MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Home of the Last Chance Mercantile

FINANCE COMMITTEE MEETING AGENDA

Wednesday, November 4,2020
9:00 a.m.

Bales Boardroom
14201 Del Monte Blvd., Monterey County, CA

Please Note: Meeting will be held virtually via zoom compliant with Governor Newsom's executive Order N-29-20 which allows local legislative bodies to hold public meetings via teleconference and to make public meetings accessible telephonically or otherwise electronically to all members of the public seeking to observe and address the local legislative body to avoid public gatherings, and which suspended all contrary provisions of the Brown Act. To join the zoom webinar, click on this link: https://us02web.zoom.us/j/82556348732 copy/paste the link into your browser, or type the link into your browser. If your computer does not have audio, you will also need to join the meeting via phone. To participate via phone, please call: 1-669-900-9128; Meeting **ID: 825 5634 8732** Public Comments: if you are unable to participate via telephone or virtually, you may also submit your comments by e-mailing them to igonzales@mrwmd.org with one of the following subject lines "Public Comment Item #" (insert the item number relevant to your comment) or "Public Comment - Non Agenda Item". Comments must be received by 4:00 p.m. on Tuesday, November 3, 2020. All submitted comments will be provided to the Committee and may be read into the record or compiled as part of the record. Public comment will also be accepted during the meeting.

CALL TO ORDER

ROLL CALL AND ESTABLISHMENT OF QUORUM

PUBLIC COMMUNICATIONS

Anyone wishing to address the Committee on matters *not* appearing on the Agenda may do so now. *Please limit comments to a maximum of three (3) minutes.* The public may comment on any other matter listed on the agenda at the time the matter is being considered by the Board.

ITEMS FOR COMMITTEE CONSIDERATION, DISCUSSION AND ACTION

1. Review District Audit for Fiscal Year 2019/20
2. Review Q1 Capital Spending Report
3. CARB/MBARD Landfill Inspections Update
4. Update on Monterey One Water (M1W) Electrical Connection
5. General Manager Communications

CLOSED SESSION

As permitted by Government Code Section 54956 et seq., the Board may adjourn to a Closed Session to consider specific matters dealing with litigation, certain personnel matters, property negotiations or to confer with the District's Meyers-Milias-Brown Act representative.

1. Conference with Property Negotiators:
   Property: Landfill Site Space/Capacity
   District Negotiators: Tim Flanagan, Peter Skinner, Guy Petraborg and Timothy Brownell
   Negotiating Parties: Merced County Regional Waste Management Authority (MCRWMA)
   Terms: All Terms and Conditions

RETURN TO OPEN SESSION WITH ANY REQUIRED ANNOUNCEMENTS FROM CLOSED SESSION Please note: A report out and announcement concerning the closed session will be provided to anyone requesting same by emailing igonzales@mrwmd.org.

ADJOURNMENT

NEXT MEETING DATE: Wednesday December 2, 2020 9:00 a.m.

Memorandum
MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

DATE: October 30, 2020

TO: Finance Committee

FROM: General Manager

SUBJECT: Finance Committee Meeting of November 4, 2020

1. **Review District Audit for Fiscal Year 2019/20**. The Draft Annual Financial Report for the recently concluded fiscal year is enclosed. Staff anticipates no material changes forthcoming from the auditors. Staff proposes to present the final version of this report to the full Board for approval at the December meeting.

   Recommendation: Support Board Approval of Final Report.

2. **Review Q1 Capital Spending Report**. Please refer to enclosed information. A verbal report will be provided at the meeting.

   Recommendation: Information Only.

3. **CARB/MBARD Landfill Inspections Update** Staff will present an update on staff efforts and remediation steps in light of inspection results. The district has two critical responses due to CARB and MBARD in the next few weeks and is focused on the development of those responses.

   Recommendation: Information Only.

4. **Update on Monterey One Water (M1W) Electrical Connection**
   Please refer to the enclosed memo from Director of Engineering and Compliance, Guy Petraborg. A verbal presentation will be made at the meeting. Staff is aiming to have a basic term sheet for an approach to project management and repayment of the project cost for Board review by the December 4th Board meeting.

   Recommendation: Provide Direction to Staff

5. **General Manager Comments.**
   - December Board Meeting The next meeting of the MRWMD Board will be **Friday, December 4th** at 9:00 a.m. via Zoom.
   - Committee Meetings Finance and Personnel committees will meet as scheduled on December 2nd. Agendas will be sent out before the Thanksgiving holiday.

- Employee Appreciation Dinner. Staff has determined that any "traditional" holiday celebration will not be able to happen this year. Accordingly, staff will work on developing an appropriate recognition for our employees and the Board. More details will be presented to the Board as we complete our plans.

CLOSED SESSION

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1. Conference with Property Negotiators:

Property:	Landfill Site Space/Capacity
District Negotiators:	Tim Flanagan, Peter Skinner, Guy Petraborg and Timothy Brownell
Negotiating Parties:	Merced County Regional Waste Management Authority (MCRWMA)
Terms:	All Terms and Conditions

RETURN TO OPEN SESSION WITH ANY REQUIRED ANNOUNCEMENTS FROM

Please note: A report out and announcement concerning the closed session will be posted on the District's website following the Board meeting, or provided to anyone requesting same by emailing igonzales@mrwmd.org

ADJOURNMENT

NEXT MEETING DATE: Wednesday, December 2, 2020 at 9:00 a.m.

Respectfully submitted,

Timothy S. Flanagan

10/29/2020

Annual Financial Report
JUNE 30, 2020 AND 2019

Monterey Regional Waste Management District

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT
ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS
JUNE 30, 2020

BOARD OF DIRECTORS

FOR THE YEAR ENDED
JUNE 30, 2020

Update pending

Member	Office	Representing	Term Expires
Carrie Theis	Chair	Carmel-By-The-Sea	November 2022
Jason Campbell	Vice-Chair	Seaside	December 2020
Bruce Delgado	Chair	Marina	December 2022
Gary Bales	Director	Pacific Grove	December 2022
Leo Laska	Director	Pebble Beach Community Services District	December 2019
Dan Albert	Director	Monterey	November 2020
Jane Parker	Director	Monterey County	December 2020
Dennis Allion	Director	Del Rey Oaks	December 2020
Jerry Blackwelder	Director	Sand City	December 2020
Timothy Flanagan	General Manager/ Secretary of the Board		

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Monterey Regional Waste Management District
Marina, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Monterey Regional Waste Management District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management of the District 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.

Auditor's Responsibility

Our responsibility is to express opinions 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. 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Monterey Regional Waste Management District, as of June 30, 2020, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Comparative Information
We have previously audited the District's 2019 financial statements, and we expressed an unmodified opinion in our report dated December 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratio, schedule of pension plan contributions, and schedule of changes in the district's total OPEB liability and related ratios on pages 4—15 and 50—52 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 required supplementary information 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The combining schedules and the budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules and the budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules and the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

San Mateo, California
DATE

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 and JUNE 30, 2019

This section of Monterey Regional Waste Management District's (District) annual financial report presents a discussion and analysis of the District's performance during the fiscal year that ended June 30, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

The District was formed in 1951 under the California Health and Safety Code. The primary purpose of the District is to dispose of solid waste in the Monterey Peninsula area. The District's role has expanded to include the recovery of recyclable materials in the waste stream (cardboard, newspaper, glass, wood waste, plastic, metals, concrete, asphalt, reusable building materials and resale items) and to receive non-hazardous liquid wastes. In addition, the District operates a landfill gas to electrical energy system, with capacity to generate about 5,000 kilowatts of continuous power. The District also accepts household hazardous waste.

The Monterey Regional Waste Management Authority (Authority) was formed pursuant to the provisions of the Government Code of the State of California and a Joint Powers Agreement (JPA), dated April 1, 1993, by and between the cities of Carmel-by-the-Sea, Del Rey Oaks, Marina, Monterey, Pacific Grove, Sand City and Seaside. During the fiscal year ending June 30, 1996, the Pebble Beach Community Services District also became a member of the Authority. During the fiscal year ending June 30, 2015, Monterey County also became a member of the Authority. The Authority was formed to assist in the financing of public capital improvements, such as the design, acquisition and construction of additions, betterments and improvements to the District's facilities.

Accounting principles generally accepted in the United States of America require that these financial statements present the District (the primary government) and its component units. The Authority is included in the District's financial statements because of its significant financial relationship to the District.

FINANCIAL HIGHLIGHTS

Fiscal year 2019-20

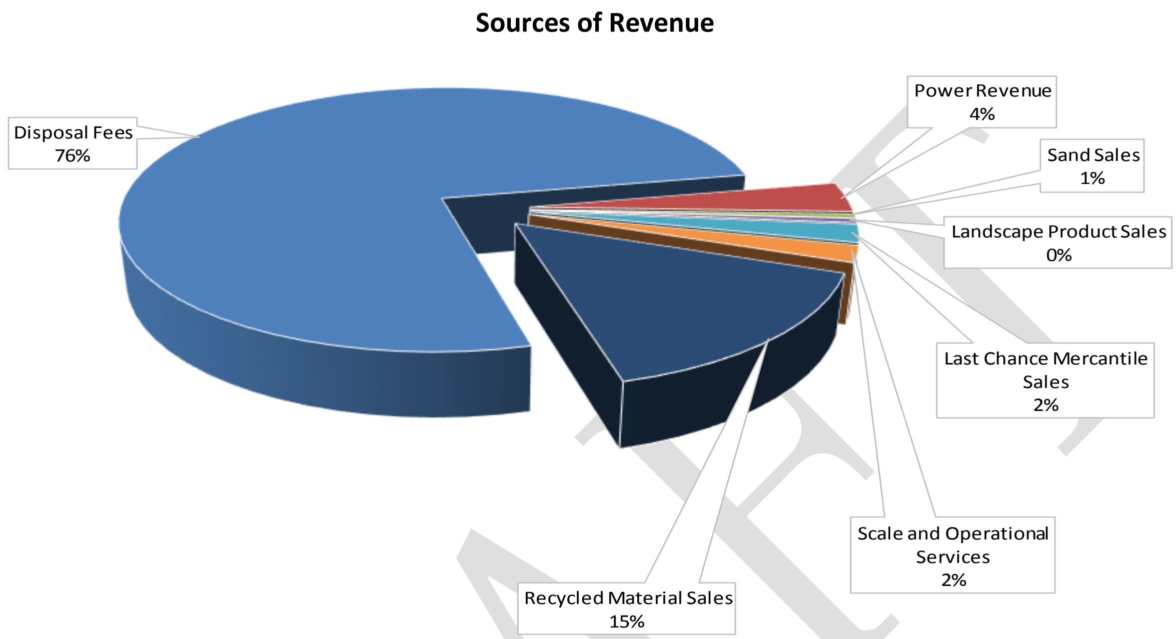
- Operating revenues increased by 5 percent to $39.6 million and operating expenses increased by 7.4 percent to $36.0 million.
- Capital outlay for buildings, equipment and infrastructure were $9.5 million.
- Operating revenues were above budgeted revenues by $3.1 million. Operating expenses were above budgeted amounts by $1.6 million. Non-operating revenues/expenses were unfavorable to budgeted levels by $0.3 million.

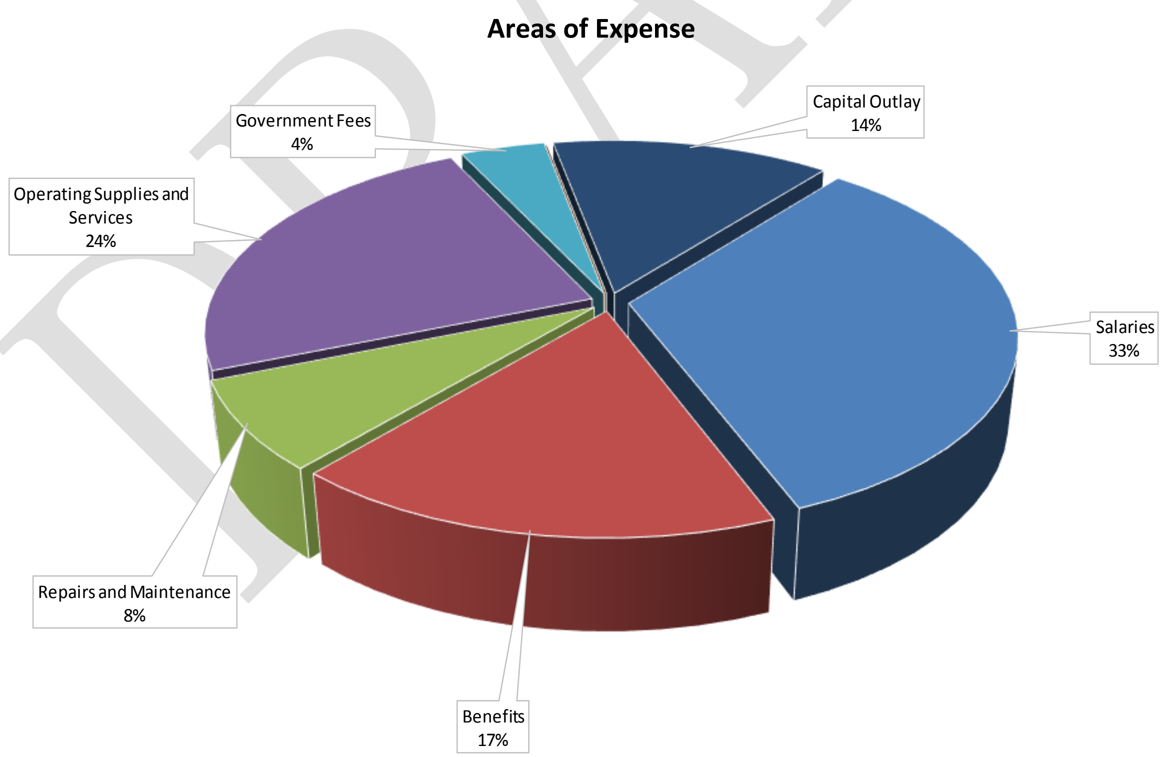
Fiscal year 2018-19

- Operating revenues increased by 28.2 percent to $37.7 million and operating expenses increased by 15.4 percent to $33.5 million.
- Capital expenditures for buildings, equipment and infrastructure were $7.4 million.
- Operating revenues were above budgeted revenues by $3.1 million. Operating expenses were above budgeted amounts by $1.6 million. Non-operating revenues/expenses were unfavorable to budgeted levels by $0.3 million.

FINANCIAL HIGHLIGHTS (Continued)

The following figures show the District's sources of revenues and areas of expenditures for fiscal year 2020:





OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of five parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements, required supplementary information and other supplementary information.

The financial statements provide both long-term and short-term information about the District's financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of schedule of required supplementary information and a section of other supplementary information that further explains and supports the information in the financial statements.

The District's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statement of revenues, expenses and changes in net position. All assets and liabilities associated with the operation of the District are included in the statement of net position.

Net Position

Fiscal year 2019-20

The statement of net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position. Net position is reported in three categories: Invested in capital assets – net of debt, restricted and unrestricted. Invested in capital assets – net of related debt is the cost of the District's buildings, equipment and infrastructure after deducting accumulated depreciation and debt still owed on these assets. Restricted assets are the funds the District is required to set aside for landfill closing/cleanup reserves and revenue bond proceeds that are restricted for the acquisition of Materials Recovery Facility Improvement Project and the Franchise Hauler Truck Parking and Maintenance Facility Project.

The District's total net position at June 30, 2020 was $41.5 million million, a 10 percent increase of $3.8 million over net position at June 30, 2019 (See Table A-1). Most of the increase in total net position is attributable to a reduction of accounts payables and an increase of recycled material sales.

Total assets and deferred outflows increased by 2 percent to $121 million.

Total liabilities and deferred inflows decreased by 2 percent percent to $79.5 million.

Fiscal year 2018-19

The deficit unrestricted portion of net position is primarily the result of recording the net pension liability in accordance with Governmental Accounting Standards Statement No. 68 ($11.6 million) and the total other postemployment benefits liability in accordance with GASB Statement No. 75. ($2.3 million).

The District's total net position at June 30, 2018, was approximately $34.0 million, a 3.14 percent decrease over net position at June 30, 2017 (See Table A-1). Total assets and deferred outflows increased by 2.0 percent to $88.2 million and total liabilities and deferred inflows increased 5.4 percent to $54.2 million.

Table A-1
Net Position
(in thousands of dollars)

				Change	
	2020	2019	2018	2020 to 2019	2019 to 2018
Current Assets	$ 32,788	$ 38,380	$ 11,011	-14.6%	248.6%
Restricted Assets	4,850	4,850	4,850	0.0%	0.0%
Deposits	155	155	155	0.0%	0.0%
Capital Assets–Net	78,937	71,885	68,410	9.8%	5.1%
Intangible Assets–Net	89	105	122	-15.2%	-13.9%
Total Assets	116,819	115,375	84,548	1.3%	36.5%
Deferred Outflows	4,165	3,635	3,636	14.6%	0.0%
Total Assets and Deferred Outflows	$ 120,984	$ 119,010	$ 88,184	1.7%	35.0%
Current Liabilities	$ 5,323	$ 7,035	$ 4,806	-24.3%	46.4%
Non–Current Liabilities	18,642	16,841	15,460	10.7%	8.9%
Revenue Bonds Payable	49,179	51,411	28,390	-4.3%	81.1%
Estimated Closure/Post Closure Costs	6,057	5,702	5,336	6.2%	6.9%
Total Liabilities	79,201	80,989	53,992	-2.2%	50.0%
Deferred Inflows	317	312	227	1.6%	37.4%
Total Liabilities and Deferred Inflows	$ 79,518	$ 81,301	$ 54,219	-2.2%	49.9%
Net Position:					
Invested in Capital Assets–Net of Debt	50,624	41,809	38,056	21.1%	9.9%
Restricted	4,850	4,850	4,850	0.0%	0.0%
Unrestricted	(14,008)	(8,950)	(8,941)	56.5%	0.1%
Total Net Position	41,466	37,709	33,965	10.0%	11.0%
Total Liabilities, Deferred Inflows, and Net Position	$ 120,984	$ 119,010	$ 88,184	1.7%	35.0%

Revenues, Expenses and Changes in Net Position

Fiscal year 2019-20

Operating revenues increased by 5 percent to $39.6 million (See Table A-2). Some of the major impacts on District revenues are from:

- Revenues from disposal fees remained consistent with prior year with an increase of 0.3 percent.
- Power revenue remained consistent with prior year with a decrease of 0.8 percent.
- Recycled material sales increased by 36.6 percent due the fast-growing activity of the Material Recovery Facility (MRF) CRV values assigned to diverted products by CalRecycle which started in full capacity in 2019. CRV values represent over 60 percent of total MRF revenue.
- Mulch, compost and woodchip sales decreased by 24.6 percent due to the business slow-down resulted from the COVID-19 Worldwide Pandemic.
- Sand sales decreased 7.2 percent compared to the prior year.
- Last chance mercantile sales decreased by 25.5 percent due to the COVID-19 Worldwide Pandemic and the store closure.

Operating expenses increased by 7.4 percent to $36,003,839. Salaries increased by 17.5 percent, due to an increase in employees during the year to staff the MRF operations. Benefits decreased by 27.9 percent due to the increase in employees partially offset by a lower increase in the unfunded pension liability. Repairs and maintenance remained consistent with prior year. Contracted services decreased by 29.7 percent due to the business slow-down in the last fiscal year quarter. Recycling expenses decreased by 17.7 percent while the office supplies increased by 267.9% due to buying COVID-19 related cleaning and disinfecting supplies. The closure/post-closure costs decreased by 3.1 percent resulting from the submission of revised plans as part of the 5-year permit review process. The revised plans have not been approved and the regulating body has determined that the higher of the approved or revised plans should be used to calculate the current year's costs.

Higher bond interest expense and bond cost of issuance were the only significant changes from the prior year to non-operating revenues (expenses).

Fiscal year 2019-20

Operating revenues increased by 28.2 percent to $37,746,293 (See Table A-2). Some of the major impacts on District revenues are from:

- Revenues from disposal fees increased by 12.9 percent due primarily to a percent increase in tonnage received under contract for disposal only.
- Power revenue increased by 28.5 percent due primarily to increase in the market price for electricity and increased volume of power generated.
- Recycled material sales increased by 457.4 percent due primarily to having twelve months of sales in fiscal 2019 compared to five months of sales in the prior year. A more stable element of Material Recovery Facility (MRF) revenue are CRV values assigned to diverted products by CalRecycle. CRV values represent over 60 percent of total MRF revenue.
- Mulch, compost and woodchip sales increased 7.2 percent due to higher volume of woodchip sales. Sand sales decreased 16.1 percent compared to the prior year.
- Last chance mercantile sales increased by 0.9 percent.

Operating expenses increased by 15.4 percent to $33,515,275. Salaries increased by 13.6 percent, due to an increase in employees during the year to staff the MRF operations. Benefits decreased by 7.9 percent due to the increase in employees partially offset by a lower increase in the unfunded pension liability. Repairs and maintenance remained consistent with prior year. Operating supplies and services increased by 35.4 percent due to the increased costs of temporary employees and increased wood waste recycling costs. Taxes, licenses and permits increased by 43.9 percent due primarily to the increase in fees from regulatory agencies. The closure/post-closure costs decreased by 12.6 percent resulting from the submission of revised plans as part of the 5-year permit review process. The revised plans have not been approved and the regulating body has determined that the higher of the approved or revised plans should be used to calculate the current year's costs.

Higher bond interest expense and bond cost of issuance were the only significant changes from the prior year to non-operating revenues (expenses).

Table A–2
Revenues, Expenses and Changes in Net Position
(in thousands of dollars)

	2020	2019	2018	Change 2020 to 2019	Change 2019 to 2018
Operating Revenues					
Disposal Fees	$ 28,828	$ 28,747	$ 25,459	0.3%	12.9%
Power Sales	1,324	1,334	1,038	-0.7%	28.5%
Last Chance Mercantile Sales	594	797	790	-25.5%	0.9%
Recycled Material Sales	7,872	5,763	1,034	36.6%	457.4%
Landscape Product Sales	136	180	168	-24.4%	7.1%
Scale and Operational Services	708	742	739	-4.6%	0.4%
Sand Sales	169	183	218	-7.7%	-16.1%
Total Operating Revenues	39,631	37,746	29,446	5.0%	28.2%
Operating Expenses					
Salaries	12,244	10,374	9,174	18.0%	13.1%
Employee Benefits	6,933	5,419	5,883	27.9%	-7.9%
Depreciation and Amortization	4,080	3,972	2,865	2.7%	38.6%
Repairs and Maintenance	2,163	2,410	2,414	-10.2%	-0.2%
Operating Supplies, Services and Other Expenses	8,883	7,693	5,868	15.5%	31.1%
Taxes, Licenses and Permits	914	2,370	1,539	-61.4%	54.0%
Closure/Post Closure Costs	788	1,231	1,301	-36.0%	-5.4%
Total Operating Expenses	36,005	33,469	29,044	7.6%	15.2%
Operating Income	3,626	4,277	402	-15.2%	963.9%
Non-Operating Revenues (Expenses)					
Interest Income	753	381	188	97.6%	102.7%
Other Revenue (Expenses)	372	377	357	-1.3%	5.6%
Interest Expense-Revenue Bonds and Capital Leases	(994)	(834)	(490)	19.2%	70.2%
Cost of Revenue Bonds Issuance	-	-	-	-	-
Total Non-Operating Revenues (Expenses)	131	(76)	55	-272.4%	-238.2%
Change in Net Position	3,757	4,201	457	-10.6%	819.3%
Total Net Position - Beginning of Year	37,709	33,508	33,508	12.5%	0.0%
Total Net Position - End of Year	$ 41,466	$ 37,709	$ 33,965	10.0%	11.0%

Operating Revenue and Expenses by Department

Fiscal year 2019-20

- Administration/organization includes senior management, administrative, accounting and engineering staff, along with organization-wide supplies and services, such as the computer network and telephone systems.
- Household hazardous waste (HHW) revenue is from charges for small quantity generators.
- Last chance mercantile (LCM) revenue is from the sale of items received from the public and recovered from the Materials Recovery Facility.
- The District continues to incur expenses for air emission testing and compliance requirements for the landfill gas power operations. The District operations benefit from “free electricity” and the revenue from the sale of excess power generated by the landfill gas power operations.
- The revenue for the Materials Recovery Facility (MRF) includes the disposal fees for refuse and green waste diverted at the facility, along with the revenues for sales of recycled materials, scrap metal and landscape materials and the revenue from CalRecycle CRV refund claims.
- Certified weights for the public make up the Scale's revenue.

Fiscal year 2017-18

- Administration/organization includes senior management, administrative, accounting and engineering staff, along with organization-wide supplies and services, such as the computer network and telephone systems.
- Household hazardous waste (HHW) revenue is from charges for small quantity generators.
- Last chance mercantile (LCM) revenue is from the sale of items received from the public and recovered from the Materials Recovery Facility.
- The District continues to incur expenses for air emission testing and compliance requirements for the landfill gas power operations. The District operations benefit from “free electricity” and the revenue from the sale of excess power generated by the landfill gas power operations.
- The revenue for the Materials Recovery Facility (MRF) includes the disposal fees for refuse and green waste diverted at the facility, along with the revenues for sales of recycled materials, scrap metal and landscape materials and the revenue from CalRecycle CRV refund claims.
- Certified weights for the public make up the Scale's revenue.

Budget Highlights

Fiscal year 2019-20

The District's operating revenues of $37.7 million were $3.1 million above budget and non-operating revenue was $0.3 million below budget amounts. The increase resulted primarily from increased tonnage delivered for processing and disposal. Last chance mercantile, scale and operational services, power sales and sand sales remained stable to budget. Landscape product sales decreased due primarily to decreased availability of processed wood based products.

Operating expenses of $37.7 million were $3.1 million above budget. Salary expenses and benefits are $0.9 million above budget due to an increased headcount for the Material Recovery Facility and the pension expense recognizing the differences between actuarial assumptions and projected and actual plan investment earnings. Recycling costs were $1.3 million above budget due to credits given to the District's contract waste customer and increased volume of wood waste processing. Maintenance of structures and equipment were $0.3 million above budget due to higher maintenance costs on MRF equipment. Professional services costs were $0.3 million below budget due in part to less costs incurred temporary employees. Revised maintenance plans being submitted as part of the 5-year permit review process. The plans have not been approved and the higher of the previous approved or submitted costs were used to calculate the closure/post closure costs. (see Note 6). The contractual services were below budget due to less temporary workers in the MRF than was budgeted. Other categories over budget were gas project maintenance – $741,206; office expenses – $266,036; hazardous waste program – $123,353; public awareness – $72,259; fuel – $70,939; safety equipment and supplies – $60,368; environmental services – $26,948; and miscellaneous – $18,600.

There were several items under budget: operating supplies – $483,639; depreciation and amortization – $331,349; insurance – $168,797; landfill closure and post closure care costs – $133,632; education, meetings and travel – $37,393; utilities – $31,329; and bad debt expense – $14,720.

Fiscal year 2018-19

The District's operating revenues of $37.7 million were $3.1 million above budget and non-operating revenue was $0.3 million below budget amounts. The increase resulted primarily from increased tonnage delivered for processing and disposal. Last chance mercantile, scale and operational services, power sales and sand sales remained stable to budget. Landscape product sales decreased due primarily to decreased availability of processed wood based products.

Operating expenses of $37.7 million were $3.1 million above budget. Salary expenses and benefits are $0.9 million above budget due to an increased headcount for the Material Recovery Facility and the pension expense recognizing the differences between actuarial assumptions and projected and actual plan investment earnings. Recycling costs were $1.3 million above budget due to credits given to the District's contract waste customer and increased volume of wood waste processing. Maintenance of structures and equipment were $0.3 million above budget due to higher maintenance costs on MRF equipment. Professional services costs were $0.3 million below budget due in part to less costs incurred temporary employees. Revised maintenance plans being submitted as part of the 5-year permit review process. The plans have not been approved and the higher of the previous approved or submitted costs were used to calculate the closure/post closure costs. (see Note 6). The contractual services were below budget due to less temporary workers in the MRF than was budgeted. Other categories over budget were gas project maintenance – $741,206; office expenses – $266,036; hazardous waste program – $123,353; public awareness – $72,259; fuel – $70,939; safety equipment and supplies – $60,368; environmental services – $26,948; and miscellaneous – $18,600.

There were several items under budget: operating supplies – $483,639; depreciation and amortization – $331,349; insurance – $168,797; landfill closure and post closure care costs – $133,632; education, meetings and travel – $37,393; utilities – $31,329; and bad debt expense – $14,720.

Capital Assets and Debt Administration

Capital Assets

The District's capital assets, net of accumulated depreciation, at June 30, 2020, totaled $79.0 million on June 30, 2020. (See Table A-3). The increase of $7.0 million is mostly due to capital acquisitions for the materials recycling facility.

				Change	
	2020	2019	2017	2020-19	2019-18
Land	$ 578	$ 578	$ 578	0.0%	0.0%
Facilities and Infrastructure	20,414	21,230	22,143	-3.8%	-4.1%
Equipment	29,932	30,575	28,235	-2.1%	8.3%
Power Project	6,080	6,982	6,093	-12.9%	14.6%
Module Development	10,352	8,392	6,746	23.4%	24.4%
Intangible Assets	89	105	122	-15.2%	-13.9%
Construction in Progress	11,581	4,128	4,615	180.5%	-10.6%
	$ 79,026	$ 71,990	$ 68,532	9.8%	5.0%

Fiscal year 2019-20 major capital asset additions include:

- $2,250 for module development construction in progress.
- $1,201 for a landfill compactor.

Fiscal year 2018-19 major capital asset additions include:

- $946,400 for module development construction in progress.
- $1,201 for a landfill compactor.

Debt Administration

On May 28, 2015, through the bond underwriter, the District issued $31,145,000 in 2015 Series A and Series B Integrated Waste Management Revenue Bonds to fund the acquisition of the Materials Recovery Facility Improvement Project and the Franchise Hauler Truck Parking and Maintenance Facility Project. Through the bond trustee, the District continues to make its regularly scheduled payments on the 2015 Series A and B Integrated Waste Management Revenue Bonds. During 2020, principal payments of $1,205,000 were made, leaving a balance of $25,700,000. The District was in compliance with the bond covenants at June 30, 2020 and 2019.

Bond Rating – In May 2015, Standard and Poor's assigned the Series 2015 Bonds the rating of AA- and view the outlook as stable.

On November 7, 2018, through the bond underwriter, the District issued $22,970,000 in 2018 Series A and Series B Integrated Waste Management Revenue Bonds to fund the design, acquisition and construction of improvements to the Monterey Peninsula Landfill and paying costs of issuance related to the sale and delivery of the Series 2018 Bonds. Through the bond trustee, the District continues to make its regularly scheduled payments on the 2018 Series A and B Integrated Waste Management Revenue Bonds. During 2019, principal payments of $745,000 were made, leaving a balance of $21,960,000. The District was in compliance with the bond covenants at June 30, 2019.

Bond Rating – In November 2018, Standard and Poor's assigned the Series 2018 Bonds the rating of AA- and view the outlook as stable.

Economic Factors and Next Year's Budget and Rates

Operating revenues are projected to increase in due to higher sales of MRF material and higher revenue from the sale of power generated from the landfill gas-to-power operations. There are no rate increases scheduled in the budget for next year however there will be a new processing fee and residual fee charged for material processed in the MRF effective July 1, 2019. The Materials Recovery Facility Improvement Project will produce incremental revenues from enhanced recovery equipment that improves the current resource recovery operations of the District. This project is to increase revenues from the sale of materials recovered from the curbside recyclable program and refuse collections from the local franchise haulers and California recycling claims. In September 2010, the District entered into an agreement to accept a guaranteed minimum of 75,000 tons of refuse subject to long term contract pricing. In October 2011, the District entered into an amendment to this agreement to increase the guaranteed minimum to 125,000 tons per year. In October 2012, the District entered into an amendment to reduce the guaranteed annual tons of refuse to 75,000 per year and to increase the guaranteed annual tons of alternative daily cover to 10,000 per year. The District Board has approved the utilization of unrestricted cash reserves to cover purchases of capital assets and debt principal payments.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, customers, bondholders and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Peter Skinner, Director of Finance and Administration, at (831) 384–5313.

BASIC FINANCIAL STATEMENTS

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2020 AND COMPARATIVE 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS		
Current assets		
Cash and investments (Note 3)	$ 28,614,648	$ 34,208,631
Accounts receivable, net	3,657,661	2,977,433
Accrued interest receivable	87,576	57,000
Other receivables	346,199	563,024
Prepaid expenses	83,410	574,089
Total current assets	32,789,494	38,380,177
Non-current assets		
Restricted cash and investments (Note 3)	4,849,925	4,849,925
Deposits	155,000	155,000
Capital assets, net (Note 4)	79,025,732	71,989,806
Total noncurrent assets	84,030,657	76,994,731
Total assets	116,820,151	115,374,908
Deferred outflows of resources		
Pension related amounts (Note 6)	3,324,325	3,635,115
OPEB related amounts (Note 7)	840,752	-
Total deferred outflows of resources	4,165,077	3,635,115
Total assets and deferred outflows of resources	$ 120,985,228	$ 119,010,023

The accompanying notes are an integral part of these financial statements.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF NET POSITION (Continued)
JUNE 30, 2020 AND COMPARATIVE 2019

LIABILITIES, DEFERRED INFLOWS AND NET POSITION	2020	2019
Current liabilities		
Accounts payable	$ 1,460,361	$ 3,173,632
Security deposits	52,045	52,801
Compensated absences	270,139	318,761
State/County waste management fees	261,027	327,710
Payroll and payroll liabilities	106,528	100,865
Revenue bonds and equipment lease interest payable	482,869	510,758
Current portion of revenue bonds payable (Note 8)	2,231,681	2,091,743
Current portion of installment sale obligation (Note 9)	458,783	458,783
Total current liabilities	5,323,433	7,035,053
Non-current liabilities		
Compensated absences	810,419	899,444
Long-term portion of installment sale obligation (Note 9)	980,343	1,431,813
Net pension liability (Note 6)	13,041,310	11,977,493
Total OPEB liability (Note 7)	3,809,546	2,532,472
Revenue bonds payable, net (Note 8)	49,178,889	51,410,571
Landfill closure and post closure care (Note 5)	6,057,277	5,702,368
Total noncurrent liabilities	73,877,784	73,954,161
Total liabilities	79,201,217	80,989,214
Deferred inflows of resources		
Pension related amounts (Note 6)	317,248	311,841
Total liabilities and deferred inflows of resources	79,518,465	81,301,055
Net position		
Net investment in capital assets	50,624,412	41,809,486
Restricted for		
Debt service	2,349,925	2,349,925
Landfill closure	1,500,000	1,500,000
Environmental impairment	1,000,000	1,000,000
Unrestricted (deficit)	(14,007,574)	(8,950,443)
Total net position	$ 41,466,763	$ 37,708,968

The accompanying notes are an integral part of these financial statements.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND COMPARATIVE 2019

	2020	2019
Operating revenues		
Disposal fees	$ 28,828,155	$ 28,746,709
Power sales	1,323,808	1,334,418
Recycled material sales	7,872,131	5,763,355
Last chance mercantile sales	593,666	797,392
Scale and operational services	708,019	741,603
Sand sales	169,458	182,605
Landscape product sales	135,804	180,211
Total operating revenues	39,631,041	37,746,293
Operating expenses		
Salaries	12,244,176	10,421,186
Employee benefits	6,933,397	5,418,921
Depreciation and amortization	4,080,148	3,971,650
Recycling	2,322,351	2,723,001
Taxes, licenses and permits	1,393,089	1,313,979
Maintenance of structures and equipment	2,184,588	1,961,924
Professional services	787,612	1,231,323
Fuel	917,628	1,270,939
Contractual services	770,158	1,095,765
Gas project maintenance	1,036,239	741,206
Operating supplies	1,076,990	1,008,361
Landfill closure and post closure care costs	354,908	366,368
Insurance	80,244	351,595
Public awareness	162,484	237,259
Office	554,287	150,661
Safety equipment and supplies	257,750	287,368
Education, meetings and travel	76,753	155,608
Hazardous waste program	305,316	403,353
Environmental services	331,294	276,948
Utilities	108,544	84,980
Miscellaneous	25,883	42,600
Bad debt expense	-	280
Total operating expenses	36,003,839	33,515,275
Operating income	$ 3,627,202	$ 4,231,018

The accompanying notes are an integral part of these financial statements.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND COMPARATIVE 2019

	2020	2019
Operating income	3,627,202	4,231,018
Non–operating revenues (expenses):		
Interest income	$ 753,311	$ 380,917
Rents and leases	343,337	346,015
Gain (loss) on sale of capital assets – net	28,610	27,590
Interest expense – revenue bonds and installment sales	(994,494)	(833,821)
Cost of revenue bonds issuance	-	(411,141)
Other income (expense)	(171)	3,236
Total non-operating revenues (expenses)	130,593	(487,204)
Change in net position	3,757,795	3,743,814
Net position, beginning of year	37,708,968	33,965,154
Net position, end of year	$ 41,466,763	$ 37,708,968

The accompanying notes are an integral part of these financial statements.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND COMPARATIVE 2019

	2020	2019
Cash flows from operating activities		
Cash received from customers	$ 39,167,638	$ 37,655,902
Cash payments to employees for services	(17,493,221)	(15,117,075)
Cash payments to suppliers of goods or services	(13,681,240)	(11,853,973)
Net cash provided by operating activities	7,993,177	10,684,854
Cash flows from noncapital financing		
Other non-operating revenues	343,166	349,251
Net cash provided by noncapital financing activities	343,166	349,251
Cash flows from capital and related financing activities		
Payments for capital acquisitions	(11,116,074)	(6,251,658)
Principal payments for capital leases	(2,543,214)	(224,253)
Proceeds from disposition of capital assets	28,610	33,411
Principal paid on revenue bonds	-	(1,521,688)
Proceeds from revenue bonds	-	25,479,376
Bond issuance costs paid	-	(411,141)
Interest paid on revenue bonds and capital leases	(1,022,383)	(625,751)
Net cash provided by (used for) capital and related financing activities	(14,653,061)	16,478,296
Cash flows from investing activities		
Investment income	722,735	368,917
Proceeds from investments sales	12,551,399	-
Payments to acquire investment instruments	-	(20,177,000)
Net cash (used for) provided by capital and related financing activities	13,274,134	(19,808,083)
Net change in cash and cash equivalents	6,957,416	7,704,318
Cash and cash equivalents, beginning of year	18,881,556	11,177,238
Cash and cash equivalents, end of year	$ 25,838,972	$ 18,881,556

The accompanying notes are an integral part of these financial statements.

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND COMPARATIVE 2019

	2020	2019
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 3,627,202	$ 4,231,018
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	4,080,148	3,971,650
Landfill closure and post closure care	354,908	366,368
Changes in assets, liabilities, deferred inflows and outflows		
Accounts payable	(1,713,271)	850,739
Accounts receivable	(680,228)	(431,928)
Accrued compensated absences	(137,646)	20,845
Accrued payroll and payroll liabilities	5,663	(19,886)
Accrued State/County waste management fees	(66,683)	18,095
Deferred outflows - OPEB	(840,752)	(60,266)
Deferred outflows - pension	310,790	61,579
Net pension liability	1,063,817	465,974
Other receivables	216,825	1,070
Power sales receivable	-	340,467
Prepaid expenses	490,679	614,439
Security deposits	(756)	(143)
Deferred inflow-Pension	5,407	-
Total other postemployment benefits liability	1,277,074	254,832
Total reconciling adjustments	4,365,975	6,453,835
Net cash provided by operating activities	$ 7,993,177	$ 10,684,853
Reconciliation of cash and cash equivalents to the statement of net position		
Demand deposits with financial institutions	$ 6,929,132	$ 8,637,569
Investments treated like demand deposits	18,909,840	10,243,987
Total cash and cash equivalents, end of year	25,838,972	18,881,556
Investments	7,625,601	20,177,000
Total deposits and investments on the statement of net position	$ 33,464,573	$ 39,058,556
Deposits and investments - classified as unrestricted	$ 28,614,648	$ 34,208,631
Deposits and investments - classified as restricted	4,849,925	4,849,925
Total deposits and investments	$ 33,464,573	$ 39,058,556

The accompanying notes are an integral part of these financial statements.

NOTE 1. DESCRIPTION OF ENTITY

Reporting Entity – The Monterey Regional Waste Management District (District), was formed in 1951 under the California Health and Safety Code. The primary purpose of the District is to dispose of solid waste in the Monterey Peninsula area. The District's role has expanded to include the recovery of recyclable materials in the waste stream (cardboard, newspaper, glass, wood waste, plastic, metals, concrete, asphalt, reusable building materials and resale items) and to receive nonhazardous liquid wastes. In addition, the District operates a landfill gas to electrical energy system which generates more than 5,000 kilowatts of continuous power. The accompanying financial statements conform to generally accepted accounting principles as applicable to governments.

The District is governed by a nine-member board made up of representatives from the following entities: City of Carmel-by-the-Sea, City of Del Rey Oaks, City of Marina, City of Monterey, City of Pacific Grove, City of Sand City, City of Seaside, Pebble Beach Community Services District and the unincorporated area representing the western portion of Monterey County.

The Monterey Regional Waste Management Authority (component unit of the District) was formed pursuant to the provisions of the Government Code of the State of California and a Joint Powers Agreement, dated April 1, 1993, by and between the City of Carmel-by-the-Sea, City of Del Rey Oaks, City of Marina, City of Monterey, City of Pacific Grove, City of Sand City and City of Seaside. During the fiscal year ended June 30, 1996, the Pebble Beach Community Services District also became a member of the Authority. The Authority was formed to assist in the financing and public capital improvements, such as the design, acquisition and construction of additions, betterments and improvements to the District's facilities.

The Authority has issued revenue bonds to finance the capital improvements and will maintain the debt from the revenue bonds on its books. The District has received ownership of the constructed assets and will maintain these assets on its books. In consideration for these assets, the District has pledged its revenue to the Authority, in sufficient amounts to pay the principal and interest payments of the revenue bonds. The Bank of New York Mellon Trust Company (Trustee) is described in the Integrated Waste Management Improvement Agreement and the Trust Agreement by and between the Authority, the District and the Trustee.

The accompanying financial statements present the activities of the District and its component unit, the Authority, a legally separate organization for which the District is financially accountable. The governing board of the District serves as the governing board of the Authority. The Authority exists solely to finance the acquisition and construction of equipment and facilities for the County. The Authority is so intertwined with the District that it is, in substance, the same as the District and, therefore, is reported as a blended component unit of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting – Enterprise funds are financed in whole or in part by fees charged to external parties, and are accounted for in an enterprise fund. Enterprise funds maintain their records using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows.

The statement of net position and the statement of revenues, expenses, and changes in net position displays information about the primary government (District) and its component unit (Authority). Eliminations have been made to minimize the double-counting of activities between the entities.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values.

Net Position – The District's net position is required to be classified for accounting and reporting purposes into the following categories:

Net Investment in Capital Assets – This component of net position, includes capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of net position.

Unrestricted – This component of net position consists of assets that do not meet the definition of "restricted" or "net investment in capital assets."

Cash and Cash Deposits – The District's cash and cash deposits are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Accounts Receivable – Accounts receivable are composed of amounts due from customers for tipping fees. At June 30, 2020 and 2019, the balances are shown net of the allowance for uncollectible accounts of $10,892 and $10,892, respectively. The District used the allowance method to account for uncollectible accounts receivable. The allowance is based on prior experience and management's analysis of bad debts.

Capital Assets – Purchased capital assets are accounted for at cost, or contributed assets are recorded at estimated acquisition value on the date received.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives used to depreciate assets, by asset class, are as follows:

Administrative and scale	5–40 Years
Disposal and recycling	3–60 Years
Power project	5–40 Years
Module development	5–80 Years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Compensated Absences – The District allows employees to accrue vacation and compensation time. The accrued liability is based on the employee's hourly rate at year end. All accumulated vacation and compensation time is recorded as an expense and a liability in the proprietary fund at the time the liability is incurred and depending on classification, as a current or long-term liability. Upon termination of an employee, the District is required to pay accrued vacation and compensation time. Sick leave is recorded as an expense when it is paid and it is not required to be paid upon termination of an employee.

Pension Plan – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. The following timeframes are used:

<u>**Year Ended June 30, 2020**</u>	
Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

<u>**Year Ended June 30, 2019**</u>	
Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

Postemployment Benefits Other Than Pensions (OPEB) – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense and additions to/deductions from the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Deferred Outflows and Inflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Revenues and Expenses – Revenue is recognized when earned. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of user charges for disposal fees. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions.

Spending Order Policy – When an expense is incurred for which there are both restricted and unrestricted net position is available, it is the District's policy to apply these expenses to restricted net position to the extent that such are available and then to unrestricted net position.

Budget Policy – The District's Board of Directors annually adopts the budget for the District. Board of Directors' actions are required for the approval of budget revisions.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District to make estimates and assumptions that affect the reported amounts at the date of the financial statements. Actual results could differ from those estimates.

New Accounting Principles from the Governmental Accounting Standards Board (GASB)

GASB Statement No. 95– In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance* . The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately as they delayed the effective dates of several GASB Statements. The effective dates listed in the Future Governmental Accounting Standards Board (GASB) Pronouncement section have been updated to reflect the postponed effective dates.

New Accounting Pronouncements – Effective in Future Fiscal Years

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2019, or fiscal year 2020-21. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after June 15, 2021, or fiscal year 2021-22. The District is evaluating the impact of this Statement on the financial statements

GASB Statement No. 89 – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement is effective for reporting periods beginning after December 15, 2020, or fiscal year 2021-22. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 90 – In September 2018, the GASB issued Statement No. 90, *Majority Equity Interests, An Amendment of GASB Statements No. 14 and No. 61.* The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for reporting periods beginning after December 15, 2019, or fiscal year 2020-21. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 91 – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issues and eliminate diversity in practice. The Statement is effective for reporting periods beginning after December 15, 2021, or fiscal year 2022-23. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 92 – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practices issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods beginning after June 15, 2021, or fiscal year 2021-22. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 93– In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The Statement is effective for reporting periods beginning after June 15, 2021, or fiscal year 2021-22. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 94– In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022, or fiscal year 2022-23. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 96– In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022, or fiscal year 2022-23. The District is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 97– In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No.14 and No.84 and A Supersession of GASB Statement No.32*. The objective of this Statement is (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2021, fiscal year 2021-22. The District is evaluating the impact of this Statement on the financial statements.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits and investments are classified in the financial statements as of June 30 as follows:

	2020	2019
Unrestricted	$ 28,614,648	$ 34,208,631
Restricted		
Held by trustee for bond reserve account	2,349,925	2,349,925
For landfill closure and post closure care costs	1,500,000	1,500,000
For environmental impairment fund	1,000,000	1,000,000
Total restricted	4,849,925	4,849,925
Total cash and investments	$ 33,464,573	$ 39,058,556

At June 30, deposits and investments are comprised of the following:

	2020	2019
Deposits with financial institutions	$ 9,387,080	$ 8,637,569
Investments		
U.S. Agency medium term notes	5,167,653	20,177,000
Local Agency Investment Fund (LAIF)	18,909,840	10,243,987
Total investments	24,077,493	30,420,987
Total deposits and investments	$ 33,464,573	$ 39,058,556

Authorized Investments

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk and concentration of credit risk, other than as contained in California Government Code.

The District is authorized under California Government Code to make direct investments in the following:

Investment Type	Maximum Remaining Maturity	Maximum Specified % Of Portfolio	Minimum Quality Requirements	Government Code Sections
Local Agency Bonds	5 Years	None	None	53601(a)
U.S. Treasury Obligations	5 Years	None	None	53601(b)
State Obligations: CA and Others	5 Years	None	None	53601(d)
CA Local Agency Obligations	5 Years	None	None	53601(e)
U.S. Agency Obligations	5 Years	None	None	53601(f)
Bankers' Acceptances	180 days	40%	None	53601(g)
Commercial Paper: Non-pooled Funds	270 days or less	25% of the agency's money	(1)	53601(h)(2)(C)
Commercial Paper: Pooled Funds	270 days or less	40% of the agency's money	(1)	53635(a)(1)
Negotiable Certificates of Deposit	5 Years	30%	None	53601(i)
Non-negotiable Certificates of Deposit	5 Years	None	None	53630 et seq.
Placement Service Deposits	5 Years	30%	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 Years	30%	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days L	20% of the base value of the portfolio	None	53601(j)
Medium-term Notes	5 years or less	30%	(2)	53601(k)
Mutual Funds and Money Market Mutual Funds	N/A	20%	Multiple	53601(l) and 53601.6(b)
Collateralized Bank Deposits	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass–through and Asset Backed Securities	5 years or less	20%	(2)	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund	N/A	None	None	16340
Supranational Obligations	5 years or less	30%	(2)	53601(q)

(1) Highest letter and number rating by a NRSRO

(2) "A" rating category or its equivalent or better

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

As of June 30, 2020 and June 30, 2019, the District's bank balance of $10,141,408 and $7,038,203, respectively, was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District. As of June 30, 2020 and June 30, 2019, $5,167,653 and 20,177,000, respectively of the District's investment portfolio was exposed to custodial credit risk by not being insured or collateralized.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following is a summary of the credit quality of the District's investment portfolio at June 30:

Investment on June 30, 2020	Rating	2020	2019
Federal Home Loan Mortgage Corporation	Aaa	$ -	$ 5,177,000
Federal National Mortgage Association	Aaa	5,167,653	5,000,000
Federal Home Loan Bank	Aaa	-	5,000,000
Federal Home Loan Mortgage Corporation	Aaa	-	5,000,000
Local Agency Investment Fund (LAIF)	Not Rated	18,909,840	10,243,987
Total investments		$ 24,077,493	$ 30,420,987

Concentration of Credit Risk

Investments in any one issuer that represent five percent or more of the total investment portfolio as of June 30, are as follows:

Investment on June 30, 2020	Value	% of Portfolio
Federal National Mortgage Association	$ 5,167,653	21%

Investment on June 30, 2019	Value	% of Portfolio
Federal Home Loan Mortgage Corporation	$ 5,177,000	17%
Federal National Mortgage Association	5,000,000	16%
Federal Home Loan Bank	5,000,000	16%
Federal Home Loan Mortgage Corporation	5,000,000	16%

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair value of the District's investments to market interest rate fluctuations is provided in the following table that shows the distribution of the investment portfolio by maturity.

		Maturity	
Investment on June 30, 2020	Value	Less than 1 year	1-5 years
Federal National Mortgage Association	$ 5,167,653	$ 5,167,653	-
Local Agency Investment Fund (LAIF)	18,909,840	18,909,840	-
	24,077,493	$ 24,077,493	$ -

		Maturity	
Investment on June 30, 2019	Value	Less than 1 year	1-5 years
Federal Home Loan Mortgage Corporation	$ 5,177,000	$ -	$ 5,177,000
Federal National Mortgage Association	5,000,000	5,000,000	-
Federal Home Loan Bank	5,000,000	5,000,000	-
Federal Home Loan Mortgage Corporation	5,000,000	-	5,000,000
Local Agency Investment Fund (LAIF)	10,243,987	10,243,987	-
	30,420,987	$ 20,243,987	$ 10,177,000

Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value.

The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data.

The District's fair value measurements are as follows at June 30, 2020:

	Fair Value Measurement Using	
Investment on June 30, 2020	**Level I**	**Uncategorized**
Federal National Mortgage Association	$ 5,167,653	$ -
Local Agency Investment Fund (LAIF)	-	18,909,840
Total	$ 5,167,653	$ 18,909,840

	Fair Value Measurement Using	
Investment on June 30, 2019	**Level I**	**Uncategorized**
Federal Home Loan Mortgage Corporation	$ 5,177,000	$ -
Federal National Mortgage Association	5,000,000	-
Federal Home Loan Bank	5,000,000	-
Federal Home Loan Mortgage Corporation	5,000,000	-
Local Agency Investment Fund (LAIF)	-	10,243,987
Total	$ 20,177,000	$ 10,243,987

The fair value of the District's investment in Local Agency Investment Fund is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

Deposits and withdrawals in the State Local Agency Investment Fund are made on the basis of $1 and not fair value. Accordingly, the District's proportionate share of investments in those funds at June 30, 2020 and June 30, 2019 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Capital Assets at June 30, 2019	Additions and Transfers	Dispositions and Transfers	Capital Assets at June 30, 2020
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land and improvements	$ 578,210	$ -	$ -	$ 578,210
Construction in progress	5,870,957	9,551,575	(40,367)	15,382,165
Total capital assets not being depreciated	6,449,167	9,551,575	(40,367)	15,960,375
Other capital assets				
Administrative and scale:				
Equipment	806,329	100,978	-	907,307
Facilities	17,010,137	6,540	-	17,016,677
Disposal and recycling:				
Equipment	46,101,991	1,264,596	(984,350)	46,382,237
Facilities	17,632,990	282,659	-	17,915,649
Power project	16,982,400		(52,306)	16,930,094
Module development	10,879,348		-	10,879,348
Intangible site master plan	738,557	-	-	738,557
Total other capital assets at historical cost	110,151,752	1,654,773	(1,036,656)	110,769,870
Less accumulated depreciation for				
Administrative and scale	(3,071,895)	(629,371)	-	(3,701,266)
Disposal and recycling	(40,906,157)	(3,434,753)	986,748	(43,354,162)
Intangible site master plan	(633,061)	(16,024)	-	(649,085)
Total accumulated depreciation	(44,611,113)	(4,080,148)	986,748	(47,704,513)
Other capital assets, net	65,540,639	(2,425,375)	(49,908)	63,065,357
Business-type activities capital assets, net	$ 71,989,806	$ 7,126,201	$ (90,275)	$ 79,025,732

Capital asset activity for the year ended June 30, 2019 was as follows:

	Capital Assets at June 30, 2018	**Additions and Transfers**	**Dispositions and Transfers**	**Capital Assets at June 30, 2019**
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land and improvements	$ 578,210	$ -	$ -	$ 578,210
Construction in progress	4,615,240	5,339,765	(4,084,048)	5,870,957
Total capital assets not being depreciated	5,193,450	5,339,765	(4,084,048)	6,449,167
Other capital assets				
Administrative and scale:				
Equipment	$ 713,241	$ 93,088	$ -	$ 806,329
Facilities	17,010,137	-	-	17,010,137
Disposal and recycling:				
Equipment	42,086,203	4,140,514	(124,726)	46,101,991
Facilities	17,480,328	152,662	-	17,632,990
Power project	15,189,090	1,793,310	-	16,982,400
Module development	10,879,348	-	-	10,879,348
Intangible site master plan	738,557	-	-	738,557
Total other capital assets at historical cost	104,096,904	6,179,574	(124,726)	110,151,752
Less accumulated depreciation for				
Administrative and scale	(2,467,395)	(604,500)	-	(3,071,895)
Disposal and recycling	(37,673,937)	(3,351,125)	118,905	(40,906,157)
Intangible site master plan	(617,036)	(16,025)	-	(633,061)
Total accumulated depreciation	(40,758,368)	(3,971,650)	118,905	(44,611,113)
Other capital assets, net	63,338,536	2,207,924	(5,821)	65,540,639
Business-type activities capital assets, net	$ 68,531,986	$ 7,547,689	$ (4,089,869)	$ 71,989,806

NOTE 5. LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

State and federal laws and regulations require that the Monterey Regional Waste Management District place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the estimated future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The District's updated Site Master Plan and Closure and Post Closure Plan were approved by state regulatory agencies during the fiscal year ended June 30, 2006. The District completed an Updated Preliminary Closure and Post Closure Maintenance Plan and a Joint Technical Document for Landfill Development in April 2010. In December 2016, revised Closure and Post Closure Maintenance Plans were submitted as part of the 5-Year Permit Review. These plans have not received official approval.

The liability recognized for the estimated landfill closure and post closure care cost used the greater cost estimates and are $6,057,277 and $5,702,368 as of June 30, 2020 and 2019, respectively which was based on 22.2 percent and 21.1 percent usage (filled) of the landfill at that date. It is estimated that an additional $21,469,000 will be recognized as landfill closure and post closure care expenses between June 30, 2020, and the date the landfill is expected to be filled to capacity (in the year 2176). The current estimated total cost of the landfill closure and post closure care of $26,332,539 is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were required as of June 30, 2020.

However, the actual cost of the landfill closure and post closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

The Monterey Regional Waste Management District is required by state and federal laws and regulations to make annual contributions to finance closure and post closure care. The District is in compliance with these requirements. At June 30, 2020 and 2019, investments of $1,500,000 were held to meet the state requirements. These investments are presented on the District's statements of net position as restricted assets. It is anticipated that future inflation costs will be financed in part from earnings on investments. The District meets the financial assurance test for federal purposes. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in post closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users.

NOTE 6. NET PENSION LIABILITIES

Plan Description

The District participates in an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2019, Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

All permanent District employees are eligible to participate in the Public Employees' Retirement (Fund) of California's Public Employees' Retirement System (CalPERS). The Fund is an agent multiple-employer defined benefit plan that acts as a common investment and administrative agent for various local and state government agencies with the State of California. The Fund provides retirement, disability, and death benefits based on employees' age, years of service, and the highest year's compensation. Employees vest after five years of service and may receive retirement benefits commencing at age 50. These benefit provisions and all other requirements are established be state statute. CalPERS' annual financial report can be found on their website: www.calpers.ca.gov.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on yeas of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non–duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefits, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are as specified by the California Public Employees' Retirement law.

The Plans' provisions and benefits in effect at June 30, 2020 are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after to January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefits payments	monthly for life	monthly for life
Retirement age	50 – 63	52 – 67
Monthly benefits, as a percent of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	9.114%	6.750%

Employees Covered

At June 30, 2018 and June 30, 2017 valuation dates, the following employees were covered by the benefit terms for each Plan:

Valuation as of June 30 –	**2018**	**2017**
Inactive employees or beneficiaries currently receiving benefits	63	47
Inactive employees entitled to but not receiving benefits	58	57
Active employees	127	113
Total	**248**	**217**

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees

For the years ended June 30, 2020 and 2019, the District paid the employer's share and the employee' paid the employees' share of the contributions. The contributions were as follows:

	2020	2019
Employer normal contributions	$ 837,043	$ 750,920
Annual UAL prepayment	727,373	580,600
Total employer contributions	1,564,416	1,331,520
Employee contributions	632,451	594,153

Net Pension Liability

The District's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability as of June 30, 2020, for the Plan is measured as of June 30, 2019, using an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown on the following page.

Actuarial Assumptions

The total pension liabilities in the June 30, 2018, actuarial valuation rolled forward to June 30, 2019, using standard update procedures, were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by entry age and service
Mortality	Based on CalPERS Experience Study using Scale BB

The total pension liabilities in the June 30, 2017, actuarial valuation rolled forward to June 30, 2018, using standard update procedures, were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by entry age and service
Mortality	Derived using CalPERS membership data for all funds

The mortality table used for Miscellaneous Plan was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website. All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained in CalPERS' website under Forms and Publications.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2020 and 2019, the District recognized pension expense of $4,448,191 and $2,965,795, respectively. At June 30, 2020 and 2019, the District reported deferred outflows of sources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Pension contributions subsequent to measurement date	$ 1,564,416	$ -	$ 1,331,520	$ -
Difference between actual and expected experience	961,277	-	932,050	-
Changes in assumptions	798,632	(146,146)	1,297,777	(311,841)
Net differences between projected and actual earnings on plan investments	-	(171,102)	13,502	-
Total	$ 3,324,325	$ (317,248)	$ 3,574,849	$ (311,841)

$1,564,416 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:		Deferred Outflows/(Inflows) of Resources
2021	$	946,374
2022		234,501
2023		112,636
2024		149,150
	$	1,442,661

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contribution on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for each cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2016.

Asset Class[1]	New Strategic Allocation	Real Return Years 1 - 10[2]	Real Return Years 11+[3]
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	2020	2019
1% Decrease	6.15%	6.15%
Net Pension Liability	$ 19,439,269	$ 17,932,983
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$ 13,041,310	$ 11,977,493
1% Increase	8.15%	8.15%
Net Pension Liability	$ 7,754,377	$ 7,055,847

Changes in the Net Pension Liability

The changes in the net pension liability for the plan during the year ended June 30, 2020 are as follows:

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: June 30, 2018 measurement date	$ 42,453,518	$ 30,476,025	$ 11,977,493
Changes Recognized for the Measurement Period:			
Service Cost	1,343,425	-	1,343,425
Interest on the Total Pension Liability	3,069,788	-	3,069,788
Differences between Expected and Actual Experience	583,289	-	583,289
Contributions from the Employer	-	1,331,131	(1,331,131)
Contributions from Employees	-	595,223	(595,223)
Net Investment Income	-	2,028,008	(2,028,008)
Benefit Payments, Including Refunds of Employee Contributions	(1,548,836)	(1,548,836)	-
Administrative Expense	-	(21,748)	21,748
Other Miscellaneous Income/(Expense)	-	71	(71)
Net Changes	3,447,666	2,383,849	1,063,817
Balance at: June 30, 2019 measurement date	$ 45,901,184	$ 32,859,874	$ 13,041,310

The changes in the net pension liability for the plan during the year ended June 30, 2019 follows:

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at: June 30, 2017 measurement date	$ 39,609,799	$ 28,013,440	$ 11,596,359
Changes Recognized for the Measurement Period:			
Service Cost	1,203,629	-	1,203,629
Interest on the Total Pension Liability	2,840,989	-	2,840,989
Differences between Expected and Actual Experience	496,410	-	496,410
Changes of Assumptions	(250,536)	-	(250,536)
Plan to Plan Resource Movement	-	(71)	71
Contributions from the Employer	-	1,106,722	(1,106,722)
Contributions from Employees	-	538,059	(538,059)
Net Investment Income	-	2,391,198	(2,391,198)
Benefit Payments, Including Refunds of Employee Contributions	(1,446,773)	(1,446,773)	-
Administrative Expense	-	(43,653)	43,653
Other Miscellaneous Income/(Expense)[1]		(82,897)	82897
Net Changes	2,843,719	2,462,585	381,134
Balance at: June 30, 2018 measurement date	$ 42,453,518	$ 30,476,025	$ 11,977,493

1 During Fiscal Year 2018-19, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to post-employment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75. Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2018-19, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

As of June 30, 2020, the District reported the following amounts for total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense:

Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
$ 3,809,546	$ 840,752	$ -	$ 573,330

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District maintains a single-employer, defined benefit healthcare plan (administered by the District). The District is obligated by a memorandum of understanding to contribute toward health insurance premiums for certain employees retired from the District at the age of 55 or older with at least five years of continuous employment with the District. Plan terms may be amended by the District and its bargaining units. Retirees are reimbursed at the rate of $20 a month for each year of District service. Payments are made until the retiree reaches the age of 65. Beginning in 2006, the monthly rate is increased by 2 percent each calendar year. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Employees Covered by Benefit Terms

As of the June 30, 2020 measurement date, the following employees were covered by the benefit terms:

Participating Active Employees	117
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	-
Inactive Employees Currently Receiving Benefit Payments	19
Total	136

Total OPEB Liability

The District's total OPEB liability of $3,809,546 was measured as of June 30, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75	percent
Salary increases	2.75	percent, average, including inflation
Discount rate	2.20	percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00	percent per year

The discount rate estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The discount rate used for an unfunded plan is based on an index of 20 year general obligation municipal bonds.

The mortality assumptions are based on the 2014 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	$ 2,532,472
Changes for the year:	
Service cost	176,317
Interest on the TPL	90,379
Changes of Benefit Terms	240,242
Differences between Expected and Actual Experience	384,106
Assumption changes	462,772
Benefit payments	(76,742)
Net changes	1,277,074
Balance at June 30, 2020	$ 3,809,546

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (2.5%)	$ 4,066,592
Current discount rate (3.5%)	3,809,546
1% increase (4.5%)	3,565,419

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3%)	$ 3,430,078
Current healthcare cost trend rate (4%)	3,809,546
1% increase (5%)	4,255,802

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2020 and 2019, the District recognized OPEB expense of $573,330 and $250,933 respectively. At June 30, 2020, the District reported deferred outflows of resources related to OPEB from changes in assumptions of $780,486.

Amounts reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Measurement Period Ended June 30:		Amount
2021	$	66,392
2022		66,392
2023		66,392
2024		66,392
2025		66,392
Thereafter		508,792
	$	840,752

NOTE 8. REVENUE BONDS

The 2015 Series A and B Revenue Bonds (revenue bonds) were sold, executed and delivered in the aggregate principal amount of $31,145,000 only as fully registered bonds in the denomination of $5,000 or any integral multiples thereof. The revenue bonds are dated and bear interest from May 28, 2015, at the rates per annum set forth below, payable semiannually on October 1 and April 1, commencing October 1, 2015, and will mature April 1 in the years and in the principal amounts set forth below. The Bank of New York Mellon Trust Company, Los Angeles, California, acts as trustee and Cede & Co, as the nominee of The Depository Trust Company, New York, New York, as registrar and paying agent for the 2015 Series A and Series B Revenue Bonds.

The 2018 Series A and B Revenue Bonds (revenue bonds) were sold, executed and delivered in the aggregate principal amount of $22,970,000 only as fully registered bonds in the denomination of $5,000 or any integral multiples thereof. The revenue bonds are dated and bear interest from November 21, 2018, at the rates per annum set forth below, payable semiannually on October 1 and April 1, commencing April 1, 2019, and will mature April 1 in the years and in the principal amounts set forth below. The Bank of New York Mellon Trust Company, Los Angeles, California, acts as trustee and Cede & Co, as the nominee of The Depository Trust Company, New York, New York, as registrar and paying agent for the 2018 Series A and Series B Revenue Bonds.

	June 30, 2019	Additions	Reductions	June 30, 2020	Amounts Due within One Year
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds:					
Series 2015A	$ 15,875,000	$ -	$ 705,000	$ 15,170,000	$ 730,000
Series 2015B	11,030,000	-	500,000	10,530,000	520,000
Series 2018A	11,555,000	-	-	11,555,000	-
Series 2018B	11,150,000	-	745,000	10,405,000	780,000
Total Revenue Bonds	49,610,000	-	1,950,000	47,660,000	2,030,000
Bond premiums	3,892,314	-	141,744	3,750,570	201,681
	$ 53,502,314	$ -	$ 2,091,744	$ 51,410,570	$ 2,231,681

The Trust Agreement provides that the 2015 Series A and Series B and 2018 Series A and Series B Revenue Bonds and the interest thereon are payable from, and are secured by a first pledge of and charge and lien upon the revenues derived by the Authority from the District under the Improvement Agreement, the Reserve Fund held under the Trust Agreement, and certain interest, profit and other income derived from certain funds held under the Trust Agreement, all under the terms and conditions set forth in the Trust Agreement.

The debt service requirements of the bonds for the remaining term is as follows:

Fiscal Year	Principal	Interest
2021	$ 2,030,000	$ 2,164,481
2022	2,130,000	2,068,181
2023	2,230,000	1,967,081
2024	2,340,000	1,861,181
2025	2,440,000	1,755,881
2026-30	14,000,000	6,993,763
2031-35	17,400,000	3,597,038
2036-38	5,090,000	463,850
	$ 47,660,000	$ 20,871,456

NOTE 9. INSTALLMENT SALE ARGEEMENT OBLIGATIONS

In March 2017, the District entered into an installment sale agreement (capital lease) for the purchase of disposal and recycling equipment. The installment sale agreement expires in 2022. In August 2018, the District entered into an installment sale agreement (capital lease) for the purchase of disposal and recycling equipment. The installment sale agreement expires in 2023. The assets and liabilities under these agreements are recorded at the present value of the installment payments. The assets are depreciated over its estimated productive lives as title transfers at the end of the agreements. Depreciation of assets under the installment agreements are included in depreciation expense.

Following is a summary of property held under capital leases at June 30, 2020:

	Beginning Balance	Additions	Payments	Ending Balance
Disposal/recycling equipment	$ 1,890,596	$ -	$ (451,470)	$ 1,439,126
Accumulated depreciation	(488,198)	293,372	-	(194,826)
	$ 1,402,398	$ 293,372	$ (451,470)	$ 1,244,300

Minimum future payments under agreement as of June 30, 2020 for each of the next four years are:

Fiscal Year	Amount
2021	$ 508,203
2022	508,203
2023	260,670
2024	260,670
Total minimum payments	1,537,746
Less amount representing interest	(98,620)
Present value of future minimum payment	$ 1,439,126

NOTE 10. JOINT POWERS AGREEMENT

The District participates in a joint powers agreement (JPA) with the Special District Risk Management Authority (SDRMA). The relationship between the District and the SDRMA is such that the JPA is not a component unit of the District for financial reporting purposes.

SDRMA was formed under a joint powers agreement pursuant to California Government Code Section 6500 et seq. effective August 1, 1986, to provide general liability, comprehensive/collision liability, property damage and errors and omissions risk financing for the member districts. SDRMA merged with Special District Workers' Compensation Authority (SWCA) on July 1, 2003, and now provides its members with workers' compensation coverage. SDRMA is administered by a board of directors, consisting of one member appointed by the California Special Districts Association and five members elected by the participating districts.

The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. The District's share of year-end assets, liabilities and risk margin has not been calculated by the SDRMA. For the year ended June 30, 2020, the District made payments of $424,670 to SDRMA for insurance premiums.

NOTE 11. CONCENTRATION IN SALES TO CUSTOMERS

In 2020, the District's two largest customers accounted for approximately 35 percent and 12 percent of sales. In 2019, the largest customers accounted for 37 percent and 12 percent of sales.

NOTE 12. CONTINGENCIES

The District is involved in various litigation arising from the normal course of business. In the opinion of management, the disposition of all litigation pending is not expected to have a material effect on the overall financial position of the District at June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

SCHEDULE OF CHANGES IN PENSION LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED JUNE 30, 2020

Fiscal Year	2020	2019	2018	2017	2016	2015
Measurement Period	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Discount Rate	7.15%	7.15%	7.15%	7.65%	7.65%	7.50%
Total Pension Liability						
Service Cost	$ 1,343,425	$ 1,203,629	$ 1,095,795	$ 961,817	$ 911,692	$ 911,220
Interest	3,069,788	2,840,989	2,649,437	2,472,105	2,229,562	2,042,432
Changes of Benefit Terms			-	-	-	-
Difference Between Expected and Actual Experience	583,289	496,410	151,713	1,022,612	417,131	-
Changes of Assumptions	-	(250,536)	2,296,067	-	(567,504)	-
Benefit Payments, Including Refunds of Employee Contributions	(1,548,836)	(1,446,773)	(1,285,185)	(1,132,272)	(904,586)	(878,085)
Net Change in Total Pension Liability	3,447,666	2,843,719	4,907,827	3,324,262	2,086,295	2,075,567
Total Pension Liability – Beginning	42,453,518	39,609,799	34,701,972	31,377,710	29,291,415	27,215,848
Total Pension Liability – Ending (a)	45,901,184	42,453,518	39,609,799	34,701,972	31,377,710	29,291,415
Plan Fiduciary Net Position:						
Contributions – Employer	$ 1,331,131	$ 1,106,722	$ 1,029,394	$ 882,891	$ 800,476	$ 722,039
Contributions – Employee	595,223	538,059	492,056	454,237	458,764	411,403
Net Investment Income	2,028,008	2,391,198	2,829,731	154,052	557,377	3,522,944
Benefit Payments, Including Refunds of Employee Contributions	(1,548,836)	(1,446,773)	(1,285,185)	(1,132,272)	(904,586)	(878,085)
Plan to Plan Resource Movement	-	(71)	-	-	181	-
Administrative Expense	(21,748)	(43,653)	(36,888)	(15,017)	(34,233)	-
Other Miscellaneous Income(Expense)	71	(82,897)	-	-	-	-
Net Change in Fiduciary Net Position	2,383,849	2,462,585	3,029,108	343,891	877,979	3,778,301
Plan Fiduciary Net Position – Beginning	30,476,025	28,013,440	24,984,332	24,640,441	23,762,462	19,984,161
Plan Fiduciary Net Position – Ending (b)	32,859,874	30,476,025	28,013,440	24,984,332	24,640,441	23,762,462
Plan Net Pension Liability – Ending (a) – (b)	$ 13,041,310	$ 11,977,493	$ 11,596,359	$ 9,717,640	$ 6,737,269	$ 5,528,953
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.59%	71.79%	70.72%	72.00%	78.53%	81.12%
Covered Payroll	$ 10,646,978	$ 9,707,403	$ 9,234,169	$ 6,527,433	$ 6,066,619	$ 5,829,943
Plan Net Pension Liability as a Percentage of Covered – Payroll	122.49%	123.39%	125.58%	148.87%	111.05%	94.84%

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

SCHEDULE OF PENSION PLAN CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2020 AND

Fiscal Year	2019	2018	2017	2016	2015
Actuarially Determined Contribution	$ 1,331,520	$ 1,106,332	$ 1,029,394	$ 882,891	$ 800,476
Contributions in Relation to the Actuarially Determined Contribution	(1,331,520)	(1,106,332)	(1,029,394)	(882,891)	(800,476)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$10,646,978	$ 9,707,403	$ 9,234,169	$ 6,527,433	$ 6,066,619
Contributions as a Percentage of Covered Payroll(2)	12.51%	11.40%	11.15%	13.53%	13.19%

Notes to Schedule:

[1] Historical information is required only for measurement periods for which GASB 68 is applicable.

[2] Includes one year's pay roll growth using 2.75 percent payroll assumption for fiscal year ended June 30, 2018; 3.00 percent payroll assumption for fiscal years ended June 30, 2014-17.

Update pending for yellow highlight

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEARS ENDED JUNE 30, 2020 AND

	2019	2018
Total OPEB Liability		
Service cost	$ 176,317	$ 164,304
Interest	90,379	81,606
Changes of benefit terms	240,242	-
Difference between expected and actual experience	384,106	-
Changes of assumptions	462,772	65,289
Benefit payments	(76,742)	(56,366)
Net change in total OPEB liability	1,277,074	254,833
Total OPEB liability - beginning	2,532,472	2,277,639
Total OPEB liability - ending	$ 3,809,546	$ 2,532,472
Covered-employee payroll	$ 9,962,707	$ 9,962,707
Total OPEB liability as a percentage of covered-employee payroll	38.2%	25.4%

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios:

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75 as of June 30, 2020.

Until the full ten-year trend is compiled, information is presented only for those years which information is available.

OTHER SUPPLEMENTARY INFORMATION

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

COMBINING SCHEDULE OF NET POSITION
JUNE 30, 2020

	DISTRICT	AUTHORITY	TOTALS	ELIMINATING ENTRIES	TOTALS
CURRENT ASSETS:					
Cash and cash equivalents	$ 28,614,648	$ -	$ 28,614,648	$ -	$ 28,614,648
Accounts receivable – trade–net	3,657,661	-	3,657,661	-	3,657,661
Power sales receivable	-	-	-	-	-
Accrued interest receivable	87,576	-	87,576	-	87,576
Other receivables	346,199	-	346,199	-	346,199
Prepaid expenses	83,410	-	83,410	-	83,410
Total current assets	32,789,494	-	32,789,494	-	32,789,494
RESTRICTED CASH AND CASH EQUIVALENTS:					
Cash and cash equivalents held by Trustee for reserve account	-	2,349,925	2,349,925	-	2,349,925
Cash and cash equivalents held by LAIF – reserved for landfill closure and post closure care costs	1,500,000	-	1,500,000	-	1,500,000
Cash and cash equivalents held by LAIF – reserved for environmental impairment fund	1,000,000	-	1,000,000	-	1,000,000
Total restricted cash and cash equivalents	2,500,000	2,349,925	4,849,925	-	4,849,925
DEPOSIT	155,000	-	155,000	-	155,000
DUE FROM DISTRICT	-	(2,084,725)	(2,084,725)	2,084,725	-
CAPITAL ASSETS – NET	86,900,351	-	86,900,351	-	86,900,351
INTANGIBLE ASSETS – NET	(7,874,619)	-	(7,874,619)	-	(7,874,619)
Total Assets	122,344,845	265,200	114,735,426	2,084,725	116,820,151
DEFERRED OUTFLOWS	4,165,077	-	4,165,077	-	4,165,077
TOTAL ASSETS AND DEFERRED OUTFLOWS	$126,509,922	$ 265,200	$118,900,503	$ 2,084,725	$ 120,985,228

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

COMBINING SCHEDULE OF NET POSITION (Continued)
JUNE 30, 2020

	DISTRICT	AUTHORITY	TOTALS	ELIMINATING ENTRIES	TOTALS
CURRENT LIABILITIES:					
Accounts payable	$ 1,460,361	$ -	$ 1,460,361	$ -	$ 1,460,361
Security deposits	52,045	-	52,045	-	52,045
Accrued liabilities:					
Compensated absences	270,139	-	270,139	-	270,139
State/County waste management fees	261,027	-	261,027	-	261,027
Payroll and payroll liabilities	106,528	-	106,528	-	106,528
Revenue bonds and equipment lease interest	482,869	-	482,869	-	482,869
Current portion of capital lease payable	458,783	-	458,783	-	458,783
Current portion of revenue bonds payable	-	2,231,681	2,231,681	-	2,231,681
Total current liabilities	3,091,752	2,231,681	5,323,433	-	5,323,433
ACCRUED LIABILITES:					
Compensated absences	810,419	-	810,419	-	810,419
Capital lease payable	980,343	-	980,343	-	980,343
Total OPEB liability	3,809,546	-	3,809,546	-	3,809,546
Net pension liability	13,041,310	-	13,041,310	-	13,041,310
Due to Authority	(2,084,725)	-	(2,084,725)	2,084,725	-
Revenue bonds payable - net	51,145,370	(1,966,481)	49,178,889	-	49,178,889
ESTIMATED LIABILITY FOR LANDFILL CLOSURE AND POST CLOSURE CARE COSTS	6,057,277	-	6,057,277	-	6,057,277
Total liabilities	76,851,292	265,200	77,116,492	2,084,725	79,201,217
DEFERRED INFLOWS	317,248	-	317,248	-	317,248
NET POSITION:					
Net investment in capital assets	52,974,337	-	52,974,337	-	52,974,337
Restricted	2,500,000	-	2,500,000	-	2,500,000
Unrestricted	(14,007,574)	-	(14,007,574)	-	(14,007,574)
Total net position	41,466,763	-	41,466,763	-	41,466,763
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$118,635,303	$ 265,200	$118,900,503	$ 2,084,725	$120,985,228

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	DISTRICT	AUTHORITY	TOTALS	ELIMINATING ENTRIES	TOTALS
OPERATING REVENUES:					
Disposal fees	$ 28,828,155	$ -	$ 28,828,155	$ -	$ 28,828,155
Power sales	1,323,808	-	1,323,808	-	1,323,808
Recycled material sales	7,872,131	-	7,872,131	-	7,872,131
Last chance mercantile sales	593,666	-	593,666	-	593,666
Scale and operational services	708,019	-	708,019	-	708,019
Sand sales	169,458	-	169,458	-	169,458
Landscape product sales	135,804	-	135,804	-	135,804
Total operating revenues	39,631,041	-	39,631,041	-	39,631,041
OPERATING EXPENSES:			-		
Salaries	12,244,176	-	12,244,176	-	12,244,176
Employee benefits	6,933,397	-	6,933,397	-	6,933,397
Depreciation and amortization	4,080,148	-	4,080,148	-	4,080,148
Recycling	2,322,351	-	2,322,351	-	2,322,351
Taxes, licenses and permits	1,393,089	-	1,393,089	-	1,393,089
Maintenance of structures and equipment	2,184,588	-	2,184,588	-	2,184,588
Professional services	787,612	-	787,612	-	787,612
Fuel	917,628	-	917,628	-	917,628
Contractual services	770,158	-	770,158	-	770,158
Gas project maintenance	1,036,239	-	1,036,239	-	1,036,239
Operating supplies	1,076,990	-	1,076,990	-	1,076,990
Landfill closure and post closure ca	354,908	-	354,908	-	354,908
Insurance	80,244	-	80,244	-	80,244
Public awareness	162,484	-	162,484	-	162,484
Office	554,287	-	554,287	-	554,287
Safety equipment and supplies	257,750	-	257,750	-	257,750
Education, meetings and travel	76,753	-	76,753	-	76,753
Hazardous waste program	305,316	-	305,316	-	305,316
Environmental services	331,294	-	331,294	-	331,294
Utilities	108,544	-	108,544	-	108,544
Miscellaneous	25,883	-	25,883	-	25,883
Bad debt expense	-	-	-	-	-
Total operating expenses	36,003,839	-	36,003,839	-	36,003,839
OPERATING INCOME	$ 3,627,202	$ -	$ 3,627,202	$ -	$ 3,627,202

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)
FOR THE YEAR ENDED JUNE 30, 2020

	DISTRICT	AUTHORITY	TOTALS	ELIMINATING ENTRIES	TOTALS
OPERATING INCOME	$ 3,627,202	$ -	$ 3,627,202	$ -	$ 3,627,202
NON–OPERATING REVENUES (EXPENSES):					
Interest income	753,311	-	753,311	-	753,311
Rents and leases	343,337	-	343,337	-	343,337
Gain (loss) on sale of capital assets – net	28,610	-	28,610	-	28,610
Interest expense – revenue bonds and installment sales	(994,494)	-	(994,494)	-	(994,494)
Cost of revenue bonds issuance	-	-	-	-	-
Other income (expense)	(171)	-	(171)	-	(171)
Total non–operating revenues (expenses)	130,593	-	130,593	-	130,593
INCREASE IN NET POSITION	3,757,795	-	3,757,795	-	3,757,795
NET POSITION, BEGINNING OF YEAR	37,708,968	-	37,708,968	-	37,708,968
NET POSITION, END OF YEAR	$ 41,466,763	$ -	$ 41,466,763	$ -	$ 41,466,763

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ACTUAL TO BUDGET (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2020

Update pending

	ACTUAL	DISTRICT BUDGET	VARIANCE - POSITIVE (NEGATIVE)
OPERATING REVENUES:			
Disposal fees	$ 28,746,709	$ 24,079,000	$ 4,667,709
Power sales	1,334,418	1,874,000	(539,582)
Recycled material sales	5,763,355	6,312,000	(548,645)
Last chance mercantile sales	797,392	1,310,000	(512,608)
Scale and operational services	741,603	624,000	117,603
Sand sales	182,605	150,000	32,605
Landscape product sales	180,211	285,000	(104,789)
Total operating revenues	37,746,293	34,634,000	3,112,293
OPERATING EXPENSES:			
Salaries	10,421,233	9,689,000	(732,233)
Employee benefits	5,418,921	5,243,000	(175,921)
Depreciation and amortization	3,971,650	4,303,000	331,350
Recycling	2,723,001	1,382,000	(1,341,001)
Taxes, licenses and permits	1,313,979	1,340,000	26,021
Maintenance of structures and equipment	1,992,516	1,613,000	(379,516)
Professional services	1,136,973	1,446,000	309,027
Fuel	1,270,939	1,200,000	(70,939)
Contractual services	1,061,802	1,936,000	874,198
Gas project maintenance	741,206	-	(741,206)
Operating supplies	1,008,361	1,492,000	483,639
Landfill closure and post closure care costs	366,368	500,000	133,632
Insurance	106,203	275,000	168,797
Public awareness	237,260	165,000	(72,260)
Office	495,036	229,000	(266,036)
Safety equipment and supplies	287,368	227,000	(60,368)
Education, meetings and travel	155,607	193,000	37,393
Hazardous waste program	403,353	280,000	(123,353)
Environmental services	276,948	250,000	(26,948)
Utilities	83,671	115,000	31,329
Miscellaneous	42,600	24,000	(18,600)
Bad debt expense	280	15,000	14,720
Total operating expenses	33,515,275	31,917,000	(1,598,275)
INCOME FROM OPERATIONS	4,231,018	2,717,000	1,514,018

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ACTUAL TO BUDGET (Unaudited) (Continued)
FOR THE YEAR ENDED JUNE 30, 2020

	ACTUAL	DISTRICT BUDGET	VARIANCE
INCOME FROM OPERATIONS	$ 4,231,018	$ 2,717,000	$ 1,514,018
NON–OPERATING REVENUES (EXPENSES)			
Interest income	380,917	95,000	285,917
Rents and leases	346,015	325,000	21,015
Gain (loss) on sale of capital assets – net	27,590	-	27,590
Interest expense – revenue bonds and installment sales	(833,821)	(1,251,000)	417,179
Cost of revenue bonds issuance	(411,141)	-	-
Other income (expense)	3,236	30,000	(26,764)
Total non-operating revenues (expenses)	(487,204)	(801,000)	313,796
INCREASE (DECREASE) IN NET POSITION	$ 3,743,814	$ 1,916,000	$ 1,827,814

Monterey Regional Waste Management District

Turning Waste Into Resources

Since 1951

California Air Resources Board (CARB) and
Monterey Bay Air Resources District (MBARD)

Landfill Inspection Update

Finance Committee Meeting
November 4, 2020

LANDFILL INSPECTIONS

PURPOSE: Monitor for Fugitive Landfill Gas (LFG) Emissions

REQUIREMENT: Minimize LFG fugitive emissions

- **MBARD Inspection** = Reviewing Quarterly Surface Emission Monitoring (SEM) Survey Reporting for 2019 & 2020
- **CARB/MBARD Inspection** of 9-16-2020
  - CalRecycle/CARB/MBARD inspection of Composting Site & OPS
  - CARB/MBARD inspection of Landfill's Gas Wells

INITIAL FINDINGS

- **MBARD Inspection** = Reviewing Quarterly Surface Emission Monitoring (SEM) Survey Reporting for 2019 & 2020
  - Reports lack documentation of corrective measures to respond to any survey exceedance
  - Violation issued for 2019 reporting year
  - 2020 Reporting year under review & additional information requested from MRWMD - *(potential for a violation)*
- **CARB/MBARD Inspection** of 9-16-2020
  - 17 LFG Wells were monitored
  - 9 of 17 LFG Wells had emissions that exceeded the regulatory threshold (500 ppm) - *(potential for a violation)*

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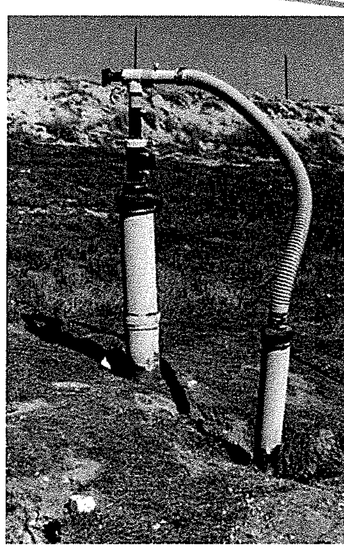
LFG WELL (ON LEFT) & VACUUM LATERAL (ON RIGHT)



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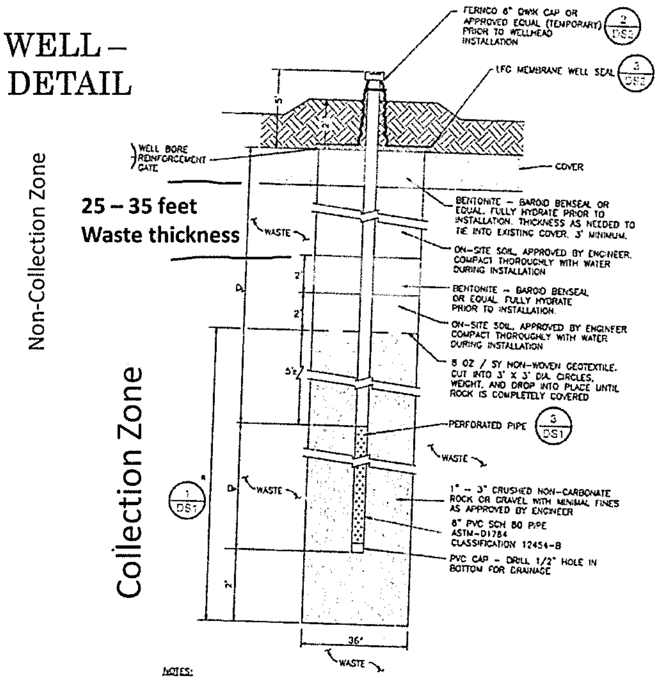
LFG WELL – 2019 DETAIL



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ACTION PLAN *(In Progress)*

- **MBARD Inspection** – QUARTERLY SEM REPORTING
  - Submit additional information requested by due dates of 11/6/2020 and 11/13/2020
  - Make internal improvements in gas well monitoring and response to quarterly SEM Survey issues
    - Employ an enhanced database with supplemental analytical tools for evaluation of routine wellfield readings
    - Conduct regularly scheduled team meetings to define Action Plan to address any findings of the routine wellfield readings and analytics
    - Conduct regularly scheduled team meetings following each Quarterly SEM

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ACTION PLAN *(In Progress)*

- **CARB/MBARD Inspection** of 9-16-20
  - Conduct survey(s) monitoring for surface emissions both around LFG Wells and across the landfill surface
  - Install membrane well boots on the 9 Wells that exceeded surface emissions in CARB/MBARD Inspection and on any other wells identified by the District's survey(s)
  - Install the ~25 new gas wells that Board approved in March 2020 (includes the membrane well boot addition to the District's LFG Well Standard Design as planned in 2019)
  - Install upper bore seal with membrane when raising existing LFG Wells
  - Possibly Add horizontal wells in upper uncollected zone
  - Assess whether more vertical gas wells are necessary beyond the ~25 approved by the Board in March 2020

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SEM ACTION PLAN *(In Progress)*

- **FY20/21 Budget –**

- LFG Management	$350,000	~25 vertical wells
- CEC Grant	$ 45,000	new Wellheads

- **DISCUSSION**

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Capital Spending Report

FY 2020/21 Budget
Q1: July – September 2020

Finance Committee
November 4, 2020

FY 2020-21 BUDGET - CAPITAL OUTLAY PLAN

All $$ in Thousands	20/21 Budget	20/21 Actual
CAPITAL OUTLAY PLAN		
Mobile Equipment	1,986	277
Capital Improvements	5,700	973
TOTAL CAPITAL INVESTMENT	**7,686**	**1,250**

FY 2020-21 BUDGET - CAPITAL OUTLAY PLAN

	All $$ in Thousands	Dept	20/21 Budget	20/21 Actual
	MOBILE EQUIPMENT			
1	Computer Hardware/Software	ADM	25	
2	Replace Copier, Document Management & other office hardware	ADM	10	
3	Replace Office Furniture	ADM	30	
4	Replace 2007 836H Compactor - LF22	LFO	1,300	
5	MR18 PV500 Pacific Tec 1998 - Liquid vacuum unit - Replace	MRF	65	
6	MR42 324DL Excavator 2010 - Replace	MRF	350	277
7	Miscellaneous MRF Equipment purchases/replacements	MRF	20	
8	Replace Sterling Service Truck - SH07	SHO	90	
9	Replace 2007 Ford F-150 2WD (SHOP) - SH13	SHO	35	
10	Replace 2006 Genie Light Tower - SI57	SIT	6	
11	Box Scraper - New	SIT	25	
12	Replace 2002 Ford F-150 4x4 (LF) - SI54	SIT	30	
	TOTAL MOBILE EQUIPMENT		**1,986**	**277**

FY 2020-21 BUDGET - CAPITAL OUTLAY PLAN

All $$ in Thousands	Dept.	20/21 Budget	20/21 Actual
CAPITAL IMPROVEMENT PROJECTS			
HHW Facility	LCM	25	
LCM Retail Store	LCM	150	
Public Recycling Drop-off	LCM	35	
LFGTE Facility	LFG		448
LFG Building roof and gutter repairs	LFG	80	
LFG Engine room air flow improvements	LFG	60	
Replace Versa-Ruptor switch gear cabinet	LFG	20	
LFGTE Plant Flow Meters	LFG	25	
LFG Flare - Zone B Flow Control Auto-Valve	LFG	15	
LFG Supply Maintenance Control Valves (3)	LFG	25	
Grounding Resister -	LFG	25	
Misc. LFG - CEC Grant	LFG	450	
CEC Grant H2S Treatment System	LFG	350	
CEC Grant Reimbursements	LFG	(1,800)	
Energy & Organic Waste Proc. Tech. Assess.	LFG	250	
Compost Site	LFO		105
Module 6 Development	LFO		73
Module 7 Development	LFO	3,000	
Module 8 Development	LFO	75	
Leachate Management	LFO	100	
LFG Management	LFO	350	
LFG Condensate Management	LFO	75	
Misc. Landfill	LFO	65	
Storm Water Management - (Design, Permit, Construct)	LFO	75	
Materials Recovery Facility 2.0	MRF	450	32
Scales - 4 New Below-Grade Decks (FY20/21)	SCL	300	68
Scale House Add. (Concept & Final Designs-Function & ADA)	SCL	250	
Maintenance Shop Building	SHO		19
Old Shop Building	SHO	50	
Paved Roads	SIT	1,100	220
Misc. Site	SIT	50	8
Misc. Facilities	SIT	50	
TOTAL CAPITAL IMPROVEMENT		**5,700**	**973**

Memorandum
MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Reviewed by: [signature] Date: 10/30/2020
General Manager

DATE: October 30, 2020

TO: General Manager

FROM: Director of Engineering & Compliance

SUBJECT: Update on Monterey One Water (M1W) Electrical Connection

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RECOMMENDATION: For Information Only.

BACKGROUND

In 2016 the District entered into a memorandum of understanding agreement with Monterey One Water (M1W) to supply 1800 kilowatts (KW) of electricity from the District's renewable energy generation plant (aka Landfill Gas-To-Energy (LFGTE) Plant) to the Advanced Water Purification Facility (AWPF) being planned by M1W. The project plan was for M1W to take the lead role of project delivery and design, permit, and build the infrastructure necessary to connect to a dedicated meter at the District's LFGTE Plant, and for the District to provide a supporting role during project delivery. The design was finalized in 2018 and then bid to solicit construction proposals in both 2019 and 2020. The October 2019 Engineer's Estimate of construction costs for the project was $1.3 million. The March 2020 bids ranged from $2.3 million to $2.44 million. The AWPF Phase 1 project finished construction in 2019 and began full scale deep well injection operations early in 2020.

DISCUSSION

Based on a recent meeting with M1W, it was mutually agreed that the parties would exchange roles such that the District would take the lead role and M1W would take the supporting role. The parties have the general understanding that the District would lead and finance the following:

- Coordinate with PG&E to receive approval of the System of Operations Plan necessary to coordinate, control, and manage the delivery of electricity by the District and/or PG&E to M1W
- value engineering design modifications with engineering consultants,
- electrical building permit from Monterey County,
- soliciting construction bids from qualified medium voltage electrical contractors,
- awarding a construction contract with an appropriately qualified electrical contractor,
- retaining a Construction Management or Construction Quality Assurance company, and
- completing construction, commissioning, and startup of electrical supply to M1W

The District would first coordinate with its Board of Directors to obtain approval of an overall project plan, project budget estimate, and an amended fiscal year budget plan to incorporate a portion of the electrical connection's project plan occurring in the current fiscal year (FY20/21). At the same time the District would also coordinate with M1W to develop and approve an agreement defining the repayment plan for the M1W portion of the project financed by the District. The District would also coordinate with PG&E on getting approval of System of Operations Plan necessary for the electrical connection with M1W because the District and PG&E would be supplying electricity to M1W either together at the same time or separately during generation outages of one of the parties.

Following the completion of an approved project plan, budget, and financing repayment agreement, the District would enter into consulting engineering contracts for the value engineering design modification of the project. The value engineered revised design would then be permitted with Monterey County and used to solicit construction bids; award a construction contract; and construct the project.

The conceptual project schedule is preliminarily estimated to be as follows:

- Approval of project plan, budget, and financing repayment agreement	NOV 2020 – FEB 2021
- Value engineering redesign of project	MAR 2021 – JUNE 2021
- Permitting and Bidding	JULY 2021 – SEPT 2021
- Construction	OCT 2021 - APRIL 2022

FINANCIAL IMPACT

The revised project costs are preliminarily estimated to be on the order of $250,000 for value engineering design services in FY20/21 and $1.7 - $2 million for construction in FY21/22; or an overall project total of $1.95 - $2.25 million. This assumes that value engineering and bidding savings can be realized in the project's redesign and bidding plan. Staff anticipates that these project costs can be incorporated into a modified FY20/21 Budget and a modified 5-Year Capital Plan without significant burdens being incurred by the District.

STRATEGIC PLAN

The District's supply of electricity to a neighboring public agency fits under several general policy directives cited in the District's "Pillars of Sustainability" plan. Principally under the Finance, Community, and Environment pillars which speak to the District's stewardship of the Community's interests. For this project, renewable energy supply to M1W for production of a renewable drinking water supply to the community. In 2008, the Board made a policy decision to choose not to enter into a power purchase agreement with Marin Community Power and to hold off and reserve renewable electricity supply for the Peninsula's drinking water production. At that time it was anticipated to be for the CalAM Desalination Plant project to be operational with the next 24-36 months. As the CalAM project appears to continue to be delayed for an additional undetermined amount of time, M1W's AWPF project is currently producing a substantial portion of the renewable drinking water supply for the Monterey Peninsula. Thus, this project is consistent with the Board's prior decision on renewable electrical supply for drinking water production purposes.

SUMMARY

Staff has provided a summary to the Finance Committee of a recent decision for M1W to transfer the lead role to the District for the delivery of a value engineered redesign and construction of the electrical supply to the M1W AWPF from the District's LFGTE Plant. Staff plans to draft an amended FY20/21 Budget Plan and 5-Year Capital Plan to bring forward to the Finance Committee at their next meeting as part of an update for the project.

Guy R. Petraborg, P.E.

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