



TMC RATE REVIEW SUBCOMMITTEE MEETING

Solid Waste TMC Conference Room
June 22, 2011 @ 1:00 P.M.

Minutes of the Subcommittee Meeting

Earl Gloster, Chairman of the TMC Rate Review Subcommittee, called the meeting to order at 1:00 pm. Present at the meeting were the following subcommittee members: Mike Connors, Bill Pickrum, Calvin Warren, and Bob Cyr. Also, in attendance were Bob Hauser, Karen Nunley, Sig Ruiz and Joe Morrissey, Assistant County Attorney. Judy Lund, TMC Secretary, took minutes.

Earl Gloster asked if everyone had an opportunity to review the reports and stated that the subcommittee was going to review the FY '11/12 budget year report provided to each member by Karen Nunley, Utilities Finance Section. Karen reviewed the summary projections including capital, revenues and expenses for FY '11/12. Bob Cyr asked what the reserve balance was and Karen responded that it is \$137M. Bob Hauser noted that the reserves are projected to drop next year. Mike Connors asked if the capital account was done on cash or encumbrance basis and how many CIP projects involve contracts or notices to proceed. Bob Hauser responded that one of the projects is almost done, the Toytown Improvements project is about 60% designed, the Side Slope Closure project has just started, the Gradient Control System is ready to go out to bid, the Redevelopment Implementation project is in contract review, the Water Treatment Plant is at 99.9% and going out to bid shortly, the Water Treatment Plant is under a consent order NPDES permit, the Turbine Generator Rotor project is being finalized in August; which is about \$10 - \$12M dollars.

Bob Hauser noted that some of the CIP projects are under construction or in the bid process at this time. Mike requested a back up document which reflects the CIP projects on how these numbers were derived; he noted that this area has been the primary source for building up a \$137M in reserves which is why I'm questioning how you do your cash outlay. Bob noted that the Hand Unload Facility, which is just about complete, has been carried on the books for 3-4 years and then next year the fund balance, theoretically, will be exactly where it should be had all the projects been completed on time. If we had spent all this money last year our fund balance would be \$45M less. Mike asked if this was the type of information that is reported to the Board. Bob responded that it was exactly the

same information for our capital budget expenditures in the last 3-4 years, we have spent close to 75 – 80% of our CIP budget.

Bill Pickrum asked Bob what the reserve policy is. Bob responded that the policy level is about 60M; we have been to the Board on several occasions and the BCC policy has agreed that the \$60M should be maintained. We have over a \$100M unfunded liability in landfill closure and long-term care costs. When our Power Purchase Agreement ends in 2025, you will be looking at doubling & tripling of the tipping fees in one year. There may be some major expenditures in the next few years, some of the rules & regulations for Greenhouse Gas can kick off a whole new round of air pollution control upgrades, which we are trying to identify in our CIP program for potential future expenses.

Bob was asked how much has been borrowed from the reserves; he responded \$5M last year, \$15M this year, and I think they are going to borrow again this year. The total maximum that can be borrowed is \$80M. Those funds are going to fill the short fall in the Penny for Pinellas and are supposed to be paid back by 2019. Joe Morrissey stated that this is an interfund loan and if it were not paid back, there would be some uncomfortable financial results for the BCC. Bob noted that it is supposed to be repaid with the same rate of return that the Clerk makes on the General Fund Investments.

Mike Connors stated that the reserves need to be readdressed by the TMC and that rebates should be included in that discussion. Bob Cyr asked what the County's recommendation was; Bob responded that staff recommendation is \$37.50/ton; the \$50.43/ton is a projection on a cash basis. A discussion ensued regarding the amount of reserves to be kept on hand. Mike Connors asked why we can't use some of that fund balance to reduce the tipping fee. Bob Hauser responded that the components of the \$60M reserve figure was actually reviewed with the TMC, which included a \$25M R&R Fund, \$7.5M Go-Away Fund, \$10M for Catastrophic Insurance, and we are also required to have 3-months of operating funds.

The Chairman asked for any further discussion; there was none. Earl asked Bob what the staff recommendation was. Bob reported that Pinellas County Solid Waste staff was recommending maintaining the tip fee at \$37.50/ton.

A motion was made by Bob Cyr to keep the tipping fee at \$37.50/ton. Mike Connors seconded the motion to open the subject up for discussion.

Mike Connors stated that there appears to be an inconsistency on the recommendation of the fund balance monies. Previously, we had a fund balance of rather handsome amount and exceeded the \$60M and we were informed that reserves for the purpose of reducing the tipping fee should not be used and now they are saying they should be used. Bob stated that one reason you maintain reserves is stabilization. In the past, when it was below, we still recommended staying at \$37.50/ton.

After additional discussion, Earl Gloster asked if the subcommittee was ready to make a recommendation to the TMC. Mike Connors stated he could not make a recommendation on what he believes to be a less than consistent policy as it relates to the use of the fund balance.

The Chairman stated that since we are not going to make a recommendation to the TMC we need to continue with further discussion. Bob stated we would have to make a recommendation to the County Administrator prior to October 1, 2011; the next TMC meeting is September 21, 2011.

Mike Connors made the motion to indicate to the TMC that we were not able to come up with a recommendation for the tipping fee. The motion was seconded by Calvin Warren; the vote was unanimous.

The meeting was adjourned at 2:10 pm.

Respectfully submitted, Judy Lund, TMC Secretary

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