NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY

Agenda Date: 4/6/2006
Agenda Placement: 6A
Continued From: 3/2/2006 regular meeting

Napa-Vallejo Waste Management Authority
Board Agenda Letter

TO:	Board of Directors
FROM:	Jill Pahl for Trent Cave - Manager Napa-Vallejo Waste Management Authority
REPORT BY:	Belinda Yamate, Secretary, 253-4471
SUBJECT:	Rates

RECOMMENDATION

RATES
DISCUSSION AND POSSIBLE ACTION ITEM: Manager to discuss the proposed disposal rate options for the next fiscal year in order to prepare the proposed 2006/2007 budget to be submitted for approval in May.

EXECUTIVE SUMMARY

The 2006-07 Fiscal Year is the most difficult budget year since the opening of Devlin Road Transfer Station. After years of utilizing surplus cash and reserves to stabilize the rates, cash reserves and surpluses have diminished to nominal levels. In addition several capitol improvement projects completions have been delayed resulting in expenses without corresponding revenues. The Authority is in the final year an operations and disposal contract and is the process of negotiating or biding a new contract.

The remaining significant potential cash source is the Oat Hill Quarry. Potential values have been estimated between 5 and 20 million dollars and the Authority has retained the services of a qualified appraiser to determine a more precise value. The Authority is in the process of expanding the Devlin Road Transfer Station with funds from the sale of the Quarry. This expansion will provide for diversion of C&D materials from landfill disposal. The Board has also expressed interest in budgeting a reserve to plan for fiscal uncertainties. The background lists additional revenues and expenses.

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

In addition to normal operating revenues, the Authority should receive addition revenues from the addition sources:

Microturbine Grant	$	240,500
CAC MT Payback	$	269,500
ACSL Closure Fund Contingency	$	666,500
ACSL Closure Fund Surplus	$	81,500
Operator Liability Fund	$	1,021,000
Oat Hill Quarry*	$	5,040,000

*assumes a value equal to the estimated cost of the expansion of DRST

Total Additional Revenues $ 7,318,870.

The remaining cost associated with the above capitol projects are:

Remaining MT Expenses	$	(300,000)
Remaining Closure Expenses	$	(100,000)
DRTS Expansion	$	(5,040,000)

Total Remaining Capitol Expenses $ (5,440,000).

The total amount of additional revenues available to the Authority:

Total Additional Revenues $ 1,878,870

The attached Table shows the following scenerios:

1. If all the addition revenues were utilized in FY 06-07 no rate increase would be necessary. All addition revenues would be utilized and no reserve would be available (see Table 1 Scenario 1).
2. If a reserve equal to half on one month's operation expense was established an increase of $1 per ton would be required. Approximately $1,254,000 of the additional revenues would be required for rate stabilization (Table1 Scenario 2).
3. If a reserve equal to one month's operation expense was established an increase of $2 per ton would be required. Approximately $629,000 of the additional revenues would be required for rate stabilization (Table1 Scenario 3).

There are several unknowns that could significantly change the Authority financial position. First it is likely that the

Oat Hill Quarry has more value that estimated. The appraiser has indicated that a low value maybe closer to 7 million dollars than the current estimate of 5 million dollars. However timing of the quarry sale is an important consideration. Also negotiations could lead to a significant reduction in operating expenses. Again timing is important and it is not know weather a reduction would have an effect in FY 06-07. Therefore I would recommend that the Board consider Scenario 3 raising the rate by $2 per ton July 1, 2006 and develop their FY 06-07 budget based on that assumption. Should information develop prior to July 1, 2006, the Board could consider an adjustment to the proposed rate increase.

SUPPORTING DOCUMENTS

A . Table 1-Rates

Manager: Approve

Reviewed By: Jill Pahl