

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

July 27, 2011

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

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

* Indicates Late Arrival

** Indicates Early Departure

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

Others present at the meeting included the Alternate Ex-Officio Members Jon Mendenhall (SH) and Eric Nielsen (SU) and the following SPSA executives Mr. Rowland (Bucky) Taylor, Executive Director, Ms. Liesl R. DeVary, Deputy Executive Director and Treasurer, and Mrs. Lou Ann Ivory, Executive Assistant and Secretary, Trey Huelsberg, General Counsel, and staff from SPSA and the Hampton Roads Planning District Commission.

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

1. **REPORT OF THE NOMINATING COMMITTEE AND ELECTION OF OFFICERS**

Chairman Leafe stated that this was our Annual Meeting as well as our regular meeting and the agenda order changes to allow the Election of Officers at the very beginning of the meeting. He then called on Mr. Tim Oksman (PO) to give the report of the Nominating Committee. Mr. Oksman said it was the unanimous recommendation of the Nominating Committee that Mr. Leafe continue as Chair and that Mr. Williams continue as Vice Chair. Chairman Leafe then asked if there were any other nominations for either of the two positions of Chair or Vice Chair and there being none called for a vote. Mr. Oksman (PO) made a motion that the recommendations of the Committee be accepted and the motion was seconded by Mr. Chesson (SH). All present voting yes; opposed none; motion approved and carried by

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a unanimous and recorded vote. Chairman Leafé then thanked the Nominating Committee for their work.

PUBLIC COMMENT PERIOD

There were no speakers for the Public Comment period.

2. **INFORMAL ITEMS: DISCUSSION ONLY**

A. MONTHLY REPORT ON WTE OPERATIONS

Chairman Leafé noted that the monthly report from Wheelabrator had been included in the agenda packet and called on Mr. Paul Grego to present the report.

Mr. Grego said, “Thank you, Chairman. Good morning, Board. I hope everyone is having a good week. The monthly operations statistics for Portsmouth June 2011 total waste received by SPSA 40,381 tons. The waste delivered to the RDF facility was 57,407. The plant processed 46,566 tons, and ash sent to the landfill was 12,906. Electric power sold to the grid was 15,601 megawatts and steam sold to the Navy was 26,490 K-pounds of steam. Boiler availability for June was at 75 percent with the generator availability at 97 percent. There were no environmental or health or safety issues. We still remain under a Joint Consent Order with the DEQ through May 2012. Some general notes for the month, we did complete the scheduled outage; it was a 14-day outage that was completed on schedule and the plant was recognized for going 200 days accident free and year to date we are around 246 days. There being no questions for Mr. Grego, Chairman Leafé thanked him for his presentation.

Before continuing the meeting per the agenda, Chairman Leafé said we did approve the Nominating Committee report but it did not contain two of our Officers that we also need to elect, and that would be Mrs. Ivory as the Secretary and Miss DeVary as the Treasurer. Chairman Leafé then called for a motion to elect these individuals to those positions and the motion was made by Mr. Oksman (PO) and seconded by Mr. Caskey (IW). All present voting yes; opposed none; motion approved and carried by a unanimous and recorded vote.

Chairman Leafé said we have an updated report from Mr. Robert Gardner, of SCS Engineers, on the SCS study and I will let him tell us where he is as it relates to the CAO's and the report. He then called Mr. Gardner forward.

Mr. Gardner said: “Chairman and Board, I am Bob Gardner with SCS Engineers. I have been asked by the CAO's to provide a very brief, probably five to ten minutes, update as to where we are in our evaluation and preparation of our update of the 2018 and beyond study. So what I would like to do today is provide you an overview of the tasks that we completed, an overview of the scenarios that we have looked at in terms of the conceptual and a framework of those scenarios, some of the alternatives that we have looked at, as well as the schedule as

to where we are going from here. As you know, the original report was submitted back in November of 2008. And this was before the sale of the WTE facility and all the negotiations associated with the future of SPSA. We were tasked with updating the overall analysis that we did and so we have done that. In that process we have gone through and updated all the projections, both the historical solid waste quantities, the demographics, as well as future projections because those projections changed pretty dramatically after the sale of the WTE facility primarily in terms of where waste was going and the impact that had on SPSA's landfill and the Virginia Beach number two landfill. We also reevaluated the institutional alternatives. There was a section in our report that looked at the various ways you might organize yourselves, whether it is continuing in the current status quo, whether it's reformulating your Board, reformulating in the terms of number or overall way you are organized and we have taken a look at that as well. We developed and evaluated new alternatives, what we call scenarios in the overall process. This is different from the last go around and someone asked me what's different from what we did before. The analysis we have done this time really is looking at it from the perspective of the individual communities more straight-up in terms of what really each of you want to know, what does this mean to my community specifically and what does it mean from a corporate perspective so the analysis allows for that kind of look into the overall cost structures. We have prepared the new proforma model which then looks at all the moving pieces there are within the solid waste systems and the costs associated with that. Whether that is the landfill or the transfer stations, or the transportation, all those costs have lots of variables that impact them and so we have tried to model those so the various scenarios can be looked at. We also met with the member communities', both the technical and the administrative staff and the purpose of those meetings was to get a sense of what has changed in their minds with respect to how they view the future and what they wanted us to look at in our overall evaluation of the scenarios that we did. Also met with the CAO's, three times now we have met and in the process of going through and looking at the scenarios and developing the scenarios and discussing those scenarios. We have also met with SPSA and have gone through our evaluation to really feel truth some of the numbers. Ms. DeVary has a very good grasp on the costs that SPSA has and we have tried to go through and look at those costs and vet those costs out and are still in the process of doing that. We have also met with representatives of the private community with regards to the various folks who are handling the commercial waste streams so we have done that as well.

One of our tasks or things that was communicated to us early on was we weren't tasked with telling you what to do. We were tasked with providing you information from which you could make policy decisions so the evaluations we have done has focused that in terms of providing some basic information that will be helpful as you begin to wrestle through the very complex issues associated with managing solid waste within the region. The scenarios themselves that we evaluated became clear that the scenarios could be broken into two basic parts. You have what we call the western region and you have the eastern region and demographics and geography defines that. It became really clear that the western region communities of Isle of Wight, Franklin, and Southampton County were tending towards 'we were will figure out in terms of our disposal most likely with Waste Management at the Waverly Landfill' and that's kind of where they were heading and so the alternatives that we considered really seized that or breaks off that piece of the pie with respect to that alternative.

Although the evaluation we did with regards to the eastern communities is still applicable. You can look at results of that and superimpose the western community waste stream on that as well and it would give you overall sense of what the cost structure might look like. We also looked at the separation, for example, the City of Portsmouth has the Wheelabrator facility in their backyard and if they just decided to go to Wheelabrator, we looked at that alternative. We also looked at Suffolk, if they were to take over the landfill and manage waste on their own what would that look like. We also looked at the option of the host fee. We've got a nominal fee that we put in there. We are not going to tell you what that fee should be; it is something that ultimately has to be negotiated if it is going to be anything at all. We also looked at the issue of evaluating the scenarios with respect to integrated solid waste management. If you look at the Solid Waste Management Plan that has been developed for the region there is a pyramid in that Plan that shows the basic priorities that are consistent with EPA's priorities on managing solid waste. Where landfilling is at the bottom of the pyramid so you would have reuse, recycling, and then incineration and then landfilling. So if you look at the various scenarios we evaluated we'll also be looking at that particular pyramid and asking the question how those specific scenarios match up against those priorities. The disposal scenarios we looked at included the 'status quo'. By 'status quo' I mean the Wheelabrator facility and taking the waste there and then the ash and residuals going to one of the regional landfills. Whether that is SPSA, or Virginia Beach number two or whether that is an outer reach landfill. We have looked at the SPSA regional landfill with regards to its current capacity as well as its future capacity. We have looked at our region disposal and resurveyed all the various landfills, private facilities within 250 miles of this region, tried to get as much information as we could with regard to pricing. That's very difficult by the way. And then we looked at the private CDD landfills to see if they have capacity to handle the CDD waste in the immediate and long-term future. So we looked at the landfill scenarios, not only from specific facilities but with regards to a long-term ownership in terms of whether SPSA or a private firm owns and operates it, whether that landfill is expanded beyond the current Cell VII into VIII and IX and beyond so those have been in terms of the subsets we have looked at.

We have also looked with regards to whether those facilities could be operated, owned by the individual member communities. And is there any cost advantages associated with that, what are the advantages and disadvantages with that and how would that impact the overall management of solid waste in the region. Now, between the waste to energy, the landfill, the transportation and transfer of waste, you can imagine there is a whole series of combination of scenarios, about 14 different combination, different scenarios that look at the waste to energy operating the SPSA landfill to handle all the municipal solid waste; we have looked at outer region landfill disposal, we have looked at constructing a new waste to energy facility, and so there is a whole series of scenarios we have looked at with respect to those and began to put together a model that begins to see what that looks like with regards to overall long-term cost. And we have used most of you are familiar with net present value analysis and comparing the various scenarios associated with managing solid waste in the region. So the analyses looked at waste generation estimates and projected those and as you can imagine they are fairly complex because if waste is going to the waste to energy facility it means there is less waste being ultimately being disposed of. If you don't go to the waste to energy facility and you go to the landfills then you will be consuming landfill capacity at a much greater rate and you are

going to be constructing landfill cells much quicker and having capital requirements much quicker and the analysis takes that into account looking at the overall capital structure. So looking at the overall SPSA costs for example from 2011 to 2018, and then going forward from 2018 and beyond. We looked at allocation of costs from a unit process perspective so that the cost can be parsed, into disposal, transfer station, transfer, recycling and you can begin to see what the overall costs are. One of the challenges we had last go around was associated with how you compare the alternatives. If I say I can dispose of your waste for \$45 a ton at the landfill and you are paying \$145 or \$175, you go, "but this doesn't make sense". A lot of times you are comparing apples to oranges so we are trying to make sure the analysis and the presentation analysis is made people are understanding what those numbers mean and it can be deceiving when you are doing it on a dollar-per-ton basis because you ask the question what is the denominator and what is it you are comparing. The analysis we looked at is from the net present value and we've done some analysis that allow that dollar per ton comparison on an individual unit basis.

So, where are we today in terms of our overall process? We submitted our draft report on June 2nd and the CAO's have been reviewing that draft report since then. We have had two meetings, one June 22nd and one July 21st to discuss the report and begin to get a sense of what their preliminary comments are. They are still reviewing it and we are still waiting to get additional comments from the CAO's and expect within a week or so to get comments from the member communities. It will probably take us two to three weeks to then turn around the analysis and I suspect based on what we have received and there is additional analyses we will have to do, to look at and address those questions so I suspect it is going to be a two to three week period so we are hoping by mid-August, third week of August or end of August to have the final report prepared. The CAO's, I think it will be very important to have some discussions both amongst themselves as well as with their member boards so in the September, October time frame the expectation is that there will be some presentation to the member communities to allow for dialogue and discussion and begin to thresh out the issues that are out there and whether there are additional questions and analyses that needs to be done in order to support and answer those questions. And after that, it will be up to the member communities to make the ultimate decision as to how to move forward. So that's my overview. Any questions?

Mr. Woodall (CH) asked in your experience and all the research you have done is there any other regional outfit that operates like we do, not just close, but anyone that really mimics what we have done here. Mr. Gardner replied that there are several communities where you have multiple cities and counties that cooperate together, Eco-Maine in the Portland region has a whole number of communities that cooperate. The Broward County Recovery Board which is a group of 27 cities and counties that have cooperated together in a very similar organization, Wheelabrator operates their WTE facilities as well and they have a landfill not too dissimilar to what we have here. And then you have variations from that, just locally in the region, in the Newport News area you have VIPSA, which is a little different like you said but the closest one would be the likes of Eco-Maine, the Connecticut Resource Board all where you have individual member communities that are cooperating together and buying as well. Mr. Woodall then asked how would you or could you generalize for me how they are getting along; how are they operating? Mr. Gardner said they have all the same disputes and concerns that this group has as well. I will never forget about two years ago I got a call from

one of the members of the Connecticut Resource Authority and there was a subset of 8 and were looking to succeed from the union, so to speak, so they wanted to evaluate alternatives, to doing that, interested as to what options were available. They like a lot of organizations, built a system based on a series of assumptions that changed radically in the 1990's so their overall debt structure was significant and having to manage that became fairly difficult like the Harrisonburg Authority. The Solid Waste Authority of Palm Beach County, which is one of the largest and more successful in many people's eyes, but they put in place various economic processes that help them do that. We have talked about some of those over the last couple of years with regard to special assessments and such that make the financing of that operation a little bit smoother. So there is no one exactly like SPSA but some are similar. Mr. Woodall said in your experience with these organizations have any of them just broken apart and Mr. Gardner replied none that I have been involved with and none that I am aware of. Mr. Woodall then asked what would you say the reason was that they did not break apart and Mr. Gardner replied that it comes down to economics in many cases. Whether they economically can solve their problem better or feel in the long term it would be best for them to continue to keep together because there are some economic incentives. For example, in this region where you have 450,000 to 500,000 tons of waste that's a fairly significant bargaining chip and when you begin to break those apart your bargaining chips becomes less and less. But all have had the similar struggles, similar complaints, both from organization. There is no perfect organization and no perfect way of doing it. Mr. Woodall said but their solutions were not to break apart. Mr. Gardner said he could not remember the Connecticut Resource Authority but I know theirs was pretty difficult. I will check, but they may have had some folks because they were fairly large group of cities that cooperated together. Mr. Woodall said in these troubled times and them finding their solutions did it tend to bind the group closer and Mr. Gardner said that I don't know. Mr. Adams (SU) asked when you had flow control is that what you referred to in the '90's and Mr. Gardner replied yes.

Chairman Leafe said we encourage you along because this becomes a very important piece of it in part, as far as the process is concerned. There are obviously decisions that this body needs to make but ultimately it is the communities that we serve that need to decide whether after 2018 they want to maintain a SPSA-type or regional body to play a role and what role do they visualize as a regional organization playing and then if they decide that that needs to happen, then we need to decide whether we can do that. And how we would go about doing it for the benefit of the communities and the citizens in the communities. I do think we are on a track to get the information and the inputs that we need and we just need to continue for everybody around the table to encourage those local government units to raise it up on their radar screen among all the other things they have to do, and begin to decide whether we need to work hard to fit this organization into a slot for the benefit of the communities or whether, they decide to take the -- we will go our separate ways bit, in which case that dictates a different scenario for us to put our attention to. But we thank you for the work that you continue to do and just try and keep that on track as best we can.

B. EXECUTIVE DIRECTOR UPDATES

Chairman Leafe then said called on Mr. Taylor to give his updates. Mr. Taylor said in regards to the landfill we have had no odor complaints. Scott Whitehurst, Landfill Superintendent, has been meeting with vendors regarding odor neutralizers and odor

systems. That is one of the things in regard to the Cell VII permit that we were required to take a look at and to be able to make some type of report back at some point in the future so we are beginning that process and moving forward with that. Over the month of July, we were able to divert for Wheelabrator a little over 9,800 tons of waste that equates to, just the tipping fee part, very close to \$600,000. It was, no question, a good thing that we were able to do not only for them but for ourselves also because that is revenue that was not anticipated. The whole year previously had been little over 8,100 tons.

The landfill also, I sent you-all copy of e-mail I received from Scott regarding a fire on a patron's vehicle, and we want to certainly thank Victor Council, Anthony Berrell, Larry Davis and William Eure, who were able to respond quickly and with their training were able to get the people out of vehicle and also put the fire out. So I just wanted to let Scott know that and please pass that along which we will be doing to the employees.

For the Norfolk Transfer Station and Landstown Transfer Station, we have been having work on the tipping floors. Landstown is open, finished and is operational and we are looking at the possibility of having two lines at Landstown. Also in Norfolk hopefully we will be pouring the last of that floor this week. Also at Landstown, we will be going out to bid in the not too distant future for paving the parking area.

We also have completed three payrolls, paid bills, done a few tweaks and everything to the computer system and Ms. DeVary has been the captain of that ship and she has been piloting that through the very complicated and involved process. The focus was on the savings of \$1.7 million so that was always the carrot out there to move things forward and we certainly wanted to thank her for all the work done. That's all I have, Mr. Chairman.

Chairman Leafe thanked Mr. Taylor for the updates and said it looks like those capital projects are moving along fine.

C. CHAIRMAN'S COMMENTS

Chairman Leafe said he really did not have any additional comments at this time.

D. APPOINTMENT OF THE EXECUTIVE AND AUDIT COMMITTEES

There are the appointments that the Chairman needs to make and it would be my intention to keep the Executive Committee in the same mode and that would be the Chair and the Vice-Chair, Mr. Williams, Ms. Cuffee-Glenn, who is the City Manager in Suffolk but also chairs the CAO's and Mr. Oksman. I would ask Mr. Woodall to continue chairing the Audit Committee and along with Mr. Barnes would ask two new people there, Mr. Adams and Mr. Caskey, if they would serve, please, on the Audit Committee with Mr. Woodall.

And with those two items, and thanks in advance to all those people who will only assume and hope they would be willing to serve as requested.

3. ACTION AGENDA

A. MINUTES OF THE BOARD MEETING

Chairman Leafe said the minutes of the previous meeting, the June 22, 2011 meeting, had been submitted in the agenda and Mr. Woodall (CH) then made a motion that the minutes be approved as presented and it was seconded by Mr. Willson (PO). All present voting yes; opposed none; motion approved and carried by a unanimous and recorded vote.

B. SPSA PERSONNEL POLICY CHANGES

Chairman Leafe said we had a discussion of the Personnel Policies and several issues and questions were raised by members of the Board last month, and these have gone back to the administration for further discussion and consideration. I think as is noted from what has been submitted with the agenda there are some modifications from last month that are being recommended, but we will let Mr. Taylor address that.

Mr. Taylor provided handouts to the Board which are herein attached as Appendix A and said several of the things shown hit only those particular areas that we had discussions about last month; the other parts of the recommendations still stand as they were. On Military leave, we also have included at your place at the table, a sheet that Human Resources (HR) went back and talked with each community to find out what the communities' positions were and what they did on certain items, primarily three different items.

Military leave, with the discussion that occurred last month, we are recommending that we just keep the military leave as it is. It is a 90-day subsidy. As you will see the only other community that is part of SPSA that provides any military leave subsidy is the City of Virginia Beach and they do it for a 12-month period.

The next item regarding Severance benefits is following the discussion we are recommending to continue to provide two months medical leave benefits for employees if a Reduction-in-Force occurs.

Severance benefits for health insurance, this is a little bit more complicated, and we are saying that SPSA will provide 50 percent of the active employees' contribution for the lowest tier of coverage. At times SPSA's policies have two or three different tiers of coverage and the employee can choose whichever one they want. We are saying the actual subsidy would be 50 percent of lowest tier. If lowest tier was \$500 then the subsidy would be \$250. Mr. Williams (FR) said they could take that in lieu of being a part of our plan and Mr. Taylor said no, this is for retirees, so they would continue to be a part of our plan. They wouldn't use that money towards anything else; they

would have to be a part of our plan. An employee must have been employed with SPSA a minimum of ten years and employees must have been a member of SPSA's health plan for five consecutive years prior to the retirement. Retiree health benefit is still eligible to age 65. Once they become 65 and Medicare begins, then they would no longer be on SPSA's health plan. Employees with less than ten years would still be able to participate in the plan, but they would just have to pay all of the premium. The two additional percent is for the administrative cost of that particular program. An employee may continue the dental insurance but they pay the full costs and that's the same as it is now.

Mr. Williams (FR) said on the health retirement benefits it is my understanding if somebody worked ten years and chose to call themselves retired at age 35, then we would be obligated to have him carry him on our medical insurance up until age 65 the way this things is written and that seems to me like we ought to put a curtain on that somewhere or another, start at age 50. Mr. Decker, Human Resources Manager, replied that retirement is based on VRS, which means you will be at least 50 years old and receive reduced retirement at that. Mr. Williams asked if they wanted to retire with VRS at age 50, we would be obligated to put him on our medical plan up until age 65 and Mr. Decker replied that if they have been an employee with SPSA at least ten years and at least five years with our current health plan, then yes sir. Chairman Leafe asked what is our current benefit. It is my understanding that this is actually tightening of the eligibility for some subsidy. Mr. Decker replied that currently it is requiring the ten years with SPSA now and also requiring the five years previous enrollment. Chairman Leafe then asked what would a person's health benefit be today if we had no change in this plan and Mr. Decker said we would cover them for the highest plan if that is what they had. Chairman Leafe clarified by repeating that SPSA would cover SPSA's portion of it for the highest plan or whatever plan they had and the change would reduce their choice. Mr. Williams asked is SPSA's allocation today 50 percent and Mr. Decker replied depending on service, yes, sir. Mr. Willson (PO) asked what happens after 2018. Mr. Decker replied that is an excellent question. We are hoping if SPSA goes away, we are hoping that another entity will absorb our VRS assets and liabilities. Mr. Taylor then said or you may have to set up some type of trust fund that will be there to pay what you have that is outstanding at that time.

Mr. Woodall (CH) asked if this is a change; this policy change, is this in effect for everybody that have worked here 20 years already or is it grandfathered and Mr. Taylor replied that the change takes effect July 1, 2011 on anyone that retires. Mr. Woodall said so anyone working here now and Mr. Taylor replied right. He added that there are about 20 that were on the plan that we currently have that would stay on that and we would continue to pay that. Only for those who retire after July 1 of this year. Mr. Martin (CH) clarified you are saying we have 20 retirees that we will pay 100 percent of their health insurance and Mr. Decker said there are actually 14 right now and we are still only paying up to 50 percent of SPSA's contribution that is equivalent to an active employee. Chairman Leafe said but it would equate to paying that contribution for whatever plan they have, and not the member part of the lowest plan and Mr. Decker replied yes, sir.

Ms. Fleming (FR) asked are there different legal requirements for SPSA going-out-of-business than there would be for any other business that would close their doors and Mr. Huelsberg (General Counsel) said I am sitting here wondering that question myself. Chairman Leafe said we probably need to get that answered. Mr. Huelsberg said if the business sells, there is no legal requirement for that sole business to continue to maintain a health insurance plan. But I don't know the extent to which that same general principle applies to us. But I was just sitting here thinking that exact same thing. Ms. Fleming said of this portion which is one of the ones that I had concerns about when it came before, I think you have to put what is being recommended in perspective that SPSA in many ways, if we continue to operate well and fiscally sound, these are the kinds of things being done in companies all over. On my own with my limited skills I began to look around because it is easy to find out, it is all over the internet. This is not unusual the way you have it now, this is pretty typical and not as drastic as it could be and I would like to thank the staff for going back and making the adjustments that they made because I think some of them, will not agree with everything, but it is going in the right direction now and I would support it more than I would the one we had before. It is a hard thing to deal with, it is a hard reality.

Chairman Leafe asked if there were any other questions or comments and there being none said it would be our intention then to take a vote on this package, the changes that have been presented by the administration. Chairman Leafe then asked if there was a motion to support these personnel policy changes within the administration. Mr. Williams (FR) said "As proposed here today?" Chairman Leafe said, yes as proposed here today and Ms. Fleming (FR) made such a motion and it was seconded by Mr. Adams (SU). All present voting yes; opposed none; motion approved and carried by a unanimous and recorded vote. Chairman Leafe said we thank you and we thank you for going back and reworking this and taking a good look in light of the comments, very good comments made by members of the Board at our last meeting.

C. DESIGNATING THE REGIONAL LANDFILL FOR THE DISPOSAL OF ASH AND RESIDUE FROM THE POWER PLANT

Chairman Leafe called on Mr. Taylor to discuss the use of the Regional Landfill for disposal of Ash and Residue. Mr. Taylor provided a handout which is herein attached as Appendix B, and said this is, of course, the question that we had regarding ash disposals, moving the ash disposal from the Virginia Beach landfill to the Regional Landfill in Suffolk and the Board asked to come back to them with an operating plan and give them some idea of the cost. We feel like there are several benefits to this proposal. One, of course, is it does preserve air space at the Virginia Beach landfill. Certainly it will reduce traffic in and around the landfill. It reduces operating costs that SPSA would have to pay for operating of the Virginia Beach landfill since we are responsible for that. But it also reduces future expenditure requirements that SPSA would have regarding the Phase 2A of the landfill. The operating plan basically boils down to ash would be accepted during daylight savings time hours from 7 in the morning to 7 at night, basically the same time being done now. During wintertime we would start the day after daylight savings time goes away, and it would be seven o'clock to five o'clock p.m. each day. We will require a part-time or a couple of part-

time people, but the same number of hours. We are still looking at 24 hours and this is primarily weekends, Saturday and Sunday, because the ash is a 365-day a year issue as far as the landfill is concerned. We will need a part-time person primarily to cover weekends and holidays. The rest of the time we feel like we can or we have the ability of designating the spot which we will get into in a minute of the landfill and always have security at the landfill for those hours when we are not there. A letter will be drafted notifying Wheelabrator and copying Virginia Beach concerning the change. We are required to give a ten-day notice. What we are anticipating is having this start actually on August the 16th, which would certainly be within that ten-day period and we would have the opportunity to give people a couple weeks to be getting ready for the particular move. I know Paul [Grego] will be meeting with Scott to see exactly the areas that we plan on using. We already have the equipment for continuing to clean whatever equipment we had out at the landfill on a daily basis to help cut down on corrosion and maintenance costs. We also took a look at the financial impact of the ash removal and we feel personnel will be around \$28,600. Fuel in the \$10,500 range. Equipment maintenance, a couple of thousand dollars. Permit fees, we pay permit fees based on the previous year's tonnage in the landfill so at some point this coming year for the following year, we will be paying on a greater tonnage than we are at the current time. We estimate that to be around \$20,000. Site maintenance, as far as roads and the like we feel would be somewhere in \$12,000 range for a total of about \$73,000.

Potential savings should include Operating & Maintenance (O & M) costs at the Virginia Beach landfill. At the current time the main thing that would be disposed of in the landfill if the ash is not would be the containers that Virginia Beach provides for its citizens at the bottom of the. That could always change but that basically is what is being done right now. So there is a minimal need for personnel and equipment to be able to continue to empty the containers. We also feel there will be some potential savings in the development costs, the closure and the post-closure costs of Cell 2A at the Virginia Beach landfill. You remember that Virginia Beach gave a presentation two or three months ago regarding the anticipated closure costs and they did not have all of the post-closure costs at that time but they would be working on that and providing them at a later date. SPSA has already paid for the development, in conjunction with Virginia Beach, for Cell 2A, which we will anticipate not using any more than what we have used over the last couple of months. Staff recommendation is that all waste, ash and residue, that currently goes to the Virginia Beach landfill, by Wheelabrator contractors, be placed in the Regional Landfill beginning on Tuesday, August the 16th.

Chairman Leafé asked if there were any questions or comments with regard to this proposed operational change and Mr. Martin (CH) said part of it is trying to understand the potential savings here and I'll direct my question to John [Barnes] (VB). When we reduced the landfill operations at Suffolk that resulted in some layoffs and some other lost costs, do you have any idea what the O & M cost reductions and impacts to Virginia Beach's landfill are? Mr. Barnes said we are estimating between \$150,000 and \$175,000 is what the overall cost savings would be directly associated with not taking the ash. We made some operational changes right about the same time we started taking the ash that's when we started up that convenience center and that

allowed us to absorb that operation with minimal impacts or adjustments to our staffing. The overtime is pretty straightforward; that just drops off. Right now, we have one person dedicated every day to managing the ash on a regular basis so that's 6 days a week, that's one and half FTE's. We have gone back and looked at what we spent on equipment and so between the personnel and equipment, operationally, we are looking at somewhere between \$150,000 - \$175,000 would be the reduction in operating costs for the landfill itself. Mr. Martin said and that \$150,000 is per month, year, quarter and Mr. Barnes replied per year. Chairman Leafe said we know we will continue to have discussions with Virginia Beach. There are obviously going to be things related to Cell 2A particularly, which you have given us some estimates on and some changes and we would hope there would be some reductions in some of the engineering efforts that might be directed toward activities. Mr. Barnes said there probably won't be changes in the engineering support because those are ongoing monitoring and reporting requirements, so that would likely not be something that will significantly change. As is pointed out here, though, the closure and post-closures that is really the big ticket, the one where the significant savings are. Right now we have estimated about 90 percent of the closure costs for Cell 2A would probably be a SPSA liability or SPSA responsibility and that's filling Cell 2A with ash and if that doesn't happen that is a significant issue. I don't remember offhand what the dollar amount was. Chairman Leafe said I think \$8 million is what you gave us. Mr. Barnes said that's a substantial amount of money and we made some other operational changes at the landfill and once we have made these changes we will continue to assess our staffing and our hours of operation and those kinds of things and make the appropriate adjustments to maintain the level of service that is required but also make sure that our staffing is appropriate to that level of service.

Mr. Oksman (PO) said SPSA did check with Suffolk to make sure there is no objection from Suffolk to this slightly increased usage at the Suffolk Landfill and Selena Cuffee-Glenn (SU) has advised that there is no objection and Chairman Leafe added 'as long as we comply with the normal operation efforts.' Chairman Leafe then asked if the Board was ready to take a vote and Mr. Woodall (CH) made a motion for the approval of this change [to designate the Regional Landfill for the disposal of ash and residue effective August 16, 2011] and it was seconded by Mr. Martin (CH). All present voting yes; opposed none; motion approved and carried by a unanimous and recorded vote. Chairman Leafe said I do think this is going to be, longer term that it is going to be a good opportunity for everyone and will allow us to begin addressing with a little more specificity some of the issues that we had, John, related to the landfill and see if we can get our arms around where we are and what we are doing with all that.

D. FINANCIAL MATTERS

1) Financial Reports

Chairman Leafe called upon Ms. DeVary for the financial and said before you get into that, I want to add my thanks and the Board as Bucky mentioned. It looks like you have worked the change in the financial management program very well, and that it is up and running, and working and while we tend to forget from

early times to the next, in the longer term this creates a substantial financial savings for our organization and the operation of the financial system. And we know it is good.

Ms. DeVary provided a copy of her PowerPoint which is herein attached as Appendix C and took the Board through her financial presentation saying that something I forgot to put on this slide but did mention it in my report we also included in these numbers a retro adjustment to our workers' comp policies for previous years. We got a bill for \$290,000. It is an annual representation and it is all based on the claims paid for previous years. These are insurance policies that go back to October of 2001. Previously the workers' comp policies that SPSA had basically we were paying a low premium to start and then they would cover the claims as they incurred. So it was once again deferring payments, but that is included here in your numbers. Our cash balances, as of June 30th, cash is \$20.8 million, however, the amount of undesignated free cash that you have is about \$14 million. I still have to do some other reconciliation but in other words you can spend about \$14 million on whatever you would like and I am working on some alternatives and suggestions for you.

Other items wanted to point out the final budget book is at your place. In the process of converting software, I also converted account numbering structure, and with that I grouped expenses and noticed some things were not really properly categorized so I made those changes. So when you look at it, the categories might not be identical to what it was in the original book but the numbers are the same.

We also wanted to let you know that the safety department/division applied for a risk management grant who is in the municipal league insurance program and we did receive \$3,927 and with those funds will be putting in a security camera and monitor at Chesapeake Transfer Station and speed bumps at the Norfolk Transfer Station. This is an annual grant that VML (Virginia Municipal League) offers and we got our application in the first of July and made sure we got some money back.

Chairman Leafe asked if there were any questions and there being none said we do take note of the quote "14 million" and just as a general proposition we are doing the things that we need to do, and so, that is not implying an exercise to see where we can, quote, "spend 14 million" but it does give us some opportunities to look at the tipping fees and a variety of things that might be, just so no one in the audience gets the impression that we have a pot of money to spend and we are looking to spend it on anything other than making our operation more efficient and more appropriate.

Mr. Adams (SU) asked we don't have any debt we can pay right now and Ms. DeVary replied that we do. Mr. Adams asked how much and Ms. DeVary replied the 2007A bonds. Chairman Leafe said that maybe next month, Liesl, is that when you might anticipate having something like that that would allow us to consider what we might do with some of this and Ms. DeVary replied yes. Mr. Adams said we have several million dollars and Ms. DeVary replied that

the 2007A variable rate debt is around \$13 million. It does mature July 1st of 2014, I believe. Mr. Adams said but we can't pay it early and Ms. DeVary said yes, that's what we did July 1st. We put \$2.4 million of that but it is also our cheapest debt we have. Chairman Leafe said but it is variable and we do have that to look at and maybe next month that will be on our agenda.

Mr. Woodall (CH) made a motion to approve the financial reports and the motion was seconded by Mr. Caskey (IW). Chairman Leafe clarified that the motion was to approve the financial reports, again subject to audit and all present voted yes; opposed none. Motion approved and carried by a unanimous and recorded vote.

4. CLOSED SESSION

Chairman Leafe then said I think that completes our agenda except for one closed session item and that should be pretty short and there should not be any action as a result of this session. He then called on Mr. Huelsberg, General Counsel, to read the closed session request which read as follows:

I move that a closed session be held for discussions regarding the employment performance of the Executive Director of the Southeastern Public Service Authority of Virginia in accordance with Virginia Code Section 2.2-3711(A)(1).

The motion to approve the closed session request was made by Mr. Oksman (PO) and seconded by Mr. Willson (PO). All present voted yes; opposed none; motion was approved and carried by a unanimous vote.

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

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

A motion to approve the certification as read was made and seconded. All present voting yes; opposed none; motion approved and carried by a unanimous and recorded vote.

At this time Chairman Leafe announced that there was, however, one action as a result of the closed session dealing with the salary of the Executive Director. He clarified that the motion is to approve an increase in the Executive Director's salary commensurate with the level of the remainder of the organization which was three percent. Mr. Woodall (CH) made that motion and it was seconded by Mr. Oksman (PO). All present voting yes; opposed none;

motion was approved and carried by a unanimous and recorded vote. Chairman Leafe said the Executive Director will get his annual evaluation with the Chair that will reflect the discussions.

5. **MISCELLANEOUS ITEMS**

None at this meeting.

6. **INFORMATIONAL ITEMS.**

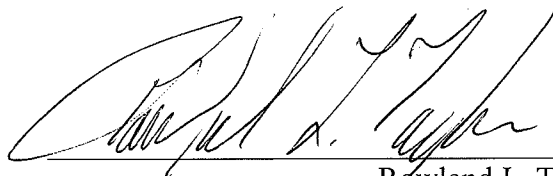
Minutes of the Executive Committee meeting of June 17, 2011 were included in the agenda packet as an informational item.

OLD/NEW BUSINESS

None at this meeting

ADJOURNMENT

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



Rowland L. Taylor
Executive Director

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