



## Staff Reports

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**File #:** 5-2020, **Version:** 1

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**To:** Honorable Mayor and Members of City Council

**From:** Phil Brun, Utilities Director

**Prepared By:** Kevin Miller, Materials Diversion Administrator

**TITLE:**

Second Amendment to City-Northern Recycling and Waste Processing Agreement

**RECOMMENDED ACTION:**

Authorize the Utilities Director to execute the Second Amendment to City Agreement No. 2010-147 with Northern Recycling Operations and Waste Services, LLC ("Northern") for continued delivery of recyclables and compostable materials to the City's Materials Diversion Facility ("MDF") through December 31, 2030 (with up to five extensions of one-year each).

**DISCUSSION:**

Northern Recycling Operations and Waste Services, LLC (Northern) operates the Devlin Road Transfer Station (including a Buy-Back Center) under contract to the Napa-Vallejo Waste Management Authority. The City entered into a contract with Northern in 2010 to accept and process yardwaste and recyclable materials delivered by Northern to the Napa Materials Diversion Facility (MDF). The City's original contract with Northern was designed to terminate at the same time as the City's contract with Napa Recycling and Waste Services, LLC (NRWS) because the costs for processing the delivered materials are governed by the terms of the City-NRWS contract. The original termination date for both contracts was December 31, 2015.

In May 2016, the Council approved Amendment No 1 to the City-Northern agreement which added a new compostable organic material of "Food Material" and extended the contract. In April of 2018, the Council approved the 2018 Contract Amendment which extended the City's agreement with NRWS (City agreement No. 8687) through the end of calendar year (CY) 2031. In January of 2020, the City and County of Napa extended their Memorandum of Understanding (MOU) for use of the City's MDF through the end of CY2030 with five (5) one-year extension options. Since the proposed pricing for compostable materials delivered by Northern is tied at \$2 per ton above County MOU pricing, Northern and City staff have proposed the second amendment to the City-Northern agreement match the extended term and timing of the City-County MOU.

Besides extending the contract duration of the City-Northern agreement to match the City-MOU agreement term, the second amendment would accomplish the following:

- Allows for addition of new "Packaged Organics" stream of materials to be delivered by Northern to the MDF in addition to existing compostable organics of Yardwaste (yard

trimmings) and Food Material (source separated food scraps and soiled paper). Packaged Organics are compostable food material that must be separated from paper, plastic or metal packaging through the use of a “de-packager” at Napa’s MDF.

- Secures priority processing capacity for compostable organic materials at the MDF for City and County-origin compostable organic materials while assuring capacity at the Napa MDF for Northern if available and compliant with permit conditions and regulations governing the MDF.
- Resets pricing for Yardwaste, Food Material and Packaged Organics delivered by Northern to the MDF. Previously, the pricing was \$1 per ton higher than County MOU pricing; the second amendment resets pricing to \$2 per ton higher than County MOU pricing for these compostable organic materials.
- Contractual definitions added for Packaged Organics as well as “Base Term” and “End Date” while revising definition of “Yardwaste” to match definition of “Yard Trimmings” in City-County MOU.

#### **FINANCIAL IMPACTS:**

There is no financial impact associated with this action. The projected revenue and expenditure impacts of this amended agreement were factored into the budget adjustment approved by Council at the 2/18 meeting.

Northern will pay the City a contractual gate fee on a per ton basis for compostable organic materials (yard trimmings, food material and packaged organics) delivered by Northern to the City MDF. Based on CY2019 volumes, staff estimates the City will receive annual gross gate fee revenue ranging from \$1,300,000 to \$1,500,000 for processing compostable organics delivered via Northern. The estimated net revenue for the City after processing and transfer costs are factored in is in the range of \$140,000 to \$280,000 per year. As the facility increases permit capabilities to compost onsite instead of having to transfer excess greenwaste to other facilities, the net revenue for the Fund will be increased by approximately \$100,000 to \$300,000 per year. Said another way, as more compostable materials are composted onsite at the Napa MDF, the net benefit to the Fund and to the City rate payer will also increase significantly.

For processing recyclable materials (e.g. bottles, cans, cardboard, etc.), the City receives a percentage of the revenue from sale of the materials with the majority of market value paid out to both Northern (61% or 69% depending on type and form of recyclable material) and the current MDF contractual operator, NRWS (30% share of materials sales). As described in more detail in the February 18<sup>th</sup> mid-year budget adjustment staff report for the Fund, the recent closure of local California Redemption Value (CRV) buyback centers in Napa and Vallejo has resulted in a three-fold increase in the amount of high value CRV materials coming to the CRV buyback center operated by Northern adjacent to the Devlin Road Transfer Station. The net revenue retained by the City for recyclables delivered by Northern is estimated to be in the range of \$80,000 to \$130,000 per year. Along with the additional gate fee revenue described in the previous paragraph, the projected revenue and expenditure impacts of this amended agreement for FY2020/21 will be incorporated into

a mid-cycle budget adjustment.

**CEQA:**

The Utilities Director has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

**DOCUMENTS ATTACHED:**

ATCH 1 - Amendment No. 2 to City Agreement No. 2010-147 with Northern Recycling Operations and Waste Services, LLC (Northern) for continued delivery of recyclables and compostable materials to the City's Materials Diversion Facility (MDF) through December 31, 2030 (or as extended).

**NOTIFICATION:**

Greg Kelley, General Manager/Managing Member, Northern Recycling Operations & Waste Services/Napa Recycling & Waste Services (courtesy copy via email)

Mike Murray, Chief Financial Officer, Northern Recycling Operations & Waste Services/Napa Recycling & Waste Services (courtesy copy via email)