



**NAPA-VALLEJO WASTE  
MANAGEMENT AUTHORITY**

Agenda Date: 6/7/2018

Agenda Placement: 8A

## 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:** Public Hearing Recommended 2018-2019 Fiscal Year Budget

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### **RECOMMENDATION**

#### **9:00 A.M. PUBLIC HEARING - RECOMMENDED FISCAL YEAR 2018-2019 BUDGET**

REQUESTED ACTION: Approval of Resolution No. 2019-01 adopting the final recommended Operations and Capital Improvement Budgets for Fiscal Year 2018-2019 (weighted vote required).

### **EXECUTIVE SUMMARY**

Following budget discussions at the Authority April 5, and May 3, 2018 meetings, the Executive Director and Auditor Controller are submitting for adoption a proposed budget for FY 2018-2019. This item has been advertised and noticed for a public hearing. At the conclusion of the Public Hearing, adoption of Resolution No. 2019-01 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 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 2018-2019. 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.
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 17-18**

The Authority's FY 17-18 budget is based on an assumed waste flow to the Devlin Road Transfer Station (DRTS) of 210,000 tons per year. Actual tonnage to date has been higher than budgeted due to the continuing health of the local economy. Increases in incoming tonnage produce increases in disposal expenses, but these are more than offset by increased revenues. As of this writing, it appears that total fiscal year incoming tonnage to the Transfer Station will be around 240,000 tons; the highest since 2008.

The DRTS Rehabilitation Phase 2 project, which included repaving, a new scale house and an additional scale, was completed during this fiscal year. A 15.5 acre parcel of vacant land adjoining the DRTS was purchased at a cost of \$5.6 million to create a buffer on the south side of the Transfer Station and to provide room for upgrading the facility's processing of construction and demolition waste.

The Authority also completed the installation of a 55 kW solar energy project to reduce power costs at the American Canyon Sanitary Landfill. The solar project will also provide experience needed to evaluate potential impacts of a larger commercial solar project on landfill operation and maintenance.

Although Operations is expected to generate net income of \$4.2 million, purchase of the additional property at DRTS produces a projected net deficit of \$1.75 million for the fiscal year. The original FY 17-18 budget anticipated a net deficit of \$5.9 million, so the Authority is on track to be in a much better year-end financial position than originally anticipated by the budget. Staff is projecting a year-end cash balance of about \$7.6 million; a decrease of \$1.75 million from the audited cash balance on June 30, 2017.

#### **FY 18-19**

The revenue projections for FY 18-19 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, 2018 for non-franchise and minimum loads, and on October 1, 2018 for franchise loads. After the rate adjustments, rates for franchise haulers will be \$68 per ton, \$72 per ton for non-franchise waste, and \$39 for minimum loads.

The revenue forecast also anticipates income of \$1.1 million from the sale of approximately 4.0 acres of DRTS property to the City of Napa for purposes of upgrading their Materials Diversion Facility.

The budget is based on a projected waste flow of 245,000 tons to the DRTS and total anticipated revenue of about \$19.1 million. Transfer Station Operation (\$7.0 million) and Disposal (\$5.7 million) budgets reflect continuing high tonnage and minor inflationary increases in contracted unit costs for services from Authority service providers.

The Capital budget projects completion of the feasibility study for DRTS Phase 3 (covering or enclosing the C&D processing area) and possible start of design and construction on that project. We are forecasting a net income from Operations of \$4.8 million and a year end cash balance of approximately \$10.1 million.

### **Operating and Capital Reserves**

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

#### **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 Policy is reflected in the recommended Operating Reserve allocation of \$3.6 million.

#### **Capital Replacement Reserve**

The Capital Replacement Reserve establishes a minimum reserve of \$1.0 million and a maximum of \$7.0 million, provided surplus funds are available after funding the Operating Reserve. The recommended allocation to the Capital Reserve for FY 18-19 is \$6.6 million.

### **Recommendation**

Adoption of Resolution No. 2019-01 which sets forth the financing requirements for the Operating and Capital Improvement Programs for Fiscal Year 2018/19, is requested as follows:

Fund 8100 81000 - Operations  
\$14,336,900

Fund 8100 81010 - Capital Improvement  
\$2,205,000

### **SUPPORTING DOCUMENTS**

- A . DRAFT NVWMA 2018-19 BUDGET
- B . 2018-19 REVENUE AND EXPENSE CHARTS
- C . RESOLUTION 2019-01

Executive Director: Approve  
Reviewed By: Martha Burdick