

**MINUTES OF PRE-BUDGET WORKSHOP
HORRY COUNTY SOLID WASTE AUTHORITY, INC.
March 12, 2014**

The Horry County Solid Waste Authority, Inc. held a Pre-Budget Workshop on Wednesday, March 12, 2014, at 1:00 P.M., at the Authority's Administrative Office, 1886 Highway 90, Conway, South Carolina. In accordance with the Freedom of Information Act, notices setting forth the date, time, and place of the meeting were mailed to the news media.

Present were the following Board Members: James H. Cokley, Chairman; M. Lance Thompson, Vice Chairman; Dan P. Gray, Secretary; John R. Long II, Board Treasurer; and Board Members J. Michael Campbell, Pam J. Creech and W. Norfleet Jones.

Ex Officio Member Steve Gosnell was in attendance; however, Ex Officio Member Kevin Blayton was absent. Mr. Jason Rodriguez represented the media in attendance.

The following individuals were also in attendance: Danny Knight, Executive Director; Mike Bessant, Assistant Executive Director; Jan Bitting, Director; Esther Murphy, Director; Bill Hilling, Director and other staff to include Rodney Cannon, Susie Wofford, Cecil Terry, Stephanie Todd, and Nannette Powell.

CALL TO ORDER

Chairman Cokley called the pre-budget workshop to order and rendered the invocation. Following the invocation, Mr. Thompson led the group in the Pledge of Allegiance. Chairman Cokley then asked Mr. Knight to begin the presentation.

Mr. Knight commented that he wanted everyone to feel comfortable during this process. He indicated the budget was balanced and stated if anything was added to the budget, funding would have to be taken from another account to maintain the balanced budget. Mr. Knight indicated revenue was decreasing daily. He reminded the Board that a budget is basically a best guess at the time it is developed. Mr. Knight stated any revisions/recommendations by the full Board would be incorporated into the final budget document. He advised the Board that staff was available to answer questions at anytime.

REVIEW OF BUDGET PROCESS

Mrs. Bitting began the presentation with a review of the budget process. She explained to the Board that each year staff develops a five-year capital budget, which includes equipment and/or projects that exceed \$5,000. Mrs. Bitting indicated the next step in the process is the development of the operating budget and stated staff utilizes historical budget data in the development of the operating budget. Concerning revenue projections, Mrs. Bitting advised the Board she performs an analysis on each revenue line item for the previous and current fiscal year. She indicated this allows staff to determine if there is a need to increase or decrease revenue projections.

Mrs. Bitting distributed to the Board a budget comparison chart detailing the approved budget levels for FY2012 through the projected FY2015 budget amount. She advised the Board that the FY2015 budget level is comparable to that of FY2012. However, Mrs. Bitting indicated, since FY2012, expenses have increased with the addition of the C&D Processing Facility and revenue

has decreased with the establishment of the C&D Recycling Incentive and the MSW Incentive. Mrs. Bitting indicated the SWA was able to make reductions and implement new programs while maintaining budget levels.

Mr. Gray indicated he was aware that expenditures had been reduced in a number of areas, but asked if at any time there was an increase in revenue in some areas. Mrs. Bitting indicated that during times when recyclable commodity pricing is high, there has been instances where there has been an increase in revenue. She stated there has been some increase in revenue; however, revenue and expenses have to balance, therefore as revenue decreased, expenses had to also decrease. Mr. Knight commented that tipping fees have remained the same for fifteen years.

Mr. Gray stated the main source of revenue has been flat for fifteen years and market prices have been down for a year or more. However he indicated, if there were some areas that staff found ways to increase revenue, it would be interesting to know that. Mrs. Bitting indicated staff would look into that.

SUMMARY OF REVENUES

Mrs. Bitting began with a review of revenue and expenditure projections. Regarding FY2015 revenue projections, Mrs. Bitting discussed the chart below.

| SOURCE | FY2014 | FY2015 | FY2016 |
|--------------------------------|---------------------|---------------------|---------------------|
| Tipping Fees | \$9,702,380 | \$9,083,400 | \$9,239,568 |
| Recyclable Material Sales | 3,000,000 | 3,000,000 | 3,200,000 |
| Interest Earnings | 0 | 150,000 | 175,000 |
| Waste Tire Rebate | 100,000 | 100,000 | 102,000 |
| Miscellaneous Container Rental | 250,000 | 250,000 | 260,000 |
| Landfill Gas Revenues | 125,000 | 125,000 | 125,000 |
| C&D Recycling | 150,000 | 125,000 | 125,000 |
| E-Waste Processing Fee | 180,000 | 250,000 | 250,000 |
| The Store | 70,000 | 70,000 | 72,000 |
| GRAND TOTAL | \$13,577,380 | \$13,153,400 | \$13,548,568 |

Mrs. Bitting generally discussed each of the revenue sources as follows:

Recyclable Material Sales – Mrs. Bitting stated staff was not budgeting any change in recyclable material sales in that there is no indication that market prices will change in the next year.

Interest Income – Mrs. Bitting indicated staff was budgeting an increase as compared to FY2014, because of the new investments recently initiated.

Mr. Gray commended staff on their efforts in working to increase the amount of revenue being generated through interest income.

Tire Rebate – Mrs. Bitting explained that the tire rebate funding is directly related to the \$2.00 disposal fee charged to consumers for each tire purchased. She stated no change was budgeted for FY2015.

Container Rentals – Mrs. Bitting indicated that the container rental revenue remains constant and stated no change is being recommended.

Landfill Gas – Mrs. Bitting stated landfill gas revenue is tracking the same as last year, therefore staff is not proposing any change.

C&D Recycling – Mrs. Bitting stated pricing for the sale of these materials are not at the level anticipated, therefore staff is projecting a reduction in revenue for FY2015.

E-Waste – Mrs. Bitting advised the Board this revenue stream is a pass-through for the cost incurred to recycle electronic waste material.

The Store – Mrs. Bitting indicated \$70,000 in revenue had been projected for The Store for FY2014 and stated revenue is on track, therefore no change is being proposed.

Tipping Fees – Mrs. Bitting indicated staff was projecting a 2% increase in solid waste tonnage/revenue. She indicated the MSW incentive was being reduced from 216,000 tons to 155,000 tons, which staff believes would be a more accurate projection based on current figures. Mrs. Bitting commented that there has not been much change in yard waste, therefore the tonnage/revenue projections will remain the same as FY2014.

With regard to mixed construction (C&D), Mrs. Bitting commented that 90,000 tons was projected from FY2014 and stated staff is projecting about a 6.67% in growth in tonnage by year end. She stated there has been a significant decrease in the amount of C&D being brought to the landfill, and indicated staff believed the loss estimates will be accurate. Therefore, staff is proposing a tonnage level of 66,000 tons for FY2015.

Mrs. Bitting stated C&D recycling tonnage was reduced from 10,000 tons in FY2014 to 7,000 tons in FY2015, to account for the rejects being taken to the C&D landfill. Mrs. Bitting stated tonnage amounts had also been slightly decreased in the tires, shingles and land-clearing debris categories.

Mrs. Bitting stated overall there was a 6.4% decrease in FY2015 proposed tipping fee revenue as compared to FY2014.

Mr. Gray stated the SWA was somehow able to offset the anticipated 30,000 ton decrease in C&D tonnage and \$800,000 revenue deduction in C&D disposal. Mrs. Bitting stated the net decrease being projected is now 24,000 tons due to the projected 6% increase in C&D tonnage. In addition, she indicated cuts in expenditures, such as, five unfunded positions, reductions in fund transfers to C&D closure and post-closure accounts and waste diversion program were utilized in covering the projected shortfall.

Mr. Bessant indicated the proposed FY2015 budget was about \$400,000 lower than the FY2014 budget.

Mr. Campbell stated C&D tonnage for the first week in March is down about 33% as compared to the same time last year. He indicated if this trend holds through the end of FY2014, revenue could be down \$900,000 by year-end.

Mr. Knight indicated with the exception of Interest Income, staff has not increased revenue for FY2015. He indicated the budget was balanced through a series of cuts in expenditures, to include unfunding five positions.

Mr. Gray stated he was interpreting the numbers incorrectly by saying that revenue had remained flat, but instead, staff had absorbed the budget shortfall through cuts. Mr. Gray commented that he believed the shortfall was also being absorbed by growth in MSW and C&D. Mr. Knight stated staff is projecting a 2% growth in MSW and a 6% growth in C&D; however, due to the amount of C&D being disposed of outside of the County, it was still necessary to decrease the overall amount of projected C&D tonnage by 30%. Mr. Knight stated the projected growth is included in the FY2015 tonnage figures, as well as the projected loss in C&D tonnage. Mr. Gray commented that the loss in C&D tonnage was being based on one week out of 52. Mrs. Bitting replied that staff based the loss in C&D tonnage on the same projections utilized all along with regard to the loss of flow control, which anticipated 30% of the C&D tonnage would leave the county.

Rev. Cokley stated that in reviewing the revenue projections, staff is projecting a revenue level comparable to that of FY2012. Mrs. Bitting indicated that was correct. Rev. Cokley commented that revenue levels were actually going back two full years, which would mean revenue was decreasing, not remaining flat. Mrs. Bitting agreed and said revenues are not flat, but have decreased the last two fiscal years. Mr. Gray stated the decrease was due to factors other than C&D tonnage loss.

Mr. Bessant commented that if the SWA does not meet the C&D tonnage projected for FY2014, the loss in revenue will be greater than projected. He stated staff has already seen a reduction in the amount of C&D being brought to the landfill, therefore, the SWA may not meet the 90,000 tons projected for C&D material. Mrs. Bitting commented that through the first six-months of FY2014, 47,686 tons of C&D material had been disposed of at the SWA landfill. She stated that based on the 30% reduction in C&D tonnage during the first week of March, staff estimates a potential loss of 14,000 tons of C&D material between now and the end of the fiscal year, which would equate to an additional loss of \$380,000 in revenue. Rev. Cokley re-stated this would result in a decrease of \$380,000 in projected revenue for the current fiscal year. Mr. Knight indicated that was correct and stated staff continually reviews tonnage, revenue and expenditures with the knowledge that a large deficit cannot be made up in one month of the year. He commented that staff would continue to monitor these figures.

SUMMARY OF EXPENDITURES

Mrs. Bitting then presented a review of the proposed FY2015 expenditures as shown in the chart below.

| | FY2014 | FY2015 | FY2016 |
|---------------------------------|---------------------|---------------------|---------------------|
| General Administration Division | \$1,682,007 | \$1,584,440 | \$1,663,123 |
| Disposal Division | 5,351,106 | 5,288,716 | 5,597,370 |
| Recycling Division | 3,495,950 | 3,574,921 | 3,656,543 |
| Designated Fund Transfers | 2,047,500 | 1,850,000 | 1,887,000 |
| Non-Departmental | 1,000,817 | 855,323 | 744,532 |
| GRAND TOTAL | \$13,577,380 | \$13,153,400 | \$13,548,568 |

Mrs. Bitting generally reviewed the overall increases/decreases in expenditures and indicated as compared to FY2014, the General Administration Division had an overall decrease of 5.8%, the Disposal Division had an overall decrease of 1.2% and the Recycling Programs Division had an overall increase of 2.3%. She stated the Recycling & Corporate Affairs Division showed a slight increase due to transportation costs for out-of-county recyclables processed at the MRF.

Mrs. Bitting reviewed the designated fund accounts and advised the Board that no funding was being proposed for the Waste Diversion Program for FY2015. She reminded the Board that this program had been funded through a \$0.25 per ton allocation from both MSW and C&D tipping fee; however, due to the loss of flow control, it was determined this would be one of the areas which would not be funded. Mrs. Bitting indicated the funding remaining in the account would continue to be utilized to explore various waste diversion options. She reminded the Board they would still have the ability to transfer any undesignated cash overage into this account in the event there is undesignated cash to transfer at the time of the quarterly review.

Mrs. Bitting then reviewed the non-departmental funds and advised the Board that the Rate Stabilization/Contingency Fund was significantly lower than in previous years. She indicated this was an area she was very concerned about in that it there was very little contingency funding in the case of an emergency. Mr. Thompson asked how this figure was generated. Mrs. Bitting stated it was essentially “backed into” and equated to the amount remaining once all proposed expenditures were calculated and indicated that staff made additional cuts to reach this funding level. Mr. Campbell asked if staff believed more than \$100,000 is needed in this fund. Mrs. Bitting indicated that was correct. Discussion ensued on how this funding has been used in the past and Mrs. Bitting reminded the Board that the funding is only expended through Board approval.

Mr. Gray inquired about the \$52,000 expense for The Store. Mrs. Bitting explained this amount equated to the salaries for the staff at The Store. Ms. Creech commented that it was her understanding that the SWA did not pay the salaries at The Store. Mrs. Bitting indicated that the SWA must book the expense because we receive all of the revenue generated at The Store. She stated the SWA does not actually pay the staff, but explained that at the end of the year the expenses and revenue are split and the Council on Aging pays the salary portion of the expenses. Mr. Campbell asked if The Store was operating in the black and Mrs. Bitting indicated they were.

Mrs. Bitting then reviewed the fuel contingency and indicated there was a decrease in the amount projected for FY2015 due to an increase in fuel pricing. She indicated this would be reflected in each of the divisional operating budgets.

Mrs. Bitting reviewed with the Board the current and proposed budgeted positions and advised them that the FY2015 budget contained the following five (5) unfunded positions: Administrative Division - Deputy Director of Finance and Recyclables Marketing Clerk; Landfill Division – Two (2) Heavy Equipment Operator II's; and the Recycling & Corporate Affairs Division – One (1) Heavy Equipment Operator II. Mr. Gray inquired if money was available, these positions could become funded. Mrs. Bitting stated if during the course of the year projected revenue is more than anticipated and there was a need to fill an unfunded position, staff could request approval from the Board to fund the position. Mr. Campbell asked if overtime was being utilized to cover for the loss of these positions and staff indicated it was. Mrs. Bitting stated the FY2015 budget contained 56 budgeted full-time positions and 7 budgeted part-time positions.

Administration Division

Mrs. Bitting then reviewed the expenditures in each department of the Administration Division and offered information on significant changes in the FY2015 operational budget, which included the following:

Board of Directors Department

- Personal Services - \$8,500 increase related to Board salaries and training and certification
- Supplies & Materials - \$200 increase related office supplies
- Business & Travel - \$4,000 increase related to travel and lodging
- Overall operating budget increase of \$17,540 (41%) as compared to FY2014

Administration Department

- Personal Services - \$45,542 decrease related to one (1) unfunded Recyclable Marketing Clerk position; also includes increases to fringe benefits (step plan, retirement, health insurance and worker's compensation)
- Contractual Services - \$1,106 decrease related to consulting and miscellaneous
- Supplies & Materials - \$8,400 increase related to small equipment
- Business & Travel - \$1,400 decrease related to tires
- Depreciation - \$5,183 increase related to purchase of new vehicle in FY2014
- Disposal Fee Participation – No change
- Overall operating budget decrease of \$34,465 (3.4%) as compared to FY2014

Mrs. Bitting offered a breakdown of the \$165,000 under the consulting and miscellaneous line item. She indicated that of the \$165,000, \$15,000 was budgeted for the update of the Solid Waste Management Plan; \$20,000 budgeted for the update of the disaster debris plan; \$30,000 for financial assurance oversight; and \$100,000 was budgeted for lobbying and consulting. Regarding the \$100,000 for lobbying and consulting, Mrs. Bitting indicated \$25,000 was budgeted for the recently executed contract; \$25,000 was for the portion remaining on the current consulting contract which ends in October 2014 and \$50,000 was for lobbying in FY2015. Ms. Creech thanked Mrs. Bitting for the breakdown of the consulting and miscellaneous account. Mr. Gray asked Mrs. Bitting to forward him a copy of the breakdown. Mrs. Bitting indicated she would forward it to the entire Board.

Mrs. Bitting reminded the Board that the \$10,000 allocated for the Disposal Fee Participation program is utilized to waive tipping fees for certain community activities. Ms. Creech asked for additional information on how the program is monitored. Mr. Bessant indicated that no one organization could request more than \$1,500 in assistance and that they could make the request once per year. Mrs. Bitting indicated that \$462 had been expended through this program during the first six months of FY2014.

Finance Department

- Personal Services - \$71,721 decrease related to one (1) unfunded Deputy Director of Finance position; also includes increases to fringe benefits (step plan, retirement, health insurance and worker's compensation)
- Contractual Services - \$7,000 decrease related to accounting and auditing
- Supplies & Materials - \$5,900 increase related to small equipment
- Business & Travel - \$500 decrease related to travel and lodging
- Depreciation – No change
- Bad Debt – No change
- Overall operating budget decrease of \$80,642 (12.6%) as compared to FY2014

With regard to the bad debt account, Mrs. Bitting indicated occasionally the SWA writes off receivable accounts, which have not been paid. She indicated with the current credit policy, the SWA writes off very little. General discussion followed regarding the credit policy procedures and credit limits. Mr. Jones indicated bad debt was an issue prior to the establishment of the current credit policy.

Non-Department

- Unemployment Compensation – No change
- Health Insurance – No change
- Horry County Community Waste Disposal Fee - \$42,750 decrease due to projected FY2015 tonnage
- Fuel Contingency Funds - \$70,000 decrease related to increased fuel prices
- Overtime Contingency Funds - \$27,000 decrease related to increased overtime in departments
- Rate Stabilization Funds (contingency) - \$30,960 decrease due to decrease in overall budget
- SWA Support Services - \$2,641 increase in the reduction to the County for SWA Support Services for UCS
- The Store - \$857 increase

- Overall operating budget decrease of \$173,244 (14.5%) as compared to FY2014

Mr. Campbell asked if any of the fuel contingency funding was utilized as of yet in FY2014. Mrs. Bitting indicated none had been utilized to date.

Mrs. Bitting indicated the health insurance line item in the non-departmental budget related to retiree health insurance. Ms. Creech asked when this account would be completely funded. Mrs. Bitting indicated retiree health insurance would be completely funded after this year.

Disposal Division

Mr. Hilling then reviewed the expenditures in each department of the Disposal Division and offered information on significant changes in the FY2015 operational budget, which included the following:

Environmental Management Department

- Personal Services - \$28,854 decrease related to one (1) unfunded Heavy Equipment Operator II position; also includes increases to fringe benefits (step plan, retirement, health insurance and worker's compensation)
- Contractual Services - \$6,748 increase related to equipment rental, equipment maintenance and repairs and landfill gas maintenance (purchase of new pumps)
- Supplies & Materials - \$3,895 decrease related to small equipment
- Business & Travel - \$50 decrease related to decrease in travel and lodging; also includes increase in fuels and lubricants due to increase fuel prices
- Depreciation – \$2,250 decrease related to the delay in purchasing a service truck
- Overall operating budget decrease of \$28,301 (4.3%) as compared to FY2014

Mr. Thompson asked if the pumps utilized in the landfill gas program were capitalized. Mr. Hilling indicated they were not because the cost to purchase one was under \$5,000.

Landfill Department

- Personal Services - \$2,564 increase related to increases to fringe benefits (step plan, retirement, health insurance and worker's compensation) and overtime
- Contractual Services - \$60,926 decrease related to electricity, water and sewer, consulting and miscellaneous, engineering, contractual services, grounds maintenance and sustainment contracts
- Supplies & Materials - \$19,775 decrease related to small equipment, also includes increases to the material and supplies line item
- Business & Travel - \$41,005 increase related to increase in fuels and lubricants due to increase fuel prices
- Closure/Post Closure - \$16,850 increase
- Landfill Waste Diversion Cost – \$56,250 decrease due to no funding budgeted for FY2015
- Equipment Depreciation - \$56,622 decrease related to the delay in purchasing a compactor
- Landfill Replacement Depreciation – \$14,400 increase
- Overall operating budget decrease of \$102,754 (3.5%) as compared to FY2014

Mr. Hilling advised the Board there was a decrease in electricity and water and sewer because a

portion of these charges are now included as a part of the Maintenance Shop department.

Regarding the \$19,775 decrease in the Supplies and Materials category, Mr. Hilling stated this was related to a delay in upgrading the hand-held radios utilized by SWA personnel. He indicated the radios have now been budgeted in the capital budget for FY2015.

Ms. Creech asked about the use of alternate daily cover and how long it had been in use. Mr. Hilling indicated the SWA has been utilizing alternate daily cover for approximately ten (10) years. He explained that staff utilizes alternate daily cover as a temporary cover overnight to lessen the amount of dirt being utilized and curtail costs. Mr. Hilling stated the alternate daily cover can only be used over the course of a 24-hour period; therefore, staff utilizes it Monday through Friday and uses dirt as cover on Saturdays. He indicated the alternate daily cover also assists with compaction rates. Mr. Hilling commented that SCDHEC has approved the use of this material.

Mr. Thompson stated there were no unfunded positions in the Landfill department; however, there was a significant increase in overtime as well as contract labor. Mr. Hilling stated staff was proposing an increase in contract labor expense because it was very difficult to obtain inmate labor on a consistent basis from J. Reuben Long to perform litter pickup. He indicated the additional contract workers would be utilized for this purpose and reminded the Board that litter is a part of the monthly DHEC inspection. Regarding the increase in overtime, Mr. Hilling stated additional overtime is needed to cover personnel costs during times of emergency, high demand, etc. He indicated overtime is not used daily and that it was monitored often.

Mr. Gray asked where the other engineering costs were shown in the budget. Mrs. Bitting commented that departments utilizing engineering services would have a line item for engineering for the specific department. Mr. Gray commented that the SWA has utilized the same engineer for 10+ years. He suggested the Board may want to consider obtaining bids from other engineers, in that this was the single most expensive and important matter that the SWA does, which is to estimate the cost to close the landfill. Mr. Gray commented that Mr. Mike Lloyd indicated the SWA closure funding was short approximately \$1 Million, subsequent to the completion of his study. Mr. Gray suggested that in the future a 3-5 year RFP be obtained for engineering services. Mr. Gray asked where he could obtain a listing of all engineering firms and costs. Ms. Creech indicated she would also like this information, and asked that it also include the project they worked on. Mrs. Bitting indicated she could provide this to the Board.

Rev. Cokley asked why would someone change engineers in the middle of a project. Mr. Bessant commented that doing so would have downfalls. Mrs. Creech stated staff would not re-bid in the middle of a project, but would wait until the project was completed. Mr. Bessant indicated that was correct, and stated to do so would result in additional costs to the project. Mr. Gray agreed that you would not want to change engineers in the midst of a construction project; however, he believed the SWA was reaching a point where it might be worthwhile to consider advertising an RFP for engineering services.

Yard Waste Department

- Personal Services - \$355 increase related to increases to fringe benefits (step plan, retirement, health insurance and worker's compensation) and overtime
- Contractual Services - \$58,204 increase related to equipment maintenance of two (2) grinders

- Supplies & Materials - \$275 increase
- Business & Travel - \$26,057 increase related to increase in fuels and lubricants due to increase fuel prices
- Depreciation - \$76,573 increase related to the recent purchase of two grinders
- Overall operating budget increase of \$157,514 (36.9%) as compared to FY2014

Ms. Creech inquired about the significant increase in overtime. Mr. Hilling stated the grinding operation has increased, which increases the amount of time the grinder is down. He commented it takes a significant amount of time to maintain and keep the grinders up and working. He stated overtime is used to keep up with the amount of material being processed. Mr. Hilling stated in FY2014, as a means to manage and monitor overtime, only a portion of the requested overtime was included in the departmental budgets. Mr. Bessant explained that in FY2014 the majority of the overtime was allocated to the Overtime Contingency Fund. He stated this allocation has not yet been made for FY2015.

Ms. Creech indicated throughout this portion of the budget there were very significant increases in overtime and asked if staff had considered the possibility of utilizing temporary labor as opposed to using overtime, which could save costs. Mr. Hilling explained staff has considered this; however, the temporary skilled labor would be needed to operate equipment, which is also very costly.

Mr. Gray inquired about the funding of depreciation and whether the funding is in place at the time equipment is purchased. Mr. Bessant explained that once a piece of equipment is purchased, the cost of the equipment is divided by the estimated number of years the equipment will be in use. He stated this amount is budgeted as a part of the operating budget annually and allocated to the depreciation/equipment replacement fund, whereby funding is available at the time the equipment needs to be replaced. Mr. Bessant stated this was the only funding that is placed in the designated depreciation/equipment replacement fund. Mrs. Bitting stated this fund is shown on the balance sheet in the monthly financial reports. Mr. Gray stated this account is also funded through quarterly transfers if funding is available. Mrs. Bitting indicated that was incorrect and stated the only additional funding allocated to this account was from interest earnings. She further stated the designated depreciation/equipment replacement funds are only utilized to purchase items that have been approved by the Board and included in the Capital Budget.

Construction & Demolition Department

- Personal Services - \$14,025 increase related to increases to fringe benefits (step plan, retirement, health insurance and worker's compensation) and overtime
- Contractual Services - \$4,988 decrease related to equipment maintenance
- Supplies & Materials - \$100 decrease
- Business & Travel - \$10,158 decrease related to fuels and lubricants
- Closure/Post Closure - \$128,640 decrease
- Equipment Depreciation - \$75,400 decrease related to equipment being fully depreciated
- Landfill Replacement Depreciation - \$21,360 decrease
- Overall operating budget decrease of \$81,871 (20.8%) as compared to FY2014

Regarding the fuel and lubricants line item, Mr. Hilling indicated there was a price increase factored into this line item; however, staff believed the amount of fuel to be used may have been

overestimated in FY2014. Mr. Hilling also indicated staff decreased the overall amount of fuel to be used during FY2015 in correlation to the estimated amount of C&D tonnage to be loss.

Construction & Demolition Recycling Department

- Personal Services - \$48,275 decrease related to one (1) unfunded Heavy Equipment Operator II position; also includes increases to fringe benefits (step plan, retirement, health insurance and worker's compensation) and overtime
- Contractual Services - \$2,720 increase related to tipping fees
- Supplies & Materials - \$750 decrease
- Business & Travel - \$28,381 increase related to increase in fuels and lubricants due to increase fuel prices and additional equipment transferred into the department
- Depreciation - \$1,823 decrease
- Overall operating budget decrease of \$21,997 (3.4%) as compared to FY2014

Concerning the increase in tipping fees, Mr. Hilling explained as a means to maintain the overall amount of material being processed at the C&D Recycling Facility, staff would be accepting loads which contain a higher amount of rejects.

Maintenance Shop Department

- Personal Services - \$13,861 increase related to increases to fringe benefits (step plan, retirement, health insurance and worker's compensation) and overtime
- Contractual Services - \$7,104 increase related to addition of electricity and water and sewer costs
- Supplies & Materials - \$2,100 decrease related to reduction in materials and supplies
- Business & Travel - \$1,471 decrease related to decrease in fuels and lubricants usage
- Depreciation - \$5,125 increase related to recalculation of service truck life/replacement
- Overall operating budget increase of \$15,019 (5.6%) as compared to FY2014

Mr. Thompson stated he was aware that overtime had been discussed several times; however, he stated it looked as though overtime was quadrupled in some areas. Mr. Hilling responded that in FY2014 what is included in the departmental budget was 25% of the requested amount, with the remainder being allocated in the Overtime Contingency Fund which is included as a part of the Non-Departmental budget. Mr. Hilling indicated staff would look into taking the same action in FY2015.

Recycling & Corporate Affairs Division

Mrs. Murphy reviewed the expenditures in each department of the Recycling & Corporate Affairs Division and offered information on significant changes in the FY2015 operational budget, which included the following:

Public Education Department

- Personal Services - \$5,345 increase related to increases to fringe benefits (step plan, retirement, health insurance and worker's compensation)
- Contractual Services - \$250 decrease
- Supplies & Materials - \$4,050 increase due to small equipment and purchase of storage building for miscellaneous bins, roll-carts, etc.
- Business & Travel - \$100 decrease
- Depreciation - \$4,852 decrease related to vehicles being fully depreciated

- Overall operating budget increase of \$3,995 (2%) as compared to FY2014

Mr. Gray inquired about the GPS service listed in the contractual services line item. Mrs. Murphy explained each vehicle in the department is equipped with a global positioning system to assist with locating employees and ensuring safety of employees, especially when working after hours at events.

Corporate Affairs Department

- Personal Services – \$4,838 increase related to increases to fringe benefits (step plan, retirement, health insurance and worker’s compensation)
- Contractual Services – No change
- Supplies & Materials – \$3,000 increase related to small equipment
- Business & Travel – No Change
- Overall operating budget increase of \$7,838 (2.2%) as compared to FY2014

Mr. Gray commented that the advertisements currently being run are very well produced and the emphasis is on encouraging people to recycle. He stated the amount of funding for advertising had been reduced. Mrs. Murphy indicated \$139,000 was being proposed to cover advertising costs for FY2015, which was equal to the funding level in FY2014. She indicated the funding level for FY2012 was \$207,000 and \$209,000 for FY2013. Mr. Gray suggested that the cost of advertising in FY2013 exceeded the budgeted amount by \$50,000. Mrs. Murphy disagreed with Mr. Gray’s comment.

Mr. Gray stated the current funding level is significantly less than previous years and again commended staff on the quality of the advertisements. Mr. Campbell said that the SWA should perform more advertising in order to encourage citizens to recycle.

Material Recycling Facility (MRF) Department

- Personal Services - \$17,904 increase related to one (1) unfunded Heavy Equipment Operator II position; also includes increases to fringe benefits (step plan, retirement, health insurance and worker’s compensation)
- Contractual Services - \$119,904 increase related to electricity, contractual services, tipping fees
- Supplies & Materials - \$5,900 increase related to material and supplies for daily operations
- Business & Travel - \$14,100 increase related to increase in fuels and lubricants due to increase fuel prices
- Depreciation - \$2,300 increase related to purchase of forklift in FY2014
- Overall operating budget decrease of \$160,153 (8.5%) as compared to FY2014

Mrs. Murphy commented that the increase in contractual services was due to increases in electricity, tipping fees and transportation costs related to out-of-county material being received from Republic Services. Mrs. Murphy indicated the transportation costs related to the material received Republic Services was not included in the FY2014 budget, in that, Republic Services’ request to bring material to the MRF occurred in September 2013, several months after the approval of the FY2014 budget.

Mr. Gray asked for additional information about the contractual services for Republic Services. Mrs. Murphy explained that during FY2014, Republic Services contacted staff regarding

accepting recyclables they collected as a part of their program in Charleston County. Mr. Gray asked if the matter had come before the Board for approval. Mrs. Murphy indicated a few years prior the Board approved a policy, which authorized the Executive Director to handle such requests concerning the acceptance of out-of-county recyclables. She indicated she would be happy to supply Mr. Gray with a copy of the policy. Mr. Bessant reiterated Mrs. Murphy's comments and indicated the purpose of the policy was to allow the Executive Director to negotiate and immediately respond to such requests, which could be time sensitive. Mr. Gray indicated he did recall the policy.

Ms. Creech inquired about the \$16,000 in stormwater fees at the MRF. Mr. Bessant explained that the SWA was required to pay stormwater fees on all properties, but not property taxes.

Mr. Knight asked what would be the effect on revenue if the \$95,000 associated with receiving material from Republic Services was eliminated from the budget. Staff responded that based on the amount of material Republic Services delivers to the MRF it would result in an estimated \$375,000 decrease in recyclable sale revenue.

Collection & Hauling Department

- Personal Services - \$38,164 decrease related to one (1) unfunded Heavy Equipment Operator II position; also includes increases to fringe benefits (step plan, retirement, health insurance and worker's compensation) and overtime
- Contractual Services - \$259 decrease
- Supplies & Materials - \$12,000 decrease related to small equipment
- Business & Travel – No change
- Depreciation - \$40,592 decrease related to the delay in purchasing three (3) vehicles – rear loader truck, roll-off truck and pal-body truck
- Overall operating budget decrease of \$21,997 (3.4%) as compared to FY2014

Mrs. Murphy stated that due to the unfunded Heavy Equipment Operator II position, it was necessary to increase overtime by \$5,000 to cover all collection routes whenever one driver is out.

As indicated by Mr. Hilling earlier, Mrs. Murphy said the \$12,000 decrease in the Supplies and Materials category was related to a delay in upgrading the hand-held radios utilized by SWA personnel. She indicated the hand-held radios have now been budgeted in the capital budget for FY2015.

CAPITAL IMPROVEMENT BUDGET

Mrs. Bitting offered an overview of the proposed FY2015 Capital Improvement Budget, which equated to \$4,190,950. She offered a review of the funding sources for the Capital Improvement Budget, which included the Equipment Replacement Fund, Designated Closure Fund, Designated Construction/Development Fund, Designated Landfill Construction Fund and Unrestricted Cash Assets.

Mrs. Bitting generally discussed the Capital Improvement Budget proposed for FY2015. She explained there are many occasions when a piece of equipment has been fully depreciated; however, staff determines the equipment is still useful, so the purchase of new equipment is postponed/pushed out. Mr. Gray asked if everything listed on the FY2015 Capital Improvement Budget would be purchased once the budget was approved. Mrs. Bitting replied that those items

being funded through the Equipment Replacement Fund, Designated Construction/Development Fund and Landfill Construction Fund already have the funding set aside and could be purchased once the budget is approved. She indicated any item funded by Unrestricted Cash Assets cannot be purchased unless the funds are available at the time of the quarterly review. Mrs. Bitting generally explained how the designated accounts are funded.

Ms. Creech again inquired about expenses and revenue shared between The Store and SWA. She stated if there was a profit of \$100,000, both The Store and SWA would receive \$50,000. Mrs. Bitting indicated that was correct. Ms. Creech then asked if the cost of personnel was deducted from The Store's profit or if it was deducted from the \$100,000 prior to dividing the profit. Mrs. Bitting indicated it was deducted from the \$100,000. Therefore, Ms. Creech stated, the SWA was paying for half of the salaries. Mrs. Bitting concurred and stated the SWA and The Store were splitting the expenses. Ms. Creech asked if The Store paid for half of the utilities for the building. Mrs. Bitting indicated they did not; however, the SWA would be required to maintain utilities in the building in order to insure the property. Ms. Creech indicated she thought those working at The Store would be volunteers. Mrs. Bitting indicated they may utilize volunteers; however, there are two paid employees working at The Store.

Mr. Gray asked about the \$335,000 addition for The Store and if this had already been approved. Mrs. Bitting indicated the FY2015 budget has not yet been approved; however, the \$335,000 addition for The Store had been approved in the FY2014 budget. She stated even though the addition for The Store was included in the FY2014 budget, no work has been performed on it, therefore staff included it in the proposed FY2015 Capital Budget request. Mr. Gray commented since the addition was approved in the FY2014 budget, the funding could be expended. Mrs. Bitting indicated that was correct; however, by carrying it over staff is indicating that no work is planned for FY2014.

Mr. Campbell asked if the addition for The Store would have to be approved again since it was already approved with the FY2014 budget. Mrs. Bitting stated the approval related to the FY2014 budget and that it would have to be approved again if it is included in the FY2015 Capital Budget. Mr. Gray stated if the addition is approved in the FY2015 budget, the project could be started. Mrs. Bitting indicated construction could begin July 1, 2014. Mr. Knight indicated if the Board does not want to construct an addition for The Store they should vote it down.

Ms. Creech stated that in reviewing some of the figures presented and the loss of C&D tonnage, which has already begun, she believed the \$335,000 might be useful in covering other expenses or balancing the budget, rather than constructing a building that she did not believe was necessary for operations. Ms. Creech indicated that would be one of the items she would have to review.

Mr. Campbell commented that The Store furnishes money to Meals on Wheels and indicated there were other things involved. Ms. Creech agreed but stated she would utilize that funding to balance the budget before constructing another building to benefit anything. Mr. Gray commented that Meals on Wheels was federally funded. Ms. Creech indicated she believes in having a balanced budget and stated she considers those things which are necessary for operations, such as equipment and personnel. She commented that someone could auction off the items in both of The Store's buildings and free up space in the buildings. Ms. Creech again stated she considers those items, which are necessary and those which you could do without

before considering such a large expenditure. She stated if the loss of C&D tonnage continues at the rate discussed earlier, the SWA would be in need of \$335,000 or more. Ms. Creech said she did not want to stop the program; however, she commented that the \$335,000 for this project could be put off for a year, until the SWA determines what is actually needed.

Mr. Jones asked if the budget was balanced as presented and if it included the anticipated loss in C&D tonnage. Mrs. Bitting indicated yes to both.

Mrs. Bitting stated the remaining portion of the document covered Fiscal Years 2016-2019. The Board was asked to review the remaining fiscal years in their own time and contact staff with any questions and/or concerns.

MISCELLANEOUS ITEMS

Mr. Bessant stated the Board had previously asked him to assemble information pertaining to the Collection and Hauling and Material Recycling Facility (MRF) departments. He indicated Ms. Creech asked for a complete analysis of the MRF and the Collection and Hauling (C&H) departments as one unit, inasmuch as the C&H Department supports and provides a significant portion of the material processed at the MRF. Mr. Bessant stated the purpose of the analysis was to determine if the MRF and C&H departments were profitable or not.

Mr. Bessant reviewed with the Board the chart below which compared the total revenue generated by the MRF and C&H departments to the total cost from Fiscal Year 2011 through Fiscal Year 2014. Mr. Bessant indicated for the purposes of this review, figures for the last six months of Fiscal Year 2014 were estimated. He advised the Board that the total cost did not include any costs associated with administration any other departments, in that, the other departments would function at the same level, with or without the MRF and C&H departments.

| Fiscal Year | MRF Revenue | C&H Revenue | Total Revenue | Total Cost w/o Admin | Difference +/- | Avg. Price Per Ton |
|--------------------|--------------------|------------------------|----------------------|-----------------------------|-----------------------|---------------------------|
| FY2014 | \$2,930,687 | \$248,790 | \$3,179,477 | \$3,115,999 | \$63,478 | \$151.84 |
| FY2013 | \$3,034,246 | \$248,902 | \$3,283,148 | \$3,237,530 | \$45,618 | \$151.35 |
| FY2012 | \$3,225,916 | \$249,311 | \$3,475,227 | \$2,551,767 | \$923,460 | \$182.63 |
| FY2011 | \$3,336,942 | \$246,684 | \$3,573,626 | \$2,250,978 | \$1,322,648 | \$176.51 |

Total Difference/Profit \$2,355,203

Mr. Bessant stated, as indicated in the chart above, when the MRF and Collection & Hauling departments are combined, there is no loss. He also reviewed with the Board the average price per ton being received for material marketed through the MRF. Mr. Bessant stated over a four-year period, the two departments had a combined profit of \$2,355,203.

Mr. Gray indicated the MRF cost for FY2015 would be \$3,500,000 as compared to the estimated revenue for FY2014 of \$3,000,000. Mr. Bessant clarified that the combined estimated costs for the MRF and C&H departments for FY2015 was \$3,000,000, as compared to the \$3,200,000 in estimated revenue for FY2014. Mr. Bessant indicated the Public Education and Corporate Affairs departments, which are in the same division as the MRF and C&H, were not included in the comparison. He reiterated that the Public Education and Corporate Affairs departments are

separate and apart from the MRF and C&H departments and would function with or without the MRF and C&H departments.

Mr. Gray again inquired about 30,000 ton loss in C&D due to changes to the flow control ordinance. He indicated he did not see this loss reflected in proposed FY2015 budget. Mr. Bessant explained that when staff prepared and submitted the original estimated C&D tonnage loss figure to County Council, it was based on losing 30% of the projected 90,000 tons of C&D material for FY2014. He stated when determining the tonnage projections for FY2015, staff felt it would be unfair not to include an increase for economic growth. Based on the anticipated economic growth, staff estimated an additional 6,000 tons would be received in C&D tonnage for FY2015. Mr. Bessant stated if all of the projected tonnage was received in FY2015, the SWA would receive 96,000 tons of C&D material. However, he indicated, staff is still projecting a 30% loss in C&D tonnage for FY2015, which would equate to a projected 66,000 tons of C&D material being received by the SWA during FY2015.

Mr. Gray stated based on staff's projections the SWA would have an approximate \$400,000 shortfall in revenue in FY2014, based on the current trend. Mr. Bessant replied if the trend continues as it was during the first week of March, revenue would be down approximately \$400,000. Mr. Bessant stated based on just two haulers taking their material to another location, C&D tonnage dropped 1,500 tons in February. He indicated staff did not know exactly how much C&D tonnage would leave the County.

Mr. Gray commented there would be a significant shortfall in revenue this year, which the Board has not discussed. Mr. Bessant stated the shortfall has been discussed and action has been taken in that Mr. Knight has held off on filling vacant positions, even before the flow control ordinance was changed. Mr. Bessant stated several cost saving measures have been taken in anticipation of a loss of revenue and to allow for enough time to absorb the deficit in revenue over a 4-5 month period. Mr. Gray indicated he had heard Mr. Knight speak about this, but believed this was the first time he had heard at the Board level that the SWA might be facing a serious shortfall in revenue during FY2014. Mr. Gray asked if staff was still projecting a loss of about \$925,000 in revenue for FY2015. Mr. Bessant stated that since the projected tonnage loss was reduced the approximate loss in tipping fee revenue was now \$795,000.

Mr. Campbell asked how the approximate \$800,000 shortfall would be made up. Mr. Bessant indicated staff made up the approximate \$800,000 shortfall in C&D tipping fees through projected interest income, anticipated tonnage/tipping fee increases and through a series of reductions in operational expenditures. General discussion followed regarding the possibility of generating additional recyclable sale revenue with the Recyclables Marketing Clerk position. Mr. Bessant said staff has discussed that possibility; however, due to budget constraints, this position was unfunded for FY2015.

Mr. Bessant stated unless the SWA eliminated some of the current programs, staff did not see anyway to fund anything else, to include allocating more funds to the contingency fund. He indicated staff discussed several operational upgrades to improve efficiency for which there is no funding available, such as a wood grinder at the C&D Processing Facility, an optical sorter at the MRF, upgrading the sound system in the multi-purpose room, etc. He stated unless there is a way to reduce something, such as the incentive programs, there will be no way to fund these upgrades. Ms. Creech commented this is another reason why the \$335,000 allocated for the addition for The Store could be better utilized to improve the efficiency of current operations.

Mr. Bessant then continued with his review of the operational efficiency of the Collection & Hauling Department by reviewing the affect the C&H recycling programs have on the MSW landfill. He reviewed with the Board the chart below and indicated over the course of four years, the C&H Department had saved more than 60,000 cubic yards of airspace and added 67 days to the life of the MSW landfill. He stated this would result in a potential \$1.4 Million in future MSW tipping fee revenue and \$204,000 in net profit. Mr. Bessant indicated inasmuch as the C&H Department has been in operation since the 1990's, these figures only represented a portion of the airspace savings and potential revenue gain.

| Fiscal Year | Tonnage Collected | Cubic Yards Airspace Savings | Days of MSW Airspace Savings | Future Potential MSW Revenue | Future Potential MSW Net Profit |
|--------------------|--------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|
| FY2011-14 | 22,676 | 60,531 | 67.04 | \$1,414,862.47 | \$204,086.16 |

Mr. Bessant then reviewed the effect the C&D Recycling Processing Facility had on the C&D landfill. He reviewed with the Board the chart below and indicated since opening in FY2012, the C&D Recycling Facility had saved more than 52,000 cubic yards of airspace and added 108 days to the life of the C&D landfill. He stated this savings would result in a potential \$709,000 in future C&D tipping fee revenue and \$240,000 in net profit.

| Fiscal Year | Tonnage Collected | Cubic Yards Airspace Savings | Days of C&D Airspace Savings | Future Potential C&D Revenue | Future Potential C&D Net Profit |
|--------------------|--------------------------|-------------------------------------|---|---|--|
| FY2012-14 | 26,774 | 52,391 | 108.2 | \$709,516.70 | \$240,967.98 |

Mr. Hilling advised the Board that the mandatory pre-bid meeting for the East Hill Closure Project would be held on Wednesday, March 19, 2014, at 1:00P.M. He stated the bid opening would be held on April 10, 2014, at 2:00P.M. Mr. Hilling stated that due to the complexity of the project, contractor interviews would be held on April 17, 2014, with the announcement of the selected contractor being made at the April 22, 2014, Board Meeting.

Mr. Campbell inquired about the progress of the relocation of the yard waste site. Mr. Hilling indicated the project was 95% complete.

BUDGET CALENDAR

Mrs. Bitting reminded the Board that the Budget Workshop was scheduled for April 8, 2014, at 1:00P.M., with lunch being served at 12:30P.M. Mrs. Bitting asked that the Board review the budget document and submit any suggestions, revisions or questions to her as soon as possible in order that they could be included in the final budget document.

Mr. Gray thanked staff for their efforts in preparing and presenting the information.

MOTION TO ADJOURN

There being no further business to come before the Board, **Mr. Gray moved, seconded by Ms. Creech to adjourn the meeting. The Motion was carried** and the Pre-Budget Workshop was adjourned at 4:15P.M.

Minutes approved on March 25, 2014.

HORRY COUNTY SOLID WASTE AUTHORITY, INC.

BY: _____(L. S.)
James H. Cokley, Chairman

ATTEST:

_____(L. S.)
Dan P. Gray, Secretary

_____(L. S.)
J. Michael Campbell

_____(L. S.)
Pam J. Creech

_____(L. S.)
W. Norfleet Jones

_____(L. S.)
John R. Long II

_____(L. S.)
M. Lance Thompson