



**NAPA-VALLEJO WASTE  
MANAGEMENT AUTHORITY**

Agenda Date: 6/6/2019

Agenda Placement: 8B

## **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 2019-2020 Fiscal Year Budget

---

### **RECOMMENDATION**

#### **9:00 A.M. PUBLIC HEARING - RECOMMENDED FISCAL YEAR 2019-2020 BUDGET**

REQUESTED ACTION: Discussion and approval to adopt the following related to the Recommended Budget for Fiscal Year 2019-2020 :

1. Resolution No. 2020-01 accepting the recommended Operations and Capital Improvement Budgets for Fiscal Year 2019-2020 (weighted vote required); and
2. Revisions to the Capital Replacement Reserve Policy.

### **EXECUTIVE SUMMARY**

Following budget discussions at the Authority April 4, and May 2, 2019 meetings, the Executive Director and Auditor Controller are submitting for adoption a proposed budget for FY 2019-2020. 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 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 2019-2020. 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 18-19****Operating Budget**

The Authority's FY18-19 budget was based on an assumed waste flow to the Devlin Road Transfer Station (DRTS) of 245,000 tons per year. Actual tonnage to date has been slightly lower than budgeted, and is expected to be between 240,000 and 245,000 tons by the end of the fiscal year. Minor changes in incoming tonnage produced offsetting changes in both revenue and operating expenses, with relatively minor overall impacts on Authority finances.

Total revenue for the fiscal year is expected to be approximately \$18.1 million, mostly 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 transaction has been delayed and is not expected to take place until FY19-20. Projected interest income of approximately \$160,000 is higher than expected due to higher cash reserves and improving rates of return on investments.

Overall operating expenses are expected to be about \$14 million for the year, which is slightly lower than budgeted. This can be attributed to lower than expected operating expenses at the Landfill and the Household Hazardous Waste Collection Facility, as well as lower expenditures for insurance and legal fees.

**Capital Budget**

The capital budget for FY18-19 included significant expenditures for an updated C&D facility at the transfer station, including \$1.7 million for construction activities. Due to the size and complexity of the project, overall progress has been slower than anticipated and expenditures are expected to be no more than about \$150,000.

The leachate improvement project at the landfill was completed during this fiscal year, and expenses were about \$30,000 lower than budgeted.

Bids have been received for the Standby Generator Project at the landfill, and a recommendation has been placed on the June agenda for Board action.

### Net Revenue and Reserves

Net revenue, which was budgeted at \$2.6 million for the year, will be about \$3.8 million, primarily due to delays in capital projects and savings in operating costs. End of year cash reserves, budgeted at \$10.7 million, are expected to be about \$11.8 million.

### FY 19-20

#### 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 \$19.3 million. Transfer Station Operation (\$7.0 million) and Disposal (\$5.8 million) budgets reflect stable incoming tonnage and inflationary increases in contracted unit costs for services from Authority service providers.

Revenue projections for FY 19-20 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, 2019 for non-franchise and minimum loads, and on October 1, 2019 for franchise loads. After the rate adjustments, rates for will be \$69 per ton for franchise haulers, \$73 per ton for non-franchise waste, and \$40 for minimum loads. The revenue forecast includes additional income of \$1.1 million from the anticipated sale of approximately 4.0 acres of DRTS property to the City of Napa for purposes of upgrading their Materials Diversion Facility. We are forecasting a net income from Operations of \$4.9 million, and a year end cash balance of \$16.1 million.

#### Capital Budget

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

### 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 recommended Operating Reserve allocation

of \$2.4 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 \$7.0 million, provided surplus funds are available after funding the Operating Reserve. In view of the need to accumulate funds for construction of the C&D processing upgrades, staff is recommending amending the Capital Replacement Reserve Policy to increase the upper limit to \$20 million. A copy of the policy showing proposed amendments is attached. The recommended allocation to the Capital Reserve for FY 19-20 is \$13.7 million.

### Recommendation

1. Adopt Resolution No. 2020-01 which sets forth the financing requirements for the Operating and Capital Improvement Programs for Fiscal Year 2019/2020, as follows:

Fund 8100 81000 - Operations  
**\$14,403,489**

Fund 8100 81010 - Capital Improvement  
**\$630,000**

2. Adopt revisions to the Capital Replacement Reserve Policy.

### SUPPORTING DOCUMENTS

- A . Proposed FY 19-20 Budget
- B . Revenue and Expense Charts
- C . Resolution 2020-01
- D . Recommended Revisions to Capital Reserve Policy

Executive Director: Approve

Reviewed By: Martha Burdick