

A new Diversion-based Solid Waste System in Napa:

A quick snapshot of concept & results

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History: Goal and Design of RFP and New Contract

- Historical Rate Review Process:
 - 1994 lawsuit
 - For many years the City had no control of dramatic rate changes (+15% to -10%)
 - Constant issue of cost versus diversion
 - Lack of baseline to compare stated costs versus actual operating costs
- No existing alignment of City needs with hauler goals
 - Legitimacy of City desired recycling programs
- Desired performance based contract allowing for innovation

Taking the Next Step

- “Once every 100 years, whether you need it or not”
- Achievements include:
 - Purchased Materials Diversion Facility (MDF) in 2004
 - Created an innovative contract for services, with incentives and alignment of recycling interests of City with hauler
 - Demonstrated prudent and open government leadership during RFP and contract award process

The Final Contract: Overview

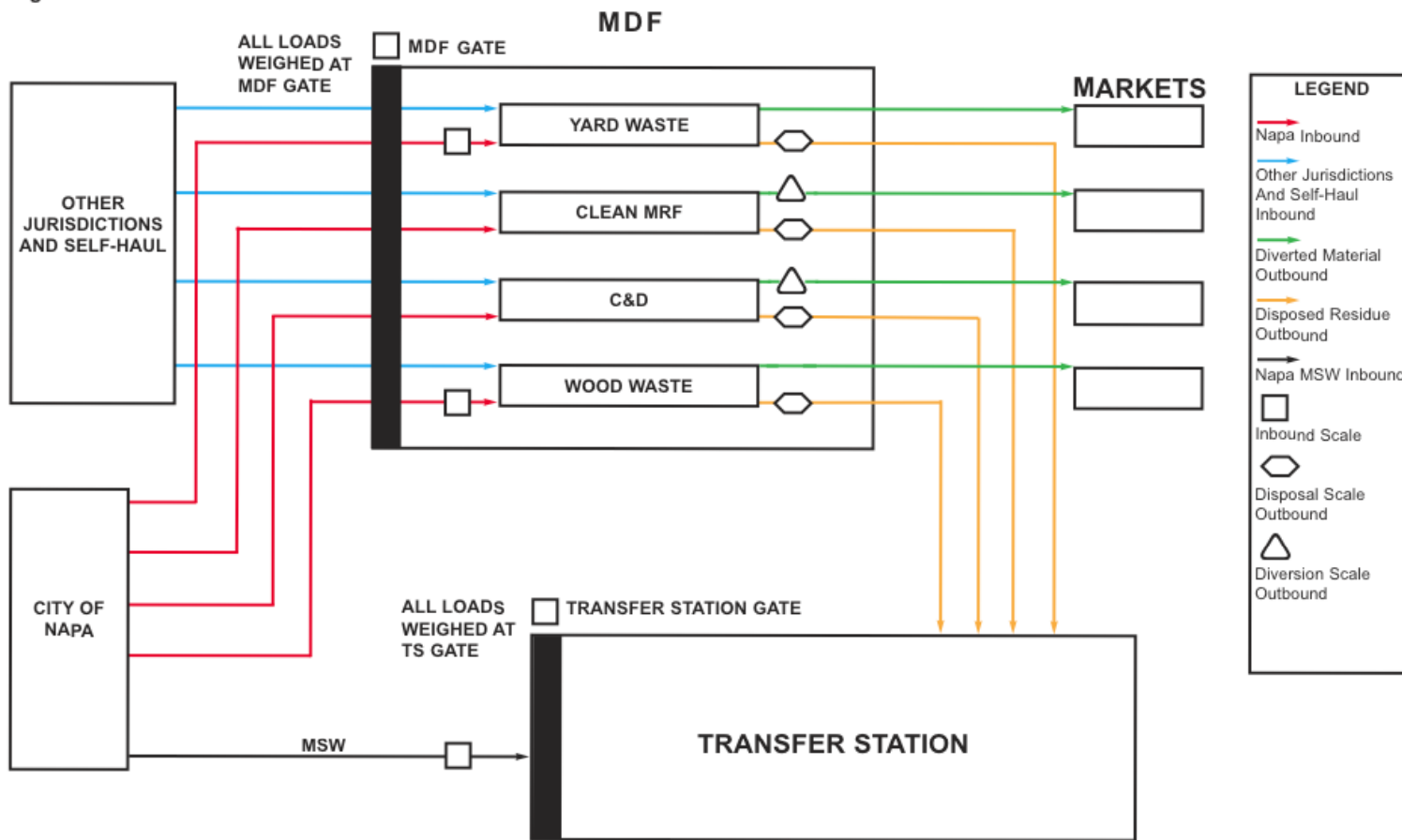
- One Contract, One Contractor
 - Collection services and operate City's MDF
 - Encouraged partnerships
 - Contract awarded to Napa Recycling & Waste Services – NRWS (a partnership of four companies)
- Term
 - October 1, 2005 - December 31, 2015
- “Level playing field”
 - All new collection and processing equipment
 - City owned processing facility

City-Owned Materials Diversion Facility (MDF)

- Processing Areas
 - Clean MRF
 - Composting
 - Wood Processing
 - Source Separated C&D Debris Processing
- Other Materials Handling
 - E-waste, tires, bulky goods, used oil and oil filters

MDF Flow and Weight Points

Figure 1



Compensation for Contractor (NRWS)

- Components of Compensation:
 1. Operating and Capital Cost Payments
(*Based on 2004 RFP proposals + CPI/PPI*)
 2. Base Profit Margin (*automatic 3%*)
 3. Annual Diversion Incentive Payment (or Debit) - *Incentives above 50%, Debit below 50%*
 4. Share of Material Sales Revenue – *70% City/30% Contractor (NRWS)*
 5. Processing Fee for Throughput Over Baseline (*processing above 80,550 tons/year*)

1. Operating and Capital Cost Payment

- Monthly in arrears
- Based on proposed costs
- Payment adjusted by CPI/PPI on an annual basis for operating costs
- Cost Review in 2008, Effective in 2009
- Cost Review in 2011, Effective in 2012

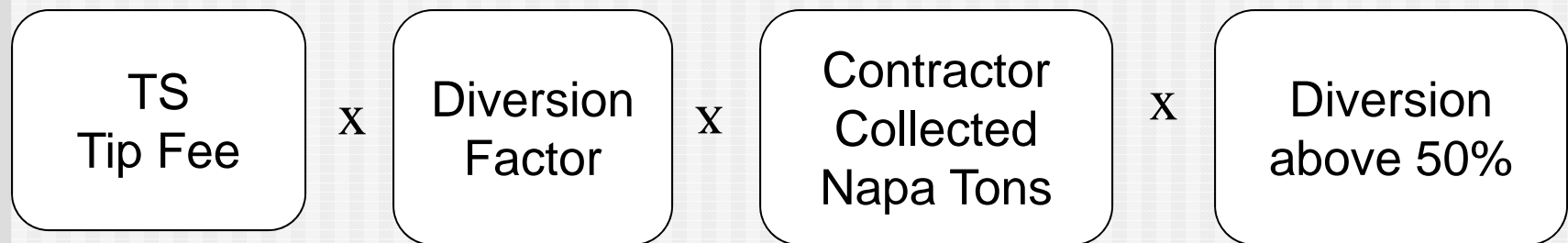
2. Base Profit Margin

- Monthly in arrears
- 3% above operating and capital cost payment

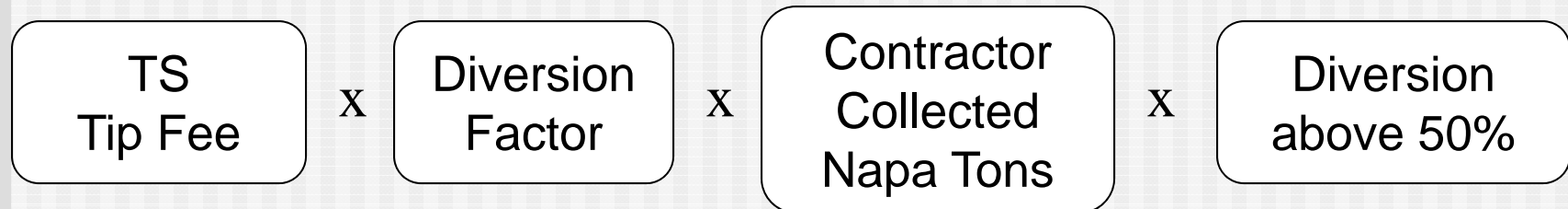
3. Annual Diversion Incentive Payment (or Debit)

Annual Payment Based on Contractor's performance above or below a diversion rate of 50% for the materials Contractor collects in previous calendar year

■ Incentive Payment Formula =



Payment Example



- TS Tip Fee = \$60
- Diversion Factor = .015
- Contractor Collected Napa Tons = 90,000
- Diversion Above 50% = 5
 - Contractor diverted 55% for previous calendar year

$$\$60 \times .015 \times 90,000 \times 5 = \$405,000$$

4. Share of Material Sales Revenue

- Monthly in arrears
- 30% to Contractor
- 70% to City

5. Processing Fee for Throughput to MDF Over Baseline Tonnages

- Monthly in arrears
- Contractor proposed dollar per ton cost (including profit) for each processing area
 - If Contractor achieves at least 80% of baseline throughput per processing area and,
 - Total inbound tons received at Napa MDF greater than 80,550 in a calendar year
- Payment adjusted by CPI/PPI on an annual basis

Some Successes

- In their full year of operations (2006), NRWS and the City increased residential curbside recycling by 21.5%. In 2007, it increased another 8.4 %. In 2008 & 2009, an additional 1.2% increase (**31.1% cumulative improvement vs. 2004/2005 collection**).
- Residents breathe cleaner air with 14,446 fewer pounds of diesel emissions each year (via BAAQMD-grant for 7 CNG collection trucks)
- Residents and businesses set a per capita record for 2006 by recycling 298 tons of e-waste. This figure increased to 338 tons in 2007, 389 tons in 2008 and 379 tons in 2009.

Sample of “Partnership” and Innovation – Color Glass Sorter

- NRWS came to City with proposal to add a sorter dedicated to pulling colored glass in the “pre-sort” area of Clean MRF. Proposed sharing costs 70%/30%.
- New sorter would pull approx. 5 tons/day X 260 days/years = 1300 tons color-sorted glass
- Ave increase in scrap value = \$34/ton + DOC quality glass incentive payment at \$60/ton = \$94/ton of additional revenue. 1300 tons X \$94/ton = \$122,000/yr
- City/NRWS split cost of additional sorter (\$44K/yr). Both City and NRWS receive a \$3 to \$1 return on investment. Better recycling, better for the bottom line.