

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

**May 26, 2010**

A Regular Meeting of the Board of Directors of the Southeastern Public Service Authority (SPSA) was held at 9:30 a.m. on Wednesday, May 26, 2010 in the Regional Board Room at the Regional Building, 723 Woodlake Drive, Chesapeake, Virginia. The following members were in attendance or as noted:

|                        |      |                                   |      |
|------------------------|------|-----------------------------------|------|
| Mr. Marley Woodall     | (CH) | Mr. Eric Martin                   | (CH) |
| Mr. Everett Williams   | (FR) | Ms. June Fleming                  | (FR) |
| Mr. Theodore Hardison  | (IW) | Mr. W. Douglas Caskey             | (IW) |
| Mr. Joseph Leafe       | (NO) | Ms. Regina Williams <i>absent</i> | (NO) |
| Mr. G. Timothy Oksman  | (PO) | Mr. Douglas Harvey                | (PO) |
| Mr. Roy Chesson        | (SH) | Mr. Michael Johnson               | (SH) |
| Mr. James C. Adams, II | (SU) | Ms. Selena Cuffee-Glenn           | (SU) |
| Mr. John Barnes        | (VB) |                                   |      |

\* Indicates Late Arrival

\*\* Indicates Early Departure

(CH) Chesapeake; (FR) Franklin; (IW) Isle of Wight; (NO) Norfolk; (PO) Portsmouth;  
(SH) Southampton County; (SU) Suffolk; (VB) Virginia Beach

Others present at the meeting included the following: alternate Ex-officio Board members Mr. Eric Nielsen (SU) and Mr. Taylor Williams (FR); SPSA executives Mr. Rowland (Bucky) Taylor, Executive Director, Ms. Liesl R. DeVary, Deputy Executive Director and Treasurer; and Mrs. Lou Ann Ivory, Executive Assistant and Secretary; Anthony M. Thiel, General Counsel; Warren Nowlin, Special Counsel, and staff from SPSA and the Hampton Roads Planning District Commission.

The meeting was called to order by Chairman Leafe. He called upon Mr. Everett Williams (FR) to give the invocation. The invocation was followed by the Pledge of Allegiance and Roll Call. A quorum was present.

Mr. Stanley Stein, alternate ex-officio member of the Board with Norfolk was “sitting in” for Regina Williams, taking her seat at the Board table

**PUBLIC COMMENT PERIOD**

There were no speakers for the Public Comment period.

1. **SPECIAL PRESENTATION**

Chairman Leafe called on Mr. Taylor to make the presentation. Mr. Taylor called Ms. Betsy Madden forward and Ms. Ivory read the Certificate of Appreciation that was presented to Ms. Madden upon her retirement from SPSA after 14 years of service in human resources and its contents are herein contained:

*Southeastern Public Service Authority of Virginia  
Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth,  
Southampton, Suffolk, and Virginia Beach*

*Certificate of Appreciation*

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*This Certificate of Appreciation is presented upon the retirement of*

**ELIZABETH HUME MADDEN**

*as a token of esteem for her devoted service to SPSA  
from November 1, 1996 through May 28, 2010.*

*The SPSA Board of Directors and Executive Staff wish to convey their respect  
and gratitude, along with an expression of highest commendation for her  
commitment to SPSA, its employees and customers, as well as her  
support of its nationally recognized comprehensive solid waste management program.*

*In recognition, the Board of Directors wishes to publicly thank and congratulate  
Elizabeth Hume Madden and orders a copy of this Certificate of Appreciation  
officially spread upon the minutes of this meeting.*

*Presented this 26th day of May, 2010*

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Joseph A. Leafe , Chair

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Rowland L. Taylor  
Executive Director

## 2. INFORMAL ITEMS: DISCUSSION ONLY

### A. PRESENTATION

Chairman Leafe stated that we had a presentation by Mr. Marley Woodall which had been continued from the last Board meeting and that we appreciated his cooperation in that regard. Mr. Woodall gave a PowerPoint presentation that is attached as Appendix A which detailed the tipping fees for the member localities, the host fee for Suffolk, the capped contract rate for Virginia Beach and the tonnage amounts projected for FY2011.

Chairman Leafe thanked Mr. Woodall for the presentation and urged the Board to exercise patience with the work that remains to be done. Ms. Cuffee-Glenn said she appreciated Mr. Woodall's analysis of what is going on and that certainly Suffolk wants to be at the table. She said she thinks the presentation, however; is flawed because there is a price you pay and it is not zero when you have a landfill in your city so as we look at and explore what the options are she hopes we keep that in mind as a Board when making those decisions for the future.

Mr. Oksman said Mr. Woodall had just made one of the most important presentations in the history of SPSA and he hoped it does not simply become some kind of museum piece. He said he thinks it is incumbent on SPSA to find a way to follow-up on it and asked that we include at the next meeting an open discussion between Board members about what we do; what our response should be to Woody's presentation. Chairman Leafe said he would underline the patience point and pointed out that Mr. Woodall had acknowledged up front another very important piece and that is legal contracts that exists between SPSA and the communities. That doesn't take away the need for the discussion and the ability to have the discussion but we have the overlay.

Additionally, Chairman Leafe pointed out that there are other decisions the Board has to make and that is we need to make a decision at our next meeting as to whether or not we are going to go forward with the Cell VII expansion. That decision needs to be made by July 1st, and so at our next meeting that needs to be thoroughly discussed. Part of the information needed to make that decision is in the study that Woody referred to but then our staff needs to work on that with us in terms of helping the Board understand the consequences of a decision not to expend or a decision to expand and when we can make the decision and then when we need to construct and what the pieces are with that. Mr. Hardison asked what if we don't have enough information, what's wrong with getting an extension on the decision. Chairman Leafe said we had asked for a 6-month extension and are waiting for a response from Suffolk.

Chairman Leafe also said the Executive Committee is going to go ahead and plan to outline the way to approach a strategic plan for SPSA. It is not 'doing the plan', but deciding what we are going to do. We are outlining a method and a procedure for talking about a strategic plan and having a retreat.

Mr. Woodall said a time line would be very, very helpful so we know what deadlines we have and the dates.

## B. SCS LANDFILL ODOR STUDY AND RELATED ITEMS

Chairman Leafe called on Mr. Bob Gardner of SCS Engineering to present his report on the odor study.

Mr. Gardner: Mr. Chairman, Board members, Bob Gardner with SCS Engineering. We were retained back in the spring to conduct a study of the odor problems that had been encountered at the landfill and we conducted that study in March. The purpose of that study was several fold. The fundamental question is "is the landfill the contributing source of the nuisance odors that were being experienced by the surrounding community". We also looked at the evaluation of other potential odor sources associated in the area. And also then to compare the measured results in terms of the concentrations of various constituents that we detected to health standards which is a fundamental question. Mr. Gardner then took the Board through a PowerPoint presentation which is attached herein as Appendix B.

In concluding, Mr. Gardner said regarding health impacts, none of the constituents that they detected were at concentrations above the established health standards. That's important. It doesn't minimize the nuisance issue associated with those odors; those are real and that's not what that is addressing. Nuisances are nuisances, it doesn't necessarily mean that they are health issues so that's one piece of information we think is significant. There were several odor sources encountered, distinct odors on site and off site. The tell-tale rotten egg smell is basically hydrogen sulfide and other types of sulfide containing compounds that you experience. Those particular odors are associated with the landfill, they could be associated with marshes and there are marshes in between the landfill and where the community is as well. There is also the Sara Lee smell, the coffee that was evident in the neighborhood. You had the odor smell that was more of a glue smell, which is part of that BAFS facility and then there were some other odors we couldn't figure out. Some of the odors that we smelled are characteristic of landfills. We work on hundreds of landfills throughout the country so we have a good sense as far as calibration of our nose and definitely landfill odor that we experienced out there. So that's a major conclusion as well. Weather conditioned played a significant factor in the odor events that occurred.

Suffolk Councilman Leroy Bennett said he really appreciated all the efforts that has been put forward to try and work with the community to try and improve that quality of life in that community. He said the odor had improved approximately 95% although I am still getting complaints. But the experience left a bad taste in the community about the landfill. So I am just being straight up with you. The future of landfill; if you had to take a vote in that community about expansion I know what the answer would be; it's 'no' because of the way it was handled and that it took so long to take action and the people have a big concern with that. They lost a lot of faith in SPSA because of the way it was being handled. So I think that we will have to take another look at what has taken place. They are concerned now with what is going to happen in the future or what do you have in place to prevent this type of occurrence from happening again. And that's their big concern. Bucky, I was talking to him earlier and he was saying the landfill now is taking different types of debris rather than raw garbage. That will help a lot. The sooner you start getting the gas sold off over to BASF, that will have a great deal because that's where most of the odor mostly is coming from. Again, I cannot thank staff, our staff and all the Board members for your support and help that you put

forth to get this study done. I'm hoping that we will be able to make sure that the community will stay focused and be informed of any action that is being taken at the landfill. Chairman Leafe thanked Mr. Bennett.

### C. CLOSING REPORT ON WTE SALE

Chairman Leafe called forward Mr. Warren Nowlin, Special Counsel with Williams Mullen to give his closing report on the WTE sale.

Mr. Nowlin said he had a very brief and happy closing report. I am here to report now the obvious that we were successful in closing the WTE sale on April 29th. Consistent with our pre-closing report with you all we were successful in generating a gross receipt of \$152.8 million which was in excess of the face purchase price. We were required to place \$2.5 million in escrow which I will be address in a minute which was related to the pre-closing condition of the plant and the net proceeds therefore at closing to SPSA for debt defeasance was \$150.3 million. So 'mission accomplished' timely at least in that respect. Again, that money is being applied to debt retirement. I can report also it has been a smooth transition in virtually all aspects. I think it fair to say that Wheelabrator, at least its hauler First Tee, has had some challenges in having enough equipment to satisfactory all of its hauling requirements by the daily deadlines but the waste is getting hauled to other landfills meaning Bethel and Waverly and not to Suffolk and only ash is going to SPSA landfills predominantly Virginia Beach. So I believe that in light of the prior presentation that is another very favorable aspect that the residents of the area can consider for this transition. I am very happy about that. The only real open issue is the \$2.5 million escrow for plant condition. That amount was a negotiated amount. It is frankly consistent with what we presented to you in the prior meeting. I think reasonable minds can differ as to whether there was actually a rational basis for that particular amount given the pre-closing reports but that is the amount that was agreed to that allowed us to go to closing and there is a process under the contract that's now underway to resolve that amount. We are engaging jointly with Wheelabrator and an independent engineer to give us a report on the closing condition of the plant and that report will be binding and final. We are working on the terms engagement. We have had I would say a delay in getting the engineer engaged because many of the engineers that we have consulted jointly with Wheelabrator have had affiliations and relations with Waste Management which has conflicted them out of the engagement but I expect that progress, we have a conference call on it this afternoon and I do expect that within the next sixty and at the outside ninety days there will be resolution and the amounts will be distributed from escrow. That is my report. Chairman Leafe thanked Mr. Nowlin and the Board gave him a round of applause.

Mr. Hardison (IW) asked how much of the \$150 million was 'inventory'. Mr. Nowlin said the waterwalls were not in the inventory. I want to say that was literally a \$100,000 delta in their favor. About \$100,000 inventory value reduction during the closing period that was a negative adjustment, reduced the receipts by \$100,000 but there were no issues or disagreements over inventory including the issue of stale inventory that was addressed at one point.

Mr. Hardison said we haven't paid for the water walls. Ms. DeVary replied, "No sir. One thing that still remains that we are reconciling and we are working with Wheelabrator is the outstanding payables and receivables. So we are working through those and we will over the next 30 to 60 days. Some of the purchase orders that remained outstanding that pertained to inventory we just went ahead and assigned those purchase orders to Wheelabrator. So that's how we are working through it.

Mr. Martin (CH) said he wanted to recap and said to Mr. Nowlin you mentioned \$2.5 million escrow, what other SPSA financial obligations are in the contract that we may be exposed to down the road. Mr. Nowlin replied in response to the closing none. The only post-closing adjustments and there are two, one is the true-up on the receivables which Liesl and her staff are working through now and I expect will be done in the next 30 days which is a standard post-closing adjustment. It is like a working capital adjustment and only other one is plant condition escrow. There are no other open items at all under the post-agreement with the one exception of the residue testing plant is still being finalized but no financial commitments or obligations under the Purchase and Sale Agreement are dangling at this point and we are now relying on the Service Agreement which is going to be a long term relationship obviously. Chairman Leafe asked Mr. Nowlin if there is not something in the agreement that does give Wheelabrator a cap on certain taxes and also related to a 'change of law provision'. Mr. Nowlin replied that yes there are certain pass-throughs for 'change in law' which we have discussed a variety of times before the Board here. One of which is there is a threshold for real estate taxes and if ever the State Corporation Commission establishes a value that results in a payment to taxes to Portsmouth in excess of \$1 million then those amounts will be passed through to SPSA which is a standard practice in this industry. Mr. Martin said basically now we are down to our service agreement. Mr. Nowlin said you are operating under the Service Agreement and that issue of assessment is an active matter before both the State Corporation Commission and will be addressed this year. Mr. Martin said he remembered the term, changes in environmental law requirements and asked if there is a pass through on that for the term of the service agreement or a limited time? Mr. Nowlin replied that it is throughout the term but there are limits and there is annual basket and if the annual basket is not exceeded I think it is \$250,000 then there is no pass through. And that basket is actually a deductible; it is not a factive zero as we say in the legal industry it is a deductible as opposed to a basket. Mr. Martin said our Service Agreements are 'put or pay'. Mr. Nowlin said they are 500,000 tons at \$38 a ton for the term of 20 years. Ms. DeVary said it is \$36 today. Mr. Nowlin said it goes to \$38 next fiscal year. Mr. Williams (FR) said he remembered that there was some potential obligation if the phase one filtering process and I am using the wrong word didn't work then we would have to pay part, we had some potential obligations for phase two or something and all of a sudden that disappeared so do we have any pending or potential obligations in that department. Mr. Nowlin said that is a great question; you are referring to the carbon monoxide controls and there was an arrangement whereby we, SPSA, was responsible to pay up to \$350,000 roughly for phase one carbon monoxide remediation controls. That issue was addressed in the final addendum to the Purchase Agreement. SPSA did pay that amount and then we modified the agreement which was approved at the last meeting by which we agreed that there would be no further contribution or payment by SPSA and we would go to closing and Wheelabrator is now responsible for all post-closing carbon monoxide issues and SPSA is responsible for pre-closing but no financial commitment on the capital improvements.

Ms. Cuffee-Glenn (SU) said and the \$850,000 from Portsmouth came from what account; it didn't come from the proceeds of the sale and Mr. Nowlin replied that was correct.

### 3. ACTION AGENDA

#### A. MINUTES OF THE BOARD MEETING

Chairman Leafe said the minutes of the previous meeting, lengthy minutes had been distributed and asked if there was a motion to approve them. Mr. Oksman (PO) made such a motion and it was seconded by Mr. Caskey (IW). All present voting yes; opposed none; motion approved and carried by a unanimous and recorded vote.

#### B. (1) APPROVAL OF MODIFICATION TO SCHEDULE 26 (FORM OF AUTHORIZED HAULER SOLID WASTE DELIVERY AGREEMENT) TO SERVICE AGREEMENT WITH WHEELABRATOR PORTSMOUTH, INC.

Chairman Leafe called on Mr. Taylor to discuss the next two actions. Mr. Taylor said we have agreements with Meeks and Allied. Before Wheelabrator is able to take on a new customer, SPSA has to approve the customer in the sense that can we continue to handle and be able to handle the waste volume that they may be bringing in. In other words if they were going to get a customer that would bring in a half million tons and just automatically given they would start doing that we wouldn't be able to handle those tons. That transfer station may end up being running over so this is the reason for it to come to SPSA. They have requested that a form be provided here that the Board would approve and then as these come in, they would not necessarily have to have Board approval every time but would have to have the review and analysis that's necessary to ensure that we would not go over our permitted requirements from DEQ to be able to then have them authorized and accept that waste. We are paid for private hauler waste from the transfer station to the RDF plant; each one of them. So we do need approval for the two documents shown on page 23. Mr. Taylor said the agreements were on the website because they were 20 some pages each. Mr. Martin (CH) asked if this is the beginning of a whole series of them; are we going to have to approve all the private haulers that haul to the transfer stations. Mr. Taylor said if that's what the Board wishes but that's not what we are requesting here. We have to approve any private hauler but we are requesting to be able to be done per form and I know Warren is here to speak to it also and then that way we will be able to have that information, analyze it and then approve it without it having to come back to the Board every single time. Mr. Oksman (PO) said you would be authorizing, this would authorize SPSA professional staff to make this authorization based on its review and professional judgment. Mr. Taylor replied that was correct. Mr. Martin said he thought it is a good idea to control the input into our system that we don't over load it because if we start overloading our transfer stations that will impact our municipal services which is our primary mission so that's good thing. He also said that he was a little concerned about the administrative; just a blanket administrative review because of the history there has been about bringing in out-of-area waste into the system. Mr. Martin said he would hate for that type of action to happen without the Board being made aware of it whether we say, yes, we will have an agreement with New York sanitation department to barge waste into SPSA. He

said he certainly didn't want that to happen administratively, he would like that to happen with the full knowledge of the Board. Mr. Oksman asked if he would be fair in assuming that based upon the open disclosure that your administration has given to SPSA that whenever contracts are approved they report to the Board also. Mr. Adams (SU) asked how often these contracts are coming up. Mr. Taylor replied that there are not too many private haulers but these two were asked if they wished to have a contract prior to the plants being sold to Wheelabrator. They had contracts with SPSA and they chose not to move those contracts forward but subsequent to that they found out that instead of \$36 a ton their waste is now \$60 a ton so a contract seems more attractive now.

Chairman Leafe asked if we can approve these contracts and then staff come back and give the Board the guidelines under which you are going to proceed with the approval of the other contracts. Whatever the amount; it doesn't seem necessary that every contract come back to the Board but at the same time we do need to know what guidelines the administration is applying to the contracts in terms of quantity and nature and so forth and that way the Board can be comfortable as to what it is that is coming in. These two contractors you dealt with up-front but others will be ones that presumably will be generated by Wheelabrator and then you are asking us to approve it, can we do it that way; is that satisfactory to the Board? Mr. Woodall said we are doing this because you want to watch the limit, the tonnage limit. When you bring something up you have to show us then how it affects that number. In other words, if your tonnage number is ten and you already have five, six and seven in place and a guy comes up with eight; you don't want them in there. But just putting a contract before us and not talking to that aspect of it doesn't give us what we need so you need to tell us this will put us close to our limit or whatever but in your information you have to have something like that so the Board can gauge it. Chairman Leafe then said that's the way we will proceed, how it will be handled administratively but as it relates to these two contracts, these are ones that you have been handling and know the quantities and they are local people. Mr. Taylor said yes sir. Chairman Leafe then asked for a motion to approve these two contracts and Mr. Martin (CH) said he would move the approval of the agreements with Wheelabrator, Portsmouth and Meeks Disposal and Allied Waste as printed in agenda and the motion was seconded by Mr. Oksman (PO). All present voting yes; opposed none; motion approved and carried by a unanimous vote.

(2) APPROVAL OF EXECUTION AND DELIVERY BY SPSA OF AUTHORIZED HAULER SOLID WASTE DELIVERY AGREEMENT (IN FORM APPROVED IN (B)(1) ABOVE) WITH MEEKS DISPOSAL COMPANY, INC. AND ALLIED WASTE SERVICES.

(See action taken above; both approved in one discussion and motion.)

### C. FINANCIAL MATTERS

Chairman Leafe called upon Ms. Liesl DeVary to present the financial reports. Ms. DeVary said the first thing we will be review will be the financial reports for the month ending April 30th. Year-to-date revenues exceeded expenditures by \$9.6 million. As part of the closing on the sale of the WTE facilities as Mr. Nowlin mentioned, SPSA received a reimbursement by

Wheelabrator for their portion of the expenses that SPSA incurred as it related to this transaction and that was approximately \$2.8 million dollars. So that's where you will see in the monthly report under revenues under 'Miscellaneous revenues' you see that amount of money coming in. It certainly well exceeds what was budgeted. Total expenses to date are under budget by approximately 7 to 8 percent and that's primarily in the areas of fuel, contractual services, capital projects and our debt service. Nothing out of the ordinary to report on the waste stream. The schedule of capital projects, to date we have spent approximately \$7.6 million total on capital projects and equipment replacement of which \$6.9 of that was spent on WTE facilities and the balance \$670,000 was spent on non-WTE facilities. Of the \$6.9 million, we are in receipt of reimbursement in amount of \$1.8 million as it pertained to an insurance claim on the turbine generator that was repaired so we have recouped that amount of money. Operating cash balances remain at nearly \$25 million with an additional \$7.9 million held in reserve. Are there any questions regarding the financial reports for April?

Mr. Williams (FR) said I guess it might come up better in the budget, but are we fairly well clear of all lawyer, consultant expenses that went with the closing; that's all part of the charges back to WTE but do we have any big outstanding bills in that department. Ms. DeVary said yes, we haven't actually paid those yet. You will see that reflected in the May report but they are accounted for within the budget. What we did with closing with Wheelabrator we estimated what the expenses were and had been incurred to date but not yet billed and we got that amount recouped from Wheelabrator. With no further questions Ms. DeVary made a request that the Board approve the report pending audit. Mr. Woodall (CH) made the motion to approve the monthly financial report subject to audit and the motion was seconded by Mr. Adams (SU). All present voting yes; opposed none; motion approved and carried by a unanimous and recorded vote.

Ms. DeVary continued saying next we have two contracts for your consideration and reminded the Board that per state code the SPSA Board must approve any procurement contract that exceeds \$30,000 in value. The first contract we have before you is for diesel fuel. This is an annual bid and it is bid out based on all of the diesel fuel that we use throughout the system. The bid this year has already been reduced for the reduction of terminating recycling as well as the sale of the WTE system. The bid is bid based on historical numbers and what the total value of that contract is to be but of course that isn't what we absolutely are going to spend. Of course we only spend it as we use it. So you are pretty much are really bidding just the markup price and we are recommending that you award this to Papco. The mark-up prices range on the location of where the delivery of diesel is and it ranges anywhere from 8 cents to 25 cents. It was also clarified that all fuel is purchased tax-free as we are a tax exempt organization.

Mr. Woodall (CH) made a motion to approve the contract for diesel fuel and it was seconded by Mr. Caskey (IW). All present voting yes; opposed none; motion approved and carried by unanimous vote.

Ms. DeVary said the next contract is for the annual audit. This service was bid out last March, it was for the fiscal year 2009 audit; it was awarded to KPMG. KPMG has performed the audit for SPSA for the last six years. When it was awarded last year it was awarded for

one year with four option years on it and the option year for fiscal year 2010, the base price was \$132,600. I spoke with them just yesterday about this. KPMG's primary concern is the number of hours that it takes to perform the audit it wasn't so much the fixed dollar amount. So I talked with them to find out what can we do to reduce the number of hours in order to bring this fee down. And they are in agreement and have sent just yesterday a revised engagement letter believing that the price will not exceed \$112,500 which is a reduction of \$20,000 dollars and that's also assuming a reduction of one hundred hours. We feel certainly confident that we can do that. The audit is prepared and done by myself and another staff person so as long as we don't get hit by any buses or anything we feel confident we will be able to handle that. We also will have weekly meetings with them once their field work begins to make sure that we are both on schedule, and then previously I did send this out to the Audit Committee. They are also aware we will be rebidding it this next year because certainly the transition that SPSA is going through this next years audit I would expect the fee for that will be substantially lower. Mr. Woodall (CH) said the Audit Committee concurs with what Ms. DeVary has said. They agreed that we are going to bid it out so we get to issue the contract not somebody else and number two we asked her to go back and say this is too much money and ask them to come back with something better so that's the first time I heard the dollar they came back with so we concur. There being no questions Chairman Leafé called for a motion to approve the contract for the audit and such a motion was made by Mr. Hardison (IW) and seconded by Mr. Oksman (PO). All present voting yes; opposed none; motion approved and carried by a unanimous and recorded vote.

#### D. FY2011 BUDGET DISCUSSION

Ms. DeVary began her presentation on the fiscal year 2011 operating and capital budget by saying that when the budget was first introduced there were several unknowns, outstanding variables such as application of the \$150 million in sale proceeds to cash debt service and other things so to begin she would like to review with the Board the changes that we have made to our revenue. Ms. DeVary then took the Board through a PowerPoint presentation, which is attached herein as Appendix C, detailing the changes to revenue estimates, expenses, and the capital budget. She also reviewed the use of the \$150 million proceeds and the subsequent reduction in the debt service. Ms. DeVary also discussed the tipping fees and the use of cash balances to affect those numbers.

Mr. Hardison asked for 2011, what the dollars allocated for consultant fees and attorney fees and some may be one in the same, what is that total number for each one. Ms. DeVary replied that Legal Fees are at \$300,000 and Professional Services, these are the ones that have just been customarily in the Executive Office budget, are at \$150,000 pointing out that \$50,000 of that is customarily spent on the R.W. Beck report, the annual survey. She also said that is another contract we will be bidding out this next year and we also have another post employment benefit calculations report that's done. Mr. Oksman (PO) requested that the Board identify this topic, legal expenses, as a subject for future detailed discussion. Chairman Leafé said he had also addressed this issue and that the fees had been high in the past because of a lot of different issues. He also acknowledged there are not contracts that require the payment of that entire amount. Ms. DeVary said we are not committed to spend that; if we decide we will spend only \$100,000 then the other \$200,000 can be re-appropriate.

Mr. Everett Williams (FR) asked for an accounting of the Virginia Beach expenses, the total of \$2.9 million. He wants to see it broken out by how many people, etc. Ms. DeVary said she would forward that on to the Board after the meeting noting that she had received it from Virginia Beach and that it is broken out by how much for salaries, benefits, contractual each by the different items.

Continuing, Ms. DeVary stated that staff had implemented the reduction-in-force as they had originally estimated. It was a total of 47 positions. Several of them had been vacant so the head count was much less than that but these 47 positions is excluding the positions that were terminated through recycling and through the sale of WTE. It brings our total positions budgeted at 168.5. I believe in the budget document we said 161. There are 9 positions we are going to evaluate over the next three months. It is primarily in transportation and we have budgeted that these 9 additional positions will be ruffed come early fall. As everything settles down and the dust kind of settles with our Service Agreement with Wheelabrator we wanted to make sure that we were not short having drivers available especially since we are getting into our very heavy season. So that should then bring our total positions down to 159. Ms. DeVary said Bucky and she have active conversations daily about our expenses; we don't want to spend money either. Ms. DeVary said that once we get direction from this new Board on what you want to see, what you want to do then we are able to tailor our budget accordingly. This budget, number one is my first year doing it and number two, we didn't have direction from the Board on preparing it or anything. So that's where we have lots of room for improvements and I'm confident we will get there, it will take a little bit of time. Mr. Hardison asked how much money is included for pay raises for these 168 people. Ms. DeVary replied zero.

Mr. Hardison asked Mr. Taylor what we estimate we are going to save in 2011 due to increased efficiency. It is something that every company has to do every year; every business, every government organization should and certainly we should. Mr. Taylor said they would have to sit down and figure it out; there are the 47 positions for instance. Mr. Hardison said he wasn't talking about an answer today but that there has got to be a number there we are striving to reduce cost and increase efficiency which means we are trying to do our job better that's all it means, try and do our job better to this extent.

Ms. DeVary said regarding the capital program, once again, we need direction by this Board of what condition do you want the existing assets of SPSA to be in come 2018 because as far as staff knows we are to shut down come January 25, 2018. So that's where it is I guess basically front ended in the capital at this point because we are seeing these things need to be replaced. We possibly can put them off a year or two but that's why we don't have anything in the out year because as far as we know we are ending in 2018. Mr. Taylor said the whole idea looking at it is not to do anything in last three to four years if at all possible.

Chairman Leafé said that adds to the discussion that we need to have because some of our major assets are the transfer stations and the equipment that go with it and we may or may not go away in 2018 but if we go away 2018 trash will be hauled and the transfer stations will still be necessary and valuable assets to all of the communities and the value is going to be enhanced if those transfer stations and equipment are in good shape and happen to reach some agreement with the communities that they purchase the transfer stations from us then it

increases the value to SPSA and the ability to get rid of our debt. Mr. Everett Williams (FR) said last year we had a capital budget of \$20 million which came down to \$17.5, about \$10 million of that was set aside for the WTE plant leaving \$7.5 set aside for the rest of the operation which included at that time recycling which takes away the need to buy some trucks and other stuff that went there and so \$8 million fell in the right conceptual category to me based on history, and the very fact that this year we did not spend very much to support the functions of SPSA outside of the WTE plant. And so having the staff thinking we can live with \$5.8 million worth of capital budget this year seems entirely in order to me conceptual wise, and I support that number and we will probably be tasked to achieve it. Mr. Woodall (CH) said when you look at these projects, everything has got a five years or less life. We are going to be here five years or less SPSA and look at all of them I don't know but I have gone around all these transfer stations and looked at these things that they are doing at the transfer stations and we have floors in terrible shape and at Oceana the place is falling apart. Do I like putting \$500,000 or \$600,000 in that place when we don't own it and can be kicked out in 30 days or less, no, I don't like to do that. But we have people working there and continuing to work there in next bunch of years so I think it is appropriate spending. \$4.3; \$1.5 million; I am in favor of it.

Ms. DeVary said the projected cash balances for fiscal year and I am projecting we will have \$20 million in excess of the \$10 million that will be already set aside from operating reserve. This \$20 million has been generated primarily, \$10 million savings in debt service. When the fiscal year '10 budget was originally adopted the 2009 debt restructuring done had not been done. It did not close until the June 17th so the budget had already been adopted and the existing cash balances were not taken into account when setting up the debt service plan. We have known all along I told the Board before you back in August or September that we were projecting this savings. We also have a \$10 million dollars savings in capital because we budgeted to generate the funds for capital completely from the operating revenue. Once again it wasn't taking into account that we had previously borrowed funds that were sitting in the bank and those capital projects that had been identified for that cash had been deferred. So the good news is we have got about \$20 million. Now you may ask why didn't you consider this when you were first putting the budget together. Two primary reasons; number one, we had no idea whether or not the IRS would accept the volume cap instead of us having to pay a cash penalty; no idea. We didn't know that until 45 days ago. The second one is we had no idea if there was going to be any required or additional improvements necessary to the WTE plant before or after we sold the plant. Based on the assessment and the walk through what may be held in escrow. So that is why and I do recall telling you when we introduced the budget these were certainly unknowns and variables and that the \$170 tipping fee we felt confident that would do nothing but come down. I have identified in consultation with bond counsel and financial advisor I have identified four options for use. First option would be a one-time reduction in the municipal tipping fee which could be \$80 per ton. The second option is to keep the all cash for future capital improvements and equipment replacement and basically bank the money. Third option would be to go ahead and deposit it all to the landfill closure trust therefore reducing your future annual deposits to the landfill closure. And of course the fourth option would be to retire additional debt. Your cost of debt far exceeds any potential interest earnings of holding on to the money. Our debt structure is extremely complicated. Our recommendation is to go ahead and use the \$20 million today to retire additional debt

In concluding, she said staff recommendations are to (1) authorize the use of \$20 million to retire additional debt; (2) adopt the FY 2011 Operating and Capital Budget of \$56,333,175; and (3) set the municipal tipping fee at \$150 per ton (all other fees as previously advertised).

Ms. Fleming said Mr. Chair, I think if you think back on all we said today and remember the patience the judge has asked us to have and you remember the progression of the information that Liesl just gave us there is absolute clear illustration of why we need to be patient, how one piece ties to the other and why we can go with confidence by adopting this budget now. It clearly leaves the path open to make the changes we need to make but it clearly illustrates your point about being patient and taking it step by step and waiting to see how one thing affects another. I think they have done a great job; think it really confirms what we talked about this morning and we need to remember it is just the beginning. So I would like to say thank you to Liesl for what she has presented and the manner in which she has presented it and if you can wait through and not be too anxious you see the logic of it. Chairman Leafé asked her if she would like to make that a motion and then we would have a second and then have discussion Ms. Fleming said yes, just to get it on the floor because recommendations in there that have to be acted on; so moved. Chairman Leafé repeated that the motion was to approve the recommendations on the retirement of the debt service; we will go through these individually, these are for discussion purposes that we approve the operating budget and tipping fee of \$150. The motion was seconded by Mr. Johnson (IW). Chairman Leafé asked if there was further discussion with regard to that. Ms. DeVary said we will monitor as we do every month and give you a financial report. If we find six months into next fiscal year that we have identified other savings and you want to reduce the fee, you can. Ms. Cuffee-Glenn (SU) said she thought they have done a tremendous job and to move it forward.

Chairman Leafé said we all have the desire to reduce the tipping fee as much as we can but we also have the obligation to make sure that we are protecting the financial integrity of the organization. As one individual the very last thing I want to do is be in a position where VRA is notifying our local jurisdictions that we don't have enough money to pay our debt service and they would like to talk to them about their guarantees. I am convinced that given another year that we can make enough changes operationally and administratively to at least get that number down another ten dollars. Mr. Hardison (IW) said he thought we all have had lots of discussion with staff and I would like to commend the staff on patience in dealing with the different thought processes they were approached with and things worked out.

Chairman Leafé asked that we break these out separately for purposes of a vote so that we are making ourselves clear and the staff is clear. The first one would be the application of \$20 million of excess cash, to the repurchase of bonds and reduction of debt as Liesl has described. It was determined that the previous motion, all inclusive, is still on the floor. Mr. Martin said before we vote on what appears to be one main motion my lawyer back at the City would get me if I didn't make my statement for the record which is that the City of Chesapeake is pending litigation of which one of the counts alleges discriminatory and unequal and tipping fees, and so my vote today is without prejudice to the City's position. Chairman Leafé clarified that the motion is in this case for all three items and that we will take it by roll call. Ms. Ivory repeated that the motion was to approve the operating budget and the tipping fee of \$150 and approve the use of the \$20 million for additional debt

retirement and Mr. Thiel stated that it was the three items shown on slide 14 of the budget presentation. Ms. Ivory then took a roll call vote the results of which are herein recorded: Mr. Woodall, yes; Mr. Martin, yes; Mr. Everett Williams, yes; Mrs. Fleming, yes; Mr. Hardison, yes; Mr. Caskey, yes; Mr. Leafe, yes; Mr. Stein (sitting in for Ms. Regina Williams today), yes; Mr. Oksman, yes; Mr. Harvey, yes; Mr. Chesson, yes; Mr. Johnson, yes; Mr. Adams, yes; Ms. Cuffee-Glenn, yes; Mr. Barnes, yes. Motion approved and carried by a unanimous and recorded vote.

Chairman Leafe said good job to Bucky, Liesl and the staff. He also said he hoped all of our communities will appreciate the extra dollars that we will not be collecting from them this year.

#### **4. REQUEST FOR CLOSED SESSION**

Chairman Leafe then said the Board would need to go into executive session, shouldn't take very long, but for two items and called on Mr. Taylor to read the request which was as follows:

*A request is made for a closed meeting to consider information, reports and advice regarding (a) Virginia Code Section 2.2-3711(A)(7) for the purpose of consultation with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel and pertaining to probable litigation where such consultation or briefing in an open meeting would adversely affect the negotiating or litigating posture of the Authority; and (b) to review, consider and discuss various personnel and employment matters pursuant to Virginia Code Section 2.2-3711(A)(1).*

Chairman Leafe said what we will do is go now into executive session and for the first part of the executive session we will have our legal counsel here and staff and deal with that legal item. The second part will be for the Board only. Mr. Oksman (PO) made a motion to approve the request for closed session and it was seconded by Mr. Woodall (CH). All present voting yes; opposed none; motion approved and carried by a unanimous and recorded vote.

Immediately upon completion of the Closed meeting, the following certification was read:

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

A motion to approve the certification as read was made by Mr. Stein (NO) and seconded by Mr. Oksman (PO). A roll call vote was taken and the results were as follows: Mr. Woodall, yes; Mr. Martin, yes; Mr. Everett Williams, yes; Mrs. Fleming, yes; Mr. Hardison, yes; Mr. Caskey, yes; Mr. Leafe, yes; Mr. Stein (sitting in for Ms. Regina Williams today), yes; Mr. Oksman, yes; Mr. Harvey, yes; Mr. Chesson, yes; Mr. Johnson, yes; Mr. Adams, yes; Ms.

Cuffee-Glenn, yes; Mr. Barnes, yes. Motion approved and carried by a unanimous and recorded vote.

**5. ACTIONS ARISING FROM CLOSED SESSION**

Chairman Leafe stated there was no action to be taken as a result of the closed session.

**INFORMATIONAL ITEMS.**

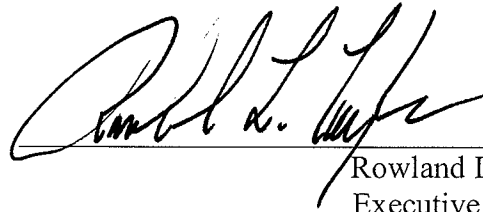
There were no informational items.

**OLD/NEW BUSINESS**

There was no old or new business discussed at this meeting.

**ADJOURNMENT**

There being no further business to come before this Board of Directors, the meeting was adjourned.



Rowland L. Taylor  
Executive Director

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Submitted by: Lou Ann Ivory  
Secretary, SPSA Board of Directors