

NEW RIVER SOLID WASTE ASSOCIATION
REGULAR BOARD MEETING MINUTES
March 13, 2014

The New River Solid Waste Association Board of Directors met in regular session on March 13, 2014 with the following members present:

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

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

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

Chairman Hartley called for a motion on Agenda item #2, approval of the January and February 2014 Expenditures. Commissioner Lewis made a motion to approve the January and February 2014 Expenditures. Commissioner Thomas seconded the motion. The motion carried unanimously.

Chairman Hartley called for a motion on agenda item #3, Approval of the Regular Board Meeting Minutes for January 9, 2014. Commissioner Lewis made a motion to approve the minutes for January 9, 2014. Commissioner Cossey 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 #5, Engineering Updates. Mr. Woolsey, Jones Edmunds, said that for Agenda Item 5A, Class III Excavation Project, New River staff has been working on

this and is making good progress. About 30% of the Class III material has been moved at this point. Mr. Woolsey said that this project is a little ahead of schedule.

Mr. Woolsey said for Agenda Item 5B, Asbestos Relocation Project Update, this is actually linked to the Class III excavation project as there is asbestos located in a portion of the Class III area. Mr. Woolsey said that the permit modification received involves properly relocating the asbestos material which will require an asbestos contractor. Mr. Woolsey added that Jones Edmunds has been working on preparing the RFP to advertise for an asbestos removal contractor at the appropriate time, which is probably a couple of weeks away. Commissioner Lewis asked if the asbestos would be hauled off. Mr. O'Neal said that it would be relocated to our Class I in a newly segregated area and then surveyed.

Mr. Woolsey said for Agenda Item 5C, Whole Tire Recirculation Project, this is a follow-up to a project approved by DEP from a few years ago from a joint effort with New River, Jones Edmunds and UF to use whole tires to use as bedding material for the leachate recirculation lines. Mr. Woolsey said that whole tires are banned from Florida landfills but were allowed to be used under the RD&D permit for a study to see if they would be useful for leachate recirculation. A lot of good data was collected during the project and DEP was pleased with the data collected as was New River and UF. This led to reinstating that project and applying for an additional permit variance with the potential to be an ongoing project and for collecting data for using whole tires in connection with gas collection. Some of the specifics of the project still remains to be worked out with DEP.

Mr. Woolsey said for Agenda Item 5D, Meeting with DEP about Alternative Closure Procedure, at the last board meeting we were preparing to meet with DEP to discuss potentially using an alternative closure material such as EGC, exposed geomembrane cover. Mr. Woolsey said the meeting with DEP went well and how this would work conceptually was agreed on. The biggest issue is financial backing in the event of a failure. Mr. Woolsey said that they are working with DEP to demonstrate there is sufficient financial backing in place with warranties and escrowed funds. The next step is submitting additional information to DEP for their approval. Mr. O'Neal added that after our discussions with DEP they realize that this may be a better closure method since failures with an exposed cover would be obvious and could be repaired instead of going undetected under two feet of dirt. Mr. Woolsey said that this method would improve stormwater runoff as well.

Mr. Woolsey said that for Agenda Item 5E, Engineering Other, he would like to bring the board up to date on something connected to the audit. The audit discussion will include completing the removal of Class III waste next fiscal year and because of this Class III will become an inactive landfill in the eyes of DEP. Full funding of that closure escrow account will then be required by statute. Mr. Woolsey said that because the Class III landfill is no longer active, DEP will say it's life is at zero and may result in a big impact on New River as far as funds needed for closure escrow for the Class III landfill. Mr. Woolsey said that if all of Class III has been removed, it will no longer be part of the permit and funding should become a moot point. In the event that all of Class III has not been removed, the engineers have discussed with DEP the ability to apply for a permit variance. This will be addressed next year in order to avoid the financial implications. Mr. O'Neal said if we had to fund that escrow account it would require \$2 million. Mr. Woolsey said that New River has always done a good job on financial assurance and escrows accounts, which DEP takes into consideration and that applying for the variance is always an option. Commissioner Lewis asked about the issue with the Class III landfill. Mr. Woolsey explained that this is an unlined landfill and that the rules have changed to require liners since our Class III landfill was built. Commissioner Lewis asked what would happen if we just covered it up. Mr. O'Neal said that he feels any public solid waste facility will be required to be monitored and maintained much longer than the 30 years as stated in the statutes. Commissioner Hartley asked how long for the lined landfills. Mr. O'Neal said 30 years is currently the requirement and that the requirements may be reduced but not totally eliminated.

Chairman Hartley called for discussion of Agenda Item #6, LGTE Project Update, Alan Beer, FEP. Mr. Beer said that FEP is progressing nicely and quickly on this project and that at a minimum bi-weekly meetings have been held. Mr. Beer said that a site visit was also held at New River with Caterpillar and some local contractors and that the gas testing is scheduled for April 2nd. Mr. Beer said that as for the PPA portion of the project, they have asked their contacts for a reverse RFP. The utilities with a propensity to be green as well as those connected to the FPL system have been targeted as this is the only way for power to get out of New River. Proposals have been requested from OUC, JEA, Seminole, New Smyrna Beach, Tallahassee, Reedy Creek and FMPA. JEA and New Smyrna Beach have enough power and are probably not good candidates for this project, however, he is excited about their discussions with Reedy Creek. Mr. Beer

said they are going through this process in order to get the best deal for New River and the best return for the money. Just as an example, for every \$2.50 the PPA price can be improved, it will mean over \$1 million additional revenue for New River. Mr. Beer said that all the facilities that they are dealing with are public entities and that it may take some time to work through all of their processes and procedures, but they expect to get some offers within the next few weeks. Mr. O'Neal asked Mr. Beer to explain the reverse RFP. Mr. Beer said that instead of just asking for prices, they have sent out term sheets so that all transmission costs will be known and there won't be any surprises at the end. Mr. Beer said that all of these utilities usually have networking agreements with FPL and they are able to negotiate the wheeling charges. Mr. Beer said that they have also asked for a 10 year contract term with a 5 year renewal and the reason for that is that if things change and natural gas prices jump up and renewable portfolio standards come into Florida in the next few years, New River would be in a position to make more money. Mr. Beer added that they have also asked for a range that the utilities would be willing to pay including a low end and a high end. That way if there are any surprise costs along the way, we could ask for the higher price in the range to cover those costs. Mr. Beer said this approach will generate the most revenue possible and will give us the most flexibility in the future. Mr. O'Neal added that FEP is working all aspects of the project right now.

Chairman Hartley asked for discussion of Agenda Item #7, NRSWA Audit for FY 2012-2013, Lora Douglas, DDF. Ms. Douglas stated that the escrow audit accounts for Closure is reflected on page 3. The year ended with funding of approximately \$9.4 million and the account was adequately funded. Ms. Douglas said page 4 shows the balanced method used by New River to calculate the funding requirement which is determined by multiplying design life divided by design life exhausted. Her discussions with DEP indicates that we are currently in year 21 for Class III and that the 60 years previously used was inaccurate. Ms. Douglas said that now that the waste will be relocated and the Class III landfill will be considered closed, 100% funding will be required when that happens and the total amount that needs to be funded is \$1.7 million. Right now we are adequately funded for the year being audited but will not be next year. This will be re-evaluated to determine the amount of additional escrow funds required. Ms. Douglas said that additionally long term care costs are reflected on page 5 and that current estimates for long term care is \$8.7 million for Class I and over \$1.6 million for Class III. Right now nothing has been set aside for long term

care. This will become the responsibility of the member counties if not funded by the time the money is needed. Page 6 shows the breakdown of types of investments and values in each. Commissioner Lewis brought up Ms. Douglas' reference to the lack of funds set aside for long term care and said he feels the counties need to be careful of any additional host fees being disbursed. Mr. O'Neal said that this audit is due by March 31st and asked if the board would be willing to vote on acceptance at this time before discussing the financial audit.

Commissioner Hartley called for a motion to approve the escrow audit as presented. Commissioner Lewis made a motion to approve the escrow audit. Commissioner Tallman seconded the motion. The motion carried unanimously.

Ms. Douglas stated that the financial audit shows some blanks that cannot be completed at this time as the response from the NRSWA attorney has not yet been returned. Ms. Douglas stated on page 2 that the auditor's report for the financial audit is an unqualified report and that she has no critical comments on the audit. Ms. Douglas said that she does have some comments regarding fiscal responsibility issues but as for the financial records and bookkeeping, these get better every year. Ms. Douglas said page 10, shows revenues, expenses and changes in net assets. Ms. Douglas reminded the board that New River is different from the counties as it is an enterprise fund and should be treated like a business, meaning that it can't spend everything it makes every year and stay in business. Ms. Douglas said that expenditures have gone up and the change in net assets reflects that New River lost \$1.4 million last fiscal year. Ms. Douglas added that last year \$1.7 million in host fees went to the counties. Ms. Douglas said that there is a misconception that this was unanticipated revenue when actually the money disbursed was revenue which was put aside for future projects. Mr. O'Neal said that a portion of the host fees had been budgeted for and was based on revenue from tipping fees but that the remainder was taken from escrow accounts, which needs to be put back. He reminded the Board that this was discussed at the time the funds were distributed to the counties. Ms. Douglas said that when these funds are needed and have not been put back, this will become the obligation of the counties. Chairman Hartley said this was the purpose of the LGTE project so that we could recoup that money and that we will continue to save money by doing our own construction projects. Commissioner Lewis said that even though we are saving money another thing to remember is that the price of everything is going sky high. Commissioner Cossey added that we don't have the LGTE

project yet. Ms. Douglas said that 76% of New River's revenue comes from Alachua County tipping fees which is a huge concentration of risk and that right now the contract with Alachua County only goes through December 2018. Ms. Douglas said that if we are considering borrowing money she is unsure if a lender would lend the money if we are unable to show the ability to repay it. Ms. Douglas said that the net investment income loss is \$87,945 which does reflect some unrealized losses and are shown at current market values. Ms. Douglas said that this reflects the need for New River to get a new investment policy in place in order to be able to invest in more than what is allowed by Florida Statutes for investments. Her recommendation is to hire a professional money manager to handle the investments. Mr. O'Neal said that we continue to work on the investment policy and it is on the agenda for discussion tonight. Ms. Douglas said on page 3 there is a summary of the audit which includes financial highlights. The fourth bullet shows the \$2.35 surcharge collected from Alachua County for Phase II development which shows a balance of \$585,326 while the project is estimated to cost \$11 million. The additional money will have to come from somewhere. The sixth bullet shows the cost for Cell 7 construction estimated at \$7.6 million and the funding in this account is also short. Mr. O'Neal said that it is funded at just below 50% at this time. Ms. Douglas said that the borrow site construction project is also underfunded. The last bullet on page 3 shows an underfunding of Long Term Care in the amount of \$4.9 million. Ms. Douglas said that New River is funding Closure because DEP requires it and that we should also be funding Long Term Care, even though it is not required. The requirement is that Long Term Care is funded yearly after closure. However, if the landfill is closed and not generating any revenue, this money needs to be set aside otherwise the counties will have to cover these expenses. Ms. Douglas said right now the estimate for Long Term Care is at \$10.3 million. Part of it has been funded but that account reflects \$4.9 million underfunded. Chairman Hartley asked what is covered by Long Term Care. Mr. Woolsey said that for a minimum of 30 years after the landfill is closed the landfill will need to be maintained which includes all monitoring and maintenance. Chairman Hartley asked what is the difference between long term care and closure. Mr. O'Neal said that closure is the construction project which includes design, permitting and the actual physical closure of the landfill. Long term care is maintenance of the landfill after it is closed. Mr. Woolsey added that long term care for Phase I will start when the DEP approval to close it is received and will have to be done for a minimum of 30 years. Mr. Woolsey said that in order to come up with long term care costs the engineers run the numbers to show what it will

cost for one year to maintain the closed landfill which is multiplied by 30 years including an inflation factor. Mr. O’Neal said that is recalculated each year to show current costs and that if approved, the EGC form of closure could save money in construction costs and may result in saving funds that are set aside for closure. Chairman Hartley added this closure option should also save money for long term care. Mr. O’Neal said that it may turn out that we could transfer savings into the long term care account and get a jump on getting the proper funding. Mr. Kent said that New River isn’t like the closed landfills in the counties as it will require much more maintenance and monitoring due to size and current regulations. Mr. Woolsey added the closed landfills in the member counties are not subject to the new regulations like New River. Commissioner Lewis said that the board was hesitant to disburse the last host fees to the counties and feels like it should not be brought up until we figure out how to properly fund these escrow accounts. Mr. O’Neal said that our proforma to develop Alachua County’s disposal rate included closure and long term care, so they are paying their portion and if there’s any unfunded money, it’s by the counties. Ms. Douglas reminded the board that there are no negative comments on the audit but that she is seeing a trend and wants New River to recognize the issue. Ms. Douglas said she wanted to point out that OPED, Other Post Employment Benefits, is underfunded by \$550,000 for last fiscal year. Mr. Hartley asked why this needs to be funded if employees are paying for the benefits. Ms. Douglas explained this is because when we do start covering retirees the rates for all employees will go up. Ms. Douglas added that funding OPED isn’t currently required by statute but is recommended. Mr. O’Neal said that we don’t have any retirees currently but could end up with multiple retirements in one year so it may be a good idea to begin considering funding OPED. Commissioner Lewis asked where retirement funds that is withdrawn every pay period goes. Mr. O’Neal said those funds are handled by the state. Mr. O’Neal said that he also wanted to point out that our uncollected accounts are only \$200.00 and are due to a bankruptcy. Ms. Douglas asked for any further questions or comments on the audit. There were none. Mr. O’Neal asked if there would be a reason for DDF to come back next month if the only outstanding matter is the response from the NRSWA attorney. Mr. O’Neal said that we could put the finalized financial audit on the next board meeting agenda for adoption. The board was in agreement.

Ms. Douglas said that she would like to mention that this is the last year of DDF’s contract for auditing services with NRSWA and since the contract does include a renewal clause, she would like to ask the board’s

wishes for renewing their contract. Chairman Hartley asked what the cost would be. Ms. Douglas said they would leave the cost at what it is now with the CPI increase as stated in the contract.

Chairman Hartley asked for motion on renewing the contract with DDF. Commissioner Tallman made a motion to renew the contract for auditing with DDF. Commissioner Thomas seconded the motion. The motion carried unanimously.

Chairman Hartley called for discussion of agenda item #8, Update on Yard Waste, Manage Plan and Costs. Mr. O'Neal said that several months ago discussion took place with the board about looking at alternatives to our clean yard waste operations and getting our costs down. Mr. O'Neal said that he has looked at other ways to handle yard waste and that the most profitable way would be to haul it off site for grinding and sell the material to the biomass plant in Gainesville. Mr. O'Neal said that the problem with our waste stream is that it comes in with foreign material such as metal sand and mulch which would require cleanup. After adding transportation costs to cleanup, this would no longer be the most profitable way to process our yard waste. Mr. O'Neal added that the LGTE plant would provide for adding mulched material to the landfill as the material would help produce more gas. We would still have some dead costs and that in addition to citizens bringing in clean yard waste at no charge, there are some businesses that currently bring clean yard waste to New River at no charge. Mr. O'Neal said that he would like to suggest that we consider charging the generator of the clean yard waste for bringing that material to New River. Commissioner Lewis asked what amount he had in mind. Mr. O'Neal stated that he would suggest \$24 per ton for clean yard waste that originates from a business. Commissioner Thomas asked what is in the budget for handling clean yard waste. Mr. O'Neal said that our operating costs are approximately \$250,000 per year. Commissioner Lewis asked why we aren't charging for clean yard waste. Mr. O'Neal said that when we started, we were using clean yard waste material for erosion control and for traction material. Mr. O'Neal added that the LGTE project will allow us to use the mulch material. Commissioner Lewis said that he agrees that we should charge businesses for clean yard waste. Commissioner Thomas said he also agrees with charging businesses. Commissioner Cossey said we should give plenty of notice and could make the new disposal rate effective May 1st.

Chairman Hartley called for a motion on charge \$24 per ton for businesses for disposal of clean yard waste effective May 1st, 2014. Commissioner Cossey made a motion to charge \$24 per ton for clean yard

waste from businesses. Commissioner Lewis seconded the motion. The motion carried unanimously.

Chairman Hartley asked for discussion of agenda item #9, Alachua County: Flow Control Issues, Other. Ms. Palmi stated that she did not have any issues and that everything seems to be going well. Ms. Palmi said that there was a preliminary meeting with David Dee, Attorney, regarding flow control about 1 ½ weeks ago. Alachua County's attorney, Mr. Wagner, has retired and they have a new attorney, Michele Lieberman, who is currently being brought up to speed. They have met with Mr. Dee several times to discuss this flow control idea and have requested a cost from him for preparing the legal brief for presentation and approval. Ms. Palmi said she hopes to be able to update the board next month. Mr. O'Neal said that the waste is up and we have been open every Saturday since all the waste went back to Alachua County's transfer station. Ms. Palmi said they are in the process of getting staffing and their fleet in order to handle the additional waste.

Chairman Hartley asked for any discussion under agenda item #10, Attorney: Investment Policy Update Other. Mr. O'Neal said because the board had expressed interest in an update on the investment policy he had prepared an outline showing the progress so far. Mr. O'Neal said that he had met with Mr. Wade and had given him at least 5 different investment policies that we had requested from other Florida utilities and associations who are similar to New River. Mr. O'Neal said that staff and engineers had also provided dollars and timelines for future projects. Mr. O'Neal said that he heard from Mr. Wade today who had received the information but that he is currently on vacation. Chairman Hartley asked if Mr. Wade understood the urgency and stated that he isn't very happy with him right now. Chairman Hartley added that there are other attorneys. Mr. O'Neal said he had spoken with 3-4 money managers who are willing to come make a presentation and that we have a sample RFP ready to be issued, the only thing we don't have is the investment policy and the resolution allowing New River to proceed. Commissioner Lewis asked if this has been going on for 4 months. Mr. O'Neal said that actually this had been an ongoing topic since our previous board attorney, Mr. Brown, was hired and that he had also spent 4 or 5 months with him trying to get the investment policy going. Mr. O'Neal said that he has the name of an attorney who specializes in this type of thing. Chairman Hartley asked if this would be an additional cost. Mr. O'Neal said yes it would be an additional expense. Commissioner

Tallman asked what kind of contract or agreement we had with Mr. Wade. Mr. O'Neal said that he wasn't aware of a contract. Mr. Douglas, DDF, added that with the amount of funds we have to invest, we may have already lost more in interest than we would have spent on outside counsel. Chairman Hartley said he does not feel that we should be paying additionally for outside counsel. Commissioner Thomas said he feels like the Chairman and Mr. O'Neal should have a meeting with Mr. Wade. Chairman Hartley said he wants this on the agenda for next board meeting. Commissioner Lewis added that this was not acceptable to be waiting this long on our attorney to draft an investment policy. Commissioner Tallman was in agreement. Commissioner Cossey recommended that the Chairman and the Executive Director speak with Mr. Wade. Mr. O'Neal stated that the board attorney works for the board and that he can only make suggestions and recommendations. Commissioner Lewis said he would only be willing to wait for Mr. Wade for a very short time frame and then would like to look into issuing an RFQ for another attorney as there is too much money in investments at stake. Mr. O'Neal said that he would schedule the meeting with Mr. Wade, Chairman Hartley and himself for the first of next week. Commissioner Lewis asked that the board be updated.

Chairman Hartley called for any discussion under agenda item #11, Executive Director Issues. Mr. O'Neal said he did not have anything further for discussion.

Chairman Hartley asked for any discussion under agenda item #12, Board Issues. There were none.

Chairman Hartley asked for any further discussion. There was none. 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.