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Attachments: 1. ATCH 1 - Resolution, 2. EX A - 2019 Rate Tables, 3. EX B - 2020 Rate Tables, 4. EX C - 2021 Rate Tables, 5. EX D - 2022 Rate Tables, 6. ATCH 2 - Agenda Item 16.D from 6-04-19 City Council Meeting, 7. ATCH 3 - Powerpoint Presentation for July 23, 2019 City Council Meeting, 8. ATCH 4 - FAQs for Proposed Solid Waste Rates

Date	Ver.	Action By	Action	Result
7/23/2019	1	CITY COUNCIL OF THE CITY OF NAPA	adopted	Pass

To: Honorable Mayor and Members of City Council

From: Phil Brun, Utilities Director

Prepared By: Kevin Miller, Materials Diversion Administrator

TITLE:
Solid Waste and Recycling Collection Rates

RECOMMENDED ACTION:

Adopt a resolution establishing rates for collection of municipal solid waste, recyclable materials and compostables, with effective dates on August 1, 2019, January 1, 2020, January 1, 2021, and January 1, 2022.

DISCUSSION:

BACKGROUND

The City's Solid Waste and Materials Diversion Enterprise Fund (Solid Waste Fund) operates an enterprise with an annual budget of approximately \$33.5 million (based on City's FY2019/20 proposed budget) to provide solid waste/recycling collection, operate the City's Materials Diversion Facility (MDF), and manage state mandated diversion requirements and programs. Most services are provided through a contract with Napa Recycling and Waste Services, LLC (NRWS). Collection rates have historically been set annually based on contractual obligations, increased operating and other expenses and revenue projections. The current rates were approved by City Council on March 17, 2015, became effective January 1, 2016, and have not been adjusted in the intervening three and a half year period.

Solid waste and recycling collection is an essential service provided by the City. Collection rates are established to recover the cost of providing the service to the customer. The Materials Diversion Division within the Utilities Department manages the expenditures and revenues such that a high level of service is delivered at the most reasonable cost to customers. Costs typically increase each year based on inflation, contractual obligations, and maintenance requirements of the MDF. While revenues from collection rates are fairly stable each year, revenue from the sale of recyclable materials (17-21% of total Solid Waste Fund revenue) is highly variable and is based on the global commodity market.

PROPOSED RATE ADJUSTMENTS

On June 4, 2019 (Agenda Item 16D) the City Council considered a comprehensive report concerning the status of the City's Solid Waste Fund that included a projection of revenues, expenses and recommended proposed rate increases to be effective August 1, 2019, January 1, 2020, January 1, 2021 and January 1, 2022. A copy of that report (with attachments) is included as Attachment 2 to this staff report. The June 4th staff report and attachments to that report (included detail solid waste rate study, the Proposition 218 public notice and the PowerPoint presentation by staff to City Council on June 4, 2019) have been available for public review in the office of the City Clerk as well as online at www.cityofnapa.org/SolidWasteRates <<http://www.cityofnapa.org/SolidWasteRates>> since June 5, 2019. A Spanish language translation of the Proposition 218 public notice and Frequently Asked Questions (FAQs) summary were added to both the online and hard copy files available for public review (see Attachment 4 to this staff report for FAQs). As identified in that report, staff recommended that the collection rates for solid waste and recycling service be increased as shown below.

PROPOSED MONTHLY RESIDENTIAL RATES FOR THE NEXT FOUR RATE YEARS

Monthly residential rates include weekly collection of solid waste (trash) and recyclable materials as well as compostable greenwaste, soiled paper, and food scraps.

Cart Size	Current Rate Adopted Jan 1, 2016	Proposed Rate Effective Aug 1, 2019	Change	Proposed Rate Effective Jan 1, 2020	Change	Proposed Rate Effective Jan 1, 2021	Change	Proposed Rate Effective Jan 1, 2022	Change	Cumulative 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	\$2.67	\$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
95 gallon	\$64.03	\$71.71	\$7.68	\$78.88	\$7.17	\$85.20	\$6.32	\$90.31	\$5.11	\$26.28

On June 4, 2019, the City Council directed staff to prepare and issue a notice of a public hearing to all rate payers and property owners of record of the maximum proposed solid waste rates to become effective August 1, 2019, January 1, 2020, January 1, 2021 and January 1, 2022. For commercial and roll-off box service customers, full rate tables were provided for existing and proposed rates effective August 1, 2019 (12 % increase) with text describing proposed rates effective January 1, 2020 (10% increase), January 1, 2021 (8% increase) and January 1, 2022 (6% increase). As described in more detail later in this staff report, an additional 5% increase was presented for commercial MSW carts for August 1, 2019, January 1, 2020 and January 1, 2021 (but not January 1, 2022 as the five-year rate linearization phase-in with commercial bins will be complete with the

January 1, 2021 special adjustment). Additionally, the Council directed the staff to schedule a public rate hearing for July 23, 2019 (which is being fulfilled by today's public hearing).

Please see Attachment 2 for a copy of the rate notice mailed out to all property owners and rate payers. Staff mailed the notice on June 6, 2019, in order to meet (and exceed) the minimum 45-day public review period required by Proposition 218 and to return to the Council on July 23, 2019, for a public hearing to adopt rates.

ADDITION OF RESIDENTIAL LOW/FIXED INCOME ASSISTANCE PROGRAM

City of Napa water rates began a low-income assistance program called "RateShare" in 2012. While the City's solid waste/recycling rates have always considered the residential 20-gallon cart size as the "lifeline" option (and this might be true for seniors on a fixed income for example), it is not a truly equitable way to address larger low-income households that would presumably generate larger amount of non-recyclable, non-compostable Municipal Solid Waste (MSW). Given this inequity, City staff recommended that a new low/fixed income assistance program modeled on Water's RateShare program be implemented. In short, the low-income assistance program for solid waste would use qualification criteria based on the established Pacific Gas & Electric (PG&E) California Alternate Rates for Energy (CARE) program. It is staff's understanding that approximately 3,600 residential households in the City of Napa currently qualify for PG&E's CARE program and that approximately 900 of these households currently utilize Water's RateShare program.

In accordance with Proposition 218, a water or solid waste customer is to pay only for the cost of service provided to that customer. Thus, to maintain Prop 218 compliance an assistance program can only be funded by a non-rate-based source, to prohibit one rate paying customer from subsidizing another customer. Materials sales revenue is proposed to be used as the source of revenue for this new low-income assistance program at a level of \$150,000 per year. Like Water's RateShare program, the low-income assistance program for solid waste would use eligible CARE households within the City on a first-come, first-serve basis. Staff proposed a flat \$10 per month (\$120 per year) level of assistance to participating residential households. This would allow up to 1,250 solid waste customers to participate in the low-income assistance program.

The current proposed maximum rates allow for the new low/fixed income assistance program. If the proposed rates are adopted by Council at today's public hearing, staff will prepare a budget adjustment for revenues and expenditures items specific to rate setting and the new low/fixed income assistance program for the August 6, 2019 City Council meeting.

SPECIAL ADJUSTMENT FOR COMMERCIAL MUNICIPAL SOLID WASTE (MSW) CART RATES

In the course of developing commercial food scrap collection rates in 2014/2015, it was confirmed that the City's rates for commercial solid waste cart service were understated by approximately 25% compared to the rate for the comparable cost per cubic yard of solid waste bin service. This discrepancy presented a problem for implementing the commercial food scrap collection program because the program must contain an economic incentive for restaurants/food generating businesses to put in the time and focus required to participate. Staff recommended that the City Council adopt a 5-year phased plan to increase the rate for commercial solid waste cart service by 5% per year, in order to bring the commercial cart rate into alignment with the rates for bin service. Rates adopted for 2015 and 2016 addressed the first two years of the 5-rate year phase in plan. To complete the five-year phase in plan, all proposed rates with the exception of 2022 will include this special

adjustment in addition to the proposed base adjustment for all rates.

For example, for rates effective August 1, 2019, the special adjustment for a commercial business with a 95-gallon solid waste cart emptied one time per week, would be 5% of the current rate of \$89.40 per month, which equals \$4.47 per month. This amount would then be added to the proposed base adjustment for this rate category. Full details of all proposed rates with this special adjustment included are shown in Attachment 2. Under the 5-year phase in plan, the fourth implementation year will be for rates effective January 1, 2020 and the final (fifth) year will be applied for MSW commercial cart rates effective January 1, 2021. There would be no additional special adjustment of MSW cart for solid waste rates effective January 1, 2022.

PROPOSITION 218 NOTICE MAILED TO ALL CITY PROPERTY OWNERS AND NRWS CUSTOMERS

As noted above, at the June 4, 2019 meeting, the City Council directed staff to mail a notice to all NRWS customers and to all City property owners listing the proposed new collection rates and to agendaize the setting of collection rates for this meeting. The proposed collection rates for 2019, 2020, 2021 and 2022 are included in the Resolution in Attachment 1. A copy of the notice is included in Attachment 2. The notice was posted on the City's web site along with the related staff presentation, staff report and attachment materials presented at the June 4th City Council meeting (all of which are contained in Attachment 2 to this staff report).

As of July 18, 2019, the City has received 384 written rate comments and/or rate protests concerning the proposed rates. If any comments and/or protests are received either prior to or at the July 23, 2019 public hearing, the City Clerk update this total for consideration by Council.

COMPLIANCE WITH CEQA AND PROPOSITION 218 UTILITY RATES

Attachment 1 to this report (Resolution establishing solid waste and recycling collection rates for August 2019 through December 2022) has a very detailed and thorough discussion of both applicable California Environmental Quality Act provisions and proposition 218 refuse collection rate compliance.

STAFF'S RECOMMENDATION

Staff recommends adoption of the proposed rates as shown in Attachment 1 to cover the base contractual and programmatic obligations of the Solid Waste Fund. While the proposed rates would use some reserve funds in the initial years, they will also provide replenishment reserves in later years to arrive at approximately the same dollar level of projected total solid waste reserves by the end of City FY2021/22 (\$7,268,206) as the Solid Waste Fund had in total reserves at the end of City FY2017/18 (\$7,215,579).

FINANCIAL IMPACTS:

The proposed rates will not generate revenues in excess of funds required to provide the services listed and reflect the cost of providing these services. The proposed collection service rates are projected to generate \$3,449,600 in additional collection service revenue for FY2019/20 as compared to FY2018/19, \$2,063,488 in additional revenue for FY2020/21 as compared to FY2019/20, and \$1,748,257 in additional revenue for FY2021/22 as compared to FY2020/21.

Total Solid Waste Fund reserves were \$7,215,579 at the end of FY2017/18 (\$5,047,644 in operating reserves, \$1,817,935 in rate stabilization reserve and \$350,000 in liability reserve). Under proposed rate adjustments, total Solid Waste Fund reserves are projected to be \$4,725,296 by the end of FY2018/19, \$3,622,374 by the end of FY2019/20, \$4,865,961 by the end of FY2020/21, and \$7,268,206 by the end of FY2021/22 (with \$5,310,206 in operating reserves, \$1,608,000 in capital improvement reserves and \$350,000 in liability reserves). More detailed discussion on reserves and impact of proposed rate adjustments on projected reserve balances is contained in sections 4.3 and 5.3 of the rate study (contained in Attachment 2 to this staff report).

As noted earlier in this staff report, if the proposed solid waste and collection rates are adopted by Council, staff will prepare a budget adjustment for the August 6, 2019 Council meeting. The budget adjustments will include adjustment to revenues and expenditures associated with adoption of proposed rates including collection service revenue and new low/fixed income assistance program.

CEQA:

The Utilities Director has determined that California Environmental Quality Act ("CEQA") does not apply to the Recommended Action described in this Staff Report, pursuant to Public Resources Code section 21080(b)(8), and CEQA Guidelines Sections 15273.

DOCUMENTS ATTACHED:

ATCH 1 - Resolution Establishing Solid Waste and Recycling Collection Rates to become Effective August 1, 2019, January 1, 2020, January 1, 2021 and January 1, 2022
EX A - 2019 Rate Tables
EX B - 2020 Rate Tables
EX C - 2021 Rate Tables
EX D - 2022 Rate Tables
ATCH 2 - Agenda Item 16D from 6-04-19 City Council Meeting
ATCH 3 - PowerPoint presentation for July 23, 2019 City Council Meeting
ATCH 4 - Frequently Asked Questions (FAQs) for Proposed Solid Waste Rates

NOTIFICATION:

The notice in Attachment 2 presenting the current and the recommended collection rates was mailed to all NRWS customers and to all property owners in the City of Napa via the U. S. Postal Service on June 6, 2019. The notice was posted on the City's web site on June 7, 2019 and a hard copy version of the notice, staff report, rate study and all supporting documents related to solid waste and recycling collection rates from the June 4, 2019 City Council meeting were made available at the City Clerk's office during normal business hours as of June 5, 2019.

Additionally, a legal notice of public hearing was published in the Napa Valley Register on July 12, 2019.

Greg Kelley, General Manager, Napa Recycling & Waste Services (courtesy copy)
Mike Murray, CFO, Napa Recycling & Waste Services (courtesy copy)
Karen Dotson, Napa County Auditor-Controller Office (courtesy copy)
Peter Ex, Napa County Local Enforcement Agency (courtesy copy)