



Agenda Date: 11/8/2012

Agenda Placement: 7A

**NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY**

**Napa-Vallejo Waste Management Authority
Board Agenda Letter**

TO: Board of Directors
FROM: Luthy, Richard - Executive Director
Napa-Vallejo Waste Management Authority
REPORT BY: Richard Luthy, Executive Director, Napa-Vallejo Waste Management - 707-299-1314
SUBJECT: Fiscal Year 2011-2012 Financial Audit Report and Debt Service Coverage Ratio

RECOMMENDATION

ANNUAL FINANCIAL AUDIT

REQUESTED ACTION: Accept the Authority's annual audit and agreed-upon procedures report from Gallina, LLP for the fiscal year ended June 30, 2012.

EXECUTIVE SUMMARY

The Auditor-Controller will provide a summary report on the Authority's annual audit and debt service coverage ratio report prepared by Gallina, LLP for the fiscal year ended June 30, 2012.

FISCAL IMPACT

Is there a Fiscal Impact? No

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

The Auditor-Controller will provide a summary report on the Authority's annual audit prepared by Gallina, LLP for the 2011-2012 fiscal year. The report issued by the Independent CPA firm contains an unqualified, or "clean", opinion, with no management recommendations. In addition, the Authority contracts with Gallina, LLP to determine the debt service coverage ratio for the Authority as of the end of the fiscal year, to ensure compliance with our Bond Requirements. The Authority is required to have a debt service coverage ratio of 1.25 for each fiscal year. Although the required debt service coverage ratio was not met for fiscal year 2011-2012 (calculated at 1.18 for fiscal year 2011-2012), the Authority continues to remain in good financial health with sufficient reserves available to fund its bond payments as they become due. With only two years remaining on its debt obligation, the Authority is committed to ensuring it meets the required debt service coverage ratio in the future and to that end has taken the following steps:

- Approved rate increases that will become effective October 1, 2012, July 1, 2013 and October 1, 2013
- Achieved reduced disposal costs through a renegotiated landfill contract effective January 1, 2012. Fiscal year 2012-13 should realize a full year's benefit of reduced rates
- Initiated a request for proposal process to seek further reductions in disposal costs benefitting future fiscal years

SUPPORTING DOCUMENTS

A . Audit Report

Executive Director: Approve

Reviewed By: Martha Burdick