

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

September 23, 2020

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. Earl Sorey	(CH)
Ms. Sheryl Raulston	(FR)	Ms. Amanda Jarratt*	(FR)
Mr. Dale Baugh	(IW)	Mr. Randy Keaton	(IW)
Mr. John Keifer (<i>absent</i>)	(NO)	Mr. Richard Broad	(NO)
Mr. C.W. "Luke" McCoy	(PO)	Mr. Burle Stromberg	(PO)
Mr. Mark Hodges	(SH)	Ms. Lynette Lowe	(SH)
Mr. David Arnold	(SU)	Mr. Patrick Roberts	(SU)
Mr. William Sorrentino (<i>absent</i>)	(VB)	Mr. John Barnes	(VB)

(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. Michael Etheridge (IW), Mr. L.J.. Hansen (SU), Ms. Trista Pope (NO), and Ms. Erin Trimyer (PO), SPSA executives, 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.

* Indicates attendance electronically via GoTo Webinar.

Ms. Amanda Jarratt (FR) participated from her office at Franklin City Hall for medical reasons.

Also present at the meeting electronically via GoTo Webinar were Alternate Ex-Officio Members, Mr. Greg Martin (CH) who participated from his office in Chesapeake for personal scheduling reasons, and Mr. Bobby J. Wheeler (VB) who participated from his home in Virginia Beach for medical reasons.

There were no objections to anyone's electronic attendance.

To encourage social distancing during the COVID-19 pandemic state of emergency, through the meeting notice, members of the public were also invited to listen to and view presentations displayed at the meeting by registering for attendance using a GoTo Webinar teleconferencing platform. Members of the public were also 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 through contact information published in the meeting notice. Members of the public were also invited to listen to the SPSA Board Meeting via toll-free telephone.

1. **CALL MEETING TO ORDER**

At the request of Mr. Keifer, Chairman of the Board, who was unable to attend, Mr. McCoy, Vice Chairman, served as Chairman for the meeting. Mr. McCoy called the meeting to order at 9:30 a.m.

2. **PUBLIC COMMENT**

Ms. Preston reported that she received no requests to make a public comment.

3. **CHAIRMAN'S COMMENTS**

Mr. McCoy drew the Board's attention to a letter that Ms. DeVary sent to members of the Virginia legislature in opposition to the proposed budget item regarding charging additional tipping fees for landfilling. Ms. DeVary added that it is her understanding that the purpose of the suggested study would be to disincentivize new landfill construction and out-of-state waste from entering Virginia. She and staff will be tracking the issue and will update the Board accordingly. Mr. McCoy encourages Board Members to reach out to their representatives to let them know that SPSA is strongly opposed to any legislation implementing additional tipping fees.

4. **APPROVAL OF MINUTES**

The minutes of the August 26, 2020 Board Meeting have been distributed. Mr. McCoy asked if there were any additions or changes and there were none.

Ms. Roberts moved, seconded by Ms. Raulston to approve the August 26, 2020 minutes of the SPSA Board of Directors as presented. The electronic participant was polled individually. The vote on the motion was unanimous.

5. **EXECUTIVE DIRECTOR UPDATES**

Ms. DeVary informed the Board that there are no new updates on the proposed power plant at the Norfolk Naval Shipyard. She reminded the Board that Wheelabrator and the Navy are in negotiations for an 18-month extension to the steam agreement, with a possible additional 6-month extension. Ms. DeVary understands that Wheelabrator will be sending their proposal to the Navy sometime this week.

In regards to the Regional Landfill, Ms. DeVary was notified that SPSA did not receive the BUILD Grant for the flyover project. Hopefully there will be news about RSTP grant funding sometime in October or November. The Executive Committee has been discussing options and for several months and staff intends to provide an overall presentation at the next Board Meeting to cover some of the options and potentially covering costs through the tipping fee. Mr. Maxwell asked for information on why SPSA did not receive the BUILD Grant and Ms. DeVary said that she would solicit feedback on the application.

There is no new information on the wetlands permitting process. Ms. DeVary presumes that the Corp, through VHB, has reached out to landowners, as discussed at the August Board Meeting. SPSA will be updated at the next scheduled call with VHB and Corp in the first week of October.

Staff is in the process of reviewing Mas Energy's request for changes to the landfill gas agreement and will be discussing the situation with the Executive Committee and legal counsel. It is likely that a more finalized draft of the suggested changes will be brought to the Board at the December Board Meeting.

As Mr. McCoy mentioned in his comments, SPSA has sent a letter opposing House Bill 5005, Item 372 E regarding a statewide landfill fee. Ms. DeVary also informed the Board that SPSA has opted out of the President's payroll tax deferral program.

Ms. DeVary went over some topics that Board Members can expect to be covered in the remaining two Board Meetings of the year, including a presentation on an alternate entrance at the landfill, the annual audit presentation, a revised purchasing policy, the amendment to the landfill gas agreement, and the annual review of DEQ financial assurance.

Mr. Bagley delivered the operations report, stating that 32,884 tons of material were landfilled in the reporting period, which is a decrease of about 4,000 tons from the previous month. 1,324,567 gallons of leachate were sent to HRSD, with 763,863 gallons pumped and 560,704 gallons hauled. 91% of the ash received from Wheelabrator qualified for use as daily cover. Mr. Bagley commented that this percentage is well above their goal and is an excellent number in terms of providing clean fill for landfill operations. What should be a final knife replacement on the aging tire shredder was completed and hopefully that will sustain operations until a new tire shredder, pending Board approval, can be acquired in January 2021. The public comment period on the proposed modification to the Tire Processing Facility permit by rule has expired without comment and the modification request will be sent to DEQ as soon as the model number of the new tire shredder is determined. Mr. Bagley asked if there were any questions he could answer.

Mr. Barnes asked about progress to the pump station modification which would reduce or eliminate the need to haul leachate. Mr. Bagley responded that, while SPSA has money set aside for the force main project, it is HRSD who is responsible for design and construction which, at this point, is not estimated to be completed until December of 2023.

6. WHEELABRATOR PORTSMOUTH MONTHLY REPORT

Mr. Clint Stratton presented the report from Wheelabrator electronically.

Wheelabrator Portsmouth

September 2020 Report to SPSA Board



Meeting SPSA's mission to provide safe and environmentally sound disposal of regional solid waste



Wheelabrator Portsmouth August 2020

Actual Operational Data



Net Refuse Received			Total Refuse Processed			Total AP Diverted			Ash Shipped		
Actual	Plan	Adj-Plan	Actual	Plan	Adj-Plan	Actual	Plan	Adj-Plan	Actual	Plan	Adj-Plan
54,828	58,986	1,152	58,307	54,226	2,099	8,000	8,429	(429)	13,995	14,500	(505)
Tons remain higher than anticipated for region			Processing to create usable materials, sludges, or metals			Heavy AP balances remain; all waste sent to RDF			Timing at end of month impacts closed ash trucks for shipping		

Stream Status			Blowers			TIP's Unscheduled Downtime			Net MWH Sold		
Actual	Plan	Adj-Plan	Actual	Plan	Adj-Plan	Actual	Plan	Adj-Plan	Actual	Plan	Adj-Plan
47,819	51,817	3,998	228	176	52	2	0	(2)	18,945	18,560	3,825
Tons continue to have high volume of steam			Driver by power tube and gas system issues			TIP's unscheduled downtime			Driver by boiler #007 and turbine steam leak		

- Includes 1,251.14 tons of non-qualifying residue delivered to the landfill this period qualifying residue 91.1% for August
- Waste delivered by SPSA to RDF - 49,360 tons
- Boiler availability - 88%, Turbine Generator availability - 99.6%
- Boiler 4 scheduled outage completed this period to include grate cleaning, pressure part repairs, fuel gas and baghouse replacement, RDF feed system screw repairs, ash removal system repairs
- Boiler 1 outage scheduled 9/20-26, Boiler 2 outage scheduled 10/4-10
- OSHA Recordable accidents this period 4 for the YTD, 0 Environmental incidents this period

Powerscreen

- New equipment removes all metal and other items
- Final product looks like top soil, perfect for ADC
- Trucks haul 25-ton loads to landfill, each making seven trips per day



Questions?



Mr. Stratton asked if there were any questions, but there were none. Mr. Pete DiCecco also delivered a report updating the Board on the capital improvements being made at Wheelabrator.

Wheelabrator Portsmouth

2020 Capital Improvements YTD



Meeting SPSA's mission to provide safe and environmentally sound disposal of regional solid waste



Wheelabrator Portsmouth

2020 Operational Improvements



- Six additional employees added and processes optimized at RDF to assist in proper housekeeping of the facility.
- Leadership issues at the Maintenance Manager level led to additional work and inefficiencies at the RDF and Power Plant.
 - Separated from the former Maintenance Manager and hired a promising candidate who started on 9/21
- Organizational structure modified to have a Maintenance Supervisor at both locations.
- New Power Plant day-based Operations Supervisor with vast experience with Waste to Energy.
- Housekeeping at the RDF and Power Plant has made significant progress and have sustained the condition.
- Power Plant ash screener process has become reliable with an additional redundant equipment purchase.

Wheelabrator Portsmouth

2020 Capital Improvements



- RDF
 - Reconditioning of two tipping floor bays
 - Main Magnet (M3) replaced and in service.
 - Installation of Non-Processing ramp for RDF.
 - Two operating refuse truck tipplers in service.
 - Twelve various belt replacements throughout RDF.
 - Purchase of service truck for mobile equipment repairs.
 - Purchase of Large Excavator for Non-Processable.
 - Purchase of Volvo 220 fuel handling loader and Bobcat.
 - Purchase of two 6-ton forklifts and diesel forklift
 - Control Room and Lobby upgrades.
 - Security camera upgrade with remote handling.
 - Purchase of 3 additional metal haul trailers (walking floor)

Wheelabrator Portsmouth

2020 Capital Improvements



- Power Plant
 - Overhaul and upgrade to Main Control Room.
 - TG Control HMI upgrade.
 - Inconel Furnace overlay in all boilers.
 - Boiler grate overhaul on boiler 1 and 4.
 - Overhaul crane holding and closing motors.
 - Replace south crane drum.
 - Replace east drag conveyor.
 - Baghouse bag replacements in Boiler 1, 3 and 4.
 - Overhaul diesel generator.
 - Improvement to facility aesthetics.
 - Purchase of new ash screener and used ash screener for redundant purposes.
 - HVAC upgrades in Control Room and admin area.

Wheelabrator Portsmouth

2020 Improvement Opportunities



- Lack of internal communication leading to work order priority issues as well as equipment availability concerns.
- Lack of leadership abilities at the mid-manager level.
- Retention and succession at the RDF and Power Plant as well as efficiency of hiring new employees.
- Lack of proper identification on redundant equipment condition.
 - Boiler feed pumps
 - Residual handling equipment
- Preventative maintenance and lubrication schedules incompleteness leading to premature failures.
- Employee injuries – currently at 4 (minor in nature), but we need to be better.
- Dust Collection Area of RDF – Equipment replacement as well as housekeeping.

Questions?



Mr. DiCecco also informed the Board that Wheelabrator has sent their proposal for the extension of the steam contract to the Navy. The Navy has contacted Wheelabrator that they have received it and they will be in touch sometime next week to set up a call for further discussion. He asked if there were any questions or comments. Mr. McCoy thanked Mr. DiCecco for his thorough report.

7. FINANCIAL REPORT

Ms. DeVary reported that, as of August 31, 2020, total revenues exceeded total expenses by approximately \$2.1 as compared to \$1.8 million in the previous fiscal year. Tipping fees year-to-date reflect an increase of 3.5% or approximately \$275,000 as compared to FY 2020. As the Member Communities are aware, municipal waste tons are up approximately 15% or 12,000 tons as compared to last fiscal year. However, commercial tons are down 28% or 8,700 tons as compared to last year. In regards to increased municipal waste, Ms. DeVary commented that the last time tonnages were this high was in 2010, before some communities had fully implemented their recycling programs. Some of the increase may be due to increased storm debris, but most likely the cause is COVID-related because people are eating in and ordering more items to their homes, creating more municipal waste rather than contributing to commercial waste in restaurants and stores.

Ms. DeVary reported that total expenses for the month ending August 31st were approximately \$6.4 million, compared to \$6.7 million in the prior fiscal year. Cash balances are at \$43.3

million, currently designated as \$6.3 million in operating, \$5.9 million, the equivalent of 2 months' operating expenses, in undesignated fund balance, \$96,176 in FY 2020 rolled purchase orders, \$314,757 for unencumbered capital budget, \$2.5 million for the proposed HRSD force main, \$529,332 for landfill expansion purchase orders, and \$27.6 million in the landfill expansion and closure fund.

Ms. DeVary went on to discuss FY 2020 actual revenue and expenses and make her recommendations for the allocation of the FY 2020 surplus. Unanticipated revenues included an additional \$2 million in municipal and other tipping fees and resulted in a total positive variance of \$2,482,041 from the FY 2020 budget. Unanticipated savings in expenses included a \$639,689 reduction in personnel costs due to turnover and unfilled positions and energy savings from the installation of LED lighting. Total expenses were \$2,091,089 less than budgeted. This resulted in net revenue over expenses totaling \$4,573,130.

Ms. DeVary's surplus allocation included, in lieu of a merit increase, that staff hired prior to June 30, 2020, receive a one-time payment in recognition of their outstanding service. With the exception of the Executive Director, all full-time employees would receive a net payment of \$1000 and part-time employees would receive a net payment of \$500. She recommended that the remaining \$4,377,130 of the surplus be transferred to the landfill expansion and closure fund. Ms. DeVary opened the floor for questions and comments.

Mr. Maxwell raised concerns about the turnover rate for SPSA employees, stating that turnover can be costly. Ms. Jarratt asked about conducting exit interviews with departing staff. Ms. DeVary confirmed that exit interviews are conducted and Mr. Bagley reported the turnover rate to be 16%. Exit interviews largely show that the reason for leaving SPSA is employment elsewhere due to preferred conditions outside of the waste industry, or increased salary. While a preference for another job environment cannot be remedied, being informed of salary requirements has been helpful as it can confirm the value of merit increases or indicate the need for a pay study, such as the one that was conducted last year and resulted in appropriate pay scale adjustments for some positions.

SPSA's largest turnover is found in transportation vehicle operators (TVOs) and heavy equipment operators (HEOs). Mr. Bagley went on to say that due to the vast amount of construction happening in the region, commercial companies are paying well. It is not at all uncommon for TVOs and HEOs to leave for a \$0.50 or \$1.00 hourly increase. If employees don't have a 10-year tenure, they are likely to find better take-home-pay rates elsewhere and often fail to take into consideration the value of the benefits offered at SPSA. Also, people in these positions are routinely drug tested, and a failed test results in immediate termination. Mr. Bagley commented that Mr. Broad and others around the table are likely experiencing similar challenges in retaining TVOs and HEOs, stating that in the waste management business, a 16% turnover rate is not a high number, due to those factors.

Mr. McCoy agreed that today and historically it has been difficult to retain employees and reiterated the value of exit interviews. Mr. Bagley added that SPSA hosts a Regional Operations Meeting and retraining employees is always a topic of discussion, particularly across the communities, departments are seeing applicants who have experience in multiple localities because a minor hourly increase will motivate an employee to apply elsewhere. The region is looking at the situation as a group and seeking solutions.

Mr. Keaton asked for the gross amount for the checks issued to employees, if the net for full-time employees is \$1000. Ms. DeVary replied that bonuses are treated as supplemental pay

for tax purposes and are subject to a flat rate of 22% for federal tax and 5.75% state tax, along with FICA and Medicare. This brings the gross amount to \$1548.

Mr. Keaton went on to comment that many of the localities are looking at issuing hazard pay or a one-time payment and that, as a regional organization, SPSA should fall somewhere in the middle of what the Member Communities are doing. Mr. Keaton also added that in terms of turnover and employee satisfaction, a cost of living increase may be more favorable than a one-time payment. He recommended tabling the discussion until localities have finalized their plans.

Ms. DeVary commented and confirmed with representatives from Chesapeake, Norfolk Portsmouth, and Virginia Beach that they have implemented their bonuses which have fallen between \$1500 and \$2000 per full-time employee. Mr. Keaton said that solid waste workers in Isle of Wight County will receive \$750, but they are also proposing an additional merit increase in January. Ms. DeVary reiterated that her request for a one-time payment is in lieu of a FY 2021 merit increase, as her original budget proposal for a merit increase was not met with support.

Ms. Raulston stated from the reports on the payments being made by the communities to their solid waste workers and additional proposed merit increases, Ms. DeVary's request is less costly and she recommends going ahead with the one-time payment.

Ms. Jarratt mentioned that the City of Franklin has reinstated their initial proposed 2% merit increase beginning November 1st, based on the City's surplus. She asked Ms. DeVary what a 2% merit increase for all staff would cost. Ms. DeVary reported that the additional annual cost would be roughly \$146,000.

Mr. McCoy added that Ms. DeVary's recommendation falls within the parameters of what many localities are implementing and that, keeping in mind the difficulty to in hiring and keeping staff, this one-time payment will signal to employees that the Board is making efforts to retain dedicated workers.

Mr. Keaton moved that the allocation of the FY 2020 surplus, specifically regarding the one-time payment to employees, be tabled to a later meeting. The motion died for lack of a second.

Ms. Raulston moved, seconded by Ms. Lowe to approve the allocation of the FY 2020 surplus as presented. A roll call vote was taken. Mr. Keaton voted "No." All other voting members present in person and electronically voted "Yes." The motion passed.

Ms. DeVary thanked the Board and let them know that SPSA staff will be very grateful for their decision. Mr. McCoy asked for a motion to approve the financial report.

Ms. Jarratt moved, seconded by Ms. Lowe to approve the SPSA financial report as presented. The electronic participant was polled individually. The vote on the motion was unanimous.

Mr. Barnes mentioned the presentation Ms. DeVary plans to present at the October meeting, asking if it will be a comprehensive overview of landfill closure, expansion, and access, including schedule adjustments and potential impacts to the tipping fee. Ms. DeVary affirmed that it would.

8. CONTRACTS

The first contract for consideration was for SPSA's pollution legal liability insurance policy. This is a 3-year, \$5 million policy covering 3rd party claims for bodily injury, property damage, and defense costs and is required under the Use and Support Agreements and the Good Neighbor Agreement with the City of Suffolk.

VRSA brokers the policy on SPSA's behalf. Five companies were selected, but the only bid received was from the current carrier, Great American E&S Insurance Company. Ms. DeVary recommends the policy with a \$50,000 self-insured retention at a cost of \$40,796.47. The cost is not increasing from the previous policy.

Mr. Arnold asked if VRSA received any compensation for brokering the policy. Ms. DeVary responded that she did not think so, but would confirm that was the case. She also commented that SPSA has had no claims filed regarding this policy.

Mr. Sorey moved, seconded by Mr. Roberts to renew the pollution legal liability insurance policy with Great American E&S Insurance, as presented. The electronic participant was polled individually. The vote on the motion was unanimous.

The second contract for consideration was for a replacement tire shredder. This expenditure is included in the FY 2021 capital budget in the amount of \$625,000. The invitation for bid required that the bid price include the tire shredder itself, delivery and installation, and the cost of annual maintenance. As a separate bid item, all bidders were invited to offer a trade-in allowance, if beneficial to the bidder, which would also reduce SPSA's net costs. The bid price, not the net cost to SPSA, was the only figure used to rank the bids.

Three bids were received. BESA Equipment had the initial low bid, but were determined to be non-responsive due to their lack of a proven track record for tire shredders. BESA has an excellent track record with industrial paper shredders, but, when requested to do so by SPSA, were unable to provide references and/or evidence of one of their machines being used in the manner required by the Tire Shredding Facility.

Staff's recommendation is to award the contract to CM Shredders in the net amount of \$621,000, excluding knife replacement costs and including CM Shredder's trade-in allowance. Ms. DeVary is asking that the Board award this contract pending the completion of the Intent to Award rebuttal period to allow sufficient time for any protest of the intent.

Mr. Maxwell voiced concern about the trade-in value being taken into account in the bidding process. Ms. DeVary, Mr. Bagley, and Mr. McCoy assured Mr. Maxwell that the ranking was based only on the bid amount and not the net cost to SPSA and that all bidders were given the opportunity to offer a trade-in allowance as a separate bid item, but that it was not required. BESA Equipment came in with the lowest bid, but were determined to be non-responsive. CM Shredders was the next lowest bid, not including the trade-in allowance.

Mr. Broad moved, seconded by Mr. Keaton to award the contract for the tire shredder to CM Shredders, as presented. A roll call vote was taken. Mr. Maxwell voted "No." All other voting members present in person and electronically voted "Yes." The motion passed.

9. **OTHER BUSINESS**

Mr. McCoy introduced Mr. Stromberg to the Board as the ex-officio member from the City of Portsmouth, in his role as Interim City Attorney. Mr. Stromberg said that he is honored to serve and thanked the Board for their welcome.

10. **ADJOURN MEETING**

There being no further business to come before the Board of Directors the regular meeting was adjourned at 10:48 a.m.



Liesl R. DeVary
Executive Director

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