

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

May 27, 2020

Due to the COVID-19 pandemic state of emergency, the Regular Meeting of the Board of Directors of the Southeastern Public Service Authority (SPSA) was held electronically at 9:30 a.m., pursuant to the 2020 Amendments to the 2019 Appropriation Act; the purpose of the meeting was to discuss or transact the business statutorily required or necessary to continue operations of SPSA and the discharge of its lawful purposes, duties, and responsibilities. Through the meeting notice, members of the public were invited listen to and view presentations displayed at the meeting by registering for attendance using a GoTo Webinar teleconferencing platform. Members of the public were invited to speak at the SPSA Board of Directors Meeting during the designated public comment period at the beginning of the meeting by registering in advance with the Secretary though contact information published in the meeting notice. Members of the public were invited to listen to the SPSA Board Meeting via telephone by dialing toll-free to 1-877-309-2074 and entering access code 515-751-842.

The following members were in attendance or as noted:

Mr. John Maxwell**	(CH)	Mr. Steven Jenkins (<i>absent</i>)	(CH)
Ms. Sheryl Raulston**	(FR)	Ms. Amanda Jarratt*‡	(FR)
Mr. Dale Baugh*	(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*	(SH)	Ms. Lynette Lowe*	(SH)
Mr. David Arnold (<i>absent</i>)	(SU)	Mr. Patrick Roberts*	(SU)
Mr. William Sorrentino*	(VB)	Mr. John Barnes*	(VB)

* Indicates Attendance via GoTo Webinar Teleconference

** Indicates Attendance in Person at the Regional Board Room, 723 Woodlake Drive, Chesapeake, VA, 23320

‡ 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 electronically via GoTo Webinar included the Alternate Ex-Officio Members, Mr. Hart Council (SH), Mr. Chad Edwards (FR), Mr. Michael Etheridge (IW), Mr. Eric Martin (CH), Ms. Trista Pope (NO), Ms. Erin Trimyer (PO), and Mr. Bobby J. Wheeler (VB).

The SPSA executives who attended in person at the Regional Board Room were, Ms. Liesl R. DeVary, Executive Director and Treasurer, Mr. Dennis Bagley, Deputy Executive Director, Ms. Tressa Preston, Secretary and Executive Administrator, and Mr. Brett Spain, General Counsel.

1. CALL MEETING TO ORDER

Mr. Keifer, Chairman of the Board, called the meeting to order at 9:30 a.m. With permission from the Chairman, Ms. Preston, the Secretary of the Board, made comments on the electronic format of the meeting, thanking the Board for their patience with the new platform and

instructing them on the use of their microphones. Ms. Preston went on to say that the goal of was to ensure that all Board Members participating electronically were able to comment as freely as they would if they were participating in person and encouraged Board Members to interject with questions or comments, as necessary, and that those participating in person would pause for them. She assured the Board that she could see their names on her computer and would wait for their responses during role call and roll call votes. Ms. Preston asked if there were any questions and there were none.

2. **PUBLIC COMMENT** – Ms. Preston reported that she received no requests to make a public comment.

3. **CHAIRMAN'S COMMENTS**

Chairman Keifer reiterated Ms. Preston's comments about ensuring that Board Members have the opportunity to be heard, encouraging those participating electronically to speak up if they have comments or need clarification.

Chairman Keifer thanked SPSA employees for their dedicated work during these difficult times, stating that SPSA employees provide essential services from a public health standpoint. He acknowledged that throughout this crisis, SPSA employees have continued to come to work and perform in their typically superb fashion. On behalf of the Board, Chairman Keifer expressed his appreciation for their efforts and suggested that the Board should keep in mind the dedication of SPSA's employees as we move forward.

Chairman Keifer went on to thank Ms. DeVary, Mr. Bagley, and staff for keeping him, Mr. McCoy, and the rest of the Executive Committee up to date on SPSA business while the Board has been unable to meet due to the pandemic. He thanked them for their leadership. Recovery from the landfill fire, developments with the Navy, landfill expansion, the flyover project, and the budget have all been regularly discussed and will be covered in today's meeting.

Chairman Keifer gave an overview of important topics to be discussed in the meeting. He mentioned he is pleased that the municipal tipping fee remains at \$57 per ton, noting that a few years ago it was \$140. In regards to the Navy building a new power plant that will replace Wheelabrator for steam production, which was discussed at the last meeting, Chairman Keifer informed the Board that he will be sending a letter to the Governor advising him of the anticipated impacts to the region. That letter will also be sent to all of the community managers and elected officials. Significant developments on the flyover required by the landfill Conditional Use Permit (CUP) with the City of Suffolk, require action today and will be followed by an extensive briefing at the June Board Meeting. Funding is required for this project and Chairman Keifer anticipates an increase in the tipping fee in FY 2022 if alternative funding is not secured.

The Nominating Committee was appointed by the Chairman. Mr. Dale Baugh will serve as Chair, along with Ms. Sheryl Raulston and Mr. Richard Broad as members. The task of the Nominating Committee is to produce a slate of officers to be presented in June and brought to a vote at the July Board Meeting.

Chairman Keifer made the Board aware that the meeting's agenda is somewhat abbreviated to allow for presentations and appropriate discussion time. The standard Wheelabrator report and Finance report are included in the Board Agenda, but will not have an oral presentation.

4. **APPROVAL OF MINUTES**

The minutes of the February 26, 2020 Board meeting have been distributed. Chairman Keifer asked if there were any additions or changes. The Secretary reported that Mr. Broad informed her of a typographical error that will be corrected in the final version.

Mr. McCoy moved, seconded by Ms. Raulston to approve the February 26, 2020 minutes of the SPSA Board of Directors as presented. The vote on the motion was unanimous.

5. **PRESENTATION OF THE JULY 1, 2020 – JUNE 30, 2021 BUDGET**

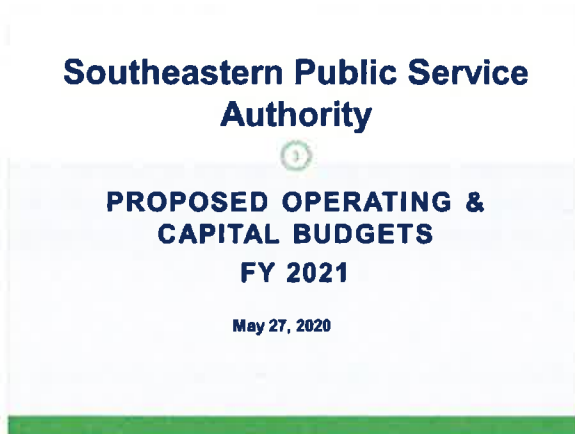
Before Ms. DeVary delivered the budget presentation, she first went over some of the efforts made to ensure employee safety during the pandemic, including new operating procedures for disinfecting and providing supplies for safe practices, as well as close monitoring of employee absences.



COVID-19 RESPONSE MEASURES

- New standard operating procedures for routine disinfecting and social distancing
- We provide gloves, hand sanitizer and masks for all employees
- Made employees aware of the Families First Coronavirus Response Act
- Limited customer contact at Scalehouses
- System in place to monitor trends in employee absences due to illness
- We have not had any significant employee outages and only 1 part-time non-essential administrative employee was furloughed
- We have made employees aware of free telehealth diagnostic screenings
- Mandatory self-isolation for those experiencing symptoms
- No employee travel outside the area without self-isolation for 14 days following return
- Temporarily reduced weekend hours at localities' request
- No other disruption in service

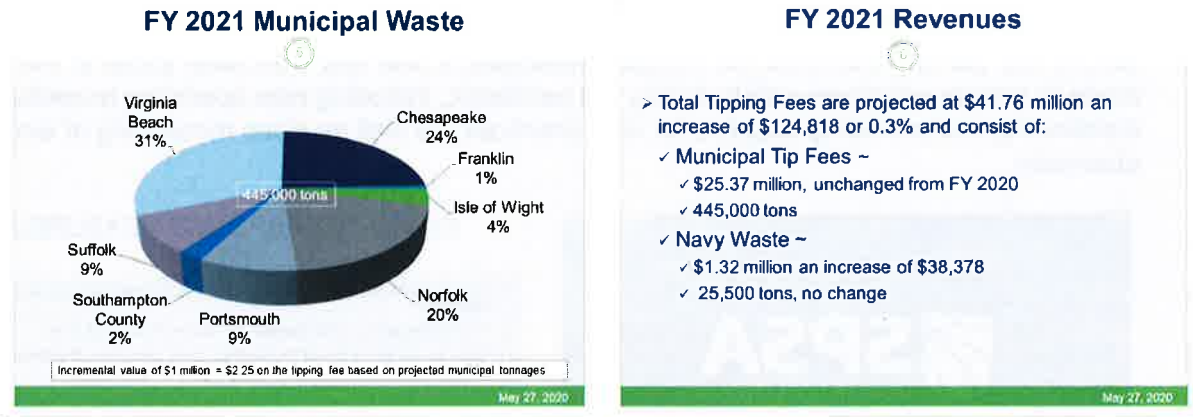
The fiscal year 2021 Budget is presented in a balanced format. Projected revenues equal projected expenses for a total of \$43,687,546. This represents an increase of less than one percent, or \$340,334 from FY 2020. The municipal tipping fee remains at \$57 per ton and municipal tonnages are conservatively projected to remain unchanged at 445,000 tons.



FY 2021 Proposed Budget

- Revenues = Expenses for a Total of \$43,687,546
- Represents a 0.8% increase from FY 2020 or \$340,334
- Maintains the municipal tipping fee at \$57 per ton
- Municipal tonnages are projected unchanged at 445,000 tons

Ms. DeVary provided a breakdown of anticipated municipal waste by community, included below. She explained to the Board that as a tool for looking at the budget, the incremental value of \$1 million is the equivalent of \$2.25 on the municipal tipping fee. In other words, for every \$1 million increase in the budget, the tipping fee would need to increase by \$2.25 to balance the increase. With the total tipping fee revenues anticipated to be \$41.76 million, that is an increase of only \$124,818, or 0.3% from the current budget. The tipping fee remains the same and tonnages are unchanged. There is an increase in revenue from Naval waste due to a built-in 3% increase in their contract rate.



Contract waste revenue is projected at \$6.8 million, which is a 3% decrease. SPSA has contracts with TFC and Waste Industries which saw a significant decline in April and May. There is hope that tonnages will begin to normalize as businesses open, but as there is no way to predict when and how that will happen, Ms. DeVary has reduced their expected tonnages. Noncontract waste is comprised of small businesses without a contract and their tonnages have not declined. Ms. DeVary has budgeted a 10% increase for a total anticipated \$2.7 million in revenue. Other waste is anticipated to have a 1% increase in revenue, for a total of \$5.5 million for construction demolition debris, Norfolk water treatment plant sludge, ash disposal, and other waste.

For environmental services, there is a total anticipated revenue of \$973,000, which is comprised of: an increase for tire disposal due to increased quantity of tires and the proposed rate increase; an increase in household hazardous waste revenue due to increased participation and a proposed \$1 per visit increase; modest charges for the removal of CFCs from white goods and the sale of scrap metal. Anticipated landfill gas royalties have been decreased to reflect a reduction in methane gas. It's hopeful that the new owners of Suffolk Energy Partners will be able to increase production, but as that is as yet unknown, it has not been reflected in the FY 2021 budget. Miscellaneous income, which is revenue from extended hours at transfer stations, SPSA's credit card purchasing rebate program, and interest earnings are projected at \$698,491.

FY 2021 Revenues ~ Continued

- ✓ Contract Waste (at transfer stations)
 - ✓ \$6.8 million, a decrease of \$238,500 or 3%
 - ✓ 130,000 tons
- ✓ Non-Contract Waste
 - ✓ \$2.7 million, increase of \$266,000 or 10.9%
 - ✓ 35,500 tons, increase of 3,500 tons or 10.9%
- ✓ Other Waste
 - ✓ \$5.5 million, increase of \$58,940 or 1%
 - ✓ Includes CDD, Norfolk Sludge, ash disposal and other waste disposed at the landfill

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FY 2021 Revenues ~ Continued

- Charges for Environmental Services are \$973,000
 - ✓ Tire disposal ~ \$600,000, an increase of \$84,800 due to increase in quantity of tires and proposed rate increase
 - ✓ Household hazardous waste ~ \$333,000, an increase of \$28,000 due to increased participation and proposed rate increase.
 - ✓ White goods ~ \$40,000
- Landfill Gas Royalties are \$260,000 reflect a decrease due to reduction in methane gas
- Miscellaneous Income/Interest Earnings are projected at \$698,491

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Ms. DeVary presented a summary of revenues showing the current year budget of \$43.3 million compared to the anticipated actual revenue of \$45.4 million and next year's budget of \$43.7 million. She also reviewed the tip fee schedule recommendations as follows: contract non-municipal waste to increase by 3% from \$51.00 per ton to \$52.50 per ton to offset contracted increases; water treatment plant sludge transported by SPSA will increase by 10% from \$50.00 per ton to \$55.00 per ton to cover the cost of replacing trailers; auto and light truck tires will increase from \$82.50 per ton to \$92.50 per ton to offset costs for the scheduled purchase of a new tire shredder; household hazardous waste fees will increase from \$36.00 per visit to \$37.00 per visit to help fund an additional SPSA Environmental Technician needed due to increased HHW events; disposal of individual appliances with CFCs will increase from \$15.00 each to \$16.00 each for SPSA member communities, residents and businesses.

Revenue Summary

REVENUES	FY 2020 Budget	FY 2020 Projected	FY 2021 Budget	Budget to Budget	
				\$ Change	% Change
Tippling Fees:					
Municipal	\$ 25,365,000	\$ 25,778,250	\$ 25,365,000	\$ -	0%
May	1,280,737	1,255,635	1,319,115	38,378	3%
Contract Waste	7,063,500	6,426,000	6,625,000	(238,500)	-3%
Non-Contract Waste	2,432,000	2,964,000	2,698,000	(266,000)	-11%
Other Waste	5,490,000	5,655,611	5,548,940	(98,940)	1%
Total Tippling Fees	\$ 41,631,237	\$ 42,079,486	\$ 41,756,055	\$ 124,618	0%
Tire Program	515,200	55,000	600,000	84,800	16%
Household Hazardous Waste	305,000	319,320	333,000	28,680	9%
White Goods	35,000	40,000	40,000	5,000	14%
Landfill Gas Royalties	312,000	259,000	260,000	(52,000)	-17%
Miscellaneous Income	198,775	569,564	248,491	(49,716)	25%
Interest Earnings	350,000	730,000	450,000	(100,000)	29%
Fund Balance	-	1,317,366	-	-	N/A
TOTAL REVENUES	\$ 43,347,212	\$ 45,389,738	\$ 43,687,546	\$ 340,334	0.8%

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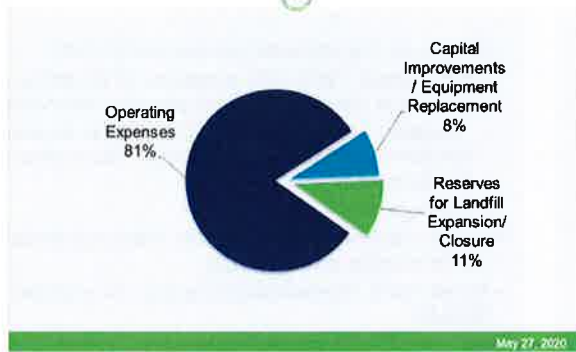
Tip Fee Schedule – Recommended Changes

Waste Type	Current Rate	Proposed Rate
Contract Non-Municipal Waste	\$51.00 / ton	\$52.50 / ton
Water Treatment Plant Sludge from Member Community Transported by SPSA	\$50.00 / ton	\$55.00 / ton
Automobile & Light Truck Tires	\$82.50 / ton	\$92.50 / ton
Household Hazardous Waste	\$36 per visit	\$37 per visit
Appliances with CFC Disposed at Landfill	\$15 each	\$16 each

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FY 2021, expenses are broken down into three categories with operating expenses at 81% of the budget, capital improvements and replacement at 8%, and reserve for landfill expansion and closure at 11%. Total expenses reflect a net increase of 0.8% due to \$340,334 increase in operating expenses only.

FY 2021 Expense Breakdown



FY 2021 Expenses ~ Summary of Changes

- Total Expenses reflect a net increase of 0.8% or \$340,334 and is reflected in the following areas:
 - ✓ Operating Expenses increase ~ \$340,334 to \$35.8 million
 - ✓ Capital remains unchanged at \$3.5 million
 - ✓ Set aside for Landfill Expansion remains unchanged at \$4.3 million

The net increase in operating expenses is broken out as a \$166,359 decrease in personnel costs due to no merit increase in keeping with member localities, reduced health insurance costs, and a net decrease of 2.4 full time employees. A merit increase will be revisited later in the year. Professional contracted services reflect at net increase of \$65,429 for temporary help at the landfill, increased permitting fees, and building and site maintenance. Other operating costs reflect a net decrease of \$17,200 due to reduction in utilities from the installation of LED lights offsetting slight increases in employee training, and increases to property insurance and rates for toll roads. Materials and supplies decrease by \$67,250 primarily due to cost reductions in fuel and tires. Contracted waste disposal services are the biggest increase in expenses at \$340,334 due to contractual rate increases.

FY 2021 Operating Expenses

- Net Increase in Operating Expenses include the following:
 - Total personnel costs decrease \$166,359 and include:
 - ✓ No Merit Increase in pay
 - ✓ A 2% decrease in health insurance (2nd year in a row)
 - ✓ A net decrease of 2.4 FTE positions:
 - -1.0 Procurement Specialist
 - -1.0 Transfer Station Manager
 - +1.0 Environmental Specialist
 - -0.5 Transfer Vehicle Operator
 - -1.0 Heavy Equipment Operator
 - +0.1 Human Resource Assistant

FY 2021 Operating Expenses Continued

- Professional/contracted services reflect a net increase of \$65,429 for temporary help at the landfill, permits and building and site maintenance.
- Other Operating Expenses reflect a net decrease of \$17,200 and include decrease in utilities, increase in employee training, increase in property insurance and toll roads.
- Materials & Supplies decrease \$67,250 primarily for fuel and tires.
- Contracted Waste Disposal Services increase \$340,334 primarily due to contractual rate increases. The WDSA rate increase is 2.9% and WHDA increases 3%.

Capital improvements and equipment replacement are unchanged at \$3.5 million. The plan is to keep that budget at \$3.5 million, allowing funds not used in one year to roll into capital budget reserve to be used in future years when expenses need to exceed \$3.5. Landfill capital anticipated costs of \$1.5 million will cover a new tractor with side boom, a pump replacement, a dozer, and the replacement of the 25-year-old tire shredder. Equipment replacement at transfer stations totals \$1.2 million for five yard dogs and a wheel loader. In transportation \$600,000 is allotted for four new tractors to complete the fleet. At fleet maintenance there is \$85,000 designated to replace the coalesce and at the Regional Office Building \$100,000 has been earmarked for converting to LED lighting.

Ms. DeVary went over the expense summary, pointing out what an excellent job SPSA staff is doing at keeping costs low through their careful management of personnel, budgets, and materials. Because of their hard work, operating expenses have decreased, rather than increased. The increase to expenses comes from contractual increases to contract waste disposal in the amount of \$525,732. This equates to a net increase of \$340,334 or 0.8%.

Capital Improvements/Equipment Replacement

- Capital Improvements /Equipment Replacement unchanged at \$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 ~ \$1.5 million for a tractor with side boom, a pump replacement, a dozer, and a new tire shredder.
 - Equipment Replacement at transfer stations~ \$1.2 million including 5 yard dogs and a wheeled loader
 - Transportation ~ \$600,000 for 4 new tractors
 - Fleet Maintenance ~ \$85,000 to replace a coalescer
 - Regional Office Building ~ \$100,000 to convert lighting to LED

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Expense Summary

EXPENSES	FY 2020 Budget	FY 2020 Projected	FY 2021 Budget	Budget to Budget	
				\$ Change	% Change
Operating Expenses:					
Personnel	\$ 9,298,740	\$ 8,530,720	\$ 9,132,381	\$(166,359)	-1.8%
Professional/Contracted Service	3,879,541	3,643,872	3,744,970	65,429	2%
Other Operating Expenses	1,313,547	1,274,497	1,296,333	(17,214)	-1%
Materials & Supplies	1,821,437	1,485,445	1,854,183	(67,254)	-4%
Contracted Waste Disposal	19,295,197	19,098,955	19,820,929	525,732	3%
Total Operating Expenses	35,508,462	34,033,489	35,848,796	340,334	1%
Capital Expenses	3,500,000	4,903,156	3,500,000	-	0%
Landfill Closure/Expansion	4,338,750	4,338,750	4,338,750	-	0%
Total Expenses	\$43,347,212	\$43,275,395	\$43,687,546	\$ 340,334	0.8%

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The Strategic Operating Plan has been updated to reflect the new mission, purpose, and vision adopted during the rebranding process. The household hazardous waste program hours have been updated to include Norfolk as one of the sites and the Chesapeake Transfer Station's residential hours have been updated to reflect the ancillary agreement entered into last year. Additionally, a statement has been added that SPSA follows the state holiday schedule and new legislation has eliminated Lee Jackson Day as a holiday in January and added Election Day in November. The section on the Regional Landfill has an updated planning horizon reflecting the most recent air space report, as well as a new picture of the master plan.

The landfill expansion cost schedule was prepared by HDR in 2018. Phase I of construction for Cell VII is estimated at \$29.17 million with construction beginning in calendar year 2025. Permitting of Cells VIII and IX are estimated to cost \$7 million, \$1.2 million of which has already been spent and \$5.2 million has been designated for wetland mitigation. It's important to keep in mind that payment for wetlands mitigation is only necessary as the wetlands are disturbed, not before. \$5 million has been allocated for alternate access to the landfill, details of which will be discussed later. Total planned costs between FY 2019 and FY 2027 is \$41.2 million.

Changes to Strategic Operating Plan

- Updated Mission, Purpose, Vision and Values to match our rebranding
- Updated HHW program to include Norfolk
- Updated sections for resident only hours at the Chesapeake Transfer Station
- Added a statement to the Holiday Schedule that SPSA follows the state's holiday schedule. Eliminated Lee Jackson Day and added Election Day
- The section on the Regional Landfill ~ Planning Horizon~ was updated to reflect the most recent Airspace Report and updated the Conceptual Master Plan

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Landfill Expansion Costs

- Landfill expansion cost schedule prepared by HDR.
- Cell VII – Phase 1 Construction is estimated at \$29.17 million with construction beginning in CY 2025.
- Permitting Cells VIII and IX are estimated to cost \$7 million and includes \$5.2 million in wetland mitigation. We have incurred \$1.2 million in expenses to date.
- There is \$5 million budgeted for alternate access to the landfill.
- Grand total of planned costs between FY 2019 and FY 2027 is \$41.2 million.

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Ms. DeVary has included a projected draw down schedule to indicate anticipated distribution of that \$41.2 million total. The balance on June 30, 2019 was \$23.6 million. Each year, the anticipated contribution is \$4,338,750 until 2027 when the contribution level can drop. As an overview, if SPSA is awarded the BUILD Grant, the \$5 million in matching funds would be removed in FY 2021 and the balance would be \$36.2. The next range of construction numbers is for Cell VII and then, a few years later, would be the closing of Cells V and VI. Any of these projected draws could change, but Ms. DeVary wants to assure the Board that she is including and anticipating the costs for Phase I construction of Cell VII, wetlands permitting for Cells VIII and IX, \$5 million in funds for alternate access to the landfill, and closure of Cells V and VI. The final budget document will include more detail on future projects like Phase II construction of Cell VII, as well.

The reserve total is broken into three types. The undesignated fund balance is where policy dictates that SPSA keeps two months of operating expenses, which amounts to \$5.9 million, though that number will increase slightly due to the slight increase in the budget. The anticipated \$2.6 million FY 2020 surplus is shown in the chart as an addition to undesignated funds, which means that in June 30, 2021 there could be \$8 million in the undesignated fund balance. The reserve for the HRSD force main is \$2.5 million and although that project is still a few years out, it is funded. On June 30, 2019 the reserve for landfill expansion and closure fund was at \$23,607,615. The \$1,062,943 withdrawal from this reserve is for expenses related to the permit modifications required for landfill expansion and preparation of an Environmental Impact Statement (EIS) The grand total of reserves as of June 30, 2021 is estimated at approximately \$37.23 million.

Projected Construction Draw Schedule

	Contributions	Withdrawals	Balance	Contribution Per Ton 448,000 tons
June 30, 2019			\$23,607,615	
2020	\$4,338,750	-\$1,062,943	\$26,883,422	BUILD Grant \$9.75
2021	\$4,338,750	-\$5,004,180	\$26,217,992	Match \$9.75
2022	\$4,338,750	\$0	\$30,556,742	\$9.75
2023	\$4,338,750	-\$704,869	\$34,190,623	\$9.75
2024	\$4,338,750	-\$5,189,851	\$33,339,522	Construct Cell 7 \$9.75
2025	\$4,338,750	-\$364,977	\$37,313,295	\$9.75
2026	\$4,338,750	-\$20,002,000	\$21,590,040	\$9.75
2027	\$3,500,000	-\$8,587,144	\$16,502,897	\$7.87
2028	\$3,500,000		\$20,002,897	Closure \$7.87
2029	\$3,500,000		\$23,502,897	Cells 5&6 \$7.87
2030	\$3,500,000	-\$24,027,504	\$2,975,393	\$7.87

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Reserve Schedule

Type of Fund	Balance as of 6/30/2019	FY 2020 Contributions / (Withdrawals)	FY 2021 Contributions / (Withdrawals)	Projected Balance 06/30/2021
Undesignated Fund Balance **2 Months Operating Expenses = \$5.9 million**	\$5,918,077	\$2,594,340	\$-	\$8,512,417
Reserve for HRSD Force Main	2,500,000			2,500,000
Landfill Expansion / Closure Fund	23,607,615	4,338,750	4,338,750	32,285,115
EIS / VHB / HDR		(1,062,943)	(5,004,180)	(6,067,123)
Total Landfill Expansion/Closure	\$23,607,615	3,275,807	(665,430)	26,217,992
Grand Total	\$32,025,692	\$5,870,147	(\$665,430)	\$37,230,409

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Included in the budget is a five-year projected municipal tipping fee which assumes a 1% annual increase in municipal tonnages and a 2.5% increase in most operational expenses. As is evidenced in the FY 2021 budget, a 2.5% increase in operating expenses is high, but from a projections standpoint this accounts for corresponding contractual increases. This chart anticipates the tipping fee to remain at \$57 for FY 2021 and increase roughly \$1 per year. Changes in tonnage and service could potentially cause that number to fluctuate. This projection is a starting point, but will be monitored and updated regularly.

There is a projected \$2.6 million surplus for FY 2020 comprised of the following amounts: roughly \$450,000 in tipping fees, largely due to increased municipal tonnages as a side effect of the pandemic; \$370,000 in miscellaneous income from the sale of surplus equipment, anticipated insurance recovery, and extended hours at transfer stations; an additional \$380,000

in interest earnings; a savings of approximately \$768,000 for budgeted salaries and benefits for vacancies or eliminated positions; a \$36,000 decrease in professional contracted services; a \$443,000 savings in fuel and tire costs, which are always budgeted high to account for unexpected market fluctuations and can serve as a built-in buffer for unanticipated expenses; and an anticipated \$153,000 decrease in what was budgeted for contract waste disposal, due to the reduction in contract waste.

Five Year Projected Municipal Tip Fee

- 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 2.5% 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 2021 ~ \$57.00
 - FY 2022 ~ \$58.06
 - FY 2023 ~ \$59.02
 - FY 2024 ~ \$59.94
 - FY 2025 ~ \$60.90

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Projected FY 2020 Surplus

- Current FY projected surplus is approximately \$2.6 million:
- \$450,000 in tipping fees
 - \$370,000 in Miscellaneous Income such as sale of surplus equipment, insurance recovery, extended hours at transfer stations
 - \$380,000 in Interest Earnings
 - \$768,000 due to changes in and vacant positions
 - \$36,000 in decreased professional services
 - \$443,000 in decreased supplies – fuels & tires
 - \$153,000 in decreased contracted waste disposal expenses

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Ms. DeVary recapped the budget noting that the total budget of \$43,687,546 represents a 0.8% or \$340,334 increase from FY 2020. Municipal tonnages are projected at 445,000 and the municipal tipping fee remains unchanged at \$57. This budget includes no merit increase for employees, but Ms. DeVary hopes to revisit this item in December.

Staff is asking that the Board adopt a resolution to set a public hearing on June 24th for the proposed changes to the tip fee schedule as proposed, and following the public hearing the Board will have the opportunity on June 24th to adopt the FY 2021 Operating and Capital Budget. Ms. DeVary opened the floor for questions and comments.

Budget Recap

- Total Budget = \$43,687,546
- Represents a 0.8% increase from FY 2020 or \$340,334
- Municipal tonnages are projected at 445,000
- Municipal tip fee is unchanged at \$57 per ton
- Includes NO merit increase for employees

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What's Next....

- ✓ Adopt a resolution to set a public hearing on June 24, 2020 for the proposed changes in the tip fee schedule
- ✓ Adopt FY 2021 Operating & Capital Budget following the public hearing on June 24, 2020
- ✓ Questions?

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Chairman Keifer asked if, due to the reduction in healthcare costs, employee contributions are going down. Ms. DeVary confirmed that they are reduced a little less than 2% and the cost is shared with employer and employee. Chairman Keifer also noted that ten years ago SPSA's budget was in disarray and SPSA's debt was often a topic in the news. Because of Ms. DeVary's efforts, SPSA has a very stable and predictable budget that gets presented in a way

that is clear and understandable. The Chairman also mentioned landfill expansion, particularly the \$25 million flyover project, as being a further topic for the day's meeting, noting that if alternate funding is not secured, landfill expansion cost numbers will change significantly.

Mr. Maxwell commented that the presentation was excellent and especially impressive given all the unknown variables. Mr. Maxwell asked about the budgeted percentage increase in noncontract waste, noting that 11% seems disproportionate. Ms. DeVary clarified that actual noncontract waste tonnages for FY 2020 have been significantly higher than originally budgeted. The comparative 11% increase from FY 2020 to FY 2021 is in response to those actual tonnage increases and an anticipated continuance of that trend. Mr. Maxwell thanked Ms. DeVary for her explanation.

Mr. McCoy mentioned the increase in the tipping fee for water treatment plant sludge hauling and disposal, a service that is currently used only by the City of Norfolk. The increased fee would cover the cost of replacement trailers to haul the sludge. Mr. McCoy asked if it is confirmed that the City of Norfolk wishes to continue with those services. Ms. DeVary replied that SPSA needs to enter into an ancillary service agreement, but that her understanding is that the City of Norfolk will continue service.

Mr. Keaton agreed on the quality and detail of the presentation. In response to Mr. Maxwell's question, Mr. Keaton pointed out that SPSA is not proposing a rate change on noncontract waste, only that the budget reflect the increased volume of waste being received. Ms. DeVary confirmed, stating that FY 2020 was likely underbudgeted for the volume of noncontract waste received. Mr. Keaton went on to ask if the interest earnings are on all investments, including reserve funds. Ms. DeVary answered affirmatively, that while separated in the general ledger, cash is pooled to find the best interest rates. Mr. Keaton then asked if the interest earnings are being used in the operating budget and not being distributed to the reserve fund. Ms. DeVary replied that he was correct. As a follow up question, Mr. Keaton inquired as to whether SPSA needs to keep as much in the undesignated fund balance or will those funds eventually be moved into the reserve fund. Ms. DeVary agreed with Mr. Keaton that once FY 2020 closes and the surplus is confirmed, she will likely ask the Board to move funds to the landfill expansion and closure fund. She went on to say that it is in SPSA's best interest to put away as much money as possible to ensure sufficient funds are available for future landfill expansion.

While recognizing that his comment takes the conversation ahead of the current discussion, Mr. Ashby noted that after the projected construction draw down in 2030, the balance of the landfill expansion and closure fund is reduced to \$3 million and asked if there is any idea of the next construction milestone and its associated costs. Ms. DeVary responded that the next milestone would be the 2037 Phase 2 construction of Cell IIV, then in another 10 to 15 years, the closing of Cell VII. She also mentioned that the full construction schedule will be included in the final budget document.

Mr. Sorrentino complimented Ms. DeVary's presentation and asked a follow up question to Mr. McCoy's observation about the water treatment plant sludge tipping fee increasing to cover the cost of new equipment. He asked whether or not the increase could be flattened over several years to amortize the costs. Ms. DeVary replied that it is certainly possible to change the rate if that is requested, but that the cost has not increased in several years. It was also clarified that the increase only applies to the City of Norfolk, as they are the only community for whom SPSA hauls and disposes water treatment plant sludge.

Mr. Sorrentino also inquired about the \$10 increase to the fee for automobile and light truck tires to cover the costs of purchasing a new tire shredder. Ms. DeVary confirmed that the current tire shredder is 25 years old and required maintenance is escalating due to age and an increase in the number of tires being processed at the facility. Mr. Bagley added that the proposed cost increase is the result of a thorough investigation into the cost of operating the tire shredding facility, as well as market research on tire shredding facilities in the region. The next lowest price for tire shredding is \$102.50 per ton and is located past the Ivor and Windsor area. This results in SPSA being overwhelmed by tires brought from further distances because the cost is so low. By adjusting SPSA's tire disposal tipping fees this will help manage the number of tires on site and help keep operations within their permitting restrictions while still offering a competitive price. Ms. DeVary added that it is important to note that programs like household hazardous waste and the tire shredder all operate entirely independently and, per the Use and Support Agreements, none of the municipal tipping fee is used to subsidize them. If anything, profit from these programs help offset the tipping fee. Mr. Bagley went on to say that the majority of tires received are from private contractors, not municipalities, however municipalities benefit from small contractors being able to use the tire shredding facility because that means they are less likely to dump tires on the side of the road, which results in less illegal dumping and clean-up for communities. Mr. Sorrentino thanked Ms. DeVary and Mr. Bagley for their thorough explanation.

Mr. Barnes, also in relation to the tire shredding fee, commented that he appreciated Mr. Bagley's clarification that services have been priced out, rather than simply escalated over time. He also proposed that it may be helpful to break out a municipal rate and a private contractor rate if the goal is to dissuade travel from other regions and to not be undercut in the market. Mr. Barnes went on to add that in the replacement plan to replace tractors this year and trailers next year, he strongly recommends the efficiencies and cost benefits afforded by using tipper trailers and encourages staff to consider that in their purchases. Mr. Barnes added that the overall budget presentation was excellent. Ms. DeVary thanked Mr. Barnes for his comments and agreed that there are efficiency benefits to tipper trailers. Ms. DeVary directed Mr. Barnes to the budget document capital improvement plan section under transportation there is a designation showing that in FY 2022 the plan is to purchase 7 tipper trailers, and in FY 2023 to purchase 17 more.

Mr. McCoy also commended Ms. DeVary for her excellent presentation, stating that it was one of the most clarified and easy to follow budgets he has seen. He went on to say that SPSA is experiencing unprecedented times in dealing not only with response to the pandemic, but to uncertainties with Wheelabrator and the Navy, among others. Mr. McCoy thought it important to note that the Board and the Executive staff represent some of the best members he has seen and he thanks everyone for their contributions, dedication, and understanding during these difficult times.

Chairman Keifer encouraged those with any further questions to contact Ms. DeVary and she will be happy to address their concerns. Chairman Keifer entered the following resolution in to the record and asked if there was a motion.

**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 change certain rates, fees or charges previously fixed by SPSA for the services available through its refuse collection and disposal system, primarily by increasing rates payable for disposal of contract non-municipal solid waste, automobile and light truck tires and household hazardous waste with such changes to be effective July 1, 2020; and

WHEREAS, in connection with proposed changes to existing rates, fees or charges and 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, 2020, as set forth on the attached page; and

FURTHER RESOLVED, that the Board of the Southeastern Public Service Authority of Virginia hereby (i) establishes June 24, 2020 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.

Mr. Keaton moved, seconded by Ms. Jarratt to adopt a preliminary schedule of fees and set a date for the public hearing. A roll call vote on the motion was unanimous.

6. BUILD GRANT APPLICATION

Ms. DeVary gave some background on the flyover project, reminding the Board that SPSA's Conditional Use Permit (CUP) with the City of Suffolk requires a grade separated access to the landfill. The CUP specifically references the HDR 2016 traffic impact analysis, which recommends Alternative 1, which is the flyover. If SPSA were to choose Alternative 2, a back entrance, the CUP must be amended and would require a separate zoning request. Because

of this, the CUP requirement was included in the discussions leading up to the 2018 New Use and Support Agreements and the recommend course of action has always been constructing the flyover as a necessary regional project. Originally, the flyover was to be funded by Hampton Roads Transportation Accountability Commission (HRTAC), however, legislation has changed and their funds can now only be used for congestion projects, rather than safety projects.

As Ms. DeVary has previously reported, over the last couple of years there have been several stakeholder meetings held with the Virginia Department of Transportation (VDOT) and the assistance of the Hampton Roads Transportation Planning Organization (HRTPO). The flyover has been designed by VDOT engineers in two phases. Phase I addresses the needs of SPSA's CUP by routing east-bound traffic onto a new road that bears to the right and then cross over Route 460/58 and loops around to enter existing traffic, with the deceleration lane entering the landfill being extended to allow greater access. This would eliminate the dangerous left turn across the median. VDOT has provided a \$23 million detailed cost estimate that includes right of way estimates, utility relocation, wetlands mitigation, and preliminary engineering, so the total appear to be fairly comprehensive.

In 2020 the U. S. Department of Transportation announced \$1 billion in federal funding available through a program called Better Utilizing Investments to Leverage Development, otherwise known as BUILD Grants. Restrictions include that no more than \$1 million can be awarded to each state and the maximum amount for each grant cannot exceed \$25 million. The grant also requires a 20% match of funds from the applicant.

The SPSA Board was not able to meet before the May 18, 2020 application deadline, but after consultation with the Executive Committee and General Counsel, with the assistance of the HRTPO, and with letters of support from the City of Suffolk and the HRTPO, SPSA filed for a BUILD Grant in the amount of \$18.04 million and offered a commitment of \$5 million in matching funds.

Ms. DeVary requests that the Board consider adopting the following resolution affirming the commitment to provide a \$5 million match in the event that SPSA is awarded the \$18.04 million requested in the BUILD Grant application.

In a future meeting, HRTPO will make a presentation and there will be discussions around alternate funding mechanisms, including, but not limited to other grant opportunities and determining if funding needs to be addressed through the tipping fee. Other variables to consider are the impact of potential changes to Wheelabrator's contract to provide steam for the Navy which would advance the date by which the flyover is needed.

Chairman Keifer reiterated Ms. DeVary's comments about other funding sources, stating that in the likely event that SPSA is not awarded the BUILD Grant, the Board will be faced with making decisions regarding accumulating funds for the flyover as early as the beginning of FY 2022. The options that will have to be considered are significant increases to the tipping fee or finding and securing regional transportation funds. Chairman Keifer encouraged Ex-Officio Board Members to be sure that their respective locality's transportation departments are aware of that information.

Ms. DeVary reminded the Board that the flyover must be complete and operational before any waste is deposited in Cell VII, which is why the timing is so critical. The current plan is to begin construction of Cell VII in 2025 or 2026, but the many variables that impact how much waste is deposited in the regional landfill will also impact how soon the flyover will be needed.

**RESOLUTION OF COMMITMENT FROM THE SPSA BOARD OF DIRECTORS
PLEDGING FIVE MILLION DOLLARS IN MATCHING FUNDS FOR A BUILD GRANT
APPLICATION TO FUND THE I 58/SPSA INTERCHANGE**

WHEREAS, the Conditional Use Permit (“CUP”) granted to SPSA by the City of Suffolk on August 16, 2017, requires that, “[p]rior to beginning operation of Cell VII, one of the access alternatives, in accordance with the Traffic Impact Study provided by HDR Engineering, Inc., dated June 2016, must be completed and in operation;” and

WHEREAS, the 2016 Traffic Impact Study prepared by HDR Engineering, Inc. proposed, as the first alternative, a flyover roadway in the vicinity of the Intersection at Route 13/58/460, Bob Foeller Drive, and Welch Parkway, which would connect the eastbound and westbound routes of Routes 13/58/460 and provide eastbound traffic with the ability to reverse direction and enter the facility through Bob Foeller Drive (hereinafter, the “I 58/SPSA flyover interchange”); and

WHEREAS, the total cost of the design and construction of the I 58/SPSA flyover interchange is currently estimated to be \$23.04 million; and

WHEREAS, under the FY 2020 BUILD Grants program, the Federal share of project costs for which an expenditure is made may not exceed 80 percent of the project costs; and

WHEREAS, on May 18, 2020, SPSA applied to the U.S. Department of Transportation for an \$18.04 million grant through the FY 2020 BUILD Grants program to fund 80 percent of the currently estimated project costs for the design and construction of the I 58/SPSA flyover interchange; and

WHEREAS, as part of the application for a grant under the FY 2020 BUILD Grants program, an applicant must submit a written commitment to provide matching funds in the amount of 20 percent of the estimated project costs;

WHEREAS, following due consideration of the requirements under the CUP and the recommendation of SPSA’s executive staff and legal advisors, the Board has determined it is in the best interest of SPSA to approve by resolution the financial commitment of matching funds in the amount of \$5 million to fund the design and construction of the I 58/SPSA flyover interchange and to satisfy the application requirements under the FY 2020 BUILD Grants program.

NOW, THEREFORE, be it resolved by the Board of SPSA as follows:

1. The Board hereby commits \$5 million from the Landfill Closure and Expansion fund to be used as matching funds as part of the FY 2020 BUILD Grants program application to fund the design and construction of the I 58/SPSA flyover interchange, in accordance with SPSA’s CUP with the City of Suffolk.
2. The Board hereby ratifies, confirms and approves all actions heretofore taken by the Executive Director of SPSA, in the name of and on behalf of SPSA, in connection with the FY 2020 BUILD Grants program application and the foregoing resolution.

Chairman Keifer entered the above resolution into the record and asked if there were questions or comments. As there were no comments, the Chairman entertained a motion to adopt the resolution.

Mr. Maxwell moved, seconded by Ms. Raulston to adopt a resolution of commitment pledging five million dollars in matching funds for the BUILD Grant application. A roll call vote on the motion was unanimous.



BUILD Grant for Flyover

- SPSA's CUP with the City of Suffolk requires a "grade separated access" to the landfill.
- The CUP references the HDR 2016 Traffic Impact Analysis which recommends Alternative 1, a flyover, and if SPSA desires Alternative 2, a back entrance, then the CUP must be amended and requires a separate zoning request.
- Originally, this flyover was to be funded with HRTAC funds, however, HRTAC's primary purpose was changed to resolve congestion issues.
- Following several stakeholder meetings with VDOT and the assistance of the HRTPO, the flyover project has been designed in 2 phases.
- The first phase (page 16) addresses SPSA's CUP requirement and is estimated at approximately \$23.04 million.



BUILD Grant for Flyover

- In January 2020 the USDOT announced a \$1 billion federal grant through Better Utilizing Investments to Leverage Development (BUILD)
- No more than \$100 million per state
- Maximum grant award \$25 million
- Requires 20% match
- Application deadline May 18, 2020
- Letter of Support from City of Suffolk and HRTPO received
- SPSA applied for the grant requesting \$18.04 million and committing a \$5 million match.
- **Recommendation** is to adopt the resolution committing the \$5 million match from the Landfill Expansion funds.
- We will address alternative funding mechanisms at a future meeting.

7. NORFOLK NAVAL SHIPYARD (NNSY) PROPOSED POWER PLANT

Ms. DeVary delivered a brief history of this situation by reminding the Board that that at the January meeting, it was somewhat confirmed that the NNSY was going to build a combined heat and power plant (CHP) and allow their contract to purchase steam from Wheelabrator expire in 2023. There have been many conversations since that point and it is fully confirmed that the Navy has entered into an Energy Savings Performance Contract (ESPC) with Ameresco to build a CHP which will use natural gas as its primary fuel and eliminates the need to buy steam from Wheelabrator. According to the Navy, the savings generated from the CHP will fund a new industrial wastewater treatment plant, as well as fund system improvements and replacement of an electric transformer at the NNSY. The NNSY is one of four Navy shipyards engaging in this initiative for "reliability, resiliency, and efficiency."

In January, Ms. DeVary and Mayor John Rowe of Portsmouth sent a letter to Admiral Rock, Commander of the Navy Mid-Atlantic Region, requesting the opportunity to hear how the Navy arrived at their decision and to share the negative impacts their choice would have on the region. That meeting was delayed due to the pandemic, but on April 23rd, SPSA and other stakeholders participated in a teleconference with Captain Torkelson of the NNSY who provided a lengthy presentation explaining why they are moving forward with this ESPC.

After this presentation, the stakeholders, Ms. DeVary, Mr. Bagley, and Mr. McCoy from SPSA, Admiral Craig Quigley and Mr. Richard Dwyer from Hampton Roads Military Federal Facilities Alliance (HRMFFA), Mayor John Rowe, Mr. Solomon Ashby and Dr. Lydia Patton from Portsmouth, Mr. Bob Crum with the HRPDC, and Mr. Joel Rubin representing Wheelabrator, requested that they be allowed to present to the Navy the regional impacts of their decision. The stakeholders have put together a presentation of combined information that will be presented to the Navy via teleconference this afternoon and will be asking the Navy to consider the group's preferred alternatives. Chairman Keifer has drafted a letter to be sent, along with

the information presented to the Navy, to the Governor. The Board will also receive a copy of the letter and attachment.

Mr. McCoy clarified that in at least one stakeholder meeting, he has removed himself so that Mr. Roberts could attend on behalf of the City of Suffolk. At all times there have been no more than two members of the SPSA Board attending a stakeholder meeting.

Mr. Ashby asked when the Board could expect to receive the letter and the Chairman replied that it would be sent on the 28th of May. Chairman Keifer went on to say that it is his belief that the efforts of the stakeholder group will not convince the Navy to change their minds, but that perhaps someone with greater political authority can intervene.

Mr. Keaton commented that several months ago the head of both natural gas companies in the service area met with City Managers and County Administrators and discussed the severely limited supply of natural gas for the region. He went on to say that they were specifically told that while the gas companies can accommodate anticipated residential growth, there is no gas available for any large-scale facility in the region. Mr. Keaton raised his concerns to Mr. Crum of the HRPDC about how the Navy would be able to source enough natural gas to supply the proposed CHP.

Chairman Keifer responded that this seems to be an issue for several shipyards and it may, in fact, become an issue for NNSY. He went on to say that if the goal of the ESPC is reliability, there is no more reliable energy source than the region's municipal waste.

Mr. Sorrentino asked for clarification and received confirmation that the Navy has already entered into this contract. This information, along with the Navy's statements about the savings from this ESPC funding other projects, leads Mr. Sorrentino to believe that the contract will move forward. He asked Ms. DeVary to provide some information on how this might impact SPSA financially. Ms. DeVary responded that it doesn't directly affect SPSA financially as SPSA has a contract with Wheelabrator to accept SPSA's waste until 2027. Wheelabrator has a contract to deliver steam to the Navy until January of 2023. How Wheelabrator responds may impact how quickly landfill capacity is used and therefore moving the long-range planning of constructing Cell VII and the flyover into a short-term need, which could potentially affect the tipping fee. At this point, there are many unknowns that SPSA is working to address.

Chairman Keifer reiterated that Wheelabrator is obligated to take SPSA's waste until 2027, but their contract to deliver steam to the Navy is only until 2023, meaning that the worst-case scenario is that SPSA may have to start taking all of its waste to the landfill in 2023. The cost of landfilling is comparable to waste to energy, but with the loss of Wheelabrator there would be a significant loss of jobs and also a substantial amount of tax and utility revenue for the City of Portsmouth. Chairman Keifer and Ms. DeVary assured the Board that they will continue to keep everyone updated on the situation.

Mr. McCoy and Mr. Ashby spoke of a letter Mr. Ashby wrote to SPSA on behalf of the City of Portsmouth asking for SPSA's position as it relates to fulfilling service needs for Portsmouth in light of what could happen with the Navy and the Wheelabrator contract, so that Portsmouth has adequate time to prepare. Ms. DeVary and the Executive Committee are in the process of reviewing and responding to the letter.

Chairman Keifer added, as a final comment, that SPSA has a solid contract with Wheelabrator for them to accept SPSA's waste until 2027. At this point, it is expected for them to meet the

terms of the contract. SPSA is awaiting Wheelabrator's response on how exactly they plan to meet their contractual obligations.



NNSY Proposed Power Plant

- Navy entered into an ESPC contract with Ameresco to build a combined heat & power plant (CHP) which will use natural gas as the primary fuel and eliminate the need to buy steam from Wheelabrator.
- The savings generated from the CHP will fund a new industrial wastewater treatment plant, steam system improvements and replace an electric transformer at NNSY.
- The NNSY is one of 4 shipyards engaging in this initiative for reliability, resiliency and efficiency.
- A stakeholder's group was formed consisting of SPSA, HRMFFA, City of Portsmouth, HRPDC and Joel Rubin representing Wheelabrator.
- The Navy responded to our request for a meeting in March 2020.
- We had a video conference on April 23, 2020 with Captain Torkelson from the NNSY who confirmed the steam agreement with Wheelabrator was not being extended and would expire January 2023.
- Later today we are having a follow-up video conference with Navy representatives to review the regional impacts of the Navy's decision.

8. WHEELABRATOR'S REQUEST FOR COMPENSATION TO SCREEN ASH

Ms. DeVary asked the Board to recall that at the February meeting, the Board went into a closed session to discuss a request from Wheelabrator to reduce the ash disposal fee as an offset to the increased costs to screen ash.

Prior to the ash screening process, less than half of the 160,000 tons of ash delivered to the landfill each year was suitable for alternative daily cover (ADC). Use of a screener produces 85% to 90% of ash that is suitable for ADC. What SPSA staff has found among the benefits of this ash is that it is much easier to maneuver on the working face and that it can be stored for future use. This reduces the amount of dirt needed to be excavated for use as cover, as well as reducing airspace consumed by only using what is needed for the day and saving the rest. It also eliminates the need for one full-time employee to inspect the quality of each load as it comes in to the landfill. Alternate sources of daily cover would cost SPSA between \$4 a ton to excavate it from the borrow area or up to \$10 per ton to purchase and have it delivered from outside sources. If SPSA fails to meet Wheelabrator's request and they stop screening ash, the potential impact to the municipal tipping fee, including loss of revenue from Wheelabrator, would range anywhere from a \$6 to a \$10 per ton increase.

The cost to Wheelabrator to screen the ash is \$5 per ton. Due to the significant benefits of the screened ash, SPSA staff would like to meet them half way on their costs by reducing the tipping fee for the ash delivered by \$2.50 a ton. By doing this, the cost to SPSA would be approximately \$400,000 per year. This number is based on the roughly 160,000 tons Wheelabrator produces multiplied by \$2.50. This would equate to a roughly 90 cent increase on the municipal tip fee, however, the municipal tip fee will not be affected in the current fiscal year or in FY 2021 due to the projected FY 2020 surplus which could be used to cover the costs.

SPSA staff is recommending that the Board authorize the Executive Director and General Counsel to prepare and the Executive Director to execute an amendment to the waste disposal and services agreement decreasing the ash disposal fee by \$2.50 per ton for screening ash effective May 1st, 2020, which amendment shall contain a provision that Wheelabrator shall

pay the disposal rates in effect prior to the amendment for any month in which more than 20 percent of the total residue delivered to the landfill is nonqualifying residue.

Mr. Maxwell asked how Ms. DeVary arrived at the amount of 20% nonqualifying ash as the cutoff for receiving the decreased disposal fee. Ms. DeVary replied that with the screening process, 85-90% of the ash should be qualifying, but that 80% would meet SPSA's daily cover needs and not be unnecessarily stringent in the event of a short-term production issue. Mr. Maxwell went on to ask if the reduction in staff that Ms. DeVary referred to was included in her operating budget. Ms. DeVary clarified that the full-time employee who was fulfilling the operational need to inspect loads of ash before the screening process was in place was not hired for that purpose and may now return to his role as a heavy equipment operator. In the past, the quality of ash was questionable and had to be determined at SPSA on a load by load basis, making it an involved process. Mr. Maxwell asked how SPSA determined that 85% of the ash was qualifying for ADC. Ms. DeVary responded that it is a monthly total calculated by the scalehouse. A truck is weighed as it goes across the scale and if, for any reason, the ash turns out to be non-qualifying, the person working on the landfill face immediately calls the scalehouse and also notifies Wheelabrator that the load was unqualified. Mr. Bagley added that, as another safety net, if a single load of nonqualifying ash is dumped on multiple loads of qualifying ash, the entire load for that day is considered nonqualifying.

Mr. Barnes, noting that in the contract there are different categories and rates for qualifying and non-qualifying ash, asked if SPSA was receiving a higher quality product than was asked for in the contract. Ms. DeVary confirmed that yes, the product is higher quality than expected and is very beneficial for use at the landfill. Mr. Barnes went on to ask if SPSA ever utilizes surplus dirt from road and construction projects and, if so, was that taken into account in the cost analysis for dirt as daily cover. Ms. DeVary responded that yes, SPSA does utilize surplus dirt, but that was not calculated in the cost analysis as those projects are sporadic and therefore cannot be considered dependable sources of ADC. Mr. Barnes asked if Ms. DeVary is comfortable with the idea that the ash being received is worth a price above and beyond that which was contracted. Ms. DeVary asked Mr. Bagley to detail the benefits to the landfill operation.

Mr. Bagley confirmed that yes, the ash is much better than anticipated. Previously, the texture of the ash was inconsistent and difficult to work with. The screened ash has a texture similar to top soil. The new quality of the screened ash allows it to be stockpiled so that staff only uses what is necessary and has reserves for days when there are smaller deliveries of ash. In this aspect alone the screened ash is worth the extra cost. Mr. Barnes thanked Mr. Bagley for his response.

Chairman Keifer stated that this proposed action was discussed a number of times in great detail at the Executive Committee and the Executive Committee recommends it as being beneficial to SPSA.

Mr. Sorrentino raised the point that Wheelabrator has asked to reduce the disposal fee by \$5 and the recommendation is for a \$2.50 reduction. He asked Ms. DeVary if Wheelabrator will accept the lower amount and she affirmed that all her conversations with management have led her to believe that Wheelabrator will agree to a \$2.50 reduction.

Mr. Keifer moved to authorize the Executive Director and General Counsel to develop and prepare a an amendment to the Waste Disposal and Services Agreement (WDSA) with Wheelabrator to account for increased capital and operating expenses incurred by

Wheelabrator in acquiring and using an ash screener to improve the quality of ash resulting in a decrease in non-qualifying ash in accordance with terms approved today. Mr. McCoy seconded. A roll call vote on the motion was unanimous.



Wheelabrator Request

- Request to reduce the ash disposal fee to offset the increased costs to screen ash
- Prior to screening ash, less than half of the 160,000 tons of ash per year delivered to the landfill was suitable for ADC
- Use of a screener produces 85-90% ADC suitable ash
- Benefits of the Screened Ash:
 - Much easier to maneuver on the working face
 - Allows for stockpiling of ADC ash on days when more ash is delivered than needed
 - Reduces the amount of dirt needed to be excavated and hauled by SPSA from the borrow area
 - Reduces the airspace consumed by allowing only the ash needed for daily cover to be placed in the landfill and excess ash is now able to be stored for later use.
 - Eliminates the need to use one (1) full time employee to inspect each load of ash delivered to the RLF



Wheelabrator Request

- Alternate sources of daily cover would cost SPSA between \$4 per ton if excavated from borrow area or \$10 per ton from outside sources.
- The potential total impact to the tip fee (including loss of revenue) ranges from \$6 to \$10 per ton.
- Wheelabrator's cost to screen ash is \$5 per ton.
- Due to the significant benefits of screened ash, staff recommends reducing the ash disposal fee by \$2.50 per ton effective May 1, 2020.
- The cost to SPSA is approximately \$400,000 per year or \$0.90 on the municipal tip fee.
- However, the municipal tip fee will not be affected in the current fiscal year or FY 2021 due to the projected current year surplus.



Wheelabrator Request

- The amendment to the contract will include a provision that Wheelabrator will pay the disposal rates in effect prior to the amendment for any month in which more than 20% of the total Residue delivered to the landfill is Non-Qualifying Residue.
- **Recommendation:** Authorize the Executive Director and General Counsel to prepare and the Executive Director to execute an amendment to the WDSA decreasing the ash disposal fee by \$2.50 per ton for screening ash effective May 1, 2020, which amendment shall include a provision that Wheelabrator shall pay the disposal rates in effect prior to the amendment for any month in which more than 20% of the total Residue delivered to the landfill is Non-Qualifying Residue.

9. EXECUTIVE DIRECTOR UPDATES

Ms. DeVary reported that the permitting process for landfill Cells VIII and IX is moving slowly, but is still progressing. VHB, the third-party contractor, is working on the Environmental Impact Statement (EIS) for the Army Corp of Engineers. The Corp is requiring that the EIS look at both off-site and onsite alternatives. There was a pre agency scoping teleconference on May 7th and the goal is to have the public scoping meeting sometime in June, but dates will be contingent on developments with the pandemic and when it is deemed safe to meet in a group. There are conference calls every two weeks to discuss progress, so staff are kept up to date. Additionally, staff is also in the process of reviewing HDR's draft demonstration of need for the DEQ solid waste permit modification, which should be submitted later in the summer.

As Ms. DeVary mentioned earlier, Mas Energy is the new parent company for Suffolk Energy Partners, the company who manages landfill gas. Mas Energy assumed control on April 1st of this year and staff has met with representatives several times. SPSA staff is performing due diligence on their requests to modify procedures and alter the contract. Preliminary investigations appear that these would be positive developments for SPSA. Ms. DeVary plans

to invite Mas Energy representatives to attend a Board Meeting in the near future so that they may introduce themselves and discuss the type of changes they would like to make.

Mr. Bagley continued with the operations report, beginning with a DEQ tire shredder permit modification and public hearing. The anticipated goal is to increase from 25,000 tires allowed at the facility to 50,000 allowed at the facility in order to keep up with the demand for tire shredding services. This is a positive development for the tire shredding operation, but there is a public hearing required when permits are altered. SPSA will work with the City of Suffolk on setting a date that works for all parties, likely for some time mid-June to mid-July.

The landfill received a permit warning letter from DEQ regarding methane exceedance at one of the landfill gas wells. Staff originally thought the exceedance was the result of composting that is occurring with swamp soils, as that has been an issue in the past. However, the fingerprinting process that takes samples from each well indicated that the exceedance is coming from the landfill. The next steps are a landfill gas remediation plan that will be sent to DEQ by the end of the week. The plan involves adding additional wells, increasing the methane vacuum off the top of the landfill on the side near the exceedance, and moving the monitoring well under the guidance of DEQ. Once the remediation plan is complete, SPSA will be required to test below 80% of methane lower explosive levels for four cycles of testing and then return to the original landfill gas plan. Mr. Bagley went on to say that receiving a warning letter is not an uncommon occurrence and that staff is addressing the issue appropriately.

The next item is to keep the Board informed that SPSA received a notice of deficiency from the Hampton Roads Sanitation District. There was an administrative error on SPSA's part involving an electronic report being delivered a day late due to an email outbox issue. Steps have been taken internally to ensure that similar mistakes are not made in the future. This is a strictly administrative issue and does not reflect on SPSA's environmental compliance record.

The next update was on landfill fire recovery efforts. First, Mr. Bagley thanked the Suffolk Fire Department for their outstanding response, which greatly reduced the impacts of the fire. Mr. Bagley went on to commend staff for their hard work and dedication, noting that ten members of the leadership team were on site working through the night to ensure that the landfill was fully operational at 8:00 a.m. the next morning with no disruption of service to the public whatsoever. The fire itself was devastating, creating a large impact for SPSA, but staff jumped in immediately to take care of what needed to be done and Mr. Bagley is incredibly grateful for their efforts.

Mr. Bagley informed the Board that the fire started in an off-road dump truck with an electrical problem that was in the heavy equipment maintenance shop. The specific cause of the fire in the dump truck has yet to be determined, but they know the fire was electrical, it originated in the dump truck, and it resulted in a total loss. The dump truck is being replaced, a bulldozer damaged in the fire is being repaired, and a new service truck that was in the shop was heavily damaged, but work is being done to put it back in service. A fuel truck, scissor lift, forklift, and four-post lift were also damaged. There were significant property losses that are still being calculated, with an inventory expected to be complete by the end of the week. Demolition will begin shortly and include a complete removal of the metal on the outside of the building, re-skinning the building, and installing new purlins. The majority of the structure will be left in place with 500 square feet of concrete masonry unit block that will be removed as part of the insurance claim.

Mr. Bagley went on to say that when incidents such as this arise, it is an excellent time for leadership to seek opportunities for improvement. In this instance, staff has learned that standard operating procedures dictate how an organization operates in an emergency. What staff is doing in the wake of the fire is examining improvements and preventative measures that can be put in place to mitigate the potential damage of any future incidents. Policies and procedures were followed and deemed appropriate, but this emergency revealed that there was more that could be done to minimize risk to continued operations.

In the case of the fire, once the flames were out, the true emergency was sustaining a power supply so that the landfill continued to operate in an environmentally safe way. Advanced technology like the SCADA data monitoring system is essential for assurance that SPSA is in compliance with environmental regulations. At the time of the fire there was no dedicated emergency power source, which caused a 4-hour SCADA outage and left staff scrambling to find a way to get power to the building. Because access to electricity is such a crucial aspect of operations, Mr. Bagley reported that staff is using this opportunity to move in a different direction, away from relying on multiple temporary generators in the event of a power outage, to designing a self-sustaining communications building. This will ensure that if standard power is lost, SPSA can generate power to continue critical loads, such as operating the SCADA system, the network system, and lift system to supply well water for restrooms. A site plan is being prepared for the City of Suffolk to review and then be put into place, which will place SPSA in a solid position to provide continuous operations and constant monitoring of its environmental systems.

Mr. Bagley provided a final update from operations stating that Ms. Angie Hutchins, Fleet Manager, has been working for some time to have SPSA's garage certified as a state inspection site so that vehicles do not have to be taken to a private garage for inspection. SPSA's permit to perform state inspections was recently received, and a member of fleet maintenance staff has been granted a state inspector's license. Mr. Bagley is proud of this achievement and Ms. Hutchins' efforts, which will create a considerable savings in time and money, including freeing up the operator whose job it was to haul tractors and trailers for inspection so that he can haul trash, as he was hired to do.

Ms. DeVary drew the Board's attention to the pictures from the landfill fire that were included in the presentation showing the active fire, as well as a drone shot taken the following day which shows the extensive damage to the roof. Mr. Bagley also mentioned that while the administrative area is not a total loss, the maintenance shop is. Shop operations have been moved to the location originally designated for Household Hazardous Waste operations and is fully operational.



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Mr. McCoy asked if Ms. DeVary and Mr. Bagley thought it appropriate to send a letter to the Chief of the Suffolk Fire Department expressing gratitude for their response. Mr. Bagley responded that a thank you letter has already been sent.

Mr. Barnes thanked Mr. Bagley for his thorough description of events and inquired about the status of insurance investigations and coverage for the incident. Ms. DeVary responded that the fire involved several different types of insurance coverage, such as property, automobile, and equipment losses. VRSA, SPSA's insurance company is treating the fire as a single incident covered by a single \$5,000 deductible. Recovery efforts have already amassed roughly half a million dollars, including \$399,000 for a replacement dump truck, for which SPSA has already received a reimbursement check. Ms. DeVary reported that the insurance company is responding quickly to SPSA's needs.

Mr. Barnes went on to add that the landfill's notice of deficiency from HRSD and warning letter from DEQ are common occurrences in the industry, noting that the Virginia Beach landfill has had to address them as well. Mr. Barnes appreciates Mr. Bagley's reporting on SPSA's efforts to work through those situations as they arise.

10. WHEELABRATOR PORTSMOUTH MONTHLY REPORT

There was no presentation of the Wheelabrator report. The traditional monthly report is included in the Board packet.

11. FINANCIAL REPORT

There was no presentation of the financial report. The traditional monthly report is included in the Board packet.

12. CONTRACTS

The first contract for consideration is for a replacement water truck at the Regional Landfill. It was procured through a Sourcewell contract earlier in the year and the vendor, the Pete Store, has held it for SPSA in anticipation of this meeting. Staff recommends awarding the contract in the amount of \$131,074 to the Pete Store.

Ms. Raulston moved, seconded by Mr. Ashby to award the contract for the new water truck to the Pete Store as presented. A roll call vote on the motion was unanimous.

The next contract is for annual audit services. A Request for Proposal was issued in March and SPSA received five proposals from the firms Cherry Bekaert; Brown Edwards; Clifton, Larson, Allen; UH; and Robinson, Farmer, Cox. Brown Edwards has performed SPSA's audit for the last nine years, but their nonbinding estimate was the highest of the five bidders. Ms. DeVary has reviewed the bids with the Audit Committee and, given that it is best practices to have a fresh look, and considering the reduction in cost, staff and the Audit Committee recommend awarding the contract for audit services to Cherry Bekaert in the amount of \$34,000 for a one year contract with four option years with a cost to be determined at the time of renewal.

Mr. Maxwell inquired as to the due diligence to confirm the quality of service from the recommended vendor, beyond their bid quote. Ms. DeVary responded that Cherry Bekaert is well known in the area, and are the firm that performs several localities' audits. In conversations with Mr. Jenkins, who serves on the Audit Committee, Ms. DeVary was informed that the City

of Chesapeake uses Cherry Bekaert. Mr. McCoy added that Cherry Bekaert also performed audits for the City of Portsmouth.

Mr. Martin moved, seconded by Ms. Raulston to award the contract for audit services to Cherry Bekaert as presented. A roll call vote on the motion was unanimous.

The final contract for consideration is for renewal of property insurance and workers' compensation insurance with Virginia Risk Sharing Association (VRSA), which was formerly known as VMLIP. VRSA is a pooled insurance program for local governments in the state of Virginia and provides a comprehensive insurance program including general liability, property, equipment coverage, automobile coverage, and others. This is the 11th year that SPSA has worked with VRSA and staff continues to be pleased with their services, especially their response to the recent fire at the landfill. The total cost is \$337,207 and represents an overall decrease in the total premium as compared to the current fiscal year.

Mr. Ashby moved, seconded by Mr. Keaton to a renew the contract for insurance with VRSA as presented. A roll call vote on the motion was unanimous.

13. ADJOURN MEETING

Chainman Keifer encouraged the Board to reach out with any comments on the electronic format of the meeting and thanked Ms. Preston and Mr. Jerry Keel, SPSA's IT Applications Administrator for their efforts, and wished everyone's continued health and safety until the next month's meeting. There being no further business to come before the Board of Directors the regular meeting was adjourned at 12:04 p.m.



Liesl R. DeVary
Executive Director

Submitted by: Tressa Preston, Secretary, SPSA Board of Directors