



**NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY**

Agenda Date: 4/2/2009

Agenda Placement: 6B

Napa-Vallejo Waste Management Authority Board Agenda Letter

TO: Board of Directors
FROM: Trent Cave - Manager
Napa-Vallejo Waste Management Authority
REPORT BY: Trent Cave, Manager - 7072534274
SUBJECT: 2007/2008 Fiscal Year Proposed Budget Study Session

RECOMMENDATION

PROPOSED FISCAL YEAR 2009/2010 BUDGET STUDY SESSION

DISCUSSION AND POSSIBLE ACTION ON THE FOLLOWING:

1. Revenue projections and debt service and operations budget for fiscal year 2009/2010
2. Debt, operating and capital reserves; and
3. Capital Improvement Budget for fiscal year 2009/2010.

EXECUTIVE SUMMARY

The Authority Bylaws direct the Manager, in cooperation with the Auditor-Controller, to submit a proposed budget for the ensuing fiscal Fiscal Year 2009-2010 to the Board of Directors at their first meeting in April. The budget shall include sufficient detail to constitute an operating guideline. It shall also include the anticipated sources of funds, and the anticipated expenditures to be made for the operations of the Authority. The Proposed Budget will be presented based on discussions held at the Board's March 5, 2009 meeting. It is anticipated that the Final Budget will be presented to the Board for adoption at the June 4, 2009 meeting.

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 next fiscal year.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	A budget must be adopted in order to expend funds to cover the Authority's obligations.
Is the general fund affected?	Yes
Future fiscal impact:	None. This is only for the upcoming fiscal year.
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

Attached are three budget scenarios; each scenario is based on the same factors except for tip fee revenues:

- A. Represents a budget with no fee increase
- B. Represents a budget with a \$2 increase to franchise haulers
- C. Represents a budget with a \$2 increase for all users

The Board, at their March 5, 2009 meeting, discussed what might be a prudent reserve to maintain for fiscal emergencies or economic variations. Currently the covenants in the Authority's 2004 Revenue Refunding Bonds has several requirements. The first requirement is a Debt Service Reserve Account to be funded at \$903,000. The account is currently fully funded and held by an outside trustee. Interest from this account is applied to the annual debt service payments. The next requirement is the Debt Service Coverage Ratio which requires revenues to cover 125% of operating expenses. Another requirement is that the Revenue Fund shall maintain a minimum funding requirement equal to the annual debt service or \$1,199,610. This requirement is tested twice yearly on February 15 and August 15. In addition, the Authority makes deposits every month into an interest account and a principal account to fund payment of debt service. Funds from those accounts are used to pay debt service twice a year. Again any interest earned is applied towards debt service.

The Authority Manager and Auditor-Controller met and developed several options for maintaining adequate reserves:

1. The minimum funding requirement plus 10% of the annual operating budget or \$2,278,485.
2. The minimum funding requirement plus annual depreciation (\$278,422) or \$1,478,032.
3. The minimum funding requirement plus 10% of the annual fixed cost operating expenses (\$131,466) or \$1,331,076.

The Manager and Auditor-Controller recommend that the amount equal to annual depreciation be placed into a Capital Improvement Project (CIP) fund to provide for future repair and replacement of Authority assets.

There are several Projects to be considered:

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|--|-----------|
| 1. Transfer Station Floor resurfacing | \$599,999 |
| 2. Entrance Road repair and resurfacing | \$250,000 |
| 3. American Canyon Sanitary Landfill levee elevation | \$100,000 |
| 4. American Canyon Sanitary Landfill
electrification of environmental systems | \$120,000 |

At this time I am only recommending that we proceed with the landfill electrification since it will reduce costs by eliminating generators and fuel costs.

Pending today's discussion and direction from the Board, staff anticipates returning to the Board on June 4, 2009 with a Final Budget for adoption.

SUPPORTING DOCUMENTS

- A . Scenarios A B C
- B . Budget Detail
- C . Budget Requirements from JPA
- D . Budget Requirements from ByLaws

Manager: Approve
Reviewed By: Martha Burdick