

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

February 27, 2008

At the regular meeting of the Southeastern Public Service Authority of Virginia beginning at 9:30 a.m., in the Regional Board Room, Chesapeake, Virginia, there were:

ROLL CALL

Members:

Leroy Bennett, Chair	(SU)
Bryan L. Collins	(CH)
Charles A. Wrenn (Vice Chair)	(FR)
James B. Brown, Jr. *	(IW)
Donald L. Williams **	(NO)
Ray A. Smith, Sr.	(PO)
Dallas O. Jones <i>absent</i>	(SH)
Michael J. Barrett	(VB)

Alternates:

William E. Harrell	(CH)
Rowland L. Taylor	(FR)
W. Douglas Caskey <i>absent</i>	(IW)
Stanley A. Stein <i>absent</i>	(NO)
Kenneth L. Chandler	(PO)
Mike Johnson	(SH)
Eric T. Nielsen, Jr. <i>absent</i>	(SU)
Bill DeSteph <i>absent</i>	(VB)

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

* Indicates Late Arrival

** Indicates Early Departure

The meeting began with the invocation by Chairman Mr. Leroy Bennett (SU), the Pledge of Allegiance by all attendees, and was followed by Roll Call. A quorum was present.

CHAIR STATEMENT

In place of his Chairman's Statement, Mr. Bennett yielded the floor to Don Goldberg, Chairman of the Business Advisory Council (BAC) of SPSA, and while Mr. Goldberg was approaching the podium indicated that several other committee members were present with him this morning.

“Thank you very much. Mr. Chairman, I am Don Goldberg, I am the Chairperson for the Business Advisory Committee [Council] along with the Vice-Chair, Dorcas Helfant who could not be with us today. I want to thank you for allowing the BAC to organize; you have a wonderful, magnificent group that has been put together, real leaders in the community. A few of them are here today; I would ask them to stand if they would. We have been meeting for several months and getting more and more up to speed on the history and activities of the agency and we felt a report to the Board was due at this time. Most of the discussions have been around flow control; a review of SPSA’s current issues, especially the 2018 issue, and public awareness. In general the BAC has been interested in and exploring SPSA’s educational initiatives regarding flow control. It is important that our area businesses understand what is going on with that initiative and we applaud SPSA for taking an aggressive role in educating the public on that issue. Also, we want to remain in the loop regarding the possible waste-to-energy systems divestiture; that is a very, very important activity both financially and environmentally to the region and we hope that the Board examines all the points of view carefully before deciding the course of action. We also had a presentation on the recent landfill privatization comparison. Mr. Babcock and Mr. Peter Schmidt are co-chairing the BAC 2018 Subcommittee. That subcommittee will be seeking to fully understand all that goes on regarding waste management and disposal post-2018. We believe a regional approach would be best but await the objective study results that are now being made.

We are also following public awareness and based on what we have been privy to, recent reports and independent reviews, we believe there is a huge regional disconnect between perception and true reality of SPSA. We believe that the key stakeholders of SPSA and the public are not getting the full information and understanding of the history, the challenges, and the new position, the positive course that SPSA is on. To that end, we greatly suggest to the Board and staff that an effort be put in place to overcome this disconnect. Finally, several members of the BAC have expressed interest in providing some general thoughts to the Board as you seek a new Executive Director; while we do not anticipate nor desire to be part of the selection and interview process, we do believe there are some attributes and skill sets that you should look for in the new position to lead this agency. As the Chair of the BAC, I will confer with Chair Councilman Bennett for his thoughts on how the BAC may provide you with our suggestions and you may use that information as you like. I thank you for your time in allowing us to speak today and we look forward to continuing to work with you through the BAC.

Mr. Bennett thanked Mr. Goldberg, stating that he did appreciate everything that they do, all the advice, all the suggestions that they make to us; it is a great organization. We have been trying to reach out in the community and it is a great tool by using the business people of different communities to work together and help spread the word about what is taking place in SPSA and the challenge that we have and the direction we need to go in the future, and with the caliber of people we have, we cannot thank you enough for taking time out and sharing with us and working with us to try to make SPSA a better organization. Again, we cannot thank you enough for your time and effort and continue to work with us and support us and we will always appreciate your efforts.

Mr. Smith (PO) asked if the Committee members could stand and introduce themselves as some of the Board may not know who they are. Mr. Goldberg introduced the members present as: Peter Schmidt, Virginia Beach (former Councilman and former Director of the Virginia Department of Environmental Quality), Bobby Clark, Isle of Wight (former member of the Board of Supervisors), Wayne Crabtree, engineering expert, and Rodney Rosenberg, one of the private waste haulers.

Mr. Bennett noted the very diverse mixture of the individuals on the BAC which he feels show the interest of people wanting to work with us and trying to help us. Mr. Goldberg stated that he cannot say enough about the group and how positive they are in their approach and wanting to be supportive.

PUBLIC COMMENT PERIOD

Mr. Bennett stated there were no speakers registered to speak today.

EXECUTIVE DIRECTOR'S STATEMENT

“Thank you, Mr. Chairman., and I would like to echo your comments about the Business Advisory Council (BAC) and thank them on behalf of the staff. The representation on the BAC is across the board, across the region; it is not just the members that you see, there are a number of members who, for various reasons, are unable to be here today. The Council is made up of both retired and active members in the business community. We have folks that represent the private hauler industry, a former and now retired mayor of Norfolk, just all across the board, and we have been very pleased and very thankful for their service and commitment they have made to help making this region a better place through the waste management process.

Let me switch off to another matter; you will recall eighteen months or so ago, Tropical Storm Ernesto dumped eleven inches of rain in this area over the course of about 24 hours – the biggest storm that I ever remembered. At the landfill, we were just beginning to use Cell VI and had put some waste in a portion of that and had bermed off the rest of that cell from the waste area so that we could separate storm water and dispose of that in the storm water system and from the leachate that would come in contact with the waste and dispose of that in the way that we are obligated to do. When the storm hit, the amount of water that was captured in Cell VI overwhelmed the site, reached the one and a half, two foot high berm and came in contact with the waste there. In order to try to keep operating, our operators, wrongly but nevertheless did, pump the storm water into the storm water system. We learned about that a couple of days later, the environmental staff did, and reported the matter to DEQ. We also tested the storm water that was still in the storm water ditch and found it to be non-contaminated; it was storm water not the kind of material that you would normally count as leachate, nevertheless because the water had come in contact with the waste it was technically leachate. We have been working with DEQ for the last several months in negotiating a consent agreement and have reached agreement with them; DEQ has also allowed as part of the penalty, part of the payment that we will make, a donation to the Elizabeth River Project, their Elizabeth River Restoration Trust in the amount of \$12,600. Another \$1,400 will go to DEQ, the remainder of the fine. I bring this to your attention because late last week I signed on behalf of SPSA, the consent agreement/order and it

has gone back to DEQ for their final review and will be published if not late this week, sometime next week and we have in place a press release regarding this and wanted to be clear and upfront and very open about this process. We made some mistakes; there was in our opinion no environmental harm because of the quality of the water and the amount of the water but we made a mistake and we have corrected that; employees have been trained again and the employees involved were disciplined at the time or shortly after that. I will be glad to answer any questions you have.

Mr. Collins (CH) said that we have addressed this in the past but he just wanted to be sure that we were still on tract; the circumstances that helped to create that (situation) to my understanding were something totally out of the norm, but because it did happen we have implemented the appropriate procedures to address that extreme types of circumstances? Mr. Hadfield stated that we had; that we had gone through more training with the employees out there and in the rest of the organization to avoid this kind of thing from happening again.

Mr. Collins also stated that he was giving the Executive Director a chance to comment more on the Business Advisory Committee [Council] report. There are a couple of things, (1) they mention about working with you, giving you some information on their suggestions on the selection process, noting that he felt it would probably be beneficial to the entire Board and asked that when they (Executive Committee) communicates, make sure that their thoughts and ideas are communicated to the remainder of the Board. They also mention about the operational disconnect between reality and in fact between the actual operations of SPSA and the public perception and I would like to see us address that in some form or fashion. He also said he thought it would be beneficial to everybody on the Board as well to further more intimate operations with the fact that we are changing our Executive Director to our new staff; he feels there are probably some other changes to our senior staff that may happen in the not to distant future. He also stated that we have not had a board retreat since last September, in particular with goal-setting and suggested that it might be getting close to time especially with these changes and the things we have coming up here immediately that we get together and look at those.

SPECIAL PRESENTATIONS

ITEM NO. 1: PRESENTATION OF RETIREMENT CERTIFICATES

The Board of Directors of the Southeastern Public Authority, along with the Executive Staff, wishes to recognize long-term employees of SPSA with a *Certificate of Appreciation* upon their retirement. Ms. Linda Taylor was present at this meeting and was called forward to receive her retirement plaque as she was unable to attend last month; she retired effective December 31, 2007.

Mr. Bennett thanked Ms. Taylor on behalf of the Board for the service that she has given and wished her well in her retirement. Ms. Taylor said what retirement has done for her is that she is adopting seniors everywhere and is volunteering at senior homes and is really enjoying it but really misses SPSA and thanked everyone. Mr. Hadfield said that Ms. Taylor is one of the more

dedicated employees they have ever had, in the office as early as 7:00 a.m., staying sometimes into the evening and noted that SPSA missed her.

Mr. Bennett then asked Felicia Blow to come forward, noting that Felicia has chosen to move on to another position. He said she had spent eighteen years at SPSA and we definitely hate to see her go and want to give her a certificate of appreciation; he then presented her with a Resolution, thanking her for her eighteen years of service, noting it was not easy leaving. He noted that there had been a lot of challenges, had done what was right, had stood up for SPSA, stating that she has meant a lot to the Board and thanked her for her time and effort and wished her well in her endeavors down the road. The Resolution was then read out loud by Lou Ann Ivory and is printed herein:

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

Resolution of Appreciation

PRESENTED TO
Felicia Walker Blow

WHEREAS, Felicia Walker Blow, has served the Southeastern Public Service Authority of Virginia for more than eighteen years, since November 20, 1989; and,

WHEREAS, during her tenure, she served first as Public Information Officer and most recently as Director of Communications. Her willingness to support the solid waste management programs of the Authority with her commitment to the region, her dedication to progressive environmental goals, her knowledge, experience and her personal time has rendered an invaluable service to the citizens and the member communities of southeastern Virginia, the State of Virginia, and to this Authority, enhancing the quality of life for all; and,

WHEREAS, with a feeling of deep gratitude, on this occasion, the Board of Directors and her co-workers at the Southeastern Public Service Authority of Virginia express their respect and appreciation for her professional service to the Authority and to the citizens that it serves.

NOW, THEREFORE, BE IT RESOLVED, with great pride, the Board of Directors of the Southeastern Public Service Authority of Virginia recognizes, thanks and commends **Felicia Walker Blow,** for her service to the citizens of Hampton Roads and to the Authority, and upon completion of her service presents this Resolution as a token of its esteem and orders a copy be spread upon the minutes of this meeting.

Adopted this 27th day of February, 2008

Attest: _____
Leroy Bennett, Chairman of the Board

John S. Hadfield, P.E., Executive Director

Ms. Blow said it has been an exciting eighteen years and she did not expect to be leaving SPSA; she stated she loved SPSA and that what the forefathers like Vince Thomas and Andy Damiani did in bringing together the eight communities and having this progressive and integrated waste management system was one of the best things that this region could have had happen to it. There have been some challenges but she believes this organization will prevail and overcome and continue to be a shining light; she then asked everyone to give themselves a hand for the wonderful job they do.

Prior to moving into the Action Agenda, Mr. Bennett called for a special closed session and Mr. Hadfield read the cited request printed herein:

A request is made for a closed meeting in connection with the hiring of a consultant to assist in the search for a new Executive Director. This matter is exempt pursuant to: (a) Virginia Code Section 2.2-3711(A)(1) in connection with personnel and employment matters that involve the appointment, performance and salaries of specific employees; (b) Virginia Code Section 2.2-3711(A)(29) for the purpose of awarding a contract where competition and bargaining are involved and where discussion in open session would adversely affect the bargaining position and negotiating strategy of the Authority; and (c) 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.

A motion to approve the request for a closed session was made by Mr. Collins (CH) and seconded by Mr. Smith (PO); all present voting yes; opposes none; motion carried.

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 above certification of the closed meeting as written in the agenda note and resume the open meeting was made by Mr. Collins (CH) and seconded by Mr. Smith (PO). All present voting yes; opposes none; motion carried.

Additionally, an item was inserted here to address a matter arising from the Closed Session.

ITEM NO. 1.A: ACTIONS ARISING FROM CLOSED MEETING

Mr. Bennett stated that we had one item to address following the closed session which called for a motion to approve a resolution approving the proposal of The Mercer Group for consultant services (regarding the search for an Executive Director) was made by Mr.

Barrett (VB) and seconded by Mr. Smith (PO); all present voting yes; opposes none; motion carried.

ITEM NO. 2: CHANGE IN PROVIDER OF GENERAL BANKING SERVICES

Mr. Hadfield stated that we are in the process of changing banking institutions and called for Mr. Walt Hunter to make a brief presentation on why we are making the change and where we are. Mr. Hadfield also noted that there was a resolution at each Member's place to be considered after Mr. Hunter's presentation which is herein attached as Appendix A.

Mr. Hunter stated that several months ago SPSA went out with an RFP for banking services. For quite a number of years Bank of America has provide those general banking services which are checking accounts and all the services required just to move the money around, deposit accounts, that sort of thing. We received several responses back and through a process of comparing the proposals made the decision that Wachovia Bank could provide a little better service for us given our circumstances; they do have a dedicated local government unit that is located locally for support and the support services they can provide we thought were superior. Although the cost is slightly less than the other proposal, it wasn't really a cost-driven decision as much as it was a service-driven issue. Mr. Hunter offered to answer any questions and Mr. Collins (CH) asked if not only the service for the dollar being better, the actual price is better as well. Mr. Hunter stated that the price was better but it was not a high-cost service. In a typical month's activities we made under the two proposals there was about a \$100 a month difference, from about \$1,600 a month to about \$1,500 a month based on our activity levels. Wachovia was the lower cost but it was also because of some of the local support which we have now experienced as a result of some of the lending activity with Wachovia and we have been very pleased with that.

Mr. Collins (CH) made a motion to approve the Resolution naming Wachovia Bank for our general banking services which was seconded by Mr. Barrett (VB). All present voting yes; opposes none; motion carried.

ITEM NO. 3: PRESENTATION OF PROCESS CHANGES AT RDF PLANT

Mr. Hadfield stated that there had been a number of changes that we have made at the RDF plant to try to improve the process and reduce operating costs; there are some other changes we are getting ready to engage in and he asked Mr. Dick Cheliras, Director of Waste-to-Energy (WTE), to give a presentation on what those changes and the expected impact from those changes are.

Mr. Cheliras gave a PowerPoint presentation and provided a handout attached herein as Appendix B. He stated that over the years we have taken a look at not just this particular process but all of the processes in the organization, always looking to methods to improve the way we do business, to streamline and reduce costs. Mr. Cheliras reviewed the diagram of the original process of the RDF process as the facility was created back in the 1980's, detailing the process of the municipal solid waste (MSW) from when it was received at the Plant, taking it through the equipment and machinery used to process it until completion of its route with it ending as either ferrous material or being trucked directly to the landfill as process rejects. In summary, Mr. Cheliras described the financial reasons for changing to a conveyor belt system versus a trommel

system, stating that we would experience over \$2 million in capital budget savings, a \$71,000 yearly increase in electric sales revenue, and a savings of \$137,000 a year in reduced maintenance costs.

Mr. Wrenn (FR) asked what the where and tear was on the furnace, the boiler with regard to having increased the amount of “hard” waste going through the boiler? Mr. Cheliras said there was some because of the abrasive material going through but it was relatively insignificant. Most of the material was falling through the grates and coming out with the ash so we were not seeing that much effect on the tubes, etc. By the nature of the business, a trash burner as opposed to an oil burner or even a coal burner, you do replacement much more frequently than one of those types. Mr. Barrett (VB) stated that he did not question our ability to make these assessments, but asked if we had independent confirmation that this process will work efficiently and will get the cost savings we are projecting; in other words, has R. W. Beck or whoever we have as an engineering consultant looked at it? Mr. Cheliras said that HDR had worked with the folks that preceded me in laying this program out, so “yes sir” that was done. Mr. Collins (CH) said that it sounds like we are going to a process similar to what the Navy was using at the old trash plant in taking the waste as it is and separating it on the back end and hauling it off, but here we have a conveyor involved; are we going to have a belt and things on hand in case things wear out and such in moving this waste and the additional wear and tear? Mr. Cheliras stated that the concern about belt replacement is very valid and there are some key belts that we have in the process; this is not the only conveyor belt, we have over 20 of them in the process and for the key belts we have replacements in stock and maintain that process. We do have to have the vendor do the installment and once the vendor is on site, it is about a six to eight hour process. We schedule when we are going to take them down and change them out. If there is a catastrophic event that occurs, we can loose as much as 36 hours for replacement which is why we rely on the material that is already stored in the Power Plant, in the pit, where we can feed the boilers out of and why we keep 30-40 hours of fuel on hand at a minimum as a back-up. So yes, we do stock material, belts. Mr. Collins also pointed out a concern about the truck and being half full and because of the density. Weight is the limiting factor anyway, is there any cost difference of that trailer running at 80,000 lbs. half empty or that same trailer being full at 80,000 lbs.; it’s the same trailer and truck. Mr. Cheliras stated that it was a different style of trailer; it is the same type of trailer we use to haul the MSW as to haul the processed rejects. “A pound of glass is a pound of glass” and I think that is your point. The other side is that a pound of glass occupying a half-full truck as opposed to being into an ash trailer that I can completely fill, I am getting back maximum utilization out of that piece of equipment and I am only getting 50% utilization out of the other piece of equipment. Mr. Collins commented that he would not want us to be putting money into buying trailers when this other type of trailer would work. Mr. Collins emphasized that he was looking at cost-savings with this type of question like the Board was doing at this time last year and asked Mr. Cheliras what the percent of reduction in costs for this year. Mr. Hadfield stated that if you look at the summary, a little over \$200,000 between increased energy sales and reduced maintenance costs; if I ignore the capital for a moment, we are looking at an operating budget for the RDF plant of roughly \$6.5 million so it is a percent of its operating cost, relatively small but important. It is way less than 5%, however, it adds up.

Mr. Wrenn (FR) asked if what Mr. Cheliras wants to go to, is it accepted in the industry; in other words if someone is looking to buy WTE and looks at our process, are they likely to look at

where you have gone and say, “that is okay” or “that’s cutting corners”. Mr. Cheliras responded that without knowing who is going to submit a proposal, I can’t say specifically how it would be received, but what I can tell is that all of the people who have visited us have been briefed on not only where we are today but what our capital programs are and that included this modification so they all have been made aware of the fact that we are in the process of doing this.

Mr. Hadfield stated that he appreciated the Board’s indulgence in this presentation but that he had felt it important with the related cost-savings, etc. to bring it back to the Board. He also stated that the next three items, #4, 5, and 6 are intended for staff to get some direction on preparing the budget for FY2009 which we anticipate presenting to you in the March meeting, but there are some significant issues that will influence the budget and these are some of them and wanted to make this presentation to you as we prepare that final budget.

ITEM NO. 4: PRESENTATION OF ALTERNATIVES TO EXTEND THE LIFE OF CELL VI

Item #4 is a presentation to extend the remaining life of Cell VI so that if Cell VII is authorized and we proceed with it as we anticipate, that we have sufficient capacity in Cell VI to let us get into Cell VII, permitted, constructed and operational before we run out of that. We engaged R. W. Beck again to look at some options that we have to extend the life of Cell VI and Jeff Clunie is here today to go over those with you.

Mr. Clunie came forward, presented a PowerPoint presentation and provided a handout which was at each member’s seat and is herein attached as Appendix C. Mr. Clunie stated that his firm had been asked to look at the viability of SPSA’s objective of having a two year gap between the anticipated date of closure of Cell VI and the expected availability of Cell VII and the goal was to identify whether that two year gap would be able to be achieved. The second part of this analysis was to estimate the range of cost associated with different options in order to meet that goal.

Mr. Clunie responded to questions afterward and Mr. Johnson (SH) stated that under the options, he had talked about stop taking 120,000 tons of C & D and 130,000 tons of out-of-area waste and asked when they assumed stopping that waste? Mr. Clunie stated that they assumed that would stop July 1, 2008 and run through the time the landfill space had been depleted. Mr. Johnson also asked what time frame the net cost of the \$21.6 million covered, was it through 2013, 2011... and Mr. Clunie responded that it was through 2013. He also asked if we had calculated what the expected impact on the annual tipping fee would be to cover the loss of revenue and Mr. Clunie stated that all they were trying to do was to identify what the cost would be separate and apart from anything else related to the system. We have not tried to identify how you would cover this cost, all we are doing is trying to identify what it was going to cost SPSA to implement this goal of a 24-month gap period between the closing of Cell VI and the opening of Cell VII and identify what the different cost options would be; we have not taken that information and put it back into the main financial models. Mr. Barrett (VB) stated that in that regard this is just a hypothetical cost of buying protection if you don’t have Cell VII done when we predict that it will be done; so it really isn’t a “real scenario”, it is quite possible, in fact it looks quite feasible currently that we won’t need to do this, that we will be able to fill up Cell VI and Cell VII will have come on

line. So you are only costing out a hypothetical goal that we have given you that we want to have insurance if for some reason, and to me, what is the level of insurance that we need – fifteen months instead of 24 months, I want to know if there is anything in the future that you see is going to happen that makes our prediction wrong and we might want to do, have the opportunity to do an option to have capacity in the private sector if that happened, but I certainly could not justify making these changes because the safety period isn't quite as long as we said we would like to have it. So I guess what I am asking for is an analysis of what are the chances of this outcome; in other words, if our chances of a positive outcome, i.e. Cell VII is done in plenty of time and we put waste in it, if that is 95% then I am certainly not going to want to spend this kind of money to give me a slightly higher insurance.

Mr. Hadfield stated that Mr. Barrett was right; the gap period is the critical question; I am not sure that we know how to do some kind of a risk analysis like that because of the unknowns out there; unknowns relating to permitting. I might add that we have already run into a permitting snag we are already working with DEQ and unexpected storm events, hurricanes and what nots, unrelated to debris but as we found with the last hurricane, which was barely a Category 1, waste quantities increased dramatically for a short period of time because of people disposing of spoiled foods and those kinds of things. Are 24-months “suspenders and a belt”? Probably. Fifteen months, probably okay. The problem is once you get to knowing whether you needed that, it's too late to go back and get that time and you would be left with the only option of going to a private landfill or some other source. Mr. Barrett continued; “That's true; that's why I had suggested at the last meeting I suggested that we look into an agreement, an option agreement that if there is a period where we are out of capacity at the end of the life of Cell VI that we have negotiated the right to take waste quantities to them but that is at the end; then we are going to know how much time we need. If we do it this way, we already have spent this money”....or lost the revenue. It just seems like an incredibly large amount of money to give up for some assurance that the insurance period out to be 24-months instead of fifteen months - or even twelve.

Mr. Wrenn (FR) asked if we had any experience in this similar situation when we started Cell VI. Mr. Jordan asked Mr. Cheliras how long it took to get the CUP for Cell VI and he responded about three years. Mr. Barrett stated that he thought we had the CUP already and Mr. Hadfield stated that we had the CUP but we don't have the state permit, either Part A or Part B. The state permit cannot be processed continually until we have the CUP; we have that and we are in the permitting process but right now we have run into a bit of a road block with Part A with the permit and are working with DEQ on that and Mr. Hadfield and Mr. Cheliras are going up to Richmond in that regard tomorrow to discuss that issue with the Director. The process once the Part A is moved through, technically the Part A has to be approved and issued before you can even submit Part B; Part A is the citing criteria and Part B is the engineering criteria, the design criteria. Part B will take a good year to a year and a half for DEQ to work through along with our engineering firm once it has been prepared. Part B is in preparation as we speak and it is anticipated that it will be completed and ready for submission to DEQ in late summer, August-September time frame (2008). Mr. Barrett asked if Mr. Cheliras had changed or revised his prediction as to when Cell VII will open based on whatever problems the staff is having? Mr. Hadfield stated that we had not at this moment because the glitch with DEQ is not holding things up but it could if we don't get the resolution on this issue with them but he stated that he did not

know how long it would be a problem. Mr. Barrett commented that he thinks we need to get legislative help with DEQ; this is an existing landfill, it is not like we are out there building a new landfill. Mr. Hadfield stated that staff will bring this back for some further discussion and information about alternatives. Just doing some simple math, this \$21 million net cost would be about \$5 million a year spread over the 4 1/2 years between 2008 and 2013; a significant amount of money and it could be that if we get through the process and not have any problem and perhaps the better way to do it is as you suggested; that is to contract for a private landfill for contingency in case we need it. We'll go through the process and come back to the Board with what information we get out of an RFP and not act on this at this point. Mr. Bennett stated that he felt we should wait until after the meeting with DEQ and then see if we need to get some legislative assistance from them to move it forward before we take any action on this. Mr. Wrenn asked if everything were to proceed with Cell VII, it would be scheduled to start up in November of 2011? Mr. Hadfield stated that this was correct. Mr. Wrenn then asked if everything proceeds with Cell VI as it is currently projected, it would be full in 2011; is it that close already? Mr. Clunie stated that they had run an analysis of when Cell VI is currently forecast to be full and it is 2012 so it is going to be very, very close. Mr. Wrenn asked that if all went well, we might have a three-six-nine month gap? Mr. Clunie said only a "year" and not a specific date and Mr. Hadfield said he thought he remembered April as the projected date which would give roughly about six months. Mr. Wrenn stated that if that is the case, he was assuming that we would have some ability to project and once we are "turned loose", then at that time we could decide; we don't have to haul all that waste, we can turn it down, or whatever, we can decide how much; it doesn't mean we wait to do it, we might stop it and start it again. So it doesn't have to be all or none for one thing, and you plan ahead, then you can do early on rather than wait until it is full.

Then the next thing that factors in is that we really need to consider more about this starting back to haul ash to the Virginia Beach landfill and see what the implications are because he doesn't have clue and the third thing is, if we end up on this flow control thing with a universal tipping fee and we do in fact loose commercial waste from Suffolk and Virginia Beach, then that has to have a significant impact, so there are a lot of things out there that need to be considered. Mr. Hadfield stated that the out-of-area contract, that includes both the out-of-state out-of-area and the in-state out-of-area, Hampton and so forth, those contracts expire on their own terms at the end of June of this year and through the budget process we will come back to you with suggestions and part of this presentation will involve what to do if anything with those contracts for out-of-area waste. Mr. Johnson asked, both options you have fifteen months gap as the gap, is that a cumulative fifteen months? We say we have a six month gap anyway, so are we only gaining nine additional months? Mr. Clunie stated that SPSA's objective was to have a full 24 months and he had tried to identify of that 24 months, how much can you achieve for comparative purposes and asked if he could get back to him on that. Mr. Harrell (CH) stated that he would like, at the next meeting, to get a feel on how the DEQ meeting went, an assessment of whether legislative support to help move the process and he thought that what would be helpful to the Board would be kind of a breakdown of, based on that meeting, when we think the permitting would be freed up for Cell VII, along with our current assumptions for when Cell VI would be full so we can begin looking at these issues along with all of the points made by the Board; it is really too early at this point, we really don't have all the information we need. Mr. Collins (CH) stated that we will also need the numbers updated as it relates to the expected

flow control because he believed the current figures were not inclusive of that. Mr. Hadfield stated that the volume of waste will not change with flow control; will not increase, we don't anticipate capturing any more. In fact the commitment to the Board made by Resolution was that if all communities adopt flow control, we would discontinue taking the out-of-state portion of the waste and that would actually reduce the volume coming into SPSA. Mr. Collins stated that that decreased amount increases the life expectancy and he agreed with Mr. Johnson in wondering exactly how many months are we looking at here because initially he thought we were already at a year; if we are at fifteen and then we spend \$21 million we get 24 months, what are we actually gaining here. Mr. Bennett stated that this was information we needed and that they could not decide anything today as there were too many questions still unanswered. He noted that Mr. Hadfield will be meeting with DEQ and then staff can put together some calculations and bring the answers back at the next meeting.

Mr. Barrett also noted that amount of both commercial and municipal waste are down from last year which was down from the previous year so the assumptions that we are making about quantity, he presumed that staff had entered that into there but expressed the fact that this was important. Mr. Hadfield said the assumption about 1 1/2% waste growth going forward is based on the experience we have had over the last 10-12 years. Those quantity changes can be up or down in any given year but noted that Mr. Barrett was right, what we have seen is that the quantities are down and that is giving SPSA some concern. Mr. Barrett commented that it is good for the landfill but concern for the revenue.

ITEM NO. 5: POLICY DISCUSSION ON TIPPING FEE OPTIONS FOR FY2009

Mr. Hadfield stated that Item #5 is a policy discussion on how we finalize preparation for the budget for FY2009 with regard to the municipal tipping fee particularly and presented a PowerPoint presentation and handout which is herein attached as Appendix D. Some background on the tipping fee and policy options changes; remember the flow control ordinances in the six member communities became effective January 1, 2008 and are in effect today. Contracts for both in and out-of-state waste expire June 30, 2008 and the out-of-state portion is roughly 65,000 tons a year; the in-state portion is approximately the same amount; 130,000 tons of waste out there that we have been receiving. Based on your approval at the January meeting, we have notified the current contract commercial haulers that those contracts will end at the end of January 2009. They required a twelve-month termination notice which we gave at the end of January 2008. There are at least three policy options that we have; one is to try to re-negotiate the commercial disposal contracts. It has been the topic of discussion of staff and member communities over the last six months. Another option is to go forward with flow control with the six members and in that there are two variations; one would be to have a lower commercial rate in Virginia Beach and Suffolk. You will recall that we have assumed that if Virginia Beach and Suffolk did not adopt flow control we would lose all the commercial waste in those two communities because of the uniform rate that would be adopted and so one option is to have a lower rate in Virginia Beach and Suffolk due to the concern of losing that much waste there. Another option on flow control would be to have a uniform rate throughout the region.

When we look at re-negotiating the commercial disposal contact, and you may have different opinions on the pros and cons or additional pros and cons on that and he would appreciated their

thoughts on that, but some of the firm impacts to maintain the equality in the commercial rate which we think is very important in maintaining the competition in the region. On the negative side, we could end up with unequal commercial and municipal rates and that has been one of the goals that the Board has stated over and over that we have equality between the commercial and municipal rates and if the rate is higher than what we might consider the market rate, there is a very real possibility of losing waste outside the market. When we look at flow control, if we have a lower rate in Suffolk and Virginia Beach, certainly one of the pros from Suffolk and Virginia Beach's perspective is that it removes the consideration of flow control adoption in those two remaining communities. But on the negative side, it would maintain the disparity between the commercial and the municipal rates and one of the bigger concerns we have is that lower rates in Virginia Beach and Suffolk would encourage waste migration from communities where the commercial rates are higher and for instance Norfolk and Chesapeake waste would quickly become Virginia Beach waste. The uniform rates throughout the region if flow control is to proceed, is it achieves equality in the rates between the commercial and the municipal side; on the negative side, the business rates will increase more than if flow control had been universally adopted and as R. W. Beck showed us earlier, we may lose all or certainly most of the commercial waste in Suffolk and Virginia Beach and referenced the graph showing this projection. Mr. Hadfield recommended that the Board plan to proceed with flow control with a uniform rate beginning in February 2009 and that we include that in the budget presentation but that we also continue to work with the (private) haulers on a contract that would seek equality in the rates and ensure that it meets the system revenue stream requirements. Mr. Hadfield stated that he would like to have discussion on this but wanted to delay any action until after the next Closed Session when he would speak with the Board further on the matter of contracts.

Mr. Wrenn (FR) asked what was the tip fee that we charge for commercial for today. Mr. Hadfield responded, "\$28" and continuing Mr. Wrenn asked what did we charge for C & D and Mr. Hadfield responded, "\$16 for out-of-area; \$22 for C & D". Mr. Barrett (VB) stated that he thought there was considerable room for Mr. Hadfield to negotiate a much more favorable commercial tipping fee but also thought that if the Board agreed that their objective ought to be to get the most amount of revenue from commercial tip fees and not that it be exactly the same rate as the municipal tip fee, we will do a better job in that negotiation for SPSA. That may not be palatable for those who are members of councils as he feels that a lot of people have made an issue that they should be exactly the same and he understands the politics of the matter. The fact is that might not be the best policy for SPSA; we may get higher commercial revenue from tip fees if we do our best to negotiate a uniform rate for commercial throughout the region. It would guarantee a higher quantity of commercial waste and higher revenue to SPSA. But if we say to John when he goes into those negotiations that that option is not available, he thinks we handicap ourselves in those discussions. He feels it is important for each of us to let John know if that is a possibility; unfortunately this policy has been sold on the basis of the municipal fee and the commercial fee will be the same; they don't have to be. Even under flow control they don't have to be. It is up to us to decide if we really are committed to SPSA, what is the best way to get the highest amount of revenue we can get from the commercial sector and he thinks they (the commercial sector) is open to that negotiation. Mr. Harrell (CH) stated that after hearing that comment he felt that it was a little unfair to suggest that the SPSA hat and the city hat are separate; he sees the interest of the municipalities and SPSA to be aligned; they are all interested in lowering tipping fees and certainly want to work with private haulers and clearly one of the

options that staff has put on the table is to have some phase-in to minimize the impact on commercial haulers. He wanted to make it clear that from his perspective, he did not see any conflict whatsoever. He felt the staff had come forth with a strong recommendation; he is supportive of that and he looked forward to the Closed Session discussion.

ITEM NO. 6: PRELIMINARY BUDGET DISCUSSIONS/PRESENTATION

Mr. Hadfield asked Louie Jordan, Deputy Executive Director for Operations to present some of the issues staff was wrestling with as they finalize preparation for the budget. Mr. Jordan came forward and gave a PowerPoint presentation and provided a handout which is herein attached as Appendix E.

Mr. Jordan stated that staff felt it important to give the Board an update on where they are in the development of our operating budget this season. First there has been a lot said in the newspapers about our financial issues that are facing a lot of our member communities was that for the current budget year which you balanced last year and approved the budget of \$99,567,526. Through January 31, 2008, we are actually \$1.7 million on the "good side". We have some additional budget challenges in both expenditures and the revenue side, but we wanted to share some good news as to where we are now with our current budget. As far as the budget for next year, initial submittals we got from the departments, we initially had a \$10.2 million gap between requests for expenditures and revenues as of the beginning of January; as of today by trimming requests for new programs or expanded programs back to pretty much delivering just the existing services as we are now, we are still looking at a \$4.1 million gap that we have to try to close before we present you with the official budget. Mr. Jordan then outlined the challenges SPSA was still faced with, which are outlined in the handout, and primarily are the result of tipping fees which are preliminarily projected to be down for next year almost \$5 million. He also stated that we continue to see a small decrease in municipal tonnages and now project about 12,000 tons less than was budgeted for this year. We have not initially included any tonnages for out-of-state waste as those contracts will expire. CDD waste has significantly increased; however, SPSA has been told that a new CDD landfill will open in Virginia Beach next to their municipal landfill this summer. The proximity of that will likely draw a significant amount of the CDD business away from our landfill as the delivery trucks will not have to cross the state scales so we have forecast about a 50% drop in CDD tonnages and revenue; these are the largest reasons why tipping fees we are projecting are down.

Issues on the expenditures side; with the pressures we were under last year, we have after six months come to realize that we are under-budgeted this year at both the regional landfill and the power plant. Budget expenditures for the year, we are finding ways to shift money around to make sure that we finish within the operating budget that you approved but we are having to move money around to do it so those two areas are going to have to increase next year as a result. We are also postponing things in other areas and we are going to have to make that money back; right now our initial proposed operating budget total about a 7.2% increase – about \$1 million in uncontrollable increases such as fuel costs, oil, electricity and water that we are dealing with.

Mr. Jordan also noted that we do have some opportunities; the first is that we are exploring a number of possibilities right now that could significantly increase the price that we get for electricity that is sold and are undergoing an analysis right now of risk-reward type things with several possibilities and that should be cleared up in the not-too-distant future. We have the opportunity of affecting the budget by doing something with flow control or with new private hauler contracts where we generate additional revenues that way. There are other smaller items that we are looking at that we are trying to take advantage of that we will report to you more thoroughly on. Last but not least, we met with the Intergovernmental Coordinating Committee (ICC) a few weeks ago and we will be meeting with them again and will go ahead and send them this week the preliminary budget even with the gaps so they can go ahead and start their review. The other positive thing is that the Business Advisory Council (BAC) that reported to you this morning has agreed to review the budget with us to get their feedback.

ITEM NO. 7: STATUS OF EXECUTIVE DIRECTOR SEARCH

This item was addressed earlier in the agenda following the first Closed Session item that was added.

ITEM NO. 8: TREASURER'S REPORT

Mr. Hunter stated that the results the Board saw in their material was as of January 31, 2008. He pointed out that on the Operating Expense line, Line 33, we are running slightly ahead of budget year-to-date to the tune of about \$500,000; they are just some timing issues that we don't see necessarily carrying through. Tipping fees, as mentioned by Mr. Jordan, are running a little behind; total revenues about \$2 million behind and that is almost entirely attributable to lower tipping fees, lower waste quantities coming into the system almost across the board with the exception of C & D. We are running about \$2 million behind on the revenue side although we look positive at the bottom, there are some timing issues at the lower part of the budget with debt service and so forth that just because of the schedule, though, they tend to fall a little later in the year. The issue of the tipping fee revenue being down is a key issue at this point. Mr. Hunter concluded and offered to answer any questions.

Mr. Wrenn (FR) asked if there is any way to determine on the operating costs being up, how much of that is solely based on fuel price increase. Mr. Hunter stated that he was sure we could as we had budgeted a certain amount per gallon.

Mr. Wrenn made a motion to accept the Treasurer's Report which was seconded by Mr. Smith (PO). All present voting yes; opposes none; motion carried.

ITEM NO. 9: STAFF REPORT ON BUDGET VARIANCES

The budget variance report was in the agenda packet and there were no questions on this item.

CLOSED MEETING

ITEM NO. 10: REQUEST FOR CLOSED MEETING

Mr. Collins made a motion to approve the Closed Session request as printed in the agenda packet and noted as follows:

(1) In connection with (i) SPSA member localities' consideration of ordinances adopting flow control and various contracts impacted by such action, and the defense of litigation related to adoption of such ordinances and (ii) contracts with private haulers. Both matters are exempt pursuant to: (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/or 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) Virginia Code Section 2.2-3711(A)(29) for the purpose of reviewing possible revisions to the terms of existing contracts and/or negotiation and award of new contracts where competition and bargaining are involved and where discussion in open session would adversely affect the bargaining position and negotiating strategy of the Authority.

(2) In connection with personnel and employment matters pursuant to Virginia Code Sections 2.2-3711(A)(1) and 2.2-3711(A)(7) that involve (a) the assignment, appointment, promotion, performance, demotion, salaries disciplining, and/or resignation of specific employees and (b) consultation with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel.

Said motion was seconded by Mr. Wrenn (FR); all present voting yes; opposes none; motion carried.

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 of the Closed Meeting as written in the agenda packet and resume the Open Meeting was made by Mr. Smith (PO) and seconded by Mr. Brown (IW). All present voting yes; opposes none; motion carried.

ITEM NO. 11: ACTIONS ARISING FROM CLOSED MEETING

Mr. Bennett called for a motion on **Item #5, Policy Discussion of Tipping Fee Options for FY2009**. Mr. Collins (CH) made a motion to approve Option #1 of Item #5 which was seconded by Mr. Brown (IW). Mr. Bennett asked that Mr. Collins add to his motion that the board gave

staff the authority to negotiate with private haulers on the tipping fee and Mr. Collins and Mr. Brown concurred with this move. All present voting yes; opposes none; motion carried.

CONSENT AGENDA

ITEM NO. 12: MINUTES FROM REGULAR MEETING OF JANUARY 23, 2008

The minutes of the Regular Board Meeting of January 23, 2008 were presented for approval. A motion to approve the minutes as presented was made by Mr. Collins (CH) and seconded by Mr. Wrenn (FR). All present voting yes; opposes none; motion carried.

INFORMATIONAL ITEMS

ITEM NO. 13: MINUTES FROM THE EXECUTIVE COMMITTEE MEETING OF JANUARY 15, 2008

The minutes of the Executive Committee meeting of January 15, 2008 were presented as an informational item. No action was needed.

ITEM NO. 14: PERFORMANCE INDICATORS

There were no questions on this item.

ITEM NO. 15: PUBLIC INFORMATION ACTIVITIES

An overview of public information activities was placed at each member's seat.

OLD/NEW BUSINESS

Under New Business, Mr. Bennett asked the staff to look at some different dates and bring them back to the Board for our Retreat as requested by Mr. Collins (CH).

ADJOURNMENT

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

John S. Hadfield, P.E., BCEE
Executive Director

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