



**NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY**

Agenda Date: 6/4/2020

Agenda Placement: 8A

Napa-Vallejo Waste Management Authority Board Agenda Letter

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: Public Hearing Recommended 2020-2021 Fiscal Year Budget

RECOMMENDATION

9:00 A.M. PUBLIC HEARING - RECOMMENDED FISCAL YEAR 2020-2021 BUDGET

REQUESTED ACTION: Discussion and possible action on the following related to the Proposed Budgets for Fiscal Year 2020/2021:

1. City of Napa request for rate increase deferral for FY 2020/2021; and
2. Approval of Recommended Budget for FY 2020/2021; and
3. Adoption of Resolution No. 2021-01 adopting the final recommended Operations and Capital Improvement Budgets for Fiscal Year 2020-2021 (weighted vote required).

EXECUTIVE SUMMARY

The Executive Director and Auditor Controller are submitting for adoption a proposed budget for FY 2020-2021. This item has been advertised and noticed for a public hearing. At the conclusion of the Public Hearing, adoption of Resolution No. 2020-01 is requested.

PROCEDURAL REQUIREMENTS

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

FISCAL & STRATEGIC PLAN 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 2020-2021. Adoption of a budget is required to continue operations of the Authority in the coming fiscal year.
Is it Mandatory or Discretionary?	Mandatory
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.
County Strategic Plan pillar addressed:	
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**FY 19-20****Operating Budget**

The Authority's FY19-20 budget was based on an assumed waste flow to the Devlin Road Transfer Station (DRTS) of 240,000 tons per year. Actual tonnage to date has been higher than budgeted, and is expected to be between 245,000 and 250,000 tons by the end of the fiscal year. Increases in incoming tonnage produced corresponding increases in both revenue and operating expenses. Overall impacts on Authority finances were not significant.

Total revenue for the fiscal year is expected to be approximately \$18.7 million, almost entirely from customer fees collected at the transfer station. The budget included one time income of approximately \$1.1 million from anticipated sale of a small parcel of land to the City of Napa for expansion of their Materials Diversion Facility on Devlin Road. That sale has been postponed indefinitely due to the financial impact of the COVID-19 virus on City finances.

Capital Budget

The capital budget for FY19-20 included \$325,000 for additional planning and environmental work for the proposed upgrades to C&D facility at the transfer station. Costs were significantly lower than anticipated and

expenses are projected to be about \$70,000.

The standby generator project at the landfill was completed early this fiscal year, and expenses were about \$20,000 lower than budgeted.

Design work on the Outbound Scale project has been completed and expenditures of \$75,000 equal the amount budgeted.

Net Revenue and Reserves

Net revenue, which was budgeted at \$3.9 million for the year, will be about \$3.3 million, which reflects the failure to complete the land sale with the City of Napa. End of year cash reserves, budgeted at \$16.1 million, are expected to be about \$15.6 million, again because of the absence of income from the property transaction with the City.

FY 20-21

Operating Budget

The proposed Operating budget is based on a projected waste flow of 240,000 tons to the DRTS and total anticipated revenue of about \$18.5 million. Transfer Station Operation (\$7.4 million) and Disposal (\$5.9 million) budgets reflect inflationary increases in contracted unit costs for services from Authority service providers.

Revenue projections for FY 20-21 are based on the previously approved rate increase of \$1.00 per ton for both franchise and non-franchise waste, as well as the \$1.00 increase in the minimum load charge. These rates will go into effect on July 1, 2020 for non-franchise and minimum loads, and on October 1, 2020 for franchise loads. After the rate adjustments, rates will be \$70 per ton for franchise haulers, \$74 per ton for non-franchise waste, and \$40 for minimum loads. We are forecasting a net income from Operations of \$3.6 million, and a year end cash balance of \$17.4 million.

Capital Budget

The Capital Budget includes additional work on design and permitting review for proposed upgrades to the C&D processing facility at the transfer station, and well as completion of the Outbound Scale project.

Reserves

The Authority Board adopted Operating Reserve and Capital Replacement Reserve policies in 2011 and updated the Operating Reserve Policy in 2017. The Capital Reserve policy was updated in 2015 and 2019.

Operating Reserve

The Authority's Operating Reserve Policy requires maintaining an operating reserve no less than 1/6 of annual operating expenses and no more than 1/3 of annual expenses. The recommended Operating Reserve allocation of \$2.5 million is consistent with this policy.

Capital Replacement Reserve

The Capital Replacement Reserve establishes a minimum reserve of \$1.0 million and a maximum of \$20.0 million, provided surplus funds are available after funding the Operating Reserve. The recommended allocation to the Capital Reserve for FY 20-21 is \$14.9 million.

Recommendation

1. Adopt Resolution No. 2021-01 which sets forth the financing requirements for the Operating and Capital Improvement Programs for Fiscal Year 2020/2021, as follows:

Fund 8100 81000 - Operations

\$14,975,495

Fund 8100 81010 - Capital Improvement

\$1,745,000

The Board's decision on whether or not to grant a rate increase deferral for FY 20-21 will only impact income and reserve balances, not the proposed Operations and Capital Improvement budgets.

SUPPORTING DOCUMENTS

- A . City of Napa Letter
- B . Staff Memo Re City Request
- C . DRAFT BUDGET FY 20-21
- D . DRAFT BUDGET DETAIL
- E . ALTERNATE DRAFT BUDGET FY 20-21
- F . RESOLUTION 2021-01

Executive Director: Approve
Reviewed By: Martha Burdick