

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

June 27, 2018

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	(IW)	Mr. Randy Keaton <i>absent</i>	(IW)
Mr. John Keifer	(NO)	Mr. Richard Broad	(NO)
Mr. C.W. "Luke" McCoy	(PO)	Mr. Solomon Ashby <i>absent</i>	(PO)
Mr. Mark Hodges	(SH)	Ms. Lynette Lowe	(SH)
Mr. David Arnold <i>absent</i>	(SU)	Mr. Patrick Roberts <i>absent</i>	(SU)
Mr. William Sorrentino	(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. Mark Popovich (IW), Mr. Harvey Howard (NO), Ms. Erin Trimyer (PO), Mr. Scott Mills (SU), and the following SPSA executives, Ms. Liesl R. DeVary, Executive Director and Treasurer, Ms. Blanche Christian, Administrative Coordinator and Secretary and Warren Tisdale, General Counsel.

1. INFORMAL ITEMS: DISCUSSION ONLY
A. MONTHLY REPORT ON WTE OPERATIONS

Mr. Johnson began his presentation on the monthly operational stats for May. Boiler 4 had a scheduled outage including cleaning of the gas path, grates and bag house. Overhauled bottom drag conveyor and replaced 1,760 bags. We had no environmental incidents, but we did have an OSHA recordable accident in the month of May. We had a mechanic putting a fastener together and got his finger twisted in there as he was screwing it with an impact wrench, which tore the nail bed on his finger. He returned to work the next day. We focus on safety every day and we work in an industry where you have that exposure all the time. It is an example to drive to the team every task every day and the level of detail, even the hardware has to be appropriate and correct, and when we deviate from that, we have to bring ourselves back and say why did we do that and how can we do it better next time. It's unfortunate that we had that, but we use that as a lesson learned. Members

from Portsmouth Partnership toured the RDF facility and Energy Plants. The Wheelabrator RDF plant won the HRSD Gold Award for Environmental Excellence. A new front loader was purchased enabling trash to be piled higher and quicker, allowing more vehicles on the tip floor, which is also helping us to ensure that we continue to have minimal or no wait times.

Wheelabrator Portsmouth May 2018



Operational Data

46,738 Tons	62,639 Tons	58,002 Tons	15,928 Tons	22,713 MW
Total waste received by SPSA	Waste delivered to RDF	Total RDF processed	Ash sent to landfill	Electric power sold
31,894 K-LBS	93%	98%	0	1
Steam sold to Navy	Overall boiler availability	Overall generator availability	Environmental incidents and OSHA Recordable Accidents	OSHA Recordable Accidents YTD

Mr. Johnson commented this will be my last board meeting. I'm taking over the plant manager position at the Wheelabrator Plant in Tampa. I will continue to support the RFP process, and I have enjoyed working with this board and happy that we have had a good transition. I look forward to a bright future for SPSA and for Wheelabrator. John LaRiviere has been with Wheelabrator since 1988 and has 18 years of experience as a Plant and General Manager. He was directly involved with the transition of the RDF facility from SPSA to Wheelabrator in 2010. In addition to supporting Portsmouth, John is the General Manager at the Concord NH facility. He will be supporting as the general manager until we have a final selection for a plant manager. I do not think it will take very long to fill my position, but again, I would like to thank the Board for the support and enjoyed my time here.

Chairman Keifer (NO) commented that on behalf of the Board, I want to thank you. We appreciate your responsiveness and willingness to work with us. I know it is a hardship moving to Tampa, but we do wish you the very best and thank you and enjoyed working with you.

Mr. Johnson commented you have a great staff and everybody has done a tremendous job. What they do for the community is not always recognized on a daily basis, there is a lot that goes on to make that successful every day and look forward to a long partnership with Wheelabrator and SPSA.

B. EXECUTIVE DIRECTOR UPDATES

Ms. DeVary commented SPSA is operating very effectively and efficiently and staff is continuing to do a great job. We really have a great crew here, and I am very happy to be working with them. We have proposed an ancillary service agreement for the Norfolk transfer station. The agreement is for the weekend hours that we are open for residents that the city of Norfolk has requested. The city of Norfolk is reviewing it now. Hopefully I will have something to present to you next month. I am working on a comprehensive review of our financial policies. The current policies, which are in your budget, refer to our debt and so since we are no longer in debt, those need to be revised. I will have a draft to you in the next month or so.

Mr. Tisdale commented that the effective date of the statute that eliminated the two-term limitation

for the members of the Board who serve in the capacity of their localities is July 1. Unfortunately, that limitation is in the Articles of Incorporation, so we are going to have to amend those. Normally it would not be a big deal, but for an authority like SPSA, you have to go through the same process that you did in creating the authority. I will be contacting the city and county attorneys to get that started and get the resolutions we need to adopt the public hearings by the localities.

Ms. DeVary commented please make sure you let your respective staff and communities know that this is coming. Next, she asked Mr. Sorrentino to provide an update to the board on the RFP Evaluation Committee.

Mr. Sorrentino (VB) commented that we are under negotiations. I have a great team I am working with, and things are moving as predicted. I would anticipate a closed session by the next board meeting to provide further updates. I will tell you more as we are moving along. Professionally, predictably things are going very well.

Ms. DeVary asked Mr. Bagley to provide an update on the landfill activities.

Mr. Bagley commented several of you have made comments about things that you like to see in that landfill operational report. We want to make sure we provide you with the information that you want and that the information is useful. We are still open for suggestions, so if there's something that's not in that report that you want, please feel free to get with either Liesl or I. We had no odor complaints over the last reporting report. The total leachate that we discharged during the recording period to HRSD was 1,102,000 gallons. The average volume of leachate we discharged daily is 35,548 gallons, which is under our threshold. Our leachate disposal cost for the reporting period was \$20,160. We landfilled 28,552 tons of waste and 15,974 tons of cover was utilized during the reporting period.

We reported to you in the last several months about the Notice of Violation that we received from HRSD for the BOD:COD ratios due to the variances in our split sampling. At the meeting with HRSD, our consultant HDR, and the laboratories we found out some reasons why those results were so different. The variances were due to the process of dilution and when we retested the results were within a normal parameter. HRSD agreed that there were issues with the way it was tested and have rescinded all of our NOV's and abated all the fines they put on us since January 2017. I wanted to first thank Jeff Murray and our environmental staff at the landfill for all the work they did as well as the private laboratories that came to our rescue. We needed help, and I am happy to say that issue is closed.

We have received a letter of availability clearing the way to purchase 1.36 Credits from the wetlands bank to offset a small non-performing section of wetlands SPSA created as a wetlands mitigation area for Cell VII. This will satisfy the requirement of the permit. This dates back to October of 2007 when the Army Corps of Engineers agreed to the wetlands permit, which required SPSA to create 12 acres of wetlands, enhance 36 acres, and preserve 50 acres. Those acreages will remain with deed restrictions that would satisfy the 12 acres that we disturbed to build the landfill. Part of that process is to make sure that what you created actually works, and for the most part, it did. We had two small areas that did not work, which is why we had to purchase the 1.36 credits. We are waiting for is a final letter from the Army Corps of Engineers, but we feel certain that issue

has been resolved at this point.

Moving forward we plan to provide additional information on contracts, but today we wanted to provide an update on the SCADA project. The original contract amount was \$1,473,470. We have cumulative change orders of \$56,311.75, the new change orders this month were \$23,815.32, which gives a 3.8% in change orders. While we endeavor not to have change orders, that is an unrealistic expectation and 3.8% is an extremely low percentage for the change orders. The original completion date was August 30, 2018 and we are on target to complete that.

<i>SCADA Project Update</i>		<i>SCADA Change Orders To Date</i>	
Original Contract Amount	\$1,473,470.00	> CO-01- \$12,850	Install stainless steel piping in leachate wet well.
Cumulative Change Orders	\$56,311.75	> CO-02 - \$19,646.43	Replace 480 volt power supply to vaults 2 and 4.
Total Current Contract Value	\$1,529,781.75	> CO-03 - \$18,695.52	Provide remote access to SCADA system.
New Change Orders this Month <small>(Included in Totals Above)</small>	\$23,815.32	> CO-04 - \$5,119.80	Install power usage instrumentation and trending capabilities.
Percent Of Original Contract in CO's To Date	3.8%		
Original Completion Date	8/30/2018		
Current Completion Date	8/30/2018		
Percent Completed	80%		

The first change order was to install stainless steel piping in the leachate wet wells for \$12,850. There was a failure of some ductile line pipe on the leachate discharge after the project was awarded, and once that was determined that that piece of pipe failed, this additional stainless steel piping was included to make sure we didn't have a failure down the road. The next change order was to replace a 480-volt power supply to vaults 2 and 4 for \$19,646.43. Several months ago, we experienced an electrical failure when we put two generators there. The 480-volt line is an old line that had multiple connections underground and in some cases, there was copper and aluminum together without the proper connectors. It was determined at that point to make sure that we didn't have any more failures and we replaced those 480-volt power supplies to each of the vaults. The third change order was to provide additional remote access for the SCADA system for \$18,695.52. When it was originally bid, we had access to the SCADA system from only one person, and they could not do anything but look at the system. This change order allow us to have remote access for multiple people, provided they have passwords and clearances. This helps our Landfill Superintendent because he can make changes from home and not have to come in. Another advantage is if we have a maintenance issue, we can call an engineer. They can log into the system, see what we are seeing. We can talk to the manufacturer of the software and our staff without having to call someone in from North Carolina to come and look at it. The last change order is to install power usage instrumentation and trending capabilities for \$5,119.80. We are working to get away from reactive maintenance and begin to embrace proactive maintenance. For example if there is an amperage increase we can trend and see that the amperage is going up over time, then we can anticipate there's a failure in the motor involving the mechanical side.

Mr. Bagley continued that at the last Board meeting a contract to repair the tipping floor at the Norfolk Transfer Station was approved. That project started June 25, 2018. I am happy to report that we had absolutely no delays for city trucks. We did have some delays early on with commercial trucks, but we made some changes to our process to get them in as well, and by the end

of the day, we had collected 600 tons and we had no delays. That project seems to be moving along, but it is a complicated project because we're closing the southbound door and all the trucks are coming in one door and going right back out the same door. It is really a burden on the staff, but they really embrace it and are doing a lot of things to try to keep the customer happy in and out of the transfer station.

C. CHAIRMAN'S COMMENTS

Chairman Keifer (NO) commented that looking back a year ago, we were dealing with some seemingly very difficult problems at the landfill with leachate and so forth. In our Executive Committee, we deal with some of the issues that Dennis was talking about in more detail. I must say I am very impressed with the work that Dennis and Henry and, of course, Liesl has done with the HRSD issues, the wetlands, and the SCADA system. I commend all of you on the professionalism and the fact that we certainly have a handle on what is going on.

D. NOMINATION COMMITTEE REPORT

Mr. Maxwell (CH) commented that the nominating committee consisting of Mr. David Arnold, Mr. Taylor Williams, and me, and we would make the following recommendations for the officers for next year. John Keifer, Chairman, Luke McCoy, Vice Chairman; Liesl DeVary, Treasurer; and Blanche Christian, Secretary. In view of the changing role of the Executive Director in terms of it being both the Treasurer and the Executive Director, the committee felt it prudent that this issue should be subject to some board discussion should the Board wish to undertake some discussion of this matter.

Chairman Keifer (NO) clarified, previously Liesl has been the Treasurer, but she was not the Executive Director. We are scheduled to vote on the nominations next month. Warren, would you comment on John's thoughts there?

Mr. Tisdale commented the bylaws neither specifically permit such a service, nor prohibit it. I think that to an extent it is a perception issue. Based on the way things has been operating you could continue.

Mr. Sorrentino (VB) commented what is Liesl's financial authorities. That would be the area that I think we would be more concerned about, how much can Liesl move around or spend without Board visibility.

Mr. Tisdale responded that's something that's going to be discussed in her financial policy that she's working on now, and again, this is not specific to these bylaws. Typically, the position of the Treasurer is not a ceremonial position. It is somebody who gets a briefing by staff, reports to the board and in most cases, not heavily involved in day-to-day financial decisions or actions.

Chairman Keifer (NO) commented that one of the things that Liesl mentioned earlier is to clarify what authority she does have to move money around and some of the other things that we'll be bringing up in future meetings.

Ms. DeVary commented that as Executive Director, I am authorized to sign checks, but for internal controls, I have all of the bank accounts set up so that it takes two people to wire any funds out of the account. All of our checks are done through an electronic system with electronic signatures, and the auditors are familiar with it. I also spoke to them about the dual role, and they did not have an issue with it, but whatever the Board is most comfortable with, I am too.

2. ACTION AGENDA

A. MINUTES OF BOARD MEETING

Chairman Keifer (NO) moved to the action agenda. The minutes of the May 23, 2018 Board minutes have been distributed. He asked if there were any additions or changes.

Mr. McCoy (PO) moved, seconded by Mr. Broad (NO) that the May 23, 2018 minutes of the SPSA Board meeting be approved as presented. The vote of the motion was unanimous.

B. FINANCIAL MATTERS

1. Financial Reports

Ms. DeVary began for the month ending May 31, 2018 total revenues exceeded total expenses by approximately \$3.3 million as compared to \$3.2 million in the previous year. Tipping fees reflect a 6% decrease, or approximately \$2.5 million, as compared to this time last year. This decrease is due to a slight reduction in the municipal waste stream, but mostly by a reduction in the municipal tipping fee. Municipal waste tonnages are only down approximately 1,736 tons as compared to this time last year. For the month, ending May 31, 2018 municipal waste tonnages were 361,175 tons as compared to 362,911 a year ago. Total expenses as of May 31, 2018 were approximately \$37.7 million compared to \$43.1 million in the prior year. Cash balances are \$24.6 million, and designated with \$3.3 million in the operating fund, \$4.8 million in an undesignated fund balance, and \$16.5 million in landfill closure.

As I mentioned the municipal tonnages jumped way up in May, much higher than we had trended. The current projection for the fiscal year 2018 is much more positive than I had originally projected in February. The main reason for this is the tip fees are higher than originally projected. For instance, municipal tipping fees will have about \$450,000 more than I had projected. As well, the contract and non-contracted waste is about \$560,000 more than anticipated. When we were doing the budget in February, we had no history of how the tonnages were going to change in January. We had two commercial contracts, which were estimated at 50,000 tons per year. I am projecting through the end of June the revenues and expenses will be in the black at approximately \$400,000-\$500,000 versus what I had originally projected of a deficit. We will not need to use any fund balance to close out the year, which I am very pleased to report.

Mr. Williams (FR) moved, seconded by Mr. Maxwell (CH) that the financial reports subject to audit be approved. The vote of the motion was unanimous.

2. Contracts

A. Contract Awards

a. Improvements for Household Hazardous Waste Facility

Ms. DeVary continued there is one contract for your consideration. The existing Household Hazardous Waste (HHW) facility at the landfill is in the middle of the parking lot. If you are looking at the current HHW facilities, to the left is the old Bi-Metals facility, which we plan to convert to the new HHW facilities. This will provide a more defined path for citizens to come in. They are going to be able to come in the front door and go out the back. We put out a bid, and the work will include resurfacing of the concrete floor, putting in a garage door and some other improvements in the old Bi-Metal facility. We received two bids; Virginia Civil Inc. for \$200,212.14, and another from Tidewater Development Services, for \$215,973. We have checked the references, and we are recommending that you award the contract to Virginia Civil, Inc. in the amount of \$200,212.14, and we would also establish a 10% contingency in the amount of \$20,000. I already took into account these numbers when I provided you the year-end balance. If you have any more questions, Dennis can speak to more specifics on it.

Ms. Raulston (FR) moved, seconded by Mr. McCoy (PO) to award the contract to Virginia Civil Inc. for \$200,212.14 and establish a project contingency for \$20,000. The vote of the motion was unanimous.

3. CLOSED SESSION

Warren Tisdale, General Counsel read the following closed session certification:

I move that a closed session be held for discussion regarding the proposed renewal of an agreement to accept waste from the United States Navy, in accordance with Virginia Code Section 2.2 3711(A)(29), and in accordance with Virginia Code Section 2.2 3711(A)(8) for the purpose of consulting with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel.

Mr. Williams (FR) moved, seconded by Mr. Baugh (IW) to approve the certification as read. The vote of the motion was unanimous.

4. ACTIONS ARISING FROM CLOSED SESSION

Immediately upon completion of the closed meeting, General Counsel, Warren Tisdale, read the following certification:

The Board of Directors hereby certifies that, to the best of each member's knowledge: (a) only public business matters lawfully exempted from open meeting requirements by Virginia law under the Virginia Freedom of Information Act were discussed in the closed meeting to which this certification applies; and (b) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered in the closed meeting just concluded.

Mr. Williams (FR) moved, seconded by Mr. Sorrentino (VB) to approve the certification as read. The vote of the motion was unanimous.

Chairman Keifer (NO) commented that the intention is for Liesl to continue discussions with the Navy and bring the contract back to us for consideration.

Mr. Hodge (SH) moved, Ms. Raulston (FR) seconded to authorize the Executive Director to negotiate a contract with the Navy for further review. The vote of the motion was unanimous.

5. OLD/NEW BUSINESS

Chairman Keifer (NO) commented we have one item under new business in regards to discussions about the recycling program. He called upon Mr. Eric Martin, to provide an update about the city recycling contract.

Mr. Martin (CH) commented there has been a lot of discussion in the media recently as well as a major NBC story last week about China not accepting plastics and the impact of that on the recycling markets, the commodity prices have been dropping significantly. We have spoken recently to our local tidewater southside recycling company, Tidewater Fiber Cooperation, (TFC), and TFC has assured all of the city managers and the city staff that they are able to continue their operations to continue providing curbside recycling to the southside communities with no interruption in service. I talked to Mike Benedetto before the meeting and he informed me that there is some positive movement in commodity prices and agreements with them. China cannot live without plastic, they just want it in cleaner forms. What we are seeing is U.S. investment in plants to process the material to a better quality, either to U.S. or through export. If you have seen a lot of media attention to that more recently, that is not currently affecting our southside recycling operations.

Mr. Williams (FR) commented it appears that at least as far as paper recycling is concerned, that there's been a renewed interest in companies taking recycled paper and generating new paper products with that recycled paper. The American markets are noticing what is happening with the recycling over in China and have tried to take advantage of the fact that the product is cheap. I see that as a good sign that that side of the recycling business will continue. It may be that we keep it all in house as opposed to shipping it overseas.

6. ADJOURN MEETING

There being no other business to come before the Board of Directors the regular meeting was adjourned at 10:28 a.m.



Liesl R. DeVary
Executive Director

Submitted by: Blanche Christian
Secretary, SPSA Board of Directors