

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

**May 28, 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 <i>absent</i>	(FR)
W. Douglas Caskey *	(IW)
Stanley A. Stein	(NO)
Kenneth L. Chandler	(PO)
Mike Johnson <i>absent</i>	(SH)
Selena Cuffee-Glenn	(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 (but prior to any voting)

\*\* 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**

Mr. Bennett did not have a Chairman's Statement today.

Mr. Bennett did introduce Ms. Selena Cuffee-Glenn, City Manager for Suffolk who has come on board as the new Alternate Board Member and will be taking the place of Eric Nielsen and

welcomed her and offered her the opportunity to make any comments. Ms. Cuffee-Glenn said it was her pleasure to be here and was looking forward to working with all the localities, noting that there was a lot to be done for the region and stated that Suffolk was committed to providing whatever leadership they can.

### **PUBLIC COMMENT PERIOD**

Mr. Bennett stated there was one speaker registered to speak today on Item #6, J. Bryan Plumlee, Esquire, and called him to the podium.

Mr. Plumlee said, "I just want to briefly address the Board and let the Board know that I represent Meeks Disposal Corporation. Meeks received approval from the City of Chesapeake to operate a recycling facility for construction demolition debris some months ago and it has come before the Board for approval under an Amendment to the Regional Solid Waste Management Plan. I ask the Board to approve that Amendment and if there are any questions I am here to answer them when the matter comes up before the Board".

### **EXECUTIVE DIRECTOR'S STATEMENT**

Mr. Hadfield stated that he did not have a Statement today, indicating that there was a full agenda today.

### **ITEM NO. 1: PUBLIC HEARING ON PRELIMINARY TIPPING FEE SCHEDULE EFFECTIVE 7/01/08 and CONSIDERATION OF PUBLIC COMMENTS**

Mr. Hadfield stated that this was a public hearing on the tipping fee schedule; the preliminary schedule was adopted in March at your Board meeting setting today as the public hearing date at the Board meeting on the schedule that you adopted at that time. That schedule was in the Board package. Mr. Hadfield read the following statement to open the public hearing:

*"This public hearing is being held in accordance with Section 15.2-5136 of the Virginia Water and Waste Authorities Act. Its purpose is to take public comment on the proposed tipping fee schedule adopted in preliminary form by the Board of Directors of the Southeastern Public Service Authority of Virginia on March 26, 2008.*

*The notice of public hearing was published in The Virginian-Pilot on April 21, 2008, as required by law. After conclusion of the public hearing, the Board of Directors will consider comments offered here today and will proceed to adopt a final schedule to become effective July 1, 2008, and to continue in effect until such time as modified by the Board of Directors in accordance with the procedures set forth in the Virginia Water and Waste Authorities Act.*

*If you wish to submit a written statement, please provide a copy to Lou Ann Ivory. I would also appreciate your registering your attendance at this public hearing with Lou Ann, if you have not already done so."*

Mr. Hadfield recommended that the Board not take action on the tipping fee schedule included in the agenda packet and stated that at each member's place is another resolution proposing to adopt another preliminary tipping fee schedule. Mr. Hadfield explained that attached to that and highlighted in this revised schedule are the changes to be considered today and several other changes that have come up since you adopted the preliminary tipping fee schedule two months ago. Because there is at least one new category of fees, it is my recommendation that we go back through this process and advertise again what we are doing. I would not suggest that the \$104 be changed, that is certainly what the cities have budgeted for and we would propose to move ahead with that. But for instance, over on the right towards the bottom, "Light Fraction Material" is a new change from two months ago; we propose to increase that from \$15.50 to \$25 per ton. This is material that comes from one company, Waterways Recycling, after they go through their recycling process; it is residuals from that process that we take for disposal. Because we have introduced that and a new category for wood waste (first entry under Yard Waste) (The page of the tipping fee schedule on wood waste was inadvertently left off of the handout so the matter was deferred until later in the meeting when it could be copied for the Board), Mr. Hadfield stated that his recommendation is that we go back through the process again, re-advertise the revised tipping fee schedule, and hold another public hearing afterward. Mr. Bennett stated that the Board would not take any action until later in the meeting, re-advertise the public hearing and hold another public hearing. Mr. Williams (NO) clarified that the municipalities would not need to change their budgets and Mr. Hadfield reaffirmed that statement.

## **ITEM NO. 2: WASTE-T0-ENERGY CAPITAL BUDGET REVIEW**

Mr. Hadfield said that several months ago he had advised the Board that we had engaged HDR Engineering to look at the staff's capital budget proposal for the WTE system. Mr. Don Castro, Senior Engineer with HDR is here today and a copy of their report is at your place. It was just received late last week and apologized for that lateness; he then called Mr. Castro to the podium to give his presentation.

Mr. Castro said he was a Vice President with HDR Engineering and shared a little about his background with the Board related to the power and energy industry. He is a Mechanical Engineer by education, a Licensed Professional Engineer in many states including the Commonwealth of Virginia and has been working in the industry for about 35 years. He noted that nearly all of his time for the last seventeen years has been focused on waste-to-energy projects and said he had personally worked on the SPSA WTE facilities many years ago, most recently when the air pollution control retro-fit project was completed. At that time, the facility was still owned by the Navy and HDR was engaged to do engineering and construction management on what became a \$30 million retro-fit project to bring that facility up to clean air act standards at that time.

In sharing some of the general insights he has found over the last couple of months with the SPSA staff and at both the RDF processing facility and the Power Plant, Mr. Castro stated that the mission has changed substantially under SPSA ownership. The original Navy-owned facility was designed primarily as a coal burner. RDF was added as an after-thought. It started out coal-burning in RDF; back then it had one spare boiler all the time, you only needed three boilers to meet the shipyard load demands. RDF reliability was not essential; we had thirty days of coal

stock-piled out in the yard and burned a substantial amount of coal all the time. Electricity was a simple by-product, not nearly as essential economically as it has become today. Today's mission is to burn only RDF to maximize electrical generation as well as meet the Navy steam demands and this mission has put substantial demands, in many cases, above their original design intent on many of the key systems. The most vulnerable systems that we have found at the Power Plant are the boilers, which are at the heart of any WTE system, and also the residue and ash-handling system which represent potential threats to continued operability of the facilities, at least at normal industry levels.

As you know, WTE systems take a tremendous beating in their overall mission of operating 24-7 essentially 365 days a year; mechanical wear and tear of preparing, transporting and combusting millions of tons of RDF along with the corrosive effects of burning whatever it is we throw out, the corrosive effects of high temperature and the aggressive and corrosive aspects of ash handling and disposal have all taken their toll on this facility and on many comparable facilities, and the facilities are indeed showing their age. Both the steam power plant and the RDF plants have been in operation for over twenty years and parts of them are flat worn out and in need of replacement. Other parts have stood the test of time and are in very good shape, in particular the turbine generator plant along with most of the air pollution control systems, the high-voltage electrical equipment and the water treatment equipment all are in good shape. The boilers and the building that houses them and their key auxiliary equipment are in poor shape. At the residue handling areas, both inside and outside the boiler house and also parts of the RDF storage pit area are in need of rehabilitation. Many of the original material handling parts of the RDF processing facility are also worn out and in need of replacement and refurbishment. Some equipment, particularly in the electronic controls are now obsolete and no longer supported by their vendors; that also represents an operating threat going forward. There are numerous parallel examples of other waste-to-energy projects that I have worked on in the recent past and I kind of categorize the time that we are in as a "mid-life crisis" for these facilities and this period generally arises about 10-15 years after initial operation when all those wear-and-tear aspects take their toll and so the problems that you are facing are not in any way unique to SPSA; we see them all over the country. As to the underlying causes and as to the basic solutions, in some cases as I mentioned, the solutions have been effective in restoring and even in improving the operational characteristics to better than new condition; we have learned a lot in twenty years and can do some things better than the original design called for. Sadly, in a couple of other cases that I have personally been involved in, the challenges have not been met with timely solutions and this has led to the eventual demise of the entire facility, the loss of millions of invested capital, and the desperate need to implement alternative waste disposal solutions for the affected communities. One common theme noted is that they generally progressed in this matter; first declining plant performance owing to insufficient maintenance to overcome wear and tear and aging, followed by excessive environmental excursions that derived from the frequent plant breakdowns. The environmental excursions lead to loss of confidence by the regulatory community that poor performance will improve; that in turn makes a loss of public support. And finally, the requirement for a huge budget infusions in the face of declining revenues.

Plant closures and emergency implementation of alternative waste disposal and in some cases alternative energy strategies have to be implemented. Those were sad cases and I bring them up

because the plants that were affected are in the same age bracket and suffering from many of the needs that we find at the steam power plant and RDF plant.

In your HDR report (at the seat of each member and attached as Appendix A-1), we have highlighted the most pressing issue in our opinion poor performance and availability and noted the progression that we now find ourselves in with poor boiler availability caused by frequent high-pressure tube leaks leads to more failures caused by what we call thermal cycling. Thermal cycling is the process of taking a hot boiler as a tube leak has to come down, be cooled off, the tube leak repaired, the unit heated up again, and that cycle leads to the creation of stresses throughout the unit that causes in turn other tube leaks; poor performance driving even poorer performance into a kind of downward spiral. This is happening now at SPSA and it will lead to further deterioration and performance in my opinion if not stopped and reversed in the near term. We have also noted in the report the need to prioritize boiler performance and availability improvements over other areas that also need attention, particularly over the next two years. This is designed to halt and then reverse the overall performance declines we have seen in the recent past. In a sense, this is catch-up for the immediate boiler work that has been deferred. In the report you will find an evaluation of budget needs over the next five-year period assuming that SPSA retains ownership of the facilities. The concentrated on the near-term crucial period of the next two years which are represented in the report as FY09 and FY10 and suggest that further evaluation and prioritization of recommendations for subsequent years depending on results from the early boiler improvement projects that we have recommended be developed as we go forward in the future. And while this may paint a bleak picture and indeed does lead to near-term need for capital expenditures (handout at each member's seat and attached here as Appendix A-2) should you retain the plant, I do want to share with you that we find ourselves in a rather special time in the waste-to-energy industry today. Mr. Castro pointed out that he just returned from the national waste-to-energy conference in Philadelphia which was attended by over 500 people from all over North America and around the world, and said there is a genuine excitement over where this industry is today. Of course that is all owing to the impact of \$130 per barrel oil on all of our energy-related pricing issues and the positive impact that waste-to-energy is having on reducing greenhouse gases omissions through the offset of electricity generated through burning fossil resources and from efficient energy security and diversity that comes from local renewable fuel. Mr. Castro then turned it over to Mr. Cheliras to explain additionally budget aspects.

Mr. Cheliras began by thanking the Chairman (a copy of his PowerPoint presentation was at each member's seat and is attached here as Appendix A-3). He noted that Mr. Castro had covered a number of the points he had in his presentation so he would try to recap those as we go through. First off he noted that just the Power Plant's portion of the WTE budget that was originally presented to the Board some months back was for \$6.9 million for FY09 and that was developed on the basis that we would be transferring ownership of the facility near term and those were the items that would need to be done in the first couple of months into the fiscal year to maintain the facility until such time that it was transferred. It has become very obvious that that is not going to happen and whether we choose to sell the facility or not still remains to be seen. Given that there are several options that we could do and what this \$6.9 million budget does is basically maintain the status quo of where we were and you heard Mr. Castro talk about what an attempt to do that does and in a couple of the graphs that will be shown later will bear that out. As Mr. Castro noted, we are an aging industry with aging facilities and in some cases there has been minimal

maintenance done on those facilities; not timely maintenance and ours is probably characteristic of that. Along with declining performance, the opportunity is that we can continue that way or we can go forward. Relative to performance, Mr. Cheliras showed a graph on slide 3 indicating what the power plant has done over the last eleven years, noting unfortunately that we did not start tracking or measuring boiler availability until 2003 so there was not complete data for that. The chart showed a steady path of steam generation and electrical generation and Mr. Cheliras noted that boiler availability even climbed because in this time frame there was some boiler work done. But the maintenance philosophy was subsequent to that time was an attempt to stretch out these major boiler repairs and we then saw declining boiler performance, boiler availability and with the declining boiler availability we saw a decline in the steam and power generation which would be expected. The following slide highlighted the performance over the last sixteen months; that same data only presented on a monthly basis over the last sixteen months, noting that it has been on a steady decline. From late February or early March we have been executing a plan that we put together last year to turn this situation around, we took a significant "cold iron outage", did some significant work and started to turn that trend around which you can see beginning in April. Although May numbers are not included, Mr. Cheliras noted that we would be continuing in an upward trend and would be approaching 82 or 83% boiler availability.

Mr. Cheliras presented an alternative to a budget that allows for status quo, noting that Mr. Castro's budget is the same as Mr. Jordan will be presenting to the Board in just a little while. This is a budget that is intended to correct the problems that Mr. Castro talks about; boiler tube work, bottom ash removal system, fly ash removal system, and structural repairs to the boiler building itself. He did note that this all does not add up to \$10.2 million; there are a couple of other items in there but that is the preponderance of the capital budget for the Power Plant.

Mr. Cheliras also discussed and showed several graphs that revealed the projections should this budget be implemented, including increased steam and electrical generation and increased MSW consumption. One point Mr. Cheliras made that was not shown on the graph is that this year we projected \$12.6 million in electrical sales revenue; what we are talking about for '09 revenue is \$13.1 million, increasing then the following year to \$13.6, going to \$13.9 and sort of stabilizing at \$14 million in that 2011 time frame. Those projections are based upon the sale price that we are going to see for power that starts with the first of August; if that price changes, then obviously those are going to change either up or down. He also noted that the dilemma was do we take the band-aid approach to prepare to sell WTE or lay a foundation for the future thereby increasing the value of the facility to a prospective buyer. Mr. Cheliras also said that if we don't do this, historically what we will see is a system that will continue to atrophy; we won't stay where we are today, we will either get better or we get worse, you don't stay the same. He said that what he is asking the Board to do is to approve a budget for him to start a program; we all know the facility is being considered for sale and if in six months the decision is made to sell the facility, he will not have spent all of that \$10.9 million of the budget and the capital improvement plan, he will only have spent a portion of it. On the other hand, if we choose not to put that in, if we choose to sit, what we will do is to delay and then six, twelve months from now we make the decision not to sell the facility, we have lost that time. That is that much "dead" time that we could have spent improving that facility and increasing our revenue, and in fact what we have done is let it atrophy. Mr. Cheliras stated that his strongest recommendation is that when Mr. Jordan presents the budget

for FY2009 that includes the \$10.2 million for the power plant, that you approve that budget. Mr. Cheliras offered to answer any questions at this time.

Mr. Barrett (VB) asked that in the report from the consultant, he indicated that we should obviously defer any other improvements at the plant that are not safety related, environmental compliance related or increased boiler capacity; how much in your proposed \$10.2 million budget for the steam power plant fall into the category that he is recommended, noting that Mr. Cheliras said there were some other things in the budget and asked why they shouldn't be deferred. Mr. Cheliras responded that other than the acquisition of some ash trailers and some vehicles that are at the end of their life, that entire budget fits into one of the three categories that you just underlined. A dollar figure; it is in the neighborhood of \$1 million would fall into that category. My fleet of ash trailers to move the ash from the power plant to the disposal site is aging; we haven't replaced any for two years. At any given time I'm fortunate to have 75% of the fleet operational; the other 25% is in the shop being repaired. Mr. Barrett stated that the number one priority is boiler replacement. He also asked if the increased revenue from the electricity sales support the debt we will have to incur for the additional costs over the eight or nine year period that we will have to finance it through bonds and then Mr. Barrett said maybe this is a question that Walt (Hunter) needs to handle but he needs to know the answer to that question. Mr. Hunter said the profitability of these improvement is significant in the sense that without doing some of these improvements, we will continue to see some degradation in the plant and with that degradation, these are not investments to take performance to a higher level, rather they are investments that are required to keep the performance of the plant where it is and maybe make it slightly better. So in that respect they support the proposed budget and as the Board knows, starting August 1st we will be selling electricity at a higher rate than we ever have which pushes the economics in the direction of making these improvements.

Mr. Williams (NO) clarified that \$7 million will keep at status quo and an additional \$3 million will get us \$500,000 a year which is a better investment and Mr. Hunter responded that in round numbers that sounded right.

Mr. Cheliras noted that when Mr. Barrett asked him if the boilers were the number one priority he had answered "yes"; he wanted to clarify that and said that the boilers in fact were number two priority. If you notice the items that are listed that he wants to undertake, there were some structural issues and they are safety issues and they are really priority number one. They are some problems with the structural integrity of that building that must be corrected and Mr. Barrett said that Mr. Castro had said that "near term improvement to safety" is number one and "continued environmental compliance" is number two and I assume we are doing that and then number three is increased boiler availability, so your program you feel is in compliance with Mr. Castro's recommendations and Mr. Cheliras responded 'absolutely'. Mr. Barrett asked if these improvements are made and we increase the availability of the boilers, do we find any operational improvements that we can reflect in our operational budget as well; in other words, if we enhance the performance of the steam power plant, do we get any reductions in our operating budget. Mr. Cheliras responded that, 'yes' we would; we would not see it this year because they have not been made yet. But what we have been seeing with an increase of boiler reliability and an increase in system reliability you are going to see a decreased requirement for corrective maintenance,

including material costs and the overtime costs to do the maintenance. We would schedule our maintenance during regular work hours instead of whenever the boiler decides to blow a tube.

Mr. Collins (CH) stated that Mr. Castro started out emphasizing personnel safety which for me is very paramount; it is not a plant unless you have 'life' in it; 'life' you have to have people and we want our people to be safe. And while we are looking at that increase in boiler availability, I was equating the increase in boiler availability to mean that we could produce more steam if the demand is there at the shipyard and that equates to more sales, but more specifically, we could generate more electricity and the electricity sales would direct equate to increased revenue and I was taking that to mean that we would have the additional dollars coming in to deal with the debt that is going to be incurred. Mr. Collins stated that he did have concern when we factor things in such as equipment (trailers) as part of the capital costs; noting that he had always had that concern and continues to have it but would like to negate an idea of these items that we are talking about replacing. There are still significant equipment within any type of power plant that has tremendous value back and while I want to be hopeful that we would see significant operational decreases next year, I am concerned about the age of the plant and that other things that might continue to fail such as valves that cost \$25,000 a piece that are not being replaced and could add up. When you are looking at this increase to boiler availability, does that mean that we are actually also being able to burn more which in turn will help us to increase the life of the landfill. Mr. Cheliras responded that 'absolutely, the increase in the availability will do just that'. That is one of the benefits for us; the big power benefit is as you suggested – having the boiler availability, boiler on line and operating will generate more steam. Steam that they have at the shipyard, we supply 100% of their demand whatever their demand is and that is driven by ship loading and operations of the Navy. But more significantly, the big detractor from power generation is the unavailability of steam so having the boiler on line producing steam, to keep all three of those generators loaded up at the maximum load instead of running them at half-load or 2/3 loads which has been done a lot of the time in the past. I can run those generators at max, produce maximum electricity with that so that we see that benefit. Mr. Collins responded that he was glad to hear that and certainly the additional increase in burn rate, there is ..... number of other type of being able to go from Cell VI to Cell VII and anything that we can do to increase the time frame between closing of Cell VI and opening of Cell VII. Mr. Collins also acknowledged the presence of one of our delegates, his Delegate, Delegate Cosgrove being present today and acknowledged the work that the state has done to make sure that our application receives the appropriate attention and the help that he has done.

Mr. Smith (PO) stated that he had three concerns regarding the \$10 million that would be invested; what would it do to the life expectancy of the plant; are we in a position or are we financially able to sustain any catastrophic kinds of failures to any other major functions; and what about the technology, the overall technology that would be necessary probably in the future, talking about mass burn that we operate now, is that a factor that we will be faced with in "x" number of years?

Mr. Castro replied that he may not be able to respond to all of his points, but stated that the program that we are outlining for the two fiscal year period is to get ahead of that failure curve, we know there is stuff that is aging out there, worn out, and we want to get it replaced before it fails and we have to replace it under emergency conditions. So that two-year period is sort of catch-up and get ahead of that curve. Will there be additional requirements for substantial maintenance

going forward, absolutely, but in a more organized manner and in a more scheduled manner than is the case right now with declining performance. In terms of the life expectancy, what we have found in the power industry pretty much carries over into the waste-to-energy industry and that is given proper maintenance and given proper rehabilitation, the life of these facilities can be extended near indefinitely. We have coal-fired power plants out there that are operating for 50 years. My comments about the turbine generator plant, the rugged heart of this facility being in good condition, to me keeps that in good stead for an extended life expectancy at least double of what we now have with the proviso that certain parts of the electronics will become obsolete and we will have to replace them going forward but the heart of that machinery is subject to a very long life. The facility I mentioned in Florida that just passed its 25th anniversary, it also passed another significant milestone and that is, it is a privately-operated facility, its contract expired at 23 years and so we went out and solicited another contract for another 17 years and implicit in that life extension to a facility after 37 years and the investment that it entailed is sort of an endorsement of the fact that rehabilitation has taken place, many of the risks have been reduced and going forward it can enjoy a period of stable mid-to-old life. With respect to the new technologies, are there any magic bullets out there that are going to do this at one-tenth the cost and with zero environmental impacts and all that stuff? I don't think so. There are incremental improvements in the technology for both RDF plants and mass-burn plants and indeed the favor has turned to mass-burn plants for new facility and there are probably 30 of them under construction in Europe as we speak. The fact that we might do it differently today if we had that decision to make all over again is not germane; you have an asset that can be maintained and should be maintained for an indefinite period of time going forward. Mr. Smith said that you have another part of that life expectancy and that is the boiler itself and how long that will last and once that life span is over from what I've read and heard, the mass-burn is a lot more efficient than our current methods; is that true? Mr. Castro said that the question of efficiency, he would like to address. Thermally, not so, that is the amount of energy that you put into the plant compared to the amount of energy you get out of the plant is not a significant difference between RDF plants and mass-burn plants.

In terms of capital and operating staff requirements, clearly the RDF plants require additional staff, etc. My point with regard to "life" is that there is not finite time when we can envision, ok, this boiler has had it, this boiler is flat worn out, at least not in the twenty-year time period; the replacements that we are making incrementally in aggregate as you look at them over five-year period, mean that almost all of the boiler will be new and replaced, with a couple of key exceptions in the basic super structure and boiler drum. In all the testing that we've done, the last thermal cycling shows that there is lots of remaining life left in the boiler system. Mr. Smith said that just to reiterate, that \$10 million investment is going to take us how many years? Mr. Castro said that the program they laid out called for a \$10 million investment the first year, and a further \$8 million plus investment the second year, that is in 2009-10; following that period we see the opportunity for a less intense program going forward and although there are some numbers in the report, at this point it is too early to predict what budget requirement will be in 2012, 2015 with any degree of certainty. But with a fair degree of certainty I can tell that if we don't invest the additional \$3 million in 2009, that performance will indeed spiral downward. Mr. Smith said that now we are at about \$18 million; Mr. Castro stated that over a two year period that is correct, and not all of that is the incremental stuff we are asking for and I believe they continue along that outline of safety, environmental, and then performance. Mr. Bennett stated that we do need to be concerned with

the employee safety and the environmental side of it, and asked if on the additional increase of \$3.2 million, what would that entail, would we be increasing tip fees or how would we handle that. Mr. Hadfield stated that no, sir, we would not be and would be addressing how this impacts the overall budget in Item #4, but the short answer is no, there is no tipping fee increase.

Mr. Wrenn (FR) said that a couple of years ago at our Annual Meeting when we set off on the path of trying to improve our whole financial picture, we said we would do things; one was to get us on a tipping fee schedule that would give us a same pay-off of our debt by 2018 and the other one was that the waste-to-energy complex, we would keep it operable in case we found a buyer and we would maintain it in such a way so that it would not disintegrate on the 1st day of 2019 so that it would be on-going at that time. However, we did not say we were going to maintain it in such a way that say, Dominion Power would when they see it as on-going investment that they want to be sure that the whole thing is operating in 30 years or so such that they would continue to upgrade. As I look through the list of things to do, I have several concerns; one is that I am left with the opinion that if we approve that, then that will be the last we'll see of it and when you look at all these various expenditures, if they are insurance things, like this might fail, that might fail, \$2 million. All of them are not going to fail, so there is a lot more work that can be done as to (a) most likely, (b) biggest impact, (c) true safety issues, (d) how much could be put off one more year, and it doesn't seem to be that this kind of work has been done on this. When you have a five-year plan you have to bleed it because it's all you've got and the five-year plan is \$40 million and after that five years there is going to be about four years left on the contract and we just spent \$40 million and I am not necessarily convinced that after five years it is going to stop, it's just that is as far as they went. I am not saying 'do nothing', but I am saying it really needs to be gone over with a fine-toothed comb and a lot slower and in a lot more detail than what we are going to have the privilege of doing here (by someone who has the owners – mainly us here in mind).

Mr. Cheliras responded that we have done exactly what Mr. Wrenn has advocated, in fact, the Capital Budget he had put together to start with, the proposed was somewhere around \$18 million and it included a lot of those kinds of things that you have just eluded too and with the exact criteria that you have just wished in mind, we have gone through and pared-down that budget. In particular, that slide (Power Point presentation) between '05 and '06 was the result of not doing the kinds of things that are in there right now. Basically boiler tubing; boiler tubes have a finite life, like the spark plug wires on your car, they have to be replaced, not every time you change your oil but they do have to be replaced. Boiler tubes have to be replaced and if you don't you start having failures and ruptured tubes, you get into the stuff Mr. Castro talked about as far as the heat-stress cycle with the thermal cycle of heating the boiler up, cooling the boiler down, each time you take it up and down and that just precipitates more problems. So we have scrubbed this budget proposal exactly as you have indicated it should be looked at and those are the items that are included in this. Now I could tick down item by item but the preponderance is boiler tube replacement. But the ash conveyors that are in there, when I loose one of those four conveyors, I loose two boilers or loose the capability to steam two boilers because I can't remove either the fly-ash or the bottom-ash from that boiler and I have to take it off-line. So the condition of those conveyors is such that we need to be getting in and doing something about them now. If I were to present you with my maintenance records you would see that over the last 12-15 months it has been a real sign wave of when those things have been up and when they have been down and there is one ash removal system that I can't utilize, it is supposed to be my principle ash for bottom-ash removal system,

that is supposed to be able to handle all four of the boilers but the condition of it has atrophied to the point that if I put more than two boilers on it, the system breaks down it doesn't have the capacity to handle it. If I put the third boiler on it, I can just about guarantee you that within an hour it will be out of commission and then I am down cold. Mr. Cheliras offered to talk with any one who wanted to discuss this and Mr. Bennett said he would like to get some of the data that he had talked about, down time and all that so the Board members will know exactly how much down time is being spent for these types of things and asked that he get the information to the Board members.

Mr. Williams (NO) asked Mr. Castro about working on Lee County, Florida, Grand View Energy Plant, can you tell us do you remember what the cost of that was and the capacity compared to what we can do and the cost of what they spent to build it. Mr. Castro said, in 2007 dollars was a 636 ton per day expansion unit. Total costs including financing were approximately \$123 million. Mr. Williams asked if that was including land also and Mr. Castro said, 'yes, it is sited at an existing waste-to-energy facility that we grew into so we added another unit; was 1,200 ton a day, is now 1,830 tons per day. Mr. Williams said \$123 million to do 600 tons a day; how many tons are we taking a day? Mr. Castro responded 1,500 to 1,800 tons a day. Mr. Williams then said, so we can do three times as much as Lee County can and Mr. Castro said that we can do equivalent to what the entire built-out facility of Lee County now does.

Mr. Williams mentioned using the same '3 times as much' principle relative to the tonnage and applying that to the costs, would selling it for \$351 million be a good number and Mr. Castro said that if you were comparing two brand new facilities you would be in the ball-park. Mr. Williams then said, \$18 million won't bring us up to 'new facility' standards? Mr. Castro responded 'no, sir, there are some critical differences'. He noted, (1) you can't permit a facility today to the same permit levels that this facility has when it was done, and Mr. Williams said then that would be an asset. Mr. Castro continued there is a lot more pollution control requirements and sophistication in that part of the new facility but in rough terms of about \$190,000 per ton per day is what Lee County's new facility costs as a new facility as a brand new facility going forward and by the way, that was an incremental 20 megawatts of electricity.

Mr. Bennett said there is no action required on this item today, just discussion and asked if any Board member had anything further that needed to be talked about and there was none.

### **ITEM NO.3: STATUS OF PRIVATE HAULER CONTRACT PROPOSAL**

Mr. Hadfield did state that the reason for no action needed on that item (Item #2) is that it is included in the budget in Item #4.

Mr. Hadfield said that Item #3 is the status of private hauler contract discussions and I had hoped to give you a very positive report this morning, unfortunately, I do not have that. I do not have negative report; just want to let you know that we are still in conversation with the private haulers about contracts. Based around the four bullets that are in the agenda item, that is those of the essential goals that you have instructed me to work towards and we are continuing to work with the private haulers on that and we will have more discussion in Closed Session later in the meeting on where we are with those discussions.

Mr. Williams (CH) said that certainly a five-year ramp-in from our perspective is overkill, noting that we have had some prior discussions more in line with perhaps three years so there is significant concern if it is going to take that long to bring them up to speed, so he wanted to go on the record in that regard. He added that the other piece is that in the documents it indicated that this arrangement would be done in lieu of flow control and said there are many communities that have already gone on record supporting flow control with the fact that there needs to be an equalization of rates so we don't see this in lieu of flow control; we saw this based on what was represented to us as a means to bring us to flow control in a manner that everybody could live with so that is a significant distinction that we want to make sure is clear. Mr. Hadfield said it may have been a poor choice of words in drafting the agenda note on his part and noted that he was absolutely right; we understand that six communities have adopted flow control, those ordinances we understand will stay in place. The contract proposal was another way to get to the same result with flow control in the background if you will, not that it would be 'in lieu of' or that flow control would go away. Mr. Williams said he thinks the expectation is that they will begin to see some benefited rates as opposed to rates going up and that is not what we're seeing.

Mr. Barrett (VB) said that has been noted, while I have not wanted this discussion, I have continued to indicate that we ought to be flexible on the time period if it creates a financial demand on the cities so rather than put us in a straight-jacket that we have to have equal rates by a certain date, negotiating principle from my perspective ought to be do the best to reduce the municipal tip fee over a reasonable period of time and I prefer not to have John (Hadfield) kind of be in a specific straight-jacket as to what time he could adopt and wanted that noted as well. Mr. Bennett said that he feels the Board has given John (Hadfield) the direction they want him to go in and the majority of the Board members agreed. Mr. Williams (NO) said that whether it was five years or two years, it could be a lot quicker if Virginia Beach come on board with flow control, is that right.

Mr. Collins (CH) said we have six communities that did adopt flow control and wanted to be hopeful that we could see the other two communities adopt flow control as well so that when they are sharing their comments, they are sharing their comments from a perspective that they could receive a benefit from any actions taken by those who are in flow control. He said he understands Virginia Beach is for instance, Suffolk, not having to pay and then the cap we have with Virginia Beach, but he would like to see everyone on board when these terminations and these caps go away and not have to deal with negotiating contracts and things like that in the upcoming years and that would be beneficial for the region as a whole overall.

Mr. Hadfield said that before taking up Item #4, he asked that the Board go back and take up the Resolution adopting the revised preliminary tipping fee schedule. The two additional pieces of paper that Lou Ann (Ivory) just passed out is the additional schedule that was not included in the new schedule and this is the new category of waste that we would accept that has driven me to the recommendation that we go back to the preliminary tipping fee schedule and public hearing and so forth. With that I recommend that you adopt the Resolution that was on the separate piece of paper that you have that we considered a couple of items ago. The Resolution that Lou Ann (Ivory) passed out just now goes with the budget; that is not what I am asking you to pass now; we will come back to that in a few minutes. It is the Resolution that is entitled "Resolution Adopting

Revised Preliminary Tipping Fee Schedule and Setting Date for Public Hearing on Same” (attached herein as Appendix B) at your place when you sat down this morning. Mr. Barrett made a motion to approve the preliminary tipping fee schedule which was seconded by Mr. Smith. All present voting yes except one, Mr. Collins (CH) who voted in opposition; motion carried (by majority).

#### **ITEM NO. 4: PRESENTATION OF THE SPSA FY2009 FINAL BUDGET**

Mr. Hadfield said this was a presentation of the revised proposed Operating and Capital Budget for FY2009 and as you have heard already we have made some proposed revisions in the Capital Budget with regard to waste-to-energy and there are a number of other issues that have come up within the last couple of months, fuel being the most notable example and asked Mr. Louie Jordan (Deputy Executive Director for Operations) to make a presentation on what the changes are proposed to be and how we are proposing to accommodate those with in the budget.

Mr. Jordan said that when he visited with the Board two months ago to propose a budget, I wanted to recap where we were with that budget and provided a handout which is attached herein as Appendix C. Mr. Jordan reviewed the PowerPoint presentation, highlighting that the originally proposed budget had reflected just over \$1 million increase or 1% overall, noting that this budget had been recommended by the Intergovernmental Coordinating Committee.

He also spoke about what has changed; indicating that the first thing that changed was what Mr. Cheliras had already talked about; his initial \$3.2 million in our Capital Budget. What else has changed? With Expenditure Budgets, fuel costs. Fuel costs per gallon are now up and we are worried about \$4. When the budgets were put together and submitted, we were down under \$2.70; so the initial budget was for \$3 per gallon for diesel for the coming year; with the recent increases that have taken off, we have now revised it at an estimated cost of \$4 per gallon. So fuel is up \$950,000. Contract hauling, because we have a fuel adjustment clause and with our contract haulers, is up over \$200,000. We had a misstatement before on letter of credit fees for financial assurance and that needed to be raised so the actual cost this year goes up. Mr. Jordan also said that when we gave the initial budget before it was based on projected debt service for 2009; subsequent to that with the financing that we did this year, we were informed that we have a debt service due on July 1, 2009, which is in fiscal year 2010 of approximately \$4.2 million and we cannot fund that whole thing the first day of July so debt service is up significantly. The initial budget we gave you in March of just over \$4 million, now the obvious question is what are we doing about it?

Expenses; we talked before about deferring composting operations a one...we put that in. We still intend to see if we can find a composting site that would help to restart our composting operations while also working with our member communities to see how we can provide yard waste recycling opportunities for all communities. We have made administrative reductions of \$456,000 in operating budget, including an additional full time position. Waste-to-energy reductions of \$102,257; reduced deposits to the Closure Fund from \$2 million to \$1.5 million; we are still able to cash-fund all cash expenses related to closure next year but we are basically pre-funding a year in the future. We also have reduced the deposits to the Reserve and Contingency Fund from \$2 million to \$1.5 million; total expenditure reductions of \$2.3 million. On the revenue side as Mr.

Cheliras indicated, the Capital projects up for next year for the Power Plant, he basically is projecting an additional \$700,000 in additional electricity sales.

For Destruction Demolition Debris, we expect to receive 170,000 tons of CD & D this year. For next year we had projected 100,000 tons in the budget due to competition from a new private CD& D facility in Virginia Beach just off of Centerville Turnpike. We are not sure when that will start up; it will probably be winter or next spring at the earliest. Because we expect to receive 170,000 tons this year and because of information received from discussions with several of our haulers we have brought that tonnage back up to 120,000 tons and with the increased tipping fee of \$30 up from \$22, we expect an additional \$600,000 in revenue.

The addition to the tipping fee schedule that was handed out is based on our recommendation to develop more mulching from the wood waste acceptance program. We are not nearly at capacity to produce mulch at our new site at the Virginia Beach landfill. It is our understanding that one of the largest producers and disposers of large wood waste logs, branches, trunks, is getting out of the business and compared with what else is out there on the market because our location offers convenience to the generators, we think we can get a significant amount of this waste. We think that will produce the additional revenue to balance the budget.

Mr. Wrenn (FR) asked if the \$700,000 improvement for electrical sales, I may have misunderstood, but I thought you said that was going to result from the Capital work that was being requested but if we don't do the Capital work then we would not have an impact this year; maybe I misunderstood. Mr. Jordan said the Capital work has given us the confidence that we will produce a significant amount of additional electricity over what we going to get for this year, an additional \$3.2 million; combined that with the higher rate. We are predicting an additional \$700,000 of electrical sales revenue but we are also increased by \$140,000 the expenditures for the RDF plant use of some of that electricity at the higher rates; we are not showing an operating cost reduction. Mr. Harrell (CH) said that he just wanted to be clear and realized that this question had been asked by Mike (Barrett-VB), Charlie (Wrenn-FR), and the chair and he wanted to be sure he was understanding the answer; the debt service number that you just expressed some concern about meeting the debt service, increasing the Capital expenditures for the Plant from \$6.9 to \$10 million; what was that incremental increase in debt service and was that factored in. Mr. Jordan responded that the incremental increase in debt service was about \$1.1 million of that \$2.1 million that I showed on the slide (and he returned the presentation to that slide, slide 9). Mr. Williams (NO) said the difference between the debt service is \$1 million to go from \$6 million to \$10 million? Mr. Jordan responded that the total for debt service, the \$26 million, I think it is interest-only the first year. The total of the new debt is \$1.5 million. Mr. Williams said, I think, Mr. Harrell correct me if I am wrong, you are asking if the additional income from the sale of electricity compared to the additional debt service for from \$7 million to \$10 million, rough numbers. (Mr. Hunter became involved in the conversation; however, the majority of it was inaudible and not understandable.)

Ms. Cuffee-Glenn (SU) asked what he said the annual debt service is looking at the budget that you have. Mr. Jordan responded; \$40,737,332 is the total debt service including \$1.5 million for new debt service. Mr. Barrett said, just to be clear, the \$3.2 million was added to the program for the waste-to-energy plant that was in this budget and the increased revenue that we are going to get

from electricity sales is a combination of increased efficiency of the plant plus the better rate we are getting for the new contract. Mr. Hunter said that there are some of both, 'correct me if I'm wrong, Dick (Cheliras), but primarily the increased rate.

Mr. Barrett said that is what he hoped it was, so next year once those repairs are completed and boiler availability goes back up to 85%, we ought to be able to get higher revenue from electricity not just because of the change in rates but because of the efficiency improvements that are made. Mr. Cheliras responded that was correct. Mr. Collins said he understands that there is some debt that we are just paying back interest-only? Mr. Hunter said that consistent with the work that R. W. Beck had done, if you recall, in their long-term plan, they had pushed out, to maintain the step on the \$100 tipping fee, one of the mechanisms they used to do that was to push the principle repayment portion of the debt service out until the end where our existing debt service drops out starting around 2015. In order to maintain that nice, smooth stepping stone of municipal tipping fee rates, in designing it, they pushed the principle repayment out and what we are saying here is consistent with that plan and trying to keep that nice, smooth increase in the municipal tipping fee as opposed to this, we will have the interest-only portion to this particular borrowing early on and have the principle repayments back in later years, consistent with that plan.

Mr. Williams said that when he came onto this Board several years ago, he inherited the sins of the forefathers who deferred a lot of stuff instead of raising tipping fees and now we are trying to solve those deferred plans that they had and we have to solve everything by 2018 and there is a good possibility that I won't be here in 2018, but I don't know that I want to transfer my sins to my successor but reducing the Closure Fund, we are talking about \$1 million here, that is just another million that has to be found between now and 2018 somewhere, is that correct? Mr. Jordan said the Closure fund is being reduced by \$500,000. Mr. Williams said and then the Reserve and Contingency Fund by \$500,000? And Mr. Jordan responded 'yes sir'. Mr. Williams said, so a million of deferred expenses that we should incur right now, I don't know the answer but I want to be sure I understand what we are doing, we are going to pass off to our predecessors to take care of rather than us take care of it right now. Mr. Jordan said he would argue that the Reserve and Contingency Fund has no obligation tied to it in any way, shape or form; that is a 'rainy day' fund that we don't have to spend, it is there for emergencies as we are trying to build and I think it was supposed to be built in the next two or three years so this might be putting it off another year. The Closure Fund, we agreed is a Board policy that we will always 'cash fund' closure and we can do that with a little bit of reduction but you are exactly right on that; we are going to have to pay back that \$500,000 sooner or later. The thing is with the significant changes that occurred to the draft budget this year and the fact that, it is my understanding, that all the way around the communities have adopted your budgets already based on current tipping fee. Mr. Williams said that he understood the position; when we went from \$40 to \$60 to \$75 to \$104 over the past few years, I explained to my council that the reason we have to do this is because my city along with other cities have enjoyed rates of \$20, \$13, \$12, whatever the rates were over the period of years, but now because we have this deadline of 2018, we have to make sure we pay all the bills by then whether we are here or not; we want a clean slate in 2018 to start over with. Mr. Jordan said we had discussed this internally and did not do a thorough work up and had hoped that we would be able to come to a successful agreement with the private haulers by July 1st. Mr. Williams said we will come to an agreement with the private haulers; it will be whether they want to take our terms or \$80 a ton, right? Mr. Barrett (VB) said he agreed with Mr. Williams exactly and his challenge

to staff would be to come back with cut the \$1 million in that quote and get it so that we are making our contribution to those two funds; this Board went through too much trauma to easily reverse that decision and I think the staff ought to be challenged to come up with that money somewhere.

Mr. Hadfield said one of the things going on in this budget as contrasted with the R. W. Beck presentation over the last several months is quantities of waste; what each of our member communities and our commercial haulers generate and dispose with SPSA. R. W. Beck's projections presumed a 1 1/2% increase in volume every year going forward; this budget there is actually a reduction in volume from FY2008 to the proposed year and that reduction takes away a significant opportunity for revenue and would otherwise drive the municipal tipping fee up much higher than the \$104, all things being equal. Mr. Collins (CH) said he was glad that Mr. Hadfield brought this up as he was going to bring it up when we addressed our Treasurer's Report; in this budget is taking into consideration as we move forward we will start meeting; our income expense revenues will not constantly be negative each month. Each month the answer has been we haven't received the 'flows' yet and that's why we are negative in part; this budget takes into consideration of that and I and other Board members can expect to see when we look at the bottom line number, it won't be negative month after month. Mr. Hadfield said that was a big part of the goal that we had, 'yes sir'. You may recall, those of you who have been on the Board for a number of years, in some years past in order to keep the municipal tipping fee lower than it would otherwise been we have been overly aggressive in waste quantities and it has caused us problems every time that's happened. This year we decided that for the '09 budget let's go the other way; let's be conservative and be reasonable in terms of waste quantities. He said that from a public policy perspective, people disposing of less is a good thing, you would like people not to dispose of anything, all of us would from a public policy perspective, but from a revenue perspective we want you to throw away much more. We have that dilemma that we have to wrestle with. Mr. Collins said he recognized what my Board members said of the reduction in the Closure Fund and Reserve and Contingency Fund and I certainly strongly want to see that funded at the higher agreed upon rate, I support that and at the same time, I know that what was mentioned earlier about an asset of us being able to admit more emissions that a new plant of the same size. That is going against what I guess you are saying and in concert with recycling and being able to be a more 'green' type of facility. He said he appreciated what we were saying in that end but certainly would expect to see that the upcoming Treasurer's Reports will be more reflective of the actual income coming in. Mr. Wrenn asked of our total budget of \$40, \$50 million, whatever it is, how much of that would you say is actually fuel. Mr. Jordan responded that \$3,792,264 is for fuel and over \$800,000 for oil. Mr. Wrenn said the reason he brought that up is that when we put in place our plan we said that when we set this \$100 tipping fee, our goal or our desire would be to not increase that other than for inflation; I don't know that we said what our indicator would be but we did say for inflation. If we have a disproportionate amount of fuel then our inflationary rate may not be the same as the average inflationary rate. What I would like to suggest is that you might to consider showing fuel as a pass-thru expense so when the rate continues to go up then it would be directly reflected in the tipping fee or if it came down it would be reflected in the tipping fee; I think we have a little "apples and oranges" with regard to what we are doing with the tipping fee because of the big hit of the fuel. If you took a look at that I think you would pick up these commissions of this million dollars of reserve money perhaps; I have a feeling it is in there somewhere.

Mr. Bennett said he agreed wholeheartedly that we worked to hard last year to try to get this thing in line with where we wanted it to go with coming to the end in 2018 and hold the line. We have to do what we have to do to try to maintain that and not go back to where we were several years ago; the end is coming and we don't want to continue to increase our debt service and not have any funds to pay it. We have the given time of 2017 that is what we projected when we went to \$100 a ton; that was supposed to be able to start paying off the debt service so that in 2017 we would be clear in 2018. We have to maintain that some way and if we talk about increasing things then we will really have to figure out where the money is coming from.

Mr. Williams mentioned about deferring the tipping fee item and is it too late to do what was mentioned, put a fuel adjustment on the tipping fee. Mr. Thiel (General Counsel) replied that you could not put a fuel adjustment on a tipping fee; you have to put a dollar amount on the tipping fee and adopt it and it has to be based on your projections. You can adjust your tipping fee at a later date to account for your action history; you could have said we are not going to go 4% we are going to go 5% because fuel has gone way up and gone to \$105 tipping fee but the problem with that is that his understanding is all the localities have adopted their budgets with the understanding that we were going to have \$104 tipping fee and then an \$80 tipping fee. You could take a look at it again and revisit it in the future. Mr. Thiel reminded the Board that we are governed by the Water and Waste Authority Act; the industry keeps saying we have all these advantages, well we have disadvantages too and we have to follow the law with how we set our tipping fees for our municipalities.

Mr. Hadfield said when we prepared the budget initially, we were at \$3.50 projection for fuel; the prediction projects the cost at \$4.00 per gallon for fuel; that increase alone requires almost \$1 million increase in the budget – yesterday we paid \$4.14 a gallon without tax. One of the other things we are also doing is go back to our supplier and discuss a “fixed” price contract for a period of time; HRT has done that, we looked at it a couple of years ago and were concerned with the volatility on the negative side if it went down we would be locked into a higher price. In any case, whatever it is, if it did that it would at least fix the future. Mr. Williams asked if several entities, HRT, the schools, etc. do a contract together and Mr. Hadfield stated that HRT's contract ran through 2009 and perhaps at that time it would be a good time. One of the pieces of paper just handed out is another version of the resolution that was in your agenda packet and it has been modified slightly and I would like to propose another modification to it for your consideration. This is the piece of paper that says simply “Resolution; Resolution Adopting the Operating and Capital Budget for FY2008-09” and my proposed change to this is in the first “Whereas” clause, the second line if you would scratch the words “adopted the” and replace those words with “has proposed a” and in the third line the phrase “at the March 26, 2008”, leave the word “meeting” to be replaced by “to be considered at it's June 25, 2008” meeting. So the revised “Whereas” clause would read: “Whereas the Board of Directors of the Southeastern Public Service Authority of Virginia (“SPSA”) has proposed a preliminary tipping fee schedule setting the municipal tipping fee at \$104 per ton to be considered at its June 25, 2008 meeting and...” . Mr. Hadfield then recommended for adoption the revised resolution. Mr. Chandler (PO) asked if we needed to change the title of the resolution where it says, “adopting” and Mr. Thiel, Special Counsel, stated that we were recommending the adoption of the Operating and Capital Budgets recognizing that you haven't approved the tipping fee schedule because we are re-advertising that and that would be set before you itself for adoption.

Mr. Barrett (VB) made a motion to adopt the amended resolution as proposed by John Hadfield with the proviso that the \$102,242,232 Operating Budget be approved with the proviso that the contributions to those two funds be restored somewhere out of that budget, so he moved to approve the overall numbers but the contributions to the Reserve and Contingency Fund and the Closure Fund of \$500,000 each have to be made out of that money; the amount stays the same. Mr. Smith (PO) seconded the motion; all present voting yes except one, Mr. Bryan Collins of Chesapeake who voted in opposition. Motion carried by majority. Mr. Bennett stated that the amended tipping fee schedule would be re-advertised and considered on June 25, 2008, the next Board meeting.

#### **ITEM NO. 5: LEGISLATIVE UPDATE**

Mr. Hadfield stated that Ms. Kay Kemper with Kemper Consulting was present to give this update. Ms. Kemper began by thanking the Board for the opportunity to represent SPSA at the 2008 General Assembly session. During that 60-day session we followed a number of bills and resolutions on your behalf, some directly impacting SPSA, some impacting the industry, some having to do with public authorities, and some having to do with simply public entities. The chart in front of you (and attached as Appendix D) represents some of the bills and resolution we followed; it does not include what she called the “operational” items and what pieces of legislation that have to do with things Freedom of Information, Procurement, which we also follow. As you look down the list you will also see it does not include a “trash” tax piece of legislation. While that legislation has been introduced in the past, it was drafted this year, however, it was not introduced.

Ms. Kemper pointed out two particular pieces of legislation; the first was HB1848, which was a bill introduced by Delegate Morgan. It would have effectively prevented SPSA and other public landfills from accepting Construction & Demolition debris; that bill did not pass, it was carried over into the 2009 session and we will continue to follow it and oppose it. The second piece of legislation you have a great deal of interest in and that I have included the final copy of is House Joint Resolution No. 89, patroned by Delegate Cosgrove who is here as was mentioned earlier on. It is the same language as Senate Joint Resolution No. 65. That will authorize and require the collection of some data by the Auditor of Public Accounts and the presentation of his perhaps recommendations or his assessments; that study resolution requires that he complete his work by the beginning of the 2009 session. We believe that he has already started to have some contact with the staff here and will send his list of things that he needs so we will follow that with you. Ms. Kemper then offered to answer any questions however there were none.

Mr. Bennett acknowledged Delegate Cosgrove at this time, apologizing for not doing so earlier and offered him the opportunity to speak. Delegate Cosgrove had no comments.

#### **ITEM NO. 6: REQUEST FOR APPROVAL OF AMENDMENT 4 TO THE REGIONAL SOLID WASTE MANAGEMENT PLAN (RSWMP)**

Mr. Cheliras was called to the podium to speak on this item. Mr. Cheliras introduced himself, noting that this time he was wearing his “green” hat and not his “red” hat from the power plant and indicated he was here to talk about the Regional Solid Waste Management Plan and Amendment 4 that we are proposing to you to adopt. Amendment 4 contains four items that are

detailed on the screen for you (the corresponding handout is attached herein as Appendix E) and are also in your package. Your package indicates there are about five items; in reality item 2 and 3 in your Board package are rolled into Item #2 when you see them on the screen. Mr. Cheliras stated that the amendment is simply the inclusion of the revised procedures for amending that plan which you (the Board) adopted at your meeting last month; he then highlighted and reviewed the full presentation. Mr. Cheliras noted that the proposed CDD Material Recovery Facility fits within the state's hierarchy of disposal of solid waste as apposed to landfilling; it is the preferred method and state recommends inclusion of that item. The amendment also includes the inclusion of a SPSA Vegetative Waste Transfer Station located in Virginia Beach, stating that we have been in discussions with the city, noting that this item meets the needs of the region and staff recommends inclusion of this item. Mr. Cheliras stated that a public hearing was held on May 1, 2008 on this Amendment at which there were no attendees.

Mr. Barrett stated that he has never seen a process that is more wasteful of time, effort, staff time, and he would abstain, noting that this was the most utter waste of resources that he has ever seen for us to participate in this process.

Mr. Collins (CH) asked on the public participation increase, would you highlight again what this "increase in public participation" means. Mr. Cheliras stated that previously under the old procedures, the only time, and in fact under the state's procedures, the only time you are required to have public participation is when you do what is termed a "major amendment" to the RSWMP. A "major amendment" is defined essentially as the addition or removal of major disposal facilities, i.e. landfills. SPSA felt it was important that the public have the opportunity to be aware of all of those facilities so in the procedures that you adopted last month we specified that for any type of amendment whether major or minor we would do the public hearing. Mr. Collins also asked about the vegetative removal, at this time we have not identified a final destination facility for that, is that ...? Mr. Cheliras responded that we have not concluded our negotiations on that. Mr. Collins said that while we are looking for that, certainly should Mr. Hadfield and staff take in consideration the challenges that we had with the most recent composting site and wouldn't want to have similar things at the new facility. Mr. Hadfield agreed and said that at a recent Board meeting he had advised the Board that one of the revisions to the plans (the internal operating plan) for this coming year was to select a consultant during the next year to look at our whole yard waste management program with an eye to look at how do we better serve the entire region on that.

Mr. Collins moved for adoption of the plan; the motion was seconded by Mr. Smith (PO). Mr. Wrenn (FR) asked when the appropriate time was to add the proposed transfer stations in Suffolk to this management plan. Mr. Cheliras stated that in Amendment Three which has been approved, we made mention of the transfer stations but until such time as we have identified specifically where they are going to be and what their capacities are going to be it is not appropriate to move forward with them at this time; that will be the subject of a future Amendment. Mr. Hadfield stated that the new procedures would require that a local use permit be granted if required before SPSA considers amending the plan for those purposes.

Mr. Hadfield also said that another single sheet of paper at your place is a summary of this amendment and the previous three amendments and what they contain and so forth. Amendment 4 is on the website also.

The motion was voted on; all present voting yes except one, Mr. Michael Barrett (VB) who abstained from voting as previously stated. Motion carried by majority.

Mr. Thiel, General Counsel explained that the reason SPSA and the region has to go through this process is an unfunded mandate and for whatever reason the region decided it should be SPSA who does it so we are funding it.

#### **ITEM NO. 7: PRESENTATION ON BLOWING DEBRIS/TRUCK TOPS**

Mr. Hadfield stated that over the past several months we have been dealing with blowing debris and litter along Rt. 460 and Rt. 58 near the landfill and he had advised the Board that we had come to what we believe is an potential solution; he then asked Patrick Lee who is our Superintendent of Fleet Maintenance to make a presentation which is herein attached as Appendix F.

Mr. Lee came to the podium and introduced himself, stating that he had been employed with the authority for nineteen years having started as a mechanic and working his way up. Mr. Lee reviewed his material, explained the history of the trailer tops and how we got to where we are today, and pointed out the items in the slides that corresponded to the parts identified in the presentation. Mr. Lee also reviewed the issue of litter in the trailer and the plans to remedy the problem of loose and blowing debris.

Mr. Bennett thanked Mr. Lee and noted that this problem had been called to his attention by quite a few citizens and he was please to have a remedy in place. Additionally, he thanked the Western Tidewater Jail staff and inmates for their participation and the SPSA staff for their efforts and time on this issue. Mr. Williams (NO), stating he had experience with these in the past, suggested investing in good ratchet straps to ensure safety, performance and durability. Mr. Hadfield also thanked everyone for bringing this problem to our attention as it is a public relations matter and maintaining a clean environment is something we are most concerned about.

#### **ITEM NO. 8: STATUS REPORT ON EXECUTIVE DIRECTOR SEARCH**

Mr. Bennett stated the Executive Committee has a meeting is scheduled for June 5, 2008 with Jim Mercer regarding the search for a new Executive Director. Mr. Bennett then invited any Board Member (Alternates are not included) to attend that meeting if they desire; it is 8:30 a.m. in the 2nd Floor Conference at SPSA. Mr. Mercer has approximately 24 applicants at last count of resumes that have been sent in; the deadline to apply is May 30, 2008. He will pre-screen the applicants and then we will review his selected field of applicants. After that meeting takes place, the Committee will come back to the Board with recommendations in the next two or three weeks.

#### **ITEM NO. 9: TREASURER'S REPORT**

Mr. Walt Hunter, Treasurer to the Board, stated that once again this month the most significant issue to report on is the revenue shortfall which is happening because of lower number of tons being delivered than what was anticipated in the budget. Line 10 on the Budget Summary page which is Tipping Fees, with that we are about \$3.2 million below where we should be at this point during the year. Line 12; the Contract Commercial Tipping Fees were a little over \$400,000 less

than we should be. All things considered, the Total Revenue Line, Line 29, we are about \$3.2 million below where we should be year-to-date relative to the budget. That is the most significant issue.

The other issue I report on every month is the Operating Budget; the Operating Expenses on Line 33. We have been seeing a gradually increasing amount every month; we now are about \$1 million over on the Operating Budget year-to-date from where we would expect to be. The bottom line that you see on Line 54, it appears as though the \$746,000 that we are in relatively good shape but the reason for that is because of some timing of some debt service payments which are later in the year as well as we are running slower than anticipated on cash funding on some of the expenditures at the Power Plant as well as having not fully funded the Closure Fund this year. Those are the elements that create the bottom line where it is but those are non- operational items. The key points are: 1) revenue is down substantially and 2) Operating Expenses are up.

Mr. Harrell (CH) asked a question, relative to what would we attribute the overage on Operating Expenses to. Mr. Hunter stated that a couple of large things contributed to that; legal expenses apart from Operations have been a good deal higher than budgeted primarily as a result of the emphasis of flow control; at the time that flow control came up we did not have an adequate projection of expenses for both legal and consultant activity for flow control; that was a large portion of it.

Mr. Williams (NO) commented on the waste-to-energy side, we took in \$37 million so far and we spent \$24 million so we have made \$13 million on waste-to-energy minus the mortgage payment, \$9 million, so we are \$4 million to the good at WTE.

Mr. Collins (CH) made a motion to accept the Treasurer's Report which was seconded by Mr. Williams (NO). All present voting yes; opposes none; motion carried.

Relative to the Executive Director search (Item #8) Mr. Bennett added at this point that the schedule shows that the Board should be selecting a candidate; we will be doing interviews somewhere around June 26th or 27th, and making the selection by June 27th-30th, so hopefully we will have someone on board 30-60 days after that noting for informational purposes that the public did not have this schedule before them.

#### **ITEM NO. 10: STAFF REPORT ON BUDGET VARIANCES**

The budget variance report was provided as a handout and there were no questions on this item.

#### **CLOSED MEETING**

#### **ITEM NO. 11: REQUEST FOR CLOSED MEETING**

Mr. Barrett (VB) made a motion to approve the Closed Session request as published in the agenda packet and noted as follows:

(1) In connection with the Executive Director's retirement pursuant to Virginia Code Sections 2.2-3711(A)(1) and 2.2-3711(A)(7) that involves (a) the performance, salary and/or retirement of a specific employee and (b) consultation with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel.

(2) In connection with matters related to contracts with private haulers pursuant to Virginia Code Sections 2.2-3711(A)(7) and 2.2-3711(A)(29) for the purpose of consulting with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel and the negotiation and award of 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.

Said motion was 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 certification of the Closed Meeting as written in the agenda packet and resume the Open Meeting was made by Mr. Williams (NO) and seconded by Mr. Collins (CH). All present voting yes; opposes none; motion carried.

## **ITEM NO. 12: ACTIONS ARISING FROM CLOSED MEETING**

There was one item brought before the Board as a result of the Closed Meeting. Mr. Bennett called for a motion to approve the "Resolution Approving a Separation Agreement Between the Executive Director and the Authority Authorizing the Authority Chairman to Sign This Agreement on Behalf of the Authority" as presented in the Closed Session. The motion was made by Mr. Wrenn (FR) and seconded by Mr. Williams (NO); all present voting yes; opposes none; motion carried.

## **CONSENT AGENDA**

### **ITEM NO. 13: MINUTES FROM REGULAR MEETINGS OF MARCH 26, 2008 AND APRIL 23, 2008**

The minutes of the Regular Board Meetings of March 26, 2008 and April 23, 2008 were presented for approval. A motion to approve the minutes from the April 23, 2008 meeting was made by Mr. Wrenn (FR) and seconded by Mr. Collins (CH); all present voting yes; opposes none; motion

carried. A separate motion to approve the minutes from the March 23, 2008 meeting was made by Mr. Barrett (VB) and seconded by Mr. Wrenn (FR); all present voting yes; opposes none.

### **INFORMATIONAL ITEMS**

#### **ITEM NO. 14: MINUTES OF EXECUTIVE COMMITTEE MEETING OF APRIL 15, 2008**

The minutes from the regular Executive Committee meeting of April 15, 2008 were presented as an informational item and there were no questions on this item.

#### **ITEM NO. 15: PERFORMANCE INDICATORS**

There were no questions on this item.

#### **ITEM NO. 16: PUBLIC INFORMATION ACTIVITIES**

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

### **OLD/NEW BUSINESS**

Mr. Hadfield stated to bring the Board up to speed on where we are with DEQ and Part A, Part B plans with Cell VII: we are on schedule. DEQ has advised us that Part A application is administratively complete and they believe that the technical comments on Part A will be minor and should be something to us in the next week or ten days on that. Our anticipated schedule for Part A would be to complete that and have a Part A permit by early September. The one issue that is a concern with us with is the identification of the site of the northern transfer station.

Mr. Collins noted that since we were on new business items he wanted to share is that he would still like to see SPSA get information to the Board as early as possible, adding that the Board had gone through a tremendous amount of information today. He said that what they actually received prior to the meeting was this much, indicating the agenda packet and its thickness, and it is really tough to go through this agreement, this plan and so much material. He added that with the recent holiday and the people needed to go over the material, he would prefer to have it earlier to have ample time to review it. Mr. Collins also indicated that we also need to make it available to the public as early as possible so that we can say that it is available on the website in certain time frames; that is very important. For the Board members, I think we should be the ones to receive printed, hard copies as early as possible so that we can go through any items are going to change and highlight and know what to look for. Mr. Williams (NO) asked if Mr. Collins preferred the material in hard copy or e-mail and Mr. Collins stated that for those who don't do e-mail very well, we need to have hard copy so we can come in and participate as well. Mr. Collins said he had not received the Regional Solid Waste Management Plan (RSWMP) in any form prior to the meeting and had to obtain it from the website. (Note: the RSWMP was not a handout nor part of the agenda packet as the entire document was not to be reviewed; the agenda item was the amendment and those changes were contained in the agenda packet and a handout of this material was also provided.) Mr. Collins went on to say that he should be sent the material provided as handouts via

e-mail prior to the meeting so he can review them in color if they are so available as he needed that to function well.

In another item, Mr. Wrenn (FR) noted that he had run for Franklin City Council in May and lost and the result would be that he would be leaving this Board. He stated he did not know who would be replacing him and did not know whether he would make it to the last meeting; he said it had been a great experience working with everyone and that he now knew where the garbage goes. He stated he felt SPSA was a good organization, that a lot of progress had been made over the years and that he wished everyone well.

Mr. Smith (PO) said he would be here for the last meeting, hopefully and would give his speech then as he, too, would not be returning as a Board member. Mr. Bennett stated that he hoped both would be here on July 23rd, saying they had been a part of it and still wanted them to be a part of it. He stated that they were entitled to serve out their term and have that additional knowledge to pass on to their successors. Mr. Bennett said he hoped that the Board could recognize them in some fashion, relaying how much he appreciated the time they had invested having served additionally on the Executive Committee as well and not having received a dime for this. Mr. Bennett called for a motion to have the Executive Director to work out some way to find some money to have a recognition dinner for these Board members. Mr. Thiel said that they remain members of the Board, noting that being a City Council member was not a prerequisite of the Board, until they resign, you are disqualified which they are not, or they die so keep that in mind. Mr. Wrenn said that he intended to send a resignation before July 31, 2008. Mr. Williams suggested that the Chairman write a letter informing the Mayors of these two cities (in case they don't know) that the respective members' terms have not expired and asking that if possible they be allowed to remain on the Board and perhaps even finish their term; he also asked that the letter reflect the fact that the Board was encouraging that scenario. Mr. Bennett said he did not have a problem doing that if it was the wish of the Board at which time Mr. Harrell (CH) spoke up and echoed the suggestion, noting the tremendous resource each member was. Mr. Bennett asked if this was the consensus of the Board and received verbal agreement on the matter. He then asked that such a letter be drafted for his signature and sent out this week explaining that there is no rule requiring the members be replaced on the Board when they no longer are City Council (or Board of Supervisor) members as a result of an election; they are able to serve out their term.

## **ADJOURNMENT**

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

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

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