Solid Waste & Recycling Collection Rates 2019 to 2022
Rate Study & Proposed Rate Notice

June 4, 2019

1. Quick Overview of Solid Waste & Materials Diversion Enterprise Fund
2. Financial Position of Solid Waste Fund
3. Primary Drivers for Rate Adjustments
   - 2018 Contract Amendment with NRWS
   - Declining Markets for Recyclable Materials
   - MDF Capital Improvements & Debt Service
4. Proposed Solid Waste Rate Adjustments
5. Next Steps – Direction from Council
1. QUICK OVERVIEW OF SOLID WASTE & MATERIALS DIVERSION ENTERPRISE FUND
Collection Services Provided

- 5 major “Lines of Service” for Collection:
  
  1. Residential
  2. Commercial
  3. Roll-off Box
  4. Multi-Family
  5. NVUSD
Programmatic Status

- **Weekly Residential Curbside Service** - Trash, Recycling and Compost Service (including Food Scraps/Soiled Paper since 2015)

- **4 streams of Commercial Service** – Trash, Recycling, Greenwaste (Yard Trimmings) and Food Scraps Composting (since 2015)

- **Roll-Off Debris Box** – Trash and Multiple Recyclable/Compostable Materials (includes Clean Wood, Concrete, Dry Wall, Carpet, Metals, Cardboard, Mixed Recyclables, Dirt, Pumace & Yard Trimmings)

- **City Diversion Rate** - 69% overall landfill diversion (recycling and composting) for 2018 (74% by State formula). City and State goal is 75% level (or more) by 2020.
Materials Diversion Facility (MDF)

Built: 1993; Expanded 1997; City Purchased 2004
Compost Operations

- Greenwaste Truck
- Pre-Processing Line
- Compost Windows
- New Composting Area
Recycling Operations

- Processing Area
- Processing Area
- Materials Storage
Tonnage Processed at MDF in 2018

- Recycling = 48,500 tons
- Composting = 95,400 tons
- Construction & Demolition = 17,200 tons
- Wood = 7,900 tons
- Other Materials (e-waste, tires, bulky items) = 1300 tons
- Facility Residue (disposal) = 13,900 tons
- 92% overall facility diversion (recovery) rate
- Total Inbound Tons = 170,200 (vs. 157,400 in 2017)
2. FINANCIAL POSITION OF SOLID WASTE FUND
Fund Overview – FY20 Expenditures

FY 2020 Budgeted Expenditures (Total = $33,540,100)

- Transfer Station Disposal Fees $3,400,000 (10.1%)
- Street Resurfacing Transfer $1,113,600 (3.3%)
- Transfers and Contributions $438,400 (1.3%)
- Debt Service $878,000 (2.6%)
- Contractor Service $21,133,500 (63.0%)
- Recycling Programs $248,500 (0.7%)
- Operations/Administration $1,214,300 (3.6%)
- Salaries and Benefits $1,153,300 (3.4%)
- MDF Facility $3,305,500 (9.9%)

Pie chart does not include $665,000 (2.1%) for Capital Improvement Projects as $500,000 is Bond-funded & thus part of Debt Service.
Fund Overview – FY20 Revenue

FY 2020 Budgeted Revenues (Total = $30,383,500)

- Collection Rates $19,600,000 (64.5%)
- MDF Gate Fees $3,625,000 (11.9%)
- Material Sales $6,400,000 (21.1%)
- Bond Revenue $500,000 (1.6%)
- All other Revenues $258,500 (0.9%)
- Budget Shortfall $3,156,600 (10.4%)
Why are Rate Increases Needed?

- Last increase was January 2016
- Now, expenditures exceed revenues
- Reserves being used in current fiscal year

Revenue vs Expenditure Trend

- FY2016: $23,000,000.00
- FY2017: $25,000,000.00
- FY2018: $27,000,000.00
- FY2019: $29,000,000.00
- FY2020: $31,000,000.00
- FY2021: $33,000,000.00
- FY2022: $35,000,000.00

- FY2016: $23,000,000.00
- FY2017: $25,000,000.00
- FY2018: $27,000,000.00
- FY2019: $29,000,000.00
- FY2020: $31,000,000.00
- FY2021: $33,000,000.00
- FY2022: $35,000,000.00
Budget Adjustments to Reduce Rate Impacts

$1.0M - $1.2M/year
- Increase gate fees to Napa County & Northern
- Decreased payments for recyclables to Napa County and eliminated payments for other MDF users

$420K (FY20 only)
- Split cost of greenwaste transfers out from MDF with NRWS as new covered compost system comes online
3. PRIMARY DRIVERS OF PROPOSED RATE ADJUSTMENTS
3 Primary Drivers for Rates

1. 2018 Contract Extension with NRWS

2. Materials Sales Revenue Decline

3. Capital Improvements at MDF
1. 2018 NRWS Contract Extension

Long-Term Cost Saving = $10.7M in savings/net benefits for City over 14-year extension:

- $3.4M – Extended life of collection fleet by 3 years
- $2.5M – Extended life of carts/bins vs. buying new
- $2.0M – Extended life of sorting line by 3 years
- $1.6M – Refurbished 8 trucks vs. buying new
- $1.2M – Sorting “robot” & glass cleaning system
  (added net revenue; NRWS shared cost)

Added together, the savings/net revenue benefit is approximately $820K per year through end of 2031.
1. 2018 NRWS Contract Extension (Continued)

• **Base Cost Increase** = As compared to the base cost of previous contract, the new contract starts at a base level that in $2.1M/year higher.

• **Contributing Factors to Base Increase** =
  - Higher Vehicle Costs: As compared to 2005 purchase of vehicles, cost of new trucks has doubled (or more)
  - New Collection & Processing Equipment: A good portion of 12/13 year-old equipment needed to be upgraded and/or replaced
  - Labor Costs: While extension limited labor increase to 3.5% per year for first 5 years, labor & benefit costs continue to rise
2. Material Sales Revenue Decline

- MDF Recyclable Materials tonnage increased 30% from FY12 to FY19* (Projected)
- Average Price per Ton paid decreased by 55% from FY12 to FY19* (Projected)
- China’s “National Sword” Policy has depressed global recycled materials commodity markets; Worst appears fall of 2018 (-$25/ton negative for mixed paper/newsprint) but all market indications are that a “New Normal” has been set for foreseeable future for West Coast states (CA, Oregon & Washington)
- Recurring revenue loss of $1.2M-$1.4M per year in rate-impacting revenue.
3. Capital Improvements at MDF

- In 2016, the City issued $12.5M in Solid Waste Revenue Bonds for the following:
  - $8.0M – “Covered” Composting system to comply with State regulations to process food scraps and air district regulations for emissions
  - $2.5M – Covered processing and storage area for recyclables to comply with stormwater discharge permits
  - $2.0M – Stormwater system improvement to comply with Statewide “Compost Order” from Regional Board

- Increased annual expenses by approximately $900K/year

- Requires a minimum 1.25x coverage ratio which must be considered for rate-setting
4. PROPOSED SOLID WASTE RATE ADJUSTMENTS
## Proposed Rate Adjustments

### Monthly Proposed Residential Rates 2019 to 2022 (does not show 95-gal)

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<td>20 gallon</td>
<td>$21.65</td>
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<td>65 gallon</td>
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<td>$58.71</td>
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### Monthly Cost for Commercial/Multi-Family Service
(2 cubic yard bin picked up weekly)

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<td>$423.00</td>
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## Proposed Rate Adjustments by Percentage for All Rates including Commercial/Multi-Family & Roll-Off Box Service:

- August 1, 2019 12%
- January 1, 2020 10%
- January 1, 2021 8%
- January 1, 2022 6%
Continued 5-year “phase-in” for commercial MSW carts

Rate Gap Issue

• During Commercial Food Composting Program study in 2014, a 25% service rate discrepancy was identified between commercial cart vs. bin customers.

• Council adopted a 5-year “linearization” corrective action of an additional 5% per year for 5 rate years to align the per gallon service rate charge between commercial bin & cart customers (first two phase-in years occurred in RY2015 & RY2016).

• Proposed Rates include special adjustment for Aug 2019, Jan 2020 & Jan 2021 rates (not Jan 2022) to complete years 3-5 of 5-year phase-in.
Addition of Low/Fixed Income Assistance Program

- Eligible if qualified for PG&E “CARE” Program
- Similar to Water’s program in place since 2012
- $10/month for up to 1,250 households (out of 3,600 eligible “CARE” households; 900 households currently participating in Water’s RateShare program)
- Revenue source is material sales (not rate revenue)
Revenue vs. Expenditure Trends*

* Projections with Proposed Rate Adjustments
Replenishment of Solid Waste Reserves

Projected Solid Waste Fund Reserves with Proposed Rate Adjustments

<table>
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<tr>
<th>Current Balance</th>
<th>End of FY2019</th>
<th>End of FY2020</th>
<th>End of FY2021</th>
<th>End of FY2022</th>
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<td>$7,215,579</td>
<td>$4,725,296</td>
<td>$3,622,374</td>
<td>$4,865,961</td>
<td>$7,268,206</td>
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Net Revenue from Proposed Rate Adjustments used to Refund Solid Waste Reserves
Napa’s proposed residential rates will still be among average for the area.

Chart based on current jurisdiction rates, many of which will likely increase over the next year.
5. NEXT STEPS – DIRECTION FROM COUNCIL
Next Steps – Proposition 218 Notice

• Attachment 2 to Staff Report

• Proposition 218 Notice includes:
  1. Proposed Rates
  2. Reasons/Data behind Proposed Rate Adjustments
  3. Information on Public Hearing (July 23rd)
  4. Protest Form & Instructions
Next Steps – Proposition 218 Notice

- Modeled on 2017 Water Rate Notice

- Met with Napa County Taxpayers Association Chairman on May 31st; incorporated requested revision to wording adjacent to check box on protest form.
Council Direction – Issuance of Proposition 218 Notice

• Authorize Utilities Director, or his designee, to issue a notice of public hearing to all rate payers and property owner of record regarding proposed solid waste and recycling collection rates become effective August 1, 2019, January 1, 2020, January 1, 2021 and January 1, 2022.

• Rate Hearing to be held on July 23, 2019 at 6:30 pm at City Hall, 955 School Street.