

NEW RIVER SOLID WASTE ASSOCIATION
REGULAR BOARD MEETING MINUTES

January 9, 2014

The New River Solid Waste Association Board of Directors met in regular session on January 9, 2014 with the following members present:

Commissioner Mark Hartley, Chairman
Commissioner Eddie Lewis, Vice-Chairman
Commissioner Karen Cossey
Commissioner Jimmy Tallman
Commissioner Doyle Thomas

Others present were: Darrell O'Neal, Executive Director
Perry Kent, Assistant Director
Melissa Waters, Chief Finance Officer
Lydia Greene, Office Manager/Admin. Asst.
Russell Wade, Attorney

Chairman Hartley called the meeting to order which was followed in prayer led by Chairman Hartley and the Pledge of Allegiance.

Chairman Hartley passed the gavel to Mr. Wade, Board Attorney, for Agenda Item #2, Election of NRSWA Board Officers for 2014. Mr. Wade called for nominations for Board Chair. Commissioner Lewis made a motion to nominate Commissioner Hartley for Chairman. Commissioner Thomas seconded the motion. Mr. Wade called for any further nominations for Chairman. There were none. Mr. Wade asked for a vote on the motion nominating Commissioner Hartley for Chairman. The motion carried unanimously. Mr. Wade turned the meeting over to Chairman Hartley.

Mr. O'Neal reminded the board that the officers elected are to represent each member county.

Chairman Hartley called for nominations for Vice-Chairman. Commissioner Cossey said she would like to make a motion to nominate Commissioner Tallman for Vice-Chairman. Commissioner Tallman said he would like to nominate Commissioner Cossey. Commissioner Cossey said she would rescind her nomination. Commissioner Lewis seconded the motion to nominate Commissioner Cossey for Vice-Chairman. Chairman

Hartley asked if there were any further nominations. There were none. Chairman Hartley called for a vote on the motion to nominate Commissioner Cossey for Vice-Chairman. The motion carried unanimously.

Chairman Hartley asked for nominations for Secretary/Treasurer. Commissioner Lewis made a motion to nominate Commissioner Thomas for Secretary/Treasurer. Commissioner Cossey seconded the motion. Chairman Hartley called for any further nominations. There were none. Chairman Hartley called for a vote on the motion to nominate Commissioner Thomas for Secretary/Treasurer. The motion carried unanimously.

Chairman Hartley called for a motion on agenda item #3, approval of the December 2013 Expenditures. Commissioner Lewis made a motion to approve the December 2013 Expenditures. Commissioner Thomas seconded the motion. The motion carried unanimously.

Chairman Hartley called for a motion on agenda item #4, Approval of the Regular Board Meeting Minutes for December 12, 2013. Commissioner Thomas made a motion to approve the minutes for December 12, 2013. Commissioner Lewis seconded the motion. The motion carried unanimously.

Chairman Hartley asked if there were any questions or comments from the public. There were none.

Chairman Hartley called for discussion of agenda item #6, Engineering Updates. Mr. Woolsey, Jones Edmunds, said that a meeting had been recently scheduled in Tallahassee on January 29th with New River staff, Jones Edmunds, closure company representatives and DEP to discuss New River moving forward with an alternate closure method. Mr. O'Neal said this will be a technical meeting with DEP to request a special exemption in order to be able to use an alternative closure method. Mr. Woolsey stated that there is a mechanism called alternative procedures which allows us to demonstrate that what we want to do is better than or equal to the current regulations and that they have been working with manufacturers to pioneer better types of closure methods including better types of geomembrane. Chairman Hartley asked if DEP would be coming here. Mr. O'Neal said the meeting would be in Tallahassee.

Chairman Hartley called for discussion of Agenda Item #7, Continue Discussion of LES Proposal and Review of RFP #13-01 Submittals and Ranking Process; Discuss Joint Venture with Alachua County to Build and Operate a LFGTE Project. Mr. O'Neal stated that this agenda item covers a number of things, continuing with LES proposal discussion, review of the submittals for RFP 13-01 along with discussion of a potential joint venture with Alachua County for a LGTE project. Mr. O'Neal said that the RFP for LGTE was issued February 7, 2013, a pre-bid meeting was held on February 21, 2013. Proposals were due on March 21, 2013 and four proposals were received which were presented at the April 11, 2013 board meeting. The proposal from LES was ranked #1 in that process. All four proposals submitted have been re-distributed tonight for further review by the Board as requested at the last board meeting. Mr. O'Neal said that the four proposals were different in nature and the engineers had to normalize them in order to rank them as apples to apples.

Starting with LES, who already had a PPA with Jacksonville Electric Authority in place, was the only proposal guaranteed to take the electricity produced at New River. None of the other proposals included an existing PPA. The most favorable thing about LES was that they were going to finance the project which would be a low to no risk project for New River. However, in the RFP; we specified a 15-year contract period which was the very first thing that LES said they couldn't do when contract negotiations began. LES stated that it was not cost effective for them to do a 15-year period even though the proposal they submitted was for 15 years with an approximate \$2.4 million payout. LES said that the contract would have to be for a 20-year period to be profitable. Anything less than 30 years would be a deal killer. Mr. O'Neal said that contract option #2 from LES was for approximately \$2.9 million for 20 years as discussed at the last board meeting. This was calculated at 8% of the net revenue minus some expenses. Mr. O'Neal said the problem with the 8% is that we do not know what the 8% represents. We never saw a business plan or proforma and we did not get information from LES as to the cost of wheeling charges from FPL and Clay electric. Also there is a question of what happens when their current PPA with JEA expires in 12 years. Mr. O'Neal said that the board had asked staff to negotiate a contract for a flat rate with LES which we have done. The flat rate contract offered by LES was for approximately \$2.6 million over a 20-year period which is guaranteed and with no risk. Mr. O'Neal said that this is installing 2 engines and will use about 50% of our

gas. However, this contract would basically just cover our costs and will not produce any excess revenue for host fees.

The proposal ranked #2 was from Florida Energy Partners (FEP) and interested the staff due to the dollar amount that could possibly be generated. FEP did not have a PPA but they did submit a standard offer sheet which is required by all electric companies to provide a cost avoidance amount for buying back electricity produced by their customers. Mr. O'Neal said that FEP's proposal showed a yield of approximately \$15.7 million for a 15-year period. Mr. O'Neal said with backing out the cost of the plant of \$8.5 million, there would still be a revenue of approximately \$7.2 million, which would be about \$4.5 million more than the LES proposal. Mr. O'Neal said that the FEP proposal would require New River to put up the money for the plant and that we would own 100% of the facility but also 100% of the risk. FEP's interest in the proposal is to operate the facility, although the FEP proposal included building the plant and providing the PPAs. Mr. O'Neal stated at the time the proposals were discussed with the board last April, the board expressed that they did not want a high risk project and that they did not want to use New River's funds to finance a LGTE project. Mr. O'Neal said that FEP had also included the numbers for a finance option which would result in about \$10 million less revenue than the first option with New River providing all of the financing.

The third ranked proposal received was from DTE Biomass Energy. The proposal did not have a PPA or letter of interest. DTE wanted to sell energy to the DOC. New River had met with DOC around 5 to 6 few years ago and at that time DOC was not interested. They had sold all of their distribution lines and equipment to Clay Electric and did not want to upset that arrangement. In order for DTE to supply energy to DOC they would probably have to get legislation passed and even then DOC would have to go through the RFP process before selecting a provider with no guarantees DTE would be selected.

The fourth ranked proposal was from Energyneering who also did not have a PPA and the revenue would not even cover the costs. In fact, New River would lose money.

Mr. O'Neal said that it really came down to the two proposals ranked first and second, one that would cover expenses and one who showed a lot of revenue. Mr. O'Neal added that it was a philosophical decision by the Board at that time to go with LES. The board now has some new members and it's up to the board to assess their level of risk tolerance at this current time. There is a potential to make more money if we move on from LES or

the board could decide to stay with LES and cover our gas collection expenses.

Commissioner Cossey asked about cutting out the middleman and doing our own project. Commissioner Tallman said that he feels that the project with LES seems like a wash and that he would like to discuss further with FEP. Mr. O'Neal said our RFP states if New River and the vendor cannot successfully negotiate a contract, New River may terminate negotiations and begin negotiations with another vendor. Mr. Wade said it would be prudent to follow the RFP. Chairman Hartley asked if a motion is needed to terminate negotiations with LES. Mr. O'Neal stated that the board would also need to determine whether to begin negotiations with one of the remaining three proposals or start over with another RFP, if that's what is decided. Commissioner Lewis asked for a staff opinion. Mr. O'Neal said that staff always liked the proposal from FEP because of the potential to make more money but that the board indicated back in April last year that they were not ready to take the risk. The LES proposal covers gas collection costs at no risk of New River's capital. New River has been able to build our own cells at about a \$6.5 million savings in the last 15 years by doing our own construction. Originally, ownership was staff's preference. Mr. O'Neal added that with our engineers and current staff he believes New River can build a quality facility. If down the road we felt that we could take over operations that is something that we can look at. Commissioner Cossey asked if this is something that staff feels New River could handle. Mr. O'Neal said that if the board is willing to take it on staff will do their very best to make it successful.

Commissioner Tallman said he would like to make a motion to move on from LES. Commissioner Cossey said she would second the motion.

Commissioner Thomas asked if we moved on from LES would we have to reissue the RFP. Mr. O'Neal stated the board could pick from one of the remaining proposals without reissuing the RFP. Commissioner Lewis asked if we selected the project with FEP, how much money would New River have to spend. Mr. O'Neal said it would cost approximately \$8.5 million compared to no cost if we stay with LES. Commissioner Cossey asked if we could finance the cost. Mr. O'Neal said financing was available but that the interest paid would reduce profits by about \$10 million. Mr. Kent said he would like to talk about the level of risk. Mr. Kent said that FEP has done a lot of these projects and this is not something that we are putting our money in hoping that something happens and that all of FEP's projects are successful. Mr. O'Neal said that we have advantages in being

able to purchase the equipment without having to pay sales taxes and that we can also borrow money at a much lower rate due to our governmental status. Mr. O'Neal added that we could potentially use some of our own money to build the plant and finance the engines which will cost around \$1 million each. We would start with two engines and then add more as needed. Commissioner Lewis stated that it may be a good idea for us to use our own money as we are not making any interest on our investments now. Mr. O'Neal stated that is a very key point and will be discussed later in the meeting and that right now we are only earning .05% on our invested money. Commissioner Thomas asked if FEP had a market for our gas to energy project. Mr. O'Neal said that is part of the negotiations and that one of the first things we will ask FEP for is a PPA or a commitment for a PPA prior to contract negotiations. Commissioner Lewis asked if we drop LES and went with FEP and they do not get a PPA, then we can throw everything out and start over. Mr. O'Neal said that is correct. Chairman Hartley stated that when we started talking about a LGTE project, the main objective was to make money for New River and the member counties. He feels like one of these proposals has the potential to make money and the other is only going to save some money we are currently spending to flare the gas. Chairman Hartley said that there is a major difference in the potential to make money which is the reason we started talking about the project to begin with. Mr. O'Neal said that the first RFP for a LGTE project was issued on June 17, 2010 and 20 proposals were submitted at that time. Mr. O'Neal added that a lot of things have worked against us since then, including the economy and the prices of natural gas for renewables. Mr. O'Neal said it appears that the ability to seek out the most amount of money possible is to have ownership of the facility. Mr. Kent said that what is being asked of the board tonight is approval to begin discussions with FEP and then come back to the board with more information. Chairman Hartley advised that he would like to issue a challenge and have the information ready by the February board meeting. Mr. Woolsey said that although everyone is on track, right now there is just not enough information known other than the agreement to move away from LES and beginning to gather information from FEP. Mr. Woolsey added he is sure that FEP can be creative and they need to bring back some solid numbers either for a private PPA or a standard offer contract to plug into some scenarios so that the board will know the revenue potential and the risks involved.

Chairman Hartley said there was a motion on the floor to terminate negotiations with LES and called for a vote on the motion. The motion carried unanimously.

Chairman Hartley called for a motion to begin contract negotiations with FEP. Commissioner Lewis made a motion to begin contract negotiations with FEP. Commissioner Tallman seconded the motion. The motion carried unanimously.

Mr. O'Neal said that he had something else to discuss in connection with this agenda item. Mr. O'Neal said that as the board is aware, Alachua County has been working toward flow control for a number of years. Mr. O'Neal said that Alachua County had also come to New River asking to suspend the \$2.35 surcharge in their contract for a period of 18 months which represented about \$600,000 in revenue that could have come to New River, in order to help Alachua County have some time to get flow control. Mr. O'Neal said that after the last meeting, he was contacted by Ms. Palmi who brought up the idea of New River and Alachua County building and owning the LGTE plant together. Mr. O'Neal said that the main goal for Alachua County would be flow control. The cost to build a Materials Recovery Facility to achieve flow control will cost about \$6.5 million. Instead of the waste going to a MRF if Alachua County brings all their waste to New River, Alachua County's recycling credits would be increased by about 18% to 25% over those from the MRF project. Mr. O'Neal added that Alachua County has a recycling goal of 75% by 2020 and is currently exceeding 50%. It is felt that Alachua County's goal of 75% could be accomplished here without building a MRF and spending \$6.5 million. Commissioner Lewis asked if getting flow control meant that Alachua County's waste would all come to New River. Mr. O'Neal said that they would have the ability to direct the waste to their transfer facility which would then come to New River in order to produce the volume of gas to get them to their recycling goal. Mr. O'Neal said that Alachua County already had a legal brief developed for the MRF by their attorney David Dee, special counsel from Tallahassee. He does a lot of solid waste and municipality work and is also considered an expert on flow control in the state of Florida. Mr. O'Neal said that he and Ms. Palmi had discussed getting Mr. Dee to prepare the legal determination and that he had suggested that New River participate in paying half of the legal fees to get this done. Commissioner Lewis asked how much this would cost. Mr. O'Neal said that he wasn't sure and that the board could specify an approved dollar amount. Commissioner

Cossey asked if \$5,000.00 would cover our portion. Mr. O'Neal said that he thought that it would and this would once again show our willingness to work with Alachua County to achieve the goal of flow control.

Commissioner Lewis asked if Alachua County would pay half of the fees. Ms. Palmi said that Mr. Dee is on retainer with Alachua County now and handles their legal flow control work. Ms. Palmi added that Mr. Dee actually prepared the brief for the MRF project for Alachua County which was presented to and approved by DEP. Right now they are looking to see if there are other options and want to have Mr. Dee make that determination. Mr. O'Neal said that there is no reason to slow down on the LGTE project but that this is something that looks beneficial to both parties.

Chairman Hartley called for a motion to approve the attorney expense of up to \$5,000.00 for Mr. Dee to prepare the legal brief. Commissioner Thomas made a motion to approve the attorney fees up to \$5,000.00. Commissioner Cossey seconded the motion. The motion carried unanimously.

Chairman Hartley asked if Mr. Dee would move quickly on this. Ms. Palmi said that she already had a meeting scheduled with their county attorney next week and that they would contact Mr. Dee at that time to have him prepare the proposal.

Mr. O'Neal advised the board that Mr. Beer with FEP is here tonight. Mr. Beer introduced Mr. Scott Janey, Executive VP of FEP. Mr. O'Neal asked Mr. Beer to comment on the question Chairman Hartley asked regarding how quickly we can reasonably expect to get a PPA. Mr. Beer said that what they will do first is work with the company they retain that gets PPAs in Florida and he feels he should be able to get a term sheet fairly quickly. If he doesn't like some of the results they can issue an RFP in order to get the best rates. Mr. Beer said that their goal is to work towards getting New River the best business opportunity possible. This also includes helping to find the cheapest financing available. Mr. Beer said they would be presenting a business model to New River, not just a project. Mr. Beer added that Florida should be getting a renewable portfolio standard soon and that this will mean that the renewable energy certificates we'll be getting will be worth a lot more money than current prices. Mr. O'Neal said that FEP's proposal states that the general contractor to build the plant is the same general contractor that was in LES' proposal and they are the company that built Trailridge and Brevard County's plants. This company is a nationally ranked company and is about twice the size of Ringpower so that

is something staff likes and is comfortable with. Mr. O'Neal said that FEP's proposal also included an offer of CAT financing for the engines along with financing for construction of the building. All of this will be part of the negotiations and considerations with FEP.

Chairman Hartley asked for discussion of Agenda Item #8, Review NRSWA Current Escrow Investment Report. Mr. O'Neal said that Commissioner Thomas had asked at the last board meeting where our investment funds were and what kinds of returns were we getting. Mr. O'Neal said that a handout had been prepared and distributed to the board showing New River's investment accounts. Mr. O'Neal said we have two Closure Accounts with a combined total of approximately \$9.4 million. One account is with Florida Local Government Investment Trust and it's difficult to determine the yield on this account as the money is pooled to buy shares. Mr. O'Neal said that as of today we received information that our yield for the trust account is about .54% if our shares were to be marketed today. Long Term Planning funds are with TD Bank's Trust Department along with investments with TD Bank for Depreciation and Cell Construction funds and are spread into various type accounts as listed. Losses for these accounts in the past year were -1.76%, -1.6% and -1.69%. Over a 5 year period for the escrow accounts yields were +1.98%, +2.09% and +2.09%. The balance of the accounts were in CDs with yields of .05% to .10%. Commissioner Lewis said he feels we need to do something about our investments not making money. Mr. O'Neal reminded the board that several years ago our audit reflected our investments were not being handled correctly even though we were making money. Our auditors said that these types of funds had to be invested in a Florida Qualified Bank. Mr. O'Neal said that market conditions have changed since then, however our investments reflect compliance with Florida state laws by our auditors. Mr. O'Neal said that our investments are protected but that we are not making anything with our money. Mr. O'Neal said that in addition to seeing negative numbers with our TD Trust accounts, we are also paying monthly fees to manage these accounts for \$2200 for one account and \$600-\$700 for the others. Mr. O'Neal said that we have been discussing for several months the need to do something and he feels that the answer is to have an Investment Policy that will be drafted in a way to allow New River to make money on our investment funds. Mr. O'Neal said that he has discussed development of an Investment Policy with Mr. Wade, our board attorney, and hopes to have something by the next board meeting for the board to

consider adopting. Commissioner Thomas asked if we needed to hire a money manager or if this was something staff would do. Mr. O'Neal said that the board should adopt an Investment Policy first that specifies guidelines and addresses the risks and go from there. The board was in agreement.

Chairman Hartley called for discussion under agenda item #9, Discuss Investment Policy Update. Mr. O'Neal said this agenda item was covered in the previous discussion.

Chairman Hartley asked for discussion for agenda item #10, Discuss Sod and Limerock Quotes Received for 2014. Mr. O'Neal explained that annually we ask for quotes for any sod and limerock purchases in the coming year. The board was provided with these quotes and he would like to ask the board to approve all of the quotes tonight so that when the product is needed, we are able to purchase from the company with the lowest price if available. If the lowest company with the lowest quote isn't able to provide the product, we would order from the next lowest and go down the list.

Chairman Hartley called for a motion to approve the quotes received for sod and limerock as presented. Commissioner Lewis made a motion to approve the quotes for sod and limerock as presented. Commissioner Thomas seconded the motion. The motion carried unanimously.

Chairman Hartley called for discussion under agenda item #11, Alachua County Updates/Issues. Ms. Palmi said that they have extended their contract with WCA for curbside collection for another 5 years in exchange for WCA's agreement to use their transfer facility for C&D waste only and are also currently finalizing the deed restriction for that property to allow C&D only. Alachua County was recently notified by WCA that all household waste would be brought to the county's transfer facility effective January 21st. This means that Alachua County's trucks will begin bringing all that waste to New River again which is good news for all. Ms. Palmi said that they would also be doing some analysis of their solid waste system which will include looking at what the organics options and what the MRF changes will look like. Ms. Palmi said that the ability to enter into a partnership with New River gives them another option to look into. Mr. O'Neal asked if anything had been discussed with their board. Ms. Palmi said this would be discussed as part of the analysis and that taking the

contracts for that analysis on the 28th of this month and that the additional option of a partnership with New River would be included in that review.

Chairman Hartley asked for discussion under agenda item #12, Attorney Issues/Items. Mr. Wade said he had nothing further for discussion,

Chairman Hartley called for discussion under agenda item #13, Executive Director Issues. Mr. O'Neal stated he did not have anything for discussion.

Chairman Hartley asked for any discussion under agenda item #14, Chairman/Board Issues. The Board members had nothing further for discussion.

Chairman Hartley called for a motion to adjourn. Commissioner Cossey made a motion to adjourn which was seconded by Commissioner Tallman. The meeting was adjourned.