



Staff Reports

File #: 303-2020, **Version:** 1

To: Honorable Mayor and Members of City Council

From: Phil Brun, Utilities Director

Prepared By: Kevin Miller, Materials Diversion Administrator

TITLE:

Recyclable Materials Gate Fees for Materials Diversion Facility

RECOMMENDED ACTION:

Adopt a resolution establishing Recyclable Materials Gate Fees at the City's Materials Diversion Facility to become effective October 1, 2020.

DISCUSSION:

The Materials Diversion Facility (MDF), which is located south of the City, receives and processes all residential and commercial source separated recyclables and compostable materials generated within the City and collected by the City's hauler, Napa Recycling & Waste Services (NRWS). The MDF also receives and processes materials delivered by haulers servicing surrounding jurisdictions (such as the County of Napa, Sonoma and American Canyon) and by private (self-haul) customers. Customers are charged a fee for use of the facility, which is usually based on the type and quantity of the material delivered.

As owner of the MDF, the City is responsible for determining what materials are accepted at the MDF and for setting the fees that are charged to customers that deliver materials to the MDF for recycling. The fees that are collected belong to the City and are used to cover facility related costs as well as costs of processing the materials. Rates charged to third party and contractual users of the MDF are usually referred to as a "gate fee." The rates need to be competitive with other facilities in order to promote usage of the MDF, and must be established to cover the costs of processing the materials as well as fixed City costs related to purchase and maintenance of MDF, including recent major capital and system improvements to the MDF.

For mixed recyclable materials, commonly known as "single-stream" recyclables, the City previously established a gate fee at the April 21, 2020 City Council meeting (Resolution #2020-054) and they became effective July 1, 2020. The Recyclable Materials gate fees became necessary because global markets for recyclable materials have declined substantially in the past 1-3 years while processing costs continue to increase. The combined impact of the declined market value for recyclables in general and the increased contractual processing costs owed to NRWS was described in detail in the April 21st staff report to Council and the detailed underlying study has been attached to the staff report for reference (see attachment 3 to this staff report for the MDF Recyclable Materials Gate Fee Analysis). The previous analysis remains valid and no adjustment is proposed for third

party users other than for the County of Napa.

Following the implementation of the “new” Recyclables Materials Gate Fee in July, the County of Napa approached City staff to review the new gate fees in the context of their Memorandum of Understanding (MOU) for use of the City’s MDF (City of Napa Agreement No. 8782, County of Napa Agreement No. 6430). Unlike other third-party users of the MDF, the County of Napa has essentially guaranteed flow of recyclable materials to the City’s MDF (as the agreement runs through CY2030 with potential extensions through CY2035). This long-term commitment is beneficial to the City as it helps secure non-collection rate revenue for the Solid Waste and Materials Diversion Enterprise Fund (“Solid Waste Fund”).

As part of the discussions, the County of Napa agreed to facilitate composition studies of their commercial and residential single-stream materials delivered to the City’s MDF in order to provide real-world data of what comprised their single-stream (mixed) materials. Previously, the only composition information for single-stream materials was from the studies conducted on the City of Napa’s own commercial and residential routes. The results of the County of Napa specific composition studies and the updated materials sales data is summarized in attachment 2 to this staff report. Based on this updated information, City staff recommends adjusting the residential gate fee charge for Napa County from \$28 per ton to \$15 per ton and the commercial gate fee charge for Napa County from \$48 per ton to \$38 per ton.

As shown in Attachment 1 to this report, staff is recommending the following recyclable materials gate fees be established effective October 1, 2020. Please note that only the first two gate fee categories, specific to Napa County and not to other users of the City’s MDF, are recommended to be adjusted at this time:

Material	Current Gate Fees	Proposed Adjusted Gate Fees Effective 10-1-2020
Residential Recyclable Materials from Napa County (per City Agreement No. 8782)	\$28 per ton charge	\$15 per ton charge
Commercial Recyclable Materials from Napa County (per City Agreement No. 8782)	\$48 per ton charge	\$38 per ton charge
Source-Separated Commercial Green Glass from Napa County (per City Agreement No. 8782)	\$2 per ton credit	\$2 per ton credit
Source-Separated Commercial Clear Glass from Napa County (per City Agreement No. 8782)	\$2 per ton credit	\$2 per ton credit
Residential Single-Stream (“Mixed”) Recyclable Materials *	\$30 per ton charge	\$30 per ton charge
Commercial Single-Stream (“Mixed”) Recyclable Materials *	\$50 per ton charge	\$50 per ton charge
Minimum Charge per load *	\$21 per vehicle (load)	\$21 per vehicle (load)

* Minimum Charge per load is applicable only to materials listed in the above chart with an “**”

The Solid Waste Fund cannot be put in a position to lose money for materials delivered and

processed at the City's MDF. Staff has performed the necessary analysis and concluded that the above gate fee structure is competitive with fees currently being charged by other facilities and would promote the highest and best usage of the facility. The revenue that would be generated by the gate fees (in combination with revenue from materials sales) would cover the associated operating costs of the MDF.

FINANCIAL IMPACTS:

For City FY2020/21, the budget revenue for Recyclable Materials gate fees was projected at \$677,000 with \$227,000 of the revenue coming from the County of Napa and \$450,000 from other non-Napa County users of the City MDF. There is no gate fee adjustment proposed for non-Napa County Recyclable Materials gate fees.

For the commercial Napa County gate fee revenue, the projected impacted of lowering the applicable gate fee for October 2020 through June 2021 is estimated as a reduction of \$23,000 (approximately 2,300 tons at \$10 less per ton). For residential Napa County gate fee revenue, the projected impact of lowering the applicable gate fee is estimated as a reduction of \$31,500 (approximately 2,100 tons at \$15 less per ton). Thus, the combined projected impact of the proposed adjustments for Napa County is \$54,500 in reduced revenue for the current FY2020/21.

The budgeted MDF gate fees revenue for FY2020/21 includes a wide range of gate fees in addition to the Recyclable Materials including gate fee revenues for compostable organic materials, construction and demolition recyclable materials and self-haul users of the facility as well as direct sales of finished products such as compost and gravel. Because of this, City staff does not recommend a budget adjustment at this time. City staff will continue to monitor overall gate fee revenue throughout the current FY and will return to Council for an adjustment (based on actuals) if the difference is significant enough to warrant a budget revision within the Solid Waste Fund.

CEQA:

The Utilities Director has determined that the Recommended Action described in this Agenda Report is not subject to the California Environmental Quality Act pursuant to California Public Resources Code Section 21080(b)(8).

DOCUMENTS ATTACHED:

ATCH 1 - Resolution with EX "A" authorizing Recyclable Materials Gate Fees at the City's MDF to become Effective 10/1/2020

EX A - MDF Recyclable Materials Gate Fees Effective 10/1/2020

ATCH 2 - Adjusted Napa County MDF Recyclable Materials Gate Fee Analysis

ATCH 3 - Summary Table from MDF Recyclable Materials Gate Fee Analysis

NOTIFICATION:

A legal notice of the public hearing was published in the Napa Valley Register on Friday, September 4 and Friday, September 11, 2020. If new gate fees for recyclable materials are approved by Council, a notice letter will be sent to Napa County (per MOU agreement).

Courtesy Copy to (via email):

Greg Kelley, General Manager/Managing Partner, Napa Recycling & Waste Services/Napa County Recycling & Waste Services

Mike Murray, Chief Financial Officer, Napa Recycling & Waste Services/Napa County Recycling & Waste Services

Steve Lederer, Public Works Director, County of Napa

Dave Briggs, Environmental Resource Specialist, County of Napa