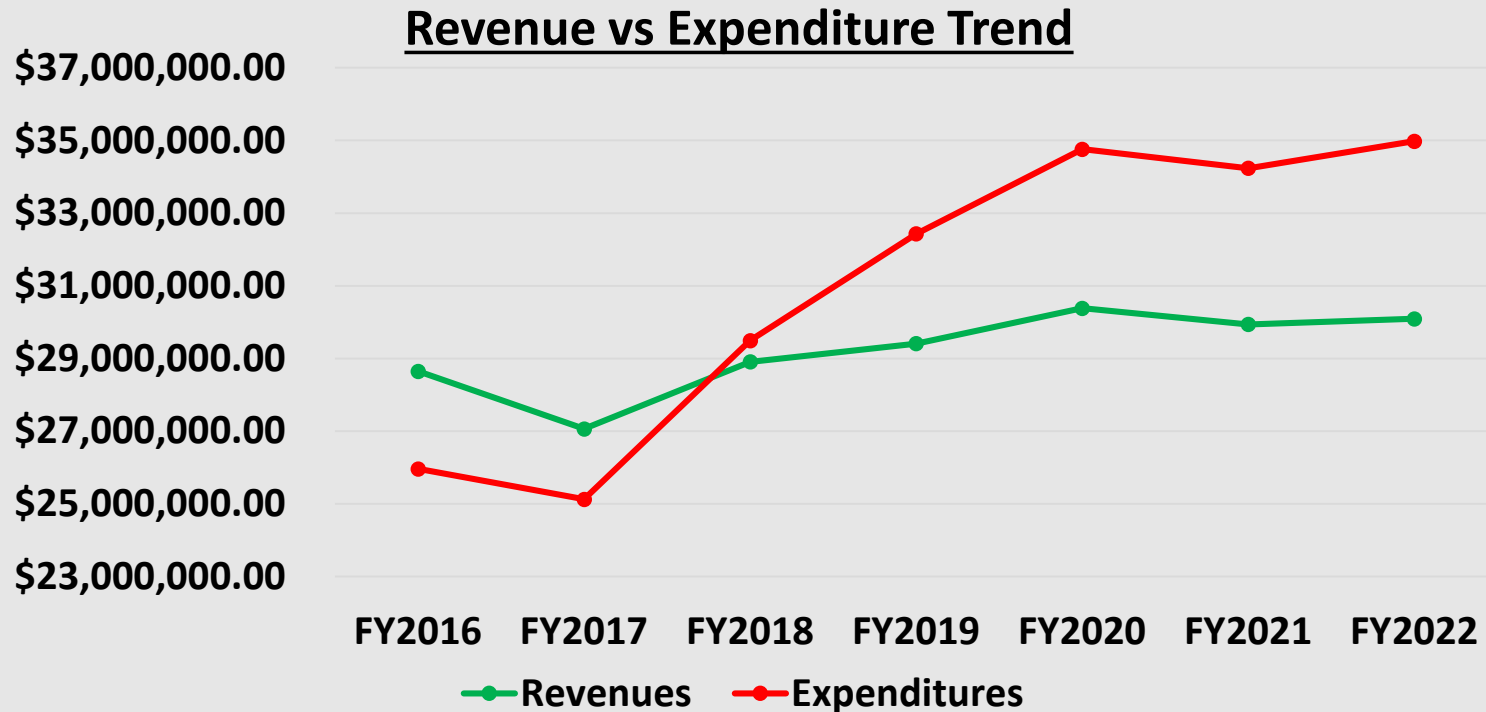


Fund Overview – FY20 Revenue

FY 2020 Budgeted Revenues (Total = \$30,383,500)



Why are Rate Increases Needed?



- Last increase was January 2016
- Now, expenditures exceed revenues
- Reserves being used in current fiscal year

Budget Adjustments to Reduce Rate Impacts

\$1.0M - \$1.2M/year

- Increase gate fees to Napa County & Northern
- Decreased payments for recyclables to Napa County and eliminated payments for other MDF users

\$420K (FY20 only)

- Split cost of greenwaste transfers out from MDF with NRWS as new covered compost system comes online





3. PRIMARY DRIVERS OF PROPOSED RATE ADJUSTMENTS



3 Primary Drivers for Rates

1. 2018 Contract Extension with NRWS
2. Materials Sales Revenue Decline
3. Capital Improvements at MDF



1. 2018 NRWS Contract Extension

Long-Term Cost Saving = \$10.7M in savings/net benefits for City over 14-year extension:

- \$3.4M – Extended life of collection fleet by 3 years
- \$2.5M – Extended life of carts/bins vs. buying new
- \$2.0M – Extended life of sorting line by 3 years
- \$1.6M – Refurbished 8 trucks vs. buying new
- \$1.2M – Sorting “robot” & glass cleaning system
(added net revenue; NRWS shared cost)

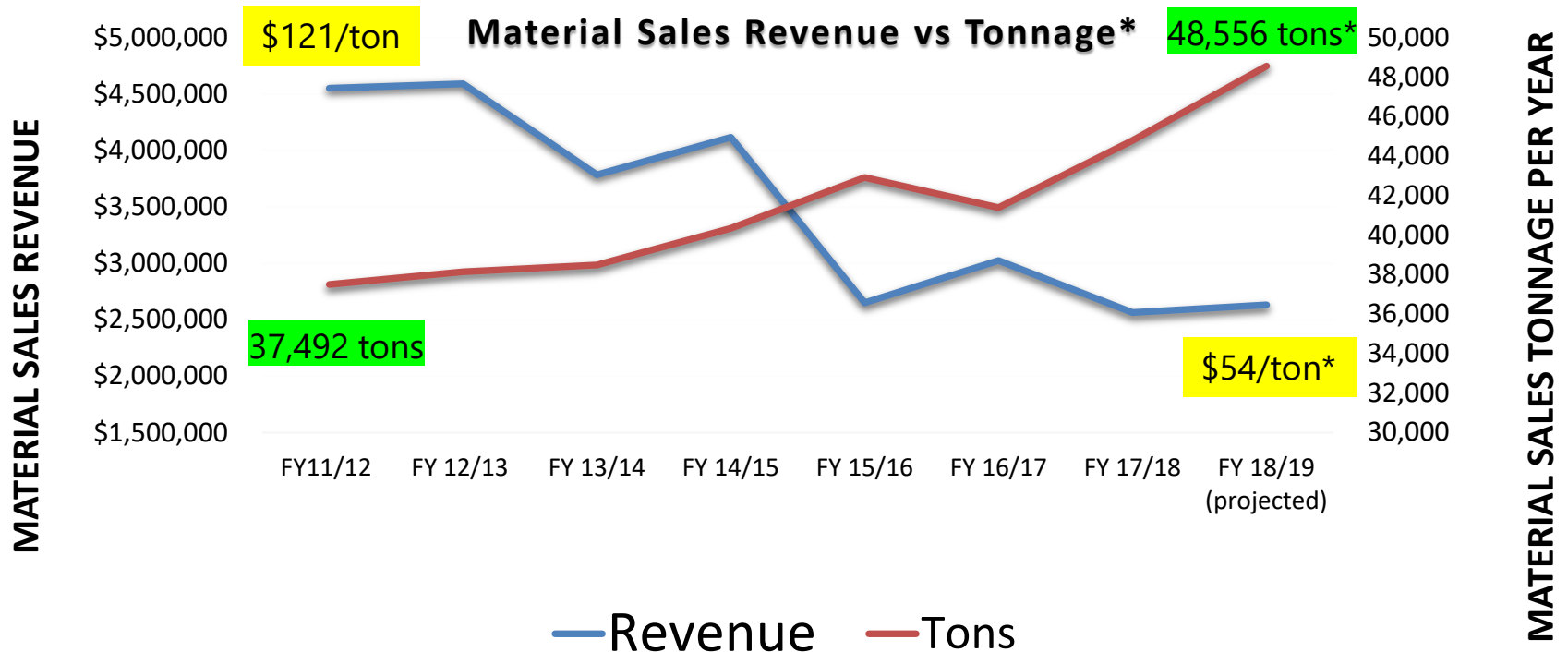
Added together, the savings/net revenue benefit is approximately \$820K per year through end of 2031.



1. 2018 NRWS Contract Extension (Continued)

- **Base Cost Increase** = As compared to the base cost of previous contract, the new contract starts at a base level that is \$2.1M/year higher.
- **Contributing Factors to Base Increase** =
 - Higher Vehicle Costs: As compared to 2005 purchase of vehicles, cost of new trucks has doubled (or more)
 - New Collection & Processing Equipment:
A good portion of 12/13 year-old equipment needed to be upgraded and/or replaced
 - Labor Costs: While extension limited labor increase to 3.5% per year for first 5 years, labor & benefit costs continue to rise

2. Material Sales Revenue Decline



- MDF Recyclable Materials tonnage **increased 30%** from FY12 to FY19* (Projected)
- Average Price per Ton paid **decreased by 55%** from FY12 to FY19* (Projected)
- **China’s “National Sword” Policy** has depressed global recycled materials commodity markets; Worst appears fall of 2018 (-\$25/ton negative for mixed paper/newsprint) but all market indications are that a “New Normal” has been set for foreseeable future for West Coast states (CA, Oregon & Washington)
- **Recurring revenue loss of \$1.2M-\$1.4M per year** in rate-impacting revenue.

3. Capital Improvements at MDF

- In 2016, the City issue \$12.5M in Solid Waste Revenue Bonds for the following:
 - \$8.0M – “Covered” Composting system to comply with State regulations to process food scraps and air district regulations for emissions
 - \$2.5M – Covered processing and storage area for recyclables to comply with stormwater discharge permits
 - \$2.0M – Stormwater system improvement to comply with Statewide “Compost Order” from Regional Board
- Increased annual expenses by approximately \$900K/year
- Requires a minimum 1.25x coverage ratio which must be considered for rate-setting





4. PROPOSED SOLID WASTE RATE ADJUSTMENTS

Proposed Rate Adjustments

Monthly Proposed Residential Rates 2019 to 2022 (does not show 95-gal)

Level of Service	Current (Since 2016)	Aug 2019	Change	Jan 2020	Change	Jan 2021	Change	Jan 2022	Change	Total Change
20 gallon	\$21.65	\$24.25	\$2.60	\$26.68	\$2.43	\$28.81	\$2.13	\$30.54	\$1.73	\$8.89
35 gallon	\$27.14	\$30.40	\$3.26	\$33.44	\$3.04	\$36.12	\$2.68	\$38.29	\$2.17	\$11.15
65 gallon	\$41.63	\$46.63	\$5.00	\$51.29	\$4.66	\$55.39	\$4.10	\$58.71	\$3.32	\$17.08

Monthly Cost for Commercial/Multi-Family Service
(2 cubic yard bin picked up weekly)

Current (Since 2016)	August 2019	January 2020	January 2021	January 2022	Cumulative Increase
\$423.00	\$474.00	\$522.00	\$563.00	\$597.00	\$174.00

Proposed Rate Adjustments by Percentage for All Rates including Commercial/Multi-Family & Roll-Off Box Service:

- August 1, 2019 12%
- January 1, 2020 10%
- January 1, 2021 8%
- January 1, 2022 6%



Continued 5-year “phase-in” for commercial MSW carts

Rate Gap Issue

- During Commercial Food Composting Program study in 2014, a 25% service rate discrepancy was identified between commercial cart vs. bin customers.
- Council adopted a 5-year “linearization” corrective action of an additional 5% per year for 5 rate years to align the per gallon service rate charge between commercial bin & cart customers (first two phase-in years occurred in RY2015 & RY2016).
- Proposed Rates include special adjustment for Aug 2019, Jan 2020 & Jan 2021 rates (not Jan 2022) to complete years 3-5 of 5-year phase-in.

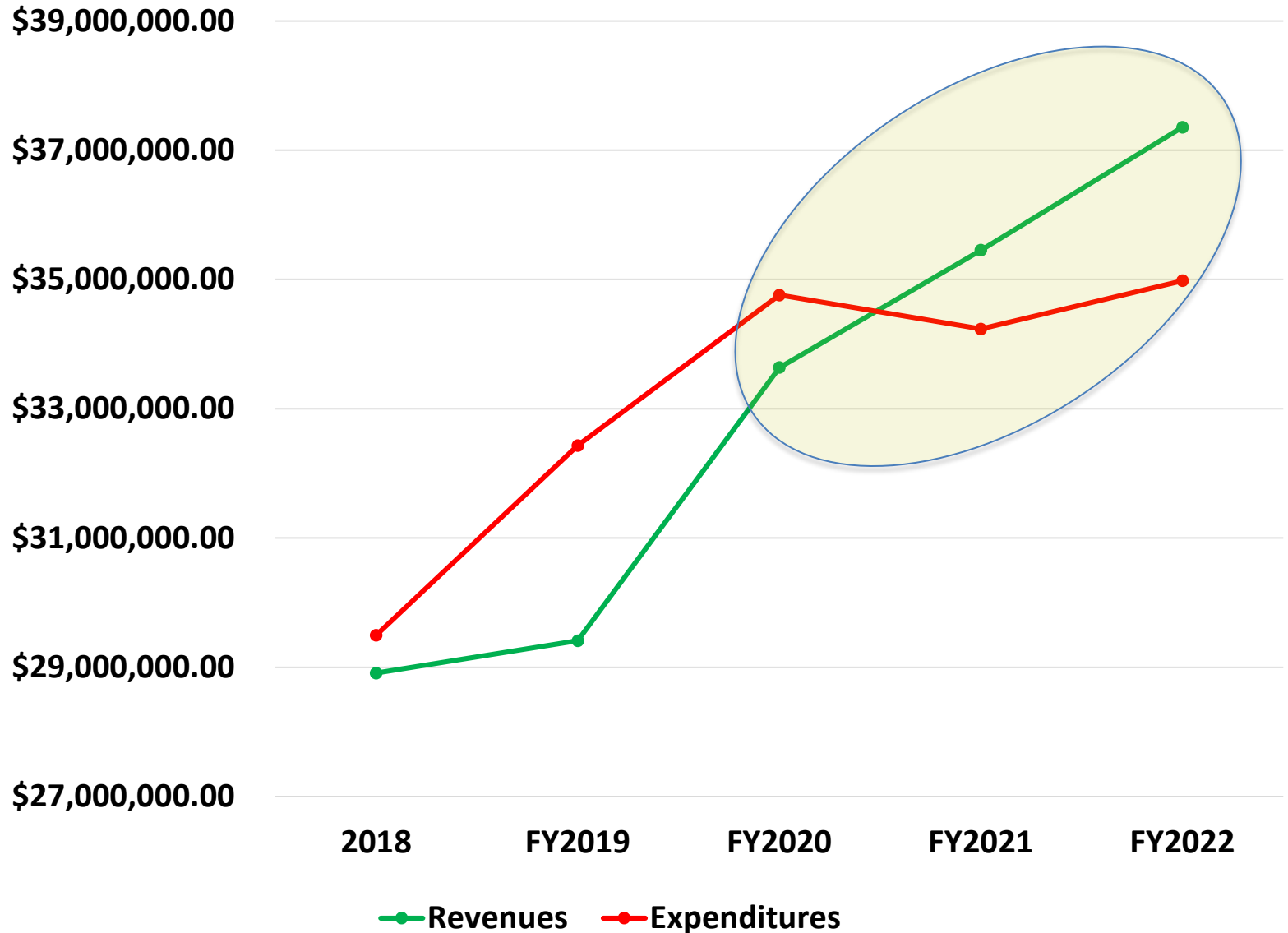


Addition of Low/Fixed Income Assistance Program



- Eligible if qualified for PG&E “CARE” Program
- Similar to Water’s program in place since 2012
- \$10/month for up to 1,250 households (out of 3,600 eligible “CARE” households; 900 households currently participating in Water’s RateShare program)
- Revenue source is material sales (not rate revenue)
- Return to Council on August 6th to establish new program

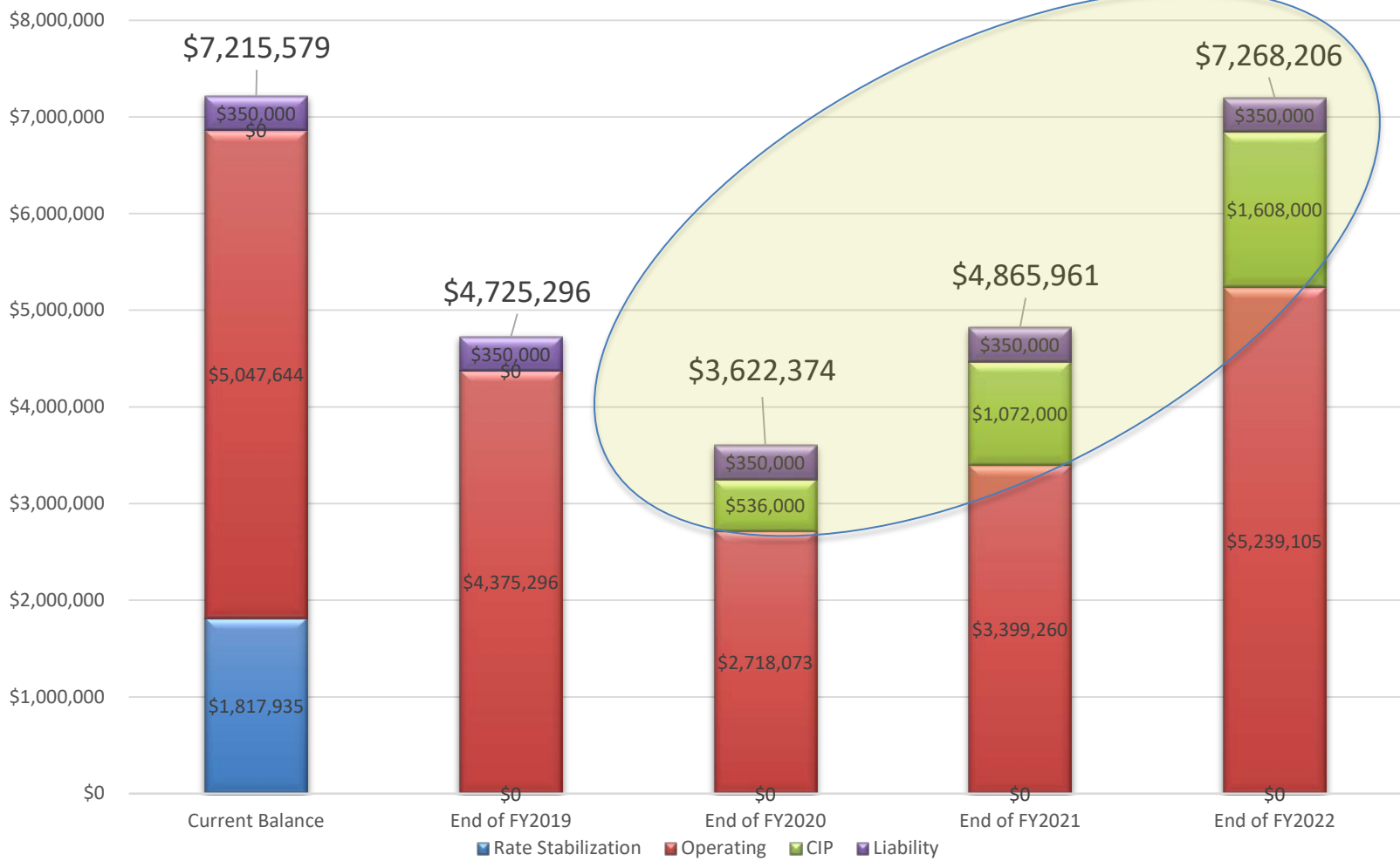
Revenue vs. Expenditure Trends



* *Projections with Proposed Rate Adjustments*

Replenishment of Solid Waste Reserves

Projected Solid Waste Fund Reserves with Proposed Rate Adjustments



*Net Revenue from Proposed Rate Adjustments
used to Refund Solid Waste Reserves*

Napa's proposed residential rates will still be among average for the area

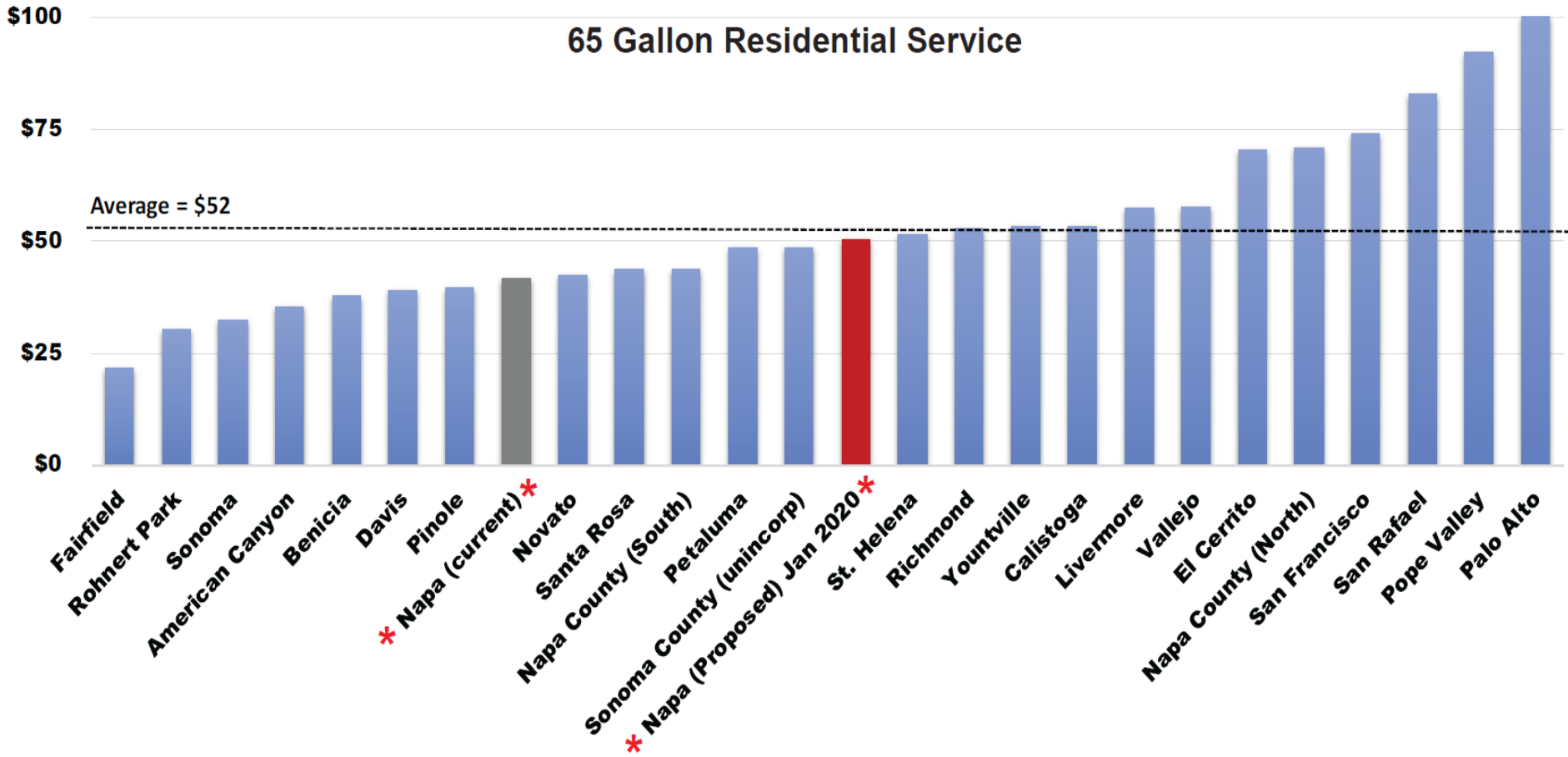


Chart based on current jurisdiction rates, many of which will likely increase over the next year.



5. NEXT STEPS – DIRECTION FROM COUNCIL

Next Steps – Proposition 218 Notice

- Attachment 2 to Staff Report

- Proposition 218 Notice mailed

6-6-19 & included:

1. Proposed Rates
2. Reasons/Data behind Proposed Rate Adjustments
3. Information on Public Hearing (July 23rd)
4. Protest Form & Instructions



Solid Waste Rates Proposed to Increase

Residents can be proud of Napa's solid waste program that diverts approximately 69% of collected materials from landfill. We have a robust recycling, food scrap and composting facility, and clean Compressed Natural Gas (CNG) collection vehicles. The City extended the life of equipment and vehicles with a contract extension with Napa Recycling & Waste Services (NRWS) but expenses are expected to exceed revenues by nearly \$3.2 million in 2020. Rates have not increased since 2016 but changes are proposed to meet the increasing costs of the City's dynamic materials diversion program. Here's what residential customers can expect to see in their future monthly solid waste bills from NRWS:

Level of Service	Current (Since 2016)	Aug 2019	Change	Jan 2020	Change	Jan 2021	Change	Jan 2022	Change	Total Change
20 gallon	\$21.65	\$24.25	\$2.60	\$26.68	\$2.43	\$28.81	\$2.13	\$30.54	\$1.73	\$8.89
35 gallon	\$27.14	\$30.40	\$3.26	\$33.44	\$3.04	\$36.12	\$2.68	\$38.29	\$2.17	\$11.15
65 gallon	\$41.63	\$46.63	\$5.00	\$51.29	\$4.66	\$55.39	\$4.10	\$58.71	\$3.32	\$17.08

Low/Fixed Income Assistance
 A discount of \$10.00 per month for low-income customers will be proposed. If you qualify for PG&E's CARE Program, you may qualify for this discount.



Napa's Rates Will Still be Among Average for the Area

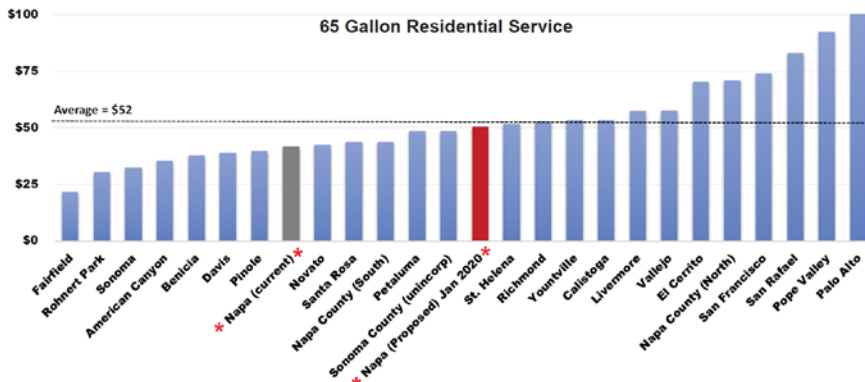


Chart based on current jurisdiction rates, many of which will likely increase over the next year.

Please take a look at the complete contents of this notice. An explanation of proposed rates, what rates are used for and an overview of services received has been highlighted. Full details on proposed rates, the public hearing on the rates, and the opportunity to protest are also included.



Next Steps – Proposition 218 Notice

- Modeled on 2017 Water Rate Notice
- Met with Napa County Taxpayers Association Chairman on May 31st; incorporated requested revision to wording adjacent to check box on protest form.
- Legal Ad in Napa Valley Register on July 12, 2019

**CITY OF NAPA
SOLID WASTE RATES PROTEST FORM**

You do not need to complete this form if you do not oppose the proposed rate increase. If you wish to protest the proposed rate increase, you may use this sample form.

Check the box if you protest the proposed rate increase and agree with the following:

I protest the proposed rate increase for the collection of solid waste (trash), recycling, and compostables. I certify that I am the property owner and/or responsible for paying the solid waste rates for this property.

Comments or Reason for Protest (optional):

Street Address _____

Signature

Printed Name

Mail to:
Napa City Clerk
P.O. Box 660
Napa, CA 94559-0660
Attn: Proposition 218 Protest

- OR -

Deliver in person to:
Napa City Clerk
955 School Street
Napa, CA 94559-0660
Attn: Proposition 218 Protest

Please mail this protest form back in a stamped envelope.

In order to be counted, all written protests must be received by the City, whether sent by mail or delivered in person, by the close of the public hearing July 23, 2019 at 6:30pm.



Council Direction – Adoption of Solid Waste & Recycling Rates

Move to adopt a resolution establishing rates for the collection of Municipal Solid Waste, Recyclable Materials and Compostables for August 1, 2019 to December 31, 2019 and for Calendar Years 2020, 2021 and 2022.

