



**NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY**

Agenda Date: 3/5/2009

Agenda Placement: 7A

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

TO: Board of Directors
FROM: Trent Cave - Manager
Napa-Vallejo Waste Management Authority
REPORT BY: Martha Burdick, Management Analyst - 253-4274
SUBJECT: Rates

RECOMMENDATION

RATES

DISCUSSION AND POSSIBLE ACTION: Manager to discuss disposal rate options for the next fiscal year in advance of preparing the proposed 2009/2010 budget.

EXECUTIVE SUMMARY

The Authority Bylaws require the Authority Manager, in cooperation with the Auditor-Controller, to submit to the Board at its first meeting in April, a proposed budget for the ensuing fiscal year. The Board may discuss potential rate increases for the ensuing fiscal year in advance of the April meeting.

The current estimate for operating reserves at the end of the current fiscal year is \$766,277. The Indenture of Trust related to the Authority Bonds requires an amount equal to the following year's debt service, or 1,199,610, be set aside as a Reserve. In order to achieve that requirement, an increase in rates may be necessary. In order for the member agencies to incorporate rate increases into their rate setting process, it is recommended that an increase be delayed until Oct. 1, 2009. Other rate increases can occur after the required public notice and Board action.

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 Authority Bylaws require the Authority Manager (in cooperation with the Auditor-Controller) to submit a proposed budget for the ensuing fiscal year to the Board at its first meeting in April. In order to prepare the proposed budget and alert the franchise haulers in advance of their rate setting processes, the Board may discuss potential rate increases for the ensuing fiscal year in advance of the April meeting.

The current estimate for operating reserves at the end of the current fiscal year is \$766,277. The Indenture of Trust related to the Authority Bonds requires an amount equal to the following year's debt service, or 1,199,610, be set aside as a Reserve. In order to achieve that requirement an increase in rates may be necessary. The following table estimates revenues and expenditures for fiscal years 2008-09 and 2009-10 including a \$2 increase in rates in fiscal year 2009-10. Operating expenses have been increased for inflation and for a lower volume of material received at Devlin Road Transfer Station (DRTS). Based on those assumptions the Authority would have a \$1,370,389 at the end of fiscal year 2009-10:

| | <u>2009-10 Estimate</u> | <u>2008-09 Estimate</u> |
|--|-------------------------|-------------------------|
| Operating Revenues | | |
| Transfer Station Tipping Fees | \$ 11,210,000 | \$ 13,019,216 |
| Gas Collection System Revenue | \$ 180,000 | \$ 83,657 |
| Interest Income on Unrestricted Reserves | \$ - | \$ 4,971 |
| Interest Income on Restricted Reserves | \$ 40,000 | \$ - |
| Other Revenues | \$ 250,000 | \$ 839,470 |
| Total Operating Revenues | \$ 11,680,000 | \$ 13,947,314 |
| Transfers from (to) Rate Stabilization | \$ - | \$ - |
| Transfers from Landfill Closure Fund | \$ - | \$ - |
| Gross Revenues | \$ 11,680,000 | \$ 13,947,314 |
| Operating Expenses | | |
| Transfer Operations Contract | \$ 4,752,300 | \$ 4,664,881 |
| Disposal Contract | \$ 3,885,728 | \$ 4,585,758 |
| General and Administrative Expenses | 343,048 | 369,106 |
| Post-Closure Maintenance | 907,371 | 851,443 |
| Total Operating Expenses | \$ 9,888,447 | \$ 10,471,188 |
| Net Revenues after operational expenses | \$ 1,791,553 | \$ 3,476,126 |
| Debt Service - 2004 Revenue Bonds | \$ 1,199,610 | \$ 1,199,610 |
| Debt Service Coverage Ratio | 1.49 | 2.90 |

| | | | | |
|-------------------------------------|----|-----------|----|-----------|
| Regulatory Fees | \$ | - | \$ | - |
| Capitol Improvement | \$ | - | \$ | 20,000 |
| Net Revenues | \$ | 591,943 | \$ | 2,256,516 |
| Year End Cash vs Accrual Adjustment | | | \$ | 1,490,239 |
| Tons | | 190,000 | | 200,000 |
| Year End Reserve | \$ | 1,358,220 | \$ | 766,277 |

Again in order for the member agencies to incorporate rate increases into their rate setting process it is recommended that an increase be delayed until Oct. 1, 2009. Other rate increases can occur after the required public notice and Board action.

In addition to the year-end reserve, the Authority maintains several restricted funds including a debt service reserve fund of \$1.2 million.

SUPPORTING DOCUMENTS

None

Manager: Approve
Reviewed By: Martha Burdick