

NEW RIVER SOLID WASTE ASSOCIATION
FINANCE COMMITTEE MEETING MINUTES
June 13, 2013

The New River Solid Waste Association Finance Committee met on June 13, 2013 with the following members present:

Commissioner Mark Hartley, Chairman
Commissioner Wayne Smith, Secretary/Treasurer
Commissioner Gordon Crews
Commissioner Morris Dobbs
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. Assistant

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

Chairman Hartley asked Mr. O'Neal to discuss the proposed budget for FY 2013-2014.

Mr. O'Neal said that he would like to go through each item on the 2013-2014 proposed budget document.

Mr. O'Neal stated that the revenue shown for In Region and Levy County are down due to volume of waste being down. The revenue for Alachua County is up due to the new CPI increase. The Nextel Lease is the same. Interest income is shown as the same, but this is provided we do something different next year. This will be discussed in detail in the Regular Board Meeting tonight. The Lease & Sale of Recyclables is shown as the same and represents the lease by SP Recycling for our equipment and a small share of the recycling income generated by our county's recycled materials.

Total Revenue anticipated for 2013-2014 is shown as \$7,012,120.00 which is \$37,910.00 less than last fiscal year.

Chairman Smith asked if the Alachua County waste went down. Mr. O'Neal said that Alachua's tonnage was estimated to be about 10,000 tons

less next year than the current year. Mr. O'Neal said that their peak was about 4-5 years ago and has dropped each year and that last year the budget estimate over predicted their actual tonnage which was adjusted this year. Commissioner Smith asked about the additional \$2.35 surcharge that Alachua started paying again back in March 2013. Mr. O'Neal stated that the \$2.35 surcharge is included in the revenue amount shown. Commissioner Smith asked why the revenue wasn't higher. Ms. Waters stated that the \$2.35 surcharge was included in the entire 2012-2013 budget and that this amount reflects the difference anticipated for the CPI increase.

Commissioner Smith asked why we don't ever show cash carried over. Mr. O'Neal stated that we don't carry cash over and that whatever we have left at the end of the year goes into our escrow accounts. Mr. O'Neal said that at the end of the year we do expect to have a profit but profits are what funds our escrow accounts.

Commissioner Smith asked where we are with the landfill gas project. Mr. O'Neal stated that this revenue is not reflected in this budget. Mr. Kent said the completed project could be as long as 16 months away. Mr. O'Neal said that we have a draft contract ready but that even after the final contract is signed, the project could be another year from completion. Commissioner Smith said he thought he heard at the last meeting that after the contract was signed, the gas project would be up and running in 8 months. Mr. Kent stated that LES has said they have completed projects in 8 months before but that their proposal included a time frame of 16 months for completion. Commissioner Smith said that his understanding was that there would be revenue coming from the gas project and that there would be \$159,000 to be split up between the member counties and that money could be used in this fiscal year's budget if available. Mr. O'Neal said that he did not anticipate the revenue from the gas project to be available in the 2013-2014 fiscal year and that a lot of details with the project still have to be worked out.

Mr. O'Neal stated for Expenditures:

Regular, Overtime and Holiday Salaries are based on a 3% increase to offset the retirement portion that the employees have to pay.

Commissioner Smith said he would like to see this changed to give both Mr. O'Neal and Mr. Kent a 5% increase this year since they did not get one last year when the rest of New River's employees got a 5% increase. Mr. O'Neal stated that he agreed with giving Mr. Kent a 5% increase this year but that he would like to discuss something different for himself. In his discussions with our attorney, Mr. Brown, the counties are now looking at

having contracts for department heads and for professional services and that our attorney had suggested he look into an employment contract. Mr. O'Neal said that he had mentioned an employment contract to Mr. Hartley who agreed it did make sense. Mr. O'Neal stated that he asked Mr. Brown to draft an employment contract for a 5-year period which includes dismissal with cause wording. Mr. O'Neal said that if the board agrees to the 5-year contract he would be willing to give up any raises in that period and would work through the end of the contract for what he is currently making. Commissioner Smith said that he would like to see the contract language changed to "at will" language to match the personnel policy. Mr. O'Neal said "at will" wording would eliminate the purpose of having a contract. Commissioner Smith said he did not have a problem with the contract wording as drafted. Mr. O'Neal said this would mean that of the 3% shown for his raise in this budget item, Mr. Kent would get 2% and the 1% would not be spent.

Commissioner Smith stated that he would like to go ahead and make a motion for the Finance Committee to recommend approval of the 5-year employment contract for Mr. O'Neal to the Board.

Chairman Hartley called for a second to the motion. Commissioner Thomas seconded the motion. The motion carried unanimously.

Mr. O'Neal said that adjustments were made for FICA and Retirement expenses due to increases for senior management. Commissioner Smith questioned the amount shown in increased expenses. Ms. Waters explained that the portion that New River pays for retirement went up from 6% to 18% for both regular and senior management.

No changes to the budget were made for Insurance, Workers Comp, Unemployment and Attorney expenses.

For Engineering: Monitoring and Miscellaneous Services are the same. Title V / Gas Systems expenses was reduced by \$5,000.00 for next year. Class III Relocation and Certification expenses are anticipated to be \$250,000.00 and reminded the board that all Engineering Expenses are based on actual costs are approved as not to exceed the work order amounts. Borrow Pit Permitting is budgeted for \$150,000.00 and LGTE Expansion for \$225,000.00. The Slope Modification & Partial Closure project is complete and therefore shown as removed. The Rate Study project was not done this past year and has been kept in the budget in case we need it for contract negotiations.

Expenses for Professional Services, Accounting & Auditing, Other Contractual Services for General, Recycling, Bioreactor and Landfill

expenses, Expenses for the annual Hazardous Waste Collection events, and Travel are the same for the 2013-2014 budget.

Communication expenses are slightly higher due to contracts, computers, and cell phones.

Postage expenses were raised slightly.

Freight expenses have been increased mainly due to freight expenses for limerock and shipping waste tires out of New River.

Utilities, Rental & Leases, are the same as well as Property and Liability Insurance.

Environmental Impairment Insurance expenses has been removed as this is purchased in 3-year policies and was renewed in 2013.

Repair and Maintenance is unchanged.

Printing & Binding, Promotional, Advertising, Miscellaneous Expenses are the same.

Trust Expenses are shown as the same but Mr. O'Neal stated that he hoped to make some changes to our expenses in connection with the management of our trust accounts in the coming year. Since nothing is in place yet, this will remain the same for budget purposes.

Office Supplies, Fuel, Operating Supplies, Uniforms and Training expenses are the same.

Commissioner Smith asked about Total Costs shown and if it is felt that we would spend that amount. Ms. Waters stated that we are on target at the current time on our expenses even though some items are slightly over and some are slightly under. Commissioner Smith asked if there would be any cash carried over at the end of the budget year. Ms. Waters explained that escrow accounts are funded at the end of the budget year and are funded when we know what we have left, except for those accounts that we are required to fund at specific times during the year.

For Escrow Accounts:

Mr. O'Neal said that nothing was budgeted for Closure or Equipment Replacement.

For Cell 7 Construction \$100,000 has been budgeted for next year. The goal is to be able pay for Cell 7 with cash and we are on schedule to be able to make that goal.

For Long-Term Planning \$100,000 has been budgeted for next year. Nothing was put in this escrow account in the current year and we are only about 65% funded. At the end of the Alachua County contract, this will be entirely New River's expense so it will be a good idea to have this escrow

account better funded. Mr. O'Neal said that we are also looking into some projects, like the Closure Turf product, that will enable us to reduce our Long-Term Care expenses.

For Depreciation, \$97,700 has been included in the budget.

For Phase II Development the amount of \$364,250 represents the \$2.35 Alachua County surcharge amount based on anticipated tons.

Commissioner Smith asked if we were currently on target for fully funding of all of the Escrow Accounts. Mr. O'Neal stated that he had prepared a document showing all account balances and the percentages funded along with the amounts underfunded for discussion.

Commissioner Smith asked if it would be better to pay half of the compactor purchase in cash and finance half to be paid next year to help out with funding the escrow accounts. Mr. O'Neal stated that we have the cash and do not have to borrow money right now. Mr. O'Neal said that the Long Term Planning account is currently funded at 65% but the funds will not be needed until the landfill actually closes which may be 50 years from now. Statutory requirements for our Long Term Care Escrow is for one year of funding. Mr. O'Neal added that if he needed to borrow money he would prefer to borrow from this account and that the additional money recently distributed to the counties came from this account.

Mr. O'Neal said that our Financial Report shows we are currently underfunded by over \$28 million dollars for future projects over the next 15-20 years, but our auditors say that we are in good shape financially. Mr. Kent added that we only have 5 years left on the Alachua County contract and that is an important issue for future planning. Mr. O'Neal said that contract discussions with Alachua County will be taking place with hopes of getting a contract extension soon.

Mr. O'Neal stated the purchase of the 826H Compactor for \$407,940 was previously approved by the board.

Purchase of a fusion welder at \$60,000 has been included in the budget in the event it is decided that we need to make that purchase. Mr. Kent said that this has to do with the gas lines for the LGTE project and the amount of time that will be required to repair any gas line breaks or leaks.

Mr. O'Neal said the D6 was purchased last year and has been removed.

Miscellaneous Equipment, Bioreactor Expansion and LF Gas System Operation and Maintenance expenses remain the same as last budget year.

The Flare Station Project and Gas System Expansion Projects were completed and have been removed.

Daily Cover expenses has been reduced as we anticipate having the new borrow area permitted in next fiscal year. This amount should carry us to January 2014.

Asbestos Removal has been budgeted for \$50,000 and should take place in the coming year.

The LGTE GCCS Expansion projects will be needed to maximize the amount of gas that we are able to provide for the LGTE Project in order to make more money with that gas to energy project.

Borrow Pit Permitting - Phase II expenses has been budgeted at \$250,000. Commissioner Smith asked what that amount covers. Mr. Kent stated that this includes purchasing the expansion bridge, building adequate roads for the weight of the trucks that will be using the road and development of the entire site.

Second Scale Building expenses has been removed and will hopefully be completed by the next board meeting.

Fencing project has to do with required fencing for the flare and the LGTE site that have not yet been completed.

Host fees are the same for the 2013-2014 budget.

Commissioner Smith asked if there was any way to cut expenses enough to disburse an additional \$100,000 to the counties. Mr. O'Neal said that if another \$300,000 is taken from this year's budget, it would have to come from the escrow accounts, if the board decides to do that. Commissioner Smith asked if this would put New River in a bind. Mr. O'Neal said it would put us in more of a bind than we are right now, but as to how much of a bind would need to be determined over time. Mr. O'Neal said he would like to suggest that if additional money is to be disbursed to the counties, the board consider waiting until after contract negotiations with Alachua County. Commissioner Smith asked when that would take place. Mr. O'Neal said he hopes soon. He added he already has a meeting planned with Ms. Palmi on Monday and the purpose of that meeting will be to ask what's next.

Commissioner Smith asked if we would know by July for budget planning for October 1. Commissioner Dobbs said he would like to remain silent on the issue right now and he would like for Mr. O'Neal to work it out without any pressure from him.

Mr. O'Neal asked if the board would like to discuss a loan to the counties. Mr. Kent said that he knows this is a sticky point with Alachua County and would hate for any decisions made today to affect our contract discussions with them. Commissioner Smith said that he would not want to put New River in a bind.

Commissioner Thomas said that the additional money would help but that he doesn't want to rob New River totally.

Commissioner Smith said that if everything works out and New River could help out the counties, they would appreciate it. If it doesn't work out, the counties will have to make it the best they can.

Mr. O'Neal stated he did not have anything else for discussion.

Chairman Hartley asked for a motion to recommend approval of the budget as presented by the Finance Committee to the regular board. Commissioner Smith made a motion to recommend approval of the budget as presented. Commissioner Thomas seconded the motion. The motion carried unanimously.

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