

**MINUTES OF THE BOARD OF DIRECTORS OF THE
SOUTHEASTERN PUBLIC SERVICE AUTHORITY OF VIRGINIA**

March 27, 2019

The Regular Meeting of the Board of Directors of the Southeastern Public Service Authority (SPSA) was held at 9:30 a.m. in the Regional Board Room at the Regional Building, 723 Woodlake Drive, Chesapeake, Virginia. The following members were in attendance or as noted:

Mr. John Maxwell	(CH)	Mr. Steven Jenkins	(CH)
Ms. Sheryl Raulston	(FR)	Mr. H. Taylor Williams	(FR)
Mr. Dale Baugh absent (<i>absent</i>)	(IW)	Mr. Randy Keaton	(IW)
Mr. John Keifer	(NO)	Mr. Richard Broad	(NO)
Mr. C.W. "Luke" McCoy	(PO)	Mr. Solomon Ashby	(PO)
Mr. Mark Hodges (<i>absent</i>)	(SH)	Ms. Lynette Lowe	(SH)
Mr. David Arnold ** (10:55)	(SU)	Mr. Patrick Roberts	(SU)
Mr. William Sorrentino (<i>absent</i>)	(VB)	Mr. John Barnes	(VB)

* Indicates Late Arrival

** Indicates Early Departure

(CH) Chesapeake; (FR) Franklin; (IW) Isle of Wight; (NO) Norfolk; (PO) Portsmouth, (SH) Southampton County; (SU) Suffolk; (VB) Virginia Beach

Others present at the meeting included the Alternate Ex-Officio Members, Mr. Eric Martin (CH), Mr. Harvey Howard (NO), Ms. Erin Trimyer (PO), Mr. Hart Council (SH), Mr. Scott Mills (SU), Mr. Bobby Wheeler (VB) and the following SPSA executives, Ms. Liesl R. DeVary, Executive Director and Treasurer, Mr. Dennis Bagley, Deputy Executive Director, Ms. Blanche Christian, Administrative Coordinator and Secretary, and Warren Tisdale, General Counsel.

1. INFORMAL ITEMS: DISCUSSION ONLY

A. MONTHLY REPORT ON WTE OPERATIONS

Mr. Stratton began the operational report for the month of February 2019 for Wheelabrator Portsmouth. The last OSHA recordable incident was August 31. The electrical outage to support the Norfolk Naval Shipyard underground cabling was completed on March 3. We are looking forward to getting past that to where we will not have any more failures due to electrical outing. On April 22 a screen for the ash will be delivered for a two-month trial. The screen size can be adjusted during that trial period to see which size will work the best so ash going to the landfill can be used as ADC.

We hoped that the C line motor and rotor, would be back on the first week of April. There's a cooler issue with the motor we're working on, but it looks like it will be the second week in April. Finally, we're trying to internalize nine contract laborers so we have more flexibility to process the increased volumes. We had to make a change so we could process two lines more throughout the week.

Wheelabrator Portsmouth February 2019

Operational Data



35,825 Tons	46,588 Tons	39,892 Tons	9,649 Tons	12,567 MW
Total waste received by SPSA	Waste delivered to RDF	Total RDF processed	Ash sent to landfill	Electric power sold
69,621 K-LBS	94%	93%	0	0
Steam sold to U.S. Navy	Overall boiler availability	Overall generator availability	Environmental incidents and OSHA recordable accidents	OSHA recordable accidents YTD

Chairman Keifer (NO) complimented Wheelabrator on the OSHA record, to operate for so long without incidents is very noteworthy.

B. EXECUTIVE DIRECTOR UPDATES

Ms. DeVary commented SPSA staff continues to keep the operations running smoothly. We have a new alternate board member that's been appointed for Virginia Beach. She welcomed Bobby Wheeler; the Operations Support Administrator at the Public Works director's office.

Suffolk Fire Inspector Lindbland inspected all the buildings and grounds at the Regional Landfill on March 1, there were no recorded discrepancies. A few items were discussed such as, the need to test emergency lighting but overall it was a good inspection.

As Wheelabrator reported, the week of April 22 they are planning on testing a screener for about 60 days. We hope that will correct the issues that we're having.

In your board agenda, we used to have productivity charts that Toney Saunders put together. With his retirement we have to find somebody else to work on them but we're also looking at making them more user friendly and informative.

We purchased new household hazardous waste trailers last year, and they have recently been wrapped. Staff did an excellent job with picking out the graphics. I think they look really great, and they make a really good statement when we're out at HHW events.

Presentations with Portsmouth, Isle of Wight, Franklin and Chesapeake have been completed. A presentation to Southampton is scheduled in April and Virginia Beach in May.

Ms. DeVary asked Mr. Bagley to provide the operations report followed by a presentation on the SCADA system.

Mr. Bagley commented that during the reporting period 23,578 tons of material was placed in the landfill, which was about 5,771 total tons less than the previous month. Wheelabrator delivered 9,649 tons of material to the landfill of which 4,943 tons was reclassified from ADC to non-qualifying ash. The total leachate hauled this month was 82,792 gallons. If you recall, HRSD allowed us to pump to the Nansemond plant for some time so our haul amount was much lower but we pumped 1,123,112 million gallons to HRSD. We had no odor complaints for the reporting period.

Mr. Bagley commented we want to be good environmental stewards, to have control over our environmental impacts, and we want to do it in a professional manner. We put together a team to begin to look at what we really needed in order to do that, and one of the items we needed was the ability to load out leachate when we couldn't pump. We're really proud of the Supervisory Control and Data Acquisition system (SCADA). Since we've been working on this project, I cannot tell you how many people have complimented SPSA's landfill as being state of the art. A successful project is dictated by the team you put together and we are pleased with the team. They worked very hard for almost 18 months to make this a successful project. The engineering firm that was selected was HDR Engineering and Jeff Murray was the Senior Project Manager. Jeff put together the specifications and when it went out for bid, we had two contractors bid on the contract, and the low bidder was REW Corporation. REW has done a great job with us on this project. We made a lot of improvements as we've gone through the project. Ken Donahue is a Project Manager for REW and he has 32 years' experience with this type of work. His experience has proved immeasurable throughout this project because we found how we could improve items without increasing the cost of the project. The other key element of the project was the controls contractor Bob Sobczak, which is through CEC Corporation. He is a programmer and an expert on SCADA systems. He does these systems all over the country. SPSA's project manager was Henry Strickland. Henry has been passionately involved in this from the very beginning. This was a \$1.5 million project, our change orders totaled 3% of the total cost of the project, and that 3% reflects the addition of the cabling that went bad that was not part of the original project that controlled each one of the vaults.

Mr. Strickland began the "live" presentation of the SCADA system. A Google image of Cells I through IV, V and VI, and what will be Cell VII. Each individual vault is represented by a gray circle which gives the operator a quick overview of the system. A red dot, on the top right-hand corner will blink when in an alarm status.

The way a vault is constructed, it goes down into a sump. That sump is 36 inches lower than the base of the landfill. Throughout this entire process, we've talked a lot about 12 inches of head on the liner. If you can envision having a handkerchief on your table and you just pick the center of it up, you get four corners, and that's going to be the four individual sections of the landfill, and in those four individual sections, you'll have a lower section, which is your sump. That gathers all the leachate there, and it's 36 inches lower than the rest of the landfill. Twelve inches of head on liner is 12 inches above that. Our high-level alarm is set at 42 inches. So that's 6 inches of head on liner. We get an acknowledgment, an alarm, when we have six inches of head on the liner, we get another high alarm if we reach that 12 inches. Your pump is set to come on at 36 inches and pump down to 12 inches. We do have a low, low alarm. The pump is roughly six inches in diameter in the casing, and then we find that pumping it lower than 6 inches, you'll have cavitation and premature pump failure. The screen can tell your current run time how long the pump has been run, how long it ran last time, how long it's been off and how long it was off the time before that. The importance of that is that tells you how long it's taking your sump to recharge or to fill back up with water, which is important because, the way those sumps are constructed is there's a fabric over top of that sump, there's rock over top of it, sand over top of it, more fabric and those can become clogged, and if that's the case, then we need to go in and jet out those cleanout installed so you can jet the system out and open the pores back up and allow the leachate to get back in there.

You can drill down and get a more detailed look into your system. Not only with your numerical values at a glance you can still assess the general wellness, you can see your levels and your water, your leachate and your lift station and what pumps are running back at the lagoon. You can make adjustments to your lift station if you wanted to pump out this vault so we could do maintenance in it, you can change your settings and force the pump to pump it all the way down to the lowest level where you can then back it out and get in is do your maintenance or whatever you need to do. You can look at the amp draw and the kilowatt usage for every pump that we have, which is important so that we can be proactive rather than reactive once we gather enough data. We can tell when your pumps are going to burn up, you can look at your amps, see that you're drawing more amp, go in and look at the trend and see and start predicting when your pumps are going bad so we can replace them before it's an emergency status and hopefully be able to rebuild the pump before a catastrophic failure. If you had more than one vault running at a time, this will cumulatively show your flow coming from Cell V and Cell VI. Everything from Cell V and Cell VI goes to this lift station and will subsequently be pumped all the way back to your aeration pond for retreatment.

Mr. McCoy (PO) asked about the discrepancy of the amps in the vaults.

Mr. Strickland responded it's producing more leachate in that section so it is going to run more and draw more power. In your Cell V, Cell VI lift station you have two pumps. They alternate so that you can exercise the pumps. Currently they are set to a 30-day cycle, but you can alternate that at any given time. At any given time if the lead pump becomes overwhelmed, the lag pump will kick in

at its set point and start to lower your levels, and it will cut off when it reaches the start point for the first pump. Your attention should be drawn to your colors, green, red or a yellow if you have a communication failure.

If liquid is moving through the flow meter, it's going to gather that data. When those valves are closing and the pump is off, there is still liquid going through there. We have a weight requirement that we have to meet with each individual tanker that is set at 4,560. When this truck reaches 4,560 the shutdown sequence will begin and when it's finished, it's going to land on 4,600 gallons give or take one or two gallons, and that will ensure that we will have no overweight trucks, no overfilled trucks, and therefore we'll remain environmentally safe.

Leachate coming from Cells V and VI through the lift station goes directly into the inflow box, gravity drains into the aeration lagoon for aeration, gravity drains to your effluent box and into your clarifying lagoon for settling to be prepared to pump out to HRSD or haul to HRSD via our trucks. Cells I through IV does not have any vaults or sumps. It's all a gravity drained system. It flows into your influent wet well, and then from there will be pumped into your aeration lagoon and following the same process as what comes from Cells V and VI. If we have a truck hauling leachate from one of your transfer stations, it goes to the same loadout pad that it would be pumping and hauling from. It discharges, goes into the influent wet well. We're gathering that flow coming from I through IV and from your transfer stations. Previous to this system we didn't know what cells I through IV were providing, and we're gathering that data so that we can separate the trucks from I through IV and be able to really understand what Cells I through IV are providing to your leachate count.

Chairman Keifer (NO) asked who is monitoring all of this during the day and then after hours?

Mr. Strickland commented that part of the project included a remote log-in. I've got an iPad that stays with me all the time. If I get a text or e-mail alarm or a call from a security officer because he sees a blinking light, I can log into the system remotely and access that.

Mr. Strickland commented that part of the security officers rounds are to observe any alarm status. Red lights are on each vault. Hopefully we don't have any alarms, but if an alarm goes off they'll notify us immediately no matter what time.

Chairman Keifer (NO) stated when we had the leachate problems pumps were breaking down. Do we have spare pumps or a contingency plan?

Mr. Strickland responded we have several different pumps. For your vaults, we have two of each of those in stock, including the power cables and transducers, which are what gives you your readings for levels. The larger pumps that we have in the back; pumps one through four, those are redundant systems so if one goes down we send it out for repairs and you operate on the other one. If for some

weird reason both of them go down, there are flanges and valves that will enable us to be able to operate off a diesel pump.

Mr. Maxwell (CH) asked for an explanation on the preventative maintenance program.

Mr. Strickland replied we're gathering all the data now. Previous to this system, we didn't have any good data other than institutional knowledge. The pumps were burning up frequently because they weren't being operated the way they were supposed to. A sump pump has a flow switch on it the pump will come on when the flow switch tells it to shut off when it pumps the water out. Previous to us finding these issues and installing this system, nothing was running automatically. We had an employee that turned pumps on in the morning and those pumps would continue to run for a few hours. We didn't have any flow meters that were working properly so we weren't even sure if the pumps were running or not. We were burning pumps premature because they were running when there was no leachate. It takes about 40 minutes to evacuate all of the leachate in a sump, it doesn't help the pumps if you have them running an additional hour and 20 minutes with no water. To answer your question, our preventive maintenance now is not to run the pump if there's no water in there, but we're gathering that data to see how long the pump will last. We've been pretty fortunate, and those pumps are lasting a lot longer than what they ever have. I've got to have some fail before I can tell you how long it's going to take one to fail and from that we'll be able to gather that data. There's a screen in my office that's on 24-7, to watch the kilowatt usage. Monthly we report our flows to HRSD and we look at how everything is trending each morning. You can look at your pump, how long they run, how long they're not running, and how many amps you're drawing.

Mr. Bagley commented there's a 60-inch screen in the landfill office that you cannot miss. This screen is up all the time, and we have smaller screens in other areas of the landfill so there is always the mindset of the employees to see what is going on at any particular moment. We've got to have a collective effort from everybody to do that. This has been up and running for two months now. Every pump has a standard manufacturer's life on that pump, but we added amp readings on all our motors and we trend that so we can actually watch that and rather than being reactive and fixing something when it breaks we want this to be more of a proactive approach. We watch these numbers and look at the trends and keep critical elements in stock.

Ms. DeVary commented that part of the system is there are various alarms or alerts set up to flag a possible issue.

Mr. Strickland commented there are a lot of different alarms but typically you would see a high level alarm, communication failure or a power failure. If any small thing goes wrong, the system will alert you. We monitor the temperature inside of the panel. It has a fan and a filter to make sure that cool air stays in there. If that reaches the temperature where it can start being harmful to your components, you'll get an alarm. Types of alarms are endless, but the alarm is telling you something, something is

happening and we go and figure out why there's an alarm. It's not necessarily a bad thing. It's just telling you something happened in your system and the system operated and reacted to it exactly like it should. This system is very secure. A small handful have access, including myself, Dennis and two people on my staff in the office. CEC also have access to be able to get in and correct any issues we have. This system is completely separate from SPSA's network. It's a cellular system for security reasons, and it's a two-stop process to be able to get into the system. When an alarm goes off it is a trickle-down method. I get the first notification and if I don't respond or answer it, someone else will get it and so on. The operators that have access can respond to alarms, cut pumps on, cut pumps off, but they cannot change any set points. That's on an engineer level and only myself and CEC have the permissions to change any set points on pumps.

Mr. Barnes (VB) commented you mentioned reports and trending and it's only been in there two months so far. I would imagine you have plans for monitoring and reports over time. From a maintenance standpoint, there's some good opportunities there. I would imagine you will be looking at leachate control, where is your leachate coming from and what can you do on the work face to minimize leachate.

Mr. Strickland responded absolutely. We can look at these pumps and see how long they're running, and look at your daily flows. We recognized that Vault IV was running a lot longer than the rest of the vaults, and we found we needed to change the set point slightly. Since Vault II and Vault IV are on the same force main Vault II couldn't turn on with IV running. Vault IV would continue to run for hours to pump all the way down and by raising that level a bit we are able lower the amount of time your pump is continuously running, building up heat, and it was subsequently forcing Vault II into an alarm. Through monitoring the system and monitoring the alarms, you change your set points.

Chairman Keifer (NO) commented this is really impressive. Those of us that were here a couple years ago when we had the leachate problems, we didn't know basic things like even which pumps were running or how long, and so the depth and the knowledge and professionalism of you all is very impressive.

C. CHAIRMAN'S COMMENTS

Chairman Keifer (NO) commented that we've made presentations to a number of communities, and I want to thank the Board members in those communities for their hospitality. I was able to go to the Franklin, Chesapeake and Portsmouth sessions and they were received very well. Liesl did a wonderful job and was able to answer a lot of detailed questions. I want to say that I'm impressed with the thoroughness, professionalism and depth of knowledge that we see in the staff of Dennis, Henry and Liesl. At the Executive Committee meetings we get into some more detail on some of these things and they have a very impressive amount of knowledge and curiosity to find out the things that we're interested in.

2. ACTION AGENDA

A. MINUTES OF BOARD MEETING

Chairman Keifer (NO) moved to the action agenda. The minutes of the February 27, 2019 Board meeting have been distributed. He asked if there were any additions or changes.

Mr. Broad (NO) moved, seconded by Mr. Jenkins (CH) to approve the February 27, 2019 minutes of the SPSA board as presented. The vote of the motion was unanimous.

B. FINANCIAL MATTERS

1. Financial Reports

Ms. DeVary began by stating for the month ending February 28, 2019 total revenues exceeded total expenses by approximately \$5.3 million as compared to \$2.7 million in the previous year. Tipping fees fiscal year-to-date reflect a decrease of 2.2% or approximately \$627,000 as compared to the prior fiscal year, and that's largely driven by the reduction in the tip fee. Municipal waste tons are up approximately 14% or 34,615 tons due to bulk waste deliveries, weight of residential waste and an increase in MSW. Municipal waste tonnage were 290,085 tons as compared to 255,470 tons a year ago. Total expenses as of February 28, 2019 were approximately \$26.3 million as compared to \$27.7 million in the prior fiscal year. Cash balances are at \$30.6 million, and they are designated with \$7.6 million in the operating fund, \$300,000 for fiscal year 2018 rolled purchase orders, \$3.3 million in undesignated fund balance, \$2.5 million for the capital HRSD force main and \$16.9 million in the landfill closure fund.

Mr. Ashby (PO) moved, seconded by Mr. Maxwell (CH) to approve the SPSA financial report subject audit be approved as presented. The vote of the motion was unanimous.

2. Contacts

A. Contract Awards

1. Data & Telecommunications Provider

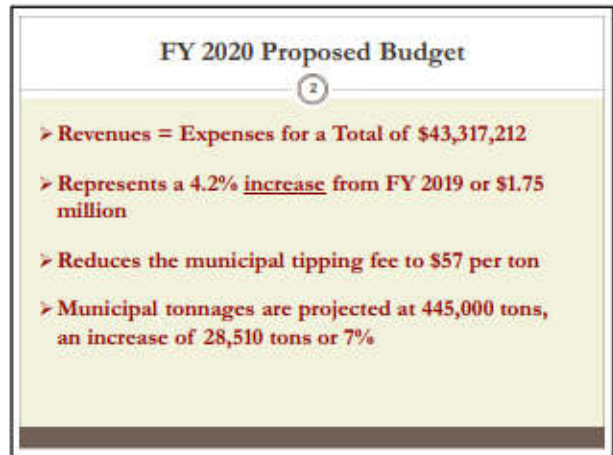
Ms. DeVary commented that there is one contract for your consideration. It's our data and telecommunications provider. Our current provider is Windstream Communications, which we bid out a few years ago. The original contract was 3 years with two option years, and we are in the first option year. A couple months ago, we experienced an extreme outage. Our regional office building was out for five days, which was completely unacceptable to me. Additionally, they have recently claimed bankruptcy. We do have one option year remaining, but we don't intend to renew. We reached out to Cox Communications, and they have proposed a one-year contract. They were able to use cooperative procurement contracts from Fairfax County public schools and Chesapeake city schools. This will give us time to issue another bid. The biggest change is that we will be increasing

our bandwidth, which increases the speed of our various software applications as well as the internet. Our main office currently has ten megabytes and it will increase to one hundred megabytes. Each of our transfer stations have 1.5 megabytes and those will increase to ten megabytes. With this increase there is an increased cost, approximately \$16,000 more per year. This would not be effective until July 1, 2019. They need 90 to 120 days to establish contracts for the Franklin, Isle of Wight, and Suffolk transfer stations, and the landfill. Those areas do not have Cox Cable. Our recommendation is to award the contract to Cox with an effective date of July 1, 2019. We will issue a RFP for a longer-term contract.

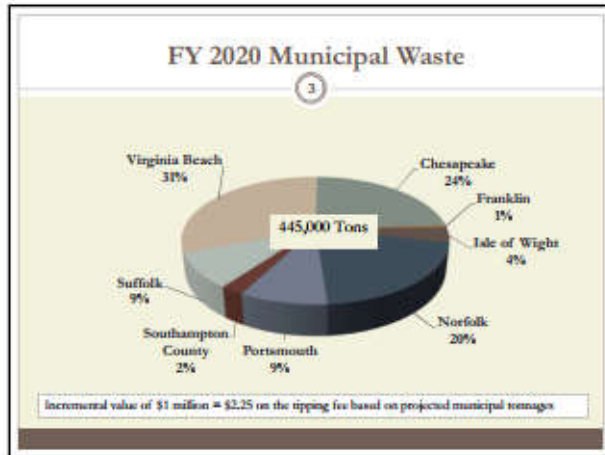
Ms. Raulston (FR) moved, seconded by Mr. Arnold (SU) to award the contract to Cox Communications as presented. The vote of the motion was unanimous.

3. PRESENTATION OF THE JULY 1, 2019 – JUNE 30, 2020 BUDGET

Ms. DeVary began her presentation on the proposed 2020 operating and capital budgets.



The revenues equal expenses for a total of \$43,317,212, which represents a 4.2% increase from FY2019 or \$1.75 million. It reduces the municipal tipping fee to \$57 per ton. The municipal tonnages are projected at 445,000 tons an increase of 28,510 tons or 7%.



- ### FY 2020 Revenues
- ④
- Total Tipping Fees are projected at \$41.6 million an increase of \$3.9 million or 10% and consist of:
 - ✓ Municipal Tip Fees ~
 - ✓ \$25.4 million, a decrease of 2% or approximately -\$457,000
 - ✓ 445,000 tons, increase of 28,451 tons or 7%
 - ✓ Navy Waste ~
 - ✓ \$1.28 million an increase of \$1.1 million due to new contract effective 9/1/19
 - ✓ 25,500 tons, increase of 21,000 tons (FY19 Budget only estimated partial year.)

If you want your budget to increase or decrease a million dollars, the effect on the tipping fee with 445,000 tons is \$2.25. If you recall this time last year, we did not have a new contract with the Navy, it wasn't signed until later in the year. We assumed it would not renew, but it did. That is why it's showing such an increase. This year I'm budgeting 25,500 tons, I only budgeted 4,000 tons for the partial year last year.

- ### FY 2020 Revenues
- ⑤
- ✓ Contract Waste (at transfer stations)
 - ✓ \$7 million an increase of \$2 million or 39%
 - ✓ 138,500 tons, increase of 34,500 tons or 33%
 - ✓ Non-Contract Waste
 - ✓ \$2.4 million, increase of \$182,000 or 8%
 - ✓ 32,000 tons, increase of 2,000 tons or 7%
 - ✓ Other Waste
 - ✓ \$5.5 million, increase of \$1.1 million or 26%
 - ✓ Includes CDD, Norfolk Sludge, ash disposal and other waste disposed at the landfill

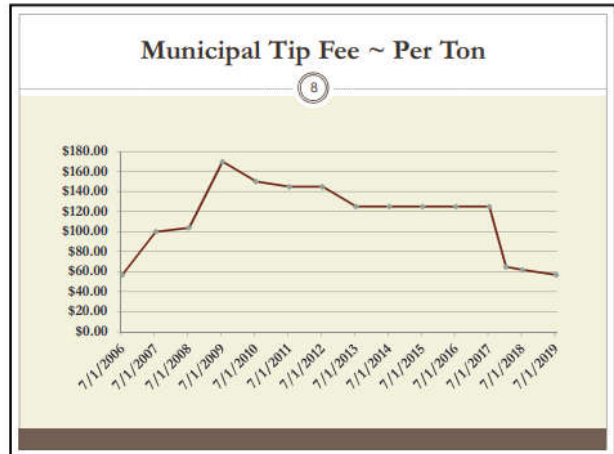
- ### FY 2020 Revenues Continued
- ⑥
- Charges for Environmental Services are \$825,000
 - ✓ Tire disposal ~ \$515,000, an increase of \$183,200 due to increase in tire disposal
 - ✓ Household hazardous waste ~ \$275,000
 - ✓ White goods ~ \$35,000
 - Landfill Gas Royalties are \$312,000 reflect a slight decrease due to reduction in methane gas
 - Miscellaneous Income/Interest Earnings are projected at \$548,775

When the fiscal year '19 budget was done, we had just started those new contracts for contract waste. Originally Waste Industries only had to bring 50,000 tons but they ended up bringing approximately 90,000 tons. That's why there is such an increase with the contract waste that is delivered to the transfer stations, but I did confirm with them that as far as they know, nothing should change. The landfill gas royalties should increase in a couple of years. Since we have started putting municipal waste into the landfill, that is more likely to decompose which will create methane gas.

Revenue Summary

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REVENUES	FY 2019 Budget	FY 2019 Projected	FY 2020 Budget	Budget to Budget	
				\$ Change	% Change
Tipping Fees:					
Municipal	\$ 25,822,380	\$ 27,311,000	\$ 25,365,000	\$ (457,380)	-2%
Navy	182,198	1,273,550	1,280,737	1,098,539	603%
Contract Waste	5,096,000	6,615,000	7,063,500	1,967,500	39%
Non-Contract Waste	2,250,000	2,400,000	2,432,000	182,000	8%
Other Waste	4,369,661	4,836,718	5,490,000	1,120,339	26%
Total Tipping Fees	\$ 37,720,239	\$ 42,438,268	\$ 41,631,237	\$ 3,910,998	10%
Tire Program	332,000	543,200	515,200	183,200	55%
Household Hazardous Waste	250,000	275,000	275,000	25,000	10%
White Goods	40,000	35,000	35,000	(5,000)	-13%
Landfill Gas Royalties	335,000	312,000	312,000	(23,000)	-7%
Miscellaneous Income	214,950	268,521	198,775	(16,175)	-8%
Interest Earnings	180,000	313,000	350,000	170,000	94%
Fund Balance	2,500,000	2,739,424	—	(2,500,000)	-100%
TOTAL REVENUES	\$ 41,872,189	\$ 46,924,413	\$ 43,317,212	\$ 1,745,023	4.2%



Tip Fee Schedule – Recommended Changes

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Waste Type	Current Rate	Proposed Rate
Municipal Solid Waste	\$62.00 / ton	\$57.00 / ton
Contract Non-Municipal Waste	\$49.00 / ton	\$51.00 / ton
Non Contract Non-Municipal Waste	\$75.00 / ton	\$76.00 / Ton

Difference in Rates

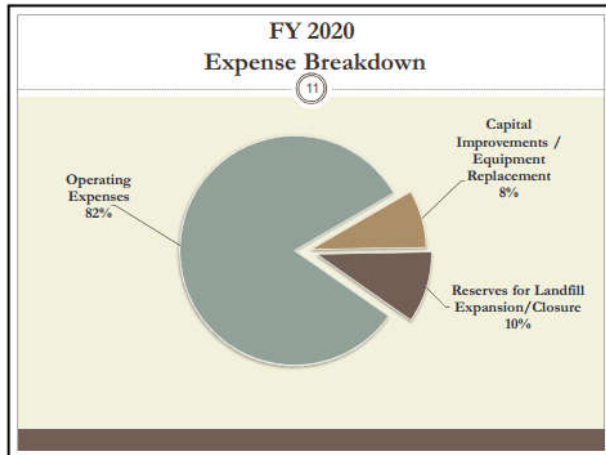
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➤ **Why is the tip fee for Contract Non-Municipal Waste (CSW) less than the tip fee for Municipal Solid Waste (MSW)?**

- ✓ The MSW rate includes the operation of 9 transfer stations, a transportation network and maintaining and expanding the Regional Landfill for use by the Member Communities. Expanding the landfill is for MSW not CSW.
- ✓ Contract and Non-Contract waste is hauled and disposed at a non-SPSA facility by a third party. The cost to SPSA is approximately \$43 per ton. With a tip fee of \$51 per ton, \$8 per ton is used to offset the MSW tip fee.

Our current municipal solid waste rate is \$62 and we're proposing a decrease to \$57 per ton. The contract non-municipal waste rate is currently at \$49, and I am proposing an increase to \$51. The contract non-municipal waste is hauled and disposed by a contract that we have through Wheelabrator. Those contracted rates automatically increase 3% per year. Non-contract non-municipal waste is \$75 and I am recommending an increase of a dollar to \$76.

The commercial waste coming into the transfer stations impacts us minimally because you already have waste there, we're going to continue to look at making some changes, but overall, this helps you with your tipping fee. Additionally, that \$51 tip fee will be subject to an annual 3% increase so it will be close to the \$57 rate in about four years.



- ### FY 2020 Expenses ~ Summary of Changes
- 12
- Total Expenses reflect a net increase of 4.2% or \$1.75 million and is reflected in the following areas:
 - ✓ Operating Expenses increase ~ \$3 million to \$35.5 million
 - ✓ Capital decreases \$2.2 million to \$3.5 million
 - ✓ Reserves for Landfill Expansion increase ~ \$928,000 to \$4.3 million

- ### FY 2020 Operating Expenses
- 13
- Increase in Operating Expenses include the following:
 - Total personnel costs increase \$400,000 and include:
 - ✓ A pay plan adjustment OR A 2.5% COLA
 - ✓ A 2% decrease in health insurance
 - ✓ A net increase of 2.25 FTE positions:
 - +2.0 transfer vehicle operators
 - +.25 scale attendants

- ### Changes to Pay Plan
- 14
- SPSA's Pay Plan was last updated January 1, 2014
 - Many employees have reached the maximum pay point for their grade.
 - 79 of 139 positions are Heavy Equipment Operators, Transfer Vehicle Operators and Equipment Mechanics
 - Current vacancies:
 - Heavy Equipment Operators ~ 3
 - Transfer Vehicle Operators ~ 4 plus 3 retiring and need to add 2 more drivers due to increase in waste stream
 - Equipment Mechanics ~ 1 plus 1 retiring

Our last pay plan was updated January 1, 2014, which means it is 2013 dollars. All of our other localities will adjust their pay plans annually for a COLA. We haven't done that here, but that's something I will be recommending going forward. Heavy equipment operators, transfer vehicle operators, and equipment mechanics are positions that are crucial to our operations. We wouldn't be moving trash if we didn't have those folks and we are experiencing difficulty hiring these positions. I'm recommending that we make changes to the starting pay for these three positions. Human Resources did a survey to find out what others are making, and we discovered we were way behind.

- ### Changes to Pay Plan
- 15
- Changes to Minimum Pay:

• Heavy Equipment Operators	\$14.50 to \$17.00
• Transfer Vehicle Operator	\$15.95 to \$19.00
• Equipment Mechanic	\$17.54 to \$24.00
 - Due to the change in minimum pay above, employees in these positions would receive a pay plan adjustment up to a maximum of \$5,000.
 - The higher pay scales (exempt employees) would receive the benefit of not maxing out of their pay range.
 - The proposed pay plan is on page 117 in budget document.
 - Employees would receive a pay plan adjustment OR a 2.5% COLA – but not both.

- ### FY 2020 Operating Expenses Continued
- 16
- Professional/contracted services reflect a net increase of \$120,000 for employee uniforms and building and site maintenance.
 - Other Operating Expenses increase \$228,000 for increased cost of leachate treatment, employee training and road tolls.
 - Materials & Supplies increase \$95,000 primarily for fuel and other operating supplies.
 - Contracted Waste Disposal Services increase \$2.2 million due to increase in tons and a 3% contractual increase for the WHDA.

The employees that currently are in those positions would receive a pay plan adjustment but only up to a maximum of \$5,000. We can't have someone starting at a higher rate than someone currently employed. Of the 139 employees 79 are going to receive a pay plan adjustment and the other 59, not counting myself, would receive a 2.5% cost of living adjustment (COLA).

Professional and contracted services reflect an increase of about \$120,000, and that's primarily for employee uniforms, equipment maintenance and building/site maintenance. The uniform contract is coming to an end, so staff has worked on putting together a new contract to improve our employee uniforms to something more comfortable to wear. The reason for the increase in the equipment maintenance is because when we bought new equipment last year, we did not include the preventive maintenance plans because we knew we had staff in house to perform them. We didn't have that outlay of cash initially, but now we need to increase it for the different items that you need. Operating expenses increased \$228,000, and this is primarily for the increased cost of leachate treatment. HRSD raised their rates July 1, 2018 by nearly 7% and we haven't yet received their new rates. I'm assuming a similar increase will happen this July. We've also increased the leachate because we're anticipating pumping through the force main again and with that we also pay fees to the City of Suffolk. Over the last eight or nine years, SPSA was trying to minimize expenses as much as we could. The one thing that we neglected to do was to reinvest money into our own staffing and train them. For instance, our equipment mechanics are behind on knowing how to fix all of these new tractors that we've received, especially now that they're so computerized. Road tolls also have increased because we're hauling more waste and project increased tons. When we did the fiscal year 19 budget, the Use and Support Agreements had just gone into effect. We had a month or two to try to estimate how the changes would impact our system. The Waste Hauling and Disposal Agreement (WHDA), is the contract where Wheelabrator is hauling the contract waste to the RDF through MBI as a subcontractor. There is an automatic 3% contractual increase. The Waste Disposal and Services Agreement (WDSA) with Wheelabrator increased due to an increased tons.

Capital Improvements/Equipment Replacement

17

- > **Capital Improvements /Equipment Replacement decreased by \$2.2 million to \$3.5 million**
- > The goal is to maintain a level budget of \$3.5 million for capital improvements and equipment replacement. Funds not used in one fiscal year will revert to a Capital Budget Reserve to be used in future years to offset any increase in projected expenses.
- > Landfill ~ \$1.6 million for cleaning the leachate pond, asphalt the parking lot and tire shredder areas, a dump truck replacement and the purchase of a hydro seeder.
- > Equipment Replacement at transfer stations~ \$300,000
- > Transportation ~ \$1.03 million for 8 new tractors and a SUV replacement
- > Fleet Maintenance ~ \$160,000 to replace a field service truck
- > Regional Office Building ~ \$50,000 to sealcoat and repaint parking lot

Expense Summary

18

EXPENSES	FY 2019 Budget	FY 2019 Projected	FY 2020 Budget	Budget to Budget	
				\$ Change	% Change
Operating Expenses:					
Personnel	\$ 8,955,444	\$ 8,382,197	\$ 9,355,376	\$ 399,932	4.5%
Professional/Contracted Services	3,486,752	3,493,322	3,606,685	119,933	3%
Other Operating Expenses	1,085,319	1,083,353	1,313,767	228,448	21%
Materials & Supplies	1,812,182	1,809,182	1,907,437	95,255	5%
Contracted Waste Disposal	17,106,830	19,908,409	19,295,197	2,188,367	13%
Total Operating Expenses	32,446,527	34,676,463	35,478,462	3,031,935	9%
Capital Expenses	5,714,723	5,888,104	3,500,000	(2,214,723)	-39%
Landfill Closure/Expansion	3,410,939	3,410,939	4,338,750	927,811	27%
Total Expenses	\$ 41,572,189	\$ 43,975,506	\$ 43,317,212	\$ -1,745,023	4.2%

Capital improvements and equipment replacement show a decrease of \$2.2 million to \$3.5 million. In fiscal year '19 we included \$2.5 million for HRSD to build us a new force main. I have not included

that in the budget since we know that's not anticipated for a few more years. Total expenses reflect a net increase of \$1.745 million.

Changes to Strategic Operating Plan
19

- The section on the Regional Landfill ~ Planning Horizon~ was updated to reflect the most recent Airspace Report and an updated Conceptual Plan for the landfill was added.
- The section pertaining to the Annual Budget was updated to coincide with the changes to the Financial Policies.
- SPSA's Role in a Storm Event was updated to reflect that VDEM serves as the point of contact.

Changes to Financial Policies
20

- References to bond resolutions have been removed
- Amended to reflect Executive Director's authority:
 - ✓ Make budget transfers within cost centers (departments), however Budget transfers between cost centers are limited to \$50,000 without Board approval.
 - ✓ May make position adjustments throughout budget year but cannot exceed the budgeted FTEs or budget amounts.
 - ✓ Make changes to the Employee Policy Manual without Board approval except for sections pertaining to compensation and benefits.

The Strategic Operating Plan is also part of your budget document. This was last updated in January of 2018, and it needed some minor updates.

Chairman Keifer (NO) commented the next section talks about the Financial Policies, and one of the things that we discussed in the Executive Committee is that it wasn't clear on what authority the Executive Director has to move money around within the budget, change positions and so forth. The items that Liesl is presenting are the recommendations of the Executive Committee.

Ms. DeVary commented that the term "cost centers" is what the cities refer to as "departments". We have added a section that SPSA will maintain an employee policy manual and the Executive Director can make changes to this without board approval except for any sections that are pertaining to compensation and benefits. That needs to be brought to the board and approved prior to any changes.

Changes to Financial Policies
21

- **Fund Balance Policy**
 - ✓ SPSA intends to maintain an undesignated fund balance equivalent to 2 months operating expenses
- **Debt Policy**
 - ✓ SPSA does not intend to issue any debt
- **Sale of Surplus Equipment section removed**
- **Credit and Collection Policy**
 - ✓ Updated to reflect identical terminology in SOP

Reserves
22

Type of Fund	Balance as of 6/30/2018	FY 2019 Contributions / (Withdrawals)	FY 2020 Contributions / (Withdrawals)	Projected Balance June 30, 2020
Undesignated Fund Balance	\$3,294,353	\$2,934,986	\$ -	\$6,229,340
Reserve for HRSD Force Main	2,500,000			2,500,000
Landfill Expansion / Closure Fund	16,852,408	3,405,939	4,338,750	24,597,097
HDR Expenses		(566,380)		(566,380)
Total Landfill Expansion/Closure	16,852,408	2,839,559	4,338,750	24,030,717
Grand Total	\$22,646,761	\$5,774,545	\$4,338,750	\$32,760,057

Previously, our bond resolutions required us to maintain a three-month operating fund balance. Since we are an enterprise fund, the GFOA recommends an undesignated fund balance equivalent to two months operating expenses. If something happened, and we would have to raise the tipping fee, it's

going to take us 60 days because we have to have a public hearing to advertise it and the board has to approve it. SPSA does not intend to issue any debt. However, if we would go down that path, the financial policies state clearly that we must follow applicable law, which is spelled out in House Bill 1872, the Cosgrove Bill.

I am projecting a surplus of nearly \$2.9 million in the current fiscal year, 98% percent of that is due to the increase in tons that we have received from municipal and commercial waste. I also want to note that two-month operating expenses on the new budget is around \$5.9 million. My recommendation is to take the \$2.9 from this year and transfer it to the undesignated fund balance, which would leave a balance of \$6.2 million. That is slightly over the requirement. We have \$16.8 million set aside for landfill closure and expansion. The net amount contributed in 2019 is \$28 million. In fiscal year '20 we have budgeted \$4.3 million and at the end of fiscal year '20, the projected balance is slightly over \$24 million. We've been working with HDR on a construction schedule with all of the detailed costs involved, estimating at what year we would expect to spend them and so forth. We plan on reviewing that with the Board in the next month or two. The other thing that I would plan is if next year we have a surplus then I'd recommend that to go into landfill closure. You want to have all the money put away as soon as possible for what we need.

Five Year Projected Municipal Tip Fee

23

- > Included in the budget document is a 5-year projected municipal tip fee.
- > The projection basically assumes a 1% annual increase in municipal tons and a 2% increase in most operating expenses. Contracts with Wheelabrator and the Navy are included.
- > This is a starting point to be monitored and updated regularly.

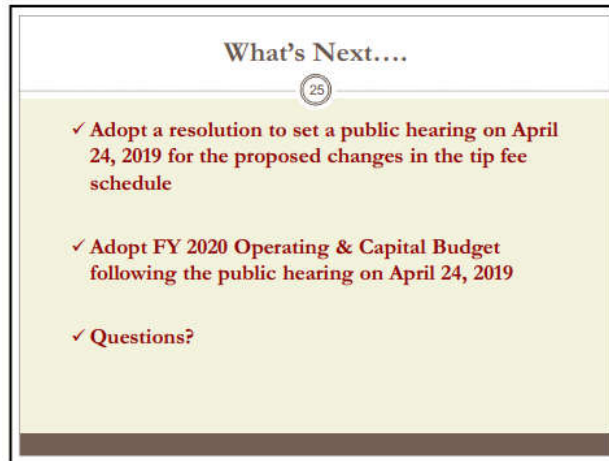
FY 2020 ~ \$57.00
FY 2021 ~ \$57.65
FY 2022 ~ \$58.30
FY 2023 ~ \$58.99
FY 2024 ~ \$59.64

Budget Recap

24

- > Total Budget = \$43,317,212
- > Municipal tonnages are projected at 445,000
- > Municipal tip fee decreases to \$57 per ton
- > Includes a pay plan adjustment OR a 2.5% COLA in employee wages

The five-year projected municipal tip fee assumes that municipal waste tonnages are going to increase 1% and a 2% increase in most operating expenses annually. This is a starting point, but it will be something that we'll monitor and update regularly. I'm not in favor of using cents in the tip fee so my goal is always to do what I can to keep it in round numbers. I think also if we can try to look at it from a two-year perspective, so we give you a tip fee that's pretty solid for more years. You are going to see a slight increase because the Wheelabrator contract increases, but we still have several things in operation that we want to look at to achieve more efficiency. As long as tonnages don't drop, these numbers are pretty good. To recap, the total budget is \$43,317,212. Municipal tonnages are projected at 445,000. The municipal tipping fee decreases to \$57 per ton. The budget includes a pay plan adjustment or a 2.5% COLA in employee wages.



We have a resolution that you would need to adopt today to set a public hearing on the changes in the tip fee schedule. We would have the public hearing at your next meeting and then once that is done, that would be your first opportunity to adopt the fiscal year '20 operating and capital budget following the hearing.

Mr. Maxwell (CH) asked for an explanation on why we want to reduce the reserve from 3 months to 2 months.

Ms. DeVary responded that is what is recommended by the GFOA. Up until January of 2018 we had a \$10 million reserve and that exceeded three-months operating expenses. The plan for several years up until 2018 was that when the new Use and Support Agreements became effective all the debt is paid off, then that ten million would transfer to the landfill expansion and closure fund, that's how it became \$16.8 million. Last fiscal year, we were able to establish an undesignated fund balance of \$3.3 million. The landfill closure fund is not in a separate bank account, it's not restricted in any way. It's designated and that's what we plan to use it for, but it's up to the board entirely if you want to use that towards something else. To have over six million for an undesignated fund balance keeps us very well situated and covered. If you want to move it up to three months we can certainly do that.

Mr. Keaton (IW) commented that cities and counties have varying policies on undesignated fund balance, probably 10-20% is a normal range. Three months of course would be 25%. That would be substantially higher than what a lot of cities and counties carry. SPSA has a steady cash flow every month where tipping fees come in so you're not subject to cash flow issues in between receiving your large chunk of taxes. I think the two months is adequate plus the fact that we have additional funds in landfill closure.

Mr. Maxwell (CH) commented thank you for your answers.

Chairman Keifer (NO) commented one of the questions that comes up is we have these fund balances why don't we cut the rates or give that money back to the community? Setting a target with the

undesigned fund balance is a new thing. Liesl has researched and set the two-month buffer for the undesigned fund balance. We know about the HRSD force main, and in a month or two we'll be getting a full discussion of the landfill expansion so we'll know where our target is there. I would say that if we didn't have all that money in the landfill expansion, then a 3 months undesigned fund balance would certainly make sense. Since we've got \$24 million, I think we are adequately covered.

Ms. DeVary commented the plan is to always have money in landfill expansion and closure because as you close one cell you need to have money set aside to move into another one. It should not be quite as high as these levels, because we're trying to accumulate this money over nine years. The money that we're working towards right now is just for Phase 1 of Cell VII you're going to need Phase 2 of Cell VII shortly thereafter. That's all part of our master plan, and it will be included in all the numbers that we've been working on.

Mr. Ashby (PO) asked when was the last year we didn't give a COLA in terms of salaries and for additional information in regards to the survey conducted.

Ms. DeVary responded 2011. We basically only looked at those three positions. We looked at the Roanoke Valley Regional Authority, VPSA, which is the authority over on the Peninsula, and got information from Norfolk, Chesapeake, and Newport News. Everybody was above our current rates. We also looked at a couple of construction companies, and their ranges went anywhere from \$18 to \$21 for a heavy equipment operator.

Mr. Barnes (VB) commented great job on the budget preparation and the coverage that you provided here. One of the things I was looking for that you mentioned that's coming up is the capital coverage on what those landfill items are, the schedule, the costs the money, that sort of thing. I'll be interested in seeing that all tied together. I think it would be helpful to cover how SPSA plans and projects those capital costs. That's certainly one of the things that we're going through on our budget is to make sure that we've got enough money but not too much money on capital replacement to make sure that we've got the reliability and resilience in the program. I think changing over to tippers and hauling will help with the vacancies you are having. We're having exactly the same issue. The projected tip fees is really helpful from a budgeting standpoint.

Ms. DeVary commented there is a five-year capital equipment and replacement schedule in the budget document. With changing out the type of trailers, the key thing right now is that our trailers are in great shape. We're not planning on replacing them until 2022, the numbers that you see in here are looking at replacing some of the walking floors with tipper trailers.

Mr. Martin (CH) asked what's the sensitivity of the budget to other capital projects being inserted? In Chesapeake we'd like to do some sort of cost-sharing project to move our transfer station. How much of an impact would that be on the budget to absorb another capital expense?

Ms. DeVary responded like with any budget, you need to plan for it. There is some flexibility in looking at what we have in for our five-year capital, whether or not things can be moved around. You have money set aside for expansion and closure, it is possible that the Board can decide to use some of it this year and then we'll work on replacing it next year.

4. **RESOLUTION SETTING PUBLIC HEARING FOR SCHEDULE OF FEES AND CHARGES**

Chairman Keifer (NO) commented whenever we're setting rates, we're required to have a public hearing with a couple weeks' notice. We need to have a resolution to set a public hearing. That will give the public opportunity to comment on those proposed rates so we would set the public hearing for next month's meeting and then at that point, we'll be able to adopt the budget.

Mr. Tisdale read the following resolution.

RESOLUTION TO ADOPT PRELIMINARY SCHEDULE OF FEES AND CHARGES FOR THE SOUTHEASTERN PUBLIC SERVICE AUTHORITY OF VIRGINIA AND SETTING DATE FOR PUBLIC HEARING ON SAME

WHEREAS, the Board of the Southeastern Public Service Authority of Virginia (sometimes referred to herein as "**SPSA**") desires to add new rates, fees and/or charges to be levied by SPSA and change certain rates, fees or charges previously fixed by SPSA for the services available through its refuse collection and disposal system, primarily by reductions to the rate payable for disposal of municipal solid waste with such changes to be effective July 1, 2019; and

WHEREAS, in connection with such proposed changes to existing rates, fees or charges and such proposed fixing of new rates, fees or charges to be levied by SPSA for the disposal of solid waste at its facilities, Section 15.2-5136(G) and Section 15.2-5136(H) of the Virginia Water and Waste Authorities Act (the "**Act**") require (i) the adoption by SPSA of a resolution setting forth a preliminary schedule fixing and classifying such rates, fees and/or charges, (ii) SPSA to set and hold a public hearing with respect to such preliminary schedule where all users of the systems or facilities and all other interested parties have an opportunity to be heard concerning the proposed rates, fees and charges set forth therein, (iii) notice of such public hearing, setting forth the proposed schedule of rates, fees and charges, to be given by two publications, at least six days apart, in a newspaper having a general circulation in the area served by SPSA's refuse collection and disposal system, with the second notice being published at least 14 days before the date fixed in such notice for the hearing, and (iv) a copy of such notice to be mailed to the governing bodies of all localities in which such refuse collection and disposal system or any part thereof is located;

NOW, THEREFORE, BE IT RESOLVED, that the Board of the Southeastern Public Service Authority of Virginia hereby adopts the Preliminary Revised Schedule of Fees and Charges for Solid Waste Management setting forth such rates, fees and charges to be levied by SPSA for the disposal of solid waste

at its facilities, with the changed and new rates reflected in such Schedule to be effective July 1, 2019, as set forth on the attached page; and

FURTHER RESOLVED, that the Board of the Southeastern Public Service Authority of Virginia hereby (i) establishes April 24, 2019 at 9:30 a.m. as the date and time for the public hearing on the Preliminary Revised Schedule of Fees and Charges for Solid Waste Management and (ii) authorizes and directs SPSA executive staff to provide notice of such public hearing, as required under and in accordance with the applicable provisions of Section 15.2-5136(G) of the Act, by publication and with copies by mail to the governing bodies of SPSA's member localities.

Adopted by the Board this 27th day of March, 2019.


Mr. Roberts (SU) moved, seconded by Mr. McCoy (PO) to approve the resolution setting a public hearing for the schedule of fees and charged as read this 27th say of March 2019. The vote of the motion was unanimous.

5. OLD/NEW BUSINESS

No new business was discussed.

6. ADJOURN MEETING

There being no further business to come before the Board of Directors the regular meeting was adjourned at 11:25 a.m.



Liesl R. DeVary
Executive Director

Submitted by: Blanche Christian
Secretary, SPSA Board of Directors