



recyclemore
WEST CONTRA COSTA INTEGRATED
WASTE MANAGEMENT AUTHORITY

Addendum to Agenda Report

Date: November 5, 2018
To: West Contra Costa Integrated Waste Management Authority Board
From: Stan Hakes, Executive Director
Subject: Additional Information and Clarification of Reserve Levels and Amount of Reserves
 Disbursement

BACKGROUND

On June 14, 2018, the Board adopted Resolution 18-02. Resolution 18-02 sets an Operating Fund Reserves policy and a Recycling Fund Reserves policy, including a target level of Operating Reserves at 67% of annual budget revenues, and a target level of \$662,000 in Recycling Fund reserves. Resolution 18-02 also designates a process to address reserve fund shortfalls and excess reserve funds.

At the October 18, 2018 Board meeting, the Board directed staff to provide a report that would allow the Board to consider disbursement of reserves beyond the target amounts designated in Resolution 18-02. Director Romero provided significant input and made the initial recommendation to direct staff to place disbursement of reserves on the November Board meeting agenda, and other Directors agreed.

The Board Chair, Legal Counsel and the Executive Director met via conference call on October 30 to discuss the November 2018 Board meeting agenda. During that meeting, it was decided the Board agenda item to disburse funds would recommend disbursing the full amount of reserves above the reserves target level (\$1.15 M), which is consistent with the provisions of Resolution 18-02. Today (Monday November 5, 2018) staff spoke to both Chair Choi and Director Romero about Board direction on this issue. This memo is intended to update the Board with additional information, clarification and to note potential alternative Board reserve disbursement actions, as staff discussed with Chair Choi and Director Romero earlier today.

CLARIFICATION AND ADDITIONAL INFORMATION ON RESERVES ABOVE TARGET LEVEL

Agenda Item 8.2 (Workshop - Calendar Year 2019 Post-Collection Rates) of the October 18, 2018 Board meeting included a calculation of Recycling Fund Reserves. The following information in the Agenda Item was (and remains) correct:

Potential Disbursement of Recycling Fund Reserves	\$300,000
Recycling Fund Reserve above Target (after minus \$300K)	\$188,846
Potential El Cerrito Disbursement	<u>\$ 24,000</u>
 Subtotal	 \$512,846

Based on the information noted above, Director Romero understood there was slightly more than \$500,000 in reserves above the target level. Director Romero has communicated to staff it was his intention to direct staff to disburse about \$500,000 in reserves at the November Board meeting.

The reserves calculation in Agenda Item 8.2 also included a math error of \$550,000 (made by staff). In addition to this math error, staff correctly noted the Operating Reserves has about \$100,000 above the target level. The math error was corrected in November 8, 2018 Board meeting agenda report on disbursement of funds, and staff also included the Operating Reserve funds above the target level. With these adjustments, there is a combined \$1.15 M (approximately) in funds above the target level of both reserves. This was the calculation provided to Chair Choi and Legal Counsel when the Board agenda report was prepared by staff.

As noted later in this memo, the Board has a number of alternatives available on how to address the reserves disbursement issue.

INFORMATION ON PERS UAL / OPEB FUNDING AND EFFECT ON RESERVES

The Board adopted the FY 2018-19 Budget on June 14, 2018. The adopted FY 18-19 Budget includes an estimated \$1,365,528 in Operating Reserves, and \$2,360,327 in estimated Recycling Reserves. At the June 14, 2018 Board meeting, the Board decided not to appropriate \$550,000 in funds that were previously designated by the Board to address the Cal PERS Unfunded Accrued Liability (UAL) and Other Post- Employment Benefits (OPEB).

The Board also approved an Operating Fund and Recycling Fund reserves policy (Resolution 18-02) at the June 14, 2018 meeting. The old policy (Resolution 06-02) set an Operating Reserves level of \$1M. The new policy under Resolution 18-02 sets an Operating Fund Reserve level of 67% of annual budget revenues (currently estimated at \$683,500), and a Recycling Fund Reserve of \$662,000.

At the October 20, 2018 Board meeting, the Board approved appropriating \$227,957 from Operating Fund Reserves to provide funding to make a payment to CalPERS to reduce RecycleMore's UAL. After making this appropriation, Operating Fund Reserves decreased to \$1,137,571. After taking into account another \$322,043 designated for Cal PERS UAL and /or OPEB purposes, Operating Fund reserves could be reduced to an estimated \$815,528.

The FY 18-19 Budget adoption, approval of a new reserves policy and funding for the Cal PERS UAL are all connected in terms of reporting on level of reserves. Staff has made our best effort to keep the Board informed on each of these issues, and how each issues is connected to reserves.

In discussions today with Chair Choi and Director Romero, it was noted Recycling Fund reserves could have been appropriated to fund the Cal PERS UAL payment, and Recycling Fund reserves could be appropriated to address Cal PERS UAL and /or OPEB issues in the future. If Recycling Fund reserves were used to fund the Cal PERS UAL and OPEB, there would be additional funds in the Operating Reserves. Director Romero has communicated to staff it was his understanding there were sufficient Operating Reserve funds to disburse \$500,000 in these reserves, while still providing funding for CalPERS-OPEB and staying above the Resolution 18-02 Operating Reserves target level. He also told staff it was not his intent to direct staff to disburse Recycling Fund reserves, as he believes these funds are needed for future projects.

POTENTIAL BOARD ALTERNATIVE RESERVES DISBURSEMENT ACTIONS

At the November 8 Board meeting, the Board can take action to disburse \$500,000 (as recommended by Director Romero), disburse \$1.15 M (as noted on the staff report), make no disbursement or take an action to disburse a different amount of funds (less than \$1.15 M). Staff has consulted with Legal Counsel, and any of the actions would comply with the Brown Act. It should be noted that RecycleMore would continue to have reserve funds above the Resolution 18-02 target levels for any of the disbursement actions noted in this paragraph.

Submitted by:

A handwritten signature in blue ink that reads "Stan Hakes". The signature is written in a cursive style with a large initial "S".

Stan Hakes
Executive Director