



Responses to VRA Resolutions

Presented to
SPSA Board of Directors

January 27, 2010

Team

- SPSA Executive Staff
- SCS Engineers
- Williams Mullen
- Sidley Austin
- Willcox & Savage
- Mesirow Financial
- Municipal & Financial Services Group

Key Issues

- Decision process to sell WTE Facilities
- Scope of sale
- Timing of sale
- Debt retirement plan
- Financial viability of SPSA after sale of WT

Challenges

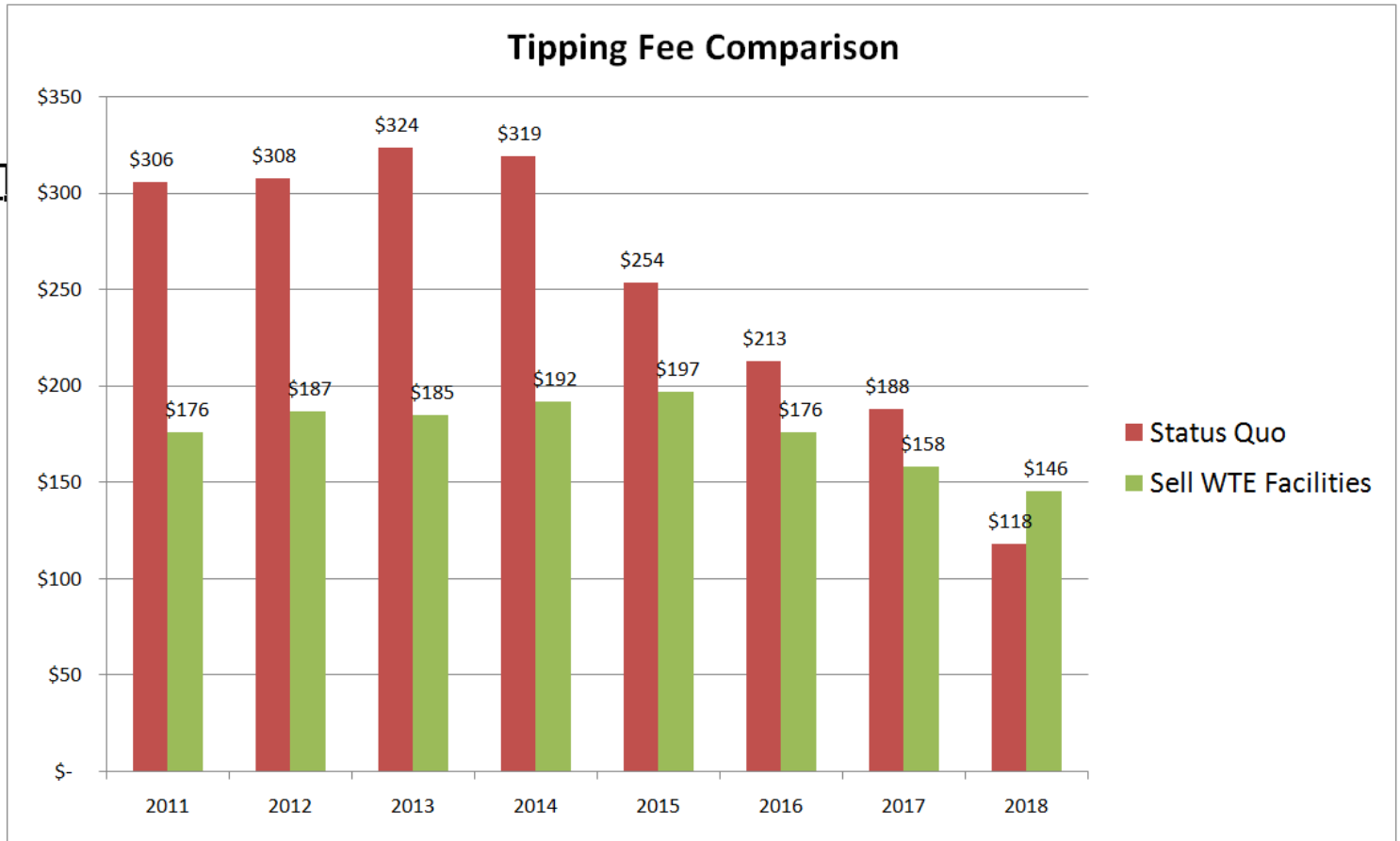
- Use and support agreement tipping fee mo
- Lack of full support for flow control
- Revenue reductions
 - Lower overall waste disposal
 - Commercial waste diverted
 - Lower energy sales prices

Challenges

- Significant debt repayment over short time
- State Audit report
- SPSA management change
- Cell VII expansion
 - Capital costs and funding (\$30M)
 - Conditional use permit conditions (\$22M)

Selling WTE Facilities

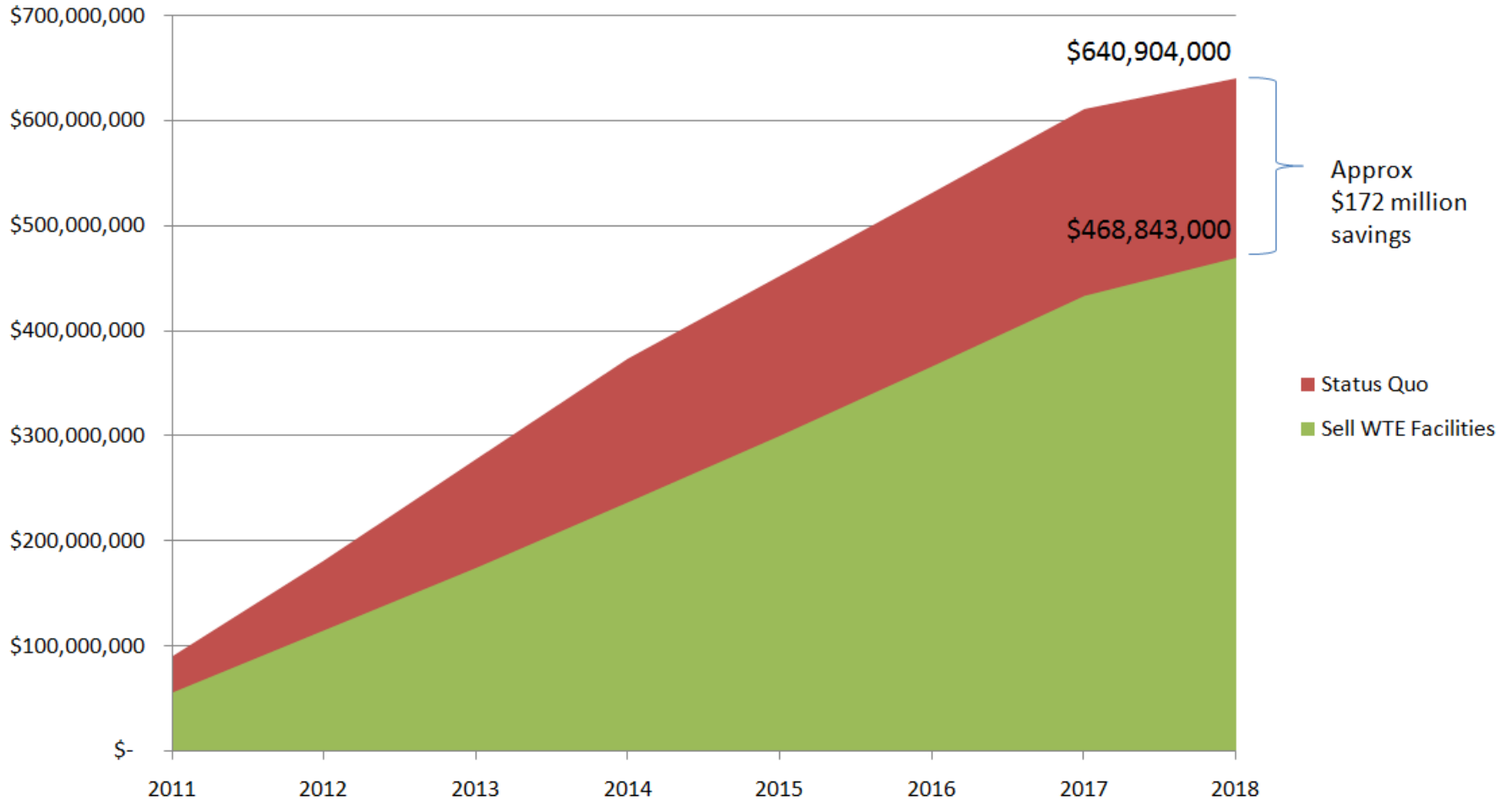
- Reduce debt by approx. \$142 million
- Reduce debt service: average 60+% less
- Reduce capital expenditures
 - Cell VII expansion: \$30 million
 - Two new transfer stations: \$22 million
- Reduce operational expenses
- Extend landfill life through diversion of non-proce
- Reduce operational risks and complexity – more



Source: SPSA Pro Forma, January 26, 2009, Pro Rate Debt Reduction

Bottom Line: Member communities will spend less for solid waste disposal through 2018 if the WTE Facilities are sold.

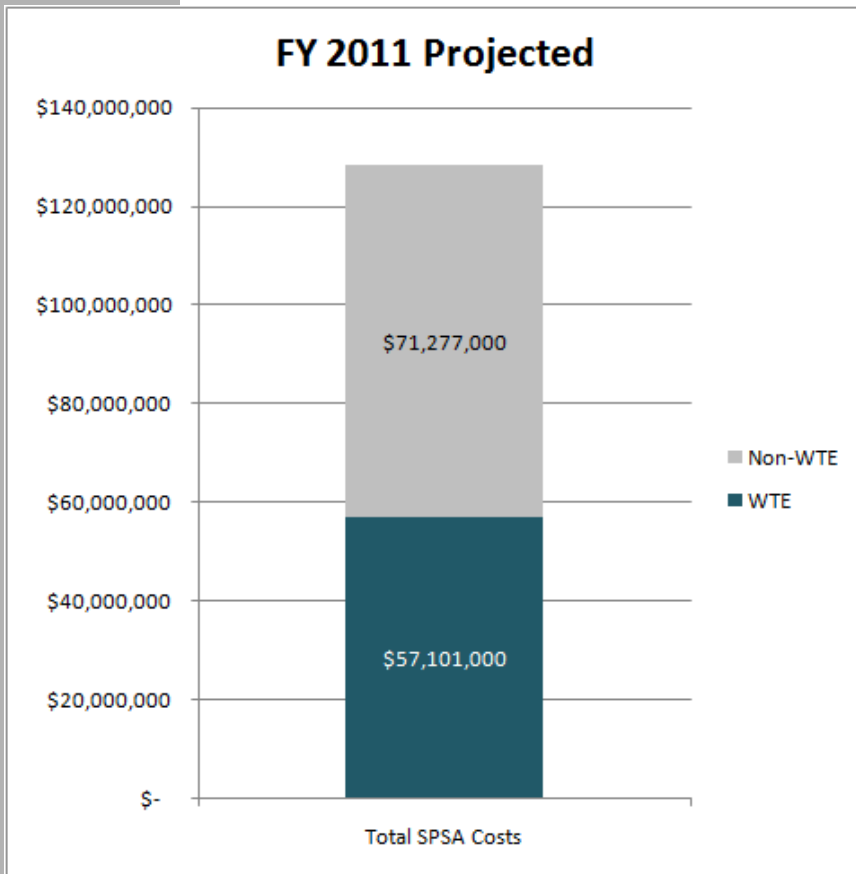
Cumulative Member Community SPSA Costs



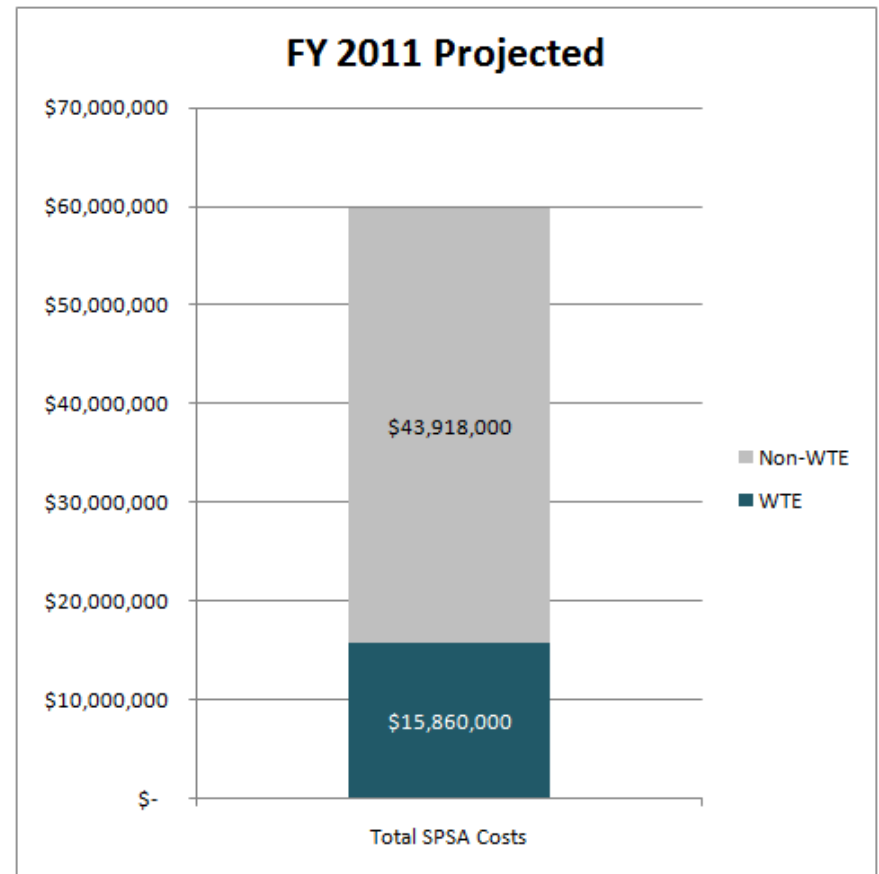
ception vs Reality

- **Misconception:** The WTE Facilities are net
- **Reality:** The WTE Facilities are a net cost

al SPSA Costs



Status Quo



Sell WTE Facilities

Retirement Plan

- Options Considered
 - Pro rata reduction of all debt (Ambac, Wachov
 - Retire all but VRA 2009 bonds and City of Virg
 - Other

A Coordination

- Met on December 18, 2009, January 7, 8,
- Primary issues
 - Cash flow analysis
 - Debt retirement plan
 - Member community guarantees
 - Inter-creditor agreement
 - IRS determination
 - Volume cap

Timeline of Response VRA Resolutions

- SCS met with Davenport (VRA FA) on 1/8/2010 to re
- Mesirow Financial has coordinated with Davenport to
- CAOs meeting to develop framework for member co
- Inter-creditor agreements: **In process**
- IRS determination: **In process**
- Volume cap allocation: **In process**

Next Steps with VRA and Others

- Submit update response document: 1/29/2010
- Meet with VRA: 2/8 – 2/9, 2010
- Final approval
 - Conditional approval? – Feb. meeting
 - Final approval – March meeting
- Other consents – March 1, 2010

Financial Viability

- SPSA system remains unchanged
 - WTE Facilities (remains part of SPSA system t
 - Suffolk Landfill
 - Transfer Stations
 - Other services
- Use and Support Agreements valid
- Funding of system remains same through t

Questions/Comment