



**NAPA-VALLEJO WASTE  
MANAGEMENT AUTHORITY**

Agenda Date: 6/2/2011

Agenda Placement: 7B

## Napa-Vallejo Waste Management Authority Board Agenda Letter

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**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:** Public Hearing Recommended 2011-2012 Fiscal Year Budget

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### **RECOMMENDATION**

#### **9:00 A.M. PUBLIC HEARING - RECOMMENDED FISCAL YEAR 2011/12 BUDGET**

REQUESTED ACTION: Approval of Authority Resolution #2011-07 adopting the Final Fiscal Year 2011/2012 recommended Operations, Capital Improvement, and Debt Service budgets. (weighted vote required.)

### **EXECUTIVE SUMMARY**

Following budget discussions at the Authority April 7, and May 5, 2011 meetings, the Executive Director and Auditor Controller are submitting for adoption a proposed budget for FY 2011/12 that recommends increasing disposal fees at the Devlin Road Transfer Station in order to meet the Authority's debt coverage commitments on its bonds and secure funds for rehabilitation work at the transfer station. This item has been advertised and noticed for a public hearing. At the conclusion of the Public Hearing, adoption of Resolution No. 2011-07 is requested.

### **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
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 10 months of this fiscal year, waste has been received at 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 May 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 (budgeted at \$300,000 for FY 2011/12) 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; a goal that will require increased revenues. At the May meeting, staff discussed rate increase options that would allow the debt coverage ratio to be met and provide funds for critical infrastructure rehabilitation work. Rate increase options will be presented to the Board for discussion and action as a separate agenda item.

With the exception of increased costs for transfer station operation and disposal, for which the Authority is contractually obligated, only minor adjustments to 2010/11 budgeted expenses have been anticipated. Some items which were anticipated in 2010/11 but have been delayed have been re-budgeted for 2011/12.

Adoption of Resolution 2011-07, which sets forth the final financing requirements, for the Operating, Capital

Improvement Program and Debt Service budgets for Fiscal Year 2011/2012, is requested as follows:

<b>Fund 2080/40800</b>	<b>Authority Operations &amp; Maintenance</b>	<b>\$10,439,975</b>
<b>Fund 2080/16500</b>	<b>Authority Capital Improvement</b>	<b>\$ 275,000</b>
<b>Fund 2080/18000</b>	<b>Authority Debt Service</b>	<b>\$ 1,194,100</b>

#### PROCEDURAL REQUIREMENTS

1. Open Public Hearing
2. Staff report
3. Public Comment
3. Close Public Hearing
4. Motion, second, discussion and vote on item

#### **SUPPORTING DOCUMENTS**

- A . Resolution 2011-07
- B . Option A - \$1 per year
- C . Option B - \$2 per year
- D . Option C - \$2 in 2011
- E . Option D - \$2 in 2011 + \$1 per year
- F . No Rate Increase

Executive Director: Approve  
Reviewed By: Martha Burdick