



Legislation Text

File #: 23-0847, Version: 1

**TO:** Napa-Vallejo Waste Management Authority Board of Directors

**FROM:** Chris Celsi, Executive Director

**REPORT BY:** Chris Celsi, Executive Director

**SUBJECT:** Public Hearing Recommended 2023-2024 Fiscal Year Budget

**RECOMMENDATION**

**10:00 A.M. PUBLIC HEARING - RECOMMENDED FISCAL YEAR 2023-2024 BUDGET**

1. Approval of Recommended Budget for FY 2023-2024; and
2. Adoption of Resolution No. 2024-01 adopting the final recommended Operations and Capital Improvement Budgets for Fiscal Year 2023/2024 (weighted vote required)

**EXECUTIVE SUMMARY**

The Executive Director and Auditor-Controller are submitting for adoption a proposed budget for FY 2023-2024. This item has been advertised and noticed for a public hearing. At the conclusion of the Public Hearing, approval of the Budget and adoption of Resolution No. 2024-01 are requested.

**PROCEDURAL REQUIREMENTS**

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

**FISCAL & STRATEGIC PLAN IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
Where is it budgeted?	This is the proposed operating budget for Fiscal Year 2023/2024. 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 cannot be made.

### **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 22-23**

##### **Operating Budget**

The Authority's FY 22-23 budget was based on an assumed waste flow to the Devlin Road Transfer Station (DRTS) of 270,000 tons per year. Actual tonnage to date has been lower than budgeted and is expected to be close to 263,000 tons by the end of the fiscal year. Increases/decreases in incoming tonnage produce corresponding increases/decreases in both revenue and operating expenses. We should meet expectations if \$2.9 million net from Operations.

Total revenue for the fiscal year is expected to be approximately \$20.7 million, which is approximately \$800,000 less than originally estimated. This is due to about 7,000 less incoming tonnage. However, with less tonnage also means our expenses will not be as high.

##### **Capital Budget**

The capital budget for FY 22-23 also included funds for additional predesign and permitting work for the proposed upgrades to C&D facility at the transfer station, and for making improvements to the ACSL Leachate Line. The ACSL Leachate Line is scheduled to be completed in Fiscal Year 23-24. Costs for both projects were less primarily due to unavoidable delays related to Covid-19 and the transition of the new Executive Director.

##### **Net Revenue and Reserves**

Net revenue, which was budgeted at \$2.9 million will likely be met even though incoming tonnage decreased, which also lowers budgeted Transfer Station and Disposal costs. End of year cash reserves, budgeted at \$22.8 million are expected to be about \$23.4 million.

#### **FY 23-24**

##### **Operating Budget**

The proposed Operating budget of \$20.1 million is based on a projected waste flow of 263,000 tons to the DRTS and total anticipated revenue of about \$21.9 million. Transfer Station Operation (\$10.7 million) and Disposal (\$7.1 million) budgets reflect inflationary increases in contracted unit costs for services from Authority service providers.

Revenue projections for FY 23-24 are based on the previously approved rate increase of \$1.00 per ton for both franchise and non-franchise waste customers. These rates will go into effect on July 1, 2023 for non-franchise customers, and on October 1, 2023 for franchise customers. After the rate adjustments, rates will be \$72 per ton for franchise haulers, \$76 per ton for non-franchise waste, and \$43 for minimum loads. We are forecasting \$1.8 million from net from Operations, and a year-end cash balance of \$23.1 million which is about \$300,000 less than year-end 22-23,

### **Capital Budget**

The \$2.2 million Capital Budget includes work on the final design of the proposed C&D processing facility at the transfer station, and improvements to the leachate disposal line for the landfill. However, considering an initial cost proposal of \$41 million to construct the C&D facility, we may consider delaying the construction one to two years based on additional cost estimates, resulting in better costing estimates. We are reviewing our current requirements to determine if cost savings can be attained.

### **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 \$3.35 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 23-24 is \$19.7 million.

### **Recommendation**

1. Approve the Recommended FY 23-24 Budget.
2. Adopt Resolution No. 2024-01 which sets forth the financing requirements for the Operating and Capital Improvement Programs for Fiscal Year 2023-2024, as follows:

Fund 8100 81000 - Operations

\$20,075,585

Fund 8100 81010 - Capital Improvement

\$2,180,000