



Staff Reports

File #: 408-2020, **Version:** 1

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 Agreement No. 8891 (City-NCRWS Lease)

RECOMMENDED ACTION:

Authorize the Utilities Director to execute Amendment No. 2 to City Agreement No. 8891 with Napa County Recycling & Waste Services, LLC, for an eleven-year extended lease term through December 31, 2031 for an amount not to exceed \$681,750, with an option for one additional year, and determine that the actions authorized by this item are exempt from CEQA.

DISCUSSION:

In January 2004, the City of Napa successfully acquired the remaining interest in the Materials Diversion Facility (MDF), to which the City previously held a 50% interest. The acquisition was done in anticipation of the September 30, 2005 expiration of the solid waste and recycling collection contract with Waste Management (dba Napa Garbage Service) and the subsequent plan to issue a request for proposals (RFP) for collection service and operation of the MDF.

The City completed the RFP process in 2004 and selected Napa Recycling & Waste Services, LLC (NRWS) as the new service provider. At the same time, the County of Napa was seeking proposals for solid waste/recycling collection services within unincorporated portions of Napa County. The County selected Napa County Recycling & Waste Services, LLC (NCRWS) to provide that service. Although separate legal entities, NRWS and NCRWS are related companies sharing the same owners. NCRWS requested from the City (as "landlord") the ability to utilize space at the City's MDF for operational aspects related to providing service in the County of Napa. Utilization of space includes parking of refuse and recycling collection vehicles, storing equipment (e.g., residential carts, commercial bins, roll-off debris boxes, etc.), office space for customers service and accounting staff and lockers for drivers.

Since the City owns the MDF, the contract between the City and the City's provider (NRWS) provides for their use of the facility. Since the County's provider (NCRWS) shares management staff with the same company as the City's provider (NRWS), but as a separate legal entity, there are operational efficiencies gained for both organizations to have common use of the MDF site. Accordingly, a non-

exclusive lease between the City and NCRWS began in October of 2005 at \$3,000 per month (escalated by inflation on October 1st of each succeeding year). The City-NCRWS lease agreement (City agreement No. 8891) allows NCRWS access to the site as their base of operations as well as use of the facilities, including the office building and fleet maintenance area.

In the intervening years, both the City and Napa County have extended their respective service agreements with NRWS and NCRWS. The City extended its service and processing agreement with NRWS (City Agreement No. 8687) in April of 2018 through December 31, 2031. In December of 2019, the County of Napa extended its service agreement with NCRWS through December 31, 2032.

In response to the aforementioned extension of its collection service agreement with the County of Napa, NCRWS requested corresponding extension of its agreement with the City. City staff responded positively to this request as the lease has proved beneficial for all parties. Staff has negotiated a mutually agreeable lease extension through December 31, 2031 (current term of City-NRWS agreement) with a one-year extension option through December 31, 2032 should NRWS and NCRWS continue to hold service agreements with both the City and Napa County at that time. Additionally, the proposed second amendment to the lease (see first attachment to this staff report) replaces the current inflation index with a pre-set “fixed” annual increase of 2.5% each October 1st beginning with October 1, 2021 and through the end of the lease extension (if approved by Council). The fixed increases of 2.5% per year mirrors the annual non-labor escalation for the first five years of the City-NRWS 14-year extension approved in 2018. It provides both parties (City as the landlord and NCRWS as the leasee) certainty which is helpful for budgeting revenue (on the City’s side) and expenses (for NCRWS and their annual rate submittals to Napa County).

FINANCIAL IMPACTS:

As of October 1, 2020, the monthly lease rate for NCRWS for access to the City’s MDF is \$4,439 per month (projected at \$53,058 for current FY2020/21 if lease extension is approved by Council). If approved by Council, the projected lease for FY2021/22 would be \$54,267 (with a pre-set 2.5% increase as of October 1, 2021). For the proposed eleven-year extension (January 1, 2020 through December 31, 2031) the cumulative lease revenue to the City’s Solid Waste & Recycling Enterprise Fund would be \$681,750. If one-year extension option was exercised for calendar year 2032, there would be an \$70,323 in lease revenue anticipated for the City as landlord of the MDF.

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 15301.

DOCUMENTS ATTACHED:

ATCH 1 - Amendment No. 2 to City Agreement 8891

NOTIFICATION:

Courtesy Copy (via email) to:

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

County Recycling & Waste Services

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

Steve Lederer, Director of Public Works, County of Napa