



Staff Reports

File #: 323-2021, **Version:** 1

To: Honorable Mayor and Members of City Council

From: Phil Brun, Utilities Director

Prepared By: Kevin Miller, Materials Diversion Administrator

TITLE:

Amendment to City-County MOU for Napa County use of City's Materials Diversion Facility

RECOMMENDED ACTION:

Authorize the Utilities Director to execute Amendment No. 4 to the Memorandum of Understanding (City Agreement No. 8782, County Agreement No. 6430) for continued Napa County use of the City's Materials Diversion Facility (MDF) through December 31, 2030, with an option for five mutually agreed one-year extensions.

DISCUSSION:

In May of 2005, the City and County of Napa executed a Memorandum of Understanding (MOU) that secured a flow of recyclable and compostable materials from south unincorporated Napa County to be delivered and processed at the City's Materials Diversion Facility (MDF) beginning in October of 2005. The original MOU was very successful for both parties. The MOU described the relationship and provisions for the delivery, processing and payments between the City and County. The original base-term was through the end of November 2015. Amendment No's 1 and 2 extended the MOU through December 31, 2019. Amendment No. 3 amended and restated the agreement and extended the base term of the MOU through December 31, 2030 and allows for up to five one-year extensions through the end of calendar year 2035.

The proposed Amendment No. 4 seeks to modify and clarify certain terms and conditions of the MOU including:

1. Sets contract MOU pricing for a three-year period through September 30, 2024.
2. Establishes preferred MOU pricing to Napa County in exchange for an expanded list of materials that will be contractually committed to be delivered to the City's MDF by Napa County and its authorized hauler (currently Napa County Recycling & Waste Services, LLC).
3. Better defines and describes process for adjusting MOU pricing beyond October 1, 2024 and authorizes the City's Utilities Director and Napa County Public Works Director to facilitate "routine" annual adjustments at an administrative level. Minor periodic changes to the list of recyclable and/or compostable materials accepted at the City's MDF that do not impact pricing can also be addressed administratively without requiring a contract amendment.
4. Language was added to address relatively new charges (known as "gate fees") for appliances

and microwave ovens.

The cost of processing and recovery of wood waste received at the City's MDF is currently very volatile and uncertain (and unfortunately continues to increase). Because of this, the City is unable to provide future pricing for wood waste with a sufficient level of certainty and the County was not asked to provide a contractual material flow commitment for wood waste at this time. If the situation changes and stabilizes in the future, this would be a potential future amendment to the MOU where preferred MOU pricing could be offered to Napa County in exchange for a flow commitment for wood waste to be delivered to the City's MDF.

The County intends to take Amendment No. 4 to the MOU to the Napa County Board of Supervisors for consideration on September 14, 2021.

FINANCIAL IMPACTS:

Total revenue from the City-County MOU is approximately \$1,105,000 per fiscal year. Amendment No. 4 would result in lower revenue for gate fees for certain materials that have been afforded "preferred" MOU pricing in exchange for contractual material flow commitments by Napa County to the City of Napa. Additional materials impacted by this expanded preferred MOU pricing include chipped wood (including sawdust), drywall, carpet, concrete (including rock) and asphalt. Taken together, these materials delivered by Napa County were approximately 4,200 tons in City FY2020/21. If these volumes remained steady and at a weighed savings of approximately \$3 per ton below public self-haul gate fees, the County MOU preferred pricing reduces overall MDF gate fee revenue by approximately \$12,600 (4,200 tons X \$3/ton) for FY2021/22. The expected adjustments have already been factored into the adopted FY2021/22 budgets for the Solid Waste and Materials Diversion Enterprise Fund and no budget adjustments are necessary at this time.

While there is a slight reduction in revenue, the secured flow of materials to the City MDF from the MOU with Napa County are very helpful and important factors for the City rate payer in helping to spread out the fixed costs of capital improvements and upgraded systems at the MDF. Finally, the MOU is beneficial to regional sustainability and pollution prevention efforts in providing an opportunity for compostable and recyclable materials to be processed locally and thus not requiring that they be hauled long distances at additional expense and environment costs.

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. 4 to Memorandum of Understanding (City Agreement No. 8782, County Agreement No. 6430) for continued Napa County use of the City Materials Diversion Facility (MDF) through December 31, 2030 (or as extended).

NOTIFICATION:

Steve Lederer, Napa County Public Works Director (courtesy copy via email)

Peter Ex, Solid Waste Manager/Local Enforcement Agent, County of Napa (courtesy copy via email)

David Briggs, Environmental Resource Specialist, Napa County Public Works (courtesy copy via email)

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

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