



**NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY**

Agenda Date: 6/8/2017

Agenda Placement: 8A

Napa-Vallejo Waste Management Authority Board Agenda Letter

TO: Board of Directors

FROM: Richard Luthy - Executive Director
Napa-Vallejo Waste Management Authority

REPORT BY: Richard Luthy, Executive Director, Napa-Vallejo Waste Management - 707-299-1314

SUBJECT: Public Hearing Recommended 2017-2018 Fiscal Year Budget

RECOMMENDATION

9:00 A.M. PUBLIC HEARING - RECOMMENDED FISCAL YEAR 2017-2018 BUDGET

REQUESTED ACTION: Discussion and Approval of the following actions related to the Final Fiscal Year 2017-2018 Recommended Budget:

1. Approval of Resolution No. 2018-01 adopting the recommended Operations and Capital Improvement Budgets (weighted vote required); and
2. Adopt revisions to the Operating Reserve Policy.

EXECUTIVE SUMMARY

Following budget discussions at the Authority April 6, and May 4, 2017 meetings, the Executive Director and Auditor Controller are submitting for adoption a proposed budget for FY 2017/2018. This item has been advertised and noticed for a public hearing. At the conclusion of the Public Hearing, adoption of Resolution No. 2018-01 is requested.

PROCEDURAL REQUIREMENTS

1. Open Public Hearing
2. Staff report
3. Public Comment
3. Close Public Hearing
4. Motion, second, discussion and vote on item

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	This is the proposed operating budget for Fiscal Year 2017/2018
Is it Mandatory or Discretionary?	Mandatory
Is the general fund affected?	Yes
Future fiscal impact:	The budget covers only one fiscal year, however, decisions made in this fiscal year will impact the Authority's financial stability in the future.
Consequences if not approved:	Expenditures can not be made.
Additional Information:	

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION**FY 16/17**

The Authority's FY 16/17 budget was based on an assumed waste flow to the Devlin Road Transfer Station (DRTS) of 198,000 tons per year. Actual tonnage to date has been higher than budgeted due to continuing health of the local economy. Increases in incoming tonnage produce increases in disposal expenses, but these are more than offset by increased revenues. As of this writing, it appears that total fiscal year incoming tonnage to the transfer station will be slightly more than 214,000 tons; the highest since 2008.

The \$3.5 million DRTS Pavement Rehabilitation Phase 2 project is nearing completion. and the Board has authorized a feasibility study to evaluate the best way to proceed with Phase 3 of the transfer station rehabilitation. We are also under contract for the installation of a 55 kW solar energy project to help offset power costs at the American Canyon Sanitary Landfill. That project should be completed this fiscal year, but could carry over into FY 17/18 if delays are encountered.

Staff is projecting a year-end cash balance of about \$9.7 million; an increase of \$1.2 million over the audited cash balance on June 30, 2016. Actual cash balance will depend on the timing of final completion of the DRTS Phase 2 project and completion of the ACSL solar project.

FY 17/18

The Proposed Budget for FY 17/18 includes the previously approved rate increase of \$1.00 per ton for both franchise and non-franchise waste, as well as the \$1.00 increase in the minimum load charge. These rates will go into effect on July 1, 2017 for non-franchise and minimum loads, and on October 1, 2017 for franchise loads. After the rate adjustments, rates for franchise haulers will be \$67 per ton, \$71 per ton for non-franchise waste, and \$38

for minimum loads.

The budget is based on a projected waste flow of 210,000 tons at the DRTS and total anticipated revenue of \$15.3 million. It includes minor inflationary increases in operating costs in some expenditure categories. Transfer Station Operation (\$5.7 million) and Disposal (\$4.8 million) budgets reflect continuing high tonnage and minor inflationary increases in contracted unit costs for services from Authority service providers.

The Capital budget anticipates completion of the feasibility study for DRTS Phase 3 (covering or enclosing the C&D processing area) and possible start of construction on that project, as well as potential purchase of property south of the transfer station for additional buffer and future operational flexibility.

Operating and Capital Reserve Policies

The Authority Board adopted Operating Reserve and Capital Replacement Reserve policies in 2011 and updated the Capital Reserve policy in 2015. The policies call for the Executive Director and Auditor to review the policies at least once every five years and make recommendations on whether or not to maintain each policy in its current state or make changes. The Executive Director and the Auditor have completed a review of existing policies as part of the budgeting process for FY 17/18 with the following comments:

Operating Reserve

The Operating Reserve policy currently requires maintaining an operating reserve no less than 1/12 of annual operating expenses and no more than 1/4 of annual expenses. However, the Governmental Accounting Standards Board (GASB) recommends a minimum operating reserve of 2 months cash flow, or 1/6 of annual operating expenses. The Auditor and Executive Director recommend that the Operating Reserve Policy be adjusted to require minimum reserves of 1/6 of annual operating expenses (2 months cash flow) and maximum reserves of 1/3 annual expenditures (4 months cash flow.) The allocation of reserves in the draft FY 17/18 is based on these recommendations.

Capital Replacement Reserve

Since the policy was updated fairly recently, no changes are recommended.

Recommendation

Adoption of Resolution No. 2018-01 which sets forth the financing requirements for the Operating and Capital Improvement Programs for Fiscal Year 2017/18, is requested as follows:

Fund 8100 81000 - Operations
\$12,004,505

Fund 8100 81010 - Capital Improvement
\$7,340,000

SUPPORTING DOCUMENTS

A . Resolution 2018-01

Executive Director: Approve

Reviewed By: Martha Burdick