MONTEREY REGIONAL
WASTE MANAGEMENT DISTRICT
Home of the Last Chance Mercantile

FINANCE COMMITTEE MEETING
AGENDA

Wednesday, January 13, 2021 — Bales Boardroom
9:00 a.m. — 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/84370322954 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: 843 703 22954** 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, January 12, 2021. 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. Draft Amendment to FY20/21 Budget
2. Update on Keith Day Composting Site Lease Agreement
3. CARB/MBARD Air Compliance Update
4. Update on Last Chance Mercantile Re-Opening Project
5. Update on M1W Electrical Project
6. COVID-19 Update
7. General Manager Communications

This agenda was posted at the District offices at 14201 Del Monte Blvd, Monterey County, CA. Staff reports and additional information regarding these agenda items are available on the District website (www.mrwmd.org) and at the District offices during regular business hours (additional fee for copying). All meetings are open to the public. The District does not discriminate against persons with disabilities and the Boardroom is wheelchair accessible. Recordings of meetings can be provided upon request. To request assistive listening devices, sign language interpreters, readers, large print agendas or other accommodations, please call Ida Gonzales at (831) 384-5313 or e-mail: igonzales@mrwmd.org. Requests must be made at least 48 hours in advance of the meeting.

Memorandum
MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

DATE: January 8, 2021

TO: Finance Committee

FROM: General Manager

SUBJECT: Finance Committee Meeting of January 13, 2021

1. **Draft Amendment to FY20/21 Budget**
   The Draft Amendment to FY 20/21 Budget is enclosed. Staff will present a summary of the year-to-date finances and will bring forward several recommended changes to the remainder of the fiscal year budget. This has been a unique year, with several unanticipated challenges that have occurred during the first six months of the fiscal year. Staff has managed to control costs for the most part and we have performed better than budget in a couple of areas from a revenue standpoint - primarily in recyclable material sales and landfill volumes. That being said, staff expects to increase spending in the areas of compliance in the landfill gas system in the collection and distribution system and control systems. Staff is recommending a couple of personnel changes as well to help fill areas where staff feels we require additional personnel to continue to operate safely and in an environmentally compliant manner.

   Recommendation: Support Board Amendment to FY 20/21 Budget.

2. **Update on Keith Day Composting Lease Agreement**
   District staff, after a thorough review of public comments received during the December Board meeting, is recommending a couple of substantial changes to the original lease agreement that was brought before the Board in December. First, staff is recommending a change from a ten-year agreement to a two year agreement with the possibility of three (3) one year extensions by mutual agreement. Both KDC and staff feel that the shorter-term agreement will provide an adequate time for an evaluation of the best practices for continued composting operations if that is the direction chosen by the Board of Directors. Secondly, staff has inserted additional language in the lease agreement itself around the issue of odor control and response to observations of odors. We believe this language reflects the concerns brought by the members of the Marina community who participated in the December meeting. Staff will also be working with City of Marina staff and community members to hold a community meeting later in January. District staff and City of Marina staff and other stakeholders will also begin working on the development of an odor attribution study which the District will participate in with these stakeholders.

   Recommendation: Information Only

3. **CARB/MBARD Air Compliance Update** Please refer to the enclosed letter the District submitted to MBARD. District staff are undertaking a series of actions around these compliance issues and will be contracting with consultants to provide third party evaluations of our landfill gas system and processes to help develop better practices and ensure compliance.

   Recommendation: Information Only.

4. **Update on Last Chance Mercantile Re-Opening Project**
   District staff will present a summary of their work to date on the re-opening of the LCM and begin the process to hopefully allow the Board of Directors to make a decision about the future of the LCM at the February Board meeting.

   Recommendation: Information Only.

5. **Update on M1W Electrical Project**
   Staff has been working with M1W staff to receive the engineering drawings and materials required to complete the final design and bidding of the electrical connection project. Staff hope to have a further update on the progress of this project at the February and March Board meetings.

   Recommendation: Information Only

6. **COVID-19 Update** Enclosed staff memo_District staff has done an exceptional job in minimizing the impacts of COVID-19 on our workplace. Minimal disruption has occurred by absences related to the COVID-19 virus. To date, the District does not have any instance of transmission occurring through the workplace. All instances of transmission has been from off-site contacts.

   Recommendation: Information Only

7. **General Manager Comments.**
   - TAC committee – District staff has been working with the local haulers city and county staff on the development of an approach to allow our local jurisdictions to comply with the challenging requirements of SB 1383. District staff will make themselves be available to brief your individual councils on the challenging aspects of SB 1383 compliance and the results of our planning efforts to date.

ADJOURNMENT

NEXT MEETING DATE: February 3, 2021 at 9:00 a.m.

Respectfully submitted,

Timothy S. Flanagan

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

AMENDED BUDGET - DRAFT

FISCAL YEAR 2020/2021

Presented to the Finance and the Personnel Committees
January 8, 2020

Table of Contents

DRAFT Memorandum – Director of Finance & Administration

DATE: January 8, 2021

TO: Board of Directors

FROM: Director of Finance & Administration

SUBJECT: Amendment to Budget for Fiscal Year 2020/2021

RECOMMENDATION: That the Board approve this Amendment to the Budget for Fiscal Year 2020/2021.

Enclosed for your review is an Amended Budget for Fiscal Year (FY) 2020/2021. Staff is requesting that the Board of Directors approve this budget amendment. This budget document re-casts financial statements and projections and provides descriptions of material changes to the original budget. Please refer to the *Final Budget for Fiscal Year 2020/2021* approved by Board of Directors on June 19, 2020 for a complete picture of the District's operating plan.

Staff created the current fiscal year budget during the outset of the COVID-19 pandemic when its impact on the District's future business was unknowable. Consequently, staff proposed a conservative approach that included lowering both revenue projections and spending expectations. In actuality, the pandemic has affected parts of the District's business in different ways. In the first half of the year, most disposal volumes have been lower than last year's volumes. Nevertheless, these volumes have consistently exceeded the original budget. Other revenue sources have also out-performed budget. At the same time, during the first half of the year, the District has strived to keep spending within budget targets. This has been possible, in part, by the avoidance of a large-scale outbreak of COVID-19 infections among District employees.

Staff is proposing this mid-year budget amendment to recognize the impact of higher than budgeted disposal and MRF processing volumes experienced in the first half of the year and align the budget with second half operational needs. Below is a summary of key elements of this amendment.

Revenue

Budgeted revenues are increased by $3.9M (12%) for the year – from $32.5M to $36.4M. Revenue projections are based on the following:

- First half revenues have exceeded budget by 23%, over $3.9M. Over half of this increase has come from higher than budgeted disposal volumes, while 44% has been come from the processing of higher MRF volumes and receiving better scrap prices. Additionally, power revenue in the first six months has exceeded both past years experiences and the original budget due to better than planned engine uptime.
- Second half revenues are unchanged from the original budget. Notwithstanding the over-performance experienced during the first half of the year, staff proposes continued caution. Deference to the potential of further setbacks related to the spread of the coronavirus informs this approach. In

addition, the District has been notified that Greenwaste Recovery, Inc. will be reducing delivery of volumes coming from Santa Clara County by 10% due to changes in their own customer contracts.

Personnel Costs

Budgeted personnel costs are increased by $629,000 (4%) for the year – from $14.1M to $14.7M. This increase is due primarily to the following modifications:

Staffing changes – To meet current business needs, staff if proposing an increase of 3.75 FTE from original budget. These increases are:

- Addition of one MRF Maintenance position – previously Authorized by Board in September 2020
- Reclassification of one MRF Maintenance position – previously Authorized by Board in October 2020
- Conversion of one Deputy Weighmaster (PT) to one Weighmaster (FT)
- Addition of one Director-level Compliance officer (budgeted beginning April 2021)
- Expansion of Safety & Compliance Assistant position from 75% to 100% time
- Filling of one vacant (previously un-budgeted) Site & Facilities Assistant position

Compensation changes – The financial strength of the first half-year enables the District to begin to reverse the wage concessions made by certain employees according to the methodology agreed-upon at the outset. Staff is also proposing recognizing the District's diligent and safety-conscious employees with a reward program that is described below.

- Wage concessions reversed based on a pre-determined methodology that measures the District's financial performance by the end of the calendar year.
  - Effective January 1: For Managers – COLA (1.5%) reinstated; for Directors – COLA (1.5%) reinstated and 5% pay cut reversed.
  - Back pay for reversed concessions paid out in January for the period of October-December.
  - June-September back pay payout dependent upon District performance; paid out at the end of the fiscal year. Full wage concession reversal payout is assumed in this budget's total compensation costs.
  - Total cost of wage concession reversal: $75,000.

- FY 20-21 COVID-19 Essential Employee Safety and Attendance Reward

  Staff is a proposing this reward program to acknowledge and thank those who have routinely reported to work on site throughout the pandemic, have practiced prescribed safety behaviors while at work (and while off work) designed to prevent infections, and have enabled the District to maintain operations without interruption or added costs.

  The structure of this reward program is under review with legal counsel, due to complex public sector compensation law considerations. Staff estimates the full cost of this recognition program to be $225,000.

  At this time, the District can afford this program due to the strong financial performance experienced during the first six months of the fiscal year. Should the District experience a significant downturn financially during the second half, the reward program, if it is determined to be legally compliant and implemented, would be modified or discontinued.

Non-personnel expenses

Budgeted non-personnel operating costs are increased by $1.0M (6%) for the year – from $16.6M to $17.6M. Department expense budgets have been adjusted to align with year-to-date spending and remainder of year expectations. Costs categories with the largest budget increases include contract services, environmental services, operating supplies, repairs and maintenance and recycling services. Cost reductions have been planned in some other cost categories. Further details on these budget changes can be found on page 7 of this budget.

Staff has made no assumptions about costs related to the re-opening of the Last Chance Mercantile, beyond those identified in the original budget. Once the District determines the re-opening plan and timing, staff may bring further fiscal year budget change requests to the Board.

Capital outlays

Total capital spending costs for the year are increased by $661,000 (8%). This change is due to capital spending authorized by the Board in September 2020 to address compost site water regulation compliance; increased investment required for the management of landfill gas emissions; and the deferral to future periods the investment in certain other mobile equipment and capital improvement projects.

Net income, cash flow and bond compliance

Net income for this budget amendment equals $2.8M, an increase from $509,000 in the original budget. Cash flow from operations equals $7.3M, $2.2M greater than the original budget. The end of year unrestricted cash balance increases by $662,000, from $24.7M to $25.3M. Finally, higher revenues and careful cost management have resulted in the bond compliance metric – the Debt Service Coverage ratio – growing from 1.36 to 1.83, above the bond covenant requirement of 1.25.

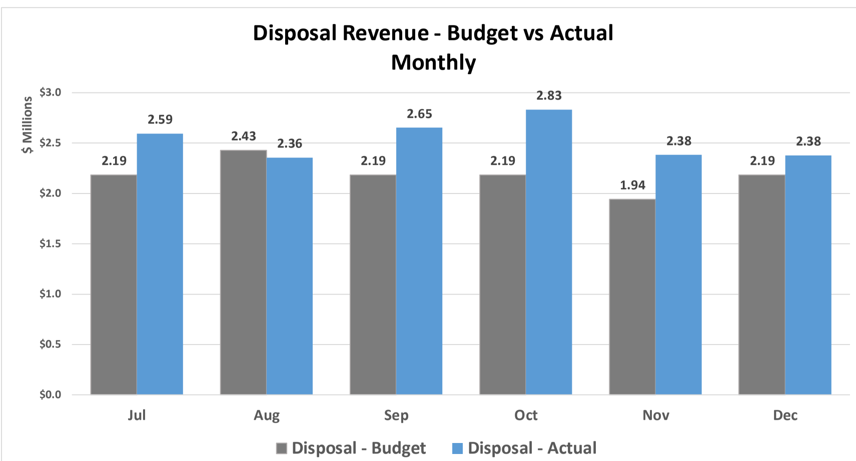
Peter K. Skinner
Director of Finance & Administration

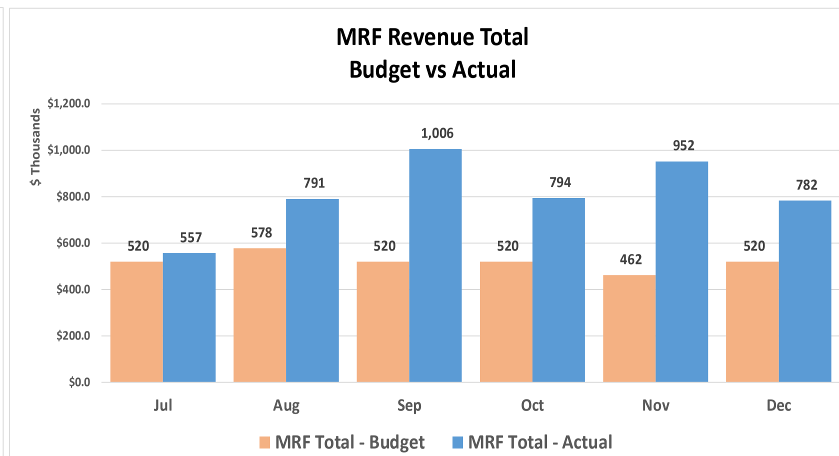
Budget Summary

FY 2020-21 BUDGET			AMENDED-DRAFT
(All dollars in thousands)	19/20 Audited	20/21 Budget Approved	20/21 Budget Amended
INCOME SUMMARY			
Operating Revenues	39,631	32,464	36,409
Operating Expenses	36,003	30,649	32,312
Operating Income (Loss)	3,628	1,815	4,097
Non-Operating Expenses	131	(1,306)	(1,306)
NET INCOME (LOSS)	**3,758**	**509**	**2,791**
CASH SUMMARY			
Beginning Unrestricted Cash	**34,209**	**29,853**	**28,894**
Cash from Operations			
Net Income (Loss)	3,758	509	2,791
Adjustments to Cash	4,435	4,570	4,519
Change in Cash from Operations	8,193	5,079	7,310
Cash from Financing Activities			
Capital Outlay	(11,116)	(7,686)	(8,297)
Deferred Maintenance - Cash Outlay		(80)	(80)
Bond and Debt Reduction	(2,392)	(2,498)	(2,498)
Change in Cash from Financing Activities	(13,508)	(10,264)	(10,875)
Change in Unrestricted Cash	(5,315)	(5,185)	(3,564)
Ending Unrestricted Cash	**28,894**	**24,668**	**25,330**
Designations/Reserves			
Cash Operating Reserve	6,314	5,216	5,558
2018 Bond Funds	13,654	5,968	5,358
Undesignated Cash	8,927	13,484	14,414
Total Designations/Reserves	**28,894**	**24,668**	**25,330**
Restricted cash as of June 30			
2015 Bond Rate Stabilization Fund/in Trust	2,350	2,350	2,350
Closure/Post Closure Care Costs	1,500	1,500	1,500
Environmental Impairment Fund	1,000	1,000	1,000
TOTAL CASH AS OF JUNE 30	**33,744**	**29,518**	**30,180**
DEBT COVERAGE RATIOS			
Ratio of Net Current Rev. to Debt Service	1.7	**1.36**	**1.83**

Revenue

FY 2020-21 BUDGET										AMENDED-DRAFT
All $$ in Thousands	19/20 Audited	Jul-Dec Budget	Jul-Dec Estimated	Var $	Var %	Jan-Jun Proposed	20/21 Budget Approved	20/21 Budget Amended	Var $	Var %
OPERATING REVENUES										
DISPOSAL FEES										
Franchise + Self haul	16,744	7,421	8,478	1,057	14%	6,322	13,743	14,800	1,057	8%
Out of District										
GWR - San Jose	10,092	4,813	5,490	678	14%	4,100	8,912	9,590	678	8%
Other Regional	1,993	878	1,170	293	33%	748	1,625	1,918	292	18%
SUBTOTAL	**28,828**	**13,111**	**15,138**	**2,027**	**15%**	**11,169**	**24,280**	**26,307**	**2,027**	**8%**
MRF OPERATIONS										
MRF Revenue	7,872	3,120	4,880	1,760	56%	2,658	5,779	7,538	1,759	30%
SUBTOTAL	**7,872**	**3,120**	**4,880**	**1,760**	**56%**	**2,658**	**5,779**	**7,538**	**1,759**	**30%**
OTHER REVENUES										
Power Sales	1,324	729	910	181	25%	621	1,350	1,531	181	13%
Last Chance Mercantile + HHW	594	73	53	(20)	(27%)	50	135	103	(32)	(24%)
Other Sales	1,013	497	507	10	2%	423	920	930	10	1%
SUBTOTAL	**2,931**	**1,299**	**1,470**	**171**	**13%**	**1,094**	**2,405**	**2,564**	**159**	**7%**
TOTAL OPERATING REVENUES	**39,631**	**17,530**	**21,488**	**3,958**	**23%**	**14,921**	**32,464**	**36,409**	**3,945**	**12%**





Operating Expenses

FY 2020-21 BUDGET										AMENDED-DRAFT
All $$ in Thousands	19/20 Audited	Jul-Dec Budget	Jul-Dec Estimated	Var $	Var %	Jan-Jun Proposed	20/21 Budget Approved	20/21 Budget Amended	Var $	Var %
OPERATING EXPENSES										
SALARY EXPENSES										
Wages	12,244	4,527	4,732	205	5%	4,688	9,008	9,419	412	5%
COVID-19 Essential Service Safety and Attendance Award						220		220		
Taxes & Benefits										
Healthcare	3,120	1,057	921	(136)	(13%)	1,143	2,080	2,064	(17)	(1%)
CalPERS	2,675	847	787	(60)	(7%)	879	1,684	1,666	(18)	(1%)
Workers Compensation	753	325	302	(23)	(7%)	328	645	630	(15)	(2%)
Taxes	147	68	52	(16)	(23%)	78	136	131	(5)	(4%)
Other Benefits	239	253	111	(142)	(56%)	446	505	557	52	10%
Total Taxes & Benefits	6,933	2,549	2,173	(377)	(15%)	2,874	5,050	5,047	(3)	(0%)
SUBTOTAL	**19,177**	**7,076**	**6,904**	**(172)**	**(2%)**	**7,783**	**14,058**	**14,687**	**629**	**4%**
NON-SALARY EXPENSES										
Amortization & Depreciation	4,080	2,100	2,042	(58)	(3%)	2,100	4,200	4,142	(58)	(1%)
Closure/Post Closure Costs	355	185	192	7	4%	185	370	377	7	2%
Contractual Services	384	195	266	71	37%	387	389	653	264	68%
Environmental Services	331	184	279	95	51%	248	369	527	158	43%
Gasoline, Oil & Fuel	918	627	451	(175)	(28%)	627	1,253	1,078	(175)	(14%)
Hazardous Waste Disposal	305	154	115	(39)	(25%)	154	308	269	(39)	(13%)
Insurance	466	288	287	(0)	(0%)	288	575	575	(0)	(0%)
Office Expense	554	116	126	10	9%	182	233	308	75	32%
Operating Supplies	1,077	552	843	291	53%	609	1,103	1,452	348	32%
Professional Services	788	596	421	(175)	(29%)	794	1,193	1,215	22	2%
Public Awareness	163	75	28	(47)	(63%)	116	151	144	(7)	(5%)
Recycling Services	2,322	821	943	122	15%	871	1,643	1,815	172	10%
Repairs & Maintenance	3,221	1,403	1,487	84	6%	1,698	2,806	3,185	379	14%
Safety Equip/Supplies/Training	258	123	114	(9)	(7%)	123	246	237	(9)	(4%)
Taxes & Surcharges	1,393	719	649	(70)	(10%)	783	1,437	1,432	(5)	(0%)
Training/Meetings/Education	77	91	11	(79)	(87%)	62	181	74	(108)	(59%)
Utilities	109	58	65	7	12%	58	116	123	7	6%
Other Expense	26	10	14	4	42%	7	20	21	2	8%
SUBTOTAL	**16,826**	**8,295**	**8,334**	**39**	**0%**	**9,290**	**16,591**	**17,625**	**1,034**	**6%**
TOTAL OPERATING EXPENSES	**36,003**	**15,371**	**15,239**	**(132)**	**(1%)**	**17,073**	**30,649**	**32,312**	**1,663**	**5%**

OPERATING EXPENSES

Budgeted operating costs are increased by $1.66M (5%) for the year – from $30.6M to $32.3M. The following items highlight areas of material change to the original FY 2020/21 budget.

1. Wages

Wages increase by $412,000, or 5%, due to the combination of staffing changes outlined in page 2 of this budget document, the reversal of negotiated wage concessions (discussed further below) and the timing of certain position vacancies and hiring.

<u>Wage concessions reversal</u>

During the FY 2020/21 budget process, the District negotiated a COLA freeze with the Management Unit and non-affiliated employees; and a COLA freeze plus wage cuts with all directors and the general manager. The District agreed with the Management Unit to reverse concessions "upon evidence of sustained financial performance that is above budget", according to following process:

- Evaluate Q1 results in October. If revenue exceeds budget and operating margin equals or exceeds 8%, then:
- Begin 3 month waiting period (Q2: October – December). If year to date results through Q2 exceed targets, then:
- Eliminate concessions and pay backpay to the start of the waiting period (October 1st.)
- At year end, if financial results continue to meet targets, then true up pay to reverse the Q1 (July – September) concessions.

It is the District's practice to apply terms negotiated with the Management Unit to non-affiliated employees and directors. This budget assumes that practice is continued in this case. Reversal of the general manager's reductions is not included in this budget.

2. FY 20-21 COVID-19 Essential Employee Safety and Attendance Reward

Purpose: To acknowledge and thank those who have routinely reported to work on site throughout the pandemic, have practiced prescribed safety behaviors while at work (and while off work) designed to prevent infections, and have enabled the District to maintain operations without interruption or added costs.

Reward program structure: Staff is working with legal counsel to determine an appropriate structure for this recognition. Staff currently envisions this as a series of spot bonuses totaling up to $2,000 per employee, subject to 1) continued avoidance of on-site outbreaks resulting in more than 10% of employees being off work at any one time due to COVID-19 illnesses or required quarantines (group goal); and 2) individuals are vaccinated as soon as a vaccination becomes available to District employees (individual goal).

Managers and Directors will be ineligible, as will employees who primarily perform their work remotely.

If the program is determined to be legally compliant and implemented, it would apply to the current fiscal year only. Should the District experience a significant financial downturn during the second half of the year, the program would be modified or discontinued.

Staff estimates the full cost of such reward program would be $225,000.

3. Health Care Benefits

In January 2021, the District's health care premiums rose by 19%. This far exceeds the 6% increase assumed in the original budget and the District's experience of health care costs over the past decade. The increase results in an additional cost to the District of about $70,000 for the remainder of the fiscal year. This rate change follows two years of either no change or a small decrease in premium costs. The average annual premium growth for the past three years, inclusive of 2021, is 5%.

4. Contract Services

Contract services increase by $264,000 (68%). These increases arise from higher utilization of temporary employees in the MRD caused by higher volumes being processed than budgeted; Site roadway sweeping costs that originally were anticipated to be eliminated but has not been due to staffing constraints; and previously unbudgeted spending required for support in maintaining air regulation compliance.

5. Environmental Services

Environmental services increase by $158,000 (43%) due to increased costs associated with planning and implementing landfill gas systems improvements and maintenance.

6. Operating Supplies

Operating supplies costs increase by $348,000 (32%). Much of this increase is due to the seasonal purchase of roadbed materials required for the preparation of wet weather landfill roads and tipping decks for use during the winter. Another area contributing to this increase is the expected increase in the use of H2S filtering media required for the treatment of landfill gas extracted from the landfill.

7. Recycling Services

Recycling services costs increase by $172,000 (10%) due to the fact that a higher volume of glass is being extracted in the MRF, resulting in higher hauling costs; and higher third-party yardwaste processing fees for yardwaste disposal volumes that exceed originally budgeted volumes.

8. Repairs and Maintenance

Repairs and maintenance supplies costs increase by $379,000 (14%) primarily due to MRF tip floor and building maintenance expenses; parts and supplies used by the Equipment Maintenance Shop; and costs for general maintenance required elsewhere on the site.

9. Other expense categories

All other non-personnel expense categories result in a total decrease in cost of $288,000 compared to the original budget.

Non-Operating Revenue & Expenses; Debt

FY 2020-21 BUDGET						AMENDED-DRAFT
All $$ in Thousands	19/20 Audited	Jul-Dec Budget	Jul-Dec Estimated	Jan-Jun Proposed	20/21 Budget Approved	20/21 Budget Amended
NON-OPERATING REVENUE & EXPENSES						
Interest Income	753	225	225	225	450	450
Rents & leases	343	218	218	218	435	435
Finance charges	0	5	5	5	9	9
Other Income	28	0	0	0	0.1	0
Equipment Purchases - Interest Expens	(50)	(18)	(18)	(18)	(36)	(36)
Revenue Bonds - Interest Expense	(945)	(1,082)	(1,082)	(1,082)	(2,164)	(2,164)
TOTAL NON-OPERATING EXPENSES	**131**	**(653)**	**(653)**	**(653)**	**(1,306)**	**(1,306)**

1. Non-Operating Revenues & Expenses

Non-operating Revenue & Expenses are expected to track with original budget estimates. No changes are made in this amendment.

2. Debt and bond compliance

Debt and debt service assumptions are also unchanged in this budget amendment. However, due to the District's improved financial position, the bond compliance metric – the Debt Service Coverage ratio – grows from 1.36x to 1.83x.

Capital Outlay

District capital expenditures are divided into two categories: Mobile Equipment and Capital Improvements. Mobile Equipment includes dozers, compactors, all vehicles, and trailers used on and off the site, and miscellaneous equipment such as computers, software, and furniture. Mobile Equipment spending is for the replacement of existing equipment and the purchase of new equipment not previously used in operations. Capital Improvements include investments in improving existing infrastructure and the development of new facilities or assets.

FY 2020-21 BUDGET - CAPITAL OUTLAY PLAN									AMENDED-DRAFT
All $$ in Thousands	19/20 Audited	Jul-Dec Estimated	Jan-Jun Proposed	20/21 Budget Approved	20/21 Budget Amended	21/22	22/23	23/24	24/25
CAPITAL OUTLAY PLAN									
Mobile Equipment	1,257	1,557	311	1,986	1,868	3,220	1,370	2,250	2,120
Capital Improvements	8,433	1,824	4,605	5,700	6,429	11,975	5,400	6,200	7,250
TOTAL CAPITAL INVESTMENT	**9,690**	**3,381**	**4,916**	**7,686**	**8,297**	**15,195**	**6,770**	**8,450**	**9,370**

Capital Outlay – Mobile Equipment

FY 2020-21 BUDGET - CAPITAL OUTLAY PLAN — AMENDED-DRAFT

	All $$ in Thousands	Dept	19/20 Estimate	Jul-Dec Estimated	Jan-Jun Proposed	20/21 Budget Approved	20/21 Budget Amended	21/22	22/23	23/24	24/25
	MOBILE EQUIPMENT										
	Board Room - Furniture and AV Upgrade	ADM		-							25
	Replace 2000 Dodge Van AD06 with Pub Ed tour van	ADM		-							
	Replace 2000 Dodge Van AD06 with Rav 4 SUV	ADM		-							
1	**Computer Hardware/Software**	**ADM**		-	25	**25**	**25**	50	25	50	25
2	**Replace Copier, Document Management & other office hardware**	**ADM**		-	10	**10**	**10**	10	10	10	10
3	**Replace Office Furniture**	**ADM**		-	30	**30**	**30**	30	30	30	30
	AD07 2001 Ford F-150 4x4 Pickup - Replace	ADM		-				30			
	Replace Accounting System	ADM		-							
	Replace 2006 Toyota Highlander AD10	ADM		-							
	Miscellaneous Admin. Replacements	ADM		-				30	30	30	30
	Replace LC14 Forklift	LCM		-							
	Replace 2002 LC09 Forklift	LCM		-					60		
	Used Box Truck for LCM	LCM		-							
	Replace 2001 836G Compactor - LF11	LFO		-							
	Replace 1999 D6R Dozer - LF06	**LFO**		-				575			
	Replace Tarpomatic 2004 - LF15	**LFO**		-	70		**70**				
	Replace 2006 John Deere 6415 Ag Tractor LF18	LFO		-							
	Replace Box Scraper - LF19	LFO		-							
	Replace SI31 Allmand Light Tower 2000	LFO		-							
	Replace 1999 D9R Dozer - LF10 with D8 Dozer	LFO		-							
4	**Replace 2007 836H Compactor - LF22**	**LFO**		1,275		**1,300**	**1,275**				
	Replace 2002 CAT 740 Articulated Haul Truck LF12	LFO		-				900			
	Replace 1997 966 Wheel Loader LF13	LFO	**496**	-							
	Replace 2005 D9T Dozer - LF16 - with D8	LFO		-							
	Replace 2001 627G Scraper LF02 with articulating ejector truck	LFO		-					750		
	Replace 1996 D8R Dozer - LF09	LFO		-							
	(LF) LF26 D8T Dozer 2016 (Replacement FY 25/26 $1,000,000)	LFO		-							
	(LF) LF27 836K Compactor 2016 (Replacement FY 29/30 $1,400,000)	**LFO**		-							
	LF27 836K Compactor 2016 - Replace Wheels	**LFO**		-	85		**85**				
	(LF) LF29 D8T Dozer 2017 capitalized maintenance (Replacement FY 27/28)	LFO		-				150	30		
	(LF/Site) MR20 230CLC Excavator 2003 - New Thumb Attachement	**LFO**		-							
	(LF) SI52 Genie Light Tower 2004 - Replace	**LFO**		-							

Mobile Equipment – Continued

FY 2020-21 BUDGET - CAPITAL OUTLAY PLAN — **AMENDED-DRAFT**

	All $$ in Thousands	Dept	19/20 Estimate	Jul-Dec Estimated	Jan-Jun Proposed	20/21 Budget Approved	20/21 Budget Amended	21/22	22/23	23/24	24/25
	MOBILE EQUIPMENT										
	Engine 1 - 2006 Caterpillar 3520 Major overhaul (every 93,000 hrs.)	LFG		-							
	Kubota RTV for LFG (Gas field work)	**LFG**	**19**	-							
	MRF Bin/Box replacement	MRF	15	-				25	25	25	
	MRF new Roll-off Box purchases (10 40yd)	MRF	85	-							
5	**MR18 PV500 Pacific Tec 1998 - Liquid vacuum unit - Replace**	**MRF**		-		**65**	**-**	65			
	Replace 2009 Volvo Roll-Off Truck MR37	MRF		-				265			
	Replace 2009 Volvo Roll-Off Truck MR38	MRF		-				265			
6	**MR42 324DL Excavator 2010 - Replace**	**MRF**		277		**350**	**277**				
	Replace 2011 324DL Excavator MR43	MRF		-					350		
	2005 938G Wheel Loader with 950BR (MR27)	MRF	412	-							
	Replace MR44 2008 IHC Semi Truck (MRF) w/new CNG unit	MRF		-				150			
	Replace MR45 2008 IHC Semi Truck (MRF) w/new CNG unit	MRF		-				150			
	(MRF) MR55 938M Wheel Loader 2018 (Replacement 29/30 $300K)	MRF		-						85	
	2011 or Newer Used Water Truck for MRF Fire Protection (2,000 to 3,000 g	MRF		-							
	2011 or Newer Used Semi Truck for MRF	MRF	**72**	-							
7	**Miscellaneous MRF Equipment purchases/replacements**	**MRF**		-	20	**20**	**20**	20	20	20	
8	**Replace Sterling Service Truck - SH07**	**SHO**		-		**90**	**-**	190			
9	**Replace 2007 Ford F-150 2WD (SHOP) - SH13**	SHO		-	35	**35**	**35**				
	Outer year equipment purchase/replacement contingency	SHO		-			-			2,000	2,000
10	**Replace 2006 Genie Light Tower - SI57**	**SIT**		5		**6**	**5**				
	Genie Light Tower - New				6		**6**				
11	**Box Scraper - New**	**SIT**		-		**25**	**-**	75			
	289D Compact track loader	**SIT**	**100**	-							
	Replace 2007 Site Ford-F150 4x4 Pick up SI48	**SIT**	**29**	-							
	Replace 2007 Ford F-150 2WD Site Pick up SI49	SIT		-							
	Replace 1998 Chev 2500 4x4 Site Pick up SI53	SIT		-							
12	**Replace 2002 Ford F-150 4x4 (LF) - SI54**	**SIT**	**29**	-	30	**30**	**30**				
	Replace 2010 Volvo Water Truck SI58	SIT		-			-	240			
	Replace 2011 Dump Truck SI65	SIT		-			-		40		
	TOTAL MOBILE EQUIPMENT EXPENSES		**1,257**	**1,557**	**311**	**1,986**	**1,868**	**3,220**	**1,370**	**2,250**	**2,120**

Capital Outlay – Capital Improvement Projects

FY 2020-21 BUDGET - CAPITAL OUTLAY PLAN **AMENDED-DRAFT**

All $$ in Thousands	Dept.	19/20 Estimated	Jul-Dec Estimated	Jan-Jun Proposed	20/21 Budget Approved	20/21 Budget Amended	21/22	22/23	23/24	24/25
CAPITAL IMPROVEMENT PROJECTS										
Admin Building	ADM		-	-	**75**	**-**	175			
Truck Yard	ADM		-			**-**	150	350		
HHW Facility	LCM		-	25	**25**	**25**				150
LCM Retail Store	LCM		-	45	**150**	**45**	200			
Public Recycling Drop-off	LCM		-	35	**35**	**35**			25	
LFGTE Facility	LFG		-	180		**180**	75	75	75	75
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	**25**	**25**				
LFG Flare - Zone B Flow Control Auto-Valve	LFG		-	-	**15**	**-**				
LFG Supply Maintenance Control Valves (3)	LFG		-	-	**25**	**-**				
Grounding Resister -	LFG		-	-	**25**	**-**				
LFG Blower #3 Supply	LFG		-			**-**				
ENG #2 Radiator	LFG		-			**-**				
LFG Chiller - (mng w/CEC Project as Change Order if	LFG					**-**				
H2S Treatment - (mng w/CEC Project $1MM)	LFG					**-**				
Misc. LFG - CEC Grant	LFG	1,188	1,148	450	**450**	**1,598**				
CEC Grant H2S Treatment System	LFG		-	350	**350**	**350**				
CEC Grant Reimbursements	LFG		-	(1,800)	**(1,800)**	**(1,800)**				
Energy & Organic Waste Proc. Tech. Assess.	LFG		-	50	**250**	**50**	250	250	250	250
Compost Site	LFO		124	2,200		**2,324**				
Module 6 Development	LFO	3,717	116	174		**290**				
Module 7 Development	LFO	234	-	175	**3,000**	**175**	8,500			
Module 8 Development	LFO		-	-	**75**	**-**	-	225	3,000	5,500
Leachate Management	LFO		-	100	**100**	**100**	75	75	75	150
LFG Management	LFO		-	1,300	**350**	**1,300**	175	375	75	375
LFG Condensate Management	LFO		-	75	**75**	**75**	75	75	75	75
Misc. Landfill	LFO		-	350	**65**	**350**	75	75	75	75
Storm Water Management - (Design, Permit, Con:	LFO		-	-	**75**	**-**	75	3,000		

Capital Improvement Projects – Continued

FY 2020-21 BUDGET - CAPITAL OUTLAY PLAN **AMENDED-DRAFT**

All $$ in Thousands	Dept.	19/20 Estimated	Jul-Dec Estimated	Jan-Jun Proposed	20/21 Budget Approved	20/21 Budget Amended	21/22	22/23	23/24	24/25
CAPITAL IMPROVEMENT PROJECTS										
Materials Recovery Facility 2.0	MRF					-				
MRF 2.0 Capital Equipment Replacement	MRF		-	50	**100**	**50**	50		450	
MRF OCC Disc Screen Project	MRF	3,212	39	205	**175**	**244**				
MRF Fall Protection Equipment	MRF		-			-				
MRF Lock Out-Tag Out Optimization	MRF		-			-				
MRF 2.5 C&D Concept Design/Evaluation	MRF		-			-	150	250		
Miscelaneous MRF Investment	MRF	9	-			-				
Scales - 4 New Below-Grade Decks (FY20/21)	SCL		**68**	330	**300**	**398**	-	300		
Scales Software Upgrade - Paradigm	SCL	38	-			-				
Scale House Add. (Concpt & Final Des.-Function &	SCL	10	-	75	**250**	**75**	300			
Maintenance Shop Building	SHO		19	36		**55**				250
Old Shop Building	SHO		-	-	**50**	-	50			250
Wash Pad Facility	SHO		-			-		100		
Site Entrance Upgrade	SIT		-			-				
Paved Roads	SIT	7	225	175	**1,100**	**400**	1,500	150	2,000	
Misc. Site	SIT	18	85		**50**	**85**	50	50	50	50
Misc. Facilities	SIT		-		**50**	-	50	50	50	50
TOTAL CAPITAL IMPROVEMENT EXPENSES		**8,433**	**1,824**	**4,605**	**5,600**	**6,429**	**11,975**	**5,400**	**6,200**	**7,250**

Mobile Equipment Changes

The following items describe proposed changes to the Mobile Equipment plan for FY20/21 through FY 24/25.

Replace Tarpomatic: Add purchase of new Tarpomatic landfill covering equipment to supplement existing equipment.

LF27 836K Compactor 2016 - Replace Wheels: Add purchase of new compactor wheels due to accelerated wear caused by high use.

MR18 PV500 Pacific Tec 1998 - Liquid vacuum unit: Defer unit replacement to FY 21/22.

Replace Sterling Service Truck - SH07: Defer truck replacement to FY 21/22. Increase cost by $100,000.

Genie Light Tower - New: Add purchase of new light tower for after dark work.

Box Scraper - New: Defer purchase to FY 21/22. Increase cost by $50,000 to include additional tractor unit.

Capital Improvement Project Changes

The following items describe proposed changes to the Capital Improvement Projects plan for FY20/21 through FY 24/25.

LFGTE Facility: Revise FY Budget to $205k (reduced $45k) and focus spend on new hardware for monitoring and control of the enclosed flare for Air Permit Compliance (3-hr Avg. Temp, SU/SD control).

CEC Grant & H2S Treatment System: Adjust budget to incorporate change orders to scope of work and capital not recognized in prior fiscal year.

Compost Site Improvements: Adjust budget to include both the Board approved site improvements $2.2M (less electrical portion deferred to next fiscal year when operation's needs are better defined) and $124k Permit costs reimbursed to the operator (Revised Budget $2.34M).

Module 6: Adjust budget to include improvements associated with wet weather controls and startup of a portion of the module.

Module 7: Defer module construction start to next fiscal year per Board's January 2020 approval of the three new equipment elements to the MRF.

LFG Management: Expansion of the landfill's Gas Collection & Control System (GCCS) to resolve fugitive emissions thru the landfill surface. Add ~15 new collection wells to the 25 new wells previously approved by the Board. Expand the subheader system to reduce vacuum losses and increase flow volume transmission.

Misc. Landfill: Adjust budget to $350k (from $65k) to incorporate a remote monitoring system of leachate and condensate storage systems and flare/gas plant equipment operations.

MRF OCC Disc Screen Project: This item contains the three (3) major additions to the MRF as approved by the Board in January 2020. Budget adjusted primarily to incorporate Sales Tax amount.

Scales: Budget adjusted to incorporate cost changes to the installation of Scale A multi-cell equipment and new Scale E with automated kiosk.

Maintenance Shop Building: Add $36k for new roll-up door capital replacement to YTD costs of $19k ($55k for fiscal year not budgeted). Eliminate $50k fiscal year budget for Old Shop Building.

Paved Roads: Revise design of 4-way intersection on Charlie Benson Road to address right turns towards compost site and M1W; and left turns exiting from compost site/M1W locations. Anticipate $175k for current fiscal year which results in deferring $925k of construction related costs to next fiscal year.

Five-Year Outlook

FY 2020-21 BUDGET						AMENDED-DRAFT
(All dollars in thousands)	19/20 Audited	20/21 Budget Amended	21/22	22/23	23/24	24/25
INCOME SUMMARY						
Operating Revenues	39,631	36,409	39,287	40,929	41,833	42,763
Operating Expenses	36,003	32,312	31,985	33,347	34,773	36,265
Operating Income (Loss)	3,628	4,097	7,302	7,581	7,060	6,498
Non-Operating Expenses	131	(1,306)	(1,655)	(1,540)	(1,426)	(1,321)
NET INCOME (LOSS)	**3,758**	**2,791**	**5,647**	**6,041**	**5,634**	**5,177**
CASH SUMMARY						
Beginning Unrestricted Cash	**34,209**	**28,894**	**27,310**	**26,394**	**28,442**	**27,763**
Cash from Operations						
Net Income (Loss)	3,758	2,791	5,647	6,041	5,634	5,177
Adjustments to Cash	4,435	4,519	4,738	4,880	5,027	5,177
Change in Cash from Operations	8,193	7,310	10,385	10,922	10,660	10,355
Cash from Financing Activities						
Capital Outlay	(11,116)	(6,317)	(8,690)	(6,395)	(9,000)	(9,070)
Deferred Maintenance - Cash Outlay		(80)				
Bond and Debt Reduction	(2,392)	(2,498)	(2,612)	(2,478)	(2,340)	(2,440)
Change in Cash from Financing Activities	(13,508)	(8,895)	(11,302)	(8,873)	(11,340)	(11,510)
Change in Unrestricted Cash	(5,315)	(1,584)	(917)	2,049	(680)	(1,155)
Ending Unrestricted Cash	**28,894**	**27,310**	**26,394**	**28,442**	**27,763**	**26,607**
Designations/Reserves						
Cash Operating Reserve	6,314	5,558	5,437	5,681	5,936	6,204
2018 Bond Funds	13,654	7,338				
Undesignated Cash	8,927	14,414	20,956	22,761	21,826	20,403
Total Designations/Reserves	**28,894**	**27,310**	**26,394**	**28,442**	**27,763**	**26,607**
Restricted cash as of June 30						
2015 Bond Rate Stabilization Fund/in Trust	2,350	2,350	2,350	2,350	2,350	2,350
Closure/Post Closure Care Costs	1,500	1,500	1,500	1,500	1,500	1,500
Environmental Impairment Fund	1,000	1,000	1,000	1,000	1,000	1,000
TOTAL CASH AS OF JUNE 30	**33,744**	**32,160**	**31,244**	**33,292**	**32,613**	**31,457**
DEBT COVERAGE RATIOS						
Ratio of Net Current Rev. to Debt Service	1.7	**1.83**	2.6	2.8	2.9	2.8

FY 2020-21 BUDGET						AMENDED-DRAFT
All $$ in Thousands	19/20 Audited	20/21 Budget Amended	21/22	22/23	23/24	24/25
OPERATING REVENUES						
DISPOSAL FEES						
Franchise + Self haul	16,744	14,800	17,044	17,556	18,082	18,625
Out of District						
GWR - San Jose	10,092	9,590	10,060	10,317	10,580	10,850
Other Regional	1,993	1,918	2,454	3,313	3,413	3,515
SUBTOTAL	**28,828**	**26,307**	**29,559**	**31,186**	**32,075**	**32,989**
MRF OPERATIONS						
MRF Revenue	7,872	7,538	6,182	6,197	6,211	6,227
SUBTOTAL	**7,872**	**7,538**	**6,182**	**6,197**	**6,211**	**6,227**
OTHER REVENUES						
Power Sales	1,324	1,531	1,491	1,491	1,491	1,491
Last Chance Mercantile + HHW	594	103	935	935	935	935
Other Sales	1,013	930	1,120	1,120	1,120	1,120
SUBTOTAL	**2,931**	**2,564**	**3,546**	**3,546**	**3,546**	**3,546**
TOTAL OPERATING REVENUES	**39,631**	**36,409**	**39,287**	**40,929**	**41,833**	**42,763**

NOTES TO FIVE-YEAR PROJECTIONS:

Revenue

- Disposal tonnage projected to return to prev. levels beginning FY21/22
- Disposal rate increases of 3% per year in outer years
-

Expenses

- 5% cost escalation for most non-wage Operating Expenses. FY21/22
- 3% cost escalation for most Operating Expenses in remaining years.
- Healthcare inflation (6%)
- PERS as projected by CalPERS
- CNG costs replaced by conversion project FY21/22

Capital Investment

- This 5-year plan does not include material changes to business operations, such as adding organics processing capacity, developing electrical grid independence from PG&E, or expanding MRF processing capacity to meet rising demand.

FY 2020-21 BUDGET						AMENDED-DRAFT
All $$ in Thousands	19/20 Audited	20/21 Budget Amended	21/22	22/23	23/24	24/25
OPERATING EXPENSES						
SALARY EXPENSES						
Wages	12,244	9,419	9,638	10,120	10,626	11,158
COVID-19 Essential Service Safety and Attendance Award		220				
Taxes & Benefits						
Healthcare	3,120	2,064	2,184	2,294	2,408	2,529
CalPERS	2,675	1,666	2,217	2,429	2,657	2,901
Workers Compensation	753	630	690	724	761	799
Taxes	147	131	145	153	160	168
Other Benefits	239	557	215	225	237	248
Total Taxes & Benefits	6,933	5,047	5,451	5,825	6,222	6,645
SUBTOTAL	**19,177**	**14,687**	**15,089**	**15,945**	**16,849**	**17,803**
NON-SALARY EXPENSES						
Amortization & Depreciation	4,080	4,142	4,410	4,542	4,679	4,819
Closure/Post Closure Costs	355	377	389	400	412	425
Contractual Services	384	653	408	421	433	446
Environmental Services	331	527	387	399	410	423
Gasoline, Oil & Fuel	918	1,078	791	814	839	864
Hazardous Waste Disposal	305	269	323	333	343	353
Insurance	466	575	604	622	641	660
Office Expense	554	308	244	252	259	267
Operating Supplies	1,077	1,452	1,159	1,193	1,229	1,266
Professional Services	788	1,215	1,252	1,290	1,329	1,368
Public Awareness	163	144	158	163	168	173
Recycling Services	2,322	1,815	1,725	1,776	1,830	1,885
Repairs & Maintenance	3,221	3,185	2,946	3,035	3,126	3,219
Safety Equip/Supplies/Training	258	237	258	266	274	282
Taxes & Surcharges	1,393	1,432	1,509	1,554	1,601	1,649
Training/Meetings/Education	77	74	190	196	202	208
Utilities	109	123	121	125	129	133
Other Expense	26	21	21	21	22	23
SUBTOTAL	**16,826**	**17,625**	**16,895**	**17,402**	**17,924**	**18,462**
TOTAL OPERATING EXPENSES	**36,003**	**32,312**	**31,985**	**33,347**	**34,773**	**36,265**
NON-OPERATING REVENUE & EXPENSES						
Interest Income	753	450	95	95	95	95
Rents & leases	343	435	325	325	325	325
Finance charges	0	9	15	15	15	15
Other Income	28	0	0	0	0	0
Equipment Purchases - Interest Expens	(50)	(36)	(22)	(8)	-	-
Revenue Bonds - Interest Expense	(945)	(2,164)	(2,068)	(1,967)	(1,861)	(1,756)
TOTAL NON-OPERATING EXPENSES	**131**	**(1,306)**	**(1,655)**	**(1,540)**	**(1,426)**	**(1,321)**
NET INCOME	**3,758**	**2,791**	**5,647**	**6,041**	**5,634**	**5,177**

MONTEREY REGIONAL
WASTE MANAGEMENT DISTRICT
Home of the Last Chance Mercantile

December 24, 2020

Mr. Richard Stedman, Executive Officer
Monterey Bay Air Resources District
24580 Silver Cloud Court
Monterey, CA 93940

RE: Monterey Peninsula Landfill Air Quality Action Plan

Dear Richard,

First of all, let me thank you and your staff for your patience in working with the MRWMD as we work on our internal processes to drive to better compliance. With that in mind, I had suggested that the District would provide you with this update of Monterey Regional Waste Management District's (MRWMD) Action Plan to address shortcomings in LFG fugitive emission control and related air compliance monitoring, recordkeeping, and reporting for the Monterey Peninsula Landfill. The Action Plan being implemented consists of the following:

1. Third-party internal audit of Air Compliance monitoring, recordkeeping, and reporting activities. This endeavor is currently in-progress.

2. Separate third-party independent peer review of the third-party internal Air Compliance audit (noted in item #1). Scheduled to follow the internal audit documentation. This 3rd party review of this process will be developed to make sure we are adopting "best practices" not currently being practiced.

3. Implementation of the recommendations received from Items #1 and 2 above including, but not limited to, the addition of internal employee resource(s) and external consultant resource(s).

4. Documentation of the third-party recommendations and other Best Management Practices (BMPs) in a site-specific Air Compliance Plan.

5. Operations review of the landfill's Gas Collection and Control System (GCCS) by an experienced third-party which will include, but will not be limited to, the internal combustion engine-generator sets and the enclosed LFG flare. Implementation of recommendations resulting from the GCCS operations review.

6. Operations review of the solid waste disposal operations by an experienced third-party. Implementation of recommendations resulting from the solid waste disposal operations review.

7. Completion of drilling of 13 new vertical LFG extraction wells between December 9th and December 13th. These 13 extraction wells are part of the planned installation of 25 new vertical landfill gas collection wells approved by the Board of Directors in March 2020. These LFG extraction wells include a new feature consisting of a membrane added to the upper bore seal for enhanced surface emission control (2019 design) around the well. The remaining 12 extraction wells are planned for installation in January. This funding is present in our FY 20/21 Capital Budget Plan adopted by our Board.

14201 DEL MONTE BLVD ★ BOX 1670 ★ MARINA, CA 93933-1670 ★ 831/384-5313, FAX 831/384-3567 ★ www.mrwmd.org

CLOSING

MRWMD recognizes the significant importance of air compliance in the success of our goals and responsibility as a public entity serving the community. MRWMD will continue to coordinate with MBARD on these important matters and provide reports of progress of our Action Plan.

Sincerely,

MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Timothy S. Flanagan
General Manager

Memorandum
MONTEREY REGIONAL WASTE MANAGEMENT DISTRICT

Reviewed by: [signature] General Manager Date: 1/8/2021

DATE: January 8, 2021

TO: Personnel Committee and Finance Committee

FROM: Peter Skinner, Director of Finance and Administration

SUBJECT: Update on COVID19 Impact on District and Proposal for COVID-19 Safety Incentive

---

RECOMMENDATION: Informational Only

---

1. IMPACT OF FFCRA ON THE DISTRICT

In response to the COVID-19 pandemic, the federal government enacted the Families First Coronavirus Response Act (FFCRA) in mid-March 2020, requiring certain employers to provide their employees with emergency paid sick leave and expanded family and medical leave for five specified reasons related to COVID-19. Depending on the qualifying reasons for an employee's absence, the regulation required employers to pay an employee's wages – either 2/3rds or 100% of their regular wages for each day off. Qualifying reasons included absences due to employee or family member illness and childcare issues related to the closure of schools or daycare centers. The District was required to comply with this regulation and while certain employers qualified for tax credits for dollars spent in its implementation, the District does not qualify for the tax credits, as a special district.

Since the start of the pandemic in March 2020, there have been 58 instances of employee absences related to COVID19, ranging from a few days to three months (the maximum required by the regulation for school/ childcare closures). Of those, thirteen (13) employees were granted a leave of absence due to their own illness. Fortunately, none of the confirmed cases was traced to exposures at the District and we believe that this is due in part to the District's early implementation of safety protocols as well as the immediate isolation of confirmed cases encouraged by providing emergency paid sick leave.

The FFCRA expired on December 31, 2020. However, the new COVID-19 relief package that was recently passed by Congress and signed by the President provided employers with the option of voluntarily continuing those programs. Under the new law, employers are not required to continuing providing paid leave, but may choose to continue providing the paid leave that would have been required by the FFCRA from January 1 through March 31, 2021. Employers who were covered by the FFCRA in 2020 who choose to continue providing paid leave can continue to claim a tax credit to cover the cost of voluntarily providing the FFCRA leaves through March 31, if they were eligible for the tax credit. Again, Special Districts are not eligible.

In consideration of the current surge in infections in the state and locally, the Staff intends to continue the program to encourage employees to stay home and self-quarantine if they have symptoms of COVID-19 or have been exposed to a confirmed case. The extension will continue as long as the need continues to exist, or until a majority of employees have been vaccinated and the District is able to afford it. We believe the risks and cost of shutting operations due to an outbreak at work would be much higher than to continue to pay employees to stay home if they meet the eligibility criteria for emergency paid sick leave.

Staff will be available to provide further clarification and to answer any questions you may have regarding the above-referenced policy and process.

2. NEW CalOSHA COVID-19 REPORTING REQUIREMENTS

On 11/30/2020 an emergency Cal OSHA regulation went into effect requiring employers create a written COVID-19 Prevention Plan; conduct COVID-19 workplace evaluations & risk assessments; and implement COVID-19 preventive measures, inspections, and training for all employees. This regulation defines a COVID-19 workplace outbreak as 3 cases within 14-days and a major outbreak as 20 cases at a workplace in 30-days. Workplaces experiencing either an outbreak or major outbreak require: 1) weekly COVID-19 testing of all employees present at the workplace during working hours; and 2) COVID-19 case investigations, with additional corrective actions that include evaluating operating hour reductions, installing engineering controls, etc. to reduce COVID-19 exposure risk in the event of a major outbreak. The District has incorporated these requirements in its policies and procedures, provided training to all employees, and is actively monitoring the COVID-19 case counts and frequency in accordance with the new requirements. The District has yet to experience case counts that qualify as an outbreak under these regulations.

3. PROPOSAL FOR FY 20-21 COVID-19 ESSENTIAL EMPLOYEE SAFETY AND ATTENDANCE REWARD

Staff is a proposing this reward program to acknowledge and thank those who have routinely reported to work on site throughout the pandemic, have practiced prescribed safety behaviors while at work (and while off work) designed to prevent infections, and have enabled the District to maintain operations without interruption or added costs.

The structure of this reward program is under review with legal counsel, due to complex public sector compensation law considerations. Staff estimates the full cost of this recognition program to be $225,000.

At this time, the District can afford this program due to the strong financial performance experienced during the first six months of the fiscal year. Should the District experience a significant downturn financially during the second half, the reward program, if it is determined to be legally compliant and implemented, would be modified or discontinued.

Respectfully,

Peter Skinner