

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

February 22, 2023

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 <sup>1</sup>	(CH)
Ms. Sheryl Raulston	(FR)	Ms. Amanda Jarratt ( <i>absent</i> )	(FR)
Mr. Dale Baugh	(IW)	Mr. Randy Keaton <sup>2</sup>	(IW)
Mr. John Keifer	(NO)	Mr. Richard Broad	(NO)
Mr. C.W. "Luke" McCoy	(PO)	Ms. Lavonda Graham-Williams	(PO)
Mr. Tony Parnell	(SH)	Ms. Lynette Lowe	(SH)
Mr. D. Rossen S. Greene	(SU)	Mr. Albert Moor <sup>3</sup>	(SU)
Mr. Thomas Leahy	(VB)	Mr. L.J. Hansen	(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 Alternate Ex-Officio Members Mr. Jeremy Kline (VB), Mr. Michael Etheridge<sup>4</sup> (IW), Mr. Robert Lewis (SU), Mr. Oliver Love, Jr.<sup>5</sup> (NO), and Mr. Greg Martin (CH), SPSA executives, Mr. Dennis Bagley, Executive Director, Ms. Tressa Preston, Secretary and Director of Administration, Ms. Sandy Schreiber, Treasurer and Director of Finance, and Mr. Brett Spain, General Counsel.

To accommodate those who could not attend in person, 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

Dr. Baugh, Chairman of the Board of Directors, called the February Board Meeting to order at 9:30 a.m. and led the Pledge of Allegiance.

## 2. PUBLIC COMMENT

Ms. Preston reported that there were no requests for public comment.

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<sup>1</sup> Mr. Sorey left the meeting at 10:51 a.m. and Mr. Martin stepped in as the voting Ex-Officio Member from the City of Chesapeake.

<sup>2</sup> Mr. Keaton left the meeting at 11:55 a.m. during closed session.

<sup>3</sup> Mr. Moor left the meeting at 12:00 p.m. during closed session and Mr. Lewis stepped in as the voting Ex-Officio Member from the City of Suffolk.

<sup>4</sup> Mr. Etheridge left the meeting at 11:25 a.m. before closed session.

<sup>5</sup> Mr. Love left the meeting at 12:00 p.m. during closed session.

### 3. **CHAIRMAN'S COMMENTS**

Chairman Baugh commented that, from his perspective in meetings with the Executive Committee, he is excited about the positive things that are happening at SPSA and the path forward for the organization. He mentioned that for quite a while there was a great deal of uncertainty and redirection, but with the leadership team's excellent work in dealing with the complexity of issues at hand while still planning for the future, there is much to look forward to. Chairman Baugh briefly previewed the meeting's agenda.

### 4. **APPROVAL OF MINUTES**

The minutes of the January 25, 2023 Board Meeting had been distributed. Chairman Baugh asked if there were any additions or changes and there were none.

**Mr. Keaton moved, seconded by Mr. Leahy, to approve the January 25, 2023 minutes of the SPSA Board of Directors, as presented. The motion was adopted by a unanimous vote in favor.**

### 5. **FLYOVER OVERSIGHT COMMITTEE UPDATE**

Mr. Hansen, Chair of the Flyover Oversight Committee, informed the Board that the Committee met with representatives from VDOT and their contractor on February 13, 2023. He reported that the meeting was short and the report continues to be favorable. The project remains on schedule, with the exception of a month extension to allow extra advertising time, which Mr. Hansen does not believe will negatively impact completion. The project is also on budget, but Mr. Hansen was careful to caution the Board that earlier savings seen in the project have been absorbed and while contingencies and escalators are built into the budget, that additional buffer is no longer available. Overall, the project is doing very well, at this time. Mr. Hansen asked if Mr. Sorey and Mr. Lewis, the other members of the Committee, had any comments to add, but they did not. He then offered to answer any questions. Mr. Leahy asked when the project was anticipated to go out to bid. Committee members and staff commented that they believed the bid would go out at the end of the year but would need to refer to their materials from VDOT for confirmation. There were no further questions.

### 6. **EXECUTIVE DIRECTOR UPDATES**

Mr. Bagley recognized Lead Mechanic at the Landfill Heavy Equipment Shop, Mr. Carl Stubbs, as the SPSA Values in Action Employee of the Month. Having come to SPSA in 2023 as a CAT certified mechanic, Mr. Stubbs' skills and dedication, including in coaching new mechanics and heavy equipment operators, have been an incredible asset over the years. Mr. Baugh presented Mr. Stubbs with a certificate and lapel pin as a token of the Board's appreciation.

As Mr. Bagley moved on to regular updates, he commented that, while he is eager to complete many of the items to be discussed, they are marathons rather than sprints in terms of duration and stamina is required for completion. Regarding the future Portsmouth Transfer Station and the WIN Waste update, Mr. Bagley and SPSA counsel met with WIN's senior leadership and counsel on February 16, 2023 and he will give details on that negotiation in closed session. One item that did come to light in that meeting was that WIN Waste does not intend to re-build the conveyor that was destroyed in the December 16, 2022 fire.

Regarding wetland permitting, staff continues to have weekly meetings with the Army Corps of Engineers and monthly meetings with Colonel Hallberg. Staff has received some of the revised chapters of the Draft Environmental Impact Statement (EIS) and most of SPSA's comments have been incorporated sufficiently, however, the most substantial and technical chapter has not yet been sent to SPSA for review. Having spoken at length with Ms. Lowe and the Southampton County Administrator about the Corps' plan to include SH-30, a site in Ivor, as an off-site alternative in the EIS, staff will brief the Southampton County Board of Supervisors at their meeting on February 28, 2022. The Board of Supervisors will be considering a resolution in opposition to a landfill being sited at that location and in favor of expansion at the Regional Landfill. The Corps is planning to hold public meetings on the proposed expansion project in both Ivor and Suffolk. EPA Region 3 Administrator and staff have agreed to a virtual meeting with SPSA staff and counsel on March 14, 2023 and staff looks forward to the opportunity to deliver their message of the need for this project and how passionate SPSA is about the quality of service it provides to the region. The target release date for the draft EIS is still June 8, 2023 with a public comment period to follow.

Mr. Bagley reviewed municipal and commercial waste volumes for the reporting period, as well as total waste volumes and tons diverted. As the graphs show, municipal waste is slightly below the anticipated average and commercial waste is slightly above the expected average for the reporting period. As Mr. Bagley noted, this pattern is typical for winter waste streams. Mr. Bagley also pointed out that, in terms of total waste volumes, SPSA remains comfortably above the budgeted tonnage which indicates better than anticipated total revenues.



Mr. Henry Strickland delivered the operations report stating that in the month of January 693,792 gallons of leachate, the equivalent of 150 tanker loads, was hauled to HRSD, and 585,904 gallons were pumped, thereby avoiding 127 tanker loads. Construction at the Regional Landfill continues with a temporary certificate of occupancy being issued for the Administrative building with a final certificate of occupancy contingent on landscape plan completion. The HHW building temporary certificate of occupancy could be issued by the end of the week and staff still plan to begin servicing customers in late February. The storage and fleet buildings should have inspectors on site later in the week to issue the temporary certificate of occupancy.

The leachate evaporator construction skids are nearing completion at the manufacturer's plant site and work is underway. Utilities are being identified and geotechnical work is being done to see what may have to be moved to accommodate the slab being poured. SCADA system data integration is being evaluated to ensure that the new system can interlock and mirror the existing system. As mentioned at the January meeting, the critical path on this project is potential permitting delays. The renewable natural gas company expects the Regional Landfill facility to be commissioned with gas production in mid-April. While Mr. Strickland thinks this date is ambitious, he confirmed that the company is working diligently to meet that date. He also reported that the survey of the TC Energy Gas Line easement has been provided to counsel. Mr. Bagley reminded the Board that, at an earlier meeting, the Board voted to allow the Executive Director, in consultation with counsel, to approve the amended landfill gas agreements to reflect accurate easements. There is a meeting scheduled for later in the week where all parties and their attorneys will be present to hopefully resolve this long-standing discrepancy regarding exact delineation of easement locations. Mr. Spain reiterated that the main document of the agreement has never been in question and that this meeting, which will also include a real estate attorney, should help resolve these final matters of ensuring that parties' individual surveys lineup appropriately.

## **7. CAPITAL PLANNING**

Mr. Bagley's intent with the next portion of the meeting was to ensure that each Board Member had a full understanding of the plan to fund the landfill expansion, flyover project, and the future closure of landfill Cells V, VI, and VII. In discussions with staff on how best to present this information it was suggested that Mr. Josh Spain, Managing Director of Fixed Income Capital Markets with Raymond James and SPSA's financial advisor begin the presentation by talking about SPSA's investments and how they impact future funding streams. After Mr. Spain's update, Mr. Bagley would then present anticipated tip fees for the coming years and how those tip fees would produce the cash needed to fund large projects on the horizon.

Mr. Josh Spain made his presentation on the state of the financial market noting the economy showing signs of weakness but that the labor market is still solid. He reported that interest rates are likely to see further hikes and that signs are pointing to an economic recession. However, because SPSA's investment strategy has always followed the conservative hierarchy of safety first, liquidity second, and yield as the third priority, and because SPSA follows the strong statutes of the Virginia State Code for Investing Public Funds, SPSA's current investment portfolio is expected to generate in excess of \$450,000 annually.



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# Capital Planning

FEBRUARY 22, 2023



## Economic Overview February 2023

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Managing Director  
Fixed Income Capital Markets  
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Intended for Institutional Clients Only  
See Slide 24 for Important Disclosures & Citations

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### In General

- The economy is showing signs of weakness, but labor market is still tight.
- The Fed is tightening into a weakening economy and will sacrifice jobs to control inflation.
- Inflation is expected to drop over the next 2-years. Shelter to remain headwind.
- The very front end of the curve will rise as the Fed hikes. The rest of the curve should moderate.
- A recession is gaining momentum and markets anticipate an upcoming easing cycle.
- Interest rates historically peak before, or with, the Fed stopping interest rate hikes.

### More Hikes Coming

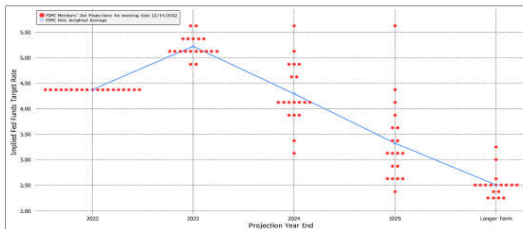
Region: United States		Instrument: Fed Funds Futures		01/17/2023	
Target Rate	4.50	Prising Date			
Effective Rate	4.33	Cur. Imp. D/N Rate			4.331
Meeting	#Hikes/Cuts	Wkz/Cut	Imp. Rate Δ	Implied Rate	A.R.R.
02/01/2023	+1,994	+109.4%	+0.273	4.655	0.253
03/22/2023	+1,865	+77.1%	+0.466	4.798	0.252
05/03/2023	+2,264	+39.9%	+0.566	4.897	0.250
06/14/2023	+2,313	+4.9%	+0.578	4.909	0.250
07/26/2023	-2,095	-21.8%	-0.524	4.855	0.250
09/20/2023	+1,705	-39.8%	+0.426	4.758	0.250
11/01/2023	+1,167	-53.8%	+0.292	4.623	0.250
12/13/2023	+0,390	-77.7%	+0.098	4.429	0.250
01/31/2024	-0,515	-90.5%	-0.129	4.203	0.250

- The Fed has raised rates by 425bps since March (most aggressive since 1980).
- The market now has **2-3** more 25bp hikes priced into the market for 2023. The terminal rate is now expected to be around 5.00% in March.
- Job market is strong and the Fed will continue to raise rates to fight inflation at the expense of jobs. Signs of recession are increasing.
- The Fed is trying to drain more liquidity through shrinking their balance sheet. So far, the impact has been minimal. Sales possible, but later.

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### FOMC Dot Plot



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### SPSA Investment Overview

- Pooled funds (LGIP and VIP) are paying over 4.50% for overnight liquidity at the moment and that should be the case for a good while longer, as the Fed continues to fight inflation by increasing the Fed Funds rate.
- As the bond investments in SPSA's portfolio mature, my recommendation would be to compare rates on bond reinvestment options to the current yield on the pooled funds. If we can put the maturing proceeds into a permissible investment that has a higher rate of return than the pooled funds, we can do that. However, if the yield on the pooled funds is greater than what we can get in bank CD's or other approved investments, I would transfer the cash over to the pooled funds.
- At some point we may believe a recession is looming and the FOMC will need to take the necessary steps to back off and begin to cut rates. At that point, it may make sense to "lock-in" investments because we would expect the pooled fund rates to drop lower. In that case I will work with the SPSA team to select investment vehicles that will mature before the cash is needed to be drawn, according to the pay schedules that have been established by the SPSA team.
- The current investment portfolio is expected to generate in excess of \$450,000 annually
- Allowing the near term maturities to roll over into cash with overnight liquidity will put SPSA in a good position to meet capital increases for construction of cell VII and the flyover

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Southeastern Public Service Authority  
Investment Strategic Review (02.22.23)

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Portfolio Summary

Sector	Coupon	Maturity	Par (000s)	Portfolio %	Book Price	Book Yield	Market Price	Market Yield	Gain/Loss \$ (000s)	%	WAL	Duration	CV	AFS %
Calicle Agency (12)	0.75	2.6 yrs	26,525	62.2	100.00	0.75	90.46	4.78	-2,532.6	-9.55	2.59	2.49	-6.11	100
Treasury Agency (12)	0.75	2.6 yrs	26,525	62.2	100.00	0.75	90.46	4.78	-2,532.6	-9.55	2.59	2.49	-6.11	100
Revenue (1)	1.26	2.4 yrs	2,000	4.7	101.01	0.83	91.77	4.97	-194.8	-9.15	2.38	2.29	0.03	100
Lease-Rent (1)	3.75	2.3 yrs	3,035	7.1	106.89	0.72	97.48	4.92	-285.6	-8.80	2.29	2.17	0.03	100
Municipal (2)	2.76	2.3 yrs	5,035	11.8	104.55	0.76	95.21	4.94	-470.4	-9.54	2.32	2.21	0.03	100
Industrial (2)	3.17	2.8 yrs	1,840	4.3	106.03	1.00	96.06	4.68	-193.5	-9.41	2.82	2.66	0.04	100
Utility (1)	3.04	3.0 yrs	2,000	4.7	105.44	1.22	95.05	4.81	-207.9	-9.86	3.04	2.86	0.05	100
Finance (2)	3.55	0.6 yrs	3,000	7.0	100.84	2.06	99.30	4.79	-46.2	-1.53	0.58	0.57	0.00	100
Other Corporate (1)	0.00	0.3 yrs	1,575	3.7	97.40	9.61	100.00	0.00	41.0	2.67	0.28	0.14	0.14	100
Corporate (6)	2.68	1.6 yrs	8,415	19.7	102.43	2.96	97.71	3.85	-396.7	-4.60	1.64	1.46	-0.01	100
CD (1)	1.29	1.8 yrs	2,680	6.3	99.96	1.33	95.80	3.89	-111.6	-4.16	1.77	1.68	-0.04	100
Other (1)	1.29	1.8 yrs	2,680	6.3	99.96	1.33	95.80	3.89	-111.6	-4.16	1.77	1.68	-0.04	100
<b>TOTAL (21)</b>	<b>1.40</b>	<b>2.3 yrs</b>	<b>42,655</b>	<b>100.0</b>	<b>101.02</b>	<b>1.23</b>	<b>92.78</b>	<b>4.55</b>	<b>-3,511.2</b>	<b>-8.15</b>	<b>2.32</b>	<b>2.19</b>	<b>-0.07</b>	<b>100</b>

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Projected Cash Flow Analysis

Year	Dn200	Dn100	BaseCase	Up100	Up200	Up300	Up400
2023	4,575	4,575	4,575	4,575	4,575	4,575	4,575
2024	7,000	7,000	7,000	7,000	7,000	7,000	7,000
2025	21,440	21,440	21,440	21,440	21,440	21,440	21,440
2026	9,640	9,640	9,640	9,640	9,640	9,640	9,640
Thereafter	0	0	0	0	0	0	0

Percent of Total Principal Cash Flows

	Dn200	Dn100	Base	Up100	Up200	Up300	Up400
2023	10.73%	10.73%	10.73%	10.73%	10.73%	10.73%	10.73%
2024	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%	16.41%
2025	50.26%	50.26%	50.26%	50.26%	50.26%	50.26%	50.26%
2026	22.60%	22.60%	22.60%	22.60%	22.60%	22.60%	22.60%
2027+	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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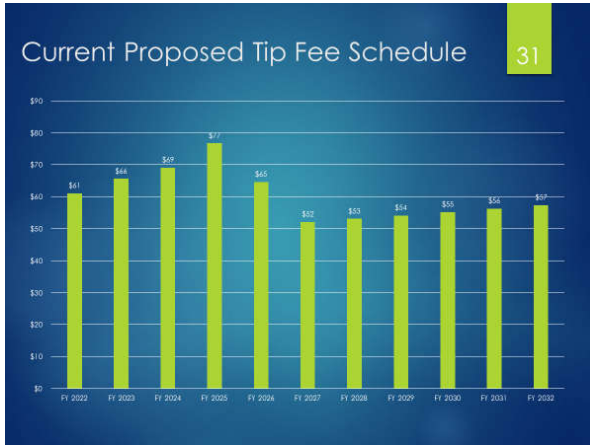
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Mr. Spain concluded his presentation and offered to answer any questions, but there were none. Mr. Keifer thanked Mr. Spain and called his presentation well worthwhile.

Mr. Bagley thanked Mr. Spain and moved on to discuss the proposed tip fee schedule. He reported to the Board that in the previous week's Executive Committee Meeting discussion of the projected tip fee schedule, as approved in the FY 2022 and FY 2023 Budget, it had been requested that he work to create a new model that is a more flattened structure. Rather than moving the tip fee to \$69 in FY 2024 and \$77 in FY 2025 to drop off in later years, the new

proposed tip fee schedule includes a \$67 tip fee in FY 2024 and \$65 in FY 2025 and to remain at that rate for several years. Mr. Bagley stated that recent changes in operations made looking at the projected tip fee from this prospective possible.



Mr. Bagley went on to discuss how he was able to arrive at the new projected tip fee schedule by addressing the balance in restricted reserves, which total \$58,824,330. The bulk of these funds (\$45,012,691) cover the Flyover Project, construction of Landfill Cell VII Phase I, and the closure of Landfill Cells V-VII and have been collectively referred to as the Landfill Closure Fund. At the request of the Board, Mr. Bagley has broken those funds out to show how much funding is allocated for each project, but went on to explain that he has come to realize that SPSA operations are better served by grouping those funds together so that they may be used strategically to fund projects based on when the funds are needed. Mr. Hansen commented that keeping the funding in a single pool with estimated amounts for each project is a perfectly reasonable way to express this reserved account, as it gives staff flexibility to move between funds as needed and it gives the Board comfort that each of the components are being addressed. Mr. McCoy agreed.

### Balance in Restricted Reserves 33

Account Name	Balance
FY-22 Rolled Purchase Orders	\$ 8,337
Landfill Expansion Purchase Orders	\$202,956
Leachate Evaporation System	\$899,300
FY-22 Rolled Capital Purchase Orders	\$960,198
Operating Funds	\$5,540,848
Undesignated Fund Balance	\$6,200,000
Landfill Expansion Reserves	\$11,967,428
Flyover Reserves	\$12,590,653
Landfill Closure Post Closure	\$20,454,610
<b>Total Reserves</b>	<b>\$58,824,330</b>

### Balance in Landfill Closure Reserve Fund 34

Landfill Closure	\$45,012,691
➤ Construction of Cell VII Phase I	\$11,967,428
➤ Flyover	\$12,590,653
➤ Closure of Cells V - VII	\$20,454,610

Mr. Bagley reviewed the estimated costs for each of SPSA’s major capital projects, which total \$101,500,000, and the balance on those projects, as of December 31, 2022, which was \$97,490,625. His presentation indicated that funding for the flyover project and construction of Cell VII have already begun and payments to vendors have already been made.

### Capital Projects 35

Project	Est. Cost
▶ 13/58/460 Flyover	\$39,000,000
▶ Construction of Cell VII Phase 1	\$31,000,000
▶ Closure of Cells V – VII	<u>\$31,500,000</u>
▶ Total	<b>\$101,500,000</b>

### Remaining Balance on Capital Projects as of December 31, 2022 36

Project	Balance
▶ 13/58/460 Flyover	\$37,171,663
▶ Construction of Cell VII	\$28,818,962
▶ Closure of Cells V – VII	<u>\$31,500,000</u>
▶ Total	<b>\$ 97,490,625</b>

There was extensive discussion on inflation rates in the contribution and pay schedule. Engineering projects like the flyover and landfill construction and closure have escalation costs built in to project plans by the project designers, or in the case of closure, the regulatory authorities. In regard to SPSA’s operational costs 1.5% is the historical escalation used in previous budget years but can be adjusted to a higher percentage if deemed necessary.

### Capital Projects Timing 37

Project	Completion
▶ 13/58/460 Flyover	April 2026
▶ Construction of Cell VII	April 2026
▶ Closure of Cells V – VII	April 2027 – April 2040

Based on the following:

- Current Cell V and VI closure schedule
- 450,000 TPY
- .90 Tons MSW per CY in Cells V and VI
- .70 Tons MSW per CY in Cell VII
- No additional capacity for Cells V – VII was used

### Contribution and Pay Schedule 38

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Beginning Balance	\$45,012,691	\$40,686,745	\$39,959,240	\$19,220,088	\$10,181,475	\$21,181,475	\$13,181,475	\$20,681,475	\$26,681,475	\$32,681,475
Contributions	\$8,000,000	\$8,000,000	\$11,000,000	\$11,000,000	\$11,000,000	\$11,000,000	\$9,500,000	\$6,000,000	\$6,000,000	\$6,000,000
Flyover Construction	(\$361,444)	(\$6,894,005)	(\$12,851,652)	(\$12,821,645)						
Landfill Construction	(\$8,965,502)	(\$2,892,500)	(\$10,787,500)	(\$7,216,968)						
Cell V-VII Closure						(\$19,000,000)	(\$2,000,000)			(\$10,000,000)
Ending Balance	40,686,745	39,859,240	19,220,088	\$10,181,475	\$11,181,475	\$13,181,475	\$20,681,475	\$26,681,475	\$32,681,475	\$38,681,475

Mr. Bagley reviewed the assumptions used to calculate the figures from the presentation, including that they do not include any liquidated damages from early termination of the WIN Waste contract at this time.



Assumptions Used 39

- ▶ 1.5% increase in operational expenses
- ▶ \$450,000 in annual interest from investments
- ▶ WIN Waste continues to take 1,000 TPD MSW until June 30, 2024
- ▶ WIN Waste closes June 30, 2024, and all MSW is disposed of at the RLF
- ▶ Does not take into account liquidated damages from WIN Waste's early termination of their contract
- ▶ All commercial waste to be hauled by 3<sup>rd</sup> party to Waste Management facilities
- ▶ No increase in MSW
- ▶ Maintain .7 tons / CY compaction at the RLF
- ▶ 1% increase in Commercial waste annually

40



Thanks, we'll take it from here

**QUESTIONS/COMMENTS**



Mr. Hansen thanked Mr. Bagley for putting all of this information together and commented that he appreciates the many moving pieces that go into calculating these figures. He went on to say that he has concerns that projecting future tip fees based on the relative lower cost of landfilling municipal solid waste, which is at this time SPSA's only available option, could present a funding challenge if and when an alternative disposal method at a higher cost becomes available in the future. Mr. Bagley agreed that Mr. Hansen made an excellent point and that if the Board makes other decisions about how to manage the waste stream in the future it would definitely impact future tip fee schedules reiterating that today's projections are contingent on the outlined assumptions.

Mr. McCoy commented that he would like to remind the Board of the amazing turnaround that has taken place at SPSA in the last ten years and that the safeguards that the Board has put into place are now starting to bear fruit. He went on to say that to have a balance sheet as positive as SPSA has in today's economy is an incredible feat, he believes the organization is on the right track, and he applauds the members of the Board who have helped to make that change happen.

Mr. Moor asked Mr. Bagley if municipalities planning their FY 2024 budgets should plan on his recommendation of a \$67 tip fee for FY 2024, rather than the previously discussed \$69 tip fee. Mr. Bagley confirmed that he would be recommending the Board approve the FY 2024 Budget and Schedule of Fees and Charges with a \$67 municipal tip fee.

## 8. QUARTERLY FINANCIAL REPORT

Ms. Schreiber presented the quarterly financial report, reminding the Board that although the financial reports in the Board Agenda reflect data from the reporting period through January 31, 2023 the quarterly financials ended December 31, 2022 and their presentation was postponed from the January Meeting due to more pressing matters.

Starting with revenues, Ms. Schreiber listed second quarter revenues from the current budget and year to date numbers, along with second quarter actuals from FY 2022 and FY 2021 so that comparisons could be more accurate. She noted revenue highlights to put the figures into better context, as well as reporting that for the second quarter revenues were at 53.8% of the annual budget.

## Revenues 42

	Fiscal Year 2023 – Quarters 1 & 2			Historical Comparison	
	Budget	YTD	% of Budget	FY - 22	FY - 21
<b>Revenues</b>					
Tipping Fees	\$50,145,512	\$26,715,531	53.3%	\$25,283,797	\$23,548,628
Tires/HHW/White Goods	\$1,255,000	\$801,681	63.9%	\$707,255	\$540,411
Miscellaneous	\$848,727	\$584,512	68.9%	\$402,404	\$1,765,118
<b>Total Operating Revenue</b>	<b>\$52,249,241</b>	<b>\$28,101,724</b>	<b>53.8%</b>	<b>\$26,393,456</b>	<b>\$25,854,157</b>

- ## Revenue Highlights 43
- In fiscal year 2023, the Municipal Tip Fee Increased from \$61 to \$65.
  - Year to Date Municipal tonnages are up by 6,186 tons and Commercial tonnages have increased by 6,734 tons compared to the 2nd quarter of fiscal year 2022. The result is an overall increase in tipping fee revenue of approximately \$1.5 million.
  - Year to date interest earnings as of December 31, 2022 are \$506 thousand, as compared to \$141 thousand last year. The increase is due to the current market interest rates.

Moving on to expenditures, Ms. Schreiber took the same approach of comparing FY 2023 second quarter budget and December 31, 2022 expenses with second quarter actuals from FY 2022 and FY 2021 broken out by expenditure type. At the request of Mr. Keifer, capital expenditures have been broken out of this chart. Ms. Schreiber also included expenditure highlights that put year over year changes into better context and noted that operational expenses are at 49.1% of the annual budget for the second quarter of FY 2023.

## Expenditures 44

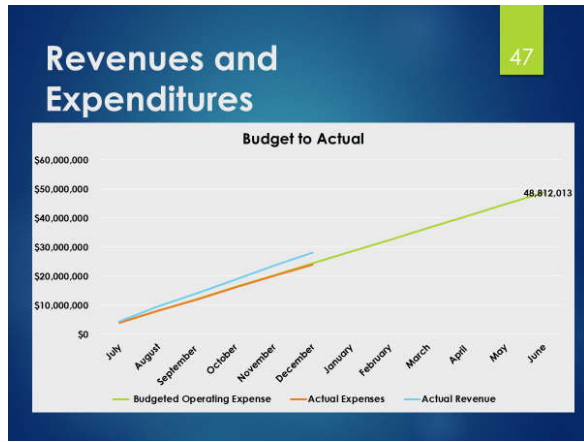
	Fiscal Year 2023 - Quarters 1 & 2			Historical Comparison	
	Budget	YTD	% of Budget	FY - 22	FY - 21
<b>Expenditures</b>					
Salaries/Wages and Employee Benefits	\$7,891,311	\$5,094,228	64.6%	\$4,243,762	\$4,430,938
Professional/Contracted Services	\$3,441,744	\$1,440,798	41.8%	\$1,381,523	\$1,504,291
Other Operating Expenses	\$1,247,040	\$554,978	44.5%	\$508,695	\$425,253
Materials/Supplies	\$2,294,504	\$1,179,482	51.4%	\$884,950	\$993,807
Waste Disposal and Hauling	\$23,905,192	\$11,473,311	48.0%	\$11,178,475	\$10,482,528
Other	\$8,005,000	\$4,000,000	50.0%	\$3,121,574	\$2,149,375
<b>Total Expenditures</b>	<b>\$48,812,013</b>	<b>\$23,986,996</b>	<b>49.1%</b>	<b>\$21,318,972</b>	<b>\$19,806,192</b>

- ## Expenditure Highlights 45
- FY 2023 salaries include a 5% salary increase for employees. Year to Date Salary/Employee Benefit expenses are high. The increase can be attributed to overtime costs associated with waste diverted to the Landfill.
  - Materials and Supplies include Fuel Costs, which remain significantly higher than they were during the first half of the previous year. In addition to higher fuel costs, the cost of parts to maintain our equipment has increased over the past several months.
  - Other Expenses is the amount set aside each month for the Flyover project.

Ms. Schreiber also presented revenues versus expenditures in chart and graph form.

## Revenues vs. Expenditures 46

	Fiscal Year 2023 – Quarters 1 & 2			Historical Comparison	
	Budget	YTD	%	Q1 FY-22	Q1 FY-21
Total Revenue	\$52,249,241	\$28,101,724	53.8%	\$26,393,456	\$25,854,157
Total Expenses	\$48,812,013	\$23,986,996	49.1%	\$21,526,058	\$19,806,193
<b>Net Revenue / Expenses</b>	<b>-0-</b>	<b>\$4,114,728</b>		<b>\$4,867,398</b>	<b>\$6,047,964</b>



Capital expenditures were listed year to date and cash balances were broken down by fund and amount as of December 31, 2022.

	Budget	Year to Date
Total Capital Expenditures	\$13,923,258	\$5,191,000
Current Year	\$3,500,000	\$809,722
Rolled Capital Projects from Prior Year	\$10,423,258	\$4,381,278



Ms. Schreiber offered to answer any questions but there were none.

**Mr. Keifer moved, seconded by Ms. Graham-Williams, to approve the quarterly financial reports as presented, pending audit. The motion was adopted by a unanimous vote in favor.**

**9. CONTRACTS**

Ms. Preston presented a contract that was originally brought before the Board at the January 25, 2023 Board of Directors Meeting. In performing due diligence on the contract SPSA special counsel Mr. Speaker Pollard discovered that the entity that should be named in the contract was the Davis Mitigation Bank. During the time that due diligence was being performed, Mr. Bagley was able to renegotiate the price of the contract. In the new contract, the name of the agency has been changed from the Great Dismal Swamp Restoration Bank to the appropriate entity, the Davis Mitigation Bank, and the cost per credit has been reduced from \$45,000 per credit to \$42,000 per credit. Ms. Preston offered to answer any questions but there were none.

**Mr. Hansen moved, seconded by Mr. Broad, to authorize the Executive Director to execute an agreement with Davis Mitigation Bank for 76 wetlands mitigation credits at \$42,000 per credit for a total cost of \$3,192,000, as presented. The motion was adopted by a unanimous vote in favor.**

Ms. Preston was also pleased to present to the Board that after further negotiations with Res, the only other organization that holds wetlands mitigation bank credits in the same hydrologic unit code as the Regional Landfill, SPSA has secured an opportunity to purchase 83 wetlands credits at \$35,000 per credit. Ms. Preston went on to say that these credits, along with the 76 credits from the Davis Mitigation Bank go a long way toward achieving the goal of 220 wetlands credits to include in the Joint Permit Application for landfill expansion and to reference in the Environmental Impact Statement. She also assured the Board that all contracts have been extensively reviewed by Mr. Pollard to ensure that they are in SPSA's best interests and will be executed under his oversight. Ms. Preston offered to answer any questions. Mr. McCoy commented that the purchase price is significantly less than previously thought. Mr. Bagley affirmed that the new cost is significantly lower because it does not include any permittee responsible mitigation which would involve new land purchase, as well as wetland

development. Mr. McCoy asked Mr. Greene to comment in his capacity as an attorney, as well as the representative from City of Suffolk. Mr. Greene said that he believes this purchase is a good deal, particularly considering that the supply of wetlands credits in the bank is so limited. Mr. Leahy commented that permitting Landfill Cells VIII and IX are among the most critical challenges SPSA must face in the near future and that purchasing these wetlands credits is one of the smartest things that staff and the Board can do to help move the project forward with low-risk, as the credits can be reallocated, if necessary.

**Mr. Hansen moved, seconded by Ms. Raulston, to authorize the Executive Director to execute an agreement with Chesapeake Wetland Mitigation Bank for 83 wetlands mitigation credits at \$35,000 per credit for a total cost of \$2,905,000, as presented. The motion was adopted by a unanimous vote in favor.**

Ms. Preston reminded the Board that the property directly abutting the Regional Landfill, known as the Nahra property, has been discussed for many years as a potential investment opportunity. The property has approximately 212 acres and at one time the asking price was as high as \$7 million. Through continued negotiation with Mr. Bagley and Mr. Strickland, Mr. Nahra has agreed to a purchase price of \$2,375,000 and an agreement has been drawn up by a real estate attorney in Mr. Brett Spain's office. The land will serve as a buffer and prevent development that would negatively impact the Regional Landfill and will also serve as a source of environmental credits for the Joint Permit Application and Environmental Impact Statement. Ms. Preston added that it should be a great comfort to the community that lives around the regional landfill to know that the property will never be developed and will be earmarked for environmental preservation. Ms. Preston offered to answer questions. Mr. Moor asked for confirmation that an environmental easement would be placed on the land. Mr. Bagley confirmed and also mentioned that he would like to continue conversations with Mr. Moor about clean-up efforts around the surrounding area. Mr. Hansen asked if the cost for the Nahra property was included in the \$8.7 million anticipated for landfill expansion and Mr. Bagley confirmed that it was. He also asked if the easement on the property precluded recreational activity. Mr. Bagley responded that it would be SPSA's intention that the easement allow recreational activity such as trails and bike paths, going on to say that part of the goal of purchasing the property is to provide that service to the community. Mr. McCoy commented that he thinks it would be appropriate to work with the City of Suffolk to announce this plan to the general public at the proper time and let people know about the positive steps being taken. He asked if Mr. Moor agreed. Mr. Moor confirmed that he did agree. There was further discussion of the property itself and opportunities and strategies for future enhancement.

Following this discussion, Ms. Preston read aloud the following proposed resolution:

**RESOLUTION APPROVING THE EXECUTION OF A PURCHASE AGREEMENT TO BUY THE NAHRA PROPERTY**

**WHEREAS**, pursuant to Section 15.2-5114(6) of the Virginia Code, the Southeastern Public Service Authority of Virginia ("SPSA") has the power to "acquire by gift, purchase or the exercise of the right of eminent domain lands or rights in land or water rights in connection" with the operation of its refuse collection and disposal system; and

**WHEREAS**, there is a certain tract of land adjacent to the Regional Landfill totaling approximately 212 acres titled in the name of Ralph J. Nahra and Debbie M. Nahra (collectively, the "Nahras"), which currently provides a buffer between the Regional Landfill and the neighboring community (the "Nahra Property"); and

**WHEREAS**, from time-to-time, the Nahras have approached SPSA concerning the possible acquisition by SPSA of the Nahra Property, seeking as much as seven million dollars (\$7,000,000) for the Nahra Property; and

**WHEREAS**, in recent discussions, the Nahras have agreed to sell the Nahra Property for two million three hundred seventy-five thousand and 00/100 (\$2,375,000) dollars (the "Purchase Price"); and

**WHEREAS**, acquisition of the Nahra Property would serve multiple public purposes including (1) securing an essential buffer between the Regional Landfill and the neighboring community; (2) ensuring that no development occurs on the Nahra Property that would impact the ability of SPSA to operate the Regional Landfill; and (3) offering a source of environmental mitigation credits to compensate for impacts associated with construction of Cells VIII and IX of the Regional Landfill; and

**WHEREAS**, SPSA has sufficient funds in its Reserves for Landfill Closure/Expansion (the "Reserve Fund") to purchase the Nahra Property for the Purchase Price; and

**WHEREAS**, SPSA's staff with the assistance of counsel have been negotiating with Ralph J. Nahra concerning the terms of a purchase agreement to buy the Nahra Property for the Purchase Price, subject to the completion of standard due diligence matters and the satisfaction of certain pre-purchase conditions (the "Purchase Agreement"); and

**WHEREAS**, the Board has determined that the proposed Purchase Agreement serves an important public purpose and the long-term interests of SPSA relating to the operation of the Regional Landfill.

**NOW THEREFORE BE IT RESOLVED**, by the Board of SPSA:

1. The Board hereby authorizes and directs the Executive Director of SPSA, in the name and on behalf of SPSA, (a) to finalize, with the assistance of counsel, the Purchase Agreement to buy the Nahra Property in accordance with the terms described above and such other customary terms applicable to such transactions; and (b) to pay the Purchase Price and any associated deposits and costs utilizing funds from the Reserve Fund.
2. The Board hereby authorizes and directs the Executive Director of SPSA, in the name and on behalf of SPSA, to do all such acts and prepare, execute and deliver such documents as he deems necessary or desirable to carry out the intent and purposes of the foregoing resolution and to effect the purposes of such resolution.

Adopted this 22nd day of February, 2023

Attest: \_\_\_\_\_  
Dale E. Baugh, Chair

**Ms. Raulston moved, seconded by Ms. Graham-Williams, to adopt the Resolution Approving the Execution of a Purchase Agreement to Buy the Nahra Property, as presented. The motion was adopted by a unanimous vote in favor.**

## 10. CLOSED SESSION

Chairman Baugh informed those present there was a closed session on the agenda for a presentation to talk about AMP robotics and the proprietary technology being used in their pilot waste sorting program in Portsmouth, which, given to the time spent in the day's meeting discussing capital planning, would be presented by Mr. Bagley. Before that there would also be discussion about the WIN Waste contract to seek advice from counsel. Chairman Baugh announced that only Board Members, SPSA executive staff (Dennis Bagley, Tressa Preston, Sandy Schreiber and Henry Strickland), and SPSA legal counsel (Brett Spain) would be present for the closed session. There were no objections to that plan.

Motion to Approve Request for Closed Meeting.

*I move that a closed session be held for discussions regarding (a) the development by AMP Robotics of proprietary technology to sort recyclable materials in the waste stream, in accordance with Virginia Code Section 2.2-3711(A)(39) for the purpose of discussion or consideration of information subject to the exclusion in subdivision 3 of Virginia Code Section 2.2-3705.6. and (b) the impact of the recent fire at the WIN Waste facility on WIN Waste's continued performance under the Waste Disposal and Services Agreement executed by SPSA and WIN Waste's predecessor on September 18, 2018, in accordance with Virginia Code Section 2.2-3711(A)(8) for the purpose of consulting with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel;*

**Mr. Leahy moved, seconded by Ms. Lowe, to enter closed session, as presented. The motion was adopted by a unanimous roll call vote in favor. The closed session began at 11:20 a.m.**

Once back in open session at 12:19 p.m. both in person and electronically the following motion took place.

Motion to Approve Certification after Closed Meeting.

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

**Ms. Graham-Williams moved, seconded by Ms. Raulston, to certify the closed session, as presented. The motion was adopted by a unanimous roll call vote in favor.**

## 11. WRITTEN REPORTS

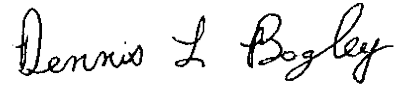
Chairman Baugh asked if there were any questions regarding the written WIN Waste Report but there were none.

## 12. OTHER BUSINESS

Chairman Baugh asked if there was any other business, but there was none.

13. **ADJOURN MEETING**

There being no further business to come before the Board of Directors, the regular meeting was adjourned at 12:23 p.m.



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Dennis L. Bagley  
Executive Director

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