



**NAPA-VALLEJO WASTE  
MANAGEMENT AUTHORITY**

Agenda Date: 6/9/2016

Agenda Placement: 7A

## Napa-Vallejo Waste Management Authority Board Agenda Letter

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**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 2016-2017 Fiscal Year Budget

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### **RECOMMENDATION**

#### **9:00 A.M. PUBLIC HEARING - RECOMMENDED FISCAL YEAR 2016-2017 BUDGET**

REQUESTED ACTION: Discussion and Approval of the following actions related to the Final Fiscal Year 2016-2017 Recommended Budget:

1. Approval of Resolution No. 2017-04 adopting the recommended Operations and Capital Improvement Budgets (weighted vote required); and
2. Adopt revisions to the Capital Replacement Reserve Policy.

### **EXECUTIVE SUMMARY**

Following budget discussions at the Authority April 7, and May 5, 2016 meetings, the Executive Director and Auditor Controller are submitting for adoption a proposed budget for FY 2016/2017. This item has been advertised and noticed for a public hearing. At the conclusion of the Public Hearing, adoption of Resolution No. 2017-04 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 2016/2017
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 15/16**

The Authority's FY 15/16 budget was based on an assumed waste flow to the Devlin Road Transfer Station (DRTS) of 190,000 tons per year. Actual tonnage to date has been significantly higher than initially anticipated due to overall improvements in the local economy. Increases in incoming tonnage cause increases in disposal expenses which 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 200,000 tons; the highest since 2008.

This has been a busy year for capital rehabilitation projects. The \$3.5 million DRTS Pavement Rehabilitation Phase 2 project is currently underway and expected to be completed early in FY 16/17. The \$770,000 Storage Tank Seismic Upgrades at the American Canyon Sanitary Landfill (ACSL) is also in progress and is also expected to be finished late this fiscal year or early next fiscal year.

A complete revision of the Industrial Stormwater monitoring plan for DRTS was completed in July 2015 and has been implemented this fiscal year. There was some concern that the new requirements would require additional capital projects at DRTS, and that is still a possibility, but the revised stormwater plan has not resulted in any immediate need for work at the site.

Staff is projecting a year-end cash balance of about \$5 million; down slightly from last year's balance of \$5.14 million. Actual cash balance will depend on how much capital project construction work is completed this FY and how much work carries over to FY 16/17. A year-end adjustment of the capital budget will be required to close out FY 15/16.

**FY 16/17**

The Proposed Budget for FY 16/17 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, 2016 for non-franchise and minimum loads, and on October 1, 2016 for franchise loads.

The budget is based on a projected waste flow of 198,000 tons at the DRTS, and total anticipated revenue of \$14.1 million. It anticipates minor inflationary increases in operating costs in some expenditure categories. Transfer Station Operation (\$5.25 million) and Disposal (\$4.29 million) budgets reflect both higher than expected tonnage and minor inflationary increases in contracted unit costs for services from Authority service providers.

It should be noted that County Counsel has requested an increase in annual legal fees from \$18,000 to \$35,000 per year. Given the fact that County Counsel has been operating at a deficit providing legal assistance to NVWMA, and that the annual amount paid for service has not been increased in many years, this request is not unreasonable. Staff recommends approval of the increased amount, which is included in the draft budget.

The Capital budget anticipates completion of the two ongoing projects discussed above and adds a potential project for a small (55kW) solar power installation to reduce power costs for the landfill gas control system at the ACSL. Following receipt of proposals, the Authority's energy consultant will prepare financial analyses and recommend a project developer. If an economically feasible proposal is received, a contract will be brought to the Board for potential action.

Possible capital projects over the next few years include: covering or enclosing the C&D processing area; renovating the onsite wastewater treatment system; connecting to the City of American Canyon's recycled water supply; improvements to the buyback and recycle area; and improving the water system. Funds have been budgeted in FY 16/17 for the initial engineering analysis and pre-design for covering the C&D area and upgrading the wastewater treatment system.

**Operating and Capital Reserve Policies**

The Authority Board adopted Operating Reserve and Capital Replacement Reserve policies in 2011. 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 that review of existing policies as part of the budgeting process for FY 16/17 with the following comments:

**Operating Reserve**

The Operating Reserve policy requires maintaining an operating reserve no less than 1/12 of annual operating expenses and no more than 1/4 of annual expenses. Both the Auditor and Executive Director believe this policy is sufficient in its current state and does not need revision.

**Capital Replacement Reserve**

As the Board is aware, recent capital replacement projects have been significantly more expensive than the March 2012 "Five Year DRTS Rehabilitation Master Plan" suggested they would be. Costs for future projects, such as covering the C&D processing area and replacing the wastewater treatment system are not fully known at this time. As a result, both the Executive Director and the Auditor are recommending the following changes to the reserve amounts in the current policy:

Increase the Minimum Capital Replacement Reserve from \$500,000 to \$1,000,000

Increase the Maximum Capital Replacement Reserve from \$3,000,000 to \$7,000,000.

These recommended increases, which are reflected in the draft budget for FY 16/17, will allow continued funding of the significant rehabilitation effort at the Transfer Station and will create a reserve sufficient to protect the Authority well into the future.

**Recommendation**

Adoption of Resolution No. 2017-04 which sets forth the financing requirements for the Operating and Capital Improvement Programs for Fiscal Year 2016/17, is requested as follows:

Fund 8100 81000 - Operations  
\$11,115,058

Fund 8100 81010 - Capital Improvement  
\$1,160,000

**SUPPORTING DOCUMENTS**

- A . DRAFT FY 16/17 BUDGET
- B . Resolution No. 2017-04
- C . Capital Replacement Reserve Policy revision redline version
- D . Operating Reserve Policy

Executive Director: Approve  
Reviewed By: Martha Burdick