

**MINUTES OF SPECIAL BOARD MEETING
HORRY COUNTY SOLID WASTE AUTHORITY, INC.
July 21, 2015**

The Horry County Solid Waste Authority, Inc. held a Special Board Meeting on Tuesday, July 21, 2015, at 3: 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: M. Lance Thompson, Chairman; Pam J. Creech, Vice Chairman; J. Michael Campbell, Secretary; W. Norfleet Jones, Treasurer; and Board Members Sanford C. Graves, Dan P. Gray, and John R. Long II.

Paul Gable of the Horry Independent represented the media in attendance. There were no members of the public in attendance.

The following individuals were also in attendance: Danny Knight, Executive Director; Mike Bessant, Assistant Executive Director; Esther Murphy, Director; Bill Hilling, Director; Jan Bitting, Director; Emma Ruth Brittain, Staff Attorney and other staff members to include CCU Intern Aaron McFarland, Rodney Cannon, Nannette Powell, Richie Stetter, Cecil Terry, Stephanie Todd and Susie Wofford.

CALL TO ORDER

Chairman Thompson called the meeting to order and asked Mr. Long to render the invocation.

PLEDGE OF ALLEGIANCE

Chairman Thompson asked Mr. Campbell to lead the group in the Pledge of Allegiance.

APPROVAL OF AGENDA

Chairman Thompson asked for any revisions to the Agenda as contained in the Agenda Packet; however, there were none.

Mr. Jones moved to approve the Agenda as presented. There was a second by Mr. Long and the Motion was carried.

PUBLIC INPUT

There were no requests to present Public Input.

Chairman Thompson welcomed New Board Member Mr. Sanford Graves.

NEW BUSINESS

a. Charleston County Out-of-County Recyclables Proposal

Chairman Thompson stated the reason for today's meeting was to consider entering into a contractual arrangement with Charleston County regarding accepting recyclable material. He indicated the group would discuss and consider what was best for the SWA. Chairman Thompson asked Mr. Bessant to explain the possible proposal with Charleston County.

Mr. Bessant explained he was contacted by Charleston County about 30-35 days ago about the possibility of processing their recyclable material. He stated Charleston County informed him that they would not renew their current agreement with the company that processes their recyclable material. Mr. Bessant said Charleston County asked if the SWA would process

their material for a short term or 12 months to allow them time to build their own MRF. Chairman Thompson asked if this decision was from Charleston County or Sonoco or was it a joint decision. Mr. Bessant said he did not know the fine details of their agreement but Charleston County would end the agreement with their current provider. Mr. Campbell asked who was their provider. Mr. Bessant replied Sonoco. Ms. Creech said she read an article that talked about Sonoco and them losing money. She asked Mr. Bessant if he knew anything about that. Mr. Bessant replied he did not know the details of the contract. He said he asked for a copy of the agreement and did get a chance to read it. Mr. Bessant said he did not get the agreement from Charleston County he got it from someone else. He said the contract had certain set percentages they would pay. Mr. Bessant stated he did not know the reasoning for ending for the contract or if money was lost. He did not ask any of those questions. Ms. Creech asked if Sonoco was operating on Charleston County's property. Mr. Bessant stated it was Charleston County's property, facility and equipment. Ms. Creech said she read they were losing \$100,000 a month on their property using their equipment. Mr. Bessant stated he had no way of verifying that. He indicated he did not know the specific details and did not want to speculate. Chairman Thompson commented this would be an entirely different arrangement. Mr. Bessant indicated the financial arrangement as well as the contract would be different. He stressed the handling of Charleston County recyclables would be structured a totally different way than the arrangement Sonoco has with Charleston County. Mr. Bessant stated Mr. Joe Dawson the attorney who oversees the solid waste for Charleston County commented that under no circumstances did he want the HCSWA to process Charleston County's material and lose money. Mr. Bessant commented any agreement that Charleston County entered into Charleston County would pay their part. He informed the Board that no agreement had been reached. Mr. Bessant stated only conversation about the processing of this material had been discussed. He explained that Charleston County had a deadline of July 31, 2015. Mr. Bessant commented he and staff had concerns about taking 3,000 tons of material without the additional manpower to handle the material. He indicated he had informed Charleston County the SWA would not store material and without the necessary manpower then the SWA would restrict the amount of material hauled to the MRF if we decided to move forward with the arrangement. Mr. Bessant explained a major concern was the efficiency and maintenance of the equipment. Mr. Jones asked about the additional manpower. Mr. Bessant informed the Board that 22 temporary employees would be needed with two or three being skilled labors. He commented about the difficulty hiring skilled personnel for a one year period. Mr. Bessant discussed giving current employees the opportunity for a supervisory position with the understanding it may only be temporary. He commented this would give SWA employees the opportunity to show their management ability. Chairman Thompson asked if the hiring of the temporary employees was through a service. Mr. Bessant indicated that was correct.

Chairman Thompson stated the SWA could potentially handle over 3,000 tons of recyclables per month asked and what impact would the dregs or rejects have on the landfill. Mr. Bessant indicated the SWA facility has about 14.5% rejects a month. He commented he contacted Charleston County collection facility about the percent of reject material they received in the recyclables and was told about 5%. Mr. Bessant stated the reason Charleston County rejects were low that Charleston County picked up and processed their own curbside recycling with the option of leaving the non-recyclable material in the bins. He indicated that Charleston County's agreement with Sonoco was 8% or less rejects or Sonoco would have an additional charge. Ms. Creech asked if the SWA took in 3,000 tons a month what percentage of that would we allow in the landfill. Mr. Bessant indicated if Charleston

County had 14.5% rejects then the SWA would lose 3 or 4 days a year of landfill airspace. Ms. Creech restated if the SWA processed Charleston County recyclables receiving 3,000 tons with 14.5% rejects the SWA would only lose 3 to 4 days of landfill airspace in one year. Mr. Bessant indicated that was correct. Ms. Creech asked Mr. Bessant if this would be stated in the contract and what percentage of rejects the SWA would take. He explained the SWA had other options to dispose of the dregs including Georgetown County. Mr. Bessant explained different options could be added into the contract. He suggested that Charleston County could cover the cost of the rejects from their share of the profits and not the SWA. Mr. Campbell commented the SWA could haul the rejects to Georgetown County. Mr. Bessant said that would be the Board's decision. He indicated in the flow control ordinance the SWA had a pre-existing inter-local governmental agreement with Georgetown County taking waste from the SWA in the past and this did not affect the flow control ordinance. Mrs. Brittain stated this was a pre-existing ordinance in the designated agreement. Mr. Knight stated if this was a deal breaker then the rejects could be sent back to Charleston County or Georgetown County. He indicated that Georgetown County's tipping fee was higher or the SWA could find a construction and demolition landfill or look for other options to dispose of the rejects. Mr. Knight stated that ultimately DHEC would have to approve the destination of the rejects. Mr. Campbell commented any additional cost would be passed back to Charleston County. Mr. Bessant stated the base market value would take effect and then higher costs would result in less revenue from the material. At that time, Charleston County would have to pay more. Mr. Campbell indicated if the material is taken for one year then the landfill would lose 4 days of landfill airspace. Mr. Bessant stated that was correct. Mr. Bessant commented he reviewed with staff the most efficient and cost effective way to process this material. He stated the most cost efficient method was to bring the material to Horry County and not pay \$38.00 per ton or \$21.00 tipping at another landfill or have a long term transportation cost. Mr. Bessant explained the MRF is charged a \$29.00 per ton fee from the landfill for the reject material. Mr. Jones asked if Charleston County is bringing a load of material and leaving empty then why not transport their rejects back to Charleston County. Mr. Bessant stated he and Mr. Knight had discussed that option. He discussed the possible baling of the reject material and storing until a truckload could be sent back to Charleston County. Ms. Creech asked if Charleston County transported 3,000 tons of recyclables and 15% would be rejected or 450 tons over 12 months or one year's time that would be 5,400 tons and equal or equivalent to 3 or 4 days of landfill airspace. Ms. Creech asked if Mr. Bessant had decided on the profit sharing. Mr. Bessant stated he had concerns and sent a draft to Mrs. Brittain for clarification. He informed the Board he had nothing formal at this time and had not communicated with Charleston County about finalizing the agreement.

Chairman Thompson asked Mr. Bessant to explain the potential revenue of the Charleston County agreement. Mr. Bessant explained currently the cost to process material at the MRF. He stated currently the monthly average was \$17,239.89 in revenue. Mr. Bessant stated the monthly average of depreciation cost was \$55,169.93. He indicated the depreciation cost per ton was \$33.38 per day. Mr. Bessant indicated this was the current operating figures of the MRF. Mr. Bessant informed the group based on staff's projections Charleston County's material would have a monthly revenue average of \$78,421.27 and Charleston County and MRF monthly average projected profits would be \$95,661.16. Mr. Bessant stated with 4,653 tons per month versus 1,653 tons would lower the depreciation cost from \$33.38 per month to \$11.86 per month. He indicated that fixed cost over increased tonnage would increase the profit.

Mr. Gray voiced his concerns about the SWA holding a Special meeting because of Charleston County's deadline. He wanted to know if Mr. Bessant wanted the Board to vote on this issue. Chairman Thompson reminded Mr. Gray that the Board was meeting to receive clarification on the Charleston County recyclables and give each member the opportunity to voice their concerns, questions and have a full understanding of this proposal. Mr. Gray asked if the Board has no discretion today and had the decision been already made. Chairman Thompson indicated the Board had voted to give Mr. Knight the authorization to negotiate a contract with Charleston County. He stressed the importance of the Board understanding this financial opportunity for the SWA. Mr. Gray asked Chairman Thompson when was this authorization given. Chairman Thompson commented he would have to review the minutes but reminded Mr. Gray that Mr. Knight has the authority to negotiate these types of arrangements. Mr. Gray commented he did not remember the discussion of taking any waste from Charleston County. Chairman Thompson stated this material was a commodity and not garbage and it was discussed. Ms. Creech stated the Charleston County out-of-county recyclables was discussed at the June Board Meeting. Mr. Gray said he did not recall the discussion to bring that volume of waste into Horry County. Mr. Gray asked the Board if they thought this contract should be discussed with Horry County Council. Mr. Campbell indicated the SWA would be receiving extra revenue for profit. Mr. Bessant explained the \$4 million dollars in revenue not including expenses. Mr. Gray commented that Charleston County was not paying for using the facility considering the volume of material would actually double. Mr. Bessant stated this would be included in processing and maintenance cost. Mr. Bessant indicated that CP Manufacturing and the SWA maintenance staff had been consulted about the wear and tear on the equipment. He assured the group that all these costs had been factored in. Mr. Bessant indicated that additional maintenance staff would be added to service the equipment. Mr. Gray asked who would pay the transportation cost for the material. Mr. Bessant stated the deal with Charleston County would be based on the market price of the material and the transportation cost would come from the revenue. Mr. Bessant informed the Board any concerns they had could be addressed at this time and could be added to the contract. Ms. Creech asked Mr. Bessant had Mr. Gosnell from Horry County have any concerns about the Charleston County agreement. Mr. Bessant replied Mr. Gosnell did not have any concerns. Mr. Jones commented there is cost involved when doing business. Mr. Bessant stated the reason for the MRF is higher cost and maintenance was because of the lower volume of material being processed. Mr. Jones indicated when the MRF was built it was in hope of operating three shifts seven days a week. Mr. Bessant indicated with the increased volume of material, two, 10-hour shifts would be scheduled. Chairman Thompson commented if the facility was operating at full capacity, then accepting Charleston County's material would not be an option. Mr. Bessant stated that was correct.

Chairman Thompson asked Mr. Bessant what were the risks of operating with the increase in volume of material. Mr. Bessant stated the market value was not a risk. He remarked if the base price was set at \$134.00 per ton and the price dropped lower then Charleston County has to pay the SWA. He commented that Charleston County has asked if the price

exceeds \$134.00 per ton by 10% then Charleston County wanted a share of the revenue. Mr. Bessant stated with the base market of \$134.00 per ton, this would give the MRF additional revenue of \$78,421.27 per month. He mentioned if the MRF is able to reduce its operating cost making them more efficient then it has an increase in revenue. Ms. Creech asked how was this a \$4 million dollar contract. Mr. Bessant replied \$1 million dollar a year in profit using last year's figures. Mr. Gray asked if Dorchester County recyclables would be included in this. Mr. Bessant said he was asked about this material and told Charleston County no. Mr. Bessant stated the Finance Department generated a monthly report of the operational cost for the MRF as well outgoing and incoming tonnages at the facility.

Chairman Thompson asked what was the worst case scenario that the SWA should be considering. Mr. Bessant indicated having enough staff or storage space. He stated the selling of material was a concern for staff. Mr. Bessant remarked the purpose of the marketing person was to sell and find alternative markets for the commodities. He commented once the product was sold having the material transported as soon as possible was another concern. Mr. Bessant stated overtime would be a major factor that also had to be taken into consideration. He reviewed the costs and then added an extra 20%. Mr. Jones asked what type of clause could be added if the SWA Board wanted out of this agreement. Mr. Bessant indicated a 90-days clause could be added but was not currently in the contract. Mrs. Brittain stated it was at the discretion of the party to have a particular amount number of day's written notices. Mr. Jones asked how many days did Sonoco give before terminating the contract. Mr. Bessant replied 90 days. Mr. Jones stated he wanted this included in the contract as a safeguard. Mrs. Brittain indicated problems arise if one party has a large expenditure such as the purchasing a fleet of trucks or a lease for transportation purposes. Mr. Jones stated 90-day was enough time to make other arrangement. Mr. Bessant indicated his concerns were that the SWA not lose money and have a good working relationship with Charleston County while their MRF was being built. Chairman Thompson commented that the SWA would try to structure this contract not to lose money. He stated the SWA would make money before any revenue share. Mr. Bessant indicated his only concern would be the selling of the product. Mr. Jones asked what share of the profit did Charleston County ask for. Mr. Bessant indicated they did not but he suggested a 60/40 split. Mr. Gray asked for an unconditional 90-day termination clause. Mrs. Brittain explained if Charleston County accepts those terms then yes. Ms. Creech commented if Charleston County did not accept the 90-day unconditional termination of the contract terms then she was not for the agreement. Her main concerns were that the SWA make money, keep the hour's reasonable, 90-day unconditional termination, 3 or 4 days of landfill airspace and keep the litter picked up along Highway 90. Mr. Jones commented the rejects should be hauled back to Charleston County. Chairman Thompson suggested including a 90-day unconditional termination clause in the contract with an exit strategy for the SWA. Chairman Thompson stated this should be on the SWA terms and conditions. He asked about the person hired for the marketing position and what happens after one year. Mr. Bessant stated this would be a temporary position for one year. Chairman Thompson stated he wanted to make sure no necessary expenses were incurred. He indicated he had not considered the impact to the residents. Mr. Bessant stated the hours for the trucks hauling to the MRF would be 5:00am to 5:00pm but the MRF would be operational until 11:00pm with processing of material. He indicated the MRF needed to process 10-11 loads a day to manage over a 21-day period. Ms. Creech commented on the additional litter along with trucks. Mr. Bessant stated the material would be transported in walking floor trailers and should not have litter blowing out. Ms. Creech asked with the lack of construction and

demolition material would the commodities make up the difference. Mr. Bessant stated the Charleston County agreement would be very profitable. Mr. Gray asked if staff would keep the same monthly reports with tonnages, revenue and operating cost of the MRF facility. Mr. Bessant informed Mr. Gray the reports in the Board Packet track the tonnages, revenue and operations of the MRF monthly. Mr. Gray asked if the report would be generated each month. Mr. Bessant answered yes they would be included in the Board Packet monthly. Mr. Gray asked for a summary sheet to be included in the Board packet for the incoming tonnages and revenue of the Charleston County recyclables. Chairman Thompson answered yes that staff would give a monthly comparison of the tonnage coming into the MRF from Charleston County. Mr. Bessant handed out a profit sharing example sheet. He explained how the base market value works. Chairman Thompson commented that prices were down last year. Mr. Bessant stated \$134.00 was an example of the base market price. Chairman Thompson asked how Mr. Bessant reached that figure. Mr. Bessant indicated that figure is stated in the contract. He explained the MRF average monthly outgoing tonnage sold was 3,500 divided by the MRF average monthly revenue of \$413,000.00 would be \$118.00 which would be \$16.00 less than the base market value of \$134.00. Mr. Bessant indicated 10% loss would be \$13.40 and the difference would be \$2.40 which would be the amount Charleston County would have to pay the SWA. He stated based on 2,100 tons of Charleston County's material being sold the SWA would be paid \$5,460.00. Chairman Thompson asked if the difference fell within the 10%, would the SWA make less revenue but making more money with the tonnage amount. Mr. Bessant stated that was correct. Mr. Bessant stated that the profit gain to the MRF average monthly outgoing tonnage sold would be 3,500 divided by the MRF average monthly revenue of \$525,000.00 which would be \$150.00. This equates to \$16.00 more than the base market value of \$134.00. Mr. Bessant indicated 10% allowable difference per contract price would be \$13.40 and a profit share of \$2.60 at a 60/40 split. Based on Charleston County's tonnage sold 2,100 the total amount paid to Charleston County would be \$2,184.00. Mr. Bessant stated staff has reviewed the figures several times to ensure the SWA has the best possible options. Chairman Thompson indicated this arrangement could be mutually beneficial to the SWA especially since the loss of construction and demolition material and the possible offsetting of having to increase the tipping fees. He commented on the contractual arrangements to make sure the SWA was protected with the 90-day unconditional termination of the contract for any reason. Mr. Bessant stated the consultant for Charleston County believed the SWA was able to handle the volume of material and as governmental entities they would have a better working relationship than with the private sector. He informed the Board that Charleston County wanted two, six-month contract extensions. Chairman Thompson asked Mr. Bessant what if the agreement is very profitable for the SWA what could the SWA do to keep Charleston County in this arrangement. Mr. Bessant stated he had not asked that question about long term agreements. He commented Charleston County had purchased their land and may need the 90-day unconditional termination clause for them. Chairman Thompson asked about the transportation cost. Mr. Bessant stated a cap of \$425.00 per load is included in processing cost of material. He indicated that the SWA paid for Sonoco transportation cost the first year and received a profit of \$250,000. Mrs. Bitting stated the average cost of transportation would be \$106,250.00 and the cost was included in the monthly processing of the material. She indicated this was included in the expenses in the base market value.

Chairman Thompson asked if the Board needed to be apprised of any concerns. Mr. Bessant stated the need to negotiate the agreement as well as the hiring and training of the temporary labor force. He informed the Board that Charleston County wanted to start August 3, 2015.

Mr. Bessant indicated at the present time with the current employees the MRF could handle an additional 500 tons per month until the additional staff could be hired and trained. He stated the skilled labor force was the issue and the excess of material transported to the SWA. Mrs. Murphy expressed her concerns about having the crucial number of employees to handle this volume of material. She emphasized the need for skilled labors in order to successfully operate two shifts at the facility as well as having a maintenance staff and supervisory personnel. Mr. Jones asked if a vote was needed for Mr. Knight and Mr. Bessant to pursue the agreement with Charleston County out-of-county-recyclables. Mr. Gray commended staff on this agreement to include the 90-day unconditional termination contract and hoped everything goes well. Chairman Thompson asked for motion.

Mr. Jones moved to authorize the Executive Director to enter into an agreement with Charleston County to accept the out-of-county-recyclables with the 90-day unconditional termination clause added and conditions discussed by the Board of Directors. There was a second by Mr. Gray and the Motion was carried.

MOTION TO ADJOURN

There being no further business to come before the Board, **Mr. Long moved, seconded by Mr. Campbell to adjourn the meeting. The Motion was carried** and the Special Meeting was adjourned at 4:20 P.M.

Minutes approved on July 28, 2015.

HORRY COUNTY SOLID WASTE AUTHORITY, INC.

BY: _____(L. S.)
M. Lance Thompson, Chairman

ATTEST:
_____(L. S.)
J. Michael Campbell, Secretary

_____(L. S.)
Pam J. Creech

_____(L. S.)
Sanford C. Graves

_____(L. S.)
Dan P. Gray

_____(L. S.)
W. Norfleet Jones

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