



**NAPA-VALLEJO WASTE  
MANAGEMENT AUTHORITY**

Agenda Date: 5/5/2011

Agenda Placement: 7C

## 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:** Study Session - Draft 2011-2012 Fiscal Year Budget

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### **RECOMMENDATION**

#### **STUDY SESSION - DRAFT FISCAL YEAR 2011/12 BUDGET**

DISCUSSION AND POSSIBLE ACTION ON THE FOLLOWING: Revenue and expenditure projections and draft FY 2011/12 Budget.

### **EXECUTIVE SUMMARY**

The Authority has experienced operating cost increases since the last rate increase in 2009. In addition, waste volume has decreased due to the lagging economy, resulting in reduced revenue from tipping fees. In recent years, the Budget has been balanced by making assumptions about revenue that have not, thus far, been realized, and by deferring needed maintenance at the Devlin Road Transfer Station.

Staff will discuss implications of a proposed rate increase.

### **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 2011/2012
Is it Mandatory or Discretionary?	Discretionary

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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:	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**

The Authority's 2010/11 budget was based on an assumed waste flow to the Devlin Road Transfer Station (DRTS) of 180,000 tons per year, and projections of additional revenues of \$150,000 from a solar ground lease at American Canyon Landfill (ACLF). It was also anticipated that fuel surcharges would not impact hauling fees to the disposal site during the fiscal year. Unfortunately, waste tonnage to DRTS has been lower than projected, and income from a solar ground lease has not yet been secured. In addition, fuel price increases will add about 5% to 10% to transportation costs this fiscal year. Contra Costa County has also imposed a \$1.00 per ton road maintenance fee at the Keller Canyon disposal site, which is contractually added to the fee for MSW disposal paid by the Authority.

During the first 8 months of this fiscal year, waste has been coming to DRTS at an average rate of approximately 169,000 tons per year, or about six percent below last year's budget assumptions. As waste volumes decrease, the Authority's operating cost per ton increases due to the impact of fixed costs, which do not change with waste flow. A positive cash balance has been maintained this year due to delays in expenditures for major rehabilitation work at DRTS. Further deferral of needed maintenance will result in increased costs in the long run, and possible failure of critical infrastructure.

The draft budget projection presented at the April meeting indicated that, without additional revenue, and without deferring much-needed repair work at DRTS, the Authority will not meet the required debt coverage ratio on its outstanding bonds. At tonnages lower than 170,000 tons per year, or if additional solar lease revenue is not realized, there is a possibility of running negative cash balances in FY 12/13 and 13/14.

At the April meeting the Board indicated its preference to maintain the minimum debt coverage ratio of 1.25. Staff recommended that the Board consider a 1.5% rate increase each year for the next three years in order to meet the debt coverage ratio objectives and begin critical infrastructure rehabilitation work. Staff will present additional information for discussion by the Board.

### **SUPPORTING DOCUMENTS**

None

Executive Director: Approve  
Reviewed By: Martha Burdick