NAPA-VALLEJO WASTE MANAGEMENT AUTHORITY

Agenda Date: 4/7/2011
Agenda Placement: 7D

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:	Study Session - Draft 2011-2012 Fiscal Year Budget

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 the attached revenue and expenditure projections.

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 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 attached draft budget projection is based on 170,000 tons per year. It indicates that, without addtional revenue, and without deferring much-needed repair work at DRTS, the Authority will not meet the required 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.

If the Board is willing to accept lower debt coverage ratios, and solar lease revenue is realized, there should be no need to consider rate increases at this time. If, however, the Board desires to maintain a debt coverage ratio of 1.25, or if the Board anticipates that solar lease revenue will not be realized, consideration should be given to implementing a temporary, short-term (three year) series of moderate rate increases in order to offset increased costs and insure that critical maintenance needs are met. When debt service requirements end in 2013/14, the rate structure can be re-assessed to determine whether a reduction in fees is appropriate at that time.

SUPPORTING DOCUMENTS

A . DRAFT NVWMA FY 11-12 Budget

B . Revenue and Expense Charts

Executive Director: Approve

Reviewed By: Martha Burdick