



# City Response to 2019/20 Napa County Grand Jury Report on Solid Waste Rates

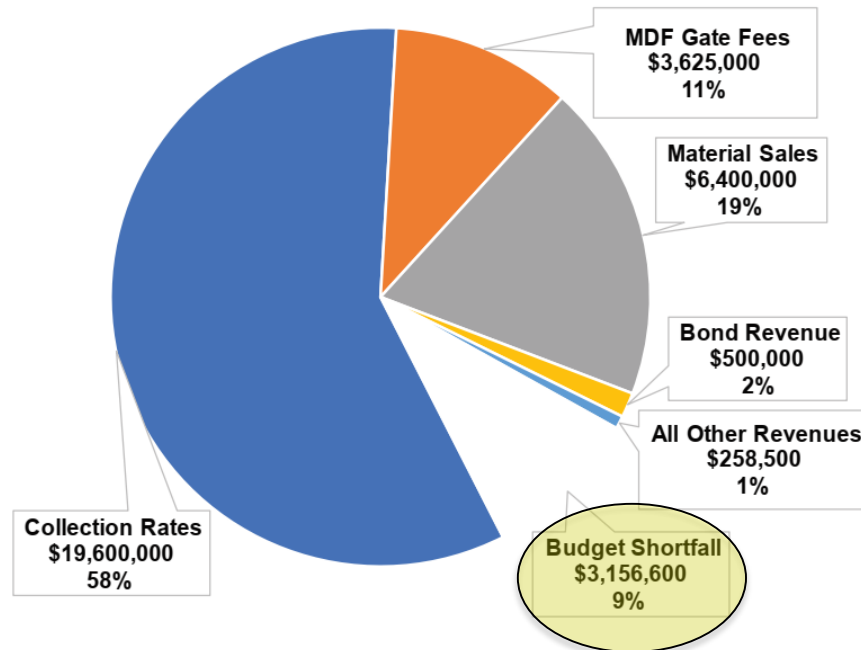
June 23, 2020

# Information and Direction

Today's presentation is to provide summary of recommended City of Napa response to 2019-2020 Napa County Grand Jury final report entitled: *“City of Napa Garbage Rate Hike Raises a Stink: What's Behind the Increases?”*

# Finding 1 (F1) & City Response

## Fiscal Year 2020 Budgeted Revenues



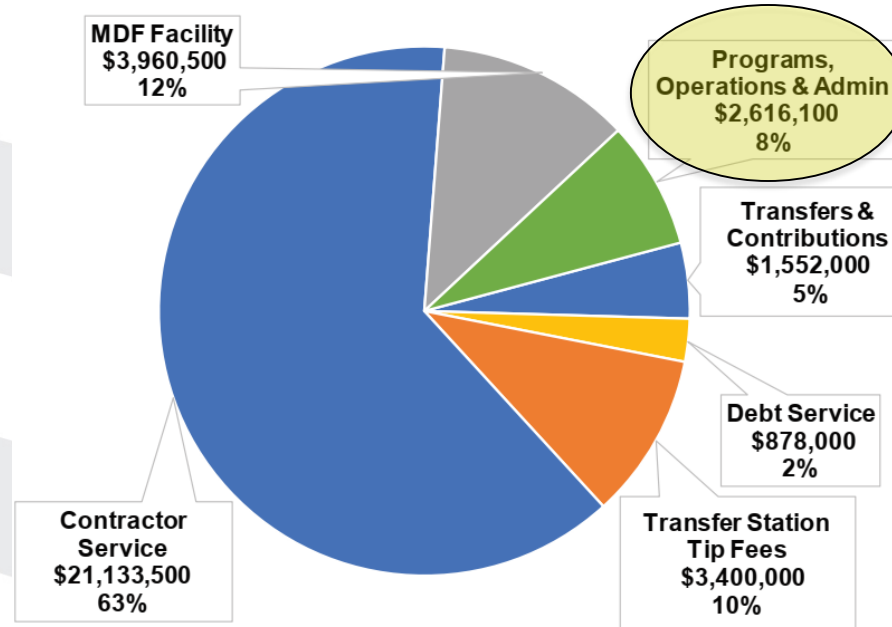
**Total: \$30,383,500**

F1 (abbreviated): Solid Waste/Recycling rate increases were timely & justified given \$3.3 projected budget shortfall

City Response: Agree with F1

# Finding 2 (F2) & City Response

## Fiscal Year 2020 Budgeted Expenditures



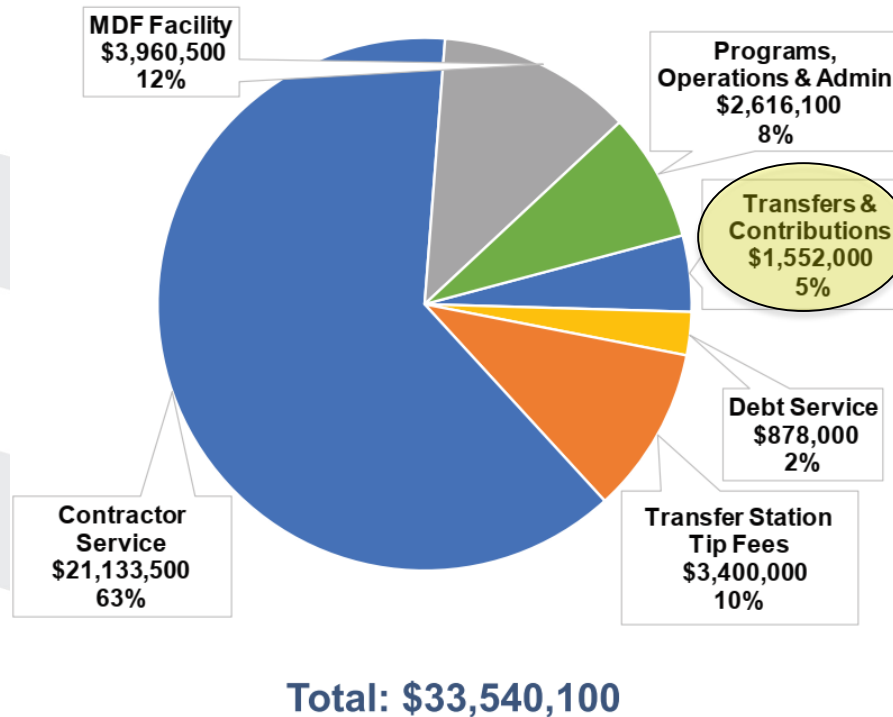
**Total: \$33,540,100**

F2 (abbreviated): Coombsville Dump liability should have been shown as a separate item in rate notice pie chart

City Response: Disagree with F2

# Finding 3 (F3) & City Response

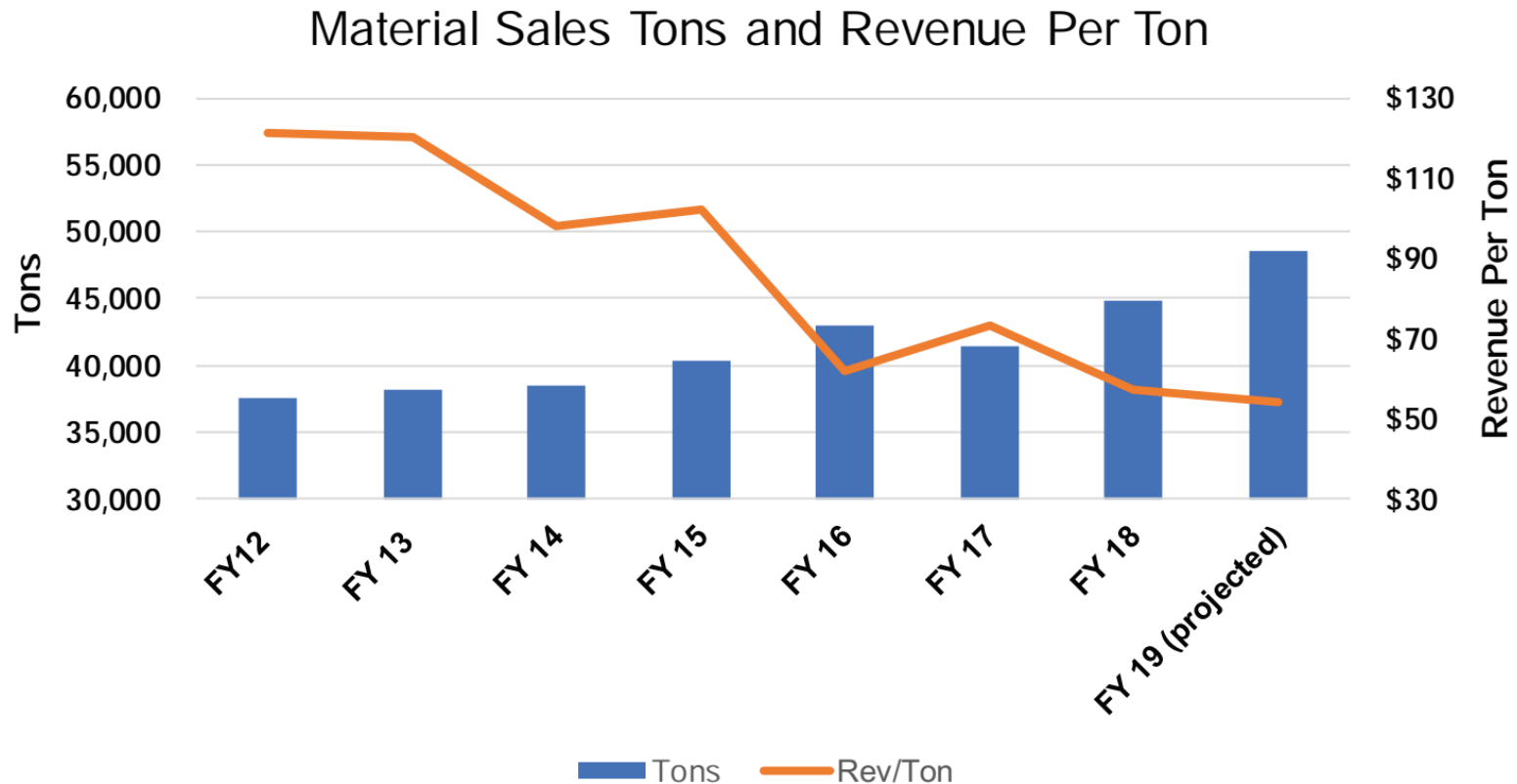
## Fiscal Year 2020 Budgeted Expenditures



F3 (abbreviated): Street repair costs (\$1.1M/year) should have been shown in rate notice pie chart

City Response: Agree with F3

# Finding 4 (F4) & City Response



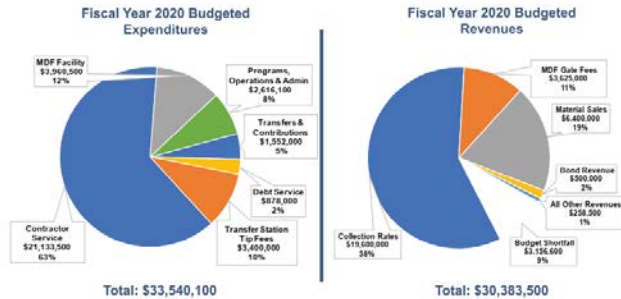
F4 (abbreviated): Steep decline in global markets for recyclables contributed to \$3.3M budget shortfall

City Response: Agree with F4

# Recommendation 1 (R1) & City Response

## How are solid waste and recycling rates used?

The cost to provide a high level of solid waste and recycling services and divert 69% from landfill is about \$33.5 million per year. As shown in the chart below, a large portion of the cost is our contract with Napa Recycling & Waste Services for approximately 70 employees, 28 refuse trucks and state of the art recycling, sorting and composting equipment to collect and process all material. The revenue to support these services is also shown below. A combination of shrinking revenue from material sales due to China export issues and increasing expenses has left a \$3.2 million gap that will be addressed through the proposed rates.



## By the numbers...



### Collection

Over 23,000 residential and commercial accounts serviced  
More than 85,000 tons of material collected annually  
Moving to 100% full fleet of Clean Compressed Natural Gas (CNG) collection trucks by 2020

### Processing

170,000 tons processed at our regional recycling and compost facility  
20 sorters and automated sorting equipment work daily to process recyclables  
Composting of both yard trimmings and food scraps



### Landfill Diversion

69% in 2018, compared to 27% in 1997  
Over 20 different types of materials separated and returned to market



### Community

Customer service  
Waste prevention assistance  
Development review

## Why is a Rate Increase Needed?

Beginning in the 2018 fiscal year, expenditures began to exceed revenues. The three primary drivers of this increase are outlined below.

### Collection & Processing

In 2018, the City executed a 14-year contract extension with Napa Recycling & Waste Services to continue efforts to achieve 75% diversion from landfill through an environmentally sustainable operation to recycle and compost waste locally. Key costs:

- 28 CNG refuse and recycling trucks resulting in a very clean fleet with significantly reduced air emissions (\$11.5M)

- Replaced or upgraded facility processing equipment in mixed recycling processing area (\$4M)

**Cost Increase = \$2.1M/year**

### Declining Material Sales

Sales of recyclable materials generates revenue to reduce rates and avoids cost and impacts of disposal at landfills. As shown below, the amount of recyclable material has grown considerably (great news), but the sale price per ton has declined drastically due to China/market conditions.

**Revenue Loss = \$1.2M/year**



### Capital Improvements

Issued \$12.5M in Solid Waste Revenue Bonds in 2016 to fund improvements that include:

- Composting system (\$8M) to comply with State regulations to process food waste and air district regulations for emissions

- Stormwater system (\$2M) to comply with Composting Order from Regional Board

- Covered processing and storage areas for recyclables (\$2.5M) to comply with stormwater discharge permits

**Cost Increase = \$900K/year**

**R1 (abbreviated): Grand Jury recommends annual updates to rate payers no later than 12/31/2020**

**City Response: Not yet implemented but City plans to implement by 12/31/2020**

# Recommendation 2 (R2) & City Response



*Left: recently installed 2<sup>nd</sup> "sorting" robot*

*Below: captured aluminum from new "eddy" current at end of container line at MDF*



R2 (abbreviated): Grand Jury recommends City staff explore new sources of revenue to offset declining material sales

City Response: This recommendation has been implemented. \$677k in new revenue for 3<sup>rd</sup> party gate fees for recyclables in FY2020/21; \$117k increased revenues from adjusted public "self-haul" MDF gate fees; \$300k-\$400k increased revenue from new "eddy" current and second "sorting" robot

# Grand Jury Commendation



**PROPOSED INCREASE  
TO SOLID WASTE AND RECYCLING RATES**


PUBLIC HEARING - JULY 23, 2019 AT 6:30PM,  
CITY HALL, 955 SCHOOL STREET, NAPA, CA 94559



## 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

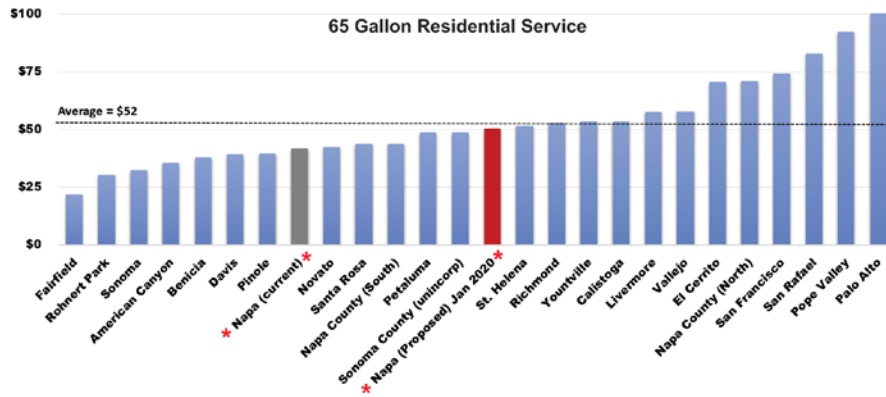




Chart based on current jurisdiction rates, many of which will likely increase over the next year.



**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.



*Commendation: "The Jury commends the City of Napa's Utilities Department staff and the City's Community Relationships Officer for their efforts in exceeding the minimum Proposition 218 guidelines that require notification to ratepayers of any proposed rate increase."*

*City Response: No response is required, but City appreciates the Grand Jury's recognition of effort and intent of City to inform ratepayers and property owners over and above the minimum legal requirements of Proposition 218.*



# Recommended Action

Approve the City of Napa Response to 2019-2020 Napa County Grand Jury final report entitled: “*City of Napa Garbage Rate Hike Raises a Stink: What’s Behind the Increases?*” and direct the City Manager to submit response on behalf of the City Council to the Presiding Judge of Superior Court