

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

Executive Director

Marva M. Sheehan, CPA
HF&H Consultants, LLC
201 North Civic Drive, Suite 230
Walnut Creek, CA 94596
Telephone • (925) 977-6961
Facsimile • (925) 977-6955
E-mail • msheehan@hfh-consultants.com

Member Agencies

City of Campbell
Town of Los Gatos
City of Monte Sereno
City of Saratoga

REGULAR MEETING AGENDA

February 2, 2017

Monte Sereno City Hall
18041 Saratoga-Los Gatos Road
Monte Sereno, CA 95030
5:00 p.m.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

ORAL COMMUNICATIONS FROM THE PUBLIC

WRITTEN COMMUNICATIONS

None

OLD BUSINESS

1. Consider a report on alternative uses for the funds received from West Valley Collection & Recycling, LLC (WVC&R) from the assessment of liquidated damages for fiscal year 2015-2016.

NEW BUSINESS

2. Elect Chairperson and Vice Chairperson for 2017.
3. Receive and file a report summarizing the key points and dates from the collection agreement with West Valley Collection & Recycling (WVC&R).
4. Accept a report summarizing the key points and dates from the disposal agreement with Guadalupe Landfill.

5. Consider a report on a request by Guadalupe Landfill to use the green waste collected in the Authority as ADC or Compost.
6. Receive and file a report on recent regulatory changes and program updates.

PUBLIC HEARINGS

None

CONSENT CALENDAR

7. Approve minutes of November 3, 2016 Regular Board Meeting
8. YTD Financial Reports
9. Receive and file the Audited Financial Statements with Report of Independent Certified Public Accountants as of and for the Fiscal Year Ending June 30, 2016 prepared by White Nelson Diehl Evans, LLP.

EXECUTIVE DIRECTOR REPORT

FUTURE AGENDA ITEMS

BOARD MEMBER REPORTS

ADJOURNMENT

Next Regular Meeting: May 4, 2017, 5:00 p.m.

ADDRESSING THE BOARD

Any person shall have the right to address the Board during consideration of any item on the Board's agenda or during the time for oral communication if not on the agenda but pertaining to subject matter within the jurisdiction of the Board. Any person wishing to address the Board should stand or raise the hand and wait to be recognized by the Chairperson. Please stand at the podium, if able, state your name and address for the record, and proceed to address the Board. All remarks and questions should be addressed to the Board through the Chairperson and not to any member thereof or to the public. No question should be asked a Board member or a member of Authority staff without first obtaining permission of the Chairperson.

WEST VALLEY
SOLID WASTE MANAGEMENT
AUTHORITY

AGENDA REPORT

Date: February 2, 2017
To: West Valley Solid Waste Management Authority Board
From: Executive Director
Subject: **Alternate Uses for Liquidated Damages**

RECOMMENDED ACTION

Consider a report on alternative uses for the funds received from West Valley Collection & Recycling, LLC (WVC&R) from the assessment of liquidated damages for fiscal year 2015-2016.

BACKGROUND

At the November 3, 2016 Board Members directed staff to investigate potential uses for the liquidated damages (LD's) assessed for fiscal year 2015-2016. The LD's of \$1,200 WVC&R represents taxpayer money and as a result needs to be applied in a manner that benefits of the residents within the Authority areas and relates the Authority's purpose.

DISCUSSION

At the last meeting we included the following groups as possible recipients of the funds related to local diversion programs:

- "Save the Food Campaign" – Santa Clara County
- "Food Too Good to Waste" - Bay Area Recycling Coalition

We also identified the Second Harvest Food Bank of Santa Clara County with a location on Curtner Avenue in San Jose. While serving food to those in need is a significant benefit to the community, this facility also accepts backyard produce for distribution. Residents of the Authority areas could take their excess fruit and vegetables to this site rather than into their green trims cart. This is a higher and better use for the material. We could promote this on our website.

Another similar organization is Village Harvest. It is a nonprofit volunteer organization which harvest fruit from backyards and small orchards to help people in need in the community. Their website is www.villageharvest.org.

They have two drop off locations in Los Gatos and they work with Second Harvest as well.

FISCAL IMPACT

None

DOCUMENTS ATTACHED

None



Marva M. Sheehan
Executive Director

WEST VALLEY
SOLID WASTE MANAGEMENT
AUTHORITY

AGENDA REPORT

Date: February 2, 2017
To: West Valley Solid Waste Management Authority Board
From: Executive Director
Subject: **Key Points and Dates from WVC&R Agreement**

RECOMMENDED ACTION

Accept report on the key points and dates from the collection agreement with West Valley Collection & Recycling, LLC (WVC&R) that was effective March 1, 2014.

DISCUSSION

COLLECTION AGREEMENT, as of March 1, 2014

- Company
 - West Valley Collection & Recycling, LLC (a joint venture between GreenWaste Recovery, Inc. and Waste Connections of California, Inc.)
- Term
 - 10 years, expiring February 28, 2024
- Scope of Services
 - Collection of all separate solid waste, recyclable materials and green waste generated in the Authority and placed by the generator for collection.
 - Transporting collected materials to the designated disposal site, designated green waste processing site, designated construction and demolition debris processing site, and recyclable materials processing site.
 - Processing and marketing recyclable materials collected in the Authority by WVC&R
 - Special Services
 - Holiday tree collection
 - City-directed cleanups

- Annual cleanups
 - Public education, including a company website
- Customer Rates
 - Set by the company
 - Adjusted annually by change in CPI (except for rate year 16 where rates will be based on actual costs) effective July 1st of each year
 - Include Agency fees (vary by Agency)
 - Franchise fees
 - HHW collection fees
 - Street sweeping fees
 - Vehicle impact fees
 - JPA administrative fees
- Contract Terms
 - A ten year term ending February 28, 2024.
 - Expanded recyclable materials collected curbside (various metals, certain e-waste materials, fibers, plastic, and glass).
 - Added a second recycling coordinator for two years in order to increase outreach to schools and commercial customers.
 - Replaced existing collection vehicles with compressed natural gas vehicles in order to reduce greenhouse gas and particulate emissions.
 - Added specific provisions related to driver training and reporting of litter in order to comply with stormwater discharge permit (zero litter) requirements.
 - Added process to ensure WVC&R addresses chronic customer complaints in order to facilitate the resolution of such complaints.
 - Added a floor and cap to annual rate adjustments related to collection services (1.5% and 5% respectively) in order to provide rate stability.
 - Contractor pays Authority \$450,000 annually (\$4,500,000 over the term of the agreement) for uses such as but not limited to: 1) rate stabilization; 2) additional services desired by the Member agencies, their residents and businesses; and, 3) implementation of programs to comply with future regulatory changes.
- Contract Issues
 - Construction and Demolition Debris
 - Collection is part of WVC&R exclusive franchise agreement
 - Small, local haulers “poach” in the Authority area
 - Rates

- Regulatory changes
 - AB 341 – Mandatory commercial recycling
 - AB 1826 – Commercial and Multifamily organics recycling
 - CalRecycle – 75% Diversion goals
 - SB 1383 – State Board required to adopt regulations to reduce organics disposal 50% by 2020 and 75% by 2025

FISCAL IMPACT

\$450,000 annual payment to the Authority

DOCUMENTS ATTACHED

None



Marva M. Sheehan
Executive Director

This page intentionally left blank

WEST VALLEY
SOLID WASTE MANAGEMENT
AUTHORITY

AGENDA REPORT

Date: February 2, 2017
To: West Valley Solid Waste Management Authority Board
From: Executive Director
Subject: **Key Points and Dates from Guadalupe Landfill Agreement**

RECOMMENDED ACTION

Accept report on the key points and dates from the disposal agreement with Guadalupe Landfill.

DISCUSSION

DISPOSAL AGREEMENT

- Company
 - Guadalupe Rubbish Disposal Company, Inc. (a wholly owned subsidiary of Waste Management, Inc.)
- Term
 - Effective date, January 1, 2006
 - 15 years, expiring December 31, 2021
 - Option to extend by mutual agreement between the Authority and the company
- Materials Disposed/Processed (Required to be delivered to Guadalupe)
 - Solid Waste
 - Yard Waste
 - Construction and Demolition Debris
- Rates
 - Initially set as part of the contract negotiations
 - Adjusted annually by the change in CPI and any change to State and local fees

- Contract Issues/Concerns
 - Processing of Yard Waste
 - Beneficial Use –
 - Definition – the processing of Yard Waste for top dressing, weed suppression, irrigation and erosion control, soil amendment, mulch, fuel, etc. (in a manner that is not classified as Disposal by CalRecycle ...but does not include composting or landfill disposal.)
 - AB 1594 signed into law in September 2014 disallows materials used for alternative daily cover at landfills to count as a “diverted material” beginning in 2020.

FISCAL IMPACT

None

DOCUMENTS ATTACHED

None



Marva M. Sheehan
Executive Director

WEST VALLEY
SOLID WASTE MANAGEMENT
AUTHORITY

AGENDA REPORT

Date: February 2, 2017
To: West Valley Solid Waste Management Authority Board
From: Executive Director
Subject: **Guadalupe Landfill Green Waste Processing**

RECOMMENDED ACTION

Consider a report on a request by Guadalupe Landfill to use the green waste collected in the Authority as ADC or Compost.

DISCUSSION

Background

Under the terms of the disposal agreement (Agreement) with Guadalupe Landfill (Guadalupe), green waste is required to be processed for a beneficial use such as mulch, fuel, erosion control, soil amendment, etc. as defined in the Agreement. The Agreement excludes the use of green waste for compost or alternative daily cover (ADC).

In the past, the most viable use of the Authority green waste was as fuel for Biomass plants to generate energy. The Biomass industry has been shrinking the past several years with widespread closures as power purchase agreements with utility companies expire and not renewed due to the availability of cheaper alternatives such as natural gas and solar power.

According to Guadalupe, the only other practical use to remain in compliance with the Agreement is for erosion control on landfill slopes. However, the volume of green waste from Authority areas exceed what is needed for erosion control.

Due to Agreement restrictions and the lack of available outlets, Guadalupe is seeking to amend the Agreement to either, Option 1) Allow for the use of green waste as ADC, or Option 2) Allow for composting of the green waste. Both options would result in an increase to the current green waste rate \$24.29 per ton. Guadalupe has submitted a proposal of \$30 per ton if the green waste material is used as ADC or \$40 per ton for composting.

If the green waste material is used for ADC, the Authority will receive diversion credit through 2019. Thereafter, the green waste can still be used as ADC but it will no longer qualify as diversion after January 1, 2020 due to the passage AB 1594 in 2014.

If used for composting, the Authority will receive diversion credit without the restrictions of the ADC option, providing the Authority with a more long term and sustainable solution.

Analysis

We analyzed the Guadalupe proposal to estimate the impact to the rate payers. For the analysis, volumes were segregated by area and sector then applied proportionately to the customer rate by container size and total volume.

Option 1 would increase the green waste processing cost by \$5.71 per ton while Option 2 would increase the cost by \$15.71 per ton. The estimated impact in the 35 gallon residential rate is shown in Table 1:

Table 1: Greenwaste Processing Increase on Residential 35 Gallon Service

Area	Current Rate	Option 1 - ADC		Option 2 - Compost	
		Increase \$	Increase %	Increase \$	Increase %
Campbell	\$ 25.80	\$ 0.25	1.0%	\$ 0.70	2.7%
Los Gatos	\$ 25.58	\$ 0.23	0.9%	\$ 0.63	2.5%
Saratoga	\$ 28.17	\$ 0.30	1.1%	\$ 0.83	3.0%
Monte Sereno	\$ 29.43	\$ 0.34	1.2%	\$ 0.93	3.2%

Recommendation

Based on the current terms of the Agreement limiting the use of green waste and the current limitations on viable outlets, we recommend that the Board temporarily grant Guadalupe the option to use green waste as ADC for the remainder of fiscal year until June 30, 2017, at the current rate of \$24.29 per ton.

Additionally, we recommend that Board consider amending the Agreement to allow green waste to be composted by Guadalupe at the proposed rate of \$40 per ton beginning July 1, 2017 through the term of the Agreement.

FISCAL IMPACT

No impact for Fiscal Year 2016 / 2017. Impact for Fiscal Year 2017 / 2018 to be determined during the next rate setting process for rates effective July 1, 2017.

DOCUMENTS ATTACHED

Natural Resource Report – California’s Big Biomass Problem.



Marva M. Sheehan
Executive Director

This page intentionally left blank

- Natural Resource Report - <http://naturalresourcereport.com> -

California's big biomass problem

Posted By *adm*n On August 29, 2016 @ 5:00 am In Uncategorized | [1 Comment](#)

^[1]California Farm Bureau,



Across California, tens of millions of trees are dead, intense wildfires burn, and orchard and forest waste piles up, as more plants that convert wood waste into electricity close due to expiring contracts with utility companies.

"Nothing has been done to adjust the utility rates at the California Public Utilities Commission to account for the value that biomass has; they are not keeping track of all of the avoided pollution that it affords," said Allan Krauter, senior administrative analyst for Kern County. "Unless and until the state is willing to make up the difference between the market price and the break-even price, they are going to continue to have a big biomass problem."

The problem centers on 25- and 30-year contracts between biomass plants and utility companies, established in the 1980s, resulting in the construction of 66 power plants with an operating capacity of almost 1,000 megawatts. Now, only 22 biomass plants remain operating, with a total capacity of 532 MW—still enough to convert 7.3 million tons of wood waste into electricity.

The plants' power-purchase contracts with utility companies that expired in recent years were not renewed, because the utilities had cheaper renewable-energy alternatives—forcing plants to close. Natural gas costs 2.9 cents per kilowatt-hour; wind and solar cost 8 cents per kWh. By contrast, a price floor of 12 cents per kWh was established for biomass when the program began.

With the state legislative session due to end Aug. 31, lawmakers continue to negotiate if and how to spend \$1.4 billion worth of "cap-and-trade" funds collected as part of the state's greenhouse gas emissions-reduction fund. Proponents of biomass, a renewable resource, say some money should be directed at keeping biomass power plants running, to convert forestry, agricultural and urban wood waste into electricity.

"There's a lot of competition for the money, because there are some equally good greenhouse gas-reducing programs out there, but we think policymakers need to look at what the short-

term, immediate crisis need is first," said Julee Malinowski Ball, executive director of the California Biomass Energy Alliance. "But then, we need long-term contracts."

The state Assembly is expected to release its spending plan for the greenhouse-gas funds this week, Ball said, adding, "we are 100 percent focused on (Greenhouse Gas Reduction Funds), but other policy changes need to be made, including reform in the Renewable Portfolio Standard and contribution by other beneficiaries."

Some biomass facilities temporarily benefited from Gov. Brown's emergency proclamation, made last October, to protect the public from hazardous forest conditions. This directed the CPUC to extend contracts for existing biomass facilities receiving wood waste from certain high-hazard areas. The plan also authorized the commission to establish an auction where plant owners could bid to sell 50 MW of electricity from biomass.

Supporters of biomass say they have been informing lawmakers and others of the significant environmental benefits of burning wood waste in a boiler, instead of pile-burning or burning it in a landfill.

"We've known for years that if you take the material to a power plant which burns wood in a boiler instead of pile burning, you get a 98 percent reduction in emissions," California Forestry Association Vice President Steve Brink said.

Krauter said Kern County has seen the impact from the closure of a biomass power plant.

"When the Covanta contract at the facility in Delano expired in 2015, the Central Valley lost the last major source for co-gen for biomass," he said. "Not only did more than 50 people lose their jobs, but growers all over the southern San Joaquin Valley lost a really valuable resource. You don't have to drive very far to find windrows of chipped wood just sitting in the fields. They have no place to put it."

Disposal of wood waste remains a challenge for many counties. A 2011 mandate requires the amount of solid waste diverted from landfills to recycling and other uses to increase from 50 percent to 75 percent by 2020.

"If we started accepting wood waste, it would make it really hard for us to meet our legal mandates of diverting waste," Krauter said. "That's why cogeneration became an answer, not just for air quality, but for landfill capacity."

Assembly Member Jim Wood, D-Healdsburg, said the biomass industry is dying "because we haven't been willing to put our money where our mouth is." Wood, who introduced Assembly Bill 1923 to assist biomass and biogas facilities, said the governor and Legislature understand

the importance of the issue, but the state "has not created a revenue source to help the biomass industry for the benefits it can provide."

As contracts with utilities expire, biomass plants continue to close—including last week's announcement that Burney Forest Power, a 30-MW power plant in Shasta County, will close next month.

Brink said the Burney plant "consumes 240,000 bone-dry tons of biomass per year that now won't have a home," and said the decision could also result in the closure of a nearby sawmill.

Just days after the announcement, the Shasta County Planning Commission approved construction of a new biomass power plant owned by Hat Creek Construction. The company said it plans to acquire a contract under a mandate established under a 2012 law that requires electric corporations to procure a certain amount of bioenergy.

Brink said the law allows plants under 3 MW to receive a 12.77 cent per kWh energy price floor if three plants bid in at the same time.

(Christine Souza is an assistant editor of Ag Alert. She may be contacted at csouza@cbbf.com.)

Permission for use is granted, however, credit must be made to the California Farm Bureau Federation when reprinting this item.

Article printed from Natural Resource Report: <http://naturalresourcereport.com>

URL to article: <http://naturalresourcereport.com/2016/08/californias-big-biomass-problem/>

URLs in this post:

[1] Image: <http://i2.wp.com/naturalresourcereport.com/wp-content/uploads/2012/11/California-Farm-Bureau1.jpg>

Copyright © 2012 Natural Resource Report. All rights reserved.

This page intentionally left blank

WEST VALLEY
SOLID WASTE MANAGEMENT
AUTHORITY

AGENDA REPORT

Date: February 2, 2017
To: West Valley Solid Waste Management Authority Board
From: Executive Director
Subject: **Recent Regulatory Changes and Program Updates**

RECOMMENDED ACTION

Receive a report on the recent regulatory changes and program updates.

DISCUSSION

Governor Brown signed SB 1383 on September 19, 2016 to reduce emissions of short-lived climate pollutants, which will affect the Authority focusing on organics. Additionally, there are updates on State and Bay Area programs that the Authority may be interested in.

SB 1383

SB 1383 was signed by Governor Brown on September 19, 2016. It places requirements on the State Air Resources Board to approve and begin implementing, no later than January 1, 2018, a comprehensive strategy to reduce emissions on short-lived climate pollutants, including methane and organics emissions.

Regulations for SB 1383 are forthcoming; however, the bill requires a 50% reduction by 2020 of organics disposed in landfills and a 75% reduction by 2022. Agency will be required to enforce compliance by 2025 and possibly impose penalties for waste generators that are out of compliance.

OTHER STATE PROGRAMS

AB 1826 reached a new deadline effective January 1, 2017 requiring businesses with 4 cubic yards or more of weekly organics waste to participate in an organics collection

services. West Valley Collection and Recycling has sent notices to customer meeting this criteria.

Future Milestones for AB1826 include:

August 1, 2017 – Report progress to CalRecycle

January 1, 2019 - Businesses and Multi-Family (5+ units) with 4 cubic yards or more of weekly solid waste are required to participate in organics collection services.

January 1, 2020 - Businesses with 2 cubic yards or more of weekly solid waste are required to participate in organics collection services if CalRecycle determines on that date that organics waste has not been reduced to 50% of 2014 levels.

OTHER BAY AREA PROGRAMS

The City of Sunnyvale's is moving forward with its Residential Food Scraps Program. At its September 20, 2016, council meeting, the Sunnyvale City Council directed city staff to implement a city-wide split cart curbside collection program to collect food scraps from single-family households and small businesses that use commercial cart service. Staff is preparing messaging that customers will begin receiving in March 2017 with the actual program expected to begin later in the year.

The County of Santa Clara Recycling and Waste Reduction Commission is partnering with the AdCouncil and Natural Resources Defense Council on a "Save the Food" program that focused on reminding people that food is "Best if Used" through advertisement program using donated billboard and transit center advertising space provided by Clear Channel.

FISCAL IMPACT

Minimal immediate fiscal impact

DOCUMENTS ATTACHED

Save the Food Advertisements



Marva M. Sheehan
Executive Director



BEST IF USED.

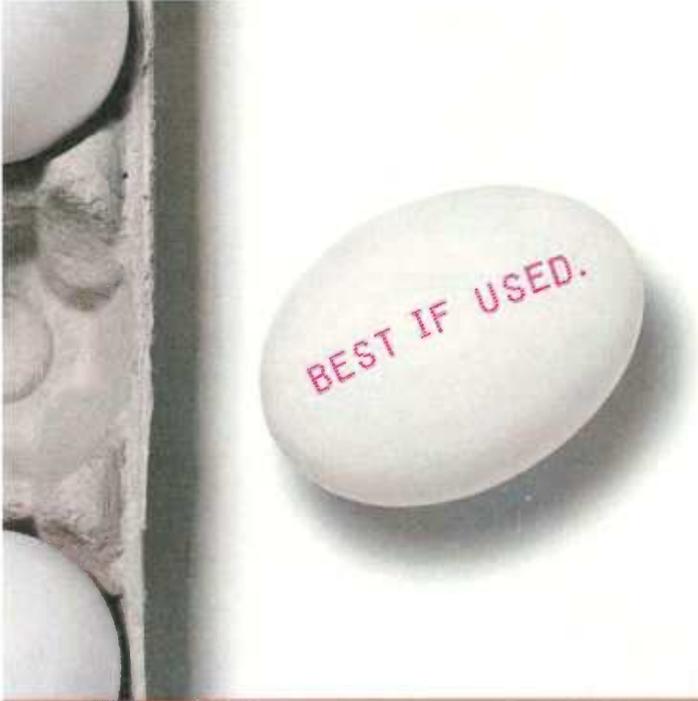
40% OF FOOD IN AMERICA IS WASTED

COOK IT, STORE IT, SHARE IT.

SAVETHEFOOD.COM



Red Line does not print. It represents the 3" safety area. Please verify critical elements are within the safety area.



BEST IF USED.

TRASHING ONE EGG WASTES 55 GALLONS OF WATER

COOK IT, STORE IT, SHARE IT.

SAVETHEFOOD.COM



Red Line does not print. It represents the 3" safety area. Please verify critical elements are within the safety area.



EVERY AMERICAN WASTES 290 POUNDS OF FOOD A YEAR

COOK IT, STORE IT, SHARE IT.

SAVETHEFOOD.COM



Red Line does not print. It represents the 3" safety area. Please verify critical elements are within the safety area.



A FAMILY OF FOUR SPENDS \$1500 A YEAR ON FOOD THEY DON'T EAT

COOK IT, STORE IT, SHARE IT.

SAVETHEFOOD.COM



Red Line does not print. It represents the 3" safety area. Please verify critical elements are within the safety area.

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

Executive Director

Marva M. Sheehan, CPA
HF&H Consultants, LLC
201 North Civic Drive, Suite 230
Walnut Creek, CA 94596
Telephone • (925) 977-6961
Facsimile • (925) 977-6955
E-mail • msheehan@hfh-consultants.com

Member Agencies

City of Campbell
Town of Los Gatos
City of Monte Sereno
City of Saratoga

MEETING MINUTES

November 3, 2016

Monte Sereno City Hall
18041 Saratoga-Los Gatos Road
Monte Sereno, CA 95030

CALL TO ORDER

At 5:05 pm Chair Steve Leonardis called the meeting to order.

PLEDGE OF ALLEGIANCE

ROLL CALL

Chair Steve Leonardis, representing Los Gatos, Vice Chair Paul Resnikoff, representing Campbell, Member Lionel Allan, representing Monte Sereno, and Alternate Member Emily Lo, representing Saratoga, were present. Also present were Executive Director Marva Sheehan and Authority Counsel Kirsten Powell.

ORAL COMMUNICATIONS FROM THE PUBLIC

None

WRITTEN COMMUNICATIONS

None

OLD BUSINESS

1. The Board received report on usage of the liquidated damages from West Valley Collection & Recycling (WVC&R) for FY 15-16. Upon motion by Board Member Allan and a second by Vice Chair Resnikoff, the Board unanimously agreed to retain damages in general fund. Additionally, the Board requested staff to investigate alternative non-profit organizations for a possible donation in the future.

NEW BUSINESS

1. The Board received a report on recent regulatory changes and program updates. No action was taken.

PUBLIC HEARINGS

None

CONSENT CALENDAR

2. Upon a motion by Board Member Allan and a second by Vice Chair Resnikoff, the Board voted 4-0 to approve the minutes of the September 1, 2016 Regular Board Meeting and the Executive Director financial report for the three months ended September 30, 2016.

EXECUTIVE DIRECTOR REPORT

None

FUTURE AGENDA ITEMS

None

BOARD MEMBER REPORTS

None

CONVENE TO CLOSED SESSION

The Board convened to closed session for the purpose of evaluation of the Executive Director and Authority Counsel.

ADDRESSING THE BOARD

Any person shall have the right to address the Board during consideration of any item on the Board's agenda or during the time for oral communication if not on the agenda but pertaining to subject matter within the jurisdiction of the Board. Any person wishing to address the Board should stand or raise the hand and wait to be recognized by the Chairperson. Please stand at the podium, if able, state your name and address for the record, and proceed to address the Board. All remarks and questions should be addressed to the Board through the Chairperson and not to any member thereof or to the public. No question should be asked a Board member or a member of Authority staff without first obtaining permission of the Chairperson.

RECONVENE TO OPEN SESSION

REPORT ON ACTION TAKEN DURING CLOSED SESSION

There were no reportable actions from the closed session.

ADJOURNMENT

Chair Leonardis adjourned the meeting of the Board at 5:50 pm until the next regular meeting to be held February 2, 2017.

ADDRESSING THE BOARD

Any person shall have the right to address the Board during consideration of any item on the Board's agenda or during the time for oral communication if not on the agenda but pertaining to subject matter within the jurisdiction of the Board. Any person wishing to address the Board should stand or raise the hand and wait to be recognized by the Chairperson. Please stand at the podium, if able, state your name and address for the record, and proceed to address the Board. All remarks and questions should be addressed to the Board through the Chairperson and not to any member thereof or to the public. No question should be asked a Board member or a member of Authority staff without first obtaining permission of the Chairperson.

This page intentionally left blank

WEST VALLEY
SOLID WASTE MANAGEMENT
AUTHORITY

AGENDA REPORT

Date: February 2, 2017
To: West Valley Solid Waste Management Authority Board
From: Executive Director
Subject: **YTD Financial Report**

RECOMMENDED ACTION

Accept report on the Authority's FY 2016-17 financial status.

DISCUSSION

The report titled "Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual" shows the approved budget, the year to date actual amounts, and the preliminary fund balance through December for FY 2016-17. With 50% of the fiscal year passed, the report shows that the Authority expended \$235,120 or 41% of the approved FY 2016-17 budget.

The preliminary fund balance of \$266,049 is an increase of \$36,493 from the FY 2015-16 fund balance of \$229,556 and is primarily due to timing differences in the receipt of annual fee payments from WVC&R and the distribution to the member agencies.

It has been the Board's policy, adopted February 2011, to maintain a fund reserve of \$200,000 with \$100,000 designated as an operating reserve and \$100,000 designated as a rate stabilization reserve.

FISCAL IMPACT

None

DOCUMENTS ATTACHED

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual December 31, 2016.



Marva M. Sheehan
Executive Director

**West Valley Solid Waste Management Authority
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
December 31, 2016**

Acct #	Description	JPA Budget FY 2016-17	Year to Date Actual	Balance	YTD %
Revenues					
4410	Interest	\$ -	\$ -	\$ -	N/A
4970	City of Campbell	46,613	46,613	-	100%
4970	Town of Los Gatos	34,895	-	34,895	0%
4970	City of Monte Sereno	3,946	-	3,946	0%
4970	City of Saratoga	35,425	-	35,425	0%
4975	Franchise Agreement WVC&R	450,000	225,000	225,000	50%
4965	Other	-	-	-	N/A
	Total Revenues	<u>\$ 570,879</u>	<u>\$ 271,613</u>	<u>\$ 299,266</u>	48%
Expenditures:					
Services and Supplies:					
7424	Office Expense	\$ 500	\$ -	\$ 500	0%
7427	Special Departmental Exp. (Legal Services)	9,004	520	8,484	6%
7430	Prof. & Special Services (Executive Director)	84,333	29,428	54,905	35%
7430	Prof. & Special Services (Other)	5,000	-	5,000	0%
7432	Other Contractual Services (Countywide Support)	1,000	-	1,000	0%
7432	Other Contractual Services (Website Administration)	1,032	-	1,032	0%
7432	Other Contractual Services (Audit Svcs.)	5,404	1,980	3,424	37%
7433	Insurance (Liability)	2,395	1,231	1,164	51%
7435	Travel/Conf. & Meetings	4,000	-	4,000	0%
7438	Other Charges (Accounting & Bookkeeping)	8,211	-	8,211	0%
7675	JPA Solid Waste Distribution	450,000	201,961	248,039	45%
	Total Expenditures	<u>\$ 570,879</u>	<u>\$ 235,120</u>	<u>\$ 335,759</u>	41%
	Excess (deficiency) of revenues over (under) expenditures	-	36,493	36,493	
	Beginning Fund Balance 7/1/16	\$ 200,000	\$ 229,556		
	Ending Fund Balance	<u>\$ 200,000</u>	<u>\$ 266,049</u>		

This page intentionally left blank

**WEST VALLEY
SOLID WASTE MANAGEMENT
AUTHORITY**

AGENDA REPORT

Date: February 2, 2017
To: West Valley Solid Waste Management Authority Board
From: Executive Director
Subject: **Fiscal Year 2015-16 Audited Financial Statements**

RECOMMENDED ACTION

Receive and File a report on the West Valley Solid Waste Management Authority's FY 2015-16 Audited Financial Statements.

DISCUSSION

The City of Campbell (City) provides financial services (general ledger, bookkeeping, etc.) to the Authority. The City, on behalf of the Authority, hired White, Nelson, Diehl, Evans, LLP to perform the annual audit of the Authority's financial statements.

The Authority's FY 2015-16 Financial Audit is presented to the board to receive and file. In the Auditor's opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2016 and the changes in financial position and cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

FISCAL IMPACT

None

DOCUMENTS ATTACHED

West Valley Solid Waste Management Authority's FY 2015-16 Audited Financial Statements.



Marva M. Sheehan
Executive Director

This page intentionally left blank

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

BASIC FINANCIAL STATEMENTS

**WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

JUNE 30, 2016

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

TABLE OF CONTENTS

June 30, 2016

	<u>Page Number</u>
Board Members and Staff	i
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	4
Basic Financial Statements:	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	10
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

BOARD MEMBERS AND STAFF

June 30, 2016

BOARD MEMBERS

Steve Leonardis, Town of Los Gatos, Chair

Mary-Lynne Bernald, City of Saratoga, Vice Chair

Lon Allan, City of Monte Sereno, Member

Paul Resnikoff, City of Campbell, Member

STAFF

Marva Sheehan, Executive Director

INDEPENDENT AUDITORS' REPORT

Board of Directors
West Valley Solid Waste Management Authority
Campbell, California

Report on the Financial Statements

We have audited the accompanying financial statements of the West Valley Solid Waste Management Authority (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the West Valley Solid Waste Management Authority as of June 30, 2016 and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Partial Prior Year Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2015 from which such partial information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Board Members and Staff schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Board Members and Staff schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
December 9, 2016

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

This section of the Authority's financial statements, referred to as the management, discussion and analysis (MD&A), provides a narrative introduction, overview and analysis of the Authority's financial statements that follow.

Fiscal Year 2015-16 Financial Highlights

The primary revenue source for the Authority comes from each member agency based upon estimated expenses for the upcoming year. Additionally, during the fiscal year ended June 30, 2016, the Authority entered into a franchise agreement with West Valley Collection and Recycling that will provide revenues of \$450,000 annually for the Authority. Total revenues for the fiscal year ended June 30, 2016 were \$575,679 compared to expenses of \$546,759 resulting in an increase in net position of \$28,920 for the fiscal year. Ending net position was \$229,556 consisting of cash and investments in the amount of \$266,144, and accounts payable and other liabilities of \$36,588.

Overview of the Financial Statements

This discussion and analysis serve as an introduction to the Authority's basic financial statements.

These basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business. They consist of the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows and the related notes.

The statement of net position includes all of the Authority's investments in resources (assets and deferred outflows of resources) and the obligations to creditors (liabilities and deferred inflows of resources). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its assessments, fees and other charges, profitability, and creditworthiness. The final required financial statement is the statement of cash flows. The primary purpose of the statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. They can be found immediately following the financial statements.

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2016

Financial Analysis of the Authority

This analysis focuses on the net position and changes in net position at the Authority-wide level as presented in the statement of net position and the statement of revenues, expenses and changes in net position.

Net position for the Authority is summarized below and analysis follows:

Statement of Net Position

	Fiscal Year 2016	Fiscal Year 2015
Cash and investments	\$ 266,144	\$ 220,580
Accounts receivable	-	37,500
Total Assets	<u>266,144</u>	<u>258,080</u>
Less: accounts payable and other liabilities	<u>(36,588)</u>	<u>(57,444)</u>
Net Position, Unrestricted	<u>\$ 229,556</u>	<u>\$ 200,636</u>

Total assets increased \$7,065 (2.74%) from the prior year as a result of the increased revenues from the liquidated damages assessed on West Valley Collection and Recycling. Total liabilities decreased \$20,856 as a result of there being one month of distributions of the franchise fees payable to the member agencies as opposed to two months in fiscal year 2015.

Below is a summary of components that resulted in the changes in net position.

Statement of Revenues, Expenses and Changes in Net Position

	Fiscal Year 2016	Fiscal Year 2015
Revenues:		
Member assessments	\$ 117,480	\$ 116,944
Annual fee payment	450,000	450,000
Investment income	999	1,126
Other	<u>7,200</u>	<u>-</u>
Total revenues	<u>575,679</u>	<u>568,070</u>
Expenses:		
Solid waste	96,759	99,106
Distributions to member agencies	<u>450,000</u>	<u>450,000</u>
Total expenses	<u>546,759</u>	<u>549,106</u>
Changes in Net Position	<u>\$ 28,920</u>	<u>\$ 18,964</u>

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2016

Financial Analysis of the Authority (Continued)

Revenues increased from the prior year due to the liquidated damages assessed on West Valley Collection and Recycling. Solid waste expenses decreased from the prior year primarily due to a reduction in legal fees related to contract negotiations. Negotiations were completed in the prior year.

Budgetary Highlights

There were no material variances between the current year budget and actual results.

Economic Factors and Next Year's Budget

Next year's budget is based on current year actual results with a modest inflation factor of less than 3 percent.

Requests for Information

This financial report is designed to provide a general overview of the West Valley Solid Waste Management Authority's finances for residents, taxpayers, creditors and any other interested parties. Questions about this report can be directed to the Authority's Finance Department at 70 North First Street, Campbell, California 95008.

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF NET POSITION

June 30, 2016

(With comparative totals at June 30, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS:		
CURRENT ASSETS:		
Cash and investments	\$ 266,144	\$ 220,580
Accounts receivable	<u>-</u>	<u>37,500</u>
TOTAL ASSETS	<u>266,144</u>	<u>258,080</u>
LIABILITIES:		
Accounts payable and other liabilities	<u>36,588</u>	<u>57,444</u>
TOTAL LIABILITIES	<u>36,588</u>	<u>57,444</u>
NET POSITION:		
Unrestricted	<u>229,556</u>	<u>200,636</u>
TOTAL NET POSITION	<u><u>\$ 229,556</u></u>	<u><u>\$ 200,636</u></u>

See accompanying notes to the basic financial statements.

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2016
(With comparative totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Member assessments:		
City of Campbell	\$ 45,302	\$ 45,096
Town of Los Gatos	33,914	33,759
City of Monte Sereno	3,835	3,817
City of Saratoga	34,429	34,272
Total Member assessments	<u>117,480</u>	<u>116,944</u>
Reimbursement from collection service provider	7,200	-
Annual fee payment	<u>450,000</u>	<u>450,000</u>
 TOTAL OPERATING REVENUES	 <u>574,680</u>	 <u>566,944</u>
OPERATING EXPENSES:		
Distributions to member agencies	450,000	450,000
Professional and special services	83,000	78,623
Legal	2,080	9,184
Insurance	1,156	1,081
Audit	2,565	2,500
Other expenses	<u>7,958</u>	<u>7,718</u>
 TOTAL OPERATING EXPENSES	 <u>546,759</u>	 <u>549,106</u>
 OPERATING INCOME	 27,921	 17,838
NONOPERATING REVENUE:		
Investment income	<u>999</u>	<u>1,126</u>
 CHANGES IN NET POSITION	 28,920	 18,964
NET POSITION AT BEGINNING OF YEAR	<u>200,636</u>	<u>181,672</u>
NET POSITION AT END OF YEAR	<u>\$ 229,556</u>	<u>\$ 200,636</u>

See accompanying notes to the basic financial statements.

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF CASH FLOWS

For the year ended June 30, 2016
(With comparative totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from member agencies	\$ 117,480	\$ 116,944
Cash received from service providers	494,700	450,000
Cash paid to members	(473,040)	(426,961)
Cash paid to suppliers for goods and services	<u>(94,575)</u>	<u>(90,120)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 44,565	 49,863
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	<u>999</u>	<u>1,126</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 45,564	 50,989
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>220,580</u>	<u>169,591</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 266,144</u>	<u>\$ 220,580</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 27,921	\$ 17,838
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	37,500	-
Increase (decrease) in accounts payable and other liabilities	<u>(20,856)</u>	<u>32,025</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 44,565</u>	 <u>\$ 49,863</u>

See accompanying notes to the basic financial statements.

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Reporting Entity:

The West Valley Solid Waste Management Authority (the Authority) was formed in October 1, 1997 to implement and administer the West Valley Solid Waste Management Plan, manage rate studies and negotiate the related contracts for member entities. The Authority is the only entity included in these financial statements.

The Authority includes the Cities of Campbell, Monte Sereno and Saratoga and the Town of Los Gatos. The City of Campbell maintains the financial records and provides accounting services for the Authority.

b. Measurement Focus and Basis of Accounting:

The Authority is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Authority's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. New Accounting Pronouncements:

Current Year Standards

In fiscal year 2015-2016, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *“Fair Value Measurement and Application”*. GASB Statement No. 72 requires the Authority to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the Authority’s financial statements as a result of the implementation of GASB Statement No. 72.

GASB Statement No. 73, *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”*, was required to be implemented in the current fiscal year, except for those provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, and is effective for periods beginning after June 15, 2016, and did not impact the Authority.

GASB Statement No. 76, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*, was required to be implemented in the current fiscal year, and did not impact the Authority.

GASB Statement No. 79, *“Certain External Investment Pools and Pool Participants”*, was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the Authority.

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. New Accounting Pronouncements (Continued):

Pending Accounting Standards

GASB has issued the following statements, which may impact the Authority's financial reporting requirements in the future:

- GASB 73 - *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”*, contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016.
- GASB 74 - *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, effective for periods beginning after June 15, 2016.
- GASB 75 - *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*, effective for periods beginning after June 15, 2017.
- GASB 77 - *“Tax Abatement Disclosure”*, effective for periods beginning after December 15, 2015.
- GASB 78 - *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”*, effective for periods beginning after December 15, 2015.
- GASB 79 - *“Certain External Investment Pools and Pool Participants”*, contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.
- GASB 80 - *“Blending Requirements for Certain Component Units”*, effective for periods beginning after June 15, 2016.
- GASB 81 - *“Irrevocable Split-Interest Agreements”*, effective for periods beginning after December 15, 2016.
- GASB 82 - *“Pension Issues”*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. The Authority does not have any applicable deferred outflows of resources.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any applicable deferred inflows of resources.

e. Cash and Cash Equivalents:

For the purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

f. Fair Value Measurements

The Authority categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The Authority's investment in the City investment pool is not subject to the fair value hierarchy.

g. Classification of Revenues:

Operating revenues consist of charges to member agencies, franchise fees, and reimbursements charged to West Valley Collection and Recycling. *Nonoperating revenues* consist of investment income and other nonoperating income.

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

h. Net Position Flow Assumption:

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first and then restricted resources as they are needed.

i. Prior Year Data:

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Authority's prior year financial statements, from which this selected financial data was derived.

j. Use of Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from the estimates.

2. CASH AND INVESTMENTS:

The Authority pools its cash with the City of Campbell's portfolio of investments. Investments are stated at fair value. The table presented in the City of Campbell's financial statements provides the credit ratings of the issuers that are acceptable to the Authority, and approved percentages and maturities that are not to be exceeded. Information regarding the City of Campbell's investments can be obtained in the Authority's Comprehensive Annual Financial Report available from the Finance Department located at 70 North First Street, Campbell, California 95008.

3. FRANCHISE AGREEMENT:

On March 1, 2014, the Authority entered into a franchise agreement with West Valley Collection and Recycling. Under this agreement, the Authority will receive a payment of \$450,000 annually for the right to continue to hold the franchise for the collection of solid waste, recyclable materials, green waste, food scraps, and construction and demolition debris within the Authority; the transportation of such material to appropriate places of processing, recycling, composting and/or disposal; and the processing of recyclable materials and food scraps for a period of ten years ending February 28, 2024. The Authority has recorded the fee revenues of \$450,000 from this agreement in the accompanying statement of revenues, expenses and changes in net position.

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

3. FRANCHISE AGREEMENT (CONTINUED):

On May 1, 2014, the Authority agreed that the proceeds from the franchise agreements would be distributed to each member agency based on the population. Accordingly, the Authority has recorded distributions to member agencies of \$450,000 in operating expenses in the accompanying statement of revenues, expenses and changes in net position. At June 30, 2016, the total balance due to these member agencies included in accounts payable was \$23,039.

4. SUBSEQUENT EVENTS:

Events occurring after June 30, 2016, have been evaluated for possible adjustments to the financial statements or disclosure as of December 9, 2016, which is the date these financial statements were available to be issued.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
West Valley Solid Waste Management Authority
Campbell, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of West Valley Solid Waste Management Authority (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 9, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White Nelson Dick Evans LLP

Irvine, California
December 9, 2016

WEST VALLEY SOLID WASTE MANAGEMENT AUTHORITY

Calendar of Future Agenda Items

May 4, 2017 Meeting

- Board meeting schedule
- Ratify Guadalupe Landfill disposal contractual rate adjustment
- Ratify WVC&R contractual collection rate adjustment
- Review Executive Director and Authority Counsel contracts
- Approve Authority budget

September 7, 2017 Meeting

- Receive and file annual CalRecycle Annual Reports
- Schedule annual Authority Attorney and Executive Director performance review
- Consider a report on WVC&R's prior Fiscal Year Complaints/Liquidated Damages

November 2, 2017 Meeting

- Closed Session – annual evaluations of Authority Attorney and Executive Director

February 1, 2018 Meeting

- Elect new officers
- Review of Collection and Disposal contracts
- Accept Audited Financial Statements

Recurring Meeting Agenda Items

- Approval of prior meeting minutes
- Receive and file the Executive Director financial report
- Regulatory and program updates