



**NAPA-VALLEJO WASTE
MANAGEMENT AUTHORITY**

Agenda Date: 6/6/2013

Agenda Placement: 7B

Napa-Vallejo Waste Management Authority Board Agenda Letter

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 2013-2014 Fiscal Year Budget

RECOMMENDATION

9:00 A.M. PUBLIC HEARING - RECOMMENDED FISCAL YEAR 2013-2014 BUDGET

REQUESTED ACTION: Approval of Authority Resolution #2014-03 adopting the Final Fiscal Year 2013-2014 recommended Operations and Capital Improvement budgets. (weighted vote required.)

EXECUTIVE SUMMARY

Following budget discussions at the Authority April 4, and May 2, 2013 meetings, the Executive Director and Auditor Controller are submitting for adoption a proposed budget for FY 2013/14. This item has been advertised and noticed for a public hearing. At the conclusion of the Public Hearing, adoption of Resolution No. 2014-03 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 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 2013/2014
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.
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 2012/13 budget was based on an assumed waste flow to the Devlin Road Transfer Station (DRTS) of 172,000 tons per year, and projections of additional revenue of \$375,000 from the solar ground lease at American Canyon Sanitary Landfill (ACSL). Waste tonnage to DRTS has been slightly higher than projected, and may exceed 173,000 tons by the end of the fiscal year. Unfortunately, the solar lease failed to provide the anticipated revenue, and the lease agreement was terminated in November 2012. Prospects for a new, financially advantageous, solar project at the landfill do not appear positive at this time.

The increase in waste flow to DRTS has been helpful to the overall financial picture. As waste volumes increase, the Authority's operating costs per ton decrease due to the impact of fixed costs, which do not change with waste flow. Although revenue from the solar lease agreement was not received as anticipated, a positive year end cash flow of about \$250,000 is projected, primarily due to delays in expenditures for major rehabilitation work at DRTS. Both the Transfer Station floor replacement and road rehabilitation projects are currently in design, and will be ready to bid in FY 13/14.

In December 2012, the Board authorized early redemption of the Authority's outstanding revenue bonds, producing a savings of about \$50,000. The Authority is now debt free for the first time in nearly 20 years. The recommended budget anticipates covering operating and capital costs without the need for debt financing in the foreseeable future.

The Proposed Budget for FY 13/14 includes 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, 2013 for non-franchise and minimum loads, and on October 1, 2013 for franchise loads. It is expected that these small annual increases will continue to be necessary until FY 17/18, by which time the Authority will have built up its reserves to meet the Board-adopted Capital and Operating Reserve Policies, and a leveling of rates could be possible.

The Proposed Budget is based on a projected flow of 174,000 tons of waste to the DRTS. It anticipates minor inflationary increases in operating costs in most expenditure categories. A major exception will be the impacts of

the new contract for landfill disposal services that will, if approved by the Board, go into effect January 1, 2014. Although the new contract will only impact the second half of the fiscal year, budgeted disposal costs will decrease by about \$270,000, and budgeted transportation costs (a component of the DRTS operating contract) will decrease by about \$170,000 compared to the FY 12/13 Budget.

The recommended budget includes a new capital project at the ACSL to design and install two additional leachate collection tanks. These tanks hold leachate from the landfill for treatment and storage prior to disposal. The current tank volume has been inadequate for a number of years, and the improvements will significantly improve operational flexibility. Recommended budget for this project is \$185,000, including engineering and construction.

If budget projections for FY 13/14 are realized, the Authority will increase its year end cash balance by about \$355,000. Compared to recent years, the financial position of the Authority appears to be improving. A recovering economy, elimination of debt and a new disposal contract have contributed to a more positive outlook for the future.

Adoption of Resolution No. 2014-03 which sets forth the financing requirements for the Operating and Capital Improvement Programs for Fiscal Year 2013/2014, is requested as follows:

Fund 8100 81000-00 - Operations
\$10,127,105

Fund 8100 81010-00 - Capital Improvement
\$1,348,103

SUPPORTING DOCUMENTS

- A . Draft FY 2013-14 Budget
- B . Draft FY 2013-14 Budget Detail
- C . Resolution 2014-03

Executive Director: Approve
Reviewed By: Martha Burdick